



**INTERNATIONAL CONFERENCE ON ECONOMICS,
BUSINESS, MANAGEMENT, AND ACCOUNTING
(ICEBESMA), TO BE HELD VIRTUALLY ON 5 TH -
6 TH DECEMBER 2024, AT MEDAN, SUMATERA
UTARA, INDONESIA.**

(ICEBESMA)

Track: Economy

Values-Based Leadership in Business
Business economics to improve sustainable policies
Effective strategies in building business relationships through digital platforms

Track: Management

Leadership
Digital Transformation in Business Management
Business Management to improve sustainable policies
Strategic Management in Business
Digital Marketing

Track: Accounting

Financial Technology
Financial Innovation and Social Responsibility
Accounting to improve sustainability policies
Integration of Business Ethics in Accounting

PROCEEDING
INTERNATIONAL CONFERENCE ON ECONOMIC, BUSINESS,
MANAGEMENT AND ACCOUNTING (ICEBESMA)

Theme
ASEAN Economic Community : Recovery, Digital Economy and Sustainability”

Medan, 28 Oktober 2023

ISBN:

PENERBIT



**UNIVERSITAS
PRIMA INDONESIA**
UNPRI PRESS

PROCEEDING INTERNATIONAL CONFERENCE ON ECONOMIC, BUSINESS, MANAGEMENT AND ACCOUNTING (ICEBESMA)

| | |
|--------------------------------------|--|
| Advisory Councils | : Prof. Dr. dr. I Nyoman Ehrich Lister, M.Kes., AIFM., Sp.K.K.L.P. Prof. Dr. Chrismis Novalinda Ginting, M.Kes. |
| Steering Committee (SC) | : Abdi Dharma, S.Kom., M.Kom. Prof. Dr. Drs. Syaifuddin, M.MA |
| General Chair (GC) | : Purnama Yanti Purba, S.E., M.M, CHCSA |
| Secretary Chair (Sec) | : Dr. Fajar Rezeki Ananda Lubis, S.E., M.S.M. |
| Finance Chair (FC) | : Bayu Wulandari, S.E., M.Si |
| Publication Chair (PC) | : Enda Noviyanti Simorangkir, S.E., M.Si., Ph.D |
| Technical Program Chair (TPC) | : Dr. Fenny Krisna Marpaung, S.E., M.Si. |

Technical Committe

1. Publication

| | |
|-------------|---|
| Coordinator | : Enda Noviyanti Simorangkir, S.E., M.Si., Ph.D |
| Team | : - Dr. Fajar Rezeki Ananda Lubis, S.E., M..S.M. - Dr. Salman Faris, S.Si., M.M. - Devianti Sagala, S.M. - Julfikar Rahmat, S.Kom. - LPPM UNPRI |

2. Parallel Session

| | |
|-------------|---|
| Coordinator | : Merry Rusida Siregar, S.Ak., M.Ak. |
| Team | : - Stiven Hamonangan SInurat, S.Kom. - Helen Sari Simanjuntak, AMD.T - Cindy Ika Mawarni, S.Pd |

3. Plenary Session

| | |
|-------------|---|
| Coordinator | : Tina Novianti Sitanggang, S.E., M.Si. |
| Team | : Widya Arisandy, S.Psi. |

4. Poster Session, Documentation, & Certificate

| | |
|-------------|----------------------------|
| Coordinator | : Mei Lisa, B.Ed., MTCSOL. |
| Team | : Dinda Syafitri, S.Pd. |

5. Registration & Security Guard

| | |
|-------------|---|
| Coordinator | : Herlin Munthe, S.Pd., M.Pd., M.Ak. |
| Team | : Maritta Hirawati, S.Ak. Mely Octavia Sitorus, S.Ak. |

6. Venue & Equipment

| | |
|-------------|---------------------------------------|
| Coordinator | : Jhon Lismart Benget. P, S.E., M.Si. |
| Team | : Richard Fernando Tarigan, S.Kom. |

7. Accommodation & Transportation Technical

| | |
|-------------|---------------------------------|
| Coordinator | : Dr. Salman Faris, S.Si., M.M. |
| Team | : Jenny Zain S.Ak., M.Ak. |

8. Consumption

| | |
|-------------|---|
| Coordinator | : Kristi Endah Ndilos, Ginting, S.E., M.M. |
| Team | : Dara Putri Andika, S.Kom. Riza Juli Arfah, S.Kom., M.M. |

9. Public Relations

| | |
|-------------|--|
| Coordinator | : Dede Ansyari Guci, S.E., M.Sc., Ph.D., CDM |
| Team | : Dr. Salman Faris, S.Si., M.M. |

10. Sponsorships

Coordinator : Devi Alvionita Alindra, S.S., M.Si.
Team : Shelly Maulida, S.Kom.

Copyright @2024

Alamat Redaksi :
Jl. Sekip Jl. Sikambing No.simpang, Sei Putih
Tim. I, Kec. Medan Petisah, Kota Medan,
Sumatera Utara, 20111

Hak Cipta dilindungi undang-undang
Dilarang memperbanyak sebagian atau seluruh isi buku ini dalam
bentuk dan cara apapun tanpa izin tertulis dari penerbit.

KATA PENGANTAR

Dengan penuh rasa syukur, kami mempersembahkan buku prosiding dari Seminar Internasional Ekonomi, Bisnis, Manajemen dan Akuntansi yang diselenggarakan pada 7 Februari 2025 di Universitas Prima Indonesia. Buku prosiding ini berisi rangkuman dari makalah-makalah yang dipresentasikan selama acara tersebut.

Seminar internasional ini merupakan hasil kerja keras dan kolaborasi dari banyak pihak. Kami ingin menyampaikan penghargaan yang setinggi-tingginya kepada para pembicara, peserta, serta panitia yang telah berperan aktif dalam menyelenggarakan acara ini. Terima kasih atas kontribusi, ide, dan pengetahuan yang telah dibagikan, sehingga menjadikan seminar ini sebagai wahana yang berharga untuk bertukar informasi dan berdiskusi tentang perkembangan terbaru dalam bidang ekonomi, bisnis, manajemen dan akuntansi.

Buku prosiding ini mencakup beragam topik dan pendekatan dalam bidang tersebut. Semoga rangkuman dari makalah-makalah yang disajikan di sini dapat menjadi referensi yang bermanfaat bagi para akademisi, praktisi, dan peneliti dalam menjalankan kajian dan aktivitas mereka. Kami berharap buku prosiding ini dapat menjadi salah satu sarana yang memperluas wawasan, memperkaya literatur ilmiah, dan mendorong terciptanya kolaborasi lebih lanjut di antara para pelaku dalam bidang ekonomi, bisnis, manajemen dan akuntansi.

Tanpa dukungan dan partisipasi dari semua pihak, keberhasilan seminar ini tidak akan tercapai. Sekali lagi, kami ucapkan terima kasih yang sebesar-besarnya atas kontribusi, dukungan, dan kerjasama yang telah diberikan.

Hormat kami,

Panitia Conference Internasional 2025

Universitas Prima Indonesia

DAFTAR ISI

THE IMPACT OF ONLINE CUSTOMER REVIEW AND ONLINE CUSTOMER RATING ON PURCHASE INTEREST WITH TRUST AS AN INTERVENING VARIABLE AT SHOPEE MARKETPLACE (EMPIRICAL STUDY OF FE UNPRI STUDENTS)

Lidya Haryati Bintang, Yusuf Ronny Edward, Fenny Krisna Marpaung 1-21

THE EFFECT OF UNDERSTANDING ACCOUNTING, UTILISATION OF REGIONAL FINANCIAL ACCOUNTING INFORMATION SYSTEMS AND THE ROLE OF INTERNAL AUDIT ON THE QUALITY OF LOCAL GOVERNMENT FINANCIAL STATEMENTS

Putri Elfrinanda Yovancha Simatupang, Netti Krisna Sitompul, Rosenda Royani Lumban Tungkup, Safina Patricia Situmorang, Enda Noviyanti Simorangkir, Jhon Raphael Saragih22-29

EMBARKATION HAJI DORMITORY UTILIZATION MODEL FOR THE EMPOWERMENT OF LOCAL COMMUNITIES

I Ketut Sirna, Yeyen Komalasari, Dewa Putu Oka Prasiasa30-34

CAPITAL STRUCTURE, CURRENT RATIO, COMPANY SIZE TO COMPANY VALUE WITH ROA AS MODERATING

Albert Herlambang, Effendy Pakpahan, Namira Ufrida Rahmi, Helman, Galumbang Hutagalung.....35-46

CASH FLOW FORECAST ANALYSIS STRATEGIC PLANNING: A CASE STUDY OF AN ETHEKWINI-BASED NON-PROFIT ORGANISATION

Zamanguni H Gumede47-57

DETERMINANTS OF CONSUMERS' PURCHASE DECISIONS FOR MODERN RETAIL IN MEDAN CITY

Aryani Sairun, Syaifuddin, Sugito 58-68

DETERMINANTS OF ENTREPRENEURSHIP IN PT PROPERTINDO BERSINAR PEMATANG SIANTAR

Rosben Sihombing, Syaifuddin, Robert Tua Siregar 69-83

EFFECT OF LIQUIDITY RATIO, SOLVENCY RATIO, ACTIVITY RATIO, PROFITABILITY RATIO ON PRICE EARNING IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2019 – 2022

Alvin Yosafat Nainggolan, Ria Winda Sari Sihombing, Merry Rusida S 84-95

EFFECTIVENESS OF USING ORGANIC AND LIQUID FERTILIZERS BASED ON PALM OIL MILL WASTE

Taslim Harefa, Yusniar Lubis, Martial.....96-114

IMPACT OF SALES GROWTH, PROFITABILITY, FIRM SIZE, AND LEVERAGE ON EARNINGS MANAGEMENT WITH CORPORATE GOVERNANCE AS MODERATION

Daniel Sarumaha, Darwin Lie, Enda Noviyanti Simorangkir, Tina Novianti Sitanggung115-130

THE ANALYSIS OF FINANCIAL MANAGEMENT OF PRIMA INDONESIA UNIVERSITY
FACULTY OF LAW STUDENTS

Gray Alvindo Tarigan, Bayu Wulandari, Vicky Roy, Najla Aira.....131-148

THE EFFECT OF LEADERSHIP, ORGANIZATIONAL CULTURE AND MOTIVATION ON JOB
SATISFACTION OF TEACHERS OF SMA/SMK YP ANTASARI

Chacha Patricia M br. Sihombing, Novella, Stephenei Virgo, Hendry.....149-156

KOPI KENANGAN BUYING INTEREST ANALYSIS OF GEN Z IN MEDAN CITY

*Michelle Chow, Purnama Yanti Purba, Willy,
Elfina Okto Posmaida Damanik.....157-177*

LEADER'S OPENNESS AND TOLERANCE OF AMBIGUITY AS MEDIATOR IN THE
RELATIONSHIP BETWEEN LEADER'S INTELLECTUAL HUMILITY AND EMPLOYEE'S JOB
SATISFACTION

Chintya, Fajar Rezeki Ananda Lubis, Dede Ansyari Guci.....178-194

FINANCIAL FUNDAMENTAL FACTORS ON COMPANY VALUE STOCK PRICE AS AN
INTERVENING VARIABLE IN A GOODS CONSUMER COMPANY ON THE INDONESIAN STOCK
EXCHANGE

*Aura Futhie Tasya, Aremi Evanta Br Tarigan, Enda Noviyanti Simorangkir, Galumbang
Hutagalung.....195-206*

THE ROLE OF LEADERSHIP PRACTICES IN ENHANCING ORGANIZATIONAL CAPABILITY:
EMPLOYEE WELL-BEING AS A MODERATING FACTOR IN PRIVATE UNIVERSITIES OF
PEKANBARU

Salim Aktar, Sunarsih, Melisa Nur Asima Sidabutar192-201

THE MEDIATING ROLE OF PURCHASE INTENTION ON THE INFLUENCE OF CELEBRITY
ENDORSERS AND SOCIAL MEDIA MARKETING ON PURCHASING DECISIONS AT FORE
COFFEE IN MEDAN CITY.

Marco Colie, Demak Claudia Yosephine Simanjuntak, Mariani, Evelyn.....202-229

OPERATIONAL FLOW CONTROL MODEL, MANUFACTURING COST AND EXTENSION COST
STRUCTURE AFFECT PRODUCTION IN MANUFACTURING COMPANIES

Togar Timoteus Gultom, Syaifuddin, Nagian Toni.....230-240

ANALYSIS OF THE EFFECT OF PRICE, PROMOTION, BRAND IMAGE ON CUSTOMER
SATISFACTION AT XXI CINEMA IN MEDAN

*Queensland Celine Wienanta, Isna Asdiani Nasution, Marsel Gery Daniel Sihaloho, Michael
Edy Pindonta Tarigan, Melisa Zuriani Hasibuan.....241-270*

SOCIAL MEDIA ENGAGEMENT AS AN INTERVENING VARIABLE BETWEEN DIGITAL
LITERACY, ENTREPRENEURIAL SKILLS AND SME PERFORMANCE IN TANGKAHAN
ECOTOURISM

*Nina Siti Salmaniah Sirega, Warsani Purnama Sari, Ahmad Prayudi, Dhian Rosalina, Nadra
Ideyani Vita271-281*

EFFECT OF CAPITAL ADEQUACY RATIO, LOAN TO DEPOSIT RATIO, AND NON-PERFORMING LOAN ON FINANCIAL PERFORMANCE WITH CREDIT RISK AS AN INTERVENING VARIABLE IN BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN THE 2021-2023 PERIOD

Bona Hermanto Damanik, Efendy Pakpahan, Yeni Ariesa.....282-293

THE EFFECT OF COMPANY SIZE, PROFITABILITY, LIQUIDITY, AND COMPANY GROWTH ON GOING CONCERN AUDIT OPINION IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) IN 2020-2022

Jason Angdinata, Herlin Munthe, Yeni Rafita Sihombing, Melfrianti Romauli Purba, Rifqah Harahap.....294-307

THE EFFECT OF COMPENSATION AND ENGAGEMENT ON EMPLOYEE PERFORMANCE IN PT. PERKEBUNAN NUSANTARA

Budi Susilo, Zainuddin , Syaifuddin, Sofiyan308-319

THE EFFECT OF DIGITAL MARKETING AND NON-CASH PAYMENTS (E-WALLET) ON INCREASING STUDENT’S BUYING INTEREST THROUGH CONSUMER TRUST AS AN INTERVENING VARIABLE AT STKIP PANGERAN ANTASARI MEDAN

Eka Chairani, Rosita Bangun, Fenny Krisna Marpaung.....320-333

THE EFFECT OF FINANCIAL LITERACHY, FINTECH P2P LENDING, AND PAYMENT GATEAWAY ON THE FINANCIAL PERFORMANCE OF MSMEs IN MEDAN CITY (CASE STUDY OF MEDAN PETISAH 2020-2024)

Seventani Oriza Sativa Sitorus, Rafida Khairani, Deswita Hutapea, Desy Marsaulina Marbun334-350

EFFECT OF LIQUIDITY, CAPITAL STRUCTURE, AND DIVIDEND POLICY ON COMPANY VALUE WITH PROFITABILITY AS AN INTERVENING VARIABLE IN THE CONSUMER INDUSTRY SECTOR PERIOD 2019-2023

Jackson Heber Parningotan, Nagian Toni, Yeni Ariesa.....351-361

THE EFFECT OF LIQUIDITY, LEVERAGE, AND PROFITABILITY ON DIVIDEND POLICY WITH FINANCIAL DISTRESS AS A MODERATING VARIABLE IN MANUFACTURING COMPANIES SUB SECTOR FOOD AND BEVERAGE LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2018-2022

Ivan Oswin, Aremi Evanta Tarigan, Enda Noviyanti Simorangkir, Galumbang Hutagalung, Sauh Hwee Teng362-371

THE EFFECT OF MARKETING MIX STRATEGY IN INFLUENCE CONSUMER DECISIONS AT POS INDONESIA (PERSERO) MEDAN

Rebecca Evadine, Syaifuddin, Yusuf Ronny Edward.....372-388

THE EFFECT OF PERSONAL SELLING, PRODUCT QUALITY, AND PRICING ON CUSTOMER PURCHASE DECISIONS OF PT. SUKSES OTOMOTIF SEJAHTERA MEDAN

Willsen Wijaya, Ketty Chendrian, Roza Maya Sari, Efrey Kurnia.....389-402

THE EFFECT OF PERSONAL TRAITS, FUNCTIONAL VALUE, AND BRAND TRUST ON APP LOVE OF STUDENTS IN MEDAN CITY

| | |
|--|----------------|
| <i>Jamaluddin ,Syaifuddin, Sofiyan</i> | 403-422 |
| THE EFFECT OF PRICE, PRODUCT QUALITY AND BRAND ON GS ASTRA BATTERY PURCHASE DECISION AT PT CAPELLA PATRIA UTAMA MEDAN | |
| <i>Hansen Leonardi, Cicely Lieanto</i> | 423-435 |
| THE EFFECT OF RETURN ON ASSETS (ROA), EARNING PER SHARE (EPS), NET PROFIT MARGIN (NPM), DEBT TO EQUITY RATIO (DER), PRICE TO BOOK VALUE (PBV) ON STOCK RETURNS STUDY CASE : HOSPITAL COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE 2018-2022 | |
| <i>Monita Oktavia Sinaga, Putri Tresia Sihotang, Dharma Amelia, Enda Noviyanti Simorangkir, Keumala Hayati</i> | 436-447 |
| THE EFFECT OF SOLVENCY, PROFITABILITY, SALES GROWTH, LIQUIDITY, COMPANY AGE, AND RECEIVABLES TURNOVER ON THE STOCK PRICE OF COMPANIES IN THE CONSUMER GOODS SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN THE PERIOD OF 2021 - 2023 | |
| <i>Veronica Ongko, Finna Christiyanti, Kristine Aprilia, Sere Miranda Sitorus, Bayu Wulandari</i> | 448-459 |
| THE EFFECT OF STEWARDSHIP CLIMATE AND EMPLOYEE VOICE ON EMPLOYEE PERFORMANCE AT THE BELAWAN PORT AUTHORITY OFFICE | |
| <i>Merdi Loi, Syaifuddin, Sofiyan</i> | 460-472 |
| THE EFFECT OF TARIFF, INFRASTRUCTURE AND DISTANCE ON CUSTOMER RETENTION AT BELAWAN CONTAINER DEPO | |
| <i>Riza Nasution, Syaifuddin</i> | 473-484 |
| THE EFFECT OF WORK DISCIPLINE AND LEADERSHIP ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE AT THE REGIONAL SECRETARIAT OF LABUHANBATU DISTRICT | |
| <i>Paino, Akmaluddin Harahap , Yusuf Ronny Edward, Fajar Rezeki Ananda Lubis</i> | 485-493 |
| THE EFFECT OF WORKLOAD AND WORK DISCIPLINE ON EMPLOYEE PERFORMANCE WITH JOB SATISFACTION AS AN INTERVENING VARIABLE AT HIGHER EDUCATION SERVICE INSTITUTIONS IN REGION I | |
| <i>Dhadek Keswary Bangun, Sofiyan, Elly Romy</i> | 494-501 |
| THE IMPACT OF DIGITAL MARKETING AND PRODUCT INNOVATION ON BUSINESS GROWTH OF PEKANBARU CITY MSMES | |
| <i>Williya Meta, Jeri Wandana, Arifin</i> | 502-512 |
| THE INFLUENCE OF AMBIDEXTROUS LEADERSHIP AND EDUCATION ON LECTURER PERFORMANCE IN ORGANIZATIONAL CULTURE MEDIATION IN PRIVATE UNIVERSITIES IN MEDAN | |
| <i>Jasbir S, Syaifuddin, Fajar Rezeki Ananda Lubis</i> | 513-523 |
| THE INFLUENCE OF COMPETENCE AND EMOTIONAL INTELLIGENCE ON EMPLOYEE PERFORMANCE THROUGH ORGANIZATIONAL CULTURE AS AN INTERVENING VARIABLE IN THE SOCIAL SERVICE OF NORTH SUMATRA PROVINCE. | |

| | |
|---|----------------|
| <i>Mastuana Sari , Sofiyan , Salman Faris , Melfrianti Romauli Purba</i> | <i>524-538</i> |
| THE INFLUENCE OF EMOTIONAL INTELLIGENCE THROUGH WORK-LIFE BALANCE ON EMPLOYEE PERFORMANCE AT THE INDONESIAN PALM OIL TECHNOLOGY INSTITUTE <i>Purjianto & Syaifuddin.....</i> | <i>539-550</i> |
| THE INFLUENCE OF EMPLOYEE ENGAGEMENT AND QUALITY OF WORK LIFE ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE IN INSPECTORATE OF LABUHANBATU DISTRICT. <i>Pati Gunawan Leonardo, Heri Azlan, Salman Faris, Fajar Rezeki Ananda Lubis, Yeni Rafita Sihombing.....</i> | <i>551-562</i> |
| THE INFLUENCE OF ETHNOCENTRISM, BRAND IMAGE, AND LIFESTYLE ON ONLINE BATIK PURCHASE DECISIONS IN MEDAN CITY <i>Astria S. Ginting, Demak Claudia Yosephine, Hanan H, Esben J. Hutagalung.....</i> | <i>563-573</i> |
| THE INFLUENCE OF E-WOM (ELECTRONIC WORD OF MOUTH) ON CONSUMER PURCHASE DECISIONS ON SKINTIFIC PRODUCTS <i>Denise Arfan, Mas Intan Purba, Angelin.....</i> | <i>574-587</i> |
| THE INFLUENCE OF HUMAN RELATIONS AND WORK FACILITIES ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE IN LABUHANBATU REGIONAL SECRETARIAT <i>Ridywati, Muliani Ritonga , Rosita, Salman Faris.....</i> | <i>588-599</i> |
| THE EFFECT OF LIQUIDITY AND SOLVENCY RATIOS ON THE FINANCIAL PERFORMANCE OF PHARMACEUTICAL COMPANIES ON THE INDONESIA STOCK EXCHANGE IN THE PERIOD 2021 – 2023 <i>Yosifina Br Pinem, Purnama Yanti Purba, Jhon Raphael Saragih.....</i> | <i>600-615</i> |
| THE INFLUENCE OF INTELLECTUAL CAPITAL, LIQUIDITY, AND OPERATIONAL EFFICIENCY ON THE GROWTH OF BANKING PROFITABILITY IN INDONESIA (CASE STUDY OF BANKING COMPANIES 2020-2023) <i>Balqis Nathasa, Purnama Yanti Purba, Harwin Kaur, Naomi Christie Angela Sipayung, Jhon Raphael Saragih.....</i> | <i>616-633</i> |
| THE INFLUENCE OF LEADERSHIP AND WORK ENVIRONMENT ON STAFF PERFORMANCE AT PT PERMODALAN NASIONAL MADANI (PNM) SIANTAR BRANCH <i>Yasatulo Lase, Syaifuddin, Sofiyan Matondang.....</i> | <i>634-645</i> |
| THE INFLUENCE OF ORGANIZATIONAL CLIMATE AND ORGANIZATIONAL CULTURE ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE AT THE REGIONAL INSPECTORATE OF SOUTH LABUHANBATU REGENCY. <i>Agus Salim, Melinawati , Robert Tua Siregar , Salman Faris, Tuty Nainggolan ...</i> | <i>646-657</i> |
| THE INFLUENCE OF ORGANIZATIONAL GOVERNANCE AND FINANCIAL LITERACY IN INCREASING THE PRODUCTIVITY OF MSMES (ULAMM) AT BUMN PT PERMODALAN NASIONAL MADANI (PNM) MEDAN BRANCH <i>Deni Faisal Mirza, Syaifuddin, Sofiyan Matondang.....</i> | <i>658-667</i> |

THE INFLUENCE OF PERCEIVED ORGANIZATIONAL SUPPORT AND SUPERVISION ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE AT THE FINANCIAL AND ASSET MANAGEMENT AGENCY OF THE LABUHANBATU DISTRICT

Susanty, Siti Holijah , Syaifuddin, Salman Faris, Rosita Bangun.....668-676

THE INFLUENCE OF PERFORMANCE ALLOWANCES AND WORK MOTIVATION ON EMPLOYEE PERFORMANCE THROUGH EDUCATION LEVEL AS AN INTERVENING VARIABLE AT THE LLDIKTI OFFICE OF REGION I, NORTH SUMATRA

Anthony Kelana Sembiring, Sofiyon, Fenny Krisna Marpaung677-688

THE INFLUENCE OF PROFESSIONAL SKEPTICISM, AUDITOR INDEPENDENCE, COMPETENCE, AUDITOR EXPERIENCE ON THE AUDITOR'S ABILITY TO DETECT FRAUD AT PUBLIC ACCOUNTING FIRMS IN THE CITY OF MEDAN.

Anasthasya Putri Br Sitepu, Enda Noviyanti Simorangkir, Rasinta Ria Ginting, Putri Wahyuni.....689-700

THE INFLUENCE OF PROFESSIONALISM, AUDITOR ETHICS, WORK EXPERIENCE, AND AUDIT FEES ON AUDIT QUALITY AT THE MEDAN CITY HOOD

Desy Juliana Br Tarigan, Merry Rusida S, Tina Novianti Sitanggang, Rifqah Harahap701-714

THE INFLUENCE OF RETURN ON ASSETS, RETURN ON EQUITY, CURRENT RATIO, DEBT TO EQUITY RATIO AND COMPANY SIZE ON STOCK RETURNS IN FOOD AND BEVERAGE INDUSTRY MANUFACTURING COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

Desiana Samosir, Lasmian Rejeki J. Simamora, Herlin Munthe, Maduma Sari Sagala.....715-732

THE INFLUENCE OF SERVICE QUALITY, PRICE AND LOCATION ON CONSUMER PURCHASING DECISIONS ON CAPTAIN SERVICES FIELD BARBERSHOP

Justine Hubert, Mas Intan Purba, Yeslin Anatasya Kho, Nurul Wardani Lubis733-745

THE INFLUENCE OF SOFT SKILLS AND EMPLOYEE EMPOWERMENT THROUGH JOB SATISFACTION ON CIVIL SERVANT PERFORMANCE IN NORTH PADANG LAWAS REGENCY

Nurul Hikmatul Alawiyah, Yusniar Lubis, Fajar Rezeki Ananda Lubis746-759

THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP AND KAIZEN CULTURE ON EMPLOYEE PERFORMANCE AT PT ASIA SAKTI WAHID FOODS MANUFACTURES

Luis Figo Wijaya, Fajar Rezeki Ananda Lubis, Elly Romy760-778

THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON MANAGERIAL PERFORMANCE OF JUNIOR HIGH SCHOOL PRINCIPALS MEDIATED BY EMPLOYEE ENGAGEMENT AND INNOVATIVE WORK BEHAVIOR

Riki Priyanda, Yeni Absah, Prihatin Lumbanraja, Iskandar Muda779-808

THE INFLUENCE OF WORK DISCIPLINE AND JOB CHARACTERISTICS ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE AT STIKES SENIOR MEDAN

Amri Jamoris Sinaga809-822

THE INFLUENCE OF WORK EXPERIENCE AND ORGANIZATIONAL COMMITMENT ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE AT THE POPULATION AND CIVIL REGISTRATION OFFICE OF LABUHANBATU DISTRICT.

Natalia, Junita Afriani, Nagian Toni, Fenny Krisna Marpaung823-831

THE MEDIATING ROLE OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR ON THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE IN PRIVATE PLANTATIONS IN RIAU

Sri Zuwef, Syaifuddin832-846

ANALYSIS OF THE INFLUENCE OF THE REWARD SYSTEM AND WORK-LIFE BALANCE ON PERFORMANCE WITH DISCIPLINE AS AN INTERVENING VARIABLE FOR EMPLOYEES OF PT. PAWNSHOP PRINGGAN BRANCH MEDAN.

Farhan Fahmil, Cut Fitri Rostina, Elly Romy, Fauzi.....847-862

THE INFLUENCE OF FIXED ASSETS, DEBT LEVELS, COMPANY PROFITABILITY, AND CAPITAL INTENSITY RATIO ON TAX MANAGEMENT IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2018-2022

Fransisca Angeline, Rasinta Ria Ginting, Enda Noviyanti Simorangkir, Ayang Pratama.....863-871

THE EFFECT OF ACCOUNTING SKILLS, FORENSIC ACCOUNTING KNOWLEDGE, AND ACCOUNTING INFORMATION SYSTEMS ON FRAUD DETECTION AND PREVENTION MODERATED BY ORGANIZATIONAL SUPPORT AT PT PLN (PERSERO) P3B SUMATRA

Nalom sourina sibirani, Aremi Evanta br Tarigan, Helman, Rasinta Ria Ginting, Matondang Elsa Siburian.....872-882



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Impact of Online Customer Review and Online Customer Rating on Purchase Interest with Trust as an Intervening Variable at Shopee Marketplace (Empirical Study of FE UNPRI Students)

Lidya Haryati Bintang¹, Yusuf Ronny Edward², Fenny Krisna Marpaung³
¹Universitas Prima Indonesia

ABSTRACT

PT. Shopee International Indonesia is a company engaged in online product sales, known for its Shopee application. Shopee was introduced as a mobile application-based e-commerce platform at the end of May 2015. The sampling method used is Purposive Random Sampling, where samples meeting specific criteria are selected randomly. The criteria for selecting samples in this study are, Owning the Shopee application, Having made online purchases using Shopee, and Choosing fashion products. The population in this study comprises all students of the Faculty of Economics at Universitas Prima Indonesia in 2024, with a total sample size of 232 respondents. The data collection techniques employed include primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS program, including t-tests and the coefficient of determination (R^2). The results of this study indicate, 1) There is a significant influence of online customer reviews and online customer ratings on trust, 2) There is a significant influence of online customer reviews and online customer ratings on purchase interest, 3) There is a significant influence of trust in service quality on purchase interest, 4) The trust variable is able to mediate the relationship between online customer reviews and purchase interest, 5) The trust variable is able to mediate the relationship between online customer ratings and purchase interest.

Keywords: Online customer review, Online customer rating, Trust, Purchase interest.

INTRODUCTION

Shopee is an e-commerce website that was first launched in Singapore in 2015. Now, Shopee is the largest platform used in Indonesia, significantly contributing to job creation and helping local businesses promote domestic products.

Universitas Prima Indonesia (UNPRI) is a private university established in 2001 as the Prima Nursing Academy and Midwifery Academy. With remarkable growth, it was renamed Prima Husada Health Science College in Medan in 2002 and became Universitas Prima Indonesia in 2005. Currently, UNPRI accommodates a large number of students. In today's digital era, many



students engage in online shopping activities due to its growing accessibility.

Pre-survey table for students of the Faculty of Economics, UNPRI 2024

| Pra survei | | | |
|------------|------------------|-------|------------|
| No | Pertanyaan | Hasil | |
| | | Puas | Tidak puas |
| 1 | Keseuaian produk | 30% | 70% |
| 2 | Ketetapan Waktu | 38% | 62% |
| 3 | Kualitas Produk | 18% | 82% |
| 4 | Keadaan barang | 88% | 12% |

Based on the pre-survey conducted by the researcher on 150 students from Universitas Prima Indonesia, who were selected randomly, it can be seen that many customers are dissatisfied with the products they purchased. This dissatisfaction clearly affects the interest of customers in making purchases on Shopee.

One factor that influences purchase interest is Online Customer Review. Fishbein and Ajzen (1975) created the theory of the Theory of Reasoned Action to predict the interest and behaviors of certain consumers. The model suggests that behind every individual's behavior, there are different attitudes and beliefs that trigger interest. These actions can have both positive and negative impacts, which influence decision-making.

Another factor that affects purchase interest is Online Customer Rating. Novi & Istiqomah (2020) describe it as consumer assumptions on a scale. The most popular rating system on Shopee is through the use of stars. The more stars given, the higher the seller's ranking appears.

According to Sumarwan (2002), consumer trust in a product can be observed from its usefulness and attributes, which illustrate customer perception and belief in the product. This aligns with the view of Baskara and Hariyadi (2014), who state that consumer trust is an aspect that influences online shopping. Trust varies among customers, but differing opinions on marketplace media strongly impact customers in giving reviews and ratings for the product.

Based on the study by Hana Yoflike Mokodompit et al. (2022), it is explained that online customer review have an insignificant impact on purchasing decisions on TikTok Shop for Equil Choir customers. This contrasts with the study conducted by Neri Agesti et al. (2021), which showed a negative impact of online customer reviews on purchasing decisions. However, this differs from the study by Lailatul Istiqomah and Usman Usman (2021), who explain that online customer reviews have a significant contribution to purchase interest.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Based on this phenomenon occurring on the Shopee platform and the comparison of previous research studies, the author is interested in conducting research titled " The Impact of Online Customer Review and Online Customer Rating on Purchase Interest with Trust as an Intervening Variable at Shopee Marketplace (Empirical Study of FE UNPRI Students)".

LITERATURE REVIEW

Social Proof

Van-Anh T. & Ky-Minh (2021) explain that social proof strongly influences customers' purchasing decisions and is deeply ingrained in many marketing strategies. Social proof refers to a psychological phenomenon where individuals tend to align their behavior with that of others in their environment, especially those they perceive as credible or significant. People are more likely to trust and purchase products that are endorsed or used by others they consider trustworthy.

Social proof is a psychological concept explaining individuals' tendency to follow the actions of others. It is widely utilized in marketing strategies to build consumer trust. Social proof can take various forms, including: Testimonials, User reviews, Followers or likes on social media, Recommendations from celebrities or influencers, Awards, Certifications from authoritative bodies, Positive reviews from influencers.

Word of Mouth Theory

Word of Mouth (WOM) is a marketing technique where information about a product or service is shared through personal recommendations. According to Kotler & Keller (2012), WOM Communication involves the process of sharing recommendations, either individually or in groups, with the goal of providing personal insights into a product or service.

Sernovitz (2012) outlines four key principles for effective WOM communication:

1. Create engaging information. People dislike boring topics. Provide content that encourages others to talk about the product or service. Always consider how to inspire others to share the information.
2. Ensure ease of dissemination. Effective WOM communication uses simple, clear, and



easily shareable messages. Initiate WOM with memorable points that people can quickly recall and pass along.

3. Make the communication experience enjoyable. When people feel happy during the WOM process, they are more likely to spread positive messages about the product. A positive experience ensures the product remains memorable.
4. Build respect and trust in the audience. Without earning respect and trust, WOM communication will fail. People are unlikely to share positive feedback about something they do not trust.

The Influence of Online Customer Review on Purchase Interest

According to Aftika (2020), reviews serve as a means for customers to seek initial references when deciding to purchase a product. By reading reviews, customers can be influenced in their decision-making process. Online customer reviews are a platform provided by marketplaces where customers can freely write reviews about services or products they have purchased. These reviews significantly impact purchase decisions.

This aligns with the study conducted by Izzatul Islami Harli et al. (2021), which demonstrates that online customer reviews contribute significantly to purchase interest. Similarly, Wahyu Candra Gemilang (2022) found that online customer reviews positively influence purchase interest. Based on these findings, it is predicted that the quality of online reviews has a significant effect on customer loyalty.

The Influence of Online Customer Ratings on Purchase Interest

According to Lantip and Halili (2020) in the ITS Engineering Journal, "online customer ratings are created by consumers who have made online purchases and are posted on the seller's booth or sales page. Ratings serve as feedback provided by consumers to sellers, and the ratings displayed on the product page of an e-commerce platform are a way for consumers to evaluate the quality of a product" (Ayustira & Latief, 2020).

This is consistent with the study conducted by Istiqomah et al. (2020), which explained that online



customer ratings are consumer assessments expressed through a star-rating scale, where a higher number of stars indicates superior product quality. Based on this explanation, it is predicted that online customer ratings significantly influence purchase interest.

The Influence of Online Customer Reviews on Trust

Trust refers to an individual's belief in the honesty, goodwill, and ability of others to meet expectations. Trust in a brand or on a marketplace platform reflects the expertise of a brand to be trusted and to fulfill the value promoted by the company to consumers, which can also increase purchase interest from potential customers. According to the study conducted by Devilia Sari & Cincin Rohmatulloh (2021), Online Customer Reviews contribute positively to customer trust. This is further supported by the findings of Candra Wahyu Gemilang (2023), who explained that online customer reviews significantly contribute to trust. Based on these explanations, it is predicted that the quality of online customer reviews impacts trust.

The Influence of Online Customer Rating on Trust

According to the assumption presented by Halili & Lantip (2020), online customer ratings are formed by each customer who has purchased a product online and reviewed it on the seller's platform. These ratings are considered a response from customers to the seller, in the form of an evaluation of the usefulness and quality of the product. A study conducted by Lantip Trisunarno & Halila Titin Hariyanto (2020) explained that online customer ratings have a significant contribution to consumer trust on Shopee. Based on this explanation, it is predicted that online customer ratings have an impact on trust.

The Influence of Trust on Purchase Interest

According to Sumarwan (2002), trust is a mental state based on an individual's context and social situation. Trust in a brand or on a marketplace platform reflects the brand's ability to be trusted and to fulfill the value promoted by the company to consumers, which, in turn, can increase purchase interest among potential customers. A study by Candra Wahyu Gemilang (2022) demonstrated that trust contributes positively to purchase interest on Lazada. Based on this



explanation, it is predicted that trust has an impact on purchase interest.

The Influence of Online Customer Reviews on Purchase Interest Through Trust

A study conducted by Devilia Sari & Cincin Rohmatulloh (2021) demonstrated that online customer reviews contribute positively to purchase interest through trust. This aligns with the findings of Candra Wahyu Gemilang (2022), which suggest that trust acts as an intervening variable that mediates the relationship between online customer reviews and purchase interest. According to Sarmis (2020), online customer ratings, through trust, indirectly contribute to purchase interest. Based on these explanations, it is predicted that online customer reviews significantly contribute to purchase interest through trust.

The Influence of Online Customer Ratings on Purchase Interest Through Trust

Through a study conducted by Candra Wahyu Gemilang (2022), it is assumed that trust serves as an intervening variable capable of mediating the effect of online customer reviews on purchase interest. This is consistent with the research by Asbahar (2023), which showed that online customer ratings significantly contribute to purchase interest through trust. From the explanation above, it can be seen that online customer reviews, through trust, significantly contribute to purchase interest.

METHODS

The sampling for this study uses the Purposive Random Sampling technique with the following criteria:

1. Owns the Shopee application.
2. Has made online purchases using Shopee.
3. Has purchased fashion products using Shopee.

The following students were categorized based on the criteria:

1. 735 students do not own the Shopee application.
2. 725 students own the Shopee application but have never used it.



3. 2,332 students own and use the Shopee application for purchasing products other than fashion.
4. 550 students own and use the Shopee application for purchasing fashion products.

Using the Purposive Random Sampling technique, the sample that meets the criteria consists of 550 students who own and use the Shopee application for purchasing fashion products. To determine the sample to be used as participants in this study, the Slovin formula is applied as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = Sample size

N = Total population that meets the criteria

e = 5% (Critical value or error tolerance)

The formula is applied as:

$550 / (1 + 550 * (0.05)^2) = 231,5$ rounded to 232. Therefore, the sample for this study consists of 232 students from the Faculty of Economics, Universitas Prima Indonesia.

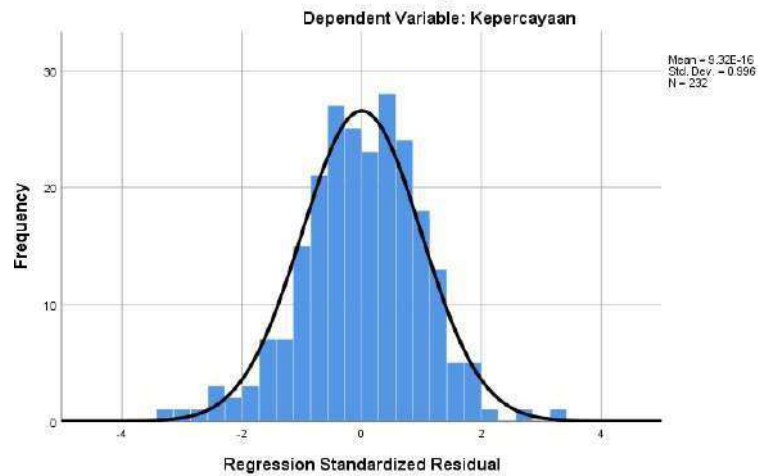
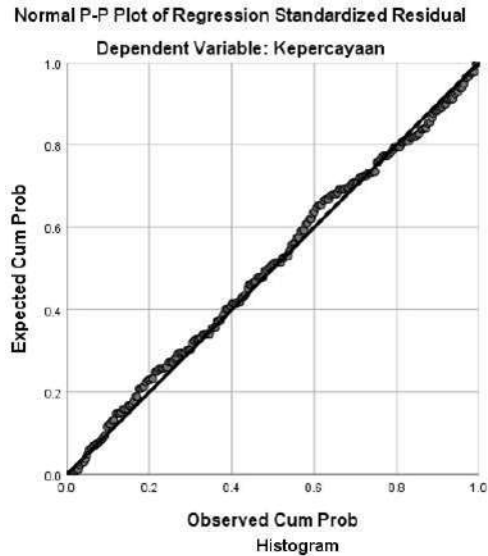
The data collection method used is primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique employs quantitative data processed using the SPSS program, including t-tests and the coefficient of determination (R^2).



RESULTS

Testing the Classical Assumptions of Sub-Model I

Normality Test Results



One-Sample Kolmogorov-Smirnov Test

| | |
|----------|-------------------------|
| | Unstandardized Residual |
| N | 232 |



| | | |
|---|----------------|---------------------|
| Normal Parameters^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.77973269 |
| Most Extreme Differences | Absolute | .047 |
| | Positive | .033 |
| | Negative | -.047 |
| Test Statistic | | .047 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |
| a. Test distribution is Normal. | | |
| b. Calculated from data. | | |
| c. Lilliefors Significance Correction. | | |
| d. This is a lower bound of the true significance. | | |

Based on the three tables above, it can be assumed that the results of the Normality Test meet the criteria of normally distributed residuals.

Multicollinearity Test Results

Table 4.11 Multicollinearity Test Results for Sub-Model I

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | | Sig. | Collinearity Statistics | |
|------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | t | | Tolerance | VIF |
| 1 (Constant) | 14.215 | 2.426 | | 5.859 | .000 | | |
| Online customer review | .324 | .075 | .281 | 4.311 | .000 | .849 | 1.178 |
| Online customer rating | .225 | .068 | .216 | 3.317 | .001 | .849 | 1.178 |

a. Dependent Variable: Trust



Based on the table, the online customer review variable shows a VIF value of 1.178 and a tolerance value of 0.849. Similarly, the online customer rating variable also shows a VIF value of 1.178 and a tolerance value of 0.849. According to the criteria of $VIF < 10$ and $tolerance > 0.10$, it can be assumed that there is no multicollinearity. Therefore, it can be concluded that the independent variables are free from multicollinearity, indicating that the model meets the classical assumption criteria for regression analysis.

Heteroscedasticity Test Results

Table 4.12. Heteroscedasticity Test Results for Sub-Model I

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .289 | 1.485 | | .195 | .846 |
| | Online customer review | .089 | .046 | .138 | 1.942 | .053 |



| | | | | | |
|------------------------|--------|------|--------|--------|------|
| Online customer rating | -0.027 | .042 | -0.047 | -0.661 | .509 |
|------------------------|--------|------|--------|--------|------|

a. Dependent Variable: Abs_RES1

Based on the table, the online customer review variable shows a significance value of $0.053 > \alpha = 0.05$, and the online customer rating variable shows a significance value of $0.509 > \alpha = 0.05$. Both significance values exceed 0.05, indicating that the model can be assumed to be free from heteroscedasticity.



Hypothesis Test Results for Sub-Model I

Table 4.13. t-Test Results for Sub-Model I

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 14.215 | 2.426 | | 5.859 | .000 |
| | Online customer review | .324 | .075 | .281 | 4.311 | .000 |
| | Online customer rating | .225 | .068 | .216 | 3.317 | .001 |

a. Dependent Variable: Trust

Based on the table, the results are: X1, the probability is 0.000. Since $P = 0.000 < \alpha = 0.05$, the hypothesis stating that X1 has a significant impact on Z can be accepted. X2, the probability is 0.001. Since $P = 0.001 < \alpha = 0.05$, the hypothesis stating that X2 has a significant impact on Z can be accepted.

Table 4.14. Results of the Coefficient of Determination (R^2) Test for Sub-Model I

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .416 ^a | .173 | .166 | 2.792 |

a. Predictors: (Constant), Online customer rating, Online customer review

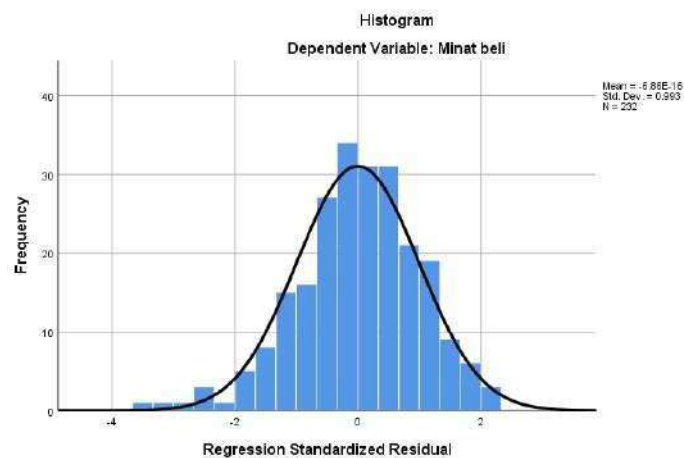
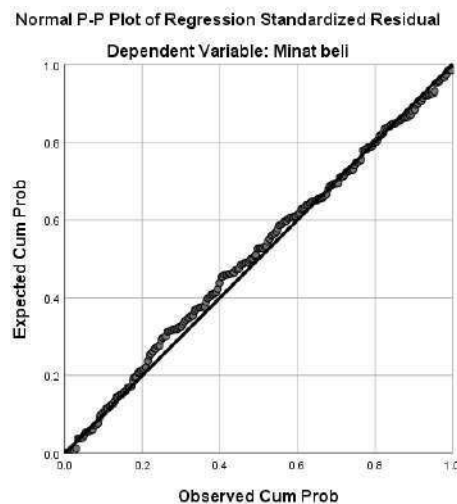
b. Dependent Variable: Trust



Based on the table, the R Square value is 0.166. This means that 16.6% of the variance in the dependent variable can be explained by the independent variables, while the remaining 83.4% is explained by variables outside the scope of this study.

Testing the Classical Assumptions of Sub-Model II

Normality Test Results





| One-Sample Kolmogorov-Smirnov Test | | |
|--|----------------|-------------------------|
| | | Unstandardized Residual |
| N | 232 | |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.79797191 |
| Most Extreme Differences | Absolute | .052 |
| | Positive | .027 |
| | Negative | -.052 |
| Test Statistic | | .052 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |
| a. Test distribution is Normal. | | |
| b. Calculated from data. | | |
| c. Lilliefors Significance Correction. | | |
| d. This is a lower bound of the true significance. | | |

Based on the three tables above, it can be assumed that the results of the Normality Test meet the criteria of normally distributed residuals.

Multicollinearity Test Results

Table 4.11 Multicollinearity Test Results for Sub-Model II

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 14.233 | 2.624 | | 5.423 | .000 | | |
| Online customer review | .206 | .079 | .176 | 2.606 | .010 | .785 | 1.274 |
| Online customer rating | .173 | .070 | .164 | 2.468 | .014 | .810 | 1.235 |



| | | | | | | | |
|-------------|------|------|------|-------|------|------|-------|
| Kepercayaan | .233 | .067 | .230 | 3.499 | .001 | .827 | 1.209 |
|-------------|------|------|------|-------|------|------|-------|

a. Dependent Variable: Purchase interest

Based on the table, the following results were obtained

Trust: VIF = 1.209, Tolerance = 0.827

Online Customer Review: VIF = 1.274, Tolerance = 0.785

Online Customer Rating: VIF = 1.235, Tolerance = 0.810

According to the test criteria (VIF < 10 and Tolerance > 0.10), it can be concluded that the independent variables do not exhibit multicollinearity symptoms.

Heteroscedasticity Test Results

Table 4.12. Heteroscedasticity Test Results for Sub-Model II

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .701 | 1.637 | | .428 | .669 |
| | Online customer review | .037 | .049 | .057 | .759 | .448 |
| | Online customer rating | .039 | .044 | .065 | .890 | .374 |
| | Kepercayaan | -.027 | .042 | -.048 | -.660 | .510 |

a. Dependent Variable: Abs_RES2

Based on the table, the following significance values were obtained:

X1: 0.448 > $\alpha = 0.05$; X2: 0.374 > $\alpha = 0.05$; Y: 0.510 > $\alpha = 0.05$

Since all significance values are greater than 0.05, it can be assumed that the model is free from heteroscedasticity.



Hypothesis Test Results for Sub-Model II

Table 4.13. t-Test Results for Sub-Model II

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 14.233 | 2.624 | | 5.423 | .000 |
| | Online customer review | .206 | .079 | .176 | 2.606 | .010 |
| | Online customer rating | .173 | .070 | .164 | 2.468 | .014 |
| | Kepercayaan | .233 | .067 | .230 | 3.499 | .001 |

a. Dependent Variable: Purchase interest

Z, the probability is 0.001. Since $P = 0.000 < \alpha = 0.05$, the hypothesis stating that Z has a significant impact on purchase interest can be accepted. X1, the probability is 0.010. Since $P = 0.010 < \alpha = 0.05$, the hypothesis stating that X1 has a significant impact on purchase interest can be accepted. X2, the probability is 0.014. Since $P = 0.014 < \alpha = 0.05$, the hypothesis stating that X2 has a significant impact on purchase interest can be accepted.

Table 4.14. Results of the Coefficient of Determination (R^2) Test for Sub-Model II

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .432 ^a | .187 | .176 | 2.816 |

a. Predictors: (Constant), Trust, Online customer rating, Online customer review

b. Dependent Variable: Purchase interest

Based on the table, the R Square value is 0.176. This means that 17.6% of purchase interest can be explained by the three variables, while the remaining 82.4% is explained by variables outside the scope of this study.



DISCUSSION

Online customer review has a significant impact on trust in Shopee. This variable has a regression coefficient of 0.281, indicating a positive effect. From the analysis above, it can be concluded that online customer reviews influence trust. This is consistent with the theory of social proof, where we tend to trust products that have been used by others deemed significant or by individuals whose opinions are considered trustworthy. The researcher can conclude that customers' tendency to trust a product is influenced by reviews from previous buyers.

Similarly, online customer rating has a significant impact on customer trust in Shopee. This variable has a regression coefficient of 0.216, indicating a positive effect. It can be concluded that online customer ratings influence trust, as when Shopee customers provide ratings in the form of stars for products purchased, it increases the trust of other customers in making a purchase. This finding aligns with one form of social proof, which is user reviews.

From the results above, it can also be observed that online customer review and online customer rating have a significant impact on purchase interest. This indicates that the reviews or ratings provided by customers who have previously made a purchase significantly influence the interest of potential buyers. These findings are consistent with the studies conducted by Usman and Lailatul Istiqomah (2021), who stated that online customer reviews positively contribute to purchase interest, and the research by Samsul Arifin & Ratna Cindy Duhita Sari (2024), which highlighted the significant contribution of online customer ratings to purchase decisions.

Trust also has a significant impact on customer purchase interest on Shopee. This variable has a regression coefficient of 0.230, indicating a positive effect. From the results above, it can be concluded that trust in a marketplace greatly influences the purchase interest of potential buyers. This aligns with the word of mouth marketing theory, where if customers trust a product, they are likely to recommend it to others. This, in turn, increases the purchase interest of potential customers.

Based on the Sobel test results, the calculated t-value is 2.708, which exceeds the critical t-table value of 1.96. This indicates that trust effectively mediates the relationship between online



customer reviews and purchase interest. From these findings, it can be concluded that the more positive reviews or evaluations Shopee customers provide, the higher the trust among customers. This result aligns with the study conducted by Asbahar (2023), which demonstrated that online customer reviews contribute to purchase interest through trust. This is further supported by the word of mouth marketing theory, which posits that satisfied consumers are more likely to trust the product and make repeat purchases, as well as recommend the product to others, thereby increasing the purchase interest of potential customers.

Similarly, the Sobel test results show a calculated t-value of 2.397, which is greater than the critical t-table value of 1.96. This implies that trust also mediates the relationship between online customer ratings and purchase interest. From these findings, it can be concluded that the more ratings (in the form of star ratings) provided by Shopee customers for a product, the higher the trust among customers. These findings are consistent with the study conducted by Asbahar (2023), which revealed that online customer ratings contribute to purchase interest through trust. This is also supported by the word of mouth marketing theory, where satisfied consumers are more likely to trust the product, make repeat purchases, and share their experiences with others, thereby increasing the purchase interest of potential customers. In this study, the variable with the most significant influence on purchase interest is trust, with a regression coefficient of 0.230, indicating a positive effect.

CONCLUSION

1. Online customer reviews significantly influence trust. This condition demonstrates that the better the online customer reviews provided by customers, the more customer trust can be enhanced.
2. Online customer ratings significantly influence trust. This condition shows that the better the online customer ratings provided by customers, the more customer trust can be increased.
3. Online customer reviews significantly influence purchase interest. This condition proves that the better the online customer reviews provided by customers, the higher the customers' purchase interest will be.



4. Online customer ratings significantly influence purchase interest. This condition demonstrates that the better the online customer ratings provided by customers, the more customers' purchase interest can be improved.
5. Trust significantly influences purchase interest on Shopee. This condition proves that higher levels of customer trust can lead to increased purchase interest.
6. The trust variable mediates the relationship between online customer reviews and purchase interest. It can be concluded that better reviews provided by customers can enhance the trust of potential customers, thereby increasing their purchase interest on Shopee.
7. The trust variable mediates the relationship between online customer ratings and purchase interest. It can be concluded that better ratings provided by customers can increase the trust of potential customers, ultimately boosting their purchase interest.

LIMITATION

The limitations of this study are as follows:

1. The subject of this research is the influence of online customer reviews and online customer ratings on purchase interest, with trust as an intervening variable within the Shopee marketplace.
2. The research is limited to students of the Faculty of Economics at Universitas Prima Indonesia.
3. The study focuses exclusively on the purchase of fashion products on the Shopee marketplace.
4. The analysis in this study is conducted using path analysis facilitated by SPSS software.

REFERENCES

Jurnal

- Cindy Ratna Duhita Sari and Samsul Arifin (2024). The influence of online customer reviews, online customer ratings, and celebrity endorsers on e-commerce shopee purchasing decisions (study on generation z in tahunan district). International Journal of Economics, Business and Accounting Research (IJEBAR) Peer Reviewed – International Journal Vol-8, Issue-1, 2024 (IJEBAR) E-ISSN: 2614-1280 P-ISSN 2622-4771 <https://jurnal.stie-aas.ac.id/index.php/IJEBAR>
- Cincin Rohmatulloh dan Devilia Sari. (2021). Pengaruh *online customer review* terhadap minat beli dengan kepercayaan sebagai variabel intervening pada shopee.
- Cheol Woo Park. 2021. Effects of online reviews, trust, and picture-superiority on intention,t-



- opurchase-restaurant-services. *Journal of Hospitality and Tourism-Management*,47-(2021)228–236 <https://doi.org/10.1016/j.jhtm.2021.03.007>
- Fisca Ardi Prasetiawati, et al. (2023). The Influence of Online Customer Reviews and Trust on Purchasing Decisions in E-Commerce Lazada in Surabaya City. *International Journal of Social Science and Education Research Studies* ISSN(print): 2770-2782, ISSN(online): 2770-2790 Volume 03 Issue 08 August 2023. <https://doi.org/10.55677/ijssers/V03I8Y2023-31>
- Frederick Alvi Herzegovino Sianipar dan Dr. E. Dra. Hj. Yoestini, M.Si. 2021. Analisis pengaruh customer review dan customer rating terhadap keputusan pembelian produk di online marketplace (Studi Pada Mahasiswa Pengguna Tokopedia di Kota Semarang). DIPONEGORO JOURNAL OF MANAGEMENT. Volume 10, Nomor 4, Tahun 2021, ISSN (Online): 2337-3792.*
- Friska Ayu Ningrum, et al. (2023). Muslim Decisions in Online Purchasing of Fashion Products Through the Marketplace: Analysis of The Influence of Ratings and Online Customer Reviews. *Proceeding of 1st International Conference on Islamic Economics, Islamic Banking, Zakah and Waqf 2023.*
- Halila Titin Hariyanto dan Lantip Trisunarno. 2021. Analisis Pengaruh Online Customer Review, Online Customer Rating, dan Star Seller terhadap Kepercayaan Pelanggan Hingga Keputusan Pembelian pada Toko Online di Shopee. JURNAL TEKNIK ITS Vol. 9, No. 2, (2020) ISSN: 2337-3539 (2301-9271).*
- Hana Yoflike Mokodompit et al. 2022. *Effect of online customer rating, cash on delivery payment system and online customer review on purchase decisions at tiktok shop (study ob students and alumni equil choir feb unsrat).* *Jurnal EMBA* Vol. 10 No. 3 Juli 2022, Hal. 975-984.
- Izzatul Islami Harli et al. 2021 *Pengaruh Online Consumer Review dan Rating terhadap Minat Beli Produk Kesehatan pada E-Marketplace Shopee Selama Masa Pandemi COVID - 19.* *Jurnal Inovasi Bisnis dan Manajemen Indonesia* Volume 04, Nomor - 04, September-2021.
- Ivan Ventre & Diana Kolbe. 2020. The Impact of Perceived Usefulness of Online Reviews, Trust and Perceived Risk on Online Purchase Intention in Emerging Markets: A Mexican Perspective. *Journal of International Consumer-Marketing.* <https://doi.org/10.1080/08961530.2020.1712293>
- Ky-Minh Do1 and Van-Truc. 2021. the role of social proof, trust, and customer traits towards the consumers' online impulse buying on live-stream broadcasting platform - the case of facebook live in vietnam. *The International Conference on Management and Business – COMB.*
- Lailatul Istiqomah dan Usman Usman (2021). Pengaruh online customer review , kepercayaan, dan persepsi risiko terhadap keputusan pembelian dengan minat beli sebagai variabel intervening (studi terhadap mahasiswa pengguna platform pasar online). *JURNAL JAEM* Vol 1 No. 1 Maret (2021) Hal 76-88, P-ISSN : 2809-655X E-ISSN : 2809-6487
- Neri Agesti et al. 2021. The Effect of Viral Marketing, Online Customer Review, Price Perception, Trust on Purchase Decisions with Lifestyle as Intervening Variables in the



- Marketplace Shopee in Surabaya City. *International Journal of Multicultural and Multireligious Understanding*. <http://dx.doi.org/10.18415/ijmmu.v8i3.2526>
- Novita Amalia Riyanjaya dan Sonja andarini. (2022). *Pengaruh Online Customer Review dan Online Customer Rating terhadap Minat Beli Produk Wardah di Situs Belanja Online Shopee*. Vol 3 No 5 (2022) 909-926 P-ISSN 2620-295 E-ISSN 2747-0490 DOI: 1047467/elmal.v3i5.1179
- Nur Kamisa. Et al. 2022. *Pengaruh online customer review dan online customer rating terhadap kepercayaan konsumen (Studi kasus: Pengguna Shopee di Bandar Lampung)*. *Journal of Economic and Business Research*. Vol. 2, No. 1, Maret 2022, page 21-29.
- Novi irfania. 2022. Factors influencing the online buying interest of SMEs Food and Beverage Products. Studies on the people of West Bandung Regency, Indonesia. *International Journal Administration, Business & Organization*. <https://ijabo.a3i.or.id/>
- Osman Ahmed El-Said. 2020. Impact of online reviews on hotel booking intention: The moderating role of brand image, star category, and price. *Tourism Management Perspectives* 33 (2020) 100604. <https://doi.org/10.1016/j.tmp.2019.100604>
- Renna Selviana Sari and Lie Othman (2024). *Pengaruh Online Customer Review dan Online Customer Rating Terhadap Keputusan Pembelian di Marketplace Lazada (Studi pada Mahasiswa FISIP Universitas Riau Pengguna Aplikasi Lazada)*. JAMBU AIR: Journal of Accounting Management Business and International Research E-ISSN: 2964-0954 P-ISSN: 2964-8033 Vol. 3 No. 2 October 2024.
- Saipulloh Fauzi dan Lia Febria Lina. 2021. *Peran foto produk, online customer review, online customer rating pada minat beli konsumen di e-commerce*. *JURNAL MUHAMMADIYAH MANAJEMEN BISNIS*. DOI : 10.24853/jmmb.2.1.151-156.
- Wahyu Candra Gemilang. (2023). *Pengaruh rating dan online customer review terhadap minat beli pada lazada melalui trust sebagai variabel intervening*. *Jurnal Ilmu dan Riset Manajemen* : Volume 12, Nomor 2, Februari 2023.
- Yuniar Nanda Anggraeni. (2023). *The influence of promotions, online customer reviews, and online customer ratings on decisions to purchase muslim clothing products in e-commerce shopee on ikhac students*. *Post modern economy journal*. Vol. 1 No. 1, (2023), 37 – 53.

Skripsi dan Thesis

- Asbahar. 2023. *online customer review dan rating memiliki pengaruh positif signifikan terhadap keputusan pembelian*.
- Maharani. 2023. *Pengaruh online customer review dan online customer rating terhadap keputusan pembelian produk implora cheek & liptint di shopee (studi pada pelanggan implora cosmetics di desa bangun sari)*.



The Effect of Understanding Accounting, Utilisation of Regional Financial Accounting Information Systems and the Role of Internal Audit on the Quality of Local Government Financial Statements

Putri Elfrinanda Yovancha Simatupang^a, Netti Krisna Sitompul^a, Rosenda Royani Lumban Tungkup^a, Safina Patricia Situmorang^a, Enda Noviyanti Simorangkir^a, Jhon Raphael Saragih^b

^aUniversitas Prima Indonesia

^bPoliteknik Kesejahteraan Sosial

Abstract

The following research examines the influence of accounting literacy, SIAK, and internal audit on the quality of financial statements of Medan City Government. Quality financial reports support transparency, accountability, public trust, and sustainable regional development. Variables analysed include accounting understanding (including knowledge and skills in accounting), use of SIAK to support the efficiency and accuracy of financial data processing, and internal audit capability to ensure the reliability of financial reporting. This includes the role you want to secure. Testing and evaluation. In this research, purposive sampling method was used to survey relevant agencies in Medan City Government. Data analysis using multiple linear regression showed that accounting knowledge, SIAK, and internal audit have a positive effect on the quality of financial reports of Medan City Government. The findings recommend that local governments improve their organisational capacity, utilise information technology, and strengthen their internal monitoring function to improve the quality of their reports.

Keywords: Accounting understanding, accounting information system, internal audit, financial report quality, local government.

Introduction

Quality reports describe the results of the accounting process that records and summarises financial transactions. This report presents information about assets, liabilities, equity, and profit and loss. Reports are said to be of quality if they are easy to understand, able to reduce uncertainty, and are prepared using valid data so that they can be compared between periods. (Emilda, 2019).

In addition, financial quality serves to identify potential problems that may arise within the company. There are three main factors that influence the occurrence of workplace fraud, namely the availability of time or opportunity to do so, the ease of access to technology that allows it to occur, and changes in individual characteristics (Hall, 2019). Given the importance of the audit system in a business, it is difficult to imagine a company operating without an audit system. Without audits, companies will not be able to improve transactions in a clear, accurate, and organised manner.

Accounting comprehension is the ability of individuals to recognise, understand, and learn the accounting process. According to Arismawati, et al. (2019), accounting understanding includes the ability of individuals to understand the accounting process, both manually and



using computer technology. Good understanding is marked by the ability to understand and explain the financial process to produce financial reports that are valid with the rules and standardisation in the Financial Accounting Standards.

Limited understanding of accounting has the potential to reduce the quality of financial statements, especially due to the lack of maximum implementation of Regional SIAK and weak supervision through internal audits. A person is considered to have accounting knowledge if they are able to carry out the accounting process in accordance with the rules and standards adjusted in PP No. 71 Thn 2010.

AIS plays an important role in company operations. SIA is a sub-system of computer-based SIM designed for the financial sector. Its function is to coordinate data sources and process them into financial information that is relevant and useful for the company (Yunilasari, 2019). According to Laturette (2019), AIS is an actor that plays an important role in accounting because accounting provides information that reflects company activities. AIS is the process of designing, implementing, and utilising this information to support appropriate decision making.

According to Kandouw (2019), a reliable information system serves to provide the information needed by company management, including planning, coordination, data collection, and decision making. A good information system strives to provide valid information to support the planning of company goals. However, inaccurate or incomplete information can interfere with management decision-making, which has the potential to negatively impact the continuity of the company.

Internal audit in a company has a very important purpose, which is to assist management in carrying out their responsibilities and duties properly. Internal audit is used to evaluate the activities carried out by the organisation in an effort to achieve its goals. Internal audits allow business managers to focus more on managerial tasks without compromising the effectiveness and efficiency of company operations. In addition, internal audits assist managers in terms of analysis, planning, and follow-up, as well as providing information related to activities carried out within the company.

Literature Review

H₁ Accounting understanding affects the quality of financial reports of the Medan City Government.

According to Mahmudi (2019: 124), understanding knowledge is the ability to understand and use knowledge, both as a collection of information and as a process, ranging from transactions to financial management. According to Yuliani et al. (2019), accounting understanding has an effect on financial quality reporting. This means that efforts to improve understanding of accountability in the realm of local government can contribute to improving the quality of financial reports

H₂ Information system utilisation affects the quality of financial reports of the Medan City Government.

According to Rizki Ahmad Fauzi (2019: 25), the audit system is an organisational element that functions to manage information, starting from the stages of collection, processing, analysis, to communication to related parties. necessary for financial decision making to internal and external stakeholders. According to Gusherinsya and Samukri (2020), their research shows that



AIS has a close relationship with the quality of financial reporting. In addition, Wiranti's research (2021) reveals that a smooth audit system can improve the quality of financial reports, making them precise, relevant, easy to understand, and comparable.

H₃: The role of internal audit affects the quality of the financial statements of the Medan City Government.

According to **Sukrisno (2019: 238)**, internal audit is the process of examining the company's financial records and internal controls, as well as its compliance with existing management practices, government regulations, and applicable knowledge. According to **Ade Suherman and Yuyun Susanti (2019)**, internal audit has a good impact on financial performance. This shows that internal audit is increased, the quality of financial reporting will be much better.

H₄ Accounting understanding, information system utilisation, and the role of internal audits simultaneously on the quality of financial statements of the Medan City Government.

Financial report quality, according to **Ibrahim Ingga (2019: 163)**, can be defined as a relative measure of success. In addition, according to **Wastam Wahyu Hidayat (2019: 2)**, the quality of financial statements describes the financial information of a company, which can be used as a sheet about the company's financial performance. According to **Bahri (2019)**, financial products are products created by a company or a clumped field that requires qualified human resources to achieve optimal financial results. With high-quality human resources and good knowledge and understanding of trust-related issues, financial problems can be identified and resolved in a timely manner. The faster the funds are disbursed, the better the conditions created.

Methods

The following research applies quantitative descriptive methods, which focus on collecting data to test hypotheses or answer questions about the prevalence of a problem. Numerical data is analysed through statistical approaches to identify relationships between relevant variables. The procedure applied in this research is quantitative analysis. Quantitative research collects numerical data and analyses it using statistics. This research uses a quantitative descriptive approach. A qualitative problem is one that involves the use of one or more variables. This study is descriptive, which aims to analyse the relationship between variables in order to validate or prove existing hypotheses.

Purposive sampling is a non-random sampling method based on certain criteria or rules followed in this study. As a result, a total of 80 samples were collected throughout this study to represent the entire population.

The way the data was collected by applying documentation, which includes collecting data from the company's financial reports that have been recorded or published in full, as well as government financial reports published by the Medan City Government.

This research used a quantitative approach, with data presented in the form of numbers to facilitate the collection and analysis process. The data includes various information related to the company, organisational structure, and other relevant data taken from the literature review.

Table 1. Variable Definition Table

| Variables | Definition of Variables | Indicators | Scale |
|------------------------------------|---|--|---------------|
| Accounting Understanding (X_1) | Accounting understanding refers to a person's ability to master accounting, both as | 1. Recording stage 2. Summarising Stage | <i>Likert</i> |



| | | | |
|---|---|--|---------------|
| | knowledge and process, from recording transactions to preparing financial statements. | 3. Reporting stage | |
| Accounting Information System Utilisation (X ₂) | SIAK collects, processes, and delivers financial information for internal and external decision-making. | 1. Flexible 2. Efficient 3. Easily accessible 4. On time | <i>Likert</i> |
| Internal Audit Role (X ₃) | Internal audit is tasked with examining financial statements and ensuring compliance with applicable policies, regulations and standards. | 1. Independence 2. Professional Qualifications 3. Scope of Activities 4. Implementation of Audit Assignment | <i>Likert</i> |
| Quality of Financial Statements (Y) | The quality of financial statements reflects the extent to which financial information describes the company's performance. | 1. Understandable 2. Relavan 3. Reliability 4. Comparable | <i>Likert</i> |

Multiple linear regression analysis is a statistical method that uses several independent variables to analyse their effect on one dependent variable. The calculation of this analysis is carried out using the regression formula.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

It is known that Y refers to the quality of financial statements, α refers to the constant, X₁ refers to accounting understanding, X₂ refers to the utilisation of accounting information systems, X₃ refers to the role of internal audit, and ε refers to error.

Results

Descriptive statistics provide an overview of the data used in the study. Data analysis was carried out using the SPSS version 26 programme. The statistical data is displayed as follows:

Table 2. Statistical Descriptive Analysis Table

| | N | Minmum | Maxmum | Mean | Std. Devition |
|---|----|--------|--------|-------|---------------|
| Accounting Comprehension | 80 | 19 | 39 | 28.53 | 4.003 |
| Utilisation of Regional Financial Accounting Information System | 80 | 22 | 40 | 31.53 | 3.438 |
| Intrnal Audit Role | 80 | 18 | 37 | 27.18 | 4.224 |
| Quality of Local Government Financial Statements | 80 | 23 | 40 | 30.61 | 3.509 |
| Vaid N (listwise) | 80 | | | | |

Classical Assumption Test Results

Based on the k-smirnov test results, the Asymp.Sig value is 0.200, which exceeds 0.05. This shows



that the data as a whole is normally distributed, making it feasible for regression to function as a tool to see or predict the independent variable based on the dependent variable. The histogram of the real data distribution, which has an asymmetrical and irregular curvature, shows that the data is normally distributed, so the ideal regression is in accordance with the assumption of normality. The data is spread along the diagonal, which indicates that the data distribution is normal. Based on the k-smirnov test results, the Asymp.Sig value is 0.200, which exceeds 0.05. This shows that the data as a whole is normally distributed, so it is appropriate for regression to function as a tool to see or predict the independent variable based on the dependent variable.

The multicollinearity test results show no significant problems among the independent variables in the regression model. The Accounting Understanding variable, with a Tolerance of 0.960 and a VIF of 1.042, and the SIAKD Utilisation variable, with a Tolerance of 0.998 and a VIF of 1.002, do not show strong multicollinearity. Likewise with the Internal Audit Role variable, which has a Tolerance of 0.962 and a VIF of 1.040. All independent variables can contribute independently to the dependent variable, so the regression model is considered valid.

Table 3. Determination Coefficient Test

| Model Summary ^a | | | |
|----------------------------|----------|-------------------|----------------------------|
| R | R Square | Adjusted R Square | Std. Error of the Estimate |
| .588 ^a | .346 | .320 | 2.894 |

Overall, the statistical results that the regression model enabled can explain about 34.6% of the variation in Local Government Financial Quality, indicating a strong relationship, although there are likely to be other variables influencing the results.

Table 4. T-test

| Model | | t | Sig. |
|-------|--------|-------|------|
| 1 | (Cont) | 2.817 | .006 |
| | X1 | 2.626 | .010 |
| | X2 | 3.499 | .006 |
| | X3 | 5.137 | .000 |

$$T_{table} = (\alpha / 2; n-k-1)$$

$$= (0,025 ; 76) = 1.991$$

Accounting Understanding, with a t value of 2.626 which is greater than the t table (1.991), and a value of Sig. 0.010 which is smaller than 0.05, indicating that Accounting Understanding has a significant effect on the Quality of Local Government Financial Statements.

Utilisation of Regional Financial Accounting Information Systems, with a t value of 3.499 which is much greater than the t table (1.991) and a Sig. value of 0.006, which is smaller than 0.05, indicates that the Utilisation of Regional Financial Accounting Information Systems has a significant effect on the quality of financial statements.

The role of Internal Audit, with a t value of 5.137 which is much greater than the t table (1.991) and a very small Sig. value, namely 0.000, indicates that the Role of Internal Audit has a very significant effect on the Quality of Local Government Financial Statements.



Table 5. F-test

| ANOVA ^a | | | |
|--------------------|-----------|--------|-------------------|
| Mdel | | F | Sig. |
| 1 | RegeSSION | 13.392 | .000 ^b |
| | Resiual | | |
| | Total | | |

Based on the results that have been tested, the F value obtained is 13.392, the F value in the table (2.72) is greater than the calculated f value, with a Sig value. 0.000 which is smaller than 0.05. This indicates that the regression model is statistically significant, which means that at least one independent variable (Internal Audit Role, Regional SIAK Utilisation, and Accounting Understanding) has a significant effect on local government financial quality. Hence, the null hypothesis (H_0) is rejected, and the regression model is valid to explain the variation in financial liquidity.

Discussion

Understanding Accounting on the Quality of Local Government Financial Statements

A strong understanding of accountability principles and established standards ensures that financial management produces accurate, transparent and reliable results. Effective management of public funds requires accountability, transparency and efficiency. On the other hand, a lack of understanding can lead to problems such as corruption and abuse of authority, ultimately lowering the quality of financial services and undermining public trust in local government. This research, in collaboration with Ningsih, N. (2020), explores the determinants that govern the quality of local government spending, with awareness as one of the independent variables. It shows that a good understanding of accountability significantly improves the quality of financial reporting, especially in terms of accuracy and compliance with regulations.

Utilisation of Regional Financial Accounting Information Systems on the Quality of Local Government Financial Statements

Utilisation of the Regional Financial Accounting Information System (SIKAD) has a significant effect on the quality of financial reporting. Utilisation of SIKAD improves the quality of local government services by ensuring transactions are more accurate, timely, and consistent. SIKAD simplifies the process of preparing reports, reduces errors, and accelerates the preparation of clean and accountable financial reports. This improves accountability, efficiency in managing local resources, and better decision-making. This study, along with Hidayat, R., and Kurniawan, F. (2019), analyses the impact of SIKAD use on the financial quality of local governments in Indonesia. The study showed that the use of SIKAD significantly increased the accuracy and transparency of local finances, which contributed to increased accountability and efficiency in local government finances.

The Role of Internal Audit on the Quality of Local Government Financial Statements

The role of internal audit is crucial in ensuring that government finances are managed properly. Auditors help identify problems or areas for improvement in financial management, and provide recommendations to improve accuracy, transparency, and compliance with accounting standards. Thus, internal audit strengthens public accountability and trust in local government finances. This research is related to Halim, F., and Salim, M. (2020). This study found that internal audit has a significant impact on improving the quality of government financial reporting by ensuring accountability for policies and procedures that have been implemented,



as well as identifying potential growth opportunities that can improve financial reporting.

Accounting understanding, utilisation of local financial accounting information systems, and the role of internal audit on the quality of local government financial reports.

The results show that the regression model can explain 34.6% of the variation in local government financial quality, with a strong relationship despite other influencing variables. The calculated F value (13.392) is greater than the F table value (2.72), and the Sig. (0.000) is smaller than 0.05, which indicates that the regression model is significant. Factors such as deep understanding, effective implementation of SIAKD, and efficient internal audit have a significant impact on the quality of local government finances, ensuring that financial transactions are conducted accurately, transparently, and timely.

Conclusion

Based on research entitled 'The Effect of Accounting Understanding, Utilisation of Local Government Accounting Information Systems, and the Role of Internal Audit on the Quality of Local Government Financial Statements' the findings show that Accounting Understanding, with a t-table value of 2.626 (greater than the t-table value of 1.991) and a significance of 0.010, significantly affects the Quality of Financial Statements. Utilisation of local government accounting information systems, with a t-table value of 3.499 and a significance of 0.006, also has a significant impact on report quality. The internal audit function, with a t-table value of 5.137 and a significance of 0.000, has a highly significant effect on report quality. Furthermore, the F-test confirms that accounting knowledge, system utilisation and internal audit together have a significant impact on the quality of financial statements. To improve the quality of financial statements, periodically increase accounting knowledge for financial managers, optimise SIAKD by improving infrastructure and training staff, and strengthen internal audit by increasing auditor competence. Future research Should expand the sample size and include additional variables that affect the quality of regional financial statements.

Reference

- Andayani, Imelda dan Satria Tirtayasa. (2019). Pengaruh Kepemimpinan, Budaya Organisasi, Dan Motivasi Terhadap Kinerja Pegawai. *Maneggio: Jurnal Ilmiah Magister Manajemen* homepage: Vol 2, No. 1, Maret 2019
- Arismawati, Kadek Nanik. dkk. (2019). Pengaruh Tingkat Pendidikan, Pemahaman Akuntansi Koperasi Berbasis SAK-ETAP, Kematangan Usia, Perilaku, dan Efektivitas Kinerja Terhadap Kualitas Laporan Keuangan Koperasi Simpan Pinjam di Kabupaten Buleleng (Studi Kasus pada Koperasi Simpa Pinjam di Kecamatan Buleleng, Sawan, Kubutambahan, dan Tejakula). *E-Jurnal S1 Ak Universitas Pendidikan Ganesha Jurusan Akuntansi Program S1* (Vol : 8 No : 2 Tahun 2019).
- Antasari, W. S. (2019). Analisis pengaruh fluktuasi nilai tukar (kurs), inflasi dan BI rate terhadap harga saham pada sektor consumer good industry go public di Bursa Efek Indonesia periode 2015-2017 (Doctoral dissertation, STIE Indonesia Banjarmasin).
- Agoes Sukrisno. (2019). *Auditing*. Jilid I. Edisi Keempat. Jakarta: Lembaga Penerbit Fakultas Ekonomi Universitas Indonesia.
- Ade Suherman. (2019). Pengaruh Audit Intrnal Terhadap Kualitas Pelaporan Keuangan.
- Bahri, R., & Rahmawaty. (2019). Analisis Penentuan Harga Pokok Produksi Dalam Menentukan Harga Jual Produk (Studi mpiris Pada Umkm Dendeng Sapi Di Banda Aceh. *Jurnal*



- Ilmiah Mahasiswa Ekonomi Dan Akuntansi, 4(2).
- Halim, J., & Fransisca. (2020). Analisis Pengaruh Motivasi dan Kompensasi Terhadap Kinerja Karyawan di Broadway Barbershop PT Bersama Lima Putera. *AGORA* Vol. 5, No. 1.
- Hall, M. C. (eds). (2019)., *Food Tourism Around The World Development, Management, and Markets*, (UK:Butterworth-Heinemann Publications, 2019) :11)
- Kandouw, F. E. D., Tawas, Y., & Tumblaka, S. S. X. (2019). Pengaruh Kompensasi dan Lingkungan Kerja Terhadap Disiplin Kerja Karyawan PT Mudi Utama Indonesia Tbk, Area Tondano. *Jurnal Manajemen dan Bisnis*, 8(4).
- Laturette, K. (2019). Analisis Pengaruh Good Corporate Governance Dan Corporate Social Responsibility Terhadap Tax Avoidance. *Media Akuntansi Dan Perpajakan Indonesia*, 4(2), 201–224.
- Mahmudi. (2019). *Manajemen Kerja Sektor Publik*. Yogyakarta: UPP SIM YKPIN.
- Mulya, Meyga Hidayah Wiranti., & Rahaju, Tjitjik. (2021). Evaluasi Pengelolaan Dana Bantuan Operasional Sekolah di Surabaya. *Jurnal Ilmu Administrasi Negara*. 9(3).
- Ningsih, dkk. (2020). Penerapan analisis regresi data panel pada indeks pembangunan manusia di provinsi Papua Barat. *Manokwari: Unipa*.
- Rizki Ahmad Fauzi.(2019). *Sistem Informasi Akuntansi*. Yogyakarta: Deepublish, 2019.
- Rio Gusherinsya & Samukri. 2020. Pengaruh Penetapan Sistem Informasi Akuntansi Terhadap Kualitas Laporan Keuangan. *JURNAL AKUNTANSI*, Vol. 9, No. 1, April (2020)
- Supratman, L. P. (2019). Penggunaan Media Sosial oleh Digital Native. *Jurnal Ilmu Komunikasi*, 15(1), 47–60.
- Sugiyono (2019). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung : Alfabeta.
- Yunilasari, E. (2019). Analisis penerapan sistem informasi akuntansi (SIA) pada proses pemberian kredit konsumsi (Studi Kasus PT. BPR Dau Anugerah Malang).
- Yuliani, K. S. (2019). Pengaruh Orientasi Etika, Tingkat Pengetahuan dan Gender Terhadap Persepsi Mahasiswa Mengenai Perilaku Tidak Etis Akuntan. *Jurnal Sains, Akuntansi dan Manajemen*, Vol.1, No.1: Januari, 2019



Embarkation Haji Dormitory Utilization Model For the Empowerment of Local Communities

I Ketut Sirna¹, Yeyen Komalasari², Dewa Putu Oka Prasiasa³

^{1,2,3}Universitas Dhyana Pura, Badung, Bali, Indonesia

*Corresponding author: sirna@undhirabali.ac.id,
yeyenkomalasari@undhirabali.ac.id, dewaputuoka18@gmail.com

INTRODUCTION

The Government's goal to empower local communities and increase state revenues outside of taxes, is being pursued in the present and future, especially in the Ministry of Religion of the Republic of Indonesia, in developing the management of the Haji Dormitory in Indonesia, it requires support from all parties. In the development of the Haji Dormitory, it has not been carried out optimally and still encounters obstacles. By the Government through the Ministry of Religion, supported by Government regulations. Regulation of the Minister of Religion, Decree of the Minister of Finance of the Republic of Indonesia, to improve management, income of the Medan Haji Dormitory, PP RI. (59/2019). The main obstacles in the Haji Dormitory are the lack of standard facilities for equipment equivalent to star hotels, management quality standards, involvement of business actors, local communities, lack of innovation, lack of HR competence. This problem must be resolved immediately for the sake of empowering local communities. With the management of the Haji Dormitory, it was previously only used for 3 months to prepare for the Haji, the remaining 9 months were still tentative and not used optimally, but in the future it will be managed more productively, optimally for the general public, and involving business actors and local communities, it is expected to increase state revenue, improve community welfare, and the concern of local communities will be better to preserve the surrounding environment because the management of the Haji Dormitory provides opportunities for local people to be recruited as employees according to their needs and competencies.

To ensure the direction of the management of the Haji Dormitory that is more optimal and of high quality, it requires quality standards that need to be applied in management, namely: (1) Product quality, (2) Service quality, (3) Management quality, SNI -ISO-9001 (2025), By maximizing the function of using the Haji Dormitory, not only for accommodation in preparation for the Haji, but also utilized and sold to the public, for public accommodation facilities, meeting places, wedding parties, and spiritual tourism, utilization of religious education, training in preparation for the Haji for elementary, middle, high school, university students, utilization of mosques for worship and empowering local people as



employees for accommodation services in improving the local economy, Permenag No. 41 (2017). From the background above, the research problems are formulated, namely: (1) How is the mapping of the embarkation Haji dormitory model equivalent to a star hotel to empower local people?, (2) How is the utilization model of the embarkation Haji dormitory equivalent to a star hotel to empower local people?

METHOD

This research will be conducted for 1 year, namely 2024 in the territory of Indonesia. The Haji Embarkation Dormitory is the Medan Haji Embarkation Dormitory in the province of North Sumatra.

This study uses qualitative, quantitative methods that are described in the form of data collection and narrated, analyzed, and validated according to the sampling results by conducting a review of documentation, recordings, interviews, informants from community/customary leaders, as well as field observations and field checklists to be able to map the haji dormitory equivalent to a star hotel in empowering local communities, Creswell (2019) & Sugiyono (2010).

According to the results of observations on identification based on indicators in the PSM concept: (product, service, management) as the process of managing the embarkation haji dormitory. Focus Group Discussion, seminars, socialization, and social realities that occur at the research location as an effort to confirm the PSM model and concept with indicators from the results of research at the Medan Haji Dormitory as a benchmark for assessment is a checklist in the field so that it can be analyzed and validated with actual.

RESULTS AND DISCUSSION

Medan Embarkation Haji Dormitory located at Jl. General Besar A.H. Nasution, Pangkalan Masyhur, Medan Johor District, Medan City, North Sumatra 20219, Phone: 061.7870444, Email Address: perumahanhajimedan@gmail.com, website: www.asramahajimedan.id, Instagram: housing area haji.medan, Postal Code 20143, is one of the haji dormitories in the city of Medan, which is very strategically located with the presence of famous destinations near the Haji Dormitory, namely: Lake Toba Destination, and Bathing Destination at the Peak of the Medan area called the Berastagi Pariban Debu-debu baths, by utilizing hot sulfur water to cure skin diseases. And in the Hajj Dormitory there are preparation activities for prospective haji pilgrims to go on the haji to Mecca, check in and check out of haji guests, lodging/accommodation, worship activities in the mosque, manasik throwing practice, counseling and health checks for prospective haji pilgrims to the Veranda of Mecca. Permenag No. 36/2019.

In addition, there are also public accommodation facilities, meeting places, wedding parties, PON Preparation, and spiritual tourism, utilization of religious



education, Hajj preparation training for elementary, middle, high school, university students, utilization of the Mosque for worship and empowering local people as employees and other involvement such as: a). As a catering CV Mubarak, b). CV Aziziah, c). Eli Catering, d). Haji Dormitory Cooperative, e). Local Community UMKM, (Snacks, Haji Clothing, Souvenirs, Haji Souvenirs, Prayer Beads, Zikir), f). Ornamental Plants for the garden, f). Small traders when there are activities at the Haji Dormitory, g). Flower arrangements when there are events, h). Local Community Band, i). Tor-Tor Batak (Music, dance, gamelan), j). Photographer from the local community

In terms of religious activities such as: a). Prophet's Birthday, b). Breaking the Ramadan Fast, c). MTQ for Local and National Muslims, d). Eid al-Adha Qurban Cutting, e). Friday prayers and the Haji Season there is a Basnas (National Zakat Agency) polentir in improving the local and national economy, Permenag No.41/2017.

The Utilization Model for the Medan Embarkation Haji Dormitory is Equivalent to Star Hotel Business Standards, namely:

- 1) Business management, as an opportunity to achieve increased income and profit of the Haji dormitory, can employ local people as employees, suppliers, business partners, and assist in other activities needed by the Medan Haji dormitory.
- 2) Products, as an opportunity to achieve increased income and profit of the Haji dormitory need to be managed well and sustainably to meet the standards of a star hotel.
- 3) From the Facilities side, there needs to be an addition of business outlets to make the standard of a star hotel so that its utilization can be maximized,
- 4) Organizational Structure and HR need to be improved in achieving superior and competent HR so that its utilization can be maximized to achieve the benefits of the Haji dormitory.
- 5) From the Service side, it needs to be improved by creating training programs, selecting competent and professional Instructors, and conducting competency tests in order to have standard skills, knowledge and service ethics according to the expectations and goals of the Medan Haji dormitory

CONCLUSION

1. The management of the Medan Hajj dormitory can empower local people as employees, work partners, and other needs required for the operation of the Medan Hajj dormitory.
2. Geographically, the utilization of all lodging buildings, offices, meeting rooms, kitchens, restaurants, and others are strategic resources and assets that can be developed to obtain sources of income and income for the Hajj dormitory in



- increasing income and profits and welfare in the Haji dormitory and is a large income that can be contributed to the state treasury in the form of non-tax income.
3. Free areas, manasik training places, parking areas, and others are resources that can be managed multi-functionally, for additional activities such as the provision of open events, open meeting rooms, open wedding celebrations, open study rooms in collaboration with the CEO, the local Medan community to increase income at the Medan embarkation Haji dormitory.
 4. However, some of the shortcomings can still be worked on and improved by waiting for the budget in the coming year, while fulfilling the surveillance certification that has provided a three-star hotel standard certificate

REFERENCES

- Sirna. K, Adinegara. Joko, “National Tourism Opportunities, Challenges Strategies for Its Development, : Yaguwipa, 2021
- Government Regulation of the Republic of Indonesia Number 59 of 201 Concerning Types and Tariffs for Types of Non-Tax State Revenue Applicable to the Ministry of Religion
- Regulation of the Minister of Religion of the Republic of Indonesia Number 36 of 2019 concerning the Division of Tariff Zones for Services for the Use of Facilities and Infrastructure at the Ministry of Religion's Haji Dormitories.
- Regulation of the Minister of Religion of the Republic of Indonesia Number 41 of 2017 Concerning the Organization and Work Procedures of the Technic Implementation Unit of the Hajj Dormitory
- Decree of the Minister of Finance of the Republic of Indonesia Number 584/KMK.02/2019 Concerning Approval of the Use of Non-Tax State Revenue Funds at the Ministry of Religion
- Decree of the Minister of Finance of the Republic of Indonesia Number 584/KMK.02/2019 Concerning Approval of the Use of Non-Tax State Revenue Funds at the Ministry of Religion
- Government Regulation Number 50 of 2012 concerning the Implementation of the Safety and Health Management System, SNI 9042:2021 concerning Cleanliness, Health, Safety, and Environmental Sustainability of Places for Organizing and Supporting Tourism Activities.
- Regulation of the Minister of Tourism and Creative Economy of the Republic of Indonesia Number PM.53/HM.001/MPEK/2013 Concerning Hotel Business Standards. www.Isubinaharapanmulya.com
- Law of the Republic of Indonesia Number 10 of 2009 concerning Tourism. SNI ISO 9001:2015 Concerning Analysis and Review and Risk Management System of hotel business standards.
- Decree of the Minister of Health Number HK.01.07/Menkes 382/2020 concerning Health Protocols for the Community in Public Places and Facilities in the Framework of Prevention and Control of Corona Virus Disease 2019
- Utama and I. G. Bagus, “Tourism and Hospitality Research Methodology (complete with research case studies),” Denpasar: Pustaka Larasan, 201



- Sirna. K, Guest Satisfaction Reviewed From Service, Facilities, Green Image And Price In Hotel Industry, Journal, Volume 2 No 2 Year 2020, E-ISSN: 2655-6782
- Sirna. K, Marketing Mix Strategy Analysis in Several Five-Star Hotels in Badung Bali, Proceedings of Synthesis ISBN: 978-602-53420-0-4/2018.
- W. Creswell, Research Design: Qualitative, Quantitative, and Mixed Method Approach. Yogyakarta: Pustaka Pelajar, 2019.
- L. W. Wulandari, Baiquni, E. Harmayani, and Wahyono, "Sustainable Regional Development in the Era of the Industrial Revolution 4.0," in Ecospa Tourism Destinations Based on Community Empowerment Through Partnerships in Nglanggeran Tourism Village, Gunungkidul, Yogyakarta, 2019, pp. 254–270.
- C. L. Lalu, M. Kimbal, and S. Pangemanan, "Local Wisdom-Based Development in Temboan Village, South Langowan District, Minahasa Regency," Executive, vol. 1, no. 1, pp. 1– 11, 2017
- D. Satori and A. Komariah, Qualitative Research Methodology. Bandung: Alfabeta, 2010.
- Sugiyono, Educational research methods using quantitative, qualitative, and R&D approaches. Bandung: Alfabeta, 2011.
- Law Number 1 of 1970 concerning Occupational Safety.
- Law Number 36 of 2009 concerning Health. Government Regulation Number 66 of 2014 concerning Environmental Health.
- Sirna. K, Mentoring and Training of Quality Service Hospitality Industry Standards at SMK Wira Harapan Dalung, Badung, Bali, proceedings, Volume 5, 2022, E-ISSN 2810-0867.
- Sirna. K, Adoption of the Service Quality Principle into Hospital Industry At Balimed Hospital, International Journal of Scientific & Technology Research, Reference Number: IJSTR-0420- 34622/2020.
- SNI ISO 45001:2018 Concerning Occupational Safety and Health Management Systems.
- Kememparekrافت no.4 of 2021 concerning Risk-Based Hotel Business Standards
- Sirna.k. Tourists Motivation To Visit Tourism Village A Case Study On Gumbrih Tourism Village Bali. Vol 2-0.01-2019 I-CFAR- International Conference on Fundamental And Applied Research.
- Sirna. K, The Local Genius as Millennial Tourist Attraction in Gumbrih, Pekutatan, Jembrana, West Bali, Technium Social Sciences Journal Vol. 16, 483-492, February, 2021, ISSN: 2668-7798, www.techniumscience.com
- Sirna. K, Employee Performance Review Of Servant Leadership And Organizational Commitment At The Samaya Seminyak Bali Hotel, Proceedings Of The 5th International -February 22, 2022, Conference on Family Business and Entrepreneurship.
- Sirna. K. Journal Article Mapping Potential Problems of Hajj Dormitories Equivalent to Star Hotels, Accredited National Journal, Journal of Applied Sciences in Travel and Hospitality Volume 4, 2023.



Capital Structure, Current Ratio, Company Size to Company Value with ROA as Moderating

Albert Herlambang, Effendy Pakpahan, Namira Ufrida Rahmi, Helman, Galumbang Hutagalung

Universitas Prima Indonesia
namiraufridarahmi@unprimdn.ac.id

Abstract

The purpose of this research is to study and analyze the influence of capital structure, current ratio, and company size on company value with return on assets as a moderating variable in food and beverage businesses listed on the Indonesia Stock Exchange from 2019 to 2023. This quantitative research uses documentation method. 39 f&b companies listed on the Indonesia Stock Exchange are the subjects of this research. The purposive sampling method was used to select 17 companies for this research. Data analysis was carried out moderation analysis using the SPSS program. The results show that capital structure has a negative effect on firm value, current ratio has a positive effect on firm value, firm size has a negative effect on firm value, return on assets can moderate the effect of capital structure on firm value, return on assets can moderate the effect of the current ratio on firm value, return on assets can moderate the effect of firm size on firm value.

Keywords: Capital Structure, Current Ratio, Company Size, Firm Value, Return on Assets

Introduction

In recent years, the food and beverage industry has become the center of Indonesia's economic growth. This sector also makes a significant contribution to national economic growth. In the second quarter of 2021, the manufacturing industry grew by 6.91% amidst the pressure of the COVID-19 pandemic and contributed 0.75% to Indonesia's economic growth in the third quarter of 2021. (www.bkpm.go.id).

Enterprise value is a metric that measures the effectiveness of a company's financial activities, ultimately attracting sustainable investment from shareholders and providing profitable results. According to Franita (2016), company value is the price that can be sold at the price agreed to be paid by the buyer. High share prices will also increase company value and investor welfare will be higher. Thus, the better the company's value, the more valuable the company will be seen by potential investors.

There are other metrics used to assess the value of a company, including Price Earning Ratio (PER), Cash Flow Ratio (CF), and Price to Book worth (PBV). However, the metric commonly used to assess the value of a company is PBV (Price-to-Book Value). Price-to-book value is a reference for investors when choosing share prices. If the PBV value is less than 1, the share price is undervalued. The share prices offered are cheap, so potential investors are willing to buy them with the hope of making big profits in the future. However, on the other hand, if the PBV value is more than 1, it means the shares are in an overvalued condition, causing the issuer's share price to tend to be expensive. A PBV value of more than 1 also reflects the good quality of the company's performance and its fairly rapid growth, so it is hoped that it will also produce high returns along with the company's growth in the future. From the explanation above, the researcher provides an overview of the PBV value of food and beverage companies in 2022, whether the average PBV value is below 1 or above 1 in Table 1

The greater the PBV (Price to Book figure) indicates the company's strong financial performance, indicating its ability to generate future profits for shareholders. Optimal capital



structure refers to the configuration that has the potential to increase the market value of a company's outstanding shares. Capital structure is measured through the Debt to debt-equity ratio (DER). The higher the DER ratio, the lower the company's ability to pay dividends to shareholders. Conversely, the lower the DER ratio, the higher the company's ability to pay dividends to shareholders. Therefore, investors must take into account the DER ratio because it affects the dividend distribution they will receive. (Christina and Tri, 2022). The description above is in line with research by Yanti and Darmayanti (2019) which states that capital structure has a significant positive influence on company value. For companies, a high capital structure indicates good company prospects, so it can trigger investors to increase demand for shares which can increase company value. However, according to Dhani and Utama (2017), capital structure has an influence but is not significant on company value. Increasing the capital structure can have an impact on decreasing company value.

Current Ratio is a metric for assessing a company's capacity to meet its short-term financial commitments. A low Current Ratio indicates a liquidity problem and could mean the company is unable to meet its short-term obligations. On the other hand, a high Current Ratio means that the company's liquidity can pay short-term debt, and the lower the company's liquidity risk, the lower the risk borne by the company. (Reni and Khalida, 2021). The description above is in line with research by Dewi, et al (2020) which states that the Current Ratio has a positive and significant effect on Company Value. The higher the Current Ratio value, the better the company's position. The company can pay its obligations on time. However, Dewi and Abundanti (2019) show that company value is negatively influenced by the Current Ratio because if the company's current assets increase then the company cannot utilize its current assets. Current assets are well, which means the company cannot prosper its shareholders.

Company size is a factor that is taken into account when assessing the value of a company. The size of a company is determined by the total value of its assets. (Rahayu, 2018). Investors will pay more attention to larger companies. This is because large companies, with significant distribution of shares, are generally more likely to issue additional shares to meet corporate needs, compared to small organizations. The description above is in line with the findings of Yanti and Darmayanti (2019) which state that the scale of a company has a large and beneficial influence on its value. Companies that have a large company size will tend to attract more investors, this is because it is easier for investors to access the capital market. However, according to Suryandani (2018), it shows that the variable company size or the size of the company is considered unable to influence company value.

Return On Assets (ROA) is a ratio used to measure a company's ability to generate profits. The greater the ROA value, the higher the company's profits, thus encouraging investors to buy shares and resulting in an increase in share prices. According to research conducted by Suwardika and Mustanda (2017), it was found that the profitability variable has a fairly large and profitable influence on the value of a company. As a result, the greater the profitability value, the influence on company value will also increase. In this research, the influence of Capital Structure, Current Ratio, and Company Size on Company Value will be tested, with Return on Assets as a moderating variable. The analysis will focus on three food and beverage companies listed on the Indonesia Stock Exchange between 2019 and 2023.



Table 2. The Phenomenon of Capital Structure, Current Ratio, and Company Size on Company Value with Return on Assets as a Moderating Variable for the 2019 - 2023 Period

| Code | Name | Period | Capital Structure | Current Ratio | Company Size | Company Value | Return On Assets |
|-------|------------------------------------|--------|-------------------|---------------|----------------|---------------|------------------|
| ADES | PT. Akasha Wira International Tbk. | 2019 | 0.4480 | 2.0042 | 27.4355 | 1.0854 | 0.1020 |
| | | 2020 | 0.3687 | 2.9704 | 27.5889 | 1.2295 | 0.1416 |
| | | 2021 | 0.3447 | 2.5092 | 27.8965 | 2.0012 | 0.2038 |
| | | 2022 | 0.2328 | 3.2009 | 28.1291 | 3.1708 | 0.2218 |
| | | 2023 | 0.2054 | 4.1166 | 28.3659 | 3.2994 | 0.1898 |
| CHECK | PT. Wilmar Cahaya Indonesia, Tbk | 2019 | 0.2314 | 4.7997 | 27.9625 | 0.8783 | 0.1547 |
| | | 2020 | 0.2427 | 4.6627 | 28.0800 | 0.8424 | 0.1161 |
| | | 2021 | 0.2235 | 4.7971 | 28.1601 | 0.8063 | 0.1102 |
| | | 2023 | 0.1085 | 9.9542 | 28.1723 | 0.7600 | 0.1284 |
| | | 2023 | 0.1530 | 7.2879 | 28.2695 | 0.6684 | 0.0811 |
| MYOR | PT. Mayora Indah, Tbk | 2019 | 0.9230 | 3.4286 | 30.5775 | 4.6299 | 0.1071 |
| | | 2020 | 0.7547 | 3.6943 | 30.6156 | 5.3757 | 0.1061 |
| | | 2021 | 0.7533 | 2.3282 | 30.6226 | 4.0151 | 0.0608 |
| | | 2023 | 0.7356 | 2.6208 | 30.7345 | 4.3551 | 0.0884 |
| | | 2024 | 0.5620 | 3.6726 | 30.8037 | 3.6430 | 0.1359 |

Based on the phenomenon table above, we can see an overview of the relationship between research variables such as Capital Structure, Current Ratio, and Company Size on Company Value with Return On Assets as a moderating variable. For the Capital Structure variable with Company Value and Return On Assets as moderating variables, you can see PT. Wilmar Cahaya Indonesia, Tbk with the issuer code CEKA where the Capital Structure in 2020 was 0.2427 and in 2021 it decreased to 0.2235 or decreased by 7.92%, but the company value in 2020 was 0.8424 and in 2021 also experienced a decrease to 0.8063 or a decrease of 4.29%. Meanwhile, the Return on Assets in 2020 was 0.1161 and in 2021 it decreased to 0.1102, or a decrease of 5.03%. The explanation of this phenomenon proves that Return On Assets cannot moderate the relationship between Capital Structure and Company Value, where a decrease in capital structure cannot increase company value because Return On Assets also decreases.

For the Current Ratio variable with Company Value and Return On Assets as moderating variables, it can be seen at PT. Akasha Wira Internasional Tbk. with the issuer code ADES where the Current Ratio in 2020 was 2.9704 and in 2021 it decreased to 2.5092 or decreased by 15.52%, however, the Company Value in 2020 was 1.2295 and in 2021 it increased to 2,0012 or an increase of 62.77%. Meanwhile, the Return on Assets in 2020 was 0.1416 and in 2021 it increased to 0.2038, or an increase of 43.89%. The explanation of this phenomenon proves that Return On Assets cannot moderate the relationship between the Current Ratio and Company Value, where a decrease in the Current Ratio cannot increase company value even though Return On Assets has increased.

For the Company Size variable with Company Value and Return On Assets as moderating variables, it can be seen at PT. Mayora Indah, Tbk with issuer code MYOR where the Company Size in 2020 was 30.6156 and in 2021 it increased to 30.6226 or an increase of 0.02%, however, the Company Value in 2020 was 5.3757 and in 2021 experienced a decrease to 4.0151 or decreased by 25.31%. Meanwhile, the Return on Assets in 2020 was 0.1061 and in 2021 it decreased to 0.0608, or a decrease of 42.69%. The explanation of this phenomenon



proves that Return On Assets cannot moderate the relationship between Company Size and Company Value, whereas increasing Company Size cannot increase company value because Return On Assets has decreased.

Literature Review

Signaling theory explains how companies can provide signals in the form of guidelines for investors to see big opportunities for the company in the future. The signal given can be in the form of increased sales which conveys that the company has good performance and opportunities in the future (Giarto & Fachrurrozie, 2020). Wilujeng & Yulianto (2020), stated that signal theory emphasizes the financial information that companies can provide to investors. The signals provided can be good or bad news that describes the company's future earnings prospects, as well as providing the information needed to identify prospects and possible risks.

Utilizing debt can increase the value of a company, but its effect is limited and reaches a threshold. Furthermore, the use of debt results in a decrease in overall company value. The use of debt has a direct impact on the success of a company because the level of burden a company bears is directly proportional to the level of risk it bears, and vice versa. (Yanti & Darmayanti, 2019: 7). Meanwhile, according to Dhani & Utama (2017:144) Companies with a large capital structure have a big responsibility to immediately return capital to debtors because the capital structure obtained from loans will be accompanied by debt interest payments to debtors. The debt interest burden will reduce the company's profits, thereby reducing investors' perception of it. According to Sudana (2019:164) One of the main tasks of a financial manager is to make expenditure decisions. Capital Structure relates to the long-term expenditure of a company as measured by the ratio of long-term debt to equity. The explanation above is in line with research by Telaumbanua, et al (2021) which states that the Capital Structure variable has a positive and significant influence on company value. Research by Rasyid, Indriani, & Hudaya (2022) states that the company's capital structure influences company value. Based on the description above, it can be assumed that capital structure harms company value.

H1: The influence of capital structure on company value in food and beverage companies listed on the Indonesian Stock Exchange in 2019-2023

According to Dewi & Abudanti (2019:14), it shows that there is a negative influence on company value. This negative influence is caused by the more current assets a company has, the more idle funds it has. As a result, the company cannot utilize its current assets effectively, which means the company cannot make money. Shareholders gain profits. On the other hand, if a company wants to increase its value, it must have the ability to meet the needs of its shareholders. Larger companies have more liquidity, or liquid assets, to finance operations. Better liquidity shows that the company can pay debts that are due and will be viewed positively by investors, so that many investors invest shares in the company thereby increasing the share price and increasing its value (Faith, Sari & Pujiati, 2021:195). According to Fahmi (2016:66), the current ratio is a measure of short-term solvency, which means the ability to meet debt needs at maturity. The higher the ratio, the safer it is for creditors. It is important to realize that liquidity is the ability to pay off obligations in the short term only. The explanation above is in line with research by Imanah, Alfinur & Setiyowati (2020) and Suryanti, Suryani & Suroso (2021) which states that the Current Ratio has a positive effect on company value. Based on the description above, it can be assumed that the Current Ratio has a positive effect on company value.

H2: The influence of the current ratio on company value in food and beverage companies listed on the Indonesian Stock Exchange in 2019-2023

Company size is considered capable of influencing company value because it can describe the size of a company expressed in total assets or total net sales. In other words, the



size of a company is the size of the assets it owns. The more assets a company has, the more capital it invests, and conversely, the more sales, the more money the company earns (Suryandani, 2018: 51). According to Sadid & Djawoto (2022:14) The size of a company is directly correlated with its value. A larger company size is usually associated with higher company value, while a smaller company size is usually accompanied by a decrease in company value. Investors usually consider various factors when making investment decisions, including a company's financial statements and promising prospects. These aspects are taken into account regardless of the size of the company's total assets and greatly influence investment decisions by investors. According to Toni, et al (2021:33), by using the level of total assets and sales, company size can be calculated to indicate business conditions where larger companies will have an advantage in the sources of funds obtained to finance their investments. And make a profit. The explanation above is in line with research by Suryanti, Suryani & Surono (2021) which states that company size influences company value. Based on the description above, it can be assumed that company size has a positive effect on company value.

H3: The effect of company size on company value in food and beverage companies listed on the Indonesian Stock Exchange in 2019-2023

The capital structure of a company influences its value by assessing the Debt to debt-equity ratio (DER), which assesses the company's ability to fulfill its obligations, namely by using its capital to pay debts. When company profits increase, the risk level of debt repayment decreases, thereby increasing investor confidence. Investors usually seek to buy shares in companies with large profits and minimal debt, as this greatly increases the potential for increasing the overall value of the company. The explanation above is not in line with research by Telaumbanua, et al (2021) and research by Rasyid, Indriani, & Hudaya (2022) which states that Return on Assets has not been able to moderate capital structure on company value. Based on the description above, it can be assumed that Return on Assets can moderate the relationship between Capital Structure and Company Value.

H4: Return On Assets can moderate the relationship between Capital Structure and Company Value in Food and Beverage companies listed on the Indonesia Stock Exchange in 2019-2023

The current ratio is a financial metric that measures a company's ability to pay off its short-term liabilities with its short-term assets. The current ratio is a quantitative measure that evaluates the relationship between the total value of current assets and current liabilities. If a company can utilize existing assets efficiently and effectively to meet its direct financial responsibilities, this can result in reduced costs and facilitate growth or increased profits. Profit growth, as measured by Return on Assets, is correlated with company value. A high Return on Assets (ROA) value will directly affect the value of a company as a whole. The explanation above is not in line with research by Imanah, Alfinur & Setiyowati (2020) which states that Return On Assets cannot moderate the relationship between Current Ratio and Company Value. Based on the description above, it can be assumed that Return on Assets can moderate the relationship between Current Ratio and Company Value.

H5: Return On Assets can moderate the relationship between Current Ratio and Company Value in Food and Beverage companies listed on the Indonesia Stock Exchange in 2019-2023

The bigger the company, the more assets and resources it has. To increase company profits, owned resources must be optimized for investment. According to signaling theory, because large companies have the possibility of making high profits, investors will prefer to invest in these companies because this will increase their share prices and increase their value. The explanation above is not in line with research by Kusuma & Priantinah (2018) which states that Return on Assets is unable to moderate the influence of company size on company value. Based on the description above, it can be assumed that Return on Assets can moderate the relationship between Company Size and Company Value.

H6: Return on Assets can moderate the relationship between Company Size and Company



Value in Food and Beverage companies listed on the Indonesia Stock Exchange in 2019-2023

Method

The type of research carried out by researchers is quantitative research. Quantitative research is a type of research that produces discoveries that can be achieved using statistical procedures or other quantification (measurement) methods (Sujarweni, 2015). The type of research data is quantitative secondary data, namely data obtained indirectly from research objects or subjects.

This research is financial report data published by food and beverage subsector companies downloaded from the IDX.co.id site and the company website. The population used in this research is food and beverage companies listed on the Indonesia Stock Exchange for the 2019-2023 period, totaling 39 companies. The research sample used in this research was 17 food and beverage company data with a total research sample for three periods of 85 company data.

This research variable consists of independent variables (Capital Structure, Current Ratio, Company Size), dependent variables (Company Value), and Moderating Variable (Return On Assets).

Table 3. Operational Definition

| Variable Name | Variables | Indicator |
|----------------------|------------------|--|
| Capital Structure | DER | $\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$ |
| Current Ratio | CR | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ |
| Company Size | UP | Ln Total Assets |

| Variable Name | Variables | Indicator |
|----------------------|------------------|--|
| Company Value | PBV | $\frac{\text{Stock Price}}{\text{Book Value of Shares}}$ |



| | | |
|-----------------|-----|---|
| Return On Asset | ROA | $\frac{\text{Net Income}}{\text{Total Assets}}$ |
|-----------------|-----|---|

Moderated regression analysis is the analysis model used. It is different from subgroup analysis because it uses an analytical approach that maintains sample integrity and provides a basis for controlling the influence of moderator variables (Ghozali, 2016). The moderation regression analysis equation model is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4Z + b_5X_1Z + b_6X_2Z + b_7X_3Z + e \dots\dots\dots(1)$$

Where Z refers to Return On Assets, Y refers to Company Value (PBV), a refers to Constant, X1 refers to Capital Structure (DER), X2 refers to Current Ratio, X3 refers to Company Size, bi refers to the regression coefficient of Variable and e refers to an error (error rate) of 5%.

Result

Descriptive statistics provide an overview of the data used in research. Data analysis was carried out using the SPSS version 26 program. Statistical data is displayed as follows:

Table 4. Descriptif Statistic

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------------|----|---------|---------|-----------|----------------|
| Capital Structure | 85 | .0891 | 2.1441 | .604747 | .4051023 |
| Current Ratio | 85 | .0460 | 13.3091 | 2.599930 | 2.4070201 |
| Company Size | 85 | 1.7770 | 32.8599 | 27.820186 | 5.6776385 |
| The value of the company | 85 | .0533 | 40.7600 | 4.955064 | 9.3300253 |
| Return On Assets | 85 | .0013 | .5443 | .116529 | .0832291 |
| Valid N (listwise) | 85 | | | | |

Classic Assumption Test Results

The results of statistical testing using the Kolmogorov-Smirnov approach show that Monte Carlo Sig. (2-tailed) studied has a value of 0.141 which is greater than 0.05 so the data is normally distributed. The scatterplot graph shows data points spread above and below or around the number 0 on the Y axis. Thus it can be concluded that there is no heteroscedasticity problem in this regression model. Meanwhile, the Spearman test results show that the significance value of each variable is greater than 5% or 0.05. The results of the multicollinearity test can be explained that each variable has a tolerance value greater than 0.10 and a VIF value smaller than 10. The results of the autocorrelation test above select the V criterion, namely the Watson Durbin value is between du and 4-du (1.8288 < 1.919 < 2.1712) means that there is no positive or negative autocorrelation.

Table 5. Results of the coefficient of determination

| Model | R | Adjusted R Square |
|-------|-------|-------------------|
| 1 | .938a | .869 |

The results of the coefficient of determination of 0.869 indicate that company value is influenced by research variables by 86.9% or can be said to be quite strong while the remaining 13.1% can be explained by other variables not examined in this research.



Table 6. t Test Results

| Model | t | Sig. |
|--|---------|------|
| (Constant) | 9.123 | .000 |
| Inverse Capital Structure | -2.703 | .008 |
| Inverse Current Ratio | 7.175 | .000 |
| Inverse Company Size | -16.319 | .000 |
| Inverse Return On Assets | -7.616 | .000 |
| Inverse Capital Structure * Inverse Return On Assets | 2.456 | .016 |
| Inverse Current Ratio * Inverse Return On Assets | -5.707 | .000 |
| Inverse Company Size * Inverse Return On Assets | 17.854 | .000 |

Discussion

The Influence of the Current Ratio on Company Value

The Current Ratio has a value of $t_{count} > t_{table}$ of 1.99085, so the decision has a positive influence. The capital structure and company size have a value of $-t_{count} < -t_{table}$ of -1.99085 and sig. smaller than 0.05 then the decision has a negative influence. The interaction of capital structure and return on assets has a value of $t_{count} > t_{table}$ of 1.99085. The interaction of company size with return on assets has a calculated t value greater than the t table of 1.99085. The interaction of Current Ratio and Return On Assets has a value of $-t_{count} < -t_{table}$ of -1.99085, meaning that Return On Assets is able to moderate the influence of Company Size on Company Value.

The Influence of Capital Structure on Company Value

The results of the research show that capital structure influences the value of food and beverage companies listed on the Indonesia Stock Exchange in 2019-2023 with a t-value of -2.703 which is lower than the t-table value of -1.99085 and a significance value of 0.008 which is lower from 0.05. Thus hypothesis 1 is accepted. Capital Structure comes from the company's total debt and capital. According to economic theory, if the capital structure increases then the value of the company increases, but in this study the capital structure increases then the value of the company decreases. Bank or company loans are one of the factors that influence capital structure so that the value of the company does not increase indirectly. The findings of this research are in line with the findings of previous research by Rasyid, Indriani, & Hudaya (2022) which found that capital structure has a negative effect on company value. However, these results are not in line with research by Telaumbanua, et al (2021) which shows that capital structure has a positive effect on company value, and research by Ayuningrum (2017) which shows that capital structure has a positive and significant effect on company value.

The Influence of the Current Ratio on Company Value

The research results show that the t_{count} value of 7.175 is greater than the t_{table} value of 1.99085 and the significance value of 0.000 is smaller than 0.05. Therefore, the research decision was to accept H_a , which means the Current Ratio influences the company value of food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023. Thus, hypothesis 2 is accepted. The current ratio comes from current assets and current liabilities. This research proves that if the Current Ratio increases, the company value also increases. One of the factors that influence the Current Ratio is the use of current assets, so the more efficient the company is in using the company's current assets, the more indirectly it can increase the company's value. The results of this research are in line with the results of previous research conducted by Imanah, Alfinur & Setiyowati (2020) which shows that the Current Ratio has a positive effect on Company Value. However, these results are not in line



with research by Aldi, Erlina & Amalia (2020) which shows that the current ratio does not affect company value.

The Influence of Company Size on Company Value

The research results show that the calculation of company size produces a calculated t value of -16.319, which is lower than the t table of -1.99085, and a significance value of 0.000 is lower than 0.05. The research results show that company size has a negative effect on the value of food and beverage companies listed on the Indonesia Stock Exchange in 2019-2023. Therefore, hypothesis 3 is accepted. The number of assets of a company determines its size; However, in this study, the size of the company shows an increase in its value. Payment of receivables is one of the components that affect the size of the company because it can give rise to large amounts of debt so that the value of the company does not always increase. Previous research conducted by Kusuma & Priantinah (2020) found that company size has an effect on company value, but research by Khotimah, Mustikowati, and Sari (2020) found that company size does not affect company value.

The Effect of Capital Structure on Company Value with Return on Assets as a Moderating Variable

The research results show that calculating the relationship between return on assets and capital structure produces a t count value of 2.456 which is greater than the t table value of 1.99085, and a significance value of 0.016 is lower than 0.05. Thus, the research decision accepts H_a , which means the return on assets can moderate the influence of capital structure and company value on food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023. Thus hypothesis 4 is accepted. The effect of capital structure on company value after adding return on assets, the result is that return on assets can strengthen the influence of capital structure on company value. This research proves that the interaction of capital structure and increasing return on assets can increase company value. This is because increased profits can cover bank or company loans, so indirectly the company value increases. Ayuningrum (2017) shows that return on assets can moderate the influence of capital structure on company value, but Telaumbanua et al. (2021) found that return on assets cannot moderate the influence of capital structure on firm value.

The Effect of Current Ratio on Company Value with Return on Assets as a Moderating Variable

The results of the research show that calculating the relationship between the Current Ratio and Return On Assets produces a t count value of -5.707, which is smaller than $-t$ table of -1.99085, and a significance value of 0.000 is smaller than 0.05. The research results show that H_a accepts a decision which means that Return On Assets can moderate the influence of the Current Ratio on company value in food and beverage companies listed on the IDX. After adding Return On Assets, the influence of the Current Ratio on Company Value continues to decrease. However, this research shows that when the relationship between Return on Assets and Current Ratio increases, the company value decreases. The amount of assets that is too large is one of the factors that influences the interaction of Current Ratio and Return On Assets. Too large several assets causes a lot of funds to become idle, so that indirectly the company value decreases. Previous research conducted by Suryanti, Suryani, and Surono (2021) found that return on assets can influence company value, but research conducted by Imanah, Alfinur, and Setiyowati (2020) found that return on assets cannot influence company value.

The Effect of Company Size on Company Value with Return on Assets as a Moderating Variable

The research results show that calculating the relationship between company size and return on assets produces a calculated t value of 17.854 which is higher than the t table value of 1.99085, and a significance value of 0.000 is lower than 0.05. The research conclusion is that return on assets can moderate the influence of company size on company value in food



and beverage companies listed on the Indonesia Stock Exchange in 2019-2023. Thus hypothesis 6 is accepted. The effect of company size on company value after adding return on assets, the result is that return on assets can strengthen the influence of company size on company value. This research proves that the interaction of company size and increasing return on assets can increase company value. This is because by obtaining large profits you can increase the company's assets so that indirectly the company value will increase. The results of this research are in line with the results of previous research conducted by Suryanti, Suryani & Surono (2021) which shows that return on assets can moderate the influence of company size on company value. However, the results of this research are not in line with research conducted by Kusuma & Priantinah (2020) which shows that profitability is unable to moderate the influence of company size on company value and research by Khotimah, Mustikowati & Sari (2022) which shows that profitability weakens the influence of company size on value. company

Conclusion

Based on statistical analysis, this research concludes that capital structure and company size have a negative effect on company value, while the current ratio has a positive effect on company value. Return on assets strengthens the influence of capital structure on company value. Return on Assets weakens the influence of the Current Ratio on Company Value. Return on assets strengthens the influence of company size on company value. This research contributes to the literature by providing a deeper understanding of the factors that influence company value. This research suggests that companies can increase stock investment, increase the level of company cash availability, increase total assets and sales, and create large profits so that company value can increase.

References

- Aldi, M. F., Erlina, & Amalia, K. (2020). "Pengaruh Ukuran Perusahaan, Leverage, Profitabilitas Dan Likuiditas Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Moderasi Pada Perusahaan Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2007-2018". *Jurnal Sains Sosio Humaniora Volume 4 Nomor 1 Juni 2020*, 262-276.
- Ayuningrum, N. (2017). "Pengaruh Struktur Modal, Pertumbuhan Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia". *Jurnal Riset Terapan Akuntansi, Vol. 1 No. 1 Januari 2017*, 53-59.
- Dewi, L. S., & Abundanti, N. (2019). "Pengaruh Profitabilitas, Likuiditas, Kepemilikan Institusional Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan". *E-Jurnal Manajemen, Vol. 8, No. 10, 2019*, 6099-6118.
- Dewi, W. C., Siregar, M. Y., & Tarigan, E. D. (2020). "Pengaruh Likuiditas Dan Pertumbuhan Penjualan Terhadap Nilai Perusahaan Pada Perusahaan Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2018". *Jurnal Ilmiah Manajemen dan Bisnis (JIMBI), 1(1) 2020*, 106-111.
- Dhani, I. P., & Utama, G. S. (2017). "Pengaruh Pertumbuhan Perusahaan, Struktur Modal, Dan Profitabilitas Terhadap Nilai Perusahaan". *Jurnal Riset Akuntansi dan Bisnis Airlangga Vol. 2. No. 1 (2017)*, 135-148.
- Dwiastuti, D. S., & Dillak, V. J. (2019). "Pengaruh Ukuran Perusahaan, Kebijakan Hutang, dan Profitabilitas Terhadap Nilai Perusahaan". *Jurnal ASET (Akuntansi Riset) 11 (1)*, 137-146.
- Franita, R. (2016). "Pengaruh Kepemilikan Institusional, Kepemilikan Manajerial Dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Sektor otomotif yang terdaftar di BEI)". *Jurnal Mediasi Manajemen, Ekonomi, Akuntansi dan Pendidikan Nomor 5 Volume II*, 72-89.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.



- Giarto, R. V. D., & Fachrurrozie, F. (2020). "The Effect of Leverage, Sales Growth, Cash Flow on Financial Distress with Corporate Governance as a Moderating Variable". *Accounting Analysis Journal*, 9(1), 15–21
- Iman, C., Sari, F. N., & Pujiati, N. (2021). "Pengaruh Likuiditas dan Profitabilitas Terhadap Nilai Perusahaan". *Perspektif: Jurnal Ekonomi & Manajemen Universitas Bina Sarana Informatika Volume 19 No. 2 September 2021*, 191-198.
- Imanah, M., Alfinur, & Setiyowati, S. W. (2020). "Pengaruh Debt To Equity Ratio Dan Current Ratio Terhadap Nilai Perusahaan Dengan Return On Asset Sebagai Variabel Intervening". *Jurnal Riset Mahasiswa Akuntansi (JRMA) Volume 8, No. 2, Tahun 2020*, 1-13.
- Khotimah, S. N., Mustikowati, R. I., & Sari, A. R. (2020). "Pengaruh Ukuran Perusahaan Dan Leverage Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderasi". *Jurnal Riset Mahasiswa Akuntansi (JRMA) Volume 8, No. 2, Tahun 2020*, 1-13.
- Kusuma, A. W., & Priantinah, D. (2018). "Pengaruh Pengungkapan Sustainability Report Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Pemoderasi Pada Perusahaan Yang Bergabung Di ISSI Dan Konvensional Periode 2014-2016". *Jurnal Nominal Volume VII Nomor 2*, 91-105.
- Rahmi, N. U., Andrew, A., Stefani, A., & Fenita, F. (2021). Analisis Rasio Keuangan terhadap Harga Saham pada Perusahaan Food and Beverages. *Owner: Riset Dan Jurnal Akuntansi*, 5(2), 380-395.
- Rasyid, C. A., Indriani, E., & Hudaya, R. (2022). "Pengaruh Corporate Social Responsibility Dan Struktur Modal Terhadap Nilai Perusahaan Dengan Ukuran Perusahaan Dan Profitabilitas Sebagai Variabel Moderasi Pada Perusahaan Pertambangan". *Jurnal Aplikasi Akuntansi*, 7(1), 136–156.
- Rudangga, I. G., & Sudiarta, G. M. (2016). "Pengaruh Ukuran Perusahaan, Leverage, Dan Profitabilitas Terhadap Nilai Perusahaan". *E-Jurnal Manajemen Unud, Vol. 5, No.7, 2016*, 4394-4422.
- Sadid, A., & Djawoto. (2022). "Pengaruh Profitabilitas, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap Nilai Perusahaan Farmasi Yang Terdaftar Di BEI". *Jurnal Ilmu dan Riset Manajemen : Volume 11, Nomor 3, Maret 2022*, 1-17.
- Sujarweni, W. (2015). *Metodologi Penelitian Bisnis Dan Ekonomi. Cetakan Pertama*. Yogyakarta: Pustaka Baru Press.
- Suryandani, A. (2018). "Pengaruh Pertumbuhan Perusahaan, Ukuran Perusahaan, Dan Keputusan Investasi Terhadap Nilai Perusahaan Pada Perusahaan Sektor Property Dan Real Estate". *Business Management Analysis Journal (BMAJ) Vol. 1 No. 1 - Oktober 2018*, 49-59.
- Suryanti, Suryani, A. & Surono, Y. (2021). "Pengaruh Likuiditas, Kebijakan Hutang, Pertumbuhan Perusahaan dan Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Profitabilitas Sebagai Variabel Intervening pada Perusahaan Sub Sektor Farmasi Di Bursa Efek Indonesia Periode 2014 – 2019". *Jurnal Manajemen dan Sains*, 6(1), April 2021, 68-77.
- Swardika, I. N., & Mustanda, I. K. (2017). "Pengaruh Leverage, Ukuran Perusahaan, Pertumbuhan Perusahaan, Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Properti". *E-Jurnal Manajemen Unud, Vol. 6, No. 3, 2017*, 1248-1277.
- Telaumbanua, H. (2021). "Pengaruh Struktur Modal, Perputaran Modal Kerja, Kebijakan Dividen Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderatig Pada Perusahaan Infrastruktur Yang Terdaftar Dibursa Efek Indonesia Periode 2015-2018". *Jurnal KRISNA: Kumpulan Riset Akuntansi; Vol. 12, No. 2 Januari 2021*, 266-277.
- Wilujeng, R., & Yulianto, A. (2020). "Determinan Financial Distress dengan Profitabilitas Sebagai Variabel Moderating". *Jurnal Penelitian Ekonomi Dan Bisnis*, 5(1), 90–102.
- Yanti, I. G., & Darmayanti, N. P. (2019). "Pengaruh Profitabilitas, Ukuran Perusahaan, Struktur Modal, Dan Likuiditas Terhadap Nilai Perusahaan Makanan Dan Minuman". *E-Jurnal*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Manajemen, Vol. 8, No. 4, 2019, 2297 – 2324.

Yunina, & Husna, A. (2018). "Pengaruh Struktur Modal dan Kinerja Keuangan Terhadap Nilai perusahaan pada Perusahaan Manufaktur Sub Sektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia". *Jurnal Akuntansi dan Keuangan, Vo.6, No.1, 59-72.*



**CASH FLOW FORECAST ANALYSIS STRATEGIC PLANNING:
A CASE STUDY OF AN ETHEKWINI-BASED NON-PROFIT ORGANISATION**

Zamanguni H Gumede
University KwaZulu - Natal, South Africa

ABSTRACT:

Non-profit organisations (NPOs) face challenges in exploring the full benefit in their use of cash flow forecasting and the relevant analysis to inform their sustainability due to disabling constraints. The study aimed to evaluate the effects of the adequate use of cash flow forecast analysis in the strategic planning of NPOs. Qualitative research using interviews and document analysis approach sought to evaluate these effects. The sample consisted of executive members of the board and financial officers who were purposively selected to be interviewed based on their knowledge using semi-structured in-depth interviews. Conventional thematic analysis using NVivo and document analysis were used as data analysis techniques. From the findings of the study it was evident that the NPO used information obtained from the cash flow forecast analysis in setting and achieving feasible goals in meeting its mandate. The demonstrated effect of using information from the forecast analysis contributed to 75% of the core drivers of its strategic plan, essentially to the NPO's sustainability goals. The study makes its contribution to the NPO sector by informing NPOs on the incorporation of cash flow forecast analysis as a strategic tool for planning.

KEYWORDS: Non-profit organisations, cash flow forecast, analysis, strategic planning, cash management.

1. INTRODUCTION

A robust debate among scholars on how non-profit organisations (NPOs) in South Africa and elsewhere can enhance their strategic planning of is ongoing (Mong'ina, Munene, & Ngahu, 2021; Mvunabandi, Lathleiff, & Muzindutsi, 2022). A clear strategy as to how the cash flow forecast analysis directly or indirectly catalyses NPOs strategic planning has yet to be determined as no empirical studies heretofore have investigated this causal relationship in detail. An empirical question dominating the discussion is: How can cash flow forecast analysis enhance the strategic planning in South Africa? In our view, the response to this question will fill in the literature and enable similar research to be done. This has prompted the research study reported in this article and it thus holds the centre in the scientific inquiry leading NPOs to make strategic move to enhance their strategic planning practices. The study was motivated by the dearth of research on sustainable financial management of NPOs and how this can be achieved with scarce resources and uncertain donor funding (Mvunabandi et al., 2022).

Due to the volatile, uncertain nature of the cash inflows and cash outflows of non-profit organisations, strategy must be developed and implemented to efficiently manage the finances of non-profit organisations for the maximisation of their social impact. Demonstrated through a basic contingency framework, budgeting and strategic planning are core to the business organisational structure (Anayo, 2021; Mong'ina et al., 2021; Nutt, 2018).

To successfully achieve planning for future financial sustainability, the cash flow needs of an organisation must be fully evaluated and understood. The importance of financial planning, especially the managerial instrument, cash flow forecasting, has been underlined by periods of financial crisis (Glaum, Schmidt, & Schnürer, 2018). Not only was the South African economy affected by the global financial crisis in 2008 into 2009, over the recent years between 2015 and 2017 and again during the Covid-19 period, it has been affected by a slow economic growth, continued high unemployment rate, increasing inflation and interest rates, and an unstable rand resulting in a number of downgrades by the rating agencies (Statistics South Africa (Stats SA), 2023).

The study aimed to highlight the importance of the adequate use of cash flow forecasting as a strategic planning tool to maximise the service provision of non-profit organisations. The case study is situated in a province characterised by its socio-economic issues, housing the majority of non-profit organisations in the country. As a result of the dearth in rigorous comparative research on and about financial tools used by non-profit organisations, conclusions are difficult to arrive at, based on the financial performance associated with receipt of funding, appropriate expenditure and return of assets of non-profit organisations in the designated area, as well as how this affects their service delivery mandates and sustainability indicators (Mvunabandi et al., 2022). The not for profit organisation's name is anonymised throughout this article for confidentiality purposes.

This study will contribute to a greater knowledge of the use and implementation of cash flow forecast analysis in



the non-profit organisation sector.

2. LITERATURE REVIEW

Organisations that fund non-profit organisations do so for a cause that will bring about change to an environment in which it operates. Donors of non-profit organisations, however, increasingly expect that non-profit organisations demonstrate how they perform and whether they are managed both efficiently and effectively (LeRoux & Wright, 2010; Terman, 2022). The financial management of these funds becomes priority. They consider accounting records to identify financial reports from which returns on investments can be determined but numerous donors have realised the value of forecast reports. Unlike accounting, which has a historic perspective, financial management is focused on creating value for the future (Du Toit, Erasmus, Kotze, Ngwenya, Thomas, & Viviers, 2014).

Cash flow forecast has its roots from finance theory as it deems the primary objective of the firm to be the maximisation of shareholder wealth (Oseifuah and Gyekye, 2016). Finance theory determines the worth of a firm to be the discounted value of all cash flows generated over the lifetime of the firm assuming that they are paid out as dividends (Li, Moutinho, Opong, & Pang, 2015). The use of cash flow forecasts analysis to report on the deviations and the sources of significant deviations relate to the financial management of a firm (Mong'ina et al., 2021). In this context, there is no prescribed model for any individual firm or a direct link of this practice to an established theory and, as a result, there is manipulation of the variables of available models to meet the management needs. As a result of no standard process being followed in preparing a cash flow forecast, it is usually customised to the nature of the business to ensure relevance and reliability of the information. Holistically, finance theory guides the capital budget process (Vernimmen, Quiry, & Le Fur, 2022). Although finance theory stresses cash flow and the expected return on competing assets, it was found to be considered separate from strategic planning (Bryson, 2018). The theory should have direct application not only to capital budgeting, but also to the financial side of strategic planning (Bryson, 2018). The agency theory is relevant as the board of directors act in the role of overseeing management's (agent) performance aligns to that of the trustees' objectives (principle).

Over time, similar management skills used by for-profit organisations relevant for basic strategic planning, monitoring, evaluation and reporting are required (Mvunabandi et al., 2022). Non-profit organisations are facing pressure to adopt enterprise or business-orientated approaches to delivering social services, including the various organisational structures and strategies (Kernot & McNeill, 2011). In contrast, generally, the accounting system and management structures of non-profit organisations are underdeveloped in comparison with for-profit organisations and these are mainly operated by volunteers. Financial reporting inefficiencies with non-profit organisations have led legislators internationally to closely monitor governance and accountability issues in the non-profit sector (Civittillo, 2021; Le, Vu, & Tran, 2020; Molk & Sokol, 2021).

Strategic planning is necessary in order to provide vision and meet the transparency and accountability requirements of the organisation and that of the funding community (Visconti, 2020). Strategic planning can be understood to be the formulation of a plan that brings together organisational objectives, policies and actions, with the intention of creating a sustained competitive advantage (Ferreira & Proença, 2015; Visconti, 2020). The relevance of strategic planning not only renders itself key to organisations whose primary objectives are focused on profits, but on all organisations that are focused on running viable and sustainable operations (Gratton, 2018; Reid, Brown, McNerney, & Perri, 2014). Organisational performance may not be easily quantifiable as the nature of the services provided are significantly qualitative. In this context, it is risky to assume that strategic planning is adopted to improve performance (Courtney, Marnoch, & Williamson, 2009; Locke & Fritschle, 2022).

For regulatory reporting purposes, in a standard cash flow statement, there are mainly two types of cash flow methods that may be used as recommended by International Accounting Standards (IAS) 7, namely the direct method and the indirect method (International Accounting Standards Board, 2017). In the study by (Orpurt & Zang, 2009; Panda, 2021), the use of the direct method and the indirect method was examined to verify whether it caused a difference in determining the relevant cash components (Ayers, Call, & Schwab, 2018). The results implied that the direct method disclosure was more informative in predicting future cash flow than the indirect method.

Consequently, when preparers of the cash flow forecast use information from a full set of financial statements, they are more likely to achieve an improved understanding of the individual operational income and expenditure components, as well as changes in working capital than guarantee accuracy in the future cash flow predictions (Mong'ina et al., 2021). Prediction of cash flow is a key facet of a business, used by business owners to plan for the future direction and requirement of cash to avoid any crisis such as solvency and liquidity (Barth, Cram, & Nelson, 2001; Hussain, Abidin, Ibrahim, & Joginder, 2020). If budgeting and cash flow forecasting is prepared and implemented efficiently by the organisation, the possibility of such organisation being economically sustainable is enhanced. There is no uniform cash flow generating process for the complete business world and different companies provide distinct patterns of cash flows (Bryson, 2018; Lia, Moutinhob, Opongb, & Pang, 2015). This requires the customisation of the cash flow processes to align with the nature of the business, its operations and vision.



Plaskova et al. (2020) alluded that, a cash flow forecast without monitoring does not add value, which emphasises the need for its analysis. Analysis enables discrepancy identification in specific areas of the operations, which, in turn, enables management to focus and resolve potential issues in the particular area of operations. The time invested in understanding cash flow and the attention given to it is the determinant of whether the business will survive (Plaskova et al., 2020). It enables management to allocate cash reserves timeously and adequately to the areas of the organisation where these may be required. The cash flow analysis is a more appropriate indicator of liquidity and productivity than the balance sheet (Melander, Sandström, & von Schedvin, 2017). Once financial health is evident, the financial sustainability of the organisation's planned activities becomes more reliable. This information occupies a key role in persuading potential sponsors to fund activities of the non-profit organisation of their choice. It enables the potential sponsor to demonstrate faith on how the funds will be managed to achieve the anticipated outcomes.

3. RESEARCH METHODOLOGY

This study employed a qualitative research approach. The qualitative research was conducted by using a case study. The case study of one eThekweni-based not for profit organisation was selected for investigation because of its level of work nationally and internationally and its likelihood to experience significant cash flow forecast analysis in its strategic planning issues due to its size.

The complex nature of the study rendered the case study approach the most appropriate method of this research (Breslin & Buchanan, 2008). To meet research objectives, the work was carried out with the necessary methodological rigour (Dresch, Lacerda, & Cauchick Miguel, 2015). The case study approach was based on recommendations made by (Dooley, 2002). The population size was a total of 153 667 non-profit organisations registered in South Africa at the end of 2015/16 period, and it was evident that KwaZulu-Natal province had the second highest number of registered NPOs 29 197(19%) after Gauteng 48 405(31.5%). The NPOs in this region involved in HIV/AIDS prevention and education comprised the population from which the case was selected.

The case was also selected based upon the period of operation, location, size, funding, sector footprint and internal controls. Using a purposive sampling technique, the sample size was that of four participants who comprise the executive members of the board of directors and finance officers. They were selected because (1) they are knowledgeable with practical experience and have knowledge of the NPO's cash flow forecasts analysis and strategic planning; (2) their level of involvement in cash management such as the cash budget and cash flow forecasts; and (3) report cash management data to the directors for decision making.

Ethical clearance was obtained from UKZN's Humanities and Social Sciences Research Ethics Committee (HSSREC) (Nichol, Mwaka, & Luyckx, 2021). Permission to conduct the research was duly granted. A gatekeeper's letter was also received from the organisation (Kawulich, 2011). All the respondents signed informed consent forms after being fully informed of the purpose and nature of the research (Bazzano, Durant, & Brantley, 2021). They were assured that their privacy, confidentiality, and anonymity would be respected. Pseudonyms were assigned to all the respondents to protect their identity and they are referred to as A1, A2, A3 and A4. Where: A1 recognised as "Financial controller"; A2 recognised as "Accountant"; A3 recognised as "Budget officer"; and A4 recognised as "Director".

Semi-structured in-depth interviews were conducted to generate data. The evidence collected from the interviews was supplemented and enhanced by access to the organisation's annual reports, cash flow management policy and cash flow forecasts reports from 2012 to 2017. All interviews were recorded and subsequently transcribed (McMullin, 2021). The transcribed data was imported into the NVivo 11 software to obtain rigour in dealing with qualitative data gathered.

In line with Roberts and Priest (2006) and Pooe, Mafin and Makhubele (2015), the study's reliability and credibility and validity were ensured by follow-up questions to the participants sent via email and subsequent telephonic communication increasing rigour and confidence in the findings. This was further complemented by follow-up visits to verify the validity of the data previously provided by participants.

The data was organised categorically, thematically and chronologically, repeatedly reviewed, and continually coded where relationships were further identified (Black, 2006).

Qualitative data analysis of narrative analysis was conducted where robustness analysis was fully performed using conventional thematic analysis for all interviews via NVivo and document analysis for documents gathered (Humble & Mozelius, 2022). Findings were thematically summarised in an anonymous format.

4. EMPIRICAL ANALYSIS AND DISCUSSION OF THE FINDINGS

The category selection, analysis of the data and re-coding where necessary, as was represented in NVivo under the *Nodes*. From this, visualisations and charting could be achieved based on the assembling of the data in this



format in the software. The themes that emerged are reflected in Figure 1 below and are discussed in detail under this section.

| Nodes | | | |
|---|---------|------------|----|
| Name | Sources | References | |
| A - Mandate of the organisation | | 6 | 47 |
| B - Reason for receiving funding | | 2 | 25 |
| C - Planning | | 5 | 56 |
| D - Controls over bank accounts | | 4 | 53 |
| E - Reporting | | 5 | 40 |
| F - Effects of financial decisions on service mandate | | 2 | 14 |

Figure 1: Nodes

Source: Adapted from NVivo data (2018)

In assessing the individuals' level of understanding of the cash management system in order to determine their understanding and the use of cash flow forecasting analysis, the interview schedule enquired the participant's position, years of service, level of education and level of basic cash management knowledge.

The position of the participant indicated the level of influence in the cash management system in achieving the financial objectives of the organisation. Literature indicated that individuals who are more orientated towards the financial goals of the organisation would understand the importance of cash flow forecasting better than individuals with less previous and present interaction with the financial goals of the organisation (Glaum *et al.*, 2016). Of the four candidates, A1, A3 and A4 were in management positions in the organisation and also members of the board subcommittees. A2, with the lowest level of formal qualification compared to the other three participants, outweighed education by the level of experience, having fulfilled the role of an accountant for over 17 years.

Overall, 50% of the respondents had more than 11 years' experience with the organisation which meant that they had adequate knowledge of the relevant sources of the information in preparing a cash flow forecast analysis. Where qualification of the financial managers was not found to be significant, their experience was significant, as NPOs with less experienced financial managers are more likely to suffer financial distress. The findings of the study also support the findings of Strydom & Stephen, (2014) and Bryson (2019) which established that the age and size of the NPO, and the financial manager's experience were significant factors in determining the likelihood of financial distress.

Further to the participants' characteristics, it was important to understand the characteristics of the support finance team participants in carrying out their functions. A greater staff complement would indicate that adequate resources may be allocated for detailed cash budgets and cash flow forecasts. The finance team consisted of 14 members, 90% of which possessed a tertiary level qualification and 67% of which had worked for more than a three-year period.

The education and level of experience in the organisation remained the core determinants of the finance function's efficiency and effectiveness in the overall operations of the organisation. They did not need to be directly involved in the cash management processes but due to the relative complex nature of preparing cash budgets and cash flow forecasts, their inputs were required and formed part of the overall report.

4.1. Themes developed from data

Key findings from the data could be presented in two ways. The first is the reporting of key findings under each main theme, illustrating these by including verbatim quotes and following up the discussion of the findings in relation to existing studies. The second is to incorporate findings into the discussion of results section (Burnard, Gill, Stewart, Treasure, & Chadwick, 2008). The latter approach was decided upon. In order to present the thought process of developing the themes of the study, a feature in NVivo named Mind Map (thematic map) was used to create the illustration below:

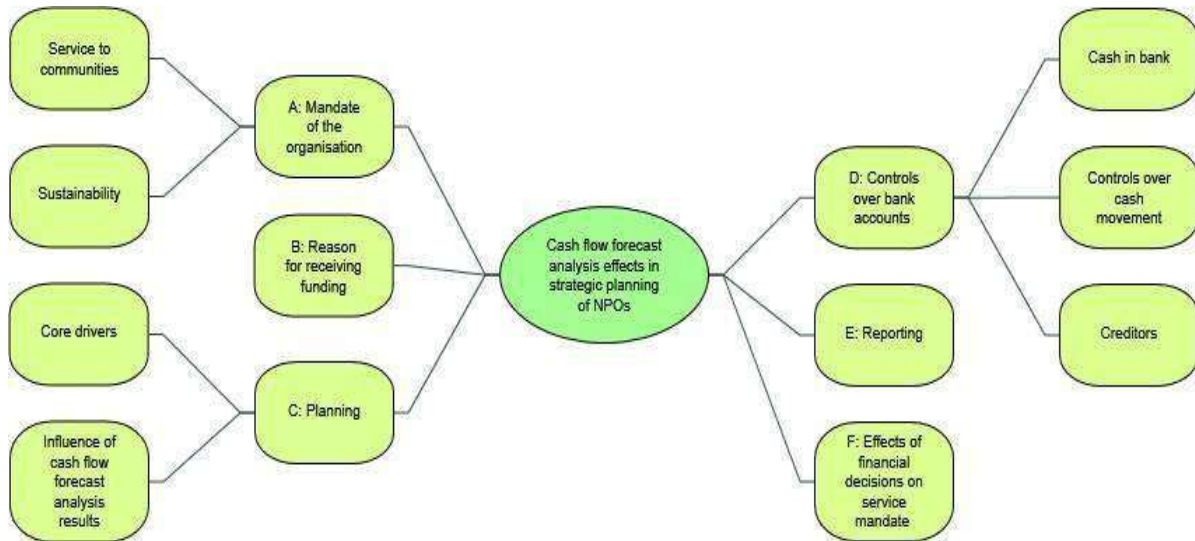


Figure 2: CFF Mind Map

Source: Adapted from NVivo data (2018)

Figure 2 illustrates the six main themes identified from the raw data and located under nodes using the coding system of the NVivo software. The codes were initially created in the form of a codebook. Although further topics or categories were identified, these were subsequently merged into the above main themes. Of the six themes, A, C and D were divided into sub-categories.

4.1.1. Theme A: Mandate of the organisation

The mandate of the organisation has its origins in servicing the communities in which it operates and sustaining its activities to ensure continued health care service for these and extended communities. The NVivo software was able to provide the output of word frequency using relative numbers and frequency percentages.

The theme was categorised further into two sub-themes, referred to as child nodes in NVivo:

i. Service to communities

The organisation focuses on improvement of quality service delivery in the primary health care system through numerous initiatives of improving linkages and enabling access to health care within target communities and conducted the related health care research. The activities emphasised quality improvement strategies in order to accelerate the identification of adults and children with chronic diseases, ensuring their enrolment in treatment, and ensuring that clinical linkages are improved so that they continually receive care. In the monitoring of budgets, finance participants interacted with members of the organisation who are based in the field such as the community development managers as mentioned by A1:

“... very close links with those community-based organisations that we deal with under some of our programs.”

In the annual report of the organisation, the progress of numerous projects validates the achievement of the mandate.

ii. Sustainability

For the organisation to continue with its activities and those prioritised by regional, national and foreign governments, as well as civil society organisations, it depended largely on remaining sustainable. To stay ahead of other similar organisations and gain an edge over similar organisations, the research director with the assistance of the finance committee and finance team has constantly been evaluating the research division's work plan.

Participant A1 shared the methods in which the organisation remains relevant and competitive:

“... we do all of these publications so we are aware of what's happening in the health sector and what are the priorities there.” And further stated, “Our business development team is actually.....that's their core focus.....is getting new business in for our organisation; and effectively they are our fundraising people.”

For the organisation to remain sustainable it is not only reflected in the funding and income-generating activities



but also in ensuring compliance. In addition, the maintenance of skills within the organisation is a key feature in the project-based environment. Sustainability also has its basis on the reputation of the organisation.

The 2017 annual report reported that, "The achievements through the 23 projects highlighted in this year's report reflect our extensive involvement in health systems research and development across all levels of the health system, and the committed work of our staff in providing national, provincial and district health structures with valuable information, evidence, and technical support and tools geared towards providing improved service delivery in our primary health care system." The literature also widely supported the view that strategic planning was widely proven as a relevant tool to promote sustainable service delivery among communities NPOs are serving (Ayers et al., 2018; Gratton, 2018; Nutt, 2018).

4.1.2. Theme B: Reason for receiving funding

In order to understand funder requirements, the business unit invests in researching the funders' needs and aims to achieve these. The quality of the funding proposal occupies a key role as it reflects statutory compliance, provides audit reports, proof of work done and financial reports that demonstrate financial performance and sustainability of the organisation. Participant A3 discussed some of these requirements:

"So, funders, they want proposals they look at a lot of things in the organisation and if you...can't meet those compliance requirements if you have a poor audit report. If you can't...uhm ... sustain or you don't have enough funding they look at size of your organisation. They look at...the work that you've done in past when they award you and they look at your experience."

Experience generates improved understanding of funder requirements. When based on prior experience, budgets included in proposals are customised to the funder's spending patterns.

Participant A4, in discussing the reasons why the non-profit organisation received funding, stated that:

"...we got a good track record. We've got good structures. We've got...uh...you know good governance structures... and ...there's no reason why we can't continue when the big grants kind of disappear."

Additionally, the participant indicated that the research element of their service mandate receives increasing attention nationally and globally. Due to this demand, they may be approached to submit proposals to replicate their work in neighbouring countries or for collaborations. He further reflected on other work done by the non-profit organisation that results in fund allocations to the organisation.

These findings are overwhelmingly supported by the current body of knowledge that found that NPOs funding decisions are influenced by preparation of budgets to their funders requirements (Mong'ina et al., 2021; Mvunabandi et al., 2022).

4.1.3. Theme C: Planning

Planning by the organisation involves substantial consideration, not only financial but non-financial information impacting the organisation's operations. The NVivo software was able to provide the output of word frequency using relative numbers and frequency percentages. The theme was categorised further into two sub-themes, referred to as child nodes in NVivo:

i. Core drivers

The participants had a good understanding of strategic planning as all of them were involved in the strategic planning at some point of the process. The financial director emphasised the board's ultimate responsibility of providing strategic direction as well as for attending to legislative, regulatory, and best practice requirements to ensure efficiency and remaining competitive. To obtain further insights on what the participants considered to be the core drivers of the strategic planning of the organisation, the participants each provided key core drivers. These were largely influenced by the responsibilities of the participants' roles and experiences at the organisation.

The responses to the question included the following as core drivers: Audits (A1); Competition (A2, A3, A4); Trends (A2, A4); Funder priorities (A1, A3, A4); Project feasibility (A1, A2, A3, A4); Footprint (A1, A4); Sustainability (A1, A2, A3, A4); and Cash budgeting process (A1, A2, A3, A4).

All the participants had responded anonymously in light of the key drivers of the strategic planning process relying on the competition in the area in which the organisation operates and determining sources of potential funding in light of remaining sustainable. Competition is closely related to the fact that there has been an increasing number of non-profit organisations created and providing a similar service in the NPO's strategic areas of operations. The participants noted that the cash budgeting processes are guided by the strategic plan in terms of the available



resources and anticipated activities over targeted periods. Other core drivers considered relevant by most of the participants were keeping in line with the trends, to align the vision of the organisation to funders' priorities, and to identify extension of the organisation's footprint. A1 included one other core driver, audit, in aligning strategic planning with the compliance responsibility of their role.

The funders' priorities although indispensable to obtaining funds, was considered a secondary concern to the creation of the strategic plan. The reason being that, once the organisation's vision has been established, these priorities are considered for relevance. Commenting on the issue, A1 said:

"... so sometimes it's a delicate balance between having to say right, this is what we want to do. Let's see how we can align to the funder priorities and still end up doing what we want to do... So, we can't completely lose sight of our mission..."

On the other hand, aligning the vision of the organisation to funders' priorities may also be essential to the survival of the organisation. This is the case with government departments that work closely with the NPO ensuring that their goals are met through the implementation of the activities by the NPO. In line with the findings of (Edwards & Hulme, 1996), this study reveals that contrary to the aims of a non-profit organisation, government funding poses a threat to the independence of the organisation, as the donor expects the agreed upon outputs to be achieved.

ii. Influence of cash flow forecast analysis results

The extent to which cash flow forecast analysis forms part of guiding strategic planning is indicated by the core drivers of strategic planning, the determination of project feasibility and ensuring efficient and effective cash budgeting processes. These drivers highlight that a clear financial structure supports the vision of the organisation. A1 shared that:

"It is all about looking at the bigger picture and what you would really like to do and then looking at the cash resources and saying, right it is all nice and well having this plan but is it really possible and what can we do with the resources we have."

A3 strongly felt that the cash flow forecasts required by the funder before confirming funding allocation influenced the expected cash and expended spending. In a bid to increase their footprint with planned expansion into other sub-Saharan African countries and globally by replicating the model of its operations meant an increased need of cash resources. Forecast analysis then became an essential form of communication in terms of feasibility and anticipated successes. Even though not all the core drivers of the strategic plan identified by the participants were guided by the cash flow forecast analysis, six of the eight core drivers were guided by the cash flow forecast analysis – audits, competition, sustainability, project feasibility, footprint and cash budgeting process. The findings of the current study are overwhelmingly supported in the literature (Panda, 2021; Plaskova et al., 2020; Visconti, 2020).

4.1.4. Theme D: Controls over bank accounts

The theme was categorised further into three sub-themes, referred to as child nodes in NVivo – cash in bank, controls over cash movement and creditors.

Beyond the standard three signatory controls over payment releases, A4 indicated that another control over individual funder bank accounts was the control over the inflow of cash into the separately identifiable bank accounts. Of the allocated funds, they are requested by way of a cashflow forecast over a specified time and included in the funder bank accounts in tranches. Participant A1 included that, on a project basis, her office monitored the bank balances and the actual expenditure against the budget.

Over and above controls in place over cash in the funder accounts and the movement of cash, the non-profit organisation implements controls over the procurement processes. The control contributes largely to ensuring that procurement policy requirements, funder requirements, reporting requirements, audit requirements and other statutory requirements are met. These empirical findings support prior research that found the crucial role of funders involvement and financial audits over their donation and grants in order to satisfy all stakeholders including trustees (Wilson, Reck, & Kattellus, 2010; Yang, Simnett, & Carson, 2022; Yoon, 2022).

4.1.5. Theme E: Reporting

Reporting was determined to be the source of finance information for management and the Board in the non-profit organisation. The participants that made the most contributions to the frequency output as highlighted by the NVivo software were A1 and A2. This was identified as influenced by the responsibility of the role largely infiltrated by constant financial reporting elements.



The monthly reporting pack indicated the monitoring process over the cash budget and the adjusted budget. Periodic funder forecasts formed part of the supporting documentation for the variance analysis report.

The findings of the current study are overwhelmingly supported by the current body of knowledge that found that that reports can be relied on if they substantially reflect true and economic value (Ayers et al., 2018; Locke & Fritschle, 2022; Mvunabandi et al., 2022; Reid et al., 2014).

Unlike a for-profit organisation, which would include in their cash budget potential funds expected to be received based on the best estimate, the non-profit organisation does not include these funds until there is a binding arrangement. Contrary to conservative estimations, a study on the accuracy of cash flow forecasts observed that cash flow forecast accuracy was higher for analysts who issued bold cash flow forecasts or predicted positive cash flows than for those who issued herding cash flow forecasts or predicted negative cash flows (Pae & Yoon, 2012; Plaskova et al., 2020).

As the person responsible for reviewing the responses and after analysis, probing further to align the responses to the data before reporting, A1 indicated that he spends considerable time with the respondents to ensure validity of the variances. The reasons for variances are then submitted to the finance committee and, after approving the analysis, the contents are reported to the Board. Managerial effort has in this respect been shown to increase the efficiency of the forecasting processes when management understands the pivotal role it occupies within the organisation. These findings also agree with previous studies that highlighted the crucial role of reports prepared for wise financial decision making (Khanna & Irvine, 2018; Shahib, Sukoharsono, Achsin, & Prihatiningtias, 2020).

4.1.6. Theme F: Effects of cash flow forecast analysis in strategic planning on service mandate

The participants concurred that the cash flow forecast analysis is one of the key financial controls in the organisation that influences the financial component of the strategic planning. In the case study, the short term (between six months to three years), cash flow forecast analysis was found to be most effective. Over this period, binding arrangements are in place which validates the forecast movement of cash. In the long term (three to five years and longer), the effects of the cash flow forecast analysis are reduced. A direct targeting strategy is used by the organisation to source funds and research collaborations with strategically targeted funders as once they are exposed to the non-profit organisation's capabilities in an area of expertise, they are expected to maintain the relationship by funding future projects that the organisation can execute.

Change in district involvement and commitments in the different districts, where the non-profit organisation would be requested by the funder to refocus a current project in a different district, leads to changes in the cash flow forecasts. The literature also widely supported the view that the cash flow forecasts analysis is a tool for strategic management and business plan for long term viability (Cabildo, Marcelo, Angeles, Olipas, & Jocson, 2022; Karadag, 2015; McInnis & Collins, 2011).

When asked of the notable effects from using their cash flow analysis in strategic planning, the effect identified by the participant was as follows: Effective decision-making for the short term (A1, A2, A3, A4); Effective decision-making for the long term (A1, A2, A3, A4); Organisation's priorities determined readily (A1, A4); Funder priorities effectively managed in line with those of the organisation (A1, A3, A4); Project feasibility readily determinable (A1, A2, A3, A4); Improves efficiency in project management (A1, A3); Potential sources of funding determined before shortage of funds occurs (A1, A2, A3, A4); and Controls over the financial area of strategic planning are reliable and relevant (A1, A2, A3, A4).

The effects on the service mandate were limited to the views of the participants. Although research has shown success in accordance with profitability of for-profit organisations and the performance of non-profit organisations, the majority of researchers could not agree on a single adequate indicator for organisational performance for the non-profit sector (Aborass, 2021; Ali, 2018; Courtney et al., 2009; Rahman, 2019). It is therefore left to preference to determine the effects of financial decisions on the service mandate of the non-profit organisation.

5. CONCLUSION

The evidence revealed gaps and other uncertainties within NPOs in South Africa and elsewhere for not implementing cash flow forecasts analysis, which limits these entities to plan strategically in order expand their projects for long term viability. This study sought to highlight the importance of the adequate use of cash flow forecasting as a strategic planning tool to maximise the service provision of non-profit organisations by critically analysing the effects of the adequate use of cash flow forecast analysis on the strategic planning with reference to an anonymised NPO based in eThekweni municipality, KwaZulu Natal, South Africa. This was achieved through an investigation into cash flow forecasts practices among 4 of the NPO's financial officers and executive managers and documents analysis.

Overall, the findings of the study indicated that although there is no specific emphasis on how the monitoring



process is termed, the practice of monitoring the cash flows of the operations is in place. It was established that two types of budgets were created, the organisational budget and funder budgets. It is also reflective from the study that cash flow forecast analysis is not the only factor that impacts on strategic planning processes. The approach aligns to finance theory which stresses the importance of cash flow and the expected return on competing assets but does not link this practice to strategic planning.

Provided the effective combination of staff, experience and available time to obtain quality information exist, non-profit organisations should be able to see the benefits of incorporating cash flow forecasting and implementing the principles entailed in the study of the purpose of the cash flow forecasting.

The findings of the study further indicated that the organisation's management considered the results of the preceding year of assessment throughout their statutory reports, the cash budget reports and the cash flow forecast analysis. It is from this information that they were able to identify stifling sponsor funds, regions that are no longer of interest to existing suppliers, which regions potential sponsors aim to target, in which area of the service provision further skills have been obtained by project employees, where targets have been met and what the service impact has been.

Although the strategic planning process was not designed to be driven by finance, but instead the public service delivery mandate, the quality information derived from the cash flow forecast analysis enables the organisation to set and achieve feasible goals. As a result, the non-profit organisation is able to prove consistency in achievement of their goals and this places it in a credible position for future considerations by donors to provide their services.

While not all the core drivers of the strategic plan identified by the participants were guided by the cash flow forecast analysis, 75% (6 of the 8 core drivers) were guided by the cash flow forecast analysis. These findings illustrate that cash flow forecasting comprises one of the key guiding tools for strategic decision planning.

A clear conclusion from this study is that there is value as well as notable effects in incorporating cash flow forecast analysis in a non-profit organisation's strategic planning. This study contributes to the current body of knowledge by providing NPOs potential stakeholders with a robust and comprehensive framework for better cash flow forecasts as a strategic tool for planning in the context of NPOs.

6. LIMITATION

The study was limited to one prominent eThekweni based NPO's participants. The particular propensity of results of the study is acknowledged as the sample is not reflective of the population of non-profit organisations in the selected research area nor does it represent the diversity of parameters found in the non-profit organisations in this area and sector in which the case study operates

The findings of this study should not be generalised to other populations such as South Africa or even the KwaZulu-Natal because the sample was not randomly drawn. This study entirely relied on a qualitative research strategy and all limitations linked with this methodology apply to this research. Future research could be conducted in other regions and using a mixed-method approach to produce generalisable robust results.

REFERENCES

- Aborass, N. (2021). The impact of strategic planning on the performance of non-governmental organizations in the new century: A review. *European Journal of Digital Economy Research*, 2(1), 33-41.
- Ali, A. A. (2018). Strategic planning–organizational performance relationship: Perspectives of previous studies and literature review. *International Journal of Healthcare Management*, 11(1), 8-24.
- Anayo, P. (2021). *Effectiveness of cash management practices in small and medium enterprises: a case of small and medium enterprises in Wakiso district*. Makerere University,
- Ayers, B. C., Call, A. C., & Schwab, C. M. (2018). Do analysts' cash flow forecasts encourage managers to improve the firm's cash flows? Evidence from tax planning. *Contemporary accounting research*, 35(2), 767-793.
- Barth, M. E., Cram, D. P., & Nelson, K. K. (2001). Accruals and the Prediction of Future Cash Flows. *Accounting Review*, 76(1), 27-58. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=4064221&site=ehost-live>
- Bazzano, L. A., Durant, J., & Brantley, P. R. (2021). A modern history of informed consent and the role of key information. *Ochsner Journal*, 21(1), 81-85.
- Black, I. (2006). The presentation of interpretivist research. *Qualitative market research: an international journal*, 9(4), 319-324.
- Breslin, M., & Buchanan, R. (2008). On the Case Study Method of Research and Teaching in Design. *Design Issues*, 24(1), 36-40. doi:10.1162/desi.2008.24.1.36
- Bryson, J. M. (2018). *Strategic planning for public and nonprofit organizations: A guide to strengthening and*



- sustaining organizational achievement*. John Wiley & Sons.
- Bryson, J. M. (2019). A strategic planning process for public and non-profit organizations. *Long range planning*, 21(1), 73-81.
- Burnard, P., Gill, P., Stewart, K., Treasure, E., & Chadwick, B. (2008). Analysing and presenting qualitative data. *British Dental Journal*, 204(8), 429-432. doi:10.1038/sj.bdj.2008.292
- Cabildo, A. G., Marcelo, R. D., Angeles, E. J. V., Olipas, R. E., & Jocson, J. C. (2022). Effect of Cash Management on the Retail Industry's Financial Performance. *International Journal of Engineering and Management Research*, 12(6), 131-141.
- Civitillo, R. (2021). Non-profit institutions: professionalism, accountability and civic-engagement. *Kybernetes*, 50(7), 2060-2072. doi:10.1108/K-05-2018-0273
- Courtney, R., Marnoch, G., & Williamson, A. (2009). Strategic planning and performance: an exploratory study of housing associations in Northern Ireland. *Financial Accountability & Management*, 25(1), 55-78.
- Dooley, L. M. (2002). Case Study Research and Theory Building. *Advances in Developing Human Resources*, 4(3), 335-354. doi:10.1177/15222302004003007
- Dresch, A., Lacerda, D. P., & Cauchick Miguel, P. A. (2015). A Distinctive Analysis of Case Study, Action Research and Design Science Research. *Revista Brasileira de Gestão de Negócios*, 17(56), 1116-1133. doi:10.7819/rbgn.v17i56.2069
- Edwards, M., & Hulme, D. (1996). Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations. *World Development*, Vol. 24(No. 6), 961-973.
- Ferreira, M. R., & Proença, J. F. (2015). STRATEGIC PLANNING AND ORGANIZATIONAL EFFECTIVENESS IN SOCIAL SERVICE ORGANIZATIONS IN PORTUGAL. *STRATEŠKO PLANIRANJE I ORGANIZACIJSKA EFEKTIVNOST U PORTUGALSKIM ORGANIZACIJAMA KOJE PRUŽAJU SOCIJALNE USLUGE.*, 20(2), 1-21. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=112037432&site=ehost-live>
- Glaum, M., Schmidt, P., & Schnürer, K. (2018). Processes and Accuracy of Cash Flow Forecasting: A Case Study of a Multinational Corporation. *Journal of Applied Corporate Finance*, 30(2), 65-82. doi:10.1111/jacf.12301
- Gratton, P. C. (2018). Organization Development and Strategic Planning for Non-Profit Organizations. *Organization Development Journal*, 36(2).
- Humble, N., & Mozelius, P. (2022). Content Analysis or Thematic Analysis: Doctoral Students' Perceptions of Similarities and Differences. *Electronic Journal of Business Research Methods*, 20(3), 89-98.
- Hussain, R. I., Abidin, N. S. Z., Ibrahim, F., & Joginder, J. S. (2020). Accruals in the prediction of forthcoming cash flows in the companies listed at Pakistan stock exchange. *International Journal of Economics and Financial Issues*, 10(5), 130-139.
- Karadag, H. (2015). Financial management challenges in small and medium-sized enterprises: A strategic management approach. *EMAJ: Emerging Markets Journal*, 5(1), 26-40.
- Kawulich, B. B. (2011). Gatekeeping: An ongoing adventure in research. *Field Methods*, 23(1), 57-76.
- Kernot, C., & McNeill, J. (2011). Australian Stories of Social Enterprise. (1).
- Khanna, K., & Irvine, H. (2018). Communicating the impact of the global financial crisis in annual reports: A study of Australian NGOs. *Australian Accounting Review*, 28(1), 109-126.
- Le, O. T. T., Vu, T. T. H., & Tran, P. T. T. (2020). Barriers of the Management Accounting Application: The Case of Vietnamese Public Universities. *International Journal of Economics & Business Administration (IJEBA)*, 8(2), 420-432.
- LeRoux, K., & Wright, N. S. (2010). Does Performance Measurement Improve Strategic Decision Making? Findings From a National Survey of Nonprofit Social Service Agencies. *Nonprofit & Voluntary Sector Quarterly*, Vol. 39(Issue 4), p571-587, 517p. doi:10.1177/0899764009359942
- Lia, Y., Moutinhob, L., Opong, K. K., & Pang, Y. (2015). Cash flow forecast for South African firms. *Review of Development Finance*(5), 24-33.
- Locke, L., & Fritschle, D. (2022). A Proposed Tool for Non-Profit Portfolio Strategy. *Journal of Biblical Integration in Business*, 25(1).
- McInnis, J., & Collins, D. W. (2011). The effect of cash flow forecasts on accrual quality and benchmark beating. *Journal of accounting and economics*, 51(3), 219-239.
- McMullin, C. (2021). Transcription and qualitative methods: Implications for third sector research. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 1-14.
- Melander, O., Sandström, M., & von Schedvin, E. (2017). The effect of cash flow on investment: an empirical test of the balance sheet theory. *Empirical Economics*, 53, 695-716.
- Molk, P., & Sokol, D. D. (2021). The challenges of nonprofit governance. *BCL Rev.*, 62, 1497.
- Mong'ina, O. F., Munene, R., & Ngahu, S. (2021). Cash Flow Forecast and Its Effect on Financial Sustainability of Community Based Organizations in Kakamega County, Kenya. *The International Journal of Business & Management*, 9(9).
- Mvunabandi, J. D., Lathleiff, C., & Muzindutsi, P.-F. (2022). Financial accounting as a tool to enhance non-government organisations' performance: a case study of a large NGO in Durban, South Africa.



International Journal of Economics and Financial Issues; Vol. 12, Issue 3.

- Nichol, A. A., Mwaka, E. S., & Luyckx, V. A. (2021). *Ethics in Research: Relevance for Nephrology*. Paper presented at the Seminars in Nephrology.
- Nutt, P. C. (2018). A strategic planning network for non-profit organizations. *Strategic management journal*, 5(1), 57-75.
- Orpurt, S. F., & Zang, Y. (2009). Do Direct Cash Flow Disclosures Help Predict Future Operating Cash Flows and Earnings? *Accounting Review*, 84(3), 893-935. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=39461095&site=ehost-live>
- Pae, J., & Yoon, S.-S. (2012). Determinants of Analysts' Cash Flow Forecast Accuracy. *Journal of Accounting, Auditing & Finance*, 27(1), 123-144. doi:10.1177/0148558X11409148
- Panda, D. K. (2021). Impact of organizational culture on strategic planning. *Management Decision*, 60(5), 1349-1368.
- Plaskova, N. S., Prodanova, N. A., Ignatyeva, O. V., Nayanov, E. A., Goncharov, V. V., & Surpkelova, A. (2020). Controlling in cash flow management of the company. *EurAsian Journal of BioSciences*, 14(2), 3507-3512.
- Rahman, A. A. A. A. (2019). The impact of strategic planning on enhancing the strategic performance of banks: evidence from Bahrain. *Banks and Bank systems*, 14(2), 140.
- Reid, M. F., Brown, L., McNerney, D., & Perri, D. J. (2014). Time to raise the bar on nonprofit strategic planning and implementation. *Strategy & Leadership*, 42(3), 31-39.
- Roberts, P., & Priest, H. (2006). Reliability and validity in research. *Nursing standard*, 20(44), 41-46.
- Shahib, H. M., Sukoharsono, E. G., Achsin, M., & Prihatiningtias, Y. W. (2020). Developing Local Government's Socioenvironmental Accountability: Insights from Indonesian Socioenvironmental NGOs' Annual Reports. In *Environmentalism and NGO accountability* (Vol. 9, pp. 27-54): Emerald Publishing Limited.
- Terman, J. N. (2022). LeRoux, Kelly and Nathaniel Wright: Performance and Public Value in the 'Hollow State'. *Nonprofit Policy Forum*, 13(2), 175-178. doi:10.1515/npf-2022-0011
- Vernimmen, P., Quiry, P., & Le Fur, Y. (2022). *Corporate finance: theory and practice*: John Wiley & Sons.
- Visconti, R. M. (2020). Cash flow forecasting of debt-free startups. *Università Cattolica del Sacro Cuore, Milan, Italy*, 403-406.
- Wilson, E. R., Reck, J. L., & Kattellus, S. C. (2010). Accounting for governmental and nonprofit entities.
- Yang, Y., Simnett, R., & Carson, E. (2022). Auditors' propensity and accuracy in issuing going-concern modified audit opinions for charities. *Accounting & Finance*, 62, 1273-1306.
- Yoon, N. (2022). Nonprofit board governance policy adoption: Toward an integrated board interlock network and institutional perspectives. *Nonprofit and voluntary sector quarterly*, 51(5), 1074-1094.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Determinants Of Consumers' Purchase Decisions For Modern Retail In Medan City

Aryani Sairun, Syaifuddin, Sugito
Universitas Prima Indonesia Medan, Indonesia
Universitas Prima Indonesia Medan, Indonesia
Universitas Medan Area, Indonesia
syaifuddin@unprimdn.ac.id

Abstract

The increase in retail business in a company is caused by many factors. Therefore, it is necessary to test variables that are considered appropriate to support the progress of retail business. Like this study will test whether production quality, service quality, and emotional affect purchases and loyalty by consumers in retail companies in Medan city. In this study, quantitative methods were used to collect data. The results of the study indicate that product quality has an influence on consumer purchases and loyalty; service quality also has a significant and positive influence on consumer purchases and loyalty; and emotional variables also have a significant influence on consumer purchases and loyalty, making them continue to buy the same product.

Keywords: Determinants, Decisions, Purchases, Retail, Medan

INTRODUCTION

Although the growth of modern retail contributes to the economic sustainability of traditional retail companies, modern retail also (Yulita et al., 2019; Utomo, 2011; Muqit, 2020).

Consumers used to prefer shopping at traditional retail because of the price, but with economic progress in each region, the convenience of shopping has become an attraction in itself, and this is one of the reasons why people prefer shopping at modern retail than traditional retail (Felycia & Genoveva, 2021). As reported by the Federation of Indonesian Market Traders Organizations (FOPPI) throughout Indonesia, the number of traditional retailers has decreased by 8 percent per year. According to FOPPI, this is due to many uncertainties in the retail industry, one of which is related to the distance between modern and traditional retail locations (Kuraesin & Prasetyowati, 2018; Child et al., 2015; Nsimbi et al., 2015). However, the increasing expansion of modern retail has led to high competition between modern and traditional retail. As a result, this sector benefits from increasing turnover every year and will continue to do so (Colombo & Hou, 2021).

Consumer decisions about a product or service are a process of evaluating and accepting brand information, considering how other brands can meet consumer needs, and ultimately deciding which brand to buy (Kotler 2003). When customers feel interested, want to use, and own the goods they see, the desire to buy will arise. Consumers must go through several steps before deciding to buy a good or service.

Consumers who are loyal to a product will definitely recommend the product to others and will also reject offers of other products (Griffin, 2005; Felycia & Genoveva, 2021). According to Griffin (2005), consumer loyalty is defined as a loyal or faithful consumer if the consumer makes purchases regularly or in situations where they are required to buy the most (Griffin, 2005; Felycia & Genoveva, 2021). The main goal is to gain consumer loyalty because it is very profitable for the company. Marketers usually want the customers they create to last



forever. According to Widyawati (2017), consumers who are very loyal to a brand can be seen from the consistent use of certain products even though there are competing services available at lower prices.

Consumers have more trust in higher quality products. Kotler and Keller (2009) argue that better product quality will ensure that customer satisfaction levels remain high, which means that customers will buy other products more often. Because the product has a high level of trust, consumers are likely to decide to buy the product because it will make them satisfied. Consumer behavior is further influenced by their satisfaction or dissatisfaction with the product. If customers are satisfied with the performance of the product they buy, they are more likely to buy other products or services (Kotler 2003). Nofrizal et al. (2023) investigated start-up companies in Indonesia during the COVID-19 pandemic and found that the quality of products made by the company increased consumer loyalty. High-quality products will increase customer expectations, who will not only become loyal customers and will buy the product again (Rohmah et al., 2023; Mukti and Aprianti, 2021)

Good service quality usually results in customer loyalty because it increases customer trust and satisfaction with the company and encourages them to make better decisions when purchasing something. Customers may be more willing and willing to do things that benefit the strategic health of the company, resulting in the formation of customer loyalty. Sun & Pan (2023) found that customer loyalty is influenced by service quality. Good service will encourage customers to buy something (Octaviani, 2013; Soenawan et al. (2015).

In addition to product and service quality, emotional factors also influence purchasing decisions and customer loyalty. Consumer behavior and decision making are highly influenced by emotions. Pleasant emotional experiences can significantly influence customer purchase intentions (Gogoi, 2017; Ingham et al., 2015) and are based on customer loyalty. Customer loyalty is indicated by repeat purchases. Companies can benefit from having loyal customers. These benefits include lower costs for marketing and attracting new customers, lower costs for transactions, lower costs for customer turnover due to less customer turnover, more cross-selling which will increase the company's market share, and more positive feedback (Setiadi et al., 2015).

The success phase of business actors in cultivating positive emotions is the best observation of overall client satisfaction in their relationship with business actors (Fakhrudin and Roellyanti, 2022). Consumers' feelings and emotions greatly influence their decision to continue doing business with the company in the future. The client-company relationship becomes better when they are closer emotionally (Ronasih & Widhiastuti (2021). Many parties often miss the important aspect of the emotional relationship between service providers and service users. Developing positive feelings and emotions is essential to building relationships. Customers have no clear reason to be satisfied and loyal, and they are willing to make repeat purchases because of the absence of emotions (Achsani et al., 2014).

Based on the problem, the importance of companies to understand the aspects that influence consumer purchasing decisions is the main basis for this research because the increasing number of modern retail industries built in the city of Medan is also an important point where management needs to understand the characteristics of each consumer. Therefore, researchers are interested in conducting a study related to the Determinants of Retail Consumer



Purchasing Decisions in the City of Medan.

LITERATURE REVIEW

Purchase Decision

According to Kotler (2003), a purchase decision is the result of decisions made about the product, brand, channel, time, and quantity to be purchased. According to Schiffman and Kanuk (2007), a purchase decision is choosing from two or more purchase decision options; in other words, a person must have many choices before being able to make a decision. According to Wijayanti (2008), consumers make decisions about product or service brands through the process of assessing and receiving brand information, considering how other brands can meet their needs, and finally choosing the brand they choose. When customers feel interested, want to use, and have the goods they see, the desire to buy will arise. Consumers must go through several steps before deciding to buy a good or service.

Consumer Loyalty

According to Oliver (2014), consumer loyalty is defined as a commitment held tightly by customers to buy or prioritize a product, either goods or services, regularly. This causes customers to continue to buy products from the same brand, even though they are influenced by the influence of situations or promotions from other brands. According to Griffin (2005), on the other hand, consumer loyalty is defined as consumers who are loyal or faithful if they often buy something or have to buy something at least twice within a certain period of time. Tjiptono (2011) provides an additional definition for consumer loyalty, which means that customers only buy the same brand of products repeatedly. Consumer loyalty is a strong commitment to purchasing, according to Kotler and Keller (2009).

Product Quality

Kotler and Armstrong (2008) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that can satisfy expectations or needs. Kotler and Keller (2009) define product quality as the ability of a product to perform its functions, which includes overall durability, reliability, accuracy, ease of operation, and ease of repair.

Service Quality

Service quality, according to Tjiptono (2015), is defined as activities, benefits, or satisfaction offered for sale by comparing customer perceptions of the service they receive and the service they expect with the service qualities of a company. Better service will affect the level of customer satisfaction, so that the business is considered to be of higher quality. Conversely, poor and unsatisfactory service will make the business be considered lower. According to Wijaya (2011), customers or consumers determine the quality of service. In other words, service quality is based on customer experience with products or services measured based on these requirements. Service criteria focus on meeting customer needs and desires and fast delivery to meet customer expectations. There are two main aspects that affect service quality, namely expected service and perceived service. If the service received or the service felt is in accordance with what is expected by the consumer, then the service quality is perceived (Tjiptono, 2015). Service quality depends on how well the provider can meet the expectations of its customers. If the service received is better than expected by the customer, it is considered good or satisfactory, but if it is less, it is considered bad.

Emotional



Emotional psychologists believe that all people have emotions naturally. These emotional states can be anger, dissatisfaction, irritation, pleasure, or neutrality of joy (Lovelock & Wright 2007). Emotion is a mental state characterized by physical changes, according to Robins & Judge (2019). Each person's emotions reflect their mental state, which is seen in changes in the body. Emotional closeness, according to Achsan et al. (2014) and Hidayat (2016), is defined as a sense of mutual attribution between service providers or producers and service users or consumers. As stated by Barnes (2013), the emotional approach given must be applied to a company. Emotion is a feeling that arises within a person and is a response to external stimuli that encourage them to act. In economics, emotional factors are a person's motivation to buy a product because of subjective considerations.

RESEARCH METHOD

Quantitative research is also conducted. Quantitative research is usually considered as an alternative to test research hypotheses. Quantitative research is based on research findings on the possibility of failure of the null hypothesis. By using five independent variables: "product quality (X1), service quality (X2), emotional (X3), and one intervening variable: "consumer loyalty", this study will test the determinants of purchasing decisions of modern retail consumers in Medan City. Primary and Secondary Data are the types and sources of data used in this study. In addition, this study will be conducted through a cross-sectional survey design. Modern store consumers in Medan City who have shopped in the last three months are the subjects of the study. This study uses descriptive analysis, and hypothesis testing analysis using SEM-PLS.

Research Schedule Design

This research was conducted in Medan City, and the main subjects were modern retail customers. Thus, the number of samples used was between 240 and 480 respondents. Each indicator of each dimension and variable will be measured using an interval scale. The interval scale value is arranged from 1 to 5, indicating strongly disagree, disagree, neutral, agree, and strongly agree. The questionnaire uses an interval measurement scale and Likert Scale Summated Rating.

RESULT AND DISCUSSION

The Effect of Product Quality on Consumer Loyalty

Products can build customer loyalty and satisfy them initially (Eduardo et al., 2008). Customer loyalty is shown by behavior that aims to support a product, namely by sharing their experiences with others with positive words (Yuen and Chan, 2010). High loyalty is seen when a company's customers recommend someone to buy a product (Yuen and Chan, 2010). Kotler and Keller (2009) argue that better product quality will ensure that customer satisfaction levels remain high, which means that customers will buy other products more often. Therefore, customer loyalty emerges gradually. Studies show that improving product quality can benefit businesses because it can increase customer loyalty. Nofrizal et al. (2023) investigated start-up companies in Indonesia during the COVID-19 pandemic and found that the quality of products made by the company increased consumer loyalty. High quality products will increase customer expectations, who will not only become loyal customers and will return to buy the product (Rohmah et al., 2023).

Most research on customer satisfaction and loyalty focuses on brands rather than products; this is due to the fact that marketers do not use products as the first item to generate



customer satisfaction or loyalty (Eduardo et al., 2008).

The Effect of Service Quality on Consumer Loyalty

Good service usually results in customer loyalty because it increases customer trust and satisfaction with the company. Customers may be more willing and willing to do things that benefit the strategic health of the company, resulting in the formation of customer loyalty. Companies believe that positive perceptions of quality service increase the likelihood that customers will be loyal and support the company. A study examining five service industries found that there is a positive correlation between service quality and perceived loyalty (Yuen and Chan, 2010).

A firm commitment to repurchase a favorite product or service in the future, despite situational influences and marketing efforts that might cause switching behavior, is a definition often used in the literature on loyalty (Richard, 1997). In terms of measuring loyalty, there are two perspectives: the behavioral perspective and the attitudinal perspective. The behavioral perspective emphasizes customers' actual behavior, such as the frequency and persistence of their purchases (Bolton et al., 2000). On the other hand, the attitudinal perspective focuses on customers' intentions, such as their willingness to patronize a service or recommend it to others (Zeithaml et al., 2013). Therefore, in comparison, people's attitudes are often considered more useful in gaining a better understanding of loyalty formation.

Service quality has been shown to increase customer loyalty. Sun & Pan (2023) found that customer loyalty is influenced by service quality. Recently, studies have shown this relationship empirically, such as increasing customer recommendations and revisiting intentions by increasing service quality (Shahid et al., 2018). Therefore, high perceptions of service quality by customers may drive better behavioral intentions.

Emotional Influence on Consumer Loyalty

Customer loyalty and satisfaction are greatly influenced by emotions. Maintaining customer satisfaction is the basis of loyalty; it is an emotional and attitudinal relationship, not just behavior. Customer loyalty itself is more related to behavior than attitude, but customer loyalty shows conditions over a certain period of time and shows that the purchase action is carried out no less than twice. Customer loyalty is shown by repeat purchases. Companies that have loyal customers can gain many benefits, including reduced marketing costs, transactions, and consumer turnover due to less customer turnover, and increased word of mouth (Setiadi et al., 2015).

The success phase of business actors in cultivating positive emotions is the best observation of overall client satisfaction in their relationship with business actors, according to Fakhruddin and Roellyanti (2022). Consumers' feelings and emotions greatly influence their decision to continue doing business with the company in the future. The client-company relationship becomes better when they are closer emotionally, according to Ronasih & Widhiastuti (2021), and one of the results is building client loyalty. Many parties often miss the important aspect of the emotional relationship between service providers and service users. Developing positive feelings and emotions is essential to building relationships. Customers have no real reason to be satisfied and loyal, because repeat purchases become mechanical due to the absence of emotion (Achsani et al., 2014).

The Influence of Product Quality on Purchasing Decisions



Higher product quality leads to more consumer trust in the product. If consumers believe in the quality of the product, they are more likely to choose and purchase the product. This is because high product quality will provide satisfaction to customers. Consumer behavior is further influenced by their satisfaction or dissatisfaction with the product. If buyers are satisfied with the performance of the product they buy, they are more likely to buy the product or service again (Kotler 2003). Soedjono et al. (2019) conducted additional research on how product design, product quality, promotion, and after-sales service affect consumer decisions to purchase products. The results of the study showed that product quality is a factor that influences customer decisions to purchase Samsung products.

Another study conducted by Kongrapunt and Papat (2018) found that brand image and product quality really influence consumer decisions to purchase products at XYZ online stores in Thailand. Another study conducted by Soh et al. (2017); Kitburin and Methavasaraphak (2019) also found that product quality really influences consumer decisions to purchase products. To win in marketing competition, every company must be able to satisfy its customers. One of the factors that buyers consider when purchasing goods is product quality. If the benefits of the product can meet customer needs, they will decide to buy it. A product that has good quality is a product that can do what it is intended to do, meets its specifications, is free from defects, and meets standards. After consumer needs can be met according to the function and specifications of the product, consumers will feel the benefits and will continue to use the product. So product quality is thought to have a real effect on purchasing decisions.

The Influence of Service Quality on Purchasing Decisions

Good employee service, such as a friendly attitude towards customers and fast service, will make customers feel comfortable when buying something, which causes them to make better choices (Mukti and Aprianti, 2021). If good service is provided, customers will remain satisfied with the product and will return to buy. Octaviani (2013) stated that good service quality will increase marketing because customers will be motivated to tell others about the service or business.

The level of expected excellence and control over that level of excellence to meet customer desires is known as service quality. Service quality is perceived as good and satisfactory if it meets and exceeds expectations. If it is lower than expected, then the quality is poor (Tjiptono, 2011). The existence of good service will encourage customers to buy something. This is shown by the results of research by Kodu (2013) and Soenawan et al. (2015). Good service can also make customers create strong bonds with the company.

Emotional Influence on Purchasing Decisions

Motivation influenced by feelings is called emotional motives. Consumers seem to be in a hurry to buy the product without considering the end result (Setiadi, 2003). Emotional motives occur because consumers choose based on subjective or personal criteria, such as self-esteem, status, or fear. Emotional motives are based on prestige, recognition/popularity, one's feelings, and emotions such as appearance, adventure, romance, fear, and instinct. Emotionally motivated purchases occur when choosing goods or services for subjective and personal reasons such as pride, fear, feelings, or status.

Consumer behavior and decision-making are heavily influenced by emotions. People buy things based on their emotions, but logic helps them rationalize their decisions. Consumers are



largely influenced by their emotions while making decisions to purchase various goods and services. When emotions are actively involved in purchasing decisions, customers usually feel happy, content, and satisfied. Pleasant emotional experiences can significantly influence consumers' desire to purchase something (Gogoi, 2017; Ingham et al., 2015). In their study, Patnaik et al. (2023) found that emotions play a major role in consumers' decision to purchase something.

The Influence of Consumer Loyalty on Purchasing Decisions

Consumer loyalty is a consumer's commitment to a brand, store, or supplier based on a very positive attitude demonstrated by consistent repeat purchases and a combination of the customer's likelihood to repurchase goods and services from the same supplier elsewhere in the future. Consumers who are loyal to a product will definitely recommend others to buy the product and will also reject offers of other products (Griffin, 2005). The main goal is to gain consumer loyalty because it is very profitable for the company. Marketers usually want the customers they create to last forever. According to Widyawati (2017), customers who are very loyal to a brand can be seen from the continuous use of a particular product even though there are competing services with better prices, convenience, and forms. Research conducted by Thessa (2023) found that consumer loyalty has a positive impact on consumer decisions to buy certain goods or services.

The Influence of Product Quality on Purchasing Decisions through Consumer Loyalty

Customer loyalty functions as a moderator variable. This means that the level of customer loyalty can affect the extent to which product quality influences purchasing decisions (Walsh et al., 2008). Highly loyal customers tend to stick with a particular brand of product, even though the product quality may not always fully meet customer expectations (Yoon et al., 2013). Consumer loyalty to Cardinal fashion products is significantly and beneficially influenced by product quality (Apriyanti et al., 2022).

The Influence of Service Quality on Purchasing Decisions through Consumer Loyalty

Good service usually results in customer loyalty because it increases customer trust and satisfaction with the company. In addition, if there is good service, customers will be happy to linger enjoying the goods sold, so they will buy the goods again. Octaviani (2013) stated that good service quality will increase marketing because customers will be motivated to tell others about the service or business. Consumers who are loyal to a product will definitely recommend others to buy the product, and they will also definitely reject offers of other products (Griffin, 2005). This increases the company's confidence that positive perceptions of quality service increase the likelihood that customers will be more loyal and prefer to buy products from the company.

Emotional Influence on Purchasing Decisions through Consumer Loyalty

Consumer behavior and decision-making are highly influenced by emotions. Pleasant emotional experiences can significantly influence customers' purchase intentions (Gogoi, 2017; Ingham et al., 2015) and are based on customer loyalty. Customer loyalty is demonstrated by repeat purchases. Companies can benefit from having loyal customers. These benefits include lower costs for marketing, transactions, and customer turnover due to fewer customer changes. They can also reduce costs for cross-selling, which will increase the company's market share, and encourage more word of mouth because loyal customers will remain loyal (Setiadi et al.,



2015).

Many parties often miss the important aspect of the emotional relationship between service providers and service users. Developing positive feelings and emotions is essential to building relationships. Customers do not have a clear reason to be satisfied and loyal, and they are more ready to make repeat purchases because of emotional situations (Achsan et al., 2014).

CONCLUSION

According to the results of the study, it can be concluded that product quality has an influence on consumer purchases and loyalty. Likewise, service quality has a positive and significant influence on consumer purchases and loyalty. Furthermore, emotional variables also have a significant influence on consumer purchases and loyalty to buy again at the same place repeatedly. Therefore, product quality, service quality and emotional are very important to consider in a modern retail business in Medan city.

REFERENCES

- Achsan, Z., Lubis, N., & Widayanto. (2014). Pengaruh Dimensi Kualitas Pelayanan dan Kedekatan Emosional Terhadap Kepuasan Konsumen (studi kasus Ina Swiss Optik Cabang Plaza Gajah Mada Semarang). *Jurnal Ilmu Administrasi Bisnis*. 3(2): 173-186.
- Apriyanti, A., Putri, Z. M., & Hariyani, D. S. (2022). Pengaruh kualitas produk dan keunggulan bersaing terhadap keputusan pembelian melalui loyalitas pelanggan. *Jurnal Valuasi: Jurnal Ilmiah Ilmu Manajemen dan Kewirausahaan*. 2(1): 53–61.
- Barnes, J. G. (2013). *Secrets of Customer Relationship Management*. Yogyakarta: Andi
- Bolton, Ruth N., & Bhattacharya, C. B. (2000). *Relationship Marketing in Mass Markets, Handbook of Relationship Marketing*. Jagdish N. Sheth and Atul Parvatiyar (Eds.). Thousand Oaks, CA: Sage Publications.
- Child, P., Kilroy, T., & Naylor, J. (2015). *Modern Grocery and The Emerging-Market Consumer: A Complicated Courtship*. Hongkong, Chicago & London: McKensey & Company.
- Colombo, S., & Hou, Z. (2021). Location-Price Equilibria when Traditional Retailers Compete Against an Online Retailer. *Review of Industrial Organization*. 59: 483–502.
- Cooper, Donald, R., & Pamela, S. S. (2006). *Metode Riset Bisnis*. Jakarta (ID): Media Global Edukasi.
- Eduardo, T. M., Arturo, Z. Vasquas, P., & Jonge, Z. G. (2008). Customer Satisfaction and Loyalty: Start with The Product, Cuminante With The Brand. *Journal of Consumer Marketing*. 25(5): 302-313.
- Fakhrudin, A., & Roellyanti, M. V. (2022). Loyalitas Konsumen: Implikasi dari Nilai Pelanggan, Kualitas Pelayanan, Kedekatan Emosional. *Inovasi: Jurnal Ekonomi, Keuangan dan Manajemen*. 18(3): 501-512.
- Felycia, N. L. P. M., & Genoveva. (2021). Analisis Keputusan Pembelian Konsumen di Toko Tradisional dalam Menghadapi Pertumbuhan Ritel Modern. *Jurnal Ilmiah Manajemen Fakultas Ekonomi*. 7(2): 141-152.
- Gogoi, B. J. (2017). Effect of Store Design on Perceived Crowding and Impulse Buying Behavior. *International Review of Management and Marketing*. 7(2): 180-186.
- Griffin, J. (2005). *Customer Loyalty: Growing and Sustaining Customer Loyalty*. Jakarta: Erland.



- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks, US: SAGE.
- Hidayat, K. (2016). *Psikologi Kebahagiaan*. Jakarta: Noura Books.
- Ingham, J., Cadieux, J., & Mekki, B. A. (2015). E-Shopping Acceptance. *Information Management*. 52: 44-60.
- Kodu, S. (2013). Hargam Kualitas Produk dan Kualitas Pelayanan Pengaruhnya terhadap Keputusan Pembelian Mobil Toyota Avanza. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis, dan Akuntansi*. 1(3): 1193-1312.
- Kongprapunt, T., & Pupat, N. (2018). Factors influencing generation Y's online purchase intention toward XYZ online store in Thailand. *AU-GSB E-Journal*. 11(2): 94-106.
- Kotler, P. (2003). *Marketing Management*. 11th Edition. New Jersey (US): Prentice Hall Int'l.
- Kotler, P., & Armstrong, G. (2008). *Prinsip-Prinsip Pemasaran*. Edisi Keduabelas. Jakarta: Erlangga.
- Kotler, P., & Keller, K. L. (2009). *Manajemen Pemasaran*. Edisi ke-13. Jakarta: Erlangga.
- Kuraesin, E., & Prasetyowati, R. A. (2018). Comparative Analysis of Continuity of Modern Retail Minimarket and Traditional Retail Businesses In Indonesia. *Inovator*. 7(1): 35–68.
- Kanuk 2007. *Perilaku Konsumen*. Edisi Kedua. Jakarta: PT. Indeks. Gramedia.
- Lovelock, C., & Wright, L.K. 2007. *Manajemen Pemasaran Jasa*. Jakarta: PT Indeks.
- Mukti, A., & Aprianti, K. (2021). Pengaruh Kualitas Pelayanan dan Harga Terhadap Keputusan Pembelian pada Kedai Kirani Coffee. *Jurnal Bina Manajemen*, 10(1): 229-245.
- Muqit, A. (2020). *Manajemen Ritel Strategi Untuk Keunggulan Bersaing*. Malang: Polinema Press.
- Nofrizal, Sucherly, Juju, U., Khairani, Z., Soviyanti, E., Hadiyati, & Arizal, N. (2023). Can Product Quality Improve Purchase Decisions in E-Commerce and Social Media through Customer Loyalty and Trust?. *Binus Business Review*. 14(2): 147-161.
- Nsimbi, C., Makgosa, R., Themba, G., & Lyanda, O. (2015). Modern Retailing and its Implications for Developing Countries: Insights from Retail Managers. *Journal Title Business Management and Strategy*. 6(1): 1–24.
- Nyadzayo, M. W., & Khajehzadeh, S. (2016). The antecedents of customer loyalty: A moderated mediation model of customer relationship management quality and brand image. *Journal of Retailing and Consumer Services*, 30(May), 262–270. <https://doi.org/10.1016/j.jretconser.2016.02.002>.
- Octaviani, N. (2013). Pengaruh Kualitas Pelayanan Terhadap Kepuasan Pelanggan Kafe Kopi Miring Semarang. *Jurusan Ekonomi Manajemen, Universitas Dian Nuswantoro*. Oliver. 2014.
- Patnaik, P., Nayak, P., & Misra, S. (2023). Effects of Emotion on Instagram Users' Purchase Decisions in the Era of Digitalization. *Splint International Journal of Professional*. 10(2): 115-129.
- Richard, O. L. (1997). *Satisfaction a Behavioral Perspective on the Consumer*. Singapore: McGraw-Hill Education.
- Robbin, & Judge. (2019). *Perilaku Organisasi Edisi 16*. Jakarta. Salemba Empat.
- Rohmah, H. M., Sunaryo, & Suryadi, N. (2023). The Effect of Product Quality and Distinctiveness on Consumer Loyalty Mediated by Consumer Satisfaction. *International*



- Journal of Science and Society*. 5(2): 449-465.
- Ronasih, M. Y., & Widhiastuti, H. (2021). Kualitas Pelayanan, Faktor Emosional dan Persepsi Harga terhadap Loyalitas Konsumen melalui Kepuasan Konsumen. *Philanthropy Journal of Psychology*. 5(1): 109-130.
- Setiadi, G., Djoko, H. W., & Ngatno. (2015). Pengaruh emotional branding, nilai pelanggan, dan citra merek terhadap loyalitas pelanggan melalui kepuasan pelanggan J. CO Java Mall Semarang. *Jurnal Administrasi Bisnis*. 4(4): 1–14.
- Shahid, M., Hassan, M., & Habibah, U. (2018). Impact of Self-Service technology (SST) Service Quality on Customer Loyalty and Behavioral Intention: The Mediating Role of Customer Satisfaction. *Cogent Business & Management*. 5(1): 1-23.
- Soedjono, Tegowati, & Khamimah, W. (2019). Pengaruh Desain Produk, Kualitas Produk, Promosi, dan Layanan Purna-Jual terhadap Keputusan Pembelian Konsumen. *Accounting and Management Journal*. 3(1): 23-35.
- Soenawan, A. D., Malonda, E. S., & Aprilia, A. 2015. Pengaruh Kualitas Produk, Kualitas Pelayanan dan Harga Terhadap Keputusan Pembelian Konsumen D'stupid Baker Spazio Graha Family Surabaya. *Jurnal Hospitality dan Manajemen Jasa*. 3(2): 395-409.
- Soh, C. Q.Y., Rezau, S., & Gu, M. L. (2017). A structural model of the antecedents and consequences of generation Y luxury fashion goods purchase decisions. *Young Consumers*. 18(2): 180-204.
- Sugiyono. (2019). *Metode Penelitian Manajemen*. Bandung, ID: Alfabeta.
- Sumarwan, U. (2011). *Perilaku Konsumen: Teori dan Penerapannya dalam Pemasaran*. Bogor: Ghalia Indonesia.
- Sun, S., & Pan, Y. (2023). Effects of Service Quality and Service Convenience on Customer Satisfaction and Loyalty in Self-Service Fitness Centers: Differences between Staffed and Unstaffed Services. *Sustainability*. 15: 1-28.
- Thessa, S. (2023). Analisis Pengaruh Loyalitas Konsumen dan Komunikasi Pemasaran terhadap Keputusan Pembeli Produk pada PT Raja Indonesia Medan. *Jurnal Ilmiah Smart*. 7(1): 10-182
- Tjiptono. 2011. *Service Management Mewujudkan Layanan Prima*. Edisi 2. Yogyakarta.
- Utomo, T. (2011). Persaingan Bisnis Ritel: Tradisional Vs Modern (The Competition of Retail Business: Traditional vs Modern). *Fokus Ekonomi*. 6(1): 122–133.
- Walsh, G., Evanschitzky, H., & Wunderlich, M. (2008). Identification and analysis of moderator variables: Investigating the customer satisfaction-loyalty link. *European Journal of Marketing*, 42(9/10), 977– 1004. <https://doi.org/10.1108/03090560810891109>
- Widyawati, A. (2017). Pengaruh Atmosfer Toko, Harga Dan Citra Toko Terhadap Loyalitas Pelanggan Toko Arba Jaya Di Pasar Wage Nganjuk. *Jurnal Simki-Economic*. 01(03):1-12.
- Wijaya, T. 2011. *Manajemen Kualitas Jasa Edisi 1*. PT Indeks, Jakarta.
- Wijayanti, I. D. S. (2008). *Manajemen*. Yogyakarta: Mitra Cendikia.
- Wu, J., Zhao, H., & Chen, H. A. (2021). Coupons or Free Shipping? Effects of Price Promotion Strategies on Online Review Ratings. *Information System Research Journal*. 32. <https://doi.org/10.1287/isre.2020.0987>
- Yuen, F. T. E., & Chan, S. S. L. (2010). The Effect of Retail Service Quality and Product Quality



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- on Customer Loyalty. *Marketing & Customer Strategy Management*. 17.
- Yulita, F., Simanjuntak, M., & Sartono, B. (2019). Shopping Behavior of Indonesian Customer in Modern Retail. *Russian Journal of Agricultural and Socio-Economic Sciences*. 95–101.
- Yoon et al. 2013. *Analysis Of Factor Influecing Length Of Stay In The. Emergency Depatmen*.
- Zeithaml, V. A., Bitner, M. J., & Gremler, D. D. (2013). *Services Marketing: Integrating Customer Focus Across the Firm 6 thed*. Boston: McGraw-Hill.



Determinants Of Entrepreneurship In PT Propertindo Bersinar Pematang Siantar

Rosben Sihombing, Syaifuddin, Robert Tua Siregar

Universitas Prima Indonesia Medan, Indonesia

Universitas Prima Indonesia Medan, Indonesia

Universitas Prima Indonesia Medan, Indonesia

syaifuddin@unprimdn.ac.id

Abstract

The purpose of this study is to study and analyze the determination of entrepreneurship at PT Propertindo Bersinar Pematang Siantar using quality as an intervening variable. In addition, this study examines how the influence of quality interventions increases entrepreneurship at PT Propertindo Bersinar Pematang Siantar. This study involved customers of PT Propertindo Bersinar Pematang Siantar. This study involved 255 respondents, and the sampling was done purposively. Data analysis was carried out using the Structural Equation Model-Partial Least Square (SEM PLS). The results showed that trust, promotion, location, and price have a direct positive and significant effect on quality. Furthermore, trust, promotion, location, and price have a direct positive and significant effect on entrepreneurship. However, entrepreneurship is not directly influenced by location. Furthermore, quality as an intervening variable is able to mediate the influence of location and price positively and significantly on entrepreneurship. However, quality is not able to mediate the influence of trust and promotion on entrepreneurship. For consumers, PT Propertindo Bersinar Pematang Siantar considers that trust and quality are important factors in increasing entrepreneurship. So it is important for management to pay attention to and improve these factors for the sustainability of the company.

Keywords: Determinants, Trust, Location, Entrepreneurship, Quality, PT Propertindo

INTRODUCTION

Entrepreneurship is very important to reduce social and economic problems throughout the country (Rizky et al., 2023). To develop a stable economy, good small business activities must be built. Because the growth of entrepreneurship affects economic development, many countries around the world prioritize significant entrepreneurial growth. Entrepreneurship has a positive effect on their economy and life. As a result, the issue of entrepreneurial behavior is a major concern in development economics research in Indonesia. Entrepreneurs are people who start a business. The role played by an entrepreneur is important for the growth and progress of the business unit being run. Entrepreneurship has great potential to reduce poverty, according to Vial and Hanoteau (2015). If new businesses emerge or emerge, the entrepreneurial climate will persist. The process of forming a person's entrepreneurial value can be influenced by various aspects that exist in developing countries (Welter and Smallbone, 2011).

Property is one type of entrepreneurship that is currently starting to grow rapidly. Part of human needs for clothing and shelter is property. Currently, the property industry is increasingly showing rapid development. This can be seen from the increasing market demand for the property business. The more companies that sell their



goods, the higher the market demand. This can be seen from the many new housing estates that are being built at competitive prices. However, the increasing competition in the property industry today and customer perceptions of the factors that influence their purchasing decisions require businesses to remain creative in meeting the needs of their prospective customers so that their business can continue. Based on the above problems, it has become clear that entrepreneurship is very important to meet the consumption needs of society and has the ability to reduce economic and social problems in every level of society. Therefore, the researcher wants to conduct a study on the factors that influence entrepreneurship at PT Propertindo Bersinar Pematang Siantar, with quality as an intervention variable.

LITERATURE REVIEW

Trust

Relationships are based on trust. A relationship between two or more parties will occur if each has trust in each other. Trust cannot only be acknowledged by others, but must also be built from the beginning and can be proven. A person's trust is not always true and is not a guarantee of truth because, according to the Great Dictionary of the Indonesian Language, "trust is a person's hope and belief in another person's honesty, goodness, and loyalty", and "an attitude shown by humans when they feel they know and conclude that they have reached the truth".

According to Mayer et al. (1995), trust is defined as a person's willingness to be vulnerable to the actions of another party with the expectation that the other will perform certain actions that are important to the supervisor, regardless of their ability to supervise or control the other party. Trust is essential for adaptation and relationship formation, according to Duffy and Wong (2000). Trust is defined by Lewicki and Wiethoff (2000) as a person's belief and willingness to act on the words, actions, and decisions of another person. Factors that can cause someone to trust others include the formation of a belief system that comes from their personal experiences, norms or traditions that exist in the institution or society, and experiences experienced during the relationship. Trust can emerge in task-oriented professional fields, which focus on the relationship itself and focus on achieving personal and social goals (Lewicki and Wiethoff, 2000).

Trust is based on cognitive processes that distinguish between trustworthy, untrustworthy, and unknown individuals and entities, according to Lewis and Weigert (1985). When this happens, cognitively chooses who to trust and respect, and this is the basis that can be used to determine who is trustworthy. Thus, trust can be defined as a positive expectation, assumption, or belief held and directed at another person that they will behave in accordance with needs and expectations. When someone chooses to trust another person, their expectations of that person are the same as their expectations of themselves.

Promotion

Promotion is an effort to inform or offer goods or services to others with the aim of attracting them to buy or consume them, so that it is expected to increase sales volume (Kotler and Keller, 2009). According to Gitosudarmo (2014), promotion is an action taken by marketers to convey information about their products to consumers so that they become familiar with the product and then become happy and decide to buy the product. In another definition, Peter and Olson (2014) say that promotion is an



action taken by marketers to influence consumers so that they become happy and decide to buy the product.

Information, attracting attention, and increasing sales are the main goals of promotion. The goals of promotion, according to Schoell (2016), are to gain attention, educate, improve, persuade, and convince. If done correctly, promotion can influence consumers about where and how they spend their money. Promotion can benefit both producers and consumers.

RESEARCH METHOD

Quantitative research is also conducted. Quantitative research is usually defined as research conducted with a specific purpose, for example as an alternative to testing a research hypothesis and finding that the results depend on the possibility of failure of the null hypothesis. After statistical analysis of all research results, the significance of the relationship and group differences will be calculated. One major goal has been achieved through quantitative research in practice, according to Supratiknya (2015). This is to meet the need to test the theory objectively by examining the relationship between variables. The research to be conducted will test the determinants of consumer purchasing decisions in modern retail in Medan City using four independent variables, namely "trust (X1), promotion (X2), and one dependent variable, namely "entrepreneurship".

In addition, a cross-sectional survey design will be used to conduct this study. According to Sumarwan (2011), a cross-sectional survey design is defined as a research design that allows the collection of information about all elements of a population at a certain point in time. Consumers who have made transactions in at least the last six months at PT Propertindo Bersinar Pematang Siantar are the subjects of the study. This study uses descriptive analysis, and hypothesis testing analysis using SEM-PLS.

PT Propertindo Bersinar Pematang Siantar is the subject of this study. The company is a construction company based in Pematangsiantar, Indonesia, which is the reason for choosing the object. The people of Pematang Siantar City are the subjects of this study. To determine the number of samples used in this study, Hair et al. (2017) stated that each estimate of exogenous and endogenous variable parameters requires five to ten observations. Thus, the number of samples used can range between 170 and 340 respondents. Primary and Secondary Data are the types and sources of data used in this study.

Data collection technique

According to Sujarweni (2015), the data collection method is an effort by researchers to obtain or reveal quantitative information from correspondents according to their research topics. This study uses a questionnaire as a data collection tool to distribute a series of statements related to the variables to be tested. The following research data is referred to as primary and secondary data, according to Sugiyono (2019). Primary data can come from direct data sources that provide data to researchers or from interviews or filling out questionnaires. Next, secondary data. According to Sugiyono (2019), secondary data can be defined as data collected indirectly or derived from relevant company documents to solve problems. This type of data is also reinforced with information derived from literature studies, scientific journals, and previous research findings related to the problem. This research data was collected through a questionnaire. The research questionnaire was distributed via the internet.



Technically, the distribution is carried out by distributing links to Google forms on available social media.

According to Cooper et al. (2006), the questionnaire will use a Likert cumulative value scale and an interval measurement scale. In addition, the type of questionnaire is a closed questionnaire, meaning that the questions use a choice method or there are already answer choices, so that respondents only need to choose the answer they want. Structural Equation Modeling (SEM), along with the Partial Least Squares (PLS) analysis method, is used.

RESULT AND DISCUSSION

Deskripsi Indikator Variabel

Descriptive distribution of respondents' answers in the form of scores from the answers to each variable, namely trust, promotion, and entrepreneurship. The score values are tabulated and described as follows.

A. Trust (X1)

The results of the tabulation of respondents' answers to the trust variable can be described as follows :

Table 1. Description of Trust Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|-------------|------|---------------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Disagree Less | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The products offered by the company have a good reputation | 0 | 0,00 | 23 | 9,02 | 42 | 16,47 | 144 | 56,47 | 46 | 18,04 |
| 2 | The products offered by the company provide product quality that meets my expectations | 6 | 2,35 | 2 | 0,78 | 24 | 9,41 | 174 | 68,24 | 49 | 19,22 |



| | | | | | | | | | | | |
|---|---|---|------|----|------|----|-------|-----|-------|----|-------|
| 3 | I am sure that the products offered by the company provide the best for consumers | 0 | 0,00 | 12 | 4,71 | 60 | 23,53 | 128 | 50,20 | 55 | 21,57 |
| 4 | I am sure that the products offered by the company | 0 | 0,00 | 11 | 4,31 | 33 | 12,94 | 118 | 46,27 | 93 | 36,47 |
| | provide the best possible quality for consumer satisfaction | | | | | | | | | | |
| 5 | I am sure that the products offered by the company are superior and competent in meeting consumer needs | 0 | 0,00 | 15 | 5,88 | 20 | 7,84 | 175 | 68,63 | 45 | 17,65 |
| 6 | I am sure that the products offered by the company are very good compared to other similar products. | 3 | 1,18 | 12 | 4,71 | 20 | 7,84 | 184 | 72,16 | 36 | 14,12 |

Source: Processed Primary Data, 2024

Table 1 provides an overview of respondents' perceptions and views on consumer



trust in PT Propertindo Bersinar Pematang Siantar with the following description.

The first statement shows that the products offered by the company have a good reputation. There are 46 people who strongly agree, or 18.04 percent, 144 people who agree, or 56.47 percent, 42 people who disagree, or 16.47 percent, 23 people who disagree, or 9.02 percent, and no one strongly disagrees.

According to the second statement, the products offered by the company provide product quality that meets my expectations. As many as 49 people stated that they strongly agree, or 19.22%, 174 people stated that they agree, or 68.24%, 24 people stated that they disagree, or 9.41%, and 2 people stated that they disagree, or 0.78%. Respondents who stated that they strongly disagree were 6 people or the same as 2.35%.

In relation to the third statement stating that I believe the products offered by the company provide the best for consumers, the number of respondents who strongly agree is 55 people, or 21.57%; the number of respondents who agree is 128 people, or 50.20%; the number of respondents who disagree is 60 people, or 23.53%; and the number of respondents who disagree is 12 people or equal to 4.71%. There are no respondents who strongly disagree.

Regarding the fourth statement stating that I believe the products offered by the company provide the highest possible quality for consumer satisfaction, as many as 93 people stated that they strongly agree, or 36.47%; 118 people stated that they agree, or 46.27%; and 33 people stated that they disagree, or 12.94%. Respondents who stated that they disagree were 11 people or equal to 4.31%. Respondents who stated that they strongly disagree were none.

Based on the results of respondents' answers to the fifth statement, which states that I believe the products offered by the company are superior products and are able to meet consumer needs, as many as 45 people stated that they strongly agree, or 17.65%; 175 people stated that they agree, or 68.63%; 20 people stated that they disagree, or 7.84%; Respondents who stated that they disagree were 15 people or the same as 5.88%, and there were no respondents who disagreed.

Finally, based on the results of respondents' answers to the sixth statement, which states that I believe the products offered by the company are very good compared to similar products, as many as 36 people stated that they strongly agree, or 14.12%, 184 people stated that they agree, or 72.16%, 20 people stated that they disagree, or 7.84%. Respondents who stated that they disagree were 12 people or equal to 4.71%. Respondents who stated that they strongly disagree were 3 people or equal to 1.18%. In general, it can be seen that the respondents' answers were dominated by agreeing to all of these statements in trusting PT Propertindo Bersinar Pematang Siantar.

B. Promotion (X2)

The results of the tabulation of respondents' answers to the promotion variable can be described as follows :



Table 2. Description of Promotion Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|----------|------|--------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Disagree | | Netral | | Agree | | Strongly Agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The promotion carried out by the company is very unique | 3 | 1,18 | 6 | 2,35 | 21 | 8,24 | 156 | 61,18 | 69 | 27,06 |
| 2 | Promotions carried out by companies use good language style in conveying messages. | 0 | 0,00 | 20 | 7,84 | 18 | 7,06 | 109 | 42,75 | 108 | 42,35 |
| 3 | The promotions carried out by the company are very clear and easy to understand. | 3 | 1,18 | 9 | 3,53 | 38 | 14,90 | 124 | 48,63 | 81 | 31,76 |
| 4 | The intensity of promotions carried out by marketers is very high. | 0 | 0,00 | 12 | 4,71 | 27 | 10,59 | 179 | 70,20 | 37 | 14,51 |
| 5 | Sales promotions are often held. | 0 | 0,00 | 6 | 2,35 | 24 | 9,41 | 173 | 67,84 | 52 | 20,39 |
| 6 | Companies often provide discounts when purchasing products.. | 3 | 1,18 | 6 | 2,35 | 18 | 7,09 | 164 | 64,27 | 63 | 24,80 |
| 7 | The sales promotion carried out has high appeal. | 0 | 0,00 | 9 | 3,53 | 11 | 4,31 | 138 | 54,12 | 97 | 38,04 |

Source: Processed Primary Data, 2024

Table 2 provides an overview of respondents' perceptions and views on promotions carried out by PT Propertindo Bersinar Pematang Siantar with the following description.

The first statement states that the promotion carried out by the company is very



unique, respondents who stated that they strongly agree were 69 people or equal to 27.06%. Respondents who stated that they agree were 156 people or equal to 61.18%. Respondents who stated that they disagree were 21 people or equal to 8.24%. Respondents who stated that they disagree were 6 people or equal to 2.35%. Respondents who stated that they strongly disagree were 3 people or equal to 1.18%.

The second statement states that the promotion carried out by the company uses a good language style in conveying the message, respondents who stated that they strongly agree were 108 people or equal to 42.35%. Respondents who stated that they agree were 109 people or equal to 42.75%. Respondents who stated that they disagree were 18 people or equal to 7.06%. Respondents who stated that they disagree were 20 people or equal to 7.84%. There were no respondents who strongly disagreed.

Based on the results of the respondents' answers related to the third statement stating that the promotion carried out by the company is very clear and easy to understand, respondents who stated that they strongly agree were 81 people or equal to 31.76%. Respondents who stated that they agree were 124 people or equal to 48.63%. Respondents who stated that they disagree were 38 people or equal to 14.90%. Respondents who stated that they disagree were 9 people or equal to 3.53%. Respondents who stated that they strongly disagree were 3 people or equal to 1.18%.

Based on the results of the respondents' answers related to the fourth statement stating that the intensity of promotion carried out by marketers is very high, respondents who stated that they strongly agree were 37 people or equal to 14.51%. Respondents who stated that they agree were 179 people or equal to 70.20%. Respondents who stated that they disagree were 27 people or equal to 10.59%. Respondents who stated that they disagree were 12 people or equal to 4.71%. Respondents who stated that they strongly disagree were none.

Based on the results of the respondents' answers related to the fifth statement stating that sales promotions are often held, respondents who stated that they strongly agree were 52 people or equal to 20.39%. Respondents who stated that they agree were 173 people or equal to 67.84%. Respondents who stated that they disagree were 24 people or equal to 9.41%. Respondents who stated that they disagree were 6 people or equal to 2.35%. Respondents who stated that they strongly disagree were none.

Based on the results of the respondents' answers related to the sixth statement stating that companies often provide discounts when purchasing products, respondents who strongly agreed were 63 people or equal to 24.80%. Respondents who agreed were 164 people or equal to 64.57%. Respondents who disagreed were 18 people or equal to 7.09%. Respondents who disagreed were 6 people or equal to 2.36%. Respondents who strongly disagreed were 3 people or equal to 1.18%.

Finally, based on the results of the respondents' answers related to the seventh statement stating that the sales promotion carried out had high appeal, respondents who strongly agreed were 97 people or equal to 38.04%. Respondents who agreed were 138 people or equal to 61.96%. Respondents who disagreed were 11 people or equal to 4.31%. Respondents who disagreed were 9 people or equal to 3.53%. Respondents who strongly disagreed were none. In general, it can be seen that the respondents' answers were dominated by those who agreed with all of the statements regarding the promotions carried out by PT Propertiindo Bersinar Pematang Siantar.



Entrepreneurship (Y)

The results of the tabulation of respondents' answers to the entrepreneurship variables can be described as follows :

Table 3. Description of Entrepreneurship Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|---|---|------|-------------|------|---------------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Disagree Less | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The owner believes this business can improve welfare | 0 | 0,00 | 12 | 4,71 | 23 | 9,02 | 164 | 64,31 | 56 | 21,96 |
| 2 | The company owner is experienced in managing the company he currently runs. | 3 | 1,18 | 6 | 2,35 | 24 | 9,41 | 148 | 58,04 | 74 | 29,02 |
| 3 | The company that was founded can meet the needs of the family | 0 | 0,00 | 6 | 2,35 | 35 | 13,73 | 110 | 43,14 | 104 | 40,78 |
| 4 | The owner believes his business can create new jobs. | 0 | 0,00 | 17 | 6,67 | 15 | 5,88 | 147 | 57,65 | 76 | 29,80 |
| 5 | The company was founded with full support from the owner's family. | 0 | 0,00 | 11 | 4,31 | 36 | 14,12 | 131 | 51,37 | 77 | 30,20 |

Source: Processed Primary Data, 2024

Table 3 provides an overview of the respondents' perceptions and views on the concept of entrepreneurship carried out by PT Propertindo Bersinar Pematang Siantar with the following description.

The first statement states that the owner believes that this business can improve welfare, respondents who strongly agree are 56 people or equal to 21.96%. Respondents who agree are 164 people or equal to 64.31%. Respondents who disagree are 23 people or equal to 9.02%. Respondents who disagree are 12 people or equal to 4.71%. There are no respondents who strongly disagree.

The second statement states that the company owner is experienced in managing the company he is currently running, respondents who strongly agree are 74 people or equal to 29.02%. Respondents who agree are 148 people or equal to 58.04%. Respondents who disagree are 24 people or equal to 9.41%. Respondents who disagree



are 6 people or equal to 2.35%. Respondents who strongly disagreed were 3 people or equal to 1.18%.

Based on the results of the respondents' answers related to the third statement stating that the company established can meet family needs, respondents who strongly agreed were 104 people or equal to 40.78%. Respondents who agreed were 110 people or equal to 43.14%. Respondents who disagreed were 35 people or equal to 13.73%. Respondents who disagreed were 6 people or equal to 2.35%. There were no respondents who strongly disagreed.

Based on the results of the respondents' answers related to the fourth statement stating that the owner believes his business can create new jobs, respondents who strongly agreed were 76 people or equal to 29.80%. Respondents who agreed were 147 people or equal to 57.65%. Respondents who disagreed were 15 people or equal to 5.88%. Respondents who disagreed were 17 people or equal to 6.67%. There were no respondents who strongly disagreed.

Finally, based on the results of the respondents' answers related to the fifth statement stating that the company that was founded is fully supported by the owner's family, respondents who stated that they strongly agreed were 77 people or equal to 30.20%. Respondents who stated that they agreed were 131 people or equal to 51.37%. Respondents who stated that they disagreed were 36 people or equal to 14.12%. Respondents who stated that they disagreed were 11 people or equal to 4.31%. Respondents who stated that they strongly disagreed were none. In general, it can be seen that the respondents' answers were dominated by those who agreed to all of these statements in assessing the concept of entrepreneurship carried out by PT Propertindo Bersinar Pematang Siantar.

Structural Equation Model Testing Measurement Model Evaluation (*Outer Model*)

This is a measurement model used to test the validity and reliability of the measurement model. The value of this test serves as a standard that must be met by a component in order to be said that the test has validity and reliability against the data used. The measurement model of latent variables in SEM PLS consists of two models: a reflective model and a formative model. In this study, the reflective model is used to conduct an evaluation using convergent validity, discriminant validity, and composite reliability criteria. On the other hand, the formative model measures its indicators based on substantive content, namely comparing the amount of weight and its significance value. By using convergent validity and composite reliability, the structure with formative indicators cannot be analyzed (Ghozali, 2014).

The results of the variable measurement iterations show that all variables meet the validity requirements, with the loading factor values of all reflective indicators greater than 0.6, indicating that the data used is valid. In addition, the requirements for a model to have good validity can also be seen if each latent variable with a reflective indicator has an $AVE > 0.5$. The results of the analysis show that the AVE value of each latent variable has a value > 0.5 and it can be said that the SEM PLS model meets the requirements for good convergent validity.



Table 4. Results of AVE Validity and Reliability Tests

| Latent Variables | AVE | Cronbach's Alpha | Composite Reliability |
|-------------------------|------------|-------------------------|------------------------------|
| Trust (X1) | 0,618 | 0,875 | 0,906 |
| Promotion (X2) | 0,577 | 0,877 | 0,905 |
| Entrepreneurship (Y) | 0,647 | 0,863 | 0,901 |

Next, the reliability construct is tested by looking at the composite reliability value and the Cronbach's alpha value of each latent variable. If the composite reliability value and the Cronbach's alpha value of each latent variable are more than 0.7, then the model is reliable. The results of Table 4 show that all latent constructs have good, accurate, and consistent reliability. Discriminant validity is tested next. The principle used to test discriminant validity is that variables that show (manifest variables) different constructs should not have high correlations. One way to test discriminant validity is to compare the root value of the average variance extracted (AVE) for each construct with the correlation between the construct and other constructs (Ghozali, 2014).

Table 5. Discriminant Validity Test

| Latent Variables | AVE | $\sqrt{\text{AVE}}$ |
|-------------------------|------------|---------------------------------------|
| <i>Trust</i> (X1) | 0,618 | 0,786 |
| Promotion (X2) | 0,577 | 0,760 |
| Entrepreneurship (Y) | 0,647 | 0,804 |

According to Table 5, it is true that the AVE root value is higher than the correlation between constructs and other constructs, so it can be said that the model has met the requirements for discriminant validity.

Structural Model Evaluation (*Inner Model*)

Testing in the model, also known as the structural model, is conducted to identify the relationship between variables, significance values, and the R rectangle of the research model. The dependent variable is tested with the R rectangle, and the coefficient of the structural path parameters is assessed with the R rectangle. The results of the rectangle estimation can be accessed in the following tavel 6.

Table 6. R-Square Value

| | R-square | R-square Adjusted |
|----------------------|-----------------|--------------------------|
| Entrepreneurship (Y) | 0,882 | 0,880 |



According to the R-squared value above, trust, promotion, location, and price are able to explain the diversity of quality by 90.6% and the diversity of entrepreneurship by 88.2%. On the other hand, trust, promotion, location, price, and quality are able to explain the diversity of entrepreneurship by 11.8% and other independent variables that are not in the research model formulated in this study.

The Q2 value or predictive relevance is calculated by obtaining the R2 value. According to Hair et al. (2017), the results of obtaining Q2 based on calculations, namely 0.989, indicate that the magnitude of the diversity of data from the study can be explained by the structural model. This means that the higher the data value, the more relevant the model prediction is (Chin, 1998). The results of obtaining Q2 based on calculations, namely 0.989, indicate that the magnitude of the diversity of data from the study can be explained by the structural model by 98.9%. While the remaining 1.1% indicates that there are other variables that are not in the model that can affect the quality and entrepreneurship of PT Propertindo Bersinar Pematang Siantar.

Hypothesis Testing

The next step is to test the hypothesis using the bootstrapping method on SmartPLS if all measurement requirements have been met. The bootstrapping method is defined as the process of repeatedly sampling a number of N samples from the original data of size n; sample points are taken from the original data one by one. The t-value and p-value will be obtained after using bootstrapping. Bootstrapping is done five hundred times to make the results more stable and maintain the statistical significance value consistent. In this study, the confidence level used is $\alpha = 0.05$, and the t-table value is 1.96. The hypothesis decision is obtained by comparing the calculated t value with the probability value, also known as the p-value. This study will evaluate the research model based on the direct and indirect relationships between exogenous and endogenous variables.

Direct Influence

Direct influence testing is needed to determine the direct influence between exogenous variables on endogenous variables in this study. The results of the direct influence can be seen through the path coefficient obtained based on testing using SmartPLS. The following are the results of the path coefficient obtained presented in Table 7.

Table 7. Results of the Direct Effect Hypothesis Test

| Hypothesis | | Original Sample | t-statistics | p-values | Conclusion |
|------------|---------------------------------------|-----------------|--------------|----------|------------|
| H1 | Trust (X1) → Entrepreneurship (Y) | 0,380 | 3,961 | 0,000 | Diterima |
| H2 | Promotion (X2) → Entrepreneurship (Y) | 0,546 | 7,587 | 0,000 | Diterima |

The first hypothesis shows that trust has a positive and significant impact on entrepreneurship. According to the calculation results, the influence between trust and entrepreneurship is significant, as indicated by the p-value (0.000) which is smaller than 0.05. The initial sample value of 0.318 indicates that the direction of the relationship between trust and entrepreneurship is positive, or the greater consumer trust, the greater the entrepreneurship of PT Propertindo Bersinar Pematang Siantar. Therefore, H2 in



this study which states that trust has a positive and significant impact on entrepreneurship is accepted.

According to the second hypothesis, promotion has a positive and significant impact on entrepreneurship. According to the calculation results, the influence between promotion and entrepreneurship is significant, as indicated by the p-value (0.000) which is smaller than 0.05. The initial sample value of 0.546 indicates that the direction of the relationship between promotion and entrepreneurship is positive, or that the more promotions are carried out, the greater the entrepreneurship of PT Propertindo Bersinar Pematang Siantar. Therefore, H5 in this study, which states that promotion has a positive and significant impact on entrepreneurship, is accepted.

DISCUSSION

The Influence of Trust on Entrepreneurship

Entrepreneurship is essential for economic growth, especially in developing countries (Bruton et al., 2008). Entrepreneurship has great potential to reduce poverty, according to Vial and Hanoteau (2015). If new businesses emerge or emerge, the entrepreneurial climate will persist. The process of forming a person's entrepreneurial value can be influenced by various aspects that exist in developing countries (Welter and Smallbone, 2011). The existence of self-confidence and trust of people around themselves and others for their capacity, such as intelligence, tenacity, and flexibility in interacting, is one of the factors that encourages the emergence of entrepreneurship (Wibowo, 2016). Trust increases interest in entrepreneurship.

Trust is key in building a lasting business relationship. Consumers will view a company in a positive way because of trust. When a group believes in the trustworthiness and integrity of a partner, there is trust. Trust is defined as a person's expectation that someone's word can be relied upon. Both businesses and consumers can get what they need when there is strong trust between one party and another. Trust will shape consumer perceptions of a brand. This will determine whether the brand has integrity, competence, and virtue, among other factors that influence attitudes and behavior (Aprilianto et al., 2022). Therefore, it is important to maintain trust so that entrepreneurship can survive.

The results of the study show that trust has a positive and significant impact on entrepreneurship. This shows that more consumer trust in a company will lead to more entrepreneurial concepts being carried out by the company. This is important because with increasing public trust in the company, the company will always ensure that the business concept created is in accordance with the goals that have been set to achieve success. The indicator that describes the trust variable is my belief that the product offered by the company is very good compared to other similar products, and the indicator that describes the entrepreneurship variable is the owner's belief that his business can create new jobs. This can be interpreted that with increasing consumer confidence, especially related to the belief that the product offered by the company is very good compared to its competitors' products, it creates greater confidence in consumers.

The Influence of Promotion on Entrepreneurship

Promotion is very important for entrepreneurs so that the products they make can be easily recognized by the public. Promotion strategy is one of the initial steps in introducing products to consumers and is very important because it is related to the profits that the company will obtain. This promotion strategy can only be successful if



supported by proper planning.

One of the marketing components, promotion determines the success of a business and its sustainability. Promotion is a type of communication that aims to disseminate information to the target market with the aim of influencing, persuading, and reminding them about the company and its products so that they are willing to accept, buy, and remain loyal to the products offered by the company (Tjiptono, 2011). Companies can use promotion as an effective sales strategy. Promotion can be done directly or indirectly by the company. These promotional activities increase product sales and target knowledge about the product, and this will have an impact on business growth.

According to the research results, promotion has a positive and significant impact on entrepreneurship. This means that more promotions carried out by the company will increase the company's entrepreneurial concept. Successful promotion will encourage more people to transact with the company, which is evidence of the success of the entrepreneurial concept. While the indicator that shows the entrepreneurial variable is the owner's belief that their business can create new jobs, the indicator that shows the promotion variable is the intensity of promotion carried out by marketers is very high. This shows that the business owners of PT Propertindo Bersinar Pematang Siantar are confident in expanding their business to create new jobs because the role of marketer promotion is very important in maintaining existing goods and services. This not only improves consumer perception of the company, but also increases public awareness that the company can help the surrounding community.

CONCLUSION

The results and hypotheses are in accordance with the test results. For the conclusion, the study found that trust has a positive and significant effect on entrepreneurship. In addition, the study found that promotion has a positive and significant effect on entrepreneurship, so the fifth hypothesis of the study is accepted.

REFERENCES

- Aprilianto, B., Welsa, H., & Udayana, I. B. N. (2022). Pengaruh Commitment, Trust terhadap Customer Satisfaction dan Customer Loyalty (Studi Kasus pada Bento Kopi Yogyakarta). *Widya Manajemen*. 4(1): 1 -11.
- Bruton, G. D., Ahlstrom, D., dan Obloj, K. (2008). Entrepreneurship in Emerging Economies: Where Are We Today and Where Should the Research Go in the Future. *Entrepreneurship Theory and Practice*. <https://doi.org/10.1111/j.1540-6520.2007.00213.x>
- Cooper, Donald, R., & Pamela, S. S. (2006). *Metode Riset Bisnis*. Jakarta (ID): Media Global Edukasi.
- Ghozali, I. (2014). *Structural Equation Modeling. Metode Alternatif dengan Partial Least Square (PLS) dilengkapi software Smartpls 3.0 Xlstat 2014 dan WarpPLS 4.0*. Ed ke-4. Semarang (ID): Universitas Diponegoro Semarang.
- Gitosudarmo, I. (2014). *Manajemen Operasi*. Yogyakarta: BPFE.
- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks, US: SAGE.
- Kotler, P., & Keller, K. L. (2009). *Manajemen Pemasaran*. Edisi ke-13. Jakarta: Erlangga.
- Lewicki, R. J., & Wiethoff, C. (2000). Trust, Trust Development, and Trust Repair. E-



- Book: *The handbook of conflict resolution: Theory and practice*
- Lewis, J.D., Weigert, A., 1985. Trust as A Social Reality. *Soc. Forces*. 63(4): 967-985.
- Mayer, R.C., Davis, J. H., dan Schoorman, F. D., (1995). An Integratif Model of Organizational Trust, *Academy of Management Review*. 30(3): 709-734.
- Peter, J. P., & Olson, J. C. (2014). *Perilaku Konsumen dan Strategi Pemasaran*. Jakarta: Penerbit Salemba Empat.
- Rizky, F. A., Sentosa, E., & Nursina. (2023). Pengaruh Pengetahuan Kewirausahaan, Kualitas Produk, dan Ketrampilan Wirausaha terhadap Keberhasilan Pedagang Cabai PD Jaya Pasar Induk Kramatjati Jakarta Timur. *Jurnal Ikrath-Ekonomika*. 6(2): 182 – 190.
- Schoell. (2016). *Manajemen Pemasaran dan Pemasaran Jasa Edisi Revisi*. Bandung : Penerbit Alfabeta.
- Sugiyono. (2019). *Metode Penelitian Manajemen*. Bandung, ID: Alfabeta.
- Sujarweni, V. W. (2015). *Metodologi Penelitian Bisnis dan Ekonomi*. Yogyakarta, ID: Pustaka Baru Press.
- Sumarwan, U. (2011). *Perilaku Konsumen: Teori dan Penerapannya dalam Pemasaran*. Bogor: Ghalia Indonesia.
- Supratiknya, A. (2015). *Pengukuran Psikologis*. Yogyakarta, ID: Universitas Sanata Dharma.
- Tjiptono, F. (2011). *Strategi Pemasaran*. Edisi ke-2. Yogyakarta: Andi Publisher.
- Vial, V., dan Hanoteau, J. (2015). Returns to Micro-Entrepreneurship in an Emerging Economy: A Quantile Study of Entrepreneurial Indonesian Households' Welfare. *World Development*. 74: 142–157.
- Welter, F., dan Smallbone, D. (2011). Institutional Perspectives on Entrepreneurial Behavior in Challenging Environments. *Journal of Small Business Management*. 49(1): 107–125.
- Wibowo, B. (2016). Pemodelan Determinan Niat Berwirausaha dan Efek Pengaruh Edukasi Kewirausahaan di Kalangan Mahasiswa. *Jurnal Ilmiah Manajemen*. 6(2): 152 – 170.



Effect of Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio on Price Earning in Manufacturing Companies Listed on the Indonesia Stock Exchange for the period 2019 – 2022

Alvin Yosafat Nainggolan¹, Ria Winda Sari Sihombing², Merry Rusida S^{*3},

Paskah Ria Sitorus⁴, Oky Syahputra⁴,

^{1,2,3,4}Universitas Prima Indonesia, ⁴Universitas Battuta
merryrusida@unprimdn.ac.id

ABSTRACT

This study aims to determine the effect of liquidity ratio, solvency ratio, activity ratio, and profitability ratio on price earning in manufacturing companies listed on the Indonesia Stock Exchange. This research is a quantitative study using secondary data in the form of financial reports of companies listed on the Indonesia Stock Exchange for the period 2019-2022. Determination of the sample in this study using purposive sampling. The analysis carried out is Descriptive Statistical Test, Classical Assumption Test, Multiple Linear Regression Test (R²), and Determination Coefficient Test. The independent variables used in this study are liquidity ratio (X1), solvency ratio (X2), activity ratio (X3), and profitability ratio (X4). While the dependent variable is price earning (Y). The results showed that there was no significant effect of the liquidity ratio, solvency ratio, activity ratio, and profitability ratio on price earning in manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio,

Price Earning Ratio

INTRODUCTION

The Covid-19 pandemic has had a very significant impact on the Indonesian economy, ranging from changes in the world supply chain to a decrease in foreign investment in Indonesia. The decline can be seen through a slowdown in economic growth which fell from 5.02 percent in 2019 to 2.97 percent in 2020. The slowdown in economic growth was also followed by an increase in unemployment, which according to World Bank data, increased from 5.28 percent in 2019 to 7.07 percent in 2020. 2019 to 7.07 percent in 2020 (Melati, 2023).



The condition of an economy can be reflected by the condition of its capital market. Macroeconomic conditions of a country correlate to the condition of its capital market, but the capital market tends to be more reactive to potential crises. This tendency occurs because in general capital market participants have forward looking, which is a future estimate of the company's financial performance in the future. In Indonesia, the Covid-19 pandemic has increased economic uncertainty to a great extent. This then became one of the main causes of the decline in investor confidence which had an impact on the decline in the volume of investment made.

Another study related to financial ratios to PER by Umsida students (Mukhlis and Nurasik, 2023) through their research, It can be concluded that the liquidity ratio affects PER. Solvency ratio affects PER. Likewise with the ratio of activity and profitability, both have an effect on PER.

PHENOMENON TABLE

| Saham Code | Year | Profit After Tax | Total Assets | Sale | Total Debt |
|------------|------|------------------|----------------|----------------|---------------|
| AMRT | 2019 | 1.138.888 | 23.992.313 | 72.994.988 | 17.108.006 |
| | 2020 | 1.088.477 | 25.868.106 | 75.826.880 | 17.853.981 |
| | 2021 | 1.963.050 | 27.370.210 | 84.904.301 | 17.942.427 |
| | 2022 | 2.907.478 | 30.746.266 | 96.924.686 | 19.275.574 |
| DAYA | 2019 | 18.539 | 730.497 | 1.094.836 | 560.812 |
| | 2020 | - 2.833 | 708.529 | 886.244 | 588.386 |
| | 2021 | - 48.199 | 689.124 | 971.296 | 617.180 |
| | 2022 | - 37.904 | 687.502 | 1.161.587 | 653.464 |
| DMND | 2019 | 366.863 | 5.570.651 | 6.913.792 | 2.287.060 |
| | 2020 | 205.589 | 5.680.638 | 6.110.155 | 1.025.042 |
| | 2021 | 351.470 | 6.297.287 | 6.973.718 | 1.277.906 |
| | 2022 | 382.105 | 10.573.223 | 8.461.768 | 1.467.035 |
| EMPT | 2019 | 580.814.677 | 8.704.958.834 | 22.226.912.485 | 2.575.650.387 |
| | 2020 | 679.870.547 | 9.211.731.059 | 22.545.419.368 | 2.652.274.698 |
| | 2021 | 846.240.999 | 9.729.919.645 | 25.673.756.765 | 2.882.998.501 |
| | 2022 | 842.590.883 | 10.402.356.923 | 28.027.488.218 | 3.264.730.959 |

<https://www.idx.co.id/id>



LITERATURE REVIEW

A. Effect of Liquidity on Price Earning ratio

Current Ratio, a ratio that measures the Company's ability to pay current debt using current assets owned. If the cash flow in working capital reflects optimal working capital activity, it can be said that the Company's liquidity level is in good condition. With the increase in liquidity (current ratio) the company has the opportunity to increase earnings or income from the company's activities, so that the PER value is higher. Profit from the company's activities, so that the PER value is getting higher (Anggraini, 2012). The results of research conducted by (Sari et al., 2021) state that the current ratio has a positive and significant effect on price earning has a positive and significant effect on price earning ratio.

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilitie.}}$$

B. Effect of Dept to Equity Ratio on Price Earning Ratio

A high solvency ratio indicates that the company's assets are more heavily financed by debt. If the debt is used to increase fixed assets, sales will increase so that profits will also increase. A high debt to equity ratio indicates that the company utilizes debt more than it utilizes equity, this can lead to increased forests and decreased solvency or the company's ability to pay / pay off its debts is low.

$$\text{DER} = \frac{\text{Total Liabilitas}}{\text{Total Persediaan}}$$

C. Effect of Activity Ratio on Price Earning ratio

Activity ratios such as inventory turnover can affect the price earning ratio (PER). PER is a ratio used to assess the cheapness of shares based on the company's ability to generate net income. The higher the PER, the higher the share price. This means the performance of each share will be better. The following is the formula for finding the activity ratio:

$$\text{Inventory Turn Over} = \frac{\text{Total Penjualan}}{\text{Total Persediaan}}$$

D. Effect of Profitability Ratio on Price Earning ratio

Profitability ratios and PER have different effects on companies and stock prices. The



profitability ratio shows the company's ability to generate profits from invested capital. High profitability is a positive benchmark that the company is in good condition and is able to provide prosperity for shareholders, this will attract investors to invest. PER can be a determinant of stock prices because it can predict future profits. The higher the PER, the higher the profit growth expected by investors so that stock returns will also increase. The following formula looks for profitability ratios:

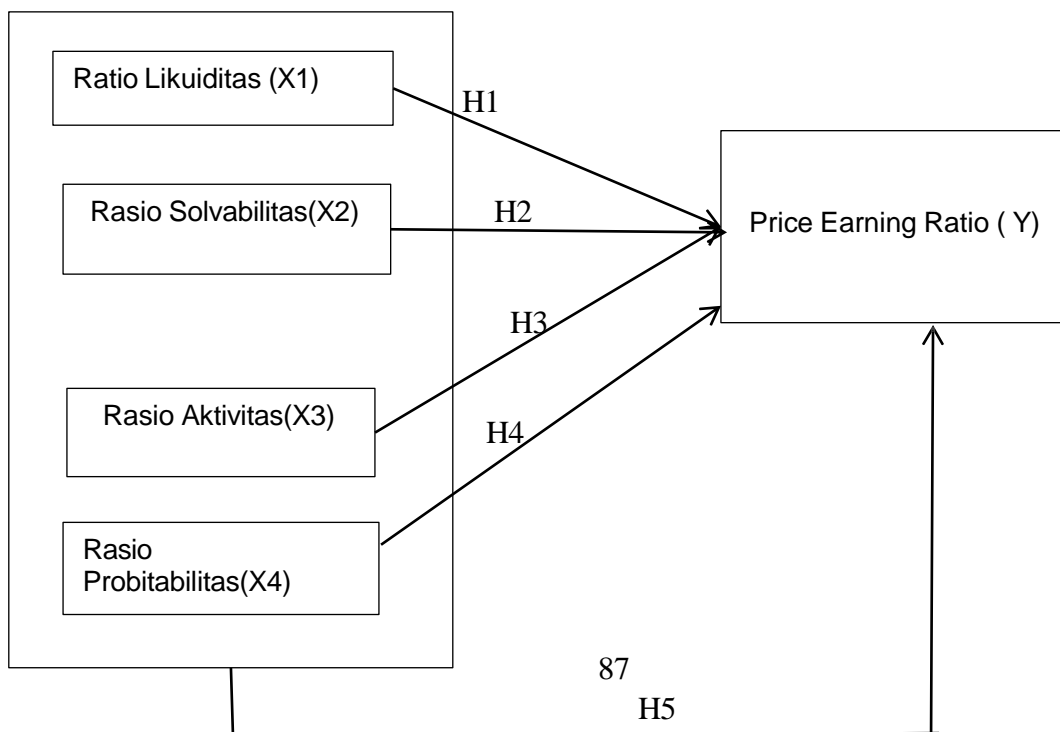
$$\text{ROA} = \frac{\text{Total Laba Bersih}}{\text{Total Aset}}$$

E. Price Earning Ratio

Price Earning Ratio affects the amount of numbers commonly used to predict the price valuation of a stock. Later this PER will become numbers that go into analyzing the financial fundamentals of a company. PER will show an indication that the current share price is equivalent to how much the net return is in one year (RHBTradesmart). within one year (RHBTradesmart, 2023).

$$\text{PER} = \frac{\text{Harga per Lembar Saham}}{\text{Laba per Lembar}}$$

CONCEPTUAL FRAMEWORK





METHODS

- **Approach and Type of Research**

This study uses a quantitative research approach with secondary data as the data source (Hermawan and Amirullah in Mukhlis and Nurasik, 2023). The secondary data used in this study are Annual Financial Reports on manufacturing companies, especially those engaged in the Consumer Non-Cyclicals Food and Staples Retailing Sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period (IDX) for the period 2019-2022.

- **Population and Sample**

Population

The population in this study are all manufacturing companies engaged in engaged in the Consumer Non-Cyclicals Sub-sector Food and Staples Retailing which are listed on the Indonesia Stock Exchange for the period 2019-2022.

Sample

The sample selection technique used in this research is Purposive Sampling Technic with random choices chosen by the author directly.

Tabel . sampling criteria

| NO | KETERANGAN | Jumlah |
|----|---|------------------|
| 1 | Perusahaan manufaktur yang terdaftar di BEI berdasarkan data statistic BEI tahun 2021 | 98 |
| 2 | Perusahaan manufaktur Subsektor F&B | (72) |
| 3 | Perusahaan manufaktur Subsektor Tobaco dan Nondurable Household Product | (14) |
| 4 | Sampel perusahaan terpilih | 12 |
| | Jumlah sampel (12 x 4 Periode) | 48 Sample |

This research uses multiple regression analyses.

RESULTS

- **Descriptive Statistics Test**

| | | Minimum | Maximum | Mean | . Deviation |
|--|--|---------|---------|------|-------------|
| | | | | | |



| | | | | | |
|----------------------------|----|---------|--------|----------|------------------|
| _Current_Ratio | 48 | ,56 | 8,63 | 1,6995 | 1,42845 |
| _DER | 48 | ,12 | 24,56 | 4,0279 | 5,96270 |
| _TATO | 48 | ,45 | 4,57 | 2,0232 | ,89332 |
| _ROE | 48 | -807,21 | 43,76 | -34,7924 | 129,15664 |
| PER | 48 | -265,71 | 483,33 | 15,6458 | 94,45245 |
| -Valid N (listwise) | 48 | | | | |

From the table above, it can be concluded as follows:

The Dependent Variable (Y) has a minimum value of up to -265.71 and a maximum value of 483.33, with a standard deviation of 94.45 and an average of 15.65. maximum value of 483.33, with a standard deviation of 94.45 and an average of 15.65. For the independent variable X1 or liquidity ratio has a minimum value of 0.56, a maximum value of 8.63, with a standard deviation of 1.42 and an average of 1.69. The X2 variable or solvency ratio has a minimum value of 0.12, a maximum value of 24.56, a standard deviation of 1.42 and an average of 1.69. maximum value of 24.56, standard deviation of 5.96, and average of 4.02. While the X3 variable or activity ratio, has a minimum value of 0.45, a maximum value of 4.57, a standard deviation of 0.89 and an average of 2.02. And finally, variable X4 or profitability ratio has a minimum value of -807.21, a maximum value of 43.76, a standard deviation of 129.15 and has an average of -34.79.

From the tests obtained from 48 data samples and 12 companies viewed from their annual financial statements, the lowest minimum value and the highest maximum value are found in the activity ratio. Where the value in this activity ratio is obtained from profit after tax divided by total equity. During the pandemic, many companies experienced a decline which resulted in a decrease in the company's revenue which also made shares fall.

Uji Normalitas

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|--------------------------|----------------|-------------------------|
| N | | 48 |
| Normal Parameters a,b | Mean | ,0000000 |
| | Std. Deviation | 92,84309616 |
| Most Extreme Differences | Absolute | ,304 |
| | Positive | ,304 |
| | Negative | -,268 |
| Test Statistic | | ,304 |



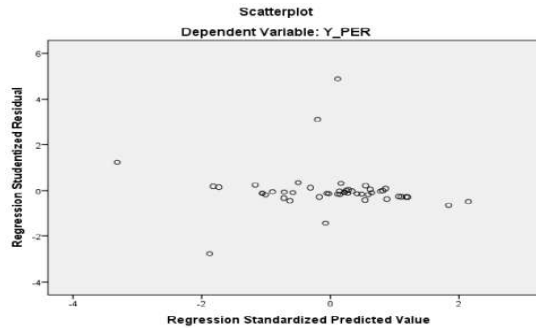
| | |
|------------------------|-------|
| Asymp. Sig. (2-tailed) | ,000c |
|------------------------|-------|

Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on the normality test using the Kolmogorov Smirnov test, the table above shows that the relationship between variables is normal. With the result of the statistical test 0.304 which means far from 5% or the significant probability is 0.05



Uji Heterokedastisitas

Coefficients^a

| Model Summary ^b | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | ,184 ^a | ,034 | -,056 | 97,06537 | 1,268 |

a. Predictors: (Constant), X4_ROE, X3_TATO, X1_Current_Ratio, X2_DER

b. Dependent Variable: Y_PER

Autocorrelation Test

From the Summary table above, it is known that the Durbin-Watson test result is 1.268 while the result in the t table is 1.7206. This means $DW > dU$. Another requirement, $DW < 4 - dU$ ($1.268 < 4 - 1.7206$). From the results of this test calculation, it can be concluded that between variables X and Y have autocorrelation.

The regression test results based on the above equation are explained as follows :

$$PER = -19,020 + 6,833 CR + 0,046 DER + 12,967 TATO + 0,097 ROE + 54,938$$

The above equation has meaning:

-The constant (A) of -19,020 means that if all independent variables = 0, then Price Earning is -19,020.



independent variables = 0, then Price Earning is -19,020.

-Current Ratio (X1) has a regression coefficient of 6.833, which means that every increase in Current Ratio by 1 unit, the price earnings of the company manufacturing companies rises by 6.833 assuming other factors remain or ceteris paribus.

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -19,020 | 54,938 | | -,346 | ,731 |
| X1_Current_Ratio | 6,833 | 11,794 | ,103 | ,579 | ,565 |
| X2_DER | ,046 | 4,474 | ,003 | ,010 | ,992 |
| X3_TATO | 12,967 | 17,614 | ,123 | ,736 | ,466 |
| X4_ROE | ,097 | ,196 | ,132 | ,493 | ,625 |

a. Dependent Variable: Y_PER

-Debt to Equity Ratio (X2) has a regression coefficient of 0.046 which means that every increase in DER by 1 unit, the price earning of manufacturing companies increases by 6.833. meaning that every increase in DER by 1 unit, the price earning of manufacturing companies increases by 0.046 with the assumption that other factors are fixed oreteris paribus. manufacturing companies increases by 0.046 assuming other factors are constant or ceteris paribus OR ceteris paribus

-Return On Asset (X4) has a regression coefficient of 0.097, which means that every increase in ROA by 1 unit, the price earning of manufacturing companies increases by 0.097, assuming other factors are constant or ceteris paribus ceteris paribus.

Test Coefficient of Determination (R2)

To see the results of the Coefficient of Determination (R2) test in the table above, it is sufficient to focus

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | ,184 ^a | ,034 | -,056 | 97,06537 |

a. Predictors: (Constant), X4_ROE, X3_TATO, X1_Current_Ratio, X2_DER

b. Dependent Variable: Y_PER

on the Adjusted R Square column, because the independent variables are more than two. In the table above the Adjusted R Square value is -0.56. This means that of the 4 independent variables, all four have no effect except



in a very small percentage, namely 0.56. very small percentage of 0.56%.

Reporting Research Results

Hypothesis Test

Hypothesis testing is divided into two, namely the Partial test or t-test and F-test. Both are described as follows :

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -19,020 | 54,938 | | -,346 | ,731 |
| X1_Current_Ratio | 6,833 | 11,794 | ,103 | ,579 | ,565 |
| X2_DER | ,046 | 4,474 | ,003 | ,010 | ,992 |
| X3_TATO | 12,967 | 17,614 | ,123 | ,736 | ,466 |
| X4_ROE | ,097 | ,196 | ,132 | ,493 | ,625 |

a. Dependent Variable: Y_PER

To see the results of the t-test or partial test, focus on the "t" and "sig" columns with the following conditions :

Based on the Significance value,

- If the Significance (Sig) value < Probability 0.05 then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

- If the Significance (Sig) value > Probability is 0.05 then there is no influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

| Variabel | Sig. | Probability | Hasil Uji | Keterangan |
|----------|------|-------------|--------------------|--------------------------------|
| X1 | ,565 | 0,05 | Sig. > Probability | Tidak ada pengaruh = H ditolak |
| X2 | ,992 | 0,05 | Sig. > Probability | Tidak ada pengaruh = H ditolak |
| X3 | ,466 | 0,05 | Sig. > Probability | Tidak ada pengaruh = H ditolak |
| X4 | ,625 | 0,05 | Sig. > Probability | Tidak ada pengaruh = H ditolak |

Based on the comparison of the calculated t value with the t table

- If the t-value is calculated > t the table, then there is an influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.



- If the t-value is calculated $< t$ of the table then there is no influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

Uji-F

ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---------------|----------------|----|-------------|------|-------------------|
| 1. Regression | 14166,940 | 4 | 3541,735 | ,376 | ,825 ^b |
| Residual | 405132,504 | 43 | 9421,686 | | |
| Total | 419299,444 | 47 | | | |

a. Dependent Variable: Y_PER

b. Predictors: (Constant), X4_ROE, X3_TATO, X1_Current_Ratio, X2_DER

To see the results of the F-test or Partial test, focus on the "F" and "sig" columns with the following conditions:

Based on the Significance value of the Anova output

- If the Significance (Sig) value < 0.05 then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.
- If the Significance (Sig) > 0.05 then there is no influence of the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

| Sig. | Probability | Hasil Uji | Keterangan |
|-------------------|-------------|--------------------|--------------------------------|
| ,825 ^b | 0,05 | Sig. > Probability | Tidak ada pengaruh = H ditolak |

Based on the comparison of the value of F calculation and F table

- If the F value is calculated $> F$ of the table, then there is an influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

| F hitung | F tabel | Hasil Uji | Keterangan |
|----------|---------|--------------------|--------------------------------|
| ,376 | 2,61 | F hitung < F tabel | Tidak ada pengaruh = H ditolak |

- If the F value is calculated $< F$ table then there is no influence on the independent variable (X) on the dependent variable (Y) or the hypothesis is rejected.

DISCUSSION



- From the results of the analysis that has been described in the previous sub-sections, it can be described as follows:
 1. Liquidity Ratio affects Price Earning in manufacturing companies listed on the IDX in 2019-2022. listed on the IDX in 2019-2022. Liquidity ratio which is a metric used to measure the company's the company's ability to pay off its short-term debt and obligations. So in this study, the Liquidity Ratio (X1) which is an independent variable has no effect on the dependent variable (Y). effect on the dependent variable (Y) or Price Earning.
 2. Solvency Ratio affects Price Earning Solvency ratio is the main metric used to measure the company's ability to fulfill its debt obligations. the company's ability to fulfill its long-term debt obligations. So in this study, the Solvency Ratio (X2) which is an independent variable does not affect the dependent variable (Y) or Price Earning. has no effect on the dependent variable (Y) or Price Earning. Activity Ratio affects Price Earning
 3. The Activity Ratio is a financial metric that shows how efficiently the company utilizes assets on its balance sheet. efficiently the company utilizes assets on its balance sheet. So in this study the Activity Ratio Activity Ratio (X3) which is an independent variable has no effect on the dependent variable (Y) or Price Earning. dependent variable (Y) or Price Earning.
 4. Profitability Ratio affects Price Earning Profitability ratio is a ratio or comparison to determine the company's ability to earn profit (profit) from revenue (earning) related to sales, assets, and equity based on certain basic measurements. So in this study, the Profitability Ratio (X4) which is an independent variable has no effect on the dependent variable (Y) or Price Earning.
 5. Liquidity Ratio, Solvency Ratio, Activity Ratio, and Profitability Ratio affect Price Earning. In the previous four discussions, it has been explained that both liquidity, solvency, activity, and profitability ratios have no effect on price earnings. In this study, where data is taken from the Financial Statements of Manufacturing companies, it has absolutely no effect, especially during the Covid-19 Pandemic, the demand for manufactured goods, especially food, did not experience a negative impact or decline. This is due to the limitation of activities outside the home so that demand increases through online channels.



CONCLUSION

Based on the results of data analysis on the effect of liquidity ratios, solvency ratios, activity ratios and profitability ratios, each of which is proxied by current ratio (CR), debt to equity ratio (DER), total asset turnover (TATO), and return on equity (ROE) on price earning ratio (PER) in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022, it can be concluded:

- 1) Liquidity ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022.
manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 2) Solvency ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 3) Activity ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022. manufacturing companies listed on the Indonesia Stock Exchange for the period 2019-2022.
- 4) Profitability ratio has no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- 5) Liquidity ratio, solvency ratio, activity ratio and profitability ratio have no significant effect on PER in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period.



Effectiveness of Using Organic and Liquid Fertilizers Based on Palm Oil Mill Waste

Taslim Harefa, Yusniar Lubis, Martial

Agricultural Science Doctoral Program, University of Medan Area, Indonesia

Management Science, University of Medan Area. Indonesia

Agricultural Science Doctoral Program, University of Medan Area. Indonesia

lubisyusniar@gmail.com

Abstract

This study aimed to assess the effectiveness of organic and liquid fertilizers derived from palm oil mill waste as an alternative to improve soil quality and control Ganoderma in PT Padasa Enam Utama plantations. This study used the DEA model, one of three model approaches, to evaluate how effectively processing palm oil waste into organic fertilizer is. The results showed that using organic fertilizers from palm oil mill waste significantly improved soil quality, as indicated by increased organic matter content and soil microorganism activity. Compared to conventional methods, this treatment also reduced the level of Ganoderma attacks by 40% and increased production yields by 15%. This success was supported by policies that focused on the ease of use of technology, employee encouragement to use it properly, and synergy of encouragement.

Keyword : Effectiveness, Using Organic, Liquid Fertilizers Based, Palm Oil Mill Waste

INTRODUCTION

Because oil palm farmers use large amounts of artificial fertilizers in their planting areas, the dependence of oil palm plantations on artificial fertilizers has become a problem (Adrinoviarini, 2022; Nuro et al., 2016). In general, fertilization is carried out to improve the physical and biological properties of the soil (Harahap et al., 2020). This ganoderma attack threatens the survival of oil palm plantations. This attack is caused by the Ganoderma boninense fungus, which is the main pathogen of diseases that attack oil palms. As a result, the lower trunk of oil palm plants is damaged, causing many oil palm plantations to suffer losses (Syahputra and Purba, 2015). Various health problems and dependence on artificial fertilizers have the potential to threaten the sustainability of oil palm plantations in Indonesia.

Synthetic fungicides used to control ganoderma are considered inefficient and can cause environmental pollution (Widiastuti & Eris, 2016; Susanto, 2013). Maintaining or conditioning the environment so that fungal growth can be suppressed and does not damage the environment by using natural materials such as liquid fertilizers is an approach that is now starting to be used. One type of liquid fertilizer that has many benefits, including preventing the spread of ganoderma fungi in plants, is liquid waste produced from palm oil mills (Mulia Raja et al., 2021; Yacob et al., 2005). This is because there are many minerals in liquid waste produced from palm oil mills that function as plant nutrients. In other words, liquid waste can function as a natural fertilizer to increase plant growth. When ganoderma fungi are in the soil, liquid waste can continue to exist (Ideriah et al., 2007).

Although the growth of the palm oil industry has benefited many areas, the sustainability of oil palm plantations is an important issue that must be addressed. The spread of Ganodermas



is one of the main challenges in achieving sustainable oil palm plantations. In such a situation, the utilization of mill effluent can be a possible solution for Ganoderma control, with many benefits for the environment and institutions. However, there is no comprehensive approach that combines all elements to implement the utilization of mill effluent for Ganoderma control. Therefore, this study aims to develop a model that can optimize the utilization of mill effluent for Ganoderma control while considering the impact of mill effluent on the institutions and environment of sustainable oil palm plantations. In addition, by involving relevant stakeholders, this study aims to develop a model that can optimize the utilization of mill effluent for Ganoderma control.

LITERATURE REVIEW

Plantation Company Management

There is an urgent need to promote sustainable oil palm plantation management. Smallholder plantations must achieve sustainable management by 2025. After that, compliance with ISPO principles and criteria becomes mandatory. ISPO certification requires the implementation of five principles and thirty indicators. However, ISPO implementation is difficult because plantations still have a low level of readiness to receive certification. As a result, efforts to obtain ISPO certification without assistance and improvements in oil palm plantation management can exclude oil palm farmers who are not ready and face obstacles in meeting the assessment aspects.

Oil palm has high economic value because its fruit can be processed into semi-finished products such as crude coconut oil (CPO) and coconut kernel oil (PKO). However, oil palm plantations also face major environmental problems. About half of the eight million hectares of productive plantations today have been established through previous deforestation. The Indonesian government created a palm oil certification standard known as ISPO to maintain the quality, quantity, and competitiveness of products in the international market (Imansari, 2015).

Palm Oil Farming Business Income

Because more than 55% of Indonesia's population works as farmers, such as palm oil farmers (Pranoto, 2002; Setyamidjaja and Djoehana, 1991), the agricultural sector plays an important role in the structure of national economic development. According to research by Pratiwi et al. (2020), palm oil farming in Waru District generates an average income of 19 million rupiah per year per ha⁻¹. Based on the R/C ratio value of 4.44, or greater than 1, this means that for every additional cost of IDR 1,000.00, business actors will generate income of IDR 4,440.00. In addition, the area of land of the Cattle and Oil Palm Integration System in War District To explain that oil palm cultivation has the potential to improve the standard of living and income for both small farmers and large companies (Chrisendo et al., 2022).

Plantation production per hectare clearly affects the income of oil palm plantations. The performance of plants in the field, characterized by the variable fruit per plant, determines production. The quality and quantity of oil palm fruit are influenced by the genes of the parent. Only from high-quality seed sources can types with high genetic quality be obtained. The final results of the expected oil palm products will also be influenced by the very diverse variables of field management. Production decreases especially when plants are attacked by disease, especially ganoderma agar disease.



To overcome ganoderma disease, various mechanical and chemical techniques have been used, but have not succeeded in stopping the growth of the fungus significantly. The use of chemical drugs can have a negative impact on plants and the environment in the long term, according to the principles of sustainable agriculture. To suppress the growth of these root diseases, a method that combines the use of organic fertilizers can be a new approach (Mulia Raja et al., 2021; Ideriah et al., 2007).

Ganoderma Boninense

Stem rot disease in oil palm is still a problem that must be watched out for today, especially in oil palm plantations that have undergone rejuvenation. *Ganoderma boninense* is a pathogen that causes this disease in oil palm plants (Widiastuti and Eris, 2016). Symptoms occur before the formation of the mushroom fruit body, with rot at the base of the stem causing dry rot in the inner tissue (Semangun, 2000).

Since *Ganoderma boninense* is a soil-borne pathogen with high saprophytic ability and a wide range of plant hosts, control with technical, mechanical, and chemical cultures has so far not been successful in suppressing the development of the disease. Leaf spot disease is another disease that attacks oil palm. It is caused by the pathogenic fungus *Curvularia* sp. which lives on various plants in tropical and subtropical regions. This fungus can cause death of oil palm plants at the prenursery stage.

Oil palm farmers in several Asian countries, especially Malaysia and Indonesia, which produce 85 to 90% of the world's palm oil, are still experiencing basal stem rot (BPB) disease caused by the fungus *Ganoderma boninense* (Ishaq et al., 2014; Kurniawan and Pinem, 2011). To stop *Ganoderma* disease in oil palm, various techniques have been used, including the use of conventional fungicides, such as improving sanitation and destroying infected plants, and the use of chemicals such as carboxin and quintozene (Sahebi et al., 2015).

Palm Oil Mill Liquid Waste

One of them is by using liquid waste from palm oil mills as a fungicide to combat pathogens that cause basal stem rot and leaf spot diseases in oil palms (Retno, 2014). One type of organic waste is liquid waste produced when fresh fruit bunches (FFB) are processed into crude palm oil (CPO) or crude palm oil (CPO) from palm oil mills (PKS). Each ton of FFB processed can produce between 0.5 and 0.7 tons of liquid waste (Yacob, S., M.A. Hassan, Y. Shirai, M. Wakisaka, 2005).

The remaining oil palm plants that are not included in the main products or by-products of the palm oil processing process are called palm oil liquid waste. Processing: Liquid waste from palm oil mills can be used as a source of nutrients because it contains many nutrients such as N, P, K, Mg, and Ca. Therefore, liquid waste can be processed in fat pits, cooling ponds, bacterial breeding ponds, acidification, anaerobic decomposition ponds, aerobic, sedimentation ponds, and finally, land use (Hanim et al., 2020). Liquid waste from factories Because the nutrient content contained in it can be used by plants as a source of nutrients, this palm oil can be used as fertilizer.

RESEARCH METHOD

The use of oil palm waste for ganoderma control was studied through quantitative and qualitative research methods. Data were collected through a case study method. The purpose of the case study was to improve our understanding of the issue as a whole and provide an overview



of the oil palm plantation development method (Creswell, 2010). The qualitative research method was chosen because it can produce more in-depth data and prioritizes face-to-face interviews with several informants to gain an accurate and in-depth understanding of various perspectives and situations, such as the types of institutions used to build oil palm plantations. This study involved informants from PT. Padasa Enam Utama and parties related to the problem. Oil palm samples were taken in stages based on oil palm plantation business actors on the land they control. Sample business actors and placed in the PT. Padasa Enam Utama Plantation in North Sumatra. These quantitative data were analyzed using structural equation models (SEM), especially Partial Least Square (PLSSEM), using the SmartPLS tool.

Data Analysis Method

Quantitative Data Analysis (Data Envelopment Analysis/ DEA)

Quantitative research in this study uses the DEA model to evaluate the efficiency value of liquid waste use as economic added value. The data processing program is STATA 13.

Technology Acceptance Model (TAM)

To determine the perception of oil palm plantations towards the use of liquid waste to control *Ganoderma boninense* fungus, the Technology Acceptance Model (TAM) was used, which is used for descriptive analysis with a Likert scale. Perceived ease of use (perceived ease of use), perceived usefulness (perceived usefulness), and user attitudes towards technology acceptance (technology acceptance) were measured using a Likert scale. In a Likert scale, four or more different questions are combined to create a score or value that describes a person's characteristics, such as knowledge, attitudes, and behavior. The composite score of each question item, usually in the form of a sum or average, can be used during the data analysis process. Since each question item indicates the variable it represents, the sum of each question item can be used.

RESULT AND DISCUSSION

Efficiency Level of PT Padasa Enam Utama Oil Palm Plantation.

The processing results of PT Padasa Enam Utama Oil Palm Plantation from 2020–2023 were carried out using the DEA model and Stata 13 software. The results are as follows:

Table 1. Efficiency Value of PT Enam Utama Oil Palm Plantation

| No | Year | Plantation Name | Efficiency | Category | Information |
|----|------|-----------------------|------------|----------|-----------------|
| 1 | 2020 | PT. Padasa Enam Utama | 1 | 3 | High Efficiency |
| 2 | 2021 | PT. Padasa Enam Utama | 1 | 3 | High Efficiency |
| 3 | 2022 | PT. Padasa Enam Utama | 1 | 3 | High Efficiency |
| 4 | 2023 | PT. Padasa Enam Utama | 1 | 3 | High Efficiency |

Source: Data Processing with STATA 13 Application



Chart 1. Overview of efficiency values and efficiency categories



| PT. Padasa Enam Utama | PT. Padasa Enam Utama | PT. Padasa Enam Utama | PT. Padasa Enam Utama |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2020 | 2021 | 2022 | 2023 |

Source: Data processed using STATA 13 application.

PT. Padasa Enam Utama has shown an efficiency value of 1 for four consecutive years (2020–2023). This value indicates that the company operates at the highest level of technical efficiency (Sembiring & Novita, 2018). In other words, this business has the ability to optimize the use of its resources so that they can achieve optimal output without producing waste or inefficiency in the production process (Lutsenko et al., 2022). Consistency in achieving this technical efficiency indicates that the company has implemented best practices in operational management and technology utilization, which are in line with modern and sustainable management principles. The achievement of this efficiency indicates good internal performance and the company's commitment to sustainable agribusiness practices.

In addition, the efficiency of PT. Padasa Enam Utama can be attributed to the company's compliance with the Indonesian Sustainable Palm Oil (ISPO) standard. ISPO is a certification given by the Indonesian government to ensure that palm oil production in Indonesia is carried out sustainably from an environmental, social, and economic perspective. PT. Padasa Enam Utama, which has a high efficiency value, shows compliance with the ISPO standard, where coconut production This expertise enhances the company's reputation as a leader.

In addition, the “High Efficiency” category found in the data supports the idea that PT. Padasa Enam Utama may be more technically efficient than allocative efficiency, where resources are allocated appropriately according to market input and output prices (Lestari et al., 2023). This indicates that the business can maintain performance and stability in the long term, which is strong evidence of good management and the ability to adapt to market changes. According to Mario de Carvalho Filho (2018), the ISPO standard requires companies to ensure that resource allocation is carried out in a way that minimizes negative impacts on the environment and society. Ultimately, this will increase allocation efficiency. Therefore, PT. Padasa Enam Utama can balance social responsibility and economic efficiency, which is very important.

This efficiency achievement is supported by the management of Palm Oil Mill (PKS)



waste at PT. Padasa Enam Utama. One of the main needs in the context of ISPO is sustainable waste management. PT. Padasa Enam Utama can convert PKS waste into organic fertilizer, which reduces environmental impact and makes inputs more efficient. To reduce waste, maximize the added value of by-products, this waste processing is an important component of the company's strategy. The company increases technical efficiency by utilizing waste as a productive resource. They also demonstrate a strong commitment to the circular economy (Tang et al., 2023).

In addition, the use of PKS waste to make organic fertilizer has also proven effective in preventing Ganoderma disease, one of the main diseases in oil palm plants. This disease is caused by pathogenic fungi that can cause major losses in oil palm production. Therefore, the use of organic fertilizers derived from PKS waste improves soil health and plant resistance to Ganoderma attacks. As a result, the soil becomes healthier and the plants. Therefore, the waste management strategy of PT. Padasa Enam Utama not only improves operational efficiency but also keeps oil palm production alive through disease control.

The use of organic fertilizers obtained from PKS waste has significant ecological benefits. In addition to plant health aspects, organic fertilizers improve soil structure, increase water retention capacity, and increase soil biodiversity (Manurung et al., 2023). Plantations increase productivity in the long term and support the sustainability of the surrounding ecosystem. In the context of ISPO, these environmental benefits are in line with the goal of balancing effective palm oil production with environmental protection. Consequently, this inventive waste management method confirms PT. Padasa Enam Utama's commitment as a company dedicated to responsible and sustainable agribusiness practices.

Agribusiness companies can achieve optimal efficiency levels with proper management and technology implementation and compliance with sustainability standards such as ISPO. Empirical findings show this (Maity et al., 2023; Liudmyla berezina & Bahan, 2023). In facing increasingly complex economic and environmental challenges, this is very important. The efficiency achieved not only shows the company's internal performance but also helps broader sustainability goals, such as controlling diseases such as Ganoderma, which can affect plantation productivity. Therefore, businesses have proven that sustainable agribusiness practices can correlate with higher levels of operational efficiency.

Overall, PT. Padasa Enam Utama has demonstrated how operational efficiency, compliance with ISPO standards, and innovation in PKS waste management can work together to achieve sustainable agribusiness goals (Rahmawati & Novani, 2024). That responsible agribusiness practices can generate economic, social, and ecological benefits is evidenced by the consistent high efficiency and effective control of Ganoderma disease (Sengupta et al., 2024).

Perception of Acceptance of Palm Oil Mill Waste with Technology Acceptance Model (TAM)

The purpose of this study was to evaluate respondents' responses to the technology of processing palm oil mill waste into organic fertilizer. To do this, the Technology Acceptance Model (TAM) and the Structural Equation Modeling-Partial Least Squares (SEM-PLS) testing method were used. The TAM model was chosen because of its ability to explain factors that influence the acceptance and use of new technologies (Handayani & Prahartiwi, 2019), especially related to the use of new technologies. In the initial stage, a questionnaire was used to



collect data to measure respondents' perceptions of usefulness and ease of use. Furthermore, the collected data were processed using SEM-PLS to test the reliability and validity of the constructs. In addition, the measurement and structural models were also evaluated.

Pilot Test

Before being used in the main research, a trial or pilot test was conducted as an initial stage of the research. The questionnaire was tested on a small group of respondents to assess its accuracy and effectiveness. In this process, 70 samples of respondents were tested. In addition, the Average Variance Extracted (AVE) and Composite Reliability values were used to test the validity and reliability of the questionnaire. SmartPLS 3 software was used to conduct this analysis. The table below shows the results of the pilot test.

Table 2. Results of the Pilot Test Questionnaire

| Variables | Average Variance Extracted (AVE) | Composite Reliability | Information |
|--------------------------|---|------------------------------|--------------------|
| Intensity | 0.697 | 0.920 | Valid and Reliable |
| Ease of Use | 0.720 | 0.927 | Valid and Reliable |
| Experience | 0.676 | 0.912 | Valid and Reliable |
| Real Users | 0.691 | 0.918 | Valid and Reliable |
| Perception of Usefulness | 0.673 | 0.925 | Valid and Reliable |

Source: Data Processing Results, using the SmartPLS.3 application. 2024

Measurement Model Test Results (Outer Model) for PT Padasa Enam Utama

Validity testing is carried out to ensure that the research tool used really has the ability to measure the intended variables accurately. In the Partial Least Squares (PLS) approach with reflective indicators, convergent validity is measured through the loading factor; the loading factor value that is considered adequate is usually 0.7 or more. An AVE value greater than 0.5 is considered valid (Muhson, 2022).

Figure 1 shows the results of the outer model test, which is used to evaluate the validity of each research variable. Two main stages are used to test this outer model: validity test and reliability test. Convergent Validity and Discriminant Validity are tested in the validity test, and composite reliability is tested.

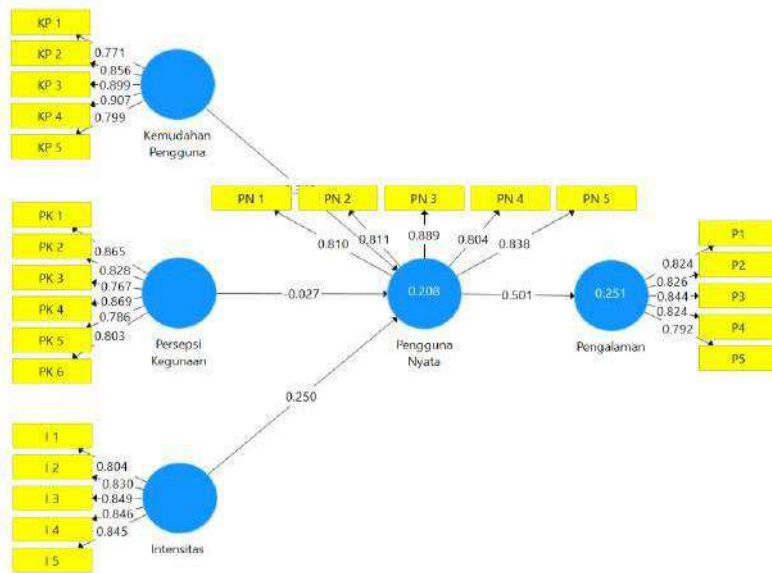


Figure 1. Results of the Outer Model Research Test on SmartPLS 3. (2024)

Convergent Validity Test Results

The value of the additional factor is used to evaluate convergent validity. For this, each indicator must meet the threshold >0.7 , and the Average Variance Extracted (AVE) value for each variable must exceed 0.5 (Sholihin & Ratmono, 2020; Lance et al., 2006). The SmartPLS application uses two iteration stages. The formation of the measurement model is the first stage, and then the PLS algorithm is used for calculation. The results of the convergent validity assessment are shown in Table 4.

Table 3. Convergent validity assessment

| Variables | Indicator | Loading Factor | Information | Average Variance Extracted (AVE) |
|-----------|-----------|----------------|-------------|----------------------------------|
| Intensity | I 1 | 0.804 | Valid | 0.697 |
| Intensity | I 2 | 0.830 | Valid | |
| Intensity | I 3 | 0.849 | Valid | |
| Intensity | I 4 | 0.846 | Valid | |
| Variables | Indicator | Loading Factor | Information | Average Variance Extracted (AVE) |



| | | | | |
|--------------------------|------|-------|-------|-------|
| Intensity | I 5 | 0.845 | Valid | |
| Ease of Use | KP 1 | 0.771 | Valid | 0.72 |
| Ease of Use | KP 2 | 0.856 | Valid | |
| Ease of Use | KP 3 | 0.899 | Valid | |
| Ease of Use | KP 4 | 0.907 | Valid | |
| Ease of Use | KP 5 | 0.799 | Valid | |
| Experience | P1 | 0.824 | Valid | 0.676 |
| Experience | P2 | 0.826 | Valid | |
| Experience | P3 | 0.844 | Valid | |
| Experience | P4 | 0.824 | Valid | |
| Experience | P5 | 0.792 | Valid | |
| Real Users | PK 1 | 0.865 | Valid | 0.691 |
| Real Users | PK 2 | 0.828 | Valid | |
| Real Users | PK 3 | 0.767 | Valid | |
| Real Users | PK 4 | 0.869 | Valid | |
| Real Users | PK 5 | 0.786 | Valid | |
| Real Users | PK 6 | 0.803 | Valid | |
| Perception of Usefulness | PN 1 | 0.810 | Valid | 0.673 |
| Perception of Usefulness | PN 2 | 0.811 | Valid | |
| Perception of Usefulness | PN 3 | 0.889 | Valid | |
| Perception of Usefulness | PN 4 | 0.804 | Valid | |
| Perception of Usefulness | PN 5 | 0.838 | Valid | |

Source: Data Processing Results, using the SmartPLS.3 application. 2024

All indicators meet the criteria of convergent validity, according to the results of data processing. All variables in this study are considered valid if the value of the external load on each variable is more than 0.7.

Test Results

Hypothesis testing is the final step in analyzing the influence between variables in a structural model; this is done to determine whether the relationship between the variables is significant. The bootstrapping process is used in this test to produce significance values such as t-statistics, p-values, and relationships between constructs. The level of significance used in this study is 5%. This indicates that the hypothesis will be accepted if the t-statistic is greater than the



t-table, which is 1.96. Consequently, the purpose of this examination is to determine whether there is a significant influence between the variables studied.

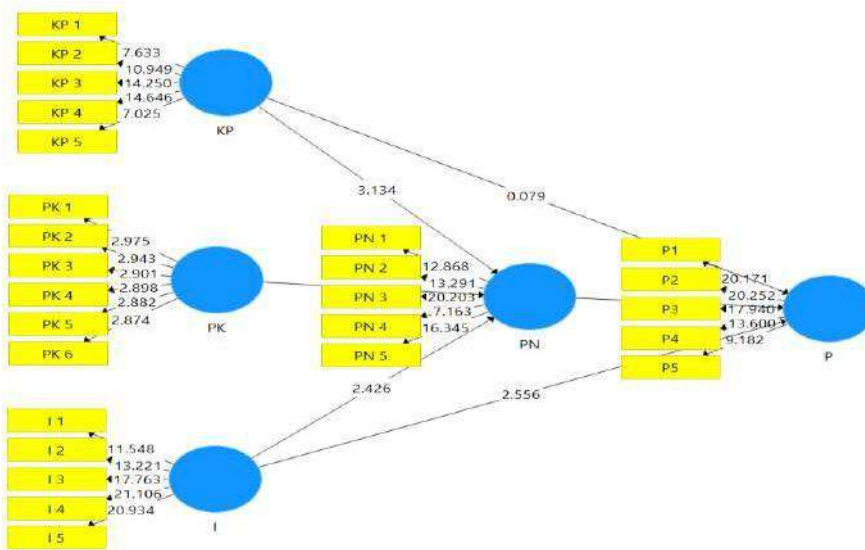


Figure 2. Test Results with bootstrapping using the SmartPLS 3 application

Figure 4 shows the results of bootstrapping output with the SmartPLS 3 application. Based on the results of the bootstrapping test, five hypotheses can be accepted, while one hypothesis is rejected. Table 4 below provides further explanation.

Table 4. Path Coefficient Results

| Hypothesis | T-Statistics | P Values | Information |
|--|--------------|----------|-------------|
| Intensity (BIU) -> Real Users (AU) | 2.395 | 0.017 | Accepted |
| User Ease (PEU) -> Real Users (AU) | 3.213 | 0.001 | Accepted |
| Real Users (AU) -> Experience (PU) | 5.691 | 0.000 | Accepted |
| Perceived Usability (ATU) -> Actual Users (AU) | 0.181 | 0.857 | Rejected |

Source: SmartPLS 3 data processing (2024)

The results of the bootstrapping test on the relationship between variables show that there are three accepted hypotheses and one rejected hypothesis. First, there is a T statistic value of 2,395 with a P value of 0.017, which is smaller than the significance level of 0.05, in the relationship between User Intensity and Real Users. This shows that the level of intensity of use significantly affects the level of actual use. As a result, users who are more frequently involved are more likely to become real users (Anggraeny, 2020).

Second, there is a significant relationship between Ease of Use and Real Users, with a statistical T value of 3.213 and a statistical P value of 0.001. This indicates that the ease of use of



an application or system has a positive impact on user loyalty, with the highest statistical T value of 5.691 and a statistical P value of 0.000, indicating a strong influence of real users on the experience. This hypothesis is finally rejected. These results indicate that the perceived usefulness of a system or application does not affect the user's decision to use it.

User Intention Perception towards Actual Users.

There is a significant relationship between the intensity of user intention to use (Behavioral Intention to Use/BIU) and the application of palm oil mill waste management technology into organic fertilizer (Actual Use/AU). The results of the statistical analysis show a p-value of 0.017 and a T statistic of 2.395. That the intention to use technology significantly affects the actual adoption of technology in the field, with a p-value below 0.05. This means that the stronger the user's intention to utilize technology, the more likely the technology is to be adopted and applied in everyday practice (Bagheri et al., 2024).

The management of PT Padasa Enam Utama sees the adoption of waste management technology as a strategic opportunity to improve operational efficiency and reduce negative impacts on the environment (Ksenofontov et al., 2019). In general, management views waste management technology positively because they believe that it can provide sustainable economic benefits (Elizabeth Shirley et al., 2024). The notion that businesses involved in technology adoption will be more successful in their implementation is supported by the significant relationship found between user intentions and technology adoption (Sozoniuk, 2022).

In addition, PT Padasa management emphasized that the use of sustainable waste management technology is very important (Mashudi et al., 2023). They argue that the high managerial and operational intention to adopt this technology will increase the company's chances of utilizing it. Management also believes that the use of this technology can reduce dependence on chemical fertilizers. This will ultimately increase production efficiency and reduce fertilizer input costs (Sarsenova & Alpysbaeva, 2020; Mashudi et al., 2023).

Palm oil mill waste management techniques, especially those that produce organic fertilizer, are considered by management as a strategic solution to improve the internal supply chain (Abisha & Vanany, 2022). The company can become more independent by using waste as organic fertilizer to meet its fertilizer needs without relying on external suppliers. This management perception shows that there is a strong correlation between technology acceptance and improved soil quality and plantation productivity. This perception greatly helps the sustainability of business operations (Romelah et al., 2017).

In using this technology, PT Padasa management pays close attention to environmental benefits. They believe that as part of the company's social responsibility to preserve the environment, the company must manage waste properly. This management perception is in line with statistical results that show a positive correlation between the intention to use technology and its application in the field. By reducing the amount of waste produced and using existing waste for the production of organic fertilizers, the company can not only reduce the negative impact on the environment but can also meet increasingly stringent environmental regulations (Camilleri, 2020).

Finally, PT Padasa believes that using palm oil mill waste management technology can make the company better in the eyes of consumers and other stakeholders. Environmentally friendly technology has the ability to improve the company's image as an environmentally and



socially responsible organization. This is very important in an industry that is increasingly aware of sustainability issues (Khairani, 2024). Therefore, the adoption of this technology not only has environmental and operational benefits, but is also an important part of the company's strategy to thrive in a competitive business world.

Perceived Ease of Use (PEU) to Actual Users (AU)

The results of the statistical analysis show a very significant relationship between palm oil mill waste management technology into organic fertilizer and Perceived Ease of Use (PEU), with a T-statistic value of 3.213 and a p-value of 0.001. Perceived ease of use of technology significantly influences the adoption and implementation of technology in operational practices, with a p-value far below the threshold of 0.05. This means that the possibility of technology being used in palm oil mill waste management is greater if it is easier for users to use.

PT Padasa Enam Utama management's perception of how easy it is to use waste management technology in this context is critical to its successful implementation. Technology that is designed to be simple and easy for workers to use will accelerate the technology acceptance process, according to management (Wijaya et al., 2023). They believe that this level of ease will encourage early adoption and sustain it in the long term. Technology that is easy to understand tends to be easier to use, but complex technology tends to hinder training and operations.

In addition, PT Padasa management said that the ease of use of technology has a direct impact on greater operational efficiency (Rahayu et al., 2022). Easy-to-use technology saves time and costs because it does not require intensive training (Chen & Bennett, 2010). In addition, this convenience allows employees to concentrate more on processing factory waste into organic fertilizer more productively without experiencing complicated technical difficulties. This is in line with management's goal of optimizing the use of plantation human resources.

Management's perception of how easy a technology is to use also influences the sustainability of future technology adoption. Management recognizes that complex and difficult technology adoption will reduce employee interest and hinder widespread adoption. Easy-to-use technology can make waste management into organic fertilizer more sustainable. This allows plantation operations to run more efficiently in the long term without significant technical barriers (A. Abdullah et al., 2015).

From an environmental perspective, PT Padasa management believes that easy-to-use technology will be more effective in supporting the goal of environmentally friendly waste management. This technology allows workers to process waste regularly and accurately, so that the amount of waste disposed of can be minimized and environmental benefits can be maximized. As a result, the ease of technology affects the fulfillment of the company's environmental responsibilities and increased efficiency.

Overall, PT Padasa management sees the ease of use of waste management technology as a very strategic factor to ensure smooth operations and sustainability of the company. Easy-to-adopt technology can help companies become better in the eyes of consumers and other stakeholders in addition to considering operational and environmental aspects (Stefani & Cilvanus, 2020). Management believes that easy-to-use technology can help the company maintain its position as an innovative and environmentally responsible industry player while competing in the growing palm oil industry.



Actual User Perception (AU) -> User Experience (PU)

The results of the statistical analysis show a very significant relationship between actual users (Actual Use/AU) and user experience (Perceived Usefulness/PU) in the technology of managing palm oil mill waste into organic fertilizer, with a T-statistic of 5.69 and a p-value of 0.000. That the benefits perceived by users of the technology significantly affect the level of adoption in real practice. In other words, the greater the benefits perceived by users, the greater their tendency to actively implement the technology in operations (Shrestha & Vassileva, 2019). This is indicated by the p-value which is far below the threshold of 0.05.

In this case, the management of PT Padasa Enam Utama said that the perception of the benefits or usefulness of technology greatly influences the decision to adopt it (Siu Shing Man, 2022). They believe that waste management technology will be accepted and used more widely if it can provide real benefits, such as increasing the efficiency of organic fertilizer production and waste management (Amrawaty et al., 2015). Positive experiences with the use of technology are essential to encourage wider adoption in the field.

In addition, the management of PT Padasa Enam Utama considered the positive experience resulting from the implementation of this technology to be very important for their decision to expand its implementation across the Plantation (Bellemare et al., 2022). The clear benefits of the technology, such as reduced costs and increased agricultural yields, encouraged management to have more confidence in it (Lynn et al., 2023). This encouraged the business to continue investing and integrating waste management technology more deeply into their operations. Waste management technology also reduces diseases, including Ganoderma (Utami & Siregar, 2022). By improving soil structure and its microbiological balance, organic fertilizer made from palm oil mill waste can improve soil health and reduce the risk of Ganoderma infection (Kurniawan et al., 2022; Jannah & Kurniawan, 2017).

In addition, management perception shows how important the role of technology is in the company's strategy to achieve long-term sustainability (Syam, 2024). Waste management technology offers many tangible benefits, such as reducing our dependence on chemical fertilizers and utilizing waste efficiently. In addition, this technology supports the company's commitment to sustainable agricultural practices. Management believes that technology that shows real added value improves operational efficiency and enhances the company's environmental responsibility.

Positive experiences in waste management can also enhance a company's reputation in the market. Companies can strengthen their image as innovative and socially responsible industry players with proven technologies. Favorable user experiences can be a useful promotional tool to attract customers and stakeholders who are increasingly concerned about sustainability. Overall, these statistical results indicate that the perceived benefits of waste management technology significantly influence its uptake and utilization. According to the perception of PT Padasa management, implementation and sustainability are helped by positive experiences with technology. Palm oil companies can improve operational efficiency, support sustainability, and improve their reputation in the industry by providing useful technology (Anyaocha & Zhang, 2023).

Perceived Usefulness (ATU) -> Actual Use (AU)

The results of the statistical analysis show that, in the evaluation of the relationship



between Perceived Usefulness (Attitude Toward Using/ATU) and Actual Use (AU) of palm oil mill waste management technology, there is a T-statistic value of 0.181 with a p-value of 0.857. The p-value which is far above the significance limit of 0.05 indicates that there is no significant relationship between the perception of the usefulness of technology and the level of application of the technology in practice.

Statistical results show that while managers may have favorable views about the benefits of waste management technologies, these views do not always correspond to how the technology is used in real life. These results suggest that in addition to perceived usefulness alone, other variables, such as cost, technical support, and operational constraints, may be more influential in determining the level of technology adoption (Tiwari et al., 2020; Qureshi et al., 1992).

Positive attitudes toward technology are important, but PT Padasa Enam Utama management is not always a major factor in the decision to use technology. They recognize that while there is a perception that technology has many benefits, effective adoption in the field does not always match this perception. Therefore, when deciding to adopt technology, they must consider the cost of implementation, technical support, and availability of resources. The company recognizes that perceptions about the usefulness of a technology can influence attitudes toward it. However, things like technological complexity and economic benefits must also be considered. Even though technology is viewed positively, management may find that practical issues such as cost or technical complexity may hinder wider adoption.

In addition, PT Padasa management emphasized the importance of addressing the practical barriers that may be encountered when implementing the technology. To increase technology adoption, adequate training, technical support, and financial incentives must be considered. To generate effective technology adoption in the field, positive perceptions of the usefulness of the technology must be balanced with appropriate support. Overall, these statistical results indicate that a more comprehensive understanding of the technology is needed. While perceptions of usefulness are critical, effective technology implementation requires many practical factors and adequate support. PT Padasa Enam Utama must develop strategies to improve perceptions of usefulness, address operational challenges, and provide the necessary assistance to ensure that waste management technology is successfully implemented.

CONCLUSION

Based on the results of data processing and wetting, several conclusions can be made:

1. Utilization of palm oil mill waste (PKS) as organic fertilizer at PT. Padasa Enam Utama has proven effective in reducing the spread of Ganoderma disease while replacing chemical fertilizers.
2. The policy of implementing factory waste management technology into organic fertilizer at PT. Padasa Enam Utama focuses on making it easier to use and intensive.
3. Processing palm oil mill waste into organic fertilizer is highly dependent on cooperation between supportive policies, strong institutional encouragement (especially from management policies), and budget allocation. These three factors



serve as the main drivers of the success of the process.

REFERENCES

- Abdullah, A. A., Imran, S., & Sirajuddin, Z. (2023). Adopsi Inovasi Pupuk Organik untuk Pengelolaan Lingkungan Berkelanjutan di Kecamatan Tilongkabila Provinsi Gorontalo. *Jurnal Ilmiah Membangun Desa Dan Pertanian*, 8(3), 102–109. <https://doi.org/10.37149/jimdp.v8i3.362>
- Abdullah, A., Ali, H. M., & Syamsu, J. A. (2015). Status Keberlanjutan Adopsi Teknologi Pengolahan Limbah Ternak sebagai Pupuk Organik. *MIMBAR, Jurnal Sosial Dan Pembangunan*, 31(1), 11. <https://doi.org/10.29313/mimbar.v31i1.849>
- Abisha, A. T., & Vanany, I. (2022). Pengelolaan Risiko Rantai Pasok pada Industri Pupuk Organik dengan Menggunakan House of Risk dan Best Worst Method. *Jurnal Teknik ITS*, 11(3). <https://doi.org/10.12962/j23373539.v11i3.97909>
- Adrinoviarini, A. (2022). *The effect of organic fertilizer and mount Merapi volcanic ash to land rehabilitation*. 2(2), 53–60. <https://doi.org/10.30862/inornatus.v2i2.335>
- Almira, K. R., Shoiful, A., Hasiandy, S., Hartaja, D. R. K., Ardiana, C., Nugroho, R., & Noorain, R. (2023). Palm oil mill effluent (POME) treatment using a combined anaerobic-microalgae down-flow hanging sponge (DHS) reactor. *IOP Conference Series: Earth and Environmental Science*, 1201(1). <https://doi.org/10.1088/1755-1315/1201/1/012018>
- Amrawaty, A. A., Asnawi, A., & Husnah, N. (2015). Adopsi Teknologi Pengolahan Limbah Ternak Berbasis Zero Waste (Adoption Of Livestock Waste Treatment Technology Based Zero Waste). *Lppm.Unja.Ac.Id*, 36–46. <https://lppm.unja.ac.id/wp-content/uploads/2016/04/pt7-amidah-aslina-full-paper-ok.pdf>
- Anggraeny, R. D. (2020). *Analisis Pemakaian E-Marketplace Pada UMKM Jawa Timur Dengan Pendekatan Technology Acceptance Model (TAM)*. <https://repository.its.ac.id/81832/>
- Angraini, E. (2017). Uji Antagonisme *Lentinus cladopus* LC4 terhadap *Ganoderma boninense* Penyebab Penyakit Busuk Pangkal Batang Kelapa Sawit. *Jurnal Biosfera*, 3(4), 144–149.
- Bagheri, A., Tarighi, J., Emami, N., & Szymanek, M. (2024). Extension Experts' Intentions to use Precision Agricultural Technologies, a Test with the Technology Acceptance Model. *Acta Technologica Agriculturae*, 27(2), 84–91. <https://doi.org/10.2478/ata-2024-0012>
- Bellemare, M., Perrin, N., Dürreleman, N., Dorval, J. F., Lamarche, Y., Asgar, A. W., Bonan, R., Ibrahim, R., Perrault, L. P., & Ali, W. Ben. (2022). Digital Application to Optimize the Clinical Trajectory in a TAVR Program. *Interventional Cardiology – Noncoronary Cardiac Intervention*, 15(23), 2455–2457. <https://doi.org/10.1016/j.jcin.2022.08.053>
- Budiaji, W. (2013). The Measurement Scale and The Number of Responses in Likert Scale. *Jurnal Ilmu Pertanian Dan Perikanan Desember*, 2(2), 127–133. <https://doi.org/10.31227/osf.io/k7bgy>
- Camilleri, M. A. (2020). Strategic corporate social responsibility in tourism and hospitality. *Sustainable Development*, 504–506. <https://doi.org/10.1002/sd.2059>
- Chen, W., & Bennett, D. (2010). When Cost-Efficient Technologies Meet Politics: A Case Study of Radical Wireless Network Implementation. *IBIMA Publishing*, 1–12. <https://doi.org/10.5171/2010.119470>



- Cheung, G. W., Cooper-Thomas, H. D., Lau, R. S., & Wang, L. C. (2024). Reporting reliability, convergent and discriminant validity with structural equation modeling: A review and best-practice recommendations. In *Asia Pacific Journal of Management* (Vol. 41, Issue 2). Springer US. <https://doi.org/10.1007/s10490-023-09871-y>
- Chong, K.P., M.S. Lum., C.P. Foong., C.M.V.L. Wong., M. Atong, and S. R. (2011). First Identification of *Ganoderma boninense* Isolated from Sabah Based on PCR and Sequence Homology. *African Journal of Biotechnology*, 10, 14718–14723.
- Chrisendo, D., Siregar, H., & Qaim, M. (2022). Oil palm cultivation improves living standards and human capital formation in smallholder farm households. *World Development*, 159, 106034. <https://doi.org/10.1016/j.worlddev.2022.106034>
- Cintya Mawar, P., & Adiati, L. (2024). Analysis Of Behavioral Determinants Preventing Food Waste in Consumers Based on the Theory Of Planned Behavior (TPB) Mediated By Behavior Intention. *International Journal of Engineering Business and Social Science*, 2(04), 1176–1185. <https://doi.org/10.58451/ijebss.v2i04.153>
- Elizabeth Shirley, S., Santoso, J., & Kristina, N. (2024). Implementing UTAUT Model to Analyze Consumer Behaviour in Mobile Recycling Application. *MATICS: Jurnal Ilmu Komputer Dan Teknologi Informasi (Journal of Computer Science and Information Technology)*, 16(1), 43–51. <https://doi.org/10.18860/mat.v16i1.26930>
- Embrandiri, A., Ibrahim, M. H., & Singh, R. P. (2013). Palm Oil Mill Wastes Utilization; Sustainability in the Malaysian Context. *International Journal of Scientific and Research Publications*, 3(1), 2250–3153. www.ijsrp.org
- Fitria, A. N., Gunawan, V. S., & Mardiah, M. (2021). Study of the Utilization of Palm Oil Industry Liquid Waste. *Konversi*, 10(1), 31–40. <https://doi.org/10.20527/k.v10i1.10146>
- Handayani, N., & Lusa Indah Prahartiwi. (2019). Analisis Penerimaan Teknologi E-Wallet Gopay Dengan Technology Acceptance Model (TAM). *Indonesian Journal on Information System*, 4(April), 69–76. <https://media.neliti.com/media/publications/260171-sistem-informasi-pengolahan-data-pembeli-e5ea5a2b.pdf>
- Hanim, W., Fadhliani, F., & Wibowo, S. G. (2020). Pengolahan Limbah Cair di PMKS PT Sisirau Desa Sidodadi Kecamatan Kejuruan Muda Kabupaten Aceh Tamiang. *Jurnal Envscience*, 4(2), 67. <https://doi.org/10.30736/4jjev.v4iss2.198>
- Harahap, F. S., Walida, H., Rahmaniah, R., Rauf, A., Hasibuan, R., & Nasution, A. P. (2020). Pengaruh Aplikasi Tandan Kosong Kelapa Sawit dan Arang Sekam Padi terhadap beberapa Sifat Kimia Tanah pada Tomat. *Agrotechnology Research Journal*, 4(1), 1–5. <https://doi.org/10.20961/agrotechresj.v4i1.41121>
- Harefa, T. (2022). *Penurunan Produksi Dan Pendapatan Petani Akibat Intensitas Serangan Penyakit Ganoderma Boninense Pada Tanaman Kelapa Sawit (Studi Kasus di Aek Nabara Kecamatan Bilah Hulu Kabupaten Labuhan Batu Sumatera Utara)*. universitas medan area.
- Ideriah, T.J.K., P.U Adiukwu, H.O. Stainley, A. O. B. (2007). Impact of palm oil (*Elaeis guineensis* Jacq; Banga) mill effluent on water quality of receiving Oloya Lake in Niger Delta, Nigeria. *Res. J. Appl. Sci*, 2, 842–845.
- Khairani, L. (2024). Pengembangan Model Bisnis Ramah Lingkungan: Studi Kasus Perusahaan XYZ. *Circle Archive*, 1–13. <https://circle-archive.com/index.php/carc/article/view/221>
- Ksenofontov, A. A., Ksenofontov, A. S., Kirpicheva, M. A., & Trifonov, P. V. (2019). The use



- of modern management technology to improve business efficiency. *IOP Conference Series: Materials Science and Engineering*, 483(1). <https://doi.org/10.1088/1757-899X/483/1/012114>
- Kurniawan, E., Dewi, R., & Jannah, R. (2022). Pemanfaatan Limbah Cair Industri Kelapa Sawit Sebagai Pupuk Organik Cair Dengan Penambahan Serat Tandan Kosong Kelapa Sawit. *Jurnal Teknologi Kimia Unimal*, 11(1), 76. <https://doi.org/10.29103/jtku.v11i1.7251>
- Lance, C. E., Butts, M. M., & Michels, L. C. (2006). What Did They Really Say? *Organizational Research Methods*, 9(2), 202–220.
- Lestari, S. P., Lestari, D. A. H., Abidin, Z., & Prasmatiwi, F. E. (2023). Technical, Economic, and Allocative Efficiency of Corn Farming In South Lampung Regency. *Jurnal Penelitian Pertanian Terapan*, 23(2), 183–196. <https://doi.org/10.25181/jppt.v23i2.2615>
- Liudmyla berezina, & Bahan, N. (2023). Efficiency of Use of Resources of Agricultural Enterprises and Their Technological Management. *Herald of Khmelnytskyi National University. Economic Sciences*, 316(2), 125–128. <https://doi.org/10.31891/2307-5740-2023-316-2-19>
- Lutsenko, I., Koval, S., Oksanych, I., & Shevchenko, I. (2022). Optimization of Resource-Intensive Dynamic Systems With a Continuous Supply of Raw Materials According To the Criterion of Minimum Use of Reserves. *Eastern-European Journal of Enterprise Technologies*, 1(4–115), 20–28. <https://doi.org/10.15587/1729-4061.2022.252267>
- Lynn, D., Geriatrics, B. M. C., Lynn, J. D., Ryan, A., McCormack, B., & Martin, S. (2023). Stakeholder ' s experiences of living and caring in technology - rich supported living environments for tenants living with dementia. *BMC Geriatrics*, 1–16. <https://doi.org/10.1186/s12877-023-03751-2>
- Maity, S., Sinha, A., Rath, M. K., & Barlaskar, U. R. (2023). Resource Use Efficiency and Cleaner Agricultural Production: An Application of Technical Inefficiency Effects Model for Paddy Producing Zones of West Bengal. *Agris On-Line Papers in Economics and Informatics*, 15(2), 55–68. <https://doi.org/10.7160/aol.2023.150205>
- Manurung, O., Gunawan, S., & Setyorini, T. (2023). Aplikasi Pupuk Organik Limbah Kelapa Sawit terhadap Karakteristik Agronomi dan Produksi Tanaman Menghasilkan pada Perkebunan Kelapa Sawit. *Agroforetech*, 1(2), 882–889.
- Mario de Carvalho Filho, M. S. P. (2018). Business Sustainability Index: An Analysis Of Evidence Of Environmental Liability. *Revista Ambiente Contábil*, 10(1), 104–120.
- Mashudi, Sulistiowati, R., Handoyo, S., Mulyandari, E., & Hamzah, N. (2023). Innovative Strategies and Technologies in Waste Management in the Modern Era Integration of Sustainable Principles, Resource Efficiency, and Environmental Impact. *International Journal of Science and Society*, 5(4), 87–100. <https://doi.org/10.54783/ijssoc.v5i4.767>
- Muhson, A. (2022). Analisis Statistik Dengan SmartPLS. *Universitas Negeri Yogyakarta*, 1–34.
- Mulia Raja, P., Giyanto, G., & Barus, S. (2021). Karakteristik Kandungan Unsur N, P Dan K Limbah Cair Kelapa Sawit Kolam Anaerob Dengan Kontak Kuantitas Bentonit. *Jurnal Agrium*, 18(2). <https://doi.org/10.29103/agrium.v18i2.5326>
- Nuro, F., Priadi, D., & Mulyaningsih, E. S. (2016). KANGKUNG DARAT (Ipomoea reptans Poir .) (Effects of Organic Fertilizer on. *Prosiding Seminar Nasional Hasil-Hasil PPM IPB, January*, 28–39.



- Pratheep. (2024). Need for ESG compliance in Agri MSMEs in India. *International Journal For Multidisciplinary Research*, 6(3), 1–7. <https://doi.org/10.36948/ijfmr.2024.v06i03.23971>
- Qureshi, K. A., Chaudhry, M. A., & Akhtar, R. (1992). In Cotton Production. *Agri.Sci*, 29(4), 358–362.
- Rahayu et al. (2022). *Pengaruh+Perceived+Usefulness+dan+Perceived+Ease+of+Use+terhadap+Continuance+Intention+to+Use+Mobile+Banking+dengan+Trust+sebagai+Variabel+Intervening+pada+Pengguna+Aplikasi+Bank+Jambi+Mobile*. 1, 57–67.
- Rahmawati, D. M., & Novani, S. (2024). Embracing Circular Economy Principles: How Indonesian MSMEs Food Services Drive Sustainability Through Local Sourcing. *Journal of Economics and Business*, 7(2), 176–188. <https://doi.org/10.31014/aior.1992.07.02.584>
- Rainert, K. T., Nunes, H. C. A., Gonçalves, M. J., Helm, C. V., & Tavares, L. B. B. (2021). Decolorization of the synthetic dye Remazol Brilliant Blue Reactive (RBBR) by *Ganoderma lucidum* on bio-Adsorbent of the solid bleached sulfate paperboard coated with polyethylene terephthalate. *Journal of Environmental Chemical Engineering*, 9(2), 104990. <https://doi.org/10.1016/j.jece.2020.104990>
- Retno. (2014). *Pengaruh Pemanfaatan Limbah Cair Pabrik Pengolahan Kelapa Sawit sebagai Pupuk terhadap Biodiversitas Tanah Pengaruh Pemanfaatan Limbah Cair Pabrik Pengolahan Kelapa Sawit sebagai Pupuk terhadap Biodiversitas Tanah*. October.
- Semangun, H. (2000). *Penyakit-Penyakit Tanaman Perkebunan di Indonesia (Revisi)*. Gadjah Mada University Press.
- Sembiring, N., & Novita, S. B. P. (2018). Analysis of company operating feasibility using Energy Productivity Ratio (EPR). *E3S Web of Conferences*, 73. <https://doi.org/10.1051/e3sconf/20187308011>
- Sengupta, S., Choudhary, S., Obayi, R., & Nayak, R. (2024). Reducing food loss through sustainable business models and agricultural innovation systems. *Supply Chain Management*, 29(3), 540–572. <https://doi.org/10.1108/SCM-01-2023-0059>
- Sheehy, B., & Farneti, F. (2021). Corporate social responsibility, sustainability, sustainable development and corporate sustainability: What is the difference, and does it matter? *Sustainability (Switzerland)*, 13(11). <https://doi.org/10.3390/su13115965>
- Sirait, P., Lubis, Z., & Sinaga, M. (2015). Analisis Sistem Integrasi Sapi Dan Kelapa Sawit Dalam Meningkatkan Pendapatan Petani Di Kabupaten Labuhanbatu. *Jurnal Agribisnis Sumatera Utara*, 8(1), 1–15.
- Siu Shing Man, W. K. H. lee. (2022). Policy Implications for Promoting the Adoption of Cogeneration Systems in the Hotel Industry : An Extension of the Technology Acceptance Mode. *Mdpi*, 12(1247), 20.
- Solehudin, D., I. Suswanto, dan S. (2012). Status Penyakit Bercak Coklat Pada Pembibitan Kelapa Sawit di Kabupaten Sanggau. *Jurnal Perkebunan dan Lahan Tropika. Jurnal Perkebunan Dan Lahan Tropika*, 2, 1–6.
- Sozoniuk, M. (2022). Investigating Residents' Adoption Of A Recycling Application And Acceptance Of Corporate Sponsorship: A Case Study Of New Jersey. *Toronto Metropolitan University*.
- Stefani, K., & Cilvanus, H. (2020). Analisis Pengaruh Kualitas Sistem, Persepsi Kemudahan,



- Iklan, Promosi, dan Harga Terhadap Kepuasan Pengguna Aplikasi Ruangguru. *Media Informatika*, 19(2), 72–87. <https://doi.org/10.37595/mediainfo.v19i2.44>
- Susanto, A. dan A. E. P. (2013). Respon *Curvularia lunata* Penyebab Penyakit Bercak Daun Kelapa Sawit terhadap Berbagai Fungisida. *Jurnal Fitopatologi*, 9, 165–172.
- Syam, J. (2024). *Pemanfaatan Teknologi Informasi untuk Pengelolaan Sumber Daya Alam Berkelanjutan di Desa Bonto Masunggu Kabupaten Bone Sulawesi Selatan Desa Bonto Masunggu terletak di Kabupaten Bone , Sulawesi Selatan , 1 . 200 hektar , dengan rata-rata produksi padi mencapai 4 ton per hektar per*. 2(1), 25–36.
- Tang, Y. mun, Tan, K. tat, & Wong, lai peng. (2023). Palm Oil Mill Effluent (Pome) As a Source of Biofuels and Value-Added Products Via Oil Recovery: a Review. *Journal of Oil Palm Research*. <https://doi.org/10.21894/jopr.2023.0056>
- Tiwari, A. K., Singh, K. K., Dwivedi, A. P., & Singh, R. P. (2020). Adoption level and constraints of IPM technology in chickpea growers of Raebareli district of Uttar Pradesh. *Journal of Entomology and Zoology Studies*, 8(5), 750–755.
- Utami, S., & Siregar, S. (2022). Pemanfaatan tandan kosong kelapa sawit menjadi pestisida nabati dengan metode pirolisis. *Jurnal Masyarakat Mandiri*, 6(6), 4968–4977.
- Widiastuti, H., D. D. Eris, dan D. S. (2016). Potensi Fungisida Organik untuk Pengendalian Ganoderma pada Tanaman Kelapa Sawit. *Jurnal Menara Perkebunan*, 8(4), 98–106.
- Wijaya, A. S., Muljono, P., Saleh, A., & Hapsari, D. R. (2023). Pengaruh Sistem Informasi dan Komunikasi terhadap Penerimaan Teknologi dalam Pengembangan Desa Cerdas. *Jurnal Riset Komunikasi*, 6(2), 194–207.
- Yacob, S., M.A. Hassan, Y. Shirai, M. Wakisaka, S. S. (2005). Baseline study of methane emission from open digesting tanks of palm oil mill effluent treatment. *Chemosphere*, 5(9), 1575–1581.



Impact of Sales Growth, Profitability, Firm Size, and Leverage on Earnings Management with Corporate Governance as Moderation

Daniel Sarumaha^a, Darwin Lie^a, Enda Noviyanti Simorangkir^a, Tina Novianti Sitanggang^a
^aUniversitas Prima Indonesia

ABSTRACT

This study examines the impact of sales growth, profitability, company size, and financial leverage on earnings management, with corporate governance as a moderating factor. The sample consists of 20 food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023, with a total of 120 data points. Using panel data analysis via SmartPLS version 4.1.0.8, the results show that sales growth and company size positively affect earnings management, while profitability has a negative impact. Financial leverage has no direct effect. Corporate governance weakens the effects of sales growth, company size, and leverage, while strengthening the negative effect of profitability. Additionally, corporate governance positively influences earnings management.

Keywords: Sales Growth, Profitability, Firm Size, Financial Leverage, Corporate Governance, Earnings Management

INTRODUCTION

This study investigates the relationship between sales growth, profitability, firm size, financial leverage, and corporate governance on earnings management practices. It aims to provide insights for business management on the impact of earnings management and the importance of good corporate governance for sustainability, while also serving as a reference for investors and future researchers. One crucial element in business entities is the income statement, where profit plays a key role in assessing operational performance (Setijaningsih & Merisa, 2022). However, managers may manipulate profits to maximize expected gains, leading to earnings management practices (Awad et al., 2024). Accrual accounting allows for changes in profit recognition timing, potentially resulting in misleading information (Johl et al., 2005). A significant example is the collapse of Arthur Andersen & Co. due to its involvement in earnings management (Putra et al., 2023). In Indonesia, PT Tiga Pilar Sejahtera Food Tbk (AISA) reported inflated revenues and manipulated EBITDA, revealing the risks of non-transparent financial reports (Ardiansyah & Sadikin, 2023). Earnings management practices are also influenced by managerial authority (Harianto, 2022). For example, PT Akasha Wira International Tbk (ADES) reported a 38.48% increase in net profit despite a decrease in sales, raising concerns about the accuracy of reported profits (Ayuningtyas, 2019). Earnings management occurs when managers adjust earnings to meet internal or external goals, which can harm investor confidence and decrease firm value (Marshanda et al., 2024; Garanina, 2024). These practices can mislead stakeholders about the company's economic performance (Arum et al., 2024).

Sales growth, influencing investment and operational decisions, has been shown to significantly impact earnings management (Djojo & Astuti, 2023; Harahap, 2021). However, other studies



suggest no significant effect (Melinda & Widyasari, 2019; Nasution et al., 2024). Profitability, as an indicator of efficiency, also influences earnings management (Purnama & Nurdiniah, 2019; Ayuni et al., 2024), though some studies find no significant relationship (Husni & Idaya, 2022). Firm size, often a factor in attracting investors, also shows a significant impact on earnings management (Alshare et al., 2023; Citra et al., 2021), though not universally (Putri, 2024). Financial leverage, which involves using debt to boost returns, has been linked to earnings management practices (Amaliyah et al., 2024; Khalik & Sylvia, 2022), although other studies disagree (Al-Shattarat, 2024). Corporate governance, acting as a moderating variable, ensures transparency and efficiency, potentially affecting earnings management practices (Mardjono & Chen, 2020; Khafid, 2012). However, some studies suggest corporate governance does not impact earnings management (Sunarso & Nurcahyono, 2024).

LITERATURE REVIEW

The agency relationship arises when managers (agents) and shareholders (principals) define their roles through agreements, often leading to conflicts due to the separation of ownership and control (Jensen & Meckling, 1976; Setijaningsih & Merisa, 2022). Agency theory addresses these conflicts and the need for measures to align interests (Murni et al., 2023). These conflicts can result in earnings management, where managers manipulate financial statements for personal gain, such as bonuses (Tran et al., 2023). High-quality financial reporting reduces information asymmetry and builds external trust (Scott, 2015). According to signaling theory, such reporting can reduce information gaps and signal future earnings performance (Erawati & Tunnajiha, 2023; Simamora, 2019).

The Effect of Sales Growth on Earnings Management

High sales growth indicates high profits, motivating business entities to engage in both domestic and international sales (Musyafa'ah et al., 2023). However, entities investing in intellectual property experience lower sales growth than those that do not (Cheratian et al., 2024). Generally, high sales growth boosts profits and financial performance (Primasari & Prasasti, 2024). Yet, business entities with high sales growth may resort to earnings management to maintain revenue and sales trends (Anindya & Yuyetta, 2020; Edison & Purwo, 2020). Previous studies have linked sales growth to earnings management (Harahap, 2021; Setijaningsih & Merisa, 2022; Litaya & Suhendah, 2023), although findings by Melinda & Widyasari (2019) and Nasution et al. (2024) contrast. Based on these results, H1 posits that sales growth significantly impacts earnings management practices.

The Effect of Profitability on Earnings Management

Net income is a key metric for financial institutions, with profitability ratios used to evaluate creditor performance (Elmadhoun & Reddy, 2021). Companies aim to increase shareholder wealth through profitability (Potwana, 2022), with higher profitability signaling better performance and profit generation (Husni & Idaya, 2022). Profitability influences managerial decisions regarding earnings management (Laurencia & Mulyana, 2022), which can both motivate and limit such practices (Ilić et al., 2024). As a crucial financial indicator, profitability shapes future business



activities (Zatsarnaya & Enatskaya, 2024). Management may engage in income smoothing for earnings management (Tamara & Astuti, 2022). Studies show profitability, measured by Return on Assets (ROA), impacts earnings management (Purnama & Nurdiniah, 2019; Ayuni et al., 2024; Rohmah & Meirini, 2023), although some findings contradict this (Husni & Idaya, 2022; Anindya & Yuyetta, 2020; Dwiarti & Hasibuan, 2019). Based on these results, H2 posits that profitability significantly affects earnings management practices.

The Effect of Firm Size on Earnings Management

Larger company size increases visibility in the eyes of the public and potential investors, which means a greater responsibility to maintain professional reputation (Kristiawan, 2024). Larger companies also tend to have the potential for sustainable financial performance improvement, thus reducing the need for earnings manipulation (Ruwanti et al., 2019). Furthermore, company size becomes important information for investors and creditors because it is often associated with higher investment risks, while larger companies face greater pressure to meet stakeholder expectations (Karina & Soenarno, 2022). Previous studies have shown that company size affects earnings management (Citra et al., 2021; Chairunnisa et al., 2022), although these findings contrast with those of (Putri, 2024; Syahputri & Nawirah, 2023; Saftiana et al., 2017). Based on these findings, H3 states that company size significantly influences earnings management practices.

The Effect of Financial Leverage on Earnings Management

Financial leverage can increase earnings management practices, but continuous growth may reduce managers' opportunistic behavior (Moghaddam & Abbaspour, 2017). Leverage serves as an indicator to monitor managers' actions in earnings management, aiming to enhance profitability (Ramadhanty & Hariadi, 2024). Higher leverage ratios, indicating greater debt, encourage managers to engage in earnings management (Nalarreason & Mardiaty, 2019). Strict creditor oversight limits financial reporting manipulation, while weak oversight increases the likelihood of earnings management (Bassiouny et al., 2016). Some studies show that financial leverage affects earnings management (Amaliyah et al., 2024; Khalik & Sylvia, 2022; Shana'a et al., 2023), though others contradict this (Al-Shattarat, 2024; Setijaningsih & Merisa, 2022). Based on these findings, H4 posits that financial leverage significantly affects earnings management practices.

Corporate Governance Moderates the Effect of Sales Growth on Earnings Management

Corporate governance regulates the interactions among stakeholders, ensuring business operations are transparent and accountable (Yeni et al., 2024). In sales growth, entities with improved performance are often seen as more conservative (Achyani et al., 2017). Corporate governance also safeguards shareholder interests from management misuse (Yeni et al., 2024). While positive sales growth can enhance an entity's performance picture (Cahyani & Noviari, 2023), earnings management risks persist as managers may manipulate financial statements to mislead stakeholders or influence outcomes (Healy & Wahlen, 1999). Some studies suggest corporate governance, such as through audit committees, does not moderate the relationship between sales growth and earnings management (Sanusi et al., 2023; Setijaningsih & Merisa, 2022; Zakia, 2019). Based on these findings, H5 proposes that corporate governance moderates the effect of sales growth on earnings management practices.

Corporate Governance Moderates the Effect of Profitability on Earnings Management

Corporate governance, measured by proxies like independent commissioners, managerial



ownership, institutional ownership, and audit quality (Herawaty, 2008), plays a critical role in mitigating earnings management, particularly in high-revenue companies (Amelia & Hernawati, 2016). It aligns shareholders' and managers' interests, supporting profitability and sustainability in the global economy (Bui & Krajcsák, 2024). The Return on Assets (ROA) ratio reflects a company's profitability, with higher ROA indicating greater efficiency (Ahmad et al., 2024). Accrual manipulation, a common earnings management method, adjusts profits without affecting cash flow (Roychowdhury, 2006). Some studies show that corporate governance can strengthen the relationship between profitability and earnings management (Supardi & Asmara, 2019), while others find no significant effect of audit committees on sales growth and earnings management (Zakia, 2019). Based on these findings, H6 hypothesizes that corporate governance moderates the effect of profitability on earnings management.

Corporate Governance Moderates the Effect of Firm Size on Earnings Management

The effectiveness of corporate governance is key in overseeing and managing business entities to achieve optimal outcomes. It also connects stakeholders, management, and employees to consistently meet business goals. Company size, measured by assets, market capitalization, and average sales, helps classify the scale of a business (Luspratama et al., 2023). Larger companies have a higher potential for earnings management, as institutional owners gain more control over management (Citra et al., 2021). While some studies suggest corporate governance can weaken the relationship between company size and earnings management, others find it does not always moderate this relationship (Citra et al., 2021; Syahputri & Nawirah, 2023). Based on these findings, H7 proposes that corporate governance moderates the effect of company size on earnings management.

Corporate Governance Moderates the Effect of Financial Leverage on Earnings Management

Corporate governance ensures effective decision-making and control to benefit stakeholders, including shareholders, employees, suppliers, and customers (Lee & Tulcanaza-Prieto, 2024). Effective oversight can reduce negative impacts and stabilize income fluctuations (Bashir et al., 2024). A key aspect is the audit committee's role in reviewing financial information (Evodila et al., 2020). Transparency, controls, and accountability are vital for strengthening governance (Admati, 2017). High financial leverage creates information asymmetry between insiders and outsiders (Anagnostopoulou & Tsekrekos, 2017). Discretionary accruals are used to manage revenue or expense recognition to meet financial goals (Johl et al., 2005). Research shows that strong corporate governance can amplify the effect of leverage on earnings management (Sanusi et al., 2023), though some studies suggest the audit committee may not always significantly influence the relationship between leverage and earnings management (Zakia, 2019; Evodila et al., 2020). Based on these findings, H8 proposes that corporate governance moderates the relationship between leverage and earnings management.

Corporate Governance Influences Earnings Management

Corporate governance involves the interaction between management, the board of directors, shareholders, and other stakeholders within a business entity, and is closely linked to social responsibility that involves various parties such as employees, customers, and the community (Tipurić et al., 2014; Jiang et al., 2020). In the context of earnings management, governance acts



as a control mechanism to protect the interests of external investors from abuse by management (Porta et al., 2000). Previous research shows that corporate governance can influence earnings management (Mardjono & Chen, 2020; Khafid, 2012), but some studies argue the opposite, revealing that corporate governance does not have a positive impact on earnings management practices (Sunarso & Nurcahyono, 2024; Setiawan et al., 2020). Based on these findings, H9 states that corporate governance influences earnings management practices. Based on the hypotheses mentioned, the research model that can be developed is as follows:

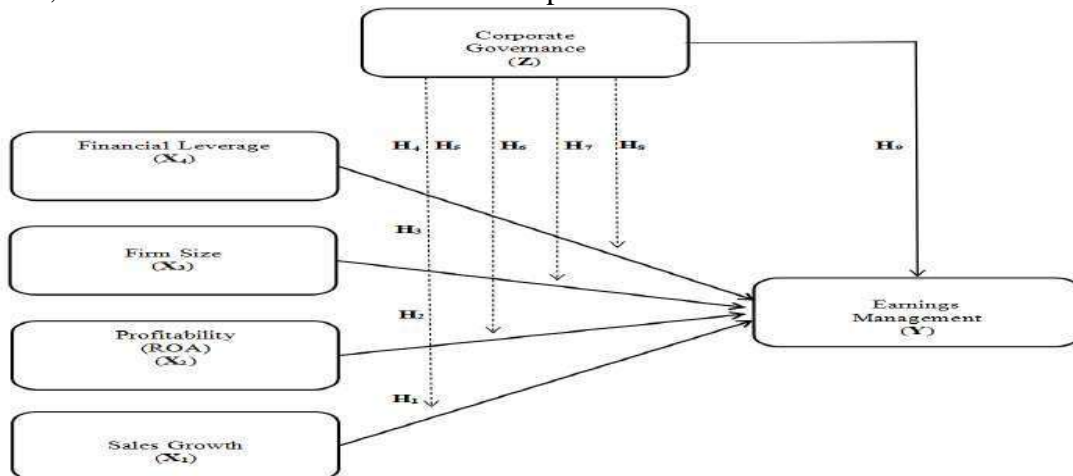


Diagram of the Research Framework

METHODS

This study examines food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023. Using purposive sampling, 20 companies were selected, resulting in 120 data points over six years (2018-2023). The selection criteria were: (1) companies consistently listed during the period, (2) companies with audited financial statements for the fiscal year ending December 31, and (3) companies with complete data throughout the observation period. Secondary data was used, and panel data analysis was performed with SmartPLS software version 4.1.0.8. The analysis included a measurement model with outer loadings, AVE, discriminant validity, composite reliability, Cronbach's Alpha, and HTMT, as well as a structural model involving R², multicollinearity tests, and path coefficients. The measurement of variables in this study, and the steps taken are as follows:



| Variable | Indicator | Scale |
|--------------------------------------|--|-------|
| Earnings Management (Y) | First stage, $TA_t = (\Delta CA_t - \Delta CL_t - \Delta Cash_t + \Delta STD_t - Dep_t) / (A_{t-1})$, Second stage, $NDA_t = \alpha_1 \left(\frac{1}{A_{t-1}} \right) + \alpha_2 (\Delta REV_t - \Delta REC_t) + \alpha_3 (PPE_t)$, Third stage, $TA_t = \alpha_1 \left(\frac{1}{A_{t-1}} \right) + \alpha_2 (\Delta REV_t) + (\Delta REC_t) + \alpha_3 (PPE_t) \varepsilon_t$, Fourth stage, $DA_t = TA_t - NDA_t$ (Dechow et al., 1995) | Ratio |
| Corporate Governance (Z) | $IC = \frac{\sum \text{Independent Commissioners}}{\sum \text{Members of the Board of Commissioners}}$ $SAC = \frac{\sum \text{Number of Audit Committee Members}}{\sum \text{Audit Committee With Accounting Expertise}}$ $ACM = \frac{\sum \text{Audit Committee With Accounting Expertise}}{\sum \text{Audit Committee}}$ (Sunarso & Nurcahyono, 2024) | Ratio |
| Sales Growth (X ₁) | $\text{Sales Growth} = \ln \frac{\text{Sales}_t}{\text{Sales}_{t-1}}$ (Johnson et al., 2024) | Ratio |
| Profitability (X ₂) | $ROA = \frac{\text{Net Income}}{\text{Total Assets}}$ (Al-Begali & Phua, 2023) | Ratio |
| Firm Size (X ₃) | $\text{Firm Size} = \ln (\text{Total Aset})$ (Wijayanto et al., 2024) | Ratio |
| Financial Leverage (X ₄) | $\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Assets}}$ (Kalbuana et al., 2021) | Ratio |

RESULTS

Table of Descriptive Statistical Test Results

| Variable | Mean | Median | Min | Max | Standard deviation |
|------------------------|--------|--------|--------|--------|--------------------|
| SG (X ₁) | 0.045 | 0.081 | -1.931 | 0.417 | 0.254 |
| ROA (X ₂) | 0.090 | 0.072 | -0.121 | 0.607 | 0.108 |
| SIZE (X ₃) | 28.747 | 28.228 | 25.815 | 32.860 | 1.581 |
| LEV (X ₄) | 0.449 | 0.424 | 0.025 | 2.900 | 0.353 |
| DA (Y) | 0.091 | 0.083 | 0.019 | 0.448 | 0.058 |
| CG (Z) | 1.376 | 1.333 | 1.222 | 1.667 | 0.113 |

The descriptive statistics from the PLS-SEM output indicate significant variability across the variables. Sales Growth (SG) ranges from -1.931 to 0.417, with an average of 0.045 and a standard deviation of 0.254. Profitability (ROA) spans from -0.121 to 0.607, averaging 0.090 with a standard deviation of 0.108. Firm Size (SIZE) varies between 25.815 and 32.860, with an average of 28.747 and a standard deviation of 1.581. Leverage ranges from 0.025 to 2.900, with an average of 0.449 and a standard deviation of 0.353. Earnings Management (DA) has a minimum of 0.019 and a maximum of 0.448, with an average of 0.091 and a standard deviation of 0.058. Corporate Governance (CG) ranges from 1.222 to 1.667, averaging 1.376 with a standard deviation of 0.113. These findings reflect diverse characteristics across the sampled entities.

Reporting Research Results

The PLS path model consists of two components: the structural model and the measurement model. The structural model (inner model) represents the relationships between constructs, shown as circles or ovals, while the measurement model (outer model) illustrates the relationships between



constructs and their indicator variables, represented by rectangles (Hair et al., 2021)

Outer Loading (Loading Factor)

Outer loading in PLS-SEM indicates the strength of an indicator in reflecting its construct. In a reflective model, a value ≥ 0.70 signifies a strong contribution of the indicator to the latent variable. Below are the outer loading values for each variable. The results from the PLS-SEM output presented in the outer loadings table show high values of $1.000 \geq 0.70$, indicating that these elements have successfully represented the intended construct. This data also represents a very strong correlation with each construct of the respective variables

Average Variance Extracted (AVE)

AVE is a measure that indicates how much variance in the indicators can be explained by the latent variable. A value above 0.5 suggests that the indicators can explain more than half of the variance of the latent variable. The PLS-SEM output in the AVE table shows a value of 1.000 for all constructs, which is well above the 0.5 threshold. This indicates excellent convergent validity, meaning each construct fully explains the variance of its indicators.

Discriminant Validity (Fornell-Larcker Criterion)

Discriminant validity ensures that each latent variable is distinct and not highly correlated with others. It is tested by comparing the square root of the Average Variance Extracted (AVE) for each latent variable, which should exceed its correlations with other variables. The PLS-SEM results show that all constructs in this model meet discriminant validity, as each construct is more strongly related to its own indicators than to those of other constructs. This confirms that the constructs are well differentiated from one another.

Composite Reliability

This measure assesses the internal consistency of the indicators. A value above 0.7 indicates that the indicators are reliable and have good consistency in measuring the latent variable. The Composite Reliability table from the PLS-SEM output shows that all research variables have values of $1.000 > 0.70$, indicating excellent internal consistency. This ensures a robust foundation for addressing the research questions and deriving meaningful insights.

Cronbach's Alpha

Cronbach's Alpha is crucial for ensuring the reliability of research instruments, contributing to the validity of the results. A value above 0.7 indicates adequate internal consistency. The PLS-SEM output shows excellent internal consistency for all variables, with values exceeding 0.70. This demonstrates that the constructs in this study are well-defined, ensuring the reliability of the research findings.

Heterotrait Monotrait Ratio (HTMT)

An HTMT value ≤ 0.90 indicates good discriminant validity, meaning the constructs are distinct. The PLS-SEM output shows that all HTMT values are below 0.90, with values like DA and CG (0.292), LEVERAGE and CG (0.122), and LEVERAGE and DA (0.073) well below 0.85,



confirming that these constructs are clearly separated. Similarly, relationships between ROA, CG, DA, SG, and SIZE also demonstrate adequate construct differentiation. This confirms that the constructs in this model exhibit strong discriminant validity, allowing for reliable analysis.

R² (R-square)

indicates a moderate relationship between the independent and dependent variables. This means that the model explains 25.5% of the variation in the DA variable, while the remaining 74.5% is explained by factors outside the model. In social or management research, this value is generally considered adequate, especially considering the influence of external factors not included in the model.

Multicollinearity Test

If the VIF reaches a value of 5 or more, it indicates a significant multicollinearity problem; values between 3 and 5 suggest a potential issue that needs attention, while values below 3 indicate that multicollinearity is not a significant concern. The PLS-SEM output shows a VIF value of 1.000 for all variables, indicating no multicollinearity. This confirms that the independent variables contribute uniquely, ensuring a stable and unbiased model for analyzing relationships between variables.

Path Coefficients

Path coefficients indicate the strength of relationships between variables: >0.2 for small, >0.5 for medium, and >0.8 for strong effects. A t-statistic >1.96 ($p < 0.05$) confirms significance, showing the effect is real and not by chance.

Table of Path Coefficients

| Variable | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|----------------------------|---------------------|-----------------|----------------------------|------------------------|----------|
| SG (X1) → DA (Y) | 0.249 | 0.262 | 0.059 | 4.213 | 0.000 |
| ROA (X2) → DA (Y) | -0.213 | -0.206 | 0.090 | 2.356 | 0.019 |
| SIZE (X3) → DA (Y) | 0.283 | 0.263 | 0.124 | 2.285 | 0.022 |
| LEVERAGE (X4) → DA (Y) | -0.037 | 0.004 | 0.101 | 0.366 | 0.714 |
| CG (Z) x SG (X1) → DA (Y) | 0.034 | 0.028 | 0.070 | 0.492 | 0.623 |
| CG (Z) x ROA (X2) → DA (Y) | -0.257 | -0.244 | 0.083 | 3.096 | 0.002 |
| CG(Z) x SIZE(X3) → DA (Y) | -0.036 | -0.042 | 0.144 | 0.251 | 0.801 |
| CG(Z) x LEV (X4) → DA (Y) | -0.094 | -0.070 | 0.120 | 0.786 | 0.432 |
| CG (Z) → DA (Y) | 0.258 | 0.244 | 0.105 | 2.463 | 0.014 |

The PLS-SEM path coefficients are significant if the t-statistic exceeds 1.96 ($p < 0.05$), indicating a real effect. Based on these values, the PLS-SEM equation model is formulated to explain and predict relationships between independent and dependent variables in the research context.

Hypothesis Testing

In this study, hypothesis testing was conducted using degrees of freedom ($df = n - 2$), a significance level of 0.05 (5%), and a confidence level of 95%. The t-table value used was 1.6588 with degrees of freedom (df) of 110. The hypothesis is accepted if the t-statistic is greater than 1.6588 and the p-value is less than 0.05. The hypothesis testing results show that H1, H2, H3, H6, and H9 are accepted, while H4, H5, H7, and H8 are rejected. Hypothesis H1, which states that Sales Growth (SG) has a significant positive effect on Discretionary Accruals (DA), is accepted (t-statistics =



4.213, p-value = 0.000). H2, which examines the negative effect of Return on Assets (ROA) on DA, is also accepted (t-statistics = 2.356, p-value = 0.019). Hypothesis H3, which shows a significant positive effect of Firm Size (SIZE) on DA, is accepted (t-statistics = 2.285, p-value = 0.022). On the other hand, H4, which examines the effect of Leverage on DA, is rejected (t-statistics = 0.366, p-value = 0.714). Likewise, H5, which states that the interaction between Corporate Governance (CG) and SG does not have a significant effect on DA, is rejected (t-statistics = 0.492, p-value = 0.623). H6, which states that the interaction between CG and ROA has a significant negative effect on DA, is accepted (t-statistics = 3.096, p-value = 0.002). H7, which examines the effect of the interaction between CG and SIZE on DA, is rejected (t-statistics = 0.251, p-value = 0.801), as is H8, which shows that the interaction between CG and Leverage does not have a significant effect on DA (t-statistics = 0.786, p-value = 0.432). Finally, H9, which shows that corporate governance (CG) has a significant positive effect on DA, is accepted (t-statistics = 2.463, p-value = 0.014).

DISCUSSION

Sales growth impacts earnings management, as shown by studies like Djojo & Astuti (2023), Harahap (2021), Setijaningsih & Merisa (2022), and Litaya & Suhendah (2023). Companies experiencing significant growth often use earnings management to signal positive performance, consistent with signaling theory. Similarly, profitability (ROA) influences earnings management, aligning with findings from Purnama & Nurdiniah (2019) and Ayuni et al. (2024). Highly profitable entities face greater scrutiny, promoting careful financial reporting to send positive signals to the market. Firm size also affects earnings management, supported by Alshare et al. (2023), Citra et al. (2021), Karina & Soenarno (2022), and Chairunnisa et al. (2022). Larger firms use resources and flexibility to enhance their financial image, reflecting positive signals. Conversely, financial disclosure does not significantly affect earnings management, consistent with Al-Shattarat (2024) and Setijaningsih & Merisa (2022), likely due to strict creditor oversight limiting manipulation opportunities. Corporate governance moderates these relationships. It weakens the impact of sales growth on earnings management, as noted by Sanusi et al. (2023), Setijaningsih & Merisa (2022), and Zakia (2019), by reducing pressures from sales growth targets. Governance also strengthens the effect of profitability, as suggested by Supardi & Asmara (2019), by controlling practices and minimizing conflicts. Additionally, governance mitigates firm size's influence, as found by Citra et al. (2021) and Syahputri & Nawirah (2023), by discouraging report manipulation. While corporate governance reduces the influence of financial disclosure on earnings management (Sanusi et al., 2023), findings are mixed, with Zakia (2019) and Evodila et al. (2020) presenting differing conclusions. Some studies, like Mardjono & Chen (2020) and Khafid (2012), suggest governance may permit controlled earnings management, signaling stability and ethical commitment.

CONCLUSION

This study finds that sales growth, profitability (ROA), and firm size influence earnings



management in food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023, while financial disclosure (leverage) shows no significant impact. Corporate governance moderates these relationships by weakening the effects of sales growth, firm size, and leverage on earnings management and strengthening the impact of profitability. It also directly affects earnings management practices. Companies should report sales growth cautiously to avoid earnings manipulation and maintain healthy profitability without altering financial statements. Future research could explore external factors like market conditions and alternative indicators such as ROI or ROE. Large companies should enhance transparency and accountability, and further study the role of corporate governance, including oversight by boards and internal controls, to ensure reliable financial reporting.

LIMITATION

This study has several limitations. It focuses on food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023, analyzing four variables: sales growth, profitability (ROA), firm size, and financial leverage, with corporate governance as a moderating factor. Earnings management is measured using the Discretionary Accrual (DA) ratio, and corporate governance is assessed based on the number of independent commissioners and audit committees with accounting expertise. The use of panel data regression and purposive sampling may impact result accuracy, especially given the reliance on secondary data.

REFERENCES

- Achyani, F., Putri, E., & Muhammadiyah Surakarta, U. (2017). The Effect of Good Corporate The Effect of Good Corporate Governance, Sales Growth, Governance, Sales Growth, and Capital Intensity on Accounting and Capital Intensity on Accounting Conservatism Conservatism (Empirical Study on Manufacturing (Empirical St. *Riset Akuntansi Dan Keuangan Indonesia*, 6(3), 255–267. <http://journals.ums.ac.id/index.php/reaksi/index>
- Admati, A. R. (2017). A Skeptical View of Financialized Corporate Governance. *Journal of Economic Perspectives*, 31(3), 131–150. <https://www.jstor.org/stable/44321283%0AJSTOR>
- Ahmad, Z., Hidhthir, M. H. Bin, & Rahman, M. M. (2024). Impact of CSR disclosure on profitability and frm performance of Malaysian halal food companies. *Discover Sustainability*, 5(1). <https://doi.org/10.1007/s43621-024-00189-3>
- Al-Begali, S. A. A., & Phua, L. K. (2023). Accruals, real earnings management, and CEO demographic attributes in emerging markets: Does concentration of family ownership count? *Cogent Business and Management*, 10(2). <https://doi.org/10.1080/23311975.2023.2239979>
- Alshare, H. F., Abdul Kadir, M. R. Bin, Kamarudin, K. A., & Hassan, H. B. (2023). The Effect of Audit Firm Size on Earnings Management: Using the CEO Compensation as Moderator. *WSEAS Transactions on Business and Economics*, 20(2014), 505–513. <https://doi.org/10.37394/23207.2023.20.46>
- Al-Shattarat, B. (2024). The influence of leverage on accrual-based and real earnings management: Evidence from the UK. *Revista de Contabilidad-Spanish Accounting Review*, 27(2), 239–248. <https://doi.org/10.6018/rcsar.499761>
- Amaliyah, C., Wahyuni, W. T., & Agustina, N. (2024). Profitability , Leverage , Company Size , Environmental Performance and Corporate Social Responsibility Disclosure in Indonesia : The Moderating Effect of Company Profile. *Asian Journal of Management Entrepreneurship and Social Science*, 04(02), 1055–1072.



- Amarna, K., Garde Sánchez, R., López-Pérez, M. V., & Marzouk, M. (2024). The effect of environmental, social, and governance disclosure and real earning management on the cost of financing. *Corporate Social Responsibility and Environmental Management*, 31(4), 3181–3193. <https://doi.org/10.1002/csr.2740>
- Amelia, W., & Hernawati, E. (2016). Pengaruh Komisaris Independen, Ukuran Perusahaan, dan Profitabilitas terhadap Manajemen Laba. *NeO~Bis*, 10(1), 62–77. <http://journal.trunojoyo.ac.id/neo-bis/article/view/1584>
- Anagnostopoulou, S. C., & Tsekrekos, A. E. (2017). The effect of financial leverage on real and accrual-based earnings management. *Accounting and Business Research*. <https://doi.org/http://dx.doi.org/10.1080/00014788.2016.1204217>
- Anindya, W., & Yuyetta, E. N. A. (2020). Pengaruh Leverage, Sales Growth, Ukuran Perusahaan Dan Profitabilitas Terhadap Manajemen Laba. *Diponegoro Journal Of Accounting*, 9(3), 1–14. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/29136/24632>
- Arum, Aji, & Utomo. (2024). *Real Earning Management Viewed from Financial Performance 1*. 01(01), 52–61.
- Awad, A. A., Foroghi, D., & Dastjerdi, A. R. (2024). The impact of financial leverage on accrual-based and real earnings management considering the role of growth opportunities. *Heritage and Sustainable Development*, 6(2), 501–514. <https://doi.org/10.37868/hsd.v6i2.721>
- Ayuni, N. M. S., Ni Luh Seni Novita Sari, & Budiasni, N. W. N. (2024). The Effect of Company Size, Company Age and Profitability on Earnings Management. *Moneter: Jurnal ...*, 12(1), 72–78. <https://ejournal2.uika-bogor.ac.id/index.php/MONETER/article/view/498>
- Ayuningtyas, D. (2019, Maret 27). Penjualan Ades turun, kok laba bisa naik 39%? CNBC Indonesia. <https://www.cnbcindonesia.com/market/20190327170626-17-63264/penjualan-ades-turun-kok-laba-bisa-naik-39>
- Bashir, B., Rashid, M., & Bashir, Z. (2024). Impact of Ownership Structure and Corporate Governance on Earning Management. *SEISENSE Journal of Management*, 7(1), 1–20. <https://doi.org/10.33215/c1qkdq06>
- Bassiouny, S. W., Soliman, M. M., & Ragab, A. (2016). The Business and Management Review Volume 7 Number 2 The impact of firm characteristics on earnings management: an empirical study on the listed firms in Egypt. *Journal of Business and Retail Management Research*, 10(3), 91–101.
- Brush, T. H., Bromiley, P., & Hendrickx, M. (2000). The free cash flow hypothesis for sales growth and firm performance. *Strategic Management Journal*, 21(4), 455–472. [https://doi.org/10.1002/\(SICI\)1097-0266\(200004\)21:4<455::AID-SMJ83>3.0.CO;2-P](https://doi.org/10.1002/(SICI)1097-0266(200004)21:4<455::AID-SMJ83>3.0.CO;2-P)
- Bui, H., & Krajcsák, Z. (2024). The impacts of corporate governance on firms' performance: from theories and approaches to empirical findings. *Journal of Financial Regulation and Compliance*, 32(1), 18–46. <https://doi.org/10.1108/JFRC-01-2023-0012>
- Cahyani, N. P. B. I., & Noviari, N. (2023). Manajemen Laba, Sales Growth, Good Corporate Governance dan Tax Avoidance. *E-Jurnal Akuntansi*, 33(11), 2981–2995. <https://doi.org/10.24843/eja.2023.v33.i11.p12>
- Chairunnisa, A., Pahala, I., Nasution, H., Jakarta, U. N., & Laba, M. (2022). *Profitabilitas, Leverage, Ukuran Perusahaan, Opini Audit dan Manajemen Laba*. 3336–3347.
- Cheratian, I., Goltabar, S., Gholipour, H. F., & Farzanegan, M. R. (2024). Finance and sales growth at the firms level in Iran: Does type of spending matter? *Research in International Business and Finance*, 67(PB), 102142. <https://doi.org/10.1016/j.ribaf.2023.102142>
- Citra, K., Faisal, Y., Wibisono, C., & Gumala Sari, E. (2021). The Effect Of Capital Adequacy, Liquidity And Firm Size On Earnings Management With Corporate Governance As Moderating Variables In Conventional Banking Listed On Idx 2015 – 2019. *cashflow :*



- current advanced research on sharia finance and economic worldwide*, 1(1), 33–49. <https://doi.org/10.55047/cashflow.v1i1.20>
- Danilov, G. (2024). The impact of corporate governance on firm performance: panel data evidence from S&P 500 Information Technology. *Future Business Journal*, 10(1). <https://doi.org/10.1186/s43093-024-00376-8>
- Dechow et al., 1995. (1995). Detecting Earnings Management. *JSTOR*, 70(2), 193–225. <https://www.jstor.org/stable/248303>
- Djojo, & Astuti. (2023). The Effect of Political Connection, Independent Commissioners And Sales Growth On Earning Management with Company Size as A Moderating Variable. *Devotion : Journal of Research and Community Service*, 4(3), 749–760. <https://doi.org/10.36418/devotion.v4i3.420>
- Dwiarti, R., & Hasibuan, A. N. (2019). Pengaruh Profitabilitas, Resiko Keuangan Dan Pertumbuhan Perusahaan Terhadap Manajemen Laba Pada Perusahaan Kosmetik Dan Keperluan Rumah Tangga Yang Terdaftar Di Bursa Efek Indonesi Tahun 2013-2017. *Jurnal Manajemen Dan Keuangan*, 8(1), 21–33. <https://doi.org/10.33059/jmk.v8i1.1129>
- Edison, A., & Purwo, A. A. N. (2020). The Effect of Leverage And Sales Growth On Earning Management-Palarch's. *Journal Of Archaeology Of Egypt/Egyptology*, 17(4), 3442.
- Elmadhoun, I. R. I., & Reddy, G. N. (2021). *Effect of Earnings Management on Profitability Ratios of listed Companies on Dubai Financial Market*. 8(10), 847–858.
- Erawati, T., & Tunnajih, R. (2023). Earnings management, leverage and earnings quality of manufacturing companies in Indonesia. *Proceeding International Conference on Accounting and Finance*, 1, 185–193. <https://doi.org/10.20885/InCAF.vol1.art21>
- Evodila, Erlina, & Kholis, A. (2020). The Effect of Information Asymmetry, Financial Performance, Financial Leverage, Managerial Ownership on Earnings Management with the Audit Committee as Moderation Variables. *Jurnal Mantik*, 4(3), 1734–1745. <https://iocscience.org/ejournal/index.php/mantik>
- Garanina, T. (2024). CSR disclosure and state ownership: implications for earnings management and market value. *Journal of Accounting in Emerging Economies*, 14(3), 513–547. <https://doi.org/10.1108/JAEE-06-2022-0175>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Evaluation of Formative Measurement Models*. https://doi.org/10.1007/978-3-030-80519-7_5
- Harahap. (2021). Analysis of the Impact of Managerial Ownership, Institutional Ownership, Firm Size, Leverage, Profitability and Sales Growth Toward Earnings Management in Manufacturing Companies Listed on IDX in the 2015-2019 Period. *International Journal of Research Publications*, 69(1), 273–286. <https://doi.org/10.47119/ijrp100691120211678>
- Hariato, S. (2022). Political Connection, Auditor Quality, Family Ownership, and Earnings Management: Real and Accrual. *Journal of Economics, Business, & Accountancy Ventura*, 25(2), 204–216. <https://doi.org/10.14414/jebav.v25i2.3012>
- Healy, P. M., & Wahlen, J. M. (1999). A Review of the Earnings Management Literature and its Implications for Standard Setting. *SSRN Electronic Journal*, November. <https://doi.org/10.2139/ssrn.156445>
- Herawaty, V. (2008). Peran Praktek Corporate Governance Sebagai Moderating Variable dari Pengaruh Earnings Management Terhadap Nilai Perusahaan. *Jurnal Akuntansi Dan Keuangan*, 10(2), 97–108.
- Husni, M., & Idaya, R. (2022). Pengaruh Aset Pajak Tangguhan, Profitabilitas dan Perencanaan Pajak Terhadap Manajemen Laba. *LAWSUIT Jurnal Perpajakan*, 1(2), 77–91. <https://doi.org/10.30656/lawsuit>
- Ilić et al. (2024). *Evaluation Of Earnings Management In Relation To The Quality Of Financial Reporting: A Comparative Analysis Of The Agriculture And Manufacturing Sectors* (pp. 119–128). Contemporary Agriculture. <https://doi.org/10.2478/contagri-2024-0015>
- Jensen, M. C., & Meckling, W. H. (1976). Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure. *Journal of Financial Economics*, 3, 305–360.
- Jiang, F., Kim, A., & Kenneth. (2020). *Corporate Governance in China : A Survey* *. 71432008, 733–772. <https://doi.org/10.1093/rof/rfaa012>



- Johl, S. K., Jubb, C. A., & Houghton, K. A. (2005). Criticisms of auditors and earnings management during the Asian economic crisis. *ANU Press Is Collaborating with JSTOR to Digitize, Preserve and Extend Access to Ethics and Auditing*. <https://www.jstor.org/stable/j.ctt2bj00.15>
- Johnson, J., Siburian, M. E., & Simorangkir, E. N. (2024). The Relationship between Tax Incidence and Tax Avoidance in Indonesia's Industrial Sector. *Oblik i Finansii*, 2(2(104)), 15–32. [https://doi.org/10.33146/2307-9878-2024-2\(104\)-15-32](https://doi.org/10.33146/2307-9878-2024-2(104)-15-32)
- Kalbuana, N., Prasetyo, B., Asih, P., Yenni Arnas, Simbolon, S. L., Abdusshomad, A., & Kurnianto, B. (2021). *Earnings Management Is Affected By Firm Size, Leverage And Roa: Evidence From Indonesia*. 20(2), 1–12.
- Karina, R., & Soenarno, Y. N. (2022). The impact of financial distress, sustainability report disclosures, and firm size on earnings management in the banking sector of Indonesia, Malaysia, and Thailand. *Journal of Accounting and Management Information Systems*, 21(2), 289–309. <https://doi.org/10.24818/jamis.2022.02007>
- Khafid, M. (2012). *Pengaruh tata kelola perusahaan* (. 4(2), 139–148.
- Khalik, & Sylvia. (2022). Dimensions of Earnings Management in Transportation Service Companies in Indonesia. *Jurnal Akuntansi*, 26(1), 44. <https://doi.org/10.24912/ja.v26i1.816>
- Kristiawan, N. B. (2024). Relationship Between Ownership Concentration, Firm Size, and Earnings Quality in Indonesian Companies. *European Journal of Business and Management Research*, 9(1), 31–36. <https://doi.org/10.24018/ejbmr.2024.9.1.2146>
- Laurencia, V., & Mulyana, R. A. (2022). Firm Characteristics, Profitability and Corporate Governance Effect on Earnings Management. *International Journal of Business, Economics and Law*, 26(1), 1.
- Lee, Y., & Tulcanaza-Prieto, A. B. (2024). The Effect of Corporate Governance on the Degree of Agency Cost in the Korean Market. *Risks*, 12(4), 1–18. <https://doi.org/10.3390/risks12040059>
- Litaya, R., & Suhendah, R. (2023). Woman of Board Directors, Leverage, Sales Growth, Institutional Ownership, and Earnings Management. *International Journal of Application on Economics and Business*, 1(1), 106–114. <https://doi.org/10.24912/ijaeb.v1i1.106-114>
- Lo, K., Ramos, F., & Rogo, R. (2017). Earnings management and annual report readability. *Journal of Accounting and Economics*. <https://doi.org/10.1016/j.jacceco.2016.09.002>
- Luspratama, R., Edward, Y. R., & Rahmi, N. U. (2023). Profitability Moderates the Effect of Firm Size, Leverage, and Liquidity on Financial Distress. *Oblik i Finansii*, 3(3(101)), 53–64. [https://doi.org/10.33146/2307-9878-2023-3\(101\)-53-64](https://doi.org/10.33146/2307-9878-2023-3(101)-53-64)
- Mardjono, E. S., & Chen, Y.-S. (2020). Earning management and the effect characteristics of audit committee, independent commissioners: Evidence from Indonesia. *International Journal of Business and Society*, 21(2), 569–587.
- Marshanda, A. P., Sari, A., Assaff, R., & Ardhana, M. A. (2024). the Effect of Information Asymmetry on Profit Management Practices in Food and Beverage Companies Listed on the Indonesia Stock Exchange. *Equilibrium : Jurnal Ilmiah Ekonomi, Manajemen Dan Akuntansi*, 13(1), 227. <https://doi.org/10.35906/equili.v13i1.1957>
- Melinda, & Widyasari. (2019). Faktor Yang Mempengaruhi Manajemen Labaperusahaan Manufaktur Yang Terdaftar Di Bei. *Jurnal Paradigma Akuntansi*, 1(2), 452. <https://doi.org/10.24912/jpa.v1i2.5014>
- Miswaty, & Novitasari. (2023). Pengaruh Operating Capacity, Sales Growth, dan Arus Kas Operasi Terhadap Financial Distress. *Jurnal Aplikasi Bisnis Dan Manajemen*, 9(2), 583–594. <https://doi.org/10.17358/jabm.9.2.583>
- Moghaddam, A., & Abbaspour, N. (2017). International Review of Management and Marketing The Effect of Leverage and Liquidity Ratios on Earnings Management and Capital of Banks Listed on the Tehran Stock Exchange. *International Review of Management and Marketing*, 7(4), 99–107. <http://www.econjournals.com>
- Mukhtaruddin, Susanto, H., Rahmah, S. M., Saftiana, Y., & Kalsum, U. (2024). Tax avoidance practices: Effect of environmental, social, and governance, earning management, and company size as moderating variable (Study on LQ45 companies listed in Indonesia stock



- exchange). *Asian Economic and Financial Review*, 14(2), 127–142.
<https://doi.org/10.55493/5002.v14i2.5010>
- Murni, S., Rahmawati, R., Widagdo, A. K., Sudaryono, E. A., & Setiawan, D. (2023). Effect of Family Control on Earnings Management: The Role of Leverage. *Risks*, 11(2).
<https://doi.org/10.3390/risks11020028>
- Musyafa'ah, M., Budiman, N. A., & Delima, Z. M. (2023). Tax Avoidance: Employment Benefits Liability, Sales Growth, Capital Intensity, Profit Management, And Inventory Intensity. *JAS (Jurnal Akuntansi Syariah)*, 7(2), 200–218.
<https://doi.org/10.46367/jas.v7i2.1452>
- Nalarreason, K. M., & Mardiaty, S. T. E. (2019). International journal of multicultural and multireligious understanding. *International Journal of Multicultural and Multireligious Understanding*, 6(1), 19–24. <https://doi.org/10.18415/ijmmu.v6i1.473>
- Nassir, F., Askarany, D., Shirzad, A., & Faghani, M. (2023). Heliyon Audit committee features and earnings management. *Heliyon*, 9(10), e20825.
<https://doi.org/10.1016/j.heliyon.2023.e20825>
- Nasution, A. M., Purnasari, N., Sianturi, Y. D., & Herliani, R. (2024). Pengaruh Leverage, Pertumbuhan Penjualan, Struktur Modal, Dan Arus Kas Bebas Terhadap Manajemen Laba. *Gorontalo Accounting Journal*, 7(1), 61. <https://doi.org/10.32662/gaj.v7i1.3232>
- Naz, I., Khurram Bhatti, Abdul Ghafoor, & Habib Hussain Khan. (2011). Impact of firm size and capital structure on earnings management: Evidence from Pakistan. *International Journal of Contemporary Business Studies*, 2(12), 22–31. https://www.researchgate.net/profile/Abdul-Ghafoor-15/publication/281526216_Impact_of_firm_size_and_capital_structure_on_earnings_management_Evidence_from_Pakistan/links/5af4d815aca2720af9c58342/Impact-of-firm-size-and-capital-structure-on-earnings-manage
- Phong, L. T. (2016). The impact of financial leverage on firm performance: A case of construction firms in Vietnam. *Journal of International Economics and Management*, 6(80), 14–27.
- Porta, R. La, Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor Protection And Corporate Governance. *Journal of Financial Economics*, 58(00), 3–27.
- Potwana, G. (2022). *The influence of working capital components and policies on the profitability of South African clothing retailers*. 2008.
- Primasari, N. S., & Prasasti, K. (2024). Environmental, Corporate Social Responsibility, Governance, and Sales Growth Effects on Financial Performance. *E3S Web of Conferences*, 482. <https://doi.org/10.1051/e3sconf/202448202003>
- Purnama, I., & Nurdiniah, D. (2019). *Profitability, Firm Size, and Earnings Management: the Moderating Effect of Managerial Ownership*. 73(Aicar 2018), 41–46.
<https://doi.org/10.2991/aicar-18.2019.10>
- Putra, K. B., Erlina, & Rujiman. (2023). *The Effect of Good Corporate Governance , Leverage , and Profitability on Earning Management with Firm Size as a Moderating Variable in Banking Companies Listed on the Indonesian Stock Exchange*. 10(February), 730–741.
- Putri, R. N. (2024). Information Detection Of Bid-Ask Spread And Firm Size On Earning Management With Good Corporate Governance As A Moderating Variable. *Transekonomika: Akuntansi, Bisnis Dan Keuangan Information*, 4(5), 880–895.
<https://doi.org/10.55047/transekonomika.v4i5.708>
- Ramadhanty, N. R., & Hariadi, B. (2024). The Effect Of Firm Size, Leverage And Family Ownership On Earnings Management. *International Journal of Research on Financial & Business (IJRFB)*, 2(1), 3249–3258. <http://ijrfb.com>
- Rohmah, N. W., & Meirini, D. (2023). Pengaruh Ukuran Perusahaan, Profitabilitas, Kepemilikan Manajerial, Dan Gender Diversity Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Indeks LQ45 BEI Periode 2016-2020). *Kompertemen : Jurnal Ilmiah Akuntansi*, 20(2), 301.
- Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335–370. <https://doi.org/10.1016/j.jacceco.2006.01.002>
- Saftiana, Y., Mukhtaruddin, Putri, K. W., & Ferina, I. S. (2017). Corporate governance quality,



- firm size and earnings management: Empirical study in Indonesia stock exchange. *Investment Management and Financial Innovations*, 14(4), 105–120. [https://doi.org/10.21511/imfi.14\(4\).2017.10](https://doi.org/10.21511/imfi.14(4).2017.10)
- Sanusi, F., Annisa, A., Nurhayati, E., & Januarsi, Y. (2023). Leverage, Sales Growth and Profit Management: Does Corporate Governance Matter? *Journal of Applied Business, Taxation and Economics Research*, 2(4), 408–417. <https://doi.org/10.54408/jabter.v2i4.186>
- Scott, W. R. (2015). Financial Accounting Theory. In *Library and Archives Canada Cataloguing in Publication*. <https://doi.org/10.1201/b16379>
- Setiawan, D., Phua, L. K., Chee, H. K., & Trinugroho, I. (2020). The effect of audit committee characteristics on earnings management: The case of Indonesia. *Afro-Asian Journal of Finance and Accounting*, 10(4), 447–463. <https://doi.org/10.1504/AAJFA.2020.110488>
- Setijaningsih, H. T., & Merisa, M. (2022). The Effect of Leverage, Earning Power, and Sales Growth on Earnings Management Moderated by Corporate Governance. *Proceedings of the Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)*, 653(Icebm 2021), 379–386. <https://doi.org/10.2991/aebmr.k.220501.057>
- Shana'a, A. M., AlKhalailah, M. A. H., & Rumman, G. M. A. (2023). The Impact of Financial Crisis on Earnings Management Activities: Evidence from Jordan. *Jordan Journal of Business Administration*, 19(2), 261–274. <https://doi.org/10.35516/jjba.v19i2.1051>
- Simamora, A. J. (2019). Earnings Management and Future Earnings. *Jurnal Akuntansi Dan Keuangan Indonesia*, 16(2), 141–164. <https://doi.org/10.21002/jaki.2019.08>
- Sunarso, U. A., & Nurcahyono, N. (2024). *The Role of Independent Commissioners , Audit Committee , Audit Committee Expertise , Activities of the Audit Committee and Leverage on Earnings Management*. 1(2), 527–541.
- Supardi, S., & Asmara, E. N. (2019). *Financial Factors, Corporate Governance and Earnings Management: Evidence from Indonesian manufacturing industry*. 9(5), 1396–1406. <https://doi.org/10.2991/icebef-18.2019.154>
- Syahputri, D. I., & Nawirah. (2023). *The Effect Of Information Asymmetry, Accounting Conservatism, And Firm Size Against Earning Management With Good Corporate Governance As Moderating Variables*. 13(2), 163–176.
- Tamara, M. T., & Astuti, S. (2022). *Pengaruh Good Corporate Governanc e , Profitabilitas , Dan Ukuran Perusahaan Terhadap Manajemen Laba Pada Perusahaan Sektor Property And Real Estate*. 20(2), 329–340.
- Tipurić, D., Dvorski, K., & Delić, M. (2014). Measuring the Quality of Corporate Governance – A Review of Corporate Governance Indices**. *Journal of Corporate Governance, Insurance, and Risk Management*, 1(1), 224–241. <https://doi.org/10.56578/jcgirm010114>
- Tran, T. T., Thi Do, Y. H., & Kim Vo, N. (2023). The impact of foreign ownership, corporate governance on earning management: Fuzzy-set qualitative comparative analysis. *Cogent Business and Management*, 10(3). <https://doi.org/10.1080/23311975.2023.2247869>
- Wijayanto, K., Ghozali, I., & Zulaikha. (2024). *Timeliness of Financial Reporting Factors in Indonesian Manufacturing Companies (A Case Study of the Period 2017–2021)*. 2, 1088–1097. https://doi.org/10.2991/978-94-6463-204-0_89
- Yeni, F., Hadi, H., & Elfiswandi, E. (2024). The Influence of Growth Sales, Capital Structure and Corporate Governance on Financial Performance of Consumer Non-Cyclical Firms In Indonesia. *JPII (Jurnal Penelitian Pendidikan Indonesia)*, 10(1), 338–346. <https://doi.org/10.29210/020243545>
- Yuswandani et al. (2023). Profitability As a Moderator: Assessing The Influence of Capital Structure, Investment The Influence of Capital Structure, Investment Decision, And Firm Size On Firm Value. *Riset Akuntansi Dan Keuangan Indonesia*, 9(1), 125–137. <https://doi.org/10.23917/reaksi.v9i1.4044>
- Zakia. (2019). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Ukuran Perusahaan, Leverage, Profitabilitas, Pertumbuhan Penjualan Terhadap Manajemen Laba Dengan Good Corporate Governance Sebagai Variabel Moderating. *Jurnal Ilmiah Riset Akuntansi*, 08(04), 26–39. <http://riset.unisma.ac.id/index.php/jra/article/view/2390%0Ahttp://riset.unisma.ac.id/index>



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

php/jra/article/viewFile/2390/2237

Zatsarnaya, N. A., & Enatskaya, N. I. (2024). The relationship of tax instruments and performance indicators of companies to ensure the environmental component of sustainable development in Russia. *Vestnik Universiteta*, 7, 100–109. <https://doi.org/10.26425/1816-4277-2024-7-100-109>



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE ANALYSIS OF FINANCIAL MANAGEMENT OF PRIMA INDONESIA UNIVERSITY FACULTY OF LAW STUDENTS

Gray Alvindo Tarigan¹, Bayu Wulandari², Vicky Roy³, Najla Aira⁴

^{1,2,3,4} Universitas Prima Indonesia

**bayuwulandari@unprimdn.ac.id*

Abstract

This study aims to examine the effect of fintech payment, financial literacy, ease of use, information security, risk of use interest, and impression effect on the financial management of Prima Indonesia University law faculty students. This study uses causal research methods and the sampling technique used is purposive sampling method and obtained a research sample of 99 respondents. The analysis technique used in this research is multiple linear regression analysis. The results showed that only two factors have a significant influence on student financial management behavior, namely ease of use and information security. The ease of use of fintech applications makes students feel more comfortable in managing their finances, while the information security factor is a major concern, as students are more likely to choose fintech apps that can keep their personal data and transactions safe. Meanwhile, other factors, such as fintech payment, financial literacy, risk of use interest, and impression effect, did not show a significant influence on the way students manage their finances.

Keywords: Fintech Payment, Financial Literacy, Ease of Use, Information Security, Risk of Interest in Use, Impression Effect, Student Financial Management

I.1 Introduction

Fintech payment is a very useful feature and in this era it has been widely used by teenagers, adults and parents. Because by using this fintech we no longer need to carry cash directly. Financial literacy is a person's knowledge and ability to make financial decisions. Financial literacy helps a person avoid financial problems, especially those that occur due to money mismanagement. Financial literacy is expected to help individuals manage their assets so that



they can be useful in the short and long term. In Indonesia, the financial literacy index is 38.03% based on data from the 2019 Financial Services Authority survey (Anisah & Crisnata, 2021). Ease of use is a concept that refers to the level of comfort, accessibility, and intuitiveness in using a product, service, or technology. In the context of fintech, ease of use includes various things that make the user experience in managing finances smoother and more efficient. Information security is an effort to be able to prevent fraud (cheating) or be able to detect fraud on information-based systems, where the information itself has no physical meaning. Intent-to-use risk in the context of fintech refers to potential barriers or challenges that may meet an individual's or organization's interest in adopting or using a particular fintech solution. An impression is an impression that forms in one's mind after seeing or hearing something. In certain situations, impressions are what comes to mind when events are happening.

Financial management behavior among university students is currently a much-discussed topic. Consumptive financial management habits among students have led to various irresponsible financial behaviors, such as lack of saving and poorly planned use of money, including lack of planning for emergency and future funds. Students' money management behavior often depends on their own level of personal financial knowledge (Erawati & Lende, 2023). There are many factors that encourage students in their financial management behavior. Based on the description above, it can encourage researchers to conduct research entitled **“THE ANALYSIS OF FINANCIAL MANAGEMENT OF PRIMA INDONESIA UNIVERSITY FACULTY OF LAW STUDENTS”**.

I.2 Literature Review

The Effect of Fintech Payment on the Financial Management Behavior of Faculty of Law Students, Prima Indonesia University

Fintech has brought efficiency in several activities of society including students, providing significant convenience. However, there are not only benefits offered by Fintech, but also some threats that need to be considered by the government to anticipate its impact. Therefore, clear regulations are needed from the government to regulate Fintech so that there is an appropriate legal umbrella regarding its use (Murifal, 2018).

The Effect of Financial Literacy on the Financial Management Behavior of Prima



Indonesia University Faculty of Law Students

Financial literacy has a significant positive impact on student financial management behavior. This indicates that the higher a person's financial literacy, the better their financial behavior. Therefore, if students have a low level of financial literacy, they may face challenges in managing their financial management (Mukti et al., 2022).

The Effect of Ease of Use on Financial Management Behavior of Faculty of Law Students, Prima Indonesia University

Research conducted by (Akbar et al., 2022) found that the more fintech applications are refined to provide convenience to users, the greater consumer interest in using the application. According to the results of research (Azzahra et al., 2023) that has been conducted, it is concluded that ease of use has a significant impact simultaneously on financial management behavior. This means that the better the application of ease of use of fintech payment, the optimal financial management behavior of a person will increase.

The Effect of Information Security on Financial Management Behavior of Faculty of Law Students, Prima Indonesia University

Increasing the security of consumer data information provided by fintech technology, to prevent data dissemination and misuse, will increase consumer confidence in using the fintech. The more secure consumer data or information is, the consumer interest in using fintech applications will increase (Akbar et al., 2022).

The Effect of Risk of Interest in Use on Financial Management Behavior of Faculty of Law Students, Prima Indonesia University

The results of the study (Octavia et al., 2021) show that risk perception has a negative and significant effect on interest in using the Financial Technology Payment System. This means that the higher the risk perception, the lower the student's interest in using the Financial Technology Payment System.

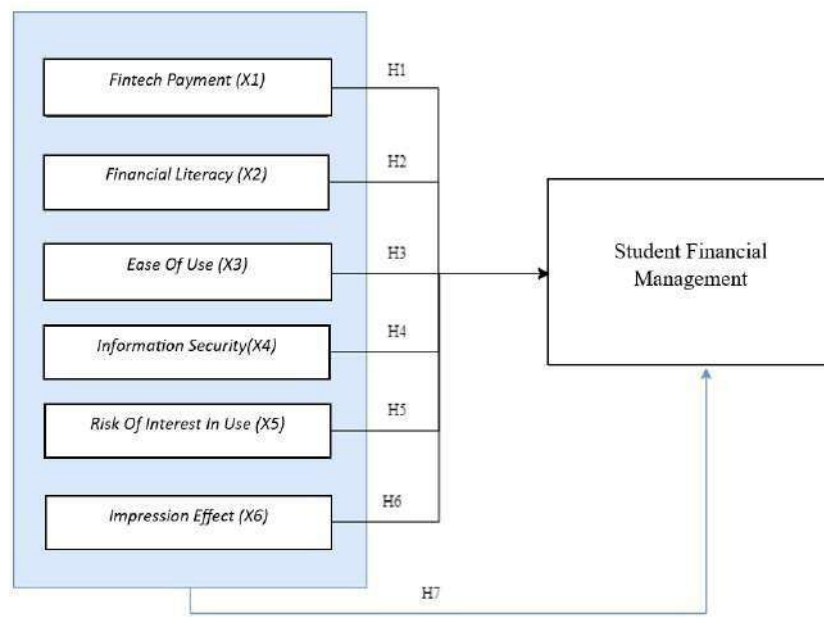
The Effect of Impression Effect on Financial Management Behavior of Faculty of Law Students, Prima Indonesia University

The effect of Impression by fintech can lead to feelings of Perceived Easy to use (perceived



ease). Research conducted by (Wiyono & Kirana, 2020) shows that despite the problems that arise in the practice of using fintech, SMEs' interest in using it remains high as long as fintech provides benefits to their business. Another effect of impressions is the emergence of self-efficacy.

Figure 1. Conceptual Framework



II. Methods Research

II.1. Research Approach

In this study, quantitative method research is used because the analysis uses statistics and aims at hypothesis testing. This quantitative approach aims to measure data and apply statistical analysis to analyze data. The tool used in this research is a questionnaire distributed to a sample of a predetermined population. The research data uses primary data with the data collection method using the media distribution of questionnaires using an interval scale in the form of a Likert scale which produces answers strongly agree to answers strongly disagree with a value range of 1 - 5 (Sugiyono, 2018).

II.2 Population and Sample

The population we use in this study includes undergraduate students of Law Science Semester 7, Prima Indonesia University. The sampling technique used is by means of



purposive sampling. According to Sugiono (2018: 85), purposive sampling is a sampling technique based on certain considerations.

The sampling criteria are as follows:

Table 1. Research Sample Table

| Criteria | Total |
|--|-------|
| Total number of students of the Faculty of Law, Prima Indonesia University | 1.789 |
| Total number of Undergraduate Students at Prima Indonesia University | 1.586 |
| Total Number of 7th Semester Law Students at Prima Indonesia University | 343 |
| Total number of students who meet the criteria | 343 |

II.3 Data Collection Technique

The data collection technique in this study was through a questionnaire.

The questionnaire allows data collection from many people in a short time. The proposed questionnaire will be given to auditors of Prima Indonesia University Bachelor of Law Students. The questionnaire contains a list of questions whose answers are expressed using a Likert scale.

II.4 Operational Definition and Measurement of research variables

Table 2. Variable Operational Definition Table

| Variable | Definition | Indicator | Scale |
|----------------------|--|---|--------------|
| Fintech Payment (X1) | Fintech payment is a very useful feature and in this era it has been widely used by teenagers, adults and parents. Because by using this fintech we no longer need to carry cash directly. | 1. Personal Mobility 2. Service Credibility 3. Relative Usability Zaenul Abidin (2023) | Likert Scale |



| | | | |
|------------------------------|--|---|--------------|
| Financial literacy (X2) | Financial literacy is a person's knowledge and ability to make financial decisions. | <ol style="list-style-type: none"> 1. General Knowledge 2. Save and Borrow 3. Insurance 4. Investment Chen dan Volpe (1998) | Likert Scale |
| Ease of Use (X3) | Ease of use is a concept that refers to the level of comfort, accessibility, and intuitiveness in | <ol style="list-style-type: none"> 1. Easy to Learn 2. Easy to Control | Likert Scale |
| Variable | Definition | Indicator | Scale |
| | using a product, service, or technology. | <ol style="list-style-type: none"> 3. Clear and Easy to Understand 4. Flexible Jogiyanto (2007) | |
| Information Security (X4) | Information security is an effort to be able to prevent fraud (cheating) or be able to detect fraud on information-based systems, where the information itself has no physical meaning. | <ol style="list-style-type: none"> 1. Confidentiality 2. Integrity 3. Authentication Basyarahil (2017) | Likert Scale |
| Risk of Interest in Use (X5) | Intent-to-use risk in the context of fintech refers to potential barriers or challenges that may meet an individual's or organization's interest in adopting or using a particular fintech solution. | <ol style="list-style-type: none"> 1. Financial Risk 2. Product Risk 3. Time Risk 4. Security Risk Masoud (2013) | Likert Scale |
| Impression Effect (X6) | Impression effect is the impression formed in one's mind after seeing or hearing something. | <ol style="list-style-type: none"> 1. Improved Service Access 2. Product and Service Innovation Nursiah (2017) | Likert Scale |



| | | | |
|----------------------------------|--|---|--------------|
| Student Financial Management (Y) | Student financial management is the process of planning, managing, and monitoring the use of financial resources owned by students during their studies. | <ol style="list-style-type: none"> 1. Use of Funds 2. Determination of Source of Funds 3. Future Planning Rambe et al (2015) | Likert Scale |
|----------------------------------|--|---|--------------|

Research Results

III.1 Descriptive Statistics

**Table 3. Descriptive Statistical Analysis Test
Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|------------------------------|----|---------|---------|-------|----------------|
| Fintech Payment | 99 | 3 | 15 | 12.07 | 3.028 |
| Financial literacy | 99 | 2 | 10 | 8.26 | 2.008 |
| Ease of Use | 99 | 3 | 15 | 11.22 | 3.382 |
| Information Security | 99 | 3 | 10 | 7.82 | 2.206 |
| Risk of Interest in Use | 99 | 1 | 5 | 4.00 | 1.355 |
| Impression Effect | 99 | 1 | 5 | 3.83 | 1.578 |
| Student Financial Management | 99 | 2 | 10 | 8.18 | 2.178 |
| Valid N (listwise) | 99 | | | | |



Based on table III.1 above, it can be seen the details of the minimum value, maximum value, average value and standard deviation of the Fintech Payment variable, Financial Literacy, Finance, Ease of Use, Information Security, Risk of Interest in Use, Impression Effect and Student Financial Management as follows:

- The Fintech Payment variable (X1) has a sample size of 99 respondents and has a minimum value of 3 and a maximum of 15 with an average value of 12.07 and a standard deviation of 3.028.
- The Financial Literacy Variable (X2) has a sample size of 99 respondents and has a minimum value of 2 and a maximum of 10 with an average value of 8.26 and a standard deviation of 2.008.
- The Ease of Use variable (X3) has a sample size of 99 respondents and has a minimum value of 3 and a maximum of 15 with an average value of 11.22 and a standard deviation of 3.382.
- The Information Security variable (X4) has a sample size of 99 respondents and has a minimum value of 3 and a maximum of 10 with an average value of 7.82 and a standard deviation of 2.206.
- The Risk of Interest in Use variable (X5) has a sample size of 99 respondents and has a minimum value of 1 and a maximum of 5 with an average value of 4.00 and a standard deviation of 1.355.
- The Impression Effect variable (X6) has a sample size of 99 respondents and has a minimum value of 1 and a maximum of 5 with an average value of 3.83 and a standard deviation of 1.578.
- The Faculty of Law, Prima Indonesia University Student Financial Management Variable (Y) has a sample size of 99 respondents and has a minimum value of 2 and a maximum of 10 with an average value of 8.18 and a standard deviation of 2.178.

III.2 Classical Assumption Test Results

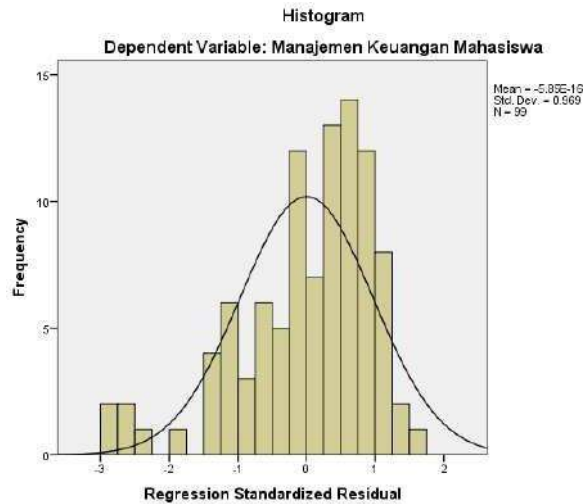
III.2.1 Normality Test

The basis of the requirement is that a probability greater than 0.05 is said to be normal and if



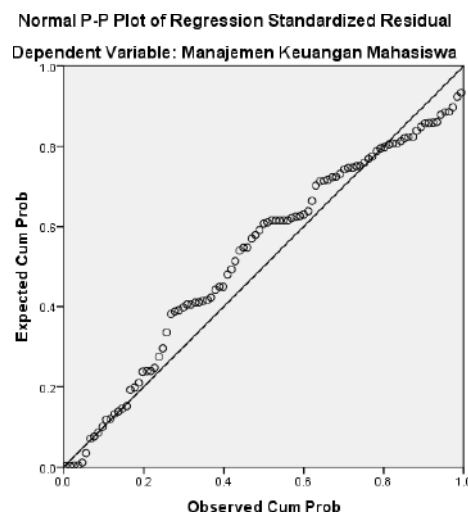
the probability is less than 0.05 it is said to be abnormal.

Figure 2. Histogram normality



The graph above illustrates a curve that leans symmetry to form the letter “U” so that it is concluded that the data is normally distributed, which is indicated by the direction of the graph pattern not to the left and to the right.

Figure 3. P-P Plot Normality



The picture above shows a diagonal shape, so the conclusion is that the data is normally distributed which can be calculated by applying non-parametric statistics Kolmogorov Smirnov where the substantial number is greater than 0.05.



Table 4. Kolmogorov Smirnov Normality Test

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|----------------------------|
| N | | 99 |
| Normal Parameters ^{a,b} | Mean | 0E-7 |
| | Std. Deviation | 1.99224090 |
| Most Extreme Differences | Absolute | .116 |
| | Positive | .076 |
| | Negative | -.116 |
| Kolmogorov-Smirnov Z | | 1.158 |
| Asymp. Sig. (2-tailed) | | .137 |

a. Test distribution is Normal.



b. Calculated from data.

Table III.2 shows the results of the calculation of normality through the Kolmogorov Smirnov statistic, namely the Fintech Payment variable (X1), Financial Literacy (X2), Ease of Use (X3), Information Security (X4), Risk of Interest in Use (X5), Impression Effect (X6) and Financial Management of Prima Indonesia University Faculty of Law Students (Y) are normally distributed because the substantial number is $0.137 > 0.05$, so the regression model under study deserves further analysis.

III.2.2 Multicollinearity Test

Table 5. Multicollinearity Test

| | | Coefficients ^a | |
|----------|-------------------------|---------------------------|-------|
| | | Collinearity Statistics | |
| Model | | Tolerance | VIF |
| | Fintech Payment | .207 | 4.826 |
| | Financial Literacy | .589 | 1.698 |
| | Ease of Use | .960 | 1.042 |
| | Information Security | .963 | 1.038 |
| | Risk of Interest in Use | .951 | 1.051 |
| 1 | Impression Effect | .268 | 3.731 |

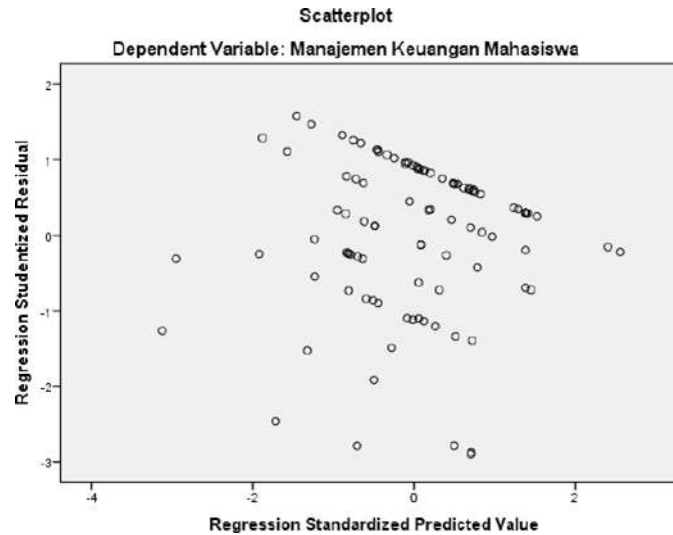
a. Dependent Variable: Student Financial Management

Based on table III.3, it is known that the VIF value of all independent variables is less than 10 and the tolerance value of all independent variables is more than 0.1. This means that there is no multicollinearity.

III.2.3 Heteroscedasticity Test



Figure 4. Heteroscedasticity



The picture above shows that the points spread randomly and the points are scattered both above and below the zero number on the Y-axis.

III.3 Results of Research Data Analysis

III.3.1 Hypothesis Determination Coefficient

Table 7. Determination Coefficient Test

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .404 ^a | .163 | .108 | 2.056 |

a. Predictors: (Constant), Impression Effect, Ease of Use, Information Security, Risk of Interest in Use, Financial Literacy, Fintech Payment

b. Dependent Variable: Student Financial Management

Adjusted R Square obtained from table III.5 is 0.163. This figure means that variable X has an impact on variable Y by 16.3%.



II.3.2 Simultaneous Hypothesis Testing

Table 8. F Statistical Test

ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|-------|-------------------|
| 1 Regression | 75.763 | 6 | 12.627 | 2.987 | .010 ^b |
| Residual | 388.964 | 92 | 4.228 | | |
| Total | 464.727 | 98 | | | |

a. Dependent Variable: Student Financial Management

b. Predictors: (Constant), Impression Effect, Ease of Use, Information Security, Risk of Interest in Use, Financial Literacy, Fintech Payment

It is known that the Sig. value for the simultaneous effect of X1, X2, X3, X4, X5, and X6 on Y is 0.010, <0.05. In addition, the calculated F value is 2.987 > F table 2.11. Therefore, it can be concluded that the test hypothesis can be accepted, which means that there is a simultaneous influence of the variables X to the variable Y.

II.3.3 Partial Hypothesis Testing

Table 9. T Statistical Test

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | | t | Sig. |
|-----------------|-----------------------------|------------|---------------------------|--|-------|------|
| | B | Std. Error | Beta | | | |
| (Constant) | 3.680 | 1.404 | | | 2.621 | .010 |
| Fintech Payment | .224 | .151 | .311 | | 1.485 | .141 |



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

| | | | | | | |
|---|----------------------|------|------|------|-------|------|
| 1 | Financial Literacy | .061 | .135 | .056 | .451 | .653 |
| | Ease of Use | .130 | .063 | .202 | 2.073 | .041 |
| | Information Security | .198 | .096 | .201 | 2.064 | .042 |



| | | | | | |
|-------------------------|-------|------|-------|--------|------|
| Risk of Interest in Use | -.258 | .157 | -.160 | -1.641 | .104 |
| Impression Effect | -.177 | .254 | -.128 | -.697 | .487 |

a. Dependent Variable: Student Financial Management

Partial Test is used to test the effect of each independent variable on the dependent variable by comparing the t value with the t table or looking at the significance value of the t count. According to Sugiyono (2018), this test aims to determine whether the independent variable has a significant effect on the dependent variable.

III.4 Discussion of Research Results

III.4.1 The Effect of Fintech Payment on Student Financial Management Faculty of Law, Prima Indonesia University

It was found that the Sig. value on the partial effect of X1 to Y was $0.141 > 0.05$. In addition, the calculated t value is $1.485 < t \text{ table } 1.661$. So it is concluded that H1 is refuted, which means that there is no effect of Fintech Payment on Student Financial Management.

III.4.2 The Effect of Financial Literacy on Student Financial Management of Faculty of Law Students, Prima Indonesia University

It was found that the Sig. value on the partial effect of X2 to Y was $0.653 > 0.05$. In addition, the calculated t value is $0.451 < t \text{ table } 1.661$. So it is concluded that H2 is refuted, which means that there is no effect of Financial Literacy on Student Financial Management.

III.4.3 The Effect of Ease of Use on Student Financial Management of Faculty of Law Students, Prima Indonesia University

It was found that the Sig. value on the partial effect of X3 to Y was $0.041 < 0.05$. In addition, the calculated t value is $2.073 > t \text{ table } 1.661$. So it is concluded that H3 is approved, which means that there is an effect of Ease of Use on Student Financial Management.

III.4.4 The Effect of Information Security on Student Financial Management of Faculty of Law Students, Prima Indonesia University

It was found that the Sig. value on the partial effect of X4 to Y was $0.042 < 0.05$. In addition, the calculated t value is $2.064 > t \text{ table } 1.661$. So it is concluded that H4 is approved, which



means that there is an influence of Information Security on Student Financial Management.

III.4.5 The Effect of Risk of Interest in Use on Student Financial Management of Faculty of Law Students, Prima Indonesia University

It was found that the Sig. value on the partial effect of X5 to Y was $0.104 > 0.05$. In addition, the calculated t value $(-1.641) < t$ table 1.661. So it is concluded that H5 is refuted, which means that there is no effect of Risk of Interest in Use on Student Financial Management.

III.4.6 The Effect of Impression Effect on Student Financial Management of Faculty of Law Students, Prima Indonesia University

It was found that the Sig. value on the partial effect of X6 to Y was $0.487 > 0.05$. In addition, the calculated t value $(-697) < t$ table 1.66. So it is concluded that H6 is refuted, which means that there is no influence of the Impression Effect on Student Financial Management.

Conclusion

1. Fintech Payment has no partial effect on the Financial Management of Prima Indonesia University Faculty of Law Students.
2. Financial Literacy has no partial effect on the Financial Management of Prima Indonesia University Faculty of Law Students.
3. Ease of Use has a significant positive partial effect on Student Financial Management of the Faculty of Law, Prima Indonesia University.
4. Information Security has a partially significant positive effect on Student Financial Management of the Faculty of Law, Prima Indonesia University.
5. Risk of Interest in Use has no partial effect on Student Financial Management of the Faculty of Law, Prima Indonesia University.
6. Impression Effect has no partial effect on Student Financial Management of the Faculty of Law, Prima Indonesia University.
7. Fintech Payment, Financial Literacy, Ease of Use, Information Security, Risk of Interest in Use, and Impression Effect simultaneously have a significant effect on Student Financial Management of the Faculty of Law, Prima Indonesia University.

Reference

Aini, F. N., & Susanti, S. (2021). Pengaruh Literasi Keuangan, Kepercayaan, Dan Keamanan



- Pembayaran Terhadap Keputusan Pembelian Di Marketplace. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, 10(11), 991.
<https://doi.org/10.24843/eeb.2021.v10.i11.p06>
- Akbar, F., Sakum, & Hidayat, S. (2022). Pengaruh Efisiensi, Kemudahan, Dan Keamanan Informasi Terhadap Minat Menggunakan Aplikasi Fintech. *Jurnal Ekonomi Syariah Pelita Bangsa*, 07(02), 196–204.
- Al Mubayin, M. M. (2022). Pengaruh Literasi Keuangan dan Risiko Investasi Terhadap Minat Invetasi Mahasiswa. *Jembatan : Jurnal Ilmiah Manajemen*, 19(2), 223–238.
<https://doi.org/10.29259/jmbt.v19i2.18116>
- Anisah, N., & Crisnata, H. F. (2021). Analisis Tingkat Literasi Keuangan Pengguna Fintech Payment OVO. *JAD : Jurnal Riset Akuntansi & Keuangan Dewantara*, 4(1), 47–60.
<https://doi.org/10.26533/jad.v4i1.752>
- Azzahra, A. F., Andriana, I., & Saputri, N. D. M. (2023). Pengaruh Penggunaan Fintech Payment terhadap Perilaku Manajemen Keuangan. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 6(2), 2581–2592.
<https://doi.org/10.47467/alkharaj.v6i2.4727>
- Erawati, T., & Lende, Y. N. (2023). Pengaruh Self Efficacy Terhadap Perilaku Manajemen Keuangan Mahasiswa. *Jurnal Ilmiah Mahasiswa AKuntansi*, 14(04), 986–997.
- Mukti, V. W., Rinofah, R., & Kusumawardhani, R. (2022). Pengaruh fintech payment dan literasi keuangan terhadap perilaku manajemen keuangan mahasiswa. *Akuntabel*, 19(1), 52–58. <https://doi.org/10.30872/jakt.v19i1.10389>
- Murifal, B. (2018). Peran Teknologi Finansial Sistem P2l Sebagai Alternatif Sumber Pendanaan UMKM. *Perspektif*, XVI(2), 202–208.
<https://ejournal.bsi.ac.id/ejurnal/index.php/perspektif/article/view/3808>
- Octavia, G., Wardani, P., & Sari, R. C. (2021). Pengaruh Kemudahan Penggunaan, Kebermanfaatan Dan Persepsi Risiko Terhadap Minat Penggunaan Financial Technology Sistem Pembayaran. *Jurnal Profita*, 9(3), 1–17.
- Wiyono, G., & Kirana, K. C. (2020). Efek Impresi Fintech Terhadap Perilaku Keuangan



- Usaha Kecil Menengah (UKM). *Jurnal Ilmiah Manajemen Dan Bisnis*, 21(1), 69–81.
<https://doi.org/10.30596/jimb.v21i1.3889>
- Abidin, Z. (2023). PENGARUH LITERASI KEUANGAN DAN FINTECH PAYMENT TERHADAP FINANCIAL BEHAVIOR MAHASISWA PADA BANK SYARIAH (STUDI KASUS MAHASISWA FAKULTAS EKONOMI DAN BISNIS ISLAM UIN WALISONGO SEMARANG).
- Azzahra, T. (2022). Pengaruh Financial Technology Payment, Financial Attitude, dan Financial Knowledge terhadap Financial Management Behavior bagi Mahasiswa di Yogyakarta. *Vol. 01, No. 02, 2022, pp. 78-91, 78-91.*
- Daruhadi, G. (2024). PENGUMPULAN DATA PENELITIAN . *Vol.3, No.5, 2024.*
- H. Dadang Suparman, S. S. (2020). PENGARUH GAYA KEPEMIMPINAN DAN MOTIVASI KERJA TERHADAP KINERJA KARYAWAN PADA PT. PRATAMA ABADI INDUSTRI SUKABUMI. *Volume 1 No.1 (April 2020)*, 102-119.
- Hariyani, R. (2022). Urgensi Literasi Keuangan Terhadap Pengelolaan Keuangan Pribadi Mahasiswa di Masa Pandemi COVID-19 di Indonesia. *Volume 6 No. 1 Maret 2022*, 46-54.
- Kusumar, F. (2021). FINTECH PAYMENT : PENGARUHNYA PADA PERILAKU MANAJEMEN KEUANGAN MAHASISWA DI PALEMBANG. *Vol. xix, No. ii, April 2021, hlm. 1-120, 69-75.*
- Mulyadi, D. R. (2022). KEMAMPUAN PENGELOLAAN KEUANGAN MAHASISWA PENDIDIKAN EKONOMI UNIVERSITAS MULAWARMAN. 25-32.
- Pratiwi, G. (2021). PENGARUH KUALITAS PRODUK DAN HARGA TERHADAP KEPUASAN PELANGGAN UD ADLI DI DESA SUKAJADI KECAMATAN PERBAUNGAN. 121-134.
- Uji Validitas dan Reliabilitas.* (2014). Retrieved from <https://qmc.binus.ac.id/2014/11/01/u-j-i-v-a-l-i-d-i-t-a-s-d-a-n-u-j-i-r-e-l-i-a-b-i-l-i-t-a-s/>.



The Effect of Leadership, Organizational Culture and Motivation on Job Satisfaction of Teachers of SMA/SMK YP Antasari

Chacha Patricia M br. Sihombing^a, Novella^a, Stephenei Virgo^a, Hendry^a

^aUniversitas Prima Indonesia

Abstract

In facing competition in the global era, the College Foundation is expected to be able to operate more efficiently and effectively. Increasingly fierce competition requires the Perguruan Foundation to remain competitive and maintain its existence. Job satisfaction is an important element in an organization because it can affect individual work behavior, such as diligent, lazy, unproductive, or even other negative behaviors. In the current era of globalization, education also plays a strategic role in improving the quality of human resources. Education is very influential in human life and is a fundamental factor that is oriented towards the future. One foundation that faces obstacles in increasing job satisfaction is YP Pangeran Antasari, which is engaged in educational services. Employee job satisfaction can be measured by the extent to which employees are satisfied with their work, which relates to the nature of the work itself, the results of the work achieved, and the feeling of liking the work they are doing. At YP Pangeran Antasari, there are problems related to employee job satisfaction, especially teachers. This problem has an impact on the implementation of their duties and , where the level of teacher job satisfaction has not reached an optimal level. The leadership problem at YP Pangeran Antasari reflects the lack of attention between leaders and employees. Where the leader is considered unable to be a good role model for employees.

Keywords: Influence of Leadership, Organizational Culture and Motivation on Job Satisfaction

Introduction

Currently, to face competition in the global era, the College Foundation is expected to be more efficient and effective, due to increasingly fierce competition and causing the College Foundation to be expected to compete and maintain the survival of the College Foundation. Efforts that can be made by the Foundation to increase competitiveness are to increase the job satisfaction of teachers. Job satisfaction is a very important element in an organization because it can affect a person's work behavior, such as diligent, lazy, unproductive or other negative behavior in the organization.

In the current era of globalization, education is also a strategically important role to improve the quality of human resources. As is known in human life, education is very influential and has important factors that are fundamental being oriented towards the future. One of the foundations that has experienced problems in increasing satisfaction is YP Pangeran Antasari, engaged in educational services.

Employee job satisfaction is also measured by the level of satisfaction of employees



with their jobs related to the nature of their work, the results of their work, as well as their liking for the work they do. However, each individual has different job satisfaction equivalent to the satisfaction that applies to him.

At YP Pangeran Antasari, there is a problem regarding job satisfaction in employees where the results have an impact on employees, namely teacher job satisfaction in carrying out their duties and responsibilities has not reached an optimal level. This may reflect a problem within the Foundation that needs to be maximized to improve teachers' welfare.

Table 1.1
Data on Job Satisfaction Issues at YP Pangeran Antasari

| No. | Problems Job satisfaction |
|-----|--|
| 1 | The lack of direction from leaders to employees can be seen from the coordination between subordinates and their superiors, making employees less satisfied in doing work. |
| 2 | Lack of appreciation for new things that subordinates have done. |

Source: YP Pangeran Antasari, 2024

The leadership problem at YP Pangeran Antasari explains that there is a lack of concern from the leadership with employees where the leader cannot be a good role model for employees, for example, the leader rarely enters and holds meetings and has minimal direction.

The results of interviews with three employees show that the culture of mutual help and gotong royong in the workplace also affects the family relationship between employees at YP Pangeran Antasari. In addition, all employees and leaders of YP Pangeran Antasari faithfully follow the company's vision and mission. After making observations, the researcher found differences in the situation on site with the results of interviews conducted with several employees. In this case, the researcher found that the lack of communication between leaders and employees as well as the lack of organizational culture behaviors that exist at school such as lack of initiative in making decisions or risks and responsibilities can be factors that affect the organizational culture at school.

The problem of motivation at YP Pangeran Antasari explains work motivation where a company will run well if it has the main foundation, namely, physical resources, capital and human resources. These three things must synergize to be able to smooth the pace of the foundation's operations in achieving each planned goal. the lack of motivation by leaders to employees makes it difficult for employees to achieve targets and lack of understanding of instructions causes employees to work below standard, which is why employees cannot work effectively.

Methods

To obtain relevant data in the study, interviews were conducted with the help of research instruments, namely questionnaires to be given to respondents, direct observation, and literature study.

Data collection techniques through questionnaires are carried out by asking questions to parties related to the problem under study. To assess respondents' responses, researchers



used Herlina's Likert scale (2019: 6) where the Likert scale uses several question items to measure individual behavior by responding to 5 choice points on each item.

According to Ghozali (2018), the fundamental weakness of using the coefficient of determination is bias towards the number of independent variables included in the model. For every additional independent variable, R² must increase regardless of whether the variable has a significant effect on the dependent variable. Therefore, many researchers recommend using the Adjusted R² value when evaluating which is the best regression model. Unlike R², the adjusted R² value can increase or decrease when one independent variable is added to the model. In this fact, the adjusted R² can be negative even though the desired value should be positive. If in the empirical test a negative R² value is obtained, then the adjusted value is considered to be 0.

Table 1. Variable Definition Table

| Variables | Definition of Variables | Indicators | Scale |
|-----------------------------|--|--|---------------|
| Leadership (X1) | Leadership is the ability and art of influencing individuals or groups to work well together in achieving organizational goals. Source: Taryaman (2016: 7) | 1. Have skills when communicating 2. Have an honest nature 3. Can show his example 4. Can solve problems creatively Source: Afandi, (2020) | <i>Likert</i> |
| Organizational Culture (X2) | Organizational culture consists of a set of values that every member of the organization agrees upon and follows. These values are constantly changing and help improve productivity. Source: Sudaryono, (2017) | 1. Innovation and risk-taking 2. Attention to detail 3. Team orientation 4. Aggressiveness Source: Arifuidin (2020) | <i>Likert</i> |
| Motivation (X3) | The internal drive that prompts a person to perform a particular activity is known as motivation. It is often considered as the driver of an individual's behavior. Source: Sutrisno (2016: 109) | 1. Hard work 2. Task orientation 3. Efforts to move forward 4. Diligent Work Source: Mangkunegara (2017) | <i>Likert</i> |
| Job Satisfaction (Y) | The general attitude towards work that describes the difference between the rewards received and those expected is called job satisfaction. Source: Robbins (2015) | 1. Job suitability 2. Wages 3. Promotion 4. Attitudes and social relationships established Source: Radiansyah et al, (2023: 152- 153) | <i>Likert</i> |

Results



Descriptive statistics provide an overview of the data used in the study. Data analysis was carried out using the SPSS version 26 program. The statistical data is displayed as follows:

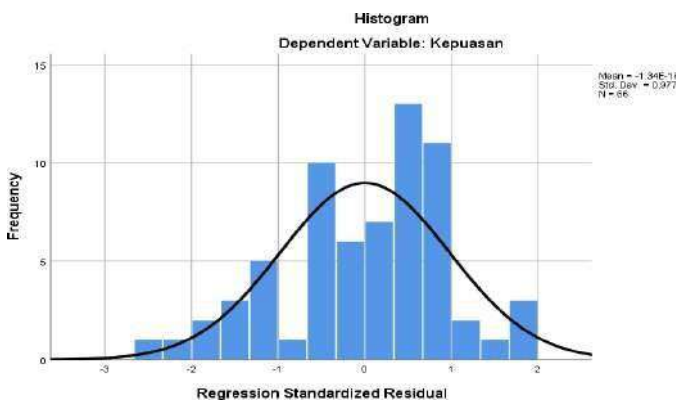
Table 2. Statistical Descriptive Analysis Table

| | N | Minum | Maxmum | Mean | Std. Devition |
|------------------------|----|-------|--------|---------|---------------|
| Leadership | 66 | 16.00 | 36.00 | 27.0606 | 4.60060 |
| Organizational Culture | 66 | 17.00 | 34.00 | 26.5758 | 4.06887 |
| Motivation | 66 | 17.00 | 37.00 | 27.6515 | 4.58591 |
| Satisfaction | 66 | 15.00 | 36.00 | 26.3636 | 4.24132 |
| Valid N (listwise) | 66 | | | | |

The descriptive statistical test results show that variables X1, X2, X3, and Y have a fairly balanced average value (mean), with a range of 26.3636 to 27.6515. The leadership variable with a minimum value of 16 is in respondent number 59, the maximum value of 36 is in respondent number 9, mean 27.06 and standard deviation 4.60060. The organizational culture variable with a minimum value of 17 is at respondent number 59, the maximum value of 34 is at respondent number 18, mean 26.57 and standard deviation 4.06887.

The motivation variable with a minimum value of 17 is in respondent number 5, the maximum value is 37 in respondent number 16, the mean is 27.06 and the standard deviation is 4.58591. The job satisfaction variable with a minimum value of 15 is in respondent number 60, the maximum value of 36 is in respondent number 10, mean 26.36 and standard deviation 4.24132.

Histogram Normality Test



Source: Data processing results, 2024

The histogram test results show that the data spreads and forms an inverted U curve, so the data is declared to have a normal distribution.



Multicollinearity Test

| | | Coefficients ^a | |
|---|------------------------|---------------------------|-------|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Leadership | .835 | 1.197 |
| | Organizational Culture | .843 | 1.187 |
| | Motivation | .941 | 1.063 |

a. Dependent Variable: Satisfaction

Source: Data processing results, 2024

In multicollinearity, it can be explained as follows. Leadership variable with tolerance value ($0.835 > 0.10$) and VIF ($1.197 < 10$) Organizational culture variable with tolerance value ($0.843 > 0.10$) and VIF ($1.187 < 10$) Motivation variable with tolerance value ($0.941 > 0.10$) and VIF ($1.063 < 10$). These results indicate there is no multicollinearity problem

Glejser Heteroscedasticity Test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.043 | 1.788 | | 1.142 | .258 |
| | Leadership | -.036 | .049 | -.102 | -.739 | .463 |
| | Organizational Culture | .014 | .055 | .034 | .250 | .804 |
| | Motivation | .027 | .046 | .078 | .596 | .553 |

a. Dependent Variable: abs

Source: Data processing results, 2024

From the results of the Glejser test, it shows a significant value of leadership $0.463 > 0.05$, organizational culture $0.804 > 0.05$, and motivation $0.553 > 0.05$, so the data is stated that there is no heteroscedasticity problem.



Multiple linear regression analysis

| Model | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | -1.676 | 3.038 | | -.552 | .583 | | |
| | Leadership | .252 | .083 | .273 | 3.040 | .003 | .835 | 1.197 |
| | Organizational Culture | .432 | .093 | .414 | 4.634 | .000 | .843 | 1.187 |
| | Motivation | .353 | .078 | .381 | 4.504 | .000 | .941 | 1.063 |

a. Dependent Variable: Satisfaction

Job satisfaction= -1,676+ 0,252 Leadership+ 0,432 Organizational culture+ 0,353 Motivation

1. The Y value representing Job Satisfaction is estimated to show -1.676 units, in accordance with the constant of -1.676, with changes assuming no change in the variables of Leadership, Organizational Culture, and Motivation.
2. The correlation coefficient between Leadership and Y value is 0.252. This indicates that, assuming other variables remain constant, every one unit increase Leadership will result in an increase in job satisfaction by 0.252 units.
3. Assuming other variables remain constant, the regression coefficient for organizational culture of 0.432 indicates that each one unit increase in organizational culture will increase job satisfaction by 0.432 units, which can be seen in the Y value.
4. The regression coefficient for the Motivation variable is 0.353, which indicates that by maintaining the value of other variables constant, each one unit increase in Motivation will cause an increase in Job satisfaction by 0.353 units.

Coefficient of determination

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .763 ^a | .582 | .562 | 2.80697 |

a. Predictors: (Constant), Motivation, Organizational Culture, Leadership

b. Dependent Variable: Satisfaction

Source: Data processing results, 2024

The coefficient of determination shows Adjusted R Square 0.562, then the leadership, organizational culture and motivation variables have an effect of 56.2% and the rest is influenced by other variables not examined by 43.8%.



Partial Test (t Test)

| | | Coefficients ^a | | | | |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| Model | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.676 | 3.038 | | -.552 | .583 |
| | Leadership | .252 | .083 | .273 | 3.040 | .003 |
| | Organizational Culture | .432 | .093 | .414 | 4.634 | .000 |
| | Motivation | .353 | .078 | .381 | 4.504 | .000 |

a. Dependent Variable: Satisfaction

Source: Data processing results, 2024

The results of partial hypothesis testing show that: Leadership has a positive and significant effect on job satisfaction of teachers of SMA / SMk YP Pangeran Antasari, with t count $3.040 > t$ table 1.998 and significant $0.003 < 0.05$. Organizational culture also has a positive and significant effect, with t count $4.634 > t$ table 1.998 and significant $0.000 < 0.05$. Motivation has a positive and significant effect, with t count $4.504 > t$ table 1.998 and significant $0.000 < 0.05$.

Simultaneous Test (F Test)

| | | ANOVA ^a | | | | |
|-------|------------|--------------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 680.770 | 3 | 226.923 | 28.801 | .000 ^b |
| | Residuals | 488.503 | 62 | 7.879 | | |
| | Total | 1169.273 | 65 | | | |

a. Dependent Variable: Satisfaction

b. Predictors: (Constant), Motivation, Organizational Culture, Leadership

Source: Data processing results, 2024

In the F test value, shows F count $28.801 > F$ table 2.74 with a sig value of $0.000 < 0.05$, so it can be stated that leadership variables, organizational culture and motivation simultaneously affect job satisfaction.

Discussion

The Effect of Leadership on Job Satisfaction

Leadership is a behavior with a specific purpose to influence the activities of group members to achieve a common goal designed to provide individual and organizational benefits so that in an organization leadership is a very important factor in determining the achievement of goals set by the organization. Leadership is the central point and policy determinant of the activities to be carried out in the organization. Therefore, leadership affects job satisfaction, so it is hoped that leadership has a firm, wise nature, and can carry out its duties properly. This finding is in line with research by Pahlawan & Onsardi (2020) which shows that employee job satisfaction is more or less influenced by leadership.



The Effect of Organizational Culture on Job Satisfaction

Organizational culture has a view that includes an emphasis on values and beliefs that must be scheduled in various actions or behaviors. Therefore, organizational culture is seen as values in the actions of the organization/company, which includes various elements in it. If the organizational culture is not implemented properly and correctly, job satisfaction will also decrease. This research is in line with Purba (2021: 141) which states that organizational culture is an attitude and behavior in the organization after feeling the values in the organization.

The Effect of Motivation on Job Satisfaction

Motivation is a factor that encourages a person to carry out a certain activity, therefore motivation is often also defined as a factor driving a person's behavior. Therefore motivation is very important in the world of work or not, everyone can be motivated in different ways. Motivation can be done by anyone regardless of age. This research is in line with Hasibuan in (Sutrisno 2017) motivation is a stimulator of desire and a driver of one's willingness to work because each motive has a certain goal to be achieved.

Conclusion,

YP pangeran Antasari must improve leadership, organizational culture, and work motivation to encourage employee job satisfaction, thus supporting the growth of the Foundation.

References

- Ginting, Y. M., Fitria, F., & Chandra, T. (2024). The Influence of Leadership Style, Work Motivation, and Organizational Culture on Job Satisfaction and Performance of State Civil Apparatus Teachers of State High Schools in Rapat and North Rupert Districts of Bengkalis Regency. *Manis: Journal of Management and Business*, 7(2), 84-102.
- Karmawan, A., Komang, I., & Sudibya, I. G. A. (2020). *The Effect of Transformational Leadership, Organizational Culture, Occupational Safety and Health Programs on Employee Job Satisfaction* (Doctoral dissertation, Udayana University).
- Hero, A., & Onsardi, O. (2020). The Effect of Work Motivation, Organizational Climate and Leadership on Job Satisfaction of Marketing Employees at Pt. Agung Toyota Bengkulu. *Journal of Human Capital and Business Management (JMMIB)*, 1(2), 153-163.
- Hero, A., & Onsardi, O. (2020). The Effect of Work Motivation, Organizational Climate and Leadership on Job Satisfaction of Marketing Employees at Pt. Agung Toyota Bengkulu. *Journal of Human Capital and Business Management (JMMIB)*, 1(2), 153-163.
- Purba, K. A. Analysis of Leadership Style, Education Level, Work Experience, Organizational Culture and Work Discipline in Order to Achieve Budget Realization of Pematang Johar Health Center.
- Siagian, M. V. S. E. (2023). The Effect of Motivation and Work Discipline on Employee Performance UCM Campus Medan. *Journal of Management and Accounting Medan*, 5(2), 66-74.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

KOPI KENANGAN BUYING INTEREST ANALYSIS OF GEN Z IN MEDAN CITY

Michelle Chow¹, Purnama Yanti Purba², Willy³, Elfina Okto Posmaida Damanik⁴
^{1,2,3} Department of Management, Faculty of Economics, Universitas Prima Indonesia, Indonesia
⁴ Department of Management, Faculty of Economics, Universitas Simalungun

*corresponding author e-mail : purnamayantipurba@unprimdn.ac.id

ABSTRACT

The phenomenon of high public Buying Interest in Kopi Kenangan in Indonesia, the existence of Kopi Kenangan Brand Ambassador from among artists, the quality of the coffee flavor that is liked by many people, and affordable prices, as well as the results of previous research motivate this research. The purpose of the study was to determine the effect of Brand Ambassador, Product Quality, and Price on Consumer Buying Interest in Kopi Kenangan in Medan City. This type of research uses quantitative descriptive research. The research population that will be used in the study are all consumers who purchase Kopi Kenangan in Medan City, the number of which is not known with certainty. The sample amounted to 100 respondents. The sampling technique used in this study was the Accidental Sampling technique. The data analysis method used is Multiple Linear Regression Analysis. The results of partial hypothesis testing show that Brand Ambassador ($2.191 > 1.984$) and Price ($3.368 > 1.984$) have a positive and significant effect on Buying Interest. The results of partial hypothesis testing show that Product Quality ($-0.150 < 1.984$) has negative effect and is not significant to Buying Interest. The results of simultaneous hypothesis testing show that Brand Ambassador, Product Quality, and Price ($14.981 > 2.70$) have a positive and significant effect on Buying Interest.

Keywords: Brand Ambassador, Product Quality, Price, and Buying Interest

INTRODUCTION

Currently, businesses in the culinary field are the main attraction for business people in



Indonesia, especially among the younger generation now, because this business has great income potential. (Prayoga & Mulyandi, 2020) One of the businesses in demand is the coffee shop business or Coffee Shop which is growing in Indonesia. Coffee shops often attract attention with unique interior designs that create a comfortable environment and invite visitors to enjoy coffee while enjoying snacks and chatting. (Jeremias et al., 2022). With the existence of the coffee business in Indonesia, many well-known Coffee Shops in Indonesia have emerged, one of which is Kopi Kenangan, which has succeeded in expanding its footprint with the establishment of many branches throughout Indonesia which was founded in 2017 which has covered more than 800 outlets in various cities, one of which is the city of Medan which has 24 Kopi Kenangan outlet branches. (<https://kopikenangan.com/outlets>). Their main focus is to serve and present the taste of high-quality coffee using the best coffee beans brewed with fresh local ingredients. Kopi Kenangan carries the Grab and Go concept that fits perfectly with the fast-paced modern lifestyle. With the support of Kopi Kenangan's special application, customers can easily order their favorite drinks from home without the need to come directly to the outlet. Some of Kopi Kenangan's flagship products include Kopi Kenangan Mantan, sultan boba milk, milo dinosaur, thai tea, 100% chocolate and many more.



Figure 1. Ranking of Favorite Local Coffee Shops 2024

(Source: <https://www.instagram.com/goodstats.id>) uploaded March 2024

Based on Figure 1. quoted from social media goodstats.id, Kopi Kenangan is in the first



ranking position at 37% followed by Kopi Janji Jiwa, Point Coffee, Fore Coffee, Excelso, Kopi Soe, Kopi Kulo, and others. Kopi Kenangan managed to achieve the first rank as the most chosen brand by consumers in the category of Indonesians' Favorite Local Coffee Shop. This indicates that Buying Interest in Kopi Kenangan is high in the community. Buying Interest is a consumer behavior where consumers have a desire to buy or choose a product, based on experience in choosing, using and consuming or even in wanting a product. (Mardiani & Wardhana, 2018)

Buying Interest in Kopi Kenangan is influenced by several factors, one of which is Brand Ambassador. Brand Ambassadors have an important role in shaping consumer perceptions and influencing Buying Interest. Brand Ambassadors are people who support a brand from various popular public figures, apart from popular people, they can also be supported by ordinary people and are more commonly called endorsements (Sintia & Riyanto 2023) In 2022, Kopi Kenangan launched a ready to drink coffee product, Kopi Kenangan Hanya Untukmu by appointing Nicholas Saputra and Isyana Sarasvati as Brand Ambassadors to improve promotion and advertising strategies because both are known as romantic, humorous, supportive, and trustworthy figures in promoting a brand (Satria, 2022). In addition, Product Quality is another factor that can influence Buying Interest. Product quality is an important factor that influences every customer's decision to buy a product. The better the quality of the product, the more consumer interest will increase who want to buy the product. (Ernawati, 2019) In addition, Price can also affect Buying Interest. Price is the most basic thing for consumers in choosing a product. According to (Nadiya & Wahyuningsih, 2020) Price is the sum of all values that customers exchange for using products and services. If the Price is too expensive, the product sold will not be affordable by some target markets, if it is too cheap, it will be difficult for business people to make a profit. Therefore, pricing is the factor that producers must pay the most attention to in marketing their products.

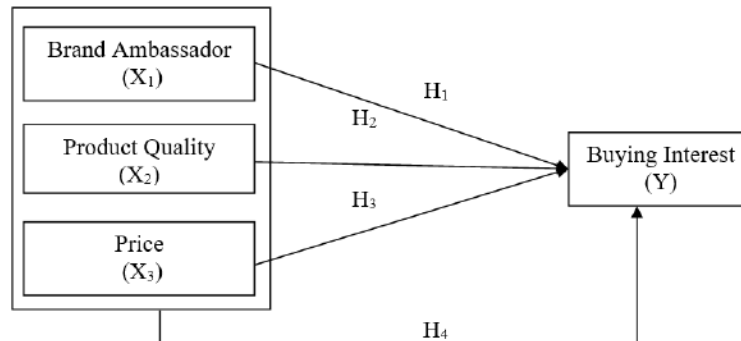


Figure 2. Conceptual Framework.

LITERATURE REVIEW

Brand Ambassador

According to (Giffari, 2020), a Brand Ambassador is someone famous who is chosen and used by a company to influence consumers to use and consume products from that company. According to Firmansyah (2019: 137) in (Sari, 2022), Brand Ambassador is a figure who has an interest in the brand which is able to anesthetize consumers to choose and even buy a product. According to Rossiter and Percy (2018: 265) in (Selfiana & Susanti, 2024), the indicators of Brand Ambassadors are Popularity (Visibility), Credibility, Attraction, Power.

Product Quality

According to Schiffman and Kanuk (2019) in (Romadon et al., 2023), Product Quality is the ability of a company to provide identity or features to each product so that consumers can recognize the product. According to Astuti Miguna and Matondang Nurhafifah (2020) in (Maryati, 2022), Product Quality is everything that we can offer by producers to be noticed, can be used, purchased and can also be consumed by consumers and producers according to certain consumer needs. According to (Qoyum, 2018), indicators of Product Quality are product quality, product characteristics or features, product size diversity.

Price

According to Indrasari (2019) in (Artameviah, 2022), Price is the amount of money that consumers have to pay to get a product. According to Kurniawan (2018: 22) in (Rezeki et al., 2022), Price is an exchange rate issued by buyers to obtain goods or services that have use value along with their services. According to Tonce and Yoseph (2022) in (Farhan et al., 2024),



Indicators of Price are Price affordability, Price compatibility with product quality, Price competitiveness, Price compatibility with benefits.

Buying Interest

According to Kotler and Keller (2016: 15) in (Sandala et al., 2021), Buying Interest is a behavior that arises in response to an object that shows consumers' desire to make a purchase. According to (Irvanto & Sujana, 2020), Buying Interest is something that arises after getting stimulation from the product he sees, then the desire to buy and own it arises so that it has an impact on an action. According to Ferdinand in (Septyadi et al., 2022) Indicators of Buying Interest are Transactional Interest, Referential Interest, Preferential Interest, Exploratory Interest.

The theory of the effect of Brand Ambassador on Buying Interest

According to (Lestari, 2020) states that Brand Ambassador has a positive effect on Buying Interest in Wardah Products. This shows that the higher the level of popularity possessed by celebrities as Brand Ambassadors can influence the increase in consumer repurchase interest.

The theory of the effect of Product Quality on Buying Interest

According to (A'yun & Fitra, 2023) states that Product Quality has a positive and significant effect on Buying Interest in Scarlett Whitening Body Lotion Products. This shows that the better the quality of the product, the consumer will feel satisfied and happy with the product and can cause consumers to always use the product and even make repurchase interest.

The theory of the effect of Price on Buying Interest

According to (Astuti, 2018) states that Price has a positive and significant effect on Buying Interest in Starbucks Coffee. This shows that if the price is determined in accordance with the customer, the more interest in repurchasing by the customer will increase.

METHODS

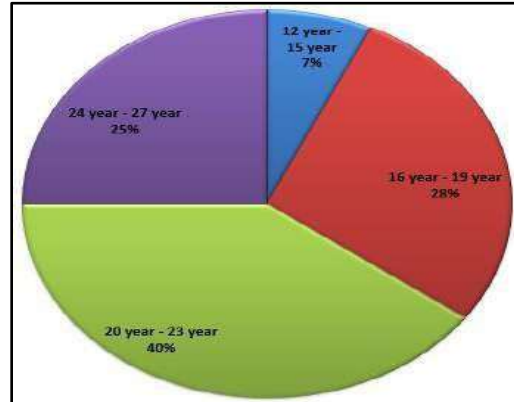
The research location was conducted at Kopi Kenangan in all Medan City outlets. The population to be used in the study are all consumers who purchase Kopi Kenangan in Medan City, the number of which is not known with certainty. The sample amounted to 100 respondents. The sampling technique used in this study was the Accidental Sampling Technique. Sample calculation



with the Lemeshow formula approach can be used to calculate the number of samples with a total population that cannot be known with certainty. The following formula from Lemeshow is $n = \frac{z^2 P (1-P)}{\alpha^2}$. This type of research uses quantitative descriptive research. In this study, The data analysis method used was Multiple Linear Regression Analysis. Data collection techniques were carried out by means of interviews and questionnaires. The research data sources are primary data which includes interviews and questionnaires while secondary data includes journals and the internet.

RESULTS

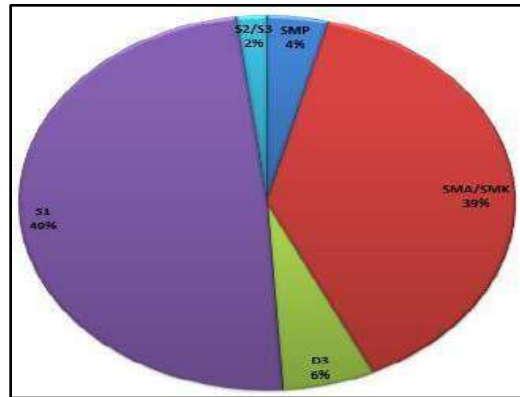
From the results of data collection through a questionnaire, 100 respondents were obtained, where respondents were categorized based on several groups, namely based on age, education, profession, how many times they made purchases, why they were interested in consuming, and who the Kopi Kenangan Brand Ambassador was.



(Source; Primary data processed, 2024)

Figure 3. Profile of Respondents by Age

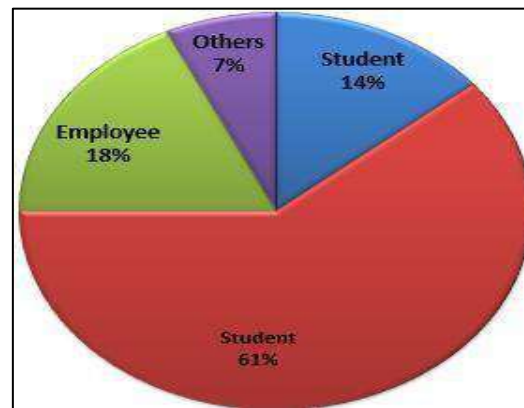
Based on data on the age of respondents, there are 40 people (40%) who are 20 years old - 23 years old because at this age many are already working and generating their own income and Kopi Kenangan is also aimed at Gen Z, and the lowest 7 people (7%) are 12 years old - 15 years old because at this age they are still in school so they are still limited by parents in buying drinks.



(Source; Primary data processed, 2024)

Figure 4. Profile of Respondents Based on Education

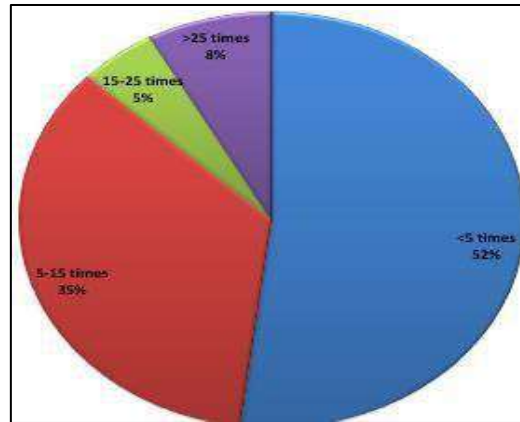
Based on the respondent's education data, 49 people (49%) are higher with an undergraduate education level because they consume Kopi Kenangan still at the same time in launching Kopi Kenangan and are well known, and 2 people (2%) are the lowest with a master's level of education because with higher education they want to maintain their own body's health.



(Source; Primary data processed, 2024)

Figure 5. Profile of Respondents by Profession

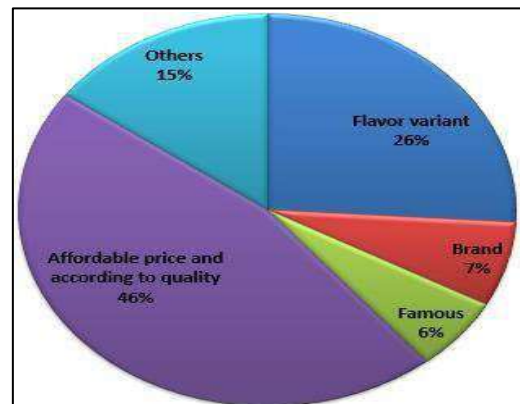
Based on the respondent's profession data, 61 people (61%) are higher with the student profession because customers already know the current trends and already have their own pocket money to buy coffee, and 7 people (7%) are the lowest with other professions because in other professions such as housewives, entrepreneurs, civil servants, and others, many have maintained their health by rarely consuming coffee.



(Source; Primary data processed, 2024)

Figure 6. Profile of Respondents Based on how many times they purchased Kopi Kenangan

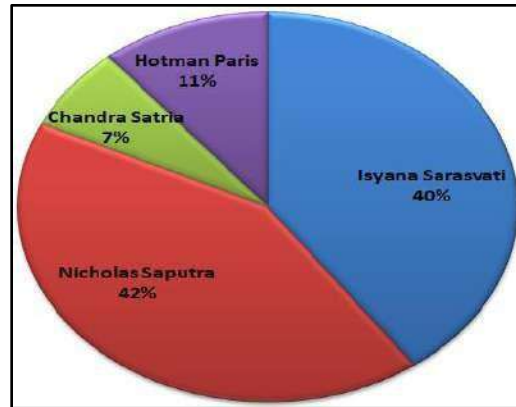
Based on the data on how many times Kopi Kenangan was purchased, 52 people (52%) were higher with purchases <5 times because in consuming coffee many only follow trends and just taste it, and 5 people (5%) were the lowest with purchases 15-25 times because people usually get tired of tasting and want to try other brands.



(Source; Primary data processed, 2024)

Figure 7. Profile of Respondents Based on why they are interested in consuming Kopi Kenangan

Based on the data on why they are interested in consuming Kopi Kenangan, 46 people (46%) are more interested because of the affordable price and according to the quality that makes many people can reach, one of which is Gen Z, and 6 people (6%) are the lowest interested because being famous is not one of the Buying Interests of a person but in price affordability.



(Source; Primary data processed, 2024)

Figure 8. Profile of Respondents Based on who the Kopi Kenangan Brand Ambassador

Based on the data on who the Kopi Kenangan Brand Ambassador is, 42 people (42%) are more familiar with Nicholas Saputra because he is known as a romantic, supportive, and trustworthy figure when carrying a brand, and 7 people (7%) are the lowest familiar with Chandra Satria because he uses the movie Sherina 2 in promoting Kopi Kenangan which rarely comes out in advertisements.

By collecting the first 30 samples, the Validity Test and Reliability Test were carried out to determine whether a questionnaire statement was valid or not and continued to test 100 samples outside of the first 30 samples.

Validity Test

The validity test aims to determine whether a questionnaire is valid or not. An indicator in the questionnaire is declared valid if the r-count value $>$ r-table, but it is declared invalid if the r-count value $<$ r-table in this study r-table is 0.361 and a significance level of 95% or $\alpha = 0.05$.

Table 1.1 Validity Test Results

| Variables | Statement | r-count | r-table | Description |
|------------------------------|-----------|---------|---------|-------------|
| Brand Ambassador (X1) | Q1 | 0,717 | 0,361 | Valid |
| | Q2 | 0,681 | 0,361 | Valid |
| | Q3 | 0,791 | 0,361 | Valid |
| | Q4 | 0,889 | 0,361 | Valid |
| | Q5 | 0,858 | 0,361 | Valid |
| | Q6 | 0,870 | 0,361 | Valid |
| | Q7 | 0,752 | 0,361 | Valid |
| | Q8 | 0,825 | 0,361 | Valid |
| | Q1 | 0,844 | 0,361 | Valid |



| | | | | |
|--------------------------------------|----|-------|-------|-------|
| Product Quality | Q2 | 0,911 | 0,361 | Valid |
| | Q3 | 0,652 | 0,361 | Valid |
| | Q4 | 0,842 | 0,361 | Valid |
| (X2) | Q5 | 0,801 | 0,361 | Valid |
| | Q6 | 0,858 | 0,361 | Valid |
| | Q7 | 0,844 | 0,361 | Valid |
| Price (X3) | Q1 | 0,922 | 0,361 | Valid |
| | Q2 | 0,761 | 0,361 | Valid |
| | Q3 | 0,926 | 0,361 | Valid |
| | Q4 | 0,910 | 0,361 | Valid |
| | Q5 | 0,815 | 0,361 | Valid |
| | Q6 | 0,944 | 0,361 | Valid |
| | Q7 | 0,887 | 0,361 | Valid |
| | Q8 | 0,890 | 0,361 | Valid |
| Buying Interest (Y) | Q1 | 0,708 | 0,361 | Valid |
| | Q2 | 0,736 | 0,361 | Valid |
| | Q3 | 0,832 | 0,361 | Valid |
| | Q4 | 0,854 | 0,361 | Valid |
| | Q5 | 0,893 | 0,361 | Valid |
| | Q6 | 0,879 | 0,361 | Valid |
| | Q7 | 0,835 | 0,361 | Valid |
| | Q8 | 0,836 | 0,361 | Valid |

(Source; Primary data processed, 2024)

Based on Table 1., the data above shows that each questionnaire statement of the Brand Ambassador variable, Product Quality, Price, and Buying Interest has an r-count > r- table value, so we can conclude that all variable statements used in this study are valid.

Reliability Test

Reliability test can use the Cronbach Alpha technique formula with the criteria that a variable can be declared reliable if the Cronbach Alpha value is > 0.60, but it is declared unreliable if the Cronbach Alpha value is < 0.60.

Table 2. Reliability Test Results

| Variables | Cronbach Alpha | Description |
|-----------------------|-----------------------|--------------------|
| Brand Ambassador (X1) | 0,919 | Reliable |
| Product Quality (X2) | 0,909 | Reliable |
| Price (X3) | 0,953 | Reliable |
| Buying Interest (Y) | 0,930 | Reliable |

(Source; Primary data processed, 2024)

Based on Table 2., the data above shows that each statement of the Brand Ambassador



variable questionnaire, Product Quality, Price, and Buying Interest meets the "reliable" criteria because each of them is above > 0.60 .

Descriptive Statistics

| Descriptive Statistics | | | | | |
|------------------------|-----|---------|---------|-------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Brand Ambassador | 100 | 23 | 40 | 30.86 | 4.438 |
| Product Quality | 100 | 21 | 35 | 27.70 | 3.694 |
| Price | 100 | 20 | 40 | 30.67 | 4.675 |
| Buying Interest | 100 | 16 | 40 | 28.56 | 5.260 |
| Valid N (listwise) | 100 | | | | |

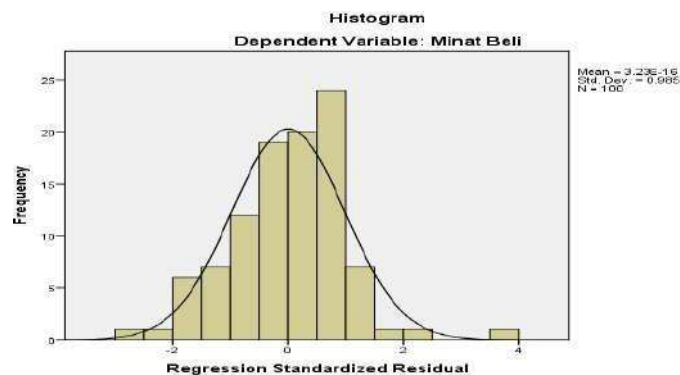
(Source; Primary data processed using SPSS version 24.0, 2024)

Figure 9. Descriptive Statistics

Based on Figure 9., the data above shows that Brand Ambassador has a minimum value of 23, a maximum value of 40, and a mean of 30.86 and a standard deviation of 4.438. For Product Quality has a minimum value of 21, a maximum value of 35, and a mean of 27.70 and a standard deviation of 3.694. For Price has a minimum value of 20, a maximum value of 40 and a mean of 30.67 and a standard deviation of 4.675. For Buying Interest has a minimum value of 16, a maximum value of 40 and a mean of 28.56 and a standard deviation of 5,260.

Normality Test

The Normality test is carried out by looking at the distribution of data on the diagonal source on the Normal Probability Plot of regression standardized residual graph or with the One sample Kolmogorov Smirnov test. The points that spread around the diagonal straight line are considered normally distributed data. The following test results can be seen on the histogram graph

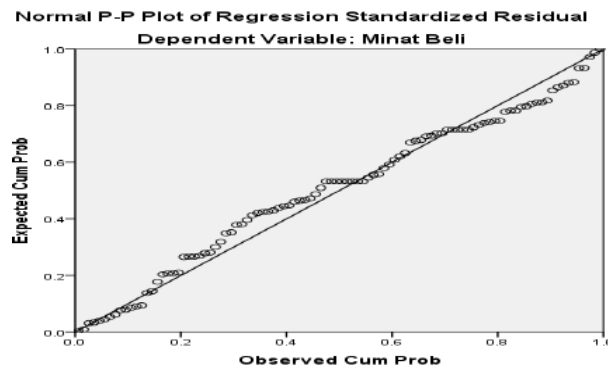




(Source; Primary data processed using SPSS version 24.0, 2024)

Figure 10. Normality Test Histogram

Based on Figure 10., it shows that the curves of the processed data form a bell curve and the diagram of the data follows the shape of the normal curve line. This indicates that the data is normally distributed.



(Source; Primary data processed using SPSS version 24.0, 2024)

Figure 11. Normal Probability Plot of regression standardized residuals

Based on Figure 11., it shows that the data points spread around the diagonal line and follow the direction of the diagonal line. This shows that the data in the regression model is normally distributed.

Table 3. Kolmogrov Smirnov Normality Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 100 |
| Normal Parameters ^{a,b} | Mean | .00 |
| | Std. Deviation | 4.341 |
| Most Extreme Differences | Absolute | .082 |
| | Positive | .079 |
| | Negative | -.082 |
| Test Statistic | | .082 |
| Asymp. Sig. (2-tailed) | | .093 ^c |

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 3. shows that the significant value of Kolmogrov Smirnov (KS) is 0.093, where the significant value > 0.05 , it can be said that the data processed is statistically normally distributed.



Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). To determine the presence / absence of multicollinearity is by using the Variance Inflation Factor (VIF) and Tolerance. If the Tolerance value ≥ 0.10 or VIF ≤ 10 can be stated that there is no Multicollinearity, while if the Tolerance value ≤ 0.10 or VIF ≥ 10 can be stated that there is Multicollinearity.

Table 4. Multicollinearity Test

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 6.058 | 3.581 | | 1.692 | .094 | | |
| Brand Ambassador | .313 | .143 | .264 | 2.191 | .031 | .487 | 2.052 |
| Product Quality | -.031 | .203 | -.021 | -.150 | .881 | .349 | 2.868 |
| Price | .446 | .132 | .397 | 3.368 | .001 | .512 | 1.954 |

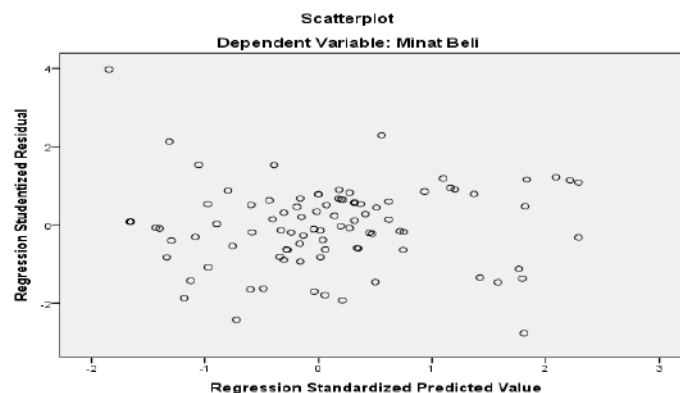
a. Dependent Variable: Buying Interest

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 4. shows that the Brand Ambassador variable has a tolerance value of $0.487 > 0.10$ and a VIF value of $2.052 < 10$, while Product Quality has a tolerance value of $0.349 > 0.10$ and a VIF value of $2.868 < 10$, and Price has a tolerance value of $0.512 > 0.10$ and VIF value of $1.954 < 10$ so we can conclude that Brand Ambassador, Product Quality, and Price do not have Multicollinearity with the tolerance value of all independent variables above 0.1 and the VIF value is below 10.

Heteroscedasticity Test

Heteroscedasticity test is used to see if in the regression model there is an inequality of variance from the residuals of one observation to another.





(Source; Primary data processed using SPSS version 24.0, 2024)

Figure 12. Scatterplot Heteroscedasticity Test

Based on Figure 12., it shows that the points are scattered randomly and do not form a pattern. This indicates the absence of Heteroscedasticity.

Table 5. Heteroscedasticity test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.136 | 2.301 | | -.493 | .623 |
| | Brand Ambassador | .129 | .092 | .198 | 1.404 | .164 |
| | Product Quality | .122 | .130 | .156 | .933 | .353 |
| | Price | -.097 | .085 | -.158 | -1.145 | .255 |

a. Dependent Variable: RES2

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 5., it shows that the significant value of the Brand Ambassador, Product Quality, and Price variables is above 0.05, so this data can be concluded that there is no Heteroscedasticity.

Multiple Linear Regression Test

Table 6. Multiple Linear Regression Tests

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 6.058 | 3.581 | | 1.692 | .094 |
| | Brand Ambassador | .313 | .143 | .264 | 2.191 | .031 |
| | Product Quality | -.031 | .203 | -.021 | -.150 | .881 |
| | Price | .446 | .132 | .397 | 3.368 | .001 |

a. Dependent Variable: Buying Interest

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 6., it is made into the Multiple Linear Regression Test equation, namely:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y = 6.058 + 0.313 X_1 + (-0.031)X_2 + 0.446 X_3$$

The above equation can be explained as follows:

1. The constant value is 6.058 which means it shows the estimated value of the Buying Interest



variable when all Brand Ambassador, Product Quality, and Price variables are zero.

2. The Brand Ambassador Coefficient value is 0.313, which means that every 1% increase in value, Buying Interest will increase by 0.313.
3. The Product Quality coefficient value is -0.031, which means that every additional value of 1%, Buying Interest will increase by -0.031.
4. The Price coefficient value is 0.446, which means that every additional value of 1%, Buying Interest will increase by 0.446.

Test Coefficient of Determination (R)²

Table 7. Test Coefficient of Determination (R)²

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .565 ^a | .319 | .298 | 4.408 |

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 7., shows that the Adjusted R Square value is 0.298. This means that 29.8% of Buying Interest can be explained by Brand Ambassador, Product Quality, and Price while the remaining 70.2% is explained by other variables not examined in this study such as brand image, promotion, service quality, and so on.

Simultaneous Hypothesis Test (F Test)

Table 8. F test

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 873.269 | 3 | 291.090 | 14.981 | .000 ^b |
| | Residuals | 1865.371 | 96 | 19.431 | | |
| | Total | 2738.640 | 99 | | | |

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 8., it shows that with df_1 the numerator is 3 and df_2 (denominator) is 96, the F-table value at a significance of 0.05 is 2.70. The F-count value of $14.981 > F$ -table of 2.70 with a significant level of $0.000 < 0.005$ So we can conclude that Brand Ambassador, Product Quality, and Price both have a positive and significant effect simultaneously on Buying Interest.

Partial Hypothesis Test (t Test)



Table 9. The t test

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | |
|-------|-----------------------------|------------|---------------------------|-------|-------|------|
| | B | Std. Error | Beta | | | |
| 1 | | | | | | |
| | (Constant) | 6.058 | 3.581 | | 1.692 | .094 |
| | Brand Ambassador | .313 | .143 | .264 | 2.191 | .031 |
| | Product Quality | -.031 | .203 | -.021 | -.150 | .881 |
| | Price | .446 | .132 | .397 | 3.368 | .001 |

a. Dependent Variable: Buying Interest

(Source; Primary data processed using SPSS version 24.0, 2024)

Based on Table 9., it shows that $df = n - k = 100 - 3 = 97$, then the t-table value at a significance of 0.05 is 1.984. Thus the results of the t test can be explained as follows the results of the partial hypothesis calculation obtained:

1. The t-count value of Brand Ambassador is $2.191 > t\text{-table of } 1.984$ and a significant value of $0.031 < 0.05$, it can be concluded that H_0 is rejected and H_a is accepted, namely partially Brand Ambassador has a positive and significant effect on Buying Interest in Kopi Kenangan consumer in Medan City.
2. The t-count value of Product Quality is $-0.150 < t\text{-table of } 1.984$ and a significant value of $0.881 > 0.05$, it can be concluded that H_0 is accepted and H_a is rejected, namely partially Product Quality has negative effect and is insignificant on Buying Interest of Kopi Kenangan consumers in Medan City.
3. The t-count value of Price of $3.368 > t\text{-table of } 1.984$ and a significant value of $0.001 < 0.05$, it can be concluded that H_0 is rejected and H_a is accepted, namely partially the Price has a positive and significant effect on Buying Interest in Kopi Kenangan consumer in Medan City.

DISCUSSION

Based on the calculation of the research results, it obtained a t-count $> t\text{-table of } 2.191 > 1.984$ and a significant value of $0.031 < 0.05$, where Brand Ambassador has a positive and significant effect on consumer Buying Interest in Kopi Kenangan in Medan City. This supports the first hypothesis and is in line with previous research conducted by (Hastuti, 2020) with the research title "The Effect of Brand Ambassador, Advertising, and Price on Interest in Purchasing Sedaap Noodles by Brawijaya University Students". Brand Ambassadors have a significant effect



on Purchase Interest because they can increase brand visibility, build trust, and create attractiveness so that with the presence of public figures known to consumers, they will feel more interested in trying Kopi Kenangan products. The Kopi Kenangan Brand Ambassadors, namely Isyana Sarasvati and Nicholas Saputra, are able to improve advertising promotion strategies because both are known as romantic, supportive, and trustworthy figures when carrying a brand, Chandra Satria and Isyana Sarasvati play Ratih and Syailendra so well that their singing and acting skills provide a refreshing new color for this film hoping that the public will also feel the sameway when watching *Petuangan Sherina 2*, and Hotman Paris is known as an eccentric and brave figure in expressing his opinion and has many followers and fans.

Based on the calculation of the research results, it obtained a t-count $< t$ -table of $-0.150 < 1.984$ and a significant value of $0.881 > 0.05$, where Product Quality has negative effect and is non significant on Buying Interest of Kopi Kenangan consumers in Medan City. This does not support the second hypothesis and contradicts previous research conducted by (Rachma Damayanti et al., 2024) which found that Product Quality has a partial and significant effect on Buying Interest in *Bittersweet* by Najla. Product Quality has no effect and is insignificant on Buying Interest due to other factors such as Price, promotion, trends, and recommendations from the surrounding environment so that these factors are more prominent in the consumer experience, so product quality may not be a top priority in their Buying Interest. Kopi Kenangan faces competition from other coffee brands in the highly competitive coffee beverage industry such as Kopi Janji Jiwa, Fore Coffee, and others.

Based on the calculation of the research results, it obtained a t-count $> t$ -table of $3.368 > 1.984$ and a significant value of $0.001 < 0.05$, where the Price has a positive and significant effect on consumer Buying Interest in Kopi Kenangan in Medan City. This is supports the third hypothesis and is in line with previous research conducted by (Mantong et al., 2024) with the research title "The Effect of Product Quality and Price on Buying Interest in Toraja Coffee Garage Business in Rante Pasele Village, North Toraja Regency". Price has a positive and significant effect on Buying Interest because Kopi Kenangan has an affordable or competitive Price so that it can attract consumer attention and increase consumer Buying Interest. The Prices



of Kopi Kenangan, namely Americanno IDR 15,000, Kopi Kenangan Mantan IDR 19,000, Milo Dinosaur IDR 20,000, Latte IDR 22,000 and others so that they can be reached by Gen Z people.

CONCLUSION

From the results of this study it can be concluded that the results of partial hypothesis testing show that Brand Ambassador ($2.191 > 1.984$) and Price ($3.368 > 1.984$) have a positive and significant effect on Buying Interest of Kopi Kenangan consumers in Medan City. The results of partial hypothesis testing show that Product Quality ($-0.150 < 1.984$) has negative effect and is not significant to the Buying Interest of Kopi Kenangan consumers in Medan City. Meanwhile, the results of simultaneous hypothesis testing show that Brand Ambassador, Product Quality, and Price ($14.981 > 2.70$) have a positive and significant effect on Buying Interest of Kopi Kenangan consumers in Medan City.

Suggestions that can be given by the author from the results of this study are for the Kopi Kenangan Company is expected to provide a new coffee flavor variant that is different from other coffee that is only available at Kopi Kenangan so that it can improve product quality and can maintain Price affordability in accordance with market demand, and for further researchers it is expected to be able to add other variables outside the variables studied such as brand image, promotion, service quality other factors that can affect Buying Interest, use different research methods such as SEM, and research objects in other areas such as in Binjai City.

REFERENCES

- Artameviah, R. (2022). PENGARUH CITRA MEREK, HARGA DAN PROMOSI TERHADAP KEPUTUSAN PEMBELIAN PADA E-COMMERCE SHOPEE (Studi pada Konsumen Shopee di Jakarta).
- Astuti, D. Y. (2018). Pengaruh Harga Promosi Terhadap Minat Pembelian Ulang Pada Evaluasi Pembeli Starbucks Coffee di Yogyakarta. <https://dspace.uui.ac.id/handle/123456789/11600>
- A'yun, S. K., & Fitra, J. (2023). PENGARUH KUALITAS PRODUK, VARIASI PRODUK DAN CELEBRITY ENDORSER TERHADAP MINAT BELI ULANG SCARLETT WHITENING BODY LOTION. *Journal of Digital Business and Management*, 2(1), 44–54.



<https://doi.org/10.32639/jdbm.v2i1.278>

- Ernawati, D. (2019). PENGARUH KUALITAS PRODUK, INOVASI PRODUK DAN PROMOSI TERHADAP KEPUTUSAN PEMBELIAN PRODUK HI JACK SANDALS BANDUNG. In *Jurnal Wawasan Manajemen* (Vol. 7, Issue 1).
- Farhan, J., Rachma, N., & Rahman, F. (2024). Pengaruh Kualitas Produk, Harga, Dan Electronic Word of mouth Terhadap Keputusan Pembelian Pada Mahasiswa Fakultas Ekonomi Dan Bisnis Universitas Islam Malang Pengguna Aplikasi Shopee. *E-JRM: Elektronik Jurnal Riset Manajemen*, 13(01), 2352–2359.
- Ghozali, I. (2016). Aplikasi analisis multivariete dengan program IBM SPSS 23.
- Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM Statistik SPSS 25. Semarang: BPF.
- Giffari, A. A. (2020). PENGARUH BRAND AMBASSADOR “BANGTAN BOYS” TERHADAP BRAND IMAGE TOKOPEDIA. <http://repository.unsri.ac.id/id/eprint/43102>
- Hastuti, D. (2020). Pengaruh Brand Ambassador, Iklan, Dan Harga Terhadap Minat Pembelian Mie Sedaap Oleh Mahasiswa Universitas Brawijaya.
- Irvanto, O., & Sujana, S. (2020). Pengaruh Desain Produk, Pengetahuan Produk, Dan Kesadaran Merek Terhadap Minat Beli Produk Eiger. *Jurnal Ilmiah Manajemen Kesatuan*, 8(2), 105–126. <https://doi.org/10.37641/jimkes.v8i2.331>
- Jeremias, N., Laisina, M., Fairliantina, E., & Pariwisata Internasional, S. (2022). Pengaruh kualitas produk, persepsi harga dan brand image terhadap keputusan membeli di kopi kenangan pasar minggu. *Nautical : Jurnal Ilmiah Multidisiplin*, 1. <https://jurnal.arkainstitute.co.id/index.php/nautical/index>
- Lestari, I. (2020). Pengaruh Brand Ambassador, Label Halal dan Brand Image Terhadap Minat Beli Ulang Produk Wardah di Semarang. Skripsi Universitas Semarang.
- Mantong, S., Pongtuluran, A. K., Kannapadang, D., Manajemen, P., & Ekonomi, F. (2024). PENGARUH KUALITAS PRODUK DAN HARGA TERHADAP MINAT BELI PADA USAHA GARASI KOPI TORAJA DI KELURAHAN RANTE PASELE KABUPATEN TORAJA UTARA. *Jurnal Tadbir Peradaban*.
- Mardiani, A. S., & Wardhana, A. (2018). Pengaruh Brand Ambassador terhadap Minat Beli



- Bandung Kunafe Cake. *EProceedings of Management*, 5(2).
- Maryati. (2022). PENGARUH KUALITAS PRODUK, KUALITAS PELAYANAN DAN PROMOSI TERHADAP KEPUTUSAN PEMBELIAN TOKO ONLINE TIME UNIVERSE STUDIO. *Jurnal Ekonomi Dan Bisnis*, 11 No. 1 Juli 2022, Hal 542-550.
- Nadiya, F. H., & Wahyuningsih, S. (2020). Pengaruh Kualitas Produk, Harga dan Citra Merek Terhadap Keputusan Pembelian Fashion 3second Di Marketplace (Studi Pada Mahasiswa Pengguna Fashion 3second Di Kota Semarang). *Prosiding Seminar Nasional Unimus*, 3.
- Prayoga, I., & Mulyandi, M. R. (2020). Pengaruh Electronic Word Of Mouth Terhadap Keputusan Pembelian Konsumen Pada Fore Coffee. *Jurnal Syntax Transformation*, 1(5), 136–140.
- Purnomo, R. A. (2016). Analisis Statistik Ekonomi dan Bisnis Dengan SPSS. https://www.google.co.id/books/edition/Analisis_Statistik_Ekonomi_dan_Bisnis_De/MQC GDwAAQBAJ?hl=id&gbpv=0
- Qoyum, Z. (2018). PENGARUH KUALITAS PRODUK, LOKASI DAN KUALITAS PELAYANAN TERHADAP KEPUTUSAN PEMBELIAN PADA RESTAURANT “X.” *Jurnal Riset Entrepreneurship*, 1(2), 30. <https://doi.org/10.30587/jre.v1i2.414>
- Rachma Damayanti, A., Karimah, H., Abidin Yunus, N., Zahra Putri Setyo Wati, A., Faiz Ferdi Rahman, M., Putri Maharani, C., & Mulyanti, K. (2024). PENGARUH HARGA DAN KUALITAS PRODUK TERHADAP MINAT BELI PADA BITTERSWEET BY NAJLA. *Neraca Manajemen, Ekonomi*, 6. <https://doi.org/10.8734/mnmae.v1i2.359>
- Rezeki, S., Rinaldi, M., Gustina, I., & Lodian, A. (2022). The Influence Of Consumer Behavior and Prices On Consumer Decisions to Buy Products At PT. Daikin Airconditioning Indonesia. *Jurnal Manajemen Bisnis Eka Prasetya*, 8(1), 284–295.
- Riyanto, S., & Hatmawan, A. A. (2020). Metode riset penelitian kuantitatif penelitian di bidang manajemen, teknik, pendidikan dan eksperimen. Deepublish. <https://id.scribd.com/document/660122293/E-book-Metode-Riset-Penelitian-Kuantitatif-Penelitian-Di-Bidang-Manajem>
- Romadon, A. S., Meirisa,) ;, Pramusinto, A., Salwa,) ;, & Kamelia³, N. (2023). PENGARUH KUALITAS PRODUK, CITRA MEREK, DAN HARGA TERHADAP KEPUTUSAN PEMBELIAN MELALUI SHOPEE. *Jurnal Ilmiah Bidang Ilmu Ekonomi*, 21(3), 259–269.



- Sandala, F. D., Tumbel, A. L., & Tampenawas, J. La. (2021). PENGARUH KELOMPOK REFERENSI, PERSEPSI HARGA DAN STORE ATMOSPHERE TERHADAP MINAT BELI KONSUMEN PADA UMKM BEENJI CAFE DI SARIO KECAMATAN SARIO THE INFLUENCE OF REFERENCE GROUP, PRICE PERCEPTION AND STORE ATMOSPHERE ON CONSUMER PURCHASE INTENTION AT SME'S "BEENJI CAFÉ" SARIO. In 878 Jurnal EMBA (Vol. 9, Issue 1).
- Sari, N. F. W. (2022). Pengaruh BTS (Bangtan Sonyoendan) Sebagai Brand Ambassador dan Brand Trust pada Tokopedia di Jakarta (Studi Kasus Pada Penggemar BTS terhadap Tokopedia)/Naomi Fitri Wulan Sari/23180519/Pembimbing: Bernadine.
- Satria, B. (2022, January). Terungkap, Ini Alasan Kopi Kenangan Pilih Nicholas Saputra dan Isyana Sarasvati sebagai Brand Ambassador. <https://www.bandungnewsphoto.com/gaya-hidup/pr-1962415686/terungkap-ini-alasan-kopi-kenangan-pilih-nicholas-saputra-dan-isyana-sarasvati-sebagai-brand-ambassador>
- Selfiana, H., & Susanti, R. (2024). Pengaruh Brand Ambassador, Brand Image dan Persepsi Harga Terhadap Keputusan Pembelian Produk Kosmetik Emina. MENAWAN : Jurnal Riset Dan Publikasi Ilmu Ekonomi, 2(5), 12–25. <https://doi.org/10.61132/menawan.v2i5.777>
- Septyadi, A. K. M., Salamah, M., & Nujiyatillah, S. (2022). LITERATURE REVIEW KEPUTUSAN PEMBELIAN DAN MINAT BELI KONSUMEN PADA SMARTPHONE: HARGA DAN PROMOSI. JURNAL MANAJEMEN PENDIDIKAN DAN ILMU SOSIAL, 3(1), 301–313. <https://doi.org/10.38035/jmpis.v3i1.876>
- Sintia, A., & Riyanto, K. (2023). Pengaruh Brand Ambassador, Promosi dan Harga Terhadap Keputusan Pembelian. ARBITRASE: Journal of Economics and Accounting, 4(1), 18–22. <https://doi.org/10.47065/arbitrase.v4i1.1085>
- Sugiyono. (2019). Pengaruh Kualitas Pelayanan Terhadap Kepuasan Konsumen (Vol. 9, Issue 2).



Leader's Openness and Tolerance of Ambiguity as Mediator in the Relationship Between Leader's Intellectual Humility and Employee's Job Satisfaction

Chintya, Fajar Rezeki Ananda Lubis, Dede Ansyari Guci

Universitas Prima Indonesia

ABSTRACT

Amidst intense competition, companies must maintain innovation and service excellence to the public. Employee job satisfaction plays a crucial role in enhancing innovation and company performance. This study aims to analyze the role of leader openness and tolerance of ambiguity as mediators in the relationship between leader intellectual humility and employee job satisfaction. Using a quantitative approach, data were collected through surveys of employees and leaders at PT Jaya Prima Express, a logistics company in Medan City. The research variables include intellectual humility as an independent variable, openness and tolerance of ambiguity as mediator variables, and job satisfaction as a dependent variable. Results from the GLM Mediation Analysis indicate that leader intellectual humility does not have a significant positive effect on employee job satisfaction. However, leader openness and tolerance of ambiguity were found to mediate the relationship, suggesting that these leadership traits foster a more inclusive and adaptive work environment. These findings provide theoretical contributions to leadership literature and practical benefits for organizations seeking to improve employee job satisfaction through leadership styles that support innovation and adaptability to change.

Keywords: Intellectual Humility, Tolerance of Ambiguity, Openness, Job Satisfaction.

INTRODUCTION

In facing intense competition in the global economic era, national companies must maintain customer satisfaction through innovation and superior services. The role of employees has become increasingly crucial as they need to maintain optimal performance and contribute to the company's success (Wolor et al., 2020). Recent research indicates that 47% of employees tend not to be psychologically engaged with their jobs or the companies they work for, making them more likely to seek opportunities elsewhere and willing to switch companies when offered better positions (Gallup, 2020). In the courier and logistics industry, particularly in Indonesia, changes in the business environment—such as technological advancements and market uncertainties—require leaders to embrace new ideas and develop tolerance for ambiguity. However, field observations



reveal that many leaders struggle to demonstrate openness to innovation and adaptability to change, negatively impacting employee job satisfaction. Companies often face challenges in retaining employees due to low job satisfaction, which leads to high turnover rates. This situation is exacerbated by leadership styles that do not support innovation or diversity of ideas and the inability of leaders to handle ambiguous situations effectively. This phenomenon highlights the need for leaders who possess not only intellectual humility but also openness and tolerance of ambiguity to create a more inclusive, adaptive, and supportive work environment. This research aims to address these issues by analyzing how openness and tolerance of ambiguity mediate the relationship between leaders' intellectual humility and employee job satisfaction, particularly in the dynamic and evolving courier industry. Studies on job satisfaction have been rapidly increasing due to its broad impact. Research shows that job satisfaction significantly influences overall quality of life, including social relationships, family connections, health status, job performance, attendance, and employee loyalty (Montuori et al., 2022). High job satisfaction is a key factor in improving employee productivity and enhancing company profitability (Waworuntu et al., 2022). Conversely, dissatisfaction is a major reason employees leave their jobs (Deloitte, 2022). For employees, job satisfaction also plays a critical role in their personal well-being. Employees with high job satisfaction tend to be happier and more motivated at work. On the other hand, those with low job satisfaction are less driven to perform well, which can disrupt their work activities. They may avoid responsibilities or take excessive time off under the pretext of illness (Judge et al., 2001). Job satisfaction also influences employees' sense of security; those with high job satisfaction are more likely to feel secure in their positions because they perceive a clear future with the company (Wolniak & Olkiewicz, 2019). Thus, understanding the factors influencing job satisfaction is essential for creating a positive and sustainable work environment. Job satisfaction describes an individual's relationship with their work situation (MacDonald & MacIntyre, 1997). It can be defined as a positive or pleasant emotional state resulting from work experiences (Locke, 1976). Job satisfaction is considered an essential component of overall satisfaction that provides individuals with the energy needed to perform well and remain committed to their jobs. Additionally, it fosters the strength to grow and innovate in their roles (Malik et al., 2014). Leadership is a significant factor influencing job satisfaction. Leadership styles, reflected in



leaders' attitudes, behaviors, skills, and the values of the organization, significantly impact employee satisfaction (Mosadegh Rad & Yarmohammadian, 2006). Intellectual humility is one such leadership trait that has garnered attention in leadership literature. Krumrei-Mancuso and Rouse (2016) define intellectual humility as an awareness of one's intellectual fallibility that does not threaten the individual. This awareness is evident in openness to revising one's viewpoint, lack of intellectual overconfidence, respect for others' viewpoints, and independence from ego when encountering differing opinions. Leaders with high intellectual humility benefit both the company and employees by being aware of their fallibility, open to new information, willing to revise their perspectives, unthreatened by differing opinions, and respectful of others' viewpoints (Pratiwi & Septiana, 2020). Such leaders foster an adaptive and collegial environment, enhancing job satisfaction and encouraging employee retention (Church & Samuelson, 2017). However, the relationship between leaders' intellectual humility and employees' job satisfaction is not straightforward. Research suggests mediating variables, such as leaders' openness to new ideas and tolerance of ambiguity. Leaders with high openness tend to adapt easily and are motivated to seek new knowledge and skills, fostering a more dynamic workplace (Şengün & Tuğrul, 2023). Openness, a dimension of the Big Five personality traits, is characterized by originality in generating new ideas, curiosity, deep thinking, and imagination (Goldberg, 1990). It includes facets such as fantasy, aesthetics, feelings, actions, ideas, and values (Costa & McCrae, 1992). Tolerance of ambiguity, another critical factor, involves individuals' acceptance or rejection of ambiguous stimuli, which are novel, complex, uncertain, or contradictory (McLain, 1993). Leaders with low tolerance for ambiguity are more likely to experience stress and react immaturely, while those with high tolerance find ambiguous situations engaging and stimulating (Furnham & Ribchester, 1995). Recent studies reveal that openness and tolerance of ambiguity can mediate the relationship between intellectual humility and job satisfaction. For example, Abdullah (2013) found that leaders' openness positively correlates with employee satisfaction. Similarly, Katsaros (2012) highlighted that leaders with high tolerance for ambiguity are more flexible and adaptive, enhancing employee satisfaction. In dynamic industries like logistics, such as PT Jaya Prima Express, leadership with intellectual humility, openness, and tolerance for ambiguity is critical to navigating uncertainty and improving employee satisfaction. This study aims to explore how these



traits mediate the relationship between leadership and employee satisfaction, offering insights into effective leadership strategies to foster innovation, reduce turnover, and create supportive work environments.

LITERATURE REVIEW

Maslow's Hierarchy of Needs Theory

Maslow's hierarchy of needs theory is highly significant. Maslow describes the pattern of human motivation, which typically progresses from one stage to the next, using terms such as physiological needs, safety, love and belonging, esteem, and self-actualization. According to Maslow's hierarchy, the most fundamental needs, referred to as deficiency needs (esteem, belongingness and love, safety, and physical needs), must be fulfilled first before individuals strongly desire secondary or higher-level needs (Rahimi et al., 2016). Hariandja, as cited in Handayani et al. (2020), identifies several factors influencing job satisfaction such as salary, the job itself, coworkers, supervisors, promotion, and work environment. Research by Artaya (2019) reveals a positive correlation between need fulfillment and job satisfaction, concluding that greater fulfillment leads to higher job satisfaction. Another study by Abedini (Rahimi et al., 2016) examined the relationship between job satisfaction among sports trainers in Southern Khorasan and their needs based on Maslow's hierarchy. The findings indicate a significant relationship between job satisfaction and psychological needs, safety needs, and esteem needs.

Transformational Leadership Theory

Transformational leadership involves leaders interacting with others to build relationships that enhance motivation and morality for both leaders and followers. This leadership style encourages followers to achieve results beyond expectations by providing a vision, setting an example, offering support, and stimulating the desire for positive change. Followers trust, admire, and respect transformational leaders, making them more willing to exceed expectations (Purwanto et al., 2021). Transformational leaders directly impact followers by influencing and motivating them to achieve common goals, emphasizing interaction and building trust. Research also shows that job satisfaction positively affects organizational citizenship behavior, making it vital for organizations to prioritize employee satisfaction (Purwanto, 2020; Purwanto et al., 2021).



Job Satisfaction

Job satisfaction can be defined as the feeling of achievement and success experienced by employees. It is widely believed that job satisfaction directly correlates with productivity, work performance, and personal well-being. Job satisfaction means performing a job one enjoys, doing it well, and receiving appropriate rewards for one's efforts (Kaliski, 2007; Aziri, 2011). From a classical perspective, job satisfaction is a construct arising from an individual's perception of their activities as enabling the attainment of significant values that align with their needs, thus helping fulfill basic human necessities (Dziuba et al., 2020). Wexley and Youkl (1984) define job satisfaction as the feelings and attitudes employees have toward their jobs. Certain factors, termed "motivators" by Herzberg, contribute to long-term satisfaction, including achievement, recognition, the nature of the work itself, and responsibility (Herzberg et al., 1959). In 1974, Churchill et al., in their article *Measuring the Job Satisfaction of Industrial Salesmen*, identified that job satisfaction encompasses job features and associated workplace conditions. They operationally defined job satisfaction as an affective state related to work, encompassing five aspects: supervision, job itself, coworkers, compensation, and promotion opportunities (Churchill et al., 1974). Locke (1976) refined these perspectives, describing job satisfaction as a pleasant emotional state arising from evaluating one's work experiences. This view framed job satisfaction as an affective reflection of work experiences. From a cognitive perspective, job satisfaction is understood as a psychological recognition process involving awareness, perception, reasoning, and judgment (Organ & Near, 1985). From an affective perspective, it is viewed as a positive emotional evaluation of work. Collectively, regardless of the perspective, job satisfaction relates to individual emotional well-being. Positive feelings toward work reflect satisfaction, while negative feelings reflect dissatisfaction (Zhu, 2013). Warr et al. (1979) developed an early measurement tool for job satisfaction, measuring work attitudes using 15 items, categorized into satisfied and dissatisfied responses, covering intrinsic and extrinsic factors. Its reliability score was 0.72. Another measurement tool by Ng (1993), *Job Satisfaction Scale for Nurses*, comprised 24 items using a 7-point Likert scale, specifically for nurses, with reliability scores between 0.84 and 0.85. Macdonald and MacIntyre (1997) developed the *Generic Job Satisfaction Scale* with 10 items on a 5-point Likert scale, reduced from an initial 44 items. Its reliability score was 0.77. This tool was



chosen for the current study due to its applicability in various organizational sectors. Job satisfaction involves factors grouped into four areas: economic aspects, interpersonal relationships, tasks and activities, and working conditions. Herzberg's Two-Factor Theory (1965) divides influencing factors into external (hygiene factors) and internal (motivators). Hygiene factors, such as pay and working conditions, prevent dissatisfaction, while motivators like recognition and achievement drive satisfaction.

Intellectual Humility

Intellectual humility is a topic of ongoing discussion among scholars, varying by context. McElroy et al. (2014) define it as an individual's modesty regarding their knowledge and worldview. It involves regulating self-interest in being correct, openness to new ideas, and basing arguments on evidence. Leary et al. (2017) distinguish intellectual humility from low self-confidence. Individuals with intellectual humility recognize the uncertainty of knowledge, are open to revising beliefs based on new evidence, and are unaffected by personal ego. Samuelson and Church (2015) view intellectual humility as an outcome of human-environment interaction. It is a skill that can be developed, trained, and strengthened. Similarly, Alfano et al. (2017) link intellectual humility to self-image, describing it as composed of traits like openness and inquisitiveness. Krumrei-Mancuso and Rouse (2016) define intellectual humility as awareness of one's fallibility, demonstrated through openness to revising beliefs, respect for others' viewpoints, and lack of overconfidence. This conceptualization, encompassing interpersonal and intrapersonal dimensions, is adopted for this study. Several tools measure intellectual humility: Intellectual Humility Scale (IHS) by McElroy et al. (2014) measures intellectual openness and regulation of emotions, with reliability scores of 0.9–0.97; General Intellectual Humility Scale (GIHS) by Leary et al. (2017) is a unidimensional measure with six items and a reliability score of 0.82; Comprehensive Intellectual Humility Scale (CIHS) by Krumrei-Mancuso and Rouse (2016) consists of 22 items across four dimensions with good reliability and validity scores. This tool is used in the current study due to its multidimensional approach.

Openness

Openness, or openness to experience, is one of the Big Five personality dimensions. To define



openness, it is essential first to understand the Big Five. The origins of the Big Five stem from Allport and Odbert's (1936) study, which identified 18,000 terms describing human behavior, later categorized into four main groups: general tendencies, temporary conditions, evaluative judgments about personal reputation, and physical characteristics. Cattell (1943) refined these into 4,500 traits, later distilled into 12 personality factors and ultimately the 16 Personality Factors (16PF). Further research by Tupes and Christal (1961) identified five dominant factors, termed by Norman (1963) as extraversion/surgency, agreeableness, conscientiousness, emotional stability, and culture. These factors, later referred to as the Big Five, broadly encompass human personality (Goldberg, 1981). Norman (1963) initially termed the fifth factor as "culture," but Goldberg (1990) argued that "intellectual interest" or "openness" was more suitable. Openness includes originality, intellectual curiosity, imagination, and aesthetic sensitivity. Costa and McCrae (1992) expanded on this, identifying six facets of openness: fantasy, aesthetics, feelings, actions, ideas, and values. This study adopts Goldberg's (1990) definition, as it forms the foundation of the Big Five Inventory (John et al., 1990), widely used to measure openness. Costa and McCrae (1985) initially developed the NEO Personality Inventory, revised in 1992 as the NEO Personality Inventory Revised (NEO PI-R), comprising 240 items. Recognizing its length, they created the shorter NEO Five Factor Inventory (NEO-FFI) with 60 items and a reliability score of 0.79. Goldberg (1992) developed the Trait Descriptive Adjectives Scale (TDA), a 100-item tool with a reliability score of 0.89. John et al. (1990) introduced the Big Five Inventory (BFI), consisting of 44 items. The BFI is the most efficient tool due to its brevity, ease of understanding, and strong reliability (0.83). This study employs the BFI. Openness influences various aspects of life, including relationships, attitudes, political activities, and artistic endeavors (McCrae & Sutin, 2009). Research shows openness correlates with creativity, problem-solving abilities, goal-oriented behavior, resilience to stress, and overall well-being (Peterson & Seligman, 2004). Additionally, it is closely associated with performance in creativity-driven tasks, crystallized intelligence, and verbal skills (John & Srivastava, 1999; Schwaba et al., 2019).

Tolerance of Ambiguity

Researchers often define tolerance of ambiguity through its opposite—ambiguity intolerance.



McLain (1993) describes tolerance of ambiguity as an individual's spectrum of acceptance or rejection of ambiguous stimuli, where ambiguous stimuli refer to situations that are unfamiliar, complex, uncertain, or capable of multiple conflicting interpretations. Individuals with low tolerance for ambiguity often experience stress and immaturity, such as attempting to escape ambiguous situations. Conversely, those with high tolerance perceive ambiguous scenarios as engaging and challenging, viewing them as opportunities rather than obstacles (Furnham & Ribchester, 1995). Several tools measure tolerance of ambiguity: Ambiguity Tolerance Scale by MacDonald (1970), measuring emotional, perceptual, and operational dimensions of ambiguity; Measurement of Ambiguity Tolerance by Norton (1975), focusing on cognitive aspects of ambiguity tolerance; Multiple Stimulus Ambiguity Tolerance Scale by McLain (1993), emphasizing the behavioral response to ambiguous stimuli. McLain's tool is particularly relevant for workplace studies and is adopted in this research due to its applicability and reliability. Tolerance of ambiguity is crucial in modern organizations, as employees frequently encounter uncertainty due to dynamic roles, risks, and complex challenges. It correlates with creativity, decision-making skills, and performance (Furnham & Marks, 2013; Merrotsky, 2013). Research by Leary et al. (2017) indicates that tolerance of ambiguity positively relates to intellectual humility, curiosity, and open-mindedness. Individuals with high tolerance for ambiguity are better equipped to navigate organizational complexity, contributing to improved outcomes.

Relationship Between Intellectual Humility and Job Satisfaction

The relationship between intellectual humility and job satisfaction has been widely discussed in recent studies. Leaders with intellectual humility are aware of their limitations, open to feedback, and willing to learn from others. These traits foster a positive work environment where employees feel valued, respected, and supported, ultimately improving job satisfaction (Church & Samuelson, 2017). Intellectual humility enables leaders to handle workplace challenges effectively by demonstrating openness to new perspectives and acknowledging their fallibility. This attitude positively influences employee engagement and reduces conflict in the workplace (Krumrei-Mancuso & Rouse, 2016). Moreover, leaders with intellectual humility create a culture of trust and collaboration, which strengthens employees' connection to the organization and enhances their job



satisfaction (Pratiwi & Septiana, 2020). However, the relationship between intellectual humility and job satisfaction is not always direct. Other factors, such as organizational culture, employee expectations, and mediating variables like openness and tolerance of ambiguity, may influence this relationship.

Relationship Between Openness and Job Satisfaction

Openness is one of the Big Five personality traits that significantly impact how individuals perceive and respond to their work environment. Leaders with high openness exhibit curiosity, flexibility, and creativity, making them more adaptable to change and open to new ideas. These characteristics contribute to a supportive and dynamic workplace, which enhances employee job satisfaction (Şengün & Tuğrul, 2023). Research shows that openness is positively correlated with innovation and problem-solving capabilities, enabling leaders to address workplace challenges effectively. Leaders who encourage open communication and value diverse perspectives foster an inclusive work culture, improving employee morale and satisfaction (Goldberg, 1990). Furthermore, openness allows leaders to connect with employees on a deeper level, understanding their needs and motivations. This connection promotes trust and loyalty, which are crucial for sustaining high levels of job satisfaction (Costa & McCrae, 1992).

Relationship Between Tolerance of Ambiguity and Job Satisfaction

Tolerance of ambiguity refers to an individual's ability to manage and adapt to uncertain or ambiguous situations. Leaders with high tolerance of ambiguity remain calm and composed in the face of uncertainty, which helps create a stable and secure work environment for employees (Furnham & Ribchester, 1995). In modern organizations, where rapid technological advancements and market uncertainties are common, tolerance of ambiguity is an essential leadership trait. Research shows that leaders with high tolerance of ambiguity are better at decision-making, creativity, and problem-solving, which positively impacts employee performance and job satisfaction (Furnham & Marks, 2013; Merrotsy, 2013). Additionally, leaders who demonstrate tolerance of ambiguity foster a culture of resilience and adaptability, enabling employees to navigate workplace challenges more effectively. This reduces stress and promotes a sense of security, further enhancing job satisfaction (Katsaros et al., 2014).



METHODS

This research employs a quantitative approach using a cross-sectional design to examine the relationships between variables at a specific point in time. The study focuses on analyzing how leader openness and tolerance of ambiguity mediate the relationship between leader intellectual humility and employee job satisfaction. The participants in this study include employees and leaders at PT Jaya Prima Express, a logistics company in Medan. Leaders are selected based on their supervisory roles, while employees represent team members reporting to these leaders. The sample size was determined using Slovin's formula with a margin of error of 5%. The calculation resulted in a sample size of 120 respondents, consisting of 30 leaders and 90 employees. A proportional sampling technique was used to ensure representativeness across the organizational hierarchy. The research process was conducted in two main stages: the preparation stage and the implementation stage. During the preparation stage, a thorough literature review was conducted to examine relevant theories and previous studies, which served as the basis for developing the study's conceptual framework. Additionally, instruments such as questionnaires were carefully adapted to measure the constructs investigated, including intellectual humility, openness, tolerance of ambiguity, and job satisfaction. In the implementation stage, data collection was carried out by distributing surveys to employees and leaders through both online and offline channels. Before participation, respondents were informed about the purpose of the research and assured of the confidentiality of their responses. Following the data collection process, the responses were meticulously reviewed to ensure completeness and accuracy before proceeding with the analysis.

The Comprehensive Intellectual Humility Scale (CIHS) developed by Krumrei-Mancuso and Rouse (2016) was used to measure Intellectual Humility. This scale comprises 22 items across four dimensions: Openness to Revising One's Viewpoint, Lack of Intellectual Overconfidence, Respect for Others' Viewpoints, and Independence of Intellect and Ego. The instrument demonstrated strong reliability (Cronbach's alpha = 0.82) and was adapted to the Indonesian context for this study. The Generic Job Satisfaction Scale by Macdonald and MacIntyre (1997) was used to measure employee satisfaction. It consists of 10 items rated on a 5-point Likert scale, with reliability scores of 0.77 in previous studies. Openness was measured using the Big Five



Inventory (BFI) by John et al. (1990), which includes items that assess intellectual curiosity, creativity, and openness to new ideas. The scale was chosen for its brevity and high reliability (Cronbach's alpha = 0.83). The Multiple Stimulus Ambiguity Tolerance Scale by McLain (1993) was employed to assess leaders' responses to ambiguous situations. It consists of 12 items with strong psychometric properties.

Operational Definitions of Variables

Independent Variable: Intellectual Humility defined as a leader's awareness of their knowledge limitations and willingness to revise their views based on evidence.

Mediating Variables: Openness defined as leader's willingness to explore and accept new ideas and experiences; Tolerance of Ambiguity defined as the leader's ability to remain calm and effective in uncertain or complex situations.

Dependent Variable: Job Satisfaction defined as employees' overall emotional response to their work environment, tasks, and leadership.

Data Analysis

The data was analyzed using GLM Mediation Analysis in the Jamovi 2.3.28 software. Mediation tests were conducted to determine whether openness and tolerance of ambiguity mediated the relationship between intellectual humility and job satisfaction. Descriptive and inferential statistics were used to interpret the results.

RESULTS

The participants in this study consisted of 35 employees from PT. Jaya Prima Express, including 18 women and 17 men. The average age of the participants was 25.6 years. Most participants were in the age range of 21–30 years, and the average length of service in the company was 2.4 years. The education levels of the participants were dominated by high school graduates (45.7%) and bachelor's degree holders (42.8%).

Leader's Intellectual Humility: The range of scores for the intellectual humility variable was between 22 and 110, with an average score of 76.4 and a standard deviation of 9.8. This indicates that the majority of participants perceived their leaders as demonstrating moderate levels of



intellectual humility. Employee Job Satisfaction: The possible score range for job satisfaction was 10 to 50. The average score was 36.2 with a standard deviation of 6.3, indicating a moderate level of employee satisfaction in their jobs. Leader Openness: The possible score range of 12 to 60. The average score for this variable was 43.5 with a standard deviation of 7.4, suggesting that leaders at PT. Jaya Prima Express exhibit moderate openness toward new ideas. Leader Tolerance of Ambiguity: scores for leader tolerance of ambiguity ranged from 10 to 50, with an average score of 35.8 and a standard deviation of 5.6. This demonstrates that most participants perceived their leaders as moderately tolerant of ambiguous situations.

Mediation Analysis Results

The mediation analysis was conducted using the General Linear Model (GLM) mediation analysis technique to examine the roles of leader openness and ambiguity tolerance as mediating variables in the relationship between leader intellectual humility and employee job satisfaction. The results showed no significant direct effect of leader intellectual humility on employee job satisfaction ($p > 0.05$). This indicates that intellectual humility, as an independent variable, does not directly influence job satisfaction. Leader openness significantly mediated the relationship between leader intellectual humility and employee job satisfaction ($p < 0.05$). This suggests that intellectual humility positively impacts job satisfaction indirectly through the leader's openness to new ideas and approaches. Leader ambiguity tolerance also mediated the relationship between leader intellectual humility and employee job satisfaction ($p < 0.05$). Leaders with high ambiguity tolerance can create a more inclusive and adaptive work environment, indirectly enhancing employee job satisfaction. When both mediating variables (openness and ambiguity tolerance) were included in the model simultaneously, the indirect effects remained significant ($p < 0.05$). This indicates that both factors collectively play essential roles in connecting intellectual humility to job satisfaction.



Indirect and Total Effects

| Type | Effect | Estimate | SE | 95% C.I. (a) | | β | z | p |
|-----------|---------------------------------------|----------|--------|--------------|-------|---------|-------|--------|
| | | | | Lower | Upper | | | |
| Indirect | IH \Rightarrow O \Rightarrow WS | 0.2436 | 0.0603 | 0.1255 | 0.362 | 0.528 | 4.04 | < .001 |
| | IH \Rightarrow TOA \Rightarrow WS | 0.1132 | 0.0343 | 0.0460 | 0.180 | 0.246 | 3.30 | < .001 |
| Component | IH \Rightarrow O | 0.4480 | 0.0147 | 0.4191 | 0.477 | 0.982 | 30.41 | < .001 |
| | O \Rightarrow WS | 0.5438 | 0.1333 | 0.2825 | 0.805 | 0.538 | 4.08 | < .001 |
| | IH \Rightarrow TOA | 0.9824 | 0.0573 | 0.8700 | 1.095 | 0.945 | 17.13 | < .001 |
| | TOA \Rightarrow WS | 0.1152 | 0.0343 | 0.0481 | 0.182 | 0.260 | 3.36 | < .001 |
| Direct | IH \Rightarrow WS | 0.0942 | 0.0603 | -0.0240 | 0.212 | 0.204 | 1.56 | 0.118 |
| Total | IH \Rightarrow WS | 0.4510 | 0.0164 | 0.4188 | 0.483 | 0.978 | 27.44 | < .001 |

Note. Confidence intervals computed with method: Standard (Delta method)

Note. Betas are completely standardized effect sizes

DISCUSSION

The findings of this study align with existing leadership and job satisfaction literature. Although intellectual humility does not directly affect job satisfaction, it provides a foundation for developing other essential leadership traits. Intellectual humility allows leaders to recognize their limitations, seek input from others, and remain open to new ideas. This characteristic, while not directly influencing satisfaction, helps leaders build a more supportive and flexible leadership style. Leader openness, one of the mediating factors, significantly enhances job satisfaction by fostering innovation and inclusivity within the organization. Employees tend to feel more valued and satisfied in workplaces where leaders are open to diverse perspectives and new approaches. On the other hand, ambiguity tolerance also serves as a crucial mediator. In today's fast-changing business environment, leaders with high ambiguity tolerance can navigate uncertainty more effectively. Such leaders instill confidence in their teams, reduce anxiety caused by unclear circumstances, and encourage adaptability, thereby enhancing overall employee satisfaction. This research underscores the importance of combining intellectual humility with openness and ambiguity tolerance to create a positive and adaptive workplace culture. Together, these traits empower leaders to respond effectively to the dynamic challenges of modern organizations while ensuring employee well-being and satisfaction.



CONCLUSION

This study investigated the role of leader openness and ambiguity tolerance as mediators in the relationship between leader intellectual humility and employee job satisfaction at PT. Jaya Prima Express. The findings indicate that leader intellectual humility does not directly and significantly influence employee job satisfaction. However, leader openness plays a significant mediating role, as leaders who demonstrate high openness can create a work environment that is more adaptive and open to innovation, which positively impacts employee job satisfaction. Similarly, leader ambiguity tolerance also mediates the relationship between intellectual humility and job satisfaction. Leaders who exhibit high tolerance for ambiguity can foster a more inclusive and adaptive work environment, which helps employees feel more comfortable and satisfied even in uncertain or challenging situations.

LIMITATION

This study has several limitations that should be acknowledged. First, the small sample size of only 35 participants limits the generalizability of the findings to broader populations or other organizational contexts. Future studies should consider including larger and more diverse samples to enhance the external validity of the results. Second, the study was conducted in a single organization, PT. Jaya Prima Express, which might not represent the dynamics of other industries or cultural settings. Expanding the scope to multiple organizations or industries could provide more comprehensive insights. Additionally, the measurement tools, although reliable, might not capture the full complexity of the variables studied. Incorporating qualitative approaches or mixed methods could offer a deeper understanding of the mediating processes and contextual factors influencing the relationships. Lastly, the cross-sectional design of this study captures data at a single point in time, limiting the ability to observe changes or causal relationships over time. Longitudinal research would be valuable in addressing these gaps and understanding the evolution of the relationships examined.

REFERENCES

- Allport, G. W., & Odbert, H. S. (1936). Trait-names: A psycho-lexical study. *Psychological Monographs*, 47(1), i-171. <https://doi.org/10.1037/h0093360>
- Alfano, M. R., Iurino, K., Stey, P., Robinson, B., Christen, M., Yu, F., & Lapsley, D. (2017). Development



- and validation of a multi-dimensional measure of intellectual humility. *PloS One*, 12(8), e0182950-e0182950. <https://doi.org/10.1371/journal.pone.0182950>
- Artaya, I. P. (2019). Penerapan Teori Motivasi Hierarki Kebutuhan Abraham H. Maslow dan Teori Pemeliharaan Herzberg Dalam Menciptakan Loyalitas Pekerja. Preprint, 1-10.
- Aziri, B. (2011). Job satisfaction: a literature review, *Management Research And Practice*, 3(4), 77-86.
- Cattell, R. B. (1943). The description of personality: Basic traits resolved into clusters. *Journal of Abnormal and Social Psychology*, 38(4), 476-506. <https://doi.org/10.1037/h0054116>
- Church, I., & Samuelson, P. (2017). *Intellectual humility: An introduction to the philosophy and science*. Bloomsbury Publishing.
- Churchill Jr, G. A., Ford, N. M., & Walker Jr, O. C. (1974). Measuring the job satisfaction of industrial salesmen. *Journal of Marketing Research*, 11(3), 254-260.
- Costa, P. T., & McCrae, R. R. (1985). *The NEO personality inventory*. Odessa, FL: Psychological assessment resources.
- Costa, P. T., & McCrae, R. R. (1992). *NEO PI-R Professional Manual*. Odessa, FL: Psychological Assessment Resources.
- Deloitte. (2002). *The Deloitte Global 2022 Gen Z and Millennial Survey*. www.deloitte.com. <https://www.deloitte.com/global/en/about/people/socialresponsibility/genzmillennialsurvey.html>.
- Dziuba, S. T., Ingaldi, M., & Zhuravskaya, M. (2020). Employees' job satisfaction and their work performance as elements influencing work safety. *System Safety: Human-Technical Facility-Environment*, 2(1), 18-25.
- Furnham, A., & Marks, J. (2013). Tolerance of ambiguity: A review of the recent literature. *Psychology*, 4(09), 717-728. <https://doi.org/10.4236/psych.2013.49102>
- Furnham, A., & Ribchester, T. (1995). Tolerance of ambiguity: A review of the concept, its measurement and applications. *Current Psychology*, 143, 179-199. <https://doi.org/10.1007/BF02686907>
- Gallup S. (2020). [(accessed on 20 August 2024)]. Available online: <https://www.gallup.com/workplace/316064/employee-engagement-hits-new-high-historic-drop.aspx>
- Goldberg, L. R. (1981). Language and individual differences: The search for universals in personality lexicons. *Review of personality and social psychology*, 2(1), 141-165.
- Goldberg, L. R. (1990). An alternative "description of personality": The big-five factor structure. *Journal of Personality and Social Psychology*, 59(6), 1216-1229. <https://doi.org/10.1037/0022-3514.59.6.1216>
- Handayani, S., Haryono, S., & Fauziah, F. (2020). Upaya Peningkatan Motivasi Kerja Pada Perusahaan Jasa Kontruksi Melalui Pendekatan Teori Kebutuhan Maslow. *JBTI: Jurnal Bisnis: Teori dan Implementasi*, 11(1), 44-53.
- Herzberg, F., Mausner, B., Snyderman, B. (1959). *Motivation to Work*. Granada, London, UK
- Herzberg, F. (1965). The new industrial psychology. *Industrial and Labor Relations Review*, 18 (3), 364-376
- John, O. (1990). The 'Big Five' factor taxonomy: Dimensions of personality in the natural language and questionnaires. In L.A. Pervin (Ed.), *Handbook of personality: Theory and research* (pp. 66-100). New York: Guilford Press.
- John, O. P., & Srivastava, S. (1999). The Big-Five trait taxonomy: History, measurement, and theoretical perspectives (Vol. 2, pp. 102-138). Berkeley: University of California.
- Judge, T. A., Thoresen, C. J., Bono, J. E., Patton, G.K., (2001). The job satisfaction–job performance relationship: A qualitative and quantitative review, *Psychological Bulletin*, 127(3), 376-407, DOI: 10.1037/0033-2909.127.3.376
- Kaliski, B.S., 2007. *Encyclopedia of Business and Finance*, Thompson Gale, Detroit, USA.



- Katsaros, K. K., & Nicolaidis, C. S. (2012). Personal traits, emotions, and attitudes in the workplace: Their effect on managers' tolerance of ambiguity. *The Psychologist-Manager Journal*, 15(1), 37-55.
- Katsaros, K. K., Tsirikas, A. N., & Nicolaidis, C. S. (2014). Managers' workplace attitudes, tolerance of ambiguity and firm performance. *Management Research Review*, 37(5), 442-465. doi:10.1108/mrr01-2013-0021
- Krumrei-Mancuso, E. J., & Rouse, S. V. (2016). The development and validation of the comprehensive intellectual humility scale. *Journal of Personality Assessment*, 98(2), 209-221. <https://doi.org/10.1080/00223891.2015.1068174>
- Leary, M. R., Diebels, K. J., Davisson, E. K., Jongman-Sereno, K. P., Isherwood, J. C., Raimi, K. T., Deffler, S. A., & Hoyle, R. H. (2017). Cognitive and interpersonal features of intellectual humility. *Personality & Social Psychology Bulletin*, 43(6), 793-813. <https://doi.org/10.1177/0146167217697695>
- Locke, E. A. (1976). The nature and causes of job satisfaction. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology* (pp. 1297-1349). Chicago: Rand McNally
- Macdonald, S., & MacIntyre, P. (1997). The generic job satisfaction scale: Scale development and its correlates. *Employee Assistance Quarterly*, 13(2), 1-16.
- Malik, M., Wan, D., Dar, L.S., Akbar, A., & Naseem, M.A. (2014). The Role Of Work Life Balance In Job Satisfaction And Job Benefit. *Journal of Applied Business Research*, 30, 1627-1638.
- McCrae, R. R., & Sutin, A. R. (2009). Openness to experience. In M. R. Leary & R. H. Hoyle (Eds.), *Handbook of individual differences in social behavior* (p. 257-273). The Guilford Press.
- McElroy, S. E., Rice, K. G., Davis, D. E., Hook, J. N., Hill, P. C., Worthington, E. L. J., & Tongeren, D. R. V. (2014). Intellectual humility: Scale development and theoretical elaborations in the context of religious leadership. *Journal of Psychology and Theology*, 42(1), 19-30. <https://doi.org/10.1177/009164711404200103>
- McLain, D. L. (1993). The MSTAT-I: A new measure of an individual's tolerance for ambiguity. *Educational and psychological measurement*, 53(1), 183-189.
- Merrotsy, P. (2013). Tolerance of Ambiguity: A Trait of the Creative Personality? *Creativity Research*
- Montuori, P., Sorrentino, M., Sarnacchiaro, P., Di Duca, F., Nardo, A., Ferrante, B., D'Angelo, D., Di Sarno, S., Pennino, F., Masucci, A., Triassi, M., & Nardone, A. (2022). Job Satisfaction: Knowledge, Attitudes, and Practices Analysis in a Well-Educated Population. *International journal of environmental research and public health*, 19(21), 14214. <https://doi.org/10.3390/ijerph192114214>
- Mosadegh Rad, A.M., Yarmohammadian, M.H., 2006. A study of relationship between managers' leadership style and employees' job satisfaction, *Leadership in Health Services*, 219, 11-28.
- Ng, S. H. (1993). A job satisfaction scale for nurses. *New Zealand Journal of Psychology*, 22(1), 46-53.
- Nicolaidis, C., & Katsaros, K. (2011). Tolerance of ambiguity and emotional attitudes in a changing business environment: A case of Greek IT CEOs. *Journal of Strategy and Management*, 4(1), 44-61.
- Norman, W. T. (1963). Toward an adequate taxonomy of personality attributes: Replicated factor structure in peer nomination personality ratings. *Journal of Abnormal and Social Psychology*, 66(6), 574-583. <https://doi.org/10.1037/h0040291>
- Norton, R. W. (1975). Measurement of ambiguity tolerance. *Journal of Personality Assessment*, 39(6), 607-619. https://doi.org/10.1207/s15327752jpa3906_11
- Peterson, C., & Seligman, M. E. P. (2004). *Character strengths and virtues: A handbook and classification*. Oxford University Press, Incorporated.
- Pratiwi, A. E., & Septiana, E. (2020). Religious Tolerance in High Schools: Between Civic Education, Teachers, Parents, and Intellectual Humility. *PSYCHOLOGY AND EDUCATION*, 57(5), 346-352.



- Purwanto, A. (2020). The role of job satisfaction in the relationship between transformational leadership, knowledge management, work environment and performance. *Solid State Technology*.
- Purwanto, A., Purba, J. T., Bernarto, I., & Sijabat, R. (2021). Effect of transformational leadership, job satisfaction, and organizational commitments on organizational citizenship behavior. *Inovbiz: Jurnal Inovasi Bisnis*, 9, 61-69.
- Rahimi, I., Divsalar, K., Rezvani, M., & Aramoon, S. S. (2016). The relationship between lifeguards' needs and their job satisfaction based on Maslow's hierarchy of needs. *Report of Health Care*, 2(2), 23-30.
- Samuelson, P. L., & Church, I. M. (2015). When cognition turns vicious: Heuristics and biases in light of virtue epistemology. *Philosophical Psychology*, 28(8), 1095-1113. <https://doi.org/10.1080/09515089.2014.904197>
- Schwaba, T., Robins, R. W., Grijalva, E., & Bleidorn, W. (2019). Does openness to experience matter in love and work? domain, facet, and developmental evidence from a 24-year longitudinal study. *Journal of Personality*, 87(5), 1074-1092. <https://doi.org/10.1111/jopy.12458>
- Şengün, D. U., & Tuğrul, T. (2023). Exploring the Relationship between Organizational Cultures, Openness to Experience and Work Engagement. In *Proceedings of the International Conference on Business Excellence Vol. 17, No. 1*, pp. 2108-2118.
- Tupes, E. C., & Christal, R. E. (1992). Recurrent personality factors based on trait ratings. *Journal of Personality*, 60(2), 225-251. <https://doi.org/10.1111/j.1467-6494.1992.tb00973.x>
- Warr, P., Cook, J., & Wall, T. (1979). Scales for the measurement of some work attitudes and aspects of psychological well-being. *Journal of occupational Psychology*, 52(2), 129-148.
- Waworuntu, E. C., Kainde, S. J., & Mandagi, D. W. (2022). Work-life balance, job satisfaction and performance among millennial and Gen Z employees: a systematic review. *Society*, 102, 286-300.
- Wexley, K.N., Yukl, G.A., 1984. *Organizational Behavior and Personnel Psychology*, Richard D. Irwin Inc., Homewood, IL, USA.
- Wolniak, R., Olkiewicz, M., 2019. The Relations Between Safety Culture and Quality Culture, *System Safety: Human - Technical Facility - Environment*, 11, 10-17, DOI: 10.2478/czoto-2019-0002.
- Wolor, C. W., Kurnianti, D., Zahra, S. F., & Martono, S. 2020. The Importance of work-life balance on employee performance milennial generation in Indonesia. *Journal of Critical Reviews*, 79, 1103-1109.
- Zhu, Y. (2013). A review of job satisfaction. *Asian Social Science*, 9(1), 293.



FINANCIAL FUNDAMENTAL FACTORS ON COMPANY VALUE STOCK PRICE AS AN INTERVENING VARIABLE IN A GOODS CONSUMER COMPANY ON THE INDONESIAN STOCK EXCHANGE

Aura Futhie Tasya¹, Aremi Evanta Br Tarigan², Enda Noviyanti Simorangkir³, Galumbang Hutagalung⁴

Universitas Prima Indonesia, Medan, Sumatera Utara

Abstract

The consumer goods sector is a sector that has been targeted by many investors, given the rapidly growing needs of the Indonesian population which has significantly become the main attraction for investors to invest in this sector. The more rapid development of consumer goods companies in Indonesia, making these companies compete with each other to create the latest innovations in the consumer goods sector, to meet the needs of the Indonesian population, this makes companies compete with each other in order to maintain and increase company value. The purpose of this research is to examine and analyze the effect of Price To Book Value, Return On Equity, and Debt To Equity Ratio on company value through stock prices. The method used in this research is quantitative, and the nature of the research is explanatory. The data collection technique used is documentation. The type and source of data is secondary data in the form of financial reports of companies in the consumer goods sector which are published on the Indonesia Stock Exchange for the 2017-2021 period. The research data was tested using Partial Least Square (Software Smart PLS). The conclusion of this study is that price to book value has no significant effect on firm value, Return On Equity has no significant effect on firm value, Debt On Equity Ratio has no significant effect on firm value, Stock price is able to mediate the effect of debt on equity ratio on firm value. The research data was tested using Partial Least Square (Software Smart PLS). The conclusion of this study is that price to book value has no significant effect on firm value, Return On Equity has no significant effect on firm value, Debt On Equity Ratio has no significant effect on firm value, Stock price is able to mediate the effect of debt on equity ratio on firm value. The research data was tested using Partial Least Square (Software Smart PLS). The conclusion of this study is that price to book value has no significant effect on firm value, Return On Equity has no significant effect on firm value, Debt On Equity Ratio has no significant effect on firm value, Stock price is able to mediate the effect of debt on equity ratio on firm value.

Keywords: Price to book value, Return On Equity, Debt On Equity Ratio, Company Value, Stock Price

Introduction

The company's goal in maximizing the value of the company is to maximize the share price whether or not the company's goals are achieved can be seen and measured from the share price of the company concerned from time to time. The better the stock price, the better the value of the company. trust from parties related to the company as well as from the wider community. This is because a high company value indicates that the company's performance is good. In this study, the indicator used to measure firm value is Tobin's Q. Tobin's Q is a measuring tool or ratio that defines firm value as the combined value of tangible and intangible assets. Some of the financial aspects that affect the value of



the company include Price to book value, Return On Equity, Debt to Equity Ratio and stock prices. Price to book value is one of the market value ratios used by fundamental analysts in analyzing their investment decisions. This ratio relies on financial market data, such as the market price of a company's common stock. Fundamental analysis is a way to evaluate stocks by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company to various financial indicators and company management. Price to book value is one of the market value ratios used by fundamental analysts in analyzing their investment decisions. This ratio relies on financial market data, such as the market price of a company's common stock. Fundamental analysis is a way to evaluate stocks by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company to various financial indicators and company management. Price to book value is one of the market value ratios used by fundamental analysts in analyzing their investment decisions. This ratio relies on financial market data, such as the market price of a company's common stock. Fundamental analysis is a way to evaluate stocks by studying or observing various indicators related to macroeconomic conditions and industrial conditions of a company to various financial indicators and company management.

If the stock price is high and can be maintained, the trust of investors or potential investors in the issuer will also be higher and this can increase the value of the issuer (Zuliarni, 2012). The results of previous research are also supported by the results of research conducted by Krisnadwipayana & Puspitaningtyas (2016) which states that value has a positive and significant effect on stock prices. This is because the higher the company value, the higher the stock price of a company, this is an opportunity for investors to make a profit. The novelty offered in this study is that this research examines the influence of various financial fundamental factors that can affect the value of a company. In this study, the intervening variable is used in the form of stock prices. The research object is a consumer goods company with a longer time span, namely 2017-2021. As well as in previous studies there were differences in research results between one study and another so that the authors wanted to do this research. In accordance with the explanation above, the researcher is interested in conducting research with the title "Financial Fundamental Factors on Firm Value with Stock Price as an Intervening Variable in Consumer Goods Companies Listed on the Indonesia Stock Exchange"

The hypothesis is a temporary conjecture that must be tested for truth by the analytical tools used. In accordance with the framework above, the hypothesis in this study is:

1. H1: Price To Earning has an effect on Share Prices in Consumer Goods companies listed on the Indonesia Stock Exchange in 2017 –2021.
2. H2: Return On Equity affects the Stock Price of Consumer Goods listed on the Indonesia Stock Exchange in 2017 – 2021.
3. H3: The Debt To Equity Ratio has an effect on the Share Price of Consumer Goods companies listed on the Indonesia Stock Exchange in 2017 – 2021.
4. H4: Price To Earning has an effect on company value in Consumer Goods companies listed on the Indonesia Stock Exchange in 2017 – 2021.
5. H5: Return On Equity affects company value in Consumer Goods companies listed on the Indonesia Stock Exchange in 2017 – 2021.
- . H6: The Debt To Equity Ratio has an effect on company value on Consumer Goods listed on the Indonesia Stock Exchange in 2017 – 2021.



method

This research approach is a quantitative research. Quantitative research methods can be interpreted as methods used to examine certain populations or samples, data collection using research instruments, data analysis is statistical, with the aim of testing the hypotheses that have been set. The understanding that arises among developers of quantitative research is that researchers can deliberately make changes to the world around them by conducting experiments. The data source used in this research is secondary data, namely financial reports obtained from the site www.idx.co.id, www.idnfinacials.com And www.investing.com as well as other supporting data sources sourced from reference books and journals related to the title of this study. The data collection technique used is the literature study method.

According to Arikunto (2013) the population is the entire research subject. Meanwhile, according to Sugiyono (2018) population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study were all consumer goods companies listed on the Indonesia Stock Exchange, totaling 87 companies. In determining the sample, the researcher used a purposive sampling method. As for some of the criteria set by researchers in sampling, among others:

| No | Criteria | Total |
|----|---|-------------|
| 1 | A consumer goods company listed on the Indonesia Stock Exchange | 87 |
| 2 | Consumer goods company belonging to FMCG | (10) |
| 3 | Consumer goods companies that did not experience losses from the 2017-2021 period | (37) |
| | Number of company survey samples | 40 |
| | Observational data from the survey (40 x 5) | 200 |

The analysis in this study uses SEM (structural equation modeling) with a partial least square (PLS) approach. PLS is divided into two equations, namely:

1. Measurement Model Test (*OuterModel*)

It is used to ensure that the research data measured are valid and reliable. Husein (2015) describes indicators for analyzing the outer model:

a. *Convergent Validity*

An indicator is said to have good reliability if the outer loading value for each indicator is > 0.70.

b. *Discriminant Validity*

A high value of discriminant validity indicates that a construct is able to explain the phenomenon being measured. Meanwhile, according to another method to assess discriminant validity, namely by comparing the squareroot of average variance extracted (AVE) value with the correlation value between latent variables. The root value of AVE must be larger.

c. *Composite reliability*

To evaluate composite reliability, there are two measurement tools, namely internal consistency and Cronbach's Alpha. If the value achieved is > 0.70, it is concluded that the construct has high reliability.

d. *Cronbach's Alpha*

A variable can be declared reliable if it has a cronbach's alpha value > 0.70

2. Measurement Model Test (*OuterModel*)

It is used to ensure that the research data measured are valid and reliable. Husein (2015) describes



indicators for analyzing the outer model:

a. *Convergent Validity*

An indicator is said to have good reliability if the outer loading value for each indicator is > 0.70 .

b. *Discriminant Validity*

A high value of discriminant validity indicates that a construct is able to explain the phenomenon being measured. Meanwhile, according to another method to assess discriminant validity, namely by comparing the squareroot of average variance extracted (AVE) value with the correlation value between latent variables. The root value of AVE must be larger.

c. *Composite reliability*

To evaluate composite reliability, there are two measurement tools, namely internal consistency and Cronbach's Alpha. If the value achieved is > 0.70 , it is concluded that the construct has high reliability.

d. *Cronbach's Alpha*

A variable can be declared reliable if it has a cronbach's alpha value > 0.70

3. Structural Model Test (*Inner Model*)

In evaluating *inner model* with PLS (Partial Least Square) begins by looking at the R-square for each dependent latent variable. The R-square value is used to assess the effect of the independent variable on the dependent variable whether it has a substantive effect. In addition to looking at the R-square value, it can also be evaluated by looking at the predictive relevance Q-square value for the constructive model.

Q-square can calculate how well the observed value is generated by the model. A Q-square value greater than zero (0) indicates that the model has a predictive relevance value, whereas if the Q-square value is less than zero (0), it indicates that the model has less predictive relevance.

Results and Discussion

Results of Data Analysis

A1. Statistical Descriptive Analysis

This study uses secondary data obtained from www.idx.co.id in the form of financial report data for companies in the consumer goods sector listed on the Indonesia Stock Exchange for the 2017-2021 period which are explained in a descriptive statistical method. Descriptive statistics provide an overview or description of a data as seen from the average (mean), standard deviation, minimum, sum, range, curricular and skewness (distribution skewedness) of each variable (Ghozali, 2011). The variables used include company value variables, Price to book value, Return on Equity, Debt to Equity and Stock Prices. From the data of a dependent variable, three independent variables and one mediating variable, descriptive statistical tests were tested, so the results were obtained according to the following table:

Results of Descriptive Statistics

| Indicator | N | Min | Max | Means | Std Dev. |
|--------------------------|----|----------|----------|---------|----------|
| PBV | 87 | -1000 | 7935.480 | 69.373 | 577.792 |
| ROE | 87 | 1.000 | 224.460 | 11.931 | 40.706 |
| DER | 87 | 2017.000 | 41.930 | 1.354 | 4.249 |
| The value of the company | 87 | -1020 | 97.000 | 6.007 | 13.494 |
| Stock price | 87 | 1.010 | 975.000 | 144.708 | 228.569 |



Source: Smartpls Data Processing 2023

The explanation of the results of the descriptive statistics from the table above is as follows:

1. Variable Price to book value (X1) has a total of 87 samples, with a minimum value of -1000 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Meanwhile, the maximum value is 7935.480 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. While the average price to book value is 69.373 which means that from 87 samples of analysis and observation data during the 2017-2021 period, it shows that the average price to book value variable is 693.73%. The standard deviation of 577.792 means that during the study period, the size of the spread, or the deviation from the average price to book value variable, is 577.792 times.

2. Variable Return on Equity (X2) has a total sample of 87 samples, with a minimum value of -1.000 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Meanwhile, the maximum value is 224.460 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Meanwhile, the average value of return on equity is 11.931 which means that from 87 samples of analysis and observation data during the 2017-2021 period, the average return on equity variable is 11,931%. standard deviation of 40.706 times.

3. Variable Debt to Equity (X3) has a total sample of 87 samples, with a minimum value of 1000 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Meanwhile, the average value of debt to equity is 8.81, which means that from 87 samples of analysis and observation data during the 2017-2021 period, the average debt to equity variable is 881%. The standard deviation is 19.076 times.

4. Tobin's Q variable as a proxy for company value has a total sample of 87 samples, with a minimum value of -666,000 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. Meanwhile, the maximum value is 145,000 for consumer goods companies listed on the Indonesia Stock Exchange for the 2017-2021 period. While the average value of the company is 651.0, which means that from 87 samples of analysis and observation data during the 2017-2021 period, it shows that the average company value variable is 65,100%. the standard deviation of 235.611 means that during the study period, the size of the spread or deviation from the average variable value of the company is 235.611 times.

A2. Inner Model Evaluation (Structural Model)

In this study there is no need to evaluate the outer model to test the validity and reliability of the data, because the data used is secondary data sourced from the company's financial reports published on the Indonesia Stock Exchange. Testing the inner model can be started by looking at the R Square value to see how big the influence of exogenous variables (X) in influencing endogenous variables (Y).

| | R-Square | R -Square Adjusted |
|-------------------|----------|--------------------|
| Y (Company Value) | 0.202 | 0.135 |
| Z (Share Price) | 0.056 | -0.023 |



Source: SmartPLS 2023 Data Processing

Based on the table above, it can be described as follows: 1. Price Earning Ratio

The R Square value

of the company value variable is 0.202, this shows that Price to book value (X1), Return on Equity (X2), Debt to Equity Ratio (X3), and Share Price (Z) can explain the company value (Y) of 20.2% .

2. Share Price

The R-Square value of the return on equity variable is 0.056, this indicates that the Price to book value (X1), Return on Equity (X2), Debt to Equity Ratio (X3) can explain the stock price (Z) of 5.6% .

A.3 Hypothesis Test Results

The next analysis after evaluating the model is to test the hypothesis. This analysis was carried out by comparing the T-table with the T-statistics generated from bootstrapping in PLS. the hypothesis is accepted if the T-statistic value > T-table (1.96) with a significance level of 5% or a P-value of $\alpha = 5\%$, P-value = 0.05 (Ghozali and Latan, 2015). Bootstrapping results can be seen in the following table.

Table Hypothesis Test Results

| | Original sample (O) | T-Statistics | P-Value |
|---|---------------------|--------------|---------|
| X1(Price to Book Value => Y (Company Value) | 0.431 | 1,287 | 0.199 |
| X2(Return On Equity) => Y (Company Value) | -0.012 | 0.581 | 0.300 |
| X3(Debt on Equity) => Y (Company Value) | -0.125 | 1,561 | 0.130 |

Source: SmartPLS Processing Data 2023

From the table above, it can be seen that the effect of Price To Book Value on firm value, the effect of Return On Equity on firm value, the effect of Debt on Equity Ratio on firm value has a P- Value > 0.05 T-Statistic < 1.96, which means there is no significant influence either positive or negative influence.

Table Indirect Effects

| | Original sample(O) | T-Statistics | P-Value |
|---|--------------------|--------------|---------|
| X1(Price to Book Value => Y (Company Value) | -0.004 | 0.191 | 0849 |
| X2(Return On Equity) => Y (Company Value) | -0.012 | 0.668 | 0.505 |
| X3(Debt on Equity) => Y (Company Value) | -0.023 | 0.878 | 0.380 |

Source: SmartPLS Processing Data 2023



From the table above, it can be seen that the P-Value value of the Price To Book Value variable on firm value, the effect of Return On Equity on firm value, the effect of Debt on Equity Ratio on firm value has a P-Value > 0.05 T-Statistic < 1.96 which means that the mediating variable used in this study is stock prices, able to mediate the effect of the Debt on Equity Ratio on firm value.

1. Hypothesis 1: Price To Book Value influences firm value

Based on the results of the analysis in table 4.4 above, it can be seen that the path coefficient test results between price to book value and firm value have a parameter coefficient of 0.431 with a significance T-Square value of $1.287 < 1.96$ and a P-Value of $0.199 > 0.05$. This shows that price to book value has no significant effect on firm value in consumer goods companies listed on the IDX for the 2017-2020 period.

2. Hypothesis 2: Return On Equity affects firm value

Based on the results of the analysis in table 4.4 above, it can be seen that the path coefficient test results between return on equity and firm value have a parameter coefficient of -0.012 with a significant T-Statistic value of $0.581 < 1.96$ and a P-Value of $0.300 > 0.05$. this shows that return on equity has no significant effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period.

3. Hypothesis 3: Debt on Equity Ratio affects firm value

Based on the results of the analysis in table 4.4 above, it can be seen that the results of the path coefficient test between the debt on equity ratio and firm value have a parameter coefficient of -0.125 with a significant T-Statistic value of $1.561 < 1.96$ and a P-Value of $0.130 > 0.05$. this shows that the debt on equity ratio has no significant effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period.

4. Hypothesis 4: Price to Book Value influences firm value through stock prices as an intervening variable

Based on the results of the analysis in table 4.4 above, it can be seen that the path coefficient test results between price to book value and firm value have a parameter coefficient of -0.004 with a significance T-Statistic value of $0.191 < 1.96$ and a P-Value of $0.849 > 0.05$. This shows that stock prices are unable to mediate the effect of price to book value on company value in consumer goods companies listed on the IDX for the 2017-2021 period.

5. Hypothesis 5: Return On Equity affects firm value through stock prices as an intervening variable.

Based on the results of the analysis in table 4.4 above, it can be seen that the results of the path coefficient test between Return On Equity and firm value have a parameter coefficient of -0.012 with asignificant T-Statistic value of $0.581 < 1.96$ and a P-Value of $0.300 > 0.05$. this shows that stock prices are unable to mediate the effect of Return On Equity on company value in consumer goods companies listed on the IDX for the 2017-2021 period.

6. Hypothesis 6: Debt On Equity Ratio affects firm value through stock prices as an intervening variable

Based on the results of the table analysis above, it can be seen that the results of the path coefficient test between the Debt On Equity Ratio and the firm value have a parameter



coefficient of --

0.125 with a significance T-Statistic value of 1.561 < 1.96 and a P-Value of 0.130 > 0.05. this shows that stock prices are unable to mediate the effect of the Debt On Equity Ratio on company value in consumer goods companies listed on the IDX for the 2017-2021 period.

Discussion of Research Results

➤ Effect of Price To Book Value on Firm Value

The results of this study indicate that price to book value has no significant effect on company value in consumer goods companies listed on the IDX 2017-2021. This means that the high or low price to book value has no impact on firm value. According to Tjiptono and Hendy (2008: 141) PBV analysis can determine how much the market appreciates the book value of a company's shares. The higher the PBV ratio of a company means the higher the market's confidence in the company's prospects. This can happen because the book value of shares is not used as well as possible. So it can be interpreted that price to book value cannot be fully used to assess the condition of the company, therefore this ratio does not affect the value of a company.

The results of this study support research conducted by Husnan (2012: 7) which states that the greater the PBV value, the higher the company is valued by investors, compared to the funds that have been invested in the company. The better the financial performance of a company, the better the value of the company. The higher the value of the company, the higher the profits earned by the company, and the higher the stock returns, the more prosperous the shareholders. However, the results of this study do not support the research conducted by Stella (2019) which states that price to book value does not affect firm value.

➤ Effect of Return On Equity on Firm Value

Profitability is the company's ability to generate profit in an effort to increase company value for interested parties (Dewa & Utaminingsih, 2014). High corporate value can increase prosperity for shareholders, so that shareholders will invest their capital in the company (Sejati, 2014). The results of research by Zuliarni (2012), Hermuningsih (2012), Dewa & Utaminingsih (2014) and Munawaroh & Priyadi (2014) state that profitability has a significant positive effect on stock prices or company value. Based on several statements and the results of the research, the following hypotheses were derived:

H: ROE has an effect on Firm Value.

The results of the study show that return on equity has no effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period. This research supports research conducted by Karin Dwi Cahya (2018) which states that the ROE variable has a significant negative effect on firm value. However, the results of this study do not support the research conducted by Ayu Lismasari (2016) which states that the independent variable (X), namely Return of Equity (ROE), has a significant positive effect on firm value which is proxied using Tobins Q with a significance level value of 0.000 < 0.005.

The difference in the results of this study was caused by a different period of analysis, where in the research conducted by Ayu Lismasari examined the 2012-2014 period, while in this study the researchers used the 2017-2021 period. Then the differences in the companies studied, where researchers previously examined manufacturing companies listed on the IDX, but in this study researchers used consumer goods companies. The dependent variable in



previous studies used PBV while in this study researchers used Tobin's Q as a proxy for the variable company value.

➤ **The Effect of Debt To Equity Ratio on Firm Value**

Debt to Equity Ratios is the ratio that shows the comparison of the use of debt to the company's own capital. The greater this ratio indicates that the company's financial risk is higher, and conversely, the lower this ratio indicates the lower level of risk for the company. To measure the extent to which a company is financed with debt, one of which can be seen through the Debt to Equity Ratio (Sugiono and Untung, 2018: 130).

The results of this study indicate that the debt to equity ratio has no effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period. This research supports research conducted by Reti Yulfitri, Agus Sutarjo, Sri Yuli Ayu Putri S (2021) which states that the debt to equity ratio has no significant effect on firm value. However, the results of this study do not support the research conducted by Meliani Imanah (2020) which states that the debt to equity ratio has a positive and significant effect on company value.

The difference in the results of this study was caused by a different analysis period, where the research conducted by Meliani Imanah examined the 2016-2018 period, while in this study the researchers used the 2017-2021 period. and beverages, but in this study researchers used consumer goods companies listed on the IDX.

➤ **The Effect of Price To Book Value on Company Value Through Stock Prices**

The effect of price to book value on firm value with stock price as an intervening variable is not significant. This shows that stock prices do not mediate the effect of price to book value on company value in consumer goods companies listed on the IDX 2017-2021. This means that the company's book value is not in accordance with the depreciation of the book value indicating that there is a depreciation in the value of the company's assets and will have an adverse impact on the company's value.

The results of this study support research conducted by Irene Nathasia Devi, Sutrisno T (2016), which states that stock prices cannot mediate the relationship between price to book value and firm value. However, the results of this study do not support the research conducted by Ahmad Idris (2021) which states that stock prices can mediate price to book value on company value.

The difference in the results of this study is due to a different analysis period, where in Ahmad Idris' research (2021) from the 2015-2019 period, while in this study the researchers used the period from 2017-2021. Then the differences in the companies studied, where researchers previously studied pharmaceutical companies in Indonesia, while this research is a researcher at a consumer goods company listed on the IDX.

➤ **The Effect of Return On Equity Ratio on Firm Value Through Stock Prices**

The effect of return on equity ratio on firm value with stock price as an intervening variable is not significant. This shows that stock prices do not mediate the effect of the return on equity ratio on firm value in consumer goods companies listed on the IDX 2017-2021. This means that the management of non-optimal use of debt by the company can lead to a decrease in the company's performance. Managing the use of debt that is not optimal can also make the company experience a decrease in its share price and can ultimately reduce profits for the company.



The results of this study support research conducted (Zuredah, 2010) which states that stock prices mediate the effect of the return on equity ratio on firm value. However, the results of this study do not support research conducted by Destiana Kumala, Iyan Nurhasni Ahya (2020) which states that stock prices are unable to mediate the effect of the return on equity ratio on firm value.

The difference in the results of this study was caused by a different period of analysis, where in Destiana Kumala's research, Iyan Nurhasni Ahya (2020) examined from 2013-2017, while in this study researchers examined from the 2017-2021 period. Then the next difference is the company used in previous research on the Indonesian Islamic stock index in the consumer goods industry sector, while this research is a researcher at a consumer goods company listed on the IDX.

➤ **The Effect of Debt On Equity Ratio on Firm Value Through Stock Prices**

The effect of the debt to equity ratio on firm value with stock prices as an intervening variable yields a significant value. This shows that stock prices are able to mediate the effect of the debt to equity ratio on firm value. This means that good fluctuations in stock prices and debt can increase profitability and will indirectly increase the value of the company. Debt is not always assumed to be bad, considering that debt will enter assets or capital that can be used to generate profits for the company.

The results of this study support research conducted by Endah Purwitajati, I Made Pande Dwiana Putra (2016), which states that stock prices mediate the effect of the debt to equity ratio on firm value.

However, the results of this study do not support the research conducted by Herdajanti (2020) which states that stock prices do not mediate the debt to equity ratio to company value.

The difference in the results of this study is due to the different analysis periods, where the research Herdajanti (2020) examined from 2016-2020, while in this study researchers examined from the 2017-2021 period.

Conclusion

Based on the results of the research and discussion of the results of the research that has been carried out, the following conclusions can be drawn: (1) Price to book value has a significant effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period. (2) Return On Equity has no significant effect on firm value in consumer goods companies listed on the IDX for the 2017- 2021 period. (3) Debt On Equity Ratio has no significant effect on firm value in consumer goods companies listed on the IDX for the 2017-2021 period . (4) Share prices are unable to mediate the effect of price to book value on company value in consumer goods companies listed on the IDX for the 2017-2021 period. (5) Stock prices are unable to mediate the effect of Return On Equity on firm value in consumer goods companies listed on the IDX for the 2017-2021 period. (6) Share prices are able to mediate the effect of the Debt On Equity Ratio on firm value in consumer goods companies listed on the IDX for the 2017-2021 period.



Limitation

In this research there are still several research limitations. Some of these limitations can be taken into consideration for further research to obtain better research results. Limitations in this research are: (1.) Only use consumer goods companies in this research sample. (2.) Observations were only carried out for 4 years, namely from 2017 – 2021. So it is possible that the research results do not clearly describe the actual conditions. (3.) The independent variables used by researchers in this research can only explain the influence of Price To Book Value, Return On Equity, and Debt To Equity Ratio on company value through Share Prices of 20%. There are still 80% of other variables that can explain their influence on Company Value through Share Prices. Based on the limitations of the research above, to obtain more representative research results regarding Fundamental Financial Factors on Company Value with share price as an intervening variable in consumer goods companies listed on the IDX, it is hoped that future research can use company age measurements with other methods, and can take 40 other company sectors which are used as research objects, apart from that, you can also test using other independent variables with the latest research period.

References

- Amarjit, G., Nahum B., and Rajendra T. 2010. Determinants of Dividend Payout Ratios: Evidence from United States. *The Open Business Journal*
- Ang, Robert. 2007. Indonesian Capital Market Smart Book. Jakarta : Mediasoft.
- Antara, IMJ, 2012. Effect of Dividend Payout Ratio, Price to Book Value Ratio, and Price to Earnings Ratio on Stock Returns on the Indonesia Stock Exchange in the 2009-2011 period. *Udayana University Accounting Journal*.
- Indonesian Institute of Accountants, 2007. Financial Accounting Standards, Salemba Empat, Jakarta.
- Kuswanto, Hedy & Taufiq, M. 2015. The Influence of Company Fundamental Factors on Priceto Book Value and Their Implications for Stock Returns on the Indonesian Stock Exchange. *Teaching Staff of STIE Dharmaputra*
- Tiwi Herninta. 2019. Factors Affecting the Value of Manufacturing Companies on the Indonesia Stock Exchange *ESSENCE: Journal of Business Management*, Vol. 22 No. 3 Nusantara Business Institute
- Yuniep Mujati S, Meida Dzulqodah. 2016. "Effect of Earning Per Share and Price Earning Ratio on Debt To Equity Ratio and Stock Prices in Companies in the Food and Beverage Sector on the Indonesian Stock Exchange" *Ejournal of STIE DEWANTARA Indonesia Stock Exchange, 2023. Financial and Annual Reports.Www.Idx.Co.Id*

Fahmi, I. (2014). Corporate financial management and capital markets. Jakarta:



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Mitra Wacana Media.

Brigham, E, F., and Houston, J, F. (2019). Fundamentals of Financial Management, Edition 14, Jakarta: Salemba Empat.

Cashmere. 2016. Analysis of Financial Statements. 1st Edition. 9th Printing. Jakarta : PT Raja Grafindo Persada

Destiana Kumala, Iyan Nurhasni Ahya. (2020). The Effect of Profitability on Stock Returns with Firm Value as a Mediation Variable in the Indonesian Sharia Stock Index in the Consumer Goods Industry Sector for the 2013-2017 period. I-FINANCE: a Research Journal on Islamic Finance Vol.06 No. 02 December 2020

Desyi Erawati, Elloni Shenurtti, Sutanti Nur Kholifah.(2022). Analysis of Return on Assets (ROA), Return on Equity (ROE) and Corporate Social Responsibility (CSR) which affect Company Value in Manufacturing Companies. Journal of Accounting and Management (JAM)

Endah Purwitajati, I Made Pande Dwiana Putra. (2016). The Effect of Debt To Equity Ratio on Stock Return With Company Size As Moderator. Udayana University Journal of Accounting Vol.15.2. May (2016): 1086-1114

Herdajanti.(2022). The Effect of EPS, DER, and ROA on Firm Value with Stock Price as Moderating Variable in HealthCare Companies Listed on the Indonesia Stock Exchange. Faculty of Economics and Business | Dian Nuswantoro University Jalan Nakula I No. 5-11, Semarang, Central Java 50131, Indonesia

Ivan Firdaus. (2020). The Effect Of Der, Tato, Roa And Share Price To Pbv (Studies On The Food And Beverage Industry On The Indonesia Stock Exchange Period Of 2012-2018).Vol1 No 2 (2020): Dynasty International Journal of Digital Business Management (February - March 2020)

Mukhammad Arifianto, Mochammad Chabachib. (2016). Analysis of Factors Affecting Firm Value (Case Study of Companies Listed on the Lq-45 Index for the 2011-2014 Period. Diponegoro Journal Of Management Volume 5, Number 1, Year 2016, Pages 1-12



The Role of Leadership Practices in Enhancing Organizational Capability: Employee Well-being as a Moderating Factor in Private Universities of Pekanbaru

Salim Aktar¹, Sunarsih², Melisa Nur Asima Sidabutar³

²PUI, Prodi Manajemen, Fakultas Ekonomi, Universitas Prima Indonesia

²PUI, Prodi Psikologi (Kampus Kota Pekanbaru), Universitas Prima Indonesia

³Prodi Pendidikan Guru Sekolah Dasar, Universitas Efarina

salimaktar@unprimdn.ac.id sunarsih@unprimdn.ac.id melisanurasimasidabutar@gmail.com

ABSTRACT

This study aims to analyze the effect of leadership on organizational capability, with the moderating role of employee well-being in a higher education setting. A quantitative approach with a survey design was employed, involving 120 respondents comprising lecturers and administrative staff. Data were collected using a questionnaire with a 5-point Likert scale. The data were analyzed using linear regression and moderated regression analysis with SPSS.

The results indicate that leadership has a significant effect on organizational capability, with 43.9% of the variance in organizational capability can be explained by leadership quality. Furthermore, employee well-being was found to moderate this relationship, increasing the contribution to 61.1%. These findings highlight that employee well-being enhances the impact of leadership on organizational capability.

This study underscores the importance of effective leadership and employee well-being programs in strengthening organizational capacity in higher education. The practical implication is that organizations should integrate leadership strategies with approaches that promote employee well-being to achieve optimal organizational performance.

Keywords: leadership, employee well-being, organizational capability, moderation, higher education.

INTRODUCTION

Leadership practices are essential to create a pleasant work environment and enable people to reach their full potential. It has been proven that effective leadership styles, such as transformational, visionary, and participative leadership, improve employee well-being. Good leadership practices



in organizations, including higher education institutions, not only focus on achieving organizational goals but also pay attention to the feelings, psychology, and social aspects of employees. Lecturers in private universities, especially in Pekanbaru, Riau Province deal with complex issues. One of them is the requirement to fulfill the Tri Dharma of higher education, which consists of teaching, research, and community service. Leaders who support through leadership practices that encourage, recognize, and provide support can help in stressful situations. organizational capability is highly dependent on employee well-being (Yulianti, F. E., & Pujianto, 2024). To maintain sustainable competitive advantage, organizations must have organizational capability, which includes the ability to innovate, adapt to change, and manage resources efficiently. High organizational capability in universities allows them to produce quality graduates, increase research impact, and adapt to the dynamics of education worldwide. Previous studies have shown a direct relationship between good levels of employee well-being and levels of creativity, productivity, and collaboration (Wibawa, A. M., Purwanto, P., & Rahayu, 2024). Those with good levels of emotional and psychological well-being can help students get better learning experiences, conduct relevant research, and perform community service tasks better (Komara, E., Stefanie, S., Irnawati, R., & Agustini, 2023).

However, although many studies have discussed the influence of leadership practices on organizational capabilities, there is a knowledge gap in understanding the moderating role of employee well-being in this relationship, especially in the context of private universities in Indonesia. Private universities in Indonesia are faced with various pressures, including demands to improve the quality of education, compete with state institutions, and face stakeholder expectations to produce competent graduates (Mulyasa, 2021). In this situation, it is important to explore the extent to which leadership practices can strengthen organizational capabilities, considering employee well-being as a determining factor that can maximize results. Without considering the aspect of employee welfare, efforts to improve organizational capabilities tend to be suboptimal, and ultimately can hinder the competitiveness of institutions (Wisnuwardhana, A. P., Wolor, C. W., & Marsofiyati, 2024).

This study aims to analyze the influence of leadership practices on organizational capabilities in private universities in Indonesia, with a focus on the moderating role of employee welfare. In



In addition, this study aims to identify the extent to which employee welfare can strengthen the relationship between leadership practices and organizational capabilities. With the results obtained, this study is expected to be able to contribute both theoretically, through the collection of literature on employee welfare moderation, and practically, by providing strategic recommendations to leaders in private universities to develop policies that support employee welfare while improving organizational capabilities.

LITERATURE REVIEW

Leadership Practices and Organizational Capabilities

Organizational capability depends on leadership practices. There is much evidence that improving organizational efficiency can be attributed to leadership theories such as servant leadership and transformational leadership. Transformational leadership is defined by Bass and Avolio (1994) as a leadership style that can inspire employees to exceed expectations through their own vision, motivation, and focus. Transformational leaders encourage creativity, effective resource (Teece, D. J., Piano G., Shuen, 1997), management, and a flexible work environment. This is in accordance with the definition of organizational capability by which states that an organization has the ability to integrate, build, and reconfigure internal and external resources to respond to a dynamic environment.

According to previous research, organizational capabilities such as adaptation, efficiency, and innovation can be improved through effective leadership practices. For example, research by Wang et al. (2011) found that leaders who encourage employee creativity can help companies create new goods and services. Leaders in the higher education sector who support and empower lecturers can help universities produce high-quality students and support effective research. On the other hand, the number of studies conducted in Indonesia, especially in private universities, is still very small, looking at how leadership habits correlate with organizational capabilities.

Employee Well-Being in the Organizational Context

Employee well-being is a positive emotional, psychological, and social condition for workers (GINTING, 2024). This concept includes balancing job needs with individual needs, job



satisfaction, mental and physical health, and job demands (Dodge et al., 2012). Employee well-being in an organization is very important for the overall performance of the organization. A study conducted by Harter et al. (2002) found that employee well-being is closely related to productivity, work engagement, and retention.

The well-being of lecturers in higher education is an important component that influences individual and collective performance. Lecturers with high levels of well-being are better able to carry out the Tri Dharma of Higher Education, namely providing good teaching, conducting innovative research, and devoting themselves to the community. Conversely, lecturers with low levels of well-being tend to experience fatigue, stress, and low productivity (Barkhuizen et al., 2014). In this study, employee well-being is also considered a moderating factor that has the ability to strengthen or weaken the relationship between leadership techniques and organizational capabilities.

Employee Well-Being Moderation on the Relationship between Leadership Practices and Organizational Capabilities

employee well-being Worker health can have a positive impact on organizational capability as a moderating variable. Leaders who pay attention to employee needs, both professionally and emotionally, can build a work environment that supports employee well-being (Saputra, 2024). In turn, organizations are better able to adapt, innovate, and allocate resources effectively. According to research conducted by Sari, N. Y., Rahmat, A., & Asfar, (2023) supportive leadership improves employee well-being, which in turn leads to improved individual and team performance.

Employee well-being is often an under-recognized issue in the context of private universities in Indonesia (Hendrawati, 2024). Excessive work pressure, limited resources, and high expectations from management often lead to lecturer health being neglected (Devi, 2024). However, the relationship between leadership habits and organizational capability can be strengthened if leaders can create an environment that supports lecturer health.

While the relationship between leadership practices and organizational capability has been widely discussed in the literature, there is still a gap in understanding the moderating role of employee well-being, especially in the context of private higher education institutions in Indonesia. Most



previous studies have focused on business or public sector organizations in developed countries, so the findings do not fully reflect the unique conditions in Indonesia. In addition, research on lecturer well-being as an important element in organizational capability in the higher education sector is still rare. Therefore, this study seeks to fill this gap by exploring the moderating role of employee well-being in the relationship between leadership practices and organizational capability, focusing on private higher education institutions in Indonesia.

METHODS

This study uses a quantitative approach with a survey design to analyze the relationship between leadership, employee well-being, and organizational capability. The research sample consisted of 120 respondents selected by simple random sampling from the population of lecturers and administrative staff at a private university in Pekanbaru. Data were collected using a closed questionnaire with a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The variables studied include leadership as an independent variable, organizational capability as a dependent variable, and employee well-being as a moderating variable.

Measurement of variables is carried out using a standardized scale. Adaptive leadership is measured using the Leadership Practices Inventory (LPI) scale by (Kouzes, J. M., & Posner, 1988). organizational capability based on the framework by (Teece, D. J., Piano G., Shuen, 1997), and employee well-being is measured using the Employee Well-Being Scale (EWBS) (Zheng, X., Zhu, W., Zhao, H., & Zhang, 2015). The validity and reliability of the instrument were tested using exploratory factor analysis (EFA) and Cronbach's Alpha. Data analysis was performed using SPSS software with stages including classical assumption tests (normality, multicollinearity, and heteroscedasticity), linear regression analysis, and moderated regression analysis (MRA) to evaluate the moderating role of employee well-being.

This study aims to measure the direct influence of leadership on organizational capability and to test whether employee well-being strengthens the relationship. The success of the study was assessed based on the significance of the regression model and the increase in the R^2 value in the moderation model. The results of the analysis are expected to provide theoretical and practical contributions related to the importance of integration between leadership and employee



well-being in increasing organizational capacity.

RESULTS

Based on the results of the data analysis obtained, the test results show that the leadership variable has a Cronbach's Alpha value of 0.85, employee well-being of 0.88, and organizational capability of 0.91. This value indicates that all instruments have a good to very good level of reliability, so they are worthy of being used for further analysis.

| ANOVA ^a | | | | | |
|--------------------|----------------|----------|-------------|-------|------|
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| | Residual | 10728.51 | 118 | 90.92 | |
| | Total | 19130.59 | 119 | | |

a. Dependent Variable: Y
b. Predictors: (Constant), X

It is known that the significance value of the leadership variable is 0.000 (<0.05), so it can be concluded that the leadership variable has a significant effect on organizational capability.

| Model Summary | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .663 ^a | 0.439 | 0.434 | 9.53518 |

a. Predictors: (Constant), X

It is known that the r square value is 0.439, which means that the contribution of the leadership variable to organizational capability is 43.4%.

| Coefficients ^a | | | | | | |
|---------------------------|---------------------|-----------------------------|------------|---------------------------|-------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| | (Constant) | 4.033 | 55.514 | | 0.073 | 0 |
| | leadership | 5.327 | 0.87 | 3.537 | 6.352 | 0 |
| 1 | employee well being | 5.096 | 0.735 | 3.708 | 6.609 | 0 |



| | | | | | |
|--------------------------------|--------|-------|--------|-------|---|
| leadership*employee well being | -0.308 | 0.015 | -4.475 | 5.779 | 0 |
|--------------------------------|--------|-------|--------|-------|---|

a. Dependent Variable: organizational capability

It is known that the significance value of the interaction variable between leadership and employee well-being is 0.000 (<0.05), so it can be concluded that the employee well-being variable is able to moderate the influence of the leadership variable on the organizational capability variable.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .715 ^a | 0.611 | 0.509 | 1.351 |

a. Predictors: (Constant), leadership*employee well being, leadership, employee well being

It is known that the r square value is 0.611, which means that the contribution of the influence of the leadership variable on the organizational capability variable after moderation is 61.1%, so it can be concluded that after the moderation variable, employee well-being can strengthen the influence of leadership on organizational capability.

DISCUSSION

Based on the results of the ANOVA analysis, a significance value of 0.000 ($p < 0.05$) was obtained, which indicates that the leadership variable has a significant effect on organizational capability. The R^2 value of 0.439 indicates that 43.9% of the variation in organizational capability can be explained by leadership. These results are consistent with previous studies which state that effective leadership plays an important role in improving organizational capabilities, such as resource allocation efficiency, innovation capacity, and the ability to adapt to environmental changes (GINTING, 2024). Furthermore, Prihantini, I., Darmawan, H. M. S., Ichwandani, R. D., Saifullah, M. M. R., Ariyani, J. E., Listiyani, R. A., ... & Assidiq, (2024) found that supportive leadership behaviors, such as providing direction and motivation, can increase resource efficiency and organizational innovation capacity.

Leaders who have a strategic vision, good communication skills, and the ability to motivate



organizational members can create a work environment that supports the development of organizational capacity. This shows that the role of leadership is very important in determining the success of an organization. These results are supported by previous studies, such as Sitompu, M. N. H., Wati, S. N., & Jannah, (2024) who found that transformational leadership style increases organizational effectiveness by encouraging innovation and efficiency. Furthermore, Iskandar, (2024) emphasized that effective leadership plays an important role in increasing the dynamic capabilities of an organization, especially in the context of innovation and adaptation.

Regression analysis with interaction shows that employee well-being significantly moderates the effect of leadership on organizational capability with an interaction significance value of 0.000 ($p < 0.05$). The R^2 value increased to 0.611 after considering the role of moderation, indicating that employee well-being increases the influence of leadership on organizational capability by 61.1%. This study is in line with a study by Khaeruman, K., Suflani, S., Mukhlis, A., & Romli, (2023) which shows that employee well-being increases productivity and the organization's ability to achieve strategic goals. These results suggest that employee well-being serves as a reinforcement in the relationship between leadership and organizational capability. When leaders focus not only on results but also on employee well-being, they create a more productive and innovative work environment. This is in line with the Job Demands-Resources (JD-R) theory which states that employee well-being can affect organizational performance by increasing employee motivation and engagement (Bakker & Demerouti, 2007).

CONCLUSION

Based on the results of the study, it can be concluded that leadership has a significant influence on organizational capability with a contribution of 43.9% (R^2 value = $0.439R^2 = 0.439$). This shows that good leadership quality, such as the ability to manage resources, motivate teams, and create a conducive work environment, plays an important role in increasing organizational capacity, including efficiency, innovation, and adaptability. In addition, employee well-being is proven to moderate the relationship between leadership and organizational capability, increasing its influence to 61.1% after entering the moderating variable (R^2 value = $0.611R^2 = 0.611$). This finding underlines that employee well-being not only contributes directly to



organizational performance but also strengthens the effectiveness of leadership in supporting the achievement of organizational goals. The relationship between these variables shows a complex dynamic, where the interaction between leadership and employee well-being together significantly affects organizational capability. Therefore, organizations are advised to prioritize employee well-being through strategic programs that are aligned with adaptive and supportive leadership, in order to achieve optimal organizational performance.

LIMITATION

This study has limitations in cross-sectional design, so it cannot identify causal relationships. Further research is recommended to use a longitudinal design to understand the causal relationship between variables. In addition, contextual factors such as organizational culture and external environment can be added to provide a more comprehensive picture.

REFERENCES

- Devi, N. (2024). *Faktor-Faktor yang berhubungan dengan Tingkat burnout Perawat di Ruang Perawatan Kelas III RS Bhayangkara Tingkat I Pusdokkes Polri*. Doctoral dissertation, Universitas Mohammad Husni Thamrin.
- GINTING, N. S. B. (2024). *KEPEMIMPINAN TRANSFORMASIONAL DAN BUDAYA ORGANISASI TERHADAP KINERJA PEGAWAI PUSKESMAS KUTALIMBARU*. Doctoral dissertation, UNIVERSITAS QUALITY.
- Hendrawati, T. (2024). *Manajemen Pendidikan Berbasis Learning Organization di Perguruan Tinggi Swasta*. Deepublish.
- Iskandar, M. R. (2024). Gaya Kepemimpinan dan Kinerja Karyawan: Tinjauan Sistematis dari Studi Empiris. *Economics and Digital Business Review*, 5(2), 789–809.
- Khaeruman, K., Suflani, S., Mukhlis, A., & Romli, O. (2023). Analisis Efektivitas Strategi Penilaian Kinerja Dalam Meningkatkan Produktivitas Karyawan di Indomaret Kota Serang. *Jurnal Manajemen STIE Muhammadiyah Palopo*, 9(2), 352–363.
- Komara, E., Stefanie, S., Irnawati, R., & Agustini, T. (2023). Peran Psikologi Pendidikan untuk Meningkatkan Hasil Belajar Melalui Pembelajaran Berdiferensiasi dalam Implementasi Kurikulum Merdeka di Sekolah Dasar. *Jurnal Abdimas Bina Bangsa*, 4(2), 1686–1698.
- Kouzes, J. M., & Posner, B. Z. (1988). *Leadership practices inventory: LPI*.
- Mulyasa, H. E. (2021). *Menjadi guru penggerak merdeka belajar*. Bumi aksara.
- Prihantini, I., Darmawan, H. M. S., Ichwandani, R. D., Saifullah, M. M. R., Ariyani, J. E., Listiyani, R. A., ... & Assidiq, A. A. S. (2024). Peran Kepemimpinan dalam Pengelolaan



- Sumber Daya Manusia: Faktor-Faktor yang Mempengaruhi Kepuasan Tenaga Kerja. *Jurnal Ilmiah Bisnis, Manajemen Dan Akuntansi*, 4(2), 46–60.
- Saputra, P. R. (2024). Pengaruh Kepemimpinan Yang Konstruktif Dan Kekuatan Sosial Terhadap Kesejahteraan Pegawai. *Jurnal Bisnis Inovatif Dan Digital*, 1(1), 19–25.
- Sari, N. Y., Rahmat, A., & Asfar, A. (2023). Kepemimpinan yang memberdayakan terhadap psychological well-being dan keterikatan kerja. *Jurnal Komunitas Sains Manajemen*, 2(1), 73-83.
- Sitompu, M. N. H., Wati, S. N., & Jannah, W. (2024). Pengkajian Peran Kepemimpinan Transformasional Dalam Mendorong Inovasi Organisasi. *Jurnal Riset Kesehatan Modern*, 6(3).
- Teece, D. J., Piano G., Shuen, A. (1997). *Dynamic Capabilities and Strategic Management. Strategic*.
- Wibawa, A. M., Purwanto, P., & Rahayu, S. (2024). Pengaruh Iklim Organisasi dan Job Insecurity terhadap Kinerja dengan Psychological well-being sebagai Variabel Mediasi. *Co-Value Jurnal Ekonomi Koperasi Dan Kewirausahaan*, 15(1).
- Wisnuwardhana, A. P., Wolor, C. W., & Marsofiyati, M. (2024). Analisis Produktivitas Kerja Karyawan Pada CV Griya Alam Mulya. *Jurnal Manajemen Riset Inovasi*, 2(1), 13–27.
- Yulianti, F. E., & Pujianto, W. E. (2024). Innovation Capability and Learning Capability To Individual Performace: Well Being Moderation (Case Study of Small and Medium Enterprises: Freez Food Baby Porridge Sedati). *Aplikasi Administrasi: Media Analisa Masalah Administrasi*, 36-51.
- Zheng, X., Zhu, W., Zhao, H., & Zhang, C. (2015). Employee well-being in organizations: Theoretical model, scale development, and cross-cultural validation. *Journal of Organizational Behavior*, 36(5), 621-644. <https://doi.org/10.1002/job>



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE MEDIATING ROLE OF PURCHASE INTENTION ON THE INFLUENCE OF CELEBRITY ENDORSERS AND SOCIAL MEDIA MARKETING ON PURCHASING DECISIONS AT FORE COFFEE IN MEDAN CITY.

Marco Colie¹, Demak Claudia Yosephine Simanjuntak², Mariani³, Evelyn*⁴

marco.colie918@gmail.com¹, claudiayoseph8@gmail.com², marianichang5@gmail.com³,
evelyngouw12@gmail.com⁴

Faculty of Economics, Prima Indonesia University^{1,2,3,4}

Abstract

This study discusses the decision to buy Fore Coffee Medan products, with a focus on celebrity endorsers, and social media marketing, which is mediated by purchase intention. The method used in this research is descriptive with a quantitative approach. The population in this study were all Fore Coffee Medan consumers, while the sampling method used the Slovin formula, so that a sample of 150 people was obtained. The data collection method used a questionnaire. The data analysis technique uses a Path Analysis Statistical Model, namely the Partial Least Square-Structural Equation Model (PLS-SEM) using the SmarPLS4 application. The results of the study found that the purchase request variable does not mediate the effect of celebrity endorsers and social media marketing on purchasing decisions at Fore Coffee Medan, this can be seen from the results of the inner model path analysis, namely the t-statistic value of buying interest on purchasing decisions of $1.870 < 1.96$ and a p-values value of $0.063 > 0.05$, meaning that the hypothesis is rejected and it can be stated that buying interest cannot mediate the influence of celebrity endorsers and social media marketing on purchasing decisions at Fore Coffee Medan.

Keywords: Celebrity endorser, social media marketing, purchase intention, purchase decision, mediation.



Introduction

The coffee business has great profit potential and good prospects considering that the habit or culture of drinking coffee will continue to be embedded in people's lives. Every day it is proven that there are many coffee lovers, so the coffee business will not be quiet, but what must be considered if you want to do the coffee business is the competition (Devanigiri, 2022). One of the famous coffee businesses is Fore Coffee. The Fore Coffee business concept, which was originally online, certainly utilizes social media to attract consumers to decide to buy. Therefore, businesses must be able to consider current consumer behavior when they make purchasing decisions (Puspasari, et al., 2023). Businesses in the current internet era often use artist endorsers and advertisements on social media, such as Instagram (Christiana and Lubis, 2023).

The use of celebrity endorsers who have credibility in an advertisement is also sought to gain success in building a business. Fore Coffee, in this case, cooperates with the artist Cinta Laura and actor Dion Wiyoko to become celebrity endorsers. The use of celebrity endorsers in business in research results (Sujana & Giantari, 2017) shows that the better the celebrity endorser in promoting product excellence, the higher the level of purchasing decisions in consumers. It is believed that the use of celebrities as advertisers can influence consumers' desire to buy these products (Sari et al., 2022). The higher the promotion carried out, the higher the purchase interest and customer purchasing decisions. The higher the purchase interest, the higher the purchase decision (Paramita, 2022).

Social media marketing is a process that encourages individuals to promote their products, or services through online social channels and to communicate by utilizing a much larger community that has a greater likelihood of marketing than through traditional advertising channels (Narayana and Rahanatha, 2020), can influence one person's thoughts which will have an impact on the thoughts of others more broadly before making a purchase decision (Narrotama, 2022). Fore Coffee's social media marketing on Instagram and Tiktok. Businesses can now increase customer engagement through social media platforms, such as monitoring how many customers visit the company's web page and like or comment on posts related to the business on the network so that it can influence buying interest (Zulfa and Arifin, 2024).

Fore Coffee consumers' purchasing decisions are of course due to the buying interest that drives them to make decisions. Consumer buying interest is closely related to purchasing decisions. This can be seen from the efforts given by Fore Coffee through celebrity endorsers and comparable social media marketing which can cause customers to want to buy. This is relevant to the opinion (Azahra & Hadita, 2023) which says that purchase interest can also be interpreted as a real way to think about purchasing plans within a certain period of time. Decisions made by buyers are influenced by this purchase interest.

Previous research was conducted by (Putri and Sukma, 2023) with the results obtained, namely social media marketing and product quality influencing purchasing decisions and also mediating buying interest has a significant effect on purchasing decisions. Other research was conducted by (Christiana & Lubis, 2023) with the results Social media marketing and celebrity endorsers influence purchasing decisions. Purchase interest has no influence on purchasing decisions, thus meaning that purchase interest is unable to act as a mediator. Nudin & Nurlinda, (2023), also conducted research relevant to this study with the results Social media marketing, celebrity endorsers have a positive effect on purchase intention. Social media marketing has a positive effect on purchase intention through brand awareness and celebrity endorsers have a positive effect on purchase intention through brand awareness.



Based on the above background, the research aims to determine the mediating role of purchase intention on the influence of celebrity endorsers and social media marketing on purchasing decisions at fore coffee in Medan City.

Literature Review

Celebrity Endorser

Celebrity endorser is an actor or artist, entertainer or athlete who is known or known to the public for their success in their respective fields to support a product advertised in the media, ranging from print media, social media, and television media (Devanagiri, 2022). Products that are advertised in the media, ranging from print media, social media, and television media (Devanagiri, 2022). According to Setiawan & Rabuani (2019), celebrity endorser indicators are: (1) credibility, (2) attractiveness, and (3) power.

Social Media Marketing

Social media marketing is a form of direct or indirect marketing used to build awareness, recognition, memory, and action for brands, businesses, products, people, or other entities and is carried out using tools from the social web such as blogging, microblogging, social networking, social bookmarking, and content sharing (Narottama, 2022). According to Nudin and Nurlinda (2023), social media marketing indicators are: (1) context, (2) communication, (3) collaboration, and (4) connection.

Purchase Interest

Consumer interest in a product or service can be the basis for the emergence of buying interest by a consumer, to foster the desire to buy a product. Purchase interest is the opportunity for a consumer who will plan to make a purchase of a particular product or service in the future (Christiana and Lubis, 2023). According to Paramita et al (2022), indicators of buying interest are: (1) referential interest, (2) transaction interest, (3) preferential interest, and (4) exploratory interest.

Purchasing Decision

Purchasing decisions are a process of interaction between affective, cognitive behavioral attitudes and environmental factors with which humans make barter or transactions to obtain the products or services needed (Anas and Sudarwanto, 2020). According to Paramita et al (2022), indicators of purchasing decisions, namely: (1) identification of needs, (2) digging up product information, (3) making product purchases, and (4) behavior after buying.

Celebrity Endorser Relationship to Purchasing Decisions

Celebrity endorsers are used to attract public interest and increase awareness of the products being sold. companies decide to use celebrities, public figures, or famous people as communicators about the products they want to promote (Putri, 2024). Marketing strategies that use artist endorsers as advertising stars and market products on various social media to compete with other brands will influence consumer purchasing decisions (Rahmawaty, et al., 2024).

Celebrity Endorser Relationship to Purchase Intention

To attract consumer buying intentions, celebrity endorsement can be used because the attractiveness and good image possessed by celebrities can make them the reason for promoting



an item (Devi and Seminari, 2024). The more celebrity endorsers who promote a product, the greater the repurchase interest for that product. There are several factors that can influence repurchase interest through celebrity endorsers, such as attracting consumer interest so that they want to buy back the items they have purchased (Putri and Basiya, 2024).

The Relationship of Social Media Marketing to Purchasing Decisions

Social media marketing has a direct impact on consumer buying decisions. Social media marketing is a term used to describe a type of marketing that uses social media as a tool to increase business traffic and revenue. Social media marketing strategies include tracking and encouraging interactions with audiences online, of course, have a big impact on consumer purchasing decisions as well (Hidayati 2024).

The relationship between Social Media Marketing and Purchase Interest

Promotion indirectly has a positive and significant effect on buying interest, while buying interest has a positive and significant effect on purchasing decisions. Thus, the promotion carried out will attract customer interest and will indirectly lead to purchasing decisions (Sari, 2019). Social media is one of the effective marketing given that the use of social media can influence consumer buying interest, interest, and decisions about certain products or services. (Pratiwi, 2024).

Relationship between Purchase Interest and Purchasing Decisions

Purchase interest has a positive and significant influence on purchasing decisions. So based on the results of this study, it shows that both have a fairly strong and positive relationship between buying interest and purchasing decisions (Paramita, 2022). Purchase interest has an important role in the process of forming a consumer's purchasing decision; people must have an interest when they decide to buy something, and this interest will encourage their interest in making subsequent purchases (Zahra, 2024).

Metode

This research was conducted at Force Coffee in Medan city. The research method used in the research is quantitative method. The research objective is to determine the integration between variables and the influence of the independent variable and the dependent variable. This research uses a descriptive approach, meaning that this research describes, describes, describes, or describes the data. This nature refers to how to organize data, present and analyze data (Sugiyono, 2017).

The population in this study were all consumers of Force Coffee Medan whose numbers were unknown. The research sample was determined. Sampling was carried out on Fore Coffee consumers in Medan city. Determination of sampling techniques is done by purposive sampling. This technique performs sampling with certain criteria (Sahir, 2022). The sample criteria in this study are consumers who have bought Fore Coffee in the last 6 months and live in Medan City.

According to Hair et al. (2022), the sample size should be 5-10 of the number of indicators in a study. In this study, the number of indicators was 15 indicators, so the minimum number of samples in this study was 150 respondents.

Data collection techniques are ways that are done by interview (interview), questionnaire (questionnaire), observation (observation) and a combination of the three (Sugiono, 2017). The data collection technique in this study was to use a questionnaire. The



questionnaire is compiled based on indicators on each variable.

According to (Sugiyono, 2020), the data analysis method deals with calculations to answer the formulation of problems and testing of hypotheses proposed. The data collected from the questionnaire will be analyzed using Partial Least Square (PLS). The PLS model is a Structural Equation Modeling (SEM) equation model with a variance-based or component-based structural equation modeling approach. This research is used to determine how the influence of the independent variable and the dependent variable. This research is classified as comparative causal research (Hair J. F, 2021). As an analytical test tool, PLS uses two modeling evaluations, namely the measurement model (outer model) to test validity and reliability and the structural model (inner model) to test hypotheses with prediction models (Ghozali 2019).

Outer model (measurement model) is how each variable in the form of an indicator relates to its latent variable. The outer model is used to assess the validity test and reliability test. Outer model analysis is carried out to ensure that the measurement used is suitable for measurement (valid and reliable).

a. Validity Test

The validity test is used to measure whether a questionnaire is valid or not. A questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by what you want to study (Ghozali and Latan 2017) There are several stages of testing that will be carried out, namely through convergent validity and discriminant validity tests.

1) Convergent Validity

Convergent Validity explains the magnitude of the correlation between each measurement (indicator) and its components. Convergent validity can be fulfilled and said to be high if it correlates > 0.7 with the loading value for each item also having a value of more than 0.5 to 0.6 is sufficient (Ghozali & Latan 2017).

2) Discriminant Validity

b. Discriminant validity testing is used to determine the difference in value of each variable. If the root AVE value of each construct is greater than the correlation value between other constructs in the model, it is said to have good discriminant validity value.

b. Reliability Test

Reliability test is a tool for measuring a questionnaire which is an indicator of a variable or construct. AVE is the average percentage of variance extracted (AVE) values between question items or indicators of a variable generated using the program. For good requirements, the AVE value must be greater than 0.5 (Ghozali 2019).

The structural model or inner model aims to see the correlation or relationship between latent variables in the study through the t test. Inner model evaluation can be seen from several indicators which include the coefficient of determination (R^2), Predictive Relevance (Q^2) and Goodness of Fit Model (GoF) (Hussein 2015).

a. Coefficient of Determination / R-Square (R^2)

Changes in the R-Square value are used to determine the substantive effect between the measurement of exogenous variables on endogenous variables R-Square is basically 0.75, 0.50 and 0.25 which are interpreted as substantial, moderate and weak.

b. Goodness of Fit

Model The calculation of goodness of fit can be used to determine the amount of contribution made by exogenous variables to endogenous variables. The GoF value in PLS analysis can be calculated using Q-Square predictive relevance (Q^2). Q-Square is



used to measure the value of observations generated by the model and its parameter estimates.

Hypothesis testing is a technique in research that is used to test the truth according to the statement that has been stated by the researcher as a result of which conclusions can be drawn that the statement is accepted or rejected. The hypothesis tests in this study are as follows.

1) T-Statistic Test

The T test aims to test the independent variables affect the dependent variable respectively. The T-Statistic is used to test the significance of the hypothesized path, the tool used is the T-Statistic. If the study uses an alpha degree of 5%, the critical value set for the T-Statistic is 1.96. The provisions for this test are if the T-Statistic value > T-Table (1.96) or the P-value < 0.05, the hypothesis is declared significant or the hypothesis is accepted.

2) Indirect Effect Test (Indirect Effect)

In this study, the independent variable and the dependent variable are connected through intermediate variables. According to (Hair J. F, 2021) to determine the magnitude of the indirect effect or mediating effect on other variables, a Variance Accounted For (VAF) measurement method is used.

The following is the VAF formula:

$$VAF = \frac{\text{indirect effect}}{\text{indirect effect} + \text{direct effect}}$$



If the VAF value $> 80\%$ then the mediation is said to be full. If $20\% < \text{VAF} < 80\%$ then mediation is said to be partial or partial mediation, and if $\text{VAF} < 20\%$ then there is no mediation (Hair, et.al., 2017).

Results and Discussion

Research Results

a. Validity Test

At this stage, convergent validity and discriminant validity are performed. To show the validity of the convergent test, there are two stages. First, the outer loading factor > 0.7 . Second, see the Average Extracted Variance (AVE) value. Figure 3.1 below presents a path diagram of the relationship between mediating variables, independent variables and dependent variables.

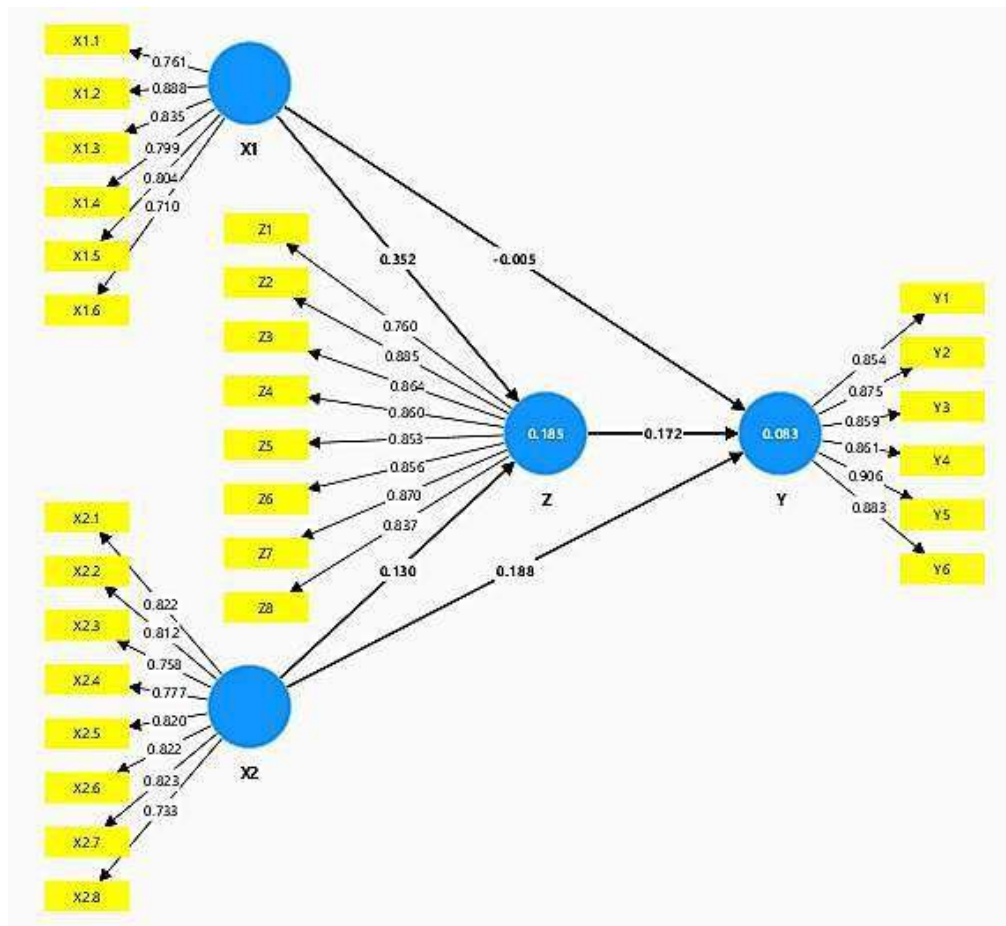


Figure 1. Model and Outer Loading Value

Figure 3.1 can be seen that all outer loading factor values are > 0.7 , meaning that the data is eligible for further testing. So all items used to test the variables in this study are valid and can be used.

b. Reliability Test

At this stage the test is carried out on the basis of the Cronbach's alpha value where the



data is said to be reliable if the Cronbach's alpha value > 0.07 and the AVE value > 0.05. The results of the analysis will be presented in the table below:

Table 1. Reliability Test Results

| | Cronbach's Alpha | Composite Reliability (rho_a) | Composite Reliability (rho_c) | Average Variance Extracted (AVE) |
|-----------|-------------------------|--------------------------------------|--------------------------------------|---|
| X1 | 0.899 | 0.939 | 0.921 | 0.662 |
| X2 | 0.931 | 0.970 | 0.937 | 0.652 |
| Y | 0.947 | 0.961 | 0.957 | 0.759 |
| Z | 0.944 | 0.949 | 0.954 | 0.720 |

Data source: SmartPLS4 2024 data

Table 3.1 above shows the reliability value of each variable, it can be seen that the Cronbach's alpha value is > 0.7, and then the AVE value > 0.5. This indicates that all items on each variable are declared reliable.

Model Struktural (Inner Model)

a. Koefisien Determinasi (R-Square)

At this stage, the R-squer test is carried out which is useful for knowing the relationship between variables and the amount of influence. The criteria for R2, namely:

- 0,75 strong
- 0,50 moderate
- 0,25 weak

The test results will be presented in the table below:

Tabel 2. R-Squer

| | R-square | R-square adjusted |
|----------|-----------------|--------------------------|
| Y | 0,078 | 0,060 |
| Z | 0,109 | 0,097 |

Data source: SmartPLS4 2024 data

In table 3.2, it can be seen that the R-Square Y (purchase decision) value is 0.078, meaning that the effect of celebrity endorsers and social media marketing on purchasing decisions is 7.8% in the low category. For the R-square value Z (Purchase interest) of 0.109, meaning that the effect of celebrity endorsers and social media marketing on purchase interest is 10.9% and can be interpreted as a low influence.

b. Goodness of Fit

At this stage of testing, it aims to determine the amount of contribution made by exogenous variables to endogenous variables. The provisions of this test are:

- 0.00-0,24 small category
- 0,25-0,37 medium category
- 0,38-1,00 large category

Determine the Goodnes of Fit (GoF) value using the formula below:

$$\begin{aligned}
 GoF &= \sqrt{AVE \times R^2} \\
 &= \sqrt{0,698 \times 0,444} \\
 &= 0,56
 \end{aligned}$$

Based on the analysis results which can be seen in tables 3.1 and 3.2, it can be found that the GoF value is 0.56 and it can be concluded that the contribution of exogenous variables to endogenous variables is in the large category.



Hypothesis Test

Hypothesis testing is carried out based on the structural model and will be presented in Figure 3.2.

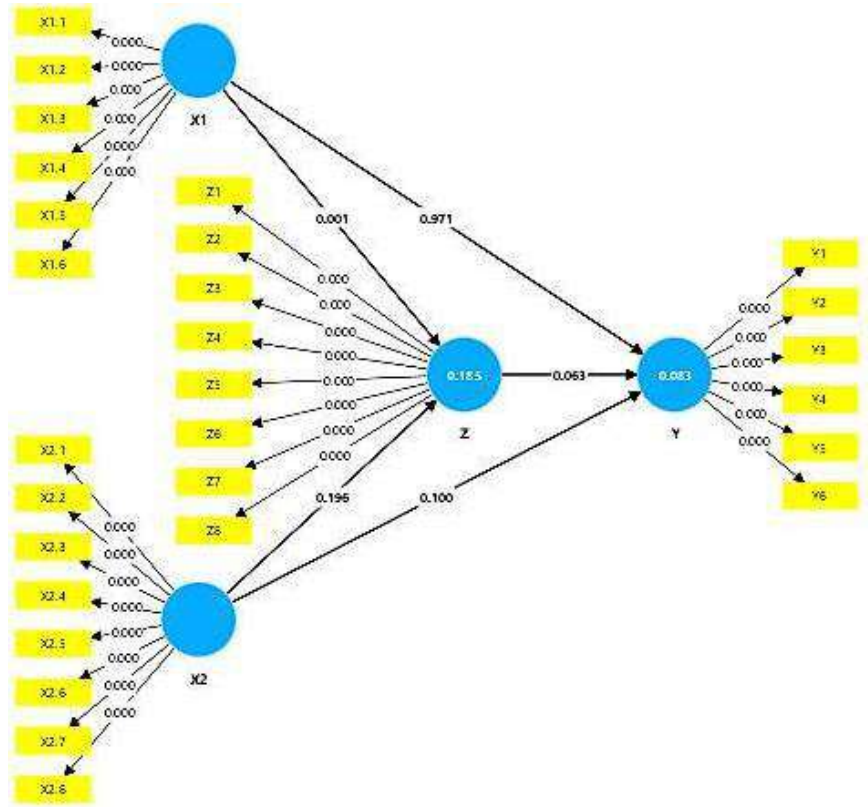


Figure 2. Structural Model Path (Inner Model)

The provisions in this test are if the T-Statistic value > T-Table (1.96) or the P-value < 0.05, the hypothesis is declared significant or the hypothesis is accepted. Below will be presented the results in detail.

Table 3. PLS-SEM Bootstrapping Results

| | Original sample | Sample mean | Standard deviation | T statistics | P values |
|---------|-----------------|-------------|--------------------|--------------|----------|
| X1 -> Y | 0,236 | 0,222 | 0,128 | 3,360 | |
| X1 -> Z | 0,352 | 0,356 | 0,101 | 3,492 | |
| X2 -> Y | 0,188 | 0,202 | 0,114 | 1,653 | 0,100 |
| X2 -> Z | 0,130 | 0,133 | 0,100 | 1,299 | |
| Z -> Y | 0,172 | 0,168 | 0,029 | 1,870 | 0,063 |

Data source: SmartPLS4 2024 data

Based on the data processing in table 3.3, it can be interpreted according to the provisions of t statistics are:

1. The t-statistic value of X1 (celebrity endorser) on Y (purchasing decision) is 3.360 >



- 1.96 and the p-values value is $0.009 < 0.05$. This means that the hypothesis is accepted and it can be stated that celebrity endorsers have a positive and significant effect on purchasing decisions.
2. The t-statistic value of X1 (celebrity endorser) on Z (purchase intention) is $3.492 > 1.96$ and the p-values value is $0.001 < 0.05$. This means that the hypothesis is accepted and it can be stated that celebrity endorsers have a positive and significant effect on purchase intention.
 3. The t-statistic value of X2 (social media marketing) on Y (purchasing decisions) is $1.653 < 1.96$ and the p-values value is $0.100 > 0.05$. This means that the hypothesis is rejected and it can be stated that social media marketing has no significant effect on purchasing decisions.
 4. The t-statistic value of X2 (social media marketing) on Z (purchase intention) is $1.299 < 1.96$ and the p-values value is $0.196 > 0.05$. This means that the hypothesis is rejected and it can be stated that social media marketing has no significant effect on buying interest.
 5. The t-statistic value of Z (purchase intention) on Y (purchase decision) is $1.870 < 1.96$ and the p-values value is $0.063 > 0.05$. This means that the hypothesis is rejected and it can be stated that buying interest has no significant effect on purchasing decisions. So that buying interest cannot mediate the influence of celebrity endorsers and social media marketing on purchasing decisions.

Discussion

The influence of celebrity endorsers on purchasing decisions

Based on the results of the study, it was found that celebrity endorsers have a positive and significant effect on purchasing decisions. This is relevant to the opinion (Rahmawaty, et al., 2024) that a marketing strategy that uses artist endorsers as advertising stars and markets products on various social media to compete with other brands will influence consumer purchasing decisions. Likewise, Fore Coffee uses celebrity endorsers to increase sales of their products. The influence of the celebrity endorser variable is related to the popularity of the artists who endorse Fore Coffee products, namely Cinta Laura and Dion Wiyoko. These two artists also have a very attractive appearance, and both artists have an image of integrity and their knowledge of Fore Coffee is very broad.

The results of this study are relevant to previous research conducted by (Fatmawati & Prabowo, 2024) with the results stating that celebrity endorsers do not have a significant positive influence on purchasing decisions. Another study was also conducted by (Christiana & Lubis, 2023) which stated the results that celebrity endorsers do not have a significant positive influence on purchasing decisions. The difference in the results of this study is influenced by the population and the object of research.

The Effect of Celebrity Endorsers on Buying Interest

The results showed that celebrity endorsers have a positive and significant effect on purchase intention at Fore Coffee Medan. This is relevant to the opinion (Putri & Basiya, 2024) that the more celebrity endorsers who promote a product, the greater the repurchase interest for that product. There are several factors that can influence repurchase interest through celebrity endorsers, such as attracting consumer interest so that they want to buy back the items they have purchased. Fore Coffee Medan uses artists who are quite popular to attract consumer



buying interest.

Research relevant to this research is (Mubarrah, 2024) which states the same results that celebrity endorsers have a positive and significant effect on buying interest. The same research was also conducted by (Mersa, Tjetje, & Sari, 2023) who found the same results that celebrity endorsers have a positive and significant effect on buying interest.

The Effect of Social Media Marketing on Purchasing Decisions

The results showed that social media marketing had no significant effect on consumer purchasing decisions at Fore Coffee Medan. The results of this study are inversely proportional to the theory that if the social media marketing strategy includes tracking and encouraging interactions with audiences online, of course, it has a big impact on consumer purchasing decisions as well (Hidayati 2024). This difference can be caused by Fore Cofee media lacking interaction with potential customers, and not running smoothly. Based on Fore Coffee Medan's social media and also information on Fore Coffee Medan's social media is less updated.

Previous research conducted by (Ningsih & Hurnis, 2024) with the results of the analysis showed that social media marketing significantly strengthens the influence on purchasing decisions. The results are inversely proportional to the research results found in this study. This difference can be influenced by the object and also the research sample which certainly greatly influences the results of this study.

The Effect of Social Media Marketing on Purchase Intention

The results showed that social media marketing had no effect on buying interest in Fore Coffee Medan. This contradicts the opinion (Pratiwi, 2024) that social media is one of the effective marketing given that the use of social media can influence consumer buying interest, interest, and decisions about certain products or services. It is estimated that the cause of this difference is because Fore Coffee Medan is still not updated on the latest information, which certainly affects the buying interest of potential consumers.

Previous research conducted (Damayanti, et al., 2024) states that social media marketing has a positive and significant effect on buying interest. Another relevant researcher is research (Fauzy, 2024) which states that social media marketing has a positive and significant effect on buying interest. This difference is due to different populations and research samples.

The Effect of Purchase Interest on Purchasing Decisions

The results showed that there was no effect of buying interest on purchasing decisions at Fore Coffee Medan. This is inversely proportional to the opinion (Zahra, 2024) that purchase interest has an important role in the process of forming a consumer's purchasing decision; people must have an interest when they decide to buy something, and this interest will encourage their interest in making the next purchase. Previous research conducted by (Maharani, Wimba, & Wulandari, 2024) with results that are inversely proportional to the results of this study. The results state that buying interest has a positive and significant effect on purchasing decisions. This difference is based on different populations and research objects so that different results are found.

Conclusion

Based on the results, it can be concluded that the celebrity endorser variable has a positive and significant effect on purchasing decisions at Fore Coffee in Medan city. The celebrity endorser variable has a positive and significant effect on purchase intention at Fore



Coffee in Medan city. Social media marketing variables have no significant effect on purchasing decisions at Fore Coffee in Medan city. Social media marketing variables do not have a significant effect on buying interest in Fore Coffee in Medan city. The purchase interest variable has no significant effect on purchasing decisions at Fore Coffee in Medan city.

Suggestions

Based on the conclusions that have been described, the following suggestions are expected to Fore Coffee and other researchers.

1. Suggestions for Fore Coffe, to maintain and increase celebrity endorsers because they are able to influence consumer purchasing decisions. The social media marketing variable is still maximized even though there is no significant influence on consumer purchasing decisions.
2. It is recommended for future researchers to examine other independent variables outside of this study, because the influence of variables outside of this study is greater than the research that has been done in influencing purchasing decisions. In addition, future researchers should conduct additional research on this study to explore additional variables in addition to the variables that have been studied.

Bibliography

- Azahra, F., & Hadita, H. (2023). Pengaruh Promosi Dan Harga Terhadap Keputusan Pembelian Melalui Variabel Intervening Minat Beli KFC Golden City Bekasi Di Sosial Media Instagram. *Jurnal Economina*, 2(2), 678-691.
- Christiana, I., & Lubis, S. N. (2023). Peran Mediasi Minat Beli Pada Pengaruh Celebrity endorser Dan Social Media Marketing Terhadap Keputusan Pembelian. *MOTIVASI*, 8(2), 121-130.
- Damayanti, R., Sihombing, I. H. H., Sulistyawati, N. L. K. S., & Sadjuni, N. L. G. S. (2024). Pengaruh Social Media Marketing Terhadap Minat Membeli di Holiday Inn Resort Nusa Dua. *JRB-Jurnal Riset Bisnis*, 7(2), 284-298.
- Mubarrah, M. (2024). *PENGARUH CELEBRITY ENDORSER TERHADAP MINAT BELI PENGGUNA MEDIA SOSIAL INSTAGRAM PADA MAHASISWA PROGRAM STUDI MANAJEMEN UNIVERSITAS MALIKUSSALEH* (Doctoral dissertation, Universitas Malikussaleh).
- Mersa, N. A., Tjetje, N. F., & Sari, D. N. M. (2023). Pengaruh Penggunaan Celebrity Endorser dan Testimoni terhadap Minat Beli Pengguna Media Sosial Instagram. *Jurnal EKSIS*, 19(1), 16-27.
- Fatmawati, D. A., & Prabowo, B. (2024). Impak Brand Image, Celebrity Endorser Pada Keputusan Pembelian Melalui Minat Beli Konsumen Kopi GoodDay. *Journal of Economic, Management, Accounting and Technology*, 7(2), 277-288.
- Fauzy, A. (2024). Pengaruh Social Media Marketing Terhadap Minat Beli Klien PT. Indonesia5. *JURIHUM: Jurnal Inovasi dan Humaniora*, 1(6), 812-828.
- Julianto, E. T. (2022). Pengaruh Strategi Pemasaran Media Sosial (Instagram) dan Citra Merek Terhadap Keputusan Pembelian Sepatu Lokal Compass Dengan Minat Beli Sebagai Mediasi. *Jurnal Ekonomi, Bisnis Dan Manajemen*, 1(4), 16-29.
- Maharani, N. W. S. D., Wimba, I. G. A., & Wulandari, N. L. A. A. (2024). Pengaruh Promosi Terhadap Keputusan Pembelian yang Dimediasi Oleh Minat Beli. *WidyaAmrita: Jurnal Manajemen, Kewirausahaan dan Pariwisata*, 4(4), 771-780.



- Maru, I. N. T., Goetha, S., & Niha, S. S. (2024). Pengaruh Promosi Online, Celebrity Endorser, dan Kelompok Referensi terhadap Keputusan Pembelian Diamond Mobile Legends di Kota Kupang: Peran Mediasi Gaya Hidup. *Journal of Innovation in Management, Accounting and Business*, 3(2), 128-135.
- Mubarrah, M. (2024). *PENGARUH CELEBRITY ENDORSER TERHADAP MINAT BELI PENGGUNA MEDIA SOSIAL INSTAGRAM PADA MAHASISWA PROGRAM STUDI MANAJEMEN UNIVERSITAS MALIKUSSALEH* (Doctoral dissertation, Universitas Malikussaleh).
- Mersa, N. A., Tjetje, N. F., & Sari, D. N. M. (2023). Pengaruh Penggunaan Celebrity Endorser dan Testimoni terhadap Minat Beli Pengguna Media Sosial Instagram. *Jurnal EKSIS*, 19(1), 16-27.
- Ningsih, A., & Hurnis, D. (2024). Peran Word of Mouth Memediasi Pengaruh Social Media Marketing Instagram Terhadap Keputusan Pembelian Kuliner. *Jesya (Jurnal Ekonomi dan Ekonomi Syariah)*, 7(1), 923-932.
- Rahmawati, L., Fadhilah, M., & Cahya, A. D. (2024). PENGARUH CELEBRITY ENDORSER DAN DESAIN PRODUK TERHADAP KEPUTUSAN PEMBELIAN MELALUI BRAND AWARENESS SEBAGAI VARIABEL INTERVENING PADA KONSUMEN BRAND ERIGO DI INDONESIA. *Jurnal Manajemen Terapan dan Keuangan*, 13(02), 481-495.
- Primadani, R. D., Purwanto, H., & Sari, S. L. (2021, October). Pengaruh Celebrity Endorser Dan Brand Image Terhadap Keputusan Pembelian Dengan Minat Beli Sebagai Variabel Intervening (Studi Empiris Pada Konsumen Bintang Toedjoe Masuk Angin Di Madiun). In *SIMBA: Seminar Inovasi Manajemen Bisnis Dan Akuntansi3* (Vol. 3, pp. 1-15).
- Putri, A. R. D., & Basiya, R. (2024). Pengaruh Celebrity Endorser dan Brand Image terhadap Minat Beli Kembali Dimediasi oleh Brand Trust pada Konsumen E-Commerce Tokopedia. *Al-Kharaj: Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 6(6), 4552-4567.
- Pratiwi, B. M., & Mahfudz, M. (2021). PENGARUH DUKUNGAN SELEBRITI, KONTEN IKLAN, DAN ULASAN ONLINE TERHADAP KEPUTUSAN PEMBELIAN PRODUK PAKAIAN DENGAN MINAT BELI KONSUMEN SEBAGAI VARIABEL INTERVENING (Studi pada Platform Instagram di Provinsi Jawa Tengah) Bintang Mega Pratiwi, Mahfudz1. *Diponegoro Journal of Management*, 10(6).
- Prawira, A. A. N. D. N., & Suardana, R. (2024). Keterkaitan antara Citra Merek, Kepercayaan Merek, dan Celebrity Endorser Terhadap Keputusan Pembelian dan Peran Minat Beli Sebagai Mediator. *Ekonomis: Journal of Economics and Business*, 8(2), 1931-1938.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Operational Flow Control Model, Manufacturing Cost and Extension Cost Structure Affect Production in Manufacturing Companies

Togar Timoteus Gultom, Syaifuddin, Nagian Toni
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
syaifuddin@unprimdn.ac.id

Abstract

Maintaining company stability in increasing income requires good cooperation and management. Of course, it is necessary to pay attention to several important sectors. Among them may be the internal sectors of the company. Therefore, it is important to conduct research to see whether the Operational Flow Control Model, Manufacturing Cost and Extension Cost Structure have an effect on Production in Manufacturing Companies. Data collection in the study used quantitative studies and literature. The results of the study showed that operational cash flow has a significant and positive effect on Production Cost Control. Likewise, production costs also have an important role and influence on Production Cost Control. Furthermore, the Extension Cost Structure variable also has a positive and significant effect on production cost control. So it can be said that all variables have an interest and influence in advancing manufacturing companies.

Keywords: Operational Flow Control, Manufacturing Cost, Extension Cost Structure, Production, Manufacturing

INTRODUCTION

With the development of global economy and science and technology, business competition is increasingly fierce. The survival and growth of every business depend heavily on cost advantage (Yuangang, 2016). Businesses spend money on value chain management, and it can also help companies save money (Binghong, 2017). In performance evaluation, companies should use value chain management to assess the rationality of the company's organizational structure and distribution. Value chain management can help business managers make the right management choices to adapt to changes in the external environment.

Equipment costs and carbon emissions, according to research, are the main components of production costs (Zhenguo, 1998). When compared with conventional manufacturing products, the full life cycle cost of green products is higher. Franchetti, Matthew, and colleagues conducted a study on additive manufacturing (AM) technology. They found that traditional manufacturing methods are used more often than AM methods because the development of AM processes reduces costs and increases process efficiency (Zhang & Din, 2015). This study looked at the cost structure and break-even point of AM and traditional methods. A comparative analysis investigated the costs required for injection molding and AM to produce various batch parts. Maintaining market competitiveness means reducing the time and cost required to develop a product (Haijian, 2016; Santoso et al., 2024). Research shows that design and assembly manufacturing (DFMA) is a framework for reducing production costs (Yongping, 2016).

Manufacturing businesses can meet the requirements of the times and improve cost control effects by using the value chain. Activity costing method and target costing method are



used as cost chain cost control tools to analyze the cost control of Beijing Hyundai enterprises (Huanshu, 2009). Wei and Fan combine activity-based costing method with cost control method; they suggest combining big data with business objectives, and exploring new cost control models using data tools and technology (Shicheng et al., 2004).

Liu conducted an empirical analysis of the passenger vehicle manufacturing industry as an example, and discussed methods for optimizing China's manufacturing cost structure. It is believed that increasing investment in R&D can reduce material costs and production costs (Qianwang, 2016; Shiming, 2012). The green factor correlation model for recycling and reproduction of mechanical products offers guidelines based on optimizing environmental protection for recycling and reproduction (Lizhi & Yanpin, 2017). The concept of cost estimation service is presented at various stages of the product life cycle by Timing Ming, and they also offer a cost estimation service model for mass customization products. This model is very good for product cost control because it can estimate costs in real time (Binghong, 2017).

Theoretically, cost reduction methods are divided into two categories: traditional management and modern management. Strategic costing method (Chunyan & Cai, 2016), value chain costing method (Liangwei, 2026), liability costing method (Estampe, 2020), and standard costing method belong to traditional management methods. Contemporary management methods include activity-based costing method (Yuan et al., 2019), life cycle costing method (Liu et al., 2019), and quality costing method (Vittorio, 2015). In order to reduce costs at a certain operating point of a business, there are many ways to control costs, such as using cheaper raw materials or accessories when producing, and management can be optimized to reduce costs. To analyze each aspect of product manufacturing, this paper uses the extension conjugation theory. The purpose of this analysis is to find hidden costs that are often overlooked by people and to provide a way for companies to control costs.

The results of the interim study indicate that the relationship between the budget and the physical and financial realization reports is revealed in the financial statements in recent years. This can be seen in the cash flow statement, operating costs, and income. There is an observable difference between the profit obtained each year. This study focuses on controlling production costs through the manufacturing industry. The choice of this industry is because there is a lot of decline in the number of companies in this sector in the province of North Sumatra. As a result, the importance of controlling the cost of responsibility as a corporate control tool must be remembered. The agency relationship according to agency theory motivates managers to strive to achieve organizational goals. This relationship is used as a basis for building a relationship that functions as an employer and is responsible for the control and flow of information (Violin, 2019). In the same way, Kaizen theory says that a comprehensive corporate system is needed for continuous improvement to achieve better conditions than today, which allows each company to get a new breath.

LITERATURE REVIEW

Operating Profit

In accounting, profit is the difference between the selling price and the cost of production. In pure economics, profit is defined as the increase in investor wealth as a result of investing capital, minus opportunity costs. How costs are defined distinguishes the two. According to Soemarso (2014), it is certain that business activities focus on profit. Profit is the



difference between income and expenses in relation to efforts to obtain that income within a certain period of time. It can be concluded that what is meant by profit is the extent to which a company obtains income from sales activities as a percentage of the company's total business, including costs incurred for the sales process.

Companies are usually established to achieve certain goals, such as generating the greatest profit with the least cost. To achieve this goal, there needs to be planning and control in every aspect of the business so that the company can finance its operations consistently. According to Baridwan (2014), profit is an increase in capital, or net assets, resulting from side transactions or transactions that rarely occur and all other transactions or events that affect the company during a certain period of time, except for investments or owner income. However, according to Simamora (2012), profit is a comparison between income and expenses; if income is greater than expenses, the result is called net income.

Based on the description above, it can be concluded that profit comes from all transactions or events that occur in the company and will affect its operations during a certain period of time. If income is greater than expenses, then the company will make a profit, if otherwise, then the company will lose. Companies can divide their profits into two parts, namely gross profit and net profit. According to experts, gross profit is the profit obtained from total sales to buyers during a certain period. Conversely, net profit is the profit obtained from all income minus celluloid (Swastha, 2002).

Cash Flow

In the economic decision-making process, users must evaluate a company's ability to generate cash and make acquisition decisions based on information about the company's cash flows. During the period of presentation of the financial statements, the company must prepare a cash flow statement and present it as a single component of the financial statements.

Companies must have money to reinvest in order to generate additional profits. Profits reported in the books are not always in the form of cash, so companies can have more or less cash than reported in the books. Cash flow can be defined as the profit before taxes from a project, plus depreciation expense, and minus the additional net income before taxes generated by the project. Cash flow can also be defined as cash flow from sales or similar activities minus all expenses that include all cash outlays. In the cash flow statement, a company reports the amount of money received, paid, and changes in the amount of money that occurred during a certain period of time from the company's operating, investing, and financing activities. The cash flow statement can also show how a company reported a net loss while making large capital expenditures or paying dividends, or how the company issued or raised debt, stock, or both during the period of time. However, the Indonesian Institute of Accountants considers cash flow as both an inflow and an outflow.

Since companies typically report periodically, a cash flow statement based on revenue must distinguish between gross cash receipts and gross cash disbursements from operating, investing, and financing activities. Cash flow is a term used to classify cash flows from operating and financing activities; net cash flow shows the difference between receipts and sources. Basically, there are several reasons why a company must have money. These factors determine how much cash a company must have.

Operating Expenses



A Sangay business usually requires expenses that help in making decisions for day-to-day operations. Costs and expenses usually have different meanings. When it comes to defining costs, it is important to remember that it is very difficult to give a precise definition of what costs are. As a result, costs can be categorized into several categories based on the purpose for which they are used.

According to Carter and Usry (2014), "Cost is the exchange value, expenditure, sacrifice to obtain benefits, so that in financial accounting, expenditure or sacrifice at the time of acquisition is represented by current or future depreciation in the form of cash or other assets." According to Machfoedz (2001), "cost is the amount measured in financial terms of cash issued or wealth transferred, shares, or "Cost is the equivalent value of cash sacrificed to obtain goods or services that are expected to provide current or future benefits to the organization or company", said Mowen and Handsen (2001).

Operating Income

Revenue such as fees or services, rent, and commissions are examples of revenue, according to Warren (2015). Revenue is defined as "an increase in owner's equity resulting from the process of selling goods or services to buyers." According to Soemarsono (2014), revenue is an increase in the economic benefits of an entity during a certain accounting period in the form of income or additions to assets or the formation of liabilities, or a combination of both from delivering goods or producing goods, providing services or carrying out other activities that form the entity's ongoing main or central operations.

Revenue is defined as "Gross inflows of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than contributions from equity participants." Therefore, revenue consists of gross inflows and economic benefits received, not loans or increases in equity. Therefore, amounts receivable on behalf of third parties, such as While an increase in revenue results in an increase in assets or a decrease in liabilities, an increase in revenue does not result in an increase in equity.

Extension Cost Structure

The cost structure of expansion as an additional cost for business operational conditions that require operational activities. We are all aware of the process that a product goes through from start to finish: product design and development, procurement of raw materials and components, storage of purchased goods, and then raw materials and components. These materials are used for production and processing, and then sold at various points of sale. The product is used by consumers. Consumers experience problems when using it or need to repair it, and the product is gradually removed from the market for recycling.

Traditional production costs include direct material costs, direct labor costs, and production costs. On the other hand, production costs refer to the costs incurred by branches and workshops to organize and manage production, including management salaries, depreciation costs, repairs and maintenance, and other production-related costs, such as office costs, travel, labor insurance, etc., which are basically incurred during the production process using the method This view is useful for finding cost components that are often overlooked by businesses and facilitating production cost control.

RESEARCH METHOD



Causal research is used in this dissertation to test the hypothesis about the causal relationship between variables (Siregar, 2009). In the simultaneous method, variables Y and X have a relationship with each other. In a situation where there is an independent variable/exogenous variable (X) and a dependent variable/endogenous variable (Y), the independent variable is the variable that influences or causes changes or the emergence of the dependent variable (bound). Manufacturing companies in the Medan Industrial Area are where this research was conducted.

Operational Variables

Table 1. Operational Definition of Variables

| Variables | Description | Data |
|-------------------------------|--|-------|
| | | Scale |
| Operating Cash Flow (X1) | Cash flow consists of the pre-tax profit from a project, plus depreciation expense, and minus any additional pre-tax net profit generated from the project. | Ratio |
| Manufacturing Cost (X2) | According to Carter and Usry (2004), "Cost (Kosta) is the exchange value, expenditure, sacrifice to obtain benefits, so that in financial accounting, expenditure or sacrifice at the time of acquisition is represented by current or future depreciation in the form of cash or other assets." | |
| Extension cost structure (X3) | He can analyze the components of the company's production costs using eight conjugated extenic theories, which include the materiality of each material and non-material part, the dynamics of latent and apparent parts, the systematicity of soft and hard parts, and the conflict between negative and positive parts. He hopes to provide a complete analysis and control of the company's production costs. | |
| Production cost control (Y1) | Production cost control regulates and determines the costs used or incurred during the production process. | |

Data Collection and Retrieval Procedures

Data Collection

Primary and secondary data used to compile scientific papers are collected, compiled, recorded, and analyzed to ensure that the data obtained is correct.

Data Collection

The main objective, according to Sugiyono (2009), of the most strategic research



approach is data collection. Data collection can be done to obtain the information needed for the research framework and achieve new research objectives. Researchers need to collect data for deeper research if they want to prove a hypothesis empirically. Hypothesis variables determine this data collection process. In this study, data were collected through documentary studies with a literature approach. Literature reviews are conducted to expand knowledge about the various concepts used in the research process (Martono, 2011). In this study, data were collected through documentary research, which involves collecting and processing data from previous information related to the problem being investigated.

Data Analysis

Data analysis is a step or research process in which collected data is processed to answer the problem formulation (Moleong, 2004). Data analysis includes organizing and grouping data into patterns, categories, and basic explanatory units, as well as finding themes and locations to create working hypotheses put forward by the data. This study uses quantitative methods such as simultaneity and SUR. The analysis model used in this study is the SUR (Simultaneously Unrelated Regression) Model.



a. Assumption Test

1) Data Stationarity Test (Unit Root Test)

The stationarity test is a classic assumption test that was first used in VAR model analysis. A set of data is considered stationary if the mean and variance do not change systematically over time or the variance is constant (Nachrowi et al., 2006). The results of a non-stationary time series will produce a dubious regression analysis. A curious condition is when the regression coefficient and determination number are high, but there is no correlation in the variable model. Therefore, a stationary test must be carried out. The unit root test is one of them, and because it is very simple, the Dickey Fuller test is the most commonly used. If the augmentation probability value of the Dickey-Fuller statistical test is less than 0.05 and the t-statistic value is greater, the data is not stationary based on the Mc Kinnon value at the 1% confidence level. If the test that tests stationary data does not show stationary data at the first level, then the test can be continued to a different second level if the data remains non-stationary at this level as well.

2) Granger Causality Test

The Granger Causality Test is intended to see how the relationship pattern is between variables.

a) Johansen Cointegration Test

Although there are many types of cointegration tests, the Johansen test is the most common for testing several vectors. After the data is stationary, a cointegration test is carried out to determine whether there is a long-term equilibrium relationship between the variables studied. If the maximum eigenvalue and trace statistic are greater than the critical value and the prob value is less than 0.05, the data from a number of variables studied are considered cointegrated.

RESULT AND DISCUSSION

a. The Effect of Operating Cash Flow on Production

Part of the economic resources is the operating costs to maintain and generate income. Costs that are affected by business actions Therefore, operating costs increase along with the level of company activation (Feng, 2017). This is because operating costs are costs that the company is directly involved in. Therefore, determining operating costs cannot be done separately from all company activities.

Cash flow statement is a report that can provide more complete information about the amount of cash available to the company (Xingmei, 2008). Cash flow information can help identify the financial condition of the company. Cash flow from operating activities can also be used to determine whether the cash flow generated is sufficient to pay off loans, maintain operating capabilities, and make investments without relying on external funds. The cash flow statement should be presented by detailing the components of cash flow from operating, investing, and financing activities.

In this case, the main objective of the company is to achieve results that are in accordance with the company's objectives, namely obtaining income that will generate profit (Harlalka et al., 2016). This occurs if the amount of costs incurred is greater than the amount of income received. Therefore, profitability must be used to show the company's income.

Companies that produce military and commercial products know that they depend on customers if their products and services meet customer expectations. By looking at the financial



statements, we know that every company spends a lot of money to fulfill all kinds of company tasks, or operating costs, before achieving their goals (Liu, 2018). In this case, the ultimate goal of the company should be in accordance with the company's goals, which is to earn income. If the amount of income received is greater than the costs incurred, then the company will make a profit.

B. The Influence of Production Costs on Production Cost Control

Standard production costs consist of standard raw material costs, standard direct labor costs, and standard factory overhead costs (Violin, 2019). Production cost budget planning is a structured process that involves many important steps. Production cost budget planning begins by setting the fiscal year from January to December, and during this period, the budget is prepared according to the fiscal year. The first step in this process is to determine the amount of production expected during the year. With the help of other sections in the main office, the plant and technology sections prepare the expected production amounts and create production estimation guidelines. The form guidelines and cost budgets are sent to the plantation. Here, the plantation calculates its production costs. Here, the plantation creates a production cost budget, which is then reviewed and checked in the main office with the administrator to ensure that the budget is correct (Santoso et al., 2014).

The variance method, or comparison of actual processing costs with the budget that has been prepared, is also used to control processing costs. While overall production cost control includes evaluating the overall production cost deviation, there are deviations that indicate that there is waste in the use of processing costs. Overall, the results of the analysis show a favorable variation. This shows that the business can manage production costs efficiently and effectively.

Since the company prepares a larger budget than the production costs incurred, it can be seen that the cause of the unfavorable variance or difference between the budget and production costs. This will cause the company to generate higher net income, which means that the production budget costs can be maximized and used more efficiently. According to research conducted by Ginting & Sagala (2019) and Sasongke (2013), a comparison between the realization of production costs over the past few years shows the effectiveness of using the budget as a tool to control production costs. Unfavorable differences in business can be caused by many things that affect production costs that are not in accordance with the budget. Some common factors that cause negative variances include differences between the company's actual and estimated conditions.

In general, in this study, the factors responsible for the unfavorable differences between budget and actual production costs consist of a number of internal and external elements. External factors, on the other hand, include market demand and competition in the market, which contribute to the failure to achieve budget targets and actual production costs. Therefore, in order to avoid unfavorable costs in the future, companies should consider these two elements more carefully when making production cost budgets.

c. The Influence of Extension Cost Structure on Production Cost Control

A farmer's ability to determine, direct, and coordinate production factors in the expected manner is called farm management (Luntungan, 2012). The concepts of cost and production are closely related, so the cost structure in cassava agribusiness management in the Bengawan Solo Wonogiri Watershed must be thoroughly studied to determine the appropriate allocation of use to



increase cassava yields (Rahayu et al., 2020). How much the company is able to receive funds that will be used to operate and develop is one aspect that must be considered when managing financial functions. Capital is the right or portion owned by the owner of the company in the capital, stock, or additional profit items, or assets that are greater than the company's debts.

The term "capital structure" is closely related to determining how much debt and equity a company uses as a source of funds. The difference between debt and equity that a company uses to pay for operating costs and purchase fixed assets is known as capital structure (Atmaja, 2003). Because financing structure is very important for a business, managers must pay attention to the components of determining capital structure.

For this study, there are components of asset structure, growth, profitability, and liquidity of the organization. According to Joni and Lina (2010), asset structure factors affect capital structure. A company can consider its asset structure when providing loans because creditors believe that large businesses have a low risk of bankruptcy.

The ability of an organization to generate material and non-material benefits in accordance with its objectives is known as its growth rate. Companies with high growth opportunities tend to have a small debt ratio to finance their investments, which allows them to generate the most profits and increase their value (Brigham and Houston, 2011). Conversely, companies with low growth opportunities tend to have a high debt ratio to finance their investments, which allows them to increase their value.

CONCLUSION

Based on the results of the study above, it is concluded that operational cash flow has a significant and beneficial effect on production cost control. In addition, production costs also play an important role and affect production cost control. In addition, the Extension Cost Structure variable also significantly affects production cost control. Thus, it can be said that each variable has value and affects the progress of manufacturing companies.

REFERENCES

- Atmaja, Lukas Setia. 2003. *Manajemen Keuangan Edisi revisi*. Yogyakarta
- Baridwan, Zaki. 2014. *Intermeadit Accounting. Edisi Kedelapan*. Yogyakarta: BPFE.
- Brigham, Eugene F. dan Houston, Joel F. 2011. *Dasar-dasar Manajemen Keuangan. Terjemahan. Edisi 10*. Jakarta: Salemba Empat.
- Binghong Zhang. 2017. Discussion on Cost Control of Manufacturing Enterprises Based on Value Chain. *Accounting newsletter*, (20):72-6.
- Chunyan Yang, Cai W, 2016. Creative Generation and Production Research Based on Extenics. *Journal of Guangdong University of Technology*, 33(01):12-6.
- Carter, William K dan Usry, Milton F. 2014. *Akuntansi Biaya*. Diterjemahkan oleh. Krista. Buku 1. Edisi Keempat Belas. Jakarta: Salemba Empat.
- Estampe D, Lamouri S, Paris J L, et al. 2020. A Framework For Analyzing Supply Chain Performance Evaluation Models. *International Journal of Production Economics*, 142(2):247-258.
- Franchetti Matthew; 2017. Kress Connor et al. An Economic Analysis Comparing the Cost Feasibility of Replacing Injection Molding Processes with Emerging Additive Manufacturing Techniques. *International Journal of Advanced Manufacturing Technology*, 88(9-12):2573-2579.



- Feng Y. 2017. Entity Enterprise Cost Control: Cost Reduction and Development. *Friends of Accounting*, (11):25-31.
- Ginting, R., & Sagala, L. (2019). Analisis anggaran biaya produksi sebagai alat perencanaan dan pengendalian biaya produksi pada PT. INDAPO BATU RONGKAM. *Jurnal Ilmiah Smart*, 3(1), 40-46.
- Grote M H, Lo V, 2010. Harschar-Ehrnborg S. A Value Chain Approach To Financial Centre The Case of Frankfurt .*Tijdschrift Voor Economische En Sociale Geografie*, 2010; 93(4):412-423.
- Hansen & Mowen. (2001). *Manajemen Biaya, Buku II, Terjemahan Benyamin. Molan. Jakarta: Penerbit Salemba Empat.*
- Harlalka, Akshay; Naiju, C.D et al. 2016. Redesign of an in-market food processor for manufacturing cost reduction using DFMA methodology. *Production and Manufacturing Research*, 4(1): 209-227.
- Huanshu Guo, Lili Feng. 2009. Application of Responsibility Cost Method in Highway Construction Enterprises .*Accounting newsletter*, 17):110-111.
- Haijian Li, Fenge Sun. 2013. Thought Breakthrough and Practical Characteristics of Strategic Cost Management—Based on Comparative Analysis. *Chinese industrial economy*, (02):91-103.
- Joni, Joni, and Lina Lina. 2010 "Faktor-faktor yang Mempengaruhi Struktur Modal." *Jurnal Bisnis dan Akuntansi*, vol. 12, no. 2, doi:10.34208/jba.v12i2.
- Lizhi Wei & Yanpin Fan. 2017. Construction of Manufacturing Activity Cost Control System Based on Big Data. *Practice and understanding of mathematics*, 47(07):63-9.
- Liu K. 2018. A Probe into the Optimization Path of China's Manufacturing Cost Structure. Evidence from Passenger Vehicle Manufacturing Enterprises. *Monthly accounting*, (01):95-101.
- Luntungan, 2012 Analisis Tingkat Pendapatan Usaha Tani Tomat. Apel di Kecamatan Tompaso Kabupaten Minahasa, *Jurnal Ekonomi*.
- Liangwei Luo, Chunyan Yang. 2015. Research on Ceramic Logistics Packaging Design Based on Gene Extension Modular Design. *Journal of Guangdong University of Technology*, 32(02):11-6+149.
- Liu Wei, Tongyang Li, Gao Hong. 2019. Research on Lean Improvement of Production Line Based on Conjugate Pair Analysis Method. *Journal of Guangdong University of Technology*, 36(02):1-8.
- Machfoedz, 2001, "Akuntansi Manajemen 2 Edisi 3", BPFE : Yogyakarta.
- Martono, Nanang. 2011. *Metode Penelitian Kuantitatif*. Jakarta: PT Raya. Grafindo Persada.
- Moleong, Lexy J. 2004. *Metodologi Penelitian Kualitatif*. Bandung: PT. Remaja.
- Nachrowi, Djalal Nachrowi, Hardius Usman. 2006. "Pendekatan Populer dan Praktis Ekonometrika untuk Analisis Ekonomi dan Keuangan". Jakarta.
- Orji Lfeyinwa, Wei Sun. 2016. A Detailed Calculation Model for Costing of Green Manufacturing. *Industrial Management & Data System*, 116(1):65-86.
- Qianwang Deng, Weiming Li, Li Xun, Xianhui Liu. 2015, Green Impact Factor Correlation Simulation Model in Mechanical Product Recycling and Remanufacturing System. *China Mechanical Engineering*, 26(22):3064-3075+3115.



- Rahayu, E. S., Setyowati, S., & Rahmadwiati, R. (2020). *Keragaan Analisis Struktur Biaya dan Kelayakan Usahatani Ubi Kayu di DAS Bengawan Solo Kabupaten Wonogiri* (Doctoral dissertation, Sebelas Maret University).
- Shiming Ji, Zhiyan Bao, Xiao Gang, Shufeng Yuan. 2012. Mass Customized Product Cost Estimation Service Model. *China Mechanical Engineering*, 23(06):681-687. [16]
- Shicheng Hu, Yanbin Wang, Xiangyan Li, Wang Ye. 2004. Cost optimization control model in product development and design process. *China Mechanical Engineering*, (01):41-3.
- Soemarso. (2014). *Akuntansi Suatu Pengantar*. Jakarta: Salemba Empat.
- Simamora H (2012), *Akuntansi Manajemen*. Jakarta: Star Gate Publisher.
- Sugiyono. (2009). *Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif, dan R&D*. Bandung : Alfabeta.
- Santoso, R. A., Syaputra, A., Raharja, B. O. O., & Permatasari, N. (2024). Analisis Literature Review Tentang Efektivitas Perencanaan Dan Pengendalian Anggaran Biaya Produksi Di Perusahaan. *Nusantara Journal of Multidisciplinary Science*, 1(6), 333-341.
- Sasongke, D. J., Kalangi, L., & Mintalangi, S. S. (2023). Analisis Anggaran Biaya Produksi Sebagai Alat Untuk Meningkatkan Efektivitas Pengendalian Biaya Produksi Pada PT. Sari Tuna Makmur: Indonesia. *Jurnal LPPM Bidang EkoSosBudKum (Ekonomi, Sosial, Budaya, dan Hukum)*, 6(2), 1297-1310.
- Swastha B. 2002. *Manajemen Pemasaran*. Edisi Kedua. Cetakan Kedelapan. Jakarta: Penerbit Liberty.
- Vittrio A Torbianelli. 2005. From Transitional To Innovation: Policy Issues In A Knowledge-Based Economy. *Transition Studies Review*, 12(2):240-253.
- Violin, V. (2019). Pengaruh Harga Pokok Produksi Terhadap Volume Penjualan Pada PT. Semen Bosowa Maros. *Jurnal Bisnis dan Kewirausahaan*, 8(2).
- Warren *et all*. 2015. *Pengantar Akuntansi*. Jakarta. Salemba Empat.
- Xingmei F. 2008. Application of Target Cost Method in Cost Management of Modern Manufacturing Enterprises. *Business economy*, (03):53-5.
- Yuan Ping, Yanbin Liu, Xingsen Li. 2019. Extensive innovation research on rural tourism public transportation supply. *Journal of Guangdong University of Technology*, 36(02):14-9.
- Yuangang Duan. 2017. Research on Application of Enterprise Strategic Quality Cost Management. *Journal of Beijing Union University (Humanities and Social Sciences Edition)*, 15(01):64-9.
- Yongping Hu, Binchuan Chen, Zuo Yan. 2016. Research on cost control based on product life cycle. *Friends of Accounting*, (23):81-3.
- Zhenguo Yu. 1998. Defects in the quality cost model. *System Engineering Theory and Practice*, (09):140-142.
- Zhang Yan & Ding Ran. 2015. The Cost Connotation of Activity-Based Costing and Its Application. *Monthly accounting*, (07):120-121.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

ANALYSIS OF THE EFFECT OF PRICE, PROMOTION, *BRAND IMAGE* ON CUSTOMER SATISFACTION AT XXI CINEMA IN MEDAN

Queensland Celine Wienanta¹, Isna Asdiani Nasution^{2}, Marsel Gery Daniel Sihaloho³,
Michael Edy Pindonta Tarigan⁴, Melisa Zuriani Hasibuan⁵*

^{1,2,3,4}Universitas Prima Indonesia, ⁵Universitas Muslim Nusantara Al Washliyah

*[*isnaasdiainasution@unprimdn.ac.id](mailto:isnaasdiainasution@unprimdn.ac.id)*

ABSTRACT

Cinema XXI is under the auspices of PT Nusantara Sejahtera Raya Tbk, which is the largest cinema group in Indonesia with 35 years of experience in the film show industry. Not all consumers are satisfied with the various things offered by Cinema XXI so that many consumers often give less or not good reviews to Cinema XXI in various places in Medan. Not a few consumers also complain about their experiences through google reviews with star reviews. Consumer dissatisfaction is known from various things such as price, promotion, and also brand image. The research population that will be used in the study are all consumers who make purchases at Cinema XXI, the number of which is not known with certainty. Because the population is unknown, the sampling technique used is the Lemeshow formula and 96 research samples were obtained. For the sampling technique used, namely accidental sampling where respondents will be randomly selected into research samples. The results showed that partially or simultaneously, Price, Promotion and Brand Image have a significant effect on Customer Satisfaction Cinema XXI in Medan.

Keywords: *Price, Promotion, Brand Image, Customer Satisfaction*

INTRODUCTION

The development of the national entertainment industry is currently advancing, because it is supported by the rapid development of technology in the digital business era. This creates quite intense competition in fighting for market share, not only relying on quality products but must be supported by strategies and efforts in marketing the products produced so that it makes it easier for consumers to choose products according to their wants and needs. There are various companies engaged in national entertainment, one of which is Biskop.

Cinema is a place for people to enjoy movie shows, where the audience devotes all their attention and feelings to the live images being watched. The audience will witness a story that seems real in front of them. Movie theaters are one of the many alternatives for recreation. The sharpness and sound effects in the cinema also determine the satisfaction of the people who are watching a movie show. The number of cinema enthusiasts made various companies start selling



their legs in the business so that there are many companies that compete with each other in fighting for consumers to visit their place. One of the cinemas in Indonesia that has been widely recognized is Cinema XXI.

Cinema XXI is under PT Nusantara Sejahtera Raya Tbk, the largest movie theater group in Indonesia with 35 years of experience in the movie show industry. Until the end of September 2023, Cinema XXI has presented 1,250 screens in 232 cinema locations spread across 56 cities throughout Indonesia, one of which is the city of Medan. However, not all consumers are satisfied with the various things offered by Cinema XXI so that many consumers often give less or unfavorable reviews to Cinema XXI in various places in Medan. Not a few consumers also complain about their experiences through google reviews with 1-star reviews. Consumer dissatisfaction is known from various things such as price, promotion, and also *brand image*.

In this case, some consumers feel that paying a high price but getting poor service makes them feel disappointed. Not to mention that there are many online sites that make consumers think again before spending their money to watch in theaters while they can get pirated. Therefore, some consumers feel that the price they pay is not worth the experience they get. In addition to the price, some consumers also complained about the lack of promotional activities carried out by Cinema XXI, making consumers feel less interested.

In the past, when Cinema XXI often carried out promotional activities such as discounts, consumers were very interested in continuing to make purchases. Moreover, for now consumers do not often see offers from Cinema XXI such as *buy 1 get 1* and so on. Some consumers also complain about the image of Cinema XXI itself because they feel that Cinema XXI has an atmosphere that does not provide comfort to the audience. Moreover, the image of poor employee service makes consumers have to think again before deciding to watch at Cinema XXI because consumers still choose many options to watch such as IMAX, Cineplex, and so on.

LITERATURE REVIEW

Price

Price is the amount of money that must be paid to obtain goods (Darmis, 2021). Price is the result of a policy on pricing, which includes a list of prices, discounts, payment periods, credit terms, or other policies (Wijayanti, 2019).

Promotion

Promotion is a means by which companies try to inform, persuade, and remind consumers directly or indirectly about the products and brands being sold (Firmansyah, 2020). Promotion is a means used by companies in an effort to inform, persuade, and remind consumers directly or indirectly about the products and brands they sell (Febriani and Dewi, 2018).

Brand Image

Brand image is a set of assumptions that exist in the minds of consumers towards a brand formed from various information from various sources (Yudhanto, 2018). Brand image can be



defined as a perception that appears in the minds of consumers when remembering a brand of a particular product (Firmansyah, 2019).

Customer Satisfaction

Consumer satisfaction is the result of a perceived comparison between product performance and the suitability of the expectations that consumers want after making a purchase, if the product matches or exceeds consumer expectations, then consumers will feel satisfied and vice versa, if consumers do not match expectations, then consumers do not feel satisfied (Djunaidi, 2020). Consumer satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the performance or results of a product that is thought against the expected performance or results. If performance is below expectations, consumers are dissatisfied. If performance meets expectations, consumers are satisfied. If performance is above or exceeds expectations, consumers are very satisfied or happy (Indahningwati, 2019).

METHODS

Research Approach, Type and Nature of Research

This research approach is based on a quantitative approach because this research has a clear and orderly flow. This type of research is a type of quantitative research. The nature of this research is causal research which is also known as explanatory research where this type of research examines whether there is a cause-and-effect relationship between two separate events. This will occur when there is a change in one of the independent variables, which causes a change in the dependent variable.

Research Population and Sample

The research population that will be used in the study are all consumers who make purchases at Cinema XXI, the number of which is not known with certainty. Because the population is unknown, the sampling technique used is the Lemeshow formula. It can be explained that the sample calculation with the Lemeshow formula approach can be used to calculate the number of samples with an unknown population. The sampling technique used is *accidental sampling* where respondents will be randomly selected as research samples.

Data Analysis Technique

Multiple regression analysis to determine whether there is a significant partial or simultaneous influence between two or more independent variables on one independent variable (Priyatno, 2018).

$$Y = a + b X_1 + b X_2 + b X_3$$

Description:

- Y = Customer Satisfaction (*dependent variable*)
- X₁ = Price (*independent variable*)
- X₂ = Promotion (*independent variable*)
- X₃ = Brand Image (*independent variable*)



- a = Constant
b = Regression coefficient

Classical Assumption Test

Normality Test

The normality test can be done in 2 ways, namely with a histogram graph and a *normal probability plot of regression*. The following is the basis for decision making (Marsam, 2020):

1. If the data spreads around the diagonal line and follows the direction of the diagonal line, the histogram graph and *normal probability plot of regression* show a normal distribution pattern, then the regression model fulfills the assumption of normality.
2. If the data spreads far from the diagonal line and / or does not follow the direction of the diagonal line, the *normal histogram graph of the probability plot of regression* does not show a normal distribution pattern, then the regression model does not fulfill the assumption of normality.

Normality tests with statistics can use the *One Kolmogorov Smirnov* method, the test criteria are as follows (Priyatno, 2018):

1. If the significance value is > 0.05 , then the data is normally distributed.
2. If the significance value is < 0.05 , then the data is not normally distributed.

Multicollinearity Test

The commonly used multicollinearity test method is by looking at the *Tolerance* and *Variance Inflation Factor* (VIF) values in the regression model where the VIF value is less than 10 and has a *Tolerance* number of more than 0.1 (Priyatno, 2018).

Heteroscedasticity Test

Heteroscedasticity is a condition where in the regression model there is an inequality of variance from residuals on one observation to another where a good regression model is that heteroscedasticity does not occur. Various kinds of heteroscedasticity testing, namely by testing *Scatterplots* where it is done by looking at the pattern points on the graph spread randomly and do not form patterns on the graph (Priyatno, 2018).

Hypothesis Test

Coefficient of Determination (*Adjusted R*)²

The coefficient of determination is a measure of the precision of the calculated value to the observed value. The coefficient of determination is closer to 1, meaning that the predicted value calculated is closer to the experimental data (Rahmadhani, 2019). Adjusted R Square is the adjusted R Square. Adjusted R Square is usually used to measure the contribution of influence if the regression uses more than two independent variables (Priyatno, 2018).

Partial Hypothesis Testing (t test)

The t test is used to determine whether partially the independent variable has a significant effect or not on the dependent variable. The test uses a significance level of 0.05 and a 2-sided test.



The form of testing has assessment criteria is H_0 accepted if: $t_{count} > t_{table}$ (Priyatno, 2018)

Simultaneous Hypothesis Testing (F Test)

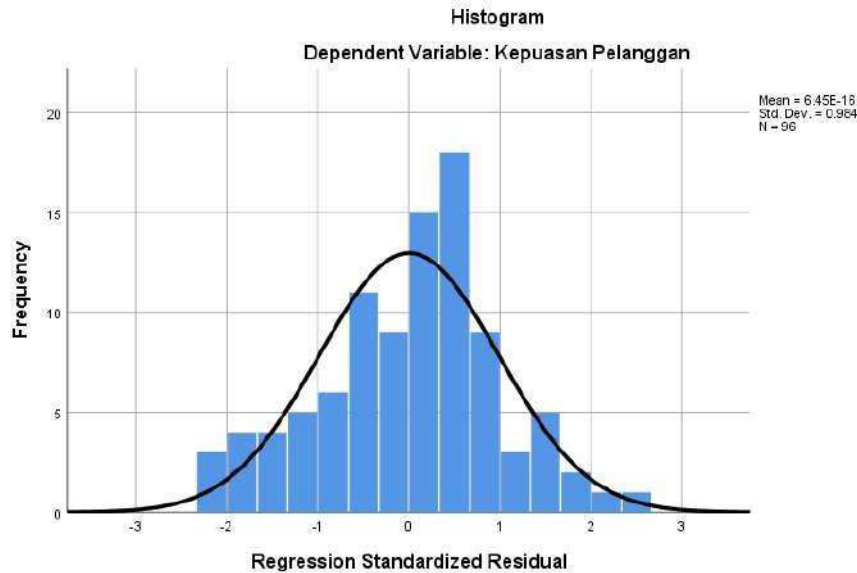
The F test or simultaneous testing is a hypothesis used in testing the coefficient of the regression model simultaneously with the criteria for evaluating the hypothesis in this F test is H_0 Accepted if : $F_{count} < F_{table}$, H_0 Accepted if : $F_{count} > F_{table}$ (Arvianti and Anggrasari, 2018)

RESULTS

Normality Test

There are two ways to detect whether the residuals are normally distributed or not, namely by graph analysis and statistical tests.

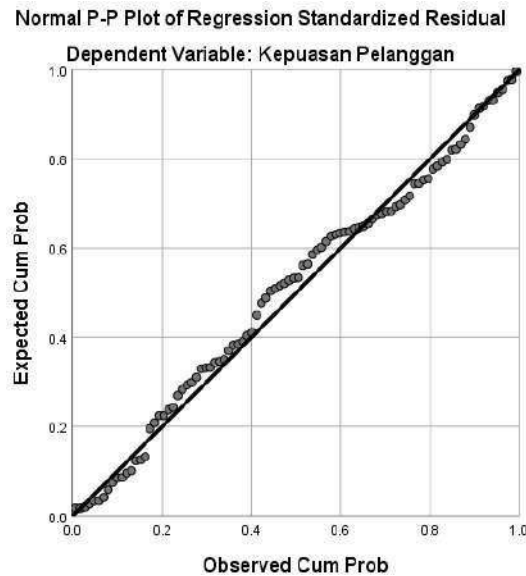
Figure 1. Histogram Graph



Source: *Research Results, 2024 (Data processed)*

Based on the picture above, it can be seen that the line drawing is bell-shaped, not deviating to the left or right. This shows that the data is normally distributed and fulfills the assumption of normality.

Figure 2. Normal Probability Plot of Regression Graph



Source: Research Results, 2024 (Data processed)

Based on the picture above, it shows that the data (dots) spread around the diagonal line and follow the diagonal line. So from this picture it is concluded that the residuals of the regression model are normally distributed.

Table 1. One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 96 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.71764802 |
| Most Extreme Differences | Absolute | .066 |
| | Positive | .043 |
| | Negative | -.066 |
| Test Statistic | | .066 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Research Results, 2024 (Data processed)

Based on the table above, the test results prove that the significant value produced is greater than 0.05, which is 0.200, it can be concluded that the data is classified as normally distributed.

Multicollinearity Test



Multicollinearity testing can be seen in the table below:

Table 2. Multicollinearity Test Results (VIF Test)

| Model | Coefficients ^a | | | | Sig. | Collinearity Statistics | |
|--------------|----------------------------------|------------|-----------------------------------|--------|------|-------------------------|-------|
| | Unstandardized Coefficients B | Std. Error | Standardized Coefficients Beta | t | | Tolerance | VIF |
| 1 (Constant) | 27.825 | 3.174 | | 8.766 | .000 | | |
| Price | -.442 | .101 | -.335 | -4.378 | .000 | .989 | 1.011 |
| Promotion | .273 | .068 | .343 | 4.042 | .000 | .803 | 1.245 |
| Brand Image | .435 | .114 | .323 | 3.819 | .000 | .808 | 1.237 |

a. Dependent Variable: Customer Satisfaction

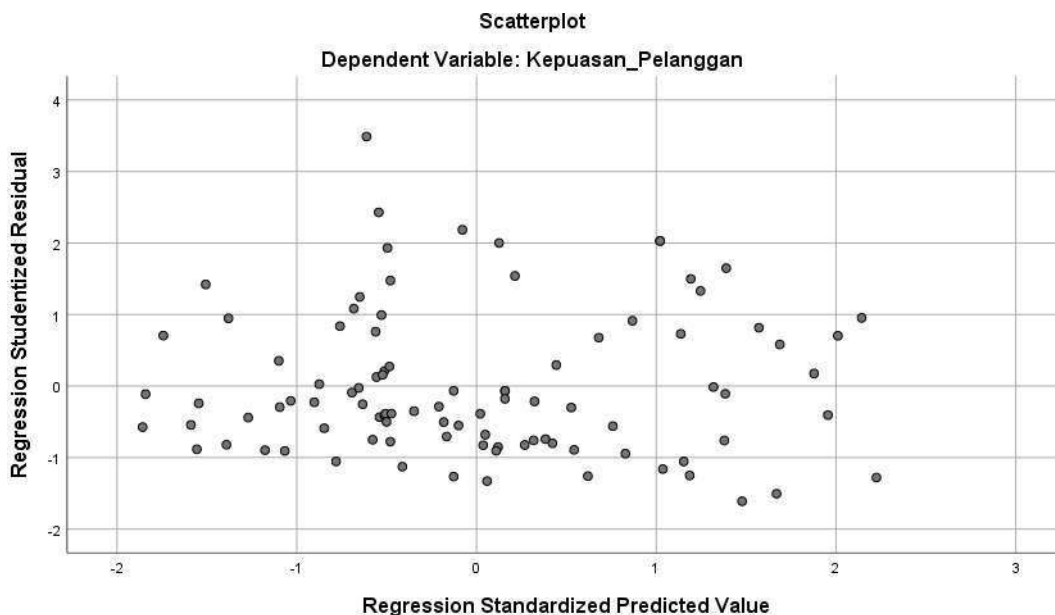
Source: *Research Results, 2024 (Data processed)*

Based on the table above, it can be seen that each variable has a *tolerance* value > 0.1 and a VIF value < 10. Thus, there is no multicollinearity problem in this study.

Heteroscedasticity Test

The following heteroscedasticity test graphically can be seen in the picture below:

Figure 3. Scatterplot Graph



Source: *Research Results, 2024 (Data processed)*

Based on the *scatterplot* graph presented, it can be seen that the points spread randomly and do not form a certain clear pattern and are spread both above and below zero on the Y axis. This means that there is no heteroscedasticity in the regression model, so the regression model can be used to predict performance based on the input of the independent variables.



Heteroscedasticity testing can be seen in the table below:

**Table 3. Glejser Test Results (Heteroscedasticity)
Coefficients^a**

| Model | | Unstandardized Coefficients | | Standardized | t | Sig. |
|-------|-------------|-----------------------------|------------|----------------------|--------|------|
| | | B | Std. Error | Coefficients Beta | | |
| 1 | (Constant) | 2.617 | 1.885 | | 1.389 | .168 |
| | Price | .060 | .060 | .101 | .999 | .320 |
| | Promotion | -.085 | .040 | -.239 | -1.125 | .136 |
| | Brand Image | .032 | .068 | .054 | .478 | .634 |

a. Dependent Variable: Customer Satisfaction

Source: Research Results, 2024 (Data processed)

Based on the table above, it can be seen that the significance level of each variable is greater than 0.05. From the calculation results and the significant level above, there is no heteroscedasticity found.

Research Model

The results of multiple linear regression analysis testing can be seen in the table below as follows:

**Table 4. Multiple Regression Coefficient test results
Coefficients^a**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|-------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 27.825 | 3.174 | | 8.766 | .000 | | |
| | Price | -.442 | .101 | -.335 | -4.378 | .000 | .989 | 1.011 |
| | Promotion | .273 | .068 | .343 | 4.042 | .000 | .803 | 1.245 |
| | Brand Image | .435 | .114 | .323 | 3.819 | .000 | .808 | 1.237 |

a. Dependent Variable: Customer Satisfaction

Source: Research Results, 2024 (Data processed)

$$\text{Customer Satisfaction} = 27.825 - 0.442 \text{ Price} + 0.273 \text{ Promotion} + 0.435 \text{ Brand Image} + e$$

Based on the equation above, then:

1. Constant (a) = 27.825. This means that if the independent variables, namely Price (X_1), Promotion (X_2), and Brand Image (X_3) are 0, Customer Satisfaction (Y) is 27.825.
2. If there is an increase in Price, Price will decrease by 44.2%.
3. If there is an increase in Promotion, Customer Satisfaction will increase by 27.3%.
4. If there is an increase in Brand Image, Customer Satisfaction will decrease by 43.5%.

Coefficient of Determination (R^2)



The results of testing the coefficient of determination can be seen in the table below:

Table 5. Coefficient of Determination

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .684 ^a | .468 | .451 | 2.762 |

a. Predictors: (Constant), Brand Image, Price, Promotion

b. Dependent Variable: Customer Satisfaction

Source: Research Results, 2024 (Data processed)

Based on the table above, the *Adjusted R Square* coefficient of determination is 0.451. This shows that the ability of the variables Price (X_1), Promotion (X_2), and *Brand Image* (X_3) to explain their effect on Customer Satisfaction (Y) is 45.1%. While the remaining 54.9% is the influence of other independent variables not examined in this study.

Simultaneous Hypothesis Testing (F-test)

The results of simultaneous hypothesis testing can be seen in the table below:

Table 6. Hypothesized Simultaneous

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 616.992 | 3 | 205.664 | 26.967 | .000 ^b |
| | Residuals | 701.633 | 92 | 7.626 | | |
| | Total | 1318.625 | 95 | | | |

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Brand Image, Price, Promotion

Source: Research Results, 2024 (Data processed)

Based on the table above, it is obtained that the value of F_{tabel} (2.68) and significant $\alpha = 5\%$ (0.05), namely F_{hitung} (26.967) and sig.a (0.000^a). This indicates that the results of the study accept H_a and reject H_0 . Comparison between F_{hitung} and F_{tabel} can prove that simultaneously Price, Promotion, and *Brand Image* have a positive and significant effect on Customer Satisfaction.

Partial Hypothesis Testing (t-test)

The results of partial hypothesis testing can be seen in the table below as follows:

Table 7. Partial Test Results

| Model | | t | Sig. |
|-------|-------------|--------|------|
| 1 | (Constant) | 8.766 | .000 |
| | Price | -4.378 | .000 |
| | Promotion | 4.042 | .000 |
| | Brand Image | 3.819 | .000 |

Source: Research Results 2022, (Data Processed)

Based on the table above, it can be seen that :



1. The t_{count} value for the Price variable (X_1) shows that the t_{count} value (4.378) > t_{tabel} (1.984) with a significant level of $0.000 < 0.05$ so it can be concluded that there is a partially significant negative effect between Price on Customer Satisfaction.
2. The t_{count} value for the Promotion variable (X_2) shows that the t_{count} value (4.042) > t_{tabel} (1.984) with a significant level of $0.000 < 0.05$ so it can be concluded that there is a partially significant positive effect between Promotion on Customer Satisfaction.
3. The t_{count} value for the *Brand Image* variable (X_3) shows that the t_{count} value (3.819) > t_{tabel} (1.984) with a significant level of $0.000 < 0.05$ so it can be concluded that there is a significant positive effect partially between *Brand Image* on Customer Satisfaction.

CONCLUSION

1. Constant (a) = 27.825. This means that if the independent variables, namely Price (X_1), Promotion (X_2), and *Brand Image* (X_3) are 0, Customer Satisfaction (Y) is 27.825. If there is an increase in price, the price will decrease by 44.2%. If there is an increase in Promotion, Customer Satisfaction will increase by 27.3%. If there is an increase in *Brand Image*, Customer Satisfaction will decrease by 43.5%.
2. The *Adjusted R Square* coefficient of determination is 0.451. This shows that the ability of the variables Price (X_1), Promotion (X_2), and *Brand Image* (X_3) to explain their influence on Customer Satisfaction (Y) is 45.1%. While the remaining 54.9% is the influence of other independent variables not examined in this study.
3. Price has a positive and significant effect on customer satisfaction of Cinema XXI consumers in Medan.
4. Promotion has a positive and significant effect on customer satisfaction of Cinema XXI consumers in Medan.
5. *Brand Image* has a positive and significant effect on Customer Satisfaction of Cinema XXI consumers in Medan.
6. Simultaneously Price, Promotion and *Brand Image* have a significant effect on Customer Satisfaction Cinema XXI in Medan.



REFERENCES

- Arvianti, Eri Yusnita dan Herdiana Anggrasari. (2018). *Faktor-Faktor Yang Menghambat Pendidikan Karakter Pada Anak Buruh Tani di Kabupaten Ponorogo*. Kendari.
- Darmis. (2021). *Hal-Hal Yang Mempengaruhi Harga Kamar*. Solo: Yayasan Lembaga Gumun.
- Djunaidi, F. G. (2020). *Analisis Faktor-Faktor Yang Mempengaruhi Kepuasan Konsumen Dalam Menggunakan Minyak Kayu Putih Pada Ketel Walbarua di Desa Ubung*. Pasuruan: Qiara Media.
- Febriani, N. S., dan Dewi, Wayan W. A. (2018). *Teori Dan Praktis: Riset Komunikasi Pemasaran Terpadu*. Jakarta: UB Press.
- Firmansyah, A. (2018). *Perilaku Konsumen (Sikap dan Pemasaran)*. Penerbit Deepublish Publisher Yogyakarta.
- Firmansyah, A. (2019). *Pemasaran Produk dan Merek (Planning & Strategy)*. Penerbit Deepublish Publisher, Yogyakarta.
- Firmansyah, A. (2020). *Komunikasi Pemasaran*. Yogyakarta: Deepublish Publisher.
- Indahingwati, A. (2019). *Kepuasan Konsumen Pada Kualitas Layanan SIM Keliling*. Surabaya: Jakad Publishing Surabaya.
- Jusnidar, Irfan Taufan Asfar, Iqbal Akbar Asfar dan Andi Vira Avrinda. (2020). *Cangkang Kerang Sebagai Koagulan Alami Penjernih Air*. Bandung: Mdia Sains Indonesia.
- Marsam. (2020). *Pengaruh Gaya Kepemimpinan, Kompetensi, dan Komitmen Terhadap Kinerja Pegawai pada Unit Pelaksanaan Teknis di Lingkungan Yapis Cabang Kabupaten Biak Numfor*. Pasuruan: Qiara Media.
- Priyatno, D. (2018). *SPSS Panduan Mudah Olah Data Bagi Mahasiswa & Umum*. Penerbit CV. Andi Offset, Yogyakarta.
- Santi, Indyah Hartami dan Fandi Sudiasmo. (2019). *Perceived Usefulness dan Perceived Ease of Use Terhadap Behavioral Intention To Use dan Actual usage Pada Aplikasi Identifikasi Jenis Kulit Wajah*. Surabaya: Jakad Media Publishing.
- Sugiyono. (2019). *Metode Riset Akuntansi*. Yogyakarta: Deepublish Publisher.
- Surajiyo, Nasruddin dan Herma Paleni. (2020). *Penelitian Sumber Daya Manusia, Pengertian, Teori dan Aplikasi (Menggunakan IBM SPSS 22 For Windows)*. Yogyakarta: Deepublish Publisher.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Tjiptono, F. & Diana, A. (2019). *Kepuasan Pelanggan-Konsep, Pengukuran dan Strategi*. Penerbit CV. Andi Offset, Yogyakarta.
- Wijayanti, T. (2019). *Marketing Plan! Dalam Bisnis*. Penerbit PT. Elex Media Komputindo. Jakarta.
- Yudhanto, Y. (2018). *Information Technology Business Start Up (Ilmu Dasar Merintis Start Up Berbasis Teknologi Informasi Untuk Pemula*. Jakarta: Elex Media Komputindo.
- Yusuf, Muhammad dan Lukman Daris. (2019). *Analisis Data Penelitian Teori & Aplikasi Dalam Bidang Perikanan*. Bogor: IPB Press.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

SCARLETT SKINCARE PURCHASING DECISIONS ANALYSIS ON UNPRI LAW FACULTY STUDENTS

Felisia Lim¹, Purnama Yanti Purba², Valens Zhia³, Elfina Okto Posmaida Damanik⁴
^{1,2,3} Department of Management, Faculty of Economics, Universitas Prima Indonesia
⁴ Department of Management, Faculty of Economics, Universitas Simalungun

*corresponding author : purnamayantipurba@unprimdn.ac.id

ABSTRACT

The phenomenon of increasing the beauty industry in Indonesia, consumers who do not want to return to using Scarlett products because they have a bad experience and do not suit them, and consumers who do not recommend Scarlett products to other consumers so as to create an unfavorable word of mouth is the background of this study. This study aims to examine the effect of Experiential Marketing, Word of Mouth, and Brand Image on consumer decisions in buying Scarlett skincare products. The sampling technique applied was accidental sampling, with a total of 100 respondents from the Faculty of Law, Prima Indonesia University. The data analysis method used is multiple linear regression analysis. The results showed that there was a positive and significant influence, both partially and simultaneously, between Experiential Marketing, Word of Mouth, and Brand Image on purchasing decisions for Scarlett products.

Keywords: Experiential Marketing, Word of Mouth, Brand Image, Purchase Decision



INTRODUCTION

Today's rapid economic, technological and cultural development has also influenced the increase in diverse human needs, not only related to basic needs and food, but also personal care needs. Such as face and body care or what is known as skincare. Skincare includes a range of products that are used regularly to treat and protect the skin, with the aim of maintaining skin health from external pathogens and balancing internal conditions. As each individual has different skin concerns, skincare routines vary accordingly. Skincare is increasingly important, especially in this modern era, where more and more consumers want healthier and well-groomed skin to boost self-confidence. With so many skincare products, both local and imported, consumers are required to be more careful in choosing products that are safe and suitable for their skin type.

The importance of skincare products that are used regularly creates opportunities for businesses to compete to offer the best care products with various marketing strategies to attract consumers. The purchasing decision process itself is a series of steps taken by consumers in choosing alternative products that are considered the most appropriate. Consumers usually go through several stages in this process, starting from identifying needs to post-purchase actions. A deep understanding of this process is important for marketers, as they can influence each stage with various marketing stimuli and predict consumer responses to their products.

In Indonesia, the beauty industry is growing rapidly with many skincare products in circulation, including popular local brands such as Scarlett Whitening. Founded in 2017 by Felicya Angelista, the BPOM-registered Scarlett Whitening provides a range of body, face, and hair treatments with various variants that can be customized according to consumer needs. The products are not only for normal skin, but also for those with skin problems such as acne, dry skin, and signs of aging. Scarlett Whitening ensures that its products are free from harmful ingredients such as mercury and hydroquinone, making them safe for use, including by pregnant and breastfeeding mothers.

With the tight competition that exists today, consumers are increasingly selective in choosing products. Based on the initial observations made by researchers, there are many consumers who want to use Scarlett Whitening products for various reasons, making consumer purchasing decisions only focused on products from Scarlett Whitening. What is



known to be the cause of consumer purchasing decisions consists of experiential marketing, word of mouth, and brand image.

In this case, it is known that there are consumers who want to use Scarlett Whitening Skincare products again because they have a good experience and according to them. So because Scarlett is able to provide positive impressions and experiences for consumers, it means that experiential marketing is one of the things that can influence consumer purchases (Kuswibowo, et al. 2023).

In addition, Scarlett Whitening is one of the products recommended by many influencers where Scarlett Whitening is a local brand product that can brighten the skin because it contains glutathione and vitamin E which are good for making the skin brighter and the product has passed BPOM. This product is also owned by one of the celebgrams, Felicya Angelista, so the product marketing is intensive through social media. One of the influencers who collaborated to recommend Scarlett Whitening is Natasya Wilona. Thus, it is not surprising that a positive word of mouth is formed which attracts consumers to try to decide on their purchase.

Furthermore, it is also known that Scarlett products have the best brand image where many consumers believe and are confident in using Scarlett products because they are proven safe in brightening the skin. Scarlett products also contain ingredients that are proven safe by BPOM which makes consumer interest in buying even higher (Kuswibowo, et al. 2023).

LITERATURE REVIEW

According to Harjadi and Arraniri (2021:18) “Experiential marketing is a strategic concept which is an era of marketing change with a shift from the functional concept to the concept of experiences from a product or service.” According to Anggraini, et al (2020:51) “Experiential marketing is oriented to use all levels in marketing to create an experience through service.” According to Yusup (2021:29), experiential marketing has several things that can be used as measurements, namely Sense, Feel, Think, Act, and Relate.

According to Firmansyah (2020:38), “Word of Mouth (WOM) is a form of communication about a product or service that takes place between individuals who are



considered independent or unaffiliated with the company providing the product or service. Typically, this communication occurs in media or environments that are also considered independent of the company's direct influence.” According to Febriani and Dewi (2018:81), “Word of mouth is the overall communication from person to person about a particular product, service or company at a time.” According to Firmansyah (2020:39), the indicators of word of mouth are Content, Context, and Carriers.

Yudhanto (2019:154) defines brand image as a collection of assumptions in consumers' minds about a brand, which is formed through various information from various sources. According to Firmansyah (2019:60), brand image is the perception that arises in the minds of consumers when they remember a brand of a particular product. According to Firmansyah (2019:75), the indicators that form a brand image are: creator image, user image, and product image.

According to Bancin (2019:22), “Purchasing decisions are a final action taken by consumers as a form of answer to consumer needs through a series of evaluation processes of several existing alternatives.” According to Darmis (2021:23), “Purchasing Decision is an activity of gathering information and managing information so that in the end the results of managing this information will make a decision to be taken.” According to Lotte, et al (2023:64), there are three indicators in determining purchasing decisions: stability in a product, habit of buying products, and speed in buying a product.

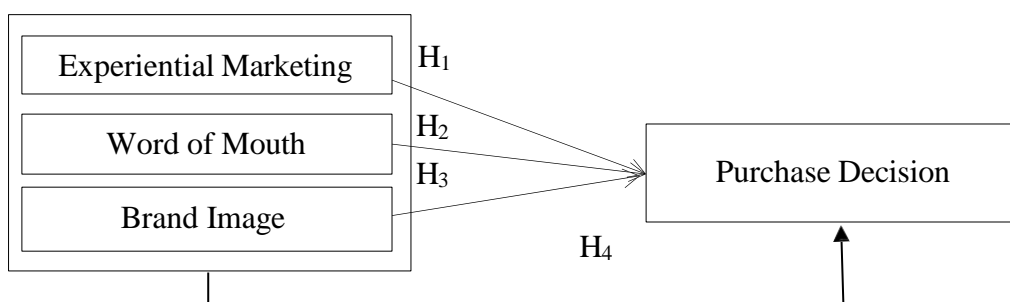


Figure 1. Conceptual Framework

METHODS



This research uses a quantitative approach because it has a systematic and orderly structure. This type of research is classified as quantitative with a causal nature, also known as explanatory research. This study uses a population of all Prima Indonesia University Faculty of Law students who have purchased Scarlett Skincare products. The sampling technique in this study was accidental sampling, where respondents were selected randomly and by chance. The data analysis method used is multiple linear regression. The Research Hypothesis Test used is Partially (ttest) and Simultaneously (Ftest).

RESULTS

Respondent Characteristics

Table 1. Characteristics of Respondents Based on Age

| Age | Number of Respondents | Percentage (%) |
|----------------|-----------------------|----------------|
| Under 20 years | 19 | 19% |
| 20 – 25 years | 64 | 64% |
| Above 25 years | 17 | 17% |
| Total | 100 | 100% |

(Source: Processed Data, 2024)

Based on the table 1, it can be seen that respondents under the age of 20 were 19 people or 19% of the total respondents, while respondents aged 20 years - 25 years were 64 people or 64% of the total respondents and respondents aged over 25 years were 17 people or 17% of the total respondents. Thus it can be seen that the dominant respondents are between 20 years and 25 years old.

Table 2. Characteristics of Respondents Based on Gender

| Gender | Number of Respondents | Percentage (%) |
|--------------|-----------------------|----------------|
| Male | 13 | 13% |
| Female | 87 | 87% |
| Total | 100 | 100% |

(Source: Processed Data, 2024)

Based on Table 2, it can be seen that male respondents were 13 people or 13% of the total respondents, while female respondents were 87 people or 87% of the total respondents. Thus it can be seen that the dominant respondent is female.

Table 3. Characteristics of Respondents Based on Purchase Frequency

| Purchase Frequency | Number of Respondents | Percentage (%) |
|--------------------|-----------------------|----------------|
|--------------------|-----------------------|----------------|



| | | |
|---------------------------|------------|-------------|
| Rarely / Only a few times | 22 | 22% |
| Once a Month | 37 | 37% |
| Twice a Month | 21 | 21% |
| More than Twice a Month | 20 | 20% |
| Total | 100 | 100% |

(Source: Processed Data, 2024)

Based on Table 3, it can be seen that respondents who rarely or only made purchases several times were 22 people or 22% of the total respondents, respondents who made purchases once a month were 37 people or 37%, while respondents who made purchases twice a month were 21 people or 21% of the total respondents and respondents who made purchases more than twice a month were 20 people or 20% of the total respondents. Thus it can be seen that the dominant respondent makes purchases once a month.

Validity and Reliability

Table 4. Validity Test Results

| Variable | Statement | r_{count} | r_{table} | Description |
|-------------------------------------|-----------|--------------------|--------------------|-------------|
| Experiential Marketing (X_1) | 1 | 0.835 | 0.361 | Valid |
| | 2 | 0.783 | 0.361 | Valid |
| | 3 | 0.806 | 0.361 | Valid |
| | 4 | 0.786 | 0.361 | Valid |
| | 5 | 0.735 | 0.361 | Valid |
| | 6 | 0.836 | 0.361 | Valid |
| | 7 | 0.836 | 0.361 | Valid |
| | 8 | 0.747 | 0.361 | Valid |
| | 9 | 0.746 | 0.361 | Valid |
| | 10 | 0.822 | 0.361 | Valid |
| Word of Mouth (X_2) | 1 | 0.834 | 0.361 | Valid |
| | 2 | 0.823 | 0.361 | Valid |
| | 3 | 0.882 | 0.361 | Valid |
| | 4 | 0.827 | 0.361 | Valid |
| | 5 | 0.765 | 0.361 | Valid |
| | 6 | 0.696 | 0.361 | Valid |
| Brand Image (X_3) | 1 | 0.764 | 0.361 | Valid |
| | 2 | 0.642 | 0.361 | Valid |
| | 3 | 0.753 | 0.361 | Valid |
| | 4 | 0.688 | 0.361 | Valid |
| | 5 | 0.503 | 0.361 | Valid |
| | 6 | 0.401 | 0.361 | Valid |
| Purchase Decision (Y) | 1 | 0.827 | 0.361 | Valid |
| | 2 | 0.782 | 0.361 | Valid |
| | 3 | 0.840 | 0.361 | Valid |
| | 4 | 0.852 | 0.361 | Valid |



| | | | | |
|--|---|-------|-------|-------|
| | 5 | 0.721 | 0.361 | Valid |
| | 6 | 0.639 | 0.361 | Valid |

(Source: Research Results, 2024 (Data Processed))

From table 4 above shows that based on the results of the validity test for the variables, it shows that all r_{count} values are greater than the r_{table} value of 0.361 so that the results show that all statements in the questionnaire are valid.

Table 5. Reliability Test Results

| Variable | Cronbach's Alpha | N of Items | Description |
|----------------------------------|------------------|------------|-------------|
| Experiential Marketing (X_1) | 0.919 | 10 | Reliable |
| Word of Mouth (X_2) | 0.932 | 6 | Reliable |
| Brand Image (X_3) | 0.707 | 6 | Reliable |
| Purchase Decision (Y) | 0.856 | 6 | Reliable |

(Source: Research Results, 2024 (Data Processed))

It can also be stated in table 5 that the items for the variable have Cronbach's Alpha above 0.6 so that the reliability of this variable can be categorized as acceptable.

Descriptive Statistics

Table 6. Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|------------------------|-----|---------|---------|-------|----------------|
| Experiential Marketing | 100 | 21 | 45 | 33.87 | 5.179 |
| Word of Mouth | 100 | 11 | 29 | 20.36 | 3.899 |
| Brand Image | 100 | 16 | 29 | 21.68 | 2.412 |
| Purchase Decision | 100 | 13 | 28 | 21.22 | 3.135 |
| Valid N (listwise) | 100 | | | | |

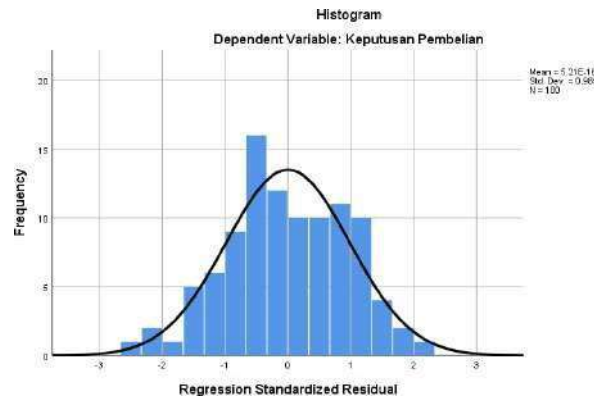
(Source: Processed Data, 2024)

Based on the table above, it can be seen that Experiential Marketing has a minimum value of 21 and a maximum value of 45, with an average value (mean) of 33.87. Meanwhile, Word of Mouth has a minimum value of 11 and a maximum of 29, with a mean of 20.36. For Brand Image, the minimum value is 16 and the maximum is 29, with an average of 21.68. Finally, the Purchasing Decision shows a minimum value of 13 and a maximum of 28, with an average value of 21.22.



Normality Test

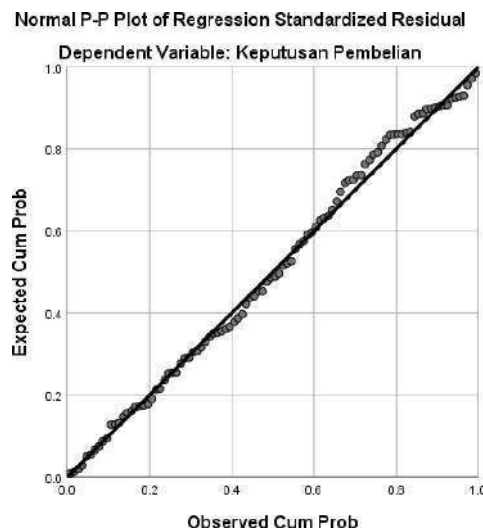
Figure 2. Histogram



(Source: Processed Data, 2024)

Thus in Figure 2 above, the shape of the graph that resembles a bell and does not lean to the left or right indicates that the data is normally distributed, thus fulfilling the assumption of normality.

Figure 3. Normal Probability Plot of Regression



(Source: Processed Data, 2024)

Thus in Figure 3 above shows that the points spread around the diagonal line and follow the diagonal line. Then the residuals of the regression model are normally distributed.

Table 7. One-Sample Kolmogorov-Smirnov Test

Unstandardized



| | | Residual |
|----------------------------------|----------------|---------------------|
| N | | 100 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 1.98891483 |
| Most Extreme Differences | Absolute | .057 |
| | Positive | .038 |
| | Negative | -.057 |
| Test Statistic | | .057 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

(Source: Processed Data, 2024)

Thus in Table 7 above, the significant value produced is greater than 0.05, which is 0.200, so it can be concluded that the data is classified as normally distributed.

Multicollinearity Test

Table 8. Multicollinearity Test Results (VIF Test)

| Model | | Coefficients ^a | | | | Collinearity Statistics | |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|-------------------------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | Tolerance | VIF |
| | | B | Std. Error | Beta | t | | |
| 1 | (Constant) | 1.424 | 2.270 | | .627 | .532 | |
| | Experiential Marketing | .175 | .051 | .289 | 3.438 | .001 | .592 |
| | Word of Mouth | .423 | .068 | .526 | 6.254 | .000 | .591 |
| | Brand Image | .242 | .084 | .186 | 2.872 | .005 | .998 |

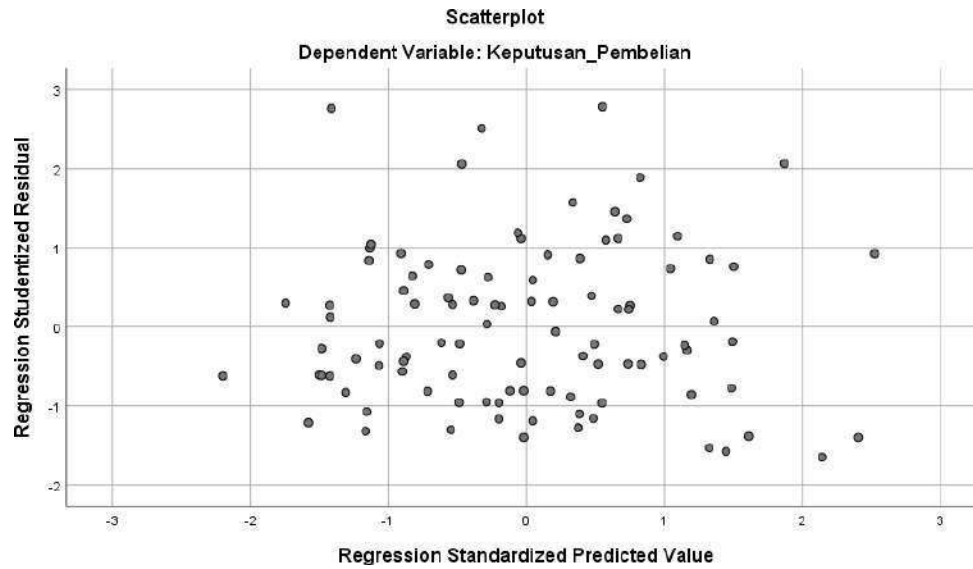
a. Dependent Variable: Purchase Decision

(Source: Processed Data, 2024)

Thus in table 8 above, it can be concluded that each variable shows a tolerance value greater than 0.1 and a VIF value less than 10, so there is no multicollinearity problem.

Heteroscedasticity Test

Figure 4. Scatterplot



(Source: Processed Data, 2024)

Thus in Figure 4. above, the points spread randomly and do not form a clear pattern, which means that there is no heteroscedasticity in the regression model.

Table 9. Glejser Test Results (Heteroscedasticity)

| | | Coefficients ^a | | | | Sig. |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | |
| Model | | B | Std. Error | Beta | | |
| 1 | (Constant) | .661 | 1.274 | | .519 | .605 |
| | Experiential Marketing | -.010 | .029 | -.045 | -.344 | .732 |
| | Word of Mouth | .021 | .038 | .074 | .558 | .578 |
| | Brand Image | .040 | .047 | .087 | .853 | .396 |

a. Dependent Variable: Purchase Decision

(Source: Processed Data, 2024)

Thus in table 9 above, the significance level of each variable is greater than 0.05, so there is no heteroscedasticity.



Multiple Regression Coefficient Test

Table 10. Multiple Regression Coefficient Test Results

| | | Coefficients ^a | | | | Collinearity Statistics | |
|--|------------------------|-----------------------------|---------------------------|------|-------|-------------------------|------|
| | | Unstandardized Coefficients | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| a. Dependent Variable: Purchase Decision | | | | | | | |
| Model | Processed Data, 2024) | B | Error | Beta | t | Sig. | |
| 1 | (Constant) | 1.424 | 2.270 | | .627 | .532 | |
| | Experiential Marketing | .175 | .051 | .289 | 3.438 | .001 | .592 |
| | Word of Mouth | .423 | .068 | .526 | 6.254 | .000 | .591 |
| | Brand Image | .242 | .084 | .186 | 2.872 | .005 | .998 |

- An increase in Word of Mouth will have an impact on increasing Purchasing Decisions by 42.3%.
- An increase in Brand Image will result in an increase in Purchasing Decisions by 24.2%.

Coefficient of Determination (R²)

Table 11. Coefficient of Determination (R²) Test Results

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .773 ^a | .598 | .585 | 2.020 |

- Predictors: (Constant), Brand Image, Experiential Marketing, Word of Mouth
 - Dependent Variable: Purchase Decision
- (Source: Processed Data, 2024)

Thus in table 11 above, the Adjusted R Square coefficient of determination is 0.585. The effect on Purchasing Decisions (Y) is 58.5%. While the remaining 41.5% is the influence of other independent variables.

Simultaneous Hypothesis Test (F-Test)

Determination in determining the F_{table} value, it is necessary to have a free degree with the formula:

$$df(\text{numerator}) = k - 1 = 4 - 1 = 3$$

$$df(\text{denominator}) = n - k = 100 - 4 = 96$$



Description:

n = Number of Research Samples

k = Number of Free Variables

Table 12. Simultaneous Test Results

| | | ANOVA ^a | | | | |
|-------|------------|--------------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 581.538 | 3 | 193.846 | 47.518 | .000 ^b |
| | Residual | 391.622 | 96 | 4.079 | | |
| | Total | 973.160 | 99 | | | |

a. Dependent Variable: Purchase Decision

b. Predictors: (Constant), Brand Image, Experiential Marketing, Word of Mouth

(Source: Processed Data, 2024)

With df (numerator) is 3 and df (denominator) is 96, then with it F_{table} (2.70) and significant $\alpha = 5\%$ (0.05), namely F_{count} (47.518) and sig.a (0,000^a) so that the results prove that simultaneously Experiential Marketing, Word of Mouth, and Brand Image have a positive and significant effect on Purchasing Decisions.

Partial Hypothesis Test (t-Test)

Determination in determining the t_{table} value, it is necessary to have a free degree, with the formula:

$$df = n - k = 100 - 4 = 96$$

Description:

n = Number of Research Samples

k = Number of Variables

Table 13. Partial Test Results

| | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | 1.424 | 2.270 | | .627 | .532 | | |
| | Experiential Marketing | .175 | .051 | .289 | 3.438 | .001 | .592 | 1.688 |
| | Word of Mouth | .423 | .068 | .526 | 6.254 | .000 | .591 | 1.691 |
| | Brand Image | .242 | .084 | .186 | 2.872 | .005 | .998 | 1.002 |

a. Dependent Variable: Purchase Decision



(Source: Processed Data, 2024)

With $df = 96$, the t_{table} value is (1.983) and based on table 3.13 above, it can be seen that:

1. The t_{count} value for the Experiential Marketing variable (X_1) shows that the t_{count} value (3.438) $>$ t_{table} (1.983) with a significant level of $0.001 < 0.05$ so it can be concluded that there is a partially significant positive effect between Experiential Marketing on Purchasing Decisions.
2. The t_{count} value for the Word of Mouth (X_2) variable shows that the t_{count} value (6.254) $>$ t_{table} (1.983) with a significant level of $0.000 < 0.05$ so it can be concluded that there is a partially significant positive effect between Word of Mouth on Purchasing Decisions.
3. The t_{count} value for the Brand Image variable (X_3) shows that the t_{count} value (2.872) $>$ t_{table} (1.983) with a significant level of $0.005 < 0.05$ so it can be concluded that there is a partially significant positive effect between Brand Image on Purchasing Decisions.

DISCUSSION

The Effect of Experiential Marketing on Purchasing Decisions

The t_{count} value for the Experiential Marketing variable (X_1) shows that the t_{count} value (3.438) $>$ t_{table} (1.983) with a significant level of $0.001 < 0.05$ so it can be concluded that there is a partially significant positive effect between Experiential Marketing on Purchasing Decisions. If there is an increase in Experiential Marketing, there will be an increase in Purchasing Decisions by 17.5%. The results of this study are in line with Wiracaksana's research (2024) where the results of his research found that experiential marketing has a significant influence on purchasing decisions. Experiential marketing focuses on providing a deep and direct experience through sensory, emotional, cognitive, and relational elements. When consumers are actively involved in marketing activities that touch their emotions or build personal connections with products or brands, they tend to be more interested and have a greater tendency to make purchases. The positive experiences that consumers feel through experiential marketing can increase the perceived value of the product, which in turn influences their decision to buy. Brands that successfully create memorable experiences through this strategy often build long-term consumer loyalty and encourage repeat purchases.



The Effect of Word of Mouth on Purchasing Decisions

The t_{count} value for the Word of Mouth (X_2) variable shows that the t_{count} value (6.254) $> t_{\text{table}}$ (1.983) with a significant level of $0.000 < 0.05$ so it can be concluded that there is a partially significant positive effect between Word of Mouth on Purchasing Decisions. If there is an increase in Word of Mouth, the Purchasing Decision will increase by 42.3%. The results of this study are in line with the research of Suci and Putrajaya (2021) where the results of their research found that word of mouth has a significant influence on purchasing decisions. WOM occurs when consumers share experiences or recommendations about products or services with others, either directly or through online platforms such as social media or forums. Because this information usually comes from sources that are considered more objective, such as friends, family, or other experienced users, potential buyers tend to be more trusting and influenced in making purchasing decisions. Positive WOM can accelerate the decision to buy, while negative WOM can inhibit consumer interest. Good consumer experiences and strong recommendations are often decisive factors in a person's purchasing choices.

The Effect of Brand Image on Purchasing Decisions

The t_{count} value for the Brand Image variable (X_3) shows that the t_{count} value (2.872) $> t_{\text{table}}$ (1.983) with a significant level of $0.005 < 0.05$ so it can be concluded that there is a partially significant positive effect between Brand Image on Purchasing Decisions. If there is an increase in Brand Image, the Purchasing Decision will increase by 24.2%. The results of this study are in line with the research of Purnama and Siregar (2022) where the results of their research found that brand image has a significant influence on purchasing decisions. Brand image reflects the perceptions and images that consumers have of a brand, which are formed through various elements such as product quality, company reputation, brand values, and previous consumer experience. When a brand has a positive image, consumers tend to feel more confident and comfortable choosing that product compared to other brands. In addition, a strong brand image can create clear differentiation among competitors, making the product easier for consumers to remember and identify with. The emotional connection established between consumers and brands also strengthens customer loyalty, thereby increasing the likelihood of repeat purchase decisions. In addition, a good brand image is often associated with consumers' social status or personal identity, which can motivate them to choose the brand as a reflection of themselves. Overall, a positive brand image not only attracts consumers' interest but also influences their



perception of value and trust, ultimately driving purchase decisions.

The Effect of Experiential Marketing, Word of Mouth, and Brand Image on Purchasing Decisions

F_{table} value (2.70) and significant $\alpha = 5\%$ (0.05), namely F_{count} (47.518) and sig.a (0.000^a) so that the results prove that simultaneously Experiential Marketing, Word of Mouth, and Brand Image have a positive and significant effect on Purchasing Decisions. The Adjusted R Square coefficient of determination is 0.585. The effect on Purchasing Decisions (Y) is 58.5%. While the remaining 41.5% is the influence of other independent variables. The results of this study are in line with the research of Herwanto, et al. (2022) where the results of their research found that experiential marketing and brand image have a significant influence on purchasing decisions. The influence of experiential marketing, word of mouth (WOM), and brand image on purchasing decisions is complementary and very strong in shaping consumer behavior. Experiential marketing creates an immersive direct experience for consumers, building an emotional connection with the brand, which often encourages consumers to share their experiences through WOM. WOM, both positive and negative, becomes an important tool in influencing purchase decisions as consumers are more trusting of recommendations from people nearby or fellow users. On the other hand, a positive brand image strengthens consumers' belief in the quality and value of a product, which in turn strengthens the decision to buy. These three factors work synergistically, where good experiences increase positive WOM, strengthen brand image, and encourage consumers to be more confident in making purchase decisions.

CONCLUSION

The conclusion that researchers can draw from the results of this study is that there is a partially significant positive effect between Experiential Marketing on Purchasing Decisions, there is a partially significant positive effect between Word of Mouth on Purchasing Decisions, there is a partially significant positive effect between Brand Image on Purchasing Decisions. In addition, simultaneously Experiential Marketing, Word of Mouth, and Brand Image have a positive and significant effect on Purchasing Decisions.

In addition, for future researchers, it is recommended to consider other variables outside



of Experiential Marketing, Word of Mouth, and Brand Image as predictor variables for Purchasing Decisions such as price, service quality, customer satisfaction, promotion, trust and so on. Thus, it is hoped that more comprehensive information can be obtained about the factors that influence Purchasing Decisions in the future.

REFERENCES

- Anggraini, D. D., Sari, A. P., & Sari, M. H. N. (2020). *Kewirausahaan dan Bisnis Online*. Medan: Yayasan Kita Menulis.
- Arvianti, Eri Yusnita dan Herdiana Anggrasari. (2018). *Faktor-Faktor Yang Menghambat Pendidikan Karakter Pada Anak Buruh Tani di Kabupaten Ponorogo*. Kendari.
- Banchin, J. B. (2021). *Citra Merek dan Word of Mouth (Peranannya Dalam Keputusan Pembelian Mobil Nissan Grand Livina)*. Surabaya: Jakad Media Publishing.
- Darmis. (2021). *Hal-Hal Yang Mempengaruhi Harga Kamar*. Solo: Yayasan Lembaga Gumun.
- Fathoroni, Annisa, Nuraini Siti Fatonah, Roni Andarsyah dan Noviana Riza. (2020). *Buku Tutorial Sistem Pendukung Keputusan Penilaian Kinerja Dosen Menggunakan Metode 360 Degree Feedback*. Bandung: Kreatif Industri Nusantara.
- Febriani, N. S., dan Dewi, Wayan W. A. (2019). *Teori Dan Praktis: Riset Komunikasi Pemasaran Terpadu*. Jakarta: UB Press.
- Firmansyah, A. (2018). *Perilaku Konsumen (Sikap dan Pemasaran)*. Penerbit Deepublish Publisher Yogyakarta.
- Firmansyah, A. (2019). *Pemasaran Produk dan Merek (Planning & Strategy)*. Penerbit Deepublish Publisher, Yogyakarta.
- Firmansyah, A. (2020). *Komunikasi Pemasaran*. Yogyakarta: Deepublish Publisher.
- Golan Hasan dan Karina. (2021). Pengaruh *Electronic Word Of Mouth* Terhadap Citra Perusahaan *Gadget* Di Kota Batam.
- Hasanuddin. (2020). *Analisis Terhadap Faktor-Faktor Penentu Tercapainya Integritas Suatu Laporan Keuangan*. Pasuruan: Qiara Media
- Harjadi, Dikdik dan Arraniri, Iqbal (2021). *Experiental marketing & Kualitas Produk Dalam Kepuasan Pelanggan Generasi Milenial*. Cirebon: Yayasan Insan Shodiqin Gunung Jati.
- Herlina, V. (2019). *Panduan Praktis Mengolah Data Kuesioner Menggunakan SPSS*. Penerbit PT. Elex Media Komputindo. Jakarta.
- Kuswibowo, dkk. (2023). *Pengantar Manajemen Sarana & Prasarana Sekolah*. Yogyakarta:



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Deepublish Publisher.

- Latief, Rusman. (2019). *Word Of Mouth Communication: Penjualan Produk*. Surabaya: Media Sahabat Cendekia.
- Lotte, Luckhy Natalia Anastasye, Purna Irawan, Zunan Setiawan, Dyah Sri Wulandari, Rosnaini Daga, Sri Syabanita Elida, Aditya Pandowo, Frans Sudirjo, Dedi Herdiansyah Mulyati dan Alicia Deana Santosa. (2023). *Prinsip Dasar Manajemen Pemasaran*. Jakarta: Global Eksekutif Teknologi.
- Mursidi, Andi, Zulfahita, Rini Setyowati, Fajar Wulandari dan Mertika. 2020. *Pengantar Kewirausahaan*. Klaten: Lakeisha.
- Musfar, Tengku Firli. 2020. *Manajemen Pemasaran Bauran Pemasaran Sebagai Materi Pokok Dalam Manajemen Pemasaran*. Bandung: Media Sains Indonesia.
- Musi, S., dkk., (2020). *Krisis Public Relation*. Pasuruan: Qiara Media.
- Magdalena. (2021). *Tulisan Bersama Tentang Desain Pembelajaran SD*. Sukabumi. Jejak Publisher.
- Nana. (2021). *Evaluasi Pembelajaran Fisika*. Klaten: Penerbit Lakeisha.\
- Prihadi, Dana. (2020). *Pengenalan Dasar Manajemen Publik Relasi*. Jogjakarta: KBM Indonesia.
- Priyatna, Surya Eka. (2020). *Analisis Statistik Sosial Rangkaian Penelitian Kuantitatif Menggunakan SPSS*. Medan: Yayasan Kita Menulis.
- Priyatno, D. (2018). *SPSS Panduan Mudah Olah Data Bagi Mahasiswa & Umum*. Penerbit CV. Andi Offset, Yogyakarta.
- Riyanto, S., & Aglis, A. H. (2020). *Metode Riset Penelitian Kuantitatif di Bidang Manajemen, Teknik, Pendidikan dan Eksperimen*. Yogyakarta: Deepublish Publisher.
- Sholihin, Mahfud. (2020). *Analisis Data Penelitian Menggunakan Software Stata*. Yogyakarta: Andi Offset.
- Sugiyono. (2019). *Metode Riset Akuntansi*. Yogyakarta: Deepublish Publisher.
- Yudhanto, Y. (2019). *Information Technology Business Start Up (Ilmu Dasar Merintis Start Up Berbasis Teknologi Informasi Untuk Pemula)*. Jakarta: Elex Media Komputindo.
- Yusuf, M., dan Lukman, D. (2018). *Analisis Data Penelitian Teori & Aplikasi Dalam Bidang Perikanan*. Bogor: IPB Press.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Yusup, Dede. (2021). *Pengaruh Experiential Marketing Agrowisata Kampoeng Jamboe Terhadap Word of Mouth Pengunjung*. Skripsi STIA Banten.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Social Media Engagement as an Intervening Variable between Digital Literacy, Entrepreneurial Skills and SME Performance in Tangkahan Ecotourism

*Nina Siti Salmaniah Sirega¹, Warsani Purnama Sari², Ahmad Prayudi³, Dhian Rosalina⁴, Nadra Ideyani Vita⁵,
Yusnaini⁶*

^{1,2,5}Universitas Medan Area

⁵Universitas Samudra

⁶Sekolah Tinggi Manajemen Bisnis Multi Sarana Manajemen Administrasi dan Rekayasa Teknologi.

ABSTRACT

The Langkat Regency Government is developing village tourism to support the Tangkahan tourism area. However, limited exposure of the village's tourism potential is due to the underuse of information technology, such as social media, to showcase its natural beauty. As a result, Tangkahan village tourism has underdeveloped, and the welfare of the local community, primarily small and medium-sized enterprises (SMEs) in the tourism sector, remains limited. This study aims to examine the effects of digital literacy, entrepreneurial skills, and social media engagement on SME performance in the tourism village. The study involved 150 SME operators in Tangkahan Ecotourism Village, using multistage area sampling and path analysis. The results show that digital literacy negatively impacts SME performance, while entrepreneurial skills and social media engagement positively influence it. Social media engagement does not mediate the relationship between digital literacy and SME performance, but it significantly mediates the effect of entrepreneurial skills on SME performance in Tangkahan Ecotourism.

Keywords: Social Media Engagement, Digital Literacy, Entrepreneurial Skills, and SME Performance.

INTRODUCTION

The advancement of the tourism sector plays a crucial role in contributing to the nation and improving the welfare of the community. According to data from the 2023 Outlook on Tourism and Creative Economy, tourism foreign exchange reached USD 6.72 billion in 2022. By mid-2023, the number of international tourists had reached 6.31 million visits, marking an increase of 196.85%. Similarly, the number of domestic tourists recorded in the first half of 2023 amounted to 433.57 million trips, an increase of 12.57% compared to the same period in 2022 (KEMENPAREKRAF, 2020). Indonesia offers a diverse range of tourism types that attract both domestic and international tourists.

The Tangkahan Ecotourism Area is one of the popular destinations for both domestic and international tourists. According to data from the Langkat Regency BPS in 2023, the number of visitors has steadily increased from 100,104 in 2018 to 130,000 visitors in 2023 (BPS, 2023). Based on research Siregar et al. (2020), It was found that 90% of the community members engaged in SMEs in the Tangkahan tourism



village are familiar with social media, yet only 66% are actively using it to promote tourism products. This finding aligns with previous studies, which have shown that the distinctive features of tourist villages in Indonesia are often underexposed and poorly managed, leading to suboptimal tourism potential in various regions, thus failing to attract both domestic and international tourists (Lubis et al., 2022). On the other hand, the use of information technology, such as social media, can effectively capture the attention of a wide audience (Siregar et al., 2020). This indicates that the level of digital literacy competence plays a crucial role in the development of SMEs in tourist villages. Therefore, gaining digital literacy competence through SMEs' experience in using digital platforms, such as social media, is essential (Ozdamar-Keskin et al. 2020).

One form of social media engagement is marketing through social media, which is an effective mass communication strategy that SMEs can utilize to reach their consumers (Erlanitasari et al., 2020). Marketing through social media is more effective in strengthening relationships with customers and stakeholders (Lai and Fu, 2020). From a business management perspective, effectively utilizing social media can support entrepreneurs in expanding their online market reach, staying updated on current issues, and engaging with business communities that are beneficial for business development (Sariwulan et al., 2020). The low level of digital literacy among the Tangkahan community affects the awareness of local residents and SMEs in utilizing digital technology to promote Tangkahan tourism in public spaces. In fact, communication through the use of information technology plays a crucial role in widely disseminating information about tourist locations

This study examines how social media engagement mediates the indirect effects of digital literacy and entrepreneurial skills in encouraging the active participation of SMEs in the Tangkahan ecotourism area, particularly in becoming more adaptive. In this context, the use of social media as a tool for communication and product promotion, as well as promoting the tourist village, indirectly attracts the attention of tourists and enhances the performance of SMEs. The study conducted by Mhizha et al., (2015), shows that the failure of SMEs in developing countries to effectively utilize social media features is primarily due to issues related to connectivity and infrastructure. Alhaidari, Kabanda, and Almukhaylid, (2021), mentioned that structured challenges and the environment often pose obstacles in the development of tourism SMEs using social media. The novelty of this study lies in the analysis of digital literacy levels and entrepreneurial skills, linked by the enhancement of social media engagement to improve the performance of SMEs in the Tangkahan area.

LITERATURE REVIEW



Social Media Engagement is a measure of the level of interaction that occurs within a piece of content, including likes, comments, shares, saves, or other forms of engagement, depending on the social media platform used. Social media engagement, as a form of marketing, is an effective mass communication strategy that SMEs can utilize to reach their consumers (Erlanitasari et al., 2020). Digital literacy is one of the key factors for improving the performance of SMEs, as technological advancements provide opportunities to access information that can advance businesses (Khodijah & Indriyani, 2023).

Entrepreneurial skills refer to an individual's ability to identify opportunities, generate ideas, and manage risks in running a business. Entrepreneurial skills involve how individuals can create value with the skills they possess to achieve financial gains from their creative efforts. This ability is a combination of two aspects: the capability to overcome difficulties and challenges (Purnomo and Sudarso, 2020). SME performance encompasses reputation, productivity, employee satisfaction, profits, sales or revenue, product alignment, capital adequacy, operational effectiveness in production, product quality, achievement of set targets, customer numbers, ease of monitoring, and reduction in production costs (Gopang et al., 2017). SME performance is also significantly influenced by the quality of human resources. In an era of increasingly intense competition and environmental changes, including information technology, high-quality human resources are essential to adapt to the changes that occur (Azhari Hutabarat et al., 2022).

METHODS

This study employs a quantitative approach to analyze the intervening effect of social media engagement using path analysis on the performance of SMEs in the Tangkahan tourist village (McCusker and Gunaydin, 2015). This study uses cluster stratified sampling. The total population of the three villages is 13,637. The sample size for this study consists of 150 respondents, with 50 respondents from each village, all of whom are directly involved in the activities of village tourism. Data analysis was performed using Path Analysis to examine the mediating role of social media engagement in the effects of digital literacy and entrepreneurial skills on SME performance, with the following conceptual framework.



Figure 1. Conceptual Framework

The hypotheses derived from the constructed framework are as follows:



- H1 : Digital literacy has a positive and significant effect on SME performance (Sariwulan et al., 2020).
 H2 : Entrepreneurial skills have a positive and significant effect on SME performance (Sariwulan et al., 2020).
 H3 : Social media engagement has a positive and significant effect on SME performance (Noviaristanti, Yunita, and Triono, 2023).
 H4 : Digital literacy has a positive and significant effect on SME performance, with social media engagement as an intervening variable (Bouwman, Nikou, and de Reuver, 2019; Siregar et al., 2023).
 H5 : Entrepreneurial skills have a positive and significant effect on SME performance, with social media engagement acting as an intervening variable (Bouwman, Nikou, and de Reuver, 2019; Siregar et al., 2023).

The indicators for measuring the variables in this study are as follows

Table 1. Variable Question Indicators

| Digital Literacy |
|--|
| 1. Accustomed to conducting transactions on e-commerce platforms (Shopee, marketplaces, Tokopedia, etc.) |
| 2. Accustomed to promoting the business through online media. |
| 3. Obtaining important information for the business from online media. |
| 4. Building business networks by utilizing information technology. |
| 5. Updating production or business information online. |
| Entrepreneurial skill |
| 1. Capable of managing the business with effective financial management. |
| 2. Mastering the production process and the technology used to support the business operations. |
| 3. Able to anticipate business risks (bankruptcy, fire, natural disasters, etc.) |
| 4. Enjoys innovating in business. |
| 5. Possesses good social and teamwork skills. |
| Business Social Media Engagement |
| 1. Frequently gives "likes" on business content that is beneficial. |
| 2. Often comments on business content to interact with other users and exchange business information. |
| 3. Uses "share" to distribute business information to be read across various social media platforms (WhatsApp, Facebook, Instagram, etc.). |
| 4. Frequently sends "DM" (direct messages) to business influencers to inquire about information or tips for growing a business. |
| 5. Actively follows interesting business content. |
| SME (Small and Medium Enterprises) Performance |
| 1. The business has experienced an increase in sales this year. |
| 2. The business has been able to increase the number of products, whether goods or services. |
| 3. The number of customers has grown. |
| 4. Has set business goals and is able to achieve them. |
| 5. Produces new goods and services every year. |

RESULTS

Reporting Research Results

Hasil Uji Analisis Jalur

The results of the variable testing are described as follows:

Table 2. Recapitulation of Substructure 1 and 2 Analysis



| Dependent Variable (Y) | Independent Variable (X) | Path Coefficient | t-Statistic | Sig | Remarks |
|---|--------------------------|------------------|-------------|------|-------------|
| SME Performance | Digital Literacy Level | -0.170 | -2.799 | 0.01 | H1 Rejected |
| | Entrepreneurial Skill | 0.549 | 0.580 | 0.00 | H2 Accepted |
| | Social Media Engagement | 0.150 | 2.398 | 0.00 | H3 Accepted |
| R-squared = 0.328; F-statistic = 18.649, p-value = 0.00 | | | | | |
| Intervening Variable | Independent Variable (X) | Path Coefficient | t-Statistic | Sig | Remarks |
| Social Media Engagement | Digital Literacy Level | 0.249 | -2.799 | 0.02 | H4 Rejected |
| | Entrepreneurial Skill | 0.463 | 0.580 | 0.01 | H5 Accepted |
| R-squared = 0.158; F-statistic = 13.607 | | | | | |

Source: Primary Data Processed, 2024.

Based on the results of the substructure analysis calculation, the following path analysis framework is obtained:

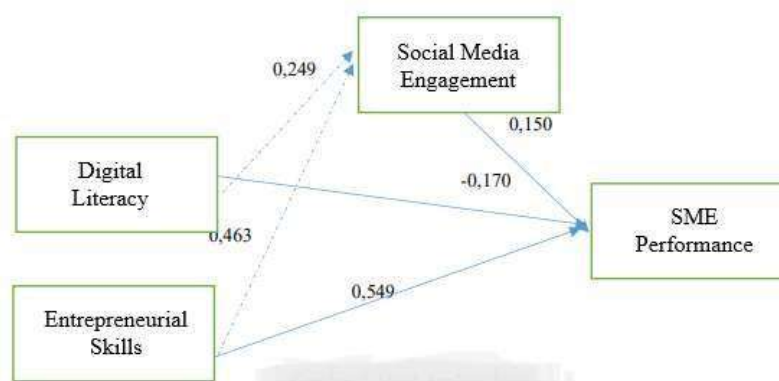


Figure 2. Results of Path Analysis Testing

Sobel Test

The Sobel Test is a statistical tool used to determine the significance of the indirect relationship between the exogenous variables, Digital Literacy (X1) and Entrepreneurial Skill (X2), on the endogenous variable, SME Performance (Y), through the intervening variable, Social Media Engagement (Z). The results of the test are as follows:

Table 4. Results of the Sobel Test

| Mediation Effect (Intervening) | Significance | t-table | Sobel Test | Remarks |
|--------------------------------|--------------|---------|------------|----------|
| X1 --- Z --- Y | 0.05 | 1.660 | 0.31648 | Rejected |
| X2 --- Z --- Y | 0.05 | 1.660 | 2.0497 | Accepted |

Source: Primary Data Processed, 2024.

The calculated Sobel test value > 1.660 (t-table at a 95% confidence level), indicating that Social Media Engagement as an intervening variable significantly mediates the relationship between Entrepreneurial Skill and SME Performance in the Tangkahan area. Meanwhile, for the Digital Literacy variable, Social Media Engagement as an intervening variable does not significantly mediate the



relationship with SME Performance.

DISCUSSION

H1: The effect of digital literacy level on SME performance in the Tangkahan tourism area

The test results indicate that the level of digital literacy has a negative and significant effect on SME performance. These findings are not consistent with the results of previous studies Sariwulan et al. (2020). There are several factors that may explain why the level of digital literacy does not directly affect SME performance in Tangkahan, such as the limited infrastructure in the Tangkahan Ecotourism area, where the availability of digital infrastructure is a priority to be utilized by SMEs for digital transformation. This is consistent with the results of the previous grand mean analysis, which indicated that the digital literacy level of SMEs in the Tangkahan area is at a moderate level.

Another possible cause is the lack of digital literacy training support for SMEs in Tangkahan, which may explain why the level of digital literacy does not significantly affect SME performance. This is due to the limited knowledge of digital tools, which leads to a lack of engagement by SMEs in utilizing digital tools in their business. The Tangkahan area, being a tourism industry, has unique characteristics in offering direct experiences to tourists (Qalati et al., 2022).

Although this study shows that the level of digital literacy does not have a positive and significant effect on SME performance, digital literacy remains important for adapting to technological advancements. Digital technology insights, whether for marketing activities, reservation management, or customer interactions, can still provide a competitive advantage amidst the tourism service competition in North Sumatra.

H2: The effect of entrepreneurial skills on SME performance in the Tangkahan tourism area

The test results indicate that entrepreneurial skills have a positive and significant effect on SME performance. This is consistent with the findings of previous research Wijaya, Yadewani, and Kurniati Karim, (2022), Entrepreneurial skills are relevant to the overall improvement of SME performance. Entrepreneurial skills among SMEs in the Tangkahan area play a crucial role in the sustainability of the business and performance improvement. This is evident in the innovation skills possessed by SMEs in Tangkahan, such as the innovation in utilizing wood waste to create unique souvenirs from Tangkahan.

Innovation capabilities play a crucial role in the development of unique and appealing products and services for tourists. As a component of entrepreneurial skills, innovation can enhance the attractiveness of SME businesses and attract tourists (Dirgiatmo et al., 2019). This phenomenon is frequently observed in this study, where successful and growing SMEs in the area are those with strong management skills. This is an



important consideration, given that Tangkahan is an area with a poverty rate of 9% of the population, making entrepreneurial skills crucial for maximizing the primary professions of the local community, which are involved in the provision of goods and services in the tourism sector. One issue related to entrepreneurial skills that requires attention is the lack of partnership networks established by SMEs in the Tangkahan area. Partnership networks, such as travel agencies, local government, private sector entities, and associations or associations of SMEs, can strengthen the businesses operated by SMEs in areas such as marketing, capital, and skills.

H3: The effect of Social Media Engagement on SME performance in the Tangkahan tourism area

The test results indicate that Social Media Engagement has a positive and significant effect on SME performance. These findings are consistent with research conducted by Trunfio and Rossi (2021), where the involvement of SMEs in using social media can foster creativity in marketing management and improve performance through increased product sales. Social media is an effective and relatively low-cost promotional tool compared to traditional marketing methods. In this case, SMEs in the Tangkahan area extensively use Facebook, particularly Facebook Marketplace, to market their goods and services. Additionally, SMEs in the Tangkahan area utilize Instagram Stories to showcase the natural beauty of the area while simultaneously promoting their products.

The involvement of SMEs in Tangkahan in using social media can help them build brand awareness and establish stronger relationships with visitors (Bouwman et al., 2019). Tangkahan is home to a number of craftsmen who produce unique woodcrafts from the Batang Serangan River, which have become a local specialty. However, a key challenge faced by SMEs in social media engagement is the limited ability to create engaging marketing content. Therefore, stakeholders involved in the management of SMEs in Tangkahan need to adopt an approach that motivates small business owners to be more creative and learn how to produce appealing content for social media.

H4: Pengaruh Tingkat literasi digital terhadap kinerja UMKM dengan Social Media Engagement sebagai variabel intervening

The Sobel test results indicate that social media engagement does not mediate the relationship between digital literacy and SME performance. These findings are inconsistent with several previous studies, such as those conducted by Diptyana, Rokhmania, and Herlina, (2022), which state that the level of digital literacy can drive social engagement to enhance SME performance in general.

There are several reasons why social media engagement does not mediate the relationship between digital literacy and SME performance in the area. One of the reasons is that the digital literacy level of SMEs in the Tangkahan area is at a moderate level. Another reason is that SMEs do not fully utilize the social media



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

platforms they have for business purposes. Based on the research team's observations, the high level of engagement on social media is not proportional to its quality. In other words, SMEs are participating or engaging with social media more for personal interests outside of business, which means that social media engagement does not function as an intervening variable.

In addition to the factors mentioned above, external factors such as competition and digital infrastructure were not controlled in this study, which may have obscured the results of the analysis on the relationship between digital literacy, social media engagement, and SME performance in the Tangkahan area. Rural and remote areas like Tangkahan face challenges in providing communication networks, resulting in weak and unstable signals, particularly for 4G and 5G networks. This limitation is evident in the fact that there is only one digital communication service provider available in the Tangkahan area. As a result, these conditions contribute to the failure of social media engagement as an intervening variable.

H5: The effect of Entrepreneurial Skills on SME performance with Social Media Engagement as an intervening variable

The Sobel test results indicate that social media engagement effectively mediates the relationship between entrepreneurial skills and SME performance in the Tangkahan area. These findings are consistent with several previous studies, such as those by Susanto et al., (2023), which demonstrate that entrepreneurial competencies have a positive effect, both directly and indirectly, on SME performance. In these studies, social media engagement is considered a component of digital marketing capabilities that can mediate the relationship between entrepreneurial competencies and SME performance.

Social media engagement plays a crucial role for social media users, particularly those with low social competence in direct interactions. As such, this variable effectively assists SMEs that may feel awkward in face-to-face marketing activities, enabling them to perform well. Entrepreneurial skills foster innovation and creativity in developing new products or services that are appealing to customers (Lestari et al., 2019). When SMEs in Tangkahan effectively utilize social media to promote local products, high engagement with customers or potential visitors can be achieved. The Langkat Regency government needs to focus on improving communication infrastructure in the Tangkahan area. This will facilitate communication within the tourism area and support the promotion of Tangkahan's ecotourism, which boasts natural beauty comparable to other tourist destinations in North Sumatra.

CONCLUSION

Digital literacy does not have a significant impact on the performance of SMEs in the Tangkahan tourism area. This may be due to limited digital infrastructure and the lack of digital literacy training for SME



owners. Entrepreneurial skills, on the other hand, do have an impact on SME performance. SME owners in Tangkahan who are able to innovate and possess good business management skills tend to perform better, as evidenced by strong sales figures and the long-term sustainability of their businesses. Active use of social media also influences the performance of SMEs in Tangkahan. Social media helps SME owners market their products, increase brand awareness, and reach more customers.

Social media engagement is not able to mediate the relationship between digital literacy and SME performance, but it can mediate the relationship between entrepreneurial skills and SME performance. Once again, the limited communication infrastructure plays a crucial role in strengthening the intervening function of social media engagement in improving the performance of SMEs in Tangkahan.

LIMITATION

This study has several limitations that should be considered. First, the limited sample size (150 SME operators) and the cross-sectional approach restrict the ability to generalize findings or draw conclusions about long-term causal relationships. Additionally, the reliance on self-reported measures for key variables and the narrow focus on digital literacy may affect the objectivity of the results. External factors such as government policies and digital infrastructure were not examined, although they could influence SME performance. Finally, since the study focuses solely on the ecotourism sector, the findings may not be fully applicable to SMEs in other sectors.

REFERENCES

- Alhaidari, N., Kabanda, S., & Almukhaylid, M. M. (2021). *the Challenges of Implementing Social Media Marketing in the Tourism Industry: a Systematic Review*. June. https://doi.org/10.33965/es2021_2021011001
- Azhari Hutabarat, M. P., Yunita, N. A., Putri, R. G., & Indrayani, I. (2022). Pengaruh Modal Usaha, Penggunaan Informasi Akuntansi Dan Sistem Penjualan E-commerce Terhadap Kinerja Keuangan Usaha Mikro Kecil dan Menengah (Studi Pada Usaha Mikro Kecil dan Menengah Di Kota Lhokseumawe). *Jurnal Akuntansi Malikussaleh (JAM)*, 1(1), 1. <https://doi.org/10.29103/jam.v1i1.6852>
- Bouwman, H., Nikou, S., & de Reuver, M. (2019). Digitalization, business models, and SMEs: How do business model innovation practices improve performance of digitalizing SMEs? *Telecommunications Policy*, 43(9), 101828. <https://doi.org/10.1016/j.telpol.2019.101828>
- BPS. (2023). *Statistik Daerah Kabupaten Langkat 2023*.
- Diptyana, P., Rokhmania, N., & Herlina, E. (2022). Financial Literacy, Digital Literacy and Financing Preferences Role to Micro and Small Enterprises' Performance. *IJEBD (International Journal of Entrepreneurship and Business Development)*, 5(2), 346–358. <https://doi.org/10.29138/ijebd.v5i2.1785>



- Dirgiatmo, Y., Abdullah, Z., & Mohd Ali, R. H. R. (2019). The role of entrepreneurial orientation in intervening the relationship between social media usage and performance enhancement of exporter SMEs in Indonesia. *International Journal of Trade and Global Markets*, 12(2), 97–129. <https://doi.org/10.1504/IJTGM.2019.100332>
- Erlanitasari, Y., Rahmanto, A., & Wijaya, M. (2020). Digital economic literacy micro, small and medium enterprises (SMES) go online. *Informasi*, 49(2), 145–156. <https://doi.org/10.21831/informasi.v49i2.27827>
- Gopang, M. A., Nebhwani, M., Khatri, A., & Marri, H. B. (2017). An assessment of occupational health and safety measures and performance of SMEs: An empirical investigation. *Safety Science*, 93, 127–133. <https://doi.org/https://doi.org/10.1016/j.ssci.2016.11.024>
- Hutapea, S., Siregar, T. H. S., & Astuti, R. (2020). Hamparan perak paddy local cultivar performance applicated with biochart and planting distance as multiple crop between row of one year old hevea. *IOP Conference Series: Earth and Environmental Science*, 454(1), 12153. <https://doi.org/10.1088/1755-1315/454/1/012153>
- KEMENPAREKRAF. (2020). Outlook Pariwisata dan Ekonomi Kreatif. *Deputi Bidang Kebijakan Strategis Kementerian Pariwisata Dan Ekonomi Kreatif/ Badan Pariwisata Dan Ekonomi Kreatif Republik Indonesia Jakarta – Indonesia*, 1–68. https://bankdata.kemenparekraf.go.id/upload/document_satker/a6d2d69c8056a29657be2b5ac3107797.pdf
- Khodijah, S., & Indriyani, A. (2023). Analisis Perilaku Pelaku UMKM Kuliner dalam Perspektif Literasi Digital. *JECMER: Journal of Economic, Management and Entrepreneurship Research*, 1(1), 30–37. <https://jurnal.eraliterasi.com/index.php/jecmer/article/view/15>
- Lai, C. H., & Fu, J. S. (2020). Organizations' Dialogic Social Media Use and Stakeholder Engagement: Stakeholder Targeting and Message Framing. *International Journal of Communication*, 14(1), 2246–2271.
- Lestari, I., Astuti, M., & Ridwan, H. (2019). Pengaruh Inovasi dan Orientasi Kewirausahaan Terhadap Keunggulan Bersaing UMKM Kuliner. *Jurnal Riset Manajemen Dan Bisnis (JRMB) Fakultas Ekonomi UNIAT*, 4(1), 111–118. <https://doi.org/10.56910/nawasena.v1i3.399>
- Lubis, A., Lubis, N. W., Aprilia, I., Wardhani, J., Area, U. M., Setia, J., No, B., Rejo, T., Sunggal, K. M., & Medan, K. (2022). The Effectiveness of Digital Marketing as a Promotional Media Paddy Agro-Tourism in The Village of Market Transfer. *Journal of Management*, 12(2), 2079–2084.
- McCusker, K., & Gunaydin, S. (2015). *Research using qualitative, quantitative or mixed methods and choice based on the research* (30 (7)). Perfus.
- Mhizha, A., Nyaruwata, S., Munyanyiwa, T., & Mandebvu, G. (2015). The adoption of social media platforms in tourism and hospitality marketing: The case of small and medium scale enterprises (SMEs) in Harare. *International Journal of Development and Sustainability*, 4(6), 635–649. www.isdsnet.com/ijds
- Noviaristanti, S., Yunita, S. C., & Triono, S. P. H. (2023). Social Media Usage Impacts on SME's Firm Performance: Evidence From West Java, Indonesia. *Indonesian Journal of Business and Entrepreneurship*, 9(2), 285–294. <https://doi.org/10.17358/ijbe.9.2.285>
- Ozdamar-Keskin, N., Ozata, F. Z., Banar, K., & Royle, K. (2020). Examining Digital Literacy Competences and Learning Habits of Open and Distance Learners. *Contemporary Educational Technology*, 6(1), 74–90. <https://doi.org/10.30935/cedtech/6140>
- Purnomo, A., & Sudarso, A. (2020). Dasar-Dasar Kewirausahaan: Untuk Perguruan Tinggi dan Dunia



- Bisnis. In *Yayasan Kita Menulisa* (Vol. 11, Issue 1). http://scioteca.caf.com/bitstream/handle/123456789/1091/RED2017-Eng-8ene.pdf?sequence=12&isAllowed=y%0Ahttp://dx.doi.org/10.1016/j.regsciurbeco.2008.06.005%0Ahttps://www.researchgate.net/publication/305320484_SISTEM_PEMBETUNGAN_TERPUSAT_STRATEGI_MELESTARI
- Qalati, S. A., Ostic, D., Sulaiman, M. A. B. A., Gopang, A. A., & Khan, A. (2022). Social Media and SMEs' Performance in Developing Countries: Effects of Technological-Organizational-Environmental Factors on the Adoption of Social Media. *Sage Open*, 12(2), 21582440221094590. <https://doi.org/10.1177/21582440221094594>
- Sariwulan, T., Suparno, S., Disman, D., Ahman, E., & Suwatno, S. (2020). Entrepreneurial Performance: The Role of Literacy and Skills. *Journal of Asian Finance, Economics and Business*, 7(11), 269–280. <https://doi.org/10.13106/jafeb.2020.vol7.no11.269>
- Siregar, N. S. S., Nasrul, Yusuf, Srikaningsih, A., & Mokodompit, E. A. (2020). Social media for tourism marketing. *Journal of Environmental Treatment Techniques*, 8(1), 262–264.
- Siregar, N. S. S., Prayudi, A., Sari, W. P., Rosalina, D., & Pratama, I. (2023). The Role of Social Media Literacy for Micro Small Medium Enterprises (MSMEs) and Innovation in Developing Tourism Village in Indonesia. *Przeźren Społeczna (Social Space)*, 23(2), 221–249.
- Susanto, P., Hoque, M. E., Shah, N. U., Candra, A. H., Hashim, N. M. H. N., & Abdullah, N. L. (2023). Entrepreneurial orientation and performance of SMEs: the roles of marketing capabilities and social media usage. *Journal of Entrepreneurship in Emerging Economies*, 15(2), 379–403. <https://doi.org/10.1108/JEEE-03-2021-0090>
- Trunfio, M., & Rossi, S. (2021). Conceptualising and measuring social media engagement: A systematic literature review. *Italian Journal of Marketing*, 2021(3), 267–292. <https://doi.org/10.1007/s43039-021-00035-8>
- Wijaya, R., Yadewani, D., & Kurniati Karim. (2022). The Effect of Human Resource Skills and Capabilities on SMEs Performance. *International Journal of Islamic Business and Management Review*, 2(1), 59–68. <https://doi.org/10.54099/ijbmr.v2i1.128>



ICE3esMA
International Conference on Economics,
Business, Management, and Accounting

The Effect Of Capital Adequacy Ratio, Loan To Deposit Ratio, And Non-Performing Loan On Financial Performance With Credit Risk As An Intervening Variable In Banking Companies Listed On The Indonesia Stock Exchange In The 2021-2023 Period

Bona Hermanto Damanik, Efendy Pakpahan, Yeni Ariesa

Universitas Prima Indonesia

ABSTRACT

Competition in the banking industry is getting fiercer in this modern era. Rapid digitalization has opened up opportunities for various types of financial institutions, both conventional and digital, to offer increasingly diverse and innovative banking products and services. This increasingly tight competition has a significant impact on banking financial performance. This study aims to determine whether the capital adequacy ratio, loan to deposit to ratio, and non-performing loans affect financial performance through credit risk as an intervening variable in banking companies listed on the Indonesia Stock Exchange for the 2021-2023 period. The research population is companies listed as banking companies on the Indonesia Stock Exchange 2021-2023. The research sampling technique uses purposive sampling. The data collection technique is secondary data from the annual report from the IDX website and the company website. The data analysis technique uses quantitative data processed with Partial Least Square (SEM) assisted by SmartPLS software. The results of the study show that the capital adequacy ratio and loan to deposit ratio have a negative effect on credit risk. Non-performing loans have a positive but insignificant effect on credit risk. Capital adequacy ratio and credit risk have a positive but insignificant effect on financial performance. Loan to deposit ratio and non-performing loans have a negative effect on financial performance. Credit risk is unable to mediate the effect of capital adequacy ratio, loan to deposit ratio, and non-performing loans on financial performance.

Keywords: Capital Adequacy Ratio, Loan to Deposit Ratio, Non-Performing Loan, Credit Risk, Credit Risk, Financial Performance, Return on Assets, Loan Loss Provision, Bank, Indonesia Stock Exchange

INTRODUCTION

Competition in the banking industry is getting fiercer in this modern era. Rapid digitalization has opened up opportunities for various types of financial institutions, both conventional and digital, to offer increasingly diverse and innovative banking products and services. This increasingly fierce competition has a significant impact on banking financial performance.(Mutiasari, 2020). Financial performance shows the overall financial condition of the bank. Financial performance is a measuring tool or indicator for stakeholders to assess the health of banking. Based on financial performance information calculated with the company's financial ratios, it can be used to determine the level of bank health. The public and investors will choose banks with good financial performance reports because the expected risk level is small. Banking financial performance can



be seen from the profitability obtained by the bank (Diana et al., 2021).

The financial performance of a banking company can be influenced by *capital adequacy ratio* (CAR). Capital adequacy ratio is a bank performance ratio that measures the adequacy of capital owned by the bank in maintaining capital adequacy and the ability of bank management in identifying, measuring, supervising, and controlling risks that can affect the amount of bank capital. (Kuncoro & Suhardjono, 2012). Strong capital adequacy can provide investor appeal. This is because investors feel their investments are safer and have the potential to provide better returns in the future.

The financial performance of a bank can also be affected by the loan to deposit ratio (LDR). The loan deposit ratio is a ratio used to measure the composition of the amount of credit given compared to the amount of public funds and equity used. (Kasmir, 2017). The increase in the credit deposit ratio is due to the bank's ability to maintain or increase credit distribution to the wider community. This directly improves the bank's financial performance.

Non-performing loan variables can also affect banking financial performance. Non-performing loans are a ratio to measure the ability of bank management to overcome problematic loans provided by the bank. A bank's credit risk is one of the risks received from banking businesses or activities resulting from non-payment of credit provided by the bank to debtors. (Dendawijaya, 2015). Loan loss provisions effectively demonstrate the bank's ability to increase investment returns.

Based on the description presented, there is a phenomenon that occurs in companies engaged in the banking industry. The results of the study from the variables *capital adequacy ratio*, loan to deposit ratio, and non-performing loans on financial performance through credit risk are still inconsistent. Therefore, the author is interested in conducting a study entitled "The Effect of Capital Adequacy Ratio, Loan to Deposit Ratio, and Non-Performing Loans on Financial Performance with Credit Risk as an Intervening Variable in Banking Companies Listed on the Indonesia Stock Exchange for the 2021-2023 Period".

LITERATURE REVIEW

Signaling theory which was put forward by Ross (1977) states that corporate executives who have better information about the company will be encouraged to communicate this information to potential investors, thereby increasing the company's stock price. Signaling theory explains why companies have the incentive to provide financial reporting information externally. A good signal is a signal that can be taken and felt by the market well and is also not easily imitated by other companies that have poor quality. (Brigham and Houston, 2018). At the time of information or shareholders to encourage them to invest in the company so as to increase the value of the company in the future. (Jogiyanto, 2014). The lack of information about the company from outside parties (investors) causes them to protect themselves or be careful in making decisions in investing in the company, because to make investment decisions investors need complete, relevant, accurate and



timely information which is used as a consideration.(Syagata and Daljono, 2014). Based on this understanding, it can be interpreted that signaling theory is a concept that explains how companies use certain actions or decisions to convey information to investors and other external parties. This information, which is often indirect or implicit, aims to form a positive perception of the company and influence investment decisions.

METHODS

Quantitative research methods can be interpreted as research methods based on the philosophy of positivism. Data collection uses research instruments, data analysis is quantitative or statistical in nature with the aim of testing the established hypothesis. Research data uses secondary data. Secondary data is a source that does not directly provide data to data collection.(Sugiyono, 2017).

The approach in this research is to use a causal associative approach, a causal associative approach is a research approach that aims to determine whether or not there is an influence or relationship between the independent variable and the dependent variable and if there is, how close the influence or relationship is and whether or not the influence or relationship is meaningful.(Sugiyono, 2017). In this study, the independent variable X1 is the capital adequacy ratio, X2 is the loan to deposit ratio, X3 is the non-performing loan, Z is the credit risk and the dependent variable Y is the financial performance.

RESULTS

Hypothesis Testing

Direct Effect Test Table

| Construct Relationship | T Statistics | P Values | Results |
|--|---------------------|-----------------|----------------|
| <i>Capital Adequacy Ratio</i> -> Financial Performance | 1,400 | 0.162 | Rejected |
| <i>Capital AdequacyRatio</i> -> Credit Risk | 2,061 | 0.040 | Accepted |
| <i>Loan to Deposit Ratio</i> ->Financial performance | 0.725 | 0.469 | Rejected |



| | | | |
|--|-------|-------|----------|
| <i>Loan to Deposit Ratio</i> ->Credit Risk | 0.801 | 0.424 | Rejected |
| <i>Non-Performing Loan</i> ->Financial performance | 1,779 | 0.076 | Rejected |
| <i>Non-Performing Loan</i> ->Credit Risk | 0.032 | 0.975 | Rejected |
| Credit Risk -> Financial Performance | 2,535 | 0.012 | Accepted |

Source: Data Processed by Researchers, 2024

Indirect Effect Test Table

| Construct Relationship | T Statistics | P Values | Results |
|---|---------------------|-----------------|----------------|
| <i>Capital Adequacy Ratio</i> -> Credit Risk -> Financial Performance | 1,896 | 0.058 | Rejected |
| <i>Loan to Deposit Ratio</i> -> Credit Risk -> Financial Performance | 0.851 | 0.395 | Rejected |
| <i>Non-Performing Loan</i> -> Credit Risk -> Financial Performance | 0.028 | 0.978 | Rejected |

Source: Data Processed by Researchers, 2024

Direct Influence Path Analysis

To calculate the direct influence or DE, the following formula is used:

1. The influence of the Capital Adequacy Ratio (X1) variable on Credit Risk (Z) is 0.040
2. The influence of the Loan to Deposit Ratio (X2) variable on Credit Risk (Z) is 0.424
3. The influence of the Non-performing loan variable (X3) on Credit Risk (Z) is 0.975
4. The influence of the capital adequacy ratio variable (X1) on financial performance (Y) is 0.162
5. The influence of the loan to deposit ratio variable



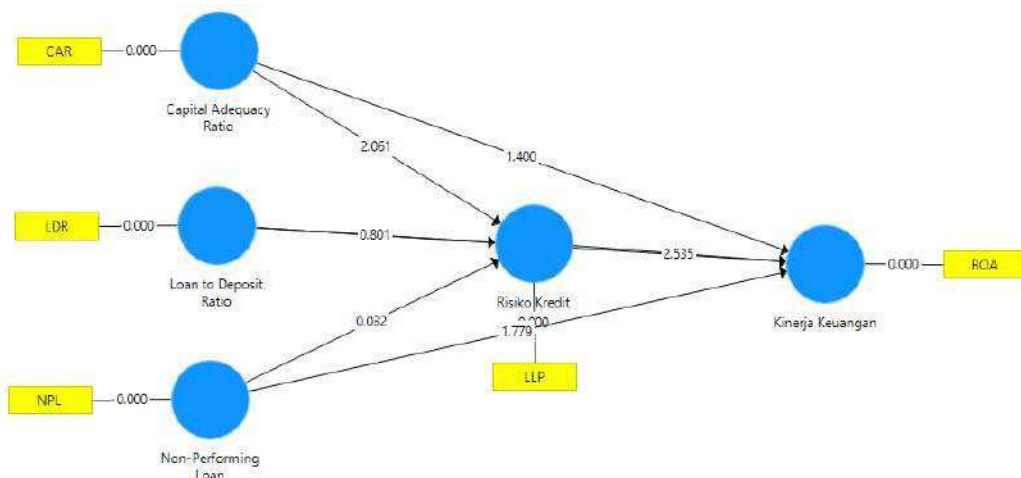
(x2) on financial performance (Y) is 0.469

6. The influence of the non-performing loan variable (x3) on financial performance (Y) is 0.076
7. The influence of the credit risk variable (Z) on financial performance (Y) is 0.012

Indirect Effect Path Analysis (IDE)

To calculate the indirect influence or IDE, the following formula is used:

1. The influence of the capital adequacy ratio variable (X1) on financial performance (Y) through credit risk (Z), namely 0.058
2. The influence of the loan to deposit ratio variable (X2) on financial performance (Y) through credit risk (Z), namely 0.395
3. The influence of the non-performing loan variable (X3) on financial performance (Y) through credit risk (Z), namely 0.978



DISCUSSION

The object of the research chosen is the banking sector listed on the Indonesia Stock Exchange in the period 2021-2023. The banking sector is one of the quite important sectors because all money circulation in economic activities in society is facilitated by companies in the financial sector. The performance of companies in this sector is also quite stable because the banking products offered will always be needed by the community. Some of the benefits in the sector include: needing a safe place to store money and withdraw funds practically through



banking services, needing funds to open a business, buy a house, and others through banking credit services.

Based on Law No. 7 of 1992 concerning banking, which states that a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in order to improve the standard of living of many people. According to Law of the Republic of Indonesia No. 10 of 1998 concerning banking, which states that a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of many people.

CONCLUSION

This study was conducted to test the effect of Capital Adequacy Ratio, Loan to Deposit Ratio, and Non-Performing Loan on Financial Performance mediated by Credit Risk. Based on the research that has been conducted through various tests that have been explained previously, the following conclusions were obtained:

1. *Capital Adequacy Ratio* has a negative and significant effect on credit risk. This means that banks that increase the value of the capital adequacy ratio will have an impact on decreasing bank credit risk.
2. *Loan to deposit ratio* has a negative and insignificant effect on credit risk. This means that banks that increase the loan to deposit ratio will not have an impact on the bank's credit risk.
3. *Non-performing loans* has no significant positive effect on credit risk. This means that banks with increasing loan to deposit ratio values will not have an impact on bank credit risk.
4. *Capital Adequacy Ratio* has no significant positive effect on financial performance. This means that banks that increase the value of the capital adequacy ratio will not have an impact on the bank's financial performance.
5. *Loan to deposit ratio* has a negative and insignificant effect on financial performance. This



means that banks that increase the loan to deposit ratio will not have an impact on the bank's financial performance.

6. *Non-performing loans* has a negative and insignificant effect on financial performance.

This means that banks that increase the value of non-performing loans will not have an impact on the bank's financial performance.

7. Credit risk has a positive but insignificant effect on financial performance. This means that banks that increase the value of credit risk will have an impact on increasing the bank's financial performance.

8. Credit risk is unable to mediate capital adequacy ratio on financial performance. This means that banks that increase the value of capital adequacy ratio in influencing financial performance are not mediated by credit risk.

9. Credit risk is unable to mediate loan to deposit ratio on financial performance. This means that banks that increase the value of loan to deposit ratio in influencing financial performance are not mediated by credit risk.

10. Credit risk is unable to mediate non-performing loans on financial performance. This means that banks that increase the value of non-performing loans in influencing financial performance are not mediated by credit risk.

LIMITATION

For further research, consider adding other variables that can affect financial performance such as net interest margin, company size or good corporate governance. Variables that can help understand other factors that potentially play a role in increasing ROA. Add external factors, such as macroeconomic conditions (interest rates, inflation, or economic growth) that may affect ROA and credit risk.



REFERENCES

- Abdillah, W. A., & Nurfauzan, M. I. (2022). Pengaruh Risiko Kredit, Tingkat Kecukupan Modal Dan Ukuran Perusahaan Terhadap Return on Assets (Roa) Bank Yang Terindeks Infobank15. *Jurnal Bisnis STRATEGI* •, 31(1), 2580–1171.
- Adelopo, I., Vichou, N., & Cheung, K. Y. (2021). Capital, Liquidity, and Profitability in European Banks. *Corporate Accounting & Finance Wiley*, 23–35. <https://doi.org/10.1002/jcaf.22522>
- Ajekwe, C., Ibiameke, A., & Silas, M. F. (2017). Loan loss provisions, earnings smoothing and capital management under IFRS: the case of deposit money banks in Nigeria. *American Journal of Management Science and Engineering*, 2(4), 58–64.
- Alhadab, M., & Alsahawneh, S. (2016). Loan Loss Provision and the Profitability of Commercial Banks: Evidence from Jordan. *International Journal of Business and Management*, 11(12), 242. <https://doi.org/10.5539/ijbm.v11n12p242>
- Aliu, M., & Çollaku, B. (2021). Impact of Non-Performing Loans on Bank s Profitability: Empirical Evidence from Commercial Banks in Kosovo. *Journal of Accounting Finance and Auditing Studies (JAFAS)*, 7(3), 226–242. <https://doi.org/10.32602/jafas.2021.027>
- Andrianto. (2019). *Manajemen Kredit: Teori dan Konsep Bagi Bank Umum*. Qiara Media.
- Arsew, V. T., kisman, Z., & Sawitri, N. N. (2020). Analysis of the Effect of Loan to Deposit Ratio, Non-Performing Loans and Capital Adequacy Ratio on Return on Assets with Good Corporate Governance as Intervening Variable in Banking Companies Listed in the Corporate Governance Perception Index (CGPI) for. *Journal of Economics and Business*, 3(1). <https://doi.org/10.31014/aior.1992.03.01.182>
- Astuti, D. D., & Ningsih, W. F. (2024). Peranan Resiko Kredit Sebagai Variabel Mediasi Terhadap Kinerja Keuangan Pada Perusahaan Perbankan Di Bei. *Jurnal Ilmu Manajemen (JIMMU)*, 9(1), 98–124. <https://doi.org/10.33474/jimmu.v9i1.21478>
- Biswas, S., Bhattacharya, S. N., Jin, J. Y., Bhattacharya, M., & Sadarangani, P. H. (2024). Loan loss provisions and income smoothing in banks: the role of trade openness and IFRS in BRICS. *China Accounting and Finance Review*, 26(1), 76–101. <https://doi.org/10.1108/cafr-03-2023-0037>
- Brigham, E. F., & Houston, J. F. (2018). *Dasar-Dasar Manajemen Keuangan*. Salemba Empat.
- Candarin, G. (2017). *Metode Riset Akuntansi Pendekatan Kuantitatif*. Salemba Empat.
- Damayanti, A. C., & Mawardi, W. (2022a). pengaruh ukuran bank (size), loans to deposit ratio (ldr), capital adequacy ratio (car), non-performing loans (npl), diversifikasi pendapatan, dan bopo terhadap kinerja bank di indonesia (Studi pada Bank Umum Konvensional yang Terdaftar di BEI Tahun 2016-. *Diponegoro Journal of Management*, 11(1).
- Damayanti, A. C., & Mawardi, W. (2022b). Pengaruh Ukuran Bank (Size), Loans to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), Diversifikasi Pendapatan, dan BOPO Terhadap Kinerja Bank di Indonesia (Studi Pada Bank Umum Konvensional yang Terdaftar di BEI



- Tahun 2016-. *Diponegoro Journal of Management*, 11(1), 1–13. <http://ejournal-s1.undip.ac.id/index.php/dbr>
- Darmawi, H. (2019). *Manajemen Perbankan*. Bumi Aksara.
- Dendawijaya, L. (2009). *Manajemen Perbankan*. Gahlia Indonesia.
- Dendawijaya, L. (2015). *Manajemen Perbankan*. Ghalia Indonesia.
- Diana, S., Sulastiningsih, Sulistya, E., & Purwati. (2021). Analisis Kinerja Perbankan Syariah pada Masa Pandemi Covid-19. *Jurnal Riset Akuntansi Dan Bisnis Indonesia*, 1(1), 111–125. <https://doi.org/10.32477/jrabi.vxix.xxx>
- Fahmi, I. (2014). *Analisis Kinerja Keuangan*. Alfabeta.
- Fahmi, I. (2018). *Manajemen Risiko Teori, Kasus, dan Solusi*. Alfabeta.
- Farahmita, A., Amanugrahani, & Hendrawan, T. (2010). *Pengantar Akuntansi*. Salemba Empat.
- Ghozali, I. (2021). *Structural Equation Modeling dengan Metode Alternatif Partial Least Squares (PLS)*. Badan Penerbit Universitas Diponegoro.
- Ghozali, I., & Latan, H. (2015). *Partial Least Squares Konsep, Teknik, dan Aplikasi Menggunakan Program SmartPLS 3.0 untuk Penelitian Empiris*. Badan Penerbit Universitas Diponegoro.
- Goh, T. S., Erika, E., Henry, H., & Syawaluddin, S. (2022). The effect of capital adequacy ratio and loan to deposit ratio on return on asset with non-performing loan as moderating variable in banking companies listed in BEI. *JPPI (Jurnal Penelitian Pendidikan Indonesia)*, 8(3), 710. <https://doi.org/10.29210/020221514>
- Gurung, R., Ghimire, B., & Dahal, P. (2023). Exploring the Impact of Loan Loss Provision on Profitability: An Analysis of Commercial Banks in Nepal. *Journal of Business and Management*, 7(02), 61–75. <https://doi.org/10.3126/jbm.v7i02.62587>
- Hair, J., Hult, G. T. M., Ringle, C., & Sarstedt, M. (2022). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*.
- Hariyani, I. (2010). *Restrukturisasi dan Penghapusan Kredit Macet*. Elex Media Komputindo.
- Harmono. (2011). *Manajemen Keuangan*. Bumi Aksara.
- Hasibuan. (2004). *Dasar-Dasar Perbankan*. Bumi Aksara.
- Heningtyas, O. S., Isniawati, A., & Astuti, V. T. (2021). the Effect of Non Performing Loan, Capital Adequacy Ratio and Income Smoothing on Loan Loss Provision With Restructuring Policy As Moderate Variables. *Financial: Jurnal Akuntansi*, 7(2), 207–223. <https://doi.org/10.37403/financial.v7i2.289>



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Heningtyas, O. S., & Widagdo, A. K. (2019). Bank loan loss provisions research: A review of the empirical literature. *Jurnal Keuangan Dan Perbankan*, 23(2), 270–282.
- Henry. (2017). *Analisis Laporan Keuangan*. BPFE.
- Hery. (2016). *Analisis Laporan Keuangan*. PT Gramedia Widiasarana Indonesia.
- Hery. (2019). *Manajemen Kinerja*. Grasindo.
- Irawati. (2024). Laba Bersih Bank BTPN Susut 24 Persen Jadi Rp 2,35 Triliun di 2023. *Infobanknews.Com*. <https://infobanknews.com/laba-bersih-bank-btpn-susut-24-persen-jadi-rp235-triliun-di-2023/>
- Iskandar, Y., Suharyanto, S., Zaki, A., & Widhayani, P. S. (2023). the Effect of Non-Performing Loans and Loan Deposit Ratios on Stock Returns Is Mediated By a Profitability Study on Commercial Banks Listed on the Indonesia Stock Exchange for the Period 2016 - 2018. *Jurnal Aplikasi Manajemen*, 21(2), 282–295. <https://doi.org/10.21776/ub.jam.2023.021.02.01>
- Ismail. (2018). *Manajemen Perbankan: Dari Teori Menuju Aplikasi*. Prenadamedia Group.
- Izzah, R. N., Kosim, A. M., & Gustiawati, S. (2019). Pengaruh Non Performing Financing Dan Capital Adequacy Ratio Terhadap Profitabilitas. *Al Maal: Journal of Islamic Economics and Banking*, 1(1), 18. <https://doi.org/10.31000/almaal.v1i1.1756>
- Jasman, J., Onasis, D., & Septiawisda, M. (2023). Pengaruh LDR, CAR, BOPO, dan Size Terhadap Manajemen Laba Pada Bank Umum Konvensional. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 12(2), 106–113. <https://doi.org/10.32639/jiak.v12i2.316>
- Jatmiko, D. P. (2017). *Pengantar Manajemen Keuangan*. Diandra Kreatif.
- Jogiyanto. (2014). *Teori Portofolio dan Analisis Investasi*. BPFE.
- Karamoy, H., & Tulung, J. E. (2020). The impact of banking risk on regional development banks in Indonesia. *Banks and Bank Systems*, 15(2), 130–137. [https://doi.org/10.21511/bbs.15\(2\).2020.12](https://doi.org/10.21511/bbs.15(2).2020.12)
- Kasmir. (2017). *Analisis Laporan Keuangan*. Raja Grafindo Persadal.
- Kuncoro, M., & Suhardjono. (2012). *Manajemen Perbankan Teori dan Aplikasi*. BPFE.
- Laras, A. (2024). Lompatan Laba Bank Jumbo BRI, BCA, dan BNI Sepanjang 2023. *2financial.Bisnis.Com*. <https://finansial.bisnis.com/read/20240131/90/1736995/lompatan-laba-bank-jumbo-bri-bca-dan-bni-sepanjang-2023>
- Mac Donald, S. S., & Timothy, W. K. (2006). *Management of Banking Sixth Edition*. Pre Press Company Inc.
- Mahmoeddin, A. S. (2010). *Melacak Kredit Bermasalah*. Pustaka Sinar Harapan.
- Martono. (2012). *Bank dan Lembaga Keuangan Lain*. Ekonosia.



- Martono, S., & Rahmawati, N. (2020). Pengaruh Capital Adequacy Ratio, Non-Performing Financing, Financing to Deposit Ratio dan Rasio Biaya Operasional dengan Pendapatan Operasional terhadap Return On Asset sebagai Indikator Profitabilitas. *International Journal of Social Science and Business*, 4(1), 108–115.
- Munawir, S. (2014). *Analisis Laporan Keuangan*. Liberty.
- Mustafa, A. N., & Sulistyowati, E. (2022). Pengaruh Capital Adequacy Ratio, Non Performing Loan, Loan To Deposit Ratio, dan Firm Size Terhadap Profitabilitas BUMN Sektor Perbankan. *Jurnal Proaksi*, 9(1), 84–96.
- Mutiasari, A. I. (2020). Perkembangan Industri Perbankan Di Era Digital. *Jurnal Ekonomi Bisnis Dan Kewirausahaan*, 9(2), 32–41. <https://doi.org/10.47942/iab.v9i2.541>
- Natufe, O. K., & Evbayiro-Osagie, E. I. (2023). Credit Risk Management and the Financial Performance of Deposit Money Banks: Some New Evidence. *Journal of Risk and Financial Management*, 16(7). <https://doi.org/10.3390/jrfm16070302>
- Nguyen, D. T. T. (2022). Factors Affecting Loan Loss Provisions during the Covid-19 Pandemic – The Case of Commercial Banks in Vietnam. *European Journal of Business and Management Research*, 7(3), 91–95. <https://doi.org/10.24018/ejbmr.2022.7.3.1421>
- Olugboye, K. S., Babatunji, A. S., Jayeola, O., & Tobi, B. A. (2019). Effect of credit risk management on financial performance of Nigerian listed deposit money banks. *Scholedge International Journal of Business Policy & Governance*, 5(6), 53–62.
- Oppusunggu, L. S., & Rombe, Y. (2021). *Kecukupan Modal Inti*. Widina Bhakti Persada.
- Pandia. (2012). *Manajemen Dana dan Kesehatan Bank*. Rineka Cipta.
- Putra, T. (2023). Raup Rp 31 T, BRI Jadi Emiten dengan Laba Terbesar di BEI. *Cnbcindonesia*. <https://www.cnbcindonesia.com/research/20230911161053-128-471441/raup-rp-31-t-bri-jadi-emiten-dengan-laba-terbesar-di-bei>
- Putranto, A. A., Kristanti, F. T., & Mahardika, D. (2017). Capital Adequacy Ratio, Loan Deposit Ratio Dan Non Performing Loan Terhadap Profitabilitas. *Jurnal Riset Akuntansi Kontemporer*, 9(2), 88–93. <https://doi.org/10.23969/jrak.v9i2.583>
- Putri, I. A. J., Budiyanto, & Triyonowati. (2023). *Faktor Penentu Nilai Perusahaan*. PT Literasi Nusantara Abadi Group.
- Qehaja-Keka, V., Ahmeti, S., & Aliu, M. (2023). Bank Profitability Determinants: Evidence From Kosovo and Albania. *Journal of Liberty and International Affairs*, 9(2), 297–311. <https://doi.org/10.47305/JLIA2392370qk>
- Rivai, V., & Ismail, R. (2013). *Islamic Risk Management For Islamic Bank*. Gramedia.
- Ross, S. (1977). The Determinant of Financial Structure: The Incentive Signaling Approach. *Bell Journal of Economics*, 23–40.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Saleh, B. A., & Paz, V. (2023). Credit risk management and profitability: Evidence from Palestinian banks. *Banks and Bank Systems*, 18(3), 25–34. [https://doi.org/10.21511/bbs.18\(3\).2023.03](https://doi.org/10.21511/bbs.18(3).2023.03)
- Saroinsong, A. N. (2014). Fungsi Bank Dalam Sistem Penyaluran Kredit Perbankan. *Jurnal Elektronik Bagian Hukum Keperdataan*, 2(3), 130–137.
- Setiadi, C. K., & Utomo, D. C. (2023). Analisis Pengaruh Besaran Kredit Terhadap Profitabilitas Dengan Risiko Kredit Sebagai Variabel Intervening Pada Bpr Di Jawa Tengah Di Masa Pandemi Covid-19 (Studi Empiris pada Bank Perkreditan Rakyat Provinsi Jawa Tengah yang Terdaftar di OJK pada Tahun 2). *Diponegoro Journal Of Accounting*, 12(2), 1–15.
- Spence, M. (1973). Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>



THE EFFECT OF COMPANY SIZE, PROFITABILITY, LIQUIDITY, AND COMPANY GROWTH ON GOING CONCERN AUDIT OPINION IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) IN 2020-2022

Jason Angdinata¹, Herlin Munthe^{2*}, Yeni Rafita Sihombing penulis³, Melfrianti Romauli Purba⁴, Rifqah Harahap⁵

Fakultas Ekonomi Universitas Prima Indonesia^{12*34}, STIE IBMI⁵

herlinmunthe@unprimdn.ac.id & rifqah412hrp@gmail.com

ABSTRACT—This observation aims to test the Influence of Company Size, Profitability, Liquidity and Company Growth on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. The quantitative approach that the results of the research calculations were tested with PLS. The population in this study was 287 all manufacturing companies listed on the Indonesia Stock Exchange (IDX). The research sample was 26 companies with an observation sample of 78 company data and was applied using the Purposive Sampling technique. The results of the study are that Company Size does not affect Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. Profitability does not affect Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. Liquidity has no effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. Company Growth has no effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. Company Size, Profitability, Liquidity and Company Growth have no effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.

Keywords—*Company Size, Profitability, Liquidity, Company Growth, Going Concern Audit Opinion.*

INTRODUCTION

Nowadays, many companies are affiliated with the capital market and usually they present their financial reports to the public and submit them to the Capital Market Supervisory Agency (Bapepam) no later than 90 days after the closing of the annual report. Usually, these financial reports will be audited by independent auditors, both big four and non-big four. The results of the financial report audit will be accompanied by their opinions, both going concern audit opinions and non-going concern audit opinions.

The provision of audit opinions does not depend on the size of the company, whether it is large or small, but based on the financial transactions they audit. One of the largest companies is PT Indofood Sukses Makmur Tbk (INDF). In 2022, INDF also received a going concern opinion, such as goodwill experiencing a decrease in value and recorded it at IDR 52.2 trillion for the acquisition and 29% representing its total consolidated assets.

The granting of a going concern audit opinion to the company was due to a decrease in net profit. INDF, including the largest companies, also experienced a decrease in net profit in 2022 of IDR 9,192,569,000,000 from 2021 of IDR 11,229,695,000,000. The net profit that decreased quite significantly then this also affected the granting of a going concern audit opinion.

The auditor also considers the company's ability to pay current debts to third parties, although this liquidity includes high current assets and consists of several component items. Usually, companies with high liquidity do not get a going concern audit opinion. However, INDF received a going concern audit opinion even though liquidity was high where INDF's cash and cash equivalents in 2022 amounted to IDR 25,945,916,000,000, decreasing compared to 2021 of IDR 29,478,126,000,000, while other accounts such as accounts receivable increased but their disbursement required maturity.



In fact, the company's growth has increased in 2022, as seen from INDF's sales of IDR 110,830,272,000,000 compared to IDR 99,345,618,000 in 2021. The increase in sales growth does not guarantee that the independent auditor will not provide a going concern audit opinion. The provision of a going concern audit opinion is possible if profitability and liquidity are low.

The research phenomena can be presented as follows:

Table 1.1 Research Phenomenon of Manufacturing Companies Listed on the IDX

(stated in rupiah)

| Emiten code | Year | Total Asset | Profit After Tax | Current Asset | Sales | Audit Opinion |
|-------------|------|---------------------|-------------------|--------------------|--------------------|--------------------------|
| IGAR | 2020 | 665.863.417.235 | 60.770.710.445 | 509.735.319.690 | 739.402.296.030 | <i>Non Going Concern</i> |
| | 2021 | 809.371.584.010 | 104.034.299.846 | 664.451.418.649 | 970.111.806.482 | <i>Non Going Concern</i> |
| | 2022 | 863.638.556.466 | 102.314.374.301 | 707.960.865.488 | 1.083.672.730.660 | <i>Going Concern</i> |
| DPNS | 2020 | 317.310.718.779 | 2.400.715.154 | 184.653.012.538 | 96.644.910.643 | <i>Going Concern</i> |
| | 2021 | 362.242.571.405 | 22.723.655.893 | 225.928.824.403 | 147.210.449.631 | <i>Non Going Concern</i> |
| | 2022 | 405.675.831.614 | 27.428.849.986 | 255.997.357.126 | 200.912.586.007 | <i>Going Concern</i> |
| ICBP | 2020 | 103.588.325.000.000 | 7.418.574.000.000 | 20.716.223.000.000 | 46.641.048.000.000 | <i>Non Going Concern</i> |
| | 2021 | 118.015.311.000.000 | 7.911.943.000.000 | 33.997.637.000.000 | 56.803.733.000.000 | <i>Non Going Concern</i> |
| | 2022 | 115.305.536.000.000 | 5.722.194.000.000 | 31.070.365.000.000 | 64.797.516.000.000 | <i>Going Concern</i> |



(Source : www.idx.co.id)

Based on the research phenomenon above, it can be seen that IGAR's assets in 2022 experienced a significant increase, its net profit decreased disproportionately to the increase in sales in that year and had quite high current assets, but the company still received a going concern from an independent auditor. The going concern opinion given by an independent auditor is possible due to a decrease in profit due to high credit sales. DPNS in 2022 had high total assets, high net profit, high current assets and high sales were also given a going concern opinion and this was suspected of high credit sales. ICBP in 2022 received a going concern audit opinion due to a decrease in total assets, a drastic decrease in net profit, a drastic decrease in current assets and a drastic increase in sales. High sales do not guarantee that the company is in good condition, it is suspected that credit sales are high.

Based on the background above, the title "**The Influence of Company Size, Profitability, Liquidity and Company Growth on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022**" is discussed".

LITERATURE REVIEW

A. LITERATURE REVIEW

1. The Influence of Company Size on Going Concern Audit Opinion

Rahmawati, et al., (2018:68) The larger the company, the less likely the company is to receive a going concern audit opinion. Oktaviana and Karnawati (2020:117) Company size indicates how big or small a company is. The larger the company, the smaller the auditor's likelihood of providing a going concern audit opinion. Suryani (2020:247) The larger the assets owned by the company, the more the company is considered capable of overcoming any problems that arise with the support of its resources. Public trust in large companies is also higher than in small companies, so the possibility of getting a going concern audit opinion is smaller.

2. The Influence of Profitability on Going Concern Audit Opinion

Sari (2020:2), high ROA will further distance the company from going concern problems. Conversely, a low ROA level will increasingly allow the company to experience going concern problems. Oktaviana and Karnawati (2020:122) If the company can obtain high profits, it will also generate large returns so that the company can be considered to have the ability to survive. So getting a going concern audit opinion tends to be low. Suprihati and Yuli (2022:17) the greater the Profitability ratio can indicate that a company's performance is getting better, so that auditors do not give a Going Concern opinion to a company that already has high profits.

3. The Influence of Liquidity on Going Concern Audits Opinion

Anggraini, et al., (2021:49) The company has an independent auditor's report which in the audit opinion section and notes to its financial statements discloses the company's condition which is experiencing liquidity problems due to the Covid-19 pandemic, but the auditor concludes that this condition does not have a significant impact so that the company can still obtain a non-going concern audit opinion. Naziah and Nyale (2022:2695) if the company's liquidity ratio is good, the company can pay off its current debts that are due on time, thus reducing the probability of receiving a going concern audit opinion by the company. Damayanty, et al., (2022:6) The lower the liquidity, the less liquid the company is so that it is unable to pay its obligations to creditors, so the auditor will provide a going concern audit opinion.

4. The Influence of Company Growth on Going Concern Audits Opinion

Andini, et al., (2021:391) auditors do not pay attention to the growth of entity sales when providing an audit opinion related to going concern because the increase in sales is not necessarily followed by an increase in profits. Halim (2021:167) The higher the sales growth, the less likely the auditor is to provide a going concern opinion. Syarif (2021:50) company growth has a negative effect on the acceptance of going concern opinions, this explains that a higher sales growth ratio means that it can provide an

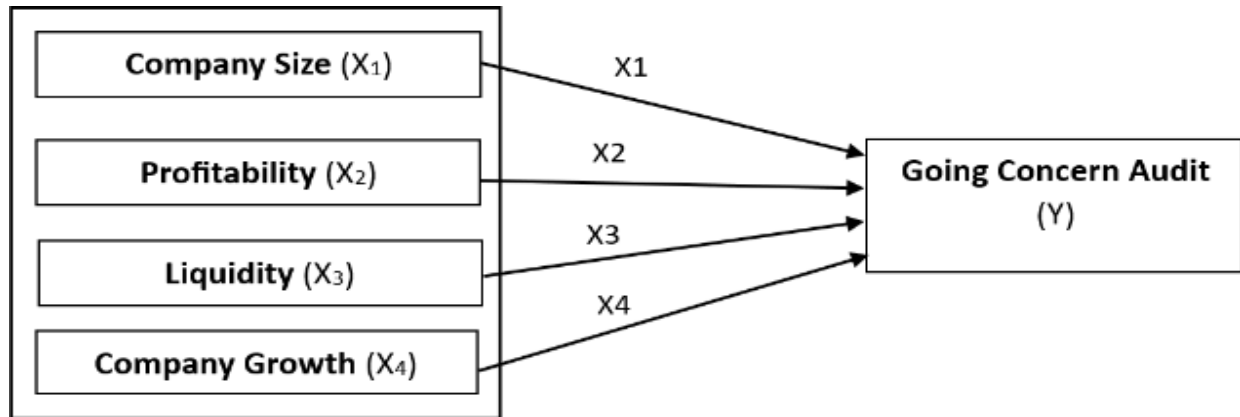
opportunity for the company's profits to increase so that the company can maintain its business continuity.

:



B. CONCEPTUAL FRAMEWORK

The Conceptual Framework can be seen in Figure 1



C. RESEARCH HYPOTHESIS

The Research Hypothesis is as follows:

Figure 1 Conceptual Framework

carried out using the purposive sampling method. According to Suryadi, et al. (2019:165), "purposive sampling is a sampling method based on certain criteria set

- H1: Company Size Influences Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
- H2: Profitability has an effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
- H3: Liquidity has an effect on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
- H4: Company Growth Influences Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
- H5: The influence of Company Size, Profitability, Liquidity, and Company Growth simultaneously has an effect on the Going Concern Audit Opinion of Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) 2020-2022.

METHODS

A. Research Methodology

This research method was conducted on Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022 using quantitative methods and through the internet media, which can be seen on the website www.idx.co.id. According to Margono (2010:105), quantitative research is research that begins with deductive thinking, testing hypotheses in the field, and drawing conclusions from empirical data.

B. Population and Research Sample

According to Tersiana (2018:75), the population is the entire research subject. The population in this study was 287 manufacturing companies listed on the Indonesia Stock Exchange (IDX), and the samples were manufacturing companies that met the criteria of manufacturing companies that published financial reports and had independent auditor reports for the 2020-2022 period. The sample selection method in this study was



by researchers."

Purposive sampling technique is based on certain criteria as follows:

1. Manufacturing Companies listed on the Indonesia Stock Exchange in 2020-2022.
2. Manufacturing Companies that published financial reports in 2020-2022.
3. Manufacturing Companies that meet all the variables studied in 2020-2022.

The research sample was 26 Manufacturing Companies on the Indonesia Stock Exchange for the 2020-2022 period. The determination of the research sample using certain criteria is described in table 2.1 as follows:

Table 2.1 Research Sample

| No | Criteria | Sample |
|----|---|--------|
| 1 | Manufacturing Companies Listed on the Indonesia Stock Exchange 2020-2022 | 287 |
| 2 | Manufacturers that have not/have not published financial reports for 2020-2022 | -95 |
| 3 | Manufacturing Companies that do not meet all the variables studied in 2020-2022 | -166 |
| 4 | Total sample of companies that were sampled | 26 |

C. Sample Collection Techniques

The data used in this study are secondary data. Secondary data in this study are financial statements, balance sheets, Profit and Loss financial statements and audit opinion reports.

D. Operational Definition

Table 2.2 Operational Definition of Variables

| No | Variable | Variable Definition | Indicator | Scale |
|----|---------------------|--|--|-------|
| 1. | Company Size (X1) | Company size, namely large-scale companies generally find it easier to obtain debt than small companies because it is related to the level of creditor trust in large companies. | Company size = Ln Total asset | Ratio |
| 2. | Profitability (X2) | Profitability ratio measures a company's ability to generate profits using the company's resources, such as assets, capital or sales. | $Return\ on\ Assets\ (ROA) = \frac{Earning\ After\ Taxes}{Total\ Assets}$ | Ratio |
| 3. | Liquidity (X2) | Liquidity ratio is a company's ability to meet its short-term obligations in a timely manner. | Current ratio = $\frac{Current\ Asset}{Current\ Debt}$ | Ratio |
| 4 | Company Growth (X4) | Company growth is proxied by sales growth. | Company Growth = $\frac{this\ year\ sales - last\ year\ sales}{last\ year\ sales}$ | Ratio |



| | | | | |
|----|---------------------------------|--|--|---------|
| 5. | Going Concern Audit Opinion (Y) | There is definite doubt about the client's ability to continue as a going concern. | The going concern audit opinion variable is measured using a dummy variable. Where category 1 is for Consumer Goods Sector Companies that receive an unqualified going concern audit opinion and 0 is for Consumer Goods Sector Companies that receive an unqualified non going concern audit opinion. | Nominal |
|----|---------------------------------|--|--|---------|

E. Descriptive Statistical Test

Descriptive Statistical Analysis is conducted to identify the variables to be tested in each hypothesis, how the profile and distribution of the variables are. The research using descriptive statistics consists of the maximum value, minimum value, average (mean) and standard deviation of each variable used.

F. Data Analysis Techniques

According to Yamin (2021:6-7) Models in PLS consist of structural models and measurement models. The structural model describes the relationship between the influence of research variables or research hypotheses that are built. The measurement model describes the relationship between variables and the measurement items that measure them.

G. Analysis Techniques in the PLS Method (Partial Least Square)

According to Yamin (2021:12) the evaluation of the structural model is seen from 2 things, namely:

1. First, perform a collinearity check on the independent/exogenous variables (inner collinearity). If $VIF > 5$, then there is a suspicion of multicollinearity.
2. Hypothesis testing through bootstrapping process where t-values for two-tailed test are 1.65 (significant level = 10%), 1.96 (significant level 5%) and 2.58 (significant level = 1%). Smartpls 3 has issued p-value for each evaluation and compared with alpha (0.05 or 0.01). If p-value < 0.05 then it is significant.

H. Coefficient of Determination

According to Yamin (2021:12-13) Model quality evaluation in SmartPLS 3 is part of the model quality criteria. Model quality evaluation can be seen from several measures, namely:

1. The measure used is R Square. The R square value describes the overall influence of exogenous/endogenous variables on other endogenous variables.
2. Q Square redundancy describes how well the model has predictive relevance. If Q square redundancy > 0 indicates that the exogenous variable has predictive relevance to the endogenous variable constructed. Q square redundancy is measured when the endogenous variable is measured reflectively.

The f^2 effect size is a measure of how much influence a variable has in a structural model. Changes in the R Square value are used to see whether the influence of exogenous variables on endogenous variables has a substantive influence. This measure is calculated by comparing the R square value when the variable is entered/excluded from the structural model.

RESULT & DISCUSSION

A. Company Overview

This research uses 26 entity financial reports from 2020-2022. Some general descriptions of the entities studied are described as follows:

1. Indocement Tunggal Prakarsa Tbk (INTP)

Indocement Tunggal Prakarsa Tbk didirikan 16 Januari 1985 dengan mulanya kegiatan komersial di tahun 1985 berkantor pusat di Wisma Indocement Lantai 13, Jalan Jend. Sudirman Kav. 70-71, Jakarta 12910-Indonesia. Kegiatan usaha INTP yakni pabrikan semen dan bahan bangunan, pertambangan, konstruksi, perdagangan, angkutan darat dan laut, pembangkitan tenaga listrik, pengelolaan dan pengolahan air dan limbah.

2. Wijaya Karya Beton TBK (WTON)

Wijaya Karya Beton TBK was established on March 11, 1997. The head office of Wijaya Karya Beton Tbk is located at



Wika Tower 1, 2nd Floor, Jl. Panjaitan Kan 9, Jakarta 13340-Indonesia. Based on the company's articles of association, the scope of WTON's activities is engaged in the trade and industry of concrete, construction services and other related business fields.

3. Arwana Citramulia tbk (ARNA)

Arwana Citramulia Tbk was established under the name PT Arwana Citra Mulia on February 22, 1993 and began commercial operations on July 1, 1995. ARNA's head office is located in the Puri Indah business center, block T2 no. 24, Kembangan, West Jakarta 11610, and its factories are located in Tanggeang and Serang (Banten), Gersik and Mojokerto (East Java) and Ogan Ilir (South Sumatra) - Indonesia. Based on the articles of association, the scope of ARNA's activities is mainly engaged in the building materials industry from clay/ceramics, not bricks and tiles, including the business of making goods from clay/ceramics for the needs of building materials other than bricks, tiles and sanitary ware from porcelain, such as water pipes, tiles, vents and buis (rings for wells). Currently, ARNA's main activity is running a business in the ceramic industry and selling its products domestically.

B. Respondent Characteristics

The respondents of this research are financial reports for the period 2020-2022 by looking at the values of each research respondent, namely Company Size, Profitability, Liquidity, Company Growth and Going Concern Audit Opinion.

C. Explanation of Research Variables Company Size

Measures an entity from the logarithm of its total assets. The higher the entity's assets indicate a large-scale entity.

Profitability

Describes net profit after tax using all assets owned.

Liquidity

Reflects the current assets held by the entity to finance its current liabilities.

Company Growth

Describes the comparison between sales from last year's observations with sales this year.

Going Concern Audit Opinion

The provision of opinion by the independent auditor regarding the unqualified going concern audit opinion and the Company received an unqualified non going concern audit opinion.

D. Results and Discussion Data Analysis

In analyzing the data, this study used SEM-PLS software. SEM-PLS is software used to process data without performing normality tests and can be used in small sample studies. This study uses the inner model testing stage.

Descriptive Statistics

Testing data per variable to find out the number of samples, lowest value, highest value, average and standard deviation.



Descriptive Statistics

| Description | N | Mean | Median | Min | Max | Std. Dev |
|-----------------------------|----|--------|--------|--------|---------|----------|
| Company Size | 78 | 29.427 | 28.870 | 26.480 | 32.830 | 1.762 |
| Profitability | 78 | 0.084 | 0.070 | 0.000 | 0.230 | 0.054 |
| Liquidity | 78 | 5.813 | 2.410 | 1.120 | 208.440 | 23.216 |
| Company Growth | 78 | 0.094 | 0.100 | -0.340 | 0.620 | 0.175 |
| Going Concern Audit Opinion | 78 | 0.333 | 0.000 | 0.000 | 1.000 | 0.471 |

Table 3.1 Descriptive Statistics Table (Source: SEM-PLS 3.0)

1. The sample size of the companies is 78 with min 26,480, max 32,830, mean 29,427 and std deviation 1,762.
2. Profitability sampled 78 with min 0.000, max 0.230, mean 0.084 and std deviation 0.054.
3. Liquidity sampled 78 with min 1,120, max 208,440, mean 5,813 and std deviation 23,216.
4. Company Growth sampled 78 with min -0.340, max 0.620, mean 0.094 and std deviation 0.175.
5. Going Concern Audit Opinion
6. sampled 78 with min 0.000, max 1.000, mean 0.333 and std deviation 0.471.
7. **Inner Model Evaluation (Structural Model)**

Conducting structural evaluation (inner model) which includes R-Square, goodness of fit and path coefficient. The results of the

inner model testing are as follows:

Inner Model Evaluation

| Description | R Square | R Square Adjusted |
|---------------|----------|-------------------|
| Audit Quality | 0,048 | -0,004 |

Table 3.2 Inner Model Evaluation Table (Source: SEM-PLS 3.0)

The R-Square value of the Going Concern Audit Opinion variable is 0.048, this shows that Company Size, Profitability, Liquidity and Company Growth on the Going

Concern Audit Opinion are 4.8%, the rest or the remaining 95.2% is explained by other variables.

Inner Model

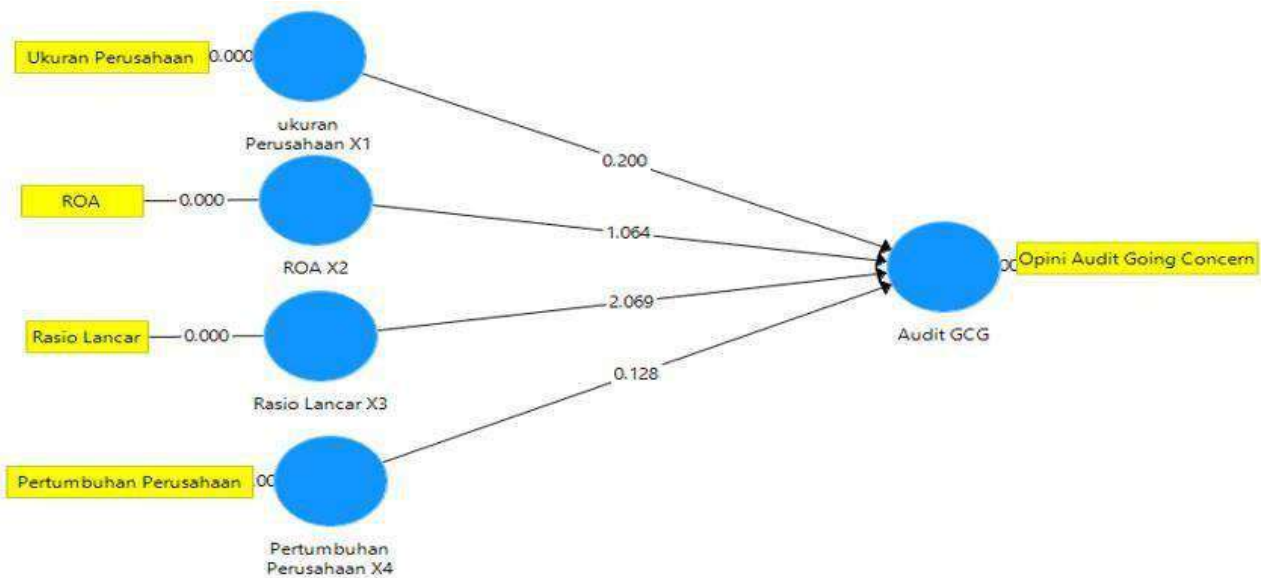


Figure 3.1 Inner Model (Source: SEM-PLS 3.0)

Inner Model Evaluation

Loading factor describes how much the indicators are related to each construct. The diagram above shows that all indicators have a loading factor of 1,000, which means that all indicators are valid because the loading factor value meets the criteria, namely the construct loading factor value must be above 0.70. These results indicate a good relationship between the indicators and each construct.

Convergent Validity

The convergent validity of a construct with reflective indicators is evaluated using Average Variance Extracted (AVE). The AVE value must be above 0.5. The following is a table of AVE values:

Measurement with AVE

| | Average Variance Extracted (AVE) |
|-----------------------------|----------------------------------|
| Company Size | 1,000 |
| Profitability | 1,000 |
| Liquidity | 1,000 |
| Company Growth | 1,000 |
| Going Concern Audit Opinion | 1,000 |

Table 3.3 Measurement Table with AVE (Source: SEM-PLS 3.0)

The Average Variance Extracted (AVE) value for each variable > 0.5 means good validity.

Composite reliability test



| | <i>Composite Reliability</i> |
|-----------------------------|------------------------------|
| Company Size | 1,000 |
| Profitability | 1,000 |
| Liquidity | 1,000 |
| Company Growth | 1,000 |
| Going Concern Audit Opinion | 1,000 |

Table 3.4 Composite Reliability Table (Source: SEM-PLS 3.0)

The composite reliability value of each variable is $1 > 0.60$ so it is concluded that each variable has high reliability.

Cronbach's Alpha

| | <i>Cronbach's Alpha</i> |
|-----------------------------|-------------------------|
| Company Size | 1,000 |
| Profitability | 1,000 |
| Liquidity | 1,000 |
| Company Growth | 1,000 |
| Going Concern Audit Opinion | 1,000 |

Table 3.5 Cronbach's Alpha Table (Source: SEM-PLS 3.0)

The Cronbach's alpha value for each construct is $1 > 0.60$, which means that each indicator has a close relationship with its latent variable.

Inner Model Testing

Inner model testing can be done by multicollinearity testing which aims to test whether or not there is a correlation between variables. Multicollinearity testing is seen from the collinearity statistics (VIF) value. The results of the multicollinearity test are as follows:

Inner Model Test Results

| | VIF | Description |
|----------------|------------|-----------------------------|
| Company Size | 1.063 | No Multicollinearity Occurs |
| Profitability | 1.021 | No Multicollinearity Occurs |
| Liquidity | 1.113 | No Multicollinearity Occurs |
| Company Growth | 1.037 | No Multicollinearity Occurs |

Table 3.6 Inner Model Test Results (Source: SEM-PLS 3.0)



Each exogenous variable in the research model of Company Size, Profitability, Liquidity and Company Growth has a VIF value < 5 , so it can be concluded that there is no multicollinearity problem in the research model.

Model Feasibility Testing

The results of the model feasibility test are shown as follows:

Model Feasibility Test Results

| | <i>Cut off Value</i> | Model Results | Conclusion |
|------------|----------------------|----------------------|-------------------|
| SRMR | $< 0,08$ | 0,000 | Model Fit |
| Chi-Square | 0 | -0,000 | Model Fit |
| NFI | $> 0,09$ | 1,000 | Model Fit |
| Rms_Theta | Close to 0 | 0,092 | Model Fit |

Table 3.7 Results of Model Feasibility Testing (Source: SEM-PLS 3.0)

NFI value > 0.9 ($1,000 > 0.9$), SRMR value < 0.08 ($0.000 < 0.08$) and chi Square value = -0.000 can be concluded that the research model has met the model feasibility index and can be continued to inner model testing. The rms_Theta value approaching = 0.092 can be said to be good because the rms_Theta value is close to zero,

so it can be concluded that the research model has met the model feasibility index and can be continued to inner model testing.

E. Hypothesis Test Results

Hypothesis Test Results

| | Original Sample (O) | Mean Sample (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--|----------------------------|------------------------|-----------------------------------|-------------------------------|-----------------|
| Company Size → Going Concern Audit Opinion | 0.025 | 0.043 | 0.125 | 0.200 | 0.841 |
| Profitability → Going Concern Audit Opinion | 0.126 | 0.107 | 0.118 | 1.064 | 0.288 |
| Liquidity → Going Concern Audit Opinion | 0.202 | 0.226 | 0.098 | 2.069 | 0.039 |
| Company Growth → Going Concern Audit Opinion | 0.013 | 0.014 | 0.099 | 0.128 | 0.898 |

Table 3.8 Hypothesis Test Results (Source: SEM-PLS 3.0)



1. The P-Value between the influence of Company Size on Going Concern Audit Opinion is 0.841, meaning that Company Size has no effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
2. The P-Value between the influence of Profitability on Going Concern Audit Opinion is 0.288, meaning that Profitability has no effect on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
3. The P-Value between the influence of Liquidity on Going Concern Audit Opinion is 0.039, meaning that Liquidity has an influence on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.
4. The P-Value between the influence of Company Growth on Going Concern Audit Opinions is 0.898, meaning that Company Growth has no effect on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020- 2022.

F. Discussion of Data Analysis Results

The Influence of Company Size on Going Concern Audit Opinion

The results of the researcher's research show that Company Size has no effect on the Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. This is possible because large companies have more assets that can be used as collateral, but such a situation does not necessarily get a going concern audit opinion on the company's future survival.

The results of this study are not in line with Rahmawati, et al., (2018:68) The larger the company, the less likely the company is to receive a going concern audit opinion. The results of this study are in line with Rahmadona, Sukartini and Djefris (2019) company size does not affect the going concern audit opinion.

The Influence of Profitability on Going Concern Audit Opinion

The results of the researcher's research show that Profitability has no effect on the Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.

The results of this study are not in line with Sari (2020:2), high ROA will further distance the company from going concern problems. Conversely, a low ROA level will increasingly allow the company to experience going concern problems. The results of this study are in line with Naziah and Nyale (2022) profitability does not affect the obtaining of going concern audit opinions in basic and chemical industry sector companies, so H2 is rejected, this is shown by the significance value of $0.857 > 0.05$. The failure to support the hypothesis can occur because in the consideration process, the auditor does not only focus on the profitability ratio, but also looks at other aspects which, if considered as a whole, can affect the company's survival.

The Influence of Liquidity on Going Concern Audit Opinion

The results of the researcher's research show that Liquidity has an effect on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022. The results of this study are not in line with Sari's research (2020) which states that liquidity proxied by the current ratio has no effect on going concern audit opinions. The results of this study are in line with the research of Damayanty, et al., (2022:6) The smaller the liquidity indicates that the company is less liquid so that it is unable to pay its obligations to creditors, so that the auditor will provide a going concern audit opinion.

The Influence of Company Growth on Going Concern Audit Opinion

The results of the researcher's research show that Company Growth has no effect on the Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2022.

The results of this study are in line with Andini, et al., (2021:391) auditors do not pay attention to the growth of entity sales when providing an audit opinion related to going concern because the increase in sales is not necessarily followed by an increase in profits. The results of this study are in line with Syarif, et al., (2021) This is because the company's high expenses, sales growth is not followed by the company's ability to obtain profitability, so that it will still reduce the company's profit, which has an impact on obtaining a going concern audit opinion by the company.

CONCLUSION

A. Conclusion

The conclusions from the research results are:

1. Company Size (X1) has a P-Value of $0.841 > 0.05$, then Company Size does not have a significant effect on Going Concern Audit Opinion.
2. Profitability (X2) has a P-Value of $0.228 > 0.05$, then the Profitability Size does not have a significant effect on the Going Concern Audit



Opinion.

- Liquidity (X3) has a P-Value of $0.039 < 0.05$, then Liquidity has a significant effect on the Going Concern Audit Opinion.
- Company Growth (X4) has a P-Value of $0.898 > 0.05$, then Company Growth does not have a significant effect on the Going Concern Audit Opinion.

B. Suggestions

The research suggestions are:

- For the Company, the company should increase profit by using assets, increasing net profit, productive management of current assets can cover current debts, increase sales, so that for companies that do not get a going concern audit opinion, it will be lower and will reduce doubts about the company's survival in the auditor's opinion.
- Investors who want to invest in a company can view the financial reports and pay attention to the financial reports and consider the audit opinion before making an investment.
- For further researchers, they can replace other independent variables that affect the going concern audit opinion such as the Previous Year's Audit Opinion, solvency. Extend the research period and replace the observation company.

LIMITATION

This study has several limitations that may influence the generalizability and interpretation of the results. First, the sample size is limited to 26 manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022, which may not fully represent the broader population of companies in other industries or regions. Second, the study focuses only on four variables—company size, profitability, liquidity, and company growth—while other factors such as market conditions, regulatory changes, or economic factors that might impact going concern audit opinions were not considered.

Furthermore, the use of financial reports from publicly available sources may introduce a lag in the data, meaning that certain real-time financial changes within the companies may not be reflected. The time frame (2020- 2022) coincides with the global COVID-19 pandemic, which could have had unique impacts on companies' financial stability and auditor decisions, potentially skewing the findings.

Lastly, the study employs the Partial Least Square (PLS) methodology, which, while effective for small sample sizes, may not capture all potential relationships between the variables as effectively as other statistical methods with larger datasets might.

REFERENCES

- Andini, Soebandi, Peristiwaingsih. 2021. The Effect of Profitability, Liquidity, Company Size and Company Growth on Going Concern Audit Opinion (Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2014-2017). Narotama University.
- Anggraini, Puspardini and Hudaya. 2021. The Effect of Profitability, Liquidity, and Solvency on Going Concern Audit Opinion. Vol. 6, No. 1, October 2021. University of Mataram.
- Damayanty, Hasibuan and Sari. 2022. The Effect of Profitability, Liquidity and Company Age on Going Concern Audit Opinion. Edunomika – Vol. 06, No. 02, 2022. Kosgoro Institute of Business and Informatics 1957.
- Halim. 2021. The Effect of Leverage, Previous Year Audit Opinion, Company Growth, and Company Size on Going Concern Audit Opinion. Owner: Accounting Research & Journal. e-ISSN : 2548- 9224 | p-ISSN : 2548-7507. Volume 5 Number 1, February 2021. Widya Dharma University Pontianak, West Kalimantan.
- Naziah and Nyale. 2022. The Effect of Profitability, Liquidity, Company Growth and Previous Year's Audit Opinion on the Acceptance of Going Concern Audit Opinion. JIIP (Scientific Journal of Educational Sciences) (eISSN: 2614-8854). Volume 5, Number 7, July 2022 (2687-2699). Esa Unggul University, Indonesia.
- Oktaviana and Karnawati. 2020. The Effect of Profitability, Company Size, and Previous Year's Audit Opinion on Going Concern Audit Opinion. JCA Economics. Volume 1 Number 1 January - June 2020. Esa Unggul University, Jakarta.
- Rahmawati, Wahyuningsih and Setiawati. 2018. The Influence of Liquidity, Company Size, Company Growth, and Previous Year's Audit Opinion on Going Concern Audit Opinion. Maximum Accounting Media, Muhammadiyah University of Semarang. Vol.8

No. 2, March 2018 - August 2018, pages (66-76). p-ISSN: 2087-2836.
Stimik Himsya Semarang.

- [8] Sari. 2020. The Effect of Audit Lag, Profitability and Liquidity on Going Concern Audit Opinion in Manufacturing Companies Listed on the Indonesia Stock Exchange. Warmadewa Accounting Research Journal. Warmadewa University, Bali.
- [9] Suprihati and Yuli. 2022. The Effect of Profitability, Liquidity, Solvency and Company Size on Going Concern Audit Opinion at the IDX. Scientific Journal of Financial Accounting Business 2022; 1(1): 14-32. ISSN: 2962-2433. Sarjana Wiyata University Yogyakarta, Indonesia.
- [10] Suryani. 2020. The Effect of Profitability, Company Size, Debt Default and Audit Tenure on Going Concern Audit Opinion. Scientific Journal of Unitary Accounting. Vol. 8 No. 3, 2020. ISSN 2337 – 7852. Budi Luhur University Jakarta, Indonesia.
- [11] Syarif, Saebani and Julianto. 2021. The Influence of Audit Quality, Company Growth, and Company Financial Condition on the Acceptance of Going Concern Audit Opinions. National Research Conference on Economics, Management, and Accounting. Volume 2, 2021 | pp. 45-58.
- [12] Tersiana, Andra. 2018. Research Methods. Yogyakarta: Start Up
- [13] Yamin, Sofyan. 2021. Statistics Ebook Series Statistical Data Processing: SmartPLS 3, Amos and Stata (Easy and Practical). First Printing. Bekasi City: PT Dewangga Energi Internasional.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Effect Of Compensation And Engagement on Employee Performance In PT. Perkebunan Nusantara

Budi Susilo, Syaifuddin, Sofiyan

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

syaifuddin@unprimdn.ac.id

Abstract

Companies must understand the needs of the company. This is because companies must consider several things to develop their business. This study will investigate whether compensation and employee engagement have an impact on the performance of PT. Perkebunan Nusantara. Data collection using associative research and literature review. The results of the study indicate that compensation has a significant impact on employee performance, and employee engagement also has a significant impact on employee performance. This is because when employees are involved in every activity, the cooperation process will run well. So, each variable has a relationship and impact in a company.

Keywords: Compensation, Engagement, Employee Performance, PT. Perkebunan Nusantara

INTRODUCTION

PT. Perkebunan Nusantara IV is one of the largest palm oil mills in North Sumatra and plays a significant role in palm oil production in the country. PTPN IV manages around thirty palm oil plantations with an area of hundreds of thousands of hectares in North Sumatra as part of the Holding Perkebunan Nusantara. In addition to producing crude palm oil (CPO), the company continues to strive to improve efficiency and productivity by implementing the latest agricultural innovations and technologies. PTPN IV has succeeded in helping the local economy and providing raw materials for downstream industries. In addition, PTPN IV is developing various sustainable projects, including a Bio-CNG plant in Langkat that will utilize palm oil waste to reduce our dependence on fossil fuels. This effort not only increases the added value of palm oil products, but also helps reduce the environmental impact of the plantation industry.

Compensation, employee engagement, competence, and company culture are some of the main factors that can affect employee performance to achieve optimal results. One important factor that can increase employee motivation and satisfaction is fair and competitive compensation. If employees feel financially appreciated, they will be more motivated to work well and remain loyal to the company. However, inadequate compensation can lower employee morale and even increase turnover. It may be for employees that the compensation or rewards they receive, including salary, bonuses, incentives, or benefits, are inadequate or not commensurate with their duties and workload. Dissatisfaction with compensation can reduce motivation and job satisfaction and increase turnover or the desire to move to another company that provides better compensation. Dissatisfaction with compensation can reduce employee work productivity and commitment, and affect overall employee performance.

According to Careza Rizky Ayuningtyas et al. (2022) and Srimulyan (2013), adequate

compensation can improve employee performance. Employees can be motivated to improve performance through fair and competitive compensation. When employees feel financially valued and compensated commensurate with their work, they are more motivated to perform to the best of their ability. Businesses pay their employees with salaries, bonuses, or other rewards. This recognition can increase pride and happiness in the workplace, which in turn can lead to improved performance. Offering adequate compensation can help companies retain productive employees. Employees who feel well paid tend to be more loyal and stay with the company longer, thus maintaining team stability and high performance.

Employee engagement, or employee involvement, is critical to performance, in addition to compensation. When employees are truly engaged in their work, they feel more ownership, motivation, and commitment to achieving organizational goals. Employee engagement creates a sense of emotional attachment to the work and organization, which results in increased productivity and work quality. At PTPN IV Regional 1, lack of employee involvement can lead to decreased performance and decreased desire to work.

Employee engagement at PTPN IV Regional 1 is not optimal, as indicated by a lack of enthusiasm, sense of belonging, and commitment to work and the company. This could be due to an unsupportive work environment, lack of opportunities for development, or lack of recognition for employee contributions. Therefore, employees who are not engaged (involved) may work only to fulfill basic obligations without the passion to achieve better results, which hinders performance improvement. Employees who are engaged (involved) tend to work with more enthusiasm, dedication, and focus. Employees not only complete the tasks given to them but also strive to provide the best results. This improves the performance of everyone in the team and the overall productivity of the company. workers who feel connected and involved with the goals and principles of the company tend to be more loyal. Employees are less likely to look for opportunities elsewhere. This helps the company reduce turnover rates and save costs related to recruiting and training new employees.

Employee engagement is critical to a company's long-term success in terms of performance, innovation, and customer satisfaction. Employees who are engaged with the company have a strong emotional connection and commitment to their workplace (Danirmala, 2022; Agustien & Soeling, 2020). Therefore, it is important for companies to create a work environment that supports employee engagement and supports all parties involved. In addition, competence is an important component that influences employee performance. Competence includes the abilities, skills, and knowledge possessed by employees to do their jobs well. Those who have the ability will be more productive and efficient in their work, which will help the company achieve its goals and targets. The challenge for PTPN IV Regional 1 is to improve employees' ability to adapt to technological developments and digitalization in company operations.

One of the competency issues that may reduce employee performance at PTPN IV Regional 1 is as follows: Employees who do not have adequate technical knowledge or skills in their field will have difficulty carrying out their duties. This can lead to a decrease in the quality and quantity of products produced. Not all employees understand or follow the standard operating procedures (SOPs) that have been set by the company. Overall operational performance can be affected by ignorance or inability to carry out standard operating procedures



(SOPs) properly. Employees who have management responsibilities, but lack team management or leadership, can hinder team productivity. Making the right decisions or managing conflict can reduce work morale. PTN IV is engaged in plantations and often uses technology in the production process, workers who are not skilled in using the latest technology tools or systems can cause delays or errors in the production process.

In addition to the above things that can improve company productivity and employee performance, the application of digitalization in business administration also allows companies to save more money, be more accurate, and make faster and data-based decisions. With the use of digital technology, PTPN IV employees can produce better and more measurable results. The digital performance appraisal system can provide employees with direct feedback, helping them understand and improve their performance to achieve goals. This is important because plantation companies like PTPN IV need continuous improvement in efficiency and productivity in the global palm oil market.

In addition to improving employee performance, it helps companies become more competitive and responsive to market changes. Digitalization has become one of the ways that many businesses use to improve the efficiency and effectiveness of their operations along with technological advances. Digitalization at PTPN IV Regional 1 is expected to increase employee productivity by making information more accessible, speeding up work processes, and reducing the possibility of manual errors. However, digitalization requires employee adjustment and adaptation and full support from company leaders.

The implementation of digitalization in the PTPN IV Regional 1 environment which has not been maximized until now is caused by several factors, the company does not have a stable internet network or adequate hardware and software, the digitalization process will be hampered. Weak infrastructure can also cause disruptions in daily operations, reduce efficiency, and hinder the adoption of new technologies. In addition, the company has not provided sufficient training or development programs to employees. The inability to utilize technology will slow down the adoption of digitalization and can even cause resistance to change. There is still a tendency to resist change, especially if the change is related to technology. Employees or managers who are accustomed to manual or traditional ways of working may feel anxious or uncomfortable with new technology. This resistance can hinder the implementation of digitalization because the work culture does not support innovation.

In addition to compensation, employee engagement is an important aspect that determines employee loyalty and motivation. Leaders who are able to interact and support their employees will create a conducive environment, so that employees feel involved and have an emotional bond with the company. This employee engagement not only increases productivity but also the quality of relationships between employees. In the context of PTPN IV, which has operations in various regions, employee engagement is very important to ensure coordination and cooperation between dispersed teams.

In PTPN IV, especially in region 1, leadership issues can affect the ability to handle issues related to compensation, employee engagement, competency, and organizational culture. Unclear or infrequent communication can leave employees confused about compensation policies and organizational goals. Good leadership is also important to mediate how compensation, employee engagement, competency, and organizational culture affect employee

performance. Strong leadership is needed in PTPN IV Region 1 to face challenges such as adapting to digitalization, improving employee capabilities, and building a positive organizational culture. Strong leaders will help employees achieve their full potential.

Based on the description above, this study is important to be conducted in order to understand more deeply how compensation, employee engagement, competence, and organizational culture affect employee performance at PTPN IV Regional 1, as well as the role of digitalization and leadership as mediators in the relationship. The results of this study are expected to provide strategic recommendations for PTPN IV management in improving employee performance, creating a conducive work environment, and optimizing the implementation of digitalization and leadership to achieve organizational goals. Based on the emerging phenomena and previous research that the researcher has described, the researcher is interested in testing the extent to which Compensation and Engagement influence Employee Performance at PTPN IV Regional 1.

LITERATURE REVIEW

Compensation

One of the important parts of HR management is compensation. The issue of compensation and various related aspects such as benefits are related because compensation is one of the most sensitive elements in the employment relationship. Many businesses have not really understood the compensation system. According to Edgar H. Schein (2010), the compensation system facilitates the achievement of company goals and strengthens its main principles. The compensation program serves as a reward for the organization's efforts to retain human resources. Very important for employees and employers, compensation helps them work better and maximize their abilities. This is because compensation shows the social status of employees as well. The standard of living is greatly influenced by the level of income (Li et al., 2024; Malhotra et al., 2024).

Personnel policies are closely related to determining employee compensation. The highest or lowest level of compensation is highly dependent on the level of education, position, and amount of time spent working. Employee performance is also greatly influenced by the compensation given to them. If the company sets a wage level that does not consider the source of normal life, employees will be more motivated to work. This is due to the fact that not meeting the basic needs of employees and their families greatly affects their work motivation.

Basically, people who work also want to earn money to meet their living needs. Thus, an employee begins to appreciate their hard work and shows more loyalty to the organization. To recognize their achievements, companies provide compensation to employees. To increase productivity, employees can be given compensation that encourages them to work harder. In fact, providing compensation is one way to improve employee performance. If compensation is given properly, employees will be more satisfied and will be more motivated to achieve their goals. For employees, compensation is very important because the amount of compensation given will show value to them, their families, and society (Akomoledé & Lasisi, 2025).

According to Rowley and Jackson (2010), compensation can be defined as a form of compensation given to employees as an appreciation for their work and contribution to the organization. Rewards can be indirect or direct, and compensation can be in the form of money. Compensation, according to Steen et al. (2019), includes all types of financial returns and



benefits received by an employee as part of the employment relationship. In addition, "compensation is one of the important functions in human resource management (HRM)" (Rivai & Sagala, 2013).

Based on the understanding above, it can be concluded that compensation is an important management function and must be carried out by the organization to repay the services provided by its employees based on their contribution and performance for the company. Basically, compensation between employees is often different, both in terms of the amount of compensation given and the components of compensation given. The type of compensation given is usually the same or almost the same.

Employee Engagenet

Employee engagement was first proposed by a group of researchers (Presbitero et al., 2024). Employees claim that employee collaboration can predict increased employee performance, profitability, employee retention, customer satisfaction, and organizational success (Sarah Cook, 2008). According to Albrecht (2010), the term "engage" has many different meanings, and many researchers have different definitions of "Employee Engagenet". If someone cares deeply about what they do and is committed to doing it as well as possible, they will be more motivated to act rather than just stay silent. Organizational members' barriers to employee work are when employees work and express themselves physically, cognitively, and emotionally (Shantz et al., 2013).

The description of Employee Engagenet or employee engagement is basically the same, but the term work Employee Engagenet is more specific (Schaufeli & Bakker, 2010). While employee engagement refers to the relationship between employees and the organization, work Employee Engagenet refers to the relationship between employees and their work.

Thomas in Henrand (2009) gives a different definition of Employee Engagenet, which describes it as a two-way relationship between employees and organizations in which both parties recognize each other's needs and work together to fulfill them. According to C. Robbins (2012), employee happiness is defined as individual involvement in work and satisfaction with the work they do. In their study, Shi et al. (2024) defines employee Engagenet Employee as a condition in which a person is expected to have organizational goals, commitment, enthusiasm, and focus on effort. In addition, according to Başar (2024), Employee Engagenet is a strong emotional and intellectual relationship that an employee has with an organization, job, manager, or co-worker, which influences their efforts to continue to strive in their work.

Employee Performance

Company performance is measured as the achievement of predetermined goals. Performance is the result of employee work in their jobs quantitatively and qualitatively, and as a result of termination of employment in accordance with labor standards (Shantz et al., 2013). Employee performance is the result that can be achieved by a person or group of people in an organization who have the responsibility to achieve organizational goals legally, not illegally, and in accordance with morals and ethics (Patrick M. Lencioni, 2010). Another opinion says that employee performance is the result that can be achieved by an employee in completing their work tasks in accordance with the responsibilities given to them by the company (Anwar Prabu Mangkunegara, 2017).

Performance is defined as the level of achievement of results while carrying out certain



tasks (Nurjaya, 2021). The level of achievement of results in order to realize company goals is called company performance (Agessi, 2020). Performance is the result of a person's or group's job function in an organization during a certain period of time, which reflects how well they meet the job requirements to achieve organizational goals. According to Lilyana et al. (2021), performance is the result of work that has been achieved by completing tasks and responsibilities that have been given within a certain period of time. According to Permana et al. (2019), performance is defined as the level of achievement of the implementation of program activities or policies in realizing the goals, objectives, vision, and mission of the organization, which are stated in the organization's strategic planning. Prasetyo et al. (2021) state that performance is the result achieved by a person according to the applicable measures for the job in question. (Arisanti et al., 2019) state that performance is the willingness of a person or group to carry out activities and perfect them according to their responsibilities with the expected results.

According to the above opinion, performance can be defined as the willingness of a person or group of people to carry out activities and perfect them according to their responsibilities with the expected results, or performance can be defined as the results of work that can be achieved by a person or group of people in an organization legally, not violating the law, and not aimed at achieving organizational goals. Employee performance is considered a dependent variable by several researchers. Several independent variables, such as leadership, organizational culture, compensation, commitment, and competence, greatly affect employee performance.

RESEARCH METHOD

This type of research falls into the category of associative or causal research, and they also use literature reviews. Researchers will find and analyze how changes in one variable can affect other variables in this study. They will also analyze how strong the relationship is between the two. This research will be conducted at PTPN IV Regional 1, a State-Owned Enterprise (BUMN) that is responsible for managing, processing, and marketing plantation products. In the context of the study, this population may consist of PTPN IV Regional 1 workers. The Slovin formula is used to calculate the number of research samples. As a result, the number of samples in this study is 391 employees from 3 employee groups at PTPN IV Regional 1.

Parameters and Operational Variables

In more detail, the operationalization of variables to answer the problem identification can be seen in Table 1 below:

Table . Operational Definition of Variables

| Variables | Variable Definition | Variable Indicator | Scale |
|--------------------------|--|---|--------|
| Employee Performance (Y) | The results of a person's or group's job functions in an organization over a certain period of time that reflect how well the person or group fulfills the requirements of a job in an effort to achieve organizational goals. | 1. Quality of work 2. Communication 3. Promptness 4. Capability 5. Initiative | Likert |



| | | | |
|-------------------|---|---|--------|
| Compensation (X1) | Form of reciprocity given to employees As a form of appreciation for employee contributions and work to the organization. The compensation can be direct or indirect financial, and the award can also be indirect. | Normative compensation (Salary, Wages, THR) Policy Compensation (professional allowance, meal allowance, transportation allowance, bonus, leave money, production services, and vacation) | Likert |
| Engagement (X2) | The relationship between employees and work, while employee engagement refers to the relationship between employees in an organization. | <i>Vigour</i> <i>Dedication</i> <i>Absorption</i> | Likert |

Data Collection and Retrieval Procedure

Primary and secondary data were sought, collected, and recorded during the data collection process. The questionnaire method was used to collect data. In this study, a Likert scale of gradation was used to measure the lowest to the highest level.

Validity and Reliability

Validity testing usually aims to ensure whether the question items used have the ability to measure the values to be measured. Validity has various concepts, and this study uses multiple validity, which is used in many economic studies. Therefore, structural equation modeling (SEM) is a combination of factor analysis and multiple regression analysis. To evaluate the reliability and validity of the model, a model fit test is carried out.

Data Analysis Method

To analyze the data of this study, a quantitative descriptive approach will be used. This will start with data collection, interpretation, and presentation of the results. Then, general theories will be used to deduce the data and draw conclusions. After that, the conclusions will be explained descriptively because the results will encourage to describe such data. This study uses PLS SEM, or partial least square structural equation model, to analyze the data. The purpose of this statistical analysis is to conduct path analysis with latent variables. According to Juliandi (2018), this method is often referred to as second-generation multivariate analysis. Structural equation analysis (SEM) is based on variance that can examine the measurement model as well as the structural model.

To make predictions, PLS (Partial Least Square) is used. One of the purposes of making such predictions is to predict the relationship between constructs. It also helps researchers and their research in obtaining the values of the latent variables that are intended to make predictions. Latent variables are linear aggregates of their components. How the inner model, which is a structural model that connects the latent variables, and the outer model, which is a measurement model, are defined, determines the weight estimates for creating the latent variable score components. The result is a reduction in the residual variation of the dependent variable, which consists of indicators and two latent variables. Because it is not based on many assumptions and



the data does not need to be multivariate normal distributed, PLS is an effective analysis technique. For this model, indicators with categorical, ordinal, or interval scales can be used in the same model. Testing of the structural model in PLS is done with the help of Smart PLS software version 3 for Windows.

RESULT AND DISCUSSION

The Effect of Compensation on Employee Performance

Compensation is a reward or reward received by workers in response to their hard work and achievements for the company (Robbins & Judge, 2023). Competitive compensation includes salary, benefits, bonuses, and other incentives. Providing fair and adequate compensation is one of the main factors that encourages workers to be more productive and achieve their best performance levels (Hasibuan, 2022). Adequate compensation can be a powerful source of motivation for employees, according to Herzberg's motivation theory, because compensation is considered a "maintenance factor" that affects job satisfaction. If employees feel they are being compensated appropriately, they tend to be more satisfied and motivated to perform better. Conversely, inadequate compensation can lead to dissatisfaction, decrease motivation, or even encourage employees to look elsewhere.

Competitive costs help companies retain good employees. Employees who feel valued through fair compensation tend to be more loyal and are less likely to be lured away by other companies. Reducing turnover rates and retaining high-quality employees is essential, as it increases productivity and team stability. Since compensation can increase employee job satisfaction and loyalty, employee performance is greatly influenced by compensation (Mangkunegara, 2023). In addition, fair compensation creates a sense of equality in the workplace, which is essential for maintaining a positive and collaborative work environment (Handoko, 2023).

Previous studies have shown that compensation acts as a factor that motivates employees to be more enthusiastic and better in their performance at work. Employees who receive appropriate compensation will feel cared for by the company and are more enthusiastic about completing tasks (Dwianto et al., 2019; Arifuddin, 2019; Pitri, 2017). On the other hand, employees who receive inadequate compensation may feel unmotivated, which can negatively impact their performance and productivity (Wijaya, 2023).

H1: Compensation has a positive effect on employee performance at PTPN IV Regional 1.

The Influence of Employee Engagement on Employee Performance

Human resource management has noticed the influence of employee engagement on employee performance, especially in terms of increasing productivity and retaining a quality workforce (Bai, 2021). Employee engagement, also known as employee involvement, refers to the extent to which employees are emotionally involved, committed, and motivated in their work. The main components of employee engagement include persistence, commitment, and absorption, which significantly affect performance (Evans & Mckee, 2010).

In daily tasks, employees who have vigor (high work spirit) show high enthusiasm and energy. Because employees have greater enthusiasm to complete tasks even in difficult situations, they tend to be more productive and effective (Bakar, 2018). This enthusiasm increases the quantity and quality of work output, improving employee performance (J. Lee et al., 2024). In addition, employees who are dedicated to their work show a high sense of pride and



commitment to what they have to do. Even when there are challenges, employees often try harder to achieve the company's goals and targets. According to Arnold B. Bakker (2011), this dedication improves performance because it motivates employees to do their best work. Dedicated employees also tend to be very loyal, while having lower absenteeism and turnover rates (Hendrik, 2021).

Employees who are “immersed” (fully engaged and focused on their work) tend to be more productive because they can complete tasks efficiently without distractions. Employees who are “immersed” usually achieve optimal results because they are truly interested and concentrated on their work (Beer et al., 2016). An “immersive” work experience improves performance and increases employee satisfaction (Leiter & Maslach, 2023). Employees who are emotionally engaged tend to do more work and are more loyal to their company. Therefore, businesses that support Employee Engagenet can improve employee performance and become more competitive by increasing productivity and quality of work results ((Joushan et al., 2015; Rohana Manalu et al., 2021; Ramadhan & Sembiring, 2017).

H 2: Employee engagenet has a significant effect on employee performance.

CONCLUSION

According to the results of the analysis and research findings, it is concluded that compensation has a significant impact and influence on employee performance. This is because by providing additional salary will make employees more enthusiastic in carrying out their duties. Likewise with Employee engagenet which has a significant influence and can have an impact on employee performance. This is because with Employee engagenet employees in every activity, the cooperation process will run well. So it can be said that all variables are related and have an influence in a company.

REFERENCES

- Agessi, A. P. (2020). *Analisis Perbandingan Kinerja Keuangan Bank Aceh Syariah Sebelum Dan Sesudah Konversi*. Uin Syarifhidayatullah Jakarta.
- Agustien, E., & Soeling, D. (2020). Pengaruh Organizational Commitment, Happiness At Work, Dan Motivasi Kerja Terhadap Kinerja Pegawai Di Bkkbn. *Jurnal Ilmu A*, 8(2), 1–16.
- Akomolede, S., & Lasisi, M. (2025). Author Compensation. *Encyclopedia Of Libraries, Librarianship, And Information Science*, 4. <https://doi.org/10.1016/B978-0-323-95689-5.00259-5>
- Albrecht, S. L. (2010). *Handbook Of Employee Engagement: Perspectives, Issues, Research And Practice*. Edward Elgar Publishing.
- Anwar Prabu Mangkunegara. (2017). *Manajemen Sumber Daya Manusia Perusahaan* (2nd Ed.). Remaja Rosdakarya.
- Arifuddin, O. (2019). Kompensasi Yang Kompetitif Membantu Perusahaan Mempertahankan Karyawan Berkualitas. Karyawan Yang Merasa Dihargai Melalui Kompensasi Yang Adil Cenderung Lebih Loyal Dan Tidak Mudah Tergoda Oleh Tawaran Dari Perusahaan Lain. Ini Penting Untuk MengurangiTi. *Jimea*, 3(2).
- Arisanti, K. D., Santoso, A., & Wahyuni, S. (2019). Pengaruh Motivasi Kerja Dan Disiplin Kerja Terhadap Kinerja Karyawan Pada Pt Pegadaian (Persero) Cabang Nganju. *Jimek*, 2(1).



- Arnold B. Bakker. (2011). An Evidence-Based Model Of Work Engagement. *Current Directions In Psychological Science*, 20(4), 1–6. <https://doi.org/10.1177/0963721411414534>
- Bai, X. Z. L. B. X. (2021). The Influence Of Personality, Alexithymia And Work Engagement On Burnout Among Village Doctors In China: A Cross-Sectional Study. *Bmc Public Health*, 21(1), 1–22. <https://doi.org/10.1186/S12889-021-11544-8>
- Bakar, R. A. (2018). Religiosity As A Source Of Influence On Work Engagement: A Study Of The Malaysian Finance Industry. *International Journal Of Human Resource Management*, 29(18), 2632–2658. <https://doi.org/10.1080/09585192.2016.1254103>
- Başar, D. (2024). The Relationship Between Employee Experience And Employee Engagement With The Moderating Role Of Positive Affect In Finance Sector. *Borsa Istanbul Review*, 24(5), 908–915. <https://doi.org/10.1016/J.Bir.2024.05.002>
- Beer, L. T. De, Tims, M., & Bakker, A. B. (2016). Job Crafting And Its Impact On Work Engagement And Job Satisfaction In Mining And Manufacturing. *South African Journal Of Economic And Management Sciences*, 3400(412).
- Careza Rizky Ayuningtyas, Frans Sudirjo, & Nurchayati Nurchayati. (2022). The Effect Of Servant Leadership And Compensation On Employee Performance Through Organizational Commitment (Study At Pt Cometic Perkasa Abadi Semarang). *Proceeding Of The International Conference On Business And Economics*, 1(1), 15–31. <https://doi.org/10.56444/Icbeuntagsmg.V1i1.282>
- Robbins, Stephen P. and Mary Coulter. (2012). *Management*, Eleventh Edition, (United States of America: Pearson Education Limited).
- Danirmala, L. (2022). *Hubungan Green Organizational Culture, Green Transformational Leadership, Green Performance Management, Green Employee Involvement, Dan Organizational Citizenship Behavior Toward Environment*. Stie Yayasan Pahlawan Keluarga Yogyakarta.
- Dwianto, A. S., Purnamasari, P., & Tukini, T. (2019). Pengaruh Kompensasi Terhadap Kinerja Karyawan Pada Pt. Jaeil Indonesia. *Jesya (Jurnal Ekonomi & Ekonomi Syariah)*, 2(2), 209–223.
- Edgar H. Schein. (2010). *Organizational Culture And Leadership*. Wiley Publishing Inc.
- Evans, D., & Mckee, J. (2010). *Social Media Marketing The Next Generation Of Bussiness Engagement*. Wiley Publishing Inc.
- Hendrik, G. E. (2021). Effect Of Work Engagement On Employee Performance. *International Conference On Tourism, Economics, Accounting, Management, And Social Science (Teams 2021)*, 197(Teams), 660–665.
- Joushan, Aulia, S., Syamsul, Muhammad, Kartika, & Lindawati. (2015). Pengaruh Budaya Organisasi Dan Employee Engagement Terhadap Kinerja Karyawan Pada Pt Pln (Persero) Area Bekasi. *Jurnal Aplikasi Manajemen*, 13(66), 697–703.
- Juliandi, A. (2018). *Structural Equation Model Partial Least Square (Sem-Pls) Menggunakan Smartpls*.
- Li, F., Lv, S., Qi, S., Cheng, P., Zeng, G.-Q., Xiao, M., & Sempau, J. (2024). Optimization Of Energy Compensation Layered Structure Of Geiger- Müller Counters. *Nuclear Engineering And Technology*, 2.
- Lilyana, B., Yusa, V. De, & Yatami, I. (2021). Pengaruh Lingkungan Kerja Fisik Dan



- Kompensasi Non Finansial Terhadap Kinerja Karyawan Bagian Produksi Pada Pt.Rudant Maju Selarat. *Jurnal Manajemen Mandiri Saburai (Jmms)*, 5(1), 163–170.
- Malhotra, A., Futela, D., Khunte, Bm., Wu, X., Payabvash, S., Md, D. G., Md, J.C., & Md, R. D. (2024). Interventional Radiology Physician Compensation At U.S. Medical Schools: Trends And Segments. *Journal Of Vascular And Interventional Radiology*, 22.
- Nunu Nurjaya. (2021). Pengaruh Disiplin Kerja, Lingkungan Kerja Dan Motivasi Kerja Terhadap Kinerja Karyawan Pada Pt. Hazara Cipta Pesona. *Akselerasi: Jurnal Ilmiah Nasional*, 13(1([https://Doi.Org/10.54783/Jin.V3i1.361](https://doi.org/10.54783/Jin.V3i1.361)).
- Patrick M. Lencioni. (2010). *The Three Signs Of A Miserable Job A Fable For Managers (And Their Employees)*. Wiley Publishing Inc.
- Permana, I. S., Aziz, A., & Fauzahyunika, N. (2019). Pengaruh Kompensasi Finansial Dan Non Finansial Melalui Motivasi Terhadap Kinerja Karyawan Pt. Reska Multi Usaha (Rmu) Cirebon. *Jurnal Iain Syekh Nurjati Cirebon*, 6(5).
- Pitri, A. (2017). Pengaruh Kompensasi Terhadap Kinerja Guru Di Smp Negeri 3 Batusangkar. *Jmksp (Jurnal Manajemen, Kepemimpinan, Dan Supervisi Pendidikan)*, 2(1), 1–11. <https://doi.org/10.31851/Jmksp.V2i1.1147>
- Prasetyo, E., Riadi, F., Rinawati, N., & Resawati, R. (2021). Pengaruh Motivasi Dan Disiplin Kerja Terhadap Kinerja Karyawan. *Acman: Accounting And Management Journal*, 1(2), 61–66. <https://doi.org/10.55208/Aj.V1i2.20>
- Presbitero, A., Fujimoto, Y., & Lim, W. M. (2024). Employee Engagement And Retention In Multicultural Work Groups: The Interplay Of Employee And Supervisory Cultural Intelligence. *Journal Of Business Research*, 186.
- Ramadhan, N., & Sembiring, J. (2017). Pengaruh Employee Engagement Terhadap Kinerja Karyawan Di Human Capital Center Pt. Telekomunikasi Indonesia, Tbk. *Jurnal Manajemen Indonesia*, 14(1), 47. <https://doi.org/10.25124/Jmi.V14i1.351>
- Rivai, V., & Sagala, E. J. (2013). *Manajemen Sumber Daya Manusia Untuk Perusahaan Dari Teori Dan Praktik*. Pt. Raja Grafindo.
- Robbins, S. P., & Judge, T. (2023). *Organizational Behavior* (19th ed., Vol. 19).
- Rohana Manalu, A., Thamrin, R., Hasan, M., & Syahputra, D. (2021). Pengaruh Work Engagement Terhadap Kinerja Pegawai Bpjs Ketenagakerjaan. *Journal Of Economic And Management (Jecma)*, 3(1), 42–49. <https://doi.org/10.46772/Jecma.V1i02.376>
- Rowley, C., & Jackson, K. (2010). *Human Resource Management: The Key Concepts*. Taylor & Francis.
- Sarah Cook. (2008). *The Essential Guide To Employee Engagement Better Business Performance Through Staff Satisfaction*. Kogan Page.
- Schaufeli, W. B., & Bakker, A. B. (2010). *Defining And Measuring Work Engagement: Bringing Clarity To The Concept*. Psychology Press.
- Shantz, A., Truss, C., Soane, E., Alfes, K., & Delbridge, R. (2013). *Employee Engagement In Theory And Practice*. Taylor & Francis.
- Shi, J., Cook, A. (Sasha), Vugt, M. Van, & Bakker, A. (2024). Do Individual Differences In Perceived Vulnerability To Disease Shape Employees' Work Engagement? *Personality And Individual Differences*, 232. [https://doi.org/10.1016/J.Paid.2024.112863](https://doi.org/10.1016/j.paid.2024.112863)
- Srimulyan, H. M. V. A. (2013). Pengaruh Motivasi Terhadap Kinerja Pegawai Dengan Variabel



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Pemediasi Kepuasan Kerja Pada Pdam Kota Madiun. *Jrma Jurnal Riset Manajemen Dan Akuntansi*, 1(1), 10–17.

Wijaya, S. R., Junengsih, J., & Imanuddin, K. (2024). The Effect Of Digitalization On Employee Performance On Pt. Ilham Jaya Cabindo Jakarta. *Jisip (Jurnal Ilmu Sosial Dan Pendidikan)*, 8(1), 1–6.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Effect Of Digital Marketing And Non-Cash Payments (E-Wallet) on Increasing Student's Buying Interest Through Consumer Trust as an Intervening Variable at STKIP Pangeran Antasari Medan

*Eka Chairani, Rosita Bangun, Fenny Krisna Marpaung
Universitas Prima Indonesia*

ABSTRACT

The influence of the use of digital marketing and non-cash payments (E-Wallet) on increasing purchasing power through consumer trust, as an intervening variable in STKIP students. The business environment of a digital marketing company consisting of actors and forces originating from outside the marketing management function that influences management's ability to run a digital marketing business in the modern era today. Non-cash payments (E-Wallet) are one of the products in server-based digital payments which are part of financial technology. Digital payment is a non-cash payment system where the payment method is carried out by consumers by making inter-bank transfers based on online payments using certain applications or chips. So that they can use the application easily. Basically, digital payments are server-based

Keywords: digital marketing, e-wallet, purchase interest, trust

INTRODUCTION

Currently, digital technology can provide some progress for Indonesian society, although in terms of infrastructure, Indonesia is still struggling. This is also supported by the enthusiasm of the community to live hand in hand with digital technology, one of the factors is smartphones and internet penetration so that people can adapt very quickly to this. The use of technology has become commonplace for students along with the rapid flow of globalization, not only for educational purposes, but also for matters related to other needs. The rapid development does not seem to be comparable to some students who are still technologically illiterate (gaptek). In the increasingly advanced digital era, information technology and e-wallets (tik) have penetrated various aspects of daily life, including the way we conduct financial transactions. E-wallets, as one of the latest innovations in the world of electronic payments, offer convenience and speed in



making transactions without having to use cash. In the midst of this technological advancement, students are one of the groups that are greatly affected by this change. Students are a group that actively uses technology, especially mobile devices, for various purposes, including finance. With advances in information and communication technology, the world no longer knows boundaries, distance, space or time (Margaretha, 2017). By using the internet, business people no longer have difficulty in obtaining information to support business activities, even now various types of information can be obtained, so that information must be filtered to obtain accurate and relevant information (Irmawati, 2011). The internet is a means to meet the needs of the community in running their businesses, one of which is used for marketing or what is known as digital marketing. The right digital marketing strategy can be used to reach the target market segment so that it can increase sales and profits (Hendrawan, Sucahyowati, Cahyandi, Indriyani, & Rayendra, 2019). E-wallet is an electronic application that can be used to pay for transactions online or offline. Without cards and without cash, users only need to bring their smartphones. According to DM Rangkyu (2021), digital wallet products presented by a number of distribution companies such as ShopeePay, OVO, Gopay, Dana, Link Aja represent the public's willingness to accept digital media that is also developing in Indonesia, the high population of Indonesia also encourages wide access to support the escalation of e-wallet usage. The use of e-wallets in Indonesia for students is mostly used for payment transaction needs for transportation and online food and beverage delivery services. For use as a payment method for online transportation, YU Chandra, Meyliana, and M.Jhonsons (2020) conducted research by distributing questionnaires to 336 students and took data from 251 students who used online transportation Go-Jek and Grab because they had e-wallets, namely Go-Pay and OVO.



The results are that out of a total of 251 students, they stated that they felt comfortable and safe using e-wallets as their payment method. In a study conducted by Zigi with the Katadata Insight Center (KIC) (Lavinda, 2022), other data was also proven by research conducted by the Jakpat Institute, from 2,496 respondents it was proven that around 68% of e-wallet users were dominated by students. Previous research by Albi (2020) explained that digital marketing has not been very effective in influencing purchasing interest. Meanwhile, Pangkey et al's research (2019) regarding the relationship between artificial intelligence and digital marketing on consumer purchasing interest found that digital marketing characterized by websites, social media, e-mail, and AdWords has a positive relationship with consumer purchasing interest, with e-mail as the lowest indicator. There are many factors that can influence consumer purchasing interest, including digital marketing and non-cash payments (e-wallets). Thus, the relationship between digital marketing and e-wallet variables with consumer purchasing interest needs to be studied further. The trust factor is very important in shopping transactions using the internet. The concept of trust in question is that users believe in the developer's ability to guarantee system security so that they do not feel disadvantaged. (Risiko et al., 2021). According to Purba, et al. (2020:154) the perception of benefits is the level of user trust that a particular technology or system can improve their performance at work. In the research of Hong Zhu et.al., (2017:369) it is explained that the factors that determine a person's intention to continue use are the existence of subjective norms, and competitor marketing efforts. From the results of the initial observation that the researcher conducted by conducting direct questions and answers to 30 STKIP Pangeran Antasari students regarding this study with the results that most STKIP Pangeran Antasari students use e-wallets in transactions, and increase interest in buying a product/goods due to

digital marketing on social media and e-wallets as a means of payment and supported by student trust in the seller. Based on this background, the author is interested in researching "The Effect of Using Digital Marketing and Non-Cash Payments (e-Wallet) on Increasing Purchase Interest Through Consumer Trust as an Intervening Variable in STKIP Pangeran Antasari Students".

LITERATURE REVIEW

According to Chaffey and Chadwick (2016:11) digital marketing is an application of the internet and is related to digital technology which is related to traditional e-wallets to achieve marketing goals. This can be achieved to increase knowledge about consumers such as profiles, behaviors, values, and loyalty levels, then integrate targeted e-wallets and online services according to the needs of each individual. According to Aryani, (2021) the measurement of indicators in digital marketing variables is Accessibility and Informativeness. According to Nugroho (2016) it is explained that E-wallet is a form of electronic payment using a smartphone or gadget, replacing the use of a physical wallet. According to Trihutama (2018), e-wallet is defined as a type of non-cash transaction with its application online. According to Suyanto (2023:32) the indicators that influence the use of Digital Wallets (E-Wallets) are Credibility, Compatibility and Integration. Trust is the belief that someone will find what they want from an exchange partner. Trust involves a person's willingness to behave in a certain way because of the belief that their partner will provide what they expect and a hope that someone has that the promises or statements of others can be trusted (Barnes, 2003: 149). There are several dimensions and indicators to be able to determine consumer trust, one of which according to Kotler and Keller (2016: 225) is the Perception of Willingness to depend and the Perception of Goodness (Benevolence). Interest is basically the acceptance of a relationship between oneself and something outside of oneself. The



stronger or closer the relationship, the greater the interest. According to Djaali (2007: 121), interest is a feeling of preference and a feeling of attraction to something or an activity, without anyone telling it. According to Ferdinand in Septyadi et al., (2022) Purchase interest is identified through purchase interest indicators, namely Transactional interest, Referential interest and Preferential interest. The following are the results of previous research.

| No | Name and Research Year | Research Title | Research Variables | Research result |
|----|--|---|--|---|
| 1. | Joseph EvandroErnanto & Timothy Febry (2022) | The Influence of Digital Marketing and Customer Relationship Marketing Implementation on Consumer Satisfaction and Repurchase Interest at the Kisah Kita Ngopi Cafe | <i>Digital Marketing</i> (X1), Customer Relationship Marketing (X2), Consumer Satisfaction (Y1) and Repurchase Interest (Y2) | <i>Digital marketing</i> has no influence on repeat purchase intention of Café Kisah Kita Ngopi, Customer relationship marketing has an influence on repeat purchase intention of Café Kisah Kita Ngopi, Digital marketing has no influence on customer satisfaction of Café Kisah Kita Ngopi and Customer relationship marketing has an influence on customer satisfaction of Café Kisah Kita Ngopi. Our Coffee Story |
| 2. | The Last Supper (2022) | The Influence of Digital Marketing and Customer Relationship Marketing on Tourist Decisions with Brand Image as a Mediating Variable | <i>Digital marketing</i> (X1), Customer relationship marketing (X2), Brand mage (Y) and tourist decisions (Z) | <i>Digital marketing</i> does not have a positive effect on tourist decisions, Brand image has a positive and significant effect on tourist decisions and Customer relationship marketing has a positive effect on brand image and a positive effect on tourist decisions |



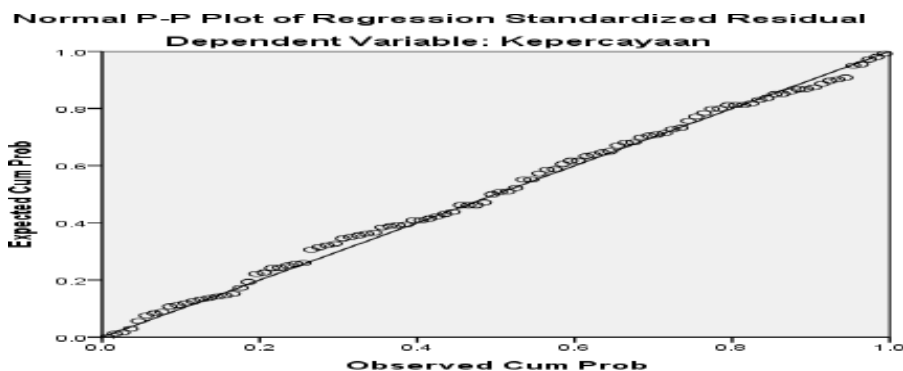
| | | | | |
|----|--------------------------------|---|---|--|
| 3. | Hansen Brian Santoso in (2021) | The Influence of Digital Marketing on Customer Loyalty with Online Promotion and Customer Experience as Intervening Variables at Starbucks Surabaya | <i>Digital marketing</i> (H1), <i>Customer Experience</i> (H2), <i>Online Promotion</i> (H3) and <i>Customer Loyalty</i> (H4) | Influence <i>Digital Marketing</i> to <i>Online Promotion</i> shows a positive and significant influence value, <i>Digital Influence Marketing</i> to <i>Customer Experience</i> shows a positive and significant influence value, <i>Online Influence Promotion</i> to <i>Customer Loyalty</i> show positive and significant influence value and <i>Customer Experience Influence</i> to <i>Customer Loyalty</i> show influence value Which positive And significant. |
|----|--------------------------------|---|---|--|

METHODS

This study uses associative quantitative research methods. According to Husein (2013: 149) Quantitative research is a process of finding knowledge that uses data in the form of numbers as a tool to analyze information about what you want to know. According to Sugiyono (2003: 11) Associative research is research that aims to determine the influence or relationship between two or more variables. In this study, the independent variable X1 is digital marketing, X2 is e-wallet, Z is consumer trust and the dependent variable Y is m.

RESULTS

Normality Test



By looking at the normal plot graph above, it can be concluded that the data is spread around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is



normally distributed.

Multicollinearity Test

Table 4.19. Multicollinearity Test Table for Sub Model I

| Coefficients ^a | | | | | | | | |
|---------------------------|-------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 6.757 | 1.809 | | 3.735 | .000 | | |
| | Digital Marketing | .444 | .075 | .500 | 5.896 | .000 | .931 | 1.075 |
| | E-Wallet | .197 | .079 | .213 | 2.509 | .014 | .931 | 1.075 |

a. Dependent Variable: Kepercayaan

Source: Data Processing 2024

The results of the multicollinearity test show that the VIF and tolerance values are as follows: The Digital Marketing variable has a VIF value of 1.075 and a tolerance of 0.931. The E-wallet variable has a VIF value of 1.075 and a tolerance of 0.931. From these provisions, if the VIF value < 10 and tolerance > 0.10 , there are no symptoms of multicollinearity.

Heteroscedasticity Test



Figure 4.3. Results of Heteroscedasticity Test of Sub Model I

Source: Data Processing 2024

The scatterplot graph in the image above shows that the points are spread randomly and are spread both above and below the number 0 on the Y axis and do not form a particular regular pattern. This can be concluded that there is no heteroscedasticity in the regression model.

Hypothesis Testing

Table 4.24. Results of t-Test Sub Model I



Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 6.757 | 1.809 | | 3.735 | .000 |
| Digital Marketing | .444 | .075 | .500 | 5.896 | .000 |
| E-Wallet | .197 | .079 | .213 | 2.509 | .014 |

a. Dependent Variable: Kepercayaan

Source: Data Processing 2024

Table 4.26. Results of the t-test of Sub Model II

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 4.103 | 1.614 | | 2.542 | .013 |
| Digital Marketing | .237 | .073 | .286 | 3.232 | .002 |
| E-Wallet | .370 | .068 | .427 | 5.465 | .000 |
| Kepercayaan | .183 | .085 | .196 | 2.158 | .033 |

a. Dependent Variable: Minat Beli

Source: Data Processing 2024

Direct Influence Path Analysis

To calculate the direct influence or DE, the following formula is used:

1. The influence of the Digital Marketing variable (X1) on Purchase Interest (Y) is 0.286
2. The influence of the E-wallet variable (X2) on Purchase Interest (Y) is 0.213

Indirect Effect Path Analysis (IDE)

To calculate the indirect influence or IDE, the following formula is used:

3. The influence of the Digital Marketing variable (X1) on Purchase Interest (Y) through Trust (Z), namely $0.500 \times 0.196 = 0.098$
4. The influence of the E-wallet variable (X2) on Purchase Interest (Y) through Trust (Z), namely $0.213 \times 0.196 = 0.042$.

Total Effect Path Analysis

Based on the explanation above, a path diagram can be drawn.

5. The influence of the Digital Marketing variable (X1) on Purchase Interest (Y) is $0.286 + 0.098 = 0.384$.
6. The influence of the Digital Marketing variable (X1) on Purchase Interest (Y) is $0.286 + 0.098 = 0.384$.



Based on the explanation above, the path diagram can be described as follows:

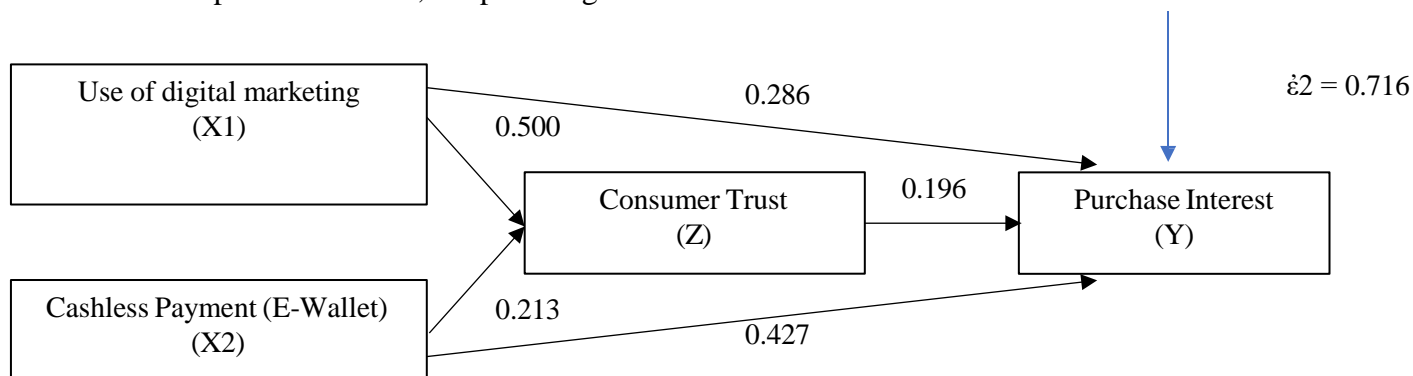


Figure 4.8. Sub Model II Path Diagram

DISCUSSION

The Digital Marketing variable has a positive and significant effect on Trust in STKIP Pangeran Antasari Medan students. The Digital Marketing variable has a regression coefficient value of 0.500 which has a unidirectional effect, which means that every addition or increase in the value of one unit of the Digital Marketing variable score will increase the Trust value of STKIP Pangeran Antasari Medan students by 0.500 per one unit of score. Based on the results of the sobel test calculation, it is known that the t value is 4.076, so that the calculated t value is $2.023 > t \text{ table } 1.660$, it can be concluded that the Trust variable is able to mediate the relationship between the influence of Digital Marketing on Purchase Interest. And based on path analysis, it is known that the magnitude of the influence of Digital Marketing (X1) on Purchase Interest (Y) of STKIP Pangeran Antasari Medan students is 35.8%. **The E-wallet variable has a positive and significant effect on Trust in STKIP Pangeran Antasari Medan students.** The E-wallet variable has a regression coefficient value of 0.213 which has a unidirectional effect, which means that every addition or increase in the value of one unit of the E-wallet variable score will increase the Trust value of STKIP Pangeran Antasari Medan students by 0.213 per one unit of score. Based on the results of the sobel test calculation, it is known that the t value is 4,300, so that the calculated t value is $1.665 > t \text{ table } 1.660$, it can be concluded that the Trust variable is able to mediate the relationship between the influence of E-wallet on Purchase Interest. And based on path analysis, it is known that the magnitude of the influence of E-wallet (X2) on Purchase Interest (Y) of STKIP Pangeran Antasari Medan students is 24%. **The Digital Marketing variable has a positive and significant effect on Purchase Interest in STKIP Pangeran Antasari Medan students.** The Digital Marketing variable has a regression coefficient value of 0.286 which has a unidirectional effect, which means that every addition or increase in the value of one unit of the Digital Marketing variable score will increase the Purchase Interest value of STKIP Pangeran Antasari Medan students by 0.286 per one unit of score. **The E-wallet variable has a positive but insignificant effect on Purchase Interest in STKIP Pangeran Antasari Medan students.** The E-wallet variable has a regression coefficient



value of 0.427 which has a unidirectional effect, which means that every addition or increase in the value of one unit of the E-wallet variable score will increase the Purchase Interest value of STKIP Pangeran Antasari Medan students by 0.427 per one unit of score. **The Trust variable has a positive and significant effect on the Purchase Interest of employees at STKIP Pangeran Antasari Medan students.** The Trust variable has a regression coefficient value of 0.196 and has a unidirectional influence, which means that every addition or increase in the value of one unit of the Trust variable score will increase the Purchase Interest value of STKIP Pangeran Antasari Medan students by 0.196 per one unit of score.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the influence of digital marketing and non-cash payments (e-wallet) on increasing student purchasing interest through consumer trust as an intervening variable at STKIP Pangeran Antasari Medan, then it can be concluded as follows :

1. Digital Marketing has a positive and significant effect on the Trust of STKIP Pangeran Antasari Medan students. This means that this condition proves that the better Digital Marketing can increase Trust.
2. E-wallet has a positive and significant effect on the Trust of STKIP Pangeran Antasari Medan students. This means that this condition proves that the better the E-wallet, the more Trust can be increased.
3. Digital Marketing has a positive and significant effect on the Purchase Interest of STKIP Pangeran Antasari Medan students. This means that this condition proves that the better Digital Marketing can increase Purchase Interest.
4. E-wallet has a positive but insignificant effect on the Purchase Interest of STKIP Pangeran Antasari Medan students. This means that this condition proves that the better the E-wallet, the more it can increase Purchase Interest but not significantly.
5. Trust has a positive and significant effect on the Purchase Interest of STKIP Pangeran Antasari Medan students. This means that this condition proves that the higher the Trust, the



higher the Purchase Interest.

6. The influence of Digital Marketing on Purchase Interest of STKIP Pangeran Antasari Medan students will be smaller if done through Trust. The direct influence of Digital Marketing on Purchase Interest is greater than the indirect influence of Digital Marketing on Purchase Interest. It can be concluded that the actual relationship of Purchase Interest is more directly influenced by Digital Marketing.
7. The influence of E-wallet on Purchase Interest of STKIP Pangeran Antasari Medan students will be greater if it is done through Trust. The direct influence of E-wallet on Purchase Interest is smaller than the indirect influence of E-wallet on Purchase Interest. It can be concluded that Trust is able to mediate the influence of E-wallet on Purchase Interest.

LIMITATION

This research can also be used as a reference for further research on digital marketing, E-wallet, purchasing interest and consumer trust and supporting HR theories and the limitations of this research.

REFERENCES

- Acelian, Restu Muhammad; Basri, H. A. (2021). Pengaruh Kemudahan Penggunaan, Risiko, Kepercayaan Dan Efisien Terhadap Minat E-Wallet Saat Covid-19. *Jurnal Ilmu Dan Riset Akuntansi*, 6, 1436–1441.
- Achir, A. Y., & Kusumaningrum, T. M. (2021). Pengaruh Penggunaan Debit Card, Credit Card, E-Money, dan E-wallet Terhadap Pengeluaran Konsumsi Mahasiswa. *Jurnal Manajemen*, 13(3), 554–568.
- Afandi, A., Fadhillah, A., & Sari, D. P. (2021). Pengaruh Persepsi Kegunaan, Persepsi Kemudahan dan Persepsi Kepercayaan Terhadap Niat Menggunakan E-Wallet Dengan Sikap Sebagai Variabel Intervening. *Journal of Social Science Research*, 1(2), 568–577.
- Afra, T. A., Ma'ruf, J. J., & Utami, S. (2020). The Influence Of Trust And Attitude Towards Social Media Advertising On Purchase Intention Of Clothing Products With Behavioral Responses As Mediating Variable: Study On Students Of Universitas Syiah Kuala. *International Journal of Scientific and Management Research*, 3(2),



107–117.

- Agustina, Rennie, Dkk. 2023. Pengaruh Brand Ambassador, E-Wom, Dan Brand Trust Terhadap Keputusan Pembelian Produk Erigo. *Jurnal Ilmiah Mahasiswa Merdeka Emba Vol.2, No. 1, Maret 2023*.
- Artanti, Y., Hari Prasetyo, F., & Sulistyowati, R. (2019). How Social Media Marketing Influences Online Purchasing Decision: Study of the Viral Marketing and Perceived Ease of Use. *KnE Social Sciences*, 3(11), 988. <https://doi.org/10.18502/kss.v3i11.406>
- Aziza, D. A. (2021). Pengaruh Digital Marketing, E-Wallet Dan Citra Merek Terhadap Keputusan Pembelian “Menu Ayam” Di Era Pandemi Covid-19 Dengan Minat Beli Sebagai Variabel Mediasi (Studi Empiris Pengguna Grabfood). Universitas Muhammadiyah Magelang.
- Chairunnisa, S., Juanna, A., & Ismail, Y. L. (2022). Pengaruh Kepercayaan Dan Harga Terhadap Minat Beli Fashion Secara Online (Studi Kasus Pada Mahasiswa Jurusan Manajemen Fakultas Ekonomi Universitas *JAMBURA: Jurnal Ilmiah...*, 5(2), 825–833.
- Esuma, P., & Nurbaiti, N. (2023). Minat Menggunakan E-Wallet Dana Di Kalangan Mahasiswa Di Kota Medan. *Jesya*, 6(1), 694–703. <https://doi.org/10.36778/jesya.v6i1.979>
- Firdaus, Mukhammad. 2021. Pengaruh Customer Review, Customer Rating, Dan Celebrity Endorser Terhadap Minat Beli Melalui Kepercayaan Di Online Shop Shopee. *Jurnal E-Bisma. Issn 2774-8790 (Print) Dan Issn 2774-8804 (Online)*.
- Gantasari, Putri Alifa. (2019). Pengaruh Threat Emotion dan Brand Trust Terhadap Keputusan Pembelian Produk Apple iPhone. Skripsi. Bandung. Universitas Telkom.
- Ghozali, I. (2016). Ghozali, I. (2016). Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23 (Edisi 8). Badan Penerbit Universitas Diponegoro.
- Hamdani, M. Y., & Mawardi, M. K. (2018). *Jurnal Administrasi Bisnis*. Pengaruh Viral Marketing Terhadap Kepercayaan Konsumen Serta Dampaknya Terhadap Keputusan Pembelian (Survei pada Mahasiswa Fakultas Ilmu Administrasi Universitas Brawijaya Angkatan 2015/2016 yang pernah Melakukan Pembelian Online melalui Media Sosial In, 163-171.
- Hidayah, P. (2020). Meningkatkan Minat Beli Produk Shopee Melalui Celebrity Endorser. *Bisnis Terapan*, 4(3), 37–46. <https://doi.org/10.37715/jp.v6i3.2528>
- Japarianto, Edwin Dan Adelia, Stephanie. 2020. Pengaruh Tampilan Web Dan Harga Terhadap Minat Beli Dengan Kepercayaan Sebagai Intervening Variable Pada E-Commerce Shopee. *Jurnal Manajemen Pemasaran*. Vol. 14, No. 1, April 2020, 35–43. P-Issn 1907-235x / E-Issn 2597-615x



- Komala, R, D. Nellyaningsih. (2017) Tinjauan Implementasi Personal Selling Pada Pt. Astra Internasional Daihatsu Astra Biz Center Bandung Pada Tahun 2017. E-Proceeding of Applied Science. Vol.3, No.2
- Kondang Kaloka, A. S. (2016). Pengaruh Viral Marketing terhadap Minat Beli Konsumen melalui kepercayaan konsumen pada instagram @makananjember.
- Mamahit, Philius. Agus Supandi Soegoto, dan Willem Alfa Tumbuan. (2015). Pengaruh Brand Image, Brand Trust, dan Kualitas Produk Terhadap Keputusan Pembelian Mobil Toyota All New Yaris Pada PT. HASJRAT ABADI MANADO. Berkala Ilmiah Efisiensi. 15(05). 777-787.
- Sahani, Gita Oktapiana Murtafiah. (2018). Pengaruh *Digital Marketing* Terhadap Keputusan Pembelian Pada Situs Jual Beli Online (Studi Kasus Pada E- commerce website Berrybenka). Skripsi. Jakarta. Universitas Bakrie
- Akbar, Muhammad Aldrin dan Sitti Nur Alam. (2020). E-COMMERCE Dasar Teori dalam Bisni Digital. Medan. Yayasan Kita Menulis. Anshori, Muslich. Dan 2017. Metode Penelitian Kuantitatif edisi 2. Surabaya. Airlangga University Press.
- Assauri, Sofjan. (2014). Manajemen Pemasaran. Depok: PT. Rajagrafindo Persada.
- Astuti, Miguna dan Agni Rizkita Amanda. (2020). Pengantar Manajemen Pemasaran. Yogyakarta. Deepublish.
- Bungin, Burhan. (2017). Metodologi Penelitian Kuantitatif; Komunikasi, Ekonomi dan Kebijakan Publik serta Ilmu-Ilmu Sosial Lainnya Edisi Kedua. Jakarta. Kencana
- Chakti, Andi Gunawan. (2019). The Book of Digital Marketing. Sobirin. Editor. Celebes Media Perkasa
- Duli, Nikolaus. (2019). Metodologi Penelitian Kuantitatif: Beberapa Konsep Dasar untuk penulisan Skripsi & Analisis Data SPSS. Yogyakarta. DEEpublish
- Febriani, Nufian S dan Wayan Weda Asmara Dewi. PERILAKU PENGGUNA DI ERA DIGITAL (Beserta Studi kasus). Malang. UB Press.
- Firmansyah, M. Anang. (2018). PERILAKU PENGGUNA (Sikap dan Pemasaran). Yogyakarta. Deepublish.
- Kotler, Philip. Hermawan Kartajaya dan Iwan Setiawan. (2019). MARKETING 4.0 Bergerak dari Tradisional ke Digital Diterjemahkan Fairano Ilyas. Jakarta, PT Gramedia Pustaka Utama.
- Musfar, Tengku Firli. (2020). Buku Ajar Manajemen Pemasaran; Bauran pemasaran Sebagai



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Materi Pokok Manajemen Pemasaran. Bandung. Media Sains Indonesia

Nurdin, Ismail dan Sri Hartati. (2019). Metodologi Penelitian Sosial. Surabaya. Penerbit Media Sahabat Cendekia.

Rachmadi, Tri. (2020). The Power of Digital Marketing. Tiga Publisher

Rikki, Alex (ed.) (2020). Pemasaran Digital dan Perilaku Pengguna. Medan. Yayasan Kita Menulis.

Rikki, Alex dan Janner Simarmata (ed.) (2020). Manajemen Pemasaran; Teori dan Pengembangan. Medan Yayasan Kita Menulis.

Siyoto, Sandu dan M, Ali, Sodik. (2015) Dasar Metodologi Penelitian, Yogyakarta: Literasi Media Publishing

Sudaryo, Yoyo dkk. (2020). Digital Marketing dan Fintech di Indonesia. Giovanni Rizky. Editor. Yogyakarta. Penerbit ANDI.

Sugiyono. (2018). Metode penelitian Kuantitatif, kualitatif, dan RnD. Bandung. Alfabeta

Sugiyono. (2018). Metode penelitian Kuantitatif. Bandung. Alfabeta

Sumarwan, Ujang dkk. (2018). Metode riset bisnis dan pengguna edisi revisi. Bogor. IPB Press.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE EFFECT OF FINANCIAL LITERACHY, FINTECH P2P LENDING, AND PAYMENT GATEAWAY ON THE FINANCIAL PERFORMANCE OF MSMEs IN MEDAN CITY (CASE STUDY OF MEDAN PETISAH 2020-2024)

*Seventani Oriza Sativa Sitorus¹, Rafida Khairani², Deswita Hutapea³, Desy Marsaulina Marbun⁴,
Debby Chyntia Ovami⁵*

^{1,2,3,4} Universitas Prima Indonesia,

⁵ Universitas Muslim Nusantara Al Washliyah

*[*rafidakhairani256@gmail.com](mailto:rafidakhairani256@gmail.com)*

ABSTRACT

In Indonesia, MSMEs play an important role in the economy as a way to accelerate regional development. However, MSMEs often experience delays in their development, due to several problems that often occur, such as difficulty obtaining financing and lack of financial literacy knowledge. Some efforts that can be made include increasing financial literacy knowledge and utilizing fintech p2p lending and payment gateways. The research objective is to find out whether there is an influence of financial literacy, fintech p2p lending and payment gateway on the financial performance of MSMEs in Medan city. Quantitative research methods using primary and secondary data by distributing to MSME players in Medan City totaling 87 samples. The results of this study can be seen from the R square value, which is 81.8%, which means that financial literacy fintech p2p lending and payment gateway affect the financial performance of MSMEs in Medan city, while the remaining 18.2% is influenced by other variables not examined in this study.

Keywords: Financial Literacy; Fintech P2P Lending; Payment Gateway; MSME Financial Performance

INTRODUCTION

Financial performance is an analysis carried out to determine the extent to which a company has



implemented its financial implementation rules properly and accurately. Financial performance also refers to the evaluation and analysis of the financial aspects of a business, such as a company or organization. This includes a series of ratios and financial ratios that help explain the company's financial health and overall performance. According to Septariza (2019:10), financial performance is a picture of the financial condition of a company that is analyzed using analysis tools, which can then determine how good and bad the company's financial condition is. The majority of MSMEs in the City Medan still faces difficulties and challenges in its business operations, both internal and external difficulties, this also causes an increase in several sectors. However, the increase is not evenly distributed because several other sectors are still experiencing challenges such as sales turnover and profitability. In addition, the phenomenon that is often experienced by MSMEs is the difficulty in obtaining financing or loan funds for their business capital, which causes MSMEs to not experience a significant increase. As a result, the limited capital hinders MSMEs in developing their businesses, this can be seen from the number of MSME data in Medan City which fluctuates every year.

Financial literacy is the ability to better understand and utilize information. finance in life daily. Matter this covers understanding about financial concepts, money management, investment, and debt, and the ability to make smart financial decisions, to achieve short-term and long-term financial goals. In fact, part big for perpetrator MSMEs still many do not have adequate knowledge in using financial services and products, due to several challenges experienced. Such as a lack of understanding of basic financial concepts, and minimal knowledge about financial products makes it difficult for MSMEs to utilize existing technology due to low digital literacy, making it difficult to manage cash flow and create accurate financial reports. As stated by Rafida Khairani, et al. (2024), in his research entitled " *The Impact of Financial Literacy, Financial Technology, and Financial Inclusion on the Financial Performance of Micro, Small, and Medium Enterprises (MSMEs) in the Culinary Sector in Medan* ". That is very important for grow pattern think entrepreneurship through education and experience practical for overcome gap and problem this. In addition, financial risk management is also often ignored, which makes businesses vulnerable to losses. Increasing financial literacy is important to help MSMEs be wiser in financial management and business growth.

Fintech peer-to-peer lending is a technology platform that connects borrowers who need funds with



investors who are willing to provide funds. Borrowers and investors can borrow funds through this platform without having to go to conventional financial institutions, and investors can receive interest as a return on their investment. This credit becomes more accessible to individuals and small businesses, making it an attractive investment option for investors. Currently, the use of fintech is widely found in life daily and continues to increase, but there are still many MSME players who have not been able to utilize it properly, this is because UMKM actors do not understand the concept and mechanism of P2P lending. In this case, UMKM in Medan City face various problems in using P2P lending, such as lack of financial literacy, limited internet access, low skills digital, and competition between platforms is also a challenge. Many MSMEs have difficulty meeting document verification requirements, and the loans provided are often insufficient to meet their capital needs. In addition, the lack of trust in digital platforms and suboptimal consumer protection can also make MSMEs hesitate to use them. Which creates problems for MSME activities become vulnerable to damage to the reputation of the business being run.

Payment Gateways help buyers and sellers make secure payments over the internet. They act as a link between e-commerce websites and applications, payment provider banks, and facilitate payments in various ways such as credit cards, debit cards, bank transfers, and digital wallets. In addition, payment gateways usually have security features that allow users to keep their personal data safe during the payment process. The increasing use of payment gateways today has forced MSMEs to adapt to using technology. MSMEs in Medan City continue to experience an increase in the use of payment gateway features. However, there are still many who have not used the progress technology the especially for for perpetrator business micro, because of not yet able to utilize it optimally. Lack of understanding of technology, security risks, and limitations of service providers are also challenges experienced by MSMEs. This is because many business actors still rely on cash payments because they are considered more simple, and worry will transaction security online.

LITERATURE REVIEW

Teori Financial Literachy to Financial Performance

According to Ismanto et al (2019:96) financial literacy is general knowledge about finance and business, financial planning, and financial management. Therefore, financial literacy is very important to improve financial management skills.



Theory Financial Technology P2P Lending to Financial Performance

According to Hsueh (2017), peer to peer lending financial technology is a platform that brings together lenders and borrowers via the internet, and offers a mechanism credit And management risk For help giver loan both of them in meeting each need and producing efficient use of money. The existence of P2P is important for MSME implementers to meet their business capital needs.

Theory Payment Gateway to Financial Performance

According to Purnamasari (2020) the existence of a payment gateway can help people who like to shop online and people who like to use digital transactions. The system is designed automatically making the payment gateway make the transaction process easier and all financial transactions can be processed safely and on time.

Theory Financial Performance

According to Irham Fahm (2020:271), financial performance is an analysis carried out to determine how well the company has implemented financial management rules properly and correctly.

METHODS

Types of Research and Description of Research Population

Types of data used in study this is primary data and secondary data with approach descriptive , namely with method questionnaire research filled for respondent MSME actors in Medan Petisah, and also obtain UMKM data in foster the Medan City UMKM Service obtained from Medan City UMKM Service. According to Istijanto, 2006, primary data is data that is collected in a way independent by researcher for answer problem study certain, while secondary data is type of data obtained from party or source second from the required data.

Population

Sugiyono (2013) stated that population is a generation area consisting of from subject or the subject that has quality and feature certain selected by researcher for studied And taken conclusion. The population to be used in the study this is all UMKM in Medan Petisah which are located in foster care the registered UMKM Office of Medan City from 2020-2024 (2024 is temporary data), namely as many as 87 MSMEs.



Sample

Sugiyono (2013) stated that sample taken from population must represent fully population because sample just part small from amount or characteristics population. On study This taking sample done with total sampling technique, namely all over population used as sample. The number of Medan Petisah UMKM located in foster the Medan City UMKM Service has 87 businesses, so that sample used researcher in study this as many as 87.

Technique Data analysis

In study this researcher use method analysis multiple linear regression. Data collected with method documentation and to browse articles , journals , and related books with ongoing problem investigated as well as use questionnaire research filled by for respondent that is for MSME actors in Medan Petisah.

Research Data Analysis Model

Research model this use analysis multiple linear regression that works for know influence variable independent to variable dependent. formula calculation equality the regression is :

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

Notes :

Y = Financial Performance

X₁ = Financial Literachy

X₂ = Fintech P2P Lending

X₃ = Payment Gateway

a = Constant

b₁.b₃ = Coefficient Regression Variables Independent

e = Standard error

Classic Assumptions Test

Normality Test

Ghozali (2018), determines whether in the regression model residual variables have normal distribution. Test normality done use method analysis Kolmogorov-Smirnov using the IBM SPSS program version 25. According to Ghozali (2017:127), analysis chart and analysis statistics is two



method For determine whether normal residue or no . If a variable no own normal distribution, results test statistics will down. Test sample ONE Kolmogorov Smirnov can used for test data normality , with assumption that mark significant above 5 % or 0.05 indicates that the data has normal distribution. On the other hand , if mark significant below 5 % or 0.05 indicates that the data is not own normal distribution.

Multicollinearity Test

According to Ghozali (2016), testing multicollinearity aiming for know whether there is connection between variable independent in a regression model. Multicollinearity This produce sample with Lots variable. When test coefficient , t number is greater small from t table because standard the error big. This is show that no there is linear relationship between variable independent and dependent.

Heteroscedasticity Test

Test heteroscedasticity done for determine whether residual variance of one observation to other observations in different linear regression models. The purpose test This is for know whether there is difference in residual variance between two observation (Ghozali , 2018:120).

Autocorrelation Test

Test autocorrelation aiming for determine whether there is correlation between period with period previously. In linear regression , purpose from test this is for determine whether error disturbance , or residual, on period t and error on period $t -1$ correlated one each other.

Test Coefficient Adjusted Determination (R^2)

Coefficient determination R^2 used for measure so far where the model can use variable bound . Coefficient determination is worth 0 and has a value of 1. A value close to 1 means variable independent provide almost all required information for prediction.

Partial Hypothesis Testing (Test t)

The t-test (partial test) aims to see the influence of each independent variable on the dependent variable. With the following decision-making criteria:

1. If the sig value < 0.05 or the t-count value $> t$ -table, then there is an influence of variable X on variable Y.



2. If the sig value > 0.05 or the t-count value $< t$ -table, then there is no influence of variable X on variable Y.

Simultaneous Hypothesis (F Test)

F test is test statistics used for determine whether influence each variable independent to variable dependent comparable, good ratio variance between two sample or both of them. With the following decision-making criteria:

1. If the sig value value < 0.05 then simultaneously there is an influence of variable X on variable Y.
2. If the sig value > 0.05 then simultaneously there is no effect of variable X on variable Y.

RESULTS

Researchers processed data in the form of a questionnaire, which had a total of 42 questions consisting of 12 questions for variables X_1 (financial literacy), 12 questions for variables X_2 (finetch p2p lending), 10 questions for variables X_3 (payment gateway), and 8 questions for variables Y (financial performance). This questionnaire was given to 87 respondents as a research sample using a Likert scale. This test was carried out using Statistical Program for Social Science (SPSS) software. Program for Social Science (SPSS) version 20.

Data Quality Test Results

Validity Test

Validity test is a test that aims to determine the validity of the questionnaire statement by comparing the calculated r value with the table r value to determine whether or not a data is valid. The test criteria are , if the calculated r value $>$ table r value, it means that all statements in the questionnaire can be declared valid. The table r formula can be calculated with $dfN - 2 = 87 - 2 = 85$ which is 0.1775 . Based on the results of SPSS processing, it can be seen that the calculated r value $>$ table r. So it can be concluded that the statement of this research questionnaire is declared valid.

Reliability Test

Reliability test is a test that aims to see the consistency of a research variable. Research variables can be said to be reliable if the respondents' answers to each statement remain the same over time. The results of the reliability test can be seen by measuring *Cronbach alpha*. Research variables are



said to be reliable if *Cronbach alpha* > 0.60 . Based on the results of SPSS processing, it can be seen that *Cronbach alpha* > 0.60, namely $0.987 > 0.60$. So it can be concluded that all statements in this research questionnaire are reliable.

A. Classic Assumption Test Results

1. Normality Test

This test aims to determine the distribution of data in each variable used in the study. Data in the study will be said to be good and feasible if it has a normal distribution.

Histogram Graph Normality Test Results

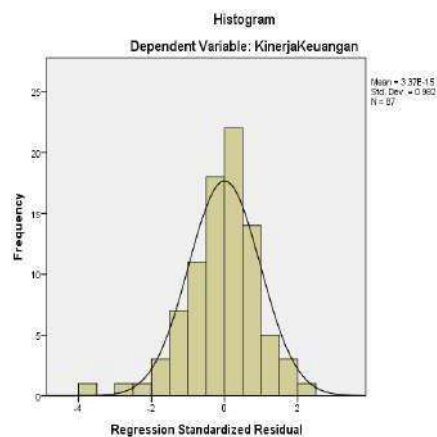


Figure 1 SPSS Data Processing

Source: Processed using SPSS 20

From Figure 1, the data graph shows that the histogram graph forms a bell, meaning that the data used is normally distributed.

Probability Plot Normality Test Results

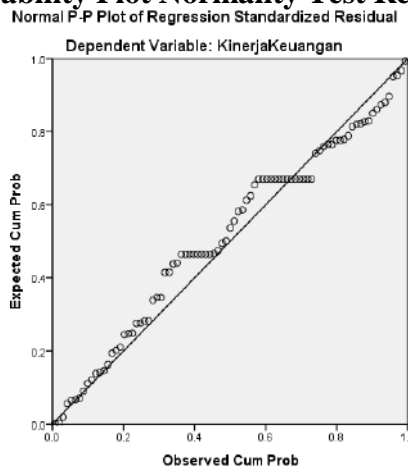


Figure 2. SPSS Data Processing



Source: Processed using SPSS 20

Based on Figure 2, it can be seen that the normal *probability plot graph line* (dots) follows the diagonal line, meaning that this regression model provides a normal distribution pattern according to the normality assumption.

Statistical Analysis

Statistical analysis can be used to test whether the residual data is normally distributed or not by using the *non-parametric Kolmogorov-Smirnov statistical test (KS g test)*.

Table 1 Kolmogorov-Smirnov Test Results
One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 87 |
| Normal Parameters ^{a,b} | Mean | 0E-7 |
| | Std. Deviation | 1.93893359 |
| | Absolute | .107 |
| Most Extreme Differences | Positive | .063 |
| | Negative | -.107 |
| Kolmogorov-Smirnov Z | | .999 |
| Asymp. Sig. (2-tailed) | | .271 |

a. Test distribution is Normal.

b. Calculated from data.

Source: Processed using SPSS 20

Based on Table 1, it can be seen from the results of *the Kolmogorov-Smirnov test (KS Test)* of 0.999, and the significant value is 0.271 with a probability value of 0.05 ($0.271 > 0.05$). From the results of the data test, it can be concluded that H_0 is accepted and H_A is rejected because the residual data is normally distributed.

2. Multicollinearity Test

This multicollinearity test is used to determine whether there is a relationship between the independent variables (independent variables) in the regression model.

Table 2 Multicollinearity Test Results Table



Coefficients^a

| Model | Collinearity Statistics | |
|--------------------|-------------------------|-------|
| | Tolerance | VIF |
| (Constant) | | |
| 1 | | |
| Financial literacy | .186 | 5.372 |
| FintechP2P | .210 | 4,768 |
| Payment Gateway | .179 | 5,592 |

a. Dependent Variable: Financial Performance

Source: Processed Using SPSS 20

Looking at Table 2 above, it can be seen that the independent variable has a *tolerance value* greater than 0.10 and a VIF value less than 10. So it can be concluded that the calculation results of the *tolerance value*, that there is no correlation between independent variables or that multicollinearity does not occur.

3. Heteroscedasticity Test

This test aims to identify whether the residual *variances differ from* each other in the regression model.

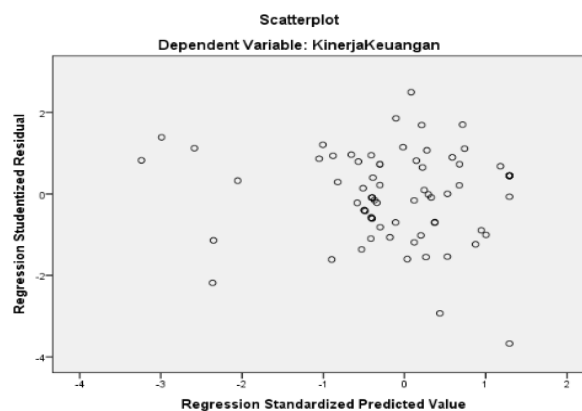


Figure 3 Scatterplot Graph

Source: SPSS 20 Processing

Figure 3 shows that the data points are spread evenly both above and below or around the number 0 on the Y axis. This proves that there is no heteroscedasticity in the regression model.

A. Hypothesis Test

1. Multiple Linear Regression Test



Table 3 Multiple Linear Regression Test Results Table

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|----------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 4.363 | 1,565 | | 2,788 | .007 |
| 1 Financial Literacy | .396 | .067 | .641 | 5.908 | .000 |
| FintechP2PLending | .151 | .065 | .237 | 2.315 | .023 |
| Payment Gateway | .039 | .077 | .057 | .511 | .611 |

a. Dependent Variable: Financial Performance

Source: SPSS 20 processing

Judging from table 3 the multiple linear equation is as follows: $4.363 + 0.396X_1 + 0.151X_2 + 0.039X_3$

Based on the regression equation obtained, it can be seen that the research gain value is:

1. The constant value obtained is 4.363. So it can be interpreted that if the independent variable has a value of 0 (constant) then the dependent variable has a value of 4.363.
2. The regression coefficient value of variable X₁ is positive (+) at 0.396. So it can be interpreted that if variable X₁ increases, variable Y will also increase, and vice versa.
3. The regression coefficient value of variable X₂ is positive (+) at 0.151. So it can be interpreted that if variable X₂ increases, variable Y will also increase, and vice versa.

The regression coefficient value of variable X₃ is positive (+) at 0.039. So it can be interpreted that if variable X₃ increases, variable Y will also increase, and vice versa.

2. Coefficient of Determination (R²)

Table 4 Results of Determination Coefficient Test

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .904 ^a | .818 | .811 | 1.97366 |

- a. Predictors: (Constant), payment gateway, fintech p2p, financial literacy

Source: SPSS 20 Processing



Based on table 4, it explains that the *Adjusted R Square determination coefficient* is 0.811, and the correlation coefficient (R2) is 0.904. While the *R square value* is 0.818 or 81.8% with the remaining 18.2% influenced by other factors outside the variables of this study. So it can be concluded that the variables of financial literacy, fintech P2P lending , and payment gateway have a positive and significant effect on the financial performance of Medan Petisah MSMEs.

Table 5. t-Test Results Table

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 4.363 | 1,565 | | 2,788 | .007 |
| Financial Literacy | .396 | .067 | .641 | 5.908 | .000 |
| FintechP2PLending | .151 | .065 | .237 | 2.315 | .023 |
| Payment Gateway | .039 | .077 | .057 | .511 | .611 |

a. Dependent Variable: Financial Performance

Source: SPSS 20 processing

Based on the calculation results with the formula $(\alpha/2; nk-1) = (0.05 / 2; 87-3-1)$ the t table value is 1.98896. The following are the results of the partial test, namely:

1. The Financial Literacy variable has a calculated $t > t$ table ($5.908 > 1.98896$) with a sig value of $0.000 < 0.05$, so H_a is accepted and H_0 is rejected, meaning that the financial literacy variable has a positive and significant effect on financial performance.
2. Fintech P2P lending variable has a calculated $t > t$ table ($2.315 > 1.98896$) with a sig value of $0.023 < 0.05$, so H_a is accepted and H_0 is rejected. So the fintech P2P lending variable has a positive and significant effect on financial performance.
3. Payment gateway variable has t count $< t$ table ($0.511 < 1.98896$) with sig value $0.611 > 0.05$. So H_a is accepted and payment gateway variable has no effect on financial performance.

3. F Test

To use the simultaneous test, it can be seen from the results of the calculated F value which is $> F$ table and from the *sig results* from the *Anova table output* . Then the Sig value is known to be 0.000 (< 0.05), so it can be concluded that the independent variable has a significant effect simultaneously



on the dependent variable.

Table 6 F Test Results Table

ANOVA ^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|---------|-------------------|
| 1 | Regression | 1453.744 | 3 | 484,581 | 124,400 | .000 ^b |
| | Residual | 323.314 | 83 | 3.895 | | |
| | Total | 1777.057 | 86 | | | |

a. Dependent Variable: KinerjaKeuangan

b. Predictors: (Constant), PaymentGateway, FintechP2PLending, LiterasiKeuangan

Source : SPSS 20 Processing

Based on the formula $df_1 (k-1) = 3-1 = 2$ and the formula $df_2 (nk-1) = (87-3-1) = 83$, the F table value is 3.11. With the calculation above, $124.400 > 3.11$ with a sig value of $0.000 < 0.05$. This means that the independent variables simultaneously have a positive and significant effect on the dependent variable. So it can be concluded that financial literacy, fintech P2P lending, and payment gateways have a simultaneous effect on financial performance.

DISCUSSION

The Influence of Financial Literacy on the Financial Performance of Medan Petisah MSMEs

Based on the results of the partial test on the financial literacy variable, it can be seen that the financial literacy variable has a positive and significant effect on the financial performance of Medan Petisah MSMEs, namely the calculated t value $>$ t table, namely $5.908 > 1.98896$ with a significant value of $0.000 < 0.05$. Then when viewed from the results of the multiple linear regression test, the financial literacy variable has a positive value of 0.396. This means that when financial literacy increases by 1%, the financial performance of Medan Petisah MSMEs will increase by 39.6 %.

The Influence of Fintech P2P Lending on the Financial Performance of Medan Petisah MSMEs

Based on the results of the partial test on the fintech P2P lending variable, it can be seen that the fintech P2P lending variable has a positive and significant effect on the financial performance of



Medan Petisah MSMEs, namely the calculated t value $>$ t table, namely $2.315 > 1.98896$ with a significant value of $0.023 < 0.05$. Then when viewed from the results of the multiple linear regression test, the financial literacy and fintech P2P lending variables have a positive value of 0.151. This means that when fintech P2P lending increases by 1%, the financial performance of Medan Petisah MSMEs will increase by 15.1%.

The Influence of Payment Gateway on the Financial Performance of Medan Petisah MSMEs

Based on the results of the partial test on the payment gateway variable, it can be seen that the payment gateway variable does not have a significant effect on the financial performance of Medan Petisah MSMEs, namely the calculated t value $<$ t table is $0.511 < 1.98896$ with a significant value of $0.611 > 0.05$. Then when viewed from the results of the multiple linear regression test, the payment gateway variable has a positive value of 0.039. This means that when the payment gateway increases by 1%, the financial performance of Medan Petisah MSMEs will increase by 3.9%.

The Influence of Financial Literacy, Fintech P2P Lending, and Payment Gateway on the Financial Performance of Medan Petisah MSMEs.

Looking at the results of the F test of the financial literacy variables, fintech P2P lending, and payment gateways have a significant effect on the financial performance of Medan Petisah MSMEs. This can be seen from the calculated F value which is $>$ F table, namely $124.400 > 3.11$ with a *sig value* $0.000 < 0.05$. This means that the independent variable has a simultaneous effect on the dependent variable. So it can be concluded that simultaneously financial literacy, fintech P2P lending, and payment gateways have a positive and significant effect on the financial performance of Medan Petisah MSMEs.

Based on the determination coefficient test, it is explained that the correlation coefficient (R) value is 0.904 with an *R square value* of $0.818 = 81.8\%$. This means that simultaneously the independent variables, namely financial literacy, fintech P2P lending, and payment gateways, have an effect on the dependent variable, namely financial performance, by 81.8%. The remaining 18.2% is influenced by other variables not discussed in this study.

CONCLUSION

The conclusion of the results of this study is as follows:



1. Partially, Financial Literacy has a positive and significant effect on the financial performance of Medan Petisah MSMEs.
2. Partially, Fintech P2P Lending has a positive and significant effect on the financial performance of Medan Petisah MSMEs.
3. Partially, payment gateways do not have a significant effect on the financial performance of Medan Petisah MSMEs.
4. Simultaneously, Financial Literacy, Fintech P2P Lending , and Payment Gateway have a positive and significant effect on the financial performance of Medan Petisah MSMEs.

REFERENCES

- Ainun Mardiah Lubis, N. M. (2022). PENGARUH LITERASI KEUANGAN, FINTECH PEER TO PEER LENDING, DAN PAYMENT GATEWAY TERHADAP KINERJA KEUANGAN UMKM KOTA MEDAN. *Jurnal Ekonomi, Koperasi & Kewirausahaan Volume 13, Nomor 2, Juli 2022, 13*, 90-102.
- David, M. A. (2019). The Effect of Electronic Payment Systems on Financial Performance of Microfinance Banks in Niger State. *Jurnal Bisnis dan Manajemen Volume 9 (2), 2019, 9*, 143-154.
- Deka Anggun Lestari, E. D. (2020). Pengaruh Payment Gateway terhadap Kinerja Keuangan UMKM. *Jurnal Bisnis, Manajemen, dan Ekonomi Vol. 1, No. 1, Juli 2020, 1*.
- Diansyah, S. M. (2022). PENGARUH PEER TO PEER LENDER DAN PAYMENT GATEWAY TERHADAP KINERJA UMKM PADA MASA PANDEMI COVID-19: MODERASI E-COMMERCE. *Business Management Journal Vol.18 (No. 2): 131-142. Th. 2022, 18*, 131-142.
- Era Fazira MD Lubis, N. (2024). Pengaruh Literasi Keuangan dan Financial Technology Terhadap Kinerja Keuangan UMKM. *Journal of Business and Economics Research (JBE) Vol 5, No 2, June 2024, pp. 178–187, 5*, 178-187.
- Khairani, d. (. (2024). The Impact of Financial Literacy, Financial Technology, and Financial Inclusion on the Financial Performance of Micro, Small, and Medium Enterprises (MSMEs) in the Culinary Sector in Medan. *Economics Development Research, Volume 5(1), 2024, 5 (1)*.
- RINOFAH, N. O. (2023). PENGARUH LITERASI KEUANGAN, FINTECH PEER TO PEER LENDING DAN PAYMENT GATEWAY TERHADAP KINERJA KEUANGAN UMKM DI KOTA YOGYAKARTA. *Jurnal Manajemen Sumber Daya Manusia, Administrasi dan*



- Pelayanan Publik Universitas Bina Taruna Gorontalo Volume 10 Nomor 4, 2023, 10, 1483-1497.*
- Sari, A. P. (2023). Pengaruh Payment Gateway dan Penggunaan Fintech P2P Lending terhadap Kinerja Keuangan dan Peningkatan Pendapatan Sebagai Variabel Intervening. *Jurnal Ilmiah Universitas Batanghari Jambi Volume 23(2), Juli 2023, 2234-2241, 23 (2).*
- Sungkono, S. S. (2023). ANALISIS KINERJA KEUANGAN PADA USAHA KECIL MIKRO MENENGAH (UMKM) DI KABUPATEN KARAWANG. *JURNAL ECONOMINA Volume 2, Nomor 7, Juli 2023, 2.*
- Siregar, A. A. R., Ningsih, H. T. K., & Laoli, P. N. A. Y. (2023). Peran Pembayaran Digital Payment Gateway Dalam Meningkatkan Kinerja Keuangan Pada UMKM. *CiDEA Journal, 2(2), 76-86.*
- SILITONGA, A. (2024). PENGARUH PAYMENT GATEWAY DAN PEER-TO-PEER LENDING TERHADAP PENINGKATAN PENDAPATAN USAHA.
- Ruhmi, I., & Tanjung, A. A. (2023). The Influence of Financial Literacy, Fintech Peer To Peer Lending, and Payment Gateways on the Financial Performance of MSMEs in Medan City. *Quantitative Economics and Management Studies, 4(4), 710-721.*
- Laela, A. Z., Dumadi, D., & Zaman, M. B. (2024). Pengaruh Literasi Keuangan dan Financial Technology Terhadap Kinerja Umkm Generasi Milenial Kabupaten Brebes. *Journal of Management Accounting, Tax and Production, 2(2), 527-538.*
- Jannah, A. M., Puspita, E., & Widiawati, H. S. (2023, April). The Influence of Financial Literacy, Development of Fintech and Payment Gateway on Financial Management Behavior for Faculty Economic and Business Students. In *Kilisuci International Conference on Economic & Business (Vol. 1, pp. 86-97).*
- Kudu, Y. U., Pakereng, Y. M., & Kelen, L. H. S. (2023). Efektivitas Penggunaan Payment Qris Pada Transaksi Penjualan Usaha Mikro, Kecil dan Menengah. *Juremi: Jurnal Riset Ekonomi, 3(2), 195-210.*
- Bastian, A. A. P. (2020). *Pengaruh Financial Technology Terhadap Perkembangan Bisnis UMKM Melalui Variabel Intervening Kepuasan Konsumen* (Bachelor's thesis, Fakultas Ekonomi dan Bisnis uin jakarta).
- Mulyanti, D., & Nurhayati, A. (2022). Penerapan Literasi Keuangan Dan Penggunaan Financial Technology Untuk Menilai Kinerja Keuangan Umkm Di Jawa Barat. *Ekono Insentif, 16(2), 63-81.*
- Wardani, A. P. Y. K., & Darmawan, N. A. S. (2020). Peran Financial Technology pada UMKM: Peningkatan Literasi Keuangan Berbasis Payment Gateway. *Jurnal Ilmiah Akuntansi Dan Humanika, 10(2), 170-175.*
- Anam, M. S. (2022). *Pengaruh Financial Technology Peer to Peer Lending Syariah dan Payment*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Gateway Terhadap Perkembangan UMKM di Kudus (Doctoral dissertation, IAIN KUDUS).

Maharani, E. N., & Yuliati, A. (2024). Pengaruh Payment Gateway dan Literasi Keuangan Terhadap Kinerja Keuangan Pada Pelaku UMKM di Kelurahan Kebonsari. *Jurnal Ilmiah Ekonomi Dan Manajemen*, 2(7), 549-599.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

**The Effect Of Liquidity, Capital Structure, And Dividend Policy On
Company Value With Profitability As An Intervening Variable In The
Consumer Industry Sector Period 2019-2023**

^aJackson Heber Parningotan, ^aNagian Toni, ^aYeni Ariesa
^aUniversitas Prima Indonesia

Abstract

This study analyzes the effect of liquidity, capital structure, and dividend policy on firm value with profitability as an intervening variable in the consumer industry sector for the period 2019-2023. This study uses a quantitative approach with the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method. The data used are the annual financial reports of 18 consumer industry sector companies listed on the Indonesia Stock Exchange during the study period. The results of the study indicate that capital structure, Profitability directly have a significant effect on firm value, dividend policy shows a significant effect on Profitability, capital structure has a significant effect on firm value, while liquidation and dividend policy do not affect firm value, while liquidation does not significantly affect profitability, capital structure does not affect profitability. Profitability is proven to act as an intervening variable in the relationship between liquidation, capital structure and dividend policy do not affect firm value through profitability, This study provides practical implications for company management to optimize capital structure in order to increase firm value through profitability. In addition, the results of this study can also be a consideration for investors in evaluating investment opportunities in the consumer industry sector.

Keywords: Liquidity, Capital Structure, Dividend Policy, Profitability, Firm Value, SEM-PLS



Introduction

In today's global era, many new companies have emerged with strategies and innovations that are able to grow rapidly, even competing with companies that have long been established and widely known, including in the manufacturing sector. A manufacturing company is a company engaged in the processing of raw materials into semi-finished or finished goods that are ready to be used or utilized directly by customers. On the IDX, manufacturing companies are classified into 3 categories, namely the consumer goods industry, basic and chemical industries, and various industrial sectors.

Strong performance will increase the company's value and strengthen investor confidence in investing their shares in the company.(Jayanti, 2018). High returns to shareholders indicate an increase in the value of the shares, which indicates that the value of the company has also increased.

In this study, the researcher chose the consumer goods industry sector because manufacturing companies in this sector produce basic necessities that are greatly needed by the community, along with the increasing population in Indonesia. The consumer goods industry sector includes food and beverages, pharmaceuticals, cosmetics and household goods, cigarettes, and household appliances.

For companies that have gone public, the company's value is reflected in its stock price. The better the company's performance, the higher the company's value. Company value is influenced by various factors. In this study, several factors that can affect company value include: dividend policy, company size, capital structure, liquidity, and profitability.(Pardiastuti et al., 2020).

Literature review

Company value is the price that buyers will pay if the company is sold (Dewi & Candradewi, 2018). Fahmi (2015) defines company value as a ratio that reflects market conditions. This ratio provides insight to company management regarding the implementation of strategies to be implemented and their impact in the future. According to Brigham & Houston (2018), there are several variables that affect company value, including limited liability that reduces risk, company growth, liquidity, profitability, and capital structure.

Liquidity is the company's ability to meet its short-term obligations (Chasanah and Adhi, 2017) Company liquidity can be measured through the current ratio (CR) and quick ratio (QR). The liquidity ratio, also known as the working capital ratio, is often used to assess the level of liquidity of a company. The assessment is carried out by comparing all components of current assets with components of current liabilities.(Firnanda & Oetomo, 2016).

Capital structure is also an important thing to note where according to Brigham and Ehrhardt (2011), capital structure is the balance between debt and equity owned by the company. A company is said to have an optimal capital structure if the combination of debt and equity (external sources)



can maximize its stock price.(Azhar, 2018).A company's capital structure is influenced by various factors, including sales stability, asset structure, operating leverage, growth rate, profitability level, income taxes, management actions and attitudes, lenders' and rating agencies' attitudes, market conditions and internal company factors, and financial flexibility (Brigham and Houston, 2006).

Dividend policy in a company is a complex aspect because it involves the interests of various related parties. According to Khumairoh and Suprihhadi (2021), dividend policy is a company's spending decision related to the management of internal funds. Dividend policy helps in decision making whether the profit obtained by the company at the end of the period will be used to increase capital that can be used in the future in operational activities, or distributed to shareholders

Rajagukguk et al. (2019) stated that profitability is the company's ability to generate profits or earnings. Company performance can be measured through the company's ability to generate profits, because profitability is used as an indicator of the effectiveness of company management. Profitability is also an indicator of management performance, which can be seen from the profits obtained in managing the company's assets.

Methods

This study uses quantitative methods as its research design. Quantitative methods are an approach based on the philosophy of positivism, used to study certain samples or populations and the type of data used in this study is The type of data used in this study is secondary data.

Results

R-Square Test

R-Square Table (Source: Processed data)

| | R-square | R-square adjusted |
|----------------|-----------------|--------------------------|
| PBV_(Y) | 0.942 | 0.924 |
| ROA_(Z) | 0.327 | 0.182 |

F-Square Test

TableF-square Test Value (Source: Processed Data)

| | f-square | information |
|---|-----------------|--------------------|
| Current_Ratio_(X1) -> PBV_(Y) | 0.219 | Big effect |
| Current_Ratio_(X1) -> ROA_(Z) | 0.000 | no effect |



| | | |
|-------------------------------|-------|-----------------|
| DER_(X2) -> PBV_(Y) | 4.244 | Big effect |
| DER_(X2) -> ROA_(Z) | 0.037 | Moderate effect |
| DPR_(X3) -> PBV_(Y) | 0.058 | Moderate effect |
| DPR_(X3) -> ROA_(Z) | 0.387 | Big effect |
| ROA_(Z) -> PBV_(Y) | 4.355 | Big effect |

Hypothesis Testing

Direct Effect (Direct Testing)

TablePath Coefficient Analysis Results. (Source: Processed Data)

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|---|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| Current_Ratio_(X1) -> PBV_(Y) | 0.147 | 0.078 | 0.170 | 0.865 | 0.387 |
| Current_Ratio_(X1) -> ROA_(Z) | 0.012 | -0.064 | 0.305 | 0.038 | 0.970 |
| DER_(X2) -> PBV_(Y) | 0.660 | 0.522 | 0.298 | 2.210 | 0.027 |
| DER_(X2) -> ROA_(Z) | 0.205 | 0.015 | 0.598 | 0.343 | 0.731 |
| DPR_(X3) -> PBV_(Y) | 0.069 | 0.154 | 0.217 | 0.319 | 0.750 |
| DPR_(X3) -> ROA_(Z) | 0.515 | 0.505 | 0.237 | 2.172 | 0.030 |
| ROA_(Z) -> PBV_(Y) | 0.613 | 0.602 | 0.170 | 3.601 | 0.000 |

Indirect Effect (Indirect Testing)

Results Table Indirect Effect Analysis. (Source: Processed data)

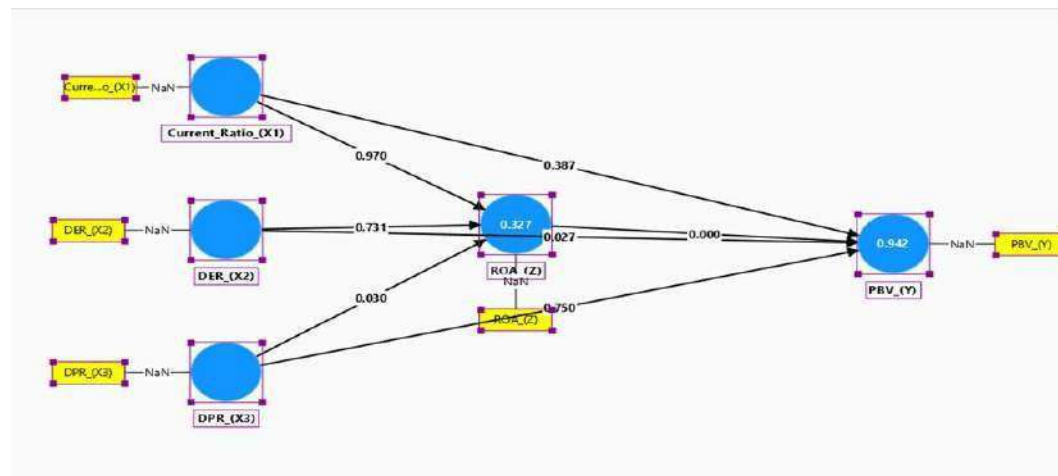
| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|--|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| | | | | | |



| | | | | | |
|---|-------|--------|-------|-------|-------|
| DPR_(X3) -> ROA_(Z) -> PBV_(Y) | 0.316 | 0.298 | 0.165 | 1,909 | 0.056 |
| Current_Ratio_(X1) -> ROA_(Z) -> PBV_(Y) | 0.007 | -0.034 | 0.200 | 0.035 | 0.972 |
| DER_(X2) -> ROA_(Z) -> PBV_(Y) | 0.126 | 0.013 | 0.385 | 0.327 | 0.744 |

Outer Model Diagram

In the SEM-PLS method, the evaluation of the results consists of two stages, namely the outer model and the inner model. The path diagram to start the analysis can be made in the following form:



Research Path Diagram Image

DISCUSSION

Dividend Payout Ratio (DPR) Variable to Price to Book Value (PBV) through Return on Asset (ROA)

Based on the results of data analysis, it is known that it has a t-statistic coefficient of 1.909 and P Values of 0.056, meaning that the Dividend Payout Ratio (X3) variable has no influence on Price to Book Value (Y) through Return On Asset (Z), because the t-statistic <1.96 and the P Values >0.05.

Current Ratio (CR) variable to Price to Book Value (PBV) through Return On Asset (ROA)

Based on the results of data analysis, it is known that it has a t-statistic coefficient of 0.035 and P Values of 0.972, meaning that the Current Ratio Variable (X1) has no influence on Price to Book Value (Y) through Return On Asset (Z), because the t-statistic <1.96 and the P Values >0.05.

Variable Debt to Equity Ratio (DER) to Price to Book Value (PBV) via Return On Assets



(ROA)

Based on the results of data analysis, it is known that it has a t-statistic of 0.327 and P Values of 0.744, meaning that the Debt to Equity Ratio (X2) variable has no influence on Price to Book Value (PBV) through Return On Asset (ROA), because the t-statistic <1.96 and the P Values >0.05 .

Conclusion

1. Liquidity does not affect profitability in the consumer industry for the 2019-2023 period, meaning that if liquidity increases or decreases, it will not affect profitability.
2. Capital Structure affects Profitability in the consumer industry for the period 2019-2023, meaning that if the Capital Structure increases, profitability also increases, conversely if the Capital Structure decreases, profitability also decreases.
3. Dividend Policy affects Profitability in the consumer industry for the period 2019-2023, meaning that if Dividend Policy increases, Profitability also increases, conversely if Dividend Policy decreases, Profitability also decreases.
4. Liquidity does not affect Company Value in the consumer industry for the 2019-2023 period, meaning that if Liquidity increases or decreases, it will not affect Company Value.
5. Capital Structure affects Company Value in the consumer industry for the period 2019-2023, meaning that if the Capital Structure increases, the Company Value also increases, conversely if the Capital Structure decreases, the Company Value also decreases.
6. Dividend Policy has no effect on Company Value in the consumer industry for the period 2019-2023, meaning that if Dividend Policy increases or decreases, it will not affect Company Value.
7. Profitability affects the Company Value in the consumer industry for the period 2019-2023, meaning that if Profitability increases, the Company Value also increases, conversely if Profitability decreases, the Company Value also decreases.
8. Liquidity does not affect Company Value through Profitability in the consumer industry for the period 2019-2023, meaning that if Liquidity increases or decreases through Profitability, it will not affect Company Value.
9. Capital Structure does not affect Company Value through Profitability in the consumption industry for the period 2019-2023, meaning that if the Capital Structure increases and decreases through Profitability, it will not affect Company Value.
10. Dividend Policy does not affect Company Value through Profitability in the consumption industry for the period 2019-2023, meaning that if Company Value increases or decreases through Profitability, it will not affect Company Value.

LIMITATION



This research can also be used as a reference for further research on the influence of liquidity, capital structure, and dividend policy on company value with profitability as an intervening variable in the industrial sector and which is the limitation of this research.

References

- Agatha, N. A., & Irsad, M. (2021). Pengaruh Likuiditas, Struktur Modal, Profitabilitas, Kebijakan Dividen dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019. *Jurnal Ilmiah Akuntansi Dan Humanika*, 11(2), 329–339.
- Alza, R. Z., & Utama, A. (2018). Pengaruh Kebijakan Pendanaan, Kebijakan Investasi, dan Kebijakan Dividen terhadap Nilai Perusahaan dengan Risiko Bisnis Sebagai variabel Pemoderasi. In *Jurnal Riset Akuntansi Dan Bisnis Airlangga*. researchgate.net. https://www.researchgate.net/profile/Anak-Agung-Gde-Satia-Utama/publication/330997455_Studi_Empiris_Pada_Perusahaan_yang_tergabung_dalam_Indeks_LQ45_2011-2015/links/5c602387299bf1d14cb925d1/Studi-Empiris-Pada-Perusahaan-yang-tergabung-dalam-Indeks-LQ45-20
- Amin Wijoyo, H. W. (2020). Analisis Faktor-Faktor Struktur Modal dan Nilai Perusahaan. *Jurnal Ekonomi*, 25(3), 352. <https://doi.org/10.24912/je.v25i3.685>
- Antari, N. K. N. D., Endiana, I. D. M., & Pramesti, I. G. A. A. (2022). Pengaruh Kebijakan Deviden, Likuiditas, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2018-2020. *Jurnal Kharisma*, 4(2), 92–102.
- Astakoni, I. M. P., Wardita, I. W., & Nursiani, P. (2019). *Efek Moderasi Kebijakan Dividen pada Pengaruh Profitabilitas terhadap Nilai Perusahaan Manufaktur*. 18(September), 134–145.
- Azhar, F. (2018). Pengaruh Struktur Modal, Likuiditas Dan Arus Kas Bebas Terhadap Profitabilitas Dan Nilai Perusahaan. *Akademika*, 16(2).
- Chynthiawati, L., & Jonnardi, J. (2022). Pengaruh Profitabilitas, Leverage, Pertumbuhan Perusahaan, Dan Likuiditas Terhadap Nilai Perusahaan. *Jurnal Paradigma Akuntansi*, 4(4), 1589–1599. <https://doi.org/10.24912/jpa.v4i4.21390>
- Deli, E. P. I. N., & Kurnia. (2017). Pengaruh struktur modal , profitabilitas , growth opportunity dan likuiditas terhadap nilai perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 6(7), 1–20.
- Dewi, L. G. N. (2021). Pengaruh keputusan investasi, struktur modal, profitabilitas, dan kebijakan dividen terhadap nilai perusahaan. *Entrepreneurship Bisnis Manajemen Akuntansi (E-BISMA)*, Analisa 2011, 1–11. <https://doi.org/10.37631/e-bisma.v2i1.354>
- Dharmawan, ichlasul dede, Putra, i gede cahyadi, & Santosa, made edy septian. (2023). Pengaruh Profitabilitas, Struktur Modal, Likuiditas, Kebijakan Dividen, serta Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia. *Kumpulan Hasil Riset Mahasiswa Akuntansi*, 5(2), 352–362.
- Ekonomi, J. (2020). *FAKTOR-FAKTOR PENENTU STRUKTUR MODAL Sawal Sartono Mahasiswa Program Doktor Ilmu Ekonomi Universitas 17 Agustus 1945 Surabaya Tri Ratnawati Dosen Pengajar FEB Universitas 17 Agustus 1945 Surabaya*.
- Farisa, N. A., & Widati, L. W. (2017). Jurnal1.1 Farisa. *Analisa Profitabilitas, Likuiditas, Pertumbuhan Penjualan, Struktur Aktiva Dan Kebijakan Dividen Terhadap Struktur Modal*,



- 2017, 640–649.
- Firnanda, T., & Oetomo, H. W. (2016). Analisis Likuiditas, Profitabilitas, Solvabilitas, dan Perputaran Persediaan terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Manajemen*, 5(2), 1–15.
- Gz, A. A., & Lisiantara, G. A. (2022). Pengaruh profitabilitas, struktur modal, ukuran perusahaan, likuiditas dan kebijakan dividen terhadap nilai perusahaan. *Owner*, 6(4), 3974–3987. <https://doi.org/10.33395/owner.v6i4.1030>
- Idawati, W., & Wahyudi, A. (2014). *Effect of earning per shares (EPS) and return on assets (ROA) against share price on coal mining company listed in Indonesia stock exchange*. researchgate.net. https://www.researchgate.net/profile/Dr-Munther_Al-Nimer/publication/259787338_The_Effect_of_Return_on_Assets_and_Earnings_per_Share_and_Dividends_per_Share_on_Stock_Price_of_Publicly_Listed_Banks_in_Jordan/links/57594c8708aed884620ac462.pdf
- Iman, C., Sari, F. N., & Pujiati, N. (2021). *Pengaruh Likuiditas dan Profitabilitas Terhadap Nilai Perusahaan*. 19(2), 191–198.
- Jayanti, F. D. (2018). Pengaruh Profitabilitas, Struktur Modal, Likuiditas dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Bingkai Ekonomi*, 3(2), 34–44.
- Likuiditas, A. R., Untuk, D. A. N. P., & Keuangan, M. K. (2022). *Jmrk 01.04.2022*. 1(4), 223–243.
- Mahanani, H. T., & Kartika, A. (2022). Pengaruh struktur modal, likuiditas, ukuran perusahaan, dan profitabilitas terhadap nilai perusahaan. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 5(1), 360–372. <https://doi.org/10.32670/fairvalue.v5i1.2280>
- Nurhayati, D., Wibowo, M. A., & Purwanti, E. (2020). Pengaruh Kebijakan Deviden, Likuiditas, Profitabilitas, Dan Struktur Modal Terhadap Nilai Perusahaan Yang Terdaftar Di Jakarta Islamic Index (Jii) Tahun 2017-2019. *Jurnal Akuntansi Dan Ekonomika*, 1–16.
- Oentoro, R., & Susanto, L. (2020). Pengaruh Profitabilitas, Struktur Modal, Likuiditas Dan Ukuran. *Jurnal Bingkai Ekonomi*, 3(2), 34–44. <https://itbsemarang.ac.id/sijies/index.php/jbe33/article/view/58>
- Pardiastuti, P., Samrotun, Y. C., & Fajri, R. N. (2020). Faktor-Faktor yang Mempengaruhi Nilai Perusahaan pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi yang Terdaftar di BEI Periode 2016-2018. *Owner (Riset Dan Jurnal Akuntansi)*, 4(2), 337. <https://doi.org/10.33395/owner.v4i2.210>
- Pinem, D. (n.d.). *View metadata, citation and similar papers at core.ac.uk*. 20(1), 35–50.
- Priyatama, T., & Pratini, E. (2021). Pengaruh Struktur Modal, Profitabilitas, Likuiditas, dan Ukuran Perusahaan terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Infrastruktur, Utilitas, dan Transportasi yang Terdaftar di Bursa Efek Indonesia Periode 2015-2018). *Eksis: Jurnal Ilmiah Ekonomi Dan Bisnis*, 12(1), 100. <https://doi.org/10.33087/eksis.v12i1.242>
- Purwanto, E. S. A., & Agustin, S. (2023). Pengaruh Struktur Modal, Profitabilitas, Likuiditas, dan Kebijakan Dividen Terhadap Nilai Perusahaan Pada Perusahaan Telekomunikasi yang Terdaftar di BEI. *Jurnal Ilmu Dan Riset Manajemen*, 12(12). <http://jurnalmahasiswa.stiesia.ac.id/index.php/jirm/article/view/5697>
- Sawitri, N. M. Y., Wahyuni, M. A., & ... (2017). Pengaruh kinerja keuangan, ukuran perusahaan dan struktur kepemilikan terhadap profitabilitas (studi empiris pada perusahaan property dan real estate yang *JIMAT (Jurnal Ilmiah*



- <https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/9495>
- Supeno, A., Program, M., Manajemen, M., Jakarta, U. T., Modal, S., & Perusahaan, N. (2022). *DETERMINASI NILAI PERUSAHAAN DAN STRUKTUR MODAL : PROFITABILITAS DAN LIKUIDITAS PADA PERUSAHAAN PERKEBUNAN DI INDONESIA (LITERATURE REVIEW MANAJEMEN KEUANGAN)*. 3(3), 240–256.
- Widi, E., Widyastuti, T., & Bahri, S. (2021). Pengaruh Struktur Modal, Likuiditas, Arus Kas Bebas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening. *Jurnal Ekobisman*, 6(1), 17–34. <https://journal.univpancasila.ac.id/index.php/ekobisman/article/view/2547/1400>
- Agatha, N. A., & Irsad, M. (2021). Pengaruh Likuiditas, Struktur Modal, Profitabilitas, Kebijakan Dividen dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Properti dan Real Estate yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019. *Jurnal Ilmiah Akuntansi Dan Humanika*, 11(2), 329–339.
- Alza, R. Z., & Utama, A. (2018). Pengaruh Kebijakan Pendanaan, Kebijakan Investasi, dan Kebijakan Dividen terhadap Nilai Perusahaan dengan Risiko Bisnis Sebagai variabel Pemoderasi. In *Jurnal Riset Akuntansi Dan Bisnis Airlangga*. researchgate.net. https://www.researchgate.net/profile/Anak-Agung-Gde-Satia-Utama/publication/330997455_Studi_Empiris_Pada_Perusahaan_yang_tergabung_dalam_Indeks_LQ45_2011-2015/links/5c602387299bf1d14cb925d1/Studi-Empiris-Pada-Perusahaan-yang-tergabung-dalam-Indeks-LQ45-20
- Amin Wijoyo, H. W. (2020). Analisis Faktor-Faktor Struktur Modal dan Nilai Perusahaan. *Jurnal Ekonomi*, 25(3), 352. <https://doi.org/10.24912/je.v25i3.685>
- Antari, N. K. N. D., Endiana, I. D. M., & Pramesti, I. G. A. A. (2022). Pengaruh Kebijakan Deviden, Likuiditas, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2018-2020. *Jurnal Kharisma*, 4(2), 92–102.
- Astakoni, I. M. P., Wardita, I. W., & Nursiani, P. (2019). *Efek Moderasi Kebijakan Dividen pada Pengaruh Profitabilitas terhadap Nilai Perusahaan Manufaktur*. 18(September), 134–145.
- Azhar, F. (2018). Pengaruh Struktur Modal, Likuiditas Dan Arus Kas Bebas Terhadap Profitabilitas Dan Nilai Perusahaan. *Akademika*, 16(2).
- Chynthiawati, L., & Jonnardi, J. (2022). Pengaruh Profitabilitas, Leverage, Pertumbuhan Perusahaan, Dan Likuiditas Terhadap Nilai Perusahaan. *Jurnal Paradigma Akuntansi*, 4(4), 1589–1599. <https://doi.org/10.24912/jpa.v4i4.21390>
- Deli, E. P. I. N., & Kurnia. (2017). Pengaruh struktur modal , profitabilitas , growth opportunity dan likuiditas terhadap nilai perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 6(7), 1–20.
- Dewi, L. G. N. (2021). Pengaruh keputusan investasi, struktur modal, profitabilitas, dan kebijakan dividen terhadap nilai perusahaan. *Entrepreneurship Bisnis Manajemen Akuntansi (E-BISMA)*, Analisa 2011, 1–11. <https://doi.org/10.37631/e-bisma.v2i1.354>
- Dharmawan, ichlasul dede, Putra, i gede cahyadi, & Santosa, made edy septian. (2023). Pengaruh Profitabilitas, Struktur Modal, Likuiditas, Kebijakan Dividen, serta Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia. *Kumpulan Hasil Riset Mahasiswa Akuntansi*, 5(2), 352–362.
- Ekonomi, J. (2020). *FACTOR-FAKTOR PENENTU STRUKTUR MODAL Sawal Sartono*



- Mahasiswa Program Doktor Ilmu Ekonomi Universitas 17 Agustus 1945 Surabaya Tri Ratnawati Dosen Pengajar FEB Universitas 17 Agustus 1945 Surabaya.*
- Farisa, N. A., & Widati, L. W. (2017). Jurnal1.1 Farisa. *Analisa Profitabilitas, Likuiditas, Pertumbuhan Penjualan, Struktur Aktiva Dan Kebijakan Dividen Terhadap Struktur Modal, 2017*, 640–649.
- Firnanda, T., & Oetomo, H. W. (2016). Analisis Likuiditas, Profitabilitas, Solvabilitas, dan Perputaran Persediaan terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Manajemen*, 5(2), 1–15.
- Gz, A. A., & Lisiantara, G. A. (2022). Pengaruh profitabilitas, struktur modal, ukuran perusahaan, likuiditas dan kebijakan dividen terhadap nilai perusahaan. *Owner*, 6(4), 3974–3987. <https://doi.org/10.33395/owner.v6i4.1030>
- Idawati, W., & Wahyudi, A. (2014). *Effect of earning per shares (EPS) and return on assets (ROA) against share price on coal mining company listed in Indonesia stock exchange*. researchgate.net. https://www.researchgate.net/profile/Dr-Munther_AL-Nimer/publication/259787338_The_Effect_of_Return_on_Assets_and_Earnings_per_Share_and_Dividends_per_Share_on_Stock_Price_of_Publicly_Listed_Banks_in_Jordan/links/57594c8708aed884620ac462.pdf
- Iman, C., Sari, F. N., & Pujiati, N. (2021). *Pengaruh Likuiditas dan Profitabilitas Terhadap Nilai Perusahaan*. 19(2), 191–198.
- Jayanti, F. D. (2018). Pengaruh Profitabilitas, Struktur Modal, Likuiditas dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Bingkai Ekonomi*, 3(2), 34–44.
- Likuiditas, A. R., Untuk, D. A. N. P., & Keuangan, M. K. (2022). *Jmrk 01.04.2022*. 1(4), 223–243.
- Mahanani, H. T., & Kartika, A. (2022). Pengaruh struktur modal, likuiditas, ukuran perusahaan, dan profitabilitas terhadap nilai perusahaan. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 5(1), 360–372. <https://doi.org/10.32670/fairvalue.v5i1.2280>
- Nurhayati, D., Wibowo, M. A., & Purwanti, E. (2020). Pengaruh Kebijakan Deviden, Likuiditas, Profitabilitas, Dan Struktur Modal Terhadap Nilai Perusahaan Yang Terdaftar Di Jakarta Islamic Index (Jii) Tahun 2017-2019. *Jurnal Akuntansi Dan Ekonomika*, 1–16.
- Oentoro, R., & Susanto, L. (2020). Pengaruh Profitabilitas, Struktur Modal, Likuiditas Dan Ukuran. *Jurnal Bingkai Ekonomi*, 3(2), 34–44. <https://itbsemarang.ac.id/sijies/index.php/jbe33/article/view/58>
- Pardiastuti, P., Samrotun, Y. C., & Fajri, R. N. (2020). Faktor-Faktor yang Mempengaruhi Nilai Perusahaan pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi yang Terdaftar di BEI Periode 2016-2018. *Owner (Riset Dan Jurnal Akuntansi)*, 4(2), 337. <https://doi.org/10.33395/owner.v4i2.210>
- Pinem, D. (n.d.). *View metadata, citation and similar papers at core.ac.uk*. 20(1), 35–50.
- Priyatama, T., & Pratini, E. (2021). Pengaruh Struktur Modal, Profitabilitas, Likuiditas, dan Ukuran Perusahaan terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Infrastruktur, Utilitas, dan Transportasi yang Terdaftar di Bursa Efek Indonesia Periode 2015-2018). *Eksis: Jurnal Ilmiah Ekonomi Dan Bisnis*, 12(1), 100. <https://doi.org/10.33087/eksis.v12i1.242>
- Purwanto, E. S. A., & Agustin, S. (2023). Pengaruh Struktur Modal, Profitabilitas, Likuiditas, dan Kebijakan Dividen Terhadap Nilai Perusahaan Pada Perusahaan Telekomunikasi yang Terdaftar di BEI. *Jurnal Ilmu Dan Riset Manajemen*, 12(12).



- <http://jurnalmahasiswa.stiesia.ac.id/index.php/jirm/article/view/5697>
- Sawitri, N. M. Y., Wahyuni, M. A., & ... (2017). Pengaruh kinerja keuangan, ukuran perusahaan dan struktur kepemilikan terhadap profitabilitas (studi empiris pada perusahaan property dan real estate yang *JIMAT (Jurnal Ilmiah*
<https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/9495>
- Supeno, A., Program, M., Manajemen, M., Jakarta, U. T., Modal, S., & Perusahaan, N. (2022). *DETERMINASI NILAI PERUSAHAAN DAN STRUKTUR MODAL : PROFITABILITAS DAN LIKUIDITAS PADA PERUSAHAAN PERKEBUNAN DI INDONESIA (LITERATURE REVIEW MANAJEMEN KEUANGAN)*. 3(3), 240–256.
- Widi, E., Widyastuti, T., & Bahri, S. (2021). Pengaruh Struktur Modal, Likuiditas, Arus Kas Bebas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening. *Jurnal Ekobisman*, 6(1), 17–34.
<https://journal.univpancasila.ac.id/index.php/ekobisman/article/view/2547/1400>



The Effect Of Liquidity, Leverage, And Profitability On Dividend Policy With Financial Distress As A Moderating Variable In Manufacturing Companies Sub Sector Food And Beverage Listed On The Indonesia Stock Exchange For The Period 2018-2022

Ivan Oswin^a, Aremi Evanta Tarigan^a, Enda Noviyanti Simorangkir^a, Galumbang Hutagalung^a, Sauh Hwee Teng^a

^aUniversitas Prima Indonesia

ABSTRACT

Dividend policy is a strategic corporate decision on how profits will be utilized, whether distributed to shareholders as dividends or retained to support future investment financing. The indicator used to measure dividend policy in this study is the Dividend Payout Ratio. Liquidity is the company's ability to meet short-term obligations by utilizing current assets easily convertible to cash, such as receivables, inventories, and cash. The indicator for liquidity measurement in this study is the Current Ratio. Leverage indicates the extent to which a company utilizes borrowed funds or debt to finance its assets or operations, measured by the Debt to Asset Ratio. Profitability represents the company's ability to generate profits from its operations within a specific period, measured by the Return on Total Assets. Financial distress is a critical condition in which a company faces significant financial difficulties threatening its operational continuity, measured by the Altman Z-Score. This study aims to analyze the influence of liquidity, leverage, and profitability on dividend policy with financial distress as a moderating variable. This study was conducted on 42 companies, with 17 selected as samples using purposive sampling for the 2018- 2022 period. Data analysis employed quantitative methods with Smart PLS software. The results showed that liquidity and leverage influence dividend policy, while profitability does not. Financial distress moderates the effect of profitability on dividend policy but does not moderate the effect of liquidity and leverage on dividend policy.

Keywords: Financial Distress, Liquidity, Leverage, Profitability, Dividend Policy.



INTRODUCTION

The economic growth has prompted companies to improve their financial performance to maintain competitiveness and attract investors. One approach to attracting investors is through dividend policy the distribution of a portion of profits to shareholders. In 2022, the Indonesia Stock Exchange (IDX) recorded 10.3 million investors, a 37.5% increase from the previous year (Idxchannel.com, 2023). Particularly within the food and beverage manufacturing sub-sector, dividend policies attract investors' attention due to the sector's stable growth and sustained demand, making its stocks appealing investment options. Despite the stability of the manufacturing sector, dividend policy fluctuations occur, influenced by internal factors such as liquidity, leverage, and profitability. The Dividend Payout Ratio (DPR) serves as a measure of how much profit is allocated to shareholders.

LITERATURE REVIEW

A dividend policy is a strategic corporate decision regarding the allocation of generated profits, determining whether they will be distributed to shareholders as dividends or retained as earnings to support future investment financing.

Liquidity refers to a company's ability to meet its short-term obligations by utilizing current assets that can be easily converted into cash, such as receivables, inventory, and cash itself (Yudha et al., 2024). A high level of liquidity indicates financial stability and effective cash management, providing stakeholders with confidence that the company can fulfill its financial commitments in the short term (Febriyanti et al., 2022).

Leverage is a measure indicating the extent to which a company utilizes borrowed funds or debt to finance its assets or operations. The concept of leverage reflects the degree of reliance on external financing compared to internal equity, providing insight into the company's funding structure. Higher levels of leverage indicate a greater dependency on external funds to support business activities and asset growth (Praduana et al., 2024).

Profitability is the ability of a company to generate profits from its operational activities over



a specific period. It indicates how effectively the company manages its resources to achieve financial gains. High profitability demonstrates strong financial performance, making the company attractive to shareholders by enhancing its ability to provide returns on their investments (Yudha et al., 2024).

Financial distress refers to a critical condition where a company faces significant financial difficulties that threaten its operational continuity. This situation often arises when the company's cash flows are insufficient to meet its financial obligations, such as debt repayments and short-term liabilities, potentially leading to restructuring or asset sales to fulfill commitments. Financial distress not only affects daily operations but also risks damaging the company's reputation and eroding trust among various stakeholders, including creditors, investors, and suppliers (Sidhu et al., 2023).

Framework

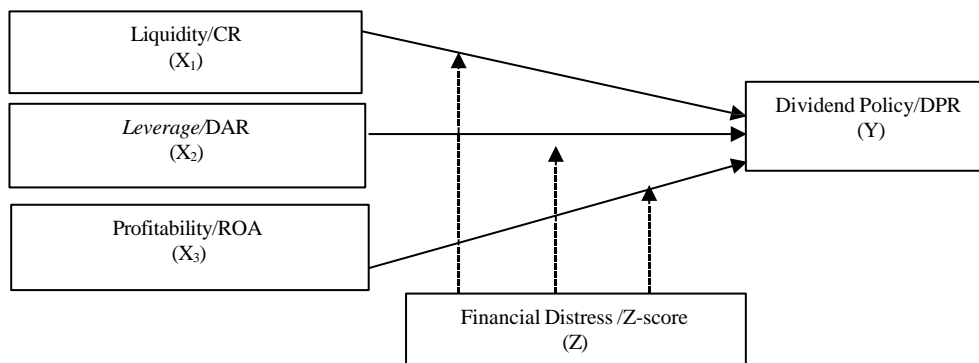


Figure 1 Framework

METHODS

Types Of research

This study employs an associative research strategy. The associative approach is utilized to achieve the objective of determining whether liquidity, leverage, and profitability influence dividend policy, with financial distress as a moderating variable. This study was conducted on 42 companies, with 17 selected as samples using purposive sampling for the 2018- 2022 period. This study uses Partial Least Squares - Structural Equation Modeling (PLS-SEM) for data analysis.

RESULTS



Path Coefficients

This analysis is conducted by comparing the t-table value with the t-statistic obtained through the bootstrapping method in SmartPLS. A hypothesis is accepted if the t-statistic is greater than the t-table value (1.96 at a 5% significance level) or if the P-value is less than $\alpha=0.05$.

Tabel 1 Path Coefficients

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--|------------------------|--------------------|-------------------------------|---------------------------|----------|
| | | | | | |



| | | | | | |
|---|--------|--------|-------|-------|-------|
| LIQUIDITY (X1) -> DIVIDEND POLICY (Y) | 0.276 | 0.246 | 0.142 | 1.974 | 0.026 |
| X1*Z -> DIVIDEND POLICY (Y) | 0.093 | 0.131 | 0.227 | 0.410 | 0.341 |
| LEVERAGE (X2) -> DIVIDEND POLICY (Y) | -0.362 | -0.361 | 0.161 | 2.244 | 0.013 |
| X2*Z -> DIVIDEND POLICY (Y) | -0.050 | -0.067 | 0.147 | 0.338 | 0.368 |
| PROFITABILITY (X3) -> DIVIDEND POLICY (Y) | -0.278 | -0.234 | 0.195 | 1.428 | 0.077 |
| X3*Z -> DIVIDEND POLICY (Y) | -0.419 | -0.469 | 0.199 | 2.105 | 0.018 |

Source: Data processed by the researcher (2024).

Based on Table 1, the results of the partial significance tests can be summarized as follows:

1. Liquidity has significant effect on dividend policy. The liquidity coefficient value is 0.276. An increase of one unit liquidity ratio will increase of 0.276 units of dividend policy ratio.
2. Leverage has significant effect on dividend policy. The leverage coefficient value is -0.362. An increase of one unit leverage ratio will decrease of 0.362 units of dividend policy ratio.
3. Profitability, when moderated by financial distress, does not has a significant effect on dividend policy. The moderating coefficient for profitability, or the effect of financial distress in moderating profitability's influence on dividend policy, is 0.419. This means that an increase of one unit in profitability moderated by financial distress results will decrease of 0.419 units of dividend policy ratio.
4. Profitability does not have a significant effect on dividend policy. Liquidity and leverage, when moderated by financial distress, do not significantly affect the dividend policy ratio.

DISCUSSION

The Effect of Liquidity on Dividend Policy: In this study, liquidity is proxied by the Current Ratio. Liquidity has a significant impact on dividend policy. This indicates that companies with high liquidity tend to pay larger dividends to shareholders because they have sufficient funds to support daily operations. These are consistent with research conducted by Jati (2020), Dirganingsih & Sufiyati, (2021), Arsyad et al. (2021), Rahman et al. (2022), Pradika & Rediyono (2022).

The Effect of Leverage on Dividend Policy: In this study, leverage is proxied by the Debt-to-Assets Ratio. Leverage has a significant impact on dividend policy. As leverage increases, companies tend to restrict dividend payments to allocate resources toward fulfilling debt



obligations, which are given higher priority. These are consistent with research conducted by Luspratama & Handoyo (2024), Yudha et al. (2024), Winna & Tanusdjaja (2019), Diovany & Pangastuti (2020), Pattiruhu & Paais (2020), Gede Adiputra (2021).

The Effect of Profitability on Dividend Policy: In this study, profitability is proxied by Return on Assets (ROA). Profitability does not influence dividend policy. This may be attributed to factors such as the company's investment needs, capital structure, or management's preference for retaining earnings to support business growth. These are consistent with research conducted by Gede Adiputra (2021), Rahman et al. (2022).

Financial Distress as a Moderator of the Effect of Liquidity on Dividend Policy: in This study liquidity does not influence dividend policy when financial distress as a moderating variable. Even when companies have sufficient liquidity, their primary focus is on ensuring the survival of the business, such as meeting debt obligations or retaining funds as reserves to navigate uncertainties. This suggests that other factors, including creditor pressures and operational stability, have a more dominant influence on dividend policy compared to liquidity.

Financial Distress as a Moderator of the Effect of Leverage on Dividend Policy: In this study leverage does not influence dividend policy when financial distress as a moderating variable. During financial distress, companies have priorities, such as fulfilling debt obligations and maintaining operational stability. This may render the effect of leverage on dividend policy irrelevant, as companies focus more on addressing debt repayment rather than considering dividend distribution to shareholders.

Financial Distress as a Moderator of the Effect of Profitability on Dividend Policy: In this study profitability does not have significant impact on dividend policy when financial distress as a moderating variable. Companies with high profitability but experiencing financial distress tend to withhold dividend payments. Although high profitability is generally associated with the ability to pay dividends, the financial distress condition drives companies to prioritize using profits to improve their financial position, such as repaying debt or increasing liquidity reserves, rather than distributing dividends.

CONCLUSION

The results showed that liquidity and leverage influence dividend policy, while profitability



does not. Financial distress moderates the effect of profitability on dividend policy but does not moderate the effect of liquidity and leverage on dividend policy.

REFERENCES

<https://www.idxchannel.com/market-news/performa-pasar-modal-indonesia-analisis-5-tahun-terakhir-untuk-investor>

- Arsyad, M., Haeruddin, S. H., Muslim, M., & Pelu, M. F. A. R. (2021). The effect of activity ratios, liquidity, and profitability on the dividend payout ratio. *Indonesia Accounting Journal*, 3(1), 36. <https://doi.org/10.32400/iaj.30119>
- Budianto, R., Suyono, E., Purwati, A. S., & Suparlinah, I. (2022). Factors Affecting Corporate Dividend Policy: Evidence from Emerging Market. In *Maret 2022* (Vol. 20, Issue 1). <http://jurnalnasional.ump.ac.id/index.php/kompartemen/>
- Curry, K., Banjarnahor, E., & Diploma Empat Keuangan, P. (2018). FINANCIAL DISTRESS PADA PERUSAHAAN SEKTOR PROPERTIGO PUBLIC DI INDONESIA. In *Seminar Nasional Pakar ke 1 Tahun*.
- Dan Viriany, K., Faktor, F., & Mempengaruhi, Y. (2021). Faktor-Faktor yang Mempengaruhi Kebijakan Dividen. In *Jurnal Multiparadigma Akuntansi: Vol. III* (Issue 2).
- Desiyanti, O., Soedarmo, W., Chandra, K., & Kusnadi, K. (2019). The Effect Of Financial Ratios To Financial Distress Using Altman Z-Score Method In Real Estate Companies Listed In Indonesia Stock Exchange Period 2014 - 2018. *Business and Entrepreneurial Review*, 19(2), 119–136. <https://doi.org/10.25105/ber.v19i2.5699>
- Diovany, B. I., & Pangastuti, D. A. (2020). Analisis Karakteristik Keuangan Terhadap Kebijakan Deviden Pada Perusahaan Industry Consumer Goods. In *Jurnal Akuntansi dan Perpajakan* (Vol. 6, Issue 2). <http://jurnal.unmer.ac.id/index.php/ap>
- Dirganingsih, A., & Sufiyati. (2021). *Faktor-Faktor yang Mempengaruhi Kebijakan Dividen*.
- El Rasyid, F. R., & Darsono. (2022). Pengaruh Kinerja Keuangan Dan Financial Distress Terhadap Kebijakan Dividen Dalam Masa Pandemi Covid-19. *Diponegoro Journal of Accounting*, 11(4), 1–13.



- Febriyanti, R., Sitepu, B., & Putra Prima, A. (2022). The Influence Of Liquidity, Activity, And Profitability On Dividend Policy Of Manufacturing Companies In The BEI under a Creative Commons Attribution-NonCommercial 4.0 International License (CC BY-NC 4.0). *Jurnal Ekonomi*, 11(03), 2022. <http://ejournal.seaninstitute.or.id/index.php/Ekonomi>
- Gede Adiputra, I. (2021). *The Influence of Profitability and Financial Leverage on Dividend Policy: An Evidence from Manufacturing Industrial Companies in Indonesia*. www.idx.co.id
- Ghozali, I. (2020). *25 Grand Theory*. Yoga Pratama.
- Ghozali, I. (2021). *Partial Least Squares : Kosnseo, Teknik dan Aplikasi Menggunakan Program SmartPLS 2.3.9 untuk Penelitian Empiris* (3rd ed.). Badan Penerbit Universitas Diponegoro.
- Ginting, K. S., Irawati, N., & Muluk, C. (2023). Masihkah Kinerja Keuangan Dianggap Penting Dalam Menentukan Kebijakan Dividen? *Jurnal Akademi Akuntansi*, 6(3), 469–489. <https://doi.org/10.22219/jaa.v6i3.26330>
- Goretti Angela, M., & Daryanti, S. (2023). The Effect Of Leverage, Liquidity, And Firm Size On Dividend Policy. *International Journal of Application on Economics and Business (IJAEB)*, 1(2), 2987–1972. <https://doi.org/10.24912/ijaeb.v1.i2.257-265>
- Jati, W. (2020). *Effect of Current Ratio and Return on Equity on Dividend Payout Ratio Policy*. <http://ojs.unm.ac.id/iap>
- Kasmir. (2019a). *Analisis Laporan Keuangan* (12th ed.). PT. Raja Grafindo Persada.
- Kasmir. (2019b). *Analisis Laporan Keuangan* (12th ed.). PT RajaGrafindo Persada.
- Luspratama, R., & Handoyo, S. E. (2024). The Effect of Free Cash Flow, Leverage, and Profitability on Dividend Policy in IDX-Listed Transportation and Logistics Companies. *Oblik i Finansi*, 2(2), 70–78. [https://doi.org/10.33146/2307-9878-2024-2\(104\)-70-78](https://doi.org/10.33146/2307-9878-2024-2(104)-70-78)
- Mantik, J., Permata Sari, D., Diana Nabella, S., & Hidayatul Fadlilah, A. (2022). The Effect of Profitability, Liquidity, Leverage, and Activity Ratios on Dividend Policy in Manufacturing Companies in the Food and Beverage Industry Sector Listed on the Indonesia Stock Exchange in the 2016-2020 Period. In *Jurnal Mantik* (Vol. 6, Issue 2).
- Meidawati, N., Nurfauziya, A., & Chasanah, U. (2020). Faktor-Faktor yang Mempengaruhi



- Kebijakan Dividen. *Nominal: Barometer Riset Akuntansi Dan Manajemen*, 9.
- Pattiruhu, J. R., & Paais, M. (2020). Effect of Liquidity, Profitability, Leverage, and Firm Size on Dividend Policy. *Journal of Asian Finance, Economics and Business*, 7(10), 35–42. <https://doi.org/10.13106/jafeb.2020.vol7.no10.035>
- Pradika, R., & Rediyono, R. (2022). Factors Affecting Dividend Policy: Study on Food and Beverage Manufacturing Sector Companies Listed on the Indonesia Stock Exchange. *International Journal of Economics and Financial Issues*, 12(4), 91–96. <https://doi.org/10.32479/ijefi.13198>
- Praduana, V. R., Rinofah, R., & Maulida, A. (2024). The Influence Of Managerial Ownership, Institutional Ownership, And Leverage On Dividend Policy (Case Study Of Food And Beverage Companies Listed On The IDX For The 2017-2021 Period). In *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)* (Vol. 7, Issue 1).
- Rahman, O. A., Hasanuddin, H., & Abdullah, J. (2022). Analisis Faktor-Faktor Yang Mempengaruhi Kebijakan Dividen. *Gorontalo Accounting Journal*, 5(2), 120. <https://doi.org/10.32662/gaj.v5i2.1949>
- Rawal, A., & Gopalkrishnan, S. (2024). Impact of financial distress on the dividend policy of banks in India: evidence using panel data. *Future Business Journal*, 10(1). <https://doi.org/10.1186/s43093-024-00310-y>
- Ridhwan, A., & Dwiati, A. R. (2022). Pengaruh Profitabilitas, Leverage dan Ukuran Perusahaan terhadap Kebijakan Dividen. *Jurnal Akuntansi, Keuangan, Dan Manajemen*, 3(3), 195–206. <https://doi.org/10.35912/jakman.v3i3.797>
- Sidhu, A. V., Jain, P., Singh, S. P., Kanoujiya, J., Rawal, A., Rastogi, S., & Bhimavarapu, V. M. (2023). Impact of Financial Distress on the Dividend Policy of Banks in India. *Journal of Risk and Financial Management*, 16(2). <https://doi.org/10.3390/jrfm16020107>
- Sugiyono. (2022). *Metode Penelitian Kuantitatif, Kualitatif dan R & D*. Alfabeta.
- Winna, & Tanusdjaja, H. (2019). Pengaruh Profitabilitas, Likuiditas Dan Kebijakan Utang Terhadap Kebijakan Dividen Pada Perusahaan Manufaktur. *Jurnal Multiparadigma Akuntansi*.
- Yudha, I. P. A. W. K., Arizona, I. P. E., & Pradnyawati, S. O. (2024). Pengaruh Profitabilitas,



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Leverage, Likuiditas, Kesempatan Investasi Dan Ukuran Perusahaan Terhadap Kebijakan Dividen. *Kumpulan Hasil Riset Mahasiswa AKuntansi (KHARISMA)*, 6.

Zainuddin, Z., Andaresta Mananohas, O., & Akindutire, O. R. (2020). The Effect of Debt Policies, Profitability, Managerial Ownership Structure, and Liquidity on Dividend Policy. *The Indonesian Journal of Accounting Research*, 23(03). <https://doi.org/10.33312/ijar.483>



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Effect Of Marketing Mix Strategy In Influence Consumer Decisions at Pos Indonesia (Persero) Medan

Rebecca Evadine, Syaifuddin, Yusuf Ronny Edward

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Syaifuddin@unprimdn.ac.id

Abstract

Consumers of PT Pos Indonesia (Persero) Medan are the subjects of this study. The purpose of this study is to study and analyze how the implementation of corporate social responsibility and marketing mix strategies affect consumer decisions. This study took a sample of 258 people who responded, using a purposive sampling technique. The data analysis method is the Structural Equation Partial Least Square (SEM PLS) Model. The results of the study indicate that the marketing mix (goods, prices, and locations) and the implementation of corporate social responsibility have a positive and significant impact on consumer decisions; however, physical evidence does not have a significant impact on consumer decisions. Improving the marketing mix is important to improve consumer decisions, especially the products and prices offered, strategic business locations, attractive promotions, proactive employees, and easy transaction processes. In addition, it is necessary to improve the implementation of corporate social responsibility to increase public trust in the Company.

Keywords: Marketing Mix Strategy, Influencing Consumer Decisions, At PT Pos Indonesia

INTRODUCTION

Companies engaged in the service sector are called service companies. Consumers can see the benefits directly. Service companies, including logistics companies, play an important role in global society. With the many logistics service companies, people can more easily send their goods. Logistics service companies are companies that allow people to send their goods from one location to another. Companies engaged or struggling in this service sector compete with each other to improve the quality of service. However, not all service companies provide good service. This can include late delivery, unclear location of goods, or wrong delivery. Consumers usually start looking for information via the internet, mass media, or asking previous customers who have used the service.

Along with the changes and increasingly complex patterns of needs and lifestyles of society, the shipping service industry in Indonesia is growing rapidly. The growing market in Indonesia, which causes the delivery of goods, is the result of the increasing trend of online shopping lifestyles. This causes the business in the field of courier services to be increasingly competitive due to the emergence of private shipping companies that are increasingly well-known in the community, and even the market itself has its own internal shipping services. In addition to private shipping companies, PT Pos Indonesia, an old shipping company, is also



threatened. However, until now, this company has been able to survive by making various improvements to services that are fast, safe, and arrive at their destination on time.

PT Pos Indonesia is a state-owned company appointed by the Indonesian government to run the mail and postal business both domestically and internationally. The main task of PT Pos Indonesia is to provide mail delivery services and additional services such as package delivery, banking, and others. PT Pos Indonesia (Persero) has a service network spread throughout Indonesia and serves the entire country. PT Pos Indonesia (Persero) has more than 4,000 post offices, almost all of which are in premium locations, both in city centers and district/sub-district centers. PT Pos Indonesia's operational area consists of eleven (eleven) regions, covering all provinces of Indonesia, such as Medan, Padang, Palembang, Jakarta, Bandung, Semarang, Surabaya, and Denpasar.

The choice of delivery service is very important for businesses and customers because it affects customer satisfaction and operational performance. Part of consumer behavior is making decisions about how they will use services. The amount of time consumers spend making decisions is a significant factor in whether or not the company's goals are achieved. For customers, the decision-making process to make a purchase is not easy. According to Kotler and Keller (2015), consumer behavior is different when they choose to buy a product or service. Consumer behavior includes how individuals, groups, and organizations choose, buy, and use a product, service, or service for consumer needs.

According to Sari & Rahmidani (2019), purchasing decisions are important things that must be considered by companies. This decision will affect the marketing strategy that will be implemented by the company. Many types of needs and desires influence purchasing decisions. Habits also influence buyer decisions, according to Assauri (2014). Purchasing habits include the time, amount, and location of purchase. Many internal and external factors influence consumer decisions; for example, research by Arta et al. (2022) found that the marketing mix is one of the factors that influences consumer decisions to use King Ameer Toili hotel services.

Puspa et al. (2020) stated that consumer satisfaction in consuming goods or services offered by the company can be achieved through the right marketing mix. The marketing mix is very important to achieve the company's goals (Marlius, 2017). According to Pane (2018), the marketing mix is a combination of marketing tools used by the company to achieve its marketing goals in the target market. As is known, the product marketing mix consists of four Ps: product, price, location, and promotion. However, for service products, this mix is not considered sufficient. According to Lupiyoadi (2016), related to the nature of services, the stages of operation to consumption are an inseparable series that directly involves service providers and consumers.

Consumers not only consider the marketing mix aspect, but they also consider the company's commitment to corporate social responsibility (CSR). Along with the increasing concern of the global community, the importance of implementing CSR is becoming a trend. According to Djunaedi (2016), corporate social responsibility (CSR) is defined as a commitment to improving the welfare of society through business practices and voluntary contributions of company resources. According to the UK Ministry of Trade and Industry, CSR is the integrity used by companies to regulate themselves, achieve their missions, practice their values, relate to



stakeholders, measure impact, and report on their actions. Consumers will be willing to leave companies that do not have social responsibility (Al-Ghamdi and Badawi, 2019). Instead, they will choose companies that pay more attention to social responsibility. This can certainly have a negative impact on the company's revenue and reputation. CSR influences consumer decisions (Mahendra & Nugraha, 2021; Desanto et al., 2018; and Sari et al., 2016). It is realized that there are reasons for the increasingly low existence of PT Pos Indonesia throughout Indonesia, one of which is in Medan City. Therefore, researchers are interested in conducting a study related to the Influence of Marketing Mix on Consumer Decisions of PT Pos Indonesia (Persero) Medan.

LITERATURE REVIEW

Consumer Decisions

According to Kotler (2003), consumer choices to buy goods or services are influenced by their decisions about the brand, channel, time, and quantity they want to buy. According to Schiffman and Kanuk (2007), a purchasing decision is choosing from two or more purchasing decision options; in other words, a person must have many choices before they can make a decision. According to Wijayanti (2008), consumers make decisions about product or service brands through the process of assessing and receiving brand information, considering how other brands can meet their needs, and finally choosing the brand they choose. When customers feel interested, want to use, and have the goods they see, the desire to buy will arise. Consumers must go through several decision-making processes before buying a good or service.

Product

A product is anything that is offered to the market to be noticed, requested, sought, purchased, used, and consumed to meet expectations or needs (Kotler & Armstrong, 2008). However, according to Lupiyoadi (2016), a product can be defined as an object or procedure that provides value to consumers. Kotler and Keller (2009) state that product quality is the ability of a product to demonstrate its function, which includes durability, reliability, accuracy, ease of operation, and ease of repair, as well as other attributes.

Price

Price is a marketing mix component that can be controlled by the company. According to Sumarwan (2017), consumer prices are the costs that must be incurred to obtain the value or benefits of goods and services purchased. One component that generates costs and generates revenue, according to Kotler and Keller (2009), is price. According to Laksana (2008), price is the amount of money needed to exchange various types of products and services, so that an item must be connected to various types of goods that will ultimately be the same as a product. In addition, according to Kotler and Armstrong (2008), price is the amount of money charged for a product and the amount of value exchanged by consumers to obtain the benefits of owning a product.

Place

According to Alma (2013), place means where the location or destination is, how the distribution channel is carried out, how many channels, and the requirements of the distributors needed. Kotler & Armstrong (2008) defines distribution channels as a series of organizations that collaborate to provide products or services for use or consumption by consumers or business



users. On the other hand, Kotler (2003) defines distribution channels as a series of organizations that collaborate in the process of making products or services ready for consumption.

According to Kotler (2003), marketing channels are responsible for bringing products from producers to consumers. This overcomes the distance of time, place, and choice that separates goods and services from those who need or want them. Alma (2013) found that people mean those who serve or plan services for consumers. Since most services are served by people, people must be selected, trained, and motivated to be satisfied customers. Every worker must try to do good to customers with attitude, attention, responsiveness, initiative, creativity, problem solving, patience, and sincerity. Alma (2013) found that competence, insight, and creativity, components of administrator leadership, significantly affect the stability and academic level led by the administrator.

According to Hurriyati (2005), all actors participating in the provision of services are responsible for the buyer's perception. Company employees, customers, and other people who use services are components of people. All employee attitudes and actions, including their appearance and clothing, affect customer perceptions or the success of service provision.

RESEARCH METHOD

Quantitative research is also conducted. One of the main objectives of quantitative research in practice is explained by Supratiknya (2015). It is to test the need to test the theory objectively by looking at the relationship between variables. To test the effect of the marketing mix on consumer decisions of PT Pos (Persero) Medan, this study will use eight independent variables, namely "goods (X1), price (X2), location (X3), and one dependent variable, "consumer decisions". In addition, a cross-sectional survey design will be used to conduct this study. According to Sumarwan (2011), a cross-sectional survey design is defined as a research design that allows the collection of information about all elements of the population at a certain point in time. Descriptive analysis is used in this study, while the hypothesis testing analysis uses SEM-PLS.

Consumers of PT Pos Indonesia (Persero) Medan are the main subjects of this study, which was conducted in Medan City. The people of Medan City are the subjects of this study. To calculate the number of research samples, we determined between 165 and 350 respondents. Each indicator of each dimension and variable will be entered into an interval scale; the first scale indicates strongly disagree, the second scale indicates neutral, the fourth scale indicates agree, and the fifth scale indicates strongly agree. Primary and Secondary Data are the types and sources of data used in this study. The questionnaire used will use the Likert Scale cumulative value scale. Structural Equation Model (SEM) is used as the analysis method.

RESULT AND DISCUSSION

Descriptive Indicator Variable

As is known, the number of respondents in this study was 150 people. To find out the respondents' opinions about the research questionnaire, the perception scores on this questionnaire were tabulated and described as follows:

A. Product (X1)

The results of the tabulation of respondents' answers to the product variable can be described as follows:



Table 1. Description of Product Variable Indicators

| No | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|----|---|---|------|-------------|------|---------------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Disagree Less | | Agree | | Strongly agree | |
| | | ∑ | % | ∑ | % | ∑ | % | ∑ | % | ∑ | % |
| 1 | I feel that PT Pos Indonesia offers a variety of delivery service products. | 0 | 0,00 | 24 | 9,30 | 42 | 16,28 | 144 | 55,81 | 48 | 18,60 |
| 2 | I feel that the service products offered by PT Pos Indonesia are in accordance with my needs. | 6 | 2,33 | 3 | 1,16 | 24 | 9,30 | 174 | 67,44 | 51 | 19,77 |
| 3 | I feel that the service products offered by PT Pos Indonesia are | 0 | 0,00 | 12 | 4,65 | 60 | 23,26 | 129 | 50,00 | 57 | 22,09 |
| | of high quality. | | | | | | | | | | |
| 4 | I am satisfied with the service products offered by PT Pos Indonesia | 0 | 0,00 | 12 | 4,65 | 33 | 12,79 | 120 | 46,51 | 93 | 36,05 |

Source: Processed Primary Data, 2024

Table 1 provides an overview of respondents' perceptions and views on the products offered by PT Pos Indonesia (Persero) Medan with the following description.

The first statement states that PT Pos Indonesia offers various types of delivery service products. The number of respondents who strongly agree is 48 people, or 18.60%, the number of respondents who agree is 144 people, or 55.81%, the number of respondents who disagree is 42 people, or 16.28%, the number of respondents who disagree is 24 people, or 9.30%, and the number of respondents who strongly disagree is 24 people, or 9.30%.

In the second statement, people who strongly agree are 51 people, or 19.77%, strongly agree are 174 people, or 67.44%, strongly disagree are 24 people, or 9.30%, strongly disagree are 3 people, or 1.16%, and do not disagree are 3 people, or 1.16%, indicating that the service products offered by PT Pos Indonesia are in accordance with the needs. Respondents who strongly disagree are 6 people or the same as 2.33%.

Regarding the third statement stating that I feel that the service products offered by PT Pos Indonesia are of good quality, there are 57 people who strongly agree, or 22.09%; 129 people agree, or 50.00%; 60 people disagree, or 23.26%; and 12 people disagree, or 4.65%. There are no respondents who strongly disagree.

Finally, based on the results of respondents' responses to the fourth statement, which states that I am satisfied with the service products offered by PT Pos Indonesia, as many as 93 people or 36.05% strongly agree, 120 people or 46.51% strongly agree, 33 people or 12.79%



disagree, and 12 people or 4.65% disagree. There were no respondents who strongly disagreed. In the evaluation of the products offered by PT Pos Indonesia (Persero) Medan, it can be seen that most of the respondents' answers agreed with all of these statements.

B. Price (X2)

The results of the tabulation of respondents' answers to the price variable can be described as follows:

Table 2. Description of Price Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|---|---|------|-------------|------|--------|------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Netral | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The service prices offered by PT Pos Indonesia are very affordable | 0 | 0,00 | 15 | 5,81 | 21, | 8,14 | 177 | 68,60 | 45 | 17,44 |
| 2 | I am happy to use the services of PT Pos Indonesia because the price | 3 | 1,16 | 12 | 4,65 | 21 | 8,14 | 186 | 72,09 | 36 | 13,95 |
| | I pay is in accordance with the benefits received. | | | | | | | | | | |
| 3 | I feel that the service prices offered by PT Pos Indonesia are in accordance with the products offered. | 3 | 1,16 | 6 | 2,33 | 21 | 8,14 | 159 | 61,63 | 69 | 26,74 |

Source: Processed Primary Data, 2024

Table 2 provides an overview of respondents' perceptions and views on the prices offered by PT Pos Indonesia (Persero) Medan with the following description.

The first statement shows that the price of services offered by PT Pos Indonesia is very affordable. Most respondents strongly agree as many as 45 people or 17.44%, most agree as many as 177 people or 68.60%, most agree as many as 21 people or 8.14%, most disagree as many as 15 people or 5.81%, and most strongly disagree as many as 15 people or 5.81%. Respondents who stated strongly disagree as many as none.

In the second statement, it is stated that I am happy to use the services of PT Pos Indonesia because the price I pay is in accordance with the benefits received. The number of respondents who strongly agree is 36 people, or 13.95%, the number of respondents who agree is



186 people, or 72.09%, the number of respondents who agree is 21 people, or 8.14%, and the number of respondents who disagree is 12 people, or 4.65%. Respondents who stated that they strongly disagree are 3 people or equal to 1.16%.

Finally, based on the results of respondents' answers to the third statement, which states that I feel that the price of services offered by PT Pos Indonesia is in accordance with the products offered, the number of respondents who strongly agree is 69 people, or 26.74%, the number of respondents who agree is 159 people, or 61.63%, the number of respondents who disagree is 21 people, or 8.14%, and the number of respondents who disagree is 21 people, or 8.14%. Respondents who disagree are 6 people or equal to 2.33%. Respondents who strongly disagree are 3 people or equal to 1.16%. In general, it can be seen that the respondents' answers are dominated by agreeing to all of these statements in assessing the prices offered by PT Pos Indonesia (Persero) Medan.

C. Place (X3)

The results of the tabulation of respondents' answers to the place variable can be described as follows:

Table 3. Description of Place Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|-------------|------|--------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Netral | | Agree | | Strongly agree | |
| | | ∑ | % | ∑ | % | ∑ | % | ∑ | % | ∑ | % |
| 1 | The strategic location of PT Pos Indonesia makes it easy to reach | 0 | 0,00 | 21 | 8,14 | 18 | 6,98 | 111 | 43,02 | 108 | 41,86 |
| 2 | PT Pos Indonesia always guarantees consumer comfort | 3 | 1,16 | 9 | 3,49 | 39 | 15,12 | 126 | 48,84 | 81 | 31,40 |
| 3 | The location of PT Pos Indonesia is easy to reach by private or public transportation. | 0 | 0,00 | 12 | 4,65 | 27 | 10,47 | 180 | 69,77 | 39 | 15,12 |

Source: Processed Primary Data, 2024

Table 3 provides an overview of respondents' perceptions and views on the business location of PT Pos Indonesia (Persero) Medan with the following description.

According to the first statement, the location of PT Pos Indonesia is easy to reach. There are 108 respondents who strongly agree, or 41.86%, 111 respondents who agree, or 43.02%, 18 respondents who disagree, or 6.98%, and 21 respondents who disagree, or 8.14%. There are no respondents who strongly disagree.

In the second statement, PT Pos Indonesia always ensures customer satisfaction. The number of respondents who strongly agree is 81 people or 31.40%, the number of respondents who agree is 126 people or 48.84%, the number of respondents who disagree is 39 people or 15.12%, the number of respondents who disagree is 9 people or 3.49%, and the number of



respondents who strongly disagree is 3 people or equal to 1.16%.

Finally, based on the respondents' responses to the third statement stating that the location of PT Pos Indonesia is easily accessible by private or public vehicles, as many as 39 people or 15.12% strongly agree, 180 people or 69.77% agree, 27 people or 10.47% disagree, and 12 people disagree. There were no respondents who strongly disagreed. In terms of assessing the business location of PT Pos Indonesia (Persero) Medan, most of the respondents' answers agreed with the statement.

Consumer Decision (Y)

The tabulation results of respondents' answers to consumer decision variables can be described as follows:

Table 4. Description of Consumer Decision Variable Indicators

| No | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|----|--|---|------|-------------|------|--------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Netral | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | I use product delivery services at PT Pos Indonesia because it suits my needs. | 0 | 0,00 | 12 | 4,65 | 24 | 9,30 | 165 | 63,95 | 57 | 22,09 |
| 2 | I use product delivery services at PT Pos Indonesia because I have tried it and it suits my needs. | 3 | 1,16 | 6 | 2,33 | 24 | 9,30 | 150 | 58,14 | 75 | 29,07 |
| 3 | I found out about the product delivery service at PT Pos Indonesia from | 0 | 0,00 | 6 | 2,33 | 36 | 13,95 | 111 | 43,02 | 105 | 40,70 |



| | | | | | | | | | | | |
|---|---|---|------|----|------|----|-------|-----|-------|----|-------|
| | advertisements/relatives/neighbors and I am interested in buying it. | | | | | | | | | | |
| 4 | I use product delivery services at PT Pos Indonesia because it suits my lifestyle. | 0 | 0,00 | 18 | 6,98 | 15 | 5,81 | 147 | 56,98 | 78 | 30,23 |
| 5 | I will use the product delivery service at PT Pos Indonesia again after I feel the benefits that I have felt. | 0 | 0,00 | 12 | 4,65 | 36 | 13,95 | 132 | 51,16 | 78 | 30,23 |
| 6 | I am satisfied using the product delivery service at PT Pos Indonesia | 3 | 1,16 | 9 | 3,49 | 18 | 6,98 | 165 | 63,95 | 63 | 24,42 |

Source: Processed Primary Data, 2024

Table 4 provides an overview of respondents' perceptions and views on consumer decisions to transact at PT Pos Indonesia (Persero) Medan with the following description.

In the first statement, it is stated that I use PT Pos Indonesia's product delivery service because it suits my needs. There are 57 people who stated that they strongly agree, or 22.09%; 165 people stated that they agree, or 63.95%; 24 people stated that they disagree, or 9.30%; and 12 people stated that they disagree, or 4.65%. There were no respondents who stated that they strongly disagree.

In the second statement, it is stated that I use the product delivery service of PT Pos Indonesia because I have tried it and it turns out to suit my needs. There are 75 people who stated that they strongly agree, or 29.07%, 150 people who stated that they agree, or 58.14%, 24 people who stated that they disagree, or 9.30%, and 6 people who stated that they disagree, or 2.30%. Respondents who stated that they strongly disagree were 3 people or equal to 1.16%.

Regarding the third statement, which states that I know the product delivery service at PT Pos Indonesia from advertisements, relatives, or neighbors, and I am interested in buying it, there are 105 people who stated that they strongly agree, or 40.70%, 111 people stated that they agree, or 43.02%, and 36 people stated that they disagree, or 13.95%. Respondents who stated that they disagree were 6 people or the same as 2.33%. Respondents who stated that they strongly disagree were none.

Based on the results of respondents' answers to the fourth statement, which states that I use PT Pos Indonesia's product delivery service because it suits my lifestyle, the number of respondents who strongly agree is 78 people, or 30.23%; the number of respondents who agree is 147 people, or 56.98%; the number of respondents who disagree is 15 people, or 5.81%; and the number of respondents who disagree is 18 people, or 5.81%. Respondents who disagree are 18 people or equal to 6.98%. There are no respondents who strongly disagree.

Regarding the fifth statement stating that I will use the product delivery service at PT Pos Indonesia again after I feel the benefits that I feel, the results of the respondents' answers show that 78 people strongly agree, or 30.23%; 132 people agree, or 51.16%; and 36 people disagree, or 13.95%. Respondents who disagreed were 12 people or equal to 4.65%. Respondents who strongly disagreed were none.



Finally, based on the results of respondents' answers to the sixth statement, which states that I am satisfied using PT Pos Indonesia's product delivery services, as many as 63 people strongly agree, or 24.42%; 165 people agree, or 63.95%; 18 people disagree, or 6.98%; and 9 people disagree, or 3.49%. Respondents who stated that they strongly disagreed were 3 people or equal to 1.16%. In general, it can be seen that the respondents' answers were dominated by agreeing to all of these statements in assessing consumer decisions in making transactions at PT Pos Indonesia (Persero) Medan.

Outer Model Testing

Outer model testing is conducted to ensure the validity and reliability of the data used in this study, and all data and instruments used meet the specified requirements. This discussion is explained as follows:

1. Reliability Test of Research Instruments

The combined value of reliability and Cronbach's alpha value of each latent variable is used to test the reliability of the research instrument. If the combined value of reliability and Cronbach's alpha of each latent variable is more than 0.7, then the model is reliable. The results of the reliability test of the research instrument are as follows:

Table 5. Reliability Test of Research Instruments

| Variables | Reliability Test | | Conclusion |
|-----------------------|-------------------------|------------------------------|------------|
| | <i>Cronbach's Alpha</i> | <i>Composite Reliability</i> | |
| <i>Product (X1)</i> | 0,810 | 0,876 | Reliable |
| <i>Price (X2)</i> | 0,751 | 0,858 | Reliabel |
| <i>Place (X3)</i> | 0,783 | 0,874 | Reliabel |
| Consumer Decision (Y) | 0,885 | 0,912 | Reliabel |

Table 5 shows that each latent construct has good, accurate, and consistent reliability because it meets the composite reliability value and Cronbach's alpha value of more than 0.7.

Inner Model Test

The coefficient of determination, or R², is seen from the construct of endogenous variables or influenced variables. According to Chin (1998), the R² value falls into three categories: 0.67 (strong), 0.33 (moderate), and 0.19 (weak). The evaluation of the structural model is done by analyzing the coefficient of determination or R² value. The R² value can be seen in Table 6.

Table 6. R-Square Value

Tabel 1. Nilai R-Square

| Latent Variable | <i>R-Square (R²)</i> | <i>R-Square Adjusted</i> |
|-----------------------|---------------------------------|--------------------------|
| Consumer Decision (Y) | 0,925 | 0,923 |

The endogenous variables used in this study mostly have R² values that fall into the strong category. The R² value shows that the marketing mix of product, price, place is able to explain the diversity of consumer decisions by 92.5% and the rest is explained by other independent variables that are not in this research model.

Hypothesis Testing



After all measurement requirements are met, the next step can be started, which is testing the hypothesis using the bootstrapping method on SmartPLS. According to Efron and Tibshirani (1998), the bootstrapping method is the process of repeatedly taking new samples of N samples from initial data of size n ; each sample point is taken from the initial data n times. The t -value and p -value will be obtained after bootstrapping five hundred times. This is done so that the results are more stable and the statistical significance value remains consistent. The results of the hypothesis testing are as follows: To test the hypothesis of this study, the t table or probability value (p -value) is compared by considering the level of confidence. In this study, the level of confidence used is $\alpha = 0.05$ with a t table value of 1.96. The results of the hypothesis test can be seen in Table 7.

Table 7. Results of Hypothesis Testing of Influence

| Hypothesis | Original Sample | t -statistics | p -values | Conclusion |
|--|-----------------|-----------------|-------------|-------------|
| Product ($X1$) \rightarrow Consumer Decision (Y) | 0,264 | 5,319 | 0,000 | H1 Accepted |
| Price ($X2$) \rightarrow Consumer Decision (Y) | 0,146 | 3,548 | 0,000 | H2 Accepted |
| Place ($X3$) \rightarrow Consumer Decision (Y) | 0,361 | 8,207 | 0,000 | H3 Accepted |

Based on the results of Table 7, the results of direct hypothesis testing of each variable are obtained both directly and indirectly on consumer decisions. The explanation is as follows.

The first hypothesis tests that there is a positive product influence on consumer decisions, where the null hypothesis (H_0) and alternative hypothesis (H_a) are as follows:

H_0 1: There is no positive product influence on consumer decisions

H_a 1: There is a positive product influence on consumer decisions

The results of the first hypothesis test indicate that the product has a positive impact on consumer decisions based on the p -value (0.000) which is less than 0.05. The initial sample value, 0.171, indicates that the product has a positive impact on consumer decisions. Therefore, it can be concluded that consumers will be more likely to transact with PT Pos Indonesia (Persero) Medan if the quality of its products is improved. because the initial hypothesis of this study is accepted.

The second hypothesis tests whether there is a positive influence between price and consumer decisions, where the null hypothesis (H_0) and alternative hypothesis (H_a) are as follows:

H_0 2: There is no positive influence between price and consumer decisions

H_a 2: There is a positive influence between price and consumer decisions

The results of the second hypothesis test show that, based on the p -value (0.000) which is less than 0.05, price has a positive effect on consumer decisions. The original sample value obtained, 0.149, shows that there is a positive influence between price and consumer decisions. Therefore, consumers are more likely to transact with PT Pos Indonesia (Persero) if the price is better. So, the second hypothesis of this study is accepted.

The third hypothesis tests the existence of place on consumer decisions, where the null hypothesis (H_0) and alternative hypothesis (H_a) are as follows:



Ho3: There is no positive influence of place on consumer decisions

Ha3: There is a positive influence of place on consumer decisions

The results of testing the third hypothesis indicate that place has a positive impact on consumer decisions based on the p-value (0.000) which is less than 0.05. The initial sample value, 0.358, indicates that place has a positive influence on consumer decisions. Consumers will be more likely to transact with PT Pos Indonesia (Persero) if the location is more accessible. Thus, the third hypothesis of this study is accepted.

DISCUSSION

Product Influence on Consumer Decision

A better product increases consumer confidence in the product. High trust allows consumers to choose and make the right purchase. When buyers are satisfied with the performance of the product they buy, they are more likely to buy the product or service again (Kotler, 2003). To win in marketing competition, every company must be able to provide satisfaction to its customers. A good product is a product that can do what it is intended to do, meets its specifications, is free from defects, and meets standards. As long as customer needs can be met according to the function and specifications of the product, customers will feel the benefits of the product and will stay.

The results of the study indicate that products affect consumer decisions. In other words, when the products offered by the company are improved, consumers will be more likely to transact with PT Pos Indonesia (Persero) Medan. This result is in line with the findings of research conducted by Suratman et al. (2018), which found that products have a positive and significant effect on decisions made to use the services of PT Pos Indonesia (Persero) Surabaya. In addition, Wahyudi and Satrio (2019) found that products have a positive and significant effect on decisions made to use the services of PT Pos Indonesia (Persero) Surabaya.

The results of this study indicate that the indicator that best describes the product is I feel that the products and services offered by PT Pos Indonesia are in accordance with my needs, and the indicator that best describes consumer decisions is I use product delivery services from PT Pos Indonesia because they are in accordance with my lifestyle. Thus, it can be concluded that customers consider that their decision to use the services offered by PT Pos Indonesia is in accordance with their lifestyle. This is influenced by the implementation of the modernization of the consumer-making system, as well as the products and services offered by the company to meet current consumer needs.

Price Influence on Consumer Decisions

In marketing, pricing plays a strategic role and is one of the most important decisions. If the price is set too high, the target market will not be able to buy the product and buyer interest will be low. The price chosen will directly affect the level of demand and the level of purchasing activity. Price can also increase sales and market share (Tjiptono, 2015). According to Swastha and Irawan (2010), it shows the amount of money needed to obtain a number of goods and services. The price of an item shows its value to buyers when they are willing to pay; they assess that the benefits generated by the item are commensurate with the money they spend. However, each customer usually often compares prices from various companies before making a decision.

The results of the study show that price significantly influences consumer choice. This means that consumers prefer to transact with PT Pos Indonesia (Persero) Medan when the price



offered is well determined. This result is in line with research by Faris and Kresnaini (2005), Maupa et al. (2019), Kitburin and Methavasaraphak (2019), Rizki et al. (2019), Yohandira (2021), and Gumilar (2022) which show that price influences purchasing decisions. If the price offered becomes more reasonable, more affordable, and more in line with the benefits received, then purchasing decisions will increase. Price is the amount of money that consumers must pay to fulfill their desires or needs. By knowing the price, consumers can measure their ability to meet their needs.

The results of this study indicate that the indicator that most shows the price is I am happy to use the services of PT Pos Indonesia because the price I pay is in accordance with the benefits I receive. Meanwhile, the indicator that most shows consumer decisions is I use the product delivery service at PT Pos Indonesia because it suits my lifestyle. Thus, it can be concluded that customers consider that their choice is the best.

The Influence of Place on Consumer Decisions

The results of the study show that place has a significant positive impact on consumer choice. This means that consumers will be more likely to transact with PT Pos Indonesia (Persero) Medan if the location of its business is clearer. One important component of the marketing mix called "location" is the location where an organization wants to sell its goods or services to a particular market segment so that it is easily accessible. According to Thamrin (2012), place is a management consideration of the location where goods or services will be distributed to consumers. This location can be a physical or digital distribution channel. In addition, Octavia (2017) stated that its establishment includes any method that allows customers to access a particular brand of goods and services. Of course, to make these channel decisions well, companies must have a clear understanding of their target market (Kushwaha & Agrawal, 2015).

Business location is considered the most important factor for business success and customer retention in the apparel industry. The convenience of the business location plays an important role in shaping customer choices regarding the services provided. Finally, by making the right decision about the location of the intermediary to sell its products and services, a good place seems to meet customer needs. Business location is considered the most important factor for business success and customer retention in the apparel industry. So that place influences purchasing decisions (Othman et al., 2021 and Wahyudi & Satrio, 2019).

The results of the study show that the most indicative factor of PT Pos Indonesia's location always guarantees customer convenience, and the most indicative factor of customer decisions is that I use PT Pos Indonesia's product delivery services because they suit my lifestyle. Thus, it can be concluded that customers consider that PT Pos Indonesia (Persero) According to the results of this study, the most indicative indicator of location is that PT Pos Indonesia always guarantees consumer convenience during transactions, which is the main factor that encourages consumers to continue transacting with this company.

The Influence of Promotion on Consumer Decisions

The results of the study show that promotions significantly influence consumer choices. In other words, increasing promotions of PT Pos Indonesia (Persero) Medan will encourage more customers to transact with this company. Promotion is a way to communicate with customers with the aim of getting them to make purchasing decisions. The more attractive the promotion



carried out by the company, the greater its influence on customer decisions to purchase goods or services offered by the company. It is believed that promotional activities can influence customer decisions to purchase goods and increase sales. In their studies, Njoto & Sienatra (2018); Ernawati (2021); Erdmann & Ponzoa (2021); Priandewi (2021); Wang (2021); Wu et al. (2021); Febrianti et al. (2021); and Istanti (2020) examined the relationship between purchasing decisions and promotions. They found that the promotional mix had a significant impact on purchasing choices.

In previous studies, such as Tyas & Hartelina (2021) and Cao et al. (2021), Iswandari & Srihandayani (2021), Wu et al. (2021), Fransiska & Madiawati (2021), Wang et al. (2021), and Gyenge (2021), promotional factors have a positive and significant impact on purchasing decisions.

The results of the study show that the promotional signals offered by PT Pos Indonesia attract me to use their delivery services, and the consumer decision signal is that I use the product delivery service at PT Pos Indonesia because it suits my lifestyle. In conclusion, consumers consider that their choice to use the services of PT Pos Indonesia (Persero) Medan at this time is because it suits their lifestyle, especially in terms of interesting promotional concepts and techniques.

CONCLUSION

Based on the results of the previous research, the following conclusions will be drawn:

1. Product has a significant positive effect on consumer decisions. So it can be interpreted that when the products offered by the company continue to be improved, it will increase consumer decisions to transact at PT Pos Indonesia (Persero) Medan.
2. Price has a significant positive effect on consumer decisions. It can be interpreted that when the price offered is determined well, it will increase consumer decisions to transact at PT Pos Indonesia (Persero) Medan.
3. Place has a significant positive effect on consumer decisions. It can be interpreted that the better the determination of the business location carried out by PT Pos Indonesia (Persero) Medan, the more it will increase consumer decisions to transact at this company.

REFERENCES

- Al-Ghamdi, S. A. A., & Badawi, N. S. (2019). Do Corporate Social Responsibility Activities Enhance Customer Satisfaction and Customer Loyalty? Evidence from the Saudi Banking Sector. *Cogent Business and Management*, 6(1). <https://doi.org/10.1080/23311975.2019.1662932>
- Alma, B. (2013). *Manajemen Pemasaran dan Pemasaran Jasa*. Bandung: Alfabeta.
- Arta, I. W. F., Gienardy, M., & Salawali, W. A. (2022). The Effect of Marketing Mix on Consumer Decisions to Use Hotel Services King Ameer Toili. *Jurnal Ilmiah Produktif*, 10(1): 27-32.
- Assauri, S. (2014). *Manajemen Pemasaran*. Jakarta (ID): Rajawali Pers.
- Cao, Z., Chu, J., Hui, K.-L., & Xu, H. (2021). The Relationship Between Online Referral Marketing and Price Promotion: Evidence from a Large E-Commerce Platform. Forthcoming. *Journal of Management Information Systems*.
- Desanto, T. M. J., Mandey, S. L., & Soepeno, D. (2018). Analisis Pengaruh Green Marketing



- Dan Corporate Social Responsibility Terhadap Keputusan Pembelian Dengan Citra Merek Sebagai Variabel Intervening Pada Konsumen Produk Air Minum Dalam Kemasan (Amdk) Aqua Di Kota Manado. *Jurnal EMBA*. 6(4): 1898–1907. <https://doi.org/10.35794/emba.v6i4.20911>.
- Djunaedi. (2016). Pengaruh Corporate Sosial Responsibility (CSR), dan Kualitas Produk terhadap Citra Bank dan Keputusan Menabung di BNI Syariah Kota Kediri. *Jurnal Ilmu Ekonomi & Manajemen*, 3(2), jurnal.untag-sby.ac.id/index.php/jmm17/article/download/.../727
- Erdmann, A., & Ponzoa, J. M. (2021). Digital Inbound Marketing: Measuring The Economic Performance of Grocery E-Commerce in Europe and The USA. *Technological Forecasting and Social Change*. 162(ISSN: 120373).
- Ernawati, R., Dwi, A. B., & Gunaedi, J. (2021). Analisis Pengaruh Promosi, Harga dan Citra Merek Terhadap Keputusan Pembelia Pada Situs E-Commerce Zalora di Jakarta. *Jurnal Ekonomika Dan Bisnis*. 4 (2).
- Efron, B., & Tibshirani, R. J. T. A. o. S. (1998). The Problem Of Regions. *The Annals of Statistics*, 26(5), 1687-1718.
- Faris N, & Kresnaini E. (2005). Faktor-faktor yang berpengaruh terhadap keputusan konsumen dalam melakukan pembelian pada rumah makan di Kota Batu. *Jurnal Ekonomi dan Manajemen*. 6(3): 425-430.
- Febrianti, R. A. M., Gofur, A., & Aulia, F. (2021). The Influence of Social Media Promotion Strategies on Price-Mediated Purchase Decisions (Case Study at PT. Lazada Bandung). *Psychology and Education Journal*, 58. <https://doi.org/https://doi.org/10.17762/pae.v58i3.2763>
- Fransiska, I., & Madiawati, P. N. (2021). Analisis Pengaruh Harga, Promosi, Kualitas Pelayanan dan Citra Merek Terhadap Keputusan Pembelian Pada Pengguna Shopee di Bandung. *E-Proceeding of Management*. 8(4).
- Gumilar, B. R. (2022). Analisis Pengaruh Brand Awareness dan Bauran Pemasaran Terhadap Keputusan Pembelian Mobil Mitsubishi Xpander. [tesis]. Bogor: IPB
- Gyenge, B., Mate, Z., Vida, I., Bilan, Y., & Vasa, L. (2021). A New Strategic Marketing Management Model for Specificities of E-Commerce in The Supply Chain. *Journal of Theoretical and Applied Electronic Commerce Research*.
- Hurriyati, R. (2005). *Bauran Pemasaran dan Loyalitas Konsumen*. Bandung (ID): Alfabeta.
- Istanti, F. (2020). Pengaruh Harga, Kepercayaan, Kemudahan Berbelanja dan Promosi Terhadap Keputusan Pembelian Belanja Online di Kota Surabaya. *Jurnal Administrasi Bisnis*.
- Iswandari, L., & Srihandayani, C. M. (2021). Pengaruh Harga, Promosi dan Keragaman Produk Terhadap Keputusan Pembelian Pada E-Commerce Shopee (Studi Kasus Pada Mahasiswa Manajemen Universitas PGRI Adi Buana Surabaya). *Journal of Sustainability Business Research*, Vol. 2 (1) (ISSN: 2746 –8607).
- Kitburin, N., & Methavasarakphak, P. (2019). The factors affecting on customers purchase intention of white kidney bean products. *AU-GSB E-journal*. 12(1): 9-16.
- Kotler, P. (2003). *Marketing Management*. 11th Edition. New Jersey (US): Prentice Hall Int'l.
- Kotler, P., & Armstrong, G. (2008). *Prinsip-Prinsip Pemasaran*. Edisi Keduabelas. Jakarta:



Erlangga.

- Kotler, P., & Keller, K. L. (2009). *Manajemen Pemasaran*. Edisi ke-13. Jakarta: Erlangga.
- Kotler, P., & Keller, K. L. (2015). *Manajemen Pemasaran Jilid 2(13th ed.)*. Jakarta: Erlangga.
- Kushwaha, G.S., & Agrawal, S.R. (2015). An Indian Customer Surrounding 7Ps of Service Marketing. *Journal of Retailing and Consumer Services*. 22: 85–95.
- Laksana, F. (2008). *Manajemen Pemasaran: Pendekatan Praktis*. Edisi Pertama, Cetakan Pertama. Yogyakarta: Graha Ilmu.
- Lupiyoadi, R. (2016). *Manajemen Pemasaran Jasa Berbasis Kompetensi*. Jakarta (ID): Salemba Empat.
- Mahendra, D. F., & Nugraha, A. K. N. A. (2021). Green Marketing dan CSR terhadap Keputusan Pembelian dengan Pengetahuan Konsumen sebagai Variabel Moderasi. *Jurnal Penelitian dan Pengembangan Sains dan Humaniora*. 5(1): 28-38.
- Marlius, D. (2017). Keputusan Pembelian Berdasarkan Faktor Psikologis dan Bauran Pemasaran pada PT. Intercom Mobilindo Padang. *Jurnal Pundi*. 1(1).
- Maupa H, Kadir N, & Sulbiah. (2019). Pengaruh Citra Merek, Kualitas Produk, dan Harga Terhadap Keputusan Pembelian Sepatu Converse di Makassar. *Jurnal Bisnis, Manajemen, dan Informatika*. 16(2): 2679-2704.
- Njoto, D. P., & Siendra, K. B. (2018). Pengaruh Promosi terhadap Keputusan Pembelian Konsumen Wenak Tok. *Performa: Jurnal Manajemen dan Start-Up Bisnis*. 3(5):1-7.
- Octavia, A. (2017). The Influence of Service Marketing Mix and Service Quality on Students' Satisfaction in Jambi University, Indonesia. *International Journal of Economics, Commerce and Management*. 5(6): 398–414.
- Othman, B., Weijun, H., Huang, Z., Rashid, W. N., Xi, J., & Yuan, F. (2021). The Effect of Service Marketing Mix Elements and Customer Retention Towards Clothing Store Brands in China. *Industria Textila*. 72(4): 388-397. doi:<https://doi.org/10.35530/IT.072.04.1777>
- Pane, D. N. (2018). Analisis Pengaruh Bauran Pemasaran Jasa Terhadap Keputusan Pembelian Teh Botol Sosro (Studi Kasus Konsumen Alfamart Cabang Ayahanda). *Jurnal Manajemen Tools*. 9(1): 1–13.
- Priandewi, N. M. M. (2021). Pengaruh Kualitas Produk, Desain Produk dan Promosi Terhadap Keputusan Pembelian Produk di E-commerce Lazada. *Jurnal Valuasi: Jurnal Ilmiah, Ilmu Manajemen Dan Kewirausahaan*.
- Puspa, R., Permana, A., & Karunia, E. (2020). Faktor yang Mempengaruhi Kepuasan Pelanggan Berdasarkan Bauran Pemasaran pada Supermarket K-Store Krakatau Junction. *Jurnal Bina Bangsa Ekonomika*. 13(2): 208–216. <https://doi.org/10.46306/JBBE.V13I2.45>
- Rizki, A. G., Hidayat, K., & Devita, L. D. R. (2019). Pengaruh citra merek dan harga terhadap keputusan pembelian pada E-Commerce Shopee Indonesia. *Jurnal Administrasi Bisnis (JAB)*. 72(2): 49-56.
- Sari, A., & Rahmidani, R. (2019). Pengaruh E-Word of Mouth dan E-Trust terhadap E-Purchase Decision Mahasiswa Universitas Negeri Padang pada Marketplace Lazada. *Jurnal Ecogen*. 2(4): 666-677.
- Sari et' al. (2016). Hubungan Etika Perawat Pelaksana dengan Tingkat Kepuasan. Pasien di Ruang Rawat Inap Kelas III RSD Kalisat Jember.



- Schiffman, L. G., & Kanuk, L. L. (2007). *Consumer Behaviour*. New Jersey: Prentice Hall.
- Sumarwan, U. (2011). *Perilaku Konsumen: Teori dan Penerapannya dalam Pemasaran*. Bogor: Ghalia Indonesia.
- Sumarwan, U. (2017). *Pemasaran Strategik: Perspektif Perilaku Konsumen dan Marketing Plan*. Bogor: Bogor.
- Supratiknya, A. (2015). *Metodologi Penelitian Kuantitatif & Kualitatif Dalam*. Psikologi. Yogyakarta: Universitas Sanata Dharma.
- Suratman, J.P.M., Wilopo, & Sunarti.2018. Pengaruh Bauran Pemasaran Jasa terhadap Keputusan Berkunjung (Studi pada Penggunjung Taman Reaksi Sengkaling). *Jurnal Ekonomi dan Bisnis*. 1(10):10-19.
- Swastha, B, & Irawan. (2010). *Manajemen Pemasaran Modern*. Yogyakarta: Liberty.
- Thamrin, H.M. (2012) The Role of Service Marketing Mix and Ship Service Quality towards Perceived Value and Its Impact to Ship Passenger's Satisfaction In Indonesia. *Global Journal of Management and Business Research*. 12(3).
- Tjiptono, F. (2015). *Strategi Pemasaran : Edisi 4*. Yogyakarta: ANDI.
- Tyas, S. A., & Hartelina. (2021). Pengaruh Promosi dan Brand Image terhadap Keputusan Pembelian Pada E-Commerce Bukalapak. *Yume: Journal of Management*. 4(1): 187–196.
- Wahyudi, R. A. T., & Satrio, B. (2019). Pengaruh Bauran Pemasaran terhadap Keputusan Menggunakan Jasa PT Pos Indonesia (Persero) Surabaya. *Jurnal Ilmu dan Riset Manajemen*. 8(5):1-20.
- Wang, C., Wang, Y., Wang, J. X., Xiao, J., & Liu, J. (2021). Factors Influencing Consumers Purchase Decision-Making in O2O Business Model: Evidence From Consumers Overall Evaluation. *Journal of Retailing and Consumer Services*. 61.
- Wang, Y., Yu, Z., Shen, L., Fan, R., & Tang, R. (2021). Decisions and Coordination in E-Commerce Supply Chain Under Logistics Outsourcing and Altruistic Preference. *Mathematical Methods and Analysis for The Industrial Management and Bussiness Journal*.
- Wijayanti, I. D. S. (2008). *Manajemen*. Yogyakarta: Mitra Cendikia.
- Wu, J., Zhao, H., & Chen, H. A. (2021). Coupons or Free Shipping? Effects of Price Promotion Strategies on Online Review Ratings. *Information System Research Journal*. 32. <https://doi.org/10.1287/isre.2020.0987>
- Wu, Y., Xin, L., Li, D., Yu, J., & Guo, J. (2021). How Does Scarcity Promotion Lead to Impluse Purchase in The Online Market? *A Field Experiment*. *Information and Management*. 58(ISSN: 103283).
- Yohandira. 2021. Faktor-Faktor Bauran Pemasaran yang Memengaruhi Keputusan Pembelian di Bukalapak. [tesis]. Bogor: IPB.



The Effect of Personal Selling, Product Quality, and Pricing on Customer Purchase Decisions of PT. Sukses Otomotif Sejahtera Medan

Willsen Wijaya, Ketty Chendrian, Roza Maya Sari, Efry Kurnia
Department of Economy (Management), Universitas Prima Indonesia
Department of Economy (Management), Universitas Prima Indonesia
Department of Economy (Management), Universitas Prima Indonesia
Universitas Muhammadiyah Sumatera Utara
Email:

ABSTRACT

PT. Sukses Otomotif Sejahtera is a company engaged in sales as a distributor of engine products and car spare parts located at Jalan Komp. Karya Prima Medan. This study aims to evaluate the effect of personal selling, product quality, and pricing on purchasing decisions of PT. Sukses Otomotif Sejahtera Medan customers. The research population that will be used in the study is: all customers who make purchases at the company as many as 149 customers. In connection with the number of customers totaling 149 people will be used as the population, the determination of the research sample using the Slovin technique obtained as many as 109 research samples. Sampling was carried out through accidental sampling, where customers who were met accidentally were used as research samples. The results of the study indicate that Personal Selling has a positive and significant effect on Consumer Purchasing Decisions of PT. Sukses Otomotif Sejahtera. Product Quality has a positive and significant effect on Consumer Purchasing Decisions of PT. Sukses Otomotif Sejahtera. Pricing has a negative and significant effect on Consumer Purchasing Decisions of PT. Sukses Otomotif Sejahtera. Simultaneously Personal Selling, Product Quality and Pricing have a significant effect on Consumer Purchasing Decisions of PT. Prosperous Automotive Success.

Keywords: *Personal Selling, Product Quality, Pricing, Purchase Decision*

INTRODUCTION

In this modern era, many new companies have emerged in the international market and the domestic market, causing increasingly tight competition because many new companies have emerged and then offer a product with various marketing strategies that attract the attention and interest of consumers. This often causes previous companies to experience a decline in sales and existence because new competing companies have emerged selling similar products and the same benefits. Therefore, companies must be able to follow and study competitors in running their



business. Companies should realize that in the current era of globalization, good marketing is one of the keys to success.

To achieve marketing success, companies should carry out good marketing techniques so that companies get greater profits from their sales. Marketing contributes to the process of creating value for customers and gaining value from customers because the success of a company can be seen from how much profit is obtained from the sales of products issued by the company. If the company is not good at reading consumer behavior to make purchases, the products issued will fail and will not be in accordance with market needs. Purchasing decisions are the process carried out by consumers in choosing and buying a product or service after considering various factors. This process involves a series of steps, starting from recognizing needs, searching for information, evaluating alternative products, and finally deciding to make a purchase. PT. Sukses Otomotif Sejahtera is a company engaged in sales as a distributor of engine products and car spare parts with the NPR brand, which is located at Jalan Komp. Karya Prima Medan. Currently, the company is experiencing a decline in sales.

It is known that the decline occurred due to purchasing decisions. According to Wangsa, et al. (2022) Purchasing Decision is a process of a consumer in managing knowledge or information regarding the purchase of the most preferred product to meet needs. In this case, customer purchasing decisions on products offered by the company have decreased from year to year where this is known to be due to poor personal selling activities carried out and also deficiencies in product quality accompanied by higher pricing. The decline in purchasing decisions is known to be due to personal selling, product quality and price. According to Sholihin (2020), Personal Selling is the process of introducing and building understanding of a product to prospective buyers through direct or face-to-face communication.

According to Andriani (2021), Product quality is one of the factors that influences consumer perception. Consumers prefer products with good quality so that improving the quality of certain products is very important. According to Kurniawan (2021), Price is an exchange value issued by buyers to obtain goods or services that have utility value along with their services where the price of a product determines the level of profit that will be obtained by the company. The phenomenon of personal selling of companies experiencing problems where many employees have



not been able to meet the prospecting targets expected by the company. In addition, the number of additional customers is still far from the target number desired by the company. Several personal selling activities carried out are also considered unable to improve the relationship between sellers and consumers accompanied by information that some salespeople cannot explain or offer products well so that consumers hesitate to make purchases. In addition, there are also causes of the quality of the products offered experiencing problems where many customers still complain about deficiencies in the quality of the products given to consumers so that consumers feel disappointed such as damaged packaging or some products that cannot function properly so that they must be returned to the company and so on.

As for the problem of determining product prices, it is known that for each product price set by the company, it can still be said to be more expensive when compared to other similar companies, making consumers less interested in making purchases. Furthermore, the price offered is also not in accordance with the benefits received by consumers or does not match the quality they want, making consumers feel disappointed because it does not meet their expectations.

LITERATURE REVIEW

The Influence of Personal Selling on Purchase Decisions

According to Sholihin (2020), personal selling is a process of introducing and building an understanding of a product to prospective buyers through direct communication or face-to-face interaction. Hapsari et al. (2020) state that personal selling involves direct communication between the seller and the buyer, where the seller explains the features of a product to the buyer. According to Handini et al. (2019:138), personal selling involves sales representatives interacting directly with prospective customers to explain the benefits of a company's products. Compared to other promotional mix elements, personal selling is the most effective communication method because it is directed at prospective consumers. Prasetyo et al. (2018:186) define personal selling as verbal introductions in discussions with one or more consumers to achieve company goals, such as increasing sales volume. Personal selling plays a key role in fostering relationships between a company and its consumers. According to Firmansyah (2019:265), the indicators of personal selling have specific characteristics as follows:



1. Conversation (One-on-one face-to-face interaction)
2. Cultivation (Nurturing relationships)
3. Response (Feedback response)

The Influence of Product Quality on Purchase Decisions

According to Andriani (2021), product quality is one of the factors influencing consumer perception. Consumers prefer products of good quality, making improvements in product quality crucial. Mursidi et al. (2020) define product quality as anything that has value in the target market, offering benefits and satisfaction, including objects, services, organizations, places, people, and ideas. Firmansyah (2019:8) states that product quality is the understanding that a product offered by the seller has a higher market value compared to competing products. According to Untari (2019:22), product quality is the understanding that the product offered by the seller has added value that competing products do not have. According to Untari (2019:22), the commonly known indicators of product quality include:

1. Durability
2. Conformance to Specifications
3. Features
4. Aesthetics
5. Perceived Quality

The Influence of Pricing on Purchase Decisions

According to Kurniawan (2021), price is a value exchange paid by the buyer to acquire goods or services that provide utility, with the product price determining the profit level of a company. Dharmawati (2019:294) states that price is the amount of money required to obtain a combination of products and services, representing the highest revenue-contributing element of the product mix and a flexible marketing mix component that can be adjusted as needed. According to Darmis (2021:9), price refers to the amount of money that must be paid to obtain goods. Wijayanti (2019:51) describes price as the outcome of pricing policies, including price lists, discounts, payment periods, credit terms, or other policies. Jusnidar et al. (2020:65) identify the following indicators for price:

1. Price alignment with product quality



2. Competitive pricing
3. Price alignment with benefits

The Influence of Personal Selling, Product Quality, and Pricing on Purchase Decisions

According to Wangsa et al. (2022), a purchase decision is a process in which a consumer manages knowledge or information about purchasing a preferred product to fulfill their needs. Firmansyah (2020) defines a purchase decision as a problem-solving activity where individuals choose between two or more behavioral alternatives deemed most appropriate after going through a decision-making process. Sawlani (2021:19) states that a purchase decision is one phase of the overall mental and physical activities occurring during the purchase process over a specific time and need fulfillment, involving a series of steps a consumer takes. Bancin (2019:22) defines a purchase decision as a consumer's final action in addressing their needs through a series of evaluations of available alternatives. According to Firmansyah (2018:27), purchase decisions involve several dimensions, including:

1. Problem Recognition
2. Information Search
3. Alternative Evaluation
4. Purchase Decision
5. Post-Purchase Behavior

METHODS

This research approach is based on a quantitative approach because this research has a clear and orderly flow. This type of research is a type of quantitative research. The nature of this research is causal research which is also known as explanatory research where this type of research examines whether there is a causal relationship between two separate events. This will happen when there is a change in one of the independent variables, which causes a change in the dependent variable. The research population that will be used in the study is: all customers who make purchases at the company as many as 149 customers. In connection with the number of customers totaling 149 people will be used as the population, the determination of the research sample uses the Slovin technique so that 109 research samples are obtained.

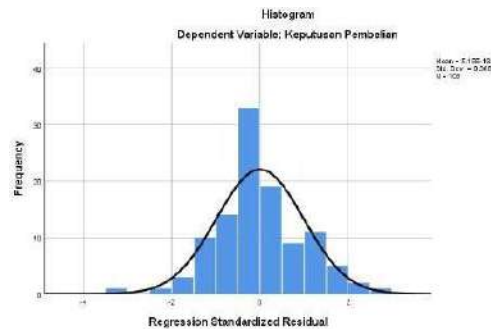


RESULTS

Normality Test

A normality test is a statistical process used to determine whether a data set is well-modeled by a normal distribution (also known as a Gaussian distribution) or whether it significantly deviates from it. The normal distribution is a fundamental concept in statistics, characterized by its bell-shaped curve, symmetric about the mean, and defined by specific parameters: mean and standard deviation.

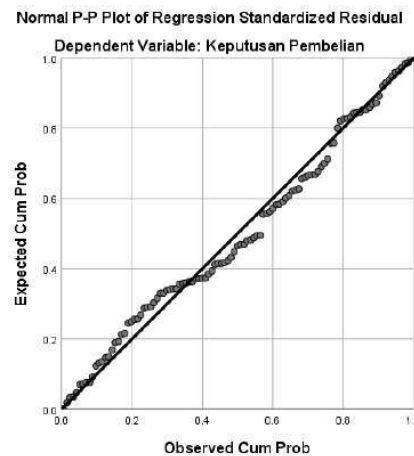
Figure 1. Histogram



Source: Research Data, 2024 (Processed)

The histogram illustrates a bell-shaped, symmetrical curve, indicating that the data is normally distributed and meets the assumption of normality.

Figure 2. Normal Probability Plot of Regression



Source: Research Data, 2024 (Processed)



The plot shows data points scattered around the diagonal line, closely following its pattern. This suggests that the residuals of the regression model are normally distributed.

**Table 1. Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 109 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.86348820 |
| Most Extreme Differences | Absolute | .075 |
| | Positive | .075 |
| | Negative | -.059 |
| Test Statistic | | .075 |
| Asymp. Sig. (2-tailed) | | .172 ^c |

- a. Test distribution is Normal.
 - b. Calculated from data.
 - c. Lilliefors Significance Correction.
- Source: Research Data, 2024 (Processed)

The table indicates a significance value of 0.200, which is greater than 0.05. Therefore, it can be concluded that the data are normally distributed.

Multicollinearity Test

The results of the multicollinearity test are shown in table below:

Table 2. Multicollinearity Test (VIF Results)

| Model | | Coefficients ^a | | | | Collinearity Statistics | | |
|-------|--------------------|----------------------------------|------------|-----------------------------------|--------|-------------------------|-----------|-------|
| | | Unstandardized Coefficients B | Std. Error | Standardized Coefficients Beta | t | Sig. | Tolerance | VIF |
| 1 | (Constant) | 14.907 | 2.738 | | 5.444 | .000 | | |
| | Penjualan Personal | .529 | .083 | .422 | 6.331 | .000 | .683 | 1.464 |
| | Kualitas Produk | .443 | .060 | .477 | 7.434 | .000 | .736 | 1.358 |
| | Penetapan Harga | -.192 | .073 | -.151 | -2.616 | .010 | .916 | 1.092 |

- a. Dependent Variable: Keputusan Pembelian
- Source: Research Data, 2024 (Processed)

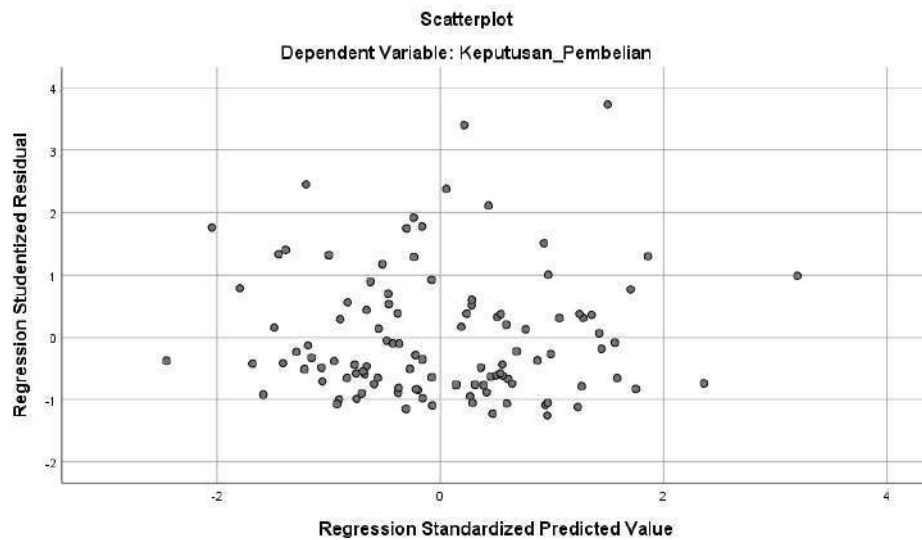
All variables have tolerance values > 0.1 and VIF values < 10, indicating that there is no multicollinearity problem in this study.



Heteroscedasticity Test

The results of the heteroscedasticity test are shown in table below:

Figure 3. Scatterplot



Source: Research Data, 2024 (Processed)

The scatterplot shows points randomly distributed above and below the Y-axis without forming a specific pattern. This indicates the absence of heteroscedasticity in the regression model, confirming its suitability for predicting Purchase Decisions based on the independent variables.

Table 3. Glejser Test Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. |
|-------|--------------------|-------------------------------|------------|--------------------------------|--------|------|
| | | Unstandardized Coefficients B | Std. Error | | | |
| 1 | (Constant) | 4.298 | 1.715 | | 2.507 | .014 |
| | Penjualan Personal | -.044 | .052 | -.097 | -.833 | .407 |
| | Kualitas Produk | .014 | .037 | .043 | .382 | .703 |
| | Penetapan Harga | -.077 | .046 | -.168 | -1.672 | .097 |

a. Dependent Variable: Keputusan_Pembelian
Source: Research Data, 2024 (Processed)

The significance level of each variable exceeds 0.05, confirming that heteroscedasticity is not present in the data.



Multiple Linear Regression

The results of multiple linear regression analysis are presented in table below:

Table 4. Multiple Regression Coefficient Results

| Model | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|--------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | 14.907 | 2.738 | | 5.444 | .000 | | |
| | Penjualan Personal | .529 | .083 | .422 | 6.331 | .000 | .683 | 1.464 |
| | Kualitas Produk | .443 | .060 | .477 | 7.434 | .000 | .736 | 1.358 |
| | Penetapan Harga | -.192 | .073 | -.151 | -2.616 | .010 | .916 | 1.092 |

a. Dependent Variable: Keputusan Pembelian
Source: Research Data, 2024 (Processed)

1. Constant (a) = 14.907. This means that if the independent variables, namely Personal Selling (X1), Product Quality (X2), and Pricing (X3) are 0, then the Purchasing Decision (Y) is 14.907.
2. If there is an increase in Personal Selling, then Work Spirit will increase by 52.9%.
3. If there is an increase in Product Quality, then the Purchasing Decision will increase by 44.3%.
4. If there is an increase in Pricing, then the Purchasing Decision will decrease by 19.2%.

Coefficient of Determination (R²)

The results of coefficient of determination analysis are presented in table below:

Table 5. Coefficient of Determination Results

| Model | Model Summary ^b | | | Std. Error of the Estimate |
|-------|----------------------------|----------|-------------------|----------------------------|
| | R | R Square | Adjusted R Square | |
| 1 | .826 ^a | .682 | .672 | 2.904 |

a. Predictors: (Constant), Penetapan Harga, Kualitas Produk, Penjualan Personal
b. Dependent Variable: Keputusan Pembelian
Source: Research Data, 2024 (Processed)



The Adjusted R Square determination coefficient value is 0.672. This shows that the ability of Personal Selling variables (X1), Product Quality (X2), and Pricing (X3) explains its influence on Purchasing Decisions (Y) by 67.2%. While the remaining 42.8% is the influence of other independent variables that were not examined in this study.

Simultaneous Hypothesis Testing (F-Test)

The results of simultaneous hypothesis testing analysis are presented in table below:

Table 6. F-Test Results

| Model | | ANOVA ^a | | | | |
|-------|------------|--------------------|-----|-------------|--------|-------------------|
| | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 1894.869 | 3 | 631.623 | 74.892 | .000 ^b |
| | Residual | 885.553 | 105 | 8.434 | | |
| | Total | 2780.422 | 108 | | | |

a. Dependent Variable: Keputusan Pembelian

b. Predictors: (Constant), Penetapan Harga, Kualitas Produk, Penjualan Personal

Source: Research Data, 2024 (Processed)

The Ftable value (2.69) and significant $\alpha = 5\%$ (0.05) namely Fcount (74.892) and sig.a (0.000a). This indicates that the research results accept Ha and reject H0. The comparison between Fcount and Ftable can prove that simultaneously Personal Selling, Product Quality, and Pricing have a positive and significant effect on Purchasing Decisions. The results of this study are in line with research conducted by Pranama and Made (2022), where the results of their research show that product quality and personal selling have a significant effect on purchasing decisions.

Partial Hypothesis Testing (t-Test)

The results of partial hypothesis testing analysis are presented in table below:

Table 7. t-Test Results
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|--------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 14.907 | 2.738 | | 5.444 | .000 | | |
| Penjualan Personal | .529 | .083 | .422 | 6.331 | .000 | .683 | 1.464 |



| | | | | | | | |
|-----------------|-------|------|-------|--------|------|------|-------|
| Kualitas Produk | .443 | .060 | .477 | 7.434 | .000 | .736 | 1.358 |
| Penetapan Harga | -.192 | .073 | -.151 | -2.616 | .010 | .916 | 1.092 |

a. Dependent Variable: Keputusan Pembelian

Source: Research Data, 2024 (Processed)

1. The calculated t value for the Personal Selling variable (X1) shows that the calculated t value (6.331) > t table (1.982) with a significance level of 0.000 < 0.05 so it can be concluded that there is a significant positive influence partially between Personal Selling and Purchasing Decisions. The results of this study are in line with research conducted by Handayani (2024), where the results of her research show that personal selling has a significant influence on purchasing decisions.
2. The calculated t value for the Product Quality variable (X2) shows that the calculated t value (7.434) > t table (1.982) with a significance level of 0.000 < 0.05 so it can be concluded that there is a significant positive influence partially between Product Quality and Purchasing Decisions. The results of this study are in line with research conducted by Kusuma, et al. (2024), where the results of her research show that product quality has a significant influence on purchasing decisions.
3. The t-value for the Pricing variable (X3) shows that the t-value (2.616) > t-table (1.982) with a significance level of 0.010 < 0.05 so it can be concluded that there is a significant negative influence partially between Pricing and Purchasing Decisions. The results of this study are in line with the research conducted by Wicaksono, et al. (2024), where the results of the study showed that pricing has a significant influence on purchasing decisions.

DISCUSSION

The Effect of Personal Selling on Purchase Decisions

The calculated t value for the Personal Selling variable (X1) shows that the calculated t value (6.331) > t table (1.982) with a significance level of 0.000 < 0.05 so it can be concluded that there is a significant positive influence partially between Personal Selling and Purchasing Decisions. The results of this study are in line with research conducted by Handayani (2024), where the results of her research show that personal selling has a significant influence on purchasing decisions.



The Effect of Product Quality on Purchase Decisions

The calculated t value for the Product Quality variable (X2) shows that the calculated t value (7.434) > t table (1.982) with a significance level of 0.000 < 0.05 so it can be concluded that there is a significant positive influence partially between Product Quality and Purchasing Decisions. The results of this study are in line with research conducted by Kusuma, et al. (2024), where the results of her research show that product quality has a significant influence on purchasing decisions.

The Effect of Pricing on Purchase Decisions

The t-value for the Pricing variable (X3) shows that the t-value (2.616) > t-table (1.982) with a significance level of 0.010 < 0.05 so it can be concluded that there is a significant negative influence partially between Pricing and Purchasing Decisions. The results of this study are in line with the research conducted by Wicaksono, et al. (2024), where the results of the study showed that pricing has a significant influence on purchasing decisions.

The Effect of Personal Selling, Product Quality, Pricing on Purchase Decisions

The Ftable value (2.69) and significant $\alpha = 5\%$ (0.05) namely Fcount (74.892) and sig.a (0.000a). This indicates that the research results accept H_a and reject H_0 . The comparison between Fcount and Ftable can prove that simultaneously Personal Selling, Product Quality, and Pricing have a positive and significant effect on Purchasing Decisions. The results of this study are in line with research conducted by Pranama and Made (2022), where the results of their research show that product quality and personal selling have a significant effect on purchasing decisions.

CONCLUSION

The conclusions that researchers can draw from the results of this study show that Personal Selling has a positive and significant effect on the Purchasing Decision of PT. Sukses Otomotif Sejahtera consumers. Product Quality has a positive and significant effect on the Purchasing Decision of PT. Sukses Otomotif Sejahtera consumers. Pricing has a negative and significant effect on the Purchasing Decision of PT. Sukses Otomotif Sejahtera consumers. Simultaneously, Personal



Selling, Product Quality and Pricing have a significant effect on the Purchasing Decision of PT. Sukses Otomotif Sejahtera consumers.

LIMITATION

One of the limitations in this study is the respondents who are less diverse because the distribution of questionnaires was only taken from a few respondents. Furthermore, it is expected that the following research will be able to expand the scope of its area, for example all company in Medan. In addition, due to time, energy and cost limitations, this study only took 96 respondents as samples. Thus, for further research it is expected to increase the number of respondents so that it can better represent the actual situation.

REFERENCES

- Andriani, Debrina P. (2021). *Experimental Design and Analysis, For Quality Engineering*. Malang: UB Press.
- Ansofino, Jolianis, Yolamalinda and Hagi Arfilindo. (2021). *Econometrics Textbook*. Yogyakarta: Deepublish Publisher.
- Bancin, John Budiman. (2021). *Brand Image and Word of Mouth (Its Role in the Purchase Decision of the Nissan Grand Livina)*. Surabaya: Jakad Media Publishing.
- Darmis. (2021). *Things That Influence Room Prices*. Solo: Yayasan Lembaga Gumun.
- Dharmawati, M. (2019). *Entrepreneurship*. Publisher PT. RajaGrafindo Persada Depok.
- Fathoroni, A., et al. (2020). *Tutorial Book of Decision Support System for Lecturer Performance Assessment Using the 360 Degree Feedback Method*. Bandung: Kreatif Industri Nusantara.
- Firmansyah, A. (2018). *Consumer Behavior (Attitude and Marketing)*. Publisher Deepublish Publisher Yogyakarta.
- Firmansyah, A (2019). *Product and Brand Marketing (Planning & Strategy)*. Publisher Deepublish Publisher, Yogyakarta.
- Firmansyah, A (2020). *Marketing Communication*. Yogyakarta: Deepublish Publisher.
- Handini, Sri. Sukesi and Hartati Kanty Astuti. (2019). *Empowerment of Village Communities in Developing MSMEs in Coastal Areas*. Surabaya: Scopindo.
- Hapsari, Raditha Dwi Vata, et al. (2020). *Entrepreneurial Marketing*. Malang: UB Press.
- Herlina, Vivi. (2020). *Practical Guide to Processing Questionnaire Data Using SPSS*. Jakarta: Elex Media Komputindo.



- Jusnidar, Irfan Taufan Asfar, Iqbal Akbar Asfar and Andi Vira Avrida. (2020). Clam Shells as Natural Coagulants for Water Purification. Bandung: Mdia Sains Indonesia.
- Kurniawan, A. R. (2021). Marketing Basics, Everything About Marketing & Sales. Quadrant Publisher, Yogyakarta.
- Mursidi, Andi, Zulfahita, Rini Setyowati, Fajar Wulandari, Mertika, Heru Susanto, Kamaruddin, and Sumarli. (2020). Introduction to Entrepreneurship Textbook. Klaten: Lakeisha
- Prasetyo, Bambang, Nurfian S. Febriani, and Wayan Weda Asmara. (2018). Integrated Marketing Communication. UB Press Publisher. Malang.
- Priyatno, D. (2020). SPSS Easy Data Processing Guide for Students & the Public. Publisher CV. Andi Offset, Yogyakarta.
- Sawhani, Dhiraj Kelly. (2021). Online Purchasing Decisions: Website Quality, Security and Trust. Surabaya: Scopindo Media Pustaka.
- Sholihin, Mahfud. (2020). Research Data Analysis Using Stata Software. Yogyakarta: Andi Offset.
- Sholihin, Mahfud. (2020). Research Data Analysis Using Stata Software. Yogyakarta: Andi Offset.
- Sugiyono. (2020). Accounting Research Methods. Yogyakarta: Deepublish Publisher.
- Untari, Dhian Tyas. (2019). Marketing Management: Case in Developing Betawi Traditional Culinary Tourism Market. Purwokerto: Pena Persada.
- Wahyudi, S. T. (2021). Economic Statistics: Concepts, Theories and Applications. UB Press Publisher. Jakarta.
- Wijayanti, T. (2019). Marketing Plan! In Business. Publisher PT. Elex Media Komputindo. Jakarta.



The Effect Of Personal Traits, Functional Value, And Brand Trust On App Love Of Students In Medan City

Jamaluddin ,Syaifuddin, Sofiyan

Graduate School, Universitas Prima Indonesia Medan, Indonesia

Graduate School, Universitas Prima Indonesia Medan, Indonesia

Graduate School, Universitas Prima Indonesia Medan, Indonesia

syaifuddin@unprimdn.ac.id

Abstract

With the development of the increasingly advanced era, many students are trying to adjust their lifestyle. You can choose to buy goods online or in person. Students have been trapped in a hedonistic lifestyle and excessive shopping because of this lifestyle. Therefore, this study will investigate the influence of personal traits, functional values, and brand trust on application love in students in the city of Medan. Data were collected through quantitative literature studies. The results showed that Personal Traits have a positive and significant influence on App Love, as well as Functional Value. The Brand Trust variable also has a positive and significant influence on App Love.

Keywords: Personal Traits, Functional Value, Brand Trust, App Love, Students, Medan City

INTRODUCTION

In the era of Industry 5.0, Indonesia is experiencing rapid technological progress, which opens up many new opportunities, especially in the field of entrepreneurship. With the help of digital technology, aspiring entrepreneurs can start their businesses more efficiently, responsively, and innovatively. Technology-based business models are changing important components in the ongoing digital transformation. This includes payment administration, purchasing and selling systems, and transaction methods that can now be done instantly and flexibly. Indonesia has shown a significant level of e-commerce growth, driven by a large digital population and expanding internet access. Current data shows that e-commerce usage is increasing rapidly, with platforms such as Tokopedia, Shopee, and Lazada leading the industry by providing a variety of products, including accessible payment methods such as digital wallets and cash on delivery (COD) services.

One of the largest types of transactions in the Indonesian e-commerce network is the marketplace. E-commerce transactions in Indonesia will reach around IDR 453.75 trillion in 2023. Influenced by changes in consumer behavior that make online shopping easier, and driven by the progress of increasingly widespread digitalization of payment systems, this growth shows a significant increase compared to before. Indonesian consumers still prefer payment methods such as Cash on Delivery (COD) in several major e-commerce industries, such as travel, fashion, and household products. Bank Indonesia even estimates that the value of this transaction will continue to increase in the coming years, with the aim of reaching IDR 487 trillion in 2024.

Behavioral intention is an important metric that indicates the likelihood that someone will make an online purchase (Duong, 2022). Social influence from friends and family, previous user experience, and ease of platform access are all factors that shape this condition (Zhang, 2022). For example, when someone has a positive experience with online shopping, such as ease of website navigation or satisfaction with the quality of the product received, the intention to make



a repeat purchase tends to increase (Yu et al., 2021). The online shopping experience has changed the way people interact with products and services (Liu et al., 2021). If users feel that online shopping provides more benefits compared to traditional shopping, the consumer's intention to shop online tends to increase (Arfansyah & Marsasi, 2023).

App love is an important component that influences a consumer's online shopping intention (Purnami & Agus, 2020). It is defined as the positive feelings, affection, and loyalty that users have towards a particular shopping app. It encompasses the strong sense of emotional attachment that users feel when using the app, which can have a positive effect on their online shopping experience (Kim et al., 2024).

If an app is loved by its users, they tend to be more loyal, meaning customers shop more often through it because they feel emotionally attached (Kumar et al., 2024). This loyalty contributes to increased customer retention, where users feel emotionally attached and prefer to make transactions through an app that consumers love. Therefore, these apps build profitable relationships and become the first choice for users (Bandinelli, 2022).

Love of an app often stems from a pleasant user experience, including an easy-to-use interface, responsive customer service, and ease of transaction (Portingale et al., 2022). These positive experiences create a strong emotional connection between the app and its users, resulting in a positive cycle where users feel more comfortable and satisfied. As a result, users are more likely to recommend the app to others, which can result in an increase in the number of new users and increase the popularity of the app (Abu Farha et al., 2024).

Consumer shopping apps that customers like tend to share their positive experiences with others, either verbally or through social media (Kautish et al., 2023). Recommendations from these positive experiences can strengthen the relationship between the app and attract new customers. Thus, these recommendations can increase the app's visibility and market reach (Liew et al., 2023).

According to research conducted by Bellary et al. (2024), application love has a significant impact on behavioral intentions. Customers tend to provide constructive feedback if they feel connected to the application. This feedback is very useful for developers because it allows customers to make improvements and innovations that are more in line with user needs and expectations. However, Khan (2021) found that application love does not always increase action intentions.

Personal traits or individual characteristics are important components that contribute to the formation of behavioral intentions, which influence customer preferences, perceptions, and loyalty levels towards a brand (Saha et al., 2024). To target more relevant and effective marketing messages, businesses can segment customers based on their personal traits, such as extraversion, openness to experience, and conscientiousness. By knowing these traits, companies can group customers into more specific segments, allowing them to create communication strategies that match the psychological preferences of each segment (Hung & Chiu, 2023). For example, highly extraverted customers tend to be interested in new products and innovations. Therefore, messages that focus on innovation or exclusive offers may be more appealing to customers (Valdez-Juárez et al., 2024). Conversely, more conscientious or routine customers will respond to messages that emphasize product details, reliability, and quality. This strategy not only increases the relevance of marketing messages but also strengthens the relationship between



customers and brands because consumers feel that their unique needs and preferences are understood and cared for (Sahrah et al., 2023).

However, information that occurs in Medan City, especially related to online shopping trends, shows that students who are not used to new experiences tend not to care about e-commerce innovations such as new payment methods or better user features. This can affect their desire to try new products or services, which in turn can hinder the progress of e-commerce.

According to Tang et al. (2022), the following metrics are used to evaluate individual traits: extraversion, neuroticism, openness to experience, and agreeableness. Individuals with high dimensions tend to be collaborative, understanding, and trustworthy, which makes customers sociable and likable in various social interactions.

Furthermore, the function value is considered to have a significant impact on behavioral intention. The value function is highly dependent on delivery time (Wang et al., 2023). Clients will be more interested in using a platform that promises fast delivery because they usually want their products delivered as quickly as possible (Saragih et al., 2022). College students are more likely to make repeat purchases if the delivery is reliable and fast, and they will recommend the platform to their friends (Ahn & Back, 2019). In addition, customers who are on a budget will prefer platforms that offer competitive prices, discounts, or loyalty programs (Kim et al., 2019). When customers feel they are getting good value for their money, this can encourage them to shop more (Radkowski et al., 2024).

However, the situation, especially in the city of Medan, shows that many students are hesitant to shop online because they are worried about fraud or poor service quality. Negative experiences experienced by others and increasing news about online fraud. This distrust can lead to low functional value for students. This happens when they believe that the benefits obtained from shopping online are not worth the risks that may be borne. Despite the many conveniences and benefits offered by the platform, this clearly affects students' purchasing intentions, so many of them choose to avoid online shopping.

Research (de Araújo et al., 2024) found that functional value greatly influences action intention. The functional value of an online shopping platform increases with good customer support services, such as quick responses to inquiries, clear product return policies, and solutions to customer problems (Wells & Tan, 2024). Students who feel they can rely on customer service are more likely to use the platform in the future (Martirosyan et al., 2024). Students feel that the service provider understands and values their needs, which strengthens long-term relationships (Wang et al., 2023).

Finally, brand trust is considered to play a significant role in increasing action intention (Salhab et al., 2023). Brand trust is essential in building customer confidence in brand quality, safety, and consistency. College students may have many choices of shopping platforms or brands, but their choices may be limited due to budget or needs (Sun & Moon, 2024). In a market full of choices, brand trust becomes an important factor that increases competitiveness (Rao et al., 2021). College students may have many choices of platforms or brands to meet their needs, but brands with high levels of trust are more likely to be the first choice. Strong brand trust makes consumers more likely to choose that brand over competitors, even if there are differences in price or other offerings (Bigné et al., 2023).

Brand trust encourages customers to share positive experiences with others, either



through online reviews or direct recommendations, according to previous research (Kinawy, 2024). Peer recommendations are particularly influential in college students. If students have high brand trust, they are more likely to give positive recommendations to others in their group, which in turn encourages them to purchase the item (Bigné et al., 2023). This creates a cycle that increases trust and increases brand reach organically (Rao et al., 2021). Based on the emerging phenomenon, researchers are interested in testing personal traits, functional values, and brand trust towards app love among college students in Medan.

LITERATURE REVIEW

App Love

According to Batra et al. (2021), the idea of app love is an extension of the brand love theory, which states that a strong emotional connection between users and digital applications is formed through regular interactions and consistent experiences. Consumers emphasize that applications that can balance functional and emotional values have great potential to trigger user "love". This emotional attachment is considered to consist of customizable features and satisfying user experiences.

In consumer research by Schmidt and Witkowski (2022) found that great user experience is essential to creating App Love. Consumers found that apps with lots of interactivity and responsiveness to user needs drive continued engagement. Apps that provide personalized and interactive experiences, such as recommendations tailored to user preferences and usage history, are more likely to make users "love" them.

Furthermore, Hoffman and Novak (2023) incorporated the idea of digital companionship into App Love. Consumers argue that apps that incorporate AI and machine learning components that can dynamically meet users' needs and preferences can create relationships similar to emotional attachments between humans. Apps that function as "digital companions" or "digital friends" increase feelings of emotional attachment because their interactions with others increase feelings of emotional attachment. However, according to Kim et al. (2024), consumers argue that apps that support positive social interactions, such as social media or collaboration apps, are more likely to build emotional loyalty. When apps help users achieve their personal goals, they form strong emotional bonds.

According to Zhao and Wang (2024) found that the feeling of ownership can increase love for the App. Consumers said that the application will provide an emotional experience when it allows users to customize and change their experience with extensive personalization features. This feeling creates a strong and long-term relationship, which makes users more loyal to the application. Li and Xie (2023) emphasized that in creating App Love, emotional elements and design aesthetics must be integrated. Customers argue that applications with beautiful and intuitive interfaces, visually pleasing, and easy to use are more likely to trigger positive emotional reactions from users. The likelihood of users feeling emotionally connected to the application increases because of this satisfying aesthetic experience.

Personal Traits

Personality comes from the word "personae", which means a mask used by actors in ancient Greece. Personality, also referred to as personality, is a description of human



psychological qualities that show unique patterns, feelings, and behaviors that exist within a person (Widyahastuti, 2016). Personality is a pattern of traits and characteristics that are common to everyone (Feist, 2018).

Personality consists of a collection of unique traits that can change depending on the circumstances (Duygulu, 2013). Personality is a part of the soul that unites humans, not dividing them into functions. Personality, according to Cattell in Engler (2014), can predict how a person acts in the situations and problems they face. Personality is something that describes a person's unique characteristics that distinguish them from others. Personality is always changing and changing over time (Herlan, 2013). The development of this personality is influenced by genetics and the environment.

Consistent emotions and behaviors that a person shows in various situations are called traits (Schultz, 2012). McCae & Costa in Cervone & Pervin (2013) define traits as regularities in a person's behavior where individuals seem to tend to act in ways that are described by certain traits. Consistent patterns in the way a person behaves, feels, and thinks are called personality traits (Cervone & Pervin, 2013). Personality traits are also a collection of unique traits that will shape a person's personality (Schultz & Schultz, 2012).

Personality traits, or personal traits, are critical in determining a person's behavioral intentions, or behavioral intentions (Brás et al., 2024). Personality is the characteristics that distinguish people in the way they think, act, and feel. As a result, personality greatly influences a consumer's decision-making, response to situations, and interactions with their environment. How a person faces challenges, responds to stress, and communicates with others is often influenced by traits such as openness to new experiences, conscientiousness, extroversion, agreeableness, and emotional stability. For example, people who are highly open tend to be more adaptable and interested in new things. Ultimately, this leads them to behave in a way that is more open to change (Laouiti et al., 2022).

In addition, people with low emotional stability tend to have behavioral intentions that are influenced by consumer feelings and moods, while people with high conscientiousness are more careful in considering the consequences of their actions (Amin et al., 2023a). Therefore, personal traits not only play an important role in behavioral decision-making but also shape an individual's mindset, habits, and lifestyle. These mindsets shape how consumers respond to the environment and determine goals and how to achieve them (Duong, 2022).

Personality development is influenced by a number of variables. One of the most significant factors is biological or genetic traits, according to Kim in Cervone & Pervin (2013). Genetics is the main factor that shapes a person's personality, but environmental factors have a smaller influence on the development of a person's personality. In addition to genetics, the environment such as culture, social status, family, and peers shape personality. According to Benet- Martinez and Oishi (2008), culture is the main factor that shapes a person's personality. Everyone has a different personality because each culture has unique behaviors, rituals, beliefs, and practices.

According to Cervone & Pervin (2013), social status affects a person's roles and responsibilities, as well as the privileges given to consumers. These factors affect customers' perceptions of themselves and others with different social statuses. Personality development is influenced by a person's social status. Social status also affects a person's ability and tendency to



respond to circumstances.

Next comes the role of the family. The family is one of the most important environmental components that influences a person's personality and behavior (Anugrah, 2018). The family, especially parents, influences the development of a child's personality through the way parents raise them and the way they behave. Peers are the last component. The influence of peers on personality development is not as important as family experiences, according to Cervone and Pervine (2013). Individuals learn to accept new behaviors with their peers, and these experiences can influence their personality.

Personality traits are unique attributes that distinguish each person, shape their identity, and influence how consumers behave, act, and interact with their environment. These traits are becoming increasingly important in the context of digital applications and online interactions because consumers can influence how people use technology, engage with digital platforms, and build relationships with others. Psychologists such as McCrae and Costa (1990) created the Big Five Personality Traits model to help understand the complexity of personality.

Functional Value

The extent to which a product can meet the basic needs of customers in terms of benefits and uses is influenced by its functional value (Li et al., 2024). Products that effectively meet customers' specific needs and have real uses tend to increase purchase intention because they are considered relevant and useful. If the product can provide direct benefits that match the customer's expectations or needs, the product will be more appreciated, which motivates buyers to buy (Wells & Tan, 2024).

Functional value can be defined as the perceived benefits obtained through functional attributes or physical attributes. According to Gonçalves (2016), functional value refers to the perceived benefits of a product or service based on the physical performance of the product in terms of durability, reliability, and price. Mohd Suki (2015) argues that functional value is influenced by the physical performance of the product, which consists of product durability, reliability, price, and consumer benefits. Functional value is a utility derived from the quality or affordability of the product, which means that if a product has a high functional value, then it can be said that the product has high quality and good performance.

Furthermore, the functionality, utility, and benefits that can be obtained from a product are represented by functional value. Han also stated that monetary value, performance value, and convenience value are components of functional value; monetary value is the price of the product, and performance value is the performance of the product. According to Sheth (1991), functional value is the main factor that influences consumer decisions. The physical quality of the camera, its performance, and specifications, as well as its price in the camera industry, tend to be of concern to consumers. So, in this study, the functional utility in question is the utility perceived from a product or service based on the physical performance of the product in terms of durability, reliability, and price (Gonçalves, 2016).

The expected performance of a product in terms of its functionality, physicality, and usability is known as functional value. Social value is related to the perceived utility of the product to provide the expected status to the consumer, and it should fit the consumer's reference circle. Emotional value is defined as the emotional value when something is associated with feelings and is measured on the profile of feelings associated with an object. Epistemic value is



the perceived benefit that a person gets from curiosity or knowledge that a person gains. Conditional value is the perceived benefit that a person gets from a particular situation when faced by some (Sheth et al., 1991).

Products with high functional value are usually easy to use, efficient, and offer convenience to users, which makes them very attractive to customers. These factors include reliability, ease of operation, and speed and efficiency in completing daily tasks (Martirosyan et al., 2024). For example, technological devices that can make routine activities easier, such as smart home devices or financial management applications, tend to be more in demand because of their ability to provide practical benefits and convenience in everyday life.

Products with high functional value may also provide satisfaction because they do not require much effort or time to use. Consumers who are looking for practical solutions often prefer products with functional value because they believe they can help them live an efficient lifestyle. If these advantages meet consumers' needs well, consumers are more likely to return to the brand or similar products in the future. This means that these advantages can build consumer loyalty. As a result, products that focus on functional value have the ability to increase their appeal and improve their competitiveness in an increasingly competitive market.

Brand Trust (X3)

Brand trust, according to Chaudhuri and Holbrook in Seprianti Eka Putri (2022), is defined as the general customer's willingness to rely on the brand's ability to perform the desired function. According to Delgado in Adhari (2021), brand trust, also known as brand trust, is the existence of high expectations or a high probability that the brand will have a positive impact on consumers. According to Kertajaya in Abdi Santoso (2021), from a company's perspective, brand trust is a brand that has succeeded in creating a memorable brand experience for its customers for a long time based on the brand's integrity, honesty, and politeness.

A very important concept in the relationship between brands and customers is known as brand trust, which is defined as the customer's belief that the brand can meet the customer's needs and expectations through the goods or services it offers (Isac et al., 2024). When consumers feel trust in a brand, they are not only more likely to make a purchase, but they are also more likely to recommend the brand to others (Sun & Moon, 2024).

Consistency in product or service quality is an important component in building brand trust. According to Kathuria (2000), consumers will trust a particular brand more if they always have a positive experience with the products they buy. For example, if a brand provides high-quality products regularly, they will have a good reputation in the eyes of customers. A good reputation builds trust. Companies with a good history, such as good customer service or ethical business practices, will find it easier to gain trust from customers. Word of mouth recommendations and positive reviews can improve a brand's reputation in the market (Kutlu & Ekici Özcan, 2024).

Trust arises from transparent communication with customers (Zulfansyah & Dermawan, 2024). Consumers will feel safer with brands that are open about their production processes, materials used, or customer policies. When customers believe they are getting accurate and clear information, they will trust the brand more. Building consumer trust can also be done by brands that continue to innovate and respond to customer feedback (Kinawy, 2024). When brands are able to adapt to changing customer needs and expectations, it shows that customers care and are



committed to providing the best. Consumers usually consider brands that are involved in social or environmental activities more. Involvement in relevant social issues and support for sustainability can increase consumer trust (Chaihanchai et al., 2024).

Consumers who have trust in a brand are more likely to try new products or products related to the same brand (Nguyen-Viet et al., 2024). This trust makes customers confident that the product will meet the quality standards they have previously experienced. Therefore, brand trust influences purchase intentions and purchase likelihood in a wider product category (Bigné et al., 2023). Consumers are more likely to examine the various products and services offered by brands that have high trust. This allows brands to bring variety and innovation without the need to build trust (Gong et al., 2023).

Manufacturers can gain consumer trust by creating and expanding their product range and retaining loyal customers, which is a major strategic advantage for brands in a competitive market (Oppong et al., 2023). This positive emotional connection must be built consistently and continuously and must last for a long period of time.

RESEARCH METHOD

This study collects data through literature and associative studies. It is expected that the results will help develop broader theories and improve decision-making practices in the field. The location of this research will be carried out in Medan City. The population in this study were active students at 5 well-known universities in Medan City with a total of 71,756 students. The sampling technique in this study used by the researcher using cluster random sampling. So in this study the researcher chose 385 students from the 5 universities.

Parameters and Operational Variables

In more detail, the operationalization of variables to answer the problem identification can be seen in Table 4.3 below:

Table 1. Operational Definition of Variables

| Variables | Variable Definition | Variable Indicator | Scale |
|---------------------------|---|---|--------------|
| Behavioral Intentions (Y) | Consumer behavioral intentions can be defined as the measurable tendency of consumers to take certain actions related to a product or service after they have experienced or evaluated the interaction. | 1. Intention to purchase 2. Intention to repeat purchase 3. Intention to recommend 4. Intention to provide a review 5. Intention to participate in brand-related activities | Ordinal |



| | | | |
|----------------------|--|--|---------|
| App Love (Y1) | App love is a variable that measures how much positive feelings, affection, and emotional attachment a user has towards an application. | <ol style="list-style-type: none"> 1. User satisfaction 2. Emotional engagement 3. Recommendations 4. Social interaction | Ordinal |
| Personal Traits (X1) | Personal traits are characteristics of individuals that influence their behavior, attitudes, and decisions in various contexts, including consumer behavior. These variables encompass various aspects of personality that can influence how a person interacts with a product, brand, or service. | <ol style="list-style-type: none"> 1. Openness 2. Conscientiousness 3. Extraversion 4. Social Skills 5. Neuroticism | Ordinal |



| | | | |
|-----------------------|---|---|---------|
| Functional Value (X2) | Functional value can be defined as the consumer's perception of the practical and functional benefits of a product or service, which includes various aspects, such as performance, reliability, and efficiency. | <ol style="list-style-type: none"> 1. Performance 2. Reliability 3. Comfort 4. Efficiency 5. Quality | Ordinal |
| Brand Trust (X3) | Brand trust is the consumer's belief and confidence in a brand, which is built based on their experiences, perceptions, and interactions with the product or service offered. This variable is very important in marketing because it can influence purchasing decisions, customer loyalty, and brand reputation. | <ol style="list-style-type: none"> 1. Reliability 2. Credibility 3. High quality 4. Openness 5. Care | Ordinal |

Source: Processed by Researchers (2024)

Data Collection and Retrieval Procedures

Primary and secondary data were sought, collected, and recorded during the data collection process. The data collection method used was a questionnaire, which involves giving respondents a series of written questions or statements to answer. In this study, a Likert scale was used to measure the lowest to the highest level.

Validity and Reliability

Validity testing usually aims to ensure whether the question items used have the ability to measure the values to be measured. Validity has various concepts, and this study uses multiple validity, which is used in many economic studies. A construct (variable) being studied is measured through question items in a questionnaire. Ferdinand (2002) said that the structural equation model is a good choice for a combination of factor analysis and multiple regression analysis because when someone determines the dimensions of a concept or structure, they also want to measure the influence or degree of these factors. As a result, SEM is a combination of factor analysis and multiple regression analysis. To evaluate the reliability and validity of the model, a model fit test is carried out.

Data Analysis Method

To analyze the data of this study, a quantitative descriptive approach will be used. It will



start with data collection, interpretation, and presentation of the results. Then, general theories will be used to deduce the data and draw conclusions. After that, the conclusions will be explained descriptively because the results will encourage to describe such data. This study uses PLS SEM, or partial least square structural equation model, to analyze the data. The purpose of this statistical analysis is to conduct path analysis with latent variables. This multivariate analysis is often referred to as the second generation (Ghozali, 2013). Structural equation analysis (SEM) is based on variance that can examine the measurement model as well as the structural model.

RESULT AND DISCUSSION

The Influence of Personal Traits on App Love

In the context of user experience and digital marketing, personal traits refer to an individual's personality traits, such as openness, extroversion, conscientiousness, neuroticism, and agreeableness (Sahrah et al., 2023). These traits influence how a person interacts and responds to digital applications (Sancak et al., 2023).

People who are highly open tend to be more receptive to new applications or innovative features. Consumers are generally more open to new technologies and value creative designs and features more (Hung & Chiu, 2023). Applications that offer unique and innovative experiences tend to create stronger emotional attachments with users with this personality. This is because users feel stimulated by the challenges and variety offered by the application (Akbar et al., 2023).

Users who are extroverted tend to enjoy interacting with apps that support social connections. These apps allow them to interact with others and share their experiences (Baheer et al., 2023). Because users enjoy the social aspect and connectedness offered by social media apps, multiplayer games, and community-based platforms often hold a special place in the hearts of extroverted users. Additionally, apps that give users the opportunity to engage socially are more likely to create emotional bonds or “app love” (Pandey et al., 2023).

Apps that help users manage their time, productivity, or organization of their daily lives are more likely to be of interest to users with high levels of conscientiousness (Juhari et al., 2023). Apps such as calendars, task managers, and other productivity apps often make users more interested in their apps. Consumers tend to favor apps that are reliable, efficient, and easy to use, as well as apps that help them achieve their professional or personal goals (Campos et al., 2023). Users high in neuroticism may be more likely to form emotional attachments to apps that provide emotional support, reassurance, or security (Elshaer & Sobaih, 2023). For people who are more prone to anxiety or stress, apps such as mental health platforms, meditation, or health trackers may be particularly appealing. Consumers may feel more dependent on these apps because they help them deal with negative emotions and create a sense of emotional security or stability, which may increase “app love.”

Apps that support collaboration or positive interpersonal relationships tend to be valued by friendly users (Sitaridis & Kitsios, 2022). Apps that emphasize the principle of togetherness, such as donation platforms, social community apps that encourage positive cooperation, or apps that allow people to help each other, tend to attract users. Consumers build emotional attachments to apps that align with their social values and help them do good to others (Cao et al., 2022).

Users who are confident in their ability to use technology are more likely to form



emotional attachments to apps that provide control and positive experiences (Tang et al., 2022). Users are more likely to evaluate the app thoroughly and find benefits that match their needs. These positive experiences strengthen emotional attachments and increase limited user loyalty (L. N. Li et al., 2022). Apps that offer stable and predictable experiences or that support daily habits tend to be more comfortable for people with high emotional stability. Consumers may not want excessive innovation; they prefer apps that run smoothly, without problems, and meet their needs consistently. Apps that offer reassurance and stability can create “app love” through consistent and satisfying experiences.

How a person reacts to visual elements or user experiences in an app is influenced by their impulsive nature. Users who tend to be impulsive may be more attracted to apps with visually appealing designs and apps that provide instant rewards or experiences (Mustafa et al., 2022). Apps that leverage instant gratification, such as online shopping or mobile games, are more likely to build app love in impulsive users (Duong, 2022).

Proactive users typically seek out apps that allow consumers to take control of their own lives (Ahmed et al., 2022). Apps that allow users to do more, such as apps that help them learn independently, develop skills, or even create productivity tools, are more likely to resonate with users. Because these apps allow users to achieve personal goals, user engagement with them tends to be deeper (Laouiti et al., 2022).

Previous studies have shown that personal traits influence app love (Amin et al., 2023; Demirci et al., 2024; Biswas & Verma, 2022). Ultimately, the fit between a user's personal traits and the features or values offered by an app often determines a user's emotional attachment to an app (Campos et al., 2023). Apps that fit a user's personality and needs will create loyal and devoted customers. For example, apps that offer an engaging visual experience may appeal to users who care deeply about aesthetics, while users who tend to be more practical will favor apps that are highly efficient (Valdez-Juárez et al., 2024).

H1: personal traits have a significant effect on app love

The Influence of Functional Value on App Love

Functional value, also known as functional value, refers to how well an application meets the practical needs of users and provides benefits that match user expectations (Choi et al., 2023). There are several mechanisms that explain how functional value contributes to the formation or strengthening of the attachment between functional value and app love (emotional attachment or user love for the application) (Wang et al., 2023). High functional value usually offers a user-friendly interface, is easy to understand, and is efficient in meeting user goals (Kim et al., 2024). Users' positive experiences with the application can lead to greater emotional attachment to it (Jung et al., 2019).

A reliable application also determines its functional value (Saragih et al., 2022). Applications that not only function well but are also reliable at all times, such as banking or e-commerce applications, can damage the user experience and negatively impact the user's emotional attachment. In contrast, applications that function well and provide a hassle-free experience will build trust, which is the basis of "app love". Users tend to like applications that are not only efficient but also reliable at all times. For example, banking or e-commerce applications that allow users to make transactions quickly and without interruption are more likely to foster app love because they offer high functional value (Gaur & Gupta, 2020).



The functional value of an app will be very high if it can solve a specific user problem or meet a quick need. If the app really helps achieve a specific goal, it can trigger an emotional attachment because it makes users feel that the app is very useful for their lives. Apps that help users save time or money are often favorites because they offer real benefits in everyday life. For example, transportation apps like Uber and Gojek offer a fast and often cheaper way than other options, making them popular.

Apps that continually update their functionality and offer new innovations to improve the user experience can also increase their functional value. Users tend to value apps that not only function well but also evolve over time by adding features that suit the user's needs, such as speed improvements, new features, or navigation.

According to previous studies, functional value has a significant impact on app love (Li et al., 2024; Wells & Tan, 2024; Prasad & Ranjan, 2023). Apps that allow users to customize their experience according to their preferences also have high functional value. Apps that are flexible and can be customized to specific user needs tend to be preferred because they give users more control (Nemati & Mozafarpour, 2024). Users who feel that an app provides high functional value, such as meeting consumers' primary needs, are more likely to build emotional attachment (Radkowski et al., 2024). Functionally satisfying apps can provide a sense of emotional satisfaction because users feel that the app helps consumers achieve consumer goals in an efficient and effective manner (Steudel, 2024).

H2: there is a significant effect of functional value on app love

The Influence of Brand Trust on App Love

Brand trust, or brand trust, on app love, or emotional attachment to the app, is very influential (Yang et al., 2019). Brand trust describes the extent to which users believe that an app or its developer company is reliable, provides security, and is committed to meeting user expectations. When users feel trust in an app brand, they are more likely to develop a deep emotional attachment to the app (Isac et al., 2024).

User trust in the security of consumer personal data is a key component in building brand trust (Sun & Moon, 2024). Apps that are known to protect user privacy and data tend to gain more trust from users. If an app keeps user personal data safe, users will be more comfortable using it in the long term, which can create an emotional bond or “app love.” According to Kathuria (2000), when an app can provide a consistent and satisfying user experience, brand trust will increase. Good service, stable performance, and features that meet user expectations will increase user trust in the app. This trust develops into an emotional attachment or “app love” when the app continues to deliver the expected value (Kutlu & Ekici Özcan, 2024).

A stronger emotional connection will be formed between users and the application or developer company who believe that they are committed to providing high-quality services. Users will trust brands that continue to improve features, bug fixes, and innovations. This shows that the application cares about current and future users (Zulfansyah & Dermawan, 2024). To build customer trust, good customer support is essential. Customers will trust brands more with companies that address their issues quickly, handle their complaints, and provide good technical assistance. Emotional attachment is built through feelings of safety and security when using the application (Chaihanchai et al., 2024).

Apps with a good reputation generally tend to gain trust from new users more easily. This



is because the app has a strong reputation in the market, which makes users believe that many other people have had positive experiences with it. This encourages new users to build an emotional bond faster than apps with an unclear or questionable reputation (Kinawy, 2024). How clearly the app or developer company communicates with users also affects brand trust. Transparency in privacy policies, terms and conditions, or solutions to technical issues and app updates will increase user trust. Users become more trusting of an app if they feel that they are not hiding anything or are honest about their shortcomings, which can generate emotional attachment (Nguyen-Viet et al., 2024).

Previous studies have shown that brand trust influences app love (Bigné et al., 2023). Apps that are perceived as reliable because they rarely experience problems, run quickly, and complete tasks efficiently are more likely to build brand trust (Gong et al., 2023). A positive emotional connection with an app that makes users feel they can rely on it whenever they need it will make users more loyal and continue using it despite other options (Oppong et al., 2023). As the app becomes more familiar and comfortable for users, repeated use increases emotional attachment. Loyalty is driven by brand trust, which in turn increases app love (Safira et al., 2023).

H3: Brand trust has a significant effect on app love

CONCLUSION

Based on the results of research and data analysis in the field, it was found that Personal Traits have a positive and significant influence on App Love. Likewise, Functional Value was found to have a positive and significant influence on App Love. Furthermore, the Brand Trust variable also shows a significant influence and relationship to App Love. So it can be said that the three variables have a relationship and influence on App Love in students in Medan City.

REFERENCES

- Abu Farha, A. K., El Hedhli, K., Alnawas, I., Zourrig, H., & Becheur, I. (2024). Drivers and outcomes of a shopper-retailer's app relationship. *Journal of Retailing and Consumer Services*, 81(November),1–13.
- Ahmed, M. A., Khattak, M. S., & Anwar, M. (2022). Personality traits and entrepreneurial intention: The mediating role of risk aversion. *Journal of Public Affairs*, 22(1), 1–38. <https://doi.org/10.1002/pa.2275>
- Adhari, Iendy Zelviean. (2021). Kepuasan Pelanggan & Pencapaian Brand Trust. Pasuruan: CV Penerbit Qiara Media.
- Abdi Santoso (2021). Pengaruh Promotion Mix dan Brand Trust Terhadap Keputusan. Pelanggan Indi Home di Wilayah Ciputat, 3(1), 15-16.
- Ahn, J., & Back, K. J. (2019). Cruise brand experience: functional and wellness value creation in tourism business. *International Journal of Contemporary Hospitality Management*, 31(5), 2205–2223. <https://doi.org/10.1108/IJCHM-06-2018-0527>
- Akbar, A., Malik, A., & Warraich, N. F. (2023). Big Five Personality Traits and Knowledge Sharing Intentions of Academic Librarians. *Journal of Academic Librarianship*, 49(2), 1–7. <https://doi.org/10.1016/j.acalib.2022.102632>
- Amin, A., Rehman, M., Basri, S., Capretz, L. F., Goraya, M. A. S., & Akbar, R. (2023a). The



- impact of stressors on the relationship between personality traits, knowledge collection behaviour and programmer creativity intention in software engineering. *Information and Software Technology*, 163(May), 107288.
- Amin, A., Rehman, M., Basri, S., Capretz, L. F., Goraya, M. A. S., & Akbar, R. (2023b). The impact of stressors on the relationship between personality traits, knowledge collection behaviour and programmer creativity intention in software engineering. *Information and Software Technology*, 163(May), 1–16.
- Arfansyah, H. J., & Marsasi, E. G. (2023). The Effect of Attitude and Trust on Behavioral Intention In The Modern Market Industry. *Jurnal Economic Resource*, 6(1), 90–102. <https://doi.org/10.57178/jer.v6i1.568>
- Baheer, R., Khan, K. I., Rafiq, Z., & Rashid, T. (2023). Impact of dark triad personality traits on turnover intention and mental health of employees through cyberbullying. *Cogent Business and Management*, 10(1), 1–133.
- Bandinelli, C. (2022). Dating apps: towards post-romantic love in digital societies. *International Journal of Cultural Policy*, 28(7), 905–919.
- Batra, R., Ahuvia, A., & Bagozzi, R. (2021). Brand Love: Development and Validation of a Practical Scale. *Journal of Consumer Psychology*, 31(3), 390–403.
- Benet-Martínez, V., & Oishi, S. (2008). Culture and personality.
- Bellary, S., Bala, P. K., & Chakraborty, S. (2024). Exploring cognitive-behavioral drivers impacting consumer continuance intention of fitness apps using a hybrid approach of text mining, SEM, and ANN. *Journal of Retailing and Consumer Services*, 81(November), 1–9. <https://doi.org/10.1016/j.jretconser.2024.104045>
- Bigné, E., Ruiz-Mafé, C., & Badenes-Rocha, A. (2023). The influence of negative emotions on brand trust and intention to share cause-related posts: A neuroscientific study. *Journal of Business Research*, 157(January), 1–10.
- Biswas, A., & Verma, R. K. (2022). Engine of entrepreneurial intentions: revisiting personality traits with entrepreneurial education. *Benchmarking*, 29(6), 2019–2044.
- Campos, P. de O., Costa, C. S. R., & Costa, M. F. da. (2023). Relationship between personality traits and consumer rationality regarding the intention to purchase collaborative fashion. *Journal of Fashion Marketing and Management*, 27(1), 42–60. <https://doi.org/10.1108/JFMM-02-2021-0049>
- Cao, Y., Asad, M. M., Wang, L., Naz, A., & Almusharraf, N. (2022). Role of personality traits for entrepreneurial intentions of young entrepreneurs: A case study of higher education institution. *Frontiers in Psychology*, 13(October), 1–11.
- Chaihanchai, P., Anantachart, S., & Ruangthanakorn, N. (2024). Unlocking the persuasive power of virtual influencer on brand trust and purchase intention: a parallel mediation of source credibility. *Journal of Marketing Communications*, 1–4.
- Cervone, D., & Pervin, L. (2013). *Teori dan Penelitian Kepribadian*. New York Wiley and Sons. - Referensi - Scientific Research Publishing.
- Choi, M., Choi, Y., Nosrati, S., Hailu, T. B., & Kim, S. (2023). Psychological dynamics in the metaverse: evaluating perceived values, attitude, and behavioral intention in metaverse events. *Journal of Travel and Tourism Marketing*, 40(7), 602–618.
- de Araújo, A. N. V., de Souza, E. L., Nascimento, D. dos S., Alves, J. M., Brito Sampaio, K., da



- Silva, S. R. F., de Brito Alves, J. L., & de Albuquerque, T. M. R. (2024). Revisiting the nutritional and functional value and health-promoting potential of *Syzygium* species. *Journal of Functional Foods*, 118(January), 1–15.
- Demirci, S., Ling, C. J., Lee, D. R., & Chen, C. W. (2024). How Personality Traits Affect Customer Empathy Expression of Social Media Ads and Purchasing Intention: A Psychological Perspective. *Journal of Theoretical and Applied Electronic Commerce Research*, 19(1), 581–596. <https://doi.org/10.3390/jtaer19010031>
- Duong, C. D. (2022). Big Five personality traits and green consumption: bridging the attitude-intention-behavior gap. *Asia Pacific Journal of Marketing and Logistics*, 34(6), 1123–1144. <https://doi.org/10.1108/APJML-04-2021-0276>
- Elshaer, I. A., & Sobaih, A. E. E. (2023). The Impact of Gender on the Link between Personality Traits and Entrepreneurial Intention: Implications for Sustainable Agriculture. *Agriculture (Switzerland)*, 13(2).
- Ferdinand. 2002. Metode Penelitian Manajemen : Pedoman penelitian untuk Skripsi, Tesis, dan Desertasi Ilmu Manajemen, Semarang : Badan Penerbit Un.
- Feist, G. J. (2018). In search of the Creative Personality. *The nature of human creativity*, 63-76.
- Gaur, L., & Gupta, S. (2020). Functional Value in Consumer Behavior: A Review. *International Journal of Marketing Studies*, 12(3), 45–54.
- Gong, J., Said, F., Ting, H., Firdaus, A., Aksar, I. A., & Xu, J. (2023). Do Privacy Stress and Brand Trust still Matter? Implications on Continuous Online Purchasing Intention in China. *Current Psychology*, 42(18), 15515–15527.
- Ghozali, Imam. 2013. Aplikasi Analisis Multivariate dengan Program IBM SPSS. 21 Update PLS Regresi. Semarang: Badan Penerbit Universitas.
- González-Serrano, M. H., Alonso-Dos-Santos, M., Crespo-Hervás, J., & Calabuig, F. (2024). Information management in social media to promote engagement and physical activity behavior. *International Journal of Information Management*, 78(April), 1–16. <https://doi.org/10.1016/j.ijinfomgt.2024.102803>
- Hoffman, D. L., & Novak, T. P. (2023). Digital Companionship: How AI Enhances App Love and User Engagement. *Journal of Interactive Marketing*, 58, 35–49.
- Hung, Y. N., & Chiu, T. Y. (2023). Examining the relationship between personality traits, work experience, burnout, and intention to stay among home care aides in Taiwan. *BMC Geriatrics*, 23(1), 1–23.
- Herlan, S. (2018). Psikologi Pelayanan Di Bidang Pariwisata Dan Hospitality Serta Di Berbagai Bidang Bisnis Lainnya.
- Isac, N., Javed, A., Radulescu, M., Cismasu, I. D. L., Yousaf, Z., & Serbu, R. S. (2024). Is greenwashing impacting on green brand trust and purchase intentions? Mediating role of environmental knowledge. *Environment, Development and Sustainability*, 1–19.
- Juhari, H. S., Ismail, N., Roslan, S., & Zaremohzzabieh, Z. (2023). Personality traits, entrepreneurial self-efficacy, and entrepreneurial intention among vocational students. *International Journal of Evaluation and Research in Education*, 12(1), 9–14.
- Jung, S., Crowe-White, K., Shin, Y., & Severt, K. (2019). Intention to Purchase Functional Sugar-Free Gum Infused with Antioxidants from Spices for Vascular Health using the



- Value Attitude Behavior Model. *Journal of the Academy of Nutrition and Dietetics*, 119(9), 1–15. <https://doi.org/10.1016/j.jand.2019.06.144>
- Kathuria, R. (2000). Impact of Social Media Influencers Credibility on DestinationBrand Trust and Destination Purchase Intention. *Global Business Review*, 18(2), 301–326.
- Kautish, P., Siddiqui, M., Siddiqui, A., Sharma, V., & Alshibani, S. M. (2023). Technology-enabled cure and care: An application of innovation resistance theoryto telemedicine apps in an emerging market context. *Technological Forecasting and Social Change*, 192(July), 1–12.<https://doi.org/10.1016/j.techfore.2023.122558>
- Khan, A. N., & Y. (2021). The impact of mobile payment services on consumer behavior. *Journal of Retailing and Consumer Services*, 61, 1–19.
- Kim, J., Choi, S., & Cho, Y. (2024). Social Interaction as a Key Driver of App Loyaltyand Love: The Mediating Role of Emotional Attachment. *Journal of Social Media Studies*, 18(1), 112–128.
- Kim, J., Choi, J., Chang, S. R., & Trivedi, M. (2024). The impact of offline store presence on digital sales: The moderating role of product functionality. *Journal of Retailing and Consumer Services*, 78(May), 1–8.<https://doi.org/10.1016/j.jretconser.2024.103754>
- Kinawy, R. N. (2024). Unraveling consumer behavior: Exploring the influence of consumer ethnocentrism, domestic country bias, brand trust, and purchasing intentions. *Strategic Change*, 1–42. <https://doi.org/10.1002/jsc.2607>
- Kumar, A., Shankar, A., & Nayal, P. (2024). Metaverse is not my cup of tea! An investigation into how personality traits shape metaverse usage intentions. *Journal of Retailing and Consumer Services*, 77(March), 1–10.
- Kutlu, M. B., & Ekici Özcan, N. (2024). The Effect of Brand Heritage on Intention to Donate in Non-Profit Organizations: An Evaluation within the Context of Temporal Focus and Brand Trust. *Journal of Nonprofit and Public Sector Marketing*, 1–4.
- Laouiti, R., Haddoud, M. Y., Nakara, W. A., & Onjewu, A. K. E. (2022). A gender- based approach to the influence of personality traits on entrepreneurial intention. *Journal of Business Research*, 142(October 2020), 819–829.
- Li, X., & Xie, W. (2023). Aesthetic Design and Emotional Engagement in Mobile Apps: Exploring the Influence on User Satisfaction and Love. *Journal of Aesthetic Computing*, 29(4), 251–267.
- Li, L. N., Huang, J. H., & Gao, S. Y. (2022). The Relationship Between Personality Traits and Entrepreneurial Intention Among College Students: The Mediating Role of Creativity. *Frontiers in Psychology*, 13(February), 1–10.
- Li, T., Cai, L., Liu, Y., Yuen, K. F., & Wang, X. (2024). From a functional service to an emotional ‘saviour’: A structural analysis of logistics values for in-home consumers. *Journal of Retailing and Consumer Services*, 78(May), 1–8.
- Liew, T. W., Tan, S. M., Sung, J. Y., Gan, C. L., & Lee, Y. Y. (2023). Love is in the cloud: Uncovering the factors driving continuous use intention of online dating applications. *Cogent Social Sciences*, 9(1), 1–37.
- Liu, P., Li, M., Dai, D., & Guo, L. (2021). The effects of social commerce environmental characteristics on customers’ purchase intentions: The chain mediating effect of customer-to-customer interaction and customer-perceived value. *Electronic Commerce*



- Research and Applications*, 48(August), 1–7.
- Martirosyan, H., Galstyan, M., Aloyan, T., Gasparyan, N., Terteryan, K., Sahakyan, N., & Avagyan, G. (2024). The impact of mineral and organic fertilizers on potato yield, quantitative and qualitative indicators, and functional value. *Functional Food Science*, 4(8), 309–324. <https://doi.org/10.31989/ffs.v4i8.1400>
- McCrae, R. R., & Costa Jr, P. T. (1991). The NEO Personality Inventory: Using the five-factor model in counseling. *Journal of Counseling & Development*, 69(4), 367-372.
- Mustafa, S., Qiao, Y., Yan, X., Anwar, A., Hao, T., & Rana, S. (2022). Digital Students' Satisfaction With and Intention to Use Online Teaching Modes, Role of Big Five Personality Traits. *Frontiers in Psychology*, 13(July), 1–14.
- Nemati, V., & Mozafarpour, R. (2024). Exopolysaccharides isolated from fermented milk-associated lactic acid bacteria and applied to produce functional value-added probiotic yogurt. *Lwt*, 199(January),1–11.
- Nguyen-Viet, B., Tran, C. T., & Ngo, H. T. K. (2024). Corporate social responsibility and behavioral intentions in an emerging market: The mediating roles of green brand image and green trust. *Cleaner and Responsible Consumption*, 12(January),1–10.
- Oppong, P. K., Owusu, J., Ansah, W. O., & Mensah, J. (2023). Brand Image and Behavioural Intentions: Mediating Role of Brand Equity and Brand Trust in the Herbal Industry. *African Journal of Business and Economic Research*, 18(4), 191–212.
- Pandey, D. L., Uprety, S. K., & Risal, N. (2023). Personality traits and their impact on the social entrepreneurial intentions of management students: a test of big five personality approach. *Journal of Innovation and Entrepreneurship*, 12(1), 1–42.
- Portingale, J., Fuller-Tyszkiewicz, M., Liu, S., Eddy, S., Liu, X., Giles, S., & Krug, I. (2022). Love me Tinder: The effects of women's lifetime dating app use on daily body dissatisfaction, disordered eating urges, and negative mood. *Body Image*, 40(March), 310–321. <https://doi.org/10.1016/j.bodyim.2022.01.005>
- Prasad, V., & Ranjan, P. (2023). Functional Value and Consumer Behavior: An Empirical Study on Green Products. *Journal of Cleaner Production*, 290, 125–145.
- Purnami, L. D., & Agus, A. A. (2020). The Effect of Perceived Value and Mobile Game Loyalty on in-App Purchase Intention in Mobile Game in Indonesia (Case Study: Mobile Legend and Love Nikki). *ASEAN Marketing Journal*, 12(1), 1–19.
- Radkowski, A., Radkowska, I., Kozdęba, M., Khachatryan, K., Wolski, K., & Bujak, H. (2024). The Effect of Foliar Application of Oligogalacturonides on the Functional Value of Turfgrass. *Agriculture (Switzerland)*, 14(3), 1–11.
- Rao, K. S., Rao, B., & Acharyulu, G. V. R. K. (2021). Examining ePWOM-purchase intention link in Facebook brand fan pages: Trust beliefs, value co-creation and brand image as mediators. *IIMB Management Review*, 33(4), 309–321.
- Safira, E., Fatmawati, I., & Nuryakin, N. (2023). Mediating Brand Trust, Brand Attitude, Brand Psychological Ownership on Celebrity Endorsers To Behavioural Intention. *Jurnal Fokus Manajemen Bisnis*, 13(2), 164–179.
- Saha, P., Sengupta, A., & Gupta, P. (2024). Influence of personality traits on generation Z consumers' click-through intentions towards personalized advertisements: A mixed-methods study. *Heliyon*, 10(15), e34559.



- Sahrah, A., Guritno, P. D., Rengganis, R. P., Dewi, R. P., Saufi, R. A., & Permarupan, Y. (2023). Personality traits, individual resilience, openness to experience and young digital entrepreneurship intention. *International Journal of Data and Network Science*, 7(3), 1193–1204. <https://doi.org/10.5267/j.ijdns.2023.5.005>
- Salhab, H. A., Al-Amarneh, A., Aljabaly, S. M., Al Zoubi, M. M., & Othman, M. D. (2023). The impact of social media marketing on purchase intention: The mediating role of brand trust and image. *International Journal of Data and Network Science*, 7(2), 591–600.
- Sancak, B., Selek, S. N., & Sari, E. (2023). Depression, anxiety, stress levels and five-factor personality traits as predictors of clinical medical students' migration intention: A cross-sectional study of brain drain. *International Journal of Health Planning and Management*, 38(4), 1015–1031. <https://doi.org/10.1002/hpm.3646>
- Saragih, M. G., Pembangunan, U., & Budi, P. (2022). Analysis of functional value, emotional value and epistemic value on revisit intention tourists to Super Priority Lake Toba. *International Journal For Innovative Research In Multidisciplinary Field*, 8(9), 125–129
- Schultz, M. (2012). *On studying organizational cultures: Diagnosis and understanding* (Vol. 58). Walter de Gruyter.
- Schmidt, T., & Witkowski, M. (2022). The Role of Immersive User Experience in Building Emotional Attachment to Digital Applications. *Journal of Digital Marketing*, 45(2), 145–160.
- Sitaridis, I., & Kitsios, F. C. (2022). Gendered personality traits and entrepreneurial intentions: insights from information technology education. *Education and Training*, 64(7), 1018–1034. <https://doi.org/10.1108/ET-12-2020-0378>
- Stuedel, R. (2024). Summary characteristics for multivariate function-valued spatial point process attributes. *Chemistry of the Non-Metals*, 1–10.
- Sun, K. A., & Moon, J. (2024). Relationships between Psychological Risk, Brand Trust, and Repurchase Intentions of Bottled Water: The Moderating Effect of Eco-Friendly Packaging. *Sustainability (Switzerland)*, 16(13), 1–12.
- Tang, J., Zhang, B., & Xiao, S. (2022). Examining the Intention of Authorization via Apps: Personality Traits and Expanded Privacy Calculus Perspectives. *Behavioral Sciences*, 12(7), 1–24. <https://doi.org/10.3390/bs12070218>
- Valdez-Juárez, L. E., Ramos-Escobar, E. A., Ruiz-Zamora, J. A., & Borboa-Álvarez, E. P. (2024). Personal and Psychological Traits of University-Going Women That Affect Opportunities and Entrepreneurial Intentions. *Behavioral Sciences*, 14(1), 1–26.
- Widyahastuti, R. (2016). Pengaruh Kepribadian (Big Five Personality) Terhadap Multitasking. *Fakultas Psikologi Universitas Muhammadiyah Malang skripsi tidak diterbitkan*.
- Wang, D., Zhou, Y., Zheng, X., Guo, J., Duan, H., Zhou, S., & Yan, W. (2023). Yak Milk: Nutritional Value, Functional Activity, and Current Applications. *Foods*, 12(11), 1–21.
- Wells, J., & Tan, C. S. L. (2024). Examining the influence of functional value, social value and emotional value on purchase intention for tires in Japan. *Journal of AsiaBusiness Studies*, 18(3), 593–608. <https://doi.org/10.1108/JABS-01-2023-0007>
- Yang, S., Jiménez, F. R., Hadjimarcou, J., & Frankwick, G. L. (2019). Functional and Social Value of Chinese Brands. *Journal of Global Marketing*, 32(3), 200–215.



- Yu, W., Han, X., Ding, L., & He, M. (2021). Organic food corporate image and customer co-developing behavior: The mediating role of consumer trust and purchase intention. *Journal of Retailing and Consumer Services*, 59(March), 1–6.
- Zhang, X. C. Y. W. X. L. J. (2022). The Impact of Hotel Customer Engagement and Service Evaluation on Customer Behavior Intention: The Mediating Effect of Brand Trust. *Frontiers in Psychology*, 13(April), 1–18.
- Zhao, L., & Wang, Y. (2024). Sense of Ownership and Emotional Bonding in App Usage: An Empirical Study. *Journal of Consumer Behavior*, 56(1), 78–90.
- Zulfansyah, M. K., & Dermawan, R. (2024). The Influence of Perceived Ease of Use and Brand Trust on the Behavioral Intention to Use Digital Wallet GoPay in Surabaya City. *Indonesian Journal of Business Analytics (IJBA)*, 4(1), 345–356.



THE EFFECT OF PRICE, PRODUCT QUALITY AND BRAND ON GS ASTRA BATTERY PURCHASE DECISION AT PT CAPELLA PATRIA UTAMA MEDAN

Hansen Leonardi¹ Cicely Lieanto²

¹Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

²Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

ABSTRACT

The purpose of this study is to determine the effect of price, product quality and brand on purchasing decisions for GS Astra Batteries at PT Capella Patria Utama Medan. Consumers are interested in buying GS Astra Batteries by looking at the packaging, shape, and color because of the many imitation products, and the Astra Otoparts logo on the packaging will differentiate and attract consumers to buy GS Astra Batteries. The population in the study were consumers of PT Capella Patria Utama Medan from February to June 2023 totaling 356 people and the sample used the Slovin formula with a total of 188 people. The research method applies multiple linear regression analysis techniques. The results of the study are that the price variable partially has no positive and insignificant effect on purchasing decisions at PT Capella Patria Utama Medan. The product quality and brand variables partially have a positive and significant effect on purchasing decisions for GS Astra batteries at PT Capella Patria Utama Medan. The price, product quality and brand variables simultaneously have a positive and significant effect on purchasing decisions for GS Astra batteries at PT Capella Patria Utama Medan.

Keywords: Price, Product Quality, Brand, Purchase Decision

INTRODUCTION

In this very sophisticated era, competition between products, both goods and services, is unavoidable. This applies even in the automotive industry. This is what causes competition between similar companies to meet the demand for car consumers in Indonesia. This is why every battery company tries its best to meet customer needs, especially for motorcycles, with the aim of making customers satisfied. In the midst of the development of the two-wheeled vehicle industry, many motorbikes from other brands use batteries, and because new motorbike batteries must be replaced with new batteries automatically, the demand for batteries will increase.

License from the first battery manufacturer in Japan, Japan Storage Battery Co. Ltd. GS



Astra batteries are made by considering performance, features, specification compliance, durability, reliability, service, perceived quality, and aesthetics. Consumers are interested in buying GS Astra batteries by looking at the packaging, shape, and color because of the many imitation products, and the Astra Otoparts logo on the packaging will differentiate and attract consumers to buy GS Astra batteries.

By achieving QS 9000 and ISO 9001 certification from SGS Certification Body, which is a standard recognition for the quality and design of PT. GS Battery products, PT. GS Battery has become a leader in the automotive component industry in the 2000s. In addition, PT. GS Battery has received a quality certificate from Storage Battery Co., Ltd. from Japan. The location of three factories in Sunter, Karawang, and Semarang ensures consistent availability of goods.

Having a reputation as a provider of genuine 2-wheel spare parts for various brands such as Honda, Yamaha, Suzuki, Vespa, Kawasaki, and GS Battery, they provide various types of batteries that cover all types of motorbikes available in Indonesia. They provide dry type batteries (without maintenance) for cub and matic motorbikes (GTZ5S), grand motorbikes (GM5Z-3B MF), satria fu motorbikes (GTZ7S), vario 125 motorbikes (GTZ6V), klx motorbikes (GTZ8V), and Kits for tiger motorbikes.

Although PT Capella Patria Utama Medan is well-known and a market leader, the company is experiencing several problems. One of them is a decline in sales in 2022 caused by competitors, uncompetitive prices, and excessively high prices from other battery products. In addition to price, brands also affect sales: GS Astra Batteries saw sales decline in 2017 due to the lack of brands and poor product quality.

LITERATURE REVIEW

The Influence of Price on Purchasing Decisions

According to Utami (2016:4), Price is a very important thing that consumers pay attention to when buying a product or service. If consumers feel that the price offered is suitable, they will tend to make repeat purchases for the same product. This is in accordance with the production concept which states that consumers prefer low-priced products. According to Mulyadi (2022:512), the size of the price set will greatly influence consumers to buy the product as



expected.

The Influence of Product Quality on Purchasing Decisions

According to Utami (2016:4), if the quality of the product produced is good, customers tend to make repeat purchases. According to Romdony and Rosmadi (2018:87), the elements of product quality that are considered important by consumers and are used as purchasing decisions include brands, packaging, warranties and services.

The Influence of Brands on Purchasing Decisions

According to Sanjaya (2015:120) Brands are related to purchasing decisions because brands can simplify decision making and reduce the risk of purchases becoming invaluable. According to Romdony and Rosmadi (2018:87) stated that the better the brand image of a product or service, the stronger the consumer's belief in the product and encourages the desire to make a purchasing decision. According to Huda (2020:34) stated that the better the brand can increase purchasing decisions

METHODS

The research method used is quantitative descriptive research. Quantitative descriptive research is research that aims to describe or describe the properties (characteristics) of a condition or object of research carried out through the collection and analysis of quantitative data and statistical testing (Umar, 2017: 112). According to Sugiyono (2018) This type of research uses associative research, namely research that aims to determine the relationship between two or more variables. According to Sugiyono (2018), the nature of the research used for this study is descriptive explanatory, which intends to study the causality of many variables which describe certain sign accounts. The population of this study were consumers of PT Capella Patria Utama Medan in February to June 2023 totaling 356 people. The sampling method in this study is: with the probability sampling method, because the population studied is known in number. The sampling technique used is accidental sampling. Accidental sampling is a sampling determination technique based on coincidence, namely consumers who accidentally/incidentally meet researchers can be used as samples, if the person who happened to be met is considered suitable



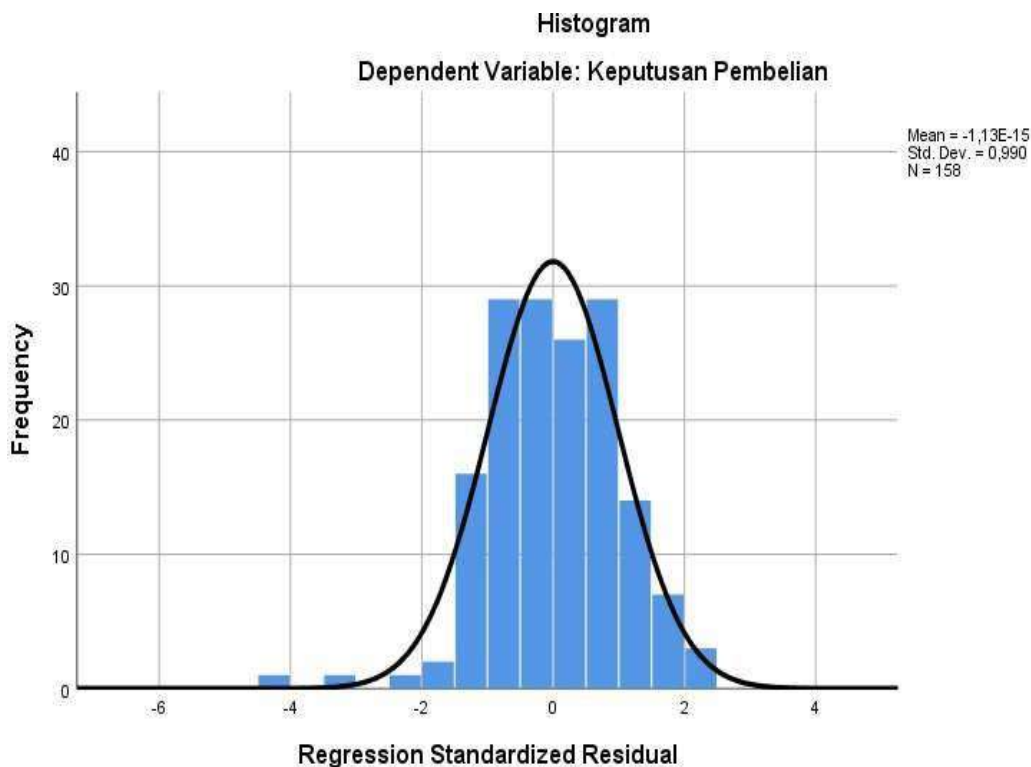
as a data source. The sample criteria studied were: consumers of PT Capella Patria Utama Medan. In this study, accidental sampling with the Slovin formula was used because not all consumers were studied due to time constraints. So the research sample in this study was 188 respondents, where 30 respondents were taken from outside the sample as a validity and reliability test sample, while 158 respondents were taken for testing the research sample.

RESULTS

Normality Test

A normality test is a statistical process used to determine whether a data set is well-modeled by a normal distribution (also known as a Gaussian distribution) or whether it significantly deviates from it. The normal distribution is a fundamental concept in statistics, characterized by its bell-shaped curve, symmetric about the mean, and defined by specific parameters: mean and standard deviation.

Figure 1. Histogram

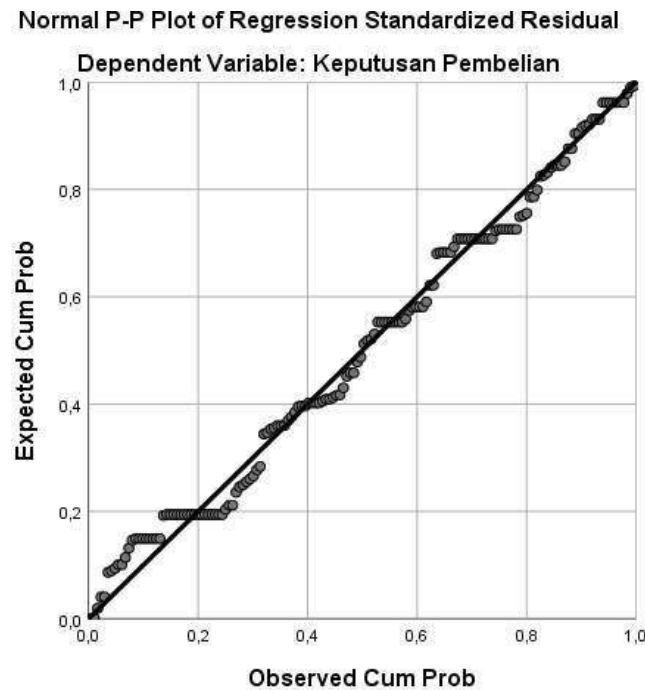




Source: Research Data, 2024 (Processed)

The histogram illustrates a bell-shaped, symmetrical curve, indicating that the data is normally distributed and meets the assumption of normality.

Figure 2. Normal Probability Plot of Regression



Source: Research Data, 2024 (Processed)

The plot shows data points scattered around the diagonal line, closely following its pattern. This suggests that the residuals of the regression model are normally distributed.

Table 1. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 158 |
| Normal Parameters ^{a,b} | Mean | ,0000000 |
| | Std. Deviation | 4,22489094 |
| Most Extreme Differences | Absolute | ,068 |
| | Positive | ,057 |
| | Negative | -,068 |
| Test Statistic | | ,068 |
| Asymp. Sig. (2-tailed) | | ,072 ^c |



- a. Test distribution is Normal.
 - b. Calculated from data.
 - c. Lilliefors Significance Correction.
- Source: Research Data, 2024 (Processed)

The table indicates a significance value of 0.072, which is greater than 0.05. Therefore, it can be concluded that the data are normally distributed.

Multicollinearity Test

The results of the multicollinearity test are shown in table below:

Table 2. Multicollinearity Test (VIF Results)

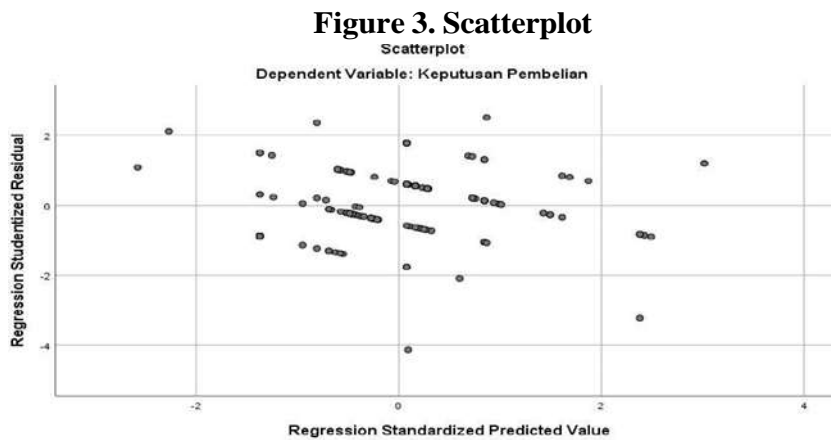
| | | Coefficients ^a | |
|-------|---------------------------------|---------------------------|-------|
| Model | Collinearity Statistics | Tolerance | VIF |
| 1 | Price (X ₁) | ,859 | 1,164 |
| | Brand quality (X ₂) | ,798 | 1,253 |
| | Brand (X ₃) | ,872 | 1,147 |

a. Dependent Variable: Keputusan Pembelian
Source: Research Data, 2024 (Processed)

All variables have tolerance values > 0.1 and VIF values < 10, indicating that there is no multicollinearity problem in this study.

Heteroscedasticity Test

The results of the heteroscedasticity test are shown in table below:



Source: Research Data, 2024 (Processed)



The scatterplot shows points randomly distributed above and below the Y-axis without forming a specific pattern. This indicates the absence of heteroscedasticity in the regression model, confirming its suitability for predicting purchase decisions based on the independent variables.

Table 3. Park Method Test Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. |
|-------|---------------|-------------------------------|------------|--------------------------------|--------|------|
| | | Unstandardized Coefficients B | Std. Error | | | |
| 1 | (Constant) | 2,266 | 1,031 | | 2,197 | ,031 |
| | Price | ,034 | ,027 | ,159 | 1,281 | ,204 |
| | Brand quality | -,041 | ,029 | -,185 | -1,450 | ,151 |
| | Brand | -,033 | ,022 | -,174 | -1,503 | ,137 |

a. Dependent Variable: LN_RES

Source: Research Data, 2024 (Processed)

Park test score with price significance number with significant value at 0.204. Park test value of product quality with significant value at 0.151. Park test value of brand with significant value at 0.137. This does not occur heteroscedasticity in the regression model so that the regression model is suitable for use in this study, because the significance of price, product quality and brand is > 0.05 statistically.

Multiple Linear Regression

The results of multiple linear regression analysis are presented in table below:

Table 4. Multiple Regression Coefficient Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. |
|-------|---------------|-------------------------------|------------|--------------------------------|-------|------|
| | | Unstandardized Coefficients B | Std. Error | | | |
| 1 | (Constant) | 16,417 | 3,133 | | 5,240 | ,000 |
| | Price | ,039 | ,083 | ,035 | ,466 | ,642 |
| | Brand quality | ,183 | ,091 | ,155 | 2,018 | ,045 |
| | Brand | ,399 | ,067 | ,438 | 5,958 | ,000 |

a. Dependent Variable: Keputusan Pembelian

Source: Research Data, 2024 (Processed)



The regression equation is:

$$Y = 16,417 + 0,039 \text{ Price} + 0,183 \text{ Brand quality} + 0,399 \text{ Brand}$$

- Constant value (a) of 16.417 units means that price, product quality and brand have an effect on the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan of 16.417 units
- The regression coefficient of the price variable (b1) is 0.039 units. This proves that an increase of one unit in price will cause an increase in the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan of 0.039 units.
- The regression coefficient of the product quality variable (b2) is 0.183 units. This proves that an increase of one unit in product quality will cause an increase in the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan of 0.183 units.
- The regression coefficient of the brand variable (b3) is 0.399 units. This proves that an increase of one unit in brand will cause an increase in the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan of 0.399 units.

Coefficient of Determination (R²)

The results of coefficient of determination analysis are presented in table below:

**Table 5. Coefficient of Determination Results
Model Summary^b**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | ,524 ^a | ,274 | ,260 | 4,26584 |

a. Predictors: (Constant), Brand, Price, Brand quality

b. Dependent Variable: Keputusan Pembelian

Source: Research Data, 2024 (Processed)

The results of the determination coefficient test are the adjusted R Square is 0.260, then price, product quality and brand influence the decision to purchase GS Astra batteries at PT Capella Patria Utama Medan by 26% while the remaining 74% is influenced by other factors not examined in this study such as service quality and loyalty.



Simultaneous Hypothesis Testing (F-Test)

The results of simultaneous hypothesis testing analysis are presented in table below:

Table 6. F-Test Results
ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 1058,457 | 3 | 352,819 | 19,388 | ,000 ^b |
| | Residual | 2802,403 | 154 | 18,197 | | |
| | Total | 3860,861 | 157 | | | |

a. Dependent Variable: Keputusan Pembelian

b. Predictors: (Constant), Brand, Price, Brand quality

Source: Research Data, 2024 (Processed)

The Fcount value is 19.388 with a significance level of 0.000. While Ftable at a confidence level of 95% ($\alpha = 0.05$) is 3.05, because Fcount > Ftable or $19.388 > 3.05$ with a significance of $0.000 < 0.05$. This proves that price, product quality and brand simultaneously influence the decision to purchase GS Astra batteries at PT Capella Patria Utama Medan.

Partial Hypothesis Testing (t-Test)

The results of partial hypothesis testing analysis are presented in table below:

Table 7. t-Test Results
Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 16,417 | 3,133 | | 5,240 | ,000 |
| | Price | ,039 | ,083 | ,035 | ,466 | ,642 |
| | Brand quality | ,183 | ,091 | ,155 | 2,018 | ,045 |
| | Brand | ,399 | ,067 | ,438 | 5,958 | ,000 |

a. Dependent Variable: Keputusan Pembelian

Source: Research Data, 2024 (Processed)

- a. Price variable with tcount value (0.466) and ttable (1.97539) then the result is tcount < ttable and significant value $0.642 > 0.05$ which concludes that price partially has no positive and insignificant effect on the decision to purchase GS Astra batteries at PT Capella Patria Utama Medan.



- b. Product quality variable with tcount value (2.018) and ttable (1.97539) then the result is $t_{count} > t_{table}$ and significant value $0.045 < 0.05$ which concludes that product quality partially has a positive and significant effect on the decision to purchase GS Astra batteries at PT Capella Patria Utama Medan.
- c. The brand variable with the calculated t value (5.958) and t table (1.97539) then the result is $t_{count} > t_{table}$ and the significant value is $0.000 < 0.05$ which concludes that the brand partially has a positive and significant effect on the decision to purchase GS Astra batteries at PT Capella Patria Utama Medan.

DISCUSSION

The Influence of Price on Purchasing Decisions

The results of the price variable hypothesis (X1) prove that price partially has no positive and insignificant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. This can be seen from the value of the t count (0.466) and t table (1.97539) then the result is $T_{count} < t_{table}$ and the significant value is $0.642 > 0.05$. The results of this study are not in line with Tjiptono's theory (2018:151), price is an amount of money (monetary units) and other measures (including other goods and services) that are exchanged in order to obtain ownership rights or use of goods and services. The conclusion of this study is that price partially has no effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. This can be seen from the higher the price, the less consumers will purchase GS Astra batteries. Because price is closely related to purchasing decisions. At a certain price level, if the benefits felt increase, then the value will also increase. If the perceived value of the customer is higher, it will create a purchasing decision for the consumer. This means that if the product has benefits and is rare and in accordance with consumer desires, consumers will decide to buy the product.

The Influence of Product Quality on Purchasing Decisions

The results of the product quality variable hypothesis (X2) prove that product quality partially has a positive and significant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. This can be seen from the value of the t count (2.018) and t table



(1.97539) then the result is $T_{count} > t_{table}$ and the significant value is $0.045 < 0.05$. The results of this study are in line with the theory of Kotler and Armstrong (2019:342), Product Quality is something that can be offered to the market to be considered, owned, used, or consumed which can satisfy desires and needs. The conclusion of this study is that product quality partially affects the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. This is because the higher the quality of the product, the more consumers will make purchasing decisions. If consumers have good information about product quality including benefits, durability, reliability, accuracy, ease, operation, and repair and compare the quality with the cost burden that consumers must pay as a replacement.

The Influence of Brand on Purchasing Decisions

The results of the brand variable (X3) prove that the Brand has a partial positive and significant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. This can be seen from the value of the t count (5.958) and t table (1.97539) then the result is $T_{count} > t_{table}$ and the significant value is $0.000 < 0.05$. The results of this study are in line with the theory of Kotler and Keller (2017:144) defining Brand as a name, term, symbol, sign, design, or a combination of these things. The conclusion of this study is that the brand has an effect on Purchasing Decisions. This means that the better the brand can increase consumer purchasing decisions. GS Astra is able to become a good local battery brand and a positive image so that it is able to dominate its market share.

The Influence of Price, Product Quality and Brand on Purchasing Decisions

The results of this study prove that price, product quality and brand simultaneously influence the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan. This can be seen from the significant value of $0.000 < 0.05$. The results of the determination coefficient test are the amount of adjusted R Square is 0.260, so price, product quality and brand influence the purchasing decision of GS Astra batteries at PT Capella Patria Utama Medan by 26% while the remaining 74% is influenced by other factors not examined in this study such as service quality, consumer satisfaction.



CONCLUSION

The conclusions that researchers can draw from the results of this study show that the price variable partially has no positive and insignificant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. The product quality variable partially has a positive and significant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. The brand variable partially has a positive and significant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan. The price, product quality and brand variables simultaneously have a positive and significant effect on the purchase decision of GS Astra batteries at PT Capella Patria Utama Medan.

LIMITATION

One of the limitations in this study is the respondents who are less diverse because the distribution of questionnaires was only taken from a few respondents. Furthermore, it is expected that the following research will be able to expand the scope of its area, for example all automotive sparepart products. In addition, due to time, energy and cost limitations, this study only took 158 respondents as samples. Thus, for further research it is expected to increase the number of respondents so that it can better represent the actual situation.

REFERENCES

- Aaker. 2018. Brand Equity Management, Jakarta: Mitra Utama
- Ghozali. Imam. 2018. Multivariate Analysis Application with SPSS Program. Semarang: Diponegoro.
- Huda. Nurul 2020. The Influence of Brand Image on Purchase Decisions for Yamaha ScutterMatic Motorcycles in Makassar. Journal of the Islamic Finance, Economics and Business Institute. Vol. 2 No. 1
- Kotler, Philip and Armstrong Peter. 2018. Marketing Management. Yogyakarta: Gajah Mada University Press.
- Kotler, Philip and Kelvin Lane Keller. 2018. Marketing Management. Jakarta: Erlangga.
- Mowen, John. Michael Minor. 2018. Consumer Behavior. Jakarta. Erlangga.
- Mulyadi M Noorman. 2022. The Influence of Price on Purchase Decisions for Kujang Bogor Talas Layers for Franchise Business Needs. Scientific Journal of Unity Management. Vol. 10 No.3
- Romdonny. Jefry. Maskarto Lucky Nara Rosmandi. 2018. The Influence of Brand, Promotion and Product Quality on Soccer Ball Purchasing Decisions. Ikraith=Humaniora Journal. Vol. 2



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

No. 2.

- Sanjaya. Surya. 2015. The Influence of Promotion and Brand on Purchasing Decisions at PT Sinar Sosro Medan. *Scientific Journal of Management and Business*. Vol. 16 No. 02
- Sugiyono. 2018. *Business Research Methods*. Bandung: Alfabeta.
- Tjiptono, Fandy. 2018. *Service Management*. Yogyakarta: Andi.
- Tonce. Yosef. Rangga. Yosefh Darius Purnama. 2022. *Interest and Purchasing Decisions: A Review Through Price Perception and Product Quality*. Indramayu: Adab.
- Umar. Husein. 2018. *Human Resource Research in Organizations*. Jakarta: Gramedia Pustaka Utama.
- Utami. Vera Augusta May. 2016. The Influence of Product Quality, Price and Brand Image on Purchasing Decisions. *Journal of Management Science and Research*. Vol. 5 No. 6.



The Effect of Return on Assets (ROA), Earning Per Share (EPS), Net Profit Margin (NPM), Debt to Equity Ratio (DER), Price to Book Value (PBV) on Stock Returns

Study Case : Hospital Companies Listed On The Indonesian Stock Exchange 2018-2022

Monita Oktavia Sinaga^a, Putri Tresia Sihotang^a, Dharma Amelia^a, Enda Noviyanti Simorangkir^a,
Keumala Hayati^b

^aUniversitas Prima Indonesia

^bPoliteknik Kesejahteraan Sosial Bandung

ABSTRACT

The purpose of this study was to obtain empirical evidence and analyze the influence of the variable Effect of Return On Asset, Earning Per Share, Net Profit Margin, Debt To Equity Ratio, Price to Book Value on Stock Returns (Empirical Study on hospital companies listed on the Indonesia Stock Exchange in 2018-2022). This type of research is quantitative research. all hospital companies listed on the IDX for the period 2018-2022, totaling 33. The sample used in this study was 8 companies. The type of data used in this study is secondary data sourced from the company's Annual Report. The data analysis technique uses descriptive analysis and multiple linear regression analysis analysis. Based on the results of the study, it was found that the variable Return On Asset has a significant effect on Stock Returns, Earning Per Share has no significant effect on Stock Returns, Net Profit Margin has no significant effect on Stock Returns, Debt To Equity Ratio has no significant effect on Stock Returns, Price to Book Value has a significant effect on stock returns. and Simultaneously Return On Asset, Earning Per Share, Net Profit Margin, Debt to Equity Ratio, Price to Book Value simultaneously have a significant effect on Stock Returns in Hospital companies listed on the IDX for the period 2018-2022. Keywords: Return On Asset, Earning Per Share, Net Profit Margin, Debt To Equity Ratio, Price to Book Valu, Stock Return.

INTRODUCTION

The capital market is one of the effective means to accelerate the accounting of funds for development financing through the mechanism of collecting funds from the public and channeling these funds to productive sectors. With the development of the capital market, the alternatives for investors are now no longer limited to "real assets" and deposits in the banking system but can invest capital, either in the form of stocks, bonds, or other securities (financial assets). Investors hope that by purchasing capital, they can receive dividends (profit sharing) every year and get profits (capital gains) when their shares are resold. But at the same time, they must also be prepared to face risks if the opposite happens. One way that is commonly used in valuing a company is the fundamental approach. The approach is mainly aimed at factors that are generally outside the capital market, which can affect the share price in the future. Matters



included in fundamental analysis include economic and industrial analysis, individual company valuation either by using research variables such as dividends or income. The phenomena that occurred in several hospitals during the 2018-2022 period Return on assets (ROA), earnings per share (EPS), net profit margin (NPM), Debt To Equity Ratio (DER), Price To Book Value (PBV) on stock returns empirical study on hospital companies listed on the Indonesia stock exchange 2018-2022 as follows:

| Issuer Code | Year | Debt To Equity Ratio | Price To Book Value | Return on assets | earning per share | net profit margin | Stock Return |
|-------------|------|----------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| PRIM | 2018 | 912.296.806.454 | 46.375.733.301 | 53.637.759.067 | 63.429.761.146 | 851.171.014.226 | 311.927.189.182 |
| | 2019 | 911.548.353.995 | 48.772.434.107 | 53.101.685.897 | 60.377.339.769 | 848.867.045.308 | 295.349.004.457 |
| | 2020 | 950.302.859.353 | 38.180.949.768 | 60.950.770.358 | 950.302.859.353 | 260.590.702.914 | 86.942.185.668 |
| | 2021 | 167.110.168.202 | 1.131.322.846.027 | 106.773.061.351 | 964.212.677.825 | 162.375.724.530 | 162.375.724.530 |
| | 2022 | 51.862.590.001 | 1.034.519.076.793 | 25.517.392.965 | 982.656.486.792 | 183.964.781.278 | 183.964.781.278 |
| SRAJ | 2018 | 896.163.497.906 | 2.738.883.586.047 | 896.163.497.906 | 1.842.720.088.141 | 806.031.479.570 | 2.738.883.586.047 |
| | 2019 | 1.332.955.849.063 | 3.109.580.950.625 | 1.332.955.849.063 | 1.776.625.101.562 | 1.776.625.101.562 | 3.109.580.950.625 |
| | 2020 | 2.591.592.815.242 | 4.346.329.088.006 | 2.591.592.815.242 | 4.346.329.088.006 | 1.754.736.272.764 | 4.346.329.088.006 |
| | 2021 | 2.944.404.062.678 | 4.871.806.608.361 | 2.944.404.062.678 | 4.871.806.608.361 | 1.927.402.545.683 | 4.871.806.608.361 |
| | 2022 | 3.854.461.126.636 | 5.749.599.247.752 | 3.854.461.126.636 | 4.833.929.137.617 | 1.895.138.121.116 | 5.749.599.247.752 |
| SILO | 2018 | 7.694.942.000.000 | 26.393.000.000 | 1.378.267.000.000 | 7.694.942.000.000 | 26.396.000.000 | 1.928.855.000.000 |
| | 2019 | 7.741.782.000.000 | 332.998.000.000 | 1.754.101.000.000 | 7.741.782.000.000 | 332.998.000.000 | 2.199.987.000.000 |
| | 2020 | 8.427.782.000.000 | 125.250.000.000 | 2.409.411.000.000 | 8.427.782.000.000 | 125.250.000.000 | 2.330.930.000.000 |
| | 2021 | 9.304.325.000.000 | 700.184.000.000 | 2.780.383.000.000 | 9.304.325.000.000 | 700.184.000.000 | 3.616.942.000.000 |
| | 2022 | 9.665.602.000.000 | 710.381.000.000 | 2.641.083.000.000 | 9.665.602.000.000 | 102.028.000.000 | 3.533.389.000.000 |
| DVLA | 2018 | 482.559.876 | 1.682.821.739 | 202.032.073 | 1.200.261.863 | 925.409.702 | 887.757.907 |
| | 2019 | 523.881.726 | 1.829.960.714 | 142.498.128 | 1.306.078.988 | 1.813.020.278 | 989.922.574 |
| | 2020 | 660.424.729 | 1.986.711.872 | 130.439.373 | 1.326.287.143 | 1.829.699.557 | 1.030.755.080 |
| | 2021 | 705.106.719 | 2.085.904.980 | 216.591.819 | 1.514.537.189 | 488.253.369 | 1.088.350.598 |
| | 2022 | 673.863.940 | 2.188.401.129 | 131.949.466 | 1,380,798,261 | 646.251336 | 1.225.365.816 |

Based on table I.1 above, it shows that the financial performance of the four companies has increased and decreased. In the 2021 PRIM company, the Debt To Equity Ratio decreased by 82% compared to 2018-2020 accompanied by an increase in stock returns of 86%, indicating that a decrease in der can result in increased stock returns. In the company SRAJ 2019 Earning Per Share decreased by 3% compared to 2020-2022 accompanied by an increase in stock returns of 13%, indicating that a decrease in eps can result in increased stock returns. In the company SILO 2020 Price To Book Value decreased by 62% compared to 2021-2022 accompanied by an increase in stock return of 5%, indicating that a decrease in pbv can result in increased stock returns. In the company DVLA 2022 Net Profit Margin decreased by 73% compared to 2018-2021 accompanied by an increase in stock returns by 5%, indicating that a decrease in npm can result in increased stock returns.

LITERATURE REVIEW

Companies need sources of funds for corporate spending in order to increase company



profitability. There are two choices of sources of expenditure, namely, using funds sourced from debt or using funds from own capital. Sometimes debt can make the value of the company increase, but at a certain level of debt the company is likely to experience bankruptcy.

Theory of the Effect of Earning Per Share on Stock Returns

Earning Per Share is the level of profit for each share that the company is able to achieve when running its operations. Factors that can affect the increase or decrease in Earning Per Share value lie in the acquisition of net income value and the availability of the number of shares.

According to (Indah & Parlia, 2017) as for the factors that will cause an increase in Earning Per Share, namely from the value of net income settled but the number of shares outstanding decreased, net income increased but the number of shares outstanding decreased, the increase in net income will have a higher percentage than the increase in shares outstanding or the number of shares outstanding has decreased more than the decrease in net income presentation.

Theory of the Effect of Net Profit Margin on Stock Returns

According to (Jumingan, 2017 p. 161) Net Profit Margin is used to determine the company's profit from each sale. Many factors can affect the company's operating profit from year to year. This factor is mainly in the form of the effect of changes in sales levels, changes in cost of goods sold, and changes in business costs.

Theory of the Effect of Debt To Equity Ratio on Stock Returns

Debt To Equity Ratio (DER) is a ratio used to assess debt equity. This ratio is sought by comparing all debt including current debt and all equity. The higher the DER reflects the higher the level of corporate debt. The high ratio indicates that the composition of total debt is greater than the total equity capital, thus increasing the risk received by investors as a result of the debt interest burden borne by the company. This will cause a decline in stock prices which in turn will have an impact on the decline in the company's stock return.

Theory of the Effect of Price to Book Value on Stock Returns

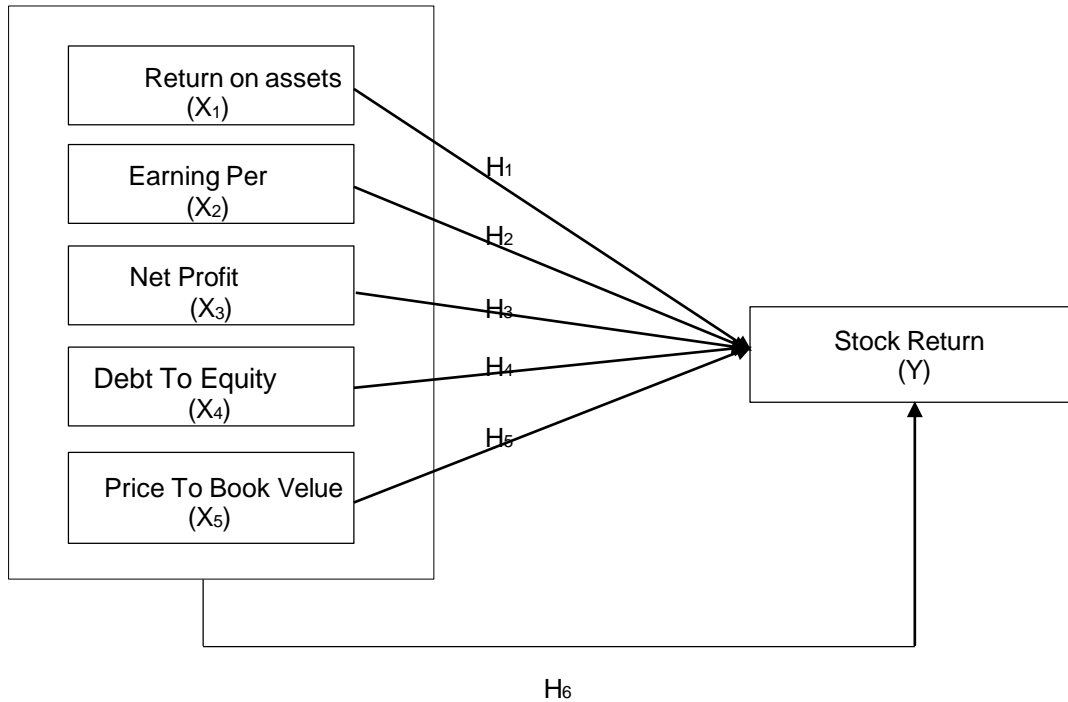
Factors that affect Price Book Value are usually used to describe conditions that occur in the market. Price Book Value that is below book value is usually an indication that the stock is undervalued, and vice versa.

According to Hery (2017, p. 2) the factors that affect Price Book Value are:

1. Profitability Level. The higher the profitability ratio reflects a high rate of return on investment for shareholders, so that it will attract investors to invest their capital.
2. Company size, namely, a scale to classify the size of the company according to various ways, including total assets, total sales, stock market value, and so on. Company size can determine investor perceptions of the company.



Conceptual Framework



Hypothesis

1. H₁ : Return On Asset affects Stock Returns
2. H₂ : Earning Per Share affects Stock Return
3. H₃ : Net Profit Margin affects Stock Return
4. H₄ : Debt To Equity Ratio affects Stock Return
5. H₅ : Price to Book Value affects stock returns
6. H₆ : Return On Asset, Earning Per Share, Net Profit Margin, Debt to Equity Ratio, Price to Book Value affect Stock Returns.

METHOD

The research place was conducted at hospital companies listed on the Indonesia Stock Exchange (IDX). The data used in the research in this study is sekunder. Namely the annual financial report data for the period 2015-2019 obtained from the source (www.idx.co.id).

The population in this study were all hospital companies listed on the IDX for the 2015-2019 period, totaling 33. With a total sample size of 8. with a research year of 5 years. Then there are a total of 40 samples



Research Model

This study uses multiple linear regression analysis. The multiple linear regression equation is usually expressed in the form of a formula as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + e$$

- Y : Stock return
- A : Constant
- b₁ : Regression coefficient of variable X₁
- X₁ : Return on assets (%)
- X₂ : Earning per share (%)
- X₃ : Net profit margin (%)
- X₄ : Price to Book Value (%)
- X₅ : Debt to Equity Ratio (%)
- e : error

RESULTS

Descriptive Statistical Analysis provides an overview or description of data seen from the minimum, maximum, average value (*mean*), and standard deviation. To provide an overview of the following descriptive analysis, it will be explained in the following table:

Descriptive Statistical Analysis
Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|----|---------|---------|---------|----------------|
| ROA | 40 | -6.00 | 23.06 | 6.3660 | 7.00108 |
| EPS | 40 | -208.00 | 665.00 | 78.2063 | 138.53427 |
| NPM | 40 | -23.00 | 31.30 | 8.4130 | 11.99264 |
| DER | 40 | .05 | 2.03 | .4863 | .45550 |
| PBV | 40 | .30 | 7.94 | 2.4953 | 1.83029 |
| RS | 40 | -.85 | 2.21 | .093750 | 0,6088294 |
| Valid N (listwise) | 40 | | | | |

Source: SPSS Data Version 26, 2024

Based on the table above, it is known that ROA has a minimum value of -6 and a maximum value of 23.06. The average value is 6.366 while the standard deviation value is 7.0010. The EPS variable has a minimum value of -208 and a maximum value of 665. The average value is 78.2063 while the standard deviation value is 138.5347. The NPM variable has a minimum value of -23 and a maximum value of 31.30. The average value is 8.4130 while the standard deviation value is 11.9924. The DER variable has a minimum value of 0.05 and a maximum value of 2.03. The average value is 0.48 while the standard deviation value is 0.4555. The PBV variable has a minimum value of 0.30 and a maximum value of 7.94. The average value is 2.4953 while the standard deviation value is 1.83029. The Stock Return variable has a minimum value of -0.85 and a maximum value of 2.21. The average value is 0.093 while the standard deviation value is 0.6088.



Normality Test

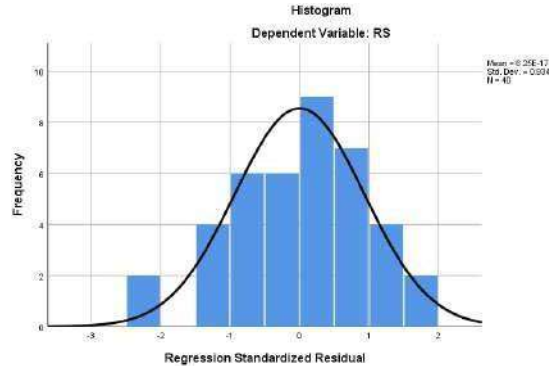


Figure 3.1 Normality Test

Source: Data ProcessingrSPSS Version 26, 2024

The histogram graph in Figure 3.1 above shows a normal distribution pattern because the graph does not tilt to the left or tilt to the right.

Normality Test Kolmogorov-Smirnov (K-S) Approach

Normality Test Kolmogorov-Smirnov (K-S) Approach

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 40 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 45.77763461 |
| Most Extreme Differences | Absolute | .075 |
| | | |
| Positive | .051 | |
| Negative | -.075 | |
| Test Statistic | | .075 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

Source: SPSS 26 Data Processing Results

In the table, it can be seen that the probability value p or *Asymp. Sig. (2-tailed)* of $0.200 > \alpha$ (0.05), thus the residual variable is normally distributed.



3.2.2 Multicollinearity Test

Multicollinearity Test

| Variables | Collinearity statistics | |
|-----------|-------------------------|-------|
| | Tolerance | VIF |
| ROA | .748 | 1.337 |
| EPS | .594 | 1.684 |
| NPM | .679 | 1.472 |
| DER | .605 | 1.653 |
| PBV | .558 | 1.793 |

Source: SPSS Data Version 26, 2023

Based on the table above, it can be seen that the Tolerance value of the independent variables is more than 0.1 and for the VIF value is not more than 10, so that this regression model does not contain multicollinearity symptoms.

Heteroscedasticity Test

Table 3.4 Heteroscedasticity Test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 29.473 | 7.321 | | 4.026 | .000 |
| | ROA | .704 | .633 | .201 | 1.111 | .275 |
| | EPS | -.064 | .041 | -.315 | -1.553 | .130 |
| | NPM | .007 | .012 | .115 | .605 | .549 |
| | DER | -.177 | .119 | -.300 | -1.496 | .144 |
| | PBV | .094 | .051 | .385 | 1.841 | .074 |

a. Dependent Variable: abs_res

Source: Data Processing SPSS Version 26, 2024

Based on the results of the Heterokedastisitas test with the *beurchs pagan godfrey* method in the table, it can be seen that the significance value of each independent variable on the absolute residual variable is above 0.05, which means it can be concluded that the data does not occur symptoms of heterokedastisitas or passes the heterokedastisitas test.

Autocorrelation Test

Autocorrelation Test Results Run Test

| Unstandardized Residual | |
|-------------------------|---------|
| Test Value ^a | 5.96211 |
| Cases < Test Value | 20 |
| Cases >= Test Value | 20 |
| Total Cases | 40 |
| Number of Runs | 27 |
| Z | 1.762 |
| Asymp. Sig. (2-tailed) | .078 |

a. Median

Source: Data Processing SPSS Version 26, 2023



Based on the table, through the Run test, it is known that the sig.value in the *Asymp. Sig. (2-tailed)* of 0.078 which is > from 0.05, so it is concluded that the regression model does not have autocorrelation.

Multiple Linear Regression Analysis

Multiple Linear Regression Analysis

| Model | | Coefficients ^a | | | | Collinearity Statistics | | |
|-------|------------|-----------------------------|------------|---------------------------|--------|-------------------------|-----------|-------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | 29.603 | 13.010 | | 2.275 | .029 | | |
| | ROA | 4.060 | 1.126 | .538 | 3.606 | .001 | .748 | 1.337 |
| | EPS | -.036 | .074 | -.082 | -.489 | .628 | .594 | 1.684 |
| | NPM | -.032 | .021 | -.238 | -1.523 | .137 | .679 | 1.472 |
| | DER | -.160 | .211 | -.126 | -.759 | .453 | .605 | 1.653 |
| | PBV | .278 | .091 | .527 | 3.052 | .004 | .558 | 1.793 |

a. Dependent Variable: RS

Source: Data Processing SPSS Version 26, 2024

Based on the regression results in table 3.5, the following equation is obtained:

$$Y : 29.603 + 4.060 X_1 - 0.036 X_2 - 0.032 X_3 - 0.160 (X_4) + 0.278 (X_5)$$

Hypothesis Test

Partial Testing (t test)

Partial Test (t Test)

| Model | | Coefficients ^a | | | | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | | |
| | | B | Std. Error | Beta | | | |
| 1 | (Constant) | 29.603 | 13.010 | | 2.275 | .029 | |
| | ROA | 4.060 | 1.126 | .538 | 3.606 | .001 | |
| | EPS | -.036 | .074 | -.082 | -.489 | .628 | |
| | NPM | -.032 | .021 | -.238 | -1.523 | .137 | |
| | DER | -.160 | .211 | -.126 | -.759 | .453 | |
| | PBV | .278 | .091 | .527 | 3.052 | .004 | |

a. Dependent Variable: RS

Source: SPSS Data Processing Version 26, 2024

The number of samples (n) = 40, the number of model parameters (k) = 6, df = (n-k) 40-6 = 34, then at an error rate of $\alpha = 0.05$, $t_{\text{tabel}} = 1.690$ is obtained.

Simultaneous Testing (F Test)

F test

ANOVA^a



| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1 | Regression | 62741.294 | 5 | 12548.259 | 5.220 | .001 ^b |
| | Residuals | 81728.081 | 34 | 2403.767 | | |
| | Total | 144469.375 | 39 | | | |

a. Dependent Variable: RS

b. Predictors: (Constant), PBV, ROA, NPM, DER, EPS

Source: Data Processing SPSS Version 26, 2024

It can be seen that the number of samples (n) is 40 data and the number of parameters (k) is 6, so that $df1 = 6-1 = 5$; $df2 = n-k = 40-6 = 34$, then $\alpha = 0.05$, obtained $F_{table} = 2.490$. The hypothesis of testing the F-statistic in detail can be described the F-count value obtained is 5.220 while the F_{table} value for a sample size of 40 is 2.490. So it can be concluded that $F_{hitung} 5,220 > F_{table} 2,490$ and the significant value obtained is $0.001 < 0.05$, then ROA, EPS, NPM, DER and PBV simultaneously have a significant effect on Stock Returns in the Hospital Company sector listed on the Indonesia Stock Exchange.

Coefficient of Determination

Coefficient of Determination

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .659 ^a | .434 | .351 | 49.02823 |

a. Predictors: (Constant), PBV, ROA, NPM, DER, EPS

b. Dependent Variable: RS

Source: Data Processing SPSS Version 22, 2023

The results of the coefficient of determination obtained by the R Square value of 0.434 which shows that the ROA, EPS, NPM, DER and PBV variables are considered to be able to explain or influence Stock Returns by 43.4%, while the rest is influenced by other variables not examined in this study.

DISCUSSION

Effect of Return On Asset on Stock Return

The t_{count} value obtained for the *Return On Asset* (ROA) variable is 4.060 while the t_{table} value is 1.690. It can be concluded that $t_{count} > t_{table}$ and the significant value obtained is $0.001 < 0.05$, then ROA has a positive and significant effect on Stock Returns. Through the t test results, it can be concluded that when the ROA value of a company increases, it will have a significant effect on the level of Stock Returns in Hospital companies in Indonesia. This is due to the increasing ROA value which can describe the company's operational effectiveness and the company's ability to generate profits for the company, through these profits which, if they continue to increase, will have an effect on increasing the Stock Return that will be received by shareholders. The results of this study are in line with the results of research conducted by Suhartono et al. (2024), Indahsari & Maryoso (2022) who found the results of ROA had a positive and significant effect on Stock Returns.



The Effect of *Earing Per Share (EPS)* on *Stock Return*

The t_{count} value obtained for the *Earing Per Share (EPS)* variable is -0.489 while the t_{tabel} value is 1.690. It can be concluded that $t_{count} < t_{tabel}$ and the significant value obtained is $0.628 > 0.05$, then EPS has no significant effect on Stock Returns. Through the t test results, it can be concluded that the EPS value of a company does not have a significant impact on the level of *Stock Returns* in Hospital companies in Indonesia. This can be caused by the company's ability to manage operations and its ability to generate profits both through assets and capital owned, resulting in very low profits, in this study it can be seen that the low average EPS value is only Rp. 78 per share. The results of this study are in line with the results of research conducted by Tjoe et al, (2021), Fradana & Widodo (2023) which suggest that the EPS value is used to see how much nominal net income is distributed to shareholders, so that a high EPS value indicates that the level of net income distributed to the company tends to be in demand by investors because this indicates that the dividends that the company will distribute are also high. If the EPS is smaller, it is likely that the smaller the profit distributed to investors, this means that the level of *stock returns* is more influenced by other factors besides EPS. So that EPS does not have a significant effect on the value of *Stock Returns* in the company.

The Effect of *Net Profit Margin (NPM)* on *Stock Return*

The t_{count} value obtained for the NPM variable is -1.523 while the t_{tabel} value is 1.690. It can be concluded that $t_{count} < t_{tabel}$ and the significant value obtained is $0.137 > 0.05$, then NPM has no significant effect on Stock Returns. Through the t test results, it can be concluded that when the NPM value in a company does not have a significant effect on the level of *Stock Returns* in Hospital companies in Indonesia. *Net profit margin* is a measure of the profitability of a company's net income as a percentage of its net sales. If the net profit margin is high or close to the targeted selling value, the company is considered to have good quality in managing the company's operations efficiently so that it can generate high net profit. If the NPM value is low and even experiences a loss, it will have an impact on the decrease in profit or return that will be received by shareholders. However, in this study it was found that there were several hospital companies that experienced losses so this caused NPM not to have a significant effect on *Stock Returns* in hospital companies in Indonesia, the results of this study are in line with the results of research conducted by Riani & Nurfadillah (2022), Pradnyawati (2024) who found the results of *Net Profit Margin* research did not have a significant effect on the company's *Stock Return*.

Effect of *Debt To Equity Ratio (DER)* on *Stock Return*

The t_{count} value obtained for the *Debt To Equity Ratio (DER)* variable is -0.759 while the t_{tabel} value is 1.690. It can be concluded that $t_{count} < t_{tabel}$ and the significant value obtained is $0.453 > 0.05$, then DER has no significant effect on Stock Returns. DER is an indicator that describes the ratio between debt and total capital. Investors tend to avoid stocks that have a high DER value because a high DER value reflects a relatively high company risk due to the risk received by investors as a result of the debt interest burden borne by the company. This will cause a decrease in stock prices which in turn will have an impact on the company's *stock return*. However, in this study DER has no significant effect on *stock returns* because the DER value of hospital companies is in a good standard category with an average value of 0.48 or



48% which according to Cashmere (2018: 159) the industry average for DER is 81%, the DER value also seems to tend to decrease every year in hospital companies in Indonesia, so the DER value has no impact.

CONCLUSION

Based on the results of the discussion that has been described in this study, it is recommended that Investors to choose a stock portfolio in Health or Hospital sector companies must pay attention to Return On Asset, Earning Per Share, Net Profit Margin, Debt To Equity Ratio, Price to Book Value in the issuing company, in order to minimize the risk of loss of funds to be invested, For company management, it should be able to pay more attention to proper reinvestment along with increasing ROA, maintaining DER at a low level, and maintaining a high PBV value so that it can have a positive impact on the value of Stock Returns that the company can provide to investors in order to maintain a positive image and investor confidence in the company.

DAFTAR PUSTAKA

1. Avishadewi L. & Sulastiningsih (2021). "ANALISIS PENGARUH RETURN ON EQUITY (ROE), DEBT TO EQUITY RATIO (DER), PRICE TO BOOK VALUE (PBV), DAN EARNING PER SHARE (EPS) TERHADAP RETURN SAHAM (Studi Empiris pada Perusahaan LQ-45 yang Terdaftar di Bursa Efek Indonesia Periode 2015-2019)". Jurnal Riset Akuntansi dan Bisnis Indonesia STIE Widya Wiwaha Vol.1, No.2.
2. Brigham, E. F. dan J. F. Houston. 2018. Dasar-Dasar Manajemen Keuangan. Edisi 14. Salemba Empat. Jakarta
3. Dewi, P., E. (2016). "Pengaruh Rasio Likuiditas, Profitabilitas, Solvabilitas, Aktivitas dan Penilaian Pasar terhadap Return Saham". Universitas Pendidikan Ganesha.
4. Fradana N. F. A. & Widodo A. (2021). "PENGARUH EARNING PER SHARE, DEBT TO EQUITY RATIO, RETURN ON ASSET DAN RETURN ON EQUITY TERHADAP RETURN SAHAM PADA PERUSAHAAN FOOD AND BEVERAGE YANG TERDAFTAR DI BURSA EFEK INDONESIA". Jurnal Bina Manajemen.Vol. 12 No.1.
5. Ghozali, I. (2016). Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23. In Akuntansi Statistik (VIII). Badan Penerbit Universitas Diponegoro.
6. Ghozali, Imam. (201). Aplikasi Analisis Multivariate dengan Program IBM SPSS 25. Badan Penerbit Universitas Diponegoro: Semarang.
7. Gill, J. O. & Chatton, M. (2016). Memahami Laporan Keuangan. Jakarta: Victory Jaya Abadi.
8. Hery. (2017). Analisis Laporan Keuangan Integrated and Comprehensive Edition. Grasindo
9. Indah, D., R. & Parlia. (2017). "Pengaruh Earning per Share Terhadap Harga Saham pada PT Bank Mega Tbk". Jurnal Penelitian Ekonomi Akuntansi, Vol.1 No.1.
10. Jumingan. (2017). Analisis Laporan Keuangan. Jakarta: PT. Bumi Aksara
11. Kasmir. (2018). Analisis Laporan Keuangan, Edisi Satu, Cetakan Ketujuh. In Raja Grafindo



Persada.

12. Pradnyawati S. O. (2024). "Faktor Determinan Kinerja Keuangan pada Return Saham (Studi Kasus pada Perusahaan Perbankan di Indonesia)". *Jurnal Akuntansi, Keuangan, dan Manajemen (JAKMAN)*, Vol 5, No 2, 2024, 121-132.
13. Riani, H., & Nurfadillah, M. (2022). "Pengaruh ROA (return on asset) Dan NPM (net profit margin) Terhadap Return Saham Pada Perusahaan Sub Sektor Property and Real Estate Yang Terdaftar di Bursa Efek Indonesia (BEI)." *Borneo studies and research*, 3(2), 21552163.
14. Saputra S. A. & Yulia T. S. (2022). "Pengaruh Earning Per Share EPS) dan Price to Book Value (PBV) terhadap Return Saham pada Perusahaan Industri Barang dan Konsumsi". *Borneo Student Research-5725*, Vol 3, No 3
15. Sari, Dian & Maryoso, Slamet. (2023). Pengaruh DER, ROA dan NPM Terhadap Return Saham Perusahaan Properti Terdaftar Di BEI Periode 2017-2020. *Prosiding The 13th Industrial Research Workshop and National Seminar Bandung*, 13-14 Juli 2022.
16. Soedjatmiko, Abdullah, H., & Taufik, A. (2018). "Pengaruh ROA , DER Dan PER Terhadap Return Saham Pada Perusahaan Consumer Goods Industry Di Bursa Efek Indonesia Periode 2010- 2015". 11(1), 28–47.
17. Sugiyono, (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: CV. Alfabeta.
18. Sugiyono, (2016). *Metode Penelitian Kuantitatif*, Bandung. Bandung:CV. Alfabeta.
19. Suhartono, Jihan S. Vera A., Y. Taat, K. Lukman H. (2024). "Pengaruh ROA dan ROE Terhadap Return Saham Pada Perusahaan Manufaktur Yang Terdaftar di BEI". *Moneter: Jurnal Akuntansi dan Keuangan*, Volume 11 No. 1 April.
20. Tjoe C. S. V., Lesmana I., Handayani S. (2021). "sPENGARUH RETURN ON ASSETS, EARNING PERSHARE, DAN PRICE EARNING RATIO TERHADAP RETURN SAHAM Studi Kasus Perusahaan Sektor Industri Makanan dan Minuman Terdaftar di Bursa Efek Indonesia Periode 2013-2018". *Accounting Cycle Journal*. Vol. 2, No. 1.
21. Worotikan E. R. Ch., Rosalina A. M. Koleangan, Jantje L. S. (2021) "PENGARUH CURRENT RATIO (CR), DEBT TO EQUITY RATIO (DER), RETURN ON ASSETS (ROA) DAN RETURN ON EQUITY (ROE) TERHADAP RETURN SAHAM PADA PERUSAHAAN FOOD AND BEVERAGES YANG TERDAFTAR DI BURSA EFEK INDONESIA PADA TAHUN 2014-2018". *Jurnal EMBA : Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*. Vol. 9 No. 3.



The Effect Of Solvency, Profitability, Sales Growth, Liquidity, Company Age, And Receivables Turnover On The Stock Price Of Companies In The Consumer Goods Sector Listed On The Indonesia Stock Exchange In The Period Of 2021 - 2023

Veronica Ongko^a, Finna Christiyanti^a, Kristine Aprilia^a, Sere Miranda Sitorus^a, Bayu Wulandari^a
^aDepartment of Economy (Accounting), Universitas Prima Indonesia, Indonesia

ABSTRACT

This study aims to analyze the effect of solvency, profitability, sales growth, liquidity, company age, and accounts receivable turnover on stock prices of consumer goods sector companies listed on the Indonesia Stock Exchange during the period 2021–2023. This study uses a quantitative approach that is systematic and structured, with a causal or explanatory design to evaluate the existence of a causal relationship between variables. In this context, changes in the independent variables are tested to see their impact on the dependent variable. The study population included 60 consumer goods sector companies listed on the IDX during the period, from which 66 samples were selected using a purposive sampling technique based on certain characteristics. The results of the analysis show that solvency partially has a significant effect on stock prices, while profitability does not have a significant effect on stock prices partially. Sales growth was found to have a significant negative effect on stock prices, while liquidity did not show a significant effect. Company age has a significant positive effect partially on stock prices, while accounts receivable turnover does not have a significant effect. Overall, solvency, profitability, sales growth, liquidity, company age, and accounts receivable turnover simultaneously have a positive and significant effect on stock prices.

Keywords: Solvency, Profitability, Sales Growth, Liquidity, Company Age, Receivables Turnover, Stock Price

INTRODUCTION

Investment is a commitment of a certain amount of money or other resources made at a certain time with the aim of achieving a certain profit in the future. Investors must evaluate a company based on its financial statements before making an investment decision. One aspect that investors assess is financial performance. In essence, the better a company generates profits, the greater the demand for its shares, which in turn increases the company's share price. The stock price is an indicator of the company's performance, a measure of how well management has managed the company on behalf of shareholders. Therefore, the stock price in the capital market is one indicator of the company's value, namely how to increase shareholder wealth which is the company's general goal. In fact, the stock market price does not necessarily increase.

Stock prices can fluctuate at any time, and these fluctuations are influenced by the demand and supply of shares. Because stock prices continue to fluctuate and fluctuate, stocks are



characterized by high risk and high returns. In other words, stocks are securities that are expected to generate high profits, but also have a high risk of loss. Stock prices can be evaluated in various ways, especially by using financial ratio analysis models. Financial ratios are intended to show the relationship between financial statement estimates.

Based on the graph above, it can be seen that in the consumer goods sector, there are still many companies that experience a decline in stock prices when closing sales so that they are printed in red on their stock reports. The decline in stock prices can be associated with various things such as solvency, profitability, increased sales, liquidity, company age and accounts receivable turnover.

The solvency ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much debt a company has compared to its assets. Solvency refers to dependence on external financing sources or debt. High solvency indicates that a company is highly dependent on external capital sources, namely debt capital.

Profitability is the main indicator for assessing a company's performance, which focuses on the company's ability to generate profits through operational activities by utilizing its assets. For investors, information regarding the profitability ratio is essential to support decision making. Stock price fluctuations are directly related to the development of the company's performance, which is reflected in the company's level of profitability.

Sales Growth is a growth ratio, namely a ratio that measures how much the company's ability to maintain its position in the industry and in general economic developments. If sales growth always increases every year, then the company has good prospects in the future. Stock investment can provide benefits to its investors, either in the form of dividends or capital gains. However, on the other hand, this investment also has risks, namely capital loss and liquidation risk. Therefore, proper analysis is needed before making a decision. The right analysis carried out by investors is a fundamental analysis that focuses more on company performance and economic analysis that will affect the future of the company.

Companies that have high liquidity generally gain the trust of investors because they are considered capable of paying off their debt obligations on time. Conversely, liquid companies tend to use internal funds in the form of debt rather than relying on external funds. The liquidity of a company is said to be adequate if the company can meet short-term obligations on time because it has sufficient funds to finance operational and investment activities.

The size of a large company reflects the company's ability to survive in the long term. Large companies are usually better known in the community than small companies, and this size also affects the level of investor confidence. The larger the company, the lower the potential for underpricing of its shares.

Receivables turnover is a ratio that describes how often a company collects its receivables in a certain period. This ratio is calculated based on the relationship between the average receivables balance and credit sales. Receivables turnover is very important for a company, because the higher the frequency of receivables turnover, the more receivables are successfully collected, so that the risk of bad debts decreases and cash flow becomes smoother. This condition shows that the longer the time required for receivables turnover, the stock price tends to decrease; conversely, the faster the receivables turnover, the stock price tends to increase.



LITERATURE REVIEW

The Effect of Solvency on Stock Prices

According to Dirjomala (2023), solvency, measured by the debt-to-equity ratio or the total debt-to-assets ratio, has a significant impact on stock prices. Companies with good solvency tend to have a low debt ratio compared to their equity, indicating their ability to meet long-term obligations and lower financial risk. Investors often view solvency as an indicator of a company's long-term financial health; therefore, companies with a good solvency ratio are usually attractive to investors, which in turn can increase demand for their shares and, ultimately, stock prices. On the other hand, companies with low solvency may be seen as high-risk, which can decrease investor interest and pressure their stock prices.

The Effect of Profitability on Stock Prices

According to Hutabarat (2023), profitability, measured through profit ratios such as Return on Assets (ROA) or Return on Equity (ROE), has a direct impact on stock prices. High profitability levels indicate that a company is capable of generating solid profits from its assets or equity, which is often considered a positive signal for investors. Investors tend to be more interested in buying stocks of companies that show consistent profits or good profit growth, as this reflects the potential for high future returns. Therefore, strong profitability can increase investor interest, which in turn can drive stock prices up.

The Effect of Sales Growth on Stock Prices

According to Agustina and Putra (2021), sales growth is an important indicator influencing stock prices. Companies with high sales growth are generally considered to be growing and have strong future prospects. Investors often view strong sales growth as a sign that the company can increase market share, expand operations, and generate more profits in the future. As a result, companies that show positive sales growth often attract investor interest, which can drive stock prices higher. In contrast, stagnant or negative sales growth may raise concerns about the company's future potential, which can suppress stock prices.

The Effect of Liquidity on Stock Prices

According to Arsianti (2024), liquidity, measured by liquidity ratios such as the Current Ratio or Quick Ratio, affects stock prices by indicating a company's ability to meet its short-term obligations. Companies with good liquidity have sufficient current assets to cover their short-term liabilities, signaling financial stability and efficient cash management. Investors often view companies with good liquidity as safer investments, as they are less likely to face urgent financial issues. Therefore, high liquidity ratios can increase investor confidence and push stock prices up, while poor liquidity can reduce investor interest and pressure stock prices downward.

The Effect of Company Age on Stock Prices

According to Wicaksona and Herlambang (2023), the age of a company, or how long the company has been in operation, can affect stock prices in various ways. Older companies are often



seen as more stable and have a better track record of handling market challenges, making investors feel safer investing in their stocks. Older companies may also have a strong customer base and a good reputation in the market. However, the age of the company must be balanced with innovation and adaptability to market changes; a company that has been around for a long time but is stagnant may be viewed as less innovative. Generally, older and more established companies tend to have stable stock prices, but investors also seek companies that can show growth potential in the future.

The Effect of Accounts Receivable Turnover on Stock Prices

According to Wijaya and Purnama (2021), accounts receivable turnover, measured by the accounts receivable turnover ratio, can affect stock prices by showing a company's efficiency in managing receivables. Companies with high accounts receivable turnover indicate that they can collect payments from customers quickly, which can improve cash flow and reduce the risk of bad debts. Investors view efficiency in managing receivables as an indicator of good management and higher profit potential. Therefore, good accounts receivable turnover is often associated with solid financial performance, which can attract investors and increase stock prices.

METHODS

This research approach uses a quantitative method because this research has a clear and systematic structure. This research is quantitative with a causal approach, also known as explanatory research. This type of research aims to examine whether or not there is a causal relationship between two different events. This relationship occurs when a change in one of the independent variables results in a change in the dependent variable. The research population that will be used in the study is all consumer goods sector companies listed on the Indonesia Stock Exchange during the period 2021 to 2023, totaling 60 companies. The sampling technique uses purposive sampling. The criteria used in this study are as follows:

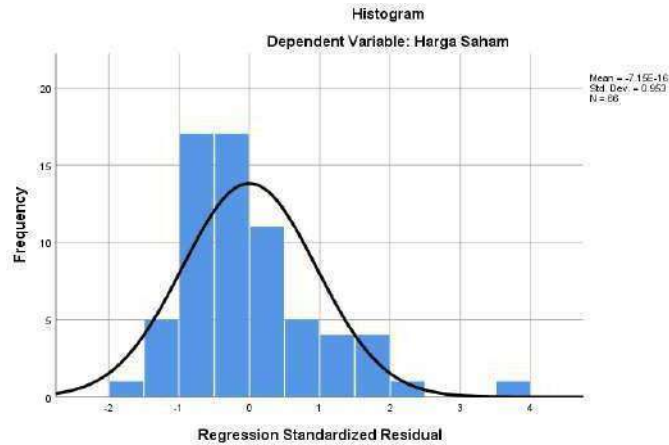
1. Consumer goods sector companies listed on the Indonesia Stock Exchange for the period 2021–2023.
2. Consumer goods sector companies that have published complete financial reports during the period 2021–2023.
3. Consumer goods sector companies that experienced losses in the period 2021–2023.

RESULTS

Normality Test

A normality test is a statistical process used to determine whether a data set is well-modeled by a normal distribution (also known as a Gaussian distribution) or whether it significantly deviates from it. The normal distribution is a fundamental concept in statistics, characterized by its bell-shaped curve, symmetric about the mean, and defined by specific parameters: mean and standard deviation.

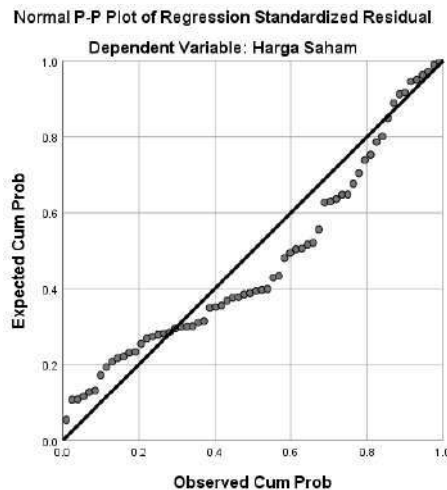
Figure 1. Histogram



Source: Research Data, 2024 (Processed)

The histogram illustrates a bell-shaped, symmetrical curve, indicating that the data is normally distributed and meets the assumption of normality.

Figure 2. Normal Probability Plot of Regression



Source: Research Data, 2024 (Processed)

The plot shows data points scattered around the diagonal line, closely following its pattern. This suggests that the residuals of the regression model are normally distributed.

| | | |
|----------------------------------|----------------|-------------|
| N | | 66 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 10.65328000 |



| | | | |
|-----------------------------|-------------------------|-------------|-------------------|
| Most Extreme Differences | Absolute | | .152 |
| | Positive | | .152 |
| | Negative | | -.081 |
| Test Statistic | | | .152 |
| Asymp. Sig. (2-tailed) | | | .001 ^c |
| Monte Carlo Sig. (2-tailed) | Sig. | | .083 ^d |
| | 99% Confidence Interval | Lower Bound | .076 |
| | | Upper Bound | .090 |

**Table 1. Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

Unstandardized Residual

- Test distribution is Normal.
 - Calculated from data.
 - Lilliefors Significance Correction.
 - Based on 10000 sampled tables with starting seed 2000000.
- Source: Research Data, 2024 (Processed)

The table indicates a significance value of 0.083, which is greater than 0.05. Therefore, it can be concluded that the data are normally distributed.

Multicollinearity Test

The results of the multicollinearity test are shown in table below:

Table 2. Multicollinearity Test (VIF Results)

| Model | | Collinearity Statistics | |
|-------|--------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Solvabilitas | .954 | 1.049 |
| | Profitabilitas | .938 | 1.066 |
| | Sales Growth | .868 | 1.152 |
| | Likuiditas | .919 | 1.088 |
| | Umur Perusahaan | .850 | 1.176 |
| | Perputaran Piutang | .854 | 1.172 |

Source: Research Data, 2024 (Processed)

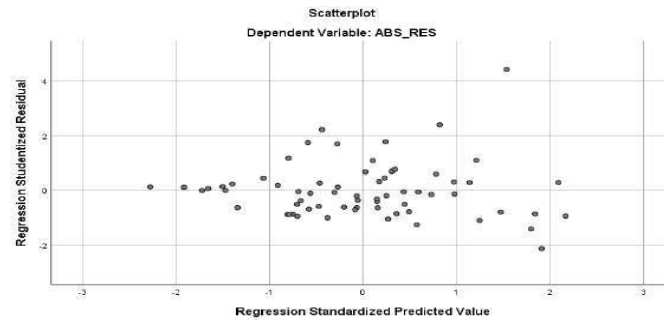
All variables have tolerance values > 0.1 and VIF values < 10 , indicating that there is no multicollinearity problem in this study.

Heteroscedasticity Test



The results of the heteroscedasticity test are shown in table below:

Figure 3. Scatterplot



Source: Research Data, 2024 (Processed)

The scatterplot shows points randomly distributed above and below the Y-axis without forming a specific pattern. This indicates the absence of heteroscedasticity in the regression model, confirming its suitability for predicting Purchase Decisions based on the independent variables.

**Table 3. Glejser Test Results
Coefficients^a**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|--------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 7.615 | 2.440 | | 3.121 | .003 |
| | Solvabilitas | -.053 | .301 | -.022 | -.178 | .860 |
| | Profitabilitas | -.301 | .281 | -.134 | -1.072 | .288 |
| | Sales Growth | -.413 | .285 | -.189 | -1.451 | .152 |
| | Likuiditas | .180 | .201 | .113 | .898 | .373 |
| | Umur Perusahaan | .106 | .057 | .245 | 1.864 | .067 |
| | Perputaran Piutang | -1.429 | .791 | -.237 | -1.807 | .076 |

a. Dependent Variable: ABS_RES

Source: Research Data, 2024 (Processed)

The significance level of each variable exceeds 0.05, confirming that heteroscedasticity is not present in the data.

Multiple Linear Regression

The results of multiple linear regression analysis are presented in table below:



Table 4. Multiple Regression Coefficient Results

| Model | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|--------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | -.600 | 4.052 | | -.148 | .883 | | |
| | Solvabilitas | 1.467 | .500 | .317 | 2.933 | .005 | .954 | 1.049 |
| | Profitabilitas | -.433 | .467 | -.101 | -.928 | .357 | .938 | 1.066 |
| | Sales Growth | -1.122 | .473 | -.268 | -2.373 | .021 | .868 | 1.152 |
| | Likuiditas | .329 | .333 | .109 | .988 | .327 | .919 | 1.088 |
| | Umur Perusahaan | .400 | .095 | .483 | 4.229 | .000 | .850 | 1.176 |
| | Perputaran Piutang | -2.616 | 1.313 | -.227 | -1.991 | .051 | .854 | 1.172 |

a. Dependent Variable: Harga Saham

Source: Research Data, 2024 (Processed)

The regression equation is:

$$\text{Stock Price} = -0.600 + 1.467 \text{ Solvency} - 0.433 \text{ Profitability} - 1.122 \text{ Sales Growth} + 0.329 \text{ Liquidity} + 0.400 \text{ Company Age} - 2.616 \text{ Receivables Turnover} + e$$

1. Constant (a) = -0.600. This means that if all independent variables, namely Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover, have a value of 0, then the Stock Price (Y) will be -0.600.
2. If there is an increase in Solvency, the Stock Price will increase by 1.467.
3. If there is an increase in Profitability, the Stock Price will decrease by 0.433.
4. If Sales Growth increases, the Stock Price will decrease by 1.122.
5. If Liquidity increases, then the Stock Price will increase by 0.329.
6. If the Company Age increases, then the Stock Price will increase by 0.400.
7. If Receivables Turnover increases, then the Stock Price will decrease by 2.616.

Coefficient of Determination (R²)

The results of coefficient of determination analysis are presented in table below:

Table 5. Coefficient of Determination Results
Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .587 ^a | .345 | .278 | 11.1818591 |

a. Predictors: (Constant), Perputaran Piutang, Likuiditas, Solvabilitas, Profitabilitas, Sales Growth, Umur Perusahaan

b. Dependent Variable: Harga Saham



Source: Research Data, 2024 (Processed)

Based on the table above, the Adjusted R Square determination coefficient value is 0.278. This shows that the variables Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover are able to explain their influence on Stock Price (Y) by 27.8%. Meanwhile, the remaining 72.2% comes from the influence of other independent variables that are not analyzed in this study.

Simultaneous Hypothesis Testing (F-Test)

The results of simultaneous hypothesis testing analysis are presented in table below:

Table 6. F-Test Results

| | | ANOVA ^a | | | | |
|-------|------------|--------------------|----|-------------|-------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 3884.531 | 6 | 647.422 | 5.178 | .000 ^b |
| | Residual | 7377.004 | 59 | 125.034 | | |
| | Total | 11261.536 | 65 | | | |

a. Dependent Variable: Harga Saham

b. Predictors: (Constant), Perputaran Piutang, Likuiditas, Solvabilitas, Profitabilitas, Sales Growth, Umur Perusahaan

Source: Research Data, 2024 (Processed)

Based on the table above, the Ftable value is 2.37 with a significance level of $\alpha = 5\%$ (0.05), while the Fcount is 5.178 with a sig.a value of 0.000. This shows that the results of the study support the alternative hypothesis (Ha) and reject the null hypothesis (H0). The comparison between Fcount and Ftable shows that simultaneously, the variables Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover have a positive and significant effect on Stock Prices.

Partial Hypothesis Testing (t-Test)

The results of partial hypothesis testing analysis are presented in table below:

Table 7. t-Test Results

| | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | -.600 | 4.052 | | -.148 | .883 | | |
| | Solvabilitas | 1.467 | .500 | .317 | 2.933 | .005 | .954 | 1.049 |
| | Profitabilitas | -.433 | .467 | -.101 | -.928 | .357 | .938 | 1.066 |
| | Sales Growth | -1.122 | .473 | -.268 | -2.373 | .021 | .868 | 1.152 |
| | Likuiditas | .329 | .333 | .109 | .988 | .327 | .919 | 1.088 |



| | | | | | | | |
|--------------------|--------|-------|-------|--------|------|------|-------|
| Umur Perusahaan | .400 | .095 | .483 | 4.229 | .000 | .850 | 1.176 |
| Perputaran Piutang | -2.616 | 1.313 | -.227 | -1.991 | .051 | .854 | 1.172 |

a. Dependent Variable: Harga Saham

Source: Research Data, 2024 (Processed)

1. The calculated t value for the Solvency variable (X1) shows that the calculated t (2.933) is greater than the t table (2.001) with a significance level of 0.005 which is greater than 0.05. This means that there is a partial significant influence between Solvency and Stock Price.
2. The calculated t value for the Profitability variable (X2) shows that the calculated t (0.928) is less than the t table (2.001) with a significance level of 0.357 which is greater than 0.05. This shows that there is no partial significant influence between Profitability and Stock Price.
3. The calculated t value for the Sales Growth variable (X3) shows that the calculated t (2.373) is greater than the t table (2.001) with a significance level of 0.021 which is less than 0.05. This shows that there is a partial significant negative influence between Sales Growth and Stock Price.
4. The calculated t value for the Liquidity variable (X4) shows that the calculated t (0.988) is less than the t table (2.001) with a significance level of 0.327 which is greater than 0.05. This means that there is no significant partial effect between Liquidity and Stock Price.
5. The calculated t value for the Company Age variable (X5) shows that the calculated t (4.229) is greater than the t table (2.001) with a significance level of 0.000 which is less than 0.05. This shows that there is a significant positive partial effect between Company Age and Stock Price.
6. The calculated t value for the Receivables Turnover variable (X6) shows that the calculated t (1.991) is less than the t table (2.001) with a significance level of 0.051 which is greater than 0.05. This shows that there is no significant partial effect between Receivables Turnover and Stock Price.

DISCUSSION

1. The calculated t value for the Solvency variable (X1) shows that the calculated t (2.933) is greater than the t table (2.001) with a significance level of 0.005 which is greater than 0.05. This means that there is a partial significant influence between Solvency and Stock Price.
2. The calculated t value for the Profitability variable (X2) shows that the calculated t (0.928) is less than the t table (2.001) with a significance level of 0.357 which is greater than 0.05. This shows that there is no partial significant influence between Profitability and Stock Price.
3. The calculated t value for the Sales Growth variable (X3) shows that the calculated t (2.373) is greater than the t table (2.001) with a significance level of 0.021 which is less than 0.05. This shows that there is a partial significant negative influence between Sales Growth and Stock Price.
4. The calculated t value for the Liquidity variable (X4) shows that the calculated t (0.988) is



- less than the t table (2.001) with a significance level of 0.327 which is greater than 0.05. This means that there is no significant partial effect between Liquidity and Stock Price.
5. The calculated t value for the Company Age variable (X5) shows that the calculated t (4.229) is greater than the t table (2.001) with a significance level of 0.000 which is less than 0.05. This shows that there is a significant positive partial effect between Company Age and Stock Price.
 6. The calculated t value for the Receivables Turnover variable (X6) shows that the calculated t (1.991) is less than the t table (2.001) with a significance level of 0.051 which is greater than 0.05. This shows that there is no significant partial effect between Receivables Turnover and Stock Price.
 7. The Ftable value is 2.37 with a significance level of $\alpha = 5\%$ (0.05), while the Fcount is 5.178 with a sig.a value of 0.000. This shows that the results of the study support the alternative hypothesis (Ha) and reject the null hypothesis (H0). The comparison between Fcount and Ftable shows that simultaneously, the variables Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover have a positive and significant effect on Stock Prices. The Adjusted R Square determination coefficient value is 0.278. This shows that the variables Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover are able to explain their influence on Stock Price (Y) by 27.8%. Meanwhile, the remaining 72.2% comes from the influence of other independent variables that are not analyzed in this study.

CONCLUSION

The conclusions that researchers can draw from the results of this study show that there is a partial significant effect between Solvency and Stock Price. There is no partial significant effect between Profitability and Stock Price. There is a partial significant negative effect between Sales Growth and Stock Price. There is no partial significant effect between Liquidity and Stock Price. There is a partial significant positive effect between Company Age and Stock Price. There is no partial significant effect between Receivables Turnover and Stock Price. Overall, Solvency, Profitability, Sales Growth, Liquidity, Company Age, and Receivables Turnover have a positive and significant effect on Stock Price.

LIMITATION

This research has several limitations that may impact the generalizability and accuracy of the findings. First, the study focuses only on consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2021-2023, which may not represent other industries or broader market conditions. Second, the study relies on secondary data, such as financial statements and stock prices, which could be subject to reporting inconsistencies. Additionally, the limited sample size of companies within the sector may not fully capture its diversity, and the short time frame may not account for longer-term trends or external factors. Lastly, due to time, resource, and data constraints, variables like market sentiment or economic events were not considered. Future research could expand the sample size, time period, and variables to provide a more comprehensive



analysis.

REFERENCES

- Adib and Ghofar (2023). *Investment Management: Fundamental, Technical, Investor Behavior and Stock Returns*. Yogyakarta.
- Agustina and Putra (2021). *Types of Stock Prices in the Capital Market*, Yogyakarta.
- Arsianti (2024). *Financial Performance Analysis*. Bandung: Alfabeta.
- Arvianti, Eri Yusnita and Herdiana Anggrasari. (2018). *Factors That Inhibit Character Education in Children of Farm Workers in Ponorogo Regency*. Kendari.
- Dirjomala (2023). *Critical Analysis of Financial Statements*. Jakarta: RajaGrafindo Persada.
- Kasmir (2018). *Financial Accounting Standards*. Jakarta: IAI.
- Hartati, et al. (2023). *Portfolio Theory and Investment Analysis*. Yogyakarta.
- Hutabarat (2021). *Capital Market and Portfolio Management*. Jakarta: Erlangga
- Hutabarat (2023). *Financial Management Theory, Concept and Application*, Yogyakarta.
- Hutabarat and Sucipto (2023). *Accounting Financial Report*, Jakarta: Raih
- Khasanah, et al. (2023). *Capital Market Theory and Application*. Jakarta; Nasinod Internusa.
- Priyatno, Duwi. (2018). *SPSS: Easy Data Processing Guide for Students and the Public*. Yogyakarta: Andi Offset.
- Riyanto, S., & Aglis, A. H. (2020). *Quantitative Research Methods in Management, Engineering, Education and Experiments*. Yogyakarta: Deepublish Publisher.
- Setyawan, et al. (2022). *Basics of Financial Management*. Jakarta: Erlangga.
- Sholihin, Mahfud. (2020). *Research Data Analysis Using Stata Software*. Yogyakarta: Andi Offset.
- Sugiyono. (2020). *Accounting Research Methods*. Yogyakarta: Deepublish Publisher.
- Supramono (2023). *Understanding Financial Reports*. Jakarta: Erlangga.
- Wardhani (2023). *Stock Market Analysis*. Jakarta; Salemba Empat.
- Wicaksona and Herlambang (2023). *Fundamental Analysis of Capital Markets*. Jakarta: Erlangga.
- Widawati and Wiryanata (2021). *Portfolio Theory and Investment Analysis*. Yogyakarta: BPFE.
- Wijaya and Purnama (2021). *Financial Management: Principles and Applications*. Jakarta: Indeks Grup Gramedia.
- Wiratman (2023). *Financial Management Theory and Applications*. BPFE. Yogyakarta.
- Yusuf, M., and Lukman, D. (2019). *Analysis of Research Data Theory & Applications in the Fisheries Sector*. Bogor: IPB Press.



The Effect Of Stewardship Climate And Employee Voice On Employee Performance At The Belawan Port Authority Office

Merdi Loi, Syaifuddin, Sofiyan

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

syaifuddin@unprimdn.ac.id

Abstract

Excellent workers cannot advance the company. As a result, employees must be considered. Therefore, this study will investigate whether management climate and employee voice affect employee performance at the Belawan Port Authority office. This study also collected data at the Belawan Port Authority office itself. The results of the study indicate that climate responsibility affects how well employees perform. Likewise, employee voice also has a significant influence on employee performance. Therefore, these two variables have a significant influence on the progress of the port company.

Keywords: Stewardship Climate, Employee Voice, Employee Performance, Belawan Port Authority Office

INTRODUCTION

The performance of human resource employees greatly influences the success of the organization (Wanta, 2021). Employee performance in an increasingly complex and competitive world of work is influenced by psychological and social factors that are formed in relationships between individuals in the workplace, as well as technical skills and knowledge possessed (Amran, 2022). Factors such as effective communication, emotional support, and understanding each other's roles are very important in creating a work environment that supports the achievement of organizational goals (Sitanggang, 2022).

Stewardship climate, an organizational culture that encourages openness, commitment, and shared responsibility, and creates a work environment that fosters trust and collaboration, is a component identified as an important factor in supporting employee performance (Ayambire et al., 2021). Mutual trust tends to encourage team members to innovate and share ideas without worrying about the consequences (McLeod et al., 2021). This is important for companies with a lot of operational complexity that often require input from multiple perspectives to make good decisions (Ma et al., 2021).

Previous studies have shown that climate management directly affects employee performance (Medeiros & Hoppen, 2021; Wei et al., 2021; Murtaza et al., 2021). However, research by Nijhof et al. (2019) states that climate management cannot always improve employee performance. Employees who perceive fairness in their work environment tend to be more open to feedback and more willing to work together to achieve desired outcomes (Lawson, 2019). This directly improves performance and job satisfaction and increases organizational resilience when facing operational problems (Ethics, 2019).

However, the fact that the situation in the Harbor Master's Office shows that there is no culture that encourages team members and leaders to prioritize group interests over their own personal interests. As a result, working relationships in this organization are often not based on trust, transparency, and shared responsibility. The inability of leaders to create a work environment that



supports cooperation and collective commitment is a major factor causing the lack of a strong stewardship climate. This problem affects the operational performance of the office, especially considering the important role it plays in managing maritime safety and port efficiency. In addition, the lack of a strong stewardship climate reduces the sense of ownership of the organization's goals and objectives.

In addition, employee voice, or the courage of employees to speak up about ideas, criticisms, and suggestions freely without fear, is a critical component that influences performance (Huebner & Zacher, 2023). Employees tend to be more emotionally and actively involved in the collective efforts of the organization because they feel that their opinions are valued (Kura, 2021). Employees who are encouraged to speak up can provide new perspectives to solve problems, which increases innovation and efficiency (Miao, 2020). By embracing

innovative ideas, organizations can become more flexible and responsive to changes in the external environment (Miao, 2020).

However, building a culture that supports employee voice remains a major challenge in many government organizations that have a hierarchical structure (Kao et al., 2022). Hierarchical structures often lead to greater power distance. As a result, employees worry that their opinions will not be heard or, worse, that it could negatively impact their careers. This creates a major barrier that blocks the flow of information that is critical to improving public services or improving work processes (Klaas & Yang, 2022). As a result, employees tend to lose motivation because there is no space to speak up and an open listening culture. Ultimately, this results in decreased productivity (Palmi et al., 2023).

To create an environment that supports employee voice, top management must commit to and implement cultural changes that include leadership training so that leaders can become active listeners (Kang, 2021). Even if recommendations cannot be implemented, leaders must demonstrate that all input is valued and taken seriously (Ajmal et al., 2024). Employee trust and happiness can be increased with this method. Additionally, organizations that prioritize two-way communication can speed up the decision-making process, prevent major crises, and encourage continuous innovation (Jiang et al., 2022).

Previous credible research shows that employee voice greatly influences employee performance (Dedahanov et al., 2022a; Amah, 2023; Baker & Sin, 2023). Empirical studies show that employees who convey ideas, criticisms, or suggestions feel heard and valued. This can increase productivity, work engagement, and commitment to organizational goals (Budd et al., 2023). Employee language helps produce a more inventive work environment, where innovative solutions emerge more often because employees feel encouraged to actively participate (Cox et al., 2021). According to another study by Ge (2020), employee voice increases the relationship of trust between employees and management, which in turn increases productivity and speed of decision-making.

However, the research findings of Ullah et al. (2023) offer a more complex perspective. Employees found that employee voice does not always have a direct impact on employee performance. This relationship sometimes depends on management support and a good work environment. Employee voice does not have a positive impact on performance if their voices are not taken seriously or if the work environment does not encourage action based on their input. In addition, elements such as hierarchical structure, clarity of communication, and bureaucratic organizational culture can make



employee voice less effective.

However, as seen in the Port Authority Office and Port Authority of Belawan, employee voice is often a problem due to the hierarchical and bureaucratic organizational structure. This structure hinders communication, making employees reluctant to provide criticism, suggestions, or ideas to their superiors. Many employees choose to remain silent rather than speak out for fear of negatively impacting their careers and fear that their opinions will not be valued or heeded.

This lack of employee voice causes many important issues in daily operations to often go undetected or not resolved quickly. In addition, employees believe that their work environment hinders new ideas and innovation, which could improve the effectiveness of port services. The absence of a culture where everyone can talk to each other has an impact on employee morale and engagement. If employees feel that their opinions are not heard or valued, they tend to lose

their morale, which in turn has a negative impact on organizational performance and productivity. This lack of voice can have negative impacts, such as slowing down incident response and reducing the quality of service to stakeholders, considering that the Harbormaster Office and the Belawan Port Authority have a major responsibility to manage maritime safety and port operational efficiency. Based on the emerging phenomena and previous research that the researcher has described, the researcher is interested in testing the extent to which Stewardship Climate and Employee Voice Influence Employee Performance at the Belawan Port Authority Office.

LITERATURE REVIEW

Employee Performance

Employee performance greatly influences the success of the company in achieving its goals (Hadiansyah & Chandrarin, 2024). The company really hopes that every employee will work well. Leaders will also find it very easy to place employees according to their abilities. Thus, employee performance must be evaluated and given rewards and punishments to employees who do not meet the standards (Peterson, 2024). According to Sedermayanti (2013), performance is defined as the work results achieved by a worker, management process, or organization as a whole, which can be clearly demonstrated and measurable (compared to predetermined standards). On the other hand, according to Hasibuhan (2015), performance is the work results achieved by a person in carrying out the tasks assigned to him based on their skills, talents, and abilities. Then according to (Mangkunegara, 2013) Performance (work achievement) is the work results in terms of quality and quantity achieved by an employee in carrying out his duties according to the responsibilities given to him. According to (Sutrisno, 2016) Performance is the result of employee work seen from the aspects of quality, quantity, working time, and cooperation to achieve the goals set by the organization.

Organizations need performance appraisals. In addition, government organizations prioritize performance appraisals as a tool to measure how far employees do their jobs to achieve organizational work results (Gogsido et al., 2024). To improve employee performance, it means improving employees' ability to carry out their duties so that they can achieve organizational goals (Aggarwal, 2024). In addition, employee work ethic and discipline are greatly needed to be improved so that the time given to do the job can be used well.

Stewardship Climate

Management Theory (Donaldson and Davis, 1991) is the basis of this research. This theory



explains the situation where management is motivated by personal or individual goals, but is more focused on achieving the main goals that benefit the organization as a whole. In such a situation, management theory emphasizes that managers, or stewards, act in the interests of the organization and seek to protect and maximize the wealth of the organization. Therefore, this theory is very relevant to be applied to accounting research of public sector organizations (such as governments and other non-profit institutions).

According to stewardship theory, there is a close relationship between organizational success and owner satisfaction. According to stewardship theory, managers strive to protect and maximize organizational assets so that company performance can be optimized and organizational profits can be maximized. To achieve the common good, managers or stewards will align employee personal goals with organizational or owner goals. This does not mean that stewards do not have personal needs, but rather emphasizes that organizational success depends on the satisfaction and welfare of owners or general stakeholders (Raharjo, 2007).

In climate stewardship, principles such as diversity, transparency, collaboration, and accountability are emphasized. The organizational environment actively supports stewardship behavior, meaning that managers and team members are committed to acting in the overall interests of the organization (Ma et al., 2021). This concept is considered a way to create an organizational culture that encourages leaders to work together, make responsible decisions, and achieve the company's long-term goals (Murtaza et al., 2021).

A good stewardship climate can enhance collaboration across the organization, fostering trust between managers and stakeholders (McLeod et al., 2021). It also includes managing resources to ensure that decisions made focus not only on short-term results but also on the long-term sustainability and well-being of the company (Ayambire et al., 2021).

Employee Voice

Hirschman's (1971) work examining how organizations respond to exit and voice stems from the concept of "employee voice." Hirschman's Exit-Voice-Loyalty framework attempts to explain why some customers who are dissatisfied with a company's product will stay and resist rather than switch to another product (Lewin and Mitchell 1992). Freeman and Medoff (1984) broadened the spectrum of voice to include consensual choice where employees can help improve organizational performance by contributing their ideas and conflict where employees can express their dissatisfaction.

Employee voice is used in contemporary literature to address the issue of employee involvement and participation. Researchers (Salamon, 2000; Hyman and Hyman, 1995; Heller et al, 1998; Strauss, 2006) have found that there are differences between the two terms, but they have not been able to make a clear distinction. Most researchers use employee voice, employee

involvement, and employee participation (Marchington et al 1994; Acker et al 2006; Van Buren and Greenwood 2008) to describe how employees are involved in organizational decision making. Although there are various terms used, such as employee participation, employee involvement, or employee voice, the core of the issue is the role of employees in the decision-making areas of organizational life, and the ability of management to give employees some degree of control over decisions made by the organization that affect their own employees. The same order is also used by researchers to operationalize the concept (Marchington et al 1994; Cox et al 2006).

Employee voice has gradually evolved from its industry-based representational group structure, according to modern empirical evidence. This is recognized in modern HRM literature (Rees, Alfes &



Gatenby, 2013). The breadth of employee voice also includes opinions on matters other than organizational policy and decision-making (Wilkinson & Fay, 2011). Across large groups, small teams, and even entire work units, there are contextual applications and references to employee voice. Recent perspectives on employee voice are more appropriate to view it as a contextual behavioral or performance outcome that contributes to organizational performance (Yoon, 2012). In this regard, it is important to remember that employee voice behavior is an important component in improving organizational performance (Morrison, 2011). Previous studies have suggested that employee voice behavior may contribute to organizational performance by emphasizing employee autonomy (Heffernan & Dundon, 2015; Botero, 2013).

According to Dundon et al. (2021), employee voice is a system that allows employees to actively participate in decision-making that impacts their work. Having an effective channel makes employees feel valued and makes them more motivated to help achieve organizational goals. Employees then argue that employee voice is a way to convey their complaints and opinions, which not only improves workplace relationships but also increases commitment and loyalty (Klaas & Yang, 2022). They also emphasize the importance of management support to encourage employee voice to become a formality. Furthermore, employee voice is a form of participation that can serve as a "protector" for employees to ensure their rights are protected and their job satisfaction increases (Budd et al., 2023). Employees divide employee voice into two categories: constructive and destructive voice.

According to Mowbray et al. (2023), employee voice plays a significant role in reducing employee turnover because it makes them feel in control of their work environment and contribute to it. Thus, employee voice increases the sense of ownership in employees and has an impact on increasing organizational effectiveness. Employees who feel their voices are heard increase innovation and work performance because they are encouraged to share ideas that may benefit the organization.

Organizational culture and the leadership style applied are closely related to a number of variables that influence employee voice (Ajmal et al., 2024). Organizational culture is very important for encouraging employee voice because it determines the extent to which they feel safe and supported to convey their ideas and input (Dedahanov et al., 2022b). A healthy organizational culture includes transparency throughout the organization and creating a psychologically safe environment so that employees feel comfortable speaking up (Towers & Smith, 2022). This kind of work culture shows that the company values employee opinions and uses them to make decisions and improve processes (Amah, 2023; Du, 2021).

The main factor influencing the effectiveness of employee voice is supportive leadership. Transformational leadership style, which encourages active and open participation, usually shows an empathetic, supportive, and development-focused attitude towards employees, which builds trust and elevates employee voice (Badru et al., 2024; Baker & Sin, 2023). With this leadership style, employees feel that their contributions and positions are valued, which has a positive impact on the organization (Li et al., 2020; Duan et al., 2020).

Employee voice or employee voice can come in various forms depending on the organizational culture and communication structure (Ge, 2020). It is possible for employees to convey their ideas, input, or concerns in a way that is most effective and appropriate to their work context by using these forms (Stanojevic et al., 2020). The direct employee voice approach allows employees to communicate directly with management without going through an intermediary (Villiers, 2021). This approach allows employees to convey their ideas, criticisms,



or solutions quickly (Cox et al., 2021). Informal discussions, face-to-face meetings, or direct feedback sessions are the most common ways to realize direct voice (J. Liu et al., 2021). This method has the potential to increase organizational responsiveness because management can hear and respond to employee input in real-time (Soomro et al., 2021). In addition, direct communication also strengthens relationships between individuals in the organization, creating a higher sense of trust and engagement (Wilkinson et al., 2021).

In contrast, implicit voice occurs when employee representatives are represented by a third party, such as an employee representative team or a union (Dedahanov et al., 2022b). Kemudim (Budd et al., 2023) states that this allows employees to voice their opinions collectively, giving them more power to negotiate, and increasing their role in the organization's decision-making process. By using implicit voice, employee representatives can raise broad-reaching issues, such as job safety, wage policies, and general welfare, that may be difficult to convey individually. In addition, implicit communication helps management discover common employee needs or problems. This is because communication focuses on collective issues, not just individual issues (X. Liu et al., 2022).

If employees have better skills, they will be more committed to the organization and will be more motivated to communicate better to achieve organizational success (Nisar et al., 2020). According to research conducted by Van Dyne and LePine (1998), there are two types of voices that are commonly conveyed in everyday life: promotive voice and prohibitive voice. Prohibitive voice prevents things that are harmful to the organization, such as losing time, difficulties in the process, and other risks. If organizations implement this voice behavior well, both will experience increased creativity, which will help achieve common goals (Ruck et al., 2017).

RESEARCH METHOD

This study is included in the category of literature and associative. This method is expected to find a clear pattern or form of influence among the variables studied. Ultimately, this method will provide a deeper understanding of the phenomenon being studied. This study not only explains the existing relationship, but also predicts what will happen if one of the variables changes. Therefore, the findings of this study can be used to build broader theories and better decision-making practices. Medan Belawan Port will be the subject of this study. This study involved employees of the Harbormaster's Office and the Belawan First Class Port Authority. For this study, the researcher used a total sample. Where 305 employees were selected for the research sample.

Parameters and Operational Variables

In more detail, the operationalization of variables to answer the problem identification can be seen in Table 1 below:

Table 1. Operational Definition of Variables

| Variables | Variable Definition | Variable Indicator | Scale |
|------------------|----------------------------|---------------------------|--------------|
|------------------|----------------------------|---------------------------|--------------|



| | | | |
|--------------------------|--|---|---------|
| Employee Performance (Y) | Employee performance is the level of achievement of individual tasks and responsibilities evaluated against organizational standards. This performance reflects how effective and productive an employee is in carrying out his/her work, as well as his/her contribution to the goals and results that the organization wants to achieve. | <ol style="list-style-type: none"> 1. Achievement of work targets or objectives 2. Productivity and efficiency in carrying out tasks 3. Quality of work results produced 4. Discipline and attendance at work 5. Ability to adapt and work in a team | Ordinal |
| Climate Stewardship (X1) | Stewardship climate is a work environment that encourages employees to act in the collective interests of the organization, strengthening responsibility and commitment to the common interest, rather than only prioritizing individual interests. | <ol style="list-style-type: none"> 1. Commitment to organizational goals 2. Teamwork orientation 3. Involvement in decision making 4. Concern for coworkers and work environment | Ordinal |
| Employee Voice (X2) | Employee voice merupakan tingkat keterlibatan pegawai dalam menyampaikan pendapat, ide, atau kritik yang konstruktif untuk memperbaiki proses dan meningkatkan kinerja organisasi. | <ol style="list-style-type: none"> 1. Frequency of conveying ideas or suggestions 2. Courage to express opinions in forums 3. Openness to constructive criticism 4. Influence of input given on management decisions | Ordinal |

Data Collection

The data collection procedure is carried out through a series of steps involving searching, obtaining, collecting, and recording relevant data. The data collected can be primary data or secondary data taken from existing literature or other sources. The data collection technique used is through a



questionnaire. The measurement scale in this study is a Likert scale with a gradation from the lowest to the highest.

Validity and Reliability

Validity testing is usually done to ensure whether the question items in a research instrument have the ability to measure what is intended to be measured. The purpose of this test is to assess how well the tools or components used are in accordance with the construct or variable being studied. Depending on the type of research and the purpose of the measurement, various concepts of validity can be used. The types of validity commonly used in economic research are used in this study: construct validity and content validity. Construct validity measures the extent to which the items in a research instrument reflect the intended construct, while content validity measures the extent to which the items cover all aspects of the intended construct.

Data Analysis Method

This study uses Partial Least Square - Structural Equation Modeling (PLS-SEM) to analyze data with the aim of analyzing paths with latent variables. This method is often referred to as second-generation multivariate analysis (Ghozali, 2013). Structural equation analysis (SEM), which is based on variance, has the ability to test structural and measurement models simultaneously. One of the purposes of using Partial Least Square (PLS) is to make predictions, especially regarding the prediction of relationships between constructs. PLS also helps researchers obtain latent variable values for prediction purposes. The linear aggregate of related metrics is called a latent variable. The end result is a reduction in residual variance from the dependent variable; this includes the indicators involved and the latent variables.

RESULT AND DISCUSSION

The Effect of Stewardship Climate on Employee Performance

Stewardship climate is a workplace culture that encourages people to feel responsible and trusted in maintaining the interests of the organization and the well-being of their coworkers

(Escrig & Gómez, 2019). In organizations, stewardship climate can be interpreted as a culture that supports collaboration, trust, responsibility, and commitment to achieving common goals (Nijhof et al., 2019). When an organization has a strong stewardship climate, employees usually feel more motivated to make positive contributions and work with integrity for the common good and success of the organization (Medeiros & Hoppen, 2021).

According to Lachmund (2022), climate stewardship creates an emotional bond between employees and the organization, which increases employee commitment to their work. Employees are more motivated to work extra hard because this commitment improves performance (Kaaipanda, 2023). Because they feel trusted and given full responsibility, employees are more motivated to perform to the best of their abilities. Employees have more freedom to work more effectively, which in turn improves overall performance (Badru et al., 2024). Climate stewardship also creates a work environment that supports collaboration. With this support and collaboration, knowledge and skills can be transferred, which increases team productivity and efficiency. As a result, individual and overall organizational performance can be substantially improved (Mahsud et al., 2024).

Employees are less likely to have conflict in the workplace if the work environment has trust and shared responsibility (Nelson et al., 2022). Employee job satisfaction levels increase when conflicts between them are minimized. This makes employees more focused and more productive. Employees



feel more comfortable in the workplace and are more motivated to do their best to achieve organizational goals.

Previous studies have shown that climate management can improve employee performance (Murtaza et al., 2021; Kearns, 2022; Badru et al., 2024). A work environment supported by climate stewardship makes employees more open and adaptive. Employees are motivated to make continuous improvements in their work if this culture exists. They will also concentrate on achieving short-term targets (Neubaum et al., 2016). Proactive strategies improve overall performance and quality, resulting in greater contributions to the company (Reddy, 2021). Employees feel a greater sense of ownership and responsibility because of the management environment. This encourages them to work harder to achieve common goals (Lachmund, 2022).

H1: Stewardship climate has a significant effect on employee performance

The Impact of Employee Voice on Employee Performance

Employee voice refers to the ability and opportunity that employees have to convey their ideas, input, and views on various aspects of the workplace (X. Liu et al., 2022). This idea also includes the organization's readiness to be open and receptive to employee opinions in terms of policy formation and decision making (Zhu et al., 2022). By encouraging employee voice, organizations not only provide space for employee participation but also show that employee opinions are valued and considered in every process that affects the work environment and organizational progress (Dedahanov et al., 2022a).

Employees who feel heard and valued are more likely to be motivated to perform to the best of their ability (Speak et al., 2016). Listening to employees' opinions can increase their sense of ownership of their work, which in turn leads to higher levels of satisfaction and motivation. When an employee feels their voice is valued, they tend to be more loyal to the organization and more committed (Ashiru et al., 2022). Voice of the Employee provides an opportunity for employees to contribute innovative ideas and solutions, which can improve operational efficiency. Employees typically have a deep understanding of the day-to-day work processes, so their opinions can contribute to innovations that improve the productivity and quality of the organization's performance (Hosseini et al., 2022). Because employees have the freedom to voice their opinions without worrying about adverse consequences, the work environment becomes more open and friendly. This helps reduce anxiety and stress, and encourages better collaboration among employees. This positive environment improves employees' psychological well-being, which ultimately contributes to improved employee performance (Y. Song et al., 2022).

When employees have the opportunity to voice their opinions, they tend to be more satisfied and emotionally engaged with their jobs (Dua et al., 2023). Since employees have a strong connection with the company and feel they are being treated fairly, this can reduce

absenteeism and turnover. Additionally, employee input helps management make more relevant and effective decisions because they provide a deeper understanding of the issues faced in the field (Ullah et al., 2023). By involving employees in the decision-making process, companies can reduce the chances of errors and make more accurate decisions. Thus, the overall performance of the organization will increase (Nizam & Hameed, 2023).

According to previous studies, employee voice benefits employee performance (Amah, 2023; Yuan et al., 2023; Pourghafai et al., 2023). Because they have the opportunity to voice their opinions and thoughts, employees feel more connected to the company's goals and vision. This increases employee participation and engagement, which is directly correlated to better performance (Journal &



Communication, 2023). When employees feel valued and heard, they tend to feel more accountable for what they do. They are also more motivated to perform to the best of their ability (Elifneh & Embilo, 2023). A higher sense of responsibility and motivation will encourage employees to work harder to achieve better results, which impacts the overall performance of the organization (Sibunruang & Kawai, 2023).

H2: Employee voice has a significant effect on employee performance

CONCLUSION

Based on the results of the research and analysis in the study above. It is concluded that Stewardship Climate has an influence on employee performance. Likewise, the second variable, namely Employee voice, also has a positive and significant influence on employee performance. So it can be said that Stewardship Climate and Employee voice have an important role in advancing employee performance at Belawan port. Therefore, both variables must be considered by leaders in the port company.

REFERENCES

- Aggarwal, S. (2024). Impact of dimensions of organisational culture on employee satisfaction and performance level in select organisations. *IIMB Management Review*, 1–30. <https://doi.org/10.1016/j.iimb.2024.07.001>
- Ajmal, M., Sareet, Z., & Islam, A. (2024). Unleashing innovation through employee voice behavior in the hotel industry: the impact of ambidextrous leadership on innovative work behavior. *Journal of Hospitality and Tourism Insights*, 10–11. <https://doi.org/10.1108/JHTI-08-2023-0564>
- Amah, O. E. (2023). Examining leaders' emotional intelligence as a distal antecedent of employee engagement: The role of employee voice and trust in direct leadership. *Africa Journal of Management*, 9(2), 117–133. <https://doi.org/10.1080/23322373.2023.2187612>
- Ashiru, J. A., Erdil, G. E., & Oluwajana, D. (2022). The linkage between high performance work systems on organizational performance, employee voice and employee innovation. *Journal of Organizational Change Management*, 35(1), 1–17. <https://doi.org/10.1108/JOCM-02-2021-0039>
- Ayambire, R. A., Pittman, J., & Olive, A. (2021). Incentivizing stewardship in a biodiversity hot spot: Land managers in the grasslands. *Facets*, 6, 1307–1322. <https://doi.org/10.1139/FACETS-2020-0071>
- Badru, A. F., Karadas, G., Olugbade, O. A., & Hassanie, S. (2024). Can employees' trust their supervisor? The role of high-performance work systems and stewardship climate on employee voice. *Heliyon*, 10(19), 1–15. <https://doi.org/10.1016/j.heliyon.2024.e37795>
- Baker, & Sin. (2023). Transformational Leadership and Employee Voice: Enhancing Communication Channels in the Workplace. *Leadership Quarterly*, 34(3), 1–18.
- Budd, Gollan, & Wilkinson. (2023). Employee Voice at Work: A Review of Theoretical Perspectives and Future Research Directions. *Journal of Management Studies*, 60(2), 435–462.
- Cox, Marchington, & Suter. (2021). Direct Employee Voice: Perspectives and Practices in Contemporary Workplaces. *Human Resource Management Journal*, 34(1), 957–974.
- Dedahanov, A. T., Fayzullaev, A. K. ugli, Abdurazzakov, O. S., Rakhmonov, D. A., & Zakirova, O. (2022a). Paternalistic Leadership Styles and Employee Voice: The Roles of Trust in Supervisors and Self-Efficacy. *Sustainability (Switzerland)*, 14(19), 1–14.



<https://doi.org/10.3390/su141912805>

- Dedahanov, A. T., Fayzullaev, A. K. ugli, Abdurazzakov, O. S., Rakhmonov, D. A., & Zakirova, O. (2022b). Paternalistic Leadership Styles and Employee Voice: The Roles of Trust in Supervisors and Self-Efficacy. *Sustainability (Switzerland)*, *14*(19), 1–15. <https://doi.org/10.3390/su141912805>
- Du, J. (2021). The Influences of Trust in Leader on the Employees' Voice Behavior: The Mediating Role of Psychological Safety. *Asia-Pacific Journal of Business Review*, *6*(1), 1–19. <http://dx.doi.org/10.3390/su141912805>
- Dundon, Wilkinson, Marchington, & Ackers. (2021). Employee Voice in the New Workplace: Examining Modern Mechanisms and Processes. *British Journal of Industrial Relations*, *59*(3), 601–620.
- Elifneh, Y., & Embilo, T. (2023). The effect of organizational culture on employees' performance in research institutes. *Brazilian Journal of Operations & Production Management*, *20*(2), 1603. <https://doi.org/10.14488/bjopm.1603.2023>
- Escrig, E. D., & Gómez, R. C. (2019). The Influence of Leaders' Stewardship Behavior on Innovation Success : The Mediating Effect of Radical Innovation. *Journal of Business Ethi*, 1–20.
- Ethics, B. (2019). The Influence of Leaders' Stewardship Behavior on Innovation Success : The Mediating Effect of Radical Innovation. *Journal of Business Ethics*, 1–20.
- Ge, Y. (2020). Psychological safety, employee voice, and work engagement. *Social Behavior and Personality*, *48*(3), 47–48. <https://doi.org/10.2224/SBP.8907>
- Gogsido, S., Getahun, D., & Alemu, Z. (2024). Transforming Ethiopian higher education institutions: Multilevel analysis of high-performance work systems, engagement, and justice. *Heliyon*, *10*(12), 1–19. <https://doi.org/10.1016/j.heliyon.2024.e32942>
- knowledge employee voice among the knowledge-based companies: the case of an emerging economy. *Revista de Gestao*, *29*(2), 117–138. <https://doi.org/10.1108/REGE-03-2021-0037>
- Huebner, L. A., & Zacher, H. (2023). The role of mean item ratings, topic distance, direct leadership, and voice climate in action planning after employee surveys. *Acta Psychologica*, *238*(May), 1–16. <https://doi.org/10.1016/j.actpsy.2023.103950>
- Jiang, J., Ding, W., Wang, R., & Li, S. (2022). Inclusive leadership and employees' voice behavior: A moderated mediation model. *Current Psychology*, *41*(9), 6395–6405. <https://doi.org/10.1007/s12144-020-01139-8>
- Kang, W. R. L. S. B. C. S.-W. (2021). How leaders' positive feedback influences employees' innovative behavior: The mediating role of voice behavior and job autonomy. *Sustainability (Switzerland)*, *13*(4), 1–13. <https://doi.org/10.3390/su13041901>
- Kao, K.-Y., Hsu, H.-H., Thomas, C. L., Cheng, Y.-C., Lin, M.-T., & L, H.-F. (2022).
- Kearns, A. J. (2022). Leadership as Stewardship: What Does the Story of the Unjust Steward Have to Say? *Leadership and Business Ethics*, *60*, 425–440. https://doi.org/10.1007/978-94-024-2111-8_25
- Klaas, & Yang. (2022). Employee Voice and Organizational Effectiveness: A Meta-Analytic Review of the Research Literature. *Journal of Organizational Behavior*, *43*(1), 82–100.
- Kura, K. M. (2021). Employee Voice , Employee Engagement and Business Performance : Understanding the links in a Mediated Model. *Annals of Contemporary Developments in Management & HR (ACDMHR)*, *3*(3), 10–19.



<https://doi.org/10.33166/ACDMHR.2021.03.002>

- Lachmund, J. (2022). Stewardship practice and the performance of citizenship : Greening tree- pits in the streets of Berlin. *EPC: Politics and Space*, 40(6), 1290– 1306. <https://doi.org/10.1177/23996544211070204>
- Lawson, A. (2019). A conceptual framework for exploring voluntary stewardship programs for land managers as a tool of New Environmental Governance. *Australasian Journal of Environmental Management*, 26(2), 1–11.
- Mahsud, Z., Roy, P., Abuhalawah, S. I., Haque, J., Akter, F., & Hossain, M. K. (2024). Green Leadership And Communication: The Dynamic Duo For Sustainable Management And Environmental Stewardship Reduced A Negative Impact On Human Activities. *Remittances Review*, 6588(July), 1089–1110.
- Mangkunegara, A. P. A. (2013). *Perencanaan Dan Pengembangan Sumber Daya Manusia*. PT. Rafika Aditama.
- McLeod, J., Shilbury, D., & Ferkins, L. (2021). Board roles in Scottish football: an integrative stewardship-resource dependency theory. *European Sport Management Quarterly*, 21(1), 39–57. <https://doi.org/10.1080/16184742.2019.1699141>
- Medeiros, M. M., & Hoppen, N. (2021). The Role Of Big Data Stewardship And Analytics As Enablers Of Corporate Performance Management. *Revista de Administration*, 6971(6), 1–32. <https://doi.org/10.1590/1678-6971/eRAMD210063>
- Miao, R. (2020). The High-Performance Work System , Employee Voice , and Innovative Behavior : The Moderating Role of Psychological Safety. *Int. J. Environ. Res. Public Health*, 17, 1–17.
- Mowbray, Wilkinson, & Tse. (2023). Employee Voice and Innovation: Pathways to Organizational Improvement. *Human Relations*, 76(2), 309–333.
- Murtaza, S. A., Mahmood, A., Saleem, S., Ahmad, N., Sharif, M. S., & Molnár, E. (2021). Proposing stewardship theory as an alternate to explain the relationship between CSR and employees’ pro-environmental behavior. *Sustainability (Switzerland)*, 13(15), 1–5. <https://doi.org/10.3390/su13158558>
- Nelson, S., Ira, G., & Merenlender, A. M. (2022). Adult Climate Change Education Advances Learning , Self-Efficacy , and Agency for Community-Scale Stewardship. *Sustainability*, 1–18.
- Neubaum, D. O., Thomas, C. H., Dibrell, C., & Craig, J. B. (2016). Stewardship Climate Scale : An Assessment of Reliability and Validity. *Family Business Review*, 1–15. <https://doi.org/10.1177/0894486516673701>
- Nijhof, A., Schaveling, J., & Zalesky, N. (2019). Business , society , and the need for stewardship orientation. *Journal of Organizational Change Management*, 10–12. <https://doi.org/10.1108/jocm-09-2017-0348/full/html>
- Nizam, K., & Hameed, S. (2023). Examining Empowering Leadership’s Impact on Trust and Employee Voice Behavior: A PLS SEM Model Analysis. *Pakistan Journal of Humanities and Social Sciences*, 11(3), 3548–3559. <https://doi.org/10.52131/pjhss.2023.1103.0635>
- Palmi, M., Rügger, S., Holzer, M., & Oghazi, P. (2023). The “golden” voice of “green” employees: The effect of private environmental orientation on suggestions for improvement in firms’ economic value creation. *Journal of Business Research*, 156(November 2022).



<https://doi.org/10.1016/j.jbusres.2022.113492>

- Peterson, T. (2024). Engagement Without Impact: A Study of Employee Performance in Various Organizations. *Journal of Management Studies*, 59(4), 550–565.
- Pourghafai, S., Tavakoli, A. M., Salajegheh, S., Soltani, M. D., & Rafsanjani, M. E. (2023). A Study on the Dimensions of Employee Voice in Government-Owned Banks (Case Study: Headquarters of Agricultural Bank and its Branches in Tehran). *Public Management Research*, 15(58), 209–232.
- Reddy, B. V. (2021). The Emperor's New Code? Time to Re-Evaluate the Nature of Stewardship Engagement Under the UK's Stewardship Code. *Modern Law Review*, 84(4), 842–873. <https://doi.org/10.1111/1468-2230.12636>
- Sedermayanti. (2013). *Manajemen Sumber Daya Manusia Repormasi Birokrasi Dana Manajemen Pegawai Negeri Sipil*. PT. Rafika Aditama.
- Sibunruang, H., & Kawai, N. (2023). The instrumental role of employee voice in achieving promotability: social influence perspective. *Personnel Review*, 52(3), 687–702. <https://doi.org/10.1108/PR-05-2020-0332>
- Sitanggang, R. (2022). The Influence Of Servant Leadership On Performance, Loyalty And Shalom Community At Xyz School Tangerang. *Jurnal Pendidikan Tambusai*, 6, 14606–14617.
- Stanojevic, A., Akkerman, A., & Manevska, K. (2020). Good Workers and Crooked Bosses: The Effect of Voice Suppression by Supervisors on Employees' Populist Attitudes and Voting. *Political Psychology*, 41(2), 363–381. <https://doi.org/10.1111/pops.12619>
- Sutrisno, E. (2016). *Manajemen Sumber Daya Manusia. Edisi Pertama*. Prenada Media Group.
- Towers, & Smith. (2022). Culture and Employee Voice: Creating an Inclusive and Supportive Environment. *International Journal of Human Resource Management*, 33(5), 933–948.
- Ullah, S., Bilal, M., & Akbar, U. (2023). Impact of Perceived Organizational Politics on Employee Voice Behavior. *NICE Research Journal*, 16(2), 23–60. <https://www.researchgate.net/publication/374588309>
- Villiers, C. (2021). Corporate governance, employee voice and the interests of employees: The broken promise of a “world leading package of corporate reforms.” *Industrial Law Journal*, 50(2), 159–195. <https://doi.org/10.1093/inclaw/dwaa017>
- Wanta, D. (2021). The Effect of Servant Leadership , Job Satisfaction and Organizational Culture on Employee Performance Moderated by Good Governance in Women ' s Cooperative Institution. *Technium Sustainability*, 1(2), 45–58.



The Effect Of Tariff, Infrastructure And Distance On Customer Retention At Belawan Container Depo

Riza Nasution & Syaifuddin

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

syaifuddin@unprimdn.ac.id

Abstract

This study aims to study and analyze the following factors: tariff, infrastructure, distance, type, and structure on customer retention with word of mouth as a moderating variable at Belawan Container Depot. The population of this study is consumers of Belawan Container Depot. For this study, the sample used was 150 respondents, taken through a purposive sampling technique. Data analysis was carried out using the Structural Equation Model Partial Least Square (SEM PLS). The results showed that infrastructure and structure had a positive and significant effect on customer retention, but tariff, distance, and type did not have a significant effect on customer retention. Word of mouth was also able to moderate the negative and significant impact of tariffs on customer retention, as well as the positive and significant impact of type. While infrastructure, such as distance and structure, do not affect customer retention although moderated by word of mouth. To increase customer retention, the rates offered must be reasonable, the types of services and products offered must meet customer needs, the existing work processes are carried out well, and the existing facilities must be comfortable.

Keywords: Cost, Infrastructure, Distance, Customer Retention.

INTRODUCTION

As the largest archipelagic country, Indonesia greatly needs a broad and developed maritime sector so that it can help the country achieve its economic, social, and political goals. The development of the maritime sector can help the integration of the archipelago's economy, allow for the unhindered movement of commodities and labor between islands, and offer successful competition with other countries to provide various commodities such as ship repair services, tourism, and maritime self-sufficiency that avoids draining general government revenues, which can be used more to achieve universal social services, such as education and health (Gultom, 2007).

Sea transportation is very important in an archipelagic country like Indonesia. Sea transportation is the best way to transport goods between islands and countries because it has a much larger carrying capacity. This makes sea transportation a very efficient means of transportation compared to other transportation methods.

One of these systems is using containers as a means of supporting transportation. This container transportation system is widely used by service users in sending goods because it is more efficient and the goods are not easily damaged, so that in terms of security it will be guaranteed. In addition, loading and unloading is easier and can be transported by various means of transportation, which allows multimodal operations, highways, trains, and ships.

One of the container shipping routes in North Sumatra is the Belawan Container Terminal. This allows many container depots to emerge to store and store containers before being sent to their destination. Container depots offer container stacking services for shipping



and leasing companies that do not have a place to store them. Container depots are also an important means to support international trade in the form of export and import activities, and function as a place to store empty containers. Container depots play an important role in the growth of trade through sea lanes. This is due to the fact that the more depots that are established, the more business opportunities will open up for entrepreneurs who want to expand and expand their businesses.

The speed of loading and unloading is greatly influenced by the presence of a depot, and the area of the depot determines the number of containers that can be accommodated. The function of the container depot is also very helpful in reducing the density of container stacking. Ultimately, the flow of container loading and unloading can be hampered because the stacking land at the port is insufficient to meet the needs of container loading and unloading (Pramono et al., 2019). However, as a result of the increasingly tight competition in the depot business amidst the many depots that have been established, companies must remain vigilant about customer behavior, attitudes, and tastes when creating profitable and satisfying business strategies. The speed of loading and unloading is also influenced by the presence of a depot, and the wider the area of the depot owned, the more it affects the speed of loading and unloading.

Customer defense is one of the efforts that must be made by the company. To grow customer loyalty, the company must always try to provide customer satisfaction consistently. However, loyalty alone is not enough to guarantee that customers remain loyal to the company because loyalty does not always generate profits for the company. There needs to be real action as evidence that customers are truly loyal to the company, namely by retaining customers. Retaining customers is one of the efforts that must be made by the company (Buttle, 2004).

Customer retention ensures that the company does not lose customers in the future. A good customer experience with a product provider is a way for company management to establish relationships with customers so that they continue to use the products produced (Halizah et al., 2022). According to Hennig-Thurau et al. (2004), customer retention is a way for company management to establish relationships with customers so that they continue to use the products produced (Hyun & Sunghyup, 2015). Retention can be built with a good customer experience at the product provider (Jenefa & Kaliyamoorthy, 2014).

Cranage (2004) stated that customers who are satisfied with the service will communicate verbally, one of the many benefits of customer retention, one of which is the reduction of advertising and marketing costs. According to Dwyer and Tanner (1999), customer retention has a significant effect on profits. Increased retention, especially retention resulting from good relationships with customers, will increase profits. So based on this, it is realized that it is important for companies to understand the aspects that affect customer retention. Therefore, researchers are interested in conducting a study with the title raised is the Effect of Tariffs, Infrastructure and Distance on Customer Retention at the Belawan Container Depot.

RESEARCH METHOD

This research uses a quantitative type. Quantitative research is usually defined as research conducted with a specific purpose, for example as an alternative to testing a research hypothesis and finding that the results depend on the possibility of failure of the null hypothesis. After statistical analysis of all research results, the significance of the relationship and group differences will be calculated. One major goal has been achieved through quantitative research in



practice, according to Supratiknya (2015). This is to meet the need to test theories objectively by examining the relationship between variables. Descriptive analysis is a data analysis method used to make raw data sets into a more concise and easily understood form (Istijanto 2005). The purpose of descriptive analysis is to mathematically describe conditions. Descriptive analysis is needed to find out the object of research.

RESULT AND DISCUSSION

A. Research Results

1. Cost

The results of the tabulation of respondents' answers to the tariff variable can be described as follows:

Table 1. Description of Cost Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|-------------|-------|---------------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Disagree Less | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The rates offered by Depo Container are affordable for customers | 0 | 0.00 | 15 | 10.00 | 25 | 16.67 | 84 | 56.00 | 26 | 17.33 |
| 2 | The rates set by the Container Depot are adjusted to the type of service required. | 4 | 2.67 | 1 | 0.67 | 16 | 10.67 | 100 | 66.67 | 29 | 19.33 |
| 3 | Service rates are set according to the benefits of the services provided. | 0 | 0.00 | 7 | 4.67 | 39 | 26.00 | 73 | 44.67 | 31 | 20.67 |



| | | | | | | | | | | | |
|---|---|---|------|---|------|----|-------|----|-------|----|-------|
| 4 | The service rates provided are in accordance with all forms of provisions imposed by the Container Depot. | 0 | 0.00 | 6 | 4.00 | 22 | 14.67 | 67 | 44.67 | 55 | 36.67 |
|---|---|---|------|---|------|----|-------|----|-------|----|-------|

Source: Processed Primary Data, 2024

Table 1 provides an overview of respondents' perceptions and views on the rates offered by Belawan Container Depot with the following description.

The first statement states that I feel that Belawan Container Depot offers affordable rates for customers, respondents who stated that they strongly agree were 26 people or equal to 17.33%. Respondents who stated that they agree were 84 people or equal to 56.00%. Respondents who stated that they disagree were 25 people or equal to 16.67%. Respondents who stated that they disagree were 15 people or equal to 10.00%. Respondents who stated that they strongly disagree were none.

The second statement states that in my opinion the rates offered by Belawan Container Depot are adjusted to the type of service offered, respondents who stated that they strongly agree were 29 people or equal to 19.33%. Respondents who stated that they agree were 100 people or equal to 66.67%. Respondents who stated that they disagree were 16 people or equal to 10.67%. Respondents who stated that they disagree were 1 person or equal to 0.67%. Respondents who stated that they strongly disagree were 4 people or equal to 2.67%.

Based on the results of respondents' answers related to the third statement stating that in my opinion the service rates set by Belawan Container Depot are in accordance with the benefits of the services provided, respondents who stated that they strongly agree were 31 people or equal to 20.67%. Respondents who stated that they agree were 73 people or equal to 48.67%. Respondents who stated that they disagree were 39 people or equal to 26.00%. Respondents who stated that they disagree were 7 people or equal to 4.67%. Respondents who stated that they strongly disagree were none.

Finally, based on the results of the respondents' answers related to the fourth statement stating that I am satisfied with the service rates provided by Depo Petikemas Belawan in accordance with all forms of provisions that apply, respondents who stated that they strongly agree were 55 people or equal to 36.67%. Respondents who stated that they agree were 67 people or equal to 44.67%. Respondents who stated that they disagree were 22 people or equal to 14.67%. Respondents who stated that they disagree were 6 people or equal to 4.00%. Respondents who stated that they strongly disagree were none. In general, it can be seen that the respondents' answers were dominated by agreeing to all of these statements in assessing the rates offered by Depo Petikemas Belawan.

2. Facilities and Infrastructure



The results of the tabulation of respondents' answers to the facilities and infrastructure variables can be described as follows:

Table 2. Description of the Facilities and Infrastructure Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|-------------|------|---------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Neutral | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | The loading and unloading facilities at the Container Depot are well organized. | 0 | 0.00 | 10 | 6.67 | 13 | 8.67 | 102 | 68.00 | 25 | 16.67 |
| 2 | Container security facilities are well available at the Container Depot. | 2 | 1.33 | 8 | 5.33 | 12 | 8.00 | 105 | 70.00 | 23 | 15.33 |
| 3 | Maintenance of the condition of the facilities at the Container Depot is carried out routinely every week. | 0 | 0.00 | 4 | 2.67 | 16 | 10.67 | 100 | 66.67 | 30 | 20.00 |

Source: Processed Primary Data, 2024

Table 2 provides an overview of respondents' perceptions and views on infrastructure at the Belawan Container Depot with the following description.

The first statement states that the loading and unloading facilities at the Belawan Container Depot are well organized, respondents who strongly agree are 25 people or equal to 16.67%. Respondents who agree are 102 people or equal to 68.00%. Respondents who disagree are 13 people or equal to 8.67%. Respondents who disagree are 10 people or equal to 6.67%. Respondents who strongly disagree are none.

The second statement states that container security facilities are well available at Belawan Container Depot, respondents who strongly agree are 23 people or equal to 15.33%. Respondents who agree are 105 people or equal to 70.00%. Respondents who disagree are 12 people or equal to 8.00%. Respondents who disagree are 12 people or equal to 5.33%. Respondents who strongly disagree are 2 people or equal to 1.33%.

Finally, based on the results of the respondents' answers related to the third statement stating that maintenance of the condition of the facilities at the Belawan Container Depot is carried out routinely every week, respondents who stated that they strongly agreed were 30 people or equal to 20.00%. Respondents who stated that they agreed were 100 people or equal to 66.67%. Respondents who stated that they disagreed were 16 people or equal to 10.67%.



Respondents who stated that they disagreed were 4 people or equal to 2.67%. Respondents who stated that they strongly disagreed were none. In general, it can be seen that the respondents' answers were dominated by agreeing to all of these statements in Facilities and Infrastructure at the Belawan Container Depot.

3. Distance

The results of the tabulation of respondents' answers to the distance variable can be described as follows:

Table 3. Description of Distance Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|---|---|------|-------------|------|---------|------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Neutral | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | Easy access to the Container Depot location | 2 | 1.34 | 4 | 2.68 | 12 | 8.05 | 93 | 62.42 | 38 | 25.50 |
| 2 | Distance access to the Container Depot location is easily explained | 0 | 0.00 | 6 | 4.00 | 7 | 4.67 | 83 | 55.33 | 54 | 36.00 |

Source: Processed Primary Data, 2024

Table 3 provides an overview of respondents' perceptions and views on distance at the Belawan Container Depot with the following description.

The first statement states that the distance access to the Belawan Container Depot location is easy to reach, respondents who stated that they strongly agree were 38 people or equal to 25.50. Respondents who stated that they agree were 93 people or equal to 62.42%. Respondents who stated that they disagree were 12 people or equal to 8.05%. Respondents who stated that they disagree were 12 people or equal to 2.68%. Respondents who stated that they strongly disagree were 2 people or equal to 1.34%.

The second statement states that the distance access to the Belawan Container Depot location is easy to explain, respondents who stated that they strongly agree were 54 people or equal to 36.00%. Respondents who stated that they agree were 83 people or equal to 55.33%. Respondents who stated that they disagree were 7 people or equal to 4.6%. Respondents who stated that they disagree were 6 people or equal to 4.00%. Respondents who stated that they strongly disagree were none. In general, it can be seen that the respondents' answers were dominated by those who agreed with all of the statements in assessing the distance of the Belawan Container Depot.

4. Customer Retention

The results of the tabulation of respondents' answers to the Customer Retention variable can be described as follows:



Table 4. Description of Customer Retention Variable Indicators

| No. | Statement | Number and Percentage of Respondents' Answers | | | | | | | | | |
|-----|--|---|------|-------------|------|---------------|-------|-------|-------|----------------|-------|
| | | Strongly Disagree | | Don't agree | | Disagree Less | | Agree | | Strongly agree | |
| | | Σ | % | Σ | % | Σ | % | Σ | % | Σ | % |
| 1 | I am willing to continue transacting at Depo Petikemas in the future | 0 | 0.00 | 7 | 4.67 | 24 | 16.00 | 78 | 52.00 | 41 | 27.33 |
| 2 | I am confident with the services offered by this Container Depot | 2 | 1.33 | 6 | 4.00 | 11 | 7.33 | 94 | 62.67 | 37 | 24.67 |
| 3 | I am happy and satisfied with the service provided by Depo Petikemas | 2 | 1.33 | 6 | 4.00 | 16 | 10.67 | 110 | 73.33 | 16 | 10.67 |

Source: Processed Primary Data, 2024

Table 4 provides an overview of respondents' perceptions and views on physical evidence owned by PT Pos Indonesia (Persero) Medan with the following description.

The first statement states that I am willing to continue transacting at Depo Petikemas in the future, respondents who stated that they strongly agree were 41 people or equal to 27.33%. Respondents who stated that they agree were 78 people or equal to 52.00%. Respondents who stated that they disagree were 24 people or equal to 16.00%. Respondents who stated that they disagree were 7 people or equal to 4.67%. Respondents who stated that they strongly disagree were none.

The second statement states that I am confident with the services offered by Depo Petikemas, respondents who stated strongly agree were 37 people or equal to 24.67%. Respondents who stated agree were 94 people or equal to 62.67%. Respondents who stated disagree were 11 people or equal to 7.33%. Respondents who stated disagree were 6 people or equal to 4.00%. Respondents who stated strongly disagree were 2 people or equal to 1.33%.

Finally, based on the results of the respondents' answers related to the third statement stating that I am happy and satisfied with the service provided by Depo Petikemas, respondents who stated that they strongly agree were 16 people or equal to 10.67%. Respondents who stated that they agree were 110 people or equal to 62.67%. Respondents who stated that they disagree were 16 people or equal to 10.67%. Respondents who stated that they disagree were 6 people or equal to 4.00%. Respondents who stated that they strongly disagree were 2 people or equal to 1.33%. In general, it can be seen that the respondents' answers were dominated by agreeing to all of these statements in assessing Customer Retention at Depo Petikemas Belawan.

B. Discussion



1. The Effect of Tariffs on Customer Retention

The tariff problem is very important for service companies because it can affect customer retention or loyalty. The right marketing strategy on target results in purchasing decisions (Mardikaningsih & Putra, 2021), and repeat purchase intentions continue to emerge (Mardikaningsih & Sinambela, 2021; Mardikaningsih & Darmawan, 2021). The existence of price fairness, also known as price fairness, is the value that customers can accept about the product to be used. If customers know why prices change, customer retention will increase (Polo et al., 2011). Customers will consider the price or tariff to be fair after considering the benefits and comparing it to the prices of other companies offering the same product (Alzoubi et al., 2020).

The right marketing strategy on target results in purchasing decisions (Mardikaningsih & Putra, 2021), and repeat purchase intentions continue to emerge (Mardikaningsih & Sinambela, 2021; Mardikaningsih & Darmawan, 2021). According to Daves (2009), the existence of fair prices or rates also supports increased customer retention (Dawes, 2009). Fairness of price or rate is the value that can be accepted by customers about the product to be used. If customers know why the set price has changed, customer retention will increase (Polo et al., 2011). Customers will consider a price or rate fair after considering the benefits obtained and comparing prices with other companies that provide the same product (Alzoubi et al., 2020).

However, this statement contradicts research that found that rates do not affect customer retention; in other words, increasing rates does not increase customer retention. Thus, it can be concluded that the rates set by Depo Petikemas for the type of service needed do not affect customer pleasure or satisfaction.

2. The Influence of Facilities and Infrastructure on Customer Retention

To maximize the services provided, companies must consider the condition of the facilities they have. According to Tjiptono (2006), customer perception is highly dependent on the design and layout of service facilities. Creating good facilities is one of the difficult choices for a company. Companies must always create better facilities because many competitors have the same facilities. Service quality greatly influences customer satisfaction and determines customer satisfaction. This is because one way to provide customer satisfaction is to improve or even create services according to customer expectations.

The main factor that will influence customer decisions will be facilities. According to Rangkuti (2008), loyalty is defined as everything given by a service provider to be used and enjoyed by customers with the aim of making customers satisfied, which results in a sense of loyalty, when customers really need the product or service.

The results of the study indicate that facilities have a significant positive effect on customer retention. In other words, the more facilities in the Belawan Container Depot, the more customer retention. The results of the study indicate that if the facilities offered by the Container Depot, especially the container security facilities that are available properly, are the indicators that best describe the infrastructure, and the indicator that best describes customer retention is that I am happy and satisfied with the services provided by the Container Depot. From this it can be concluded that it is known that if the infrastructure provided by the Container Depot, especially the container security facilities are available properly at the Container Depot, it can increase pleasure and satisfaction with the services provided.



3. The Effect of Distance on Customer Retention

According to Cranage (2004), retaining customers has many advantages, one of which is a decrease in advertising and marketing costs. Increasing retention will increase profits, especially retention resulting from good relationships with customers. One factor that affects customer retention is distance. To increase customer retention, business strategies in all lines must set a limit on the distance that customers must travel to obtain service.

The results of the study showed that distance did not affect customer retention; in other words, even though the distance to Belawan Container Depot was getting closer, it did not increase customer retention. This means that even though the location of Belawan Container Depot is more accessible, it cannot increase customer satisfaction or their pleasure with the services provided.

CONCLUSION

Based on the results of the previous research, the following conclusions will be drawn:

1. Tariffs do not have a significant effect on customer retention. So it can be interpreted that when the tariff is increased, it does not have any impact on increasing customer retention.
2. Facilities and infrastructure have a significant positive effect on customer retention. It can be interpreted that the increasing facilities and infrastructure at the Belawan Container Depot will increase customer retention.
3. Distance does not have a significant effect on customer retention. It can be interpreted that if the distance to the Belawan Container Depot is closer, it does not have any impact on increasing customer retention.
4. Tariffs have a negative and significant effect on customer retention moderated by word of mouth information. So it can be interpreted that when the tariff is increased, it decreases customer retention and the magnitude of this influence is also due to word of mouth information.

REFERENCES

- Agustina, S. (2011). *Manajemen Pemasaran*. Malang: Universitas Brawijaya Press.
- Assael, H. (2014). *Consumer Behavior 6th edition*. New York: Thomson-Learning.
- Buchori, A., & Saladin, D. (2010). *Manajemen Pemasaran (Edisi Pertama)*. Bandung (ID): CV. Linda Karya
- Buttle, F. (2004). *Customer Relationship Management*. Malang (ID): Bayumedia Publishing.
- Cooper, Donald, R., & Pamela, S. S. (2006). *Metode Riset Bisnis*. Jakarta (ID): Media Global Edukasi.
- Cooper, & Schindler. (2014). *Bussiners Research Method*. New York, US: McGraw-Hill.
- Cozby, P., & Bates, S. (2011). *Methods in Behavioral Research*. New York (USA): McGraw-Hill.
- Cranage, D. (2004). Plan to Do It right: And Plan for Recovery. *International Journal of Contemporary Hospitality Management*. 16(4): 210- 219.
- Danesh, S, N., Nasab, S, A & Ling, K, C. (2012). The Study of Customer Satisfaction, Customer Trust and Switching Barriers on Customer Retention in Malaysia Hypermarket. *International Journal of Business and Management*. 7(7): 141-150.



- Dwyer, F.R., & Tanner, J. F. (1999). *Business Marketing: Connecting Strategy, Relationships and Learning*. Boston (US): McGraw-Hill.
- Engel, J. F., Blackwell, R. D., & Miniard, P.W. (1994). *Perilaku Konsumen*. Ed ke-4. Jilid ke-1. Jakarta: Binarupa Aksara.
- Ferdinand, A. (2014). *Metode Penelitian Manajemen*. Semarang (ID): BP Universitas Diponegoro.
- Ghozali, I. (2014). *Structural Equation Modeling. Metode Alternatif dengan Partial Least Square (PLS) dilengkapi software Smartpls 3.0 Xlstat 2014 dan WarpPLS 4.0*. Ed ke-4. Semarang (ID): Universitas Diponegoro Semarang.
- Ghozali, I. & Latan, H. (2015), *Partial Least Squares: Konsep, Teknik, dan Aplikasi Menggunakan Program Smart PLS 3.0*, ed2, Semarang: Universitas Diponegoro.
- Gultom, E. (2007). *Refungsionalisasi Pengaturan Pelabuhan untuk Meningkatkan Ekonomi Nasional*. Jakarta (ID): Raja Grafindo Persada.
- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks, US: SAGE.
- Halizah, S. N., Retnowati, E., Darmawan, D., Khayru, R. K., & Issalillah, F. (2022). Determinants of Customer Trust: A Study on Safety, Ease-of-use, and Perceived usefulness of Herbal Products of Kuku Bima Ener-G. *Journal of Trends Economics and Accounting Research*. 2(4): 86-92.
- Halizah, S. N., A. Infante, & Darmawan, D. (2022). Keterbentukan Kepercayaan Pelanggan Shopee Melalui Kualitas Hubungan, Reputasi dan Keamanan Marketplace. *Ekonomi, Keuangan, Investasi Dan Syariah (EKUITAS)*. 4(1): 256-261.
- Hatta, I., & Setiarini. (2018). Pengaruh Word of Mouth dan Switching Cost terhadap Loyalitas Pelanggan. *Jurnal Ilmiah Manajemen dan Bisnis*. 9(1): 32-40.
- Hennig-Thurau, T., Gwinner, K. P., Walsh, G., & Gremler, D. D. (2004) Electronic word of mouth via consumer opinion platform: what motivates consumers to articulate themselves on the internet?. *Journal of Internet Marketing*. 18(1): 38-52.
- Hyun, H. & Sunghyup, S. H. (2015). Customer retention in the medical tourism industry: Impact of quality, satisfaction, trust, and price reasonableness. *Tourism Management*. 46(1): 20–29.
- Irwanto, A., Rohman, F., & Noermijati. (2013). Analisis pengaruh kualitas produk dan strategi harga terhadap kepuasan pelanggan, dan pengaruhnya pada terbentuknya word of mouth di perumahan madani group Jabodetabek. *Jurnal Aplikasi Manajemen*. 11(1).
- Istijanto. (2005). *Riset Sumber Daya Manusia*. Jakarta (ID): PT Gramedia Pustaka Utama.
- Jenefa, L. & Kaliyamoorthy, R. (2014). Behavioral impact of customer satisfaction and customer retention in textile industry. *International Journal on Global Business Management & Research*. 3(1): 51-106.
- Kennedy, J. E., & Soemanagara, R. D. (2006). *Marketing Communication – Taktik dan Strategi*. Jakarta (ID): PT Buana Ilmu Populer (kelompok Gramedia).
- Kotler, P. (2003). *Marketing Management*. 11th Edition. New Jersey (US): Prentice Hall Int'l.
- Kotler, P., & Armstrong, G. (2008). *Prinsip-Prinsip Pemasaran*. Edisi Keduabelas. Jakarta: Erlangga.
- Kotler, P., & Keller, K. L. (2009). *Manajemen Pemasaran*. Edisi ke-13. Jakarta: Erlangga.



- Kotler, P., & Keller, K. L. (2015). *Manajemen Pemasaran Jilid 2(13th ed.)*. Jakarta: Erlangga.
- Kurtz, B. (2008). *Contemporary Marketing*. New York (USA): South-West Cengage Learning.
- Lompoliuw, T. S. M., Pio, R. J., & Runtuwene, R. F. (2019) Faktor-Faktor Yang Mempengaruhi Customer Retention Di PT. Erafone Mega Mall Manado. *Jurnal Administrasi Bisnis*, 9(1), 114-121, p-ISSN 2338-9605
- Lovelock, C., & Wirtz, .(2001).
- Lupiyoadi, R. (2016). *Manajemen Pemasaran Jasa Berbasis Kompetensi*. Jakarta (ID): Salemba Empat.
- Montana, S. & Noor, M.M. (2010). Pengembangan Customer Relationship Management Berbasis Sistem E-Commerce. *CommIT*. 4(2): 139 – 149.
- Moore, P., & Moore, W. (2005). Menguasai CRM (Manajemen Hubungan Konsumen) dalam Seminggu. Jakarta (ID): Prestasi Pustaka.
- Nainggolan, N. T., Munandar, S. A., Nainggolan, L. E., Hastuti, F., Puji, A. D. P. Y., Gusman, D. (2020). *Perilaku Konsumen Di Era Digital*. Cet. 1. Yayasan Kita Menulis.
- Nurvidiana, R., Hidayat, K., & Abdillah, Y. (2015). Pengaruh Word of Mouth terhadap Minat Beli serta Dampaknya pada Keputusan Pembelian (Survei pada Konsumen Republica Café Malang Jalan MT Haryono GG XI Malang). *Jurnal Administrasi Bisnis*. 22(2): 1-8.
- Pramono, A., Kusharyanto, Devianti, Y. S., Premadi, A., & Winarno, N. A. (2019). Kajian Peranan Depo Petikemas Guna Mereduksi Penumpukan Petikemas di PT Jakarta International Container Terminal Pelabuhan Tanjung Priok. *E-Journal Marine Inside*. 1(1): 47-72.
- Prasetyo, B., Febriani, N., Weda Asmara, W., Tami Tiadini, D., Ashton Destrity, N., Ayu Amalia Avina, D., & Kurnia Illahi, A. (2018). *Komunikasi Pemasaran Terpadu (Pendekatan Tradisional Hingga Era Media Baru)*. Semarang (ID): UB Press
- Prisgunanto, I. (2006). *Komunikasi Pemasaran, Strategi dan Taktik*. Jakarta (ID): Ghalia Indonesia
- Puspitasari, F., & Yuniati, T. (2016). Pengaruh Harga, Citra Merek, dan Word of Mouth terhadap Keputusan Pembelian Konsumen. *Jurnal Ilmu dan Riset Manajemen*. 5(6): 1-15.
- Saunders P, Lewis P, & Thornhill A. (2016). *Research Methods for Business Students*. London (UK): Pearson Education Limited.
- Schiffman, L. G., & Kanuk, L. L. (2007). *Consumer Behaviour*. New Jersey: Prentice Hall.
- Sударsono, A. (2016). *Manajemen Jasa Pemasaran Perhotelan*. Yogyakarta: Deepublish.
- Sugiyono. (2019). *Metode Penelitian Manajemen*. Bandung, ID: Alfabeta.
- Suharno, & Sutarso, Y. (2010). *Marketing in Practice*. Yogyakarta (ID): Graha Ilmu.
- Sujarweni, V. W. (2015). *Metodologi Penelitian Bisnis dan Ekonomi*. Yogyakarta, ID: Pustaka Baru Press.
- Sumarsid, & Paryanti, A. B. (2021). Analisis Pengaruh Customer Satisfaction Dan Trust IN BRAN Terhadap Customer Retention (Studi Kasus Pengguna Kartu XL di Sekolah Tinggi Manajemen Labora). *Jurnal Mitra Manajemen*. 12(2): 85–96.
- Sumarwan, U. (2011). *Perilaku Konsumen: Teori dan Penerapannya dalam Pemasaran*. Bogor: Ghalia Indonesia.
- Supratiknya, A. (2014). *Pengukuran Psikologis*. Yogyakarta, ID: Universitas Sanata Dharma.
- Swastha, B, & Irawan. (2010). *Manajemen Pemasaran Modern*. Yogyakarta: Liberty.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Tjiptono, F. (2011). *Strategi Pemasaran*. Edisi ke-2. Yogyakarta: Andi Publisher.
- Wibowo, S., & Supriadi. (2013). *Ekonomi Mikro Islam*. Bandung: Pustaka Setia.
- Widyastuti, & Erfian. (2012). Quality of Service and Emotion on the Word of Mouth with Customer Satisfaction as the Intervening Variable. *Global Network Journal*. 5(2): 338-359.
- Yulius, J. (2011). Pengaruh Kualitas Layanan Inti dan Tambahan terhadap Positif Word of Mouth di SMU Semarang. *Jurnal Dinamika Manajemen*. 13(1): 77-84
- Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1990). *Delivering Quality Service: Balancing Customer Perceptions and Expectations*. The Free Press.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE EFFECT OF WORK DISCIPLINE AND LEADERSHIP ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE AT THE REGIONAL SECRETARIAT OF LABUHANBATU DISTRICT

Paino, Akmaluddin Harahap , Yusuf Ronny Edward, Fajar Rezeki Ananda Lubis
Universitas Prima Indonesia

ABSTRACT

This study aims to determine whether Work Discipline and Leadership affect Performance through Job Satisfaction as an intervening variable on employees of the Regional Secretariat of Labuhanbatu Regency. The study was conducted on permanent employees (PNS) at the Regional Secretariat of Labuhanbatu Regency. The population in this study was 126 people. Because the population is small, the sampling technique in this study was a saturated sample with a sample size of 126 people. The data collection technique used was primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique used quantitative data processed with the SPSS version 25 program, namely the t-test, Sobel test and path analysis. The results obtained in this study indicate 1) there is a positive and significant influence between Work Discipline on Job Satisfaction, 2) there is a positive and significant influence between Leadership on Job Satisfaction, 3) there is a positive and significant influence between Work Discipline on Performance, 4) there is a positive and significant influence between Leadership on Performance, 5) there is a positive and significant influence between Job Satisfaction on Performance, 6) There is a positive and significant influence between Work Discipline on Performance through Job Satisfaction as an intervening variable, 7) There is a positive and significant influence between Leadership on Performance through Job Satisfaction as an intervening variable.

Keywords: Work Discipline, Leadership, Job Satisfaction, and Performance.

INTRODUCTION

The Regional Secretariat of Labuhanbatu Regency carries out functions in carrying out part of the Inspector's duties in preparing materials for coordination of supervision and providing administrative and functional services to all elements within the Labuhanbatu Regency Inspectorate.

In an effort to achieve its goals, it will require the support of human resources who are responsible, dedicated and have high integrity and professionalism from each personnel, in addition to being supported by human resource management to manage all human resources in the agency.

In the initial survey conducted by the researcher, the performance of the employees of the Regional Secretariat of Labuhanbatu Regency was not optimal. This certainly has an impact on the performance of the Regional Secretariat of Labuhanbatu Regency. Of course, improved performance is highly expected in order to increase regional income of Labuhanbatu Regency.



LITERATURE REVIEW

The success of an organization is greatly influenced by the performance of its employees. If the performance of the employees in an organization is at a good level, then the performance of the organization will be better.

According to Torang (2014), performance is the quantity or quality of the work results of individuals or groups within an organization in carrying out main tasks and functions that are guided by norms, standard operating procedures, criteria and measurements that have been established or that apply within the organization.

According to Mangkunegara (2017), performance is the work results in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

According to Moehariono (2012), performance is a description of the level of achievement of the implementation of a program of activities or policies in realizing the targets, goals, vision and mission of an organization as outlined in an organization's strategic planning.

Based on the definition of performance from several experts above, it can be concluded that performance is the result or achievement of a series of work activities carried out over a certain period of time which can be measured in terms of quality and quantity with the aim of achieving the organization's work targets.

According to Wijaya (2015), work discipline is an attitude of respecting, appreciating, obeying and complying with applicable regulations, both written and unwritten, and being able to carry them out and not avoiding accepting sanctions if he violates the duties and authority given to him.

According to Afandi (2016), work discipline is a set of rules or regulations made by the management of an organization, approved by the board of commissioners or capital owners, agreed upon by the labor union and known by the Department of Manpower, then the people who are members of the organization are subject to the existing rules with a sense of pleasure, so that it is created and formed through a process of a series of behaviors that demonstrate the values of obedience, compliance, regularity, and order.

According to Ajabar (2020), work discipline is a tool used by managers to change behavior and as an effort to increase a person's awareness and willingness to obey all company regulations and applicable social norms.

Based on the opinions of the experts above, it can be concluded that work discipline is a set of rules or regulations set by an organization to increase the willingness and obedience of an employee so that in carrying out their duties they do not conflict with applicable norms.

According to Tead, Terry, Hoyt in Kartono (2003), leadership is an activity or art to influence other people to work together based on the abilities possessed by that person to guide other people in efforts to achieve various goals that the group wants to achieve.

According to Yukl (2005), leadership is the process of influencing others to understand and agree with what needs to be done and how the task is to be done effectively, as well as the process of facilitating individual and collective efforts to achieve common goals.

Based on the expert's understanding above, it can be concluded that leadership is an activity or process of a person to influence others by motivating them to work together, help each other, and carry out tasks according to orders to achieve optimal goals.

According to Afandi (2018), Job satisfaction is a positive attitude of the workforce including feelings and behavior towards their work through the assessment of one of the jobs as a sense of appreciation in achieving one of the important values of the job. According to Nuraini (2013), Job satisfaction is job satisfaction that is enjoyed in a job that receives praise, work results, placement, treatment, equipment and a good work environment. Employees who prefer to enjoy job satisfaction in their work will prioritize work over compensation, even though compensation is important.

From the explanations above, it can be concluded that job satisfaction is a person's attitude and behavior towards his work that is related to the physical and psychological conditions of work and the rewards



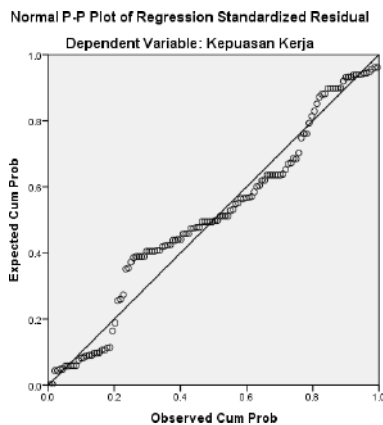
received while working. An employee feels satisfied or not with his work, seen from the suitability of what is done with the results he receives as wages.

METHODS

The approach in this study is to use an associative approach, an associative approach is an approach to find out that there is a relationship or influence between the two variables (independent variables and dependent variables). In this study, the independent variable X1 is Work Discipline, X2 is Leadership, Z is Job Satisfaction and the dependent variable Y is Performance.

RESULTS

Normality Test



Results of Sub Model I Normality Test

Based on the normal plot graph above, it can be concluded that the data is spread around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed.

Multicollinearity Test

Table1. Multicollinearity Test Table Sub Model I

Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|-----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 22,656 | .817 | | 27,731 | .000 | | |
| | Work Discipline | .089 | .034 | .224 | 2,593 | .011 | 1,000 | 1,000 |
| | Leadership | .061 | .030 | .176 | 2,039 | .044 | 1,000 | 1,000 |

a. Dependent Variable: Job Satisfaction

Source: Processed Primary Data, 2024

Table2. Multicollinearity Test Table Sub Model II

Coefficientsa

| Model | | Unstandardized Coefficients | Standardized Coefficients | t | Sig. | Collinearity Statistics |
|-------|--|-----------------------------|---------------------------|---|------|-------------------------|
| | | | | | | |



| | B | Std. Error | Beta | | | Tolerance | VIF |
|-------------------|-------|------------|------|--------|------|-----------|-------|
| (Constant) | 9,941 | .528 | | 18,837 | .000 | | |
| 1 Work Discipline | .028 | .008 | .258 | 3,309 | .001 | .948 | 1,055 |
| Leadership | .037 | .007 | .389 | 5,049 | .000 | .967 | 1,034 |
| Job satisfaction | .083 | .022 | .303 | 3,829 | .000 | .917 | 1,090 |

a. Dependent Variable: Performance
Source: Processed Primary Data, 2024

Hypothesis Testing

Table3. Result of Sub Model II t-Test

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 9,941 | .528 | | 18,837 | .000 |
| 1 Work Discipline | .028 | .008 | .258 | 3,309 | .001 |
| Leadership | .037 | .007 | .389 | 5,049 | .000 |
| Job satisfaction | .083 | .022 | .303 | 3,829 | .000 |

a. Dependent Variable: Performance
Source: Processed Primary Data, 2024

Direct Influence Path Analysis

To calculate the direct influence or DE, the following formula is used:

1. The influence of work discipline variables on job satisfaction $X1 \rightarrow Z = 0.089$
2. The influence of leadership variables on job satisfaction $X2 \rightarrow Z = 0.061$
3. The influence of work discipline variables on employee performance $X1 \rightarrow Y = 0.028$
4. The influence of leadership variables on employee performance $X2 \rightarrow Y = 0.037$
5. The influence of job satisfaction variables on employee performance $Z \rightarrow Y = 0.083$

Indirect Effect Path Analysis (IDE)



To calculate the indirect influence or IDE, the following formula is used:

6. The influence of work discipline variables on employee performance through job satisfaction

$$X1 \rightarrow Z \rightarrow Y = 0.224 \times 0.303 = 0.067$$

7. The influence of leadership variables on employee performance through job satisfaction

$$X2 \rightarrow Z \rightarrow Y = 0.176 \times 0.303 = 0.053$$

Total Effect Path Analysis

Based on the explanation above, a path diagram can be drawn.

8. The influence of work discipline variables on employee performance through job satisfaction

$$X1 \rightarrow Z \rightarrow Y = 0.258 + 0.067 = 0.325$$

The influence of leadership variables on employee performance through job satisfaction

$$X2 \rightarrow Z \rightarrow Y = 0.389 + 0.053 = 0.442$$

Based on the explanation above, the path diagram can be described as follows:



Figure 4.8 Path Diagram

DISCUSSION

Work discipline has a positive and significant effect on job satisfaction

The Work Discipline variable has a positive and significant effect on Job Satisfaction at the Regional



Secretariat of Labuhanbatu Regency. The Work Discipline variable has a regression coefficient value of 0.089 and has a unidirectional effect, which means that if Work Discipline increases by 100%, it will increase the Job Satisfaction of employees of the Regional Secretariat of Labuhanbatu Regency by 8.9%.

Leadership has a positive and significant influence on job satisfaction

Leadership variable has a positive and significant effect on Job Satisfaction at the Regional Secretariat of Labuhanbatu Regency. The Leadership variable has a regression coefficient value of 0.061 and has a unidirectional effect, which means that if Leadership increases by 100%, it will increase the Job Satisfaction of employees of the Regional Secretariat of Labuhanbatu Regency by 6.1%.

Work discipline has a negative and significant effect on employee performance

The Work Discipline variable has a positive and significant effect on Performance at the Regional Secretariat of Labuhanbatu Regency. The Work Discipline variable has a regression coefficient value of 0.028 and has a unidirectional effect, which means that if Work Discipline increases by 100%, it will increase the performance of employees of the Regional Secretariat of Labuhanbatu Regency by 2.8%.

Leadership has a positive and significant influence on employee performance

The Leadership variable has a positive and significant effect on Performance at the Regional Secretariat of Labuhanbatu Regency. The Leadership variable has a regression coefficient value of 0.037 and has a unidirectional effect, which means that if Leadership increases by 100%, it will increase the performance of employees of the Regional Secretariat of Labuhanbatu Regency by 3.7%.

Work discipline has a positive and significant effect on employee performance through job satisfaction.

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.150 > 1.96$ with a significance of $0.031 < 0.05$, so it can be concluded that the Job Satisfaction variable is able to mediate the relationship between the influence of Work Discipline on Performance. Thus it can be said that the influence of Work Discipline will be greater in increasing Performance if it is done through Job Satisfaction.

Leadership has a positive and significant influence on employee performance through job satisfaction.

Based on the results of the sobel test calculation, it is known that the test statistic values $1.989 > 1.96$ with a significance of $0.047 < 0.05$, it can be concluded that the Job Satisfaction variable is able to mediate the relationship between the influence of Leadership on Performance. Thus it can be said that the influence of Leadership will be greater in increasing Performance if done through Job Satisfaction.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the influence of Work Discipline and Leadership on Employee Performance at the Regional Secretariat of Labuhanbatu Regency through Job Satisfaction as an intervening variable, the following conclusions can be drawn:

1. Work discipline influences job satisfaction at the Regional Secretariat of Labuhanbatu Regency.
2. Leadership influences Job Satisfaction at the Regional Secretariat of Labuhanbatu Regency.
3. Work Discipline Influences Performance at the Regional Secretariat of Labuhanbatu Regency.
4. Leadership influences performance at the Regional Secretariat of Labuhanbatu Regency.



5. Job Satisfaction Influences Performance at the Regional Secretariat of Labuhanbatu Regency.
6. Work Discipline influences Performance at the Regional Secretariat of Labuhanbatu Regency through Job Satisfaction as an intervening variable.
7. Leadership influences performance at the Regional Secretariat of Labuhanbatu Regency through Job Satisfaction as an intervening variable.

LIMITATION

This research can also be used as a reference for further research on work discipline, leadership, job satisfaction and employee performance and supporting HR theories and the limitations of this research.

REFERENCES

- A, Morissan M. (2014). *Metode Penelitian Survei. Cet-2*. Jakarta: Kencana.
- Adawiyah, I. R. (2024). Pengaruh Budaya Organisasi Dan Kepuasan Kerja Terhadap Keterikatan Pegawai Serta Implementasinya Terhadap Kinerja Pegawai Di Universitas Swadaya Gunung Jati (UGJ) (Doctoral dissertation, Universitas Swadaya Gunung Jati Cirebon).
- Afandi, P. (2016). *Manajemen Sumber Daya Manusia, Teori, Konsep dan Indikator Cetakan ke-1*. Riau: Zanafa Publishing.
- Afandi. (2018). *Manajemen Sumber Daya Manusia (Teori, Konsep dan Indikator)*. Riau: Zanafa Publishing.
- Ajabar. (2020). *Manajemen Sumber Daya Manusia*. Yogyakarta: Grup Penerbit CV
- Anggraini, D. U., & Marsih, Y. (2021). Pengaruh Disiplin Kerja Dan Kompensasi Terhadap Kinerja Badan Kepegawaian Dan Pengembangan SDM Kabupaten Musi Banyuasin. *Jurnal Manajemen Kompeten*, 4(1), 27-42.
- Anshari, A., Hasibuan, R., Nasution, A. T., Bulolo, A., Tarigan, N. M. R., & Pinem, M. N. (2023). Pengaruh Budaya Kerja, Motivasi Kerja Dan Kepemimpinan Terhadap Kepuasan Kerja Pegawai. *ARBITRASE: Journal of Economics and Accounting*, 3(3), 509-520.
- Arfansyah, M. R. (2022). Pengaruh Disiplin Kerja, Motivasi Kerja, dan Kepuasan Kerja Terhadap Kinerja Karyawan (Studi Kasus PT. Bank DKI Syariah Di Jakarta Selatan) (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta).
- Arifin, Samsul. (2019). Pengaruh Kompetensi, Kompensasi dan Kepemimpinan Terhadap Kinerja Karyawan. *Jurnal Ekonomi, Keuangan, Investasi dan Syariah (EKUITAS)*. Vol. 1 No. 1.
- Budi Utama Fahmi, M. E. (2017). Pengaruh Tunjangan Profesi dan Motivasi Kerja terhadap Kinerja Guru Madrasah Tsanawiyah Negeri (MTSN) Sub Rayon I Kabupaten Agam. *Jurnal al-Fikrah*, Vol. V, No. 2, 113-122.
- Dadang. (2013). *E-Business & E- Commerce*. Yogyakarta: Penerbit Andi.
- Fahmi, I. (2016). *Manajemen Sumber Daya Manusia Teori Dan Aplikasi*. Bandung: Alfabeta.
- Ghozali, I. (2005). *Aplikasi Analisis Multivariate dengan SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23 (Edisi 8). Cetakan ke VIII*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.



- Hariyani, E. (2023). Pengaruh Kepemimpinan Dan Motivasi Kerja Terhadap Kinerja Pegawai Dengan Mediasi Kepuasan Kerja Pegawai Pada Lembaga Pendidikan Islam Terpadu Bina Amal Semarang (Doctoral dissertation, STIE Bank BPD Jateng).
- Kartono, Kartini. (2003). *Pemimpin dan Kepemimpinan (Apakah Kepemimpinan Abnormal Itu)*. Jakarta: PT Raja Grafindo Persada.
- Kasmir. (2016). *Manajemen Sumber Daya Manusia (Teori dan Praktik)-Cetakan Kesatu*. Jakarta: Raja Grafindo Persada.
- Leatemia, S. Y. (2022). Pengaruh Gaya Kepemimpinan Dan Stres Kerja Terhadap Kinerja Karyawan Perbankan Dengan Dimoderasi Oleh Motivasi. *Ekonomi, Keuangan, Investasi Dan Syariah (EKUITAS)*, 3(4), 729-736.
- Lindawati, M. (2021). Pengaruh Kepemimpinan Transformasional Dan Motivasi Kerja Terhadap Kinerja Karyawan Dengan Kepuasan Kerja Sebagai Variabel Intervening (Studi Kasus PT Bank Central Asia, Tbk Cabang Tangerang) (Doctoral dissertation, Universitas Mercu Buana Jakarta).
- Mangkunegara, A. A. P. (2017). *Manajemen Sumber Daya Manusia Perusahaan*. (Susan Sandiasih, Ed.). Bandung: PT Remaja Rosdakarya.
- Mangkunegara, A. A. P. (2020). *Manajemen Sumber Daya Manusia Instansi. Edisi XIV*. Bandung: PT Remaja Rosdakarya.
- Moeheriono. (2012). *Pengukuran Kinerja Berbasis Kompetensi*. Jakarta: Raja Grafindo Persada
- Nimran, Umar dan Amirullah. (2015). *Manajemen Sumber Daya Manusia dan Perilaku Organisasi*. Malang: Sinar Akademik Malang.
- Nuraini, T. (2013). *Manajemen Sumber Daya Manusia*. Pekanbaru: Yayasan Aini Syam.
- Priyatno, D. (2014). *Mandiri Belajar Analisis Data dengan SPSS*. Yogyakarta: Mediakom. *Kausal Loyalitas Pelanggan Toserba 'X'*. Skripsi UPI: Universitas Pendidikan Indonesia.
- Rachmaniah, R. (2024). Pengaruh Disiplin Kerja Dan Motivasi Kerja Terhadap Kinerja Karyawan Dengan Kepuasan Kerja Sebagai Variabel Intervening (Studi Pada Bank BRI Kantor Cabang Manukan Surabaya) (Doctoral dissertation, Universitas Hayam Wuruk Perbanas).
- Rahayu, Suci. (2013). Aplikasi Metode Trimming Pada Analisis Jalur Dalam Penentuan Model Kausal Loyalitas Pelanggan Toserba X. Skripsi UPI: tidak diterbitkan. www.repository.upi.edu.
- Rahmanita, H. (2022). Pengaruh Disiplin Kerja, Lingkungan Kerja, Dan Motivasi Kerja Terhadap Kepuasan Kerja (Studi Kasus Pada Karyawan Dinas Sosial Prov. DKI Jakarta) (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta).
- Ramadhan, B. D. (2022). Pengaruh Disiplin Kerja, Motivasi Kerja, Dan Lingkungan Kerja Terhadap Kepuasan Kerja Karyawan (Studi Kasus Puskesmas Kec Pulogadung Jakarta Timur) (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta).
- Robbins, P Stephen. (2008). *Perilaku Organisasi*. Jakarta: Salemba Empat.
- Roberta Veonardo, H. (2023). Pengaruh Kepuasan Kerja Terhadap Kinerja Sumber Daya Manusia (SDM) Di UPTD Puskesmas Tawangrejo Madiun Tahun 2022 (Doctoral Dissertation, Stikes Bhakti Husada Mulia Madiun).
- Santika, R. R. (2023). Pengaruh Kepemimpinan, Motivasi Kerja Dan Kompensasi Terhadap Kepuasan Kerja Di PT. Harma Contractor Indonesia (Doctoral dissertation, Universitas Hayam Wuruk Perbanas Surabaya).
- Sanusi, A. (2011). *Metodologi Penelitian Bisnis*. Jakarta: Salemba Empat.
- Sugiyono. (2018). *Metode Penelitian Kuantitatif, Kualitatif, R & D*. Bandung: CV Alfabeta.
- Sugiyono. (2018). *Metode Penelitian Kombinasi (Mixed Methods)*. Bandung: CV Alfabeta.
- Sutrisno, E. (2016). *Manajemen Sumber Daya Manusia*. Jakarta: Kencana Prenada Media Group.
- Sutrisno, E. (2019). *Manajemen Sumber Daya Manusia. Cetak kesebelas*. Jakarta: Prananda Media Group.
- Taryaman, E. (2016). *Manajemen Sumber Daya Manusia*. Yogyakarta: CV Budi Utama.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Torang, Syamsir. (2014). *Organisasi Manajemen: Perilaku, Struktur, Budaya & Perubahan Organisasi*. Bandung: Alfabeta.
- Ulvania, U. (2022). Pengaruh Kepemimpinan Kepala Sekolah, Motivasi Dan Lingkungan Kerja Terhadap Kepuasan Kerja Guru Dan Staf Tata Usaha (Studi Kasus pada MTsN 10 Tanah Datar Kecamatan Sungayang) (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta).
- Vinando, R. (2021). Pengaruh Disiplin Kerja dan Kepuasan Kerja terhadap Kinerja Karyawan pada PT Winsen Kencana Perkasa (Doctoral dissertation, Prodi Manajemen).
- Wahjosumidjo. (2005). *Kepemimpinan dan Motivasi*. Jakarta: Ghalia Indonesia.
- Wijaya, A. (2015). Pengaruh Disiplin Kerja Terhadap Kinerja Karyawan Pada Pabrik Kerupuk Naga Mas Pematangsiantar. *Jurnal: Sultan Ist*. Issn: 2338- 4328 Vol.3, No.1.
- Yukl. (2005). *Kepemimpinan Dalam Organisasi*. Jakarta: Indeks.
- Zein Arbie, M. (2022). Pengaruh Kepemimpinan Dan Komunikasi Terhadap Kinerja Karyawan Di PT. Noor Eeman Nusantara, Medan (Doctoral Dissertation, Fakultas Ekonomi, Universitas Islam Sumatera Utara).



THE EFFECT OF WORKLOAD AND WORK DISCIPLINE ON EMPLOYEE PERFORMANCE WITH JOB SATISFACTION AS AN INTERVENING VARIABLE AT HIGHER EDUCATION SERVICE INSTITUTIONS IN REGION I

*Dhadek Keswary Bangun¹, Sofiyan², Elly Romy³
Universitas Prima Indonesia*

ABSTRACT

This study aims to determine whether workload and work discipline affect employee performance through job satisfaction as an intervening variable at the Higher Education Service Institution Region I (LLDikti Region I). The research was conducted on permanent employees (PNS) at LLDikti Region I. The population was 62 people using a saturated sample of 60 people. This study uses primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, and path analysis. The results of this study indicate 1) Workload has a significant effect on job satisfaction, 2) Work discipline has a significant effect on job satisfaction, 3) Workload has a significant effect on employee performance, 4) Work discipline has a significant effect on employee performance, 5) Job satisfaction has a significant effect on employee performance, 6) Workload has a significant effect on employee performance through job satisfaction as an intervening variable, 7) Work discipline has a significant effect on employee performance through job satisfaction as an intervening variable.

Keywords: workload, work discipline, job satisfaction and performance

INTRODUCTION

The Higher Education Service Institution (LLDikti) Region I North Sumatra, is a technical implementation unit of the Directorate General of Higher Education, Research and Technology which carries out the task of Supervision, Control, and Development of Private Universities in its working area, namely North Sumatra. In accordance with the Regulation of the Minister of Education and Culture Number 34 of 2020 concerning the Organization and Work Procedures of the Higher Education Service Institution that LLDikti has the main task to help improve the quality of higher education implementation, both public and private universities in its working area. (<https://lldikti1.kemdikbud.go.id/>, 2024).

The tasks of LLDikti include: (1) implementation of higher education quality mapping; (2) implementation of facilitation of quality improvement of higher education administration; (3)



implementation of facilitation of quality improvement of higher education management; (4) implementation of facilitation of higher education readiness in external quality assurance; (5) management of higher education data and information; (6) implementation of evaluation and reporting on facilitation of higher education quality improvement; (7) implementation of administration. Thus, the existence of LLDIKTI will help the community get quality education services from all universities in a region. Because every performance, study program, education curriculum, and so on will be reported by universities to LLDikti. LLDikti will also ensure that all aspects of education implementation are in accordance with the standards set by the Ministry of Education and Culture. The existence of LLDikti is certainly important to ensure that each university is able to organize quality education (<https://jdih.kemdikbud.go.id>, 2022). LLDikti Region I really needs employees who have excellent quantity and quality, because the duties and obligations that need to be accounted for are not an easy matter, therefore high employee performance is needed in carrying out their duties.

LITERATURE REVIEW

Workload is a number of processes or activities that must be completed by a worker within a certain period of time. If a worker is able to complete and adjust to a number of tasks given, then it does not become a workload. However, if the worker is unsuccessful, the tasks and activities become a workload. According to Menpan (2010), workload is a set or number of activities that must be completed by an organizational unit or position holder within a certain period of time. Discipline is an attitude, behavior and actions that are in accordance with both written and unwritten company regulations. The discipline in question is the way employees obey company regulations. This is an employee's indisciplinary attitude that needs to be addressed properly by management. Many interpret discipline as when employees always come and go home on time. That opinion is only one of those demanded by the organization. Therefore, discipline can be interpreted as written and unwritten behavior. Hasibuan, (2009: 212).

Workload is something that is felt to be beyond the ability of workers to do their jobs. Workload often occurs in any company. Excessive workload will make employees become discouraged, this will affect the physical condition of employees. Such as dizziness, sleepiness and feeling lazy in completing their work. Workload is also a factor that needs to be considered especially in employee health. Mangkunegara (2013: 67) defines performance as the quality and quantity of work achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. High workload can make performance decrease. This is in line with research from fahmi (2016) that high work stress reduces performance. Work stress is influenced by such a heavy workload. Employee discipline is a person's behavior in accordance with existing regulations, work procedures or discipline is an attitude, behavior and actions that are in



accordance with the rules of the organization both written and unwritten. (Sutrisno, 2010: 94).

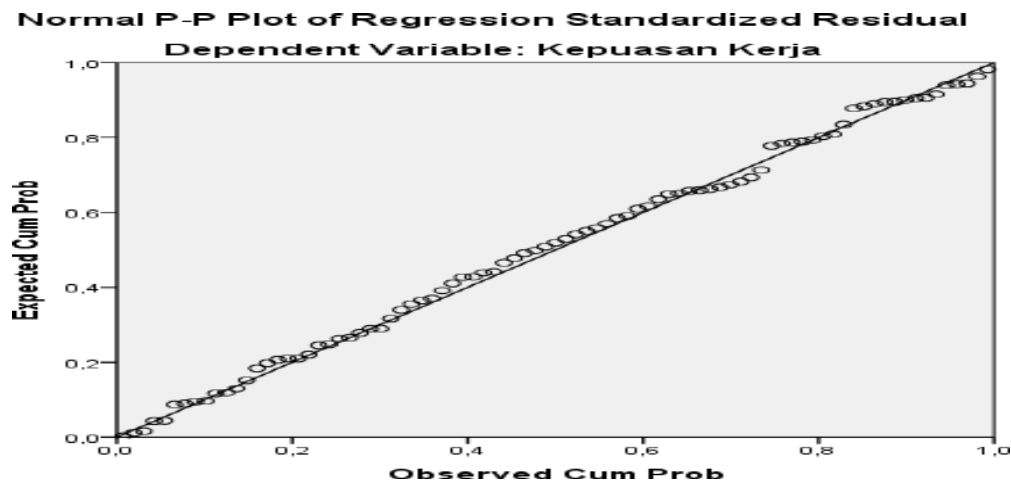
According to Mangkunegara (2012: 112), one of the factors that affect employee performance is employee job satisfaction, because employees who are at work feel comfortable, valued, and are able to develop all the potential they have, then employees can automatically focus and concentrate fully on their work. High workload results in decreased satisfaction and performance. So that employees are not enthusiastic in carrying it out. This is in line with research conducted by Wijaya, (2018) that workload has a negative and significant effect on employee performance. Work discipline is a tool used by managers to communicate with employees so that they are willing to change behavior and as an effort to increase one's awareness and willingness to obey all company regulations and applicable social norms. This is in line with research from Ahmad Saputra, Relly Rotua Turnip, (2018) there is a positive and significant influence between work discipline on job satisfaction. As well as other research conducted by Maniar fitriasari, (2016) that work discipline has a positive and significant effect on performance.

METHODS

The approach in this study uses associative quantitative, which is research that is more based on data that can be calculated to produce an assessment (Sugiyono, 2014). Associative research is research to test the relationship / influence of independent variables on the dependent variable. In this study, the independent variable x_1 is workload, x_2 is work discipline, Z is performance and the dependent variable Y is job satisfaction.

RESULTS

Normality Test





Path Analysis of Direct Influence g

To calculate the direct effect or DE, the following formula used:

1. The effect of workload variables on job satisfaction
 $X1 \rightarrow Z = -0.436$
2. The effect of work discipline variables on job satisfaction
 $X2 \rightarrow Z = 0.253$
3. The effect of workload variables on employee performance
 $X1 \rightarrow Y = -0.170$
4. The influence of work discipline variables on employee performance
 $X2 \rightarrow Y = 0.100$
5. The effect of job satisfaction variables on employee performance
 $Z \rightarrow Y = 0.291$

Indirect Effect Path Analysis (IDE)

To calculate the indirect effect or IDE, the following formula is used:

6. The effect of workload variables on employee performance through job satisfaction
 $X1 \rightarrow Z \rightarrow Y = (-0.436 \times 0.291) = -0.126876$
7. The influence of work discipline variables on employee performance through job satisfaction
 $X2 \rightarrow Z \rightarrow Y = (0.253 \times 0.291) = 0.073623$

Path Analysis of Total Effect

Based on the explanation above, a path diagram can be drawn on

8. The effect of workload variables on employee performance through job satisfaction
 $X1 \rightarrow Z \rightarrow Y = (-0.436 + 0.291) = -0.145$
9. The influence of work discipline variables on employee performance through job satisfaction
 $X2 \rightarrow Z \rightarrow Y = (0.253 + 0.291) = 0.544$

Based on the explanation above, a path diagram can be drawn as follows:

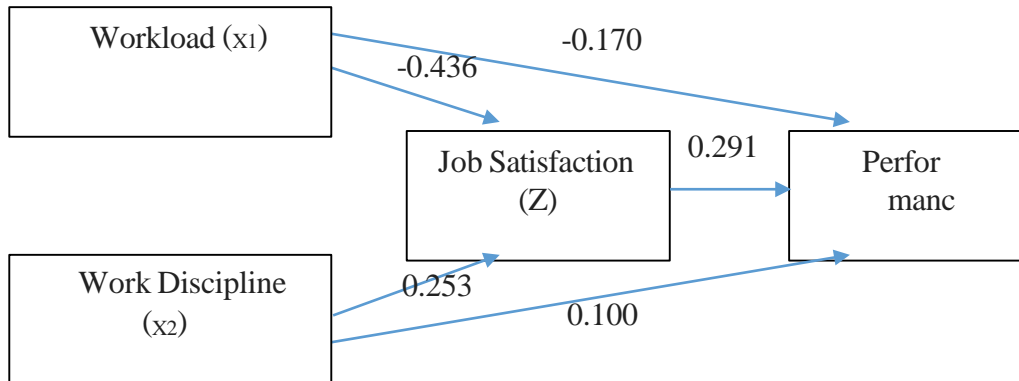


Figure 4.8 Path Diagram

DISCUSSION

Workload has a negative and significant effect on job satisfaction

Based on the results of data analysis, it is known that the value of $t \text{ count} > t \text{ table}$ of workload (x_1) is $-2.962 > 1.99$ and a significant value of $0.004 < \alpha 0.05$, workload has a negative and significant effect on job satisfaction. This indicates that if the workload is increased, it will reduce employee job satisfaction at the Region I Higher Education Service Institution. The workload at the Higher Education Service Institution Region I is in the form of work duties, additional work given by the leadership.

Work discipline has a positive and significant effect on job satisfaction

Based on the results of data analysis, it is known that the $t \text{ value} > t \text{ table}$ of work discipline (x_2) is $3.353 > 1.99$ and a significant value of $0.001 < \alpha 0.05$, so that work discipline has a positive and significant effect on job satisfaction. This indicates that work discipline has a positive and significant effect on job satisfaction.

Workload has a negative and significant effect on employee performance

Based on the results of data analysis, it is known that the value of $t \text{ count} > t \text{ table}$ of workload (x_1) is $-2.057 > 1.99$ and a significant value of $0.043 < \alpha 0.05$, so that the workload variable (x_1) has a negative and significant effect on performance. This indicates that if the workload is increased, it will reduce the performance of employees of the Regional Higher Education Service Institution.

Work discipline has a positive and significant effect on employee performance

Based on the results of data analysis, it is known that the value of $t \text{ count} > t \text{ table}$ of work discipline (x_2) is $2.312 > 1.99$ and a significant value of $0.023 < \alpha 0.05$, so that work discipline has a positive and significant effect on performance This indicates that if work discipline is



increased, it will improve the performance of employees of the Higher Education Service Institution Region I.

Job satisfaction has a positive and significant effect on employee performance

Based on the results of data analysis, it is known that the t value $>$ t table of job satisfaction (Z) is $4.906 > 1.99$ and a significant value of $0.000 < \alpha 0.05$, so that the job satisfaction variable has a positive and significant effect on performance. This indicates that increasing job satisfaction will increase the performance of employees of the Higher Education Service Institution Region 1.

Workload has a negative and significant effect on employee performance through job satisfaction.

Based on the results of data analysis, it is known that workload has a negative and significant effect on performance through job satisfaction. Although job satisfaction negatively affects performance, the relationship between workload and satisfaction and performance is negative. This indicates that if the workload is increased, it will reduce job satisfaction and have an impact on the performance of employees of the Higher Education Service Institution Region I. This condition where an increase in workload will be followed by a decrease in performance. Conditions where an increase in workload will be followed by a decrease in performance as seen from the revision of work.

Work discipline has a positive and significant effect on employee performance through job satisfaction.

Based on the results of data analysis, it is known that work discipline has a positive and significant effect on performance through job satisfaction. This means that the higher the employee's work discipline, the higher the job satisfaction will be. Discipline is a tool used by LLDikti Region I leaders to communicate with employees so that they are willing to change a behavior and as an effort to increase a person's awareness and willingness to obey all company regulations and applicable social norms.

CONCLUSION

Based on the results of research and discussion conducted by researchers on the effect of workload and work discipline on employee performance with job satisfaction as an intervening variable at the Higher Education Service Institution Region I, the following conclusions can be drawn: 1. Workload has a negative and significant effect on job satisfaction at the Higher Education Service Institution Region I.

1. Work discipline has a positive and significant effect on job satisfaction at the Higher Education Service Institution Region I.
2. Workload has a negative and significant effect on performance at the Higher Education Service Institution Region I.
3. Work discipline has a positive and significant effect on performance at the Higher Education Service Institution Region I.
4. Job satisfaction has a positive and significant effect on performance at the Higher Education Service



Institution Region I.

5. Workload has a negative and significant effect on performance through job satisfaction at the Higher Education Service Institution Region I.
6. Work discipline has a positive and significant effect on performance through job satisfaction at the Higher Education Service Institution Region I.

LIMITATION

This research can also be used as a reference for further research on workload, work discipline, job satisfaction and employee performance and supporting theories of HR and the limitations of this research.

REFERENCES

- A.A. Anwar Prabu Mangkunegara. 2010. *Evaluasi Kinerja Sumber Daya Manusia*, Refika Aditama, Bandung
- AA. Anwar Prabu Mangkunegara, 2013, *Manajemen Sumber Daya Manusia Perusahaan*, Remaja Rosdakarya, Bandung.
- Ahmad Badawi Saluy, Risamawati (2018), The Influence of Transformational Leadership Style, Work Discipline and Compensation on Teacher Performance SMK Global Mulia Bekasi, *Journal of Economics, Business and Management (SJEEM) Juni, 2018; 5(6): 465-474*
- Ahmad Saputra , Relly Rotua Turnip, (2018), Pengaruh motivasi, komunikasi dan disiplin terhadap kepuasan kerja PT PLN (Persero) P3B Sumbagut, *Jurnal Manajemen Bisnis STIE IBBI, Volume 29 No.2*
- Alex S. Nitisemito, 2014, *Manajemen Personalialia*, Ghalia Indonesia, Jakarta. Andrew E. Sikula. 2011 *Manajemen Sumber Daya Manusia*. Erlangga. Bandung
- Banta Karollah Syarifah Nathasya (2018), Pengaruh Tunjangan Prestasi Kerja dan Disiplin Kerja terhadap Kinerja ASN Negeri Sipil pada Badan Kepegawaian Aceh, *SIMEN (Akuntansi dan Manajemen) STIES Vol. 9 Issue 1 (2018) hal.13-22*
- Dessler, Gary. 2015. *Manajemen Sumber Daya Manusia*. Jakarta: Salemba Empat.
- Dewi Tri Wijayati Wardoyo (2016), The Influence of the Discipline and Compensation against Work Productivity (Study on the Security Services Company, PT Garuda Milky Artha Surabaya), *International Journal of Business and Management; Vol. 11, No. 1 : 2016*
- Encep saefullah , listiawati, asti nur amalia (2017), Pengaruh beban kerja dan stres kerja terhadap produktivitas kerja karyawan, *Akademika, Vol. 15. No.2 Agustus 2017*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Hasibuan, Malayu S.P. 2010. *Manajemen Sumber Daya Manusia*. Jakarta: PT Bumi Aksara.

Handoko, T. Hani. 2011. *Manajemen Personalia dan Sumberdaya Manusia*. Yogyakarta: Penerbit BPFE

Ghozali, Imam. 2018. *Aplikasi Analisis Multivariate dengan Program IBM SPSS*. Badan Penerbit Universitas Diponegoro: Semarang



The Impact of Digital Marketing and Product Innovation on Business Growth of Pekanbaru City MSMEs

line 1: 1st Williya Meta line 2: *Management*

line 3: *Universitas Prima Indonesia*

line 4: Pekanbaru, Indonesia line 5: williyameta@unprimdn.ac.id

line 1: 2nd Jeri Wandana line 2: *Information System* line 3: *Universitas Prima Indonesia*

line 4: Pekanbaru, Indonesia line 5: jeriwandana@unprimdn.ac.id

line 1: 3rd Arifin line 2: *Management*

line 3: *Universitas Prima Indonesia*

line 4: Pekanbaru, Indonesia line 5: arifin@unprimdn.ac.id

Abstract—This study examines how digital marketing and product innovation affect business growth in MSMEs in Pekanbaru City, using a quantitative approach with an explanatory research design. This research focuses on the variables of digital marketing adoption and product innovation on MSME businesses. A thorough study of 100 MSMEs in various industries provided a wealth of information on demographics and the level of digital marketing adoption and product innovation. Regression analysis using SPSS 27 was used to evaluate the relationship between factors associated with business growth. The results of this study provide actionable insights for businesses and policymakers, showing a strong and significant positive relationship between the use of digital marketing and product innovation in driving MSME business growth.

Keywords: *Digital Marketing, Product Innovation, MSMEs.*

I. INTRODUCTION (*HEADING 1*)

MSMEs (micro, small, and medium enterprises) constitute a significant component of the national economy, particularly in Indonesia. In the city of Pekanbaru, MSMEs represent a significant pillar of the local economy, providing employment opportunities for a considerable number of individuals. As of 2024, there were over 26,684 MSME business units registered in Pekanbaru City. (Dinas Koperasi dan UKM Kota Pekanbaru. (2024). The majority of these MSMEs are engaged in the trade, service, and culinary sectors. However, in the context of intensifying competition and rapid technological advancement, MSMEs encounter significant challenges in maintaining their viability and pursuing sustainable growth. One of the pivotal challenges is the ability of MSMEs to align with

contemporary marketing trends and product innovation to retain and expand their market share.

Digital marketing has emerged as a highly effective strategy for expanding market reach in a broader, more rapid, and cost-efficient manner. By employing digital marketing strategies, MSMEs can access a broader consumer base that is not constrained by geographical boundaries. This can be achieved by leveraging social media, marketplaces, and other online platforms. Nevertheless, a considerable number of MSMEs in Pekanbaru remain underutilizers of this technology, either due to constraints in resources or an absence of comprehension regarding efficacious digital marketing strategies.

Furthermore, product innovation is a crucial element that can assist MSMEs in becoming more competitive and aligning with the evolving consumer demands. Product innovation encompasses not only the creation of novel products but also the enhancement of existing products to enhance their value to consumers. Regrettably, numerous MSMEs in Pekanbaru exhibit a lack of emphasis on product innovation, leading to the offering of products that are largely similar to those of competitors, devoid of



distinctive added value, which may ultimately diminish consumer interest.

The relationship between digital marketing, product innovation, and business growth in MSMEs has been the subject of several previous studies. In a study conducted by Nugroho et al. (2022), the effect of digital marketing on the marketing performance of MSMEs in Surabaya City was investigated. The findings indicated that digital marketing exerts a positive and statistically significant influence on the marketing performance of MSMEs. Moreover, Sumarwan et al. (2021) investigated the impact of product innovation and

market orientation on the marketing performance of MSMEs in Bogor City. The findings indicated that product innovation exerts a positive and statistically significant influence on marketing performance.

In a further study, Pratiwi and Nugroho (2022) investigated the impact of digital marketing and entrepreneurial orientation on the performance of MSMEs in Yogyakarta City. The findings indicate that digital marketing has a positive and statistically significant impact on the performance of MSMEs. Sondari et al. (2020) also analyzed the effect of product innovation and customer orientation on the business performance of MSMEs in Bandung City. The results demonstrated that product innovation has a positive and significant effect on business performance. Finally, Susanto et al. (2021) examined the effect of market orientation and product innovation on the marketing performance of MSMEs in Semarang City. The results indicated that product innovation has a positive and significant effect on marketing performance.

In order to flourish amidst the aforementioned changes, MSMEs in Pekanbaru must enhance their capacity for digital marketing and product innovation. Accordingly, this study seeks to examine the impact of digital marketing and product innovation on the growth of MSMEs in Pekanbaru City. By gaining a more profound comprehension of these elements, it is anticipated that MSMEs will be able to devise effective strategies to bolster their competitiveness and business sustainability.

II. LITERATURE REVIEW

A. *Digital Marketing*

As defined by Kotler et al. (2017), digital marketing is a form of marketing that employs digital media, including the Internet, social media, email, and mobile applications, to reach consumers. This strategy is not only effective in reaching a wider target market but also allows companies to interact directly with customers, collect consumer data, and conduct more accurate segmentation. This is consistent with the perspective put forth by Chaffey and Smith (2017), who argue that digital marketing offers a valuable opportunity to personalize marketing messages and enhance consumer engagement. Digital marketing has become an increasingly adopted strategy by businesses, including micro, small, and medium enterprises (MSMEs), in an effort to facilitate

business growth. The use of digital marketing allows MSMEs to reach a wider market, increase their visibility, and establish more effective interactions with consumers (Nugroho et al., 2022).

A number of previous studies have examined the impact of digital marketing on the performance and growth of MSMEs. Nugroho et al. (2022) found that digital marketing has a positive and significant effect on the marketing performance of MSMEs in Surabaya City. Similarly, Pratiwi and Nugroho (2022) demonstrated that digital marketing has a positive and significant effect on the performance of MSMEs in Yogyakarta City.

In their 2021 analysis, Dwivedi and colleagues explored the potential role of artificial intelligence in this context. They explored the potential of AI in social media marketing and discovered that it may be beneficial to consider the potential of AI for content personalization and audience targeting. However, there are still some challenges to overcome. It would be remiss of us not to mention the ethical challenges that social media marketing presents. We would like to draw your attention to the research by Frue (2020). It is worth noting that the collection and use of data may raise some privacy and



transparency concerns. It would be beneficial to consider the use of consumer data for ad targeting on social media.

Fadillah et al. (2021) identified several key challenges to digital technology adoption in Pekanbaru, including infrastructural constraints, a lack of digital competencies, and a reluctance to change, particularly among conventional businesses. The study highlighted the potential value of training programs and governmental assistance in addressing these challenges. The findings of Tjiptono's (2019) research indicate that MSMEs that effectively adopt digital marketing strategies are able to increase their sales turnover by 40% within a one-year period. These strategies encompass the utilisation of social media, content marketing, search engine optimisation, and e-commerce platforms, which provide MSMEs with the tools to compete in the global market.

As Kaplan (2016) notes, social media platforms such as Instagram, Facebook, and TikTok have become effective marketing ecosystems for small businesses. Nasution (2017) demonstrates in his study that MSMEs that utilize social media intensively are capable of expanding their market reach by 60% in comparison to conventional marketing techniques. An intriguing, genuine, and narrative-based content strategy has been identified as a crucial element in the effective implementation of digital marketing communications. The capacity to interact directly with consumers, respond promptly, and foster engagement represent the primary advantages of social media marketing.

B. Product Innovation

As posited by Schilling (2020), product innovation encompasses two principal elements: the creation of novel products and the enhancement of existing ones. The development of new products enables MSMEs to create distinctive value that is challenging for competitors to reproduce. Conversely, product enhancements facilitate the enhancement of quality or the incorporation of novel features, thereby augmenting the appeal of products to consumers. Additionally, Utomo (2019) posited that product innovation in MSMEs frequently entails the utilisation of local raw materials or the adoption of straightforward technologies that align with their production capacity.

Furthermore, product innovation plays a pivotal role in propelling the growth of MSMEs. The development of innovative products enables MSMEs to respond to evolving consumer demands and preferences, thereby enhancing their competitive positioning vis-à-vis their rivals (Sumarwan et al., 2021). A number of previous studies have examined the impact of product innovation on the performance and growth of MSMEs. Sumarwan et al. (2021) demonstrated that product innovation has a positive and significant impact on the marketing performance of MSMEs in Bogor City. Similarly, Sondari et al. (2020) indicated that product innovation has a positive and significant effect on the business performance of MSMEs in Bandung City. Additionally, Susanto et al. (2021) illustrated that product innovation has a positive and significant influence on the marketing performance of MSMEs in Semarang City.

Tjiptono's research (2020) demonstrated that MSMEs that consistently innovate their products are able to increase sales turnover by 50% within two years. The innovation process encompasses the development of design, functionality, and the fulfillment of market-specific needs. The capacity to discern consumer trends, integrate novel technologies, and devise distinctive solutions is the cornerstone of a successful product innovation strategy.

In a study conducted in 2019, Laudon identified that micro, small, and medium-sized enterprises (MSMEs) that survive are those that are able to quickly adapt their products to changing market needs. The development of innovative products, including those designed to improve health, facilitate digital solutions, and support home activities, represents a key strategy for MSMEs seeking to adapt to changing market demands. The capacity to discern shifts in consumer behavior and to transform adversities into prospects is the essential determinant of success.

Pulizzi (2017) posits that innovation is not merely the addition of new functionalities; rather, it is the



creation of a profound consumer experience. Wibowo (2019) revealed in his study that MSMEs that focus on design innovation are able to increase the perceived value of their products by 60%. This is achieved through a user-centered design approach, stunning aesthetics, and the ability to tell the narrative behind the product. Design innovation encompasses visual aspects, ergonomics, sustainability, and the product's ability to connect with consumers' emotions.

Porter (2020) demonstrated that sustainable products are not merely a passing trend, but rather a future necessity. Zimmerer (2018) illustrated that MSMEs that integrate circular economy and environmentally friendly principles are capable of creating competitive differentiation. Sustainable product innovation encompasses the utilisation of recycled materials, minimal waste design, and socio-environmental added value. The capacity to align business interests with ecological responsibility represents a distinctive innovation strategy.

C. MSME Business Growth

As posited by Tambunan (2019), the growth of MSMEs can be gauged through a number of indicators, including an increase in revenue, the expansion of the workforce, an expansion of the market, and an increase in productivity and profits. As posited by Chandler and Hanks (1994), business growth is contingent upon an organization's capacity to effectively manage resources and create competitive value. In the context of micro, small, and medium-sized enterprises (MSMEs), growth is often evidenced by an increase in operational capacity or the introduction of new products that align with market demands. The growth of MSMEs can be influenced by a number of factors, including the implementation of digital marketing strategies and the introduction of innovative products. The implementation of effective digital marketing strategies and the development of innovative products have been identified as key factors influencing the performance and growth of MSMEs (Nugroho et al., 2022; Sumarwan et al., 2021).

In light of the aforementioned description, the objective of this study is to examine the impact of digital marketing and product innovation on the growth of MSMEs in Pekanbaru City. It is anticipated that the findings of this research will offer insights and recommendations for MSMEs in Pekanbaru City, enabling them to enhance their business growth through the implementation of effective digital marketing strategies and product innovation.

Sari and Rahayu (2020) demonstrated that the implementation of information and communication technology has a beneficial effect on business performance and growth. The researchers discovered that MSMEs that integrate digital platforms into their marketing and operational strategies possess a superior competitive advantage. The utilisation of social media, online marketplaces and digital management systems has been demonstrated to facilitate the expansion of market reach and enhance business efficiency.

As demonstrated by the comprehensive study conducted by Atmaja and Wibowo (2022), the internal factors of managerial capability, human resource quality, and entrepreneurial motivation interact with external factors such as economic conditions, government policies, and market dynamics. This research underscores the necessity of a comprehensive strategy for the empowerment of MSMEs, necessitating the involvement of the government, financial institutions, and business support institutions in a collaborative effort.

III. RESEARCH METHODOLOGY



Research Design

This research employs a quantitative methodology with an explanatory research design. The explanatory design was selected to elucidate the causal relationship between the independent variables (digital marketing and product innovation) and the dependent variable (business growth).

Population and Sample

The population under investigation in this study consisted of all MSMEs in Pekanbaru City. The sampling technique employed was purposive sampling, with the inclusion criteria being that the MSMEs in question had been operational for a minimum of two years and had implemented digital marketing in their business activities. Based on these criteria, 100 MSMEs were obtained as research samples.

Data Collection

The primary data for this study was collected via an online survey distributed to small and medium-sized enterprise (SME) owners or managers in Pekanbaru City. The survey instrument consisted of statements designed to measure digital marketing variables, product innovation, and business growth.

Research Variables

1. Independent Variable:

- a. Digital Marketing: Indicators adapted from research by Nugroho et al. (2022), including the use of social media, websites, and digital advertising.
- b. Product Innovation: Indicators are adapted from research by Sumarwan et al. (2021), including new product development, product improvement, and product diversification.

2. Dependent Variable:

Business Growth: Indicators include increased sales, increased number of customers, and increased operating profit.

Data Analysis

The collected data will be analyzed using SPSS 27 with multiple linear regression analysis to test the effect of digital marketing and product innovation on MSME business growth in Pekanbaru City. Previously, a classical assumption test will be conducted to ensure the regression model meets the requirements

Classical Assumption Test:

1. Normality Test: Using the Kolmogorov-Smirnov test to check if the data is normally distributed.
2. Multicollinearity Test: Checks the correlation between independent variables using tolerance and VIF values.
3. Heteroscedasticity Test: Using the Glejser test to check for the presence or absence of heteroscedasticity.
4. Autocorrelation Test: Using the Durbin-Watson test to check for the presence or absence of autocorrelation.



Multiple Linear Regression Analysis:

The multiple linear regression equation to be tested is: $Y = a + b_1X_1 + b_2X_2 + e$

Description:

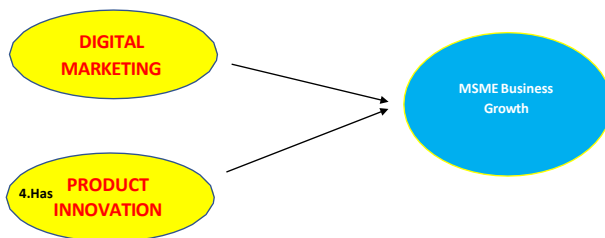
Y = Business Growth X1 = Digital Marketing X2 = Product Innovation a = Constant

b1, b2 = Regression coefficient e = Error term

HIPOTESIS PENELITIAN

H1: Digital marketing has a positive and significant effect on MSME business growth.

H2: Product innovation has a positive and significant effect on MSME business growth.



IV. RESULTS AND DISCUSSION

4.1. Demographic Sample

The survey conducted in Pekanbaru City provides a comprehensive representation of micro, small, and medium enterprises (MSMEs) in terms of business size distribution and industry representation. The sample is composed of 20% small enterprises, 15% medium enterprises, and 65% micro enterprises, which collectively reflect the diverse MSME landscape in the city. The sample also includes MSMEs from various sectors, with 50% in culinary, 15% in retail, 10% in services, and 25% in other industries. This broad industry representation allows for a comprehensive examination of the impact of digital marketing and product innovation on businesses across sectors.

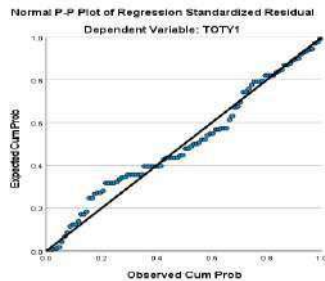
This research elucidates the varying degrees of digital marketing adoption among MSMEs in the city and provides a foundation for analyzing the impact of product innovation on business growth.

4.2. Normality Test

The objective of this normality test is to ascertain whether the dependent and independent variables in the regression model exhibit a normal distribution. An optimal regression model would demonstrate a normal distribution or a distribution that is as close to normal as possible. The normality test employed in this study is as follows:



Gambar 4.1 Uji Normalitas

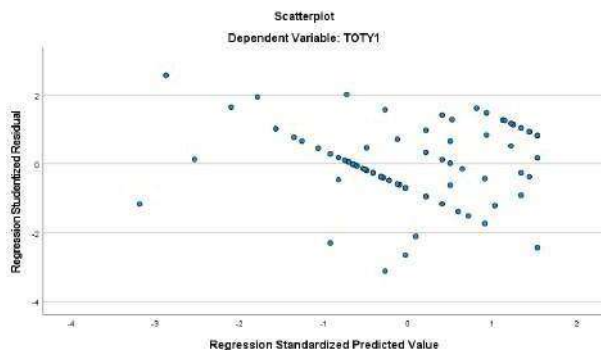


The results of this study demonstrate that each variable exhibits a normal distribution. This is due to the fact that the grains in the image align with the diagonal line.

4.3. Heteroscedasticity Test

The heteroscedasticity test is employed to ascertain whether there is an inequality of variance in the residuals of a linear regression model, whereby the variance differs from one observation to another. If the variance of the residuals of one observation to another observation is constant, it is defined as homoscedasticity. Conversely, if it is not, it is defined as heteroscedasticity. The presence or absence of heteroscedasticity can be tested by examining the scatter plot. In this study, the heterokedaksitas test is as follows:

Gambar 4.2 Heteroscedasticity Test



As illustrated in Figure 4.2, the variables of digital marketing and product innovation, in conjunction with the growth of MSMEs, demonstrate a lack of heterokedaksitas. This is evidenced by the fact that the values represented by the grains in the figure are both positive and negative. Subsequently, the classical assumptions are validated.

4.4. Multiple Linear Regression Test

In general, this analysis is employed to elucidate the linear relationship between several independent variables (variable X) and the dependent variable (variable Y) (Ghozali, 2011). In a multiple regression analysis, the number of independent variables (variable X) that are calculated to affect the dependent variable (variable Y) is greater than one. In this study, the independent variables are digital marketing and product innovation, while the dependent variable is business growth in MSMEs. The multiple linear analysis is as follows:



Tabel 4.1
Multiple Linear Regression Test

| | | Coefficients ^a | | | | | | Collinearity Statistics | |
|-------|------------|-----------------------------|------------|---------------------------|-------|-------|-----------|-------------------------|--|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF | |
| | | B | Std. Error | Beta | | | | | |
| 1 | (Constant) | 6.311 | 1.591 | | 3.966 | <.001 | | | |
| | TOTX1 | .164 | .068 | .175 | 2.420 | .017 | .891 | 1.122 | |
| | TOTX2 | .533 | .058 | .664 | 9.195 | <.001 | .891 | 1.122 | |

a. Dependent Variable: TOTY1

It is indicated that the variable is deemed significant if the t-statistic value exceeds 1.96.

1. The digital marketing variable has an effect on increasing the growth of MSMEs because the T value = 2.420. T Count > T Table. Then it is declared significant.
2. The social media variable has an effect on increasing the growth of MSMEs because the value of T = 9.195. T Count > T Table. Then it is declared significant.

4.5. Simultaneous Significant Test (F Test)

The F statistical test basically shows whether all independent or independent variables included in the model have a joint influence on the dependent variable. The results of the F test calculation can be seen in the following table:

Table 4.2

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 286.716 | 2 | 143.358 | 58.962 | .000 ^b |
| | Residual | 235.844 | 97 | 2.431 | | |
| | Total | 522.560 | 99 | | | |

a. Dependent Variable: TOTY1
b. Predictors: (Constant), TOTX2, TOTX1

Table 4.2 above shows that the f test is as follows:

Based on the f hypothesis test, the digital marketing and product innovation variables have a significant influence on MSME business growth, this can be seen from the significance value (0.000) < 0.05.

4.6. Implications of Using Digital Marketing

The utilisation of digital marketing has emerged as a pivotal strategy for Micro, Small, and Medium Enterprises (MSMEs) in navigating the complexities of an increasingly dynamic market landscape. Digital marketing enables MSMEs to expand their reach to a broader market, encompassing local, national, and international audiences. The use of social media, websites, and e-commerce platforms enables MSMEs to reach consumers who were previously difficult to reach, thereby facilitating business expansion.

Furthermore, digital marketing provides a more cost-effective promotional solution in comparison to conventional marketing. MSMEs have the option of selecting strategies that align with their budgetary constraints. These may include customizable paid advertising (Google Ads, Facebook Ads) or the use of



organic strategies such as SEO and content marketing. This has the effect of reducing the burden of promotional costs, thereby allowing the budget to be allocated to product or service development. MSME players can sell their products through various channels, including marketplaces (e.g., Shopee, Tokopedia), social media (e.g., Facebook Shop, Instagram Shop), and official websites. Additionally, digital platforms facilitate direct communication with consumers through features such as live chat, comments, or private messages. This enhances relationships with customers and increases loyalty.

4.7. Implications of Product Innovation on MSME Business Growth

The findings of this study suggest that product innovation plays a pivotal role in the growth of MSMEs in the city of Pekanbaru. Product innovation provides MSMEs with the opportunity to differentiate themselves from their competitors. For instance, culinary MSMEs in Pekanbaru that develop unique product variants, such as sago-based snacks or local coffee, can attract market attention and enhance customer loyalty. This allows MSMEs to expand their market share and pursue opportunities for expansion into national and international markets.

Product innovation enables MSMEs to create products with higher added value. For instance, modern and attractive product packaging or integrating technology in certain products, such as handicrafts, can increase selling prices.

Conversely, MSMEs that are able to demonstrate innovation often attract the attention of investors and business partners. In Pekanbaru, there are opportunities for collaboration with local government entities or MSME support institutions, such as the Creative Economy Agency and local cooperatives.

While product innovation offers numerous advantages, it also presents a number of challenges, including:

1. Another challenge is the limited capital and access to technology.
2. A further challenge is the lack of training and skills development opportunities.
3. The difficulty in comprehending the nuances of evolving market demands.

It is anticipated that with the assistance of local governments and pertinent institutions, these challenges can be mitigated. The implementation of enhanced training, mentoring, and financing programs can facilitate the acceleration of innovation within the MSME sector.

V. CONCLUSION

The findings of this study suggest that both digital marketing and product innovation exert a considerable impact on the growth of MSMEs in Pekanbaru City. In the context of an increasingly digitally connected era, digital marketing enables MSMEs to reach a broader consumer base in a relatively cost-effective manner. The implementation of strategic initiatives, such as the utilisation of social media, e-commerce, and data-driven marketing, has been observed to enhance brand awareness, facilitate market access, and propel increased sales. Conversely, product innovation represents a pivotal element in the establishment of long-term competitiveness. MSMEs that are able to offer unique, quality products that are relevant to consumer needs are more likely to survive and thrive in a competitive market. The combination of effective digital marketing and consistent product innovation has the dual benefit of increasing revenue and strengthening the position of MSMEs in local, regional, and even national markets.

Nevertheless, in order to fully realize this potential, MSMEs in Pekanbaru must surmount a number of obstacles, including restricted access to technology, digital proficiency, and capital. It is imperative that



local government, financial institutions, and the business community provide support to enable MSMEs to optimise digital marketing and drive sustainable product innovation.

The combination of these two factors has the potential to transform MSMEs in Pekanbaru City into a pivotal driver of resilient and inclusive local economic growth.

In conclusion, these findings underscore the significance of integrating e-commerce and social media strategies into MSME business plans while simultaneously diversifying sales channels to ensure sustainable growth. Furthermore, training and education on digital marketing and product innovation are essential to enhance MSMEs' capacity to capitalize on the opportunities presented by the digital era.

REFERENCES

- [1] Atmaja, R., & Wibowo, H. (2022). Analisis Faktor Pertumbuhan UMKM di Indonesia. *Jurnal Ekonomi Pembangunan*, 15(2), 45-60.
- [2] Chaffey, D., & Smith, P. R. (2017). *Digital Marketing Excellence: Planning, Optimizing and Integrating Online Marketing*. Routledge.
- [3] Chandler, G. N., & Hanks, S. H. (1994). "Market Attractiveness, Resource-Based Capabilities, Venture Strategies, and Venture Performance." *Journal of Business Venturing*, 9(4), 331-349
- [4] Dinas Koperasi dan UKM Kota Pekanbaru. (2024). Laporan Tahunan Perkembangan UMKM Kota Pekanbaru 2022. Pemerintah Kota Pekanbaru.
- [5] Dwivedi, Y. K., Ismagilova, E., Hughes, D. L., Carlson, J., Filieri, R., Jacobson, J., ... & Wang, Y. (2021). Setting the future of digital and social media marketing research: Perspectives and research propositions. *International Journal of Information Management*, 59, 102168.
- [6] Fadillah, M., Arifin, Z., & Hasyim, M. (2021). Tantangan dan Peluang Digitalisasi UMKM di Kota Pekanbaru. *Jurnal Manajemen dan Kewirausahaan*, 9(1), 78-92.
- [7] Frue, K. (2020). The Ethical Challenges of Social Media Marketing. *Journal of Business Ethics*, 168(4), 787-805.
- [8] Kaplan, A.M. (2016). *Teori Media Sosial Marketing*. Salemba Empat.
- [9] Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: Moving from Traditional to Digital*. John Wiley & Sons.
- [10] Laudon, K.C. (2019). *Strategi Inovasi Bisnis*. Salemba Empat.
- [11] Nasution, M.E. (2017). *Komunikasi Pemasaran Digital*. UI Press.
- [12] Nugroho, A., Suharno, S., & Nurmalina, R. (2022). Pengaruh Pemasaran Digital terhadap Kinerja Pemasaran UMKM di Kota Surabaya. *Jurnal Manajemen dan Bisnis Indonesia*, 8(1), 1-12.
- [13] Porter, M.E. (2020). *Inovasi Produk Berkelanjutan*. Salemba Empat.
- [14] Pemerintah Kota Pekanbaru. (2024). *Data UMKM Kota Pekanbaru Tahun 2024*.
- [15] Pratiwi, N. I., & Nugroho, A. (2022). Pengaruh Pemasaran Digital dan Orientasi Kewirausahaan terhadap Kinerja UMKM di Kota Yogyakarta. *Jurnal Ekonomi dan Bisnis*, 24(2), 117-130.
- [16] Pulizzi, J. (2017). *Desain dan Pengalaman Produk*. Salemba Empat.
- [17] Sari, D. P., & Rahayu, M. (2020). Transformasi Digital dan Kinerja UMKM. *Jurnal Manajemen Teknologi*, 19(3), 210-225.
- [18] Schilling, M. A. (2020). *Strategic Management of Technological Innovation*. McGraw-Hill Education.
- [19] Selviasari, Rike. Sudarmiatin. (2024). The Role of Entrepreneurial Marketing, Digital Marketing through Product Innovation on SMEs Business Performance. *Jurnal Manajemen Bisnis, Akuntansi dan Keuangan (JAMBAK)* Vol. 3, No. 1 :2024: 97-108
- [20] Sondari, M. C., Susanti, N., & Mulyani, S. (2020). Pengaruh Inovasi Produk dan Orientasi Pelanggan terhadap Kinerja Bisnis UMKM di Kota Bandung. *Jurnal Riset Bisnis dan Manajemen Tirtayasa*, 4(1), 1-10.
- [21] Susanto, H., Darmawan, A., & Suryanto, T. (2021). Pengaruh Orientasi Pasar dan Inovasi Produk terhadap Kinerja Pemasaran UMKM di Kota Semarang. *Jurnal Manajemen dan Kewirausahaan*, 23(1), 41-50.
- [22] Sumarwan, U., Fauzi, A., & Wijayanto, A. (2021). Pengaruh Inovasi Produk dan Orientasi Pasar terhadap Kinerja Pemasaran UMKM di Kota Bogor. *Jurnal Manajemen dan Agribisnis*, 18(2), 180-191.
- [23] Tambunan, T. (2019). *Development of Small and Medium Enterprises in Indonesia from the Asia-Pacific Perspective*. LP3ES.
- [24] Tjiptono, F. (2019). *Strategi Pemasaran Kontemporer*. Andi Offset.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- [25] Tjiptono, F. (2020). Strategi Inovasi Produk. Andi Offset.
- [26] Utomo, D. (2019). "The Role of Local Resources in Product Innovation of SMEs." Journal of Small Business and Entrepreneurship Development, 7(2), 45-62.
- [27] Wibowo, A. (2019). Inovasi Desain Produk. Gramedia.
- [28] Zimmerer, T.W. (2018). Kewirausahaan dan Inovasi Berkelanjutan. Andi Offset.

We suggest that you use a text box to insert a graphic (which is ideally a 300 dpi TIFF or EPS file, with all fonts embedded) because, in an MSW document, this method is somewhat more stable than directly inserting a picture.

To have non-visible rules on your frame, use the MSWord "Format" pull-down menu, select Text Box > Colors and Lines to choose No Fill and No Line.



The Influence of Ambidextrous Leadership and Education on Lecturer Performance in Organizational Culture Mediation in Private Universities in Medan

Jasbir S, Syaifuddin, Fajar Rezeki Ananda Lubis
Graduate School, Universitas Prima Indonesia Medan, Indonesia
Graduate School, Universitas Prima Indonesia Medan, Indonesia
Graduate School, Universitas Prima Indonesia Medan, Indonesia
syaifuddin@unprimdn.ac.id

Abstract

The increasing quality of higher education is certainly caused by various factors. Such as among those considered influential is the performance of its lecturers. Therefore, this study will test whether leadership and education have an influence on the performance of lecturers in private universities in Medan City. Data were collected using library and associative methods. The results of the study indicate that leadership has an influence on the performance of lecturers in Private Universities in Medan City. The level of education also has a significant influence on the performance of lecturers. To improve the quality of higher education in Medan, leadership and education are very important.

Keywords: Ambidextrous Leadership, Education, Lecturer Performance, Private Universities

INTRODUCTION

In recent years, higher education in Indonesia has undergone significant transformation. However, major problems remain, especially in terms of governance, access, quality, and relevance. Although higher education plays an important role in the formation of intelligent human resources who are able to compete globally, there is still much work to be done to achieve this goal. The Gross Participation Rate (APK) in higher education in Indonesia is still relatively low compared to developed countries even though access to higher education continues to increase. Data from the Central Statistics Agency (BPS) in 2023 showed that only 31.45% of 100 people aged 19–23 years were able to continue their higher education. In addition, certain groups experience limitations in access to higher education, such as people with disabilities, where only around 2.8% of the population can access higher education. This shows that Indonesia needs to improve access and inclusion in higher education (BPS, 2023). Indonesia still maintains the problem of the quality of higher education. Of the 4,356 existing higher education institutions, only around 2% have high-quality accreditation. On the other hand, almost 30% have no accreditation at all. Universities that do not have good accreditation find it difficult to provide relevant and quality education, which impacts the competitiveness of their graduates (Kompas.com, 2024). The mismatch between graduate competencies and job market needs is another major problem. A recent report shows that around 80% of college graduates work in industries that are not in line with their fields of study. This shows that the curriculum must be changed to be more relevant to industry and community needs. In addition, the government, industry sector, and universities must work together to create a more flexible and responsive education ecosystem (Antaranews.com, 2023). To address these various issues, leadership in higher education is also very important. To encourage the transformation of higher education in Indonesia, university leaders are expected to be able to provide solutions to improve access, quality, and relevance of education (Kompas.com, 2024). The Ministry of Education, Culture,



Research, and Technology (Kemendikbudristek) has launched the "Merdeka Belajar Kampus Merdeka" (MBKM) program to address this problem. This program aims to give students the flexibility to explore learning outside their main study program. This method is expected to help students develop skills that are more in line with industry and the world of work (Kompas.com, 2023).

Universities play a strategic role in the formation of intelligent and creative human resources. As an important part of the education process, lecturers have a major role in creating a good educational environment. Not only teaching, lecturer performance includes research, community service, and contributions to school management. Improving lecturer performance is a top priority to support university accreditation, graduate competitiveness, and achievement of the institution's vision in the context of global competition. However, low motivation, structural constraints, and personal factors such as age and education level are some of the problems that often hinder lecturer performance. Therefore, it is important to understand all the components that affect lecturer performance.

Ambidextrous leadership is a leadership approach that combines exploration and exploitation. Ambidextrous leaders have the ability to maintain operational efficiency while encouraging innovation and creativity. Ambidextrous leadership in higher education has great potential to support lecturer performance, especially amidst changes in education policies and the demands of the modern world.

It is important to determine how effectively this leadership style is used in private universities in Medan City and how it impacts lecturer performance. It is believed that an innovative, collaborative, and productive work culture can be generated by leadership that can balance the discovery of new ideas with the use of available resources. One of the most important components that affect teacher performance is the education factor. Better academic ability, broader insight, and better research ability are often associated with higher education. Is, however, the level of education always positively correlated with academic performance? According to several studies, although education is important, other factors such as motivation, experience, and support from the institution are also very important. Medan City, which is a well-known education center in Indonesia, faces many problems in maintaining the quality of higher education. Higher education institutions in Medan must compete with institutions in other big cities throughout the country and at the international level. Thus, improving lecturer performance should be a top priority. The relevance of this study is to provide a clearer picture of the factors that affect lecturer performance in Medan and to provide suggestions for higher education institutions in this city. Based on the description above, the title of this study is The Influence of Ambidextrous Leadership and Education on Lecturer Performance with the Mediating Variable of Organizational Culture at Private Universities in Medan City.

LITERATURE REVIEW

Ambidextrous Leadership

A leader's ability to manage exploration (innovation and development) and exploitation (efficiency and optimization) simultaneously is known as ambidextrous leadership. With this ability, leaders can encourage innovation while keeping the organization's operations running smoothly. According to Rosing et al. (2011), ambidextrous leadership means behaviors that



encourage exploration and exploitation simultaneously, which allows the organization to remain competitive and adapt to environmental changes.

Rosing et al. (2011) define ambidextrous leadership as a leader's ability to encourage exploration and exploitation behaviors simultaneously in the organization, which allows for improved performance and adaptation to environmental changes. Luu (2017) states that ambidextrous leadership is a leadership approach that enhances employee innovation by combining open behaviors (which encourage innovation and experimentation) and closed behaviors (which emphasize efficiency and implementation). Mom et al. (2009) define ambidextrous leadership as a manager's ability to explore and exploit simultaneously, which is critical to organizational adaptability and innovation.

Zacher and Rosing (2015) define ambidextrous leadership as a leader's ability to shift between behaviors that encourage exploration and exploitation according to situational needs to achieve innovative performance. O'Reilly and Tushman (2013) define ambidextrous leadership as a leader's ability to cope with the conflicting demands of extreme innovation and increased operational efficiency by creating procedures and structures that support both activities.

Education

According to UNESCO (2015) Education is a process that enables individuals to develop their full potential, both intellectually, emotionally, and socially, and to become responsible citizens. Education includes formal, non-formal, and informal learning at all stages of life. Furthermore, the view of Wasitohadi (2014) Education is a continuous reconstruction of experiences, which gives meaning to an individual's life and enables them to adapt to an ever-changing environment.

Likewise, Ersanda's view (2022) that Education is the process of guiding all the natural powers that exist in children so that they as humans and members of society achieve the highest safety and happiness. Muttakhidah's view (2016) Education is an action taken by the adult generation on the younger generation to develop the skills, knowledge, and character needed to become part of society. According to Supriatna (2021) Education is a process designed to help individuals develop themselves independently through lifelong learning.

Organizational Culture

According to Wibowo (2011) organizational culture is a philosophy that underlies organizational policies, rules of the game for socializing, and feelings or environments brought by the physical preparation of the organization. According to Mangkunegara (2009), organizational culture consists of a system or assumption of beliefs, values, and norms built within the organization that are used to direct employee behavior to overcome internal and external adaptation problems. In the same way, Rivai and Mulyadi (2012) state that organizational culture is a system that regulates daily behavior, makes decisions, and directs employee actions to achieve organizational goals.

Robbins and Judge (2013) define organizational culture as a system of shared meanings held by members that distinguish the organization from other organizations. According to Schein (2010), organizational culture is a pattern of basic assumptions that are discovered, created, or developed by a group of people as a way to overcome external adaptation and internal integration problems successfully so that they are considered valid and taught to members of the organization.



Lecturer Performance

According to Rivai (2004) and Simanjuntak (2005), lecturer performance is the level of achievement of results or implementation of a lecturer's duties in carrying out his duties and responsibilities as academic functional staff in a study program. According to Sudarmayanti (1996), lecturer performance is how a lecturer carries out his duties. A lecturer's performance can be seen from his enthusiasm to complete the tridharma of higher education.

Prawirosentono (1999) argues that lecturer performance is the work results achieved by a teacher in accordance with their authority and responsibility to achieve educational goals legally, without violating the law, and in accordance with norms or ethics. Mahmudi (2007) argues that lecturer performance is the result of work (work results) because the results of work provide a strong link to the strategic goals of the organization, student satisfaction, and other organizational goals.

RESEARCH METHOD

This study will use literature and associative research. Associative research, according to Sugiyono (2016), focuses on the influence or relationship between two or more variables. Compared to descriptive and comparative research, this study has the highest quality. This study was conducted at Private Universities in Medan City. The population in this study were lecturers at Private Universities in Medan City. The number of research samples is a minimum of 5 times the number of indicators and a maximum of 10 times the number of indicators (Hair & Harrison, 2021). In this study, there are 75 indicators, so the number of research samples is $5 \times 75 = 375$ people.

Types and Sources of Data

Primary and secondary data are components of this research data. This study collects data using two methods. First, documentation research was conducted to collect information about public PTS in Medan City. Second, a survey was given to selected respondents. A random method was used to determine the sample at each university. Validity and reliability tests were conducted to determine whether the questionnaire was suitable for use as a research tool. Reliability and validity tests show that the questionnaire is a tool needed by researchers to ask or observe respondents to get the information they need. Outside the research sample, 30 respondents were tested for validity and reliability. Many variables describe the structure as latent or unseen components. Partial Least Squares Structural Equation Modeling (PLS-SEM; also referred to as SEM) is one type of SEM PLS path modeling.

RESULT AND DISCUSSION

The Effect of Ambidextrous Leadership on Organizational Culture

Fashila & Sawitri (2022) concluded that ambidextrous leadership can balance exploration and exploitation, encouraging creative work behavior. This effect is strengthened by a creative work environment. Sari (2017) concluded that creating a flexible and innovative organizational culture depends on a combination of structural differentiation (dividing work units with a focus on exploration or exploitation) and contextual integration (allowing employees to organize their time to focus on both activities). Raisch et al. (2018) found that creative self-efficacy or employee belief in their creative abilities and an innovative organizational climate mediate and moderate the impact of ambidextrous leadership on organizational innovation outcomes.



Schermerhorn et al. (2019) found that ambidextrous leadership, which combines contextual integration and structural differentiation, helps companies balance the search for innovation and exploitation of efficiency. This method creates a flexible work culture and supports organizational sustainability in an ever-changing work environment. According to Imron (2018), ambidextrous leadership can improve organizational performance when combined with an innovation-based and spirituality-based approach. This shows how important it is to strengthen organizational values to drive continuous innovation.

The Influence of Education on Organizational Culture

Wicaksono et al. (2024) said that good education and a supportive work environment can strengthen organizational culture and improve employee performance. They found that education is very important for developing employee skills and knowledge, which in turn contributes to the achievement of organizational goals. Islamy et al. (2024) said that a positive organizational culture combined with proper education and training can increase work motivation. Education not only improves a person's abilities but also makes employees more interested in the values of the organization, which results in higher work enthusiasm.

The view of Rivai (2020) concluded that good transformational leadership, strong organizational culture, and high work discipline and motivation greatly influence company commitment. Education helps employees understand the principles of the organization and how they can make better contributions. Hasibi (2021) said that relevant education and a healthy and supportive organizational culture can improve teacher performance. Teachers who receive good education tend to better understand and implement good school culture. Purnomo (2023) stated that employee performance in the education sector is greatly influenced by effective leadership and good organizational culture. Education is essential to understand how important a corporate culture is that supports employee productivity and commitment.

The Influence of Ambidextrous Leadership on Lecturer Performance

According to Fadhila et al. (2023), ambidextrous leadership is positively correlated with lecturers' academic achievement. Better academic results are obtained from lecturers led by leaders who can balance exploration and exploitation. Katsaros (2024) found that ambidextrous leadership has an impact on teachers' innovative performance. Ambidextrous leaders can create an environment that supports innovation, which in turn results in better academic and teaching performance.

Furthermore, according to Sacilia (2023), ambidextrous leadership benefits the performance of lecturers in higher education, both in teaching and research. According to Zain (2024), lecturer performance can be improved by leaders who can balance innovation and efficiency, which has an impact on the quality of education and research in higher education. Increasing lecturer productivity in teaching, research, and community service is greatly influenced by leadership that enables creativity and efficiency. Oktapriana and Asmara (2024) found that ambidextrous leadership has a significant impact on lecturer performance, especially in terms of teaching and research. Leaders who can balance these two aspects of leadership can encourage lecturers to be more creative, which in turn improves their performance in various fields of academic work.

The Influence of Education on Lecturer Performance

According to Samsugi et al. (2021), the level of education of lecturers has a significant



influence on their performance in private universities. Lecturers with a master's or doctoral degree tend to show better teaching quality and higher productivity. Jaya et al. (2023) stated that higher formal education has a significant influence on lecturer performance, especially in teaching and contribution. Lecturers with higher education are more adept at developing and delivering teaching materials.

As a conclusion from Nugraha's View (2019), continuing education has a positive and significant impact on teacher performance. By continuing to improve education through training, seminars, and further education, lecturers can meet the demands of the Tri Dharma of Higher Education. Continuing education improves academic competence, professionalism, and efficiency of lecturers' education and research. Simanjuntak (2017) concluded that although the level of education of lecturers affects their performance, the influence is not significant. Although there is a positive relationship between education level and teacher performance, increasing education does not always directly improve teacher performance. This may be due to other factors, such as work experience, training, and personal aspects of teachers, which also affect their performance in schools. Furthermore, according to Fitriandari and Winata (2021), lecturers' performance in teaching, research, and scientific publications is directly related to higher education. Lecturers with higher education show better abilities in creating and implementing effective teaching materials.

The Influence of Organizational Culture on Lecturer Performance

According to Muis (2018), a good organizational culture in higher education, especially one that prioritizes cooperation, good communication, and support for professional development, greatly influences lecturer performance. According to Arianty (2014), lecturers who work in a supportive environment are more productive in teaching and research. A healthy organizational culture, including supportive leadership and policies that pay attention to lecturer welfare, can increase lecturer morale, which in turn improves academic performance.

Wardani et al. (2026) stated that a strong organizational culture has an impact on lecturers' work discipline and motivation, which contributes to improving their performance results. Meutia & Husada (2019) stated that an inclusive organizational culture based on positive values can improve lecturer performance, with a work environment that supports the development of lecturer professionalism. Faturahman (2018) stated that a good organizational culture can improve lecturer performance, with a work environment that supports lecturer work productivity.

The Influence of Ambidextrous Leadership on Lecturer Performance Through Organizational Culture

According to Hidayat et al. (2023), organizational culture is directly influenced by ambidextrous leadership, which in turn improves lecturer performance. Effective ambidextrous leadership supported by the right organizational culture and the ability to balance exploration with new opportunities with the utilization of existing resources creates an environment that supports lecturer productivity (Simamora et al., 2021).

Ramdan and Tukiran (2023) found that when organizational culture supports consistency and innovation, ambidextrous leadership will be more effective in improving lecturer performance. In addition, Mansyur and Almahendra (2018) found that ambidextrous leadership, which combines exploration and exploitation of ideas, greatly contributes to improving lecturer



performance, with organizational culture helping to strengthen this relationship. Ariesta and Sartika (2021) concluded that ambidextrous leadership, which combines exploration and exploitation, improves lecturer performance. This relationship is also strengthened by an organizational culture that supports innovation, collaboration, and open communication.

The Influence of Education on Lecturer Performance Through Organizational Culture

Zahara (2018) stated that strong organizational culture and effective organizational communication significantly affect lecturer performance. These factors increase the effectiveness of learning and overall lecturer satisfaction. Permanasari et al. (2014) stated that a supportive culture can help improve the relationship between education and lecturer performance. It is shown that an inclusive organizational culture that supports academic principles can improve lecturer efficiency and improve the quality of education.

Razak et al. (2016) stated that lecturers with higher levels of education tend to achieve better results if they work in a supportive cultural environment in their company. An organizational culture that has adequate resources and can motivate lecturers is very important to improve lecturer performance. Sulastrri (2007) concluded that in-depth and relevant education for lecturers also helps better teaching and academic quality. Therefore, adequate education and a strong organizational culture are very important to create a productive environment where lecturers can make their best contributions in the field of higher education. According to Hutagalung et al. (2021), relevant and in-depth education affects the ability of lecturers to organize teaching, research, and community service. In addition, an organizational culture that supports innovation, open communication, and collaboration also contributes to increasing lecturers' motivation and productivity. This study shows that these two components are very important for creating a work environment that supports lecturers' academic development, which in turn will improve their performance.

CONCLUSION

Based on the results of the analysis and findings in the study. So it is concluded that leadership has an influence on lecturer performance and organizational culture. Likewise with the level of education that in a university, education has a significant influence on lecturer performance and organizational culture at the Private University of Medan City. Furthermore, organizational culture can also mediate leadership and education on lecturer performance. So it can be said that leadership and education are very much needed in a higher education institution in Medan City.

REFERENCES

- Arianty, N. (2014). Pengaruh budaya organisasi terhadap kinerja pegawai. *Jurnal Ilmiah Manajemen dan Bisnis*, 14(2).
- Ariesta, E., & Sartika, R. (2021). Peran Transformational Leadership dalam Organizational Learning: Literature Review. *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 4(4), 1332-1347.
- Antaraneews.com. (2023). Kemendikbudristek Paparkan Kualitas Perguruan Tinggi di Indonesia. Diakses dari: <https://www.antaraneews.com/berita/4401381>
- Badan Pusat Statistik (BPS). (2023). Data Angka Partisipasi Kasar (APK) Pendidikan Tinggi Indonesia Tahun 2023. Diakses dari: <https://www.bps.go.id>.
- Ersanda, P. A. (2022). Eksistensi Pemikiran John Dewey Dalam Pendidikan Di Indonesia.



- Sindang: Jurnal Pendidikan Sejarah dan Kajian Sejarah*, 4(2), 134-140.
- Fadila, F., & Sawitri, H. S. R. (2023, April). Empowering Leadership Terhadap Kinerja Pekerjaan, Keterlibatan Kerja, Dan Keterlibatan Kerja Kreatif: Peran Mediasi Pemberdayaan Psikologis. In Seminar Nasional Lppm Ummat (Vol. 2, pp. 948-960).
- Faturahman, B. M. (2018). Kepemimpinan dalam budaya organisasi. *Madani jurnal politik dan sosial kemasyarakatan*, 10(1), 1-11.
- Fadhila, R., Muhar, A. M., & Miraza, Z. (2023). Pengaruh Kepemimpinan Ambidextrous Pada Perilaku Kerja Inovatif Dengan Komitmen Berkelanjutan Sebagai Variabel Mediasi. *IDEI: Jurnal Ekonomi & Bisnis*, 4(2), 71-77.
- Fitriandari, M., & Winata, H. (2021). Manajemen pendidikan untuk pembangunan berkelanjutan di Indonesia. *Competence: Journal of Management Studies*, 15(1), 1-13.
- Hidayat, U. S., Hariyanto, D. W., & Susanto, I. W. (2023). Meneropong collective entrepreneurship dan manajemen strategis pada Toko/Warung Madura. *Implementasi Manajemen & Kewirausahaan*, 3(2), 52-60.
- Hutagalung, A. Q., Silalahi, A. S., & Putra, A. F. (2021). Pengaruh Kemauan Untuk Mencapai Tujuan, Kebutuhan dan Tujuan Dosen dan Hubungan Interpersonal Terhadap Kinerja Dosen Generasi Milenial Universitas Sumatera Utara. *Jurnal Ilmu Manajemen*, 9(4), 1406-1419.
- Hasbi, I., Pradana, M., & Saragih, A. L. P. (2021). Literacy Of Organizational Culture'S Effects On Work Performance. *Academy of Strategic Management Journal*, 20(1), 1-6.
- Islamy, Z. N., Wardaini, T., Ramadhan, S., Mahendra, A., Rizky, A. N., & Sari, V. N. (2024). Pengaruh Membangun Budaya Organisasi dalam Meningkatkan Produktivitas untuk Memenuhi Kepuasan Pelanggan CV Family Group Kerupuk Jangek. *SAFARI: Jurnal Pengabdian Masyarakat Indonesia*, 4(3), 138-144.
- Imron, R. (2018). Hubungan penggunaan gadget dengan perkembangan sosial dan emosional anak prasekolah di Kabupaten Lampung Selatan. *Jurnal Ilmiah Keperawatan Sai Betik*, 13(2), 148-154.
- Jaya, H., Hambali, M., & Fakhurrozi, F. (2023). Transformasi pendidikan: peran pendidikan berkelanjutan dalam menghadapi tantangan abad ke-21. *Jurnal Review Pendidikan Dan Pengajaran*, 6(4), 2416-2422.
- Katsaros, K. K. (2024). Firm performance in the midst of the COVID-19 pandemic: the role of perceived organizational support during change and work engagement. *Employee Relations: The International Journal*.
- Kompas.com. (2023). MBKM dan Situasi Pendidikan Tinggi di Indonesia. Diakses dari: <https://www.kompas.com/edu/read/2023/05/23/093624671>
- Kompas.com. (2024). Dirjen Dikti Ungkap 3 Tantangan Besar Perguruan Tinggi Indonesia. Diakses dari: <https://www.kompas.com/edu/read/2024/04/30/072643171>
- Kompas.com. (2024). Kemendikbud Tekankan Rektor Bisa Atasi 3 Masalah Ini di Perguruan Tinggi. Diakses dari: <https://www.kompas.com/edu/read/2024/08/05/092307871>
- Luu, T. T. (2017). "Ambidextrous Leadership and Employee Innovation: The Mediating Role of Job Crafting and Knowledge Sharing." *Leadership & Organization Development Journal*, 38(2), 229-253. DOI: 10.1108/LODJ-10-2015-0229
- Muis, M. R., Jufrizen, J., & Fahmi, M. (2018). Pengaruh budaya organisasi dan komitmen



- organisasi terhadap kinerja karyawan. *Jesya (Jurnal Ekonomi dan Ekonomi Syariah)*, 1(1), 9-25.
- Mahmudi. (2007). *Manajemen Kinerja Sektor Publik*. Yogyakarta: UPP STIM YKPN.
- Mangkunegara, A. P. (2009). *Manajemen Sumber Daya Manusia Perusahaan*. Bandung: PT Remaja Rosdakarya.
- Muttakhidah, R. I. (2016). Pergeseran perspektif “Human Mind” John Locke dalam paradigma pendidikan matematika. *AdMathEdu: Jurnal Ilmiah Pendidikan Matematika, Ilmu Matematika Dan Matematika Terapan*, 6(1).
- Mom, T. J. M., Van Den Bosch, F. A. J., & Volberda, H. W. (2009). "Understanding Variation in Managers' Ambidexterity: Investigating Direct and Interaction Effects of Formal Structural and Personal Coordination Mechanisms." *Organization Science*, 20(4), 812-828. DOI: 10.1287/orsc.1090.0427.
- Mansyur, A., & Almahendra, R. (2018). Peran Pemoderasian Kompleksitas Tugas Pada Pengaruh Gaya Kepemimpinan Transformasional Terhadap Kemampuan Contextual Ambidexterity. *Optimal: Jurnal Ekonomi Dan Kewirausahaan*, 12(1), 1-17.
- Meutia, K. I., & Husada, C. (2019). Pengaruh budaya organisasi dan komitmen organisasi terhadap kinerja karyawan. *Jurnal Riset Manajemen dan Bisnis (JRMB) Fakultas Ekonomi UNIAT*, 4(1), 119-126.
- O'Reilly, C. A., & Tushman, M. L. (2013). "Organizational Ambidexterity: Past, Present, and Future." *The Academy of Management Perspectives*, 27(4), 324–338. DOI: 10.5465/amp.2013.0025.
- Oktapriana, C., & Asmara, R. A. (2024). Implementation of ambidextrous leadership for increasing revenue. *JAAF (Journal of Applied Accounting and Finance)*, 8(1), 28-39.
- O'Reilly, C. A., & Tushman, M. L. (2013). "Organizational Ambidexterity: Past, Present, and Future." *The Academy of Management Perspectives*, 27(4), 324–338. DOI: 10.5465/amp.2013.0025.
- Permanasari, R., Setyaningrum, R. M., & Sundari, S. (2014). Model hubungan kompetensi, profesionalisme dan kinerja dosen. *JBMP (Jurnal Bisnis, Manajemen dan Perbankan)*, 1(2), 157-174.
- Prawirosentono, S. (1999). *Manajemen Sumber Daya Manusia: Kebijakan Kinerja Karyawan*. Yogyakarta: BPFE.
- Purnomo, Y. J. (2023). Digital marketing strategy to increase sales conversion on e-commerce platforms. *Journal of Contemporary Administration and Management (ADMAN)*, 1(2), 54-62.
- Rivai, V. (2004). *Manajemen Sumber Daya Manusia untuk Perusahaan*. Jakarta: PT RajaGrafindo Persada.
- Ramdan, M., & Tukiran, M. (2023). Ambidexterity Organisasi: A Schematic Literature Review. *International Journal of Social and Management Studies*, 4(6), 1-12.
- Razak, Y., Syah, D., & Aziz, A. (2016). Kepemimpinan, kinerja dosen dalam peningkatan mutu pendidikan perguruan tinggi. *Tanzhim*, 1(02), 30-44.
- Rivai, V., & Mulyadi, D. (2012). *Kepemimpinan dan Perilaku Organisasi*. Jakarta: PT Raja Grafindo Persada.
- Rivai, A. (2020). Pengaruh kepemimpinan transformasional dan budaya organisasi terhadap



- kinerja karyawan. *Maneggio: Jurnal Ilmiah Magister Manajemen*, 3(2), 213-223.
- Robbins, S. P., & Judge, T. A. (2013). *Organizational Behavior*. New Jersey: Pearson Education.
- Raisch, S., Hargrave, T. J., & Van De Ven, A. H. (2018). The learning spiral: A process perspective on paradox. *Journal of Management Studies*, 55(8), 1507-1526.
- Rosing, K., Frese, M., & Bausch, A. (2011). "Explaining the Ambidexterity–Performance Relationship: A Systematic Review and Integrative Framework." *The Leadership Quarterly*, 22(5), 956–974. DOI: 10.1016/j.leaqua.2011.07.006
- Sari, S. R. (2017). Organizational ambidexterity: Ketangguhan yang dibutuhkan untuk keberlangsungan kinerja organisasi masa depan. *Jurnal Riset Manajemen dan Bisnis (JRMB) Fakultas Ekonomi UNIAT*, 2(3), 433-438.
- Supriatna, U. (2021). Manajemen pendidikan dalam konstelasi progresivisme (Telaah filsafat pendidikan John Dewey). *QALAMUNA: Jurnal Pendidikan, Sosial, Dan Agama*, 13(2), 337-348.
- Sulastri, T. (2007). Hubungan motivasi berprestasi dan disiplin dengan kinerja dosen. *Optimal: Jurnal Ekonomi dan Kewirausahaan*, 1(1), 13-21.
- Samsugi, S., Damayanti, D., Nurkholis, A., Permatasari, B., Nugroho, A. C., & Prasetyo, A. B. (2021). Internet of Things Untuk Peningkatan Pengetahuan Teknologi Bagi Siswa. *Journal of Social Sciences and Technology for Community Service (JSSTCS)*, 2(2), 173-177.
- Simanjuntak, F. N. (2017). Pendidikan untuk pembangunan berkelanjutan. *Jurnal Dinamika Pendidikan*, 10(3), 304-331.
- Simamora, I. K., Wulida Afrianty, T., & Prasetya, A. (2021). Pengaruh Gaya Kepemimpinan Transformasional Terhadap Kreativitas Karyawan Melalui Pemberdayaan Psikologis Karyawan (Survei Pada Karyawan Pt. Bank Rakyat Indonesia Tbk (Persero) Kantor Cabang Malang Kawi Jawa Timur). *Profit: Jurnal Administrasi Bisnis*. Secilia, A. (2023). Pengaruh Kepemimpinan Ambidextrous, Beban Kerja, Dan Kompensasi Terhadap Kepuasan Kerja Karyawan Pt Bfi Finance Tbk. Cabang Sunter (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta).
- Schein, E. H. (2010). *Organizational Culture and Leadership*. San Francisco: Jossey-Bass.
- Simanjuntak, P. J. (2005). *Manajemen dan Evaluasi Kinerja*. Jakarta: Lembaga Penerbit Fakultas Ekonomi Universitas Indonesia.
- Schermerhorn Jr, J. R., Bachrach, D. G., & Wright, B. (2020). *Management*. John Wiley & Sons.
- Sudarmayanti. (1996). *Manajemen Sumber Daya Manusia*. Bandung: Mandar Maju.
- Sugiyono. (2016). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: PT Alfabet.
- UNESCO. (2015). *Rethinking Education: Towards a global common good?*.
- Wibowo. (2011). *Manajemen Kinerja*. Jakarta: Rajawali Pers.
- Wardani, R. K., Mukzam, M. D., & Mayowan, Y. (2016). Pengaruh budaya organisasi terhadap kinerja karyawan (Studi pada karyawan PT Karya Indah Buana Surabaya) (Doctoral dissertation, Brawijaya University).
- Wasitohadi, W. (2014). Hakekat Pendidikan Dalam Perspektif John Dewey Tinjauan Teoritis. *Satya Widya*, 30(1), 49-61.
- Wicaksono, A. P., Kusuma, H., Cahaya, F. R., Rosjidi, A. A., Rahman, A., & Rahayu, I. (2024). Impact of institutional ownership on environmental disclosure in Indonesian companies.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- Corporate Governance: *The International Journal of Business in Society*, 24(1), 139-154.
- Zacher, H., & Rosing, K. (2015). "Ambidextrous Leadership and Team Innovation." *Leadership & Organization Development Journal*, 36(1), 54–68. DOI: 10.1108/LODJ-11-2012-0141.
- Zain, F. (2024). Ambidextrous leadership: Insights from a comprehensive systematic review. *Implementasi Manajemen & Kewirausahaan*, 4(1), 68-85.
- Zahara, E. (2018). Peranan komunikasi organisasi bagi pimpinan organisasi. *Warta Dharmawangsa*, (56).



THE INFLUENCE OF COMPETENCE AND EMOTIONAL INTELLIGENCE ON EMPLOYEE PERFORMANCE THROUGH ORGANIZATIONAL CULTURE AS AN INTERVENING VARIABLE IN THE SOCIAL SERVICE OF NORTH SUMATRA PROVINCE.

Mastuana Sari^a, Sofiyan^a, Salman Faris^a, Melfrianti Romauli Purba^a
^a Universitas Prima Indonesia

ABSTRACT

This study aims to determine whether Competence and Emotional Intelligence affect Performance through Organizational Culture as an intervening variable in employees of the Office of Social Services of North Sumatra Province. The research was conducted on permanent employees (PNS) at the Office of Social Services of North Sumatra Province. The population in this study was 84 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 84 people. The data collection techniques used are primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, sobel test and path analysis. The results obtained in this study indicate 1) there is a positive and significant influence between Competence on Organizational Culture, 2) there is a positive and significant influence between Emotional Intelligence on Organizational Culture, 3) there is a positive and significant influence between Competency variables on Performance, 4) there is a positive and significant influence between Emotional Intelligence on Performance, 5) there is a positive and significant influence between Organizational Culture on Performance, 6) There is an influence between Competence on Performance through Organizational Culture as an intervening variable, 7). There is an influence between Emotional Intelligence on Performance through Organizational Culture as an intervening variable.

BACKGROUND

Human resources (HR) play an important role in achieving company goals. HR management requires an understanding of human behavior Employee performance can be used as a measuring tool for the success of a company. In supporting the success of a company in carrying out its operational activities, one of the things that needs to be considered is how the management of a company manages human resources in this case employees to be able to remain consistent in producing performance in accordance with company procedures, Sanjaya and Saputra (2020). and supervisory skills. Improving the quality of HR affects individual performance and cooperation between employees. Employee performance can be used as a measuring tool for the success of a company. In supporting the success of a company in carrying out its operational activities, one of the things that needs to be considered is how the management of a company manages human resources, in this case employees, to be able to remain consistent in producing performance in accordance with company procedures, Sanjaya and Saputra (2020).



There are two factors that affect performance, namely Competence and Emotional Intelligence. Therefore, in order to increase employee performance, efforts are made to foster subordinate human resources (HR) Competence relates to things such as values, standards, a person's outlook on life which is the basis for important aspects of personality in performing important and responsible tasks.

Good competence will support and affect the performance of each employee both directly and indirectly. Directly, namely by increasing salaries, giving bonuses, providing family allowances and bonuses. While indirectly, namely by providing promotion opportunities to employees who perform well. Employees with high commitment are expected to pay attention to optimal performance. Commitment includes acceptance and belief in the values and goals of the organization, feelings, involvement and a sense of loyalty to the organization. In supporting the success of the Social Service of North Sumatra Province, the role of employees is a very important asset. To be able to improve employee performance, aspects of Emotional Intelligence also need to be improved so that employees can work well together in teams. On the other hand, Organizational Culture has been created such as professionalism, work discipline and tenacity but still needs to be improved and transmitted to other employees. With a strong Organizational Culture, Competencies will arise which will ultimately increase work productivity, there is also a Competency problem that there is still low employee commitment to the organization. researchers are interested in researching at the Social Service of North Sumatra Province with the title, "The Effect of Competence and Emotional Intelligence on Employee Performance Through Organizational Culture as an Intervening Variable at the Social Service of North Sumatra Province".

METHODS

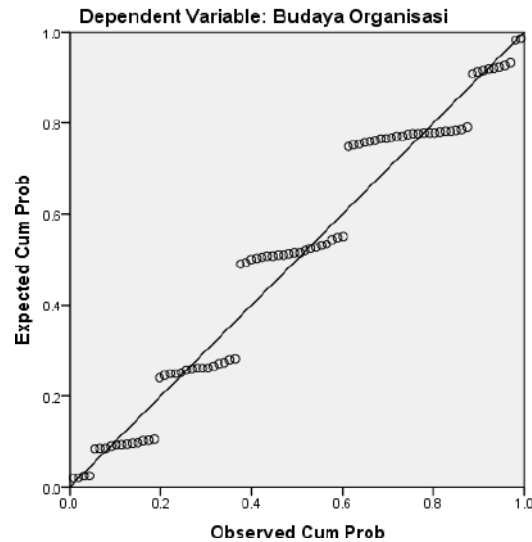
The approach in this study is to use an associative approach, an associative approach is an approach where to find out that there is a relationship or influence between the two variables (independent variable and dependent variable). In this study, the independent variable X1 is Competence, X2 is Emotional Intelligence, Z is Organizational Culture and the dependent variable Y is Performance.

NORMALITY TEST

The data normality test used in this study was carried out with the normality plot test by looking at the P-Plot graph. The basis for decision making is that if the data spreads around the diagonal and follows the direction of the diagonal line, the path model fulfills the assumption of normality. The results of the normality test carried out are shown in the **following** figure:



Normal P-P Plot of Regression Standardized Residual



By looking at the normal plot graph above, it can be concluded that the data spreads around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed.

MULTICOLLINEARITY TEST

The results of multicollinearity testing can be seen that the VIF and tolerance values are as follows: The Competency variable (X1) has a VIF value of 1.014 and a tolerance of 0.986. The Emotional Intelligence variable (X 2) has a VIF value of 1.013 and a tolerance of 0.987. The Organizational Culture variable has a VIF value of 1.002 and a tolerance of 0.998. From these provisions that if the VIF value is 10 and tolerance is 0.10, there are no symptoms of multicollinearity and the values obtained from the calculation are in accordance with the provisions of the VIF and tolerance values, it can be concluded that the independent variables do not occur multicollinearity so that the model has met the requirements of classical assumptions in regression analysis.

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 15.034 | .306 | | 49.073 | .000 | | |
| | Competence | .035 | .010 | .355 | 3.398 | .001 | .987 | 1.013 |
| | Emotional Intelligence | .029 | .010 | .194 | 2.903 | .036 | .987 | 1.013 |

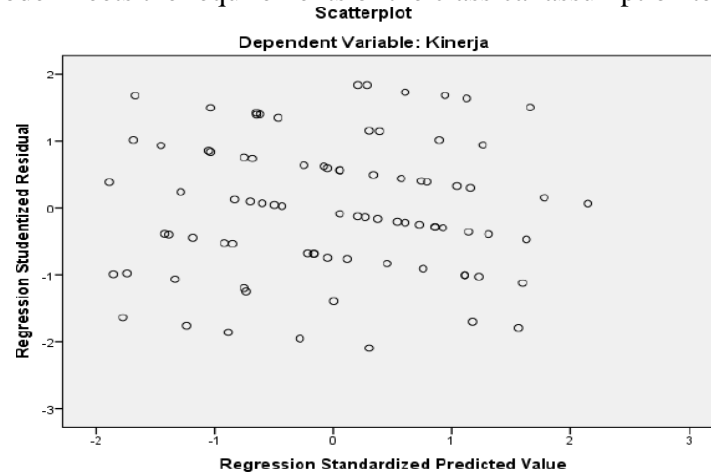
a. Dependent Variable: Organizational Culture

Source: Primary Data Processed, 2024



HETEROSCEDASTICITY TEST

The scatterplots graph in the figure above shows that the points spread randomly and are spread both above and below the number 0 on the Y axis and do not form a certain regular pattern, it can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded overall that the regression model meets the requirements of the classical assumption test.



DIRECT INFLUENCE

Competition - performance 0.656

Emotional intelligence -performance 0.176

INDIRECT EFFECT

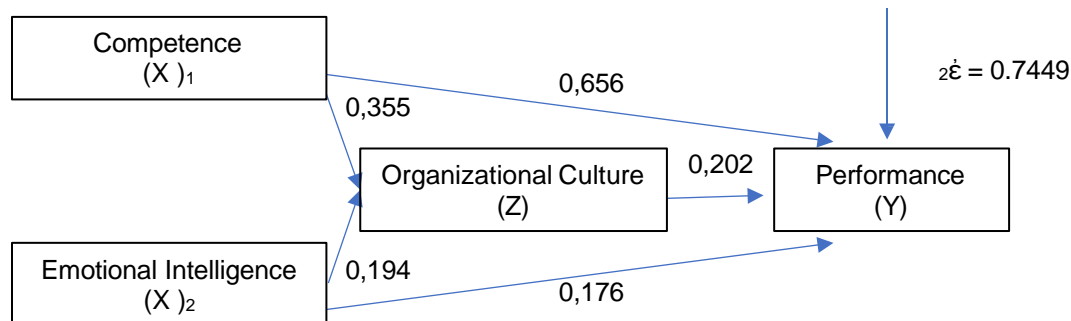
COMPETITION - PERFORMANCE $0.355 \times 0.202 = 0.071$

EMOTIONAL INTELLIGENCE - PERFORMANCE $0.194 \times 0.202 = 0.039$

TOTAL EFFECT

COMPETITION - PERFORMANCE 0.727

EMOTIONAL INTELLIGENCE - PERFORMANCE 0.215



$$Y = 17.838 + 0.218X_1 + 0.156X_2 + 0.178Z$$

DISCUSSION

The Effect of Competence on Organizational Culture

The Competency variable has a regression coefficient value of 0.035, indicating that if Competence



increases by 100%, it will increase Organizational Culture by 3.5%.

The Effect of Emotional Intelligence on Organizational Culture

The Emotional Intelligence variable has a regression coefficient value of 0.029, indicating that if Emotional Intelligence increases by 100%, it will increase Organizational Culture by 2.9%.

Effect of Competence on Performance

The Competency variable has a regression coefficient value of 0.218, indicating that if Competence increases by 100%, it will increase Performance by 21.8%.

Effect of Emotional Intelligence on Performance

The Emotional Intelligence variable has a regression coefficient value of 0.156, indicating that if Emotional Intelligence increases by 100%, it will increase Performance by 15.6%.

Effect of Organizational Culture on Performance

The Organizational Culture variable has a regression coefficient value of 0.178, indicating that if the Organizational Culture increases by 100%, it will increase Performance by 17.8%.

The Effect of Competence on Performance through Organizational Culture

Based on the results of the sobel test calculation, it is known that the test statistic value is 2.962 > 1.96 with a significant value of 0.003 < 0.05, it can be concluded that the Organizational Culture variable is able to mediate the relationship between the influence of Competence on Performance.

The Effect of Emotional Intelligence on Performance through Culture

Based on the results of the sobel test calculation, it is known that the test statistic value is 2.571 > 1.96 with a significant value of 0.010 < 0.05, it can be concluded that the Organizational Culture variable is able to mediate the relationship between the influence of Emotional Intelligence on Performance.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the effect of Competence, and Emotional Intelligence on employee performance at the North Sumatra Provincial Social Service Office through Organizational Culture as an intervening variable, the following conclusions can be drawn:

1. Competence affects Organizational Culture at the Social Service of North Sumatra Province.
2. Emotional Intelligence affects Organizational Culture at the Social Service of North Sumatra Province.
3. Competence affects performance at the Social Service of North Sumatra Province.
4. Emotional Intelligence affects performance at the Social Service of North Sumatra Province.
5. Organizational culture affects performance at the Social Service of North Sumatra Province.
6. Competence affects performance at the Social Service of North Sumatra Province through Organizational Culture as an intervening variable.
7. Emotional Intelligence affects Performance at the Social Service of North Sumatra Province



through Organizational Culture as an intervening variable.

REFERENCES

1. A, Morissan M. (2014). Metode Penelitian Survei. Cet-2. Jakarta: Kencana.
2. Anggraini, L. S., & Sangatta, S. N. (2019). Pengaruh Kecerdasan Emosi Terhadap Kinerja Pegawai Dengan Budaya Organisasi Sebagai Variabel Intervening Pada Dinas Pendidikan Kabupaten Kutai Timur. *Jurnal Akuntansi Manajemen Madani* ISSN, 2580, 2631.
3. Ardiansyah, Y., & Sulistiyowati, L. H. (2018). Pengaruh Kompetensi dan Kecerdasan Emosional terhadap kinerja pegawai. *Jurnal Inspirasi bisnis dan manajemen*, 2(1), 91.
4. Dari, S. W. (2018). Pengaruh Budaya Organisasi Dan Komitmen Organisasional Terhadap Kinerja Karyawan Pada Badan Pusat Statistik (BPS) Kota Pekanbaru (Doctoral dissertation, Universitas Islam Riau).
5. Dessler, Gary. (2017). *Human Resource Management*. England: Pearson Education Limited, Inc.
6. Fahmi, Irham. (2013). *Manajemen Kepemimpinan, Teori dan Aplikasi*. Bandung: Alfabeta.
7. Ghozali, I. (2005). *Aplikasi Analisis Multivariate dengan SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
8. Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23 (Edisi 8)*. Cetakan ke VIII. Semarang: Badan Penerbit Universitas Diponegoro.
9. Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.

Mastuana Sari^a, : mastuanasari@unprimdn.ac.id
Sofiyan^a, : sofiyanmatondang@unprimdn.ac.id
Salman Faris^a, : salmanfaris@unprimdn.ac.id
Melfrianti Romauli Purba^a : melfriantipurba@gmail.com



The Influence Of Education Level And Religious Knowledge On Social Welfare In The Community In The Ecotourism Area Of Tangkahan, Langkat Regency

Warsani Purnamasari, Sofiyan, Fajar Rezeki Ananda Lubis
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
fajarrezekianandalubis@unprimdn.ac.id

Abstract

This study aims to investigate and analyze the influence of education level, religious knowledge, and geographical climate on social welfare and improving the intellectual quality of human resources in the Tangkahan ecotourism area. People living in the Tangkahan ecotourism area in Langkat Regency are the subjects of this study. For this study, the sample used was 150 respondents, and sampling was done by chance. Data analysis was carried out using the Structural Equation Model Partial Least Square (SEM PLS). The results of the study indicate that religious knowledge and geographical climate have a positive and significant effect on the social welfare of the community, but the level of education does not. Furthermore, religious knowledge, geographical climate, and education level have a positive and significant effect on improving the intellectual quality of human resources. Sustainable Tangkahan ecotourism development requires improving religious education and religious knowledge as well as maintaining the quality of the geographical climate of the area to improve the social welfare and intellectual quality of the human resources living there.

Keywords: Level of Education, Religious Knowledge, Social Welfare, Ecotourism

INTRODUCTION

The government relies on tourism to earn foreign exchange. In addition to contributing to national development, tourism also helps many other things, such as increasing business opportunities, increasing government revenue, preserving the nation's culture and environment, strengthening national unity, and so on. Indonesia attracts many tourists because of its extraordinary natural potential, diverse culture, unique lifestyle of its people, and delicious food, which makes it one of the popular tourist destinations.

Ecotourism development must be able to benefit the local community and encourage economic development in the area. However, ecotourism development can be based on two principles: 1. The principle of education, where ecotourism development must involve education to make people more concerned and responsible for preserving the environment and culture; 2. The principle of tourism, where ecotourism development must provide satisfaction to visitors and provide them with a unique experience, and ensure that ecotourism efforts can be sustainable (Winarno and Harianto 2017).

Ecotourism is usually community-based, with management that prioritizes the participation of the surrounding community to provide welfare for the entire community by maintaining environmental quality and protecting their social and cultural life (Manurung and Rahmayani, 2022). In addition, managing community-based tourism is not easy. This is because it has to face problems. Community-based tourism management often faces problems such as



inadequate infrastructure in tourist attractions and lack of human resources in local communities.

Ecotourism is expected to improve social welfare and increase the intelligence of the surrounding community. Human resources who have the intellectual capacity to achieve goals in sustainable ecotourism management are very important. Intellectual human resources are a collection of knowledge, experience, competence, and creativity of employees who work for a company. This is used to increase organizational productivity (Yaya, 2016). By increasing the intellectual capacity of human resources, it can be said that the company has succeeded in managing their human resources (HR) (Wahyuni & Jumino, 2019).

One way to improve human intelligence and skills is education. Both increasing education and increasing family income, nutrition, and expenditure can reduce poverty. Education can help someone become more systematic and rational in thinking. People with higher education will certainly be better able to understand the benefits they will get. Education plays an important role in changing people's lives. To achieve prosperity, people with a high level of education are expected to have a better quality of life. According to research conducted by Aini et al. (2018), the level of education in Kesatrian Village, Malang City, plays a role and has an impact on improving people's welfare.

A person's belief in God is strengthened by religious knowledge or religiosity (Wati, 2021). According to Wahyudin et al. (2018), religiosity is a person's relationship with God that produces a desire to do what God wants and leave what God does not want. In addition, religiosity has a meaning that must be held, fulfilled, and manifested in daily activities. Religiosity is seen not only as a ritual act (worship) that is visible to the eye but also as an invisible action or belief in a person's heart. Having religious knowledge has a significant influence on social and individual welfare. George et al. (2020) stated that being very religious can also increase a person's sense of happiness and well-being.

Based on the problems above, it is realized that to improve the social and intellectual welfare of the human resources of the community around the Tangkahan ecotourism, Langkat Regency. Therefore, the researcher is interested in conducting a study related to improving the social and intellectual welfare of the human resources of the community around the Tangkahan ecotourism, Langkat Regency and the title raised is The Influence of Education Level and Religious Knowledge on Social Welfare in the Community in the Tangkahan Ecotourism Area, Langkat Regency.

RESEARCH METHOD

Quantitative research was also conducted. One of the main objectives of quantitative research in practice is explained by Supratiknya (2015). It is to test the need to test the theory objectively by looking at the relationship between variables. In this study, the Tangkahan ecotourism community, Langkat Regency, will be tested to improve social welfare and the intellectual quality of human resources. This study will use three independent variables, namely "level of education (X1), religious knowledge (X2), and geographical climate (X3)," and two dependent variables, namely "social welfare (Y1), and intellectual quality of human resources (Y2).

In addition, this study will be conducted using a cross-sectional survey design. Sumarwan (2011) stated that a cross-sectional survey design is a type of research that allows the collection of information about each element of the population at a certain time. The focus of the study is



the community located around Tangkahan Ecotourism, Langkat Regency. This study uses descriptive analysis and hypothesis testing analysis conducted with SEM-PLS. Primary and Secondary Data are the types of data used.

RESULT AND DISCUSSION

A. Research Results

1. Education Level

The statement states that the education I received taught me how to handle my economic problems. The number of respondents who strongly agree is 26 or equal to 17.33%, the number of respondents who agree is 84 or equal to 56.00%, the number of respondents who disagree is 25 or equal to 16.67%, and the number of respondents who disagree is 15 or equal to 10.00%. From the tabulation, 73.33% of people who answered stated that education is important to help overcome current economic problems. However, 26.67% of people who answered the opposite argued that the statement does not function as the main basis for improving public education.

2. Religious Knowledge

According to the statement that I apply religious principles in carrying out my daily life, there are 23 people who strongly agree, or 15.33%; 105 people agree, or 70.00%; 12 people agree, or 8.00%; 8 people disagreed, or 5.33%; and Respondents who strongly disagreed were 2 people or equal to 1.33%. From the tabulation, basically there were 85.33% of respondents who stated that respondents considered the importance of religious knowledge because by applying religious principles it would make it easier for them to carry out their daily lives. However, there were 14.67% of respondents who stated the opposite statement because it was not the main basis for the importance of religious knowledge for the Tangkahan ecotourism community.

3. Social Welfare

The statement states that the management of Tangkahan Ecotourism helps the welfare of the community. As many as 51 people stated that they strongly agree, or 34.00%, 87 people stated that they agree, or 58.00%, 10 people stated that they agree, or 6.67%, none stated that they disagree, and Respondents who strongly disagreed were 2 people or equal to 1.33%. From the tabulation, basically there were 92.00% of respondents who considered that the management of Tangkahan Ecotourism helps the welfare of the community. However, 8.00% of respondents stated the opposite statement because it is not the main basis for the importance of social welfare of the Tangkahan ecotourism area community.

4. Intellectual Quality of Human Resources

The statement states that I manifest my quality through good and correct actions consistently every time I do my job. The number of respondents who stated that they strongly agree was 55 or 36.67%, those who agreed were 68 or 58.00%, those who agreed with less agree were 21 or 14.00%, and those who disagreed were 6 or 4.00%. From the tabulation, basically 93.67% of respondents considered the improvement of the intellectual quality of human resources as a society that can manifest their quality through good and correct actions every day at their workplace. However, 6.33% of respondents thought that this statement was irrelevant because it was not the main basis for understanding the importance of intellectual quality.

B. Discussion

1. The Effect of Education Level on Social Welfare



The results of the study show that social welfare is not influenced by the level of education; in other words, even though the level of education of the community in the Tangkahan ecotourism area increases, the social welfare of the community cannot be improved. This is not in accordance with what Alimuddin (2022) said in his study, which found that the level of education makes a very large contribution to improving the welfare of the community, especially fishermen in Maba Selatan District, East Halmahera Regency, North Maluku Province. On the other hand, Aini et al. (2018) found that the increase in community welfare in Kesatrian Village, Malang City was due to the high level of education.

2. The Effect of Education Level on the Intellectual Quality of Human Resources

The results of the study show that the intellectual quality of human resources is greatly influenced by the level of education. This means that the intellectual quality of human resources in the Tangkahan ecotourism area increases with the increase in the level of community education. These results are in accordance with research conducted by Anjarwati et al. (2020), who found that the quality of human resources at the Ganesha Sukowati Sragen Technopark Training Center was improved by the level of education. Likewise, Desmawan et al. (2023) found that education increases the productivity of people in DKI Jakarta and supports the quality of human resources. Thus, it can be concluded that to improve the intellectual quality of human resources, education must be used as a source of information to help people solve problems or make decisions that can improve the economy of the community around the Tangkahan ecotourism area.

3. The Influence of Religious Knowledge on Social Welfare

The results of the study show that religious knowledge has a significant positive effect on social welfare. In other words, increasing the religious knowledge of people in the Tangkahan ecotourism area will lead to an increase in the social welfare of the community there. Religion has a very large role in determining social welfare. Religious orders and teachings have become the basis for religious institutions to take social action to help the less fortunate live well. Emile Durkheim said that religion is not just a collection of doctrines about supernatural things or written teachings. Instead, religion can be seen as a social phenomenon that can show the unity and solidarity of society. Morality arises from collective consciousness and is a form of "social discipline" that unites groups of people (Suparlan, 1984).

4. The Influence of Religious Knowledge on the Intellectual Quality of Human Resources

The results of the study show that religious knowledge has a significant positive effect on the cognitive quality of human resources. This means that the intellectual quality of human resources will increase along with the increase in religious knowledge of the community. Good people can utilize their potential and seize opportunities in the future for the glory of their country and nation. The quality of human resources (HR) is what distinguishes a nation from other nations in global competition, and the quality of HR not only includes mastery of science and technology (iptek), but also the development of spiritual and spiritual values, such as faith and piety. HR who have strong faith, high knowledge, and productive work are the characteristics of a nation that excels in global competition that must be realized in the future (Suradi, 2018).

This shows that religious knowledge plays an important role in changing the attitudes, abilities, mindsets, and behavior of individuals, which are the intellectual qualities of individuals who are responsible for solving everyday problems and in the workplace. So, everyone should



understand religion so that they can be blessed by God Almighty when doing their work.

CONCLUSION

Based on the results of previous research, the following conclusions will be drawn:

1. Social welfare is not influenced by the level of education, so increasing the level of education in the Tangkahan ecotourism area of Langkat Regency cannot improve the social welfare of the community there.
2. The level of education has a significant positive effect on the intellectual quality of human resources. The level of education that affects the intellectual quality of human resources is 0.516, or 51.6%, which means that the higher the level of education of the community in the Tangkahan ecotourism area of Langkat Regency, the better the intellectual quality of the human resources of the community in the area.
3. Religious knowledge has a significant positive effect on social welfare. The magnitude of the influence of religious knowledge is 0.354, or 35.4%, so it can be concluded that the higher the religious knowledge of the community in the Tangkahan ecotourism area of Langkat Regency, the better the social welfare of the community in the area.
4. Religious knowledge has a positive effect on the intellectual quality of human resources. The magnitude of the influence of religious knowledge is 0.196, or 19.6%. Thus, the greater the religious knowledge of the community in the Tangkahan ecotourism area of Langkat Regency, the better the intellectual quality of the human resources of the community in the area.

REFERENCES

- Aini, E. N., Isnaini, I., & Sukanti, S. (2018). Pengaruh Tingkat Pendidikan terhadap Tingkat Kesejahteraan Masyarakat di Kelurahan Kesatrian Kota Malang. *Technomedia Journal*. 3(1): 1-16.
- Alimuddin, A. (2022). Pengaruh Tingkat Pendidikan terhadap Kesejahteraan Keluarga Nelayan di Desa Waci, Kecamatan Maba Selatan, Kabupaten Halmahera Timur, Provinsi Maluku Utara. *Jurnal Ilmiah Ekonometriks*. 5(1): 1-9.
- Anjarwati, M., Mursito, B., & Sarsono. (2020). Kualitas Sumber Daya Manusia ditinjau dari Tingkat Pendidikan, Pelatihan Kerja dan Pengalaman Kerja di Balai Latihan Kerja (BLK) Technopark Ganesha Sukowati Sragen. *Edunomika*. 4(1): 218-226.
- Azwar, S. (2008). *Sikap Manusia: Teori dan Pengukurannya* (ed.4). Yogyakarta: Pustaka Pelajar.
- Badarudin, R. (2017). *Ekonomika Otonomi Daerah, Edisi Kedua*. Yogyakarta, ID: UPP STIM YKPN.
- Bateman, T. S., & Snell, S. A. (2014). *Management*. (A. Willy, & P. Ratno, Penerj.) Jakarta: McGraw-Hill Education (Asia) dan Selemba Empat.
- Bintaro, R. (1983). *Interaksi Desa-Kota dan Permasalahannya*. Yogyakarta: Ghalia Indonesia.
- Choudhury, J. (2010). Performance impact of intellectual capital: A study of Indian IT sector. *International Journal of Business and Management*. 5(9): 72-80.
- Colina, Y. (2021). Implementasi Kebijakan Pembangunan Bidang Agama Dalam Mewujudkan Kesejahteraan Masyarakat. *DANUM PAMBELUM: Jurnal Teologi Dan Musik Gereja*. 1(2): 236-45.
- Cooper, Donald, R., & Pamela, S. S. (2006). *Metode Riset Bisnis*. Jakarta (ID): Media Global Edukasi.



- Cooper, & Schindler. (2014). *Bussiners Research Method*. New York, US: McGraw-Hill.
- Cozby, P., & Bates, S. (2011). *Methods in Behavioral Research*. New York (USA): McGraw-Hill
- Desmawan, D., Cahyaningdyah, F. A., Darwin, R., Putri, S. S., Rizqina, A., & Ikhsanudin. (2023). Analisis Peran Pendidikan terhadap Kualitas Sumber Daya Manusia Guna Meningkatkan Produktivitas Masyarakat di DKI Jakarta. *Wawasan: Jurnal Ilmu Manajemen, Ekonomi, dan Kewirausahaan*. 1(2): 214-224.
- Fahrudin, A. (2012). *Pengantar Kesejahteraan Sosial*. Bandung: PT. Refika Aditama.
- Ferdinand, A. (2014). *Metode Penelitian Manajemen*. Semarang (ID): BP Universitas Diponegoro.
- Friedlander, W. A. (1961). *Pengantar Kesejahteraan Sosial*. Jakarta, ID: Gema Insani Press.
- Friedlander, W. A., & Apte, R. Z. (1982). *Introducing Sosial Walfare*. New Delhi: Precentile Hall of India.
- George, L. K, Ellison, C. G, Larson, D. B. (2002). Explaining the Relationships Between Religious Involvement and Health. *Psychological Inquiry*. 13: 190–200.
- Ghozali, I. (2014). *Structural Equation Modeling. Metode Alternatif dengan Partial Least Square (PLS) dilengkapi software Smartpls 3.0 Xlstat 2014 dan WarpPLS 4.0*. Ed ke-4. Semarang (ID): Universitas Diponegoro Semarang.
- Ghozali, I. & Latan, H. (2015), *Partial Least Squares: Konsep, Teknik, dan Aplikasi Menggunakan Program Smart PLS 3.0*, ed2, Semarang: Universitas Diponegoro.
- Gibbs, W.J. 1987. Defining Climate. *WMO Bulletin*. 36(4).
- Gustyarini, N. I. D. (2019). Analisis Faktor yang Mempengaruhi Kesejahteraan Masyarakat di Provinsi Jawa Tengah. Universitas Negeri Semarang.
- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. Thousand Oaks, US: SAGE.
- Hapsari, A., Nurlaela, S., & Titisari, K. H. (2019). Human Resources Optimization And Utilization Of Accrual Based Accounting Information Technology On Performance Of Surakarta City Government Financial Reporting. *International Journal of Economics, Business and Accounting Research (IJEBAR)*. 3(1): 43-46.
- Hasanah, F. (2019). Pengaruh Tingkat Religiusitas, Pengetahuan, Kualitas Produk dan Kualitas Pelayanan terhadap Preferensi Menabung Mahasiswa Universitas Muhammadiyah Palembang pada Bank Syariah. *BALANCE: Jurnal Akuntansi dan Bisnis*. 4(1): 485-495.
- Hasbullah. (2001). *Dasar-Dasar Ilmu Pendidikan*. Jakarta: PT Raja Grafindo Persada
- Huraerah, A. (2011). *Pengorganisasian dan Pengembangan Masyarakat, Model dan Strategi Pembangunan Berbasis Kerakyatan*. Bandung: Humaniora
- Inradewa, R., Dhewanto, W., & Tjakraatmadja, J. H. (2016). Alliance strategy in R&D contractual projects for the energy sector: perspective of the knowledge and resource-based views. *International Journal of Technology Transfer and Commercialisation*, 14(1), 1. <https://doi.org/10.1504/ijttc.2016.10000761>
- Irham. (2015). Pesantren dan Perkembangan Politik Pendidikan Agama di Indonesia. *Jurnal Pendidikan Agama Islam Ta'lim Universitas Pendidikan Indonesia*. 13(1).
- Istijanto. (2005). *Riset Sumber Daya Manusia*. Jakarta (ID): PT Gramedia Pustaka Utama.
- Istiqomah, I., & Mukhlis, M. (2015). Hubungan antara religiusitas dengan kepuasan perkawinan.



- Jurnal Psikologi*. 11(2), 71-78.
- Kartasapoetra, A. G. (2012). *Klimatologi Pengaruh Iklim Terhadap Tanaman*. Jakarta: Bumi Aksara.
- Kosilah Dan Septian. (2020). Penerapan Model Pembelajaran Kooperatif Tipe Assure Dalam Meningkatkan Hasil Belajar Siswa. *Jurnal Inovasi Pendidikan*.
- Kostagiolas, P. (2012). *Managing Intellectual Capital in Libraries: Beyond the Balance Sheet*. United Kingdom: Chandos.
- Lai, Y. S. S., & Zhang, K. C. (2013). A Comparison in Inclusive Practices for Children with Special Needs in Faith-Based Kindergartens in Hong Kong. *Journal Relig Health*. 53.
- Lauber, W. (2005). *Tropical Architecture*. Munich: Prestel.
- Lubis, M. I., Muntasib, E. K. S. H., & Soekmadi, R. (2023). Mekanisme Hubungan Stakeholders dalam Pengembangan Ekowisata Tangkahan. *Risalah Kebijakan Pertanian dan Lingkungan*. 10(2): 112-124.
- Makka, F. N. (2020). Pengaruh Pendidikan Spiritual melalui Tarekat "Baitul Ma'ruf" Terhadap Kecerdasan Intelektual Siswa SMK Bustanul Hikmah Dumpiangung Lamongan. UIN Sunan Ampel Surabaya.
- Manahampi, R. M., Rengkung, L. R., Rori, Y. P. I., Timban, J. F. J. (2015). Peranan Ekowisata bagi Kesejahteraan Masyarakat Bahoi Kecamatan Likupang Barat. *ASE*. 11(3A): 1-18.
- Mandang, E. F., Lumanauw, B., & Walangitan, M. B. (2017). Pengaruh Tingkat Pendidikan dan Pelatihan terhadap Kinerja Karyawan pada PT Bank Rakyat Indonesia (Persero), Tbk Cabang Manado. *Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*. 5(3): 42-35.
- Manurung, S. S., & Rahmayani, A. (2022). Pengelolaan Pariwisata Berbasis Masyarakat (*Community Based Tourism*) di Objek Wisata Tangkahan. *TOBA: Journal of Tourism, Hospitality and Destination*. 1(3): 148-154.
- Matindas, R. (2002). *Manajemen Sumber Daya Manusia; lewat Konsep AKU (ambisi, kenyataan dan usaha)*. Jakarta: Pustaka Utama Grafiti.
- Midgley, J. (1997). *Social Welfare in Global Context*. London: Sage Publication
- Moadded, M., & Karabenick, S. A. (2008). Religious Fundamentalism among Young Muslim Agyp and Saudi Arabia. *Journal Social Forces*. 86(4)
- Mulyana, I. (2010). *Sumber Daya Manusia*. Edisi Kedua. Jakarta: Salemba Empat
- Notoatmodjo. (2014). *Pendidikan dan Perilaku Kesehatan*. Jakarta: Rineka Cipta.
- Obeidat, B., Abdallah, A. B., Aqqad, N., & Akhoershiedah, A. H. O. M. (2017). The Effect of Intellectual Capital on Organizational Performance, The mediating Role of Knowledge Sharing. *Communication and Network*. 9: 1-27.
- Pamungkas, A. D. P., Hamid, D., & Prasetya, A. (2017). Pengaruh Pendidikan dan Pengalaman Kerja terhadap Kemampuan Kerja dan Kinerja Karyawan (Studi pada Karyawan PT Inka (Persero). *Jurnal Administrasi Bisnis*. 43(1): 96-103.
- Permana, T. E., Yuniarsih, T., Ahman, E., Wibowo, L. A., & Wiyono, D. (2022). Pengembangan Modal Manusia dalam Mendukung Perilaku Kerja dan Kinerja Dosen Akademi Sekretari dan Manajemen Ariyanti. *Jurnal Manajemen*. 13(2): 251-262.
- Permono, E., Arfida, B. R., & Wahyuni, S. (2019). Dampak Ekowisata terhadap Kesejahteraan Masyarakat di Kawasan Wisata Air Terjun Kota Batu. *Jurnal Ilmu Ekonomi*. 3(1): 70-79.
- Rastogi, P. N. (2002). Knowledge Management and Intellectual Capital as a Paradigm of Value



- Creation. *Human Systems Management*. 229-240.
- Ritchiw, S. J., & Tucker-Drob, E. M. (2018). How Much Does Education Improve Intelligence? A Meta Analysis. *Psychological Science*. 29(8): 1358-1369.
- Robbin, P. S., & Coulter, M. (2014). *Management. Twelfth Edition*. United States: Pearson Education Limited.
- Saunders P, Lewis P, & Thornhill A. (2016). *Research Methods for Business Students*. London (UK): Pearson Education Limited.
- Schermerhorn, J. R. (2013). *Management, 12th ed*. New Jersey: John Wiley & Sons, Inc.
- Schultz, T. W. (1961). Investment in Human Capital. *The American Economic Review*. 51(1): 1-17.
- Soegiharto, G. T. H. (2022). Peran Agama dalam Mewujudkan Kesejahteraan Sosial. *Jurnal Teruna Bhakti*. 4(2): 267-280.
- Solimun. (2002). *Multivariate Analysis Structural Equation Modelling (SEM) Lisrel dan Amos*. Malang: FMIPA Universitas Brawijaya.
- Stewart, T.A. (1997). *Intellectual Capital: The New Wealth of Organizations*. London, United Kingdom: Nicholas Brealey Publishing.
- Sugiyono. (2019). *Metode Penelitian Manajemen*. Bandung, ID: Alfabeta.
- Suharto, E. (2014). *Membangun Masyarakat Memberdayakan Masyarakat*. Bandung, ID: Refika Aditama.
- Sujarweni, V. W. (2015). *Metodologi Penelitian Bisnis dan Ekonomi*. Yogyakarta, ID: Pustaka Baru Press.
- Sumarwan, U. (2011). *Perilaku Konsumen: Teori dan Penerapannya dalam Pemasaran*. Bogor: Ghalia Indonesia.
- Sunaryo. (2004). *Psikologi Untuk Pendidikan*. Jakarta: EGC.
- Suparlan, P. (1984). *Kemiskinan Di Perkotaan: Bacaan Untuk Antropologi Perkotaan*. Jakarta: Sinar Harapan
- Supratiknya, A. (2014). *Pengukuran Psikologis*. Yogyakarta, ID: Universitas Sanata Dharma.
- Suradi, A. (2018). Konsepsi Pendidikan Islam dalam Meningkatkan Kualitas Sumber Daya Manusia. *Jurnal Pendidikan Islam*. 9(1): 1-18.
- Susilo, M. (2002). *Manajemen Sumber Daya Manusia*. Edisi Kedelapan. Yogyakarta: BPFE.
- Syafei, I. (2018). Pengaruh Tingkat Pengetahuan Agama terhadap Persepsi Mahasiswa pada Gerakan Radikalisme Berbasis Agama (Studi Pada Mahasiswa UIN Raden Intan Lampung). *Al-Tadzkiyyah: Jurnal Pendidikan Islam*. 9(1): 61-79.
- Tirtahardja, U. (2005). *Pengantar Pendidikan*. Jakarta: PT Rineka Cipta.
- Todaro, M. P., & Smith, S. C. (2015). *Economic Development 12th Edition*. New York: New York University, The George Washington University.
- UNDP. 1995. *Human Development Report*. New York: United Nations Development Programme.
- Wahyudin, W., Pradisti, L., & Wulandari, S. Z. (2018). Dimensi religiusitas dan pengaruhnya terhadap organizational citizenship behavior (Studi pada Universitas Jenderal Soedirman Purwokerto). *Jurnal Ekonomi, Bisnis, dan Akuntansi*. 20(3)
- Wahyuni, A. S. (2019). Dampak Perubahan Iklim Terhadap Kesejahteraan Nelayan Tangkap di



IC3esMA
International Conference on Economics,
Business, Management, and Accounting

- Pesisir Kabupaten Batang. Universitas Negeri Semarang.
- Wahyuni, S., & Jumino. (2019). Peran Intellectual Capital dalam Pengembangan Jaringan Kerja Sama Taman Bacaan Masyarakat: Studi Kasus Taman Bacaan Cakruk Pintar Yogyakarta. *Jurnal Ilmu Perpustakaan*. 6(2): 1-10.
- Wati, R. A., & Rizkillah, R. (2021). Pengaruh Religiusitas terhadap Kesejahteraan Subjektif pada Keluarga Ibu Bekerja Informal Selama Pandemi Covid-19. *Jurnal Kesejahteraan Keluarga dan Pendidikan*. 8(2): 164-174.
- Winarno, G. D., & Harianto, S. P. (2017). *Ekowisata*. Lampung: LPPM Universitas Lampung.
- Wirawan. (2015). *Evaluasi Kinerja Sumber Daya Manusia*. Jakarta: Salemba Empat.
- Wong, N. H., & Chen, Y. (2009). *Tropical Urban Heat Island*. London & New York: Taylor & Francis.
- World Climate Conference. (1979). *Proceedings of the World Climate Conference*. Geneva: WMO-No. 537.
- Yaya, J. A. (2016). The Effect of Human Capital Development on Job Satisfaction of Librarians in Public Universities Nigeria. *American Journal of Business and Society*. 1(3).
- Yusuf. (2012). *Psikologi Perkembangan Anak dan Remaja*. Bandung: Remaja Rosdakarya.



The Influence Of Emotional Intelligence Through Work-Life Balance On Employee Performance At The Indonesian Palm Oil Technology Institute

Purjianto & Syaifuddin

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Syaifuddin@unprimdn.ac.id

Abstract

Employee prosperity must be considered because the role of employees in improving the company's performance results is very important. This quantitative study will investigate whether work-life balance and emotional intelligence affect employee performance. The sample size is 150 people. The Indonesian Palm Oil Technology Institute is where this study was conducted. The results of the study indicate that emotional intelligence has a significant effect on employee performance. In addition, emotional intelligence has a significant effect on work-life balance. In addition, work-life balance has an effect on employee performance. Thus, the overall variable has a significant effect on employee performance.

Keywords: Emotional Intelligence, Work-Life Balance, Employee Performance, Indonesian Palm Oil Technology Institute

INTRODUCTION

To respond to the strategic role of palm oil in the national economy and the challenges it faces, higher education institutions that specifically teach the palm oil industry in Indonesia have emerged. Overall, specialized education in the palm oil sector will encourage innovation, better management, and improved welfare of the communities involved in the industry. This is in line with the theory of organizational behavior, which is discussed in this study. The attitude or behavior of an individual expressed through his personality, views, and mental attitude in an organization and can affect the performance of the individual and his organization is known as organizational behavior (Tanasal et al., 2016).

To improve their performance, employees must be able to know what can affect their performance. Employees' skills and willingness are not enough to do the job if they do not know what to do and how to do it (Bernardin & Russel, 2013). Employees can lose motivation and enthusiasm for work due to an unpleasant work environment, which includes poor facilities and poor working relationships with superiors or coworkers (Al-shami et al., 2023). Ultimately, low job satisfaction can be caused by problems such as unclear career paths and lack of recognition for performance. College management should strive to improve the work environment and distribute the workload fairly, and provide the necessary support and training for employees (Soliman et al., 2021).

For a variety of reasons, including the unique challenges they face in the workplace, good emotional intelligence is essential for employees. Emotional intelligence is the ability to identify, understand, and manage one's own and others' emotions. It is especially important in the workplace because it can impact career opportunities as well as everyday interactions (Faramarzpour et al., 2021). Research on emotional intelligence has found that good levels of emotional intelligence help employees find the best way to solve problems in their workplace, even under stressful conditions (Jena & Goyal, 2022; Zhu et al., 2021). Therefore, it can have an



impact on job opportunities and everyday interactions.

Most human intelligence consists of intellectual intelligence, spiritual intelligence, and emotional intelligence. Studies by Siahaan (2018) and Zhu et al. (2021) found that emotional intelligence has a positive and significant effect on performance. This is different from the study by Sony & Mekoth (2016), which found that emotional intelligence did not have a significant effect on employee performance. When someone cannot balance their work and family, they will have difficulty in self-actualizing and feel the burden of responsibility.

In addition, achieving work-family balance can result in increased productivity or performance, increased commitment to the organization, and higher organizational citizenship behavior (Gerdenitsch, 2017). This is contrary to research conducted by Alianto (2018), Eliyana et al. (2019), and Isabella (2021), which found that there was no significant effect between work-life balance and employee performance. However, research by Arianti et al. (2022) found that there was a direct effect between the work-life balance variable and employee performance.

According to research conducted by Malone et al. (2019), work-family balance will affect quality of life if sufficient time and involvement or satisfaction are given to the roles of worker and parent. A high quality of life will be indicated by people who are more satisfied with their family than with their work, and conversely, a low quality of life will be indicated by people who are more involved with their work than with their family. By setting the right priorities between your personal life and work, you can achieve work-life balance (Singh & Khanna, 2011).

Those who have a balance between work and family can demonstrate positive behavior and dedication to their company. Reducing work stress and fatigue levels are also other benefits of work-family balance (Farber et al., 2020). Married and working employees cannot leave their household and work responsibilities. This also applies to those who work as employees. According to research conducted by Elsa et al. (2013), poor work coordination and cooperation in an organization will hinder the achievement of its goals and also result in decreased employee work productivity individually and collectively. Based on several phenomena and research gaps in the background above, the researcher is interested in conducting a study entitled *The Influence of Emotional Intelligence Through Work-Life Balance on Employee Performance at the Indonesian Palm Oil Technology Institute*.

LITERATURE REVIEW

Employee Performance

According to Rivai & Basri (2016), "Performance is the result or level of success of a person as a whole during a certain period in carrying out tasks compared to various possibilities, such as work result standards, targets or targets or criteria that have been determined in advance and have been agreed upon together." Mangkunegara (2019) said that the term "performance" comes from the word work achievement or actual achievement. According to Tannady (2017), performance is the result of work in terms of quality and quantity achieved by an employee, department, or organization during a certain assessment period in carrying out the tasks and targets given to him according to the responsibilities given to him. Employee performance is the result in terms of quality and quantity achieved by an employee in carrying out tasks according to his responsibilities (Mangkunegara, 2017). Employee performance is the result of the implementation of organizational goals, therefore it is very important for all workers to demonstrate good performance.



Emotional Intelligence

Emotional intelligence includes self-control, passion, patience, and the ability to motivate others, control desires and emotions, and adapt to stressful moods. It also includes the ability to think and not interfere with reading ability. Golemani (2015) states that emotions are basically the drive to act to solve problems. Emotional intelligence allows us to maintain a balance between our personal needs and the needs of others. According to Djasulii (2015), people who can best control their emotions will be respected and honored. Studies have also found that 80% of the success of successful people comes from their ability to control their emotions.

According to Jannah (2013), emotional intelligence is a person's ability to deal with emotions, control their attitudes and behaviors, and express their emotions through self-awareness, self-control, self-motivation, empathy, and social skills. Thus, we can conclude that emotional intelligence is a person's ability to control their emotions by keeping them appropriate and expressing their emotions through social skills and self-awareness skills.

Work Life Balance

An important factor that employees must have is work life balance, also known as work-life balance, so that they can live a balanced life between their work and personal life. If someone can balance their work obligations and their personal life, they can achieve this balance (Hollandi et al.,i 2019).

Gribbeni & Semplei (2021) said that work-life balance is a big concept that involves work activities, such as career and ambition, with life, such as happiness, leisure, family, and spirituality. In addition, work-life balance is also defined as a person's ability to balance the needs of his work with his personal and family needs. A place where people can balance their roles well, even if they have responsibilities and duties in two or more roles in an organization, both in work and non-work (Paudeli & Sthapit, 2021).

If a person can achieve a balance between work and family, it will be beneficial for many people. It will help employees by dealing psychologically and improving physical and mental health, while for organizations, it will result in better work commitment, work productivity, and performance. According to Tettehi and Attiogbei (2019), balance in life can be achieved by reducing conflicts of interest. Therefore, it is very important for companies to create rules that help employees balance personal and work interests. Companies can achieve work-life balance in their employees (Paudeli & Sthapit,i 2021).

RESEARCH METHOD

This study uses a quantitative research type that includes emotional intelligence, work-life balance, and performance. This study was conducted at the Agricultural College Institution in North Sumatra. The research variables include Emotional Intelligence (X), Work-Life Balance (Z1), Work Stress (Z3), and Employee Performance (Y)

Operational Definition

Operational functions as a reference to determine statements in the questionnaire that will be distributed as a research tool to employees. The following Table 1 explains the operational definition of the variables Emotional Intelligence (X), Work-Life Balance (Z1), and Work Stress (Z3), on Employee Performance (Y) through job satisfaction as an intervening variable for Employees at the Indonesian Palm Oil Institute.

Table 1. Operational Research Variables



| No | Variables | Dimensions | Indicator | Scale | Source |
|----|----------------------------|--------------------|---|---------------|---|
| 1. | Emotional intelligence (X) | 1. Self-awareness | 1. Recognize your own emotions 2. Know your own strengths and weaknesses Mampu mengevaluasi diri sendiri | <i>Likert</i> | Goleman (2015) |
| | | 2. Self-control | 1. Calm when facing problems Dapat mengendalikan diri sendiri 2. Think first before acting | | |
| | | 3. Motivation | 1. Have enthusiasm for work 2. Be optimistic at work 3. Don't give up easily | | |
| | | 4. Empathy | 1. Understand the feelings of other employees 2. Understand the conditions of other employees 3. Don't hesitate to provide assistance | | |
| | | 5. Social skills | 1. Easy to get along with 2. Able to provide a positive influence 3. Have leadership skills | | |
| 2 | Employee performance (Y) | 1. Quality of work | 1. Accuracy in completing work 2. Complete the work to the maximum 3. Complete the work without errors | <i>Likert</i> | (Asadullah et al., 2021; Di Vaio et al., 2021; Kalkavan |



| | | | | | |
|-----------|-------------------------------|--|--|---------------|--|
| | | 2. Quantity of work | 1. Complete work according to time standards 2. Complete work according to work targets 3. Complete the work within a limited time | | & Katrinli, 2014; Ozturk et al., 2021) |
| | | 3. Cooperation | 1. Employees' ability to collaborate 2. Good communication between coworkers. 3. Employee ability to | | |
| No | Variables | Dimensions | Indicator | Scale | Source |
| | | | complete tasks | | |
| | | 4. Independence | 1. Able to work without supervision 2. Able to find solutions to problems independently 3. Able to provide original ideas | | |
| 3. | <i>Work life balance (Z1)</i> | 1. <i>Work interference with personal life (WIPL)</i> 2. <i>Personal life interference with work (PLIW)</i> | 1. Enough time with family 2. Enough time for hobbies 3. Enough time to rest 1. Able to solve problems at home 2. Able to determine priorities when working 3. Able to complete personal matters without disrupting performance | <i>Likert</i> | Fisher in Valen (2017) |



| | | | |
|--|--|---|--|
| | 3. <i>Personal life enhancement of work</i> (PLEW) | 1. Family provides support 2. Family is a source of motivation 3. Family is a source of enthusiasm | |
| | 4. <i>Work enhancement of personal life</i> (WEPL) | 1. Optimal use of working time 2. Do the job to the maximum 3. Complete the work until it is finished | |

This study involved employees from agricultural colleges in North Sumatra. This study used structural equation model (SEM) and PLS analysis methods, with a sample size of 150 people. The results are based on the criteria submitted to the management employees of the Indonesian Palm Oil Institute who meet the criteria. The types of data used in this study are primary and secondary data. This study uses questionnaire and documentation methods to collect data.

Validity and Reliability Test

In the main analysis stage, the validity test will use the confirmatory factor analysis (CFA) method. This will assess how good the causal relationship is between each indicator and its latent variables. In addition, reliability analysis is used to measure the level of accuracy and precision of possible answers to several questions. High reliability measurements provide a basis for reliability limits using Cronbach Alpha is 0.60, which is usually accepted.

RESULT AND DISCUSSION

Nursalami (2017) stated that the conceptual framework of research consists of a general explanation of the research object and a theory that explains the relationship between the variables studied. The conceptual framework is designed to make it easier for researchers to find out more about the research object and the variables studied.

The Influence of Emotional Intelligence on Employee Performance

According to Rizkiyai (2020), emotional intelligence is the ability to control oneself and relate to others and solve problems properly. People who can control their emotions can achieve good results. i A study by Revista (2020) found that emotional intelligence has a positive effect on employee performance. If someone can recognize other people's emotions, it shows that they can read their environment and know what to do. According to Supriyatnei (2021), emotional intelligence should help employees manage a good work atmosphere.

H1: It is suspected that there is a positive and significant influence of emotional intelligence on employee performance.

The Influence of Emotional Intelligence on Work-Life Balance

Employees in the service sector, especially in the health sector, must have good emotional intelligence skills. This ability is reflected in providing services to patients in a



friendly, polite, and timely manner (Nwanzu & Babalola, 2020). Employees who have good emotional intelligence, especially employees, will help them work professionally and be able to position themselves in various situations and environments (Wen et al., 2019). Specifically, it was found that people with good emotional intelligence tend to have a good work-life balance, which allows them to maintain a balance between their personal life and work (Olasupoi et al., 2021; Zhui et al., 2021).

H2: It is suspected that there is a positive and significant influence of emotional intelligence on work-life balance in employees.

The Impact of Work-Life Balance on Employee Performance

A condition in which a person is balanced between work and family life is called work-life balance. The concept of work-life balance includes things like happiness, leisure, family, spiritual goals, and career. According to Galangi (2020), if a worker cannot balance their responsibilities, their performance will be poor. According to Gunturi (2020), the balance between work and personal life has a positive impact on employee performance. As a result, employees feel appreciated by their superiors and find that dependence on the company makes them happier with their jobs and their families. They also develop policies and programs on issues such as employee work life.

Isabellai (2021) said that work-life imbalance increases worker productivity and well-being. Meanwhile, Greenhausi et al. (Laela, 2015) said that a company's work-life balance program can improve worker performance because it motivates them to do their jobs and obligations in society.

H4: It is suspected that there is a positive and significant influence of work-life balance on employee performance.

The Influence of Emotional Intelligence on Performance Through Work-Life Balance

The Influence of Emotional Intelligence on Performance Through Work-Life Balance

Using emotional intelligence to create work-life balance helps employees perform well and meet company standards (Khallashi & Kruse, 2012). Employees who are passionate, innovative, and productive will enjoy every job they do, according to several studies (Paudeli & Sthapit, 2021). In addition, it was found that if employees cannot help the company achieve work targets, they will feel stressed (Farber et al., 2020).

H5: It is suspected that there is a positive and significant influence of emotional intelligence on performance through work life balance in employees.

CONCLUSION

According to the results of the research analysis, emotional intelligence has a significant influence on employee performance. The results of the study also show that emotional intelligence has a significant influence on work-life balance and work-life balance also has a significant influence on employee performance. Therefore, the variables of emotional intelligence, work-life balance, and work-life balance have a significant influence on employee performance.

REFERENCES

Abсах, Y., Siahaan, E., Student, P., Utara, U. S., & Utara, U. S. (2018). *Analysis of Dual Role Conflict and Emotional Intelligence on Work Stress with Social Support as a Moderating Variable on BUMN Banks Married Employees in Tebing Tinggi*. 50–59.



- Al-shami, S. A., Al mamun, A., Rashid, N., & Cheong, C. B. (2023). Happiness at workplace on innovative work behaviour and organisation citizenship behaviour through moderating effect of innovative behaviour. *Heliyon*, 9(5), e15614. <https://doi.org/10.1016/j.heliyon.2023.e15614>
- Amstrong, M. (2016). Handbook of human resources management. In *Handbook of Human Resources Management* (10th ed.). Kogan Page. <https://doi.org/10.1007/978-3-662-44152-7>
- Asadullah, M. A., Ul Haq, M. Z., Wahba, K., Hashmi, S., Kim, H. (Markham), & Hwang, J. (2021). Gender differences and employee performance: Evidence from the restaurant industry. *Journal of Hospitality and Tourism Management*, 48(November 2020), 248–255. <https://doi.org/10.1016/j.jhtm.2021.06.015>
- Asiedu-Appiah, F., Mehmood, A., & Bamfo, B. A. (2015). Work-Life Balance Practices, Job Performance and Turnover Intentions. *International Journal of Arts & Sciences*, 08(04), 1944–6934.
- Bernardin, J., & Russel, J. (2013). *Human Resource Management An Experiential Approach* (6th editio). McGraw-Hill Education.
- Birks, D. F. (2016). Marketing research. In *The Marketing Book: Seventh Edition*. <https://doi.org/10.4324/9781315890005>
- Bruggen, A. (2015). An empirical investigation of the relationship between workload and performance. *Management Decision*, 53(10), 2377–2389. <https://doi.org/10.1108/MD-02-2015-0063>
- Civelek, M. E. (2018). Essentials of Structural Equation Modeling. In *Zea Books* (Issue April). <https://doi.org/10.13014/k2sj1hr5>
- Cohen, J. (2013). Statistical Power Analysis for the Behavioral Sciences. In *Statistical Power Analysis for the Behavioral Sciences*. <https://doi.org/10.4324/9780203771587>
- DeCenzo, D. A., Robbins, S. P., & Verhulst, S. L. (2016). Fundamentals of Human Resource Management, 12th Edition. In *Human Resource Management* (Issue September). <https://www.wiley.com/en-us/Fundamentals+of+Human+Resource+Management%2C+12th+Edition-p-9781119158905>
- Di Vaio, A., Hasan, S., Palladino, R., Profita, F., & Mejri, I. (2021). Understanding knowledge hiding in business organizations: A bibliometric analysis of research trends, 1988–2020. *Journal of Business Research*, 134(June), 560–573. <https://doi.org/10.1016/j.jbusres.2021.05.040>
- Durai, P. (2010). *Human resource management*. [https://books.google.com.my/books?id=cRAvCCsN2e0C&pg=PA28&dq=strategic+management+process+step&hl=en&sa=X&ved=0ahUKEwil263xxb_fAhUHQ48KHbqEA3sQ6AEIQDAE#v=onepage&q=strategic management process step&f=false](https://books.google.com.my/books?id=cRAvCCsN2e0C&pg=PA28&dq=strategic+management+process+step&hl=en&sa=X&ved=0ahUKEwil263xxb_fAhUHQ48KHbqEA3sQ6AEIQDAE#v=onepage&q=strategic%20management%20process%20step&f=false)
- Faramarzpour, M., Farokhzadian, J., Tirgari, B., Mangolian Shahrabaki, P., Borhani, F., & Rafati, F. (2021). Nurses' perceptions of hospital ethical climate and their job satisfaction. *Ethics, Medicine and Public Health*, 18, 100664. <https://doi.org/10.1016/j.jemep.2021.100664>
- Farber, D. J. E., Payton, D. C., & Dorney, D. P. (2020). Life balance and professional quality of life among baccalaureate nurse faculty. *Journal of Professional Nursing*, 36(6), 587–594.



- <https://doi.org/10.1016/j.profnurs.2020.08.010>
- Gerdenitsch, C. (2017). New Ways of Working and Satisfaction of Psychological Needs. *Journal of Psychology*, 1–169. <https://doi.org/10.1007/978-3-319-54678-0>
- Gibson, J., Ivancevich, J., Donnelly, J., & Konopaske, R. (2012). *Organization: Behavior, Structure, Processes*. McGraw-Hill Education.
- Gribben, L., & Semple, C. J. (2021). Factors contributing to burnout and work-life balance in adult oncology nursing: An integrative review. *European Journal of Oncology Nursing*, 50(November 2020), 101887. <https://doi.org/10.1016/j.ejon.2020.101887>
- Gunarathne, N., Senaratne, S., & Herath, R. (2021). Addressing the expectation–performance gap of soft skills in management education: An integrated skill-development approach for accounting students. *International Journal of Management Education*, 19(3), 100564. <https://doi.org/10.1016/j.ijme.2021.100564>
- Hair, Black, Babin, & Anderson, R. E. (2010). *Multivariate data analysis*. Pearson Education.
- Holland, P., Tham, T. L., Sheehan, C., & Cooper, B. (2019). The impact of perceived workload on nurse satisfaction with work-life balance and intention to leave the occupation. *Applied Nursing Research*, 49(March), 70–76. <https://doi.org/10.1016/j.apnr.2019.06.001>
- Ibrahim, R., Boerhannoeddin, A., & Bakare, K. K. (2017). The effect of soft skills and training methodology on employee performance. *European Journal of Training and Development*, 41(4), 388–406. <https://doi.org/10.1108/EJTD-08-2016-0066>
- Jena, L. K., & Goyal, S. (2022). Emotional intelligence and employee innovation : Sequential mediating effect of person-group fit and adaptive performance Intelligence émotionnelle et innovation des employés : effet médiateur séquentiel de l'ajustement personne-groupe et de la performa. *Revue Européenne de Psychologie Appliquée*, 72(1), 100729. <https://doi.org/10.1016/j.erap.2021.100729>
- Kalkavan, S., & Katrinli, A. (2014). The Effects of Managerial Coaching Behaviors on the Employees' Perception of Job Satisfaction, Organisational Commitment, and Job Performance: Case Study on Insurance Industry in Turkey. *Procedia - Social and Behavioral Sciences*, 150, 1137–1147. <https://doi.org/10.1016/j.sbspro.2014.09.129>
- Khallash, S., & Kruse, M. (2012). The future of work and work-life balance 2025. *Futures*, 44(7), 678–686. <https://doi.org/10.1016/j.futures.2012.04.007>
- Kline, R. B. (2015). *TXTBK Principles and practices of structural equation modelling Ed. 4 ****. In *Methodology in the social sciences*.
- Kusworo, K., & Fachriyah, N. (2018). Pengaruh Kecerdasan Emosional, Komitmen Profesional dan Nilai Etika Perusahaan Terhadap Pertimbangan Etis Auditor. *Jurnal Ekonomi & Bisnis Universitas Brawijaya*, 1(2), 1–21.
- Liu, X. L., Lu, J. G., Zhang, H., & Cai, Y. (2021). Helping the organization but hurting yourself: How employees' unethical pro-organizational behavior predicts work-to-life conflict. *Organizational Behavior and Human Decision Processes*, 167(July), 88–100. <https://doi.org/10.1016/j.obhdp.2021.05.002>
- Luthans, F. (2011). *Organizational Behavior*. In *Human Resource Management*. McGraw-Hill Education. https://doi.org/10.5005/jp/books/10358_23
- Malhotra, N. K., & Hall, P. (2019). *Student Resource Manual with Technology Manual Essentials of Marketing Research: A Hands-On Orientation Preface*.



- Malone, S., Hughes, B., Doran, D. A., Collins, K., & Gabbett, T. J. (2019). Can the workload–injury relationship be moderated by improved strength, speed and repeated-sprint qualities? *Journal of Science and Medicine in Sport*, 22(1), 29–34. <https://doi.org/10.1016/j.jsams.2018.01.010>
- Meng, J., & Berger, B. K. (2019). The impact of organizational culture and leadership performance on PR professionals' job satisfaction: Testing the joint mediating effects of engagement and trust. *Public Relations Review*, 45(1), 64–75. <https://doi.org/10.1016/j.pubrev.2018.11.002>
- Munir, M., Soegijanto, & Handayani. (2022). Improving Lecturer Performance: The Role Of Locus Of Control, Motivation And Competence. *Jurnal Manajemen*, 26(1), 99–120. <https://doi.org/10.24912/jm.v26i1.842>
- Nurhasanah M, W. O., Kalimin, L. O., & Syaifuddin, D. T. (2019). The effect of work-life balance on job satisfaction and female employee performance in commercial bank in Kendari City. *IOSR Journal of Business and Management*, 21(5 Ser. II), 1–7. <https://doi.org/10.9790/487X-2105020107>
- Nwanzu, C. L., & Babalola, S. S. (2020). Examining the moderating role of workload in the relationship between emotional intelligence and caring behavior in healthcare organizations. *International Journal of Business Science and Applied Management*, 15(1), 17–29.
- Olasupo, M. O., Idemudia, E. S., & Kareem, D. B. (2021). Moderated mediation roles of social connectedness and optimism on emotional intelligence and life satisfaction. *Heliyon*, 7(5), e07029. <https://doi.org/10.1016/j.heliyon.2021.e07029>
- Olawale, A. V. R., Fapohunda, T. M., & Ilesmi, J. V. F. (2017). Work-life Balance and Organisational Commitment: Perceptions of Working Postgraduate Students. *BVIMSR's Journal of Management Research*, 9(2), 178–188.
- Özduran, A., & Tanova, C. (2017). Coaching and employee organizational citizenship behaviours: The role of procedural justice climate. *International Journal of Hospitality Management*, 60, 58–66. <https://doi.org/10.1016/j.ijhm.2016.10.004>
- Ozturk, A., Karatepe, O. M., & Okumus, F. (2021). The effect of servant leadership on hotel employees' behavioral consequences: Work engagement versus job satisfaction. *International Journal of Hospitality Management*, 97(August 2020), 102994. <https://doi.org/10.1016/j.ijhm.2021.102994>
- Paudel, S., & Sthapit, A. (2021). Work-Family Balance and Employee Performance in Nepalese Commercial Banks. *Indian Journal of Commerce & Management Studies*, XII(1), 33. <https://doi.org/10.18843/ijcms/v12i1/04>
- Princes, E., & Said, A. (2022). The impacts of project complexity, trust in leader, performance readiness and situational leadership on financial sustainability. *International Journal of Managing Projects in Business*. <https://doi.org/10.1108/IJMPB-03-2021-0082>
- Robert, M., & Jhon, J. (2010). *Human Resource Management* (12th ed., Issue 51). Thomson South-Western. <http://ci.nii.ac.jp/naid/40017412209/>
- Salcedo, S., Mora, L., Fernandez, D. A., Marín, A., Berrío, I., Mendoza-Charris, H., Viana-Cárdenas, E. P., Polo-Rodríguez, M., Muñoz-García, L., Alvarez-Herrera, J., Olivares-Goenaga, G., Jimenez-Castro, Y., Castro del Portillo, V., Chiquillo-Gómez, S., Barrios-Matute, L., Villa-García, J., Gonzalez-Mattos, Y., Torres-Barraza, J., Jaraba-Coronado, R.,



- & Maestre-Serrano, R. (2022). Knowledge, attitudes, and behavior regarding antibiotics, antibiotic use, and antibiotic resistance in students and health care professionals of the district of Barranquilla (Colombia): A cross-sectional survey. *Heliyon*, 8(11), 4–9. <https://doi.org/10.1016/j.heliyon.2022.e11378>
- Sharma, S., Prakash, G., Kumar, A., Mussada, E. K., Antony, J., & Luthra, S. (2021). Analysing the relationship of adaption of green culture, innovation, green performance for achieving sustainability: Mediating role of employee commitment. *Journal of Cleaner Production*, 303, 127039. <https://doi.org/10.1016/j.jclepro.2021.127039>
- Siahaan, E. (2018). Evaluating the effect of work-family conflict and emotional intelligence in workplace: Review to increase employees' performance. *IOP Conference Series: Earth and Environmental Science*, 126(1), 0–9. <https://doi.org/10.1088/1755-1315/126/1/012100>
- Soliman, M., Di Virgilio, F., Figueiredo, R., & Sousa, M. J. (2021). The impact of workplace spirituality on lecturers' attitudes in tourism and hospitality higher education institutions. *Tourism Management Perspectives*, 38(May), 100826. <https://doi.org/10.1016/j.tmp.2021.100826>
- Sony, M., & Mekoth, N. (2016). The relationship between emotional intelligence, frontline employee adaptability, job satisfaction and job performance. *Journal of Retailing and Consumer Services*, 30, 20–32. <https://doi.org/10.1016/j.jretconser.2015.12.003>
- Soomro, A. A., Breitenecker, R. J., & Shah, S. A. M. (2018). Relation of work-life balance, work-family conflict, and family-work conflict with the employee performance-moderating role of job satisfaction. *South Asian Journal of Business Studies*, 7(1), 129–146. <https://doi.org/10.1108/SAJBS-02-2017-0018>
- Stirpe, L., Profili, S., & Sammarra, A. (2021). Satisfaction with HR practices and employee performance: A moderated mediation model of engagement and health. *European Management Journal*, June. <https://doi.org/10.1016/j.emj.2021.06.003>
- Suriyadi, Syaifuddin, D. T., Sidu, D., & Mursidin. (2020). Effects of situational leadership, work motivation and cohesiveness on work satisfaction and employment performance (A case study in education and cultural office in Konawe Regency). *International Journal of Scientific and Technology Research*, 9(2), 1837–1843.
- Tetteh, E. N., & Attiogbe, E. J. K. (2019). Work-life balance among working university students in Ghana. *Higher Education, Skills and Work-Based Learning*, 9(4), 525–537. <https://doi.org/10.1108/HESWBL-08-2018-0079>
- Ulrich, D., Allen, J., Brickbank, W., Yonger, J., & Nyman, M. (2020). *HR Transformation: Building Human Resource form The Outside In*. McGraw-Hill Education.
- Wen, J., Huang, S. (Sam), & Hou, P. (2019). Emotional intelligence, emotional labor, perceived



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

- organizational support, and job satisfaction: A moderated mediation model. *International Journal of Hospitality Management*, 81(March), 120–130. <https://doi.org/10.1016/j.ijhm.2019.01.009>
- Yang, L. R., Yen, H. F., & Chiang, Y. F. (2012). A framework for assessing impacts of leadership competency on police project performance: Mediating role of job satisfaction and moderating role of project type. *Policing*, 35(3), 528–550. <https://doi.org/10.1108/13639511211250785>
- Yoopetch, C., Nimsai, S., & Kongarchapatara, B. (2021). The effects of employee learning, knowledge, benefits, and satisfaction on employee performance and career growth in the hospitality industry. *Sustainability (Switzerland)*, 13(8). <https://doi.org/10.3390/su13084101>
- Zhu, F., Wang, X., Wang, L., & Yu, M. (2021). Project manager's emotional intelligence and project performance: The mediating role of project commitment. *International Journal of Project Management*, 39(7), 788–798. <https://doi.org/10.1016/j.ijproman.2021.08.002>



THE INFLUENCE OF EMPLOYEE ENGAGEMENT AND QUALITY OF WORK LIFE ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE IN INSPECTORATE OF LABUHANBATU DISTRICT.

Pati Gunawan Leonardo^a, Heri Azlan^a, Salman Faris^a, Fajar Rezeki Ananda Lubis^a, Yeni Rafita Sihombing^a

^aUniversitas Prima Indonesia

ABSTRACT

This research aims to determine whether Employee Engagement and Quality of Work Life influence performance through Job Satisfaction as an intervening variable for North Labuhanbatu Regency Inspectorate employees. The research was conducted on permanent employees (PNS) at the North Labuhanbatu Regency Inspectorate. The population in this study was 36 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 36 people. The data collection technique que used is primary data in the form of a questionnaire and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, Sobel test and path analysis. The results obtained in this research show 1) there is a positive and significant influence between Employee Engagement on Job Satisfaction, 2) there is a positive and significant influence between Quality of Work Life on Job Satisfaction, 3) there is a positive and significant influence between the Employee Engagement variable on Performance, 4) there is a positive and significant influence between Quality of Work Life on Performance, 5) there is a positive and significant influence between Job Satisfaction on Performance, 6) There is an influence between Employee Engagement on Performance through Job Satisfaction as an intervening variable, 7) There is an influence between Quality of Work Life on Performance through Job Satisfaction as an intervening variable.

Keywords: Employee Engagement, Job Satisfaction, Performance and Quality of Work Life.

INTRODUCTION

The success of a government agency cannot be separated from the improvement of superior and quality human resources that must always be managed and emphasized by the agency to be able to achieve the expected performance. Achieving human resource management goals shows how an agency should carry out, obtain, develop, foster, evaluate, and prosper employees. Sinamo (2011: 55) states that *Employee Engagement* is a set of positive work behaviors rooted in thick cooperation, fundamental beliefs, accompanied by a total commitment to an integral work paradigm. *Employee Engagement* is the totality of his personality and the way he expresses, views, believes, and gives meaning to something, which encourages him to act and achieve optimal charity. At this time the quality of work life is a major issue that deserves attention. The quality of



work life also fosters employees' desire to stay in an organization or company. This happens because of the employee comfort that the company has built. Employees can be assessed that employees show good performance as a result of the company's treatment of them. Good performance can be seen as a condition that is highly expected. Job satisfaction is also one of the factors that can affect the improvement of an employee's performance. As stated by Sedarmayanti (2001) adequate job satisfaction will spur enthusiasm and creativity at work, thus showing good performance. According to Wirawan (2013) states that people's positive or negative feelings and attitudes towards their work have implications for their influence on themselves and the organization. If people are satisfied with their work they like and are motivated to carry out their work and their performance is high Achmad Fathur Asari. Quality of work life (QWL) is a philosophy, a set of principles, which states that people are the most important resource in the organization because they are trustworthy, responsible and capable of making valuable contributions and they should be treated with dignity and respect.

LITERATURE REVIEW

Performance is the result of work that has been achieved by a person or group that is adjusted to the work targets that have been set in a certain period of time and can also be measured in quality and quantity. Performance indicators are tools to measure the extent of employee achievement, there are several indicators for employee performance, namely; quality, quantity, timeliness, effectiveness, and independence. Then employee engagement is employee involvement and employee attachment to their duties and work which is done with a positive attitude and considers it not a burden so that it can be completed with care, dedication and responsibility. Employee engagement has several indicators, namely; strength, dedication, and absorption. Then Quality of work life means a form of organizational concern to improve working conditions, increase organizational effectiveness, and meet employee needs by developing effective practices in the form of opportunities to provide advice and participate in making decisions. The quality of work life can be measured through several indicators, namely; appropriate and fair compensation, a safe and healthy work environment, opportunities to use and develop workers' abilities, social interaction at work, and employee rights in the office. Job satisfaction is concluded as an employee's attitude towards work related to the work situation which is described by feelings of pleasure or displeasure and satisfaction or dissatisfaction, the feeling of satisfaction or not with his job depends on the suitability between his work and what he gets as a reward. Job satisfaction also has several indicators, namely; satisfaction with the job itself, satisfaction with payment, satisfaction with promotion, satisfaction with supervision and satisfaction with coworkers.

The effect of employee engagement on job satisfaction, based on research conducted by Trinovela Simanjuntak and Vera Sylvia Saragi Sitio (2021) with the title The Effect of Knowledge Sharing and Employee Engagement on Employee Job Satisfaction of Narma Toserba, Narogong Bogor, obtained the following research results which show that knowledge sharing partially has a positive and significant effect on job satisfaction with a contribution of $0.234 = 23.4\%$ or $t \text{ count } 2.070 > t \text{ table } 1.985$ and $\text{sig } 0.041 < 0.05$. Employee engagement partially has a positive and significant effect on job satisfaction with a contribution of $0.232 = 23.2\%$ or $t \text{ count } 2.207 > t \text{ table } 1.985$ and $\text{sig } 0.030 < 0.05$. Based on research conducted by Inelsa Putri Wau (2022) with the title



Effect of *Quality of Work Life*, Work Motivation and Organizational Commitment on Job Satisfaction of Nurses of Tebet Soepomo Regional General Hospital, South Jakarta, the results showed that the *Quality of Work Life* variable affects job satisfaction, the work motivation variable affects job satisfaction and the commitment variable affects job satisfaction. Simultaneously, the variables of *Quality of Work Life*, Work Motivation and Organizational Commitment simultaneously affect job satisfaction.

Based on research conducted by Andrian Noviardy and Sabeli Aliya (2020) with the title The Effect of Employee Engagement and Organizational Commitment on Employee Performance in the Field of Oil Palm Plantations (Empirical Study at PT. Suryabumi Agrolanggeng, South Sumatra) obtained results based on the partial significance test (t test) showing that: Employee Engagement has a significant value of 0.001. Employee Engagement has a significant value of 0.000. Thus, it means that Employee Engagement and organizational commitment partially have a significant effect on employee performance. The simultaneous significance test (F test) shows a significant value of 0.000.

Methods

This research approach uses qualitative research methods that are associative in nature, an associative approach is an approach where to find out that there is a relationship or influence between the two variables (independent variable and dependent variable). In this study, the independent variable X1 is *Employee Engagement*, X2 is *Quality of Work Life*, Z is Job Satisfaction and the dependent variable Y is Performance.

RESULTS

Validity Test

Table 1. Validity Test Results

| Variables | Indicator | Questionnaire | r-count | Sig | Results |
|--|-----------|---------------|---------|-------|---------|
| Performance (Y) | 1 | Y1 | 0.416 | 0.012 | Valid |
| | 2 | Y2 | 0.663 | 0.000 | Valid |
| | 3 | Y3 | 0.450 | 0.014 | Valid |
| | 4 | Y4 | 0.408 | 0.023 | Valid |
| | 5 | Y5 | 0.448 | 0.014 | Valid |
| <i>Employee Engagement</i> (X) ₁ | 1 | X1.1 | 0.660 | 0.000 | Valid |
| | 2 | X1.2 | 0.530 | 0.001 | Valid |
| | 3 | X1.3 | 0.585 | 0.000 | Valid |
| <i>Quality of Work Life</i> (X) ₂ | 1 | X2.1 | 0.421 | 0.015 | Valid |
| | 2 | X2.2 | 0.336 | 0.045 | Valid |
| | 3 | X2.3 | 0.409 | 0.013 | Valid |
| | 4 | X2.4 | 0.369 | 0.027 | Valid |
| | 5 | X2.5 | 0.555 | 0.000 | Valid |



| | | | | | |
|----------------------|---|----|-------|-------|-------|
| Job Satisfaction (Z) | 1 | Z1 | 0.594 | 0.000 | Valid |
| | 2 | Z2 | 0.479 | 0.010 | Valid |
| | 3 | Z3 | 0.374 | 0.024 | Valid |
| | 4 | Z4 | 0.672 | 0.000 | Valid |
| | 5 | Z5 | 0.505 | 0.002 | Valid |

Source: Primary Data Processed, 2024

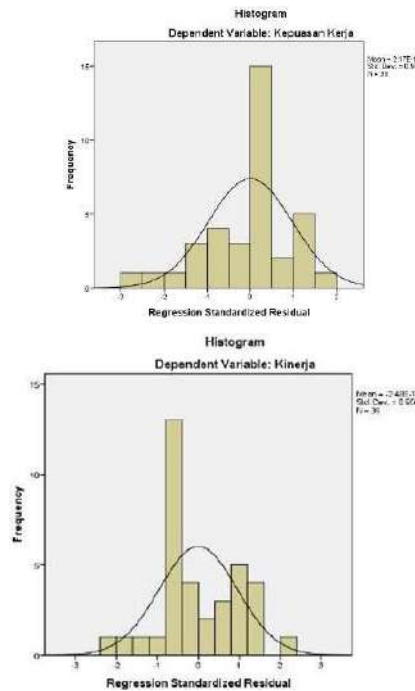
Reliability Test

Table 2. Reliability Test Results

| Research Variables | Conbrach's Alpha | Results |
|---|------------------|----------|
| Performance (Y) | 0,678 | Reliable |
| <i>Employee Engagement (X)₁</i> | 0,768 | Reliable |
| <i>Quality of Work Life (X)₂</i> | 0,824 | Reliable |
| Job Satisfaction (Z) | 0,720 | Reliable |

Source: Primary Data Processed, 2024

Normality Test



The results of the normality test for sub I

Normality test of sub model II



Multicollinearity Test

Table 3. Multicollinearity Test Table Sub Model I
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|----------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 16.027 | 1.412 | | 11.348 | .000 | | |
| Employee Engagement | .134 | .074 | .263 | 2.825 | .047 | .963 | 1.039 |
| Quality of Work Life | .268 | .067 | .576 | 4.002 | .000 | .963 | 1.039 |

a. Dependent Variable: Job Satisfaction

Source: Primary Data Processed, 2024

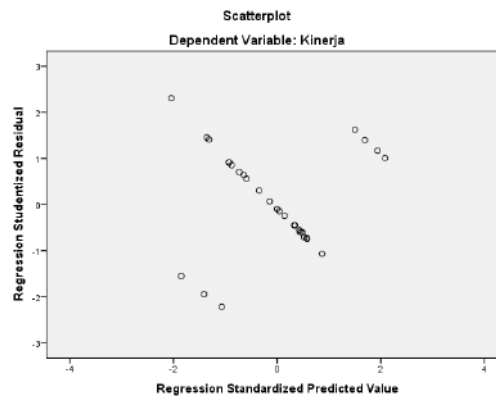
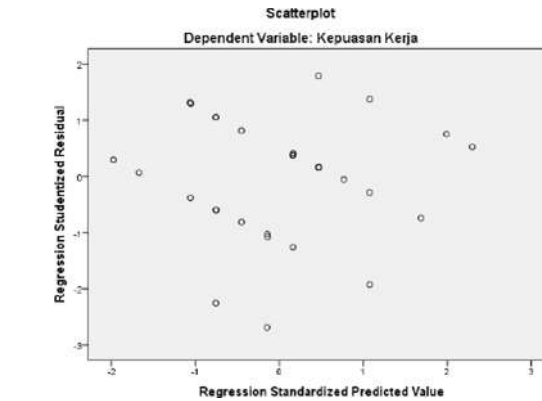
Table 20. Multicollinearity Test Results Sub Model II
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|----------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 11.415 | .819 | | 13.942 | .000 | | |
| Employee Engagement | .042 | .020 | .231 | 2.074 | .021 | .874 | 1.144 |
| Quality of Work Life | .063 | .021 | .260 | 2.972 | .006 | .648 | 1.543 |
| Job Satisfaction | .392 | .046 | .745 | 8.589 | .000 | .658 | 1.520 |

a. Dependent Variable: Performance

Source: Primary Data Processed, 2024

Heteroscedasticity Test



Heteroscedasticity Test Results Sub Model I

Heteroscedasticity Test Results Sub Model II

Hypothesis Test

Table 4: Sub Model I t-test results

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 16.027 | 1.412 | | 11.348 | .000 |
| 1 Employee Engagement | .134 | .074 | .263 | 2.825 | .047 |
| Quality of Work Life | .268 | .067 | .320 | 4.002 | .000 |

a. Dependent Variable: Job Satisfaction

Source: Primary Data Processed, 2024

Sub Model II t Test Results

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|---|------|
| | B | Std. Error | Beta | | |



| | | | | | |
|----------------------|--------|------|------|--------|------|
| (Constant) | 11.415 | .819 | | 13.942 | .000 |
| Employee Engagement | .042 | .020 | .231 | 2.074 | .021 |
| Quality of Work Life | .063 | .021 | .260 | 2.972 | .006 |
| Job Satisfaction | .392 | .046 | .745 | 8.589 | .000 |

a. Dependent Variable: Performance

Source: Primary Data Processed, 2024

Descriptive Statistical Analysis

The number of respondents' answers starts from numbers 1 to 5 in each questionnaire statement from the research variables, namely Employee Engagement, Quality of Work Life, Job Satisfaction and Performance which is a description of the respondents' answers, namely employees of the Inspectorate of North Labuhanbatu Regency. Determination of the interval class applied to all variables of the lowest value of the scale is 1 and the highest value of the scale is 5.

Results of Descriptive Statistical Analysis of Performance Variables

On average, the answers to each statement regarding the performance of North Labuhanbatu Regency Inspectorate employees are in the Good category Respondents' explanations for the statement "I can complete tasks by relying on my best abilities by utilizing skills so that good results are obtained", where 10 people (27.8%) strongly agreed, 12 people (33.3%) agreed, and 14 people (38.9%) disagreed, with an average value of 4.11.

Results of Descriptive Statistical Analysis of Work Ethic Variables

On average, the answers to each statement regarding *Employee Engagement* of North Labuhanbatu Regency Inspectorate employees are in the Good category Respondents' explanations for the statement "I have a high ability to adapt and try to solve any difficulties at work", where 21 people (58.3%) strongly agreed, 8 people (22.2%) agreed, and 7 people (19.4%) disagreed, with an average value of 3.61.

Results of Descriptive Statistical Analysis of *Quality of Work Life* Variables

On average, the answers to each statement regarding the *Quality of Work Life* of North Labuhanbatu Regency Inspectorate employees are in the Good category Respondents' explanations for the statement "I receive an award in the form of money or services in accordance with my workload", where 13 people (36.1%) strongly agreed, 15 people (41.7%) agreed, and 8 people (22.2%) disagreed, with an average value of 3.86.

Results of Descriptive Statistical Analysis of Job Satisfaction Variables

On average, the answers to each statement regarding Job Satisfaction of North Labuhanbatu Regency Inspectorate employees are in the Good category Respondents' explanations for the statement "I feel that work is interesting because it can provide opportunities to learn and accept responsibility", where 12 people (33.3%) strongly agreed, 11 people (30.6%) agreed, and 13 people (36.1%) disagreed, with an average value of 4.03.



Sobel Test

Sobel Test Results

| Variables | Unstandardized | Std. Error | Test statistic | Std. Error | P-Value |
|---|-----------------------|-----------------------------|-----------------------|-------------------|----------------|
| <i>Employee Engagement on Job Satisfaction</i> | 0,134 (a) | 0.074 (S)) _a | 1,971 | 0,029 | 0,045 |
| <i>Job Satisfaction to Performance</i> | 0,392 (b) | 0.046 (S)) _b | | | |
| <i>Quality of Work Life on Job Satisfaction</i> | | | | | |
| <i>Job Satisfaction to Performance</i> | 0,392 (b) | 0.046 (S)) _b | | | |

Source: Data Processed with *Calculation for the Sobel Test*, 2024

| | | | | |
|-----------|-----------------------------|-------|-------|-------|
| 0,268 (a) | 0.067 (S)) _a | 3,620 | 0,029 | 0,000 |
|-----------|-----------------------------|-------|-------|-------|



DISSCUSION

Effect of Employee Engagement on Job Satisfaction

Based on the results of testing the first hypothesis, it is known that Employee Engagement has a significant effect on Job Satisfaction of the Labuhanbatu Regional Inspectorate. The Employee Engagement variable has a regression coefficient value of 0.134, indicating that if Employee Engagement increases by 100%, it will increase Job Satisfaction by 13.4%.

The Effect of Quality of Work Life on Job Satisfaction

Based on the results of testing the first hypothesis, it is known that Quality of Work Life has a significant effect on Job Satisfaction of the Labuhanbatu Regional Inspectorate. The Quality of Work Life variable has a positive and significant effect on Job Satisfaction at the Labuhanbatu Regional Inspectorate. The Quality of Work Life variable has a regression coefficient value of 0.268, indicating that if Quality of Work Life increases by 100%, it will increase Job Satisfaction by 26.8%.

Effect of *Employee Engagement* on Performance

Based on the results of testing the first hypothesis, it is known that *Employee Engagement* has a significant effect on the Performance of the Labuhanbatu Regional Inspectorate. The *Employee Engagement* variable has a regression coefficient value of 0.042, indicating that if *Employee Engagement* increases by 100%, it will increase Performance by 4.2%.

Effect of *Quality of Work Life* on Performance

Based on the results of testing the first hypothesis, it is known that *Quality of Work Life* has a significant effect on the Performance of the Labuhanbatu Regional Inspectorate. The *Quality of Work Life* variable has a regression coefficient value of 0.063, indicating that if *Quality of Work Life* increases by 100%, it will increase Performance by 6.3%.

Effect of Job Satisfaction on Performance

Based on the results of testing the first hypothesis, it is known that Job Satisfaction has a significant effect on the Performance of the Labuhanbatu Regional Inspectorate. The Job Satisfaction variable has a regression coefficient value of 0.392, indicating that if Job Satisfaction increases by 100%, it will increase Performance by 39.2%.

The Effect of *Employee Engagement* on Performance through Job Satisfaction

Based on the results of the sobel *test* calculation, it is known that the *test statistic* value is $1.971 > 1.96$ with a significance of $0.045 < 0.05$, it can be concluded that the Job Satisfaction variable is able to mediate the relationship between the effect of *Employee Engagement* on Performance. Thus it can be said that the effect of *Employee Engagement* will be greater to improve performance if done through Job Satisfaction.

The Effect of *Quality of Work Life* on Performance through Job Satisfaction

Based on the results of the sobel *test* calculation, it is known that the *test statistic* value is $3.620 > 1.96$ with a significance of $0.000 < 0.05$, it can be concluded that the Job Satisfaction variable is



able to mediate the relationship between the effect of *Quality of Work Life* on Performance. Thus it can be said that the effect of *Quality of Work Life* will be greater to improve performance if done through Job Satisfaction.

Conclusion

Based on the results of research and discussion conducted by researchers regarding the effect of *Employee Engagement*, and *Quality of Work Life* on employee performance at the Inspectorate of North Labuhanbatu Regency through Job Satisfaction as an intervening variable, the following conclusions can be drawn:

1. *Employee Engagement* affects Job Satisfaction at the Inspectorate of North Labuhanbatu Regency.
2. *Quality of Work Life* affects Job Satisfaction at the Inspectorate of North Labuhanbatu Regency.
3. *Employee Engagement* affects performance at the Inspectorate of North Labuhanbatu Regency.
4. *Quality of Work Life* affects performance at the Inspectorate of North Labuhanbatu Regency.
5. Job Satisfaction affects Performance at the Inspectorate of North Labuhanbatu Regency.
6. *Employee Engagement* affects performance at the Inspectorate of North Labuhanbatu Regency through Job Satisfaction as an intervening variable.
7. *Quality of Work Life* affects performance at the Inspectorate of North Labuhanbatu Regency through Job Satisfaction as an intervening variable.

Advice

The Inspectorate of North Labuhanbatu Regency should pay attention to each employee to utilize every existing resource in the form of human power, technology, financial resources / capital and raw materials to complete each task. The Inspectorate of North Labuhanbatu Regency should encourage employees to have a high ability to adapt and try to solve any difficulties at work. The Inspectorate of North Labuhanbatu Regency should create a safe, healthy and pollution-free work environment. The Inspectorate of North Labuhanbatu Regency should provide supervision and support that is useful for increasing job satisfaction for each employee.

LITERATURE

- Andrian, Noviardy. (2020). Pengaruh Employee Engagement dan Komitmen Organisasi Terhadap Kinerja Karyawan di Bidang Perkebunan Kelapa Sawit (Studi Empiris Pada PT. Perkebunan Nusantara VII Pabrik Karet Beringin, Sumatera Selatan) *Journal Management, Business, and Accounting* p-ISSN 2086-5090, e-ISSN: 2655-8262 Vol. 19, No. 3.
- Afandi. (2018). *Manajemen Sumber Daya Manusia (Teori, Konsep dan Indikator)*. Riau: Zanafa Publishing.
- Andika, I. W. T. (2022). Pengaruh Kepuasan Kerja Dan Komitmen Organisasional Terhadap Kinerja Karyawan Pada POD Bali *Chocolate Factory* Di Desa Werdi Bhuana Kabupaten Badung (*Doctoral dissertation*, Universitas Mahasaraswati Denpasar).
- Arif, M., Firdaus, M. A., & Rinda, R. T. (2020). Pengaruh *Quality of Work Life* Dan Kepuasan Kerja Terhadap Kinerja Karyawan. *Manager: Jurnal Ilmu Manajemen*, 3(3), 445-449.
- Astuti, D., & Suwandi, S. (2022). Pengaruh *Employee Engagement* Terhadap Kinerja Karyawan



- Yang Di Mediasi Kepuasan Kerja. *Eqien-Jurnal Ekonomi Dan Bisnis*, 11(04), 615-623.
- Bernardin, J., & Russel, J. (2001). *Human Resource Management*. Singapura: Mc Graw-Hill Inc
- Dadang, Solihin. (2013). *Manajemen Sumber Daya Manusia Untuk Perusahaan*. Jakarta: PT. Grafindo Persada.
- Febriyana, W., & Sary, F. P. (2015). Pengaruh kepuasan kerja terhadap kinerja karyawan pt. kabepe chakra 2015. *eProceedings of Management*, 2(3).
- Flippo, Edwin B. (2010). *Manajemen Personalia jilid 1&2 Edisi Ke-6*. Jakarta: Erlangga.
- Ghozali, I. (2005). *Aplikasi Analisis Multivariate dengan SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23. Edisi 8*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.
- Hafizh, M. A., & Hariastuti, N. L. P. (2021). Pengaruh *Quality of Work Life* dan Burnout terhadap Kinerja Karyawan Melalui Kepuasan Kerja Sebagai Variabel Moderasi (Studi Kasus: CV. XYZ). In *Prosiding SENASTITAN: Seminar Nasional Teknologi Industri Berkelanjutan* (Vol. 1, No. 1, pp. 89-98).
- Hali, M. A. (2019). Pengaruh *Employee Engagement* Terhadap Kinerja Karyawan Melalui Komitmen Organisasi (Studi Pada Divisi Produksi PT. Indo Putra Harapan Sukses Makmur). *Jurnal Ilmu Manajemen (JIM)*, 7(1), 228-234.
- Hariandja, M. T. (2009). *Manajemen Sumber Daya Pengadaan, Pengembangan, Pengkompensasian, dan Peningkatan Prroduktivitas Pegawai*. Jakarta: PT. Gramedia Widiasarana Indonesia.
- Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33, 692-724. Cheltenham: Edward Elgar Publishing.
- Kasmir. (2016). *Manajemen Sumber Daya Manusia: Teori dan Praktik*. Jakarta: Rajawali Pers.
- Lisabella, M., & Hasmawaty, H. (2021). Pengaruh Kepemimpinan Transformasional dan Kualitas Kehidupan Kerja (*Quality of Work Life*) terhadap Keterlibatan Pegawai (*Employee Engagement*) Serta Implikasinya pada Kepuasan Kerja Pegawai. *Jurnal Nasional Manajemen Pemasaran & SDM*, 2(4), 209-226.
- Macey, H.W., Schneider, B., Barbera, M.K., & Young, A.S. (2009). *Employee engagement: Tools for analysis, practise, and competitive advantage*. Singapore: Valtera Corporation.
- Mangkunegara, A. P. (2017). *Manajemen Sumber Daya Manusia Perusahaan (Cetakan Kesebelas)*. Bandung: PT Remaja Rosdakarya.
- Mawu, Kendra S., Bernhard Tewal, and Mac Donald Walangitan. (2018). Pengaruh Kualitas Kehidupan Kerja dan Kepuasan Kerja terhadap Produktivitas Kerja Pegawai Kantor Sekretariat Daerah Kabupaten Minahasa Tenggara. (*Jurnal EMBA*), September Vol. 6 No. 4.
- Moehersono, (2012). *Pengukuran Kinerja Berbasis Kompetensi*. Jakarta : Raja Grafindo Persada.
- Morissan. (2014). *Metode Penelitian Survei*. Jakarta: Kencana Prenadamedia Group.
- Nimran, Umar dan Amirullah. (2015). *Manajemen Sumber Daya Manusia dan Perilaku Organisasi*. Malang: Sinar Akademik Malang
- Noviardy, A., & Aliya, S. (2020). Pengaruh *Employee Engagement* dan Komitmen Organisasi Terhadap Kinerja Karyawan di Bidang Perkebunan Kelapa Sawit. *Mbia*, 19(3), 258-272.
- Nuraini, T. (2013). *Manajemen Sumber Daya Manusia*. Pekanbaru: Yayasan Aini Syam.
- Nuriyah, S. (2024). Pengaruh *Quality Of Work Life (QWL)* terhadap Kinerja karyawan arubaito di perusahaan Agribisnis hokkou nouen Co., Ltd. Hokkaido, Jepang (*Bachelor's thesis*, Fakultas Sains dan Teknologi UIN Syarif Hidayatullah Jakarta).



- Nurrohmat, A., & Lestari, R. (2021). Pengaruh Kepuasan Kerja terhadap Kinerja Karyawan. *Jurnal Riset Akuntansi*, 82-85.
- Priyatno, D. (2014). *SPSS 22: Pengolahan Data Terpraktis*. Yogyakarta: Andi Offset.
- Rachman, L., & Dewanto, A. (2016). Pengaruh *employee engagement* terhadap kepuasan kerja dan *turnover intention* perawat (studi pada Rumah Sakit Wawa Husada Kepanjen Malang). *Jurnal Aplikasi Manajemen*, 14(2), 322-333.
- Rahayu, Suci. (2013). Aplikasi Metode Trimming Pada Analisis Jalur Dalam Penentuan Model Kausal Loyalitas Pelanggan Toserba X. Skripsi UPI: tidak diterbitkan. www.repository.upi.edu.
- Robbins, S.P. dan Timothy A. Judge, (2015). *Perilaku Organisasi: Konsep, Kontro-versi, Aplikasi*. Jakarta: Prenhallindo.
- Robbins, S. (2002). *Perilaku Organisasi*. Jakarta: Salemba Empat.
- Robbins, Stephen P., & Timothy A. judge. (2013). *Perilaku Organisasi*. Jakarta: Salemba Empat.
- Robbins, Stephen P., & Timothy A. judge, (2016). *Perilaku Organisasi Edisi 16*. Jakarta: Salemba Empat.
- Sakti, K. K. (2019). Pengaruh *Employee Engagement* dan Komitmen Afektif terhadap Kinerja Karyawan Melalui Kepuasan Kerja Sebagai Variabel Intervening di PT Eddy Transport Raya Yogyakarta.
- Sanusi, A. (2011). *Metode Penelitian Bisnis*. Jakarta: Salemba Empat.
- Schaufeli, Salanova, Gonzalez-Roma, V., & Bakker, A., B (2002). The Measurement of Engagement and Burnout: A Two Sample Confirmatory Factor Analytic Approach.. *Journal of Happiness Studies*, 3(3).
- Siagian, Sondang P. (2007). *Manajemen Sumber Daya Manusia*. Jakarta: PT Bumi Aksara.
- Simanjuntak, T., & Sitio, V. S. S. (2021). Pengaruh *Knowledge Sharing* dan *Employee Engagement* Terhadap Kepuasan Kerja Karyawan Narma Toserba, Narogong Bogor. *Jurnal Inovatif Mahasiswa Manajemen*, 2(1), 42-54.
- Sugiyono. (2018). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: CV Alfabeta.
- Sumarsono, Sonny. (2004). *Metode Riset Sumber Daya Manusia*. Yogyakarta: Graha Ilmu.
- Sutrisno, Edy, (2019). *Manajemen Sumber Daya Manusia*. Jakarta: Prenadamedia.
- Torang, Dr.Syamsir. (2014). *Organisasi dan Manajemen*. Bandung: Alfabeta.
- Wau, I. P. (2022). Pengaruh *Quality Of Work Life*, Motivasi Kerja Dan Komitmen Organisasi Terhadap Kepuasan Kerja Perawat Rumah Sakit Umum Daerah Tebet Soepomo Jakarta Selatan (*Doctoral Dissertation*, Sekolah Tinggi Ilmu Ekonomi Indonesia).
- Wijaya, W. P. (2022). Pengaruh *Quality Of Worklife*, Dan Motivasi Terhadap Kinerja Karyawan Pt. Dimensi Citra Semesta (*Doctoral dissertation*, Universitas Muhammadiyah Surabaya).
- Heri Azlan^a, :heriazlan@gmail.com
Salman Faris^a, : salmanfaris@unprimdn.ac.id
Fajar Rezeki Ananda Lubis^a, : fajarrezekiananda@gmail.com
Yeni Rafita Sihombing^a : yeni.rafita@gmail.com



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE INFLUENCE OF ETHNOCENTRISM, BRAND IMAGE, AND LIFESTYLE ON ONLINE BATIK PURCHASE DECISIONS IN MEDAN CITY

**Astria S. Ginting¹, Demak Claudia Yosephine^{2*}, Hanan H³,
Esben J. Hutagalung⁴**

Email: astriabella08gmail.com, claudiayoseph8@gmail.com

hanan.hudaya97@gmail.com, Benjoshua759@gmail.com

Fakultas Ekonomi, Universitas Prima Indonesia^{1,2,3,4}

Abstrak

This research discusses the influence of ethnocentrism, brand image, and lifestyle on purchasing decisions. The method used in this research is descriptive with a quantitative approach. The population in this study consists of all batik consumers on Shopee Medan, while the sampling method uses the Cochran formula, resulting in a sample of 96 people. The data collection method used was a questionnaire. The data analysis technique used the Path Analysis Statistical Model, namely Partial Least Square-Structural Equation Model (PLS-SEM), with the SmarPLS4 application. The research findings indicate that the ethnocentrism variable has a positive and significant effect on purchasing decisions, the brand image variable partially does not have a positive and significant effect on purchasing decisions, the brand image variable partially does not have a positive and significant effect on purchasing decisions, and the lifestyle variable partially has a positive and significant effect on online batik purchasing decisions in Medan City. The magnitude of the influence of the ethnocentrism, brand image, and lifestyle variables on online purchasing decisions is 20.9%, categorized as weak, which can be interpreted as a low influence of the independent variables on the dependent variable.

Keywords: Ethnocentrism, brand image, lifestyle, online purchase decisions, batik

A. INTRODUCTION

The development of globalization has now entered the era of the creative economy industry. In the future, the industry will emphasize creative ideas and concepts in economic activities. The movement of the creative cultural sector in Indonesia is not a new phenomenon, as seen in the development of batik as one of the continuously growing creative components. (Supriono, 2016). Indonesian culture, which emphasizes creative arts, includes batik as one of its key components. This batik culture has been passed down by ancestors through



generations and holds very high artistic value. (Trixie, 2020). Globalization and the era of free trade are currently marked by the increasing proliferation of various products and services, leading to increasingly intense business competition. This is evidenced by the entry of imported products into the Indonesian market as a result of Indonesia's approval and signing of the ASEAN-China Free Trade Area. (Nulufi & Murwatiningsih, 2015). One of the ways foreign products enter is through marketplaces. Due to the tendency of people to shop online, it has become easier to shop from home. (Yoni, dkk., 2023). One of the most popular marketplaces used by people in Indonesia is Shopee.

It is hoped that Indonesia can preserve and enhance the use of batik both domestically and internationally. (Fauzi & Asri, 2020). One way to promote Indonesian batik is to market it through the Shopee marketplace in addition to exporting it. Although Shopee was established in 2015, it has not been able to rank first in the App Store and Play Store with a total of nearly 31 million Indonesian users visiting each month. Therefore, Shopee is the largest online store in Indonesia with excellent e-commerce services. (Saragih, 2019). Selling batik through the marketplace is a marketing strategy for increasing revenue. This is due to the fact that customers can more easily see the latest batik products being sold using Shopee's marketing strategy. This digital marketing strategy can attract resellers and dropshippers to market batik. (Adinugraha, 2021).

The buyer's decision to purchase goods or services begins with the community's desire to buy, which is influenced by various factors, one of which is ethnocentrism. (Kurnia, Nugroho, & Tanjung, 2024). The habit of each group to consider its own culture superior to others is called ethnocentrism, although in reality not all members of the group behave ethnocentrically. (Sihabuddin & Lilik, 2022).

Besides ethnocentrism, brand image is one of the determining factors in consumer purchasing decisions. Brand image has a significant impact on influencing consumers in making purchasing decisions. (Sundana, Pranata, & Lukita, 2023). The Batik Semar brand has long been recognized in the city of Medan for its high-quality batik products, which also have their own unique philosophy. However, the high price of its products makes them unaffordable for many people, especially for those in the middle class.

Lifestyle is also one of the factors that determine consumers in making purchasing decisions. Everyone has the need to present themselves in attractive clothing that aligns with current trends in order to be accepted in their social environment, so their lifestyle can influence purchasing decisions and have a positive impact. (Angkola, Utami, & Gosal, 2023). Lifestyle serves to motivate consumers and provide prior learning, social status, and demographics. To explain lifestyle, one can observe how an individual lives and expresses their life values as a means of fulfilling their needs. (Fitriani, Sulistiyowati, & Fauzi, 2022).

Based on several points mentioned above, the researcher is interested in conducting a study titled "*The Influence of Ethnocentrism, Brand Image, and Lifestyle on Online Batik Purchase Decisions in Medan City.*"

B. LITERATURE

Definition of Ethnocentrism



Ethnocentrism is the habit of every group to consider its own culture superior to other cultures (Sihabuddin & Lilik, 2022). Consumer ethnocentrism is an individual's belief that domestic products are superior to non-local products and tends to favor domestic products. (Jannah, Kaukab & Trihudyatmanto, 2024). The indicators of consumer ethnocentrism according to (Angkola, Utami, & Gosal, 2023) are (1) preference, (2) prioritizing local products, (3) imported products having a negative impact.

Definition of Brand Image

Brand image is the perception and impression that someone has of a brand as a whole, even if they are not directly confronted with the brand. Brand image is one of the factors for consumers in making decisions to consume a product and even increasing loyalty towards that product. (Bancin, 2021). Brand image has the following indicators: (1) recognition, (2) reputation, (3) appeal, and (4) loyalty. (Tasari, dkk., 2024).

Definition of Lifestyle

Lifestyle as a whole is integrated with its environment. Lifestyle is formed at the age of 3-5 years. Lifestyle is the principle used to fulfill individual behavior. So, each individual's behavior carries its own lifestyle. (Setijani, Sugito, & Sumartono, 2019). Lifestyle has the following indicators: (1) Activities, (2) interests, and (3) opinions. (Puranda & Madiawati, 2017).

Definition of Purchase Decision

Purchase decision is part of the consumer behavior component in the attitude towards consumption. (Setijani, Sugito, & Sumartono, 2019). Purchase decisions are consumer behaviors that indicate their desire to buy, use, evaluate, and enhance certain goods and services. (Fauzi & Asri, 2020). Purchase decisions have the following indicators: (1) loyalty to a product, (2) habits in buying products, and (3) recommending to others. (Kotler & Armstrong, Principles of Marketing, 2016).

C. METODE

This research uses the survey method, where this method employs a questionnaire as the data collection tool. The questionnaire in this method is broadly defined as a questionnaire in the form of questions, tests, attitude scales, rating scales, interview guidelines, observation formats, and so on. (Djali, 2021). The approach used is a quantitative approach because this research is inferential in drawing conclusions based on the results of hypothesis testing conducted statistically using empirical data collected through measurement. (Djali, 2021). The type of survey research used is a survey using a questionnaire, where the questionnaire is distributed directly by the researcher to the predetermined targets or respondents. (Gainau, 2021). The nature of the research used is descriptive, meaning this research presents, describes, elaborates, or explains the data. This nature refers to the way of organizing, presenting, and analyzing the data. (Rahardja, Sudaryono, & Chakim, 2023).

Population is a generalization area consisting of objects that have certain



characteristics determined by the researcher, while the sample is a part of the population. (Gainau, 2021). The population in this study consists of all Batik consumers on Shopee in Medan City. The sample in this study was determined using purposive sampling techniques, considering the research area for selection. The sampling with an unknown population can use the Cochran formula, (Sugiyono, 2017). Based on the calculations above, it can be determined that the sample size is 96.04. To simplify the calculations, the decimal is rounded, so it can be concluded that the sample size is 96.

Data collection was conducted using a questionnaire with items containing research variable indicators, which were then distributed to the predetermined sample. The Likert scale is used to measure all indicators for each variable. This research uses a quantitative analysis approach processed using Partial Least Square (PLS). PLS is an effective analysis method because it is not based on many assumptions. The advantages of PLS are that it can be used to explain theory but also to determine whether there is a relationship between latent variables; data do not need to be normally distributed multivariately; and the sample size does not need to be large.

This research uses a quantitative analysis approach processed using Partial Least Square (PLS). PLS is an effective analysis method because it is not based on many assumptions. The advantage of PLS is that it can be used to explain theories but also to determine whether or not there is a relationship between latent variables; the data do not need to be normally distributed multivariately; and the sample size does not need to be large.

Measurement Model Testing (Outer Model)

Evaluation of the Measurement Model (Outer Model), also known as the outer relationship or measurement model, determines how each indicator relates to the latent variable. Validity testing using PLS can be done in two ways, namely convergent and discriminant. The comparison between the values of variables and indicators shows the convergent validity of the model's measurement. Discriminant validity is tested by examining the cross-loading for each variable, which must be more than 0.7. An indicator is considered valid if its AVE is above 0.5 or the loading value of all outer dimensions of the variable is more than 0.5. (Narimawati, 2020).

One of the two methods available to assess the reliability of a construct with reflective indicators is Composite Reliability and Cronbach's Alpha. Composite Reliability is the accepted threshold value for a composite reliability level (PC) greater than 0.7. (Narimawati, 2020).

The R-Square value is considered strong if it is more than 0.67, moderate if it is more than 0.33 but less than 0.67, and weak if it is more than 0.19 but less than 0.33. Variance analysis is a type of examination used to determine the extent of the influence exerted by several variables, in this case, independent variables on the dependent variable.

The test results in the model, which include the rectangular coefficient of the parameter and the t-statistic, are used to test the hypothesis. To determine whether the hypothesis is accepted or rejected, observe the measurement of the path coefficient between constructs to ascertain significance and the t-statistic



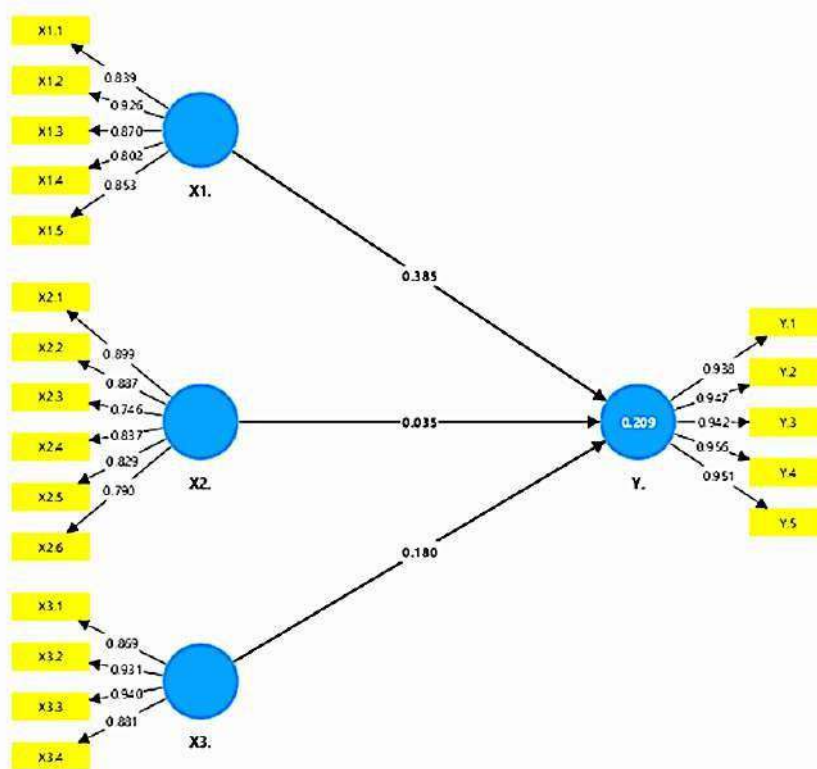
value. The strength of the relationship factor ranges between -1 and +1. This is because the strength of the relationship between the two constructs increases as the value approaches +1, and when the value approaches -1, the relationship becomes negative. (Sarstedt dkk, 2017). The bootstrapping results used in this study are $t\text{-statistic} > t\text{-table}$ with a positive beta coefficient and a significance level of 0.05 or (5%).

D. RESULT

Measurement Model Testing (*Outer Model*)

1. *Validity Test*

In this validity testing stage, cross-loading for each variable must be more than 0.7 and the AVE value must be above 0.5. The testing model will be presented below.



Sumber: Olah Data SmartPLS4 2024

Figure 1. Model and Outer Loading Values

Based on the image above, the relationship between variables is visible, and it also shows the relationship of items within each variable. Below, the values will be detailed.



Tabel 1. Uji Validitas

| | X1. | X2. | X3. | Y. |
|------|-------|-------|-------|-------|
| X1.1 | 0.839 | | | |
| X1.2 | 0.926 | | | |
| X1.3 | 0.870 | | | |
| X1.4 | 0.802 | | | |
| X1.5 | 0.853 | | | |
| X2.1 | | 0.899 | | |
| X2.2 | | 0.887 | | |
| X2.3 | | 0.746 | | |
| X2.4 | | 0.837 | | |
| X2.5 | | 0.829 | | |
| X2.6 | | 0.790 | | |
| X3.1 | | | 0.869 | |
| X3.2 | | | 0.931 | |
| X3.3 | | | 0.940 | |
| X3.4 | | | 0.881 | |
| Y.1 | | | | 0.938 |
| Y.2 | | | | 0.947 |
| Y.3 | | | | 0.942 |
| Y.4 | | | | 0.956 |
| Y.5 | | | | 0.951 |

Data source: SmartPLS4 2024 data processing

Based on table 1, it can be seen that all outer loading factor values > 0.7 are also marked in green in the test results. This means that all items meet the testing criteria and can be used as data collection tools.

2. Reliability Test

At this stage, testing is conducted using Composite Reliability and Cronbach's Alpha. Composite Reliability is the accepted threshold value for composite reliability (PC) greater than 0.7. The analysis results will be presented in the table below:

Table 2. Reliability Test Result

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|-----|------------------|-------------------------------|-------------------------------|----------------------------------|
| X1. | 0.913 | 0.969 | 0.934 | 0.738 |
| X2. | 0.941 | 0.823 | 0.931 | 0.694 |
| X3. | 0.927 | 0.933 | 0.948 | 0.820 |
| Y. | 0.971 | 0.971 | 0.977 | 0.896 |

Source of data: Data processing SmartPLS4 2024

Table 2 above shows the reliability values of each variable with a Cronbach's alpha value > 0.7 , and then an AVE value > 0.5 . This indicates that all



items in each variable are declared reliable or consistent.

Variant Analysis (R2)

At this stage, the R-squared test is conducted to determine the extent of the influence of the independent variable on the dependent variable. The criteria for R2 are as follows:

- 0,67 strong
- 0,50 moderate
- 0,25 weak

As for the test results, they will be presented in the table below:

Table 3. R-Squer

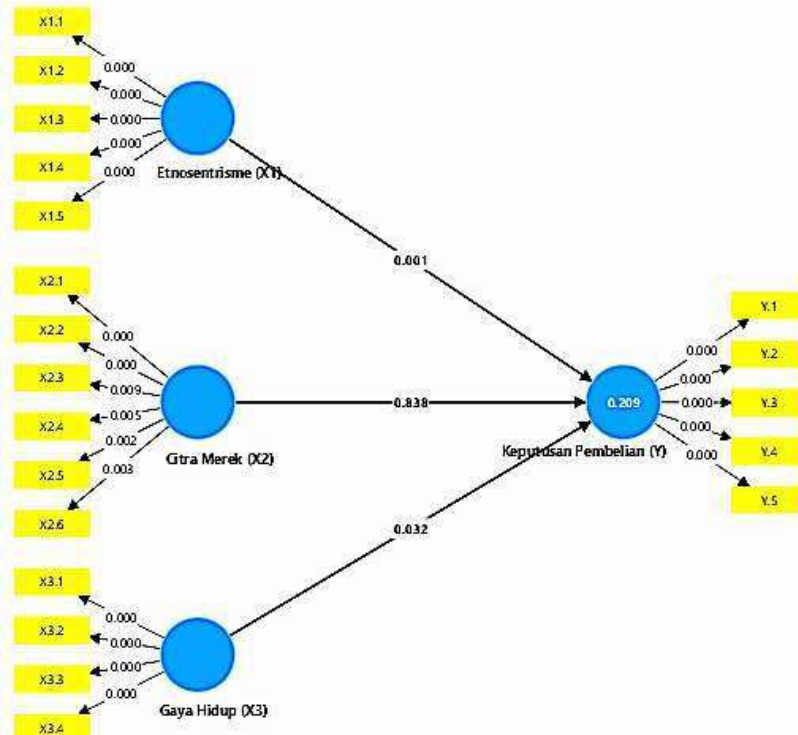
| | R-square | R-square adjusted |
|-----------------------|----------|-------------------|
| Keputusan Pembelian Y | 0,209 | 0,183 |

Source of data: Data processing SmartPLS4 2024

In Table 3, it can be seen that the R-Square Y value (purchase decision) is 0.209, meaning the influence of ethnocentrism, brand image, and lifestyle on online purchase decisions is 20.9% with a weak category, which can be interpreted as a low influence of the independent variables on the dependent variable.

Hypothesis Test

Hypothesis testing is conducted based on the structural model and will be presented in the figure below.



Source of Data: Data resourcing SmartPLS4 2024

Gambar 2. Jalur Model Struktural (Inner Model)



Adapun ketentuan pada uji ini yaitu hasil *bootstrapping* yang digunakan adalah t-statistik > t-tabel dengan koefisien beta bernilai positif dan taraf signifikan 0,05 atau (5%). Hasil pengujian akan dipaparkan pada tabel berikut.

Table 4. Result *Bootstrapping* PLS-SEM

| | Original sample | Sample mean | Standard deviation | T statistics | P values |
|---------|-----------------|-------------|--------------------|--------------|----------|
| X1 -> Y | 0,385 | 0,370 | 0,111 | 3,463 | 0,001 |
| X2 -> Y | 0,035 | 0,038 | 0,169 | 0,205 | 0,838 |
| X3 -> Y | 0,180 | 0,186 | 0,084 | 2,141 | 0,032 |

Source of data: Data processing SmartPLS4 2024

Based on the data processing in table 3.4 above, it can be interpreted according to the t-statistic provisions as follows:

1. The t-statistic value of X1 (Ethnocentrism) against Y (online purchase decision) is $3.463 > 1.660$ and the p-value is $0.001 < 0.05$. This means the hypothesis is accepted and it can be stated that ethnocentrism has a positive and significant effect on online purchase decisions.
2. The t-statistic value of X2 (Brand Image) against Y (online purchase decision) is $0.205 < 1.660$ and the p-value is $0.838 > 0.05$. This means the hypothesis is rejected and it can be stated that Brand Image does not have a positive and significant effect on online purchase decisions.
3. The t-statistic value of X3 (Lifestyle) against Y (purchase decision) is $2.141 > 1.660$ and the p-value is $0.032 < 0.05$. This means the hypothesis is accepted and it can be stated that Lifestyle has a significant effect on online purchase decisions.
4. The t-statistic value of X2 (Brand Image) against Y (Online Purchase Decision) is $0.205 < 1.660$ and the p-value is $0.838 > 0.05$. This means the hypothesis is rejected and it can be stated that Brand Image does not have a positive and significant effect on online purchase decisions.
5. The t-statistic value of X3 (Lifestyle) against Y (Purchase Decision) is $2.141 > 1.660$ and the p-value is $0.032 < 0.05$. This means the hypothesis is accepted and it can be stated that Lifestyle has a significant effect on online purchase decisions.

Discussion

The Influence of Ethnocentrism on Purchase Decisions

Discussion The Influence of Ethnocentrism on Purchase Decisions Based on the research findings, it was found that ethnocentrism has a positive and significant effect on online batik purchase decisions. This is consistent with the opinion of (Jannah, Kaukab & Trihudiyatmanto, 2024) that a strong ethnocentric attitude tends to positively favor the use of locally made products, thereby increasing the purchase decision of a product. Consumers who decide to purchase batik on Shopee seek information before buying local products rather than imported ones due to better quality and lower prices. Consumers also prioritize local products by buying and using local products over imported ones.

The results of this study are relevant to previous research conducted by



(Sandy, Nugroho & Tanjung, 2024), which stated that ethnocentrism has a positive and significant impact on purchasing decisions.

Another study was also conducted by (Fauzi & Asri, 2020), which stated that ethnocentrism has a significant positive impact on purchasing decisions.

The Influence of Brand Image on Purchase Decisions

The research results show that brand image does not have a positive and significant effect on online batik purchase decisions in Medan. The brand image itself is the perception and impression that consumers have of a brand as a whole, even if they are not directly confronted with the brand. According to (Bancin, 2021), brand image is one of the factors for consumers in making decisions to consume a product and even increases loyalty towards that product. Consumers who pay attention to brand image when purchasing a product will consider recognition, reputation, attractiveness, and loyalty (Tasari et al., 2024). However, based on the data collection results, consumers buying batik online on Shopee do not pay attention to these factors.

Research relevant to this study is (Sinaga, Gultom & Suhpina, 2024), which states the same result that brand image does not have a positive and significant effect on the decision to purchase batik online. The same research was also conducted by (Erpurini, Alamsyah & Sari, 2024), but the results indicate that brand image has a positive and significant effect on the purchase decision. The difference in this research may be caused by the different research populations.

The Influence of Lifestyle on Purchase Decisions

The research results show that lifestyle has a positive and significant impact on the decision to purchase batik online in Medan. Lifestyle is the principle used to fulfill individual behavior. So, each individual's behavior carries their own lifestyle. (Setijani, Sugito, & Sumartono, 2019). Batik consumers who decide to make purchases through Shopee online state that they pay attention to factors of activity, interest, and opinion.

Previous research relevant to this study includes (Angkola, Gosal & Utami, 2022), (Ahnaf & Lestari, 2024), and (Purnomo, Siregar & Rafika, 2024), with analysis results showing that lifestyle significantly influences online purchase decisions. *The results are consistent with the findings of this study.*

D. CONCLUSION

Based on the results and discussion, the following conclusions can be drawn from each variable. The ethnocentrism variable partially has a positive and significant effect on the decision to purchase batik online in Medan City. The brand image variable partially does not have a positive and significant effect on the decision to purchase batik online in Medan City. The lifestyle variable partially has a positive and significant effect on the decision to purchase batik online in Medan City. The ethnocentrism, brand image, and lifestyle variables simultaneously affect the decision to purchase batik online in Medan City.



BIBLIOGRAPHY

- Adinugraha, H. H., Maisaroh, A., & Hidayatullah, R. (2021). Analisis Steategi Pemasaran Melalui Digital Marketing Dalam Meningkatkan Omzet Penjualan Batik (Studi Kasus Buaran Batik Center Pekalongan). *Teknik: Jurnal Ilmu Teknik Dan Informatika*, 1(2), 74-82.
- Ahnaf, M. F., & Lestari, W. D. (2024). Analisis Pengaruh Harga, Kualitas, Dan Gaya Hidup Terhadap Keputusan Pembelian Konsumen Pada Produk Online Di Aplikasi Shopee. *Jurnal Lentera Bisnis*, 13(1), 80-95.
- Angkola, M., Gosal, G. G., & Utami, C. W. (2022). PENGARUH GAYA HIDUP DAN ETNOSENTRISME KONSUMEN TERHADAP KEPUTUSAN PEMBELIAN BATICUE.
- Djali. (2021). *Metodologi Penelitian Kuantitatif*. Jakarta: PT. Bumi Aksara.
- Erpurini, W., Alamsyah, N., & Sari, E. N. (2024). Pengaruh Electronic Word Of Mouth Dan Citra Merek Terhadap Keputusan Pembelian Aplikasi Tokopedia. *TEMATIK*, 11(1), 16-24.
- Fauzi, F., & Asri, R. (2020). Pengaruh etnosentrisme, citra merek dan gaya hidup terhadap keputusan pembelian batik (Studi pada konsumen di wilayah Jakarta Barat). *Jurnal Manajemen Pemasaran*, 14(2), 86-95.
- Gainau, M. B. (2021). *Pengantar Metode Penelitian*. Yogyakarta: PT. KANISIUS.
- Jannah, N. S., Kaukab, M. E., & Trihudiyatmanto, M. (2024). Pengaruh Etnosentrisme, Persepsi Kualitas, Dan Brand Image Terhadap Keputusan Pembelian Produk Skincare Emina. *Jamasy: Jurnal Akuntansi, Manajemen dan Perbankan Syariah*, 4(3), 88-98.
- Narimawati, U. d. (2020). *Ragam Analisis dalam Metode Penelitian*. Yogyakarta: ANDI.
- Nulufi dan Murwatiningsih. 2015. Minat Beli Sebagai Mediasi Pengaruh Brand Image dan Sikap Konsumen terhadap Keputusan Pembelian Batik di Pekalongan. *Management Analysis Journal* 4 (2) (2015).
- Purnomo, W. A., Siregar, Z. M. E., & Rafika, M. (2024). Pengaruh Gaya Hidup, Diskon, Ulasan Produk Dan Gratis Ongkir Terhadap Keputusan Pembelian Di Shopee. *YUME: Journal of Management*, 7(3), 673-681.
- Rahardja, U., Sudaryono, & Chakim, M. H. (2023). *Statistik Deskriptif: Teori. Rumus. Kasus Penelitian*. Tangerang: APTIKOM.
- Sandy, K., Nugroho, I., & Tanjung, A. (2024, February). Pengaruh Etnosentrisme Konsumen, Limited Edition Product dan Co-Branding Terhadap Keputusan Pembelian Sepatu Compass Di Cikarang. In *Prosiding SEMANIS: Seminar Manajemen Bisnis* (Vol. 2, No. 1, pp. 469-478).
- Saragih, M. G. (2019). Pengaruh E-Service Quality Terhadap E-Loyalty Melalui E-Satisfaction (Studi Pada Pelanggan Toko Online Shopee Di Kota Medan): Pengaruh E-Service Quality Terhadap E-Loyalty Melalui E-Satisfaction (Studi Pada Pelanggan Toko Online Shopee Di Kota Medan). *Jurnal Mantik*, 3(1), 190-195.
- Sinaga, H. D. E., Gultom, P., & Suhpina, S. (2024). PENGARUH PROMOSI DAN CITRA MEREK TERHADAP KEPUTUSAN PEMBELIAN SEPEDA MOTOR HONDA DI PT. INDAH SAKTI



- MOTORINDO. *Journal of Science and Social Research*, 7(1), 38-43.
- Supriyono, R.A. **2016**. Akuntansi Keperilakuan. Cetakan Pertama. Yogyakarta: Gadjah Mada University Press.
- Sundana, S., Pranata, S., & Lukita, C. (2023). Pengaruh Kualitas Produk Dan Citra Merek Terhadap Keputusan Pembelian (Batik Trusmi). *Jurnal Witana*, 1(1).
- Tasari, E., Suzana, A. J., & Wijayanto, W. (2024). Pengaruh Citra Merek, Fitur Produk, Kualitas Produk, Dan Kelompok Referensi Terhadap Keputusan Pembelian Mesin Cuci Di Purbalingga. *Majalah Imiah Manajemen dan Bisnis*, 21(1), 270-278.
- Trixie, A. A. (2020). Filosofi Motif Batik Sebagai Identitas Bangsa Indonesia. *Folio*, 1(1), 1-9.
- Yoni, S., Sari, A. M., Simanjuntak, D. C. Y., & Novirsari, E. (2023). The Effect of Perceived Security, Information Quality and Trust on Online Buyer Decisions (Case Study of Tokopedia Consumers in Medan): Pengaruh Persepsi Keamanan, Kualitas Informasi dan Kepercayaan Terhadap Keputusan Pembeli Online (Studi Kasus Pada Konsumen Tokopedia di Medan. *Management Studies and Entrepreneurship Journal (MSEJ)*, 4(4), 3914-3922.



THE INFLUENCE OF E-WOM (ELECTRONIC WORD OF MOUTH) ON CONSUMER PURCHASE DECISIONS ON SKINTIFIC PRODUCTS

Denise Arfan¹ Mas Intan Purba^{2*} Angelin³

¹Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

²Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

³Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

Email: masintanpurba84@gmail.com

ABSTRACT

The cosmetic industry has become an important part of everyday life, especially for teenagers who are going through the transition to adulthood. In addition to functioning to improve appearance, cosmetic brands such as Emina, Eska, and Skintific also act as symbols of lifestyle, identity, and a means of self-expression. This study aims to examine the effect of social media access, user reviews, and content quality on purchasing decisions for Skintific products. The population of this study was all students of the Faculty of Psychology, Universitas Prima Indonesia, class of 2021-2023 who use Skintific products and actively use social media for online shopping, although the exact number is unknown. Therefore, the sampling technique used the Lemeshow formula with a sample size of 96 respondents. The results of the study showed that there was a positive and significant partial effect between social media access on purchasing decisions, as well as a positive and significant effect of user reviews on purchasing decisions. Content quality also had a positive and significant partial effect on purchasing decisions. Overall, social media access, user reviews, and content quality had a positive and significant effect on purchasing decisions.

Keywords: Social Network Access, User Reviews, Content Quality, Purchase Decisions

INTRODUCTION

The cosmetic industry has become an inseparable part of everyday life, especially among teenagers who are transitioning into adulthood. Cosmetics are not only used to improve appearance, but also become a symbol of lifestyle, identity, and self-expression. In 2017, the growth of the domestic cosmetic industry increased by 20%, four times higher than the national economic growth, which places Indonesia as one of the largest cosmetic markets.

In August 2021, Skintific first entered the Indonesian market. Along with the development of technology and easy access to social media, Skintific's popularity has increased rapidly, especially among teenagers, through content and reviews spread by a number of beauty influencers



on social media. This phenomenon is the focus of research because Skintific has brought significant changes in consumer perceptions and preferences for beauty products. Within two years, Skintific has succeeded in becoming a brand that is in demand by skincare lovers in Indonesia and surpassing many local brands.

In the ever-growing digital era, the role of Electronic Word of Mouth (E-WOM) has become one of the main factors influencing consumer purchasing decisions, especially in the cosmetic industry. This allows Skintific to reach and influence a wider audience. Skintific's sales popularity has increased rapidly in a short time, thanks to its consistent presence in flash sales on TikTok, frequent appearances on the For You Page (FYP), and numerous reviews from influencers. Skintific has also received various prestigious awards, including the Best Moisturizer award from Female Daily, Sociolla, Beautyhaul, and the 2022 TikTok Live Awards. In addition, in the same year, Sociolla and the TikTok Live Awards named Skintific the Best Newcomer Brand 2022. Several Skintific products have even managed to achieve top positions in the beauty category on various e-commerce platforms in Indonesia, such as Shopee and Tokopedia in 2022.

With this achievement, Skintific is not only a cosmetic brand, but also reflects a phenomenon that shows dynamic changes in the beauty industry and the consumption patterns of today's teenagers. Therefore, research into this phenomenon is important.

Based on research by Riska Wahyuningtyas (2020) entitled *The Influence of E-WOM on Bujang Flowershop's Instagram Social Media on Consumer Purchase Interest*, with exogenous variables of concern for others (X1), helping the company (X2), and expressing positive feelings (X3), it was found that these three variables influence consumer purchase interest (Y). In addition, the variables helping the company (X2) and expressing positive feelings (X3) have a positive and significant influence on purchase interest. Thus, researchers are interested in conducting similar research entitled *The Influence of E-WOM on Consumer Purchase Decisions on Skintific Products*.

LITERATURE REVIEW

Social Network Access

According to Leanika Tanjung (2020), social network access is defined as the amount of



time an individual spends using social networks during a certain period. Liliانا et al. (2016) stated that social network access provides an opportunity for anyone interested to participate by providing contributions and feedback openly. Research conducted by Gul et al. (2014) shows that social networks have an impact on consumer purchasing behavior. Meanwhile, Madni (2014) revealed that 53% of consumers will first look for information and reviews through social media before making a purchase. Reviews and information obtained from social network access, such as forums, social media accounts, and websites, can influence consumer purchasing decisions.

User Reviews

According to Sutanto and Aprianingsih (2016), customer reviews are a form of electronic word of mouth that can be considered a new form of marketing communication, which plays an important role in influencing the purchasing decision process. Sugiarti (2021) states that customer reviews are information provided by consumers to companies, in the form of product evaluations after making a purchase. This review also serves as a reference for potential consumers in considering purchasing decisions for certain products. Research conducted by Nuraini Daulay (2020) shows that online customer reviews have a positive and significant influence on purchasing decisions. Similar results were found in the research of Nur Laili Hidayati (2020), which proved that online customer reviews significantly influence consumer purchasing decisions. This is in line with the research of Asri Nugrahani Ardianti and Widiartanto (2020), which found that the online customer review variable has a positive and significant influence on purchasing decisions. Therefore, online customer reviews are an important factor in determining purchasing decisions.

Content Quality

Carlson (2020) defines content quality as consumer perceptions of the relevance, creativity, and uniqueness of content. This quality is the result of the content provider's efforts to meet consumer expectations based on their interests or interests. Li et al. (2023) explain that content quality is related to consumer perceptions of the accuracy, completeness, relevance, and accuracy of information conveyed by an influencer. Research conducted by Yohana Reni (2023) proves that the quality of content on social media is an important element that needs to be considered, because



this quality can influence purchasing decisions. The more interesting the content, the greater the public's interest in the company and its products, which can ultimately drive purchasing decisions.

Purchasing Decisions

Setiadi (2003) explains that purchasing decisions are an integration process that combines knowledge and attitudes to evaluate two or more alternative actions, then chooses one of them.

According to Kotler and Armstrong (2016), purchasing decisions are part of consumer behavior, which includes how individuals, groups, or organizations choose, buy, use, and utilize goods, services, ideas, or experiences to meet their needs and desires. Pakpahan M (2016) states that purchasing decisions are also influenced by the personal characteristics of consumers, including age, occupation, and economic conditions. This consumer behavior influences the decision-making process in making purchases.

METHODS

This study uses a quantitative approach. Quantitative research is based on data that can be measured numerically to produce objective conclusions (Pratama, 2019). This study uses a quantitative descriptive research method. Descriptive research aims to describe the influence of E-WOM variables in the form of Social Network Access (X1), User Reviews (X2), and Content Quality (X3) on consumer Purchasing Decisions (Pratama, 2019). The population in this study consisted of all students of the Faculty of Psychology, Prima Indonesia University, class of 2021-2023 who use Skintific products and actively use social media to make online purchases, although the exact number is unknown or tends to be biased. Because the population is unknown, the sampling technique used is the Lemeshow formula. It can be explained that the calculation of samples using the Lemeshow formula approach can be used to calculate the number of samples with a population that is not known with certainty so that 96 research samples are obtained with a standard error of 10%. The sampling technique used is accidental sampling where respondents will be selected randomly as research samples. The data collection technique used is a questionnaire.

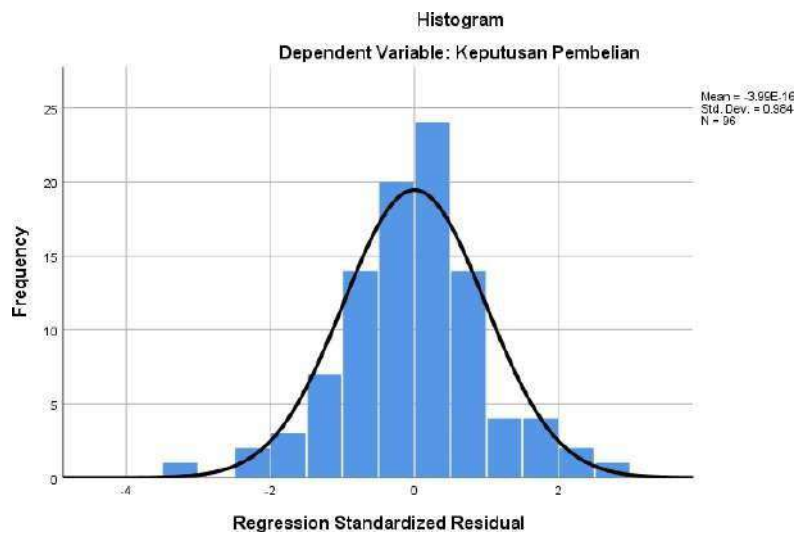
RESULTS



Normality Test

A normality test is a statistical process used to determine whether a data set is well-modeled by a normal distribution (also known as a Gaussian distribution) or whether it significantly deviates from it. The normal distribution is a fundamental concept in statistics, characterized by its bell-shaped curve, symmetric about the mean, and defined by specific parameters: mean and standard deviation.

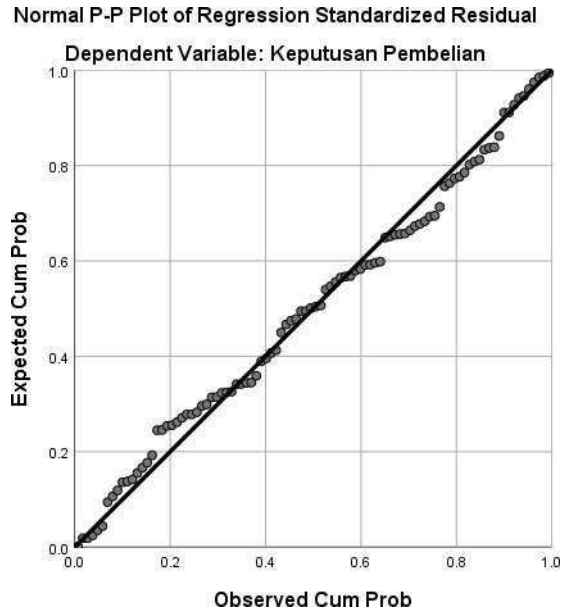
Figure 1. Histogram



Source: Research Data, 2024 (Processed)

The histogram illustrates a bell-shaped, symmetrical curve, indicating that the data is normally distributed and meets the assumption of normality.

Figure 2. Normal Probability Plot of Regression



Source: Research Data, 2024 (Processed)

The plot shows data points scattered around the diagonal line, closely following its pattern. This suggests that the residuals of the regression model are normally distributed.

**Table 1. Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 96 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 1.70984442 |
| Most Extreme Differences | Absolute | .075 |
| | Positive | .063 |
| | Negative | -.075 |
| Test Statistic | | .075 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Research Data, 2024 (Processed)

The table indicates a significance value of 0.200, which is greater than 0.05. Therefore, it



can be concluded that the data are normally distributed.

Multicollinearity Test

The results of the multicollinearity test are shown in table below:

Table 2. Multicollinearity Test (VIF Results)

| Model | Coefficients ^a | | | | | Collinearity Statistics | |
|-----------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | B | Std. Error | Beta | | | | |
| 1 (Constant) | 2.292 | 1.829 | | 1.254 | .213 | | |
| Social Network Access | .269 | .067 | .320 | 3.994 | .000 | .778 | 1.286 |
| User Review | .323 | .073 | .345 | 4.408 | .000 | .816 | 1.225 |
| Content Quality | .272 | .056 | .355 | 4.833 | .000 | .929 | 1.077 |

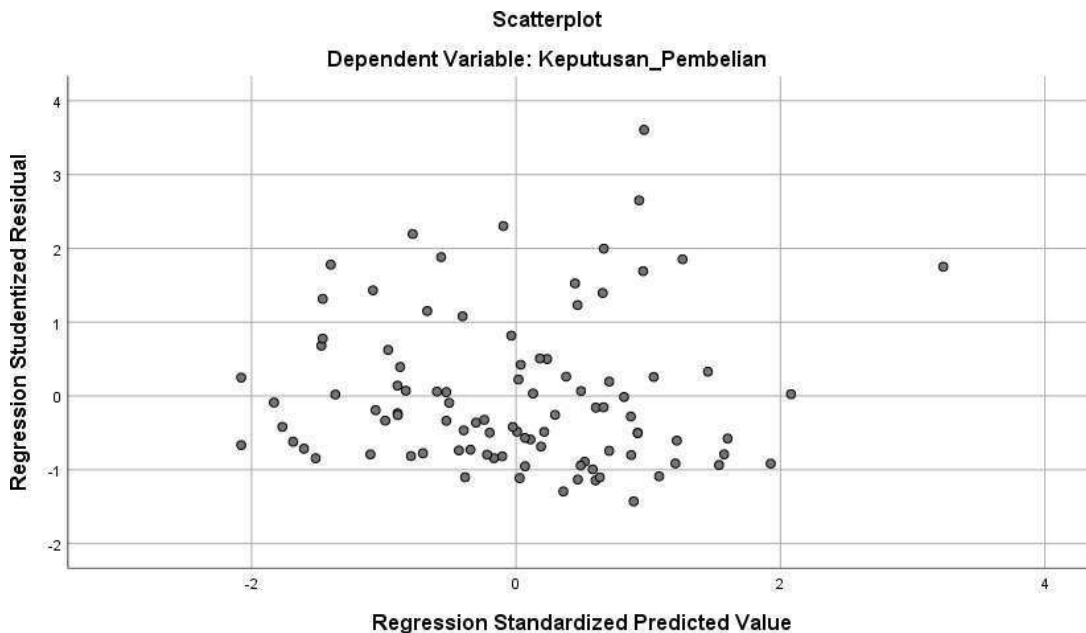
a. Dependent Variable: Purchase Decision
Source: Research Data, 2024 (Processed)

All variables have tolerance values > 0.1 and VIF values < 10 , indicating that there is no multicollinearity problem in this study.

Heteroscedasticity Test

The results of the heteroscedasticity test are shown in table below:

Figure 3. Scatterplot





Source: Research Data, 2024 (Processed)

The scatterplot shows points randomly distributed above and below the Y-axis without forming a specific pattern. This indicates the absence of heteroscedasticity in the regression model, confirming its suitability for predicting Purchase Decisions based on the independent variables.

Table 3. Glejser Test Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. |
|-------|-----------------------|-----------------------------|------------|--------------------------------|--------|------|
| | | Unstandardized Coefficients | | | | |
| | | B | Std. Error | | | |
| 1 | (Constant) | .581 | 1.140 | | .510 | .611 |
| | Social Network Access | .015 | .042 | .040 | .346 | .730 |
| | User Review | .080 | .046 | .197 | 1.762 | .081 |
| | Content Quality | -.060 | .035 | -.180 | -1.724 | .088 |

a. Dependent Variable: Keputusan_Pembelian
Source: Research Data, 2024 (Processed)

The significance level of each variable exceeds 0.05, confirming that heteroscedasticity is not present in the data.

Multiple Linear Regression

The results of multiple linear regression analysis are presented in table below:

Table 4. Multiple Regression Coefficient Results

| Model | | Coefficients ^a | | Standardized Coefficients Beta | t | Sig. | Collinearity Statistics | |
|-------|-----------------------|-----------------------------|------------|--------------------------------|-------|------|-------------------------|-------|
| | | Unstandardized Coefficients | | | | | Tolerance | VIF |
| | | B | Std. Error | | | | | |
| 1 | (Constant) | 2.292 | 1.829 | | 1.254 | .213 | | |
| | Social Network Access | .269 | .067 | .320 | 3.994 | .000 | .778 | 1.286 |
| | User Review | .323 | .073 | .345 | 4.408 | .000 | .816 | 1.225 |
| | Content Quality | .272 | .056 | .355 | 4.833 | .000 | .929 | 1.077 |

a. Dependent Variable: Purchase Decision
Source: Research Data, 2024 (Processed)



The regression equation is:

$$\text{Purchase Decision} = 2.292 + 0.269 (\text{Social Network Access}) + 0.323 (\text{User Reviews}) + 0.272 (\text{Content Quality}) + e$$

1. Constant (a) = 2.292: If Social Network Access (X1), User Reviews (X2), and Content Quality (X3) are 0, Purchase Decisions (Y) will still amount to 2.292.
2. Social Network Access (X1): An increase in this variable results in a 26.9% rise in Purchase Decisions.
3. User Reviews (X2): An increase in this variable leads to a 32.3% rise in Purchase Decisions.
4. Content Quality (X3): An increase in this variable leads to a 27.2% rise in Purchase Decisions.

Coefficient of Determination (R²)

The results of coefficient of determination analysis are presented in table below:

Table 5. Coefficient of Determination Results

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .735 ^a | .540 | .525 | 1.737 |

a. Predictors: (Constant), Content Quality, User Review, Social Network Access

b. Dependent Variable: Purchase Decision

Source: Research Data, 2024 (Processed)

The Adjusted R² value is 0.525, indicating that Social Network Access (X1), User Reviews (X2), and Content Quality (X3) collectively explain 52.5% of the variance in Purchase Decisions (Y). The remaining 47.5% is influenced by other factors not included in this study.

Simultaneous Hypothesis Testing (F-Test)

The results of simultaneous hypothesis testing analysis are presented in table below:

Table 6. F-Test Results

ANOVA^a



| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 325.501 | 3 | 108.500 | 35.940 | .000 ^b |
| | Residual | 277.739 | 92 | 3.019 | | |
| | Total | 603.240 | 95 | | | |

a. Dependent Variable: Purchase Decision

b. Predictors: (Constant), Content Quality, User Review, Social Network Access

Source: Research Data, 2024 (Processed)

The F-statistic value of 35.940 is significantly greater than the F-critical value of 2.70, with a significance level of 0.000 ($p < 0.05$). This indicates that Social Network Access, User Reviews, and Content Quality collectively have a significant effect on Purchase Decisions, supporting the alternative hypothesis (H_a).

Partial Hypothesis Testing (t-Test)

The results of partial hypothesis testing analysis are presented in table below:

Table 7. t-Test Results

| Model | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|-----------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | 2.292 | 1.829 | | 1.254 | .213 | | |
| | Social Network Access | .269 | .067 | .320 | 3.994 | .000 | .778 | 1.286 |
| | User Review | .323 | .073 | .345 | 4.408 | .000 | .816 | 1.225 |
| | Content Quality | .272 | .056 | .355 | 4.833 | .000 | .929 | 1.077 |

a. Dependent Variable: Purchase Decision

Source: Research Data, 2024 (Processed)

1. Social Network Access (X1): The t-value is 3.994, exceeding the critical value of 1.987, with a significance level of 0.000. This confirms a significant partial effect on Purchase Decisions.
2. User Reviews (X2): The t-value is 4.408, exceeding the critical value of 1.987, with a significance level of 0.000. This confirms a significant partial effect on Purchase Decisions.
3. Content Quality (X3): The t-value is 4.833, exceeding the critical value of 1.987, with a significance level of 0.000. This confirms a significant partial effect on Purchase Decisions.



DISCUSSION

The Effect of Social Network Access on Purchase Decisions

The t-value for Social Network Access (X1) is 3.994, higher than the critical value of 1.987, with a significance level of 0.000 ($p < 0.05$). This indicates a significant partial effect of Social Network Access on Purchase Decisions. An increase in Social Network Access is estimated to raise Purchase Decisions by 26.9%. This aligns with Leanika Tanjung (2020), who found that time spent on social networks influences consumer behavior, and Liliana et al. (2016), who highlighted the interactive engagement encouraged by social networks. Gul et al. (2014) and Madni (2014) also noted that social platforms play a crucial role in shaping purchase behavior, with many consumers seeking reviews and product details online before buying. These platforms provide consumers with essential information and foster engagement, leading to higher purchase likelihood.

The Effect of User Reviews on Purchase Decisions

The t-value for User Reviews (X2) is 4.408, exceeding the critical value of 1.987, with a significance level of 0.000 ($p < 0.05$). User Reviews significantly affect Purchase Decisions, contributing to a 32.3% increase. This finding supports Sutanto and Aprianingsih (2016), who identified user reviews as a key form of electronic word-of-mouth, and Nuraini Daulay (2020), who confirmed their positive impact on purchasing behavior. Positive reviews enhance trust, while negative ones deter purchases. Thus, credible and authentic reviews play a pivotal role in influencing consumer decisions.

The Effect of Content Quality on Purchase Decisions

The t-value for Content Quality (X3) is 4.833, above the critical value of 1.987, with a significance level of 0.000 ($p < 0.05$). Content Quality significantly contributes to Purchase Decisions, increasing them by 27.2%. Carlson (2020) emphasized the importance of clear, creative, and relevant content in shaping consumer perceptions. Yohana Reni (2023) further highlighted how engaging content directly influences consumer interest and decision-making. High-quality content ensures that consumers better understand a product's value, prompting faster and more confident purchasing decisions.



The Effect of Social Network Access, User Reviews, and Content Quality on Purchase Decisions

The F-value of 35.940 significantly exceeds the critical value of 2.70 ($p < 0.05$), confirming the collective influence of Social Network Access, User Reviews, and Content Quality on Purchase Decisions. These variables explain 52.5% of the variance in Purchase Decisions (Adjusted $R^2 = 0.525$), with the remaining 47.5% influenced by factors not studied here. This finding is consistent with Setiadi (2003) and Kotler & Armstrong (2016), who noted that purchase decisions integrate consumer knowledge and attitudes. The synergy between these three factors information accessibility, credible reviews, and engaging content creates a comprehensive ecosystem that positively influences consumer behavior, facilitating better purchase decisions.

CONCLUSION

The conclusions that researchers can draw from the results of this study show that there is a positive and significant partial influence between social media access and purchasing decisions. There is a positive and significant partial influence between user reviews and purchasing decisions. There is a positive and significant partial influence between content quality and purchasing decisions. Simultaneously, social media access, user reviews, and content quality show a positive and significant influence on purchasing decisions.

LIMITATION

One of the limitations in this study is the respondents who are less diverse because the distribution of questionnaires was only taken from a few respondents. Furthermore, it is expected that the following research will be able to expand the scope of its area, for example all Skincare products. In addition, due to time, energy and cost limitations, this study only took 96 respondents as samples. Thus, for further research it is expected to increase the number of respondents so that it can better represent the actual situation.

REFERENCES

Alfiyansah, Rudy, Asep Nidzar Fajjurahman, and Hasbi Taobah Ramdani. (2021). *Live Streaming*



- in Nursing Laboratories as an Effort to Improve Students' Skills Understanding: A Case Study on Basic Nursing Courses.* Publisher: NEM.
- Arifin, Johar. (2017). *SPSS 24 for Research and Theses.* Jakarta: Elex Media Komputindo.
- Arifin, Zainal. (2023). *Digital Marketing Today (Mastering Digital Marketing Skills as a Digital Content Specialist in the Era of Society 5.0).* Jambi: Sonpedia Publishing Indonesia.
- Atmoko, Rahmat Andri and Susilowati. (2021). *Entrepreneurship Learning Module: Digital Marketing Optimization.* Vocational Education Entrepreneurship Development Center, Brawijaya University, 2021.
- Bantara, Bagas. (2023). *Digital Strategies for Entrepreneurs: Master the Online Market with Advanced Tools and Success Case Studies.* Publisher: Al Khawarizmi.
- Darhani, Abdi Pratama Putra and Suparna Wijaya. (2023). *Value-Added Tax: Arts and Entertainment Services on Digital Content.* Bogor: Guepedia.
- Dwi Welly Sukma Nirad, Rika Ampuh Hadiguna, Ahmad Syafruddin Indrapriyatna, Wahyudi, Ricky Akbar, Hafizah Hanim, Andrew Kurniawan Vadreas. (2023). *Optimizing SMEs in the Mentawai Islands Through Marketplaces and Logistics Digitization.*
- Enterprise, Jubilee. (2018). *Fluent Use of SPSS for Beginners.* Jakarta: Elex Media Komputindo.
- Fathoroni, Annisa, Nuraini Siti Fatonah, Roni Andarsyah, and Noviana Riza. (2020). *Tutorial Book: Decision Support System for Lecturer Performance Assessment Using the 360 Degree Feedback Method.* Bandung: Kreatif Industri Nusantara.
- Ghodang, Hironymus. (2020). *Quantitative Research Methods: Basic Concepts & Applications of Regression and Path Analysis Using SPSS.* Medan: Mitra Grup Publishers.
- Hanyang Luo, Sijia Cheng, Wanhua Zhou. (2021). *The Factors Influencing Sales in Online Celebrities' Live Streaming.*
- Herlina, Vivi. (2019). *Practical Guide to Processing Questionnaire Data Using SPSS.* Jakarta: PT. Elex Media Komputindo.
- I Gusti Ayu Oka Netrawati, I Wayan Nuada, Baehaki Syakbani. (2022). *The Influence of Live Streaming Videos on Consumer Decisions.*
- Khalik, Idham. (2023). *Determination of Product Attributes and Pricing for Value Creation and Its Impact on Marketing Performance.* Cirebon: Yayasan Insan Shodiqin Gunung Jati.
- Kristiyono, Jokhanan. (2022). *Media Convergence: Transforming Communication Media in the Digital Era in Networked Society.* Jakarta: Kencana.
- Kurniawan, A. R. (2018). *Basics of Marketing: All About Marketing & Sales.* Publisher: Quadrant, Yogyakarta.
- Marsam. (2020). *The Influence of Leadership Style, Competence, and Commitment on Employee Performance at Technical Implementation Units in Yapis Branch Biak Numfor Regency.* Pasuruan: Qiara Media.
- Marwanto, Aris. (2019). *The Guidebook of Sales.* Yogyakarta: Quadrant.
- Mukhtazar. (2020). *Educational Research Procedures.* Yogyakarta: Absolute Media.
- Mulyono. (2018). *Achieving Through JFP: Let's Gather Your Credit Points.* Yogyakarta: Deepublish Publisher.
- Nasir, Sirajuddin, Hikmah, and Rilfan Kasi Renteta Dung. (2023). *Ma'udu Lompoa: Cultural and Religious Tourism Marketing.* Bojong: Nasya Expanding Management.
- Ngalimun, Ropiani, and H. Anwar. (2019). *Business Communication and Entrepreneurship in*



- Islam. Yogyakarta: Dua Satria Offset.
- Priyatno, Duwi. (2018). *SPSS: Easy Guide for Data Processing for Students and the General Public*. Yogyakarta: Andi Offset.
- Purnomo, Rochmat Aldy. (2017). *Statistical Analysis for Economics and Business with SPSS*. Ponorogo: UNMUH Ponorogo Press.
- Qamar, N., & Farah, S. R. (2020). *Doctrinal and Non-Doctrinal Legal Research Methods*. Makassar: Social Politic Genius.
- Rachmat, Zul, Irzan Soepriyadi, Nur Fadillah Suprayitno, Eegis Yani Pramularso, Tantri Yanuar Rahmat Syah, Ana Fitriyatul Bilgies, Justin Hidayat Soputra, and Arief Yanto Rukmana. (2023). *Entrepreneurship*. West Sumatra: Get Press Indonesia.
- Rangkuti, Anna Armeini. (2017). *Inferential Statistics for Psychology and Education*. Jakarta: Kencana.
- Riyanto, Slamet, and Aglis Andhita Hatmawan. (2020). *Quantitative Research Methods in Management, Engineering, Education, and Experiments*. Yogyakarta: Deepublish Publisher.
- Seto, Agung Anggoro, Fathihani, Imam Nazarudin Latif, Lestari, Ovi Hamidah Sari, Sigit Mareta, Maria Imelda Novita Susiang, Andi Indrawati, Zulkifli, Nining Purwatmini, Bahri Kamal, Aditya Rian Ramadhan. (2023). *Financial and Business Management (Theory and Implementation)*. Jambi: Sonpedia Publishing Indonesia.
- Shabira Maharani and I Made Bayu Dirgantara. (2023). *Factors Influencing Immersion During Live Streaming Syaria Shopping and Its Effect on Purchase Intention (Study on TikTok Indonesia Social Commerce)*.
- Sri Wahyuni, Dini Julia Sari, Hernawaty, Nur Afifah. (2023). *Ternakloka: A Web-Based Marketplace for Qurban and Aqiqah*.
- Sugiarti, Eggy Fajar Andalas, and Arif Setiawan. (2020). *Qualitative Research Design in Literature*. Malang: Muhammadiyah University Malang.
- Supriadi, Iman. (2020). *Accounting Research Methods*. Yogyakarta: Deepublish Publisher.
- Swarjana, I Ketut. (2015). *Health Research Methodology*. Yogyakarta: Andi Offset.
- Syawaludin, M. (2017). *Resistance Sociology*. Yogyakarta: Deepublish Publisher.
- Wahyudi, S. T. (2017). *Economic Statistics: Concepts, Theories, and Applications*. Publisher: UB Press. Jakarta.
- William and Heru Wijayanto Aripadono. (2020). *Factors Influencing Online Marketplace Consumer Purchase Decisions in Indonesia*.



The Influence of Human Relations and Work Facilities on Employee Performance Through Motivation as an Intervening Variable in Labuhanbatu Regional Secretariat

ABSTRACT

Ridywati, Muliani Ritonga , Rosita, Salman Faris
Universitas Prima Indonesia

This research aims to find out whether Human Relations and Work Facilities influence Performance through Motivation as an intervening variable for employees of the Regional Secretariat of Labuhanbatu Regency. The research was conducted on permanent employees (PNS) at the Regional Secretariat of Labuhanbatu Regency. The population in this study was 126 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 126 people. The data collection technique used is primary data in the form of a questionnaire and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, Sobel test and path analysis. The results obtained in this research show 1) there is a positive and significant influence between Human Relations on Motivation, 2) there is a positive and significant influence between Work Facilities on Motivation, 3) there is a positive and significant influence between Human Relations on Performance, 4) there is a positive and significant influence between Work Facilities on Performance, 5) there is a positive and significant influence between Motivation on Performance, 6) There is a positive and significant influence between Human Relations on Performance through Motivation as an intervening variable, 7) There is a positive and significant influence between Work Facilities on Performance through Motivation as an intervening variable.

Keywords: Human Relations, Motivation, Performance, and Work Facilities

Introduction

Performance is a very important and interesting part because it has been proven to have very important benefits. To achieve organizational goals optimally does not depend on technological factors alone, but rather depends more on the humans who carry out their work. Based on Government Regulation (PP) Number 30 of 2019 concerning Civil Servant (PNS) Performance Assessment,

According to Oyon Saryono (2019) who researched the Influence of Motivation, Leadership and Employee Discipline on Employee Performance, the results showed that there was an influence



of motivation on employee performance.

In addition to motivation, another factor that is considered to influence the performance of employees of an organization is Human Relations. According to Yuningsih (2011), Human Relations aims to arouse enthusiasm and work activities with a spirit of productive cooperation with feelings of happiness and a satisfied heart, both economic, psychological and social satisfaction. Furthermore, another factor that also influences employee performance is work facilities. Work facilities are very important for an organization, because they can support employee work productivity in completing work.

According to Badudu (2001), facilities are all things that can facilitate matters (smoothness of tasks and so on) or convenience. So, work facilities are all things in the form of facilities and infrastructure that can help facilitate an activity or activity. Increased productivity can be supported by the provision of work facilities that can help and motivate employees in completing office work well.

The low performance of employees at the Regional Secretariat of Labuhanbatu Regency is caused by several factors, namely poor Human Relations, inadequate Work Facilities to support the work process, and lack of motivation given to employees, making employees feel less motivated and less appreciated in their work.

Based on the phenomenon that occurred at the Regional Secretariat of Labuhanbatu Regency, the researcher is interested in conducting a study related to the phenomenon with the title, "The Influence of Human Relations and Work Facilities on Employee Performance Through Motivation as an Intervening Variable at the Regional Secretariat of Labuhanbatu Regency."

Literature review

According to Kasmir (2016) "Performance is the result of work and work behavior that has been achieved in completing tasks and responsibilities given in a certain period." Based on the definition of performance according to several statements above, the author can conclude that performance is the result of an employee's achievement which is measured during a certain period of time compared to the responsibilities imposed by the assessment given according to the criteria that have been set in the organization in realizing the organization's vision and mission.

Apart from Human Relations, work facilities also have an important influence on the success of an organization in achieving its goals. According to Sedarmayanti (2018), work facilities are all the tools and materials faced, the surrounding environment where a person works, their work methods, and their work arrangements both as individuals and as a group.

In a work environment or organization, motivation is also a driving force for success in achieving



goals.

According to Hasibuan (2008), Motivation has a very important role because with motivation it can be expected that every employee has the desire to work hard which can achieve the results achieved with the overall resources used which are high. Motivation can have two sources of encouragement, namely encouragement from within and encouragement from outside.

Previous research is very important as a basis for compiling this research. The following are the results of previous research that has been conducted by previous researchers that are relevant to this research.

Table 1. Previous Research

| No. | Name/Year | Title | Research Variables | Research result |
|-----|--------------------------------------|---|--|---|
| 1. | Nurul Hidayah (2018) | The influence of Human Relations and physical work environment conditions on employee performance at PT Sumber Abadi Bersama Gondanglegi through work ethic variables | Industry and Trade Service of Central Java Province) | Independent : <i>Human Relations</i> (X1) physical working environment conditions (X2) Dependents : Performance (Y) Intervening: Work Ethic (Z) Independent : Work Facilities (X1) Non-Physical Work Environment (X2) Job Satisfaction (X3) Dependents : Performance (Y) |
| . | Khoirul Anam and Edy Rahardja (2017) | The Influence of Work Facilities, Non-Physical Work Environment and Job Satisfaction on Employee Performance (Study on Employees of the | | |



Human Relations affects employee performance. Work facilities, non-physical work environment and job satisfaction. The remaining 44.8% can be explained by other variables.

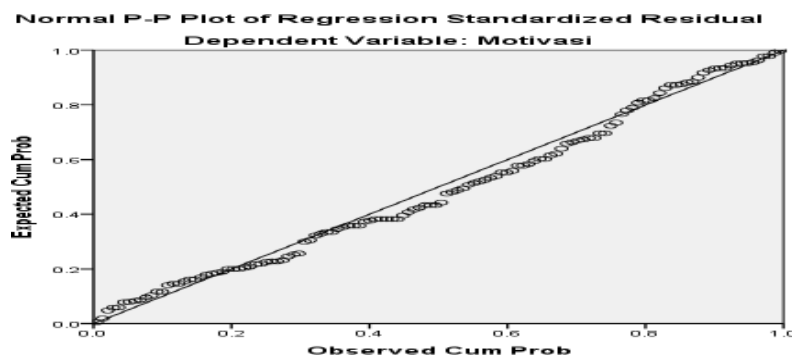
Methods

The approach in this study is to use an associative approach, an associative approach is an approach to find out that there is a relationship or influence between the two variables (independent variables and dependent variables). In this study, the independent variable X1 is Human Relations, X2 is Work Facilities, Z is Motivation and the dependent variable Y is Performance.

Results

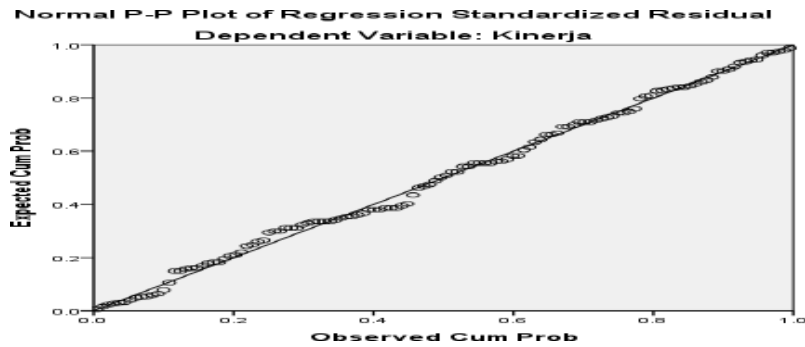
Normality Test

Normality Test of Sub Model I



By looking at the normal plot graph above, it can be concluded that the data is spread around diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed

Normality Test of Sub Model II



By looking at the normal plot graph above, it can be concluded that the data is spread around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed.



Multicollinearity Test

Table 4.12 Multicollinearity Test Table for Sub Model

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|-------|-----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 21.456 | .433 | | 49.585 | .000 | | |
| | Human Relation | .052 | .016 | .272 | 3.188 | .002 | .988 | 1.012 |
| | Fasilitas Kerja | .043 | .020 | .182 | 2.137 | .035 | .988 | 1.012 |

Source: Processed Primary Data, 2024

Table 4.13 Multicollinearity Test Table for Sub Model 2

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|-----------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 22,522 | 3.175 | | 7,094 | .000 | | |
| | Human Relations | .065 | .027 | .205 | 2,389 | .018 | .913 | 1,096 |
| | Work Facilities | .133 | .033 | .342 | 4.072 | .000 | .953 | 1,050 |
| | Motivation | .110 | .144 | .124 | 2.277 | .012 | .882 | 1.134 |

a. Dependent Variable: Performance

Source: Processed Primary Data, 2024

Hypothesis Testing

Table 4.14 Results of t-Test Sub Model I

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 21,456 | .433 | | 49,585 | .000 |



| | | | | | |
|-----------------|------|------|------|-------|------|
| Human Relations | .052 | .016 | .272 | 3.188 | .002 |
| Work Facilities | .043 | .020 | .182 | 2.137 | .035 |

a. Dependent Variable: Motivation

Source: Processed Primary Data, 2024

Table2. Result of Sub Model II t-Test

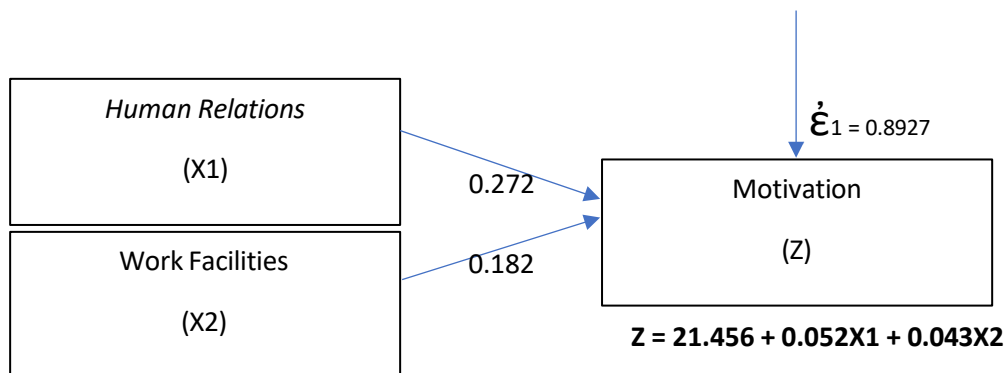
Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 22,522 | 3.175 | | 7,094 | .000 |
| | Human Relations | .065 | .027 | .205 | 2,389 | .018 |
| | Work Facilities | .133 | .033 | .342 | 4.072 | .000 |
| | Motivation | .110 | .144 | .124 | 2.277 | .012 |

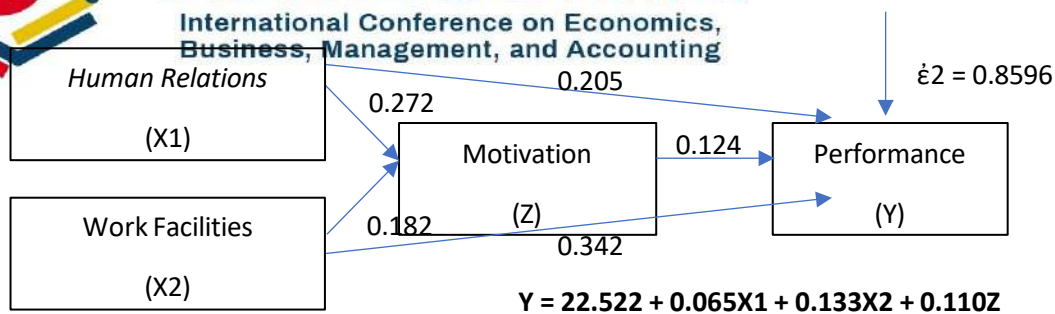
a. Dependent Variable: Performance

Source: Processed Primary Data, 2024

Path Analysis Sub Model I



Path Analysis Sub Model II



DISCUSSION

The Influence of Human Resources on Motivation

The Human Relation variable has a positive and significant effect on Motivation at the Regional Secretariat of Labuhanbatu Regency. The Human Relation variable has a regression coefficient value of 0.052 indicating that if Human Relation increases by 100%, it will increase Motivation by 5.2%.

The Influence of Work Facilities on Motivation

The Work Facilities variable has a positive and significant effect on Motivation at the Regional Secretariat of Labuhanbatu Regency. The Work Facilities variable has a regression coefficient value of 0.043 indicating that if the Work Facilities increase by 100%, it will increase Motivation by 4.3%

The Influence of Human Resources on Performance

The Human Relation variable has a positive and significant effect on Performance at the Regional Secretariat of Labuhanbatu Regency. The Human Relation variable has a regression coefficient value of 0.065 indicating that if Human Relation increases by 100%, it will increase Performance by 6.5%.

The Influence of Work Facilities on Performance

The Work Facilities variable has a positive and significant effect on Performance at the Regional Secretariat of Labuhanbatu Regency. The Work Facilities variable has a regression coefficient value of 0.133 indicating that if Work Facilities increase by 100%, it will increase Performance by 13.3%.

The Influence of Motivation on Performance

Motivation variable has a positive and significant effect on Performance at the Regional Secretariat of Labuhanbatu Regency. Motivation variable has a regression coefficient value of 0.110 indicating that if Motivation increases by 100%, it will increase Performance by 11.0%. %

The Influence of Human Relations on Performance through Motivation

Based on the results of the sobel test calculation, it is known that the test statistic values 1.974>



1.96 with a significance of $0.045 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Human Relations on Performance. The Influence of Work Facilities on Performance through Motivation

Based on the results of the Sobel test calculation, it is known that the test statistic values are $1.971 > 1.96$ with a significance of $0.047 < 0.05$, so it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Work Facilities on Performance. Conclusion

Based on the results of research and discussion conducted by researchers regarding the influence of Human Relations and Work Facilities on Employee Performance at the Regional Secretariat of Labuhanbatu Regency through Motivation as an intervening variable, the following conclusions can be drawn:

1. *Human Relations* influence on Motivation at the Regional Secretariat of Labuhanbatu Regency.
2. Work Facilities Influence Motivation at the Regional Secretariat of Labuhanbatu Regency.
3. *Human Relations* influence on Performance at the Regional Secretariat of Labuhanbatu Regency.
4. Work Facilities Influence Performance at the Regional Secretariat of Labuhanbatu Regency.
5. Motivation influences performance at the Regional Secretariat of Labuhanbatu Regency.
6. *Human Relations* influences Performance at the Regional Secretariat of Labuhanbatu Regency through Motivation as an intervening variable.
7. Work Facilities Influence Performance at the Regional Secretariat of Labuhanbatu Regency through Motivation as an intervening variable.

LIMITATION

This research can also be used as a reference for further research on Human Relations, Work Motivation, Work Facilities, which influence performance and which are the limitations of this research.

References

- A, Morissan M. (2014). Survey Research Methods. 2nd printing. Jakarta: Kencana.
- Afriani, D. (2021). The Influence of Human Relations and Work Environment on Employee Performance at PT. Perkebunan Timbang Langsa (Doctoral dissertation, Medan Area University).
- Alo, L. (1997). Interpersonal Communication. Bandung: PT.
- Alhayra, AR, Zainal R, and Uhd DN (2022). The Influence of Office Facilities on Work Motivation of Employees at the Herlang Health Center, Bulukumba Regency. *Transekonomika: Accounting, Business and Finance*, 2 (5), 303-314.



- Anam, K., and Edy R. (2017). The Influence of Work Facilities, Non-Physical Work Environment and Job Satisfaction on Employee Performance (Study on Employees of the Industry and Trade Service of Central Java Province). *Diponegoro Management Journal*, 6(4), 502-512.
- Asri, Ansar, and Abdul RM (2019). The Influence of Compensation, Work Facilities and Leadership on Performance Through Employee Job Satisfaction at the Rectorate of UIN Alauddin Makassar. *YUME: Journal of Management*, 2(1).
- Asrifah. (2015). The Influence of Human Relations on Employee Performance at the Regional Office of the Ministry of Religion of Central Sulawesi Province. *Katalogis Journal*, 3(2).
- Badudu, Zein. (2001). *General Dictionary of the Indonesian Language*. Jakarta: Sinar Harapan Library.
- Davis, K., and Jhon WN (2009). *Organizational Behavior*. Jakarta: Erlangga.
- Diranam, I. (2022). The Influence of Work Facilities and Work Motivation on Employee Performance at the Sidemen District Agricultural Extension Center (BPP) (Doctoral dissertation, Mahasaraswati University, Denpasar).
- Effendy, OU (2009). *Human Relations & Public Relations*. Bandung: Mandar Maju.
- Gaputri, WAD, M. Zahari MS, and Osrita Hapsara. (2023). The Influence of Work Facilities and Competence on Work Motivation which has Implications on Employee Performance at PT. Bank Tabungan Negara (PERSERO) Tbk Jambi Branch. *J-MAS (Journal of Management and Science)*, 8(2), 1905-1911.
- Ghozali, I. (2005). *Application of Multivariate Analysis with SPSS*. Semarang: Diponegoro University Publishing Agency.
- Ghozali, I. (2016). *Multivariate Analysis Application with IBM SPSS 23 Program (8th Edition)*. VIIIth Printing. Semarang: Diponegoro University Publishing Agency.
- Ghozali, I. (2018). *Multivariate Analysis Application with IBM SPSS 25 Program*. Semarang: Diponegoro University Publishing Agency.
- Halim, R. (2020). *Implementation of Human Relations on Employee Work Motivation at Jordan Bread Company (Doctoral dissertation, IAIN Parepare)*.
- Hasibuan, M. (2008). *Basic Management, Definition, and Problems*. Jakarta: PT Bumi Aksara.
- Hidayah, KN (2018). The influence of Human Relations and physical work environment conditions on employee performance at PT Sumber Abadi with Gondanglegi through work ethic variables (Doctoral dissertation, State Islamic University of Maulana Malik Ibrahim).
- Kasmir. (2016). *Human Resource Management: Theory and Practice*. Jakarta: Rajawali Pers.
- Manalu, JH (2019). The Influence of Motivation and Training on Employee Performance at PT. Gutji Swarnadwipa Medan Branch.



- Mangkunegara, AP (2017). Corporate Human Resource Management. Bandung: Rosdakarya Youth.
- Moehersono. (2012). Competency-based performance measurement. Jakarta: Raja Grafindo Persada.
- Ovidius. (2018), Employee motivation and organizational performance. Review of Applied Socio-Economic Research, 5(1).
- Priyatno, D. (2014). Independent Learning of Data Analysis with SPSS. Yogyakarta: Mediakom. Causal Loyalty of 'X' Department Store Customers. Thesis UPI: Indonesian Education University. www.repository.upi.edu.
- Rachmawati, RW (2017). The Influence of Training and Work Motivation on Employee Performance at PT. Bank BJB, Suci Bandung Branch Office. Journal of Management and Service Marketing, 9(1), 16.
- Rahayu, Suci. (2013). Application of Trimming Method in Path Analysis in Determining Causal Model of Customer Loyalty of Department Store X. UPI Thesis: unpublished. www.repository.upi.edu.
- Rifai, Asep. (2019). The Influence of Communication and Work Facilities on Employee Performance in Sukabumi District, Sukabumi Regency. Jurnal Ekonomia Jan-June, Vol 08 No 01. p. 5.
- Rizki, D. (2015). The Influence of Compensation, Work Environment and Human Relations on Work Motivation Relevant to Work Productivity (Study at PT. Morich Indo Fashion Semarang). Journal of Management, 1(1).
- Ronaldo, K. (2024). Analysis of the Influence of Human Relations, Work Stress, and Work Motivation on Employee Performance in Wukirsari Village, Cangkringan District, Sleman Regency (Doctoral dissertation, Duta Wacana Christian University).
- Sabri, SE, Susanti. M, SE, & Ak, M. (2021). ENTREPRENEURSHIP: Utilization of Oil Palm Stem Waste in Supporting the Economy of Village Communities. Media Sains Indonesia.
- Salmah, Ninin Non Ayu. (2015). The Influence of Work Stress and Job Satisfaction on Employee Performance at PTPN VII Cinta Manis. Journal of Media Wahana Ekonomika. 12(2): 20-30.
- Sanusi, A. (2011). Business Research Methodology. Jakarta: Salemba Empat.
- Sapphira, A. (2022). The Influence of Work Facilities on Work Motivation and Employee Performance at the Kelanting Robbani Snack Factory, Pringsewu Regency.
- Sedarmayanti, (2010). Human Resource Management: Bureaucratic Reform and Civil Servant Management. Bandung: PT. Refika Aditama.
- Sedarmayanti. (2018). Human Resources and Work Productivity. Bandung: CV. Mandar Maju.
- Sembiring, H. (2020). The influence of motivation and work environment on employee performance at Bank Sinarmas Medan. Jurakunman (Journal of Accounting and Management), 13(1).



- Siagian, Sondang P. (2008). Human Resource Management. Jakarta: Bumi Aksara
- Sinungan, Muchdarsyah. (2016). What and How Productivity. Bandung: Bumi Aksara
- Siregar, MY, and Nasution, AMU (2010). The Influence of Human Relations on Work Motivation of Employees at the Stella Maris Maternity and Child Hospital (RSIA) Medan. *Journal of Business and Management Concepts*, ISSN, 2407, 2648.
- Sofyan, A. (2004). Production and Operations Management. Jakarta: Publishing Institute of the Faculty of Economics, University of Indonesia.
- Suprihanto, J. (1996). Performance Assessment and Employee Development. Yogyakarta: BPFE.
- Sugiyono. (2018). Quantitative, Qualitative, R & D Research Methods. Bandung: CV Alfabeta.
- Sugiyono. (2018). Mixed Methods Research Methods. Bandung: CV Alfabeta.
- Sunyoto, D. (2018). Human Resource Management. Jakarta: PT Buku Seru.
- Sutanjar, T., & Saryono, O. (2019). The Influence of Motivation, Leadership and Employee Discipline on Employee Performance. *Journal of Management Review*, 3(2), 321-325.
- Torang, S. (2014). Organization and Management. Bandung: Alfabeta.
- Usman, H. (2013). Management. Theory, Practice, and Educational Research. Jakarta: PT Bumi Aksara.
- Vonny, RPE (2016). The Influence of Training, Work Facilities and Compensation on Employee Job Satisfaction at PT United Tractors Manado Branch. *Scientific Periodical Journal of Efficiency*, 16(03). 407-418.
- Widodo, S., E. (2015). Human Resource Development Management. Yogyakarta: Pusaka Pelajar.
- Yulianto, B., & Saadah, N. (2020). Personal Protective Equipment (PPE) Use Behavior as an Alternative to Improve the Performance of Employees Exposed to High Intensity Noise. Surabaya: Scopindo Media Pustaka.



THE EFFECT OF LIQUIDITY AND SOLVENCY RATIOS ON THE FINANCIAL PERFORMANCE OF PHARMACEUTICAL COMPANIES ON THE INDONESIA STOCK EXCHANGE IN THE PERIOD 2021 – 2023

Yosifina Br Pinem¹, Purnama Yanti Purba², Jhon Raphael Saragih³

^{1,2} *Universitas Prima Indonesia*

³ *Politeknik Kesejahteraan Sosial, Bandung*

Co- author : purnamayantipurba@unprimdn.ac.id

ABSTRACT

In analyzing the financial condition of a company, it is very important to conduct a financial ratio analysis. Where the financial ratio has an important role in knowing how much influence the financial condition has on the future of the company for the better. This study was conducted to obtain empirical evidence regarding the effect of Liquidity and Solvency on the Financial Performance of pharmaceutical companies on the IDX. Data acquisition is generated from secondary data calculated every month on the financial reporting system processed on the IDX website. The sampling technique used is purposive sampling. The sample used in this study was 33 monthly reports from 11 companies for three years, namely the period 2021-2023. Data was collected by data collection and data management and analyzed using multiple linear regression analysis. The results of this study indicate that partially Liquidity has a positive and significant effect on Financial Performance and Solvency has a positive and significant effect on Financial Performance. In addition, simultaneously liquidity and solvency affect the financial performance of pharmaceuticals on the IDX in 2021-2023.

Keywords: Liquidity, Solvency and Financial Performance

INTRODUCTION

The rapid development of technology in Indonesia has affected all sectors of the economy, especially in the pharmaceutical business sector. Indonesia currently ranks 4th as the country with the largest population in the world, making the pharmaceutical industry in Indonesia a very potential market for drug consumption. During the Covid-19 pandemic, the pharmaceutical industry experienced a growth of 10 percent in 2021, as conveyed by the General Chairperson of the Indonesian Pharmaceutical Companies Association (GPFI), F. Tirta Kusnadi, at the XVI GPFI National Conference (Munas) at the Merusaka Hotel, Nusa Dua, Bali on Thursday (24/3). However, the imbalance due to the high demand for drugs is not balanced by Indonesia's independence in the pharmaceutical sector. Currently, 95% of raw materials for drugs are still imported from abroad, with the majority coming from China (60%) and India (30%).

In general, financial performance measurement is used to see the prospects for a company's financial growth and development. Financial performance measurement can be analyzed using several types of analysis tools, one of which is using ratio analysis. Furthermore, by using ratio analysis, the company can predict the financial condition as seen from the company's financial statements (Hery, 2016:139). Financial performance is not significantly affected by the liquidity ratio when the current ratio is used in its calculation, as found by Sulthon Badar Al Rahman and Dedi Suselo (2022).

Solvency ratio, by comparing debt to assets, shows how important a company's financial health is to its overall success. The results of this ratio analysis describe the company's financial condition, meaning whether there is an increase or decrease in each specified period. The goal is to assess the effectiveness of



decision making by the company in carrying out its activities at a specified time. The rapid development of technology in Indonesia affects all sectors of the economy, especially in the pharmaceutical business sector. Indonesia currently ranks 4th as the country with the largest population in the world, making the pharmaceutical industry in Indonesia a very potential market for drug consumption. During the Covid-19 pandemic, the pharmaceutical industry experienced a growth of 10 percent in 2021, as conveyed by the General Chairperson of the Indonesian Pharmaceutical Companies Association (GPFI), F. Tirto Kusnadi, at the XVI GPFI National Conference (Munas) at the Merusaka Hotel, Nusa Dua, Bali on Thursday (24/3). However, the imbalance due to the high demand for drugs is not balanced by Indonesia's independence in the pharmaceutical sector. Currently, 95% of raw materials for drugs are still imported from abroad, with the majority coming from China (60%) and India (30%).

In general, measuring financial performance is used to see the prospects for a company's financial growth and development. Measuring financial performance can be analyzed using several types of analysis tools, one of which is using ratio analysis. Furthermore, by using ratio analysis, the company can predict the financial condition as seen from the company's financial statements (Hery, 2016:139). Financial performance is not significantly affected by the liquidity ratio when the current ratio is used in its calculation, as found by Sulthon Badar Al Rahman and Dedi Suselo (2022).

Solvency ratio, by comparing debt to assets, shows how important a company's financial health is to its overall success. The results of this ratio analysis describe the company's financial condition, meaning whether there is an increase or decrease in each specified period. The goal is to assess the effectiveness of decision making by the company in carrying out its activities at a specified time.

Practically, there are 5 (five) types of financial ratios, namely liquidity ratio, solvency ratio (leverage), activity ratio, profitability ratio and market ratio. In this study, the financial ratio variables used are liquidity ratio, solvency ratio (leverage). The company's financial performance in this study was measured using the profitability ratio, namely Return On Asset (ROA). Previous research also shows that ratio analysis can provide important information regarding the company's financial health and assist in making investment decisions (Iqlima Nurriyah, 2022). In the context of the Indonesian pharmaceutical industry which is growing rapidly but facing challenges in terms of dependence on imported raw materials, an in-depth understanding of financial performance through ratio analysis is becoming increasingly relevant to ensure the sustainability and growth of the company in the future (Munawir, 2021). There is a table that includes Current Assets, Total Debt, Performance and Total Assets to Pharmaceuticals verified on the IDX since 2021-2024 in the form of:

Table 1. Phenomenon (In Rupiahs)

| No | Issuer code | Year | Sum of Debt | Current assets | Sum of Assets |
|----|-------------|------|-----------------------|----------------|--------------------|
| 1 | DVLA | 2021 | 925.123.456.000.000 | 25.125.000.000 | 18.100.350.000.000 |
| | | 2022 | 1.120.234.567.000.000 | 27.890.000.000 | 19.200.450.000.000 |
| | | 2023 | 1.245.678.912.000.000 | 30.560.000.000 | 21.310.980.000.000 |
| 2 | INAF | 2021 | 1.015.345.678.000.000 | 15.987.000.000 | 20.230.450.000.000 |
| | | 2022 | 1.400.987.654.000.000 | 18.435.000.000 | 22.340.765.000.000 |
| | | 2023 | 1.623.456.789.000.000 | 21.670.000.000 | 20.450.865.000.000 |



| | | | | | |
|---|------|------|-----------------------|----------------|--------------------|
| 3 | KAEF | 2021 | 810.123.987.000.000 | 30.785.000.000 | 260.765.000.000 |
| | | 2022 | 900.234.567.000.000 | 33.150.000.000 | 290.432.000.000 |
| | | 2023 | 1.050.345.678.000.000 | 36.520.000.000 | 30.020.500.000.000 |

Source : Seconder Data, 2024

Based on table 1, several financial phenomena of the company can be observed. Total debt of PT. DVLA in 2021 amounted to IDR 925,123,456,000, increased in 2022 to IDR 1,120,234,567,000, and continued to increase to IDR 1,245,678,912,000 in 2023. This increase was followed by an increase in the company's total assets from IDR 18,100,350,000,000 in 2021 to IDR 21,310,980,000,000 in 2023, as well as an increase in current assets from IDR 25,125,000,000 in 2021 to IDR 30,560,000,000 in 2023. In addition, PT. INAF also showed a similar trend, where total debt in 2021 of Rp. 1,015,345,678,000 increased to Rp. 1,623,456,789,000 in 2023. The company's current assets increased from Rp. 15,987,000,000 in 2021 to Rp. 21,670,000,000 in 2023, and total assets also increased from Rp. 20,230,450,000,000 in 2021 to Rp. 20,450,865,000,000 in 2023. The same trend was also seen in PT. KAEF, where total debt recorded at Rp. 810,123,987,000 in 2021 increased to Rp. 900,234,567,000 in 2022, and continues to increase to Rp. 1,050,345,678,000,000 in 2023. Current assets of PT. KAEF also showed an increase from Rp. 33,150,000,000 in 2022 to Rp. 36,520,000,000 in 2023, with total assets reaching Rp. 30,020,500,000,000 in 2023.

LITERATURE REVIEW

According to Kasmir (2016:130), the liquidity ratio or working capital ratio is a ratio used to measure how liquid a company is, by comparing the components in the balance sheet, namely total current assets with total current liabilities (short-term debt). The liquidity ratio is important because failure to pay obligations can lead to bankruptcy of the company. Based on the understanding above, it can be concluded that the liquidity ratio is used to describe how liquid a company is and the company's ability to settle short-term obligations. The higher the company's liquidity figure, the better.

The liquidity ratio in this study is measured by the Current Ratio, the Current Ratio shows the amount of current liabilities guaranteed by current assets. The higher the comparison of current assets with current liabilities, the higher the company's ability to cover its short-term liabilities (Hantono, 2018). In practice, companies that are able to pay short-term liabilities on time according to the maturity date that has been set, then the company is in a liquid state, meaning that it has a current asset position that is greater than current liabilities.

Solvency Ratio or Leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. Solvency Ratio (Dewa and Sitohang, 2015:9), is used to measure the company's ability to meet its long-term obligations. The use of solvency ratios for companies provides many benefits that can be reaped, both low and high ratios (Kasmir, 2016:151).

The solvency ratio in this study is measured by the Debt to Equity Ratio. According to Hery (2017) Debt to Equity Ratio is used as an indicator to measure the extent to which a company finances all of its assets



by relying on debt using its own capital (owner). If the Debt to Equity Ratio (DER) value increases from the previous year, it is said to be solvable, and vice versa if the Debt to Equity Ratio (DER) value decreases from the previous year, it is said to be insolvent. The higher the DER indicates the composition of the total debt is greater, so that the impact is greater on the interest burden on creditors.

Financial performance is a measure that shows how well a company achieves its financial goals in a certain period. In other words, financial performance reflects the financial health and success of the company in managing its resources. Harmono (2017:23), explains that the company's financial performance is generally seen from net income (profit), return on investment, and earnings per share. Meanwhile, according to Sjahrial et al. (2017:213), states that the assessment of a company's financial performance is how management manages and evaluates based on predetermined performance criteria such as budgets, plans and targets.

According to Kasmir (2016:130), the liquidity ratio or working capital ratio is a ratio used to measure how liquid a company is, by comparing the components in the balance sheet, namely total current assets with total current liabilities (short-term debt). The liquidity ratio is important because failure to pay obligations can lead to bankruptcy of the company. Based on the understanding above, it can be concluded that the liquidity ratio is used to describe how liquid a company is and the company's ability to settle short-term obligations. The higher the company's liquidity figure, the better.

The types of liquidity ratios that are often used to measure a company's capabilities are :

a. *Current Ratio*

It is a ratio used to measure a company's ability to pay short-term liabilities or debts that are due immediately when billed in their entirety. In other words, how much current assets are available to cover short-term liabilities that are due soon. How to calculate the Current Ratio using the formula:

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}} \times 100 \%$$

b. *Quick Ratio*

It is a ratio that shows the company's ability to meet or pay current debts with current assets without taking into account the value of inventory. This means ignoring the value of inventory, by subtracting it from total current assets. This is done because inventory is considered to require a relatively longer time to be cashed, if the company needs quick funds to pay its obligations compared to other current assets. How to calculate the Quick Ratio using the formula:

$$\text{Quick Ratio} = \frac{\text{Aktiva Lancar} - \text{Persediaan}}{\text{Hutang Lancar}} \times 100 \%$$

c. *Cash Ratio*

It is a ratio used to measure how much cash is available to pay debts. The availability of cash can be shown from the availability of cash or cash equivalents such as checking



accounts or savings in banks (which can be withdrawn at any time). It can be said that this ratio shows the company's real ability to pay its short-term debts. How to calculate Cash Ratio using the formula:

$$\text{Cash Ratio} = \frac{\text{Kas}}{\text{Hutang Lancar}} \times 100 \%$$

Solvency Ratio is a ratio used to measure the extent to which a company's assets are financed with debt. Solvency Ratio (Dewa and Sitohang, 2015:9), is used to measure the company's ability to meet its long-term obligations. The use of solvency ratios for companies provides many benefits that can be reaped, both low and high ratios (Kasmir, 2016:151). Based on the above understanding, it can be concluded that the solvency ratio is used to measure how much debt burden the company bears and the company's ability to pay its long-term debt.

The types of solvency ratios that are often used to measure a company's capabilities are :

a. *Debt to Assets Ratio* (Rasio Hutang Terhadap Total Aktiva)

It is a debt ratio used to measure the comparison between total debt and total assets. In other words, how much of the company's assets are financed by debt or how much the company's debt affects asset management. From the measurement results, if the ratio is high, it means that funding with debt *Cash Ratio* = Cash + Bank Current Liabilities is increasing. So it is increasingly difficult for the company to obtain additional loans because it is feared that the company will not be able to cover its debts with the assets it owns. How to calculate the Debt to Assets Ratio using the formula:

$$\text{Debt to Assets Ratio} = \frac{\text{Total Utang}}{\text{Total Aktiva}} \times 100 \%$$

b. *Debt to Equity Ratio* (Rasio Hutang Terhadap Ekuitas)

It is a ratio used to assess debt and capital. This ratio is sought by comparing all debts, including current debts with all capital (equity). This ratio functions to find out each own capital that is used as collateral for debt. The greater this ratio, the less profitable it will be for the company, because the greater the risk borne for failure that may occur in the company. How to calculate Debt to Equity Ratio using the formula:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Utang}}{\text{Modal Sendiri}} \times 100 \%$$

c. *Debt to Capital Ratio* (Rasio Hutang Terhadap Modal)

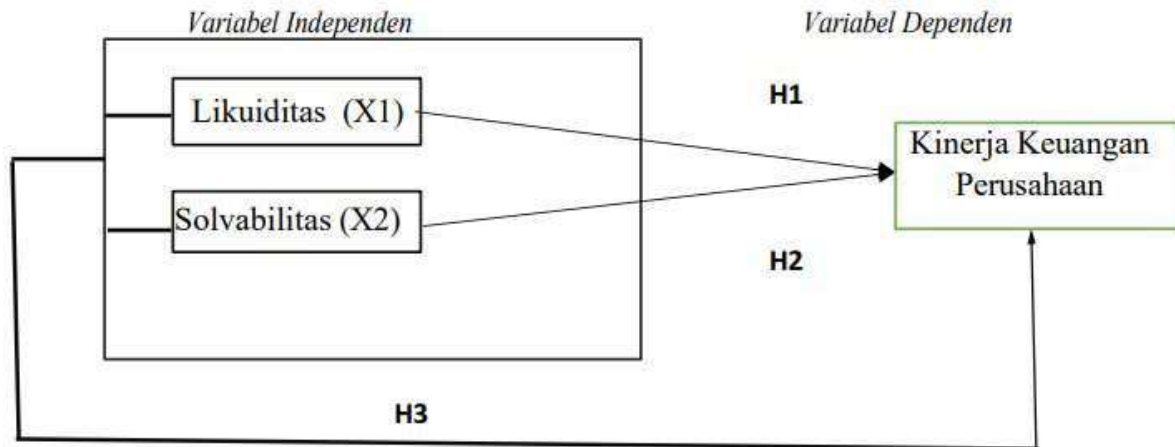
The debt to equity ratio is one of the tools that measures a company's risk, primarily based on its liabilities. The debt to equity ratio, also referred to as the D/C ratio, measures how much debt a company is using to fund its operational and functional expenses versus using its capital. Capital consists of the assets and cash a business has on hand. The purpose of the D/C ratio is to measure the amount of risk a company is taking on regarding debt and overall financial



operations. How to calculate Debt to Equity Ratio using the formula:

$$\text{Debt to Capital Ratio} = \frac{\text{Total Utang}}{(\text{Total Utang} + \text{Ekuitas Pemegang Saham})}$$

Conceptual Framework



Gambar 1.1 Kerangka Konseptual

METHODS

This study uses quantitative data analysis methods. Quantitative data analysis methods are research approaches that use data in the form of numbers or numeric variables to explore, explore and understand a phenomenon originating from the management of secondary data in the form of financial reports that have been published in pharmaceutical companies on the Indonesia Stock Exchange. The type of research used is quantitative descriptive research. The formulation of quantitative descriptive problems is a formulation of problems that contain statements about the state of independent variables, either one variable or more (stand-alone variables). This research is explanatory. Explanatory research is research that aims to analyze the causal relationship between variables by testing hypotheses in order to strengthen or reject the existing research hypothesis. The population in this study were companies in the pharmaceutical sector listed on the Indonesia Stock Exchange (IDX), for the period 2021-2023. The research sample was companies in the pharmaceutical sector listed on the IDX, covering the period 2021-2023 as many as 33 samples from 11 pharmaceutical companies listed on the IDX. The financial report data used were annual financial reports.

The criteria used in this study are as follows:

Table 2. The Selection of Sample

| NO | Criteria | TOTAL |
|----|--|-------|
| 1 | Pharmaceutical Companies listed on the Indonesia Stock Exchange/BEI for the period 2021-2023 | 39 |
| 2 | Companies that did not publish financial reports consecutively during 2021-2023 | (0) |



| | | |
|---|---|----|
| 3 | Banking Companies that experienced losses during the period 2021-2023 | 0 |
| 4 | Sum of company samples | 11 |
| 5 | Sum of research samples (11 companies X 3 years) | 33 |

Source : Data processed (Researcher, 2024)

The type of data used by researchers is secondary data obtained indirectly through intermediaries (obtained and recorded by other parties). Secondary data is information that has been collected by other parties previously and obtained indirectly. Secondary data can come from various sources, such as surveys, publications, and databases. The data source used by researchers is external data. External sources are information that comes from outside the company or research location, and is available to the public. The data used is in the form of annual financial reports of companies listed on the Indonesia Stock Exchange through access www.idx.co.id. The data analysis method used in the study is multiple linear regression analysis.

RESULT

Descriptive Statistics

The sample (N) used in this research is a financial report on the Influence of Liquidity and Solvency Ratios on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the 2021-2023 Period. The samples obtained amounted to 33 samples. The calculation results can be presented in the following table:

**TABLE 3 DESCRIPTIVE
STATISTICS**

Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---------------------|----|---------|---------|--------|----------------|
| Rasio_Likuiditas_X1 | 33 | 2.20 | 3.40 | 2.6921 | .29718 |
| Solvabilitas_X2 | 33 | 1.10 | 1.80 | 1.4474 | .18452 |
| Kinerja_Keuangan_Y1 | 33 | 7.90 | 10.20 | 8.9526 | .57333 |
| Valid N (listwise) | 33 | | | | |

Processed Primary Data Sources, 2024

Table 3 shows the minimum, maximum, mean, and standard deviation values of the variables.

Liquidity (X1), Solvency (X2), and Financial Performance (Y1) as follows:

1. **The Liquidity variable (X1)**, as measured by the Liquidity Ratio, has a sample of 33, with a minimum value of 2.20, a maximum value of 3.40, a mean value of 2.6921, and a standard deviation of 0.29718. This shows that the average pharmaceutical company on the Indonesia Stock Exchange has a fairly good liquidity ratio in meeting its short-term obligations.
2. **The Solvency variable (X2)**, as measured by the Solvency Ratio, has a sample of 33, with a minimum value of 1.10, a maximum value of 1.80, a mean value of 1.4474, and a standard deviation



of 0.18452. This reflects that the debt-to-equity ratio in pharmaceutical companies varies, but is generally within moderate limits.

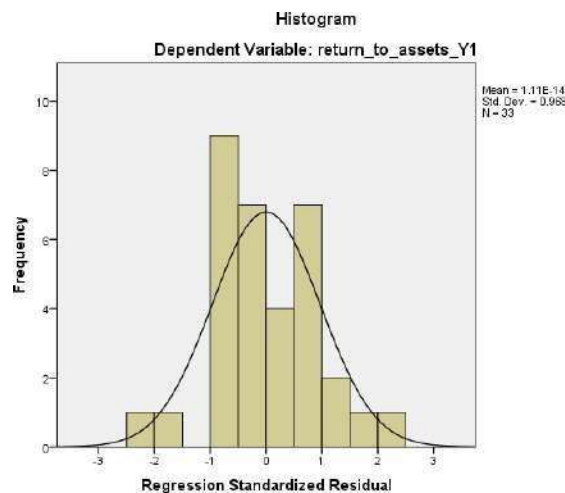
- 3. The Financial Performance variable (Y1)**, measured by Return on Assets (ROA), has a sample of 33, with a minimum value of 7.90, a maximum value of 10.20, a mean value of 8.9526, and a standard deviation of 0.57333. This value shows that the average financial performance of pharmaceutical companies, in terms of return on assets, is relatively stable with good financial performance

Classical Assumption Test Results

The Normality

The Normality Test is attempted to test whether the information to be tested is distributed fairly or unfairly. This test is attempted by analyzing the histogram graph that is spread around and follows the diagonal line and using normal probability plot analysis.

FIGURE 3. THE HISTOGRAM NORMALITY TEST

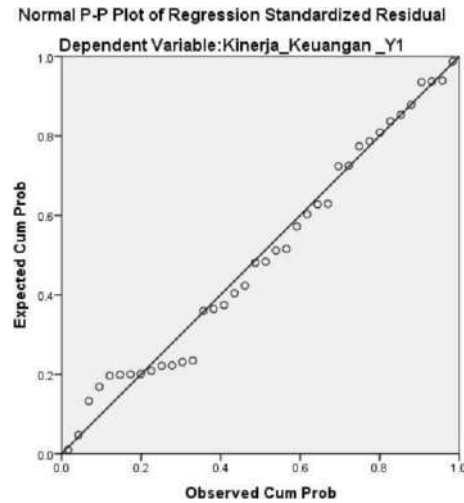


Processed Primary Data Sources, 2024

In figure 2 above, a symmetrical sloping curve (u) can be seen, so it can be concluded that the data is normally distributed.



GAMBAR 4. THE NORMALITY TEST P- P PLOT



Processed Primary Data Sources, 2024

In Figure 3. above, it appears that the points are spread out, following the direction of the diagonal line so it can be concluded that the data above is fairly distributed.

**TABEL 4 THE
NORMALITY TEST OF
Kolmogrov Smirnov
One-Sample Kolmogorov-
Smirnov Test**

| | | Unstandardize d Residual |
|----------------------------------|----------------|--------------------------------|
| N | | 33 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | .25623049 |
| Most Extreme Differences | Absolute | .114 |
| | Positive | .114 |
| | Negative | -.085 |
| Test Statistic | | .114 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |



- a. Test distribution is Normal.
- b. Calculated from data.

Processed Primary Data Sources, 2024

Table 4 shows that the tester of whether the data is fairly distributed can use the non-parametric Kolmogorov Smirnov test, which if the significance value > 0.05 is stated to be normally distributed and if the significance value < 0.05 can be stated to be abnormally distributed.

Multicollinearity Test

The purpose of the Multicollinearity Test is to test whether there will be a correlation between independent variables in the regression model. Multicollinearity testing is carried out by looking at the tolerance and VIF values between independent variables..

TABEL 5 MULTICOLLINEARITY TEST

Coefficients^a

| Model | | Collinearity Statistics | |
|-------|---------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | Rasio_Likuiditas_X1 | .833 | 1.201 |
| | Solvabilitas_X2 | .833 | 1.201 |

Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

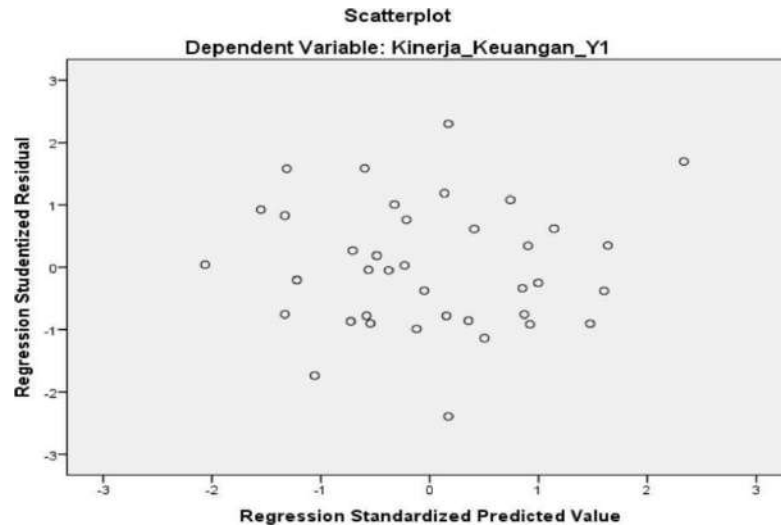
Table 5 shows that the Tolerance value for the **Liquidity (X1)** and **Solvency (X2)** variables is 0.833 each, indicating that the tolerance value is above the threshold of ≥ 0.10 . This indicates that there is no high correlation problem between the independent variables. In addition, the Variance Inflation Factor (VIF) value for both variables (X1 and X2) is 1.201, which is still below the threshold of ≥ 10 . This indicates that there is no multicollinearity between the **Liquidity and Solvency** variables in this study.

Heteroscedasticity Test

The Heteroscedasticity Test aims to test whether there is inequality in the variance of the residuals of one observation to another in the regression model. This test uses a Scatterplot Diagram where if there is a certain pattern, it means that heteroscedasticity occurs, while if there is no clear pattern, it means that heteroscedasticity does not occur.



Figure 5



Processed Primary Data Sources, 2024

Based on Figure 6 (scatterplot), it can be seen that the points are spread out from the Y and X axes so that the data is normally distributed, so it can be concluded that heteroscedasticity occurs in the regression model.

Hypothesis testing is tested using multiple linear regression analysis. The regression model used is:

TABEL 6 COEFFICIENTS^a

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.478 | .441 | | 7.888 | .000 |
| | Rasio_Likuiditas_X1 | 1.305 | .160 | .642 | 8.171 | .000 |
| | Solvabilitas_X2 | 1.401 | .257 | .428 | 5.447 | .000 |

c. Dependent Variable:
Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

From the results of the regression analysis, the following information was obtained:

1. Liquidity Ratio (X1):

The calculated t value of the Liquidity ratio variable is 8.171, the t table value is obtained from the degrees of freedom. Degrees of freedom $n-k = 33-3 = 30$, then the t table is 2.032. So it can be



concluded that the calculated $t > t$ table ($8.171 > 2.035$) which means that Liquidity has an effect on Financial Performance (Return to Asset), while when viewed from the value (Sig.) is 0.000. Because the calculated t is greater than the t table and the Sig. value < 0.05 , it can be concluded that the Liquidity Ratio has a significant effect on Financial Performance (Return to Asset).

2. Solvency (X2):

The calculated t value of the Solvency variable is 5.447, the t table value is obtained from the degrees of freedom. Degree of freedom $n - k = 33 - 3 = 30$, then t table is 2.032. So it can be concluded that t count $> t$ table ($5.447 > 2.035$) which means that Solvency has an effect on Financial Performance (Return to Asset), while when viewed from the value (Sig.) Is 0.000. Because t count is greater than t table and the value of Sig. < 0.05 , it can be concluded that Solvency has a significant effect on Financial Performance (Return to Asset).

Hypothesis Determination Coefficient

The determination coefficient is used to determine the effect of the independent variable on the dependent variable. If the value of the determination coefficient is higher or almost reaches one, then it can be said that the strength of the independent variable is getting stronger against the dependent variable.

TABEL 7
Uji Koefisien Determinasi

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-----------|----------|-------------------|----------------------------|---------------|
| 1 | .906 a | .820 | .810 | .2634 5 | 1.378 |

d. Predictors: (Constant), Solvabilitas_X2, Rasio_Likuiditas_X1

e. Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

In table 7 shown, the results of the determination coefficient analysis show an **Adjusted R Square** value of **0.810** or **81.0%**. This means that 81% of the variation in the dependent variable (Return to Assets) can be explained by the independent variables including the **Solvency Ratio (X2)** and the **Liquidity Ratio (X1)**. While the rest, 19%, is explained by other factors outside the model being



tested.

PARTIAL HYPOTHESIS TESTING (T-TEST)

Partial test (T-test) shows that all independent variables entered have an effect on the dependent variable. Where the criteria are if the level of $\alpha = 0.05$ and if the p value $< \alpha$.

**Tabel 8 PARTIAL HYPOTHESIS TESTING (T-TEST)
COEFFICIENTS^A**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 3.478 | .441 | | 7.888 | .000 |
| Rasio_Likuiditas_X1 | 1.305 | .160 | .642 | 8.171 | .000 |
| Solvabilitas_X2 | 1.401 | .257 | .428 | 5.447 | .000 |

f. Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 202

From Table 8, it can be concluded as follows:

- a) **Constant (t.count: 7.888)**: The t-value of 7.888 indicates that the constant in this model is statistically significant (with a p-value of 0.000). This means that even though the Liquidity Ratio and Solvency variables are zero, Financial Performance still has a significant basic value.
- b) **Liquidity Ratio (t.count: 8.171)**: The t-value of 8.171 for the Liquidity Ratio variable (X1) is greater than the critical value (for example, 2.035 at a significance level of 5% and a certain degree of freedom). With a significance value of 0.000, this means that the Liquidity Ratio has a significant effect on Financial Performance. This value indicates that this variable contributes strongly to explaining variations in Financial Performance.
- c) **Solvency (t.count: 5.447)**: The t-value of 5.447 for the Solvency variable (X2) also shows statistical significance at the 0.05 level of significance, because the p-value is 0.000. This indicates that Solvency has a significant influence on Financial Performance.

SIMULTANEOUS HYPOTHESIS TESTING (F TEST)

The F statistic test shows that all independent variables entered have an effect on the dependent variable. Where the criteria are if the level of $\alpha = 0.05$ and if the p value $< \alpha$.

- **TABEL 9 UJI HIPOTESIS SIMULTAN
ANOVA^B**



| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 11.068 | 2 | 5.534 | 79.733 | .000 ^b |
| | Residual | 2.429 | 35 | .069 | | |
| | Total | 13.497 | 37 | | | |

g. Dependent Variable: Kinerja_Keuangan_Y1

h. Predictors: (Constant), Solvabilitas_X2, Rasio_Likuiditas_X1

Sumber Data Primer Yang Diolah , 2024

Table 8, the results of the simultaneous test (F Test) show that both independent variables, namely the **Liquidity Ratio (X1)** and **Solvency (X2)**, together have a significant effect on the dependent variable **Financial Performance (Y1)**. The calculated **F value** is **79.733** with a significance value of **0.000**, which means it is smaller than the α level = 0.05.

This shows that the regression model used is statistically significant, and the independent variables included in the model have a significant effect on the dependent variable. Thus, it can be concluded that the Liquidity Ratio (X1) and Solvency (X2) have a significant effect in predicting the company's Financial Performance (Y1)

PEMBAHASAN

Based on the results of the study, it shows that the liquidity ratio has a positive and significant effect on the financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The t-test produces a t-value of 8.171 with a significance value of 0.000, which means that the alternative hypothesis (H_a) is accepted and the null hypothesis (H_o) is rejected. This finding is in line with previous studies which also found that companies with good liquidity tend to have a greater ability to meet short-term obligations, which has a positive impact on profitability, measured by Return on Assets (ROA). In a study by Nita Ruth Sari Sitepu (2022), the liquidity ratio was also found to have a significant effect on the financial performance of pharmaceutical companies, although the period analyzed was 2016-2020. The study showed that the liquidity ratio contributed 89.61% to financial performance, while the solvency ratio did not show a significant effect in the same period. This confirms the importance of the liquidity ratio in the context of the financial performance of pharmaceutical companies. high reflects the use of greater debt to fund operational activities, which contributes to increased ROA. However, in a study by Nita Ruth Sari Sitepu (2022), the solvency ratio did not show a significant effect on financial performance in the 2016-2020 period. This shows that although solvency is important, its impact may vary depending on the time context and market conditions. Therefore, the results of this study emphasize that although there is consistency in the effect of liquidity and solvency ratios on financial performance, external and temporal factors must be considered in further analysis.

CONCLUSION

From the results of data analysis, hypothesis testing, and discussion, the following conclusions can



be drawn from this study. Partially, Liquidity has a positive and significant effect on the financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023. The t-test produces a t-count value of 8.171 with a significance value of 0.000, which means that the alternative hypothesis (H_a) is accepted and the null hypothesis (H_o) is rejected and partially solvency also shows a positive and significant effect on the financial performance of pharmaceutical companies on the IDX. With a t-count of 5.447 and a significance value of 0.000, these results support the acceptance of the alternative hypothesis (H_a) accepted and the null hypothesis (H_o) rejected. Simultaneously, Liquidity and Solvency have a significant effect on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the period 2021 to 2023. An R Square of 0.820 is obtained, which means that if converted into a percentage it will produce an R Square of 82%..

LIMITATION

The limitations of this study related to the title "The Effect of Liquidity and Solvency Ratios on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the 2021-2023 Period" include several aspects. First, the study only focuses on pharmaceutical companies listed on the IDX with a relatively short time period, namely 2021 to 2023, so the results cannot be generalized to other sectors or longer periods. Second, the independent variables analyzed are limited to liquidity and solvency ratios, while other factors that may affect financial performance, such as profitability, operational efficiency, or macroeconomic conditions, are not included in the research model. In addition, the relatively small sample size, namely 33 reports from 11 companies, may limit the study's ability to describe the financial performance of the pharmaceutical industry as a whole. This study also does not consider external influences, such as economic policies, fluctuations in raw material prices, or the impact of the pandemic, which can significantly affect the results. Finally, the analysis method used is only multiple linear regression, without using other approaches that might provide additional insight into the relationship between variables.

REFERENCES

- Dewa, A. P., & Sitohang. 2015. Analisis Kinerja Keuangan PT. Indofood Sukses Makmur Tbk di Bursa Efek Indonesia. *Jurnal Ilmu Dan Riset Manajemen*, 4(3), 6.
- Gujarati, D. N. 2003. *Basic Econometric Forth Edition*. Mc Graww-Hill.
- Hantono. 2018. *Konsep Analisa Laporan Keuangan Dengan Pendekatan Rasio dan SPSS*. CV BUDI UTAMA.
- Harmono. 2017. *Manajemen Keuangan*. BUMI AKSARA.
- Hery. 2016. *Analisis Laporan Keuangan Integrated and Comprehensive Edition*. PT Grasindo.
- Kasmir. 2016. *Analisis Laporan Keuangan*. PT. Raja Grafindo Persada.
- Kiatin, N., & Riswati, F. 2024. PENGARUH RASIO LIKUIDITAS, RASIO SOLVABILITAS DAN RASIO AKTIVITAS TERHADAP KINERJA KEUANGAN PERUSAHAAN INDUSTRI FARMASI TBK TAHUN 2019-2021. (*JEBS*) *Jurnal Ekonomi, Bisnis Dan Sosial*, 2(1), 55–64.
- Munawir, & Meutia, R. 2021. Faktor-Faktor Yang Mempengaruhi Kinerja Keuangan: Studi Kasus Kabupaten/Kota Di Aceh. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, 6(4), 1.
- Nurriyah, I., Ayu, D., Permatasari, R., Fadhilah, J., Gunardi, G., Karyadi, K., & Sugiyanto, S. 2022. Pengaruh Analisis Rasio Keuangan Terhadap Kinerja Keuangan Perusahaan Pada Bank Negara



- Indonesia (Pt. Bni). *Jurnal Co ...*, 4(3), 721–724. <https://journal.ikopin.ac.id/index.php/co-management/article/view/2247%0Ahttps://journal.ikopin.ac.id/index.php/co-management/article/download/2247/1838>
- R, & Mansur, U. 2022. Blue Economy : Kesimbangan Perspektif Ekonomi dan Lingkungan. *Senakota ...*, 1(1), 75–82. <https://prosiding.senakota.nusaputra.ac.id/article/view/12>
- Rahman, S. B. Al, & Suselo, D. 2022. Pengaruh Likuiditas, Solvabilitas Dan Aktivitas Terhadap Kinerja Keuangan Pada Perusahaan Farmasi Yang Terdaftar Di BEI. *Jurnal Ekonomi, Manajemen, Bisnis Dan Sosial (EMBISS)*, 2(2), 229–236.
- Rohmah, M. 2019. *Pada Perusahaan Farmasi Yang Terdaftar*. Universitas Bhayangkara Surabaya.
- Sari, P. N. K., Jariah, A., & Rizal, N. 2023. Pengaruh Rasio Likuiditas, Solvabilitas dan Aktivitas Terhadap Kinerja Keuangan Perusahaan Sub Sektor Farmasi Periode 2019-2022. *Jobman: Journal of Organization and Business Management*, 6(2), 465–473.
- Sitepu, N. R. S. 2022. *Pengaruh Rasio Likuiditas dan Rasio Solvabilitas terhadap Kinerja Keuangan pada Perusahaan Farmasi yang Terdaftar di BEI Periode 2016–2020* [Universitas Medan Area]. u
- Sjahrial, D., Purba, D., & Gunawan. 2017. Akuntansi Manajemen. In *Edisi kedua* (Edisi Kedu). MITRA WACANA MEDIA.
- Sumodiningrat, G. 2001. *Ekonometrika Pengantar*. PFEY Yogyakarta.
- Umay, S. 2019. *PENGARUH RASIO LIKUIDITAS, SOLVABILITAS, DAN AKTIVITAS TERHADAP KINERJA KEUANGAN PT UNIHOME LESTARI*. SEKOLAH TINGGI ILMU EKONOMI INDONESIA SURABAYA.



THE INFLUENCE OF INTELLECTUAL CAPITAL, LIQUIDITY, AND OPERATIONAL EFFICIENCY ON THE GROWTH OF BANKING PROFITABILITY IN INDONESIA (CASE STUDY OF BANKING COMPANIES 2020-2023)

Balqis Nathasa¹, Purnama Yanti Purba², Harwin Kaur³, Naomi Christie Angela Sipayung⁴, Jhon Raphael Saragih⁵

^{1,2,3,4} Universitas Prima Indonesia

⁵ Politeknik Kesejahteraan Sosial Bandung

Co- author : purnamayantipurba@unprimdn.ac.id

ABSTRACT

The phenomenon of increasing ROA in banking since 2021, the importance of intellectual capital, liquidity, and operational efficiency in a company and the results of previous research motivate this research. The purpose of this study is to determine whether Intellectual Capital, Liquidity, and Operational Efficiency affect banking growth in Indonesia. The type of research used is casual explanatory. The data analysis method is multiple linear regression analysis. The technique of determining the sample is purposive sampling. The results showed that partially Intellectual Capital has a positive and significant effect on the growth of banking profitability, Liquidity does not affect and is insignificant to the growth of banking profitability, and Operational Efficiency has a negative and significant effect on banking growth in Indonesia listed in BEI in 2020-2023. In addition, simultaneously shows that Intellectual Capital, Liquidity, and Operational Efficiency have a positive and significant effect.

Keywords: Intellectual Capital, Liquidity, Operational Efficiency, Profitability and Banking in Indonesia

INTRODUCTION

The banking industry in Indonesia plays a crucial role in supporting the country's economy. Banks are institutions that collect funds from the public through demand deposits, savings, and time deposits, then channel these funds to those in need in the form of loans or credit, as well as offering other banking services (Asiska et al. 2023). The primary goal of banks is to generate profit from their operational activities (Aini et al. 2020).

Table 1: Research Phenomenon

| No. | Tahun | ROA (%) |
|------------|---------------|----------------|
| 1. | Desember 2020 | 1,59% |
| 2. | Desember 2021 | 1,85% |



| | | |
|----|---------------|-------|
| 3. | Desember 2022 | 2,45% |
| 4. | Desember 2023 | 2,76% |

Source: Secondary data obtained, 2024

From the table above, it can be seen that ROA in 2021 has increased from the previous year. In 2022 it increased significantly from 2021 to 2.45% and in 2023 it also increased, indicating that ROA has increased consistently over the past 4 years. From the ROA phenomenon table, the researcher wants to examine more deeply whether the factors are the reason for the growth of ROA over the past 4 years, where the researcher takes the variables of intellectual capital, liquidity and operational efficiency as a reference for whether the three variables are the reason for the growth in profitability of banking companies in Indonesia. The reason the researcher took the intellectual capital variable was because in the competitive competition between banking companies today, intellectual capital consists of human capital, customer relations and innovation which are banking assets in increasing the competitiveness of the company. The reason researchers took the intellectual capital variable is because in the current competitive competition between banking companies, intellectual capital consists of human resources, customer relations and innovation which are banking assets in adding to the competitiveness of the company. This study is to assess how far intellectual capital can influence the growth of banking. in liquidity, researchers want to understand how liquidity can affect profitability by looking at the ability of banks to manage customer funds. in some cases that researchers see, the inability of banks to manage liquidity can have an impact on the growth of banking profitability. Operational efficiency was analyzed due to increased banking competition in Indonesia where banks are required to manage funds efficiently without reducing the ability to increase banking profitability.

Profitability is a ratio that shows how efficiently a company generates profit or earnings (Kasmir, 2019). Profitability is also a factor that influences the sustainability of a bank; the higher the profitability, the better it is for the bank's continuity (Asiska et al. 2023). The ratio used to measure this is Return on Assets (ROA), which indicates how effectively a company uses its assets to generate profit.

To enhance profitability, it is essential for banks to manage their intellectual capital. A bank's success is determined not only by its tangible assets but also by its intangible assets, which include the knowledge, expertise, and creativity of its human resources. Although most



companies can manage their tangible assets, not all realize the importance of managing their intangible assets (Rahmadi et al. 2021). Effective intellectual capital management is crucial for banks to stay competitive and improve profitability.

In addition, bank liquidity is vital to determine a bank's ability to meet short-term obligations, or in other words, the bank's capacity to settle debts as they come due (Kasmir, 2019). The Loan to Deposit Ratio (LDR) is used to assess a company's liquidity level. Operational efficiency is also crucial in determining a bank's profitability. The more efficiently a bank manages its resources and conducts its operations, the higher the profitability it can achieve (Putri et al. 2019). The operational efficiency ratio used in this study is the Operational Expense to Operating Income (BOPO) ratio. A lower BOPO ratio indicates higher profitability.

In addition, researchers are interested in comparing the results of research conducted by Angraini et al. (2021) who found that intellectual capital partially has a significant effect on profitability in manufacturing companies. With that, researchers want to examine in depth whether intellectual capital can also have a significant effect on the profitability of banking companies. The results of research conducted by Suryadi et al. (2022) who found that liquidity had a positive and insignificant effect on banking companies in Indonesia in 2016-2020. Therefore, researchers conducted research on banking companies in the 2020-2023 period to see whether banking companies have been able to manage their liquidity. Research conducted by Ilmiha et al. (2023) found that operational efficiency has a positive and insignificant effect on manufacturing companies. In that case, researchers want to examine in depth how operational efficiency in banking companies in Indonesia.

LITERATURE REVIEW

Intellectual Capital

According to Halim (2021), intellectual capital refers to human resources in the form of employees, skills, and experience that companies use to generate profits. In this study, intellectual capital is measured based on the value added from VACA, VAHU, and STVA. The combination of these three value-added components is known as VAIC (Value Added Intellectual Coefficient), a model developed by Pulic (1998, 1999, 2000). The formulation and calculation steps for VAIC, as outlined in Berliana et al. 2021, are as follows:



1. Calculating Value Added (VA)

Value Added (VA) is computed as the difference between a company's output and input:

$$\mathbf{VA = Output - Input}$$

Output: Total sales and other income

Input: Sales expenses and other costs (excluding employee costs)

2. Calculating Value Added Capital Employed (VACA)

VACA measures the amount of Value Added generated by one unit of physical capital, indicating the contribution of each unit of Capital Employed (CE) to the organization's value added.

$$\mathbf{VACA = VA / CE}$$

CE (Capital Employed): Funds available, including equity and net income

VA: Value Added

3. Value Added Human Capital (VAHU)

VAHU is an indicator of how much Value Added (VA) can be produced with the funds spent on labor. This ratio shows the contribution made by each rupiah invested in Human Capital (HC) to the organization's Value Added (VA)

$$\mathbf{VAHU = VA / HC}$$

VA: Value Added

HC (Human Capital): Total expenses related to employees

4. Calculating Structural Capital Value Added (STVA)

This ratio measures the amount of Structural Capital (SC) required to generate 1 rupiah of Value Added (VA) and indicates the effectiveness of Structural Capital in creating value.

$$\mathbf{STVA = SC / VA}$$

SC (Structural Capital): Calculated as VA-HC

VA: Value Added

5. Calculating Value Added Intellectual Capital (VAIC)



VAIC indicates the intellectual capability of an organization, which can also be considered as a Business Performance Indicator (BPI). VAIC is the sum of the three previously calculated components, which are:

$$\text{VAIC} = \text{VACA} + \text{VAHU} + \text{STVA}$$

Previous research on the relationship between Intellectual Capital and profitability, conducted by Mahardika et al. 2018 and Yustyarani et al. (2020), provides empirical evidence that Intellectual Capital has a positive and significant impact on profitability.

Liquidity

According to Kasmir (2019), the liquidity ratio functions to show or measure a company's ability to meet its obligations that have already matured, both to external parties and within the company itself.

The Loan to Deposit Ratio (LDR) can be formulated as follows:

$$\text{LDR} = \text{Total Loans Given} / \text{Total Deposits} \times 100\%$$

Previous research on the relationship between liquidity and profitability, conducted by Asiska et al. (2023) and Wulandari et al. (2022), provides empirical evidence that liquidity has a negative impact on profitability.

Efficiency Operational

According to Moorcy et al. (2020), the ratio used to measure the operational efficiency of a bank is the Operational Expense to Operating Income (BOPO) ratio. A lower BOPO ratio indicates that the bank is managing its operational costs efficiently and generating greater profits.

The BOPO ratio can be formulated as follows:

$$\text{BOPO} = \text{Operational Expenses} / \text{Operating Income} \times 100\%$$

Previous research on the relationship between operational efficiency and profitability, conducted by Janah et al. (2018) and Faradilla et al. (2021), provides evidence that operational efficiency has a negative impact on profitability

Profitability

According to Kasmir (2019), the profitability ratio is used to assess a company's ability to



generate profits. The higher the Return on Assets (ROA) of a bank, the higher the level of profitability and the more efficient the bank is in using its assets to generate profit.

The Return on Assets (ROA) ratio can be formulated as follows:

$$\text{ROA} = \text{Net Profit After Tax} / \text{Total Assets} \times 100\%$$

Research Hypothesis

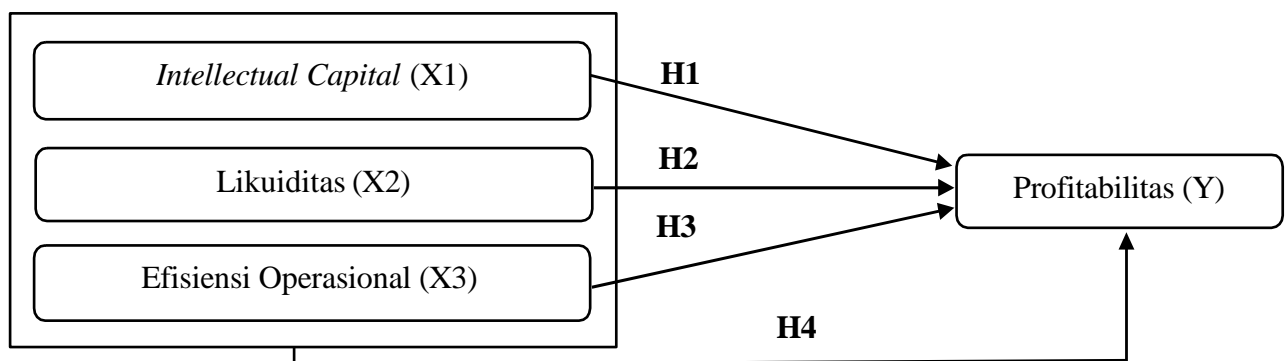


Figure 1. Research Framework

METHODS

The method used is a quantitative research approach. This approach is carried out by collecting data in the form of numbers and analyzed using statistical testing methods. The type of research used is causal explanatory which aims to determine the relationship between several independent variables and the dependent variable.

The type of data used is secondary data, namely annual banking financial reports obtained from the Indonesia Stock Exchange (IDX) website.

In this study, data were obtained through the documentary method, by searching for supporting data or theories from books, journals and articles related to the issue being studied, as well as collecting banking financial statement data from the official website of the Indonesia Stock Exchange site for 2020-2023. The analysis method used is descriptive with a quantitative approach.

According to Sugiyono (2013), Population is a generational area consisting of objects / subjects that have certain qualities and characteristics set by researchers to study and draw conclusions. The population that will be used in this study is the financial statements of banking companies



listed on the Indonesia Stock Exchange (IDX) in 2020-2023. According to Sugiyono (2013), the sample is a small part of the number or characteristics possessed by the population, therefore the sample taken from the population must be truly representative. The samples used in this study are banking companies listed on the Indonesia Stock Exchange (BEI) in 2020-2023. In this study, sampling was carried out using Purposive Sampling technique with the process of selecting sample criteria in the following table:

Tabel 2. Sampel Selection Tabel

| Criteria | Total |
|--|-------|
| Banking companies listed on the IDX consecutively in 2020-2023 | 47 |
| Banking companies that did not publish audited financial statements for the years 2020-2023. | (2) |
| Banking companies that made a profit (loss) in 2020-2023 | (17) |
| Sample Quantity | 28 |
| Number of Research Samples (28 x 4) | 112 |

Source: Processed Data, 2024

With the criteria above, there are 28 companies that qualify as research samples with a research span of 4 years (28 x 4).

Hypothesis Test used is Multiple Linear Regression Analysis. Multiple Linear Regression Analysis is used to measure how influential the independent variable (X) is on the dependent variable (Y).

RESULTS

Classical Assumption Test

1. Normality Test

**Tabel 3. Normality Test Before Outlier
One-Sample Kolmogorov-Smirnov Test**

| | Unstardarized Residual |
|---------------------------------|------------------------|
| N | 112 |
| Test Statistic | .305 |
| Asymp. Sig (2-tailed) | .0001 |
| Monte Carlo Sig (2-tailed) Sig. | .0001 |
| 99% Confidence Lower Bound | .000 |



Interval

Upper Bound

.000

Source: Processed Data, 2024

Based on table 3. Above, shows the value of *Asymp. Sig (2-tailed)* value of 0,0001. This value does not meet the assumption of normality whose significance value is 005. In this situation, what must be done is to treat the abnormal data to normal by deleting the outlier data. According to Ghozali (2018) outliers are data that have unique characteristics that look different from other observations and appear in the form of extreme values in both single variables and combination variables.

Outlier testing uses *casewise diagnostics* to remove data that has extreme values, so the results of the normality test after removing outliers are in the following table

**Tabel 4. Normality Test After Outlier
One-Sample Kolmogorov-Smirnov Test**

| | | | Unstandardized Residual |
|----------------------------|----------------|-------------|--------------------------------|
| N | | | 94 |
| Test Statistic | | | .091 |
| Asymp. Sig (2-tailed) | | | .052 |
| Monte Carlo Sig (2-tailed) | Sig. | | .051 |
| | 99% Confidence | Lower Bound | .045 |
| | Interval | | |
| | | Upper Bound | .057 |

Source: Processed Data, 2024

From table 4. shows that the value of *Asymp. Sig (2- tailed)* is 0.052, where this value meets the normality test whose significant value is 0.05.

Apart from using the Kolmogorov-Smirnov test, there is also a normality test by looking at the histogram and probability plot.

a. Histogram

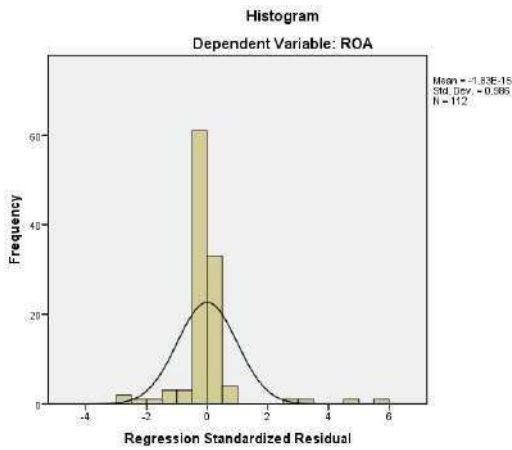


Figure 2. Before Outlier

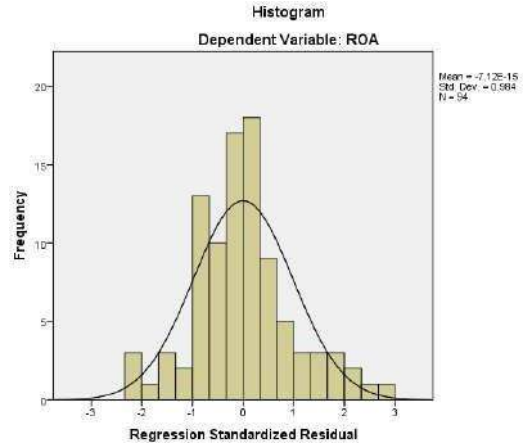


Figure 3. After Outlier

Source: Processed Data, 2024

The test results in Figure 2. before outliers show that the data does not form a bell curve and leans to the left so it can be concluded that the data is not normally distributed and in Figure 3. After outliers shows that the data forms a bell curve and is not normally distributed leaning to the right and left, which can be concluded that the data is normally distributed.

b. Probability Plot

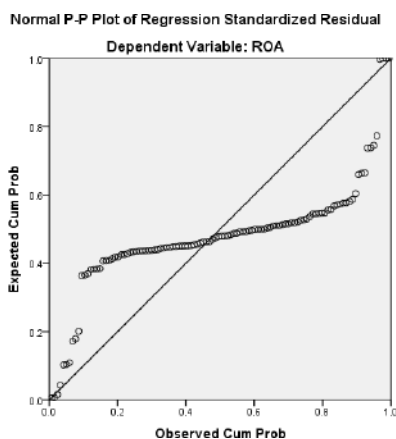


Figure 4. After Outlier

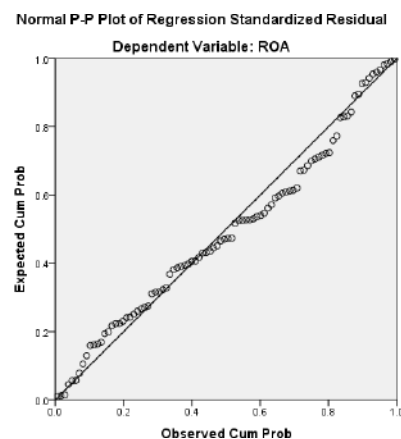


Figure 5. Before Outlier

Source: Data Processed 2024

In the test results it can be seen that in Figure 4. before outliers shows that the data moves away and does not spread following the diagonal line, it can be concluded that the data is not normally distributed. In the results of testing Figure 5. after outliers shows that the data approaches and



follows the diagonal line, which can be concluded that the data is normally distributed.

2. Multicollinearity Test

Tabel 5. Multicollinearity Test Before Outlier

| Model | Collinearity Statistics | |
|--------------|-------------------------|-------|
| | Tolerance | VIF |
| 1 (Constant) | | |
| IC | .994 | 1.006 |
| LDR | .808 | 1.237 |
| BOPO | .808 | 1.238 |

Source: Processed Data, 2024

Tabel 6. Multicollinearity Test after Outlier

| Model | Collinearity Statistics | |
|--------------|-------------------------|-------|
| | Tolerance | VIF |
| 1 (Constant) | | |
| IC | .996 | 1.004 |
| LDR | .666 | 1.502 |
| BOPO | .668 | 1.498 |

Source: Processed Data, 2024

From table 5. multicollinearity test before outliers can be seen that the tolerance value of intellectual capital (X1) worth 0.996, liquidity (X2) worth 0.808 and operational efficiency (X3) worth 0.808 has a tolerance value > 0.1 . While the VIF value of intellectual capital (X1) worth 1.006, liquidity (X2) worth 1.237 and operational efficiency (X3) worth 1.238 has a VIF value < 10 . In table 6. multicollinearity test after outliers can be seen that the tolerance value of intellectual capital (X1) worth 0.996, loan to debt ratio (X2) worth 0.666 and operational efficiency (X3) worth 0.668 has a tolerance value > 0.1 . While the VIF value of intellectual capital (X1) worth 1.004, liquidity (X2) worth 1.502 and operational efficiency (X3) worth 1.498 has a VIF value < 10 . So it can be concluded that there is no multicollinearity.

3. Autocorrelation Test

Tabel 7. Autocorrelation Test before Outlier

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .604 ^a | .365 | .347 | 1.48870 | 2.482 |

Source: Processed Data, 2024



Tabel 8. Autocorrelation Test After Outlier

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .977 ^a | .955 | .954 | .22163 | 1.532 |

Source: Processed Data, 2024

It can be seen in table 7. autocorrelation test before outliers that the Durbin-Watson value is 2.482. The dU value in the DW table is 1.7472 so that the 4-dU value is 2.2528, so there is autocorrelation because $dU < d > 4-dU$ ($1.7472 < 2.482 > 2.2528$). In tabel 8 the autocorrelation test after outliers has a Durbin-Watson value of 1,532. The dU value in the DW table is 1.7306 so that the 4-dU value is 2.2694, so there is autocorrelation because $dU > d < 4-dU$ ($1.7306 > 1.532 < 2.2694$). to make it so that there is no autocorrelation, the researcher conducts the cochrane- orcutt test.

Table 9. Autocorrelation Test After Cochrane-Orcutt Test

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| | .981 ^a | .962 | .960 | .21620 | 1.996 |

Source: Processed Data, 2024

The conclusion from the table above shows that there is no autocorrelation because $dU < d < 4-dU$ ($1.7306 < 1.996 < 2.2694$).



4. Heteroscedasticity Test

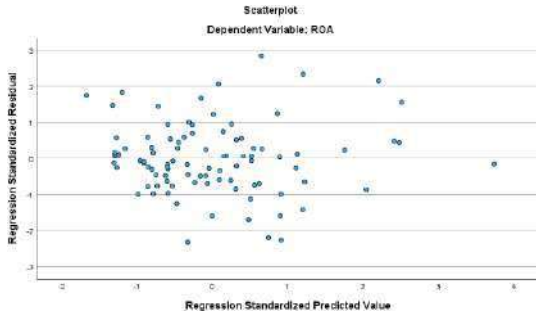


Figure 6. Before Outlier

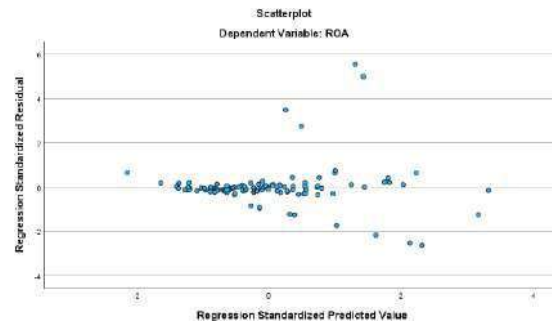


Figure 7. After Outlier

Source: Processed Data, 2024

It can be seen from Figure 6. before outliers can be seen that the distribution of points looks quite random above and below the zero axis, so the data does not experience heteroscedasticity. In Figure 7. after outliers shows that the points spread randomly with an even distribution above and below the zero axis, which means that the data does not experience heteroscedasticity.

Hypothesis Test

1. Multiple Linear Regression Analysis

Tabel 10. Results of Multiple Linear Regression Analysis Results

| | | Coefficients ^a | | | | |
|-------|------------|-----------------------------|---------------------------|-------|---------|------|
| | | Unstandardized Coefficients | Standardized Coefficients | | | |
| Model | | B | Std. Error | Beta | t | Sig |
| 1 | (Constant) | 8.261 | .237 | | 34.862 | .001 |
| | IC | .006 | .001 | .130 | 5.802 | .001 |
| | LDR | -.001 | .001 | -.037 | -1.364 | .176 |
| | BOPO | -.082 | .002 | -.984 | -35.968 | .001 |

Source: Processed Data, 2024

Based on the results of the table above, the conclusions that can be drawn are

$$Y = a + 11 - 22 - 33 + e$$



$$\text{ROA} = 8.261 + 0.006 (\text{IC}) - 0.001 (\text{LDR}) - 0.082 (\text{BOPO}) + e$$

2. Coefficient of Determination (R^2) Testing

Tabel 11. Results of Coefficient of Determination (R^2) Testing

Modal Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---|----------|-------------------|----------------------------|
|-------|---|----------|-------------------|----------------------------|



| | | | | |
|---|-------------------|------|------|--------|
| 1 | .977 ^a | .955 | .954 | .22163 |
|---|-------------------|------|------|--------|

Source: Processed Data, 2024

Based on the table above, it shows that the Adjusted R² value is 0.954 which means that the effect of intellectual capital, liquidity and operational efficiency variables on profitability variables is 95.4% and 4.8% is influenced by other factors that are not included in the research mode

3. Simultaneous Hypothesis Testing (F-Test)

Tabel 12. Results of the F-Test

| ANNOVA ^a | | | | | | |
|---------------------|------------|----------------|----|-------------|---------|------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 93.838 | 3 | 31.279 | 636.796 | .001 |
| | Residual | 4.421 | 90 | .049 | | |
| | Total | 98.259 | 93 | | | |

Source: Processed Data, 2024

From the table above, it is known that the Fcount value is 636.796 which shows that Fcount > Ftable which is 2.70. The Ftable value is obtained from the formula $F_{table} = (k; n-k)$ where k is the number of independent variables and n is the number of research samples. The final result of the Ftable formula can be used as a reference to find the Ftable value in the distribution of statistical Ftable values. The conclusion that can be drawn is that the variables of *intellectual capital*, liquidity and operational efficiency simultaneously have a positive and significant effect on the profitability of banking companies in Indonesia.

4. Partial Hypothesis Testing (T-Test)

Tabel 13. Result of the T-Test

| Model | T | Sig. |
|--------------|---------|------|
| 1 (Constant) | 34.862 | .001 |
| IC | 5.802 | .001 |
| LDR | -1.364 | .176 |
| BOPO | -35.968 | .001 |

Source: Processed Data, 2024

With a significance level of 0.05 and Ttable of 1.984 which is obtained from the formula Ttable



= $(\alpha/2; n-k-1)$ where α is the research confidence level which is 0.05 then n is the number of research samples and k is the number of independent variables. The final results of the Ttable formula can then be used to find the Ttable value in the distribution of statistical Ttable values. Then the conclusions from the table above are as follows:

- a. The intellectual capital (IC) variable obtained a Tcount > Ttable value of $5.802 > 1.984$ with a significant value of $0.001 < 0.05$. It can be concluded that the intellectual capital (IC) variable partially has a positive and significant effect on profitability (ROA).
- b. The liquidity variable (LDR) obtained a Tcount < Ttable value of $1.364 < 1.984$ with a significant value of $0.176 > 0.05$. It can be concluded that the liquidity variable (LDR) partially has a negative and significant effect on profitability (ROA).
- c. The operational efficiency variable (BOPO) obtained a Tcount < Ttable value of $35.968 < 1.984$ with a significant value of $0.001 < 0.05$. It can be concluded that the operational efficiency variable (BOPO) partially has a negative and significant effect on profitability (ROA).

DISCUSSION

The first hypothesis in SPSS statistical testing shows Tvalue > Ttable of $5.802 > 1.984$ with a significant value of $0.001 < 0.05$ which states that intellectual capital affects the growth of banking profitability in Indonesia. The results of this study are in line with previous research conducted by Aini et al. (2020), Nabila et al., (2021) and Carolina et al. (2023) which states that intellectual capital partially has a positive and significant effect on profitability. This shows that the management and utilization of intellectual capital in the form of human resources can increase profitability. Increased profitability has a positive impact on the company because it can attract investors to invest in the company.

The second hypothesis in SPSS statistical testing shows Tcount < Ttable of $1.364 < 1.984$ with a significant value of $0.176 > 0.05$ which states that liquidity partially has no effect and is not significant on the growth of banking profitability in Indonesia. The results of this study are in line with previous research conducted by Desmon et al., (2023), Chandra et al. (2020), Nurhasanah et al. (2021) and Fanesha et al., (2021) which state that liquidity has no effect on



profitability. This shows that banks do not utilize lending productively which makes liquidity high because it is caused by bad credit cases so that it can reduce the bank's ability to generate profits because banks must continue to pay interest expenses to third party funds.

The third hypothesis in SPSS testing shows the value of the calculated t-value is greater than the critical t-value with a value of $35.968 < 1.986$ and a significance level of $0.001 < 0.05$. This indicates that operational efficiency has a negative and significant effect on the growth of banking profitability in Indonesia. The results of this study are in line with previous research conducted by Oktaviani et al., (2019), Huda et al., (2019) and Amalia et al. (2022) which state that operational efficiency has a negative effect on profitability. This shows that banking companies are unable to manage operational efficiency costs properly. Low efficiency makes operating costs high which can reduce revenue. When BOPO increases, more revenue must be allocated to cover employee costs and company maintenance. The results of this study are not in line with research conducted by Lestari et al. (2020) and Pratama (2021) which state that operational efficiency affects profitability.

CONCLUSION

Based on the results of the research and discussion that has been described, the conclusions of this study are Intellectual Capital has a positive and significant partial effect on the growth of banking profitability in Indonesia for banks listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023, Liquidity partially has a negative and insignificant effect on the growth of banking profitability in Indonesia listed on the IDX in 2020-2023, and Operational Efficiency partially has a negative and significant effect on the growth of banking profitability in Indonesia listed on the IDX in 2020-2023. In addition Intellectual Capital, Liquidity and Operational Efficiency simultaneously affect the profitability growth of banks listed on the IDX in 2020-2023.

Based on the results of data analysis in this study, suggestions can be given to future researchers to expand the research variables because in this study there are 4.8% influenced by other variables that can affect profitability and it would be better if the data used covers a long period of time so that the sample used will be wider to increase the validity of the research results.



REFERENCES

- Aini, N., & Kristianti, N. (2020). Pengaruh Intellectual Capital, LDR, DAR dan TATO Terhadap Profitabilitas Pada Perusahaan Perbankan. *Jurnal Ilmiah Mahasiswa Manajemen*, 2(5).
- Amalia, D., & Diana, N. (2022). Pengaruh Biaya Operasional Terhadap Pendapatan Operasional (BOPO), Capital Adequacy Ratio (CAR), dan Financing to Deposit Ratio (FDR) Terhadap Profitabilitas (ROA) Pada Bank Bukopin Syariah Periode 2013-2020. *Jurnal Ilmiah Ekonomi Islam*, 8(01), 1095–1102.
- Angraini, Y., & Fasridon, F. (2021). Pengaruh Kepemilikan Manajerial, Modal intelektual, Struktur Modal Terhadap Nilai Perusahaan dengan Profitabilitas sebagai Variabel Intervening: Array. *Kompak: Jurnal Ilmiah Komputerisasi Akuntansi*, 14(1), 219–230.
- Asiska, V. D., & Handayani, N. (2023). Pengaruh Leverage, Firm Size dan Likuiditas Terhadap Profitabilitas Terhadap Profitabilitas Pada Perusahaan Perbankan. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 12(9).
- Berliana, G., & Hesti, T. (2021). Peran Intellectual Capital terhadap Nilai Perusahaan (Kaitan antara Nilai Tambah, Kinerja Keuangan dan Nilai Perusahaan). *Jurnal Syntax Admiration*, 2(5), 843–862. <https://doi.org/10.46799/jsa.v2i5.233>
- Carolina, S., & Maharani, N. K. (2023). Pengaruh Modal Intelektual, Dana Pihak Ketiga, Dan Non Performing Loan Terhadap Profitabilitas. *Jurnal Ilmiah Ekonomi Dan Manajemen*, 1(3), 78–88.
- Chandra, S., & Angraini, D. (2020). Pengaruh CAR, BOPO, LDR, NIM dan NPL terhadap profitabilitas bank yang terdaftar di BEI tahun 2012-2018. *Bilancia: Jurnal Ilmiah Akuntansi*, 4(3), 298–309.
- Desmon, Yulistina, & Nadhira, T. S. (2023). Analisis Pengaruh BOPO, NIM dan LDR Terhadap Profitabilitas Bank Yang Terdaftar Pada BEI Indonesia. In *Seminar Nasional-Universitas Borobudur* (Vol. 2, Issue 1).
- Fanesha, F., Muktiadji, N., & Hendrian, G. (2021). Pengaruh Loan To Deposit Ratio, Capital Adequacy Ratio, Dan Non Performing Loan Terhadap Profitabilitas Perbankan Yang Terdaftar Di Bursa Efek Indonesia (BEI). *Jurnal Ilmiah Manajemen Kesatuan*, 9(2), 131–140. <https://doi.org/10.37641/jimkes.v9i2.764>
- Faradilla, B. A., Hassan, F. Z., & Khim, S. (2021). Pengaruh Loan to Deposit Ratio Dan Biaya Operasional Pendapatan Operasional Terhadap Profitabilitas Bank: Studi Kasus pada Bank Umum Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Ilmiah Manajemen Kesatuan*, 9(3), 587–596.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25* (I. Ghozali, Ed.; 9th ed.). Badan Penerbit Universitas Diponegoro.
- Halim, K. I. (2021). Pengaruh intellectual capital, profitabilitas, dan ukuran perusahaan terhadap nilai perusahaan. *Jurnal Revenue: Jurnal Ilmiah Akuntansi*, 1(2), 227–232.
- Huda, N., Amin, M., & Mahsuni, A. W. (2019). Pengaruh DPK, NPL dan BOPO terhadap Profitabilitas perbankan yang terdaftar di Bursa Efek Indonesia. *E_Jurnal Ilmiah Riset Akuntansi*, 8(08).



- Ilmiha, J., Indria, T., & Siregar, K. N. (2023). Analisis Faktor-Faktor Kinerja Keuangan Untuk Mengurangi Resiko Kebangkrutan Pada Perusahaan Manufaktur yang Terdaftar Di BEI. *Akuisisi: Jurnal Akuntansi*, 19(2), 388–395.
- Janah, N. J. N., & Siregar, P. A. (2018). Pengaruh Rasio Keuangan Terhadap Profitabilitas Perbankan Syariah Indonesia. *AT-TAWASSUTH: Jurnal Ekonomi Islam*, 3(1), 163–183.
- Kasmir. (2019). *Analisis Laporan Keuangan* (Kasmir, Ed.; Revisi). PT RajaGrafindo Persaja.
- Lestari, W. D., & Setianegara, R. G. (2020). ANALISIS PENGARUH NIM, BOPO, LDR, DAN NPL TERHADAP PROFITABILITAS (Studi Kasus Pada Bank Umum Yang Listed Di Bursa Efek Indonesia Periode 2014-2018). *Keunis*, 8(1), 82–92.
- Mahardika, E. P., & Riyadi, S. (2018). Pengaruh Intellectual Capital dan Good Corporate Governance Terhadap Profitabilitas Bank BUMN. *Perbanas Review*, 3, 64.
- Moorcy, N. H., Sukimin, S., & Juwari, J. (2020). Pengaruh fdr, bopo, npf, dan car terhadap roa pada pt. Bank syariah mandiri periode 2012-2019. *Jurnal GeoEkonomi*, 11(1), 74–89.
- Nabila, F., Surasni, N. K., & Husnan, L. H. (2021). Pengaruh intellectual capital dan struktur modal terhadap nilai perusahaan dengan profitabilitas sebagai variabel mediasi. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 9(1).
- Nurhasanah, D., & Maryono, M. (2021). Analisa Pengaruh Rasio Keuangan Terhadap Profitabilitas Pada Perusahaan Perbankan Periode 2016–2018. *Keunis*, 9(1), 85–95.
- Oktaviani, S., Suyono, S., & Mujiono, M. (2019). Analisis Pengaruh CAR, BOPO, LDR, NIM dan ukuran perusahaan terhadap profitabilitas bank yang terdaftar di Bursa Efek Indonesia tahun 2012-2017. *Bilancia: Jurnal Ilmiah Akuntansi*, 3(2), 218–231.
- Pratama, M. S. (2021). Pengaruh BOPO, LDR, CAR, dan NPL terhadap Profitabilitas Sektor Perbankan Indonesia. *I-Finance: A Research Journal on Islamic Finance*, 7(1), 43–55.
- Putri, Y., & Gunawan, B. (2019). Pengaruh Intellectual Capital, Efisiensi Operasional, dan Islamicity Performance Index, Terhadap Profitabilitas Bank Syariah di Indonesia. *Reviu Akutansi Dan Bisnis Indonesia*, 3(1), 38–49.
- Rahmadi, I. H., & Mutasowifin, A. (2021). Pengaruh Intellectual Capital Terhadap Kinerja Keuangan dan Nilai Perusahaan (Studi Kasus Perusahaan Sektor Keuangan yang Terdaftar di Bursa Efek Indonesia Tahun 2017-2019). *INOBIS : Jurnal Inovasi Bisnis Dan Manajemen Indonesia*, 4.
- Sugiyono. (2013). *Metode Penelitian Kuantitatif, Kualitatif dan R&D* (Sugiyono, Ed.). Cv Alfabeta.
- Suryadi, A. A., Rinofah, R., & Sari, P. P. (2022). Analisis CAR, NPL, BOPO dan LDR terhadap Profitabilitas. *Al-Kharaj: Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 4(4), 1032–1049.
- Wulandari, B., Veronica, V., & Vinna, V. (2022). Pengaruh Dana Pihak Ketiga, Risiko Kredit, Loan to Deposit Ratio Dan Struktur Modal Terhadap Profitabilitas Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia. *Management Studies and Entrepreneurship Journal (MSEJ)*, 3(2), 325–335.



The Influence Of Leadership And Work Environment On Staff Performance At PT Permodalan Nasional Madani (Pnm) Siantar Branch

Yasatulo Lase, Syaifuddin, Sofiyan Matondang
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
syaifuddin@unprimdn.ac.id

Abstract

One of the reasons why employees are more productive in a company is their work environment and their leadership. Therefore, this study will investigate whether the work environment and leadership style affect the performance of employees of PT Permodalan Nasional Madani (PNM) Siantar Branch. The study was conducted using a quantitative method with 81 respondents. The results showed that work environment and leadership factors have a positive and significant impact on the performance of employees of PT Permodalan Nasional Madani (PNM) Siantar Branch. To advance in the company, leadership and work environment are the most important things.

Keywords: Leadership, Work Environment, Staff Performance, PT Permodalan Nasional Madani

INTRODUCTION

Several things can cause a company's performance to decline, one of which is poor employee performance. Therefore, a method is needed to determine the cause. Leadership factors, for example, are important factors in running an organization as a director and determining how the organization runs. Effective leadership must oversee the efforts of all employees to achieve organizational goals. Leadership is essential to achieving organizational and individual goals. A situation like this will cause an employee to be less controlled in carrying out their duties, or only achieving their personal goals. As a result, the entire organization will fail to achieve its goals.

Employee performance is one of the factors that determines employee performance; the success of the company depends on their work environment. Therefore, every company must have an appropriate work environment to ensure that employees continue to work and improve their performance. Studies show that work environment factors significantly affect employee performance (Widiasworo, 2014; Jayaweera, 2015; Malik, 2011). A supportive work environment allows employees to be involved in their performance. Research by Raziq and Maulabakhsh (2015) shows that a supportive work environment increases employee production and performance, which in turn will increase organizational effectiveness and can reduce costs incurred by the company. PT. Permodalan Nasional Madani (PNM) Siantar Branch will be the subject of the study. PT PNM (Persero) is a state-owned financial institution established by the government to develop, advance, and maintain micro, small, and medium enterprises (MSMEs). PT PNM (Persero) has the ability to operate based on Sharia principles in carrying out its operations. One of the company's strategic objectives in realizing the government's commitment is to improve the company's position and role as a provider of financing and management services supported by various products and services, both conventional and sharia financial services for the MSMEK sector.



This can be seen from several initial problems, such as lack of lighting in some places. Poor work quality and efficiency will be caused by lack of lighting (Sukoco and Muhyi (2006). In addition, lack of lighting causes the eyes to tire more quickly, which causes mental fatigue and eye damage. Second, because there are not many room temperature regulators, the air temperature is not uniform in each area. Air temperature or temperature must be considered because it can affect the body temperature of workers (Badayai, 2012; Badayai, 2012). Third, some areas have an unpleasant odor. Polluted air can endanger the personal health of employees. Fourth, most of the ventilation is closed. Fifth, there is no soundproofing. Sulistiyadi stated that these vibrations can interfere with work concentration, accelerate fatigue, and cause disorders of the muscles, eyes, ears, and other body parts (Lestary & Chaniago, 2017). If not done properly, the level of employee work performance will decrease. According to other studies, the performance of educational institutions affects the quality of their education (Nurhakim & Dewi, 2021; Sopandi, 2019). Based on the description above, the author wants to conduct research on the influence of the work environment and leadership on the performance of employees of PT Permodalan Nasional Madani (PNM) Siantar Branch.

LITERATURE REVIEW

Management

Hendry Fayol argues that companies must perform six functions if they want to be successful. These functions include implementing management, which means making forecasts and preparing organizational plans, carrying out commands, coordinating and supervising, implementing forecasts, and providing tools to study the future. Furthermore, preparing an action plan, which means forming a single structure in the form of materials and management. Nasir (2019) said that management is a discipline and art to achieve goals through the actions of others.

Management is considered an art because in achieving organizational goals, a leader relies heavily on their ability to influence their subordinates to achieve them. Management is the process of planning, organizing, leading, and controlling in the efforts of organizational members and the use of all available resources to achieve organizational goals. Management is a process that distinguishes between: planning, organizing, driving, implementing and supervising, by utilizing both science and art, in order to complete previously set goals (Syahputra & Aslami, 2023).

Human Resource Management

Human Resource Management is the process of planning, organizing, coordinating, implementing, and supervising the procurement, development, and separation of labor to achieve organizational goals (Mangkunegara & Octorend, 2015). Human resources can be defined as the process of acquiring, training, assessing, and compensating employees by considering their employment relationships, health, safety, and fairness issues (Dessler, 2011). With the aim of increasing the productive contribution of the organization's human resources to the founder, human resource management is defined as a strategy for implementing management functions such as planning, organizing, leading, and controlling in every activity or operational operation of human resources, starting from recruitment, selection, training, and placement development (Agustin et al., 2018). The science that studies how to empower employees in organizations, create jobs, work groups, develop employees who have abilities, and find ways to improve



employee performance and compensate employees for their efforts and work (Bohlarander and Snell, 2010).

The recognition that the human element is very important and dominant in every organization is what is called human resource management. Therefore, HRM is a process of planning, organizing, directing, and supervising that involves the development, integration, maintenance, and release of human resources to achieve various goals of individuals, society, government customers, and related organizations (Sihotang, 2007). From the definition above, it can be concluded that human resource management is part of organizational management that focuses on human resource elements. The task of human resource management is to manage human resources effectively to ensure that employees are given jobs that are appropriate to their positions so that they can work effectively to achieve the goals of the company or organization.

Leadership

According to Hanan (2020), leadership is all actions or actions that force others to achieve common goals. The way to encourage employees to work together and be productive to achieve organizational goals is through leadership. According to Siagian in Azis (2006:83), leadership is management, namely moving organizational resources and instruments. The success or failure of an organization in achieving its goals depends on how leaders act. Leadership is defined as the ability to take the initiative in social situations to create new forms and procedures, design and organize actions, and encourage cooperation to achieve goals. (Tanjung, 2022). While Nurhalim et al. (2023) found in their literature the definition of leadership that influences the determination of organizational goals and motivation, followers to achieve goals, influence to improve groups and cultures.

Leadership according to Pradana (2018), includes efforts to lead, encourage, and help others to achieve goals in a certain way, as long as the goals and methods are determined or agreed upon by those people. According to Hutahean & SE (2021), leadership is a person's ability to lead and influence others in the workplace with the aim of achieving predetermined goals. According to Napitupulu et al. (2020), the term "leadership" comes from the word "pimpin", which has the prefix "pe" and the suffix "an," which indicates the attributes possessed by the individual holding the position. Directing, fostering or organizing, demanding, and showing or influencing are all meanings of the word leadership. Function refers to the function or task performed by something, or the function of a part of the body. While the function of leadership is directly related to the social situation in the life of each group/organization. The function of leadership is a social phenomenon, because it must be realized in interactions between individuals in the social situation of a group/organization.

Work Environment

According to Agussalim et al. (2023), the work environment is "everything that is around workers and affects them in carrying out the tasks assigned." In other words, a good work environment will allow workers to do their jobs well. Warsito (2008) stated that the work environment is "an environment in which employees carry out their daily tasks and work." In addition, employees have psychological desires that must be met so that they can do their job well. The opinion above shows that two factors that affect employee performance are the physical work environment and the psychological work environment. The physical work environment relates to conditions that affect the physical health of employees, while the



psychological work environment relates to the mental health of employees.

The work environment consists of various groups and facilities that help achieve business goals in accordance with the vision and mission of the organization (Sedarmayanti, 2013). As stated by Mangkunegara and Octorend (2015), the work environment includes all elements related to work regulations, psychological and physical in the workplace, as well as all other elements that can affect job satisfaction and productivity achievement. Marpaung & Mekaniwati (2020) describe the work environment as a place where workers work, which can impact their performance, their safety, and their quality of life at work. Non-physical work environment factors include interactions in the workplace between superiors and subordinates and between fellow employees, as well as lighting, temperature/air temperature, humidity, air circulation, and noise, according to research and several experts ((Furqon, 2007; Samson, 2015; Agastia, 2014). So, the focus of work environment research is how employees feel safe, comfortable, calm, and satisfied when completing their tasks in their workplace. Conversely, inadequate working conditions can lead to decreased output. An employee will not be comfortable working in an unsupportive workplace, which is an important factor in organizational commitment happy to work in a company or organization with a good work environment. This is similar to melodious music, even though the sound is small, but it has a big impact on how effectively and efficiently the work is done.

Based on the explanation above, it can be concluded that the work environment has a significant influence on the level of employee commitment to the organization. The following are some expert comments on the work environment. The work environment, according to Mangkunegara (2017), includes all the tools, materials, and environment where a person works, their work style, and work arrangements, both individually and in groups. This is in line with Wursanto's definition (2009), which states that the work environment is everything related to physical and psychological aspects that directly or indirectly affect workers. Furthermore, a good or appropriate work environment is defined as an environment where people can do their work optimally, healthily, safely, and comfortably. Based on the definitions of the experts above, it can be said that the work environment is everything around the worker, both physically and non-physically, which affects the tasks given. A good work environment will encourage and increase worker enthusiasm, so that they can achieve job satisfaction. Management must consider the employee's work environment when establishing a company. Environmental indicators have a strong correlation with variables that affect the workplace. According to Sedarmayanti (2014), work environment indicators include lighting, air temperature, noise, use of color, required space, job security, and employee relations. The indicators above show the physical and non-physical environment, where by looking at these indicators we can examine the state of the work environment of an organization.

The employee's work environment can affect their performance technically and socially. The work environment is the things that are around workers and can affect how they do the work given to them. According to Sedarmayanti (2014), the work environment consists of all the tools, materials, and equipment in the environment where a person works, their work methods, and their recognition and work both individually and in groups.

Staff Performance

Performance is the result that can be achieved by an individual or group of individuals in



an organization. In an effort to achieve the goals of the organization concerned legally, each individual fulfills his/her authority and responsibility in accordance with the law and in accordance with morals and ethics. Performance, according to Simanjuntak (2005), is defined as the level of achievement of a result or the implementation of a particular task. Business performance is determined by the level of achievement of results in order to realize business goals. Activities carried out to improve the performance of an organization or company, including the performance of individuals and work groups, are called performance management. However, according to Hariandja (2008), performance is the result of a worker's work or real behavior shown by a worker according to their role in the organization.

Employee performance is defined as the result of carrying out tasks given to employees according to the criteria set, based on several definitions of the data above. Human resources are the most important component in achieving good performance. Good planning will be in vain if workers are not qualified and not enthusiastic. When viewed in terms of quality and quantity felt by the company, the work results achieved by an employee must be able to make a significant contribution to the company. These work results must also be very beneficial for the interests of the company both now and in the future.

Performance Indicators

Employee performance is basically what they do or do not do. Employee performance affects how much they contribute to the organization and the contributions they can make to the organization. Performance indicators are work quality, output quantity, dependability, and cooperative attitude, according to Mangkunegara (2002). From the description above, the author concludes that employees are expected to improve their work quality, become more dependable, show attitudes towards their company, and cooperate with each other. In this case, leaders can also motivate their employees to improve performance.

RESEARCH METHOD

To find out how the work environment and leadership affect employee performance, this study uses economics and HR management science. This study uses explicit research to find and limit research to be relevant and can be studied (Zikmund et al., 2000). The variables used are leadership, work environment, and staff performance. To process all variable data, SmartPLS software uses the partial least square approach to analyze the structural equation model. PT Permodalan Nasional Madani (PNM) Siantar Branch is where this investigation was conducted. This study involved employees of BUMN PT Permodalan Nasional Madani (PNM) Siantar Branch. By using the maximum likelihood estimation method of 81 respondents, this study refers to the first rule. The researcher used the purposive sampling method because the respondents needed for this study must meet specific criteria. Secondary data and primary data are the types and sources of data used in this study.

Operational Definition

So that this operational definition will provide limitations to researchers, this definition must explain the method of measuring the variables. In this study, the variables studied are the influence of work environment and leadership on employee performance at PT Permodalan Nasional Madani (PNM) Siantar Branch. Each variable is scored based on a Likert scale, with SS (Strongly Agree), S (Agree), N (Neutral), TS (Disagree), and STS (Strongly Disagree) scores each receiving a score of 1.



Table 1. Operational Definition of Variables

| No | Variables | Operational Definition | Dimensions | Size | Questionnaire Code |
|----|-----------------|---|---|----------|--------------------|
| 1 | Leadership (X1) | The drive that drives PNM staff to do something in order to achieve a certain goal. | The boss always gives more motivation to the staff | Interval | X1 1 |
| | | | My boss and I always discuss in determining the strategy in the company | | X1 2 |
| | | | My boss always gives me tasks that can be carried out | | X1 3 |
| | | | according to my abilities. | | |
| | | | The superior always provides input and what needs to be evaluated for the good of the company. The superior always reminds the staff to always work as a team in the company. | | X1 4 |
| | | | The superior always provides input and what needs to be evaluated for the good of the company. The superior always reminds the staff to always work as a team in the company. | | X1 5 |



| | | | | | |
|----|------------------------|---|---|----------|------|
| 2 | Work environment(X2) | All activities and facilities are provided to support staff to be more enthusiastic about working and take the work they have done seriously. | I feel that the facilities provided by the company are in accordance with my needs. | Interval | X2 1 |
| | | | The company is always ready to hear employee complaints | | X2 2 |
| | | | Supervisors always provide positive guidance to each employee | | X2 3 |
| | | | The boss always treats every staff in the company fairly | | X2 4 |
| | | | I feel very satisfied with the habit of greeting and supporting each other in the company environment | | X2 5 |
| Y3 | Staff Performance (Y2) | The collection of feelings and beliefs that people have about their jobs or are one of the most important job attitudes in work, which have the potential to influence various behaviors in the organization and contribute to the level of | I am satisfied with the job I am currently doing. | Interval | Y2 1 |
| | | | I hold fast to the values that were passed down by the previous leader. | | Y2 2 |
| | | | I feel that moral values, ethics, and commitment are an important part of working. | | Y2 3 |
| | | | I am ready to innovate very quickly when I start working. | | Y2 4 |



| | | | | |
|--|--|----------------------|--|------|
| | | employee well-being. | My superiors have always given direction to subordinates before carrying out their duties. | Y2 5 |
| | | | I feel that my performance has improved every year | Y2 6 |

Data collection technique

Data collection is a systematic and standard procedure for obtaining the necessary data. To collect research data, the author uses methods including Observation and Questionnaires.

Validity and Reliability Test

To test the validity of the indicator model or formative dimension, the cross-loading value whose provisions are construct values greater than 0.50 is evaluated. The VIF value can also be used for analysis. VIF values outside the model with a score of <5 indicate that the construct is valid or worthy of consideration for further analysis. Composite reliability and Cronbach's alpha are two criteria that can be used to test the reliability of the indicator model or reflective dimension. The construct is declared reliable if the combined value and Cronbach's alpha are each above 0.70. Descriptive analysis is also used in research to convert the initial data set into a more concise and easy-to-understand format (Istijanto, 2005). The purpose of descriptive analysis is to mathematically describe conditions. Descriptive analysis used in this study is needed to find out about things related to the object of research.

RESULT AND DISCUSSION

The Influence of Leadership on Staff Performance

According to Suwarno & Bramantyo (2019), the success and improvement of staff performance are influenced by the leadership style of a leader. The leadership style of a leader manages the institution and motivates employees to improve their performance. Effective leadership depends on conscience, values, norms, ethics, freedom, trust, supervision, ready to accept criticism, firmness, and respect for innovation, creativity, and motivation. Leadership style improves performance, which includes better social competence, personality competence, and professional competence. This is in line with research by Sukmawati et al. (2020), which found that leadership style partially has a positive and significant effect on staff performance. In addition, according to Katiandagho et al. (2014), research findings show that leadership style has a significant impact on staff performance. In accordance with the previous ahi perspective, leadership has a significant impact on employee performance. Leaders as one of the determinants of the direction and goals of the organization should be able to control work behaviors and direct them to employee performance. In contrast to research by Tripambudi et al (2022) The results of this study show that leadership does not have a significant effect on performance but has a significant effect on motivation. Leadership does not have a significant effect on performance through motivation. In accordance with the ahi view above, leadership has the potential to influence staff performance, but there is also a possibility that it has no effect.



The Influence of the Work Environment on Staff Performance

Every employee in an organization always wants a comfortable, safe, and conducive work environment because it can increase work enthusiasm and encourage discipline in working. With a good work environment, work discipline can run well. Building discipline in the workplace will certainly increase productivity and enthusiasm. One of the things to consider when working is their work environment. A healthy, safe, and comfortable work environment allows employees to do their jobs well and achieve optimal results (Tyas & Sunuharyo, 2018). The working relationship formed between fellow employees, the physical environment where employees work, and the working relationship between subordinates and superiors are all examples of the work environment (Sunarsi et al., 2020). The work environment affects employee performance (Sunuharyo, 2018). Staff performance is a person's success in working, good performance is performance that is in accordance with the procedures or procedures according to applicable standards (Tyas & Sunuharyo, 2018). A good work environment is a supporting factor for employee performance because it creates a good working atmosphere that can encourage employee productivity. As stated by Siagian in (Ratnasari & Sutjahjo, 2021), a good work environment increases work passion, which contributes to increased productivity and work performance. In addition, the work environment can affect employee job satisfaction because the working conditions in the company affect employee job satisfaction. Therefore, the work environment affects employee performance gradually.

The Influence of Leadership on Career Development

According to Yaverbaum and Sherman (2008), "Leadership is the act of getting collaboration from people to achieve something." Getting others to work together to achieve a certain goal is known as leadership. According to Bush et al. (2000), "leadership" means influencing the actions of others to achieve the desired goal. Therefore, career development can be influenced by leadership. According to the career development theory of Eli Ginzberg et al. (Ginzberg, 1972), children and adolescents go through three stages of career choice: fantasy, tentative, and realistic. Dewi and Zamzam's study (2019) shows that career development is greatly influenced by leadership. As a result, leadership is essential to support staff development and performance.

The Influence of the Work Environment on Career Development

The work environment is very important for employees because it affects the quality of their work and the career development of the company or organization that we will enter. Therefore, HR is one of the most important components in a company. According to Susan (2019), due to increasing competition in the modern world, businesses must have high-quality human resources to succeed. The work environment is a component outside the worker, both physical and non-physical, in an organization. Several experts describe the work environment as follows: the work environment is positively correlated with career development and the work environment affects the work results of the organization. As shown by the research of Sari et al. (2023) that both the work environment and work quality have a positive impact on career development. Therefore, it can be said that the work environment has an influence on career development.

CONCLUSION

The results show that work environment and leadership factors have a positive and



significant effect on employee performance at PT Permodalan Nasional Madani (PNM) Siantar Branch. Companies can improve their quality only through leadership. In order for a company to progress, the work environment is also important. Therefore, it can be concluded that to make a company better, the work environment and leadership must be the most important components.

REFERENCES

- Agastia, N. P. A. (2014). *Pengaruh Lingkungan Kerja Fisik, Komunikasi, dan Kepemimpinan terhadap Kinerja Karyawan PT. BPR Merta Sedana Badung* (Doctoral dissertation, Udayana University).
- Agustin, F. R., Arfianti, D. Y., Nikmah, K., & Muammar, F. (2018). Ada Apa Dengan Manajemen Sumber Daya Manusia Di Sidoarjo.
- Agussalim, M., Delvianti, D., & Cahyani, A. H. (2023). The Influence of the Work Environment and Work Discipline on the Performance of Employees at the Mukomuko Regional General Hospital, Bengkulu. *Dinasti International Journal of Management Science*, 4(6), 1240-1248.
- Bush, W. R., Pincus, J. D., & Sielaff, D. J. (2000). A static analyzer for finding dynamic programming errors. *Software: Practice and Experience*, 30(7), 775-802.
- Badayai, A. R. A. (2012). A theoretical framework and analytical discussion on uncongenial physical workplace environment and job performance among workers in industrial sectors. *Procedia-Social and Behavioral Sciences*, 42, 486-495.
- Bohlarander, G., & Snell, S. (2010). *Principles of Human Resource. Management*, Mason.
- Dessler, G. (2011). *Human resource management twelfth edition*.
- Dwinanda, G. (2022). Efek Pendidikan dan Pelatihan Melalui Kompetensi dan Imbasnya Terhadap Kinerja Pada PT Barru Barakah Property. *Nobel Management Review*, 3(2), 261-273.
- Dewi, A., & Zamzam, F. (2019). Kepemimpinan, Kompetensi Dan Kinerja Pengaruhnya Terhadap Pengembangan Karir Aparatur Di Kota Palembang. *Jurnal Ecoment Global*, 4(2), 118-133.
- Furqon, C. (2007). *Budaya organisasi. Yogyakarta: STIM YKPN*.
- Ginzberg, E. (1972). Toward a theory of occupational choice: A restatement. *Vocational guidance quarterly*, 20(3), 2-9.
- Hanan, W. M. (2020). *Implementasi manajemen sumber daya manusia dalam meningkatkan pengelolaan zakat: Studi deskriptif BAZNAS Kota Bekasi* (Doctoral dissertation, UIN Sunan Gunung Djati Bandung).
- Hutahaean, W. S., & SE, M. T. (2021). *Filsafat dan Teori Kepemimpinan*. Ahlimedia Book.
- Istijanto, 2005. *Aplikasi Praktis Riset Pemasaran*. Jakarta : PT Gramedia Pustaka
- Jayaweera, T. (2015). Impact of work environmental factors on job performance, mediating role of work motivation: A study of hotel sector in England. *International journal of business and management*, 10(3), 271.
- Katiandagho, C., Mandey, S. L., & Mananeke, L. (2014). Pengaruh Disiplin Kerja Kepemimpinan Dan Motivasi Terhadap Kinerja Pegawai Pada Pt. Pln (Persero) Wilayah Suluttenggo Area Manado. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 2(3).
- Lestary, L., & Chaniago, H. (2017). Pengaruh lingkungan kerja terhadap kinerja karyawan.



- Jurnal Riset Bisnis Dan Investasi*, 3(2), 94-103.
- Mangkunegara, (2002), Manajemen Sumber Daya Manusia, PT. Remaja Rosda Karya, Bandung.
- Mangkunegara, A. P., & Octorend, T. R. (2015). Effect of work discipline, work motivation and job satisfaction on employee organizational commitment in the company (Case study in PT. Dada Indonesia). *Marketing*, 293, 31-36.
- Mangkunegara. 2017. Manajemen Sumber Daya Manusia. Perusahaan, Bandung : Remaja Rosdakarya.
- Marpaung, B., & Mekaniwati, A. (2020). Pengaruh Kualitas Produk, Harga, Promosi Dan Pelayanan Terhadap Kepuasan Konsumen Serta Dampaknya Pada Keputusan Pembelian: Studi Pada Konsumen Alat Mesin Pengolah Kopi Di PT. Karya Mitra Usaha. *Jurnal Ilmiah Manajemen Kesatuan*, 8(1), 29-38.
- Malik, H. (2011). Determinants of insurance companies profitability: an analysis of insurance sector of Pakistan. *Academic research international*, 1(3), 315.
- Nurhakim, Y. F., & Dewi, D. A. (2021). Peran Pendidikan Kewarganegaraan Dalam Pembentukan Karakter Pada Anak Generasi Milenial. *JURNAL PEKAN: Jurnal Pendidikan Kewarganegaraan*, 6(1), 116-125.
- Nurhalim, N., Saputra, M. Z. A., Ningsih, N. S., Amirullah, A., Musli, M., & Jamrizal, J. (2023). Konsep Kepemimpinan: Pengertian, Peran, Urgensi dan Profil Kepemimpinan. *Jurnal Pendidikan Tambusai*, 7(1), 2070-2076.
- Nasir, M. (2019). An analysis of work discipline, work environment and employment satisfaction towards performance. *Jurnal Manajemen Bisnis*, 11(1), 65-75.
- Napitupulu, F. I. R., Wijaya, C. H., Prangdimurti, E., Akyla, C., Yakhin, L. A., & Indriyani, S. (2020). Comparison of Several Processing Methods in Preserving the Flavor Properties of Andaliman (*Zanthoxylum acanthopodium* DC.) Fruit. *Journal of Engineering & Technological Sciences*, 52(3).
- Pradana, M. A. (2018). *Pengaruh gaya kepemimpinan transformasional dan transaksional terhadap kinerja karyawan (studi pada karyawan tetap pt. Mustika bahana jaya, lumajang)* (Doctoral dissertation, Brawijaya University).
- Ratnasari, S. L., & Sutjahjo, G. (2021). Pengaruh Gaya Kepemimpinan, Budaya Organisasi, Motivasi, Dan Lingkungan Kerja Terhadap Kinerja Pegawai. *Jurnal Manajemen, Organisasi Dan Bisnis*, 1(4), 593-602.
- Raziq, A., & Maulabakhsh, R. (2015). Impact of working environment on job satisfaction. *Procedia Economics and finance*, 23, 717-725.
- Sopandi, A. (2019). Pengaruh kompetensi profesional dan kompetensi kepribadian terhadap kinerja guru. *Scientific Journal of Reflection: Economic, Accounting, Management and Business*, 2(2), 121-130.
- Singarimbun*, Masri dan Sofian Effendi. 1989. Metode. Penelitian Survei. Jakarta. LP3ES.
- Samson, G. N. (2015). Waiganjo, Maina. Koima, Joel. (2015). Effect of Workplace Environment on the Performance of Commercial Banks Employees in Nakuru Town. *International Journal of Managerial Studies and Research (IJMSR) Volume*, 3, 76-89.
- Syahputra, R. D., & Aslami, N. (2023). Prinsip-Prinsip Utama Manajemen George R. Terry. *Manajemen Kreatif Jurnal*, 1(3), 51-61.
- Sedarmayanti, S. (2013). Kinerja Petugas Pajak Bumi Dan Bangunan Di Kecamatan Cibatu



- Kabupaten Purwakarta. *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu Dan Praktek Administrasi*, 10(3), 414-427.
- Sedarmayanti. (2014). *Sumber Daya Manusia dan Produktivitas Kerja*. Jakarta: Mandar Maju.
- Sari, E. J., Rasyid, M. Z. F., & Khosasih, R. (2023). Pengaruh Lingkungan Kerja Dan Kualitas Kerja Terhadap Pengembangan Karir Terhadap Pengembangan Karir Pada Karyawan Pt. Bri (Persero) Cabang Kotabaru. *Jurnal Economina*, 2(3), 869-877.
- Sukmawati, E., Ratnasari, S. L., & Zulkifli, Z. (2020). Pengaruh gaya kepemimpinan, komunikasi, pelatihan, etos kerja, dan karakteristik individu terhadap kinerja karyawan. *Jurnal Dimensi*, 9(3), 461-479.
- Susan, E. (2019). Manajemen sumber daya manusia. *Adaara: Jurnal Manajemen Pendidikan Islam*, 9(2), 952-962.
- Simanjuntak, B. H. (2005). Menyongsong era baru akuntansi pemerintahan di Indonesia. *Jurnal Akuntansi Pemerintah*, 1(1), 9-18.
- Suwarno, S., & Bramantyo, R. Y. (2019). Pengaruh gaya kepemimpinan terhadap kinerja organisasi. *Transparansi Hukum*, 2(1).
- Sunarsi, D., Rohaeni, N., Wulansari, R., Andriani, J., Muslimat, A., Rialmi, Z., ... & Fahlevi, M. (2020). Effect of e-leadership style, organizational commitment and service quality towards indonesian school performance. *Syst. Rev. Pharm*, 11(10), 472-481.
- Sihotang, A. (2007). Manajemen sumber daya manusia. *Jakarta: Pradnya Paramita*, 1-110.
- Siagian, Sondang P, 2006. *Manajemen Sumber Daya Manusia*, Cetakan Ketiga belas. Jakarta: Bumi Aksara.
- Tanjung, M. (2022). The Effect Of Motivation And Emotional Intelligence On Kinemployee Work In Central Tapanuli District Government. *International Journal of Science, Technology & Management*, 3(6), 1623-1631.
- Tripambudi, K., Kirana, K. C., & Welsa, H. (2022). Analisis beban kerja dan stres kerja selama pandemi covid-19 terhadap kinerja guru dengan quality of work life sebagai variabel intervening. *AKUNTABEL: Jurnal Ekonomi dan Keuangan*, 19(1), 123-134.
- Tyas, R. D., & Sunuharyo, S. B. (2018). Pengaruh disiplin kerja dan lingkungan kerja terhadap kinerja karyawan. *Jurnal Administrasi Bisnis (JAB) Vol*, 62.
- Widiasworo, L. (2014). Pengaruh lingkungan kerja terhadap kinerja karyawan. *Universitas Indonesia*, 1.
- Wursanto, I. (2009). *Dasar-Dasar Ilmu Organisasi*, edisi dua. Yogyakarta: Andi.
- Warsito, B. (2008). Pengaruh Imbalan dan Lingkungan Kerja Terhadap Kepuasan Kerja (Studi Pada Pegawai Perusahaan Daerah Air Minum Pemerintah Kota Malang). *Jurnal Ekonomi Modernisasi*, 4(3), 184-193.
- Yaverbaum, E., & Sherman, E. (2008). *The Everything Leadership Book: Motivate and inspire yourself and others to succeed at home, at work, and in your community*. Simon and Schuster.
- Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2000). *Business research methods* (Vol. 6). Fort Worth, TX: Dryden Press.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE INFLUENCE OF ORGANIZATIONAL CLIMATE AND ORGANIZATIONAL CULTURE ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE AT THE REGIONAL INSPECTORATE OF SOUTH LABUHANBATU REGENCY.

Agus Salim, Melinawati , Robert Tua Siregar , Salman Faris, Tuty Nainggolan

^a Universitas Prima Indonesia

ABSTRACT

This study aims to determine whether Organizational Climate and Organizational Culture affect Performance through Job Satisfaction as an intervening variable at the Regional Inspectorate of South Labuhanbatu Regency. The research was conducted on permanent employees (PNS) at the Regional Inspectorate of South Labuhanbatu Regency. The population in this study was 32 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 32 people. The data collection techniques used are primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, sobel test and path analysis. The results obtained in this study indicate 1) there is a positive and significant influence between Organizational Climate on Job Satisfaction, 2) there is a positive and significant influence between Organizational Culture on Job Satisfaction, 3) there is a positive and significant influence between Organizational Climate on Performance, 4) there is a positive and significant influence between Organizational Culture on Performance, 5) there is a positive and significant influence between Job Satisfaction on Performance, 6) there is a positive and significant influence between Organizational Climate on Performance through Job Satisfaction as an intervening variable, 7). There is a positive and significant influence between Organizational Culture on Performance through Job Satisfaction as an intervening variable.

Keywords: Organizational Culture, Organizational Climate, Job Satisfaction, and Performance.

INTRODUCTION

Organizational climate is the process of placing the right people in the right place. However, before the placement process is carried out, the first thing to do is to carry out the selection process. According to Hariandjo (2006) Organizational Climate is the process of assigning / filling positions or reassigning to new tasks / positions or different positions. Mutation is an element that always occurs in companies and organizations. As is known, mutation is a change in position / position / place / work carried out by the top leadership of the organization to someone, namely employees (management and non-management) both horizontally and vertically (promotion / demotion) within one organization, this is part of human resource development (HR). According to Dhanian (2010) workload is a set or number of activities that must be completed by an organizational unit or position holder within a certain period of time. Wirawan (2007) states that Organizational Culture is an influence that directly affects the performance of individuals in the organization as a result of a set of patterns and environments that generate motivation and focus on a reasonable



understanding and have values. Organizational climate is also commonly referred to as the work atmosphere that arises due to the relationship of each individual in the organization which can then be felt by all individuals in an organization. Based on the phenomena that occur in the Labuhanbatu Regency Health Office, the researcher is interested in conducting a study related to this phenomenon with the title "The Effect of Organizational Climate and Organizational Culture on Employee Performance Through Job Satisfaction as an Intervening Variable at the Regional Inspectorate of South Labuhanbatu Regency".

LITERATURE REVIEW

According to Sutrisno (2016) "Performance is the result of employee work seen from the aspects of quality, quantity, work time, and cooperation to achieve the goals set by the organization." According to Wibowo (2014), performance indicators are as follows: goals, standards, feedback, tools or means, competencies, motives, opportunities. According to Tagiuri and Litwin in Wirawan (2007) organizational climate is the quality of the organization's internal environment that is relatively ongoing, experienced by members of the organization, affects their behavior and can be described in terms of a set of characteristics or properties of the organization. According to Wirawan (2007), organizational climate indicators include: structure, commitment, responsibility, appreciation, standards, support. According to Fahmi (2013), organizational culture is a habit that has been going on for a long time and is used and applied in the life of work activities as one of the drivers to improve the quality of work of employees and company managers. According to Hari (2015), the indicators of organizational culture are as follows: innovative taking into account risks, results-oriented, oriented to all employee interests, detail-oriented to the task. According to Davis and Newstrom (1985), "job satisfaction is a set of employee feelings about whether their job is pleasant or not". According to Yuwono in Badriyah (2015), identifying job satisfaction indicators are as follows: wages, promotions, supervision, benefits, contingent rewards, operating procedures, co-workers, nature of work, communication.

The effect of organizational climate on job satisfaction based on research conducted by Fitri Afriani (2013) with the title The Effect of Organizational Climate on Employee Job Satisfaction at the Kepenuhan Hulu District Office obtained the following research results, namely the organizational climate has a significant effect on employee job satisfaction at the Kepenuhan Hulu District Office as indicated by the hypothesis test where t count and t table, also seen from the significance value where the Sig. value is smaller than 0.050. The effect of organizational culture on job satisfaction based on research conducted by Bella Kinanti (2022) with the title The Effect of Organizational Culture, Work Environment and Motivation on Employee Job Satisfaction of PT Nov Profab in Batam City obtained research results showing that the significance value of



0.031 < 0.05, so it is concluded that organizational culture has a significant effect on employee job satisfaction. Based on research conducted by Raudhatul Janah, Zarina Akbar, and Elindra Yetti (2019) with the title *The Effect of Organizational Climate on the Performance of PAUD Teachers in Depok City*, the following research results were obtained which concluded that there was a positive direct effect of organizational climate on the performance of PAUD teachers in Depok City with a correlation coefficient value of 0.612 and a path coefficient value of 0.442. The effect of organizational culture on performance based on research conducted by Yara Mira Sartika (2020) with the title *The Effect of Organizational Culture, Organizational Commitment, and Job Stress on Employee Performance of PT. Danapati Abinaya Investema (Jaktv)* obtained the following research results which prove that partially organizational culture has an influence on employee performance, organizational commitment has no effect on employee performance, and job stress has an influence on employee performance. The effect of job satisfaction on performance based on research conducted by Alfian Nurrohmat and Rini Lestari (2021) with the title *The Effect of Job Satisfaction on Employee Performance* obtained the following research results which show that job satisfaction and employee performance at PT Kahatex in Bandung Regency are included in the "Good" criteria. Job satisfaction affects employee performance at PT Kahatex in Bandung Regency.

METHODS

The approach in this study is to use an associative approach, an associative approach is an approach where to find out that there is a relationship or influence between the two variables (independent variable and dependent variable). In this study, the independent variable X_1 is Organizational Climate, X_2 is Organizational Culture, Z is Job Satisfaction and the dependent variable Y is Performance.



RESULTS
Normality Test

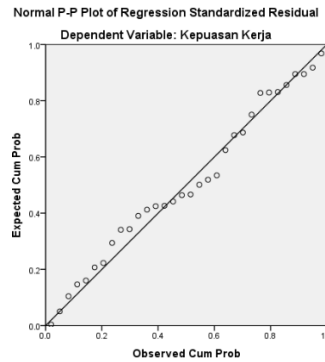


Figure 1. Normality Test Results of Sub Model I

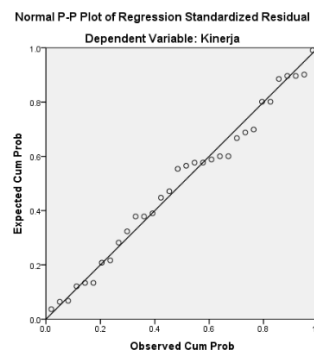


Figure 2. Normality Test Results of Sub Model II

Multicollinearity Test

Table 1. Multicollinearity Test Results Sub Model I

| Model | Unstandardized Coefficients | | Standardized Coefficients | | t | Sig. | Collinearity Statistics | |
|------------------------|-----------------------------|------------|---------------------------|--|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | | Tolerance | VIF |
| | | | | | | | | |
| 1 (Constant) | 47.884 | 3.080 | | | 15.548 | .000 | | |
| Organizational Climate | .305 | .090 | .513 | | 3.370 | .002 | .972 | 1.029 |
| Organizational Culture | .291 | .116 | .384 | | 2.521 | .017 | .972 | 1.029 |

a. Dependent Variable: Job Satisfaction

Source: Primary Data Processed, 2024



Multicollinearity Test Table Sub Model II

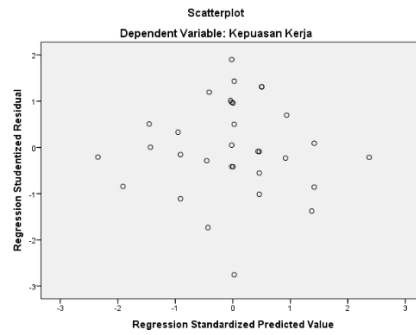
Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 54.294 | 5.112 | | 10.621 | .000 | | |
| Organizational Climate | .452 | .058 | .986 | 7.800 | .000 | .699 | 1.431 |
| Organizational Culture | .142 | .069 | .242 | 2.048 | .049 | .797 | 1.254 |
| Job Satisfaction | .376 | .101 | .487 | 3.729 | .001 | .655 | 1.528 |

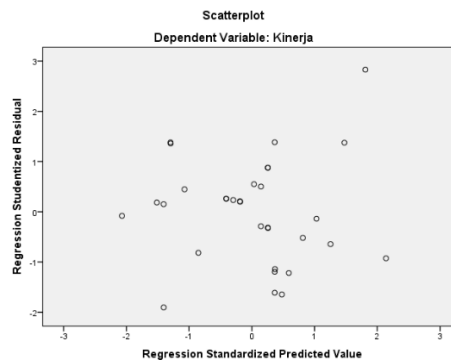
a. Dependent Variable: Performance

Source: Primary Data Processed, 2024

Heteroscedasticity Test



Heteroscedasticity Test Results Sub Model I



Heteroscedasticity Test Results Sub Model II



Hypothesis Test

Table 3. Sub Model I t-test results

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 47.884 | 3.080 | | 15.548 | .000 |
| Organizational Climate | .305 | .090 | .513 | 3.370 | .002 |
| Organizational Culture | .291 | .116 | .384 | 2.521 | .017 |

a. Dependent Variable: Job Satisfaction

Source: Primary Data Processed, 2024

Table 4. Sub Model II t-test results

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 54.294 | 5.112 | | 10.621 | .000 |
| Organizational Climate | .452 | .058 | .986 | 7.800 | .000 |
| Organizational Culture | .142 | .069 | .242 | 2.048 | .049 |
| Job Satisfaction | .376 | .101 | .487 | 3.729 | .001 |

a. Dependent Variable: Performance

Source: Primary Data Processed, 2024

Sobel Test

Table 5. Sobel Test Results

| Variables | Unstandardized | Std. Error | Test Statistic | Std. Error | P-Value |
|--|----------------|------------|----------------|------------|---------|
| Organizational Climate on Job Satisfaction | 0.305 (a) | 0.090 | 2.506 | 0.045 | 0.012 |
| Job Satisfaction on Performance | 0.376 (b) | 0.101 | | | |
| Organizational Culture on Job Satisfaction | 0.291 (a) | 0.116 | 2.080 | 0.052 | 0.037 |
| Job Satisfaction to Performance | 0.376 (b) | 0.101 | | | |



Source: Data Processed with *Calculation for the Sobel Test*, 2024

Direct Effect Path Analysis

To calculate the direct effect or DE, the following formula is used:

1. The direct effect of Organizational Climate (X_1) on Performance (Y) is 0.986.
2. The direct influence given by Organizational Culture (X_2) on Performance (Y) is 0.242.

Indirect Effect Path Analysis (IDE)

To calculate the indirect effect or IDE, the following formula is used:

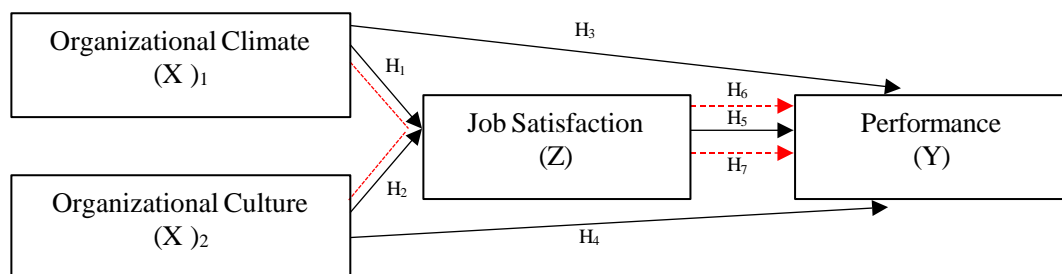
1. The indirect effect of Organizational Climate (X_1) on Performance (Y) through Job Satisfaction (Z), namely $0.513 \times 0.487 = 0.249$.
2. The indirect effect of Organizational Culture (X_2) on Performance (Y) through Job Satisfaction (Z), which is $0.384 \times 0.487 = 0.187$.

Path Analysis of Total Effect

Based on the explanation above, a path diagram can be drawn on

1. The total effect given by the Organizational Climate variable (X_1) on Performance (Y) is the direct effect plus the indirect effect, namely $0.986 + 0.249 = 1.235$.
2. The total influence given by the Organizational Culture variable (X_2) on Performance (Y) is the direct effect plus the indirect effect, namely $0.242 + 0.187 = 0.429$.

Based on the explanation above, a path diagram can be drawn as follows:



DISCUSSION

Effect of Organizational Climate on Job Satisfaction

Based on the results of testing the first hypothesis, it is known that Organizational Climate has a significant effect on Job Satisfaction at the Regional Inspectorate of South



Labuhanbatu Regency. This is supported by research conducted by Fitri Afriani (2013) with the title The Effect of Organizational Climate on Employee Job Satisfaction at the Kepenuhan Hulu District Office, I Gusti Ngurah Pranata, and I Wayan Mudiarta Utama (2019) with the title The Effect of Organizational Climate on Turnover Intention with Job Satisfaction as a Mediating Variable, and Edi Sugiono, Dina Oktofarita Hidayat, and Suryono Efendi (2020) with the title The Effect of Organizational Climate, Training And Compensation on Job Satisfaction And Its Impact on Employee Performance Mantab Al Hamid Foundation which states that Organizational Climate has an influence on Job Satisfaction.

Effect of Organizational Culture on Job Satisfaction

Based on the results of testing the first hypothesis, it is known that Organizational Culture has a significant effect on Job Satisfaction at the Regional Inspectorate of South Labuhanbatu Regency. This is supported by research conducted by Diah Pranitasari and Cici Bela Saputri (2020) with the title The Effect of Organizational Culture and Work Environment on Work Motivation and Its Impact on Employee Job Satisfaction, Syamsul Akmal, Raisnaiyah (2020) with the title The Effect of Organizational Culture and Compensation on Employee Job Satisfaction at the Gampong Community Empowerment Service (Dpmg) Pidie Regency, and Bella Kinanti (2022) with the title The Effect of Organizational Culture, Work Environment and Motivation on Job Satisfaction of PT Nov Profab Employees in Batam City which states that Organizational Culture has an influence on Job Satisfaction.

Effect of Organizational Climate on Performance

Based on the results of testing the first hypothesis, it is known that the Organizational Climate has a significant influence on the Performance of the Regional Inspectorate of Labuhanbatu Selatan Regency. This is supported by research conducted by Raudhatul Janah, Zarina Akbar, and Elindra Yetti (2019) with the title Effect of Organizational Climate on the Performance of PAUD Teachers in Depok City, Jufrizen and Tasya Fadillah Noor (2022) with the title Effect of Work Motivation and Organizational Climate on Employee Performance Mediated by Organization Citizenship Behavior, and Dinie Anisa Triastuti (2018) with the title Effect of Work Environment, Competence and Organizational Climate on Employee Performance which states that Organizational Climate has an influence on Performance.

Effect of Organizational Culture on Performance

Based on the results of testing the first hypothesis, it is known that Organizational Culture has a significant influence on the Performance of the Regional Inspectorate of South



Labuhanbatu Regency. This is supported by research conducted by Vivin Rosvita, Endang Setyowati and Zaenal Fanani (2017) with the title Effect of Organizational Culture on Employee Performance, Yara Mira Sartika (2020) with the title Effect of Organizational Culture, Organizational Commitment, and Job Stress on Employee Performance of PT. Danapati Abinaya Investema (Jaktv), and Arendra Amodita Siswandi and Damarsari Ratnasahara Elisabeth (2023) with the title Effect of Compensation, Work Discipline and Organizational Culture on Employee Performance which states that Organizational Culture has an influence on Performance.

Effect of Job Satisfaction on Performance

Based on the results of testing the first hypothesis, it is known that Job Satisfaction has a significant influence on the Performance of the Regional Inspectorate of South Labuhanbatu Regency. This is supported by research conducted by Wanda Febriyana and Fetty Poerwita Sary (2015) with the title Effect of Job Satisfaction on Employee Performance of PT. Kabepe Chakra 2015, Alfian Nurrohmat and Rini Lestari (2021) with the title Effect of Job Satisfaction on Employee Performance, and I Wayan Tony Andika (2022) with the title Effect of Job Satisfaction and Organizational Commitment on Employee Performance at POD Bali Chocolate Factory in Werdi Bhuana Village, Badung Regency which states that Job Satisfaction has an influence on Performance.

Effect of Organizational Climate on Performance through Job Satisfaction

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.506 > 1.96$ with a significance of $0.012 < 0.05$, it can be concluded that the Job Satisfaction variable is able to mediate the relationship between the influence of Organizational Climate on Performance. Thus it can be said that the effect of Organizational Climate will be greater on improving Performance if done through Job Satisfaction.

The Effect of Organizational Culture on Performance through Job Satisfaction

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.080 > 1.96$ with a significance of $0.037 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Job Characteristics on Performance. Thus it can be said that the effect of Job Characteristics will be greater in improving Performance if done through Job Satisfaction.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the effect of Organizational Climate and Organizational Culture on employee performance at the Regional



Inspectorate of South Labuhanbatu Regency through Job Satisfaction as an intervening variable, the following conclusions can be drawn:

1. Organizational Climate affects Job Satisfaction at the Regional Inspectorate of South Labuhanbatu Regency.
2. Organizational Culture affects Job Satisfaction at the Regional Inspectorate of South Labuhanbatu Regency.
3. Organizational climate affects performance at the Regional Inspectorate of South Labuhanbatu Regency.
4. Organizational culture affects performance at the Regional Inspectorate of South Labuhanbatu Regency.
5. Job Satisfaction affects Performance at the Regional Inspectorate of South Labuhanbatu Regency.
6. Organizational Climate affects Performance at the Regional Inspectorate of South Labuhanbatu Regency through Job Satisfaction as an intervening variable.
7. Organizational Culture affects Performance at the Regional Inspectorate of South Labuhanbatu Regency through Job Satisfaction as an intervening variable.

LIMITATION

This research can also be used as a reference for further research on workload, work discipline, job satisfaction and employee performance and supporting theories of HR and the limitations of this research.

REFERENCES

- Afandi, P. (2018). *Manajemen Sumber Daya Manusia (Teori, Konsep dan Indikator)*. Riau: Zanafa Publishing.
- Akmal, S., & Raisnayah, R. (2020). Pengaruh Budaya Organisasi dan Kompensasi Terhadap Kepuasan Kerja Pegawai Pada Dinas Pemberdayaan Masyarakat Gampong (Dpmg) Kabupaten Pidie. *Jurnal Sains Riset*, 10(2), 114-139.
- Baribin, D. P., & Cici Bela Saputri. (2020). Pengaruh Budaya Organisasi Dan Lingkungan Kerja Terhadap Motivasi Kerja Serta Dampaknya Terhadap Kepuasan Kerja Karyawan. *Jrmsi - Jurnal Riset Manajemen Sains Indonesia*, 11(1), 46-61. <https://doi.org/10.21009/JRMSI.011.1.03>
- Danang, S. (2018). *Teori Kuesioner, Dan Analisis Data Sumber Daya Manusia*. Jakarta: PT. Buku Seru.
- Dhanita, D.R. (2010). Pengaruh stres kerja, beban kerja terhadap kepuasan kerja (studi pada medical representatif di Kota Kudus). *Jurnal Psikologi Universitas Muria Kudus*, 1, 15-23.
- Dinata, N, P, K., Talim, M, B. (2022). Pengaruh Iklim Organisasi, Budaya Organisasi, Dan Kompensasi Terhadap Kinerja Pegawai Melalui Kepuasan Kerja Pegawai (Studi Kasus Kepuasan Kerja Pegawai Di Pt. Pos Indonesia Cabang Bandung)” *Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)*” Vol. 6 No. 2.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariete Dengan Program IBM SPSS 23*. Edisi 8. Semarang: Badan Penerbit Universitas Diponegoro.



- Hariadja Marihot T, E. (2006). Pemenuhan Kebutuhan Tenaga Kerja Indonesia. Jakarta: Penerbit Erlangga.
- Hariandja. (2002). Manajemen Sumber Daya Manusia: Pengadaan, Pengembangan, Pengkompensasian, dan Peningkatan Produktivitas Pegawai. Jakarta: Grasindo.
- Hartatik, Puji Indah. (2014). Buku Praktis Mengembangkan SDM. Jogjakarta: Suka Buku
- Hasibuan, M. Malayu S.P. (2009). Manajemen Sumber Daya Manusia. Edisi Revisi. Cetakan ke-12. Jakarta: Bumi Aksara
- Hasibuan, Malayu S.P. (2013). Manajemen Sumber Daya Manusia. PT. Bumi Aksara, Jakarta
- Hasibuan, Malayu S.P. (2007). Manajemen Sumber Daya Manusia. Bumi Aksara. Jakarta.
- Iskandar, H. (2010). Pengaruh Iklim Organisasi Terhadap Kepuasan Kerja Serta Dampaknya Terhadap Kinerja Pegawai.” *Equator Journal of Management and Entrepreneurship*” Vol.08, No.03 (Oktober 2020): 243-260
- Janah, R., Akbar, Z., Yetti, E. (2020). Pengaruh Budaya Organisasi terhadap Kinerja Guru PAUD di Kota Depok.” *Jurnal Obsesi : Jurnal Pendidikan Anak Usia Dini*” Volume 4 Issue 1, Pages 224-229
- Kinanti, B. (2022). Pengaruh Budaya Organisasi, Lingkungan Kerja dan Motivasi Terhadap Kepuasan Kerja Karyawan PT Nov Profab Di Kota Batam (Doctoral dissertation, Prodi Manajemen).
- Luthans, F. (2008). *Organizational Behavior*. New York: McGraw-Hill Companies, Inc
- Mangkunegara, A. P. (2017). Manajemen Sumber Daya Manusia Perusahaan (Cetakan Kesebelas). Bandung: PT Remaja Rosdakarya.
- Marihot Tua Efendi Hariandja. (2005). Manajemen Sumber Daya Manusia, Cetakan ke-3. Jakarta: Gramedia Widiasarana.
- Marwansyah. (2010). Manajemen Sumber Daya Manusia Edisi Kedua. Bandung (ID): Alfabeta.
- Morissan. (2014). Metode Penelitian Survei. Jakarta: Kencana Prenadamedia Group.
- Priyatno, D. (2014). SPSS 22: Pengolahan Data Terpraktis. Yogyakarta: Andi Offset.
- Rivai, V., & Basri. (2005). Performance appraisal: Sistem yang tepat untuk menilai kinerja karyawan dan meningkatkan daya saing perusahaan. Jakarta: PT Raja Grafindo Persada
- Sanusi, A. (2011). Metode Penelitian Bisnis. Jakarta: Salemba Empat.
- Sastrohadiwiryo, Siswanto. (2003). Manajemen Tenaga Kerja Indonesia Pendekatan Administratif dan Operasional. Cetakan Pertama. Bumi Aksara, Jakarta.
- Siagian SP. (2012). Teori Motivasi dan Aplikasinya. Jakarta : Rineka Cipta
- Siahaan, S., Bahri, S. (2019). Pengaruh Penempatan, Motivasi, Dan Lingkungan Kerja Terhadap Kinerja Pegawai.” *Jurnal Ilmiah Magister Manajemen*” Vol 2, No. 1, Maret 2019, 16-30
- Siswanto, Bedjo. (2008). Manajemen Tenaga Kerja Indonesia; Pendekatan Administratif dan Operasional. Jakarta: Penerbit Bumi Aksara.
- Sugiyono. (2018). Metode Penelitian Kuantitatif, Kualitatif, dan R&D. Bandung: CV Alfabeta.
- Sutrisno, E. (2016). Manajemen Sumber Daya Manusia. Jakarta: Prenada Media Group.
- Torang, Syamsir. (2014). Organisasi Manajemen: Perilaku, Struktur, Budaya & Perubahan Organisasi. Bandung: Alfabeta.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Wibowo. (2014). Perilaku Dalam Organisasi, Edisi 1-2. Jakarta: Penerbit Rajawali Pers.
Wirawan, (2007), Budaya dan Budaya Organisasi. Jakarta: Salemba Empat.

Melinawati^a, : melinawati@gmail.com
Robert Tua Siregar^a, : roberttuasiregar@unprimdn.ac.id
Salman Faris^a, : salmanfaris@unprimdn.ac.id
Tuty Nainggolan^a : tutynainggolan@unprimdn.ac.id



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Influence of Organizational Governance and Financial Literacy in Increasing the Productivity of MSMEs (Ulamm) at BUMN PT Permodalan Nasional Madani (PNM) Medan Branch

Deni Faisal Mirza, Syaifuddin, Sofiyan Matondang

Postgraduate School , Prima Indonesia University Medan , Indonesia

Postgraduate School , Prima Indonesia University Medan , Indonesia

Postgraduate School , Prima Indonesia University Medan , Indonesia

syaifuddin@unprimdn.ac.id

Abstract

It is important to know whether these elements affect business progress. Therefore, testing several relevant variables is very important. This study will investigate how Organizational Governance and Financial Literacy Affect the Productivity of MSMEs (Ulamm) in the Medan Branch of BUMN PT Permodalan Nasional Madani (Pnm). Data collection was carried out quantitatively. The results of the study show that organizational governance and financial literacy have a positive and significant impact on the productivity of MSMEs at the State-Owned Enterprise PT Permodalan Nasional Madani (Pnm) Medan Branch. Therefore, to advance MSMEs, it is necessary to improve organizational governance and financial literacy .

Keywords: Organizational Governance, Financial Literacy, Productivity of MSMEs (Ulamm), PT Permodalan Nasional Madani

INTRODUCTION

One of the components that contributes to increased productivity is organizational management. It is very important to incorporate governance principles into organizational activities because good and proper governance can improve the efficiency and performance of the company (Santosa et al., 2020). The application of the concept of governance in the company will have many advantages. In addition, this allows MSMEs to adopt the concept of governance. Thus, small and medium enterprises (MSMEs) will be able to conduct sustainable business. Research conducted by Sri Lestari et al. (2018), Mohd Sharif et al. (2018), Hanifah (2015), and Uchehara (2017) shows that the application of GCG principles in the MSME sector has occurred, and this will have an impact on company performance. So it can be said that it is necessary to apply the principles of good organizational governance in order to increase productivity and business sustainability .

In addition to organizational governance, financial literacy is also another factor that influences success in increasing MSME productivity. When MSME entrepreneurs obtain good financial literacy, they will gain many benefits, which will make them familiar with financial access. According to Hidajat et al. (2015), financial literacy programs can function as a cure for various diseases related to the financial crisis. According to previous research conducted by Aribawa (2016), if business actors in the MSME sector have sufficient financial literacy, the business and financial



decisions made will drive gradual progress, increase the business's ability to survive in the midst of a crisis, and ultimately ensure long-term sustainability. Chimucheka and Rungani stated the same thing . The same thing was stated by Chimucheka & Rungani (2011) that knowledge about finance also has an impact on the growth and sustainability of MSMEs. Likewise, Widiyanti (2016) in her research showed that financial literacy variables can influence MSME performance .

According to Hanif et al. (2019), corporate culture affects material and spiritual productivity. Cultural values are an important component in achieving corporate productivity targets, according to Anthony and Govindarajan (2007). The need for labor increases as the business develops. Basically, achieving corporate goals by involving other people is called management (Hanif et al., 2019). Basically, the culture that exists in micro, small, and medium businesses affects the management control implemented by entrepreneurs because it is related to entrepreneurship and productivity levels. In addition, more open small and medium enterprise (SME) owners can use it to improve their business with the idea of management control .

One way to ensure that MSME growth is in line with expectations is through mentoring. Mentoring is when other people help increase community awareness and ability regarding the problems faced so that solutions can be found (Maulana et al., 2016). One of the objectives of the MSME mentoring program for business actors is to increase business capacity and the ability to survive in any situation and condition . This mentoring is carried out by utilizing communication media to provide input on how to improve various aspects of business operations for more efficient business governance (Jamil et al., 2022). Considering the above problems, this study focuses on the need for organizations to understand the elements that influence productivity. Therefore, the researcher is interested in conducting a study related to the influence of Organizational Governance and Financial Literacy in Increasing MSME Productivity (ULAMM) at the BUMN PT Permodalan Nasional Madani (PNM) Medan Branch .

LITERATURE REVIEW

Productivity

Production is a comparison between output and input, according to Hasibuan (2016). Production will improve the work system, efficiency (time-material-energy), and workforce skills. Schermerhorn (2013) states that productivity is a measure of performance that is measured by considering all resources used, including human resources. Production, according to Kussrianto (2017), is defined as a comparison between the results achieved with the role and workforce within a certain time. Resource utilization and efficiency are tasks and labor. Salvatore (2011) stated that work productivity is the attitude and behavior of the workforce in a company towards the regulations and standards that have been determined by the company. These attitudes and behaviors are demonstrated in the behavior and actions of the company or organization .

According to Sunyoto (2012), productivity is defined as the comparison between the amount of resources used and the results achieved.



Only humans can increase work productivity. Therefore, labor is a very important component in assessing productivity. This is due to two factors. The first is that, compared to inputs on other factors such as capital, time, and work systems, labor costs are the largest of the costs of producing goods or services. This declining labor production can be measured or compared with the previous period . According to Sutrisno (2017), factors that influence productivity include training, mental and physical abilities of employees, and superior-subordinate relationships. However, according to Busro (2018), employee work motivation, education, work discipline, skills, work ethics attitudes, cooperation skills , nutrition and health, income level, work environment, and work .

According to the 2000 module of the Department of Manpower of the Regional Productivity Development Center of North Sumatra Province, the following factors influence employee (individual) work productivity: mental attitude, education, skills, management ability, Pancasila industrial relations, income level, nutrition and health, work environment and climate, production facilities, technology, and opportunities for achievement .

According to Sutrisno (2017), productivity indicators include ability; improvement of results achieved; work spirit; self-development; quality; and efficiency. Referring to Sedarmayanti's idea (2011), some indicators of work productivity are as follows: constructive action; self-confidence; responsibility; love of work; foresight; ability to solve problems and adapt to changing environments; creative, imaginative, and innovative; and 8) having a strong work spirit .

Organizational Governance

Management comes from the word manage or to manage, which means to organize, organize, or run, and control government, companies, programs, or projects through a system and process to achieve a certain goal (Appel-Meulenbroek & Danivska, 2021). Management is a series of actions that begin with planning, organizing, allocating resources, implementing, supervising, and evaluating to achieve certain goals (Sumadi & Ma'ruf, 2020). Managing means running, taking care of, and controlling, while managing means the act, method , or process of managing .

Governance is a way or process of using political, economic, and administrative power to deal with problems faced by a country or society. It covers all sectors, including the public sector, the private sector, and the third sector, namely civil society. Good governance is defined as a governance system that includes good mechanisms and procedures for exercising political, economic, and administrative power based on the principles and measures of accountability and is carried out in a democratic, accountable, and participatory manner (Asaduzzaman, 2020) .

The Organization for Economic Cooperation and Development (OECD) describes it as a system used to set corporate objectives, provide recommendations on how to achieve these objectives, and monitor corporate performance. To improve corporate prosperity and accountability and to demonstrate value to shareholders, corporate governance is a control system consisting of various structures, procedures, and mechanisms designed to



manage the company (Nuryaman, 2009). Management uses a corporate governance system, which consists of a number of rules and incentives, to regulate and monitor how the company's operations run. Therefore, good governance can increase the possibility of long-term profits and company value for shareholders (Onasis, 2016) .

Corporate governance is a system that regulates and supervises companies with the aim of achieving a balance between the authority required by the company to ensure its existence and accountability or responsibility to stakeholders (Kusnadi, 2011). Building good corporate governance requires many systems and procedures. With this system, operations, mechanisms, and relationships can be monitored and evaluated properly. According to the National Committee on Governance Policy (KNKG) in 2006, the five principles that must be followed by effective corporate management are transparency, accountability, responsibility, independence, and equality and balance .

Financial Literacy

Lusardi & Mitchaell (2015) stated that "financial literacy can be interpreted as financial knowledge that aims to achieve prosperity". Mason & Wilson (Krisna, 2010) define financial literacy as "a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the financial consequences it causes" .

Everyone should learn about finance from an early age because it has long-term effects that are beneficial for the future. According to Lusardi and Mitchell (2015), financial literacy can be considered as human investment capital that can help people make decisions about savings, credit, and retirement in the future. Individuals who have financial knowledge also feel more able to take controlled spending behaviors and make better investment decisions (Jariwala, 2013). People who are highly financially literate are usually debt literate, know about debt risks, and are in debt well. They also understand the time value of money and interest calculations (van Rooij et al., 2009; Lusardi and Mitchell, 2011). Everyone should learn about finance from an early age because it has long-term effects that are beneficial for the future. According to Lusardi and Mitchell (2015), financial literacy can be considered as human investment capital that can help people make decisions about savings, credit, and retirement in the future. Individuals who have financial knowledge also feel more able to take controlled spending behaviors and make better investment decisions (Jariwala, 2013). People who are highly financially literate are usually debt literate, know about the risks of debt, and manage debt well. They also understand the time value of money and interest calculations (van Rooij et al., 2009; Lusardi and Mitchell, 2011).

Based on a survey conducted in 2013, OJK found that the level of financial literacy of the Indonesian population can be divided into four parts, namely Well literate (21.84 percent), Sufficient literate (75.69 percent), Less literate (2.06 percent), and Not literate (0.41 percent). According to the Financial Services Authority (OJK), the factors that influence the level of financial literacy are: 1) Gender 2) Education level 3)



Income level. Meanwhile, according to Widayati (2012) the factors that influence the level of financial literacy are: 1) Socioeconomic status of parents 2) Family financial management education 3) Financial learning at state universities. A survey conducted by OJK in 2013 found that there are four different types of financial literacy among the Indonesian population: very literate (21.84 percent), quite literate (75.69 percent), less literate (2.06 percent), and not literate (0.41 percent). The Financial Services Authority (OJK) said that several factors that influence financial literacy are: 1) Gender 2) Education level 3) Income. However, Widayati (2012) said that other factors that influence financial literacy are: 1) Socioeconomic status of parents 2) Family financial management education 3) Financial education at state universities.

RESEARCH METHOD

This research is a quantitative type and will conduct testing with five independent variables, namely "organizational governance (X1) and financial literacy (X2), and one dependent variable, namely "productivity." In addition, a cross-sectional survey design will be used as a research design that allows data collection for each element of the population using only one sat for each survey. The object of the study is MSMEs that use ULAMM services at PT Permodalan Nasional Madani, Branch Me and . This study applies a descriptive analysis method, while the hypothesis testing analysis uses SEM-PLS. Population in study this is MSMEs that use ULAMM services at PT Permodalan Nasional Madani, Me and Branch.

Referring to the first rule, the researcher determined the number of samples by estimating the maximum possibility of 150 respondents. Probability sampling and nonprobability sampling are two sampling methods. This study used the purposive sampling method, which is a sampling technique without probability, where the researcher sets the rules for sampling (Sugiyono, 2017), and the sample determination criteria on This research is in the form of The MSME has used ULAMM services for at least 1 year and is a customer of PT Permodalan Nasional Madani, Medan Branch.

Operational Definition

Three types of variables that are often used in previous studies are used in this study. The independent variables, also known as "independent variables", are organizational governance (X1) and financial literacy (X2), and one dependent variable, namely productivity (Y). Each indicator of each dimension and variable will be entered into an interval scale; the first scale indicates strongly disagree, the second scale indicates neutral, the fourth scale indicates agree, and the fifth scale indicates strongly agree. Primary and Secondary Data are the types and sources of data used in this study. The research questionnaire was distributed via the internet. Technically, the distribution is done by spreading a link to a Google form on existing social media. The questionnaire used will use the Likert Scale Summated Rating with an interval measurement scale.

Validity and Reliability Test

Researchers must know whether the questionnaire is valid or not.



They must also know what indicators or dimensions can explain the meaning of the statement (Ferdinand 2014). Construct validity is a type of validity test. A reliable instrument is an instrument that produces the same data every time it measures the same object. One of the most commonly used statistics to evaluate the reliability of a research instrument is the Cronbach's alpha coefficient. A questionnaire is said to be reliable if the answers are consistent over time to the statement (Sugiyono 2019). The structure is declared reliable if the Cronbach alpha and composite reliability values are above 0.70 . Data processing uses one of the software from Microsoft Office, namely Microsoft Excel 2010 and uses SPSS 21 software, and analyzes the SEM model with the Partial Least Squares (PLS) software approach. The analysis technique used is Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) analysis method approach .

RESULT AND DISCUSSION

The Influence of Organizational Governance towards Mentoring

Companies run their operations through a system known as organizational governance. It is very important to incorporate governance principles into organizational activities because good and proper governance can improve company efficiency and performance (Santosa et al., 2020). In order for resources to be distributed appropriately, guidance is needed in managing all resources. Mentoring is carried out through the use of communication media to conduct various discussions needed to provide advice on how to improve various aspects of business operations so that companies can manage their businesses more efficiently (Jamil et al., 2022) .

Good organizational governance will help management and business actors understand their respective roles, responsibilities, and tasks (Wahyuningsih, 2021). This will encourage better mentoring .

Influence of Governance on Productivity

To increase the value of the company and increase transparency, governance is a concept that is spread throughout the world. The application of the concept of governance in companies will have many advantages. In addition, it allows MSMEs to adopt the concept of governance, which allows them to achieve sustainable business. Yuliastutik (2016) stated that the current condition of MSMEs does not meet the requirements for implementing good governance .

Kurniawati et al. (2018), Hanifah (2015), and Uchehara (2017) conducted research on the application of GCG principles in the MSME sector. The results showed that the application of GCG principles in the MSME sector affects company performance. So, to increase productivity and business sustainability, good organizational governance principles must be applied .

The Influence of Financial Literacy on Mentoring

Nowadays, people really need financial knowledge. Financial literacy helps people understand the right concepts and management so that they can make short-term and long-term decisions that are in accordance with changing needs and economic conditions (Hung et al., 2009). People who are literate will get many benefits. According to Hidajat et al. (2015),



financial literacy programs can serve as a cure for many diseases associated with the financial crisis .

Expanding knowledge will help small and medium entrepreneurs (SMEs) understand formal financial access such as banking. According to Herdjiono et al. (2016), the theory of financial knowledge is related to financial literacy because financial knowledge can be taught and understood through financial education. Therefore, providing financial education can increase a person's financial knowledge, thereby reducing the possibility of financial problems in the future. In addition, increasing financial knowledge will also increase the ability of entrepreneurs to use the financial services available to them .

Many MSMEs who run businesses do not manage their finances well, which often results in losses. There are even those who experience a change in business type every year. This is the result of mistakes in running a business or more precisely in managing business finances. As a result, to increase the growth of MSMEs, strategic efforts are needed. One way to do this is to improve the understanding of MSME actors about financial knowledge, so that business financial management can develop well (Aribawa, 2016). Mentoring is the right strategy to use. Mentoring can serve as a means to communicate about various issues needed to improve various aspects of the company's operations to be more effective and efficient (Jamil et al., 2022) .

The Influence of Financial Literacy on Productivity

According to Lusardi & Mitchell (2008), financial literacy is defined as a person's ability to apply their knowledge and skills to behave better in financial matters. Thus, the concept of financial literacy considers that knowledge, skills, and behavior are interrelated. Knowledge of basic financial concepts, such as the basics of compound interest, risk diversification, time value, value of money, and the difference between nominal and real value, falls into the category of financial knowledge (Santoso et al., 2015). People who are literate will gain many benefits. According to Hidajat et al. (2015), financial literacy programs can serve as a cure for many diseases associated with the financial crisis .

According to previous research conducted by Aribawa (2016), if business actors in the MSME sector have sufficient financial literacy, the business and financial decisions made will drive gradual progress, increase the business's ability to survive in the midst of a crisis, and ultimately ensure long-term sustainability. Agree (Chimucheka & Rungani, 2011) that knowledge about finance also affects the growth and sustainability of MSMEs .

In research conducted by Widiyanti (2016), it was found that factors related to financial literacy can have an impact on the performance of MSMEs. This finding is in accordance with the theory of financial knowledge, which states that financial literacy is related to a person's ability to understand, analyze, and manage the financial resources available to them so that they can make the right financial decisions and help grow the performance of MSMEs .



CONCLUSION

Based on the research results, it shows that MSMEs in BUMN PT Permodalan Nasional Madani (Pnm) Medan Branch are very productive when combined with financial literacy and organizational governance. To advance MSMEs in Medan City, improving organizational governance and financial literacy is very important. Therefore, the BUMN government must continue to provide corporate governance and financial literacy training .

REFERENCES

- Asaduzzaman, M. (2020). Global Encyclopedia of Public Administration, Public Policy, and Governance. Global Encyclopedia of Public Administration, Public Policy, and Governance, (October). October). <https://doi.org/10.1007/978-3-319-31816-5>
- Agarwalla, S.K., Barua, S.K., Jacob, J., & Varma, J.R. (2015). Financial Literacy among Working Young in Urban India. *World Development* .
- Anthony, RN, & Govindarajan. (2007). *Management Control System. Translated by Kurniawan Tjakrawala* . Jakarta: Salemba Empat
- Appel-Meulenbroek, R., & Danivska, V. (2021). *A Handbook of Management Theories and Models for Office Environments and Services*. In A Handbook of Management Theories and Models for Office Environments and Services. Routledge. <https://doi.org/10.1201/9781003128786>
- Aribawa, Dwitya. (2016). The Influence of Financial Literacy on the Performance and Sustainability of MSMEs in Central Java. *Journal of Business Strategy* . 20(1).
- Atkinson, A, & Messy, F. (2012). Measuring Financial Literacy. *OECD Working Papers on Finance, Insurance and Private Pensions* .
- Busro, M. (2018). *Human Resource Management Theories* . Jakarta: Prenademia Group.
- Chimucheka, T., & Rungani, E.C. (2011). The impact of inaccessibility to bank finance and lack of financial management knowledge to small, medium and micro enterprises in Buffalo City Municipality, South Africa. 5(14), 5509–5517.
- Hanif, H., Rakhman, A., & Nurkholis, M. (2019). The Construction of Entrepreneurial Accounting: Evidence from Indonesia. *GATR Global Journal of Business Social Sciences Review* . [https://doi.org/10.35609/gjbssr.2019.7.2\(1\)](https://doi.org/10.35609/gjbssr.2019.7.2(1))
- Hanifah. (2015). The Implementation of Good Corporate Governance in Efforts to Increase Profits in Small Medium Enterprises (SMes). *International Journal of Business, Economics and Law* . 7(3).
- Hasibuan M. 2016. Human Resource Management. Jakarta: Publisher PT Bumi Aksara.
- Herdjiono, I., Damanik, LA, & Musamus, U. (2016). The Influence of Financial Attitude, Financial Knowledge, Parental Income Toward Financial Management Behavior. *Management Theory and Application* , 1 (3), 226 – 241.



- Hidajat, T., Tinggi, S., & Ekonomi, I. (2015). An Analysis of Financial Literacy and Household Saving among Fishermen in Indonesia. *Mediterranean Journal of Social Sciences* , 6 (December). <https://doi.org/10.5901/mjss.2015.v6n5s5p216>
- Hung, A. a, Parker, A. M., Yoong, J. K., & Yoong, J. (2009). Defining and Measuring Financial Literacy. *RAND Corporation Publications Department* , 708 , 28 pp. <https://doi.org/10.2139/ssrn.1498674>
- Jamil, M., Mutmainnah, D., & Azizah, M. (2022). Mentoring of Business Management and Financial Management at the *Official Bakul Kembang MSME* , Kedurus Village, Karang Pilang District, Surabaya City. *Journal of Service Learning* . 8(2): 196-207.
- Jariwala, H.V. (2013). *To Study the Level of Financial Literacy and its Impact on Investment Decisions - an in-Depth Analysis of Investors in Gujarat State* . Management, Ganpat University, Gujarat India.
- Kurniawati, SL, Sari, LP, & Kartika, TPD (2018). Development of Good Small Governance in Indonesia: An Empirical Study of Surabaya. *International Journal of Economics and Management* . 12(1).
- Kusnadi, Y. (2011). “Do Corporate Governance Mechanisms Matter for Cash Holdings and Firm Value? ”. *Pacific-Basin Finance Journal* . 19: 554-570.
- Krishna, R Rofaida & M Sari. 2010. Analysis of financial literacy levels among students and factors that influence it. *Journal Proceedings of The 4th International Conference on Teacher Education*
- Lusardi, A., & Tufano, P. (2009). Teach workers about the peril of debt. *Harvard Business Review* , 22–24.
- Lusardi, A., & Tufano, P. (2015). Debt literacy, financial experiences, and overindebtedness. *Journal of Pension Economics & Finance*, 14 (4), 332–368.
- Maulana, MA, Arifuddin, A., Maryam, M., & Indrawati, N. (2016). The Relationship between Extension Effectiveness and Rice Production in Pattalassang District, Takalar Regency. *PENA Journal: Research and Reasoning* . 3(2): 591–603.
- Onasis, RK (2016). The Influence of Corporate Governance on Company Value”, In *Financial Sector Companies Listed on the IDX*. *Jurnal Bina Ekonomi* . 20(1): 1-22.
- Pacific, UNE and SC for A. and the. (2000). *What is Good Governance?* <https://doi.org/10.18356/d4072237-en-fr>
- Salvatore, D. (2011). *Managerial Economics* . Jakarta: Salemba Empat.
- Sumadi., & Ma'ruf, MH (2020). Implementation of the Concept and Theory of Management Functions in Efforts to Improve Quality. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, Vol. 4. P-ISSN 2622-4771. E-ISSN 2614-1280.
- Santosa, PB, Mawardi, W., Muid, D., Meani, D., & Ardani, M. (2020). The Influence of Good Corporate Governance (GCG) on the Sustainability of Baitul Maal Wa Tamwil (BMT) Customer Financing. *Proceedings of the Unimus National Seminar* . 3: 1074-1084.



- Sri Lestari. 2018. *Human Resource Management*, Yogyakarta
- Schermerhorn, J.R. (2013). *Management, 12th ed* . New Jersey: John Wiley & Sons, Inc.
- Sugiyono, (2017). *Quantitative, Qualitative, and R&D Research Methods* . Bandung: CV. Alfabeta.
- Sugiyono. (2019). *Management Research Methods* . Bandung, ID: Alfabeta.
- Sunyoto, D. (2012). *Human Resource Management* . Jakarta: PT Buku Seru.
- Sutrisno, E. (2017). *Human Resource Management* . Jakarta: Kencana.
- Uchehara, C. C. (2017). Corporate Governance And Management Of Small And Medium Scale Enterprises In Lagos – Nigeria. *International Journal of Business Management* . 3(2).
- Van Rooij et al., 2009 is a "DNB Working Paper (231)" written by Maarten Van Rooij, Annamaria Lusardi, and Rob Alessie.
- Velnampy, T. (2013). Corporate Governance and Firm Performance: A Study of Sri Lankan Manufacturing Companies. *Journal of Economics and Sustainable Development*. 4(3): 228-235.
- Wahyuningsih, RSH (2021). Strengthening Organizational Competitiveness through Governance Assistance and Formulation of Business Strategy Plans. *ABDIMAS Webinar 4*. 1416-1422.
- Widiyanti, AE (2016). Financial Literacy and Its Impact on Elections Funding Sources for SMEs in the Gerbang Kertausila Region. 1 – 13.



IC3esMA
International Conference on Economics,
Business, Management, and Accounting

THE INFLUENCE OF PERCEIVED ORGANIZATIONAL SUPPORT AND SUPERVISION ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE AT THE FINANCIAL AND ASSET MANAGEMENT AGENCY OF THE LABUHANBATU DISTRICT

Susanty, Siti Holijah , Syaifuddin, Salman Faris, Rosita Bangun
Universitas Prima Indonesia

ABSTRACT

This study aims to determine whether Perceived Organizational Support and Supervision affect performance through motivation as an intervening variable at the Regional Financial and Asset Management Agency of Labuhanbatu Regency. The research was conducted on permanent employees (PNS) at the Regional Financial and Asset Management Agency of Labuhanbatu Regency. The population in this study was 39 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 39 people. The data collection techniques used are primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique uses quantitative data processed with the SPSS version 25 program, namely the t test, sobel test and path analysis. The results obtained in this study indicate 1) there is a positive and significant influence between Perceived Organizational Support on Motivation, 2) there is a positive and significant influence between Supervision on Motivation, 3) there is a positive and significant influence between Perceived Organizational Support on Performance, 4) there is a positive and significant influence between Supervision on Performance, 5) there is a positive and significant influence between Motivation on Performance, 6) there is a positive and significant influence between Perceived Organizational Support on Performance through Motivation as an intervening variable, 7). There is an influence

Keywords: Performance, Motivation, Supervision, and Perceived Organizational Support



INTRODUCTION

This research focuses on the importance of the performance of Civil Servants (PNS) in government organizations, especially in the Regional Financial and Asset Management Agency of Labuhanbatu Regency. Optimal performance is needed to achieve organizational goals and increase public trust. Perceived Organizational Support (POS) plays an important role in creating a positive work environment, where employees who feel valued tend to be more motivated and committed. In addition, effective supervision can improve work discipline and reduce errors. Work motivation is expected to be an intervening variable that links POS and supervision with employee performance. Thus, this study aims to explore the effect of POS and supervision on employee performance, as well as the role of motivation in the relationship. The results of the study are expected to provide insights for management in improving employee performance in government agencies.

LITERATURE REVIEW

1. Definition of Performance

Employee performance greatly affects the success of the organization. Performance is defined as work results related to organizational goals, customer satisfaction, and economic contribution (Hamali, 2016). Performance is also measured based on the process and results achieved in a certain period (Fahmi, 2017; Edison, 2016). Performance includes the quality and quantity of employee work results in completing tasks (Mangkunegara, 2017; Torang, 2014). Overall, performance is the result of a series of activities that can be measured both in quality and quantity.

2. Definition of *Perceived Organizational Support*

POS is employees' beliefs about the extent to which the organization values their contributions and cares about their well-being (Krishnan & Mary, 2012; Robbin and Judge, 2007; Eisenberger, 2002). Employees who feel supported tend to be more committed and responsible to the organization (Wayne, 1997).

3. Definition of Supervision

Supervision is the process of ensuring that organizational activities go according to plan and achieve predetermined goals (Terry, 2005; Fahmi, 2014; LAN in



Satriadi, 2016). Supervision includes observation, monitoring, and evaluation of activities to prevent deviations (Siagian, 2004).

4. Definition of Motivation

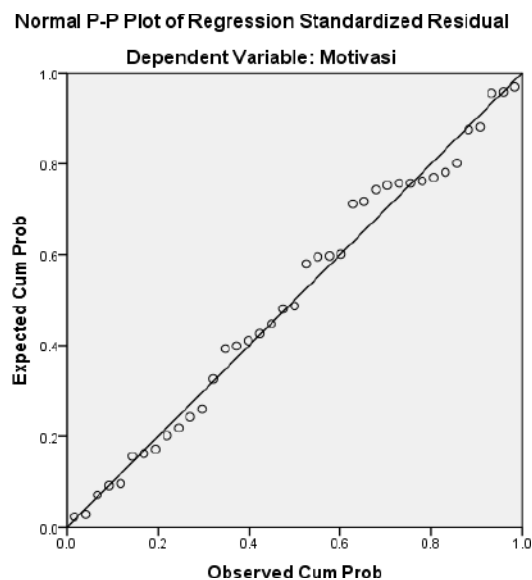
According to Sutrisno (2016), motivation is a result of a person's interaction with certain situations he faces. For this reason, there are differences in the strength of motivation shown by a person in facing the same situation. In fact, a person will show certain encouragement in dealing with different situations and at different times.

METHODS

The approach in this study uses associative quantitative, which is research that is more based on data that can be calculated to produce an assessment (Sugiyono, 2014). Associative research is research to test the relationship / influence of the independent variable on the dependent variable. In this study, the independent variable X1 is perceived organizational support, X2 is supervision, Z is motivation and the dependent variable Y is performance.

RESULTS

Normality Test





Multicollinearity Test

Table 1. Multicollinearity Test Results Sub Model I
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|----------------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 11.464 | 3.390 | | 3.382 | .002 | | |
| Perceived Organizational Support | .361 | .103 | .501 | 3.492 | .001 | .965 | 1.037 |
| Pengawasan | .211 | .100 | .302 | 2.105 | .042 | .965 | 1.037 |

a. Dependent Variable: Motivation

Source: Primary Data Processed, 2024

Table 20. Hasil Uji Multicolinieritas Sub Model II

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|----------------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 11.292 | 1.598 | | 7.064 | .000 | | |
| Perceived Organizational Support | .176 | .049 | .582 | 3.571 | .001 | .721 | 1.388 |
| Pengawasan | .112 | .044 | .382 | 2.559 | .015 | .859 | 1.164 |
| Motivasi | .227 | .068 | .543 | 3.318 | .002 | .715 | 1.399 |

a. Dependent Variable: Performance

Source: Primary Data Processed, 2024

Path Analysis of Direct Effect

To calculate the direct effect or DE, the following formula is used :

1. The effect of Perceived Organizational Support variables on performance $X_1 \rightarrow Z = 0,582$
2. The effect of supervision variables on performance $X_2 \rightarrow Z = 0,382$

Indirect Effect Path Analysis (IDE)



To calculate the indirect effect or IDE, the following formula is used :

1. The effect of Perceived Organizational Support variable on performance
 $X_1 \rightarrow Z \rightarrow Y = (0,501 \times 0,543) = 0,854$
2. The effect of supervision variables on performance $X_2 \rightarrow Z \rightarrow Y =$
 $(0,302 \times 0,543) = 0,164$

Path Analysis Total Effect

Based on the explanation above, a path diagram can be drawn on

1. The effect of Perceived Organizational Support variables on performance
 $X_1 \rightarrow Z \rightarrow Y = (0,582 + 0,272) = 0,854$
2. The effect of supervision variables on performance $X_2 \rightarrow Z \rightarrow Y = (0,382 + 0,164) =$
 $0,546$

DISCUSSION

Effect of Perceived Organizational Support on Motivation

The Perceived Organizational Support variable has a positive and significant effect on Motivation at the Regional Financial and Asset Management Agency of Labuhanbatu Regency. The Perceived Organizational Support variable has a regression coefficient value of 0.361, indicating that if Perceived Organizational Support increases by 100%, it will increase Motivation by 36.1%.

Based on the results of testing the first hypothesis, it is known that Perceived Organizational Support has a significant influence on the Motivation of the Regional Financial and Asset Management Agency of Labuhanbatu Regency. This is supported by research conducted by Delvin Alexasander Gunawan, Siti Mujanah, and Murgiyanto (2018) with the title Influence of Interpersonal Relations, Work Environment and Perceived Organization Support on Work Motivation and Employee Performance at PT. Mitra Surya Persada, Julio, Shylvana Cynthia Dewi, Endo Wijaya Kartika (2013) with the title Analysis of the Effect of Leader-Member Exchange, Perceived Organizational Support on Employee Job Satisfaction with Work Motivation as a Mediator Variable at Tarakan Plaza Hotel, and Mohammad Asif Fahmi (2021) with the title The Effect of Self Efficacy and Perceived Organizational Support on Employee Performance Through Motivation which states that Perceived Organizational Support has an influence on Motivation.

Effect of Supervision on Motivation

The Supervision variable has a positive and significant effect on Motivation at the Labuhanbatu Regency Regional Financial and Asset Management Agency. The Supervision variable has a regression coefficient value of 0.211, indicating that if Supervision increases by 100%, it will increase Motivation by 21.1%.



Based on the results of testing the first hypothesis, it is known that Supervision has a significant influence on the Motivation of the Regional Financial and Asset Management Agency of Labuhanbatu Regency. This is supported by research conducted by Lolasari Novelly Hutabarat (2019) with the title *The Effect of Supervision, Organizational Culture and Remuneration on Employee Work Motivation*, Rahayu Mardikaningsih and Samsul Arifin (2022) with the title *Empirical Study of Work Supervision, Work Experience, and Work Ability and Their Effect on Employee Achievement Motivation*, and Rani Kurniasari and Novita Rosdiana (2023) with the title *The Effect of Leadership Style and Supervision on Employee Work Motivation* which states that Supervision has an influence on Motivation.

Effect of Perceived Organizational Support on Performance

The Perceived Organizational Support variable has a positive and significant effect on performance at the Regional Financial and Asset Management Agency of Labuhanbatu Regency. The Perceived Organizational Support variable has a regression coefficient value of 0.176, indicating that if Perceived Organizational Support increases by 100%, it will increase performance by 17.6%.

Based on the results of testing the first hypothesis, it is known that Perceived Organizational Support has a significant influence on the Performance of the Regional Financial and Asset Management Agency of Labuhanbatu Regency. This is supported by research conducted by Sri Langgeng Ratnasari, Septi Wulandari, Moch Aminudin Hadi (2022) with the title *The Effect of Perceived Organizational Support, Human Relations, Competence, and Work Discipline on Employee Performance*, Ni Putu Ariska Dewi and I Made Artha Wibawa (2023) with the title *The Effect of Perceived Organizational Support on Employee Performance with Employee Engagement as a Mediating Variable*, and Andi Amirah Shaleha Junaedi, Syahrir A. The effect of Perceived Organizational Support on Employee Performance. Pasinringi, Sangkala (2021) with the title *The Effect of Perceived Organizational Support on Doctor Performance Through Work Engagement at Class B Regional General Hospitals in Makassar City* which states that Perceived Organizational Support has an influence on Performance.

Effect of Supervision on Performance

The Supervision variable has a positive and significant effect on performance at the Labuhanbatu Regency Regional Financial and Asset Management Agency. The Supervision variable has a regression coefficient value of 0.112, indicating that if supervision increases by 100%, it will increase performance by 11.2%.

Based on the results of testing the first hypothesis, it is known that Supervision has a significant effect on the Performance of the Labuhanbatu Regency Regional Financial and Asset Management Agency. This is supported by research conducted by Renita Kushartiningsih and Ikhsan Budi Riharjo (2021) with the title *The Effect of Accountability, Transparency and Supervision on Public Service Performance*, Ahmad



Rivai (2021) with the title The Effect of Supervision, Discipline and Motivation on Teacher Performance, and Dwiki Ramdani, Darmawaty Abd. Razak, and Sandi Prahara (2022) with the title The Effect of Supervision on the Performance of Aviation Security Employees at Djalaluddin Gorontalo Airport which states that Supervision has an influence on Performance.

Effect of Motivation on Performance

The Motivation variable has a positive and significant effect on performance at the Labuhanbatu Regency Regional Financial and Asset Management Agency. The Motivation variable has a regression coefficient value of 0.227, indicating that if motivation increases by 100%, it will increase performance by 22.7%.

Based on the results of testing the first hypothesis, it is known that Motivation has a significant influence on the Performance of the Regional Financial and Asset Management Agency of Labuhanbatu Regency. This is supported by research conducted by Koirul Rofi (2021) with the title The Effect of Motivation, Incentives, and Training on Employee Performance at Pt. Az-Zahra Cakrawala Nusantara Malang, Tatan Sutanjar, Oyon Saryono (2019) with the title The Effect of Motivation, Leadership and Employee Discipline on Employee Performance, and Nurmin Arianto and Hadi Kurniawan (2020) with the title The Effect of Motivation and Work Environment on Employee Performance which states that Motivation has an influence on Performance.

Effect of Perceived Organizational Support on Performance through Motivation

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.417 > 1.96$ with a significance of $0.015 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the effect of Perceived Organizational Support on Performance. Thus it can be said that Perceived Organizational Support has a greater influence in improving performance if done through motivation.

The Effect of Supervision on Performance through Motivation

Based on the results of the sobel test calculation, it is known that the test statistic value is $1.983 > 1.96$ with a significance of $0.044 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Supervision on Performance. Thus it can be said that Supervision has a greater influence in improving Performance if done through Motivation.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the effect of situational leadership, and supervision on employee performance at the South Rantau sub-district office through motivation as an intervening variable, the following conclusions can be drawn:



1. perceived organizational support affects motivation at the regional financial and asset management agency of labuhanbatu regency.
2. supervision affects motivation in the financial and asset management agency of the labuhanbatu regency.
3. perceived organizational support affects performance at the regional financial and asset management agency of labuhanbatu regency.
4. supervision affects performance at the financial and asset management agency of the labuhanbatu regency.
5. motivation affects performance at the financial and asset management agency of the labuhanbatu regency.
6. perceived organizational support affects performance at the financial and asset management agency of the labuhanbatu regency through motivation as an intervening variable.
7. supervision affects performance at the financial and asset management agency of the labuhanbatu regency through motivation as an intervening variable.

LIMITATION

This research can also be used as a reference for further research on perceived organizational, motivation, supervision and employee performance and supporting theories of HR and the limitations of this research..

DAFTAR PUSTAKA

- A, Morissan M. (2014). *Metode Penelitian Survei. Cet-2*. Jakarta: Kencana.
- Arianto, N., dan Kurniawan, H. (2020). Pengaruh Motivasi dan Lingkungan Kerja Terhadap Kinerja Karyawan. *JENIUS (Jurnal Ilmiah Manajemen Sumber Daya Manusia)*, 3(3), 312-321.
- Artatio, I. J., Handoko, W. C., dan Kartika, E. W. (2015). Analisis Pengaruh Perceived Organizational Support Terhadap Employee Perceived Service Quality dan Affective Commitment Sebagai Variabel Mediasi di Hachi-Hachi Bistro Surabaya. *Jurnal Hospitality dan Manajemen Jasa*, 3(1), 51-65.
- Dewi, N. P. A., & Wibawa, I. M. A. (2023). Pengaruh *Perceived Organizational Support* Terhadap Kinerja Karyawan Dengan *Employee Engagement* Sebagai



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Variabel Mediasi. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, 12(4), 450-459.

Edison, E., dkk. (2016). *Manajemen Sumber Daya Manusia*. Bandung: Alfabeta.

Eisenberger, R., Huntington, R., Hutchison, S. and Sowa, D. (1986). Perceived Organizational support. *Journal of Applied Psychology*, 71(3), pp. 500-507.

Fahmi. (2017). *Analisis Kinerja Manajemen*. Edisi Ke-1. Bandung: CV Alfabeta.

Fahmi, I., (2014). *Pengantar Manajemen Keuangan Teori dan Soal Jawab*. Bandung: Alfabeta.

Fahmi, M. A. (2021). Pengaruh Self Efficacy Dan Perceived Organizational Support Terhadap Kinerja Karyawan Melalui Motivasi. *Jurnal Riset Manajemen Sains Indonesia (JRMSI)*, 12(1), 77-99.

Siti Holijah^a, : sitiholijah@gmail.com
Syarifuddin^a, : syarifuddin@unprimdn.ac.id I
Salman Faris^a, : salmanfaris@unprimdn.ac.id
Rosita Bangun^a : rosita@unprimdn.ac.id



The Influence of Performance Allowances and Work Motivation on Employee Performance Through Education Level as an Intervening Variable at the LLDikti Office of Region I, North Sumatra

Anthony Kelana Sembiring, Sofiyan, Fenny Krisna Marpaung
Universitas Prima Indonesia

ABSTRACT

The purpose of this study was to determine the Effect of Performance Allowances and Work Motivation on Employee Performance Through Education Level as an Intervening Variable at the LLDikti Office of Region I, North Sumatra. The population in this study was 62 people. Due to the small population, the sampling technique in this study was a saturated sample with a sample size of 60 people. The data collection technique used was primary data in the form of questionnaires and secondary data obtained through documentation studies. The data analysis technique used quantitative data processed with the SPSS version 26 program, namely the t-test, Sobel test and path analysis. The results obtained in this study indicate 1). performance allowances affect employee performance at the LLDikti Office of Region I, North Sumatra, 2). work motivation affects Employee Performance at the LLDikti Office of Region I, North Sumatra, 3). performance allowances affect the level of education at the LLDikti Office of Region I, North Sumatra, 4). work motivation affects the level of education at the LLDikti Office of Region I, North Sumatra, 5). education level affects employee performance at the LLDikti Office of North Sumatra, 6). performance allowances affect employee performance at the LLDikti office in North Sumatra Region I through education level as an intervening variable, 7). work motivation affects employee performance at the LLDikti office in North Sumatra Region I through education level as an intervening variable.

Keywords: Performance Allowance, Work Motivation, Education Level, Employee Performance

INTRODUCTION

Performance allowances have an impact on efforts to improve employee performance, or in other words, performance allowances are awards in the form of additional income given to employees for their performance with the aim of increasing employee morale and employee welfare. According to Hamzah E (2020:3), performance allowances are one of the implementations of providing appropriate compensation or rewards for work performance. Performance allowances are implemented to improve employee satisfaction and performance so that a public organization can provide maximum public services. Safruddin (2016:5), since mid-2013, LLDikti Region I North Sumatra has implemented Performance Allowances which aim to improve employee performance.



High employee performance is required in an agency to achieve goals. High-level employee performance will bring profit to the agency. Law No. 5 of 2014, the function of ASN is as an implementer of public policy, public servant, glue and unifier of the nation. While the duties of ASN are as follows; (1) implementing public policies made by the Personnel Development Officer in accordance with the provisions of laws and regulations; (2) providing professional and quality public services (3) strengthening the unity of the Unitary State of the Republic of Indonesia. The results of the initial study by researchers at the LLDikti Office Region I, there were still employees who lacked self-motivation in their work. With motivation, it is hoped that employees can work more actively, creatively, and can improve the basic values of ASN. Work motivation can also increase work enthusiasm in carrying out tasks and create conducive working conditions. Building self-motivation is the key to maintaining optimal performance and achieving successful goals. Motivated ASN have a strong internal drive to achieve good results in their work. Tips to help ASN build and maintain self-motivation in the work environment; (1) set clear and realistic goals; (2) find meaning and significance in your work; (3) develop interest and satisfaction in your work; (4) create a supportive work environment; (5) collaborate and share knowledge (6) give yourself rewards and recognition (7) maintain a balance between work and personal life. (LPKN Training Center). According to Hastuti (2021:2), motivation is one of the triggers for employees to do and carry out work according to their duties, but not only that, there needs to be movements that spur employees' work, including providing opportunities for employees to express their thoughts in making a decision, providing appreciation and recognition for work achievements that have been obtained. Through this, employees will get satisfaction from the work results that have been achieved. LLDikti Region 1 employees also have different levels of education. Education is a way to improve the quality of human resources so that they are able to think logically, analytically, systematically, and critically in realizing the nation's ideals. Education is a place to process various knowledge to develop self-potential, develop talents and develop the intelligence of every human being that is useful for themselves, the surrounding community and useful for the nation. (Brata, 2018 in the conference on Research & Community Service). In line with the development of the era, the world of education is also required to continue to develop. This development occurs because the need for society for the existence of a formal education world continues to increase day by day, so that with formal education it is expected to be able to produce human resources with integrated abilities from the power of thought and physical power possessed by individuals so that high-quality human resources are formed. Seeing the conditions of competition in the world of work which is very competitive is the main cause of the need for educational development in Indonesian society. According to Lestari in Wirawan (2016:3) Education is "an activity of a person in developing abilities, attitudes, and forms of behavior, both for future life where through certain organizations or not organized". Based on previous research conducted by Wirawan (2016) stated that the level of education has a positive effect on performance. So it can be concluded that the level of education affects performance. Education is a technical requirement that greatly influences the achievement of career opportunities. Therefore, education is one of the factors that greatly influences the world of work, especially in the era of globalization like today, competition in the world of work is very tight which is accompanied by increasingly sophisticated technological advances. This requires someone to have higher education and more abilities in order to compete



and survive in the midst of technological advances. Therefore, people who have a lower level of education and are unwilling to upgrade their abilities tend to find it difficult to compete and survive in the workforce. Education, motivation, and employee performance allowances are interrelated in an effort to improve the quality of a person's performance. This study was conducted to gain a deeper understanding of the relationship. To solve problems in the LLDikti Region 1 North Sumatra environment, researchers conducted a study to foster discipline, self-motivation and a comfortable environment in the LLDikti Region I North Sumatra environment with the title "The Effect of Performance Allowances and Work Motivation on Employee Performance through Education Level as an Intervening Variable at the LLDikti Region 1 North Sumatra Office." So it can be concluded that the level of education affects performance. Education is a technical requirement that greatly influences the achievement of career opportunities. Therefore, education is one of the factors that greatly influences the world of work, especially in the era of globalization like today, competition in the world of work is very tight which is accompanied by increasingly sophisticated technological advances. This requires someone to have a higher education and more abilities in order to compete and survive in the midst of technological advances. Therefore, people who have a lower level of education and do not want to upgrade their abilities tend to find it difficult to compete and survive in the world of work. Education, motivation, and employee performance allowances are interrelated in an effort to improve the quality of a person's performance. This study was conducted to gain a deeper understanding of this relationship. To solve problems in the LLDikti Region 1 North Sumatra environment, researchers conducted research to foster discipline, self-motivation and a comfortable environment in the LLDikti Region I North Sumatra environment with the title "The Effect of Performance Allowances and Work Motivation on Employee Performance through Education Level as an Intervening Variable at the LLDikti Region 1 North Sumatra Office." So it can be concluded that the level of education affects performance. Education is a technical requirement that greatly influences the achievement of career opportunities. Therefore, education is one of the factors that greatly influences the world of work, especially in the era of globalization like today, competition in the world of work is very tight which is accompanied by increasingly sophisticated technological advances. This requires someone to have a higher education and more abilities in order to compete and survive in the midst of technological advances. Therefore, people who have a lower level of education and do not want to upgrade their abilities tend to find it difficult to compete and survive in the world of work. Education, motivation, and employee performance allowances are interrelated in an effort to improve the quality of a person's performance. This study was conducted to gain a deeper understanding of this relationship. To solve problems in the LLDikti Region 1 North Sumatra environment, researchers conducted research to foster discipline, self-motivation and a comfortable environment in the LLDikti Region I North Sumatra environment with the title "The Effect of Performance Allowances and Work Motivation on Employee Performance through Education Level as an Intervening Variable at the LLDikti Region 1 North Sumatra Office."

LITERATURE REVIEW

Employee performance is an important thing in increasing employee productivity. In improving employee performance, organizations must be able to identify factors that can affect



performance. According to Mangkunegara (2017:9) "employee performance (work achievement) is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him". Employee performance according to Boediharjo (2017:102) can be measured based on four indicators, namely; (a) Effectiveness and efficiency, namely the ability to complete work correctly, the ability to choose the right equipment in achieving goals; (b) Responsibility orientation, namely the ability to complete work with full responsibility and evaluate work well; (c) Discipline, namely the attitude or ability to complete work on time, and in accordance with the specified target; (d) Initiative, namely the ability to ask questions, provide criticism and suggestions.

The definition of allowances according to Simamora (2004) in repository.uin-suska.ac.id/16409/7/10. CHAPTER II. Pdf (2024) is payments and services that protect and complement basic salary and the organization can pay all or part of the allowances. In the Big Indonesian Dictionary, the definition of allowances adjusted to this topic of discussion is additional income outside of salary as assistance, support. Performance allowances are any additional benefits offered to workers or employees, for example the use of company vehicles, free lunches, health services, vacation assistance and so on. So, allowances are additional compensation that aims to bind employees to continue working for the company. According to Najoan et al. (2018) in Irwanti (2023), the performance allowance indicators are as follows: (1) receipt of allowances in accordance with the rules; (2) allowances received increase income; (3) Timeliness of receiving performance allowances; (4) Level of adequacy in meeting employee needs; (5) Receipt of allowances in accordance with employee discipline.

According to Budi Santoso (2017: 255) in Kelvin (2020: 16), work motivation is something that can increase work enthusiasm or work enthusiasm. Motivation as a desire to achieve company goals optimally, which is formed to meet other personal needs. According to Siagian (2018: 5) in Kelvin (2020: 16), work motivation is interpreted as a provider of driving force that aims to generate enthusiasm in working, with the hope that they can be invited to cooperate, complete tasks seriously, and be aligned in all their efforts to achieve satisfaction in the workplace.

According to (Rosalina Febri Wijayanti, Musringah, & Irdiana (2018: 189) motivation indicators consist of: Need for Power, Need for Affiliation and Need for Achievement.

The level of education is a condition of the level of education possessed by a person through formal education and approved by the Department of Education as an effort to develop his/her potential to have spiritual religious strength, self-control, personality, intelligence, noble morals, and the skills needed by himself/herself, society, nation and state Lohanda (2017) in umpo.ac.id/9099/3/BAB II.pdf (2024)

According to Septarina (2017) in umpo.ac.id/9099/3/BAB II.pdf (2024) the level or stage of education is a stage of education that has been determined based on the level of development of students, the goals to be achieved, and the abilities developed. Thus, it can be concluded that the level of education is the level of the formal education process that has been passed by an individual as evidenced by obtaining a certificate of graduation from the education process.

According to Murina (2017), education level indicators consist of:

Level of formal education possessed, Field of education and Quality of education. The following are the results of previous research:

| Researcher | Title | Variables | Results |
|------------|-------|-----------|---------|
|------------|-------|-----------|---------|



| | | | |
|-------------------------|---|---|--|
| <p>Asapa (2022)</p> | <p>Implementation of the Policy on Providing Additional Employee Income (TPP) in Improving Performance at the SINJAI Regency Education Office</p> | <p>Independent Variables: 1. Additional Provision Dependent Variable : 1. Performance Improvement</p> | <p>Concluded that there was an increase in performance and discipline employees since the implementation of the TPP allowance, although there are still some technical deficiencies which do not have an overall impact on performance. achieved.</p> |
| <p>Augustine N.</p> | <p>Factors What Affects Low Level of Community Education in Village Made Subdistrict You have to go to Jombang Regency</p> | <p>Independent Variables: .The low Level of education</p> | <p>The results of the study are that the factors that influence the low level of education of the people of Made Village include individual motivation factors, social conditions, economic conditions, parental motivation, as well as the culture and views of the people of Made Village towards the importance of education is still lacking, as can be seen from the concern For sending their children to school has not become a priority. With this research, it is hoped that the community will better understand the importance of education in order to create better quality human resources.</p> |



| | | | |
|--------------|---|--|---|
| Hamza (2020) | The Influence of Performance Allowances and Motivation on Job satisfaction As well as Implications on the Work Performance of Palembang City Industry Service Employees | Independent Variables: 1. Performance Allowance 2. Motivation Dependent Variable: Employee performance | From the calculation results obtained, there is an influence between performance allowances on job satisfaction, there is an influence of work motivation on job satisfaction, there is an influence of work satisfaction on work performance, performance allowances have an influence on work performance which is mediated by job satisfaction and motivation. Work influence on work performance mediated by job satisfaction |
|--------------|---|--|---|

METHODS

This research approach uses quantitative research where in this study the researcher collects data for analysis. From the data obtained will produce information to make conclusions. Thus, the results of the information are useful for decision making.

RESULTS

Uji Normality



The results of the histogram graph in the image above show that the residual data is normally distributed as seen from the almost perfect bell-shaped image (symmetrical).

Multicollinearity Test

Coefficients

| Model | Collinearity Statistics |
|-------|-------------------------|
|-------|-------------------------|

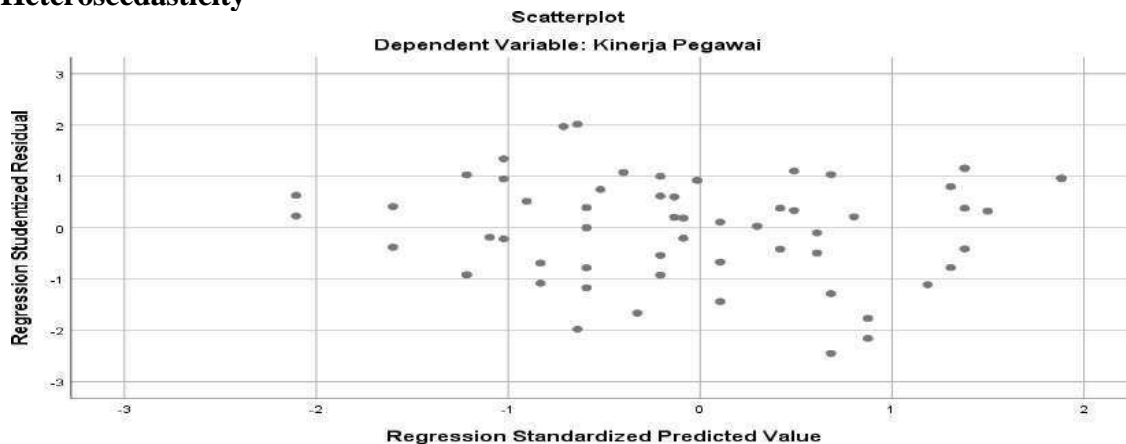


| | Tolerance | VIF |
|----------------------|-----------|-------|
| 1 | | |
| Employee Performance | | |
| K Allowance | .966 | 1,035 |
| Motivation K | .966 | 1,035 |

Source: Primary Data Processed with SPSS 26, 2024

The results of the multicollinearity test show that the VIF and tolerance values are as follows: The Performance Allowance variable (X1) has a VIF value of 1.035 and a tolerance of 0.966. The Performance Motivation variable (X2) has a VIF of 1.035 and a tolerance of 0.966. From these provisions, if $VIF < 10$ and $tolerance > 0.10$, there are symptoms of multicollinearity and the values obtained from the calculation are in accordance with the provisions of VIF and tolerance, so it can be concluded that the independent variables do not experience multicollinearity so that the model has met the classical assumptions in regression analysis.

Uji Heteroscedasticity



The scatterplots graph in the image above shows that the points are spread randomly and are spread both above and below the number 0 on the Y axis and do not form a certain regular pattern, it can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded overall that the regression model meets the requirements of the classical assumption test.

Direct Influence Path Analysis

To calculate the direct influence or DE, the following formula is used:

1. The influence of the performance allowance variable (X1) on employee performance (Y) is 0.389
2. The influence of the motivation variable (X2) on employee performance (Y) is 0.92

Indirect Effect Path Analysis (IDE)

To calculate the indirect influence or IDE, the following formula is used:

1. Influence of variables performance allowance (X1) on employee performance (Y) through



education level (Z), namely $0.344 \times 0.237 = 0.081$

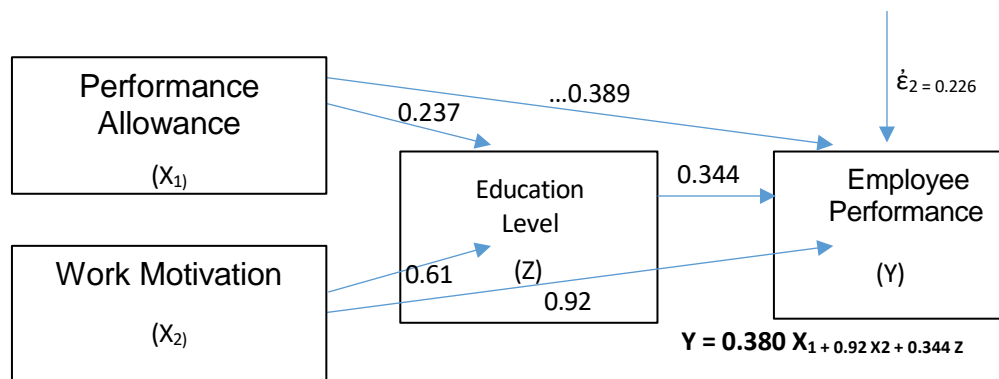
- The influence of work motivation variables (X2) on employee performance (Y) through education level (Z), namely $0.61 \times 0.344 = 0.207$

Total Effect Path Analysis

Based on the explanation above, a path diagram can be drawn.

- The influence of the performance allowance variable (X1) on employee performance (Y) is the direct influence plus the indirect influence, namely $0.344 + 0.081 = 0.425$.
- The influence of the motivation variable (X2) on employee performance (Y) is the direct influence plus the indirect influence, namely $0.344 + 0.207 = 0.614$.

Based on the explanation above, the path diagram can be described as follows:



DISCUSSION

Based on the results of the study, it is known that the third hypothesis is accepted, where the value of t count is 1.895 Performance allowance variable (X1), with a probability level of 0.03. Thus it can be concluded that $P = 0.03 < \alpha = 0.05$, then the hypothesis is accepted which states that the performance allowance variable is significant to employee performance. **Performance allowances have a significant effect on employee performance variables, meaning that performance allowances have an effect on the performance of LLDikti Region I North Sumatra employees.**

Based on the results of the study, it is known that the fourth hypothesis is accepted, where the value of t count is 1.492 Work motivation variable (X2), with a probability level of 0.24. Thus it can be concluded that $P = 0.024 < \alpha = 0.05$, then the hypothesis is accepted which states that the work motivation variable is accepted significantly to employee performance. **Work motivation has a significant effect on employee performance variables, meaning that work motivation has an effect on the performance of employees of LLDikti Region I North Sumatra.**

Based on the research results, it is known that the first hypothesis is accepted, where the value of the t count of the Performance Allowance Variable (X1) with a probability level of 0.028. Thus, it can be concluded that $P = 0.028 < \alpha = 0.05$, accept the hypothesis that states that performance



allowances have a significant effect on the education level variable, **which means that performance allowances have an effect on the education level. LLDikti Region I North Sumatra employees.** Based on the results of the study entitled The Influence of Work Experience and Education Level on Employee Performance and Performance Allowances as Intervening Variables, it was concluded that performance allowances (z) have a direct influence on employee education levels (y) of 0.390.

Based on the results of the study, it is known that the second hypothesis is accepted, where the value of t count is 1.796 for the Performance Motivation Variable (X2) with a probability level of 0.038. Thus, it can be concluded that $P = 0.038 < \alpha = 0.05$, then accept the hypothesis that states that the **work motivation variable has a significant effect on the education level variable, meaning that motivation has an effect on the education level of employees of LLDikti Region I North Sumatra.**

Based on the research results, it is known that the fifth hypothesis is accepted, where the value of the calculated t is 2.503. The education level variable (Z), with a probability level of 0.15. Thus it can be concluded that $P = 0.15 < \alpha = 0.05$, then the hypothesis is accepted which states that the variable of **education level is received significantly on employee performance. This means that the level of education has an effect on the performance of employees of LLDikti Region I North Sumatra.**

The results of the analysis show that the direct influence given by performance allowance (X1) on employee performance (Y) is 0.389. While the indirect influence of performance allowance (X1) on employee performance (Y) through education level (Z), which is $0.344 \times 0.237 = 0.081$. So the total influence given by the performance allowance variable (X1) on employee performance (Y) is the direct influence plus the indirect influence, which is $0.344 + 0.081 = 0.425$. **Based on the calculation results above, it can be seen that the direct influence value is 0.425 and the indirect influence is 0.081, which means that the direct influence value is greater than the indirect influence value. These results indicate that indirectly the performance allowance variable (X1) through education level (Z) has a significant influence on employee performance (Y) LLDikti Region I North Sumatra.**

The results of the analysis show that the direct influence given by motivation (X2) on employee performance (Y) is 0.92. Meanwhile, the indirect influence of work motivation (X2) on employee performance (Y) through education level (Z) is $0.61 \times 0.344 = 0.207$. So the total influence given by the motivation variable (X2) on employee performance (Y) is the direct influence plus the indirect influence, namely $0.344 + 0.207 = 0.614$. **Based on the calculation results above, it can be seen that the direct influence value is 0.614 and the indirect influence is 0.207, which means that the direct influence value is greater than the indirect influence value, indicating that indirectly the motivation variable (X2) through education level (Z) has a significant influence on employee performance (Y) LLDikti Region I North Sumatra.**

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the influence of performance allowances and work motivation on employee performance through education



level as an intervening variable at the LLDikti office in Region I, North Sumatra, the following conclusions can be drawn:

1. Performance allowances affect employee performance at the LLDikti Region I North Sumatra office.
2. Work motivation influences employee performance at the LLDikti office, Region I, North Sumatra.
3. Performance allowances affect the level of education at the LLDikti office, Region I, North Sumatra.
4. Work motivation influences the level of education at the LLDikti office, Region I, North Sumatra.
5. Education level influences employee performance at the LLDikti office, Region I, North Sumatra
6. Performance allowances affect employee performance at the LLDikti office, Region I, North Sumatra through education level as an intervening variable.
7. Work motivation influences employee performance at the LLDikti office, Region I, North Sumatra through education level as an intervening variable.

LIMITATION

This research can also be used as a reference for further research on Performance Allowances, Work Motivation, Education Level and Employee Performance and supporting HR theories and the limitations of this research.

REFERENCES

- Ardiana, T. E. (2017). Pengaruh motivasi kerja guru terhadap kinerja guru akuntansi SMK di Kota Madiun. *Jurnal Akuntansi dan Pajak*, 17(02). Daftar Pustaka
- Agustia N, Faktor-Faktor Yang Mempengaruhi Rendahnya Tingkat Pendidikan Masyarakat Di Desa Made Kecamatan Kudu Kabupaten Jombang, *STKIP PGRI Jombang, Conference on Research & Community Services | ISSN 2686-1259*
- Asafa A, (2022), Implementasi Kebijakan Pemberian Tambahan Penghasilan Pegawai (Tpp) Dalam Peningkatan Kinerja Pada Dinas Pendidikan Kabupaten Sinjai, Program Studi Administrasi Negara Program Pascasarjana Universitas Bosowa; Makassar.
- BPK RI Perwakilan Provinsi Nusa Tenggara Barat (2019). Diakses 23 Mei 2024. Christy, D. T. (2022). Pengaruh Pelatihan dan Motivasi Kerja terhadap Kinerja Karyawan dengan Kompetensi sebagai Variabel Mediasi pada Kantor PT PLN (Persero) Area Pekalongan (Doctoral dissertation).



- Eka, (2015), Pengaruh keterampilan mengajar guru terhadap hasil belajar siswa pada mata Pelajaran Akuntansi, Universitas Pendidikan Indonesia.
- Fitri, (2023). Pengaruh Pendidikan dan Pelatihan, Tunjangan, Beban Kerja Terhadap Kinerja ASN, Fakultas Bisnis, Institut Ilmu Sosial dan Bisnis Andi Sapada Diakses 6 Oktober 2024.
- Hamzah (2020), Pengaruh Tunjangan Kinerja Dan Motivasi Terhadap Kepuasan Kerja Serta Implikasinya Pada Prestasi Kerja Pegawai Dinas Perindustrian Kota Palembang, Program Pascasarjana Program Studi Magister Manajemen Universitas Tiridinanti Palembang; Palembang
- Hastuti (2021), Pengaruh Motivasi Dan Lingkungan Kerja Terhadap Kinerja Melalui Kepuasan Kerja Sebagai Variable Intervening Pegawai Puskesmas Di Kabupaten Mamuju, Program Studi Magister Keuangan Daerah Fakultas Ekonomi Dan Bisnis Universitas Hasanuddin Makassar; Makassar.
- <https://www.djkn.kemenkeu.go.id/artikel/baca/7754/MOTIVASI-KERJA-PEGAWAI.html>. Motivasi Kerja. Diakses 6 Oktober 2024
- <http://eprints.umpo.ac.id/9099/3/BAB%20II.pdf>. Tingkat Pendidikan Diakses 6 Oktober 2024.
- <https://www.google.com/search?client=firefox-bd&q=indikator+tunjangan+kinerja+pegawai> Diakses 6 Oktober 2024
- <https://jabatanfungsional.com/tukin-kementerian-pendidikan-kebudayaan/> (2021).Diakses 23 Mei 2024.
- <https://money.kompas.com/read/2022/09/14/212500726/asn-adalah-pengertian-fungsi-tugas-peran-dan-gajinya?page=1> (2022). Diakses 23 Mei 2024.
- Irwanti, (2023), Pengaruh Tunjangan Kinerja Terhadap Prestasi Kerja Pegawai pada Dinas Administrasi Kependudukan Dan Pencatatan Sipil di Kabupaten Takalar. urusan , Manajemen, Universitas Negeri Makassar, Makassar, Indonesia
- Jumawan, (2021), Pengaruh Pengalaman Kerja Dan Tingkat Pendidikan Terhadap Kinerja Pegawai Dan Tunjangan Kinerja Sebagai Variabel Intervening, Universitas Bhayangkara Jakarta Raya Diakses 06 Oktober 2024.
- Kelvin., M.Siagian. (2020). Pengaruh Disiplin Kerja, Kompensasi dan Motivasi Terhadap Kinerja Karyawan pada PT. Mitra Sintera di Kota Batam, Jurnal Ilmiah manajemen Bisnis dan inovasi, Vol.7, No.2, 206-219.
- Mogalana B, (2020), Efektivitas Pemberian Tunjangan Kinerja (TUKIN) Terhadap Produktivitas Kerja Pegawai Dinas Pendidikan dan Kebudayaan Kota Sukabumi, Universitas Muhammadiyah Sukabumi; Sukabumi.
- Pembagian Wilayah LLDIKTI di seluruh Indonesia - Dunia Dosen, (2022). Diakses 23 Mei 2024.
- Rahmani A, (2022), Pengaruh Sistem Kebijakan Tunjangan Kinerja Terhadap Kinerja Pegawai Pada Direktorat Jenderal Perimbangan Keuangan, Fakultas Ekonomi dan Bisnis, ABFI Institute Perbanas :Jakarta.
- Rasyid (2020), Disiplin Dan Tunjangan Kerja Terhadap Kinerja Pegawai, Pascasarjana Magister Manajemen Universitas Sang Bumi Ruwa Jurai; Bandar Lampung
- [Repository.uin-suska.ac.id/16409/7/10](https://repository.uin-suska.ac.id/16409/7/10). BAB II.pdf. Tunjangan Kinerja diakses tanggal 6 Oktober 2024
- Riyadi, S., & Mulyapradana, A. (2017). Pengaruh Motivasi Kerja Terhadap Kinerja Guru Radhatul Atfal di Kota Pekalongan. Jurnal Litbang Kota Pekalongan, 13.
- Syafruddin, (2016), Pengaruh Kompensasi Finansial Dan Disiplin Kerja Terhadap Kinerja Pegawai Di Kantor Kopertis Wilayah I Sumatera Utara, Program Pascasarjana Magister Manajemen Universitas Darma Agung; Medan.
- Syahiruddin, (2023), Analisis Desain Nilai Nilai Dasar Asn Berakhlak Pada BPSDM ACEH; Aceh.
- Tuah G, (2018), Analisis Motivasi Kerja Pegawai (Studi Kasus Pegawai Negeri Di Kantor Camat Sei Tualang Raso Kota Tanjungbalai, Program Studi Magister Administrasi Publik



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Program Pascasarjana Universitas Medan Area; Medan

Tantri (2021), Pengaruh Lingkungan Kerja Dan Disiplin Kerja Terhadap Kinerja Pegawai Negeri Sipil Pada Direktorat Aneka Kacang Dan Umbi Serta Direktorat Pasca Panen Direktorat Jenderal Tanaman Pangan Kementerian Pertanian; Jurnal Indikator Volume 5.

Teta B (2023), Pengaruh Motivasi Kerja dan Pelatihan Terhadap Kinerja Guru Dengan Kompetensi Sebagai Variabel Mediasi Pada SMA Negeri 3 Tanjung Balai, Program Studi Magister Manajemen Fakultas Ekonomi Universitas Prima Indonesia; Medan.

Yasa (2022), Pengaruh Tingkat Pendidikan Dan Motivasi Kerja Terhadap Kinerja Karyawan, urusan Manajemen, Fakultas Ekonomi, Universitas Pendidikan Ganesha Singaraja.

Zacky M (2023), Pengaruh Tingkat Pendidikan Terhadap Kesempatan Berkarir (Studi Kasus Pada Masyarakat Kabupaten Batang, Jurnal Sahmiyya | P- ISSN : 2963-2986 E-ISSN : 2963-8100



**The Influence Of Professional Skepticism, Auditor Independence,
Competence, Auditor Experience On The Auditor'S Ability To Detect Fraud
At Public Accounting Firms In The City Of Medan.**

Anasthasya Putri Br Sitepu^a, Enda Noviyanti Simorangkir^a, Rasinta Ria Ginting^a,
Putri Wahyuni^b

^aUniversitas Prima Indonesia

^bSTIE Eka Prasetya

Abstract

The purpose of this study was to determine the effect of professional skepticism, auditor independence, auditor competence and experience on the auditor's ability to detect fraud at KAP in Medan city. This type of research is descriptive research. The population in this study only consists of all auditors who worked at the Public Accounting Firm in Medan city. The sample used was 60 auditors. The method used in this research is quantitative research. Data was obtained through the Questionnaire method and data analysis was carried out using the Multiple Linear Regression Analysis method. The results showed that: (1) The variables of professional skepticism and auditor independence have no effect on the auditor's ability to detect fraud. (2) Auditor competence and experience variables have a significant effect on the auditor's ability to detect fraud. (3) Professional skepticism, auditor independence, auditor competence and experience simultaneously affect the auditor's ability to detect fraud.

Keywords: Professional Skepticism, Auditor Independence, Competence, Auditor Experience, Auditor Ability to Detect Fraud.

Introduction

Public trust in audit quality is decreasing along with the continuing occurrence of several fraudulent events in the company's financial statements which raises questions among the public about whether the audit firm has conducted a good audit in accordance with the standards. A quality audit can be achieved if the audit firm has effective audit procedures. The importance of a quality audit because it can have an impact on the reputation of the accounting firm, both in the eyes of clients and the public.

The case of Hasnil M. Yasin & Rekan, Head of Public Accounting Firm (KAP), is one of the examples of professional ethics violations related to audit conflicts that occurred in Medan. This case was part of the corruption trial process at the Medan District Court (PN). In 2001 and 2002, Hasnil and Surya Djahisa, the Regional Secretary of Langkat, were both charged with corruption in Langkat District. Hasnil was charged by the public prosecutor for corruption that cost the state around Rp 1 billion. According to Prosecutor Choirun Parapat, Surya Djahisa was contracted by KAP Hasnil M Yamin & Partners to change the PPH Article 21 PPH rate for the 2001 and 2002 fiscal years by Surya Djahisa, who at that time served as Head of Finance at the Langkat Regency Government. Money amounting to Rp 5.9 billion was given to the Langkat Regency Government as compensation. Twenty percent of Rp 5.9 billion or Rp 1.19 billion should have



been paid to KAP Hasnil M Yamin & Partners as an honorarium, in accordance with the agreement. Around Rp 400 million was given to the defendant, while around Rp 793 million was given to Surya Djahisa. The state lost Rp 1.193 billion due to the defendant's activities. BPKP, the North Sumatra Financial and Development Supervisory Agency, arrived at this estimated loss after conducting calculations. The public prosecutor previously charged Hasnil with taking advantage of his position to benefit himself and others, as did Surya Djahisa. As auditors fail to adhere to professional ethics and auditing norms, many parties question their ethical behavior in audit dispute scenarios. visit tribunmedan.com. Here, trust in accountants is at an all-time low. Accountants can learn a lot from this incident; they need to improve their own discipline, organize their actions, and provide services to their customers in a smarter and more organized manner.

Professional skepticism is like the attitude of an auditor who constantly questions and critically assesses the available audit evidence. These conditions indicate that professional skepticism encourages auditors to examine evidence and identify signals of potential audit fraud, and can improve the auditor's ability to detect new signs of fraud.

In order to carry out an audit effectively, an auditor must have a strong sense of independence. Information gathered to identify fraud will be less valuable if the auditor is not neutral. This happens because auditors who favor their clients will not disclose information thoroughly and this attitude cannot be justified.

To achieve good audit quality, auditors must have a competent attitude. Where auditor competence means that auditors are expected to carry out their audits carefully and thoroughly using all their expertise. Auditors must also have advanced skills to be able to detect fraud in financial statements and collect valid evidence.

When it comes to detecting fraud, auditor expertise is critical, but auditor experience is even more important. There is a strong correlation between auditors' level of experience and their capacity to detect fraudulent activity. Gaining audit experience is a great way to hone your skills. Due to the large number and variety of events that have been investigated, auditors with more expertise will also have a better time detecting fraud. Discussions about audits with colleagues, training programs, and standards all contribute to the continuous growth of auditors' experience as they get more and more audit work. (Suryanto et al, 2017).

The hypothesis of this study is as follows:

- H1 : Professional Skepticism Affects Fraud Detection at Public Accounting Firms in Medan City.
- H2 : Auditor independence affects fraud detection at public accounting firms in Medan City.
- H3 : Competence affects Fraud Detection at Public Accounting Firms in Medan City.
- H4 : Auditor experience affects fraud detection at public accounting firms in Medan City.
- H5 : Professional Skepticism, Auditor Independence, Competence, Auditor Experience Affect the Auditor's Ability to Detect Fraud at Public Accounting Firms in Medan City.

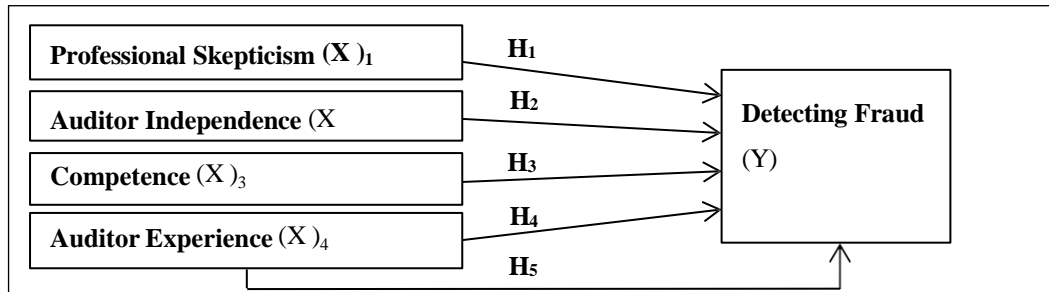


Figure 1.1 Conceptual Framework

Method

To determine the effect of variables on fraud detection, this study uses quantitative research techniques. Agung (2014) defines quantitative descriptive analysis as a data processing approach that relies on methodically compiling numerical and percentage information about research topics to draw general conclusions.

According to Tersiana (2018: 75), population is the entire research subject. To understand the characteristics of the population in question, we can examine each individual in the population. All auditors who work at public accounting firms in Medan are considered part of the research population. The sample of public accounting firms included in this study amounted to twenty-two in Medan City.

All auditors who work in public accounting firms in Medan are considered part of the research population. The sample of public accounting firms included in this study amounted to twenty-two in Medan City.

Table 2.1 Research Sample

| No. | Public Accounting Firm (KAP) in Medan City | Business License Number | Number of Auditors |
|--------------|--|-------------------------|--------------------|
| 1 | KAP Syamsul Bahri, M.M, Ak & Partners | KEP-011/KM.5/2005 | 16 |
| 2 | KAP Darwin S. Meliala | KEP-359/KM.17/1999 | 18 |
| 3 | KAP M. Lian Dalimunthe and Partners | 714/KM.1/2021 | 12 |
| 4 | KAP Drs. Katio & Partners | KEP-259/KM.17/1999 | 14 |
| Total | | | 60 |

Results and Discussion

Results of Data Analysis

1. Validity and Reliability Test

To determine how good a statement item is, the validity test can be considered valid or invalid. The validity test used 30 respondents, a significance threshold of 5%, and an r table value of 0.349. Statistical Product and Service Solutions (SPSS) was used to conduct the validity test. The following criteria were used to analyze the bivariate correlation between each indicator's score and the overall score:

1. If the r value is positive and $r_{count} > r_{table}$, then the statement item is valid.
2. If the r value is negative and $r_{count} < r_{table}$, then the statement item is invalid.



Competence, Professional Skepticism, Auditor Independence, and Detecting Fraud were all found to have good validity test findings, because the calculated r value was higher than the r table value.

Finding out how much the social value index is in relation to the Professional Skepticism, Auditor Independence, Competence, and Auditor Experience variables of the instrument is the essence of the reliability test. For this study's reliability test, the Cronbach's Alpha formula was used. When the Cronbach Alpha score is more than 0.70, it indicates that the construct or variable is reliable.

Since the Cronbach Alpha score is more than 0.70, we can trust the reliability test findings for the following variables: Professional Skepticism, Auditor Independence, Competence, Work Experience, and Detecting Fraud.

2. Descriptive Statistics

Data can be summarized using descriptive statistics, which take into account measures such as mean, standard deviation, variance, total, range, kurtosis, and slope of the distribution. The descriptive statistics obtained from the lowest, maximum, mean, and standard deviation responses of the respondents are as follows:

Table 3.1 Descriptive Statistics

| Descriptive Statistics | | | | | |
|-------------------------|----|---------|---------|-------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Skepticism_Professional | 30 | 20 | 25 | 21,57 | 1,524 |
| Independence_Auditor | 30 | 19 | 29 | 23,83 | 2,890 |
| Competence | 30 | 13 | 20 | 16,47 | 1,889 |
| Experience_Auditor | 30 | 13 | 20 | 17,20 | 2,140 |
| Detect_Cheating | 30 | 15 | 20 | 18,13 | 1,676 |
| Valid N (listwise) | 30 | | | | |

3. Classical Assumption Test Results

Normality Test

The normality test is used to determine whether the residual or confounding variables in the regression model follow a normal distribution. The Kolmogorov-Smirnov test is used to determine whether the data is normally distributed. The simplicity of the test and the fact that it does not bias the results are its two main advantages.

According to the histogram, the actual distribution follows a very flat bell-shaped curve and does not deviate too much to the left or right. As a result, the normal distribution can be applied to the residual data.

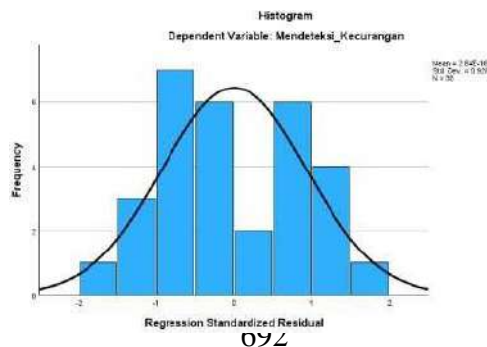




Figure 3.1 Histogram Normality Test

The data points in a normal probability plot are distributed in a scatter plot along the diagonal and in all directions. The residual data follows a normal distribution, as seen above.

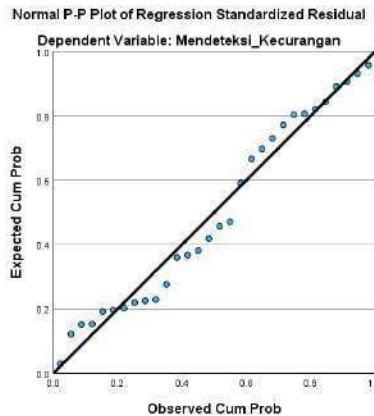


Figure 3.2 Normality Test Normal Probability Plot

You can't tell if the data is really regularly distributed without running it through a statistical normality test. The Kolmogorov Smirnov test for statistical normality is shown here.

The test criteria are as follows:

- a. If the significance value is > 0.05 , then the data is normally distributed.
- b. If the significance value is < 0.05 , then the data is not normally distributed.

Table 3.2 Kolmogorov-Smirnov Normality Test
One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|--|-------------------------|-------------------------|
| N | | 30 |
| Normal Parameters ^{a,b} | Mean | 0.0000000 |
| | Std Deviation | 0.89100802 |
| Most Extreme Differences | Absolute | 0.122 |
| | Positive | 0.122 |
| | Negative | -0.090 |
| Test Statistic | | 0.122 |
| Asymo. Sig. (2-tailed) ^c | | .200 ^d |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | 0.296 |
| | 99% Confidence Interval | |
| | Lower Bound | 0.284 |
| | Upper Bound | 0.308 |



- Test distribution is Normal
- Calculated from data
- Lilliefors significance correction
- This is a lower bound of the true significance
- Lilliefors. Method based on 10000 Monte Carlo samples with starting seed 2000000

Based on the results of the *Kolmogorov Smirnov* normality test, variables involving all total statement items, the Asymp. Sig. (2-tailed) of $0.200 > 0.05$, thus through the *Kolmogorov Smirnov* test results it shows that the data is normally distributed.

3.1 Multicollinearity Test

The purpose of the multicollinearity test is to identify regression models with correlated independent variables. To check for multicollinearity, we compare the VIF and tolerance values of the independent variables, using the criteria that the tolerance value should be more than 0.10 and the VIF value should be less than 10.

Table 3.3 Multicollinearity test

| Model | | Coefficients ^a | |
|-------|-------------------------|---------------------------|-------|
| | | Collinearity Statistics | |
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Skepticism_Professional | 0,648 | 1,542 |
| | Independence_Auditor | 0,453 | 2,206 |
| | Competence | 0,381 | 2,623 |
| | Experience_Auditor | 0,674 | 1,484 |

a. Dependent Variable: Detecting_Cheating

Based on the numbers in the Tolerance table (more than 0.10) and VIF table (less than 10), the following variables-Auditor Independence, Professional Skepticism, Competence, and Auditor Experience-are present in the audit. The independent variables are not correlated with each other in the multicollinearity test.

Heterokedasticity Test

To determine whether two regression observations have unequal variances, statisticians use the heteroscedasticity test. The application of the scatterplot graph approach in this study is based on the following:

- Heteroscedasticity is indicated by the presence of certain patterns, namely points that form a regular pattern (wavy, widening then narrowing).
- Heteroscedasticity does not occur if the Y-axis pattern does not have a clear pattern and the points are evenly distributed above and below the zero point.

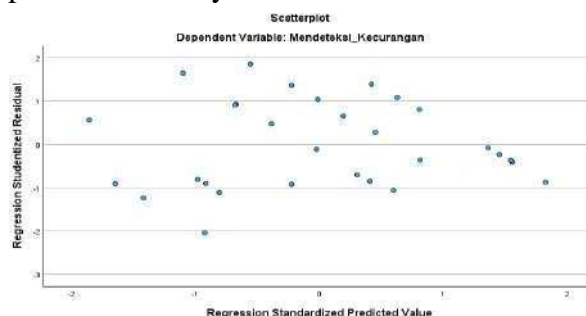




Figure 3.3 Scaterplot Test

The dots on the scatter diagram above are not concentrated in one spot, and the distribution is slightly mixed, both above and below zero (0) on the Y-axis. Based on the scatter diagram graph in the regression model, it can be stated that heteroscedasticity does not exist.

The Glejser test is a tool to determine whether heteroscedasticity exists. Assuming a significance level greater than 0.05 between the independent variable and the residuals, heteroscedasticity does not exist.

Table 3.4 Glejser Heteroskedity Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 1,590 | 0,923 | | 1,723 | 0,097 |
| Skepticism_Professiona l | 0,009 | 0,032 | 0,069 | 0,294 | 0,771 |
| Independence_Auditor | -0,004 | 0,020 | -0,054 | -0,193 | 0,849 |
| Competence | 0,027 | 0,033 | 0,243 | 0,799 | 0,432 |
| Experience_Auditor | -0,649 | 0,372 | -0,400 | -1,746 | 0,093 |

a. Dependent Variable: Abs_RES

Based on the Glejser test results shown in the table above, all four independent variables-professional skepticism, auditor independence, competence, and experience-have significance values greater than 0.05. This means there is no heteroscedasticity problem.

4. Data Analysis Results

Multiple Linear Regression Analysis Results

Multiple linear regression analysis is the basis for hypothesis testing in this study. The following is the regression model used:

Table 3.5 Multiple Linear Regression Analysis Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|-------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 1,525 | 2,579 | | 0,591 | 0,560 |
| Skepticism_Professiona l | 0,167 | 0,145 | 0,151 | 1,147 | 0,262 |
| Independence_Auditor | 0,148 | 0,092 | 0,256 | 1,621 | 0,118 |
| Competence | 0,323 | 0,153 | 0,364 | 2,116 | 0,045 |
| Experience_Auditor | 0,242 | 0,101 | 0,308 | 2,381 | 0,025 |

a. Dependent Variable: Detecting_Cheating

Detecting Fraud = 1.525 + 0.167 Professional Skepticism + 0.148 Auditor Independence + 0.323 Competence - 0.242 Auditor Experience + e

The meaning of the multiple linear regression equation above is :

1) Detecting fraud is 1.525 units if Professional Skepticism, Auditor



Independence, Competence, and Auditor Experience all have a value of 0 or constant.

- 2) With a positive value of 0.167 for the regression coefficient of Professional Skepticism, we can say that, all other things being equal, detecting fraud will increase by 0.167 units for every 1 unit increase in Professional Skepticism.
- 3) Since Auditor Independence has a positive regression coefficient of 0.148, we can conclude that, all other things being equal, a one unit increase in Auditor Independence will lead to a 0.148 unit increase in Fraud Detection.
- 4) Assuming all other variables remain the same, a one unit increase in Competence will lead to a 0.323 unit increase in Detecting Fraud, according to the positive value of the Competence regression coefficient (0.323).
- 5) Assuming all other variables remain constant, the positive value of the auditor experience regression coefficient (0.242) indicates that there will be a 0.242 unit increase in detecting fraud for every 1 unit increase in auditor experience.

4.1 Coefficient of Determination

The Coefficient of Determination aims to measure the extent to which the model can explain variations in the dependent variable.

Table 3.6 Coefficient of Determination
Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .847 ^a | 0,717 | 0,672 | 0,960 | 2,140 |

a. Predictors: (Constant), Experience_Auditor, Independence_Auditor, Skepticism_Professional, Competence

b. Dependent Variable: Detecting Fraud

The Adjusted R Square value is obtained at 0.672 according to the coefficient of determination test. Based on these results, the factors of professional skepticism (X1), auditor independence (X2), competence (X3), and auditor experience (X4) cover 67.2% of the variance in the fraud detection variable (Y). In the remaining 32.8%, there are additional factors.

4.2 Partial Hypothesis Test (T)

Using the t-test with a significance threshold of $\alpha = 5\%$, hypotheses are evaluated to determine the partial significance between each independent variable and the dependent variable. With a significance level of 0.05 in a 2-way significance test and a t_{table} value of 25 ($df = n - k = 30 - 5 = 25$), we can find t_{table} . Using this standard, we can decide whether to accept or reject the hypothesis:

1. If the significant value > 0.05 or the $t_{count} < t_{table}$, then there is no effect of variable X on variable Y.
2. If the significant value < 0.05 or the value of $t_{count} > t_{table}$, then there is an influence of variable X on variable Y.

Table 3.7 Partial Test
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|---|------|
| | B | Std. Error | Beta | | |



| | | | | | | |
|---|-----------------------------|-------|-------|-------|-------|-------|
| 1 | (Constant) | 1,525 | 2,579 | | 0,591 | 0,560 |
| | Skepticism_Professiona l | 0,167 | 0,145 | 0,151 | 1,147 | 0,262 |
| | Independence_Auditor | 0,148 | 0,092 | 0,256 | 1,621 | 0,118 |
| | Competence | 0,323 | 0,153 | 0,364 | 2,116 | 0,045 |
| | Experience_Auditor | 0,242 | 0,101 | 0,308 | 2,381 | 0,025 |

a. Dependent Variable: Detecting_Cheating

Thus the results of the t test can be explained as follows:

1. The t value of 1.147 for Professional Skepticism is calculated from the partial t test results, which results in a significance value of 0.262. Based on these results, Auditor Independence has no significant effect on the auditor's capacity to detect fraud at KAP in Medan, with a t value of $1.147 < 2.05954$ and a significance value of $0.262 > 0.05$.
2. The t value of Auditor Independence is 1.621 and the significance level is 0.118, based on the results of the partial t test calculation. Based on the t value $< t$ table or $1.621 < 2.05954$ and a significance value of $0.118 > 0.05$, it can be concluded that Auditor Independence has no significant effect on the auditor's capacity to detect fraud at KAP in Medan.
3. Based on the results of the partial t-test calculation, the t-count value of Competence is 2.116 and the significance level is 0.045. In Medan City, auditor competence has a significant effect on the ability of auditors to detect fraud at the Public Accounting Firm (KAP), as indicated by the t-count $> t$ -table value or $2.116 > 2.05954$ and a significance value of $0.045 < 0.05$.
4. Based on the results of the partial t-test calculation, the t-count value of the Auditor Experience is 2.381 and the significance value is 0.025. The results showed that there is a strong relationship between auditor experience and the auditor's ability to detect fraud at the Public Accounting Firm (KAP) in Medan City, with a t-count value of $2.381 > 2.05954$ and a significance value of $0.025 < 0.05$.

4.3 Simultaneous Hypothesis Test (F)

To test how the influence between the independent variables together on the dependent variable can use simultaneous hypothesis testing (F test).

Table 3 8 Simultaneous Test
ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|--------|-----------|
| 1 Regression | 58,444 | 4 | 14,611 | 15,866 | $<,001^b$ |
| Residuals | 23,023 | 25 | 0,921 | | |
| Total | 81,467 | 29 | | | |

a. Dependent Variable: Detecting_Cheating

b. Predictors: (Constant), Experience_Auditor, Independence_Auditor, Skepticism_Professional, Competence



The table shows the F test result of 15.866 for the Fcount value. The Ftable value at the 0.05 significance level is 3.39 and at degree of freedom 2 (df_2) = $n-k$ = $30-5$ = 25, where n is the number of variables and k is the number of samples, the SPSS calculation produces an Fcount value greater than 3.39 at the 0.001 significance level, which is 15.866. The auditor's ability to detect fraud at the Public Accounting Firm (KAP) in Medan is significantly influenced by professional skepticism, auditor independence, competence, and auditor experience simultaneously, as indicated by $F_{hitung} > F_{tabel} = 15.866 > 3.39$ and a significance probability of $0.001 < 0.05$.

Discussion of Research Results

1. The Effect of Professional Skepticism on Detecting Fraud

The analysis conducted at the Public Accounting Firm in Medan City found that the level of professional skepticism of auditors did not have a significant impact on their ability to detect fraud. The findings of this study corroborate the findings of Budianto's (2017) research which did not find a statistically significant relationship between professional skepticism and the ability to detect fraud. On the other hand, Purba and Nuryatno's (2019) research found that auditors' capacity to detect fraud increases by practicing professional skepticism.

2. The Effect of Auditor Independence on Detecting Fraud

This study found that the independence of auditors at the Medan Public Accounting Firm (KAP) had no significant effect on the auditor's ability to detect fraud. The findings of this study contradict the research of Hartan and Waluyo (2016) which found that independence has a positive effect on fraud detection. According to Fuad (2015), independent auditors are better able to prioritize honesty, especially in providing conclusions based on objective and unbiased assessment of facts. Thus, auditors with a high level of objectivity will disclose evidence of fraud found during the audit process. That is why auditor impartiality is very important for detecting fraud.

3. Effect of Competence Detecting Fraud

The analysis conducted at the Medan Public Accounting Firm (KAP) shows that auditor competence has a significant effect on the auditor's ability to detect fraud. Both this study and a study entitled "The Effect of Independence, Competence, Professional Skepticism, and Professionalism on the Ability to Detect Fraud in Auditors at the BPK RI Representative Office in North Sumatra Province" (Sartika N. Simanjuntak, 2015) provide consistent results. Based on the research results, the auditor's ability to detect fraud increases along with the amount of training attended. The auditor's ability to identify fraud is positively and significantly influenced by competence according to this study. To be able to determine quickly and accurately whether a corporation has committed fraud or not, auditors need specialized knowledge. Therefore, competent auditors can assist in detecting fraud.

4. The Influence of Auditor Experience on Detecting Fraud

Analysis of data from public accounting firms (KAP) in Medan revealed



that auditor experience significantly affects the auditor's capacity to detect fraud. The findings of this study are consistent with previous research by Wulandari (2018: 52) A greater level of work experience is associated with a better capacity for auditors to identify fraud, according to research findings. This shows that experience positively and significantly affects the auditor's ability to detect fraud. Additional support for this research comes from Sari and Helmayunita (2018: 1182) More experienced auditors are better able to spot signs of fraud, according to the research findings. Therefore, it is reasonable to assume that auditors' capacity to spot fraud increases proportionally with their level of expertise. Accuracy and precision in auditing financial statements can be guaranteed by significant expertise. This is because, as their skills in understanding and solving problems increase, auditors can think and behave with more precision, leading to better detection. Having a deep understanding of human error and fraud, experienced auditors are better equipped to identify cases of fraud.

5. The Effect of Professional Skepticism, Auditor Independence, Competence, and Auditing Experience on Detecting Fraud

The results showed that f count with a value of 15.866 > f table with a value of 3.39 with a significance level of 0.001 < 0.05. This makes us believe that H_a is true and reject H_0 . This study found that all four ratios can identify fraudulent activity, so auditors can use them together to find suspicious activity. If you want to maximize how well these four factors identify fraud, you can use them as benchmarks. In Medan City public accounting firms, auditors' skepticism, independence, competence and experience all work against their capacity to spot fraud.

Conclusion

The conclusions of the results of this study are (1) At the Medan Public Accounting Firm (KAP), Professional Skepticism does not help reveal fraudulent activities. (2) The ability of public accounting firms in Medan to identify fraud is not influenced by auditor independence. (3) The ability to identify fraud at the Medan Public Accounting Firm (KAP) is significantly influenced by competence. (4) At the Medan Public Accounting Firm (KAP), auditor experience significantly affects fraud detection. (5) There is a synergistic impact between the following factors at KAP in Medan: Professional Skepticism, Auditor Independence, Competence, and Auditor Experience.

References

- Agung, A. A. G. (2014). Textbook of Educational Research Methodology. Aditya Media Publishing.
- Budianto Dennis. 2017. The Effect of Skepticism, Personality Type and Competence on the Auditor's Ability to Detect Fraud. Thesis. Faculty of Economics and Business, Soegijapranata Catholic University Semarang.
- Fuad, K. (2015). The Effect of Independence, Competence, and Audit Procedures on Responsibility in Fraud Detection. Journal of Accounting Dynamics, 7 (1).
- Hartan, T. H., & Waluyo, I. (2016). The Effect of Professional Skepticism,



- Independence, and Competence on the Auditor's Ability to Detect Fraud. *Profita Journal: Accounting Science Studies*, 4(3).
- Purba, S. F., & Nuryatno, M. (2019). Emotional Intelligence as Moderating the Effect of Professional Skepticism, Independence, Time Pressure, Locus of Control on the Auditor's Ability to Detect. *0832(2)*, 325-344.
- Sari. And Helmayunita. 2018. The influence of workload, experience. And professional skepticism on the Auditor's ability to detect fraud. *WRA Journal*, Vol.6, No.1, 1173-1192.
- Sartika N Simanjuntak (2015). The Effect of Independence, Competence, Professional Skepticism, and Professionalism on the Ability to Detect Fraud in Auditors at BPK RI Representative of North Sumatra Province. *Journal*. Vol. 2 No.2 October. Faculty of Economics, Riau University. Pekanbaru.
- Suryanto, R., Indriyani, Y., & Sofyani, H. (2017). Determinants of Auditor Ability to Detect Fraud. *Journal of Accounting and Investment*, 18(1), 102-118. <https://doi.org/10.18196/jai.18163>.
- Tersiana, A. (2018). *Research Methods*. Yogyakarta: STAR.T UP.
- Wulandari, S.M.2018. the influence of experience, workload, and time pressure on the auditor's ability to detect fraud. *Journal of Accounting Science*. Vol 16: 43-55.



THE INFLUENCE OF PROFESSIONALISM, AUDITOR ETHICS, WORK EXPERIENCE, AND AUDIT FEES ON AUDIT QUALITY AT THE MEDAN CITY HOOD

Desy Juliana Br Tarigan¹, Merry Rusida S*, Tina Novianti Sitanggang³, Rifqah Harahap⁴
^{1,2,3} Universitas Prima Indonesia, ⁴STIE IBMI

ABSTRACT

This study is entitled “The Effect of Professionalism, Auditor Ethics, Work Experience, and Audit Fees on Audit Quality at KAP Medan City”. The objectives of this study were to (1) Test the effect of professionalism on audit quality; (2) Test auditor ethics on audit quality; (3) Test work experience on audit quality; (4) Test audit fees on audit quality. The data collection method used is by distributing questionnaires to auditors at KAP Medan City. Based on the research results in this study, it is known that the variables of professionalism, auditor ethics, work experience, and audit fees have a significant effect on audit quality.

Keywords: *Profesionalisme, Etika Auditor, Pengalaman Kerja, Fee Audit, Kualitas Audit*

INTRODUCTION

Auditing is the process of gathering and examining evidence-related information to determine and report on the consistency between data and specified criteria. The future of auditing is an evolving landscape shaped by new technologies and changing business practices. Increasingly, the role of auditing is very important for progress, especially in companies. Apart from being used by the company, the results of the audit can also be used by parties outside the company such as potential investors, investors, creditors, Bapepam and other related parties to assess the company to make strategic decisions related to the company.

The role of audit also affects the success of a company in order to produce quality auditors. Many cases of companies experiencing business failure are associated with auditor failure, this threatens the credibility of financial statements. The quality or not of the auditor's work will affect the auditor's final conclusion and will indirectly affect whether or not the decision will be made by parties outside the company. So that auditors are required to have a sense of accountability in carrying out their work and have an attitude of professionalism.



One of the cases that occurred at the Medan City KAP was the license suspension sanction imposed on Drs. Biasa Sitepu on the sanction date April 03, 2018 with a sanction length of 6 months and Sanction No. 238: 238.KM.1.2018, violating SA-SPAP in conducting a general audit of the transaction report of PT Jui Shin Indonesia for the 2016 fiscal year, specifically related to not testing the opening balance (SA Section 510 of the first year audit engagement, opening balance) and not obtaining sufficient and appropriate audit evidence in ensuring the reasonableness of the balance and appropriate in ascertaining the reasonableness of the balances of accounts receivable, accounts payable, fixed assets, inventories and cost of goods sold (SA 500 audit evidence) (<http://pppk.kemenkeu.go.id/>).

According to (Halim, 2015), “audit fees are no less important in accepting assignments. Auditors certainly work to earn adequate income.” Audit fees are the price received by auditors who have performed quality audits well. In the audit fee there are indicators, namely, the complexity provided, the risk of the audit and the effort to get clients.

Public accountants are independent accountants who work independently by establishing a Public Accounting Firm (KAP). (Soemarso, 2019: 455). Public Accounting Firm (hereinafter referred to as KAP) according to Regulation of the Minister of Finance Number 17 / PMK.01 / 2008 concerning Public Accountant services of the Minister of Finance is a business entity that has obtained a license from the minister as a forum for Public Accountants in providing services.

LITERATURE REVIEW

● The Effect of Professionalism on Audit Quality

Ningrum and Budiarta (2017) state that auditor professionalism affects audit quality. Which means that the higher the professionalism of an auditor, the higher the quality of the resulting audit will be.

● The Effect of Ethics on Audit Quality

An ethical auditor is an auditor who acts and is committed to justifying the rules or things that have been agreed upon. To improve their profession, ethics are very important to evaluate. In research conducted by Susandy and Suryandi (2021), it is stated that auditor ethics can affect



auditor quality, because an auditor in auditing annual financial reports must carry out the regulated code of ethics so that the resulting audit quality will be good. Fitri, (2019) In carrying out his duties, an auditor must comply with the established code of ethics.

- **The Effect of Work Experience on Audit Quality**

Work experience is very important in the context of an auditor's obligation to his duties to meet general auditing standards. A person's work experience shows the types of work a person has done and provides a great opportunity to do a better job. The experience of an auditor is one of the factors that affect audit quality because more experienced auditors can detect fraud (Damanik, 2016). Experience is also an important attribute for an auditor, because from a lot of experience, an auditor has the ability to detect fraud that may occur in financial statements (Lailatusyarifah, 2016: 17).

- **The effect of fees on audit quality**

Auditors with high fees will conduct a broader and deeper audit of client companies so that possible irregularities in the client's financial statements can be detected (Pratistha and Widhiyani 2014). Where higher fees will improve audit quality, because the audit fees earned in one year and the estimated operational costs required to carry out the audit process can improve audit quality (Kurniasih and Rohman 2014)

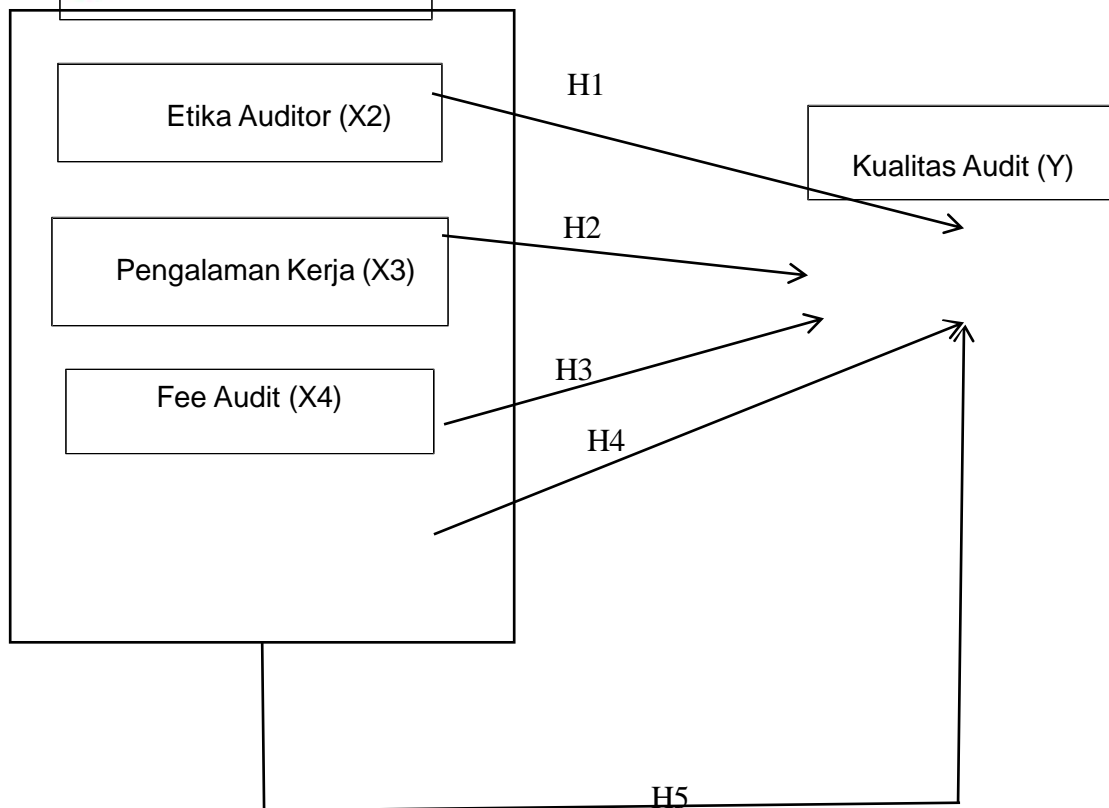
- **The Effect of Professionalism, Auditor Ethics, Work Experience, and Audit Fees on Audit Quality at KAP Medan City**

Arens, et al (2015: 129) state that professionalism is a responsibility that is charged more than just fulfilling the responsibilities imposed on it and more than just fulfilling laws and community regulations. Auditor ethics are the rules of auditor behavior that are in accordance with the provisions of the profession and organization as well as auditing standards which are a measure of the minimum level or quality that auditors must achieve in carrying out their audit duties, if these rules cannot be met then the auditor is working below standard and can be considered in violation (Chairani, 2019). According to Dini (2020; 22) states that someone who starts his career as an auditor first seeks experience that is still under the supervision of auditors who have



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

a deeper understanding of auditors. (Soares et al., 2021) state that the higher the fee given by the client, the more extensive the audit procedures will be carried out which causes the resulting audit quality to be high.



CONCEPTUAL FRAMEWORK

METHODS

The type of research used in this proposal is quantitative research. According to Sugiyono (2017) quantitative research methods are a form of research based on scientific methods using how to measure the variables studied using statistical measurement and analysis instruments. In this study using the SPSS technique method.

According to Sugiyono (in Maharani, 2020: 39) secondary data sources are data used to support primary data. This data source does not directly provide data to data collectors, it must go through other people and documents first. Based on the explanation above, the secondary data sources in this study are in the form of written materials or library materials, namely books, articles, literature, scientific journals, and scientific publications that discuss issues relevant to this research.



- **Population**

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions (Sugiyono, 2020: 126). In this study, the research population is all independent auditors who work at the Public Accounting Firm (KAP) in Medan City.

- **Sample**

According to (Sugiyono, 2016: 116), "The sample is part of the number and characteristics of the population". The sampling technique used is by distributing questionnaires and processing the questionnaires.

- **Data Analysis Technique**

The analysis in this study used statistical analysis techniques (SPSS), namely methods using multiple linear regression analysis to test the influence of variables. This analysis is used to answer how professionalism, auditor ethics, work experience, and audit fees affect audit quality at KAP in Medan City.

Results

Correlations

| | | X1.1 | X1.2 | X1.3 | X1.4 | TOTAL |
|-------|---------------------|------|--------|--------|--------|--------|
| X1.1 | Pearson Correlation | .a | .a | .a | .a | .a |
| | Sig. (2-tailed) | . | . | . | . | . |
| | N | 60 | 60 | 60 | 60 | 60 |
| X1.2 | Pearson Correlation | .a | 1 | .275* | .391** | .509** |
| | Sig. (2-tailed) | . | . | .034 | .002 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| X1.3 | Pearson Correlation | .a | .275* | 1 | .704** | .917** |
| | Sig. (2-tailed) | . | .034 | . | .000 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| X1.4 | Pearson Correlation | .a | .391** | .704** | 1 | .901** |
| | Sig. (2-tailed) | . | .002 | .000 | . | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| TOTAL | Pearson Correlation | .a | .509** | .917** | .901** | 1 |
| | Sig. (2-tailed) | . | .000 | .000 | .000 | . |
| | N | 60 | 60 | 60 | 60 | 60 |

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

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

a. Cannot be computed because at least one of the variables is constant.

Berdasarkan hasil uji validasi, variable skeptisme profesionalisme dan melibatkan seluruh item pernyataan



Berdasarkan hasil uji validitas, variabel skeptisme profesionalisme dengan melibatkan seluruh item pernyataan, diperoleh nilai r hitung $>$ r tabel (dengan tingkat signifikansi 5% dan nilai r tabel 0,254), maka dapat dikatakan variabel skeptisme profesionalisme valid.

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .617 | 4 |

Berdasarkan hasil uji reliabilitas, variabel skeptisme profesional dengan melibatkan seluruh item pernyataan, diperoleh nilai Cronbach's Alpha sebesar 0,617. Kriteria koefisien Cronbach's Alpha $>$ 0,60, maka dapat dikatakan variabel skeptisme profesional reliabel.

| | | X2.1 | X2.2 | X2.3 | X2.4 | X2.5 | X2.6 | Total |
|-------|---------------------|--------|--------|---------|---------|--------|--------|--------|
| X2.1 | Pearson Correlation | 1 | .404** | .428** | -.266* | .414** | .427** | .635** |
| | Sig. (2-tailed) | | .001 | .001 | .040 | .001 | .001 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X2.2 | Pearson Correlation | .404** | 1 | .783** | -.291* | .247 | .379** | .763** |
| | Sig. (2-tailed) | .001 | | .000 | .024 | .057 | .003 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X2.3 | Pearson Correlation | .428** | .783** | 1 | -.410** | .358** | .418** | .789** |
| | Sig. (2-tailed) | .001 | .000 | | .001 | .005 | .001 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X2.4 | Pearson Correlation | -.266* | -.291* | -.410** | 1 | -.163 | -.061 | -.113 |
| | Sig. (2-tailed) | .040 | .024 | .001 | | .214 | .644 | .390 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X2.5 | Pearson Correlation | .414** | .247 | .358** | -.163 | 1 | .627** | .672** |
| | Sig. (2-tailed) | .001 | .057 | .005 | .214 | | .000 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X2.6 | Pearson Correlation | .427** | .379** | .418** | -.061 | .627** | 1 | .779** |
| | Sig. (2-tailed) | .001 | .003 | .001 | .644 | .000 | | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Total | Pearson Correlation | .635** | .763** | .789** | -.113 | .672** | .779** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .390 | .000 | .000 | |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |

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

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

Berdasarkan hasil uji validitas, variabel skeptisme etika auditor dengan melibatkan seluruh item pernyataan, diperoleh nilai r hitung $>$ r tabel (dengan tingkat signifikansi 5% dan nilai r tabel 0,254), maka dapat dikatakan variabel skeptisme etika auditor valid.

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .657 | 6 |

Berdasarkan hasil uji reliabilitas, variabel skeptisme profesional dengan melibatkan seluruh item pernyataan, diperoleh nilai Cronbach's Alpha sebesar 0,657. Kriteria koefisien Cronbach's Alpha $>$ 0,60, maka dapat dikatakan variabel skeptisme profesional reliabel



Variabel Skeptisme Pengalaman Kerja (X3)

Correlations

| | | X3.1 | X3.2 | X3.3 | X3.4 | X3.5 | X3.6 | Total |
|-------|---------------------|--------|--------|--------|--------|--------|--------|--------|
| X3.1 | Pearson Correlation | 1 | .278* | .467** | .514** | .322* | .419** | .657** |
| | Sig. (2-tailed) | | .032 | .000 | .000 | .012 | .001 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X3.2 | Pearson Correlation | .278* | 1 | .371** | .380** | .358** | .282* | .668** |
| | Sig. (2-tailed) | .032 | | .003 | .003 | .005 | .029 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X3.3 | Pearson Correlation | .467** | .371** | 1 | .815** | .545** | .445** | .808** |
| | Sig. (2-tailed) | .000 | .003 | | .000 | .000 | .000 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X3.4 | Pearson Correlation | .514** | .380** | .815** | 1 | .660** | .546** | .869** |
| | Sig. (2-tailed) | .000 | .003 | .000 | | .000 | .000 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X3.5 | Pearson Correlation | .322* | .358** | .545** | .660** | 1 | .490** | .736** |
| | Sig. (2-tailed) | .012 | .005 | .000 | .000 | | .000 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| X3.6 | Pearson Correlation | .419** | .282* | .445** | .546** | .490** | 1 | .691** |
| | Sig. (2-tailed) | .001 | .029 | .000 | .000 | .000 | | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Total | Pearson Correlation | .657** | .668** | .808** | .869** | .736** | .691** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | .000 | |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 |

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

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

Berdasarkan hasil uji validitas, variabel skeptisme pengalaman kerja dengan melibatkan seluruh item pernyataan, diperoleh nilai r hitung > r tabel (dengan tingkat signifikansi 5% dan nilai r tabel 0,254), maka dapat dikatakan variabel skeptisme pengalaman kerja valid.

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .816 | 6 |

Berdasarkan hasil uji reliabilitas, variabel skeptisme pengalaman kerja dengan melibatkan seluruh item pernyataan, diperoleh nilai Cronbach's Alpha sebesar 0,816. Kriteria koefisien Cronbach's Alpha > 0,60, maka dapat dikatakan variabel skeptisme pengalaman kerja reliabel.



Variabel Skeptisme Fee Audit (X4)

Correlations

| | | X4.1 | X4.2 | X4.3 | X4.4 | Total |
|------|---------------------|--------|--------|-------|-------|--------|
| X4.1 | Pearson Correlation | 1 | .673** | -.001 | .222 | .552** |
| | Sig. (2-tailed) | | .000 | .995 | .088 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| X4.2 | Pearson Correlation | .673** | 1 | .155 | .302* | .668** |
| | Sig. (2-tailed) | .000 | | .238 | .019 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| X4.3 | Pearson Correlation | -.001 | .155 | 1 | .307* | .649** |
| | Sig. (2-tailed) | .995 | .238 | | .017 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |
| X4.4 | Pearson Correlation | .222 | .302* | .307* | 1 | .770** |
| | Sig. (2-tailed) | | .019 | .017 | | .000 |
| | N | 60 | 60 | 60 | 60 | 60 |

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .546 | 4 |

Berdasarkan hasil uji validitas, variabel skeptisme melibatkan seluruh item pernyataan, diperoleh nilai r hitung > r tabel (dengan tingkat signifikansi 5% dan nilai r tabel 0,254), maka dapat dikatakan variabel skeptisme valid.

Berdasarkan hasil uji reliabilitas, variabel skeptisme melibatkan seluruh item pernyataan, diperoleh nilai Cronbach's Alpha > 0,50, maka dapat dikatakan variabel skeptisme pengalaman kerja tidak reliabel.

Variabel Kualitas Audit (Y)

Correlations

| | | Y1 | Y2 | Total |
|-------|---------------------|--------|--------|--------|
| Y1 | Pearson Correlation | 1 | .562** | .887** |
| | Sig. (2-tailed) | | .000 | .000 |
| | N | 60 | 60 | 60 |
| Y2 | Pearson Correlation | .562** | 1 | .881** |
| | Sig. (2-tailed) | .000 | | .000 |
| | N | 60 | 60 | 60 |
| Total | Pearson Correlation | .887** | .881** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 60 | 60 | 60 |

** Correlation is significant at the 0.01 level (2-tailed). Berdasarkan hasil uji validitas, variabel kualitas audit dengan melibatkan seluruh item pernyataan, diperoleh nilai r hitung > r tabel (dengan tingkat signifikansi 5% dan nilai r tabel 0,254), maka dapat dikatakan variabel kualitas audit valid.



| | |
|------------------|------------|
| Cronbach's Alpha | N of Items |
| .720 | 2 |

Berdasarkan hasil uji reliabilitas, variabel kualitas audit dengan melibatkan seluruh item pernyataan, diperoleh nilai Cronbach's Alpha sebesar 0,720. Kriteria koefisien Cronbach's Alpha $> 0,60$, maka dapat dikatakan variabel kualitas audit reliabel

Reporting Research Results

Hasil Uji Normalitas

if the normality test is unsuccessful, the research data to be processed is invalid. The Kolmogorov-Smirnov formula is used to perform the normality test. The advantage of this test is that it is simple and does not cause differences in perception between one observer and another. The interpretation is that if the value of the Asymp. Sig. (2-tailed) ≥ 0.05 then the data is normally distributed, otherwise if the Asymp. Sig. (2-tailed) ≤ 0.05 , it is said that the data is not normal.

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 60 |
| Normal Parameters ^{a,b} | Mean | .0826312 |
| | Std. Deviation | .6379881 |
| Most Extreme Differences | Absolute | .127 |
| | Positive | .127 |
| | Negative | -.104 |
| Test Statistic | | .127 |
| Asymp. Sig. (2-tailed) | | .018 ^c |

- a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Multicollinearity Test Results

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-----------|
| | | B | Std. Error | | | | Beta | Tolerance |
| 1 | (Constant) | .887 | .774 | | 1.146 | .257 | | |
| | Profesionalisme | -.402 | .170 | -.330 | -2.374 | .021 | .540 | 1.851 |
| | Etika Auditor | .113 | .095 | .187 | 1.181 | .243 | .415 | 2.407 |
| | Pengalaman Kerja | .235 | .049 | .656 | 4.760 | .000 | .549 | 1.820 |
| | Fee Audit | .032 | .053 | .066 | .600 | .551 | .855 | 1.170 |

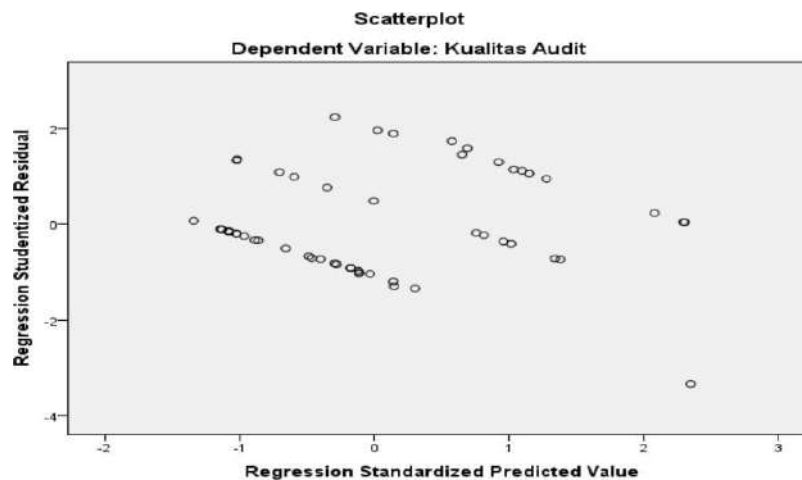
a. Dependent Variable: Kualitas Audit

From the table above, it shows that the value of Tolerance is not less than 0.10 and the VIF value is not more than 10. It is stated that this data is free from multicollinearity in the regression model.



Heteroscedasticity Test Results

Heteroscedasticity test aims to test whether in the regression model there is an inequality of variables from residuals from one observation to another.



From the picture above, it shows that the dots do not gather but spread randomly, so it is concluded that there is no heteroscedasticity.

Coefficient of Determination

The coefficient of determination ranges between zero and one, and is used to measure how well the model's ability to explain variations in the dependent variable. A value close to one indicates that the independent variable (X) provides almost all the data needed to predict the variation in the dependent variable (Y).

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .653 ^a | .427 | .385 | .666 | 1.976 |

a. Predictors: (Constant), Fee Audit, Profesionalisme, Pengalaman Kerja, Etika Auditor

b. Dependent Variable: Kualitas Audit

Based on the table above the results of the coefficient of determination test, there is an Adjusted R Square value of 0.427, which means that the influence of the independent variable on the dependent variable is 42.7%.

F test

The F test was conducted to determine how the independent variables jointly influence the dependent variable.



ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 18.176 | 4 | 4.544 | 10.232 | .000 ^b |
| | Residual | 24.424 | 55 | .444 | | |
| | Total | 42.600 | 59 | | | |

a. Dependent Variable: Kualitas Audit

b. Predictors: (Constant), Fee Audit, Profesionalisme, Pengalaman Kerja, Etika Auditor

Based on the table above, that the prob value is $0.000 < 0.05$, the calculated F value is 10.232, it is concluded that the variables of Professionalism, Auditor Ethics, Work Experience, and Audit Fees together have a positive and significant effect on Audit quality.

CONCLUSION

The purpose of this study was to determine the effect of Professionalism, Auditor Ethics, Work Experience, Audit Fees on Audit Quality. Auditor, Work Experience, Audit Fees on Audit Quality.

- Professionalism variable is significant to audit quality at the Public Accounting Firm in Medan City. Public Accounting Firm in Medan City.
- Auditor ethics variable is significant to audit quality at the Public Accounting Firm in Medan City Public Accounting Firm in Medan City.
- Work Experience variable is significant to audit quality at the Public Accounting Firm in Medan City. Public Accounting Firm in Medan City.
- The Audit Fee variable is significant to audit quality at the Public Accounting Firm in Medan City Public Accounting Firm in Medan City.

LIMITATION

- For further researchers, hopefully it will be useful and increase knowledge related to the Medan City Public Accounting Firm.
- For UNPRI students, in order to add references to conduct further research.



DAFTAR PUSTAKA

- Ardini, L. (2010). Pengaruh Kompetensi, Independensi, Akuntabilitas dan Motivasi terhadap Kualitas Audit. *Majalah Ekonomi*, XX, 329–349.
- Ardiyan, R. (2017). PENGARUH KOMPETENSI, INDEPENDENSI DAN ETIKA AUDITOR TERHADAP KUALITAS AUDIT PADA BADAN PENGAWASAN KEUANGAN DAN PEMBANGUNAN PROVINSI SUMATERA UTARA. Universitas Muhammadiyah Sumatera Utara.
- Arens, A. A., Elder, R. J., & Beasley, M. S. (2014). *Auditing dan Jasa Assurance : Pendekatan Terintegrasi* (15th ed.). Jakarta: Erlangga.
- Bambang, H. (2008). *Auditing : Suatu Pemeriksaan Akuntansi Tahap Pendahuluan* (2nd ed.). Yogyakarta.
- Damanik, D. F. (2016). PENGARUH PENGALAMAN KERJA DAN KOMPETENSI TERHADAP KUALITAS AUDIT PADA KANTOR AKUNTAN PUBLIK MEDAN. Universitas Muhammadiyah Sumatera Utara.
- Darmawan, R. (2018). PENGARUH INDEPENDENSI DAN PENGALAMAN KERJA TERHADAP KUALITAS AUDIT DENGAN ETIKA AUDITOR SEBAGAI VARIABEL MODERASI PADA KANTOR AKUNTAN PUBLIK DI KOTA MEDAN. Universitas Muhammadiyah Sumatera Utara.
- Dwi Ananing Tyas Asih. (2006). Pengaruh Pengalaman terhadap Peningkatan Keahlian Auditor dalam Bidang Auditing. Universitas Islam Indonesia.
- Fachruddin, W., & Pribadi, A. (2018). APAKAH PROSEDUR AUDIT MERUPAKAN PENGUNGKIT BESARNYA PENETAPAN FEE AUDIT. *Jurnal Akuntansi Dan Keuangan Methodist*, 1(2), 181–192.
- Fahmi, M., & Syahputra, M. R. (2019). PERANAN AUDIT INTERNAL DALAM PENCEGAHAN (FRAUD). *Liabilities Jurnal Pendidikan Akuntansi*, 2(1), 24.
- Hanjani, A., & Rahardja. (2014). Pengaruh Etika Auditor, Pengalaman Auditor, Fee Audit, dan Motivasi Auditor terhadap Kualitas Audit Studi pada Auditor KAP di Semarang. *Diponegoro Journal Of Accounting*, 3(2), 1–9.
- Harahap, R. U. (2018). Pengaruh Penerapan Kode Etik Dan Skeptisisme Profesional Auditor Terhadap Pendeteksian Fraud Pada Kantor BPKP Perwakilan Provinsi Sumatera Utara. *Liabilities Jurnal Pendidikan Akuntansi*, 1(3), 253.
- Hery. (2011). *Auditing I* (1st ed.). Jakarta: Kencana.
- HP, N., & Payamta. (2002). Sikap Akuntan Terhadap Advertensi Jasa Akuntan Publik. *JAAI*, 6(1), 43–59.
- Ikhsan, A., Muhyarsyah, Tanjung, H., & Oktaviani, A. (2014). *Metodologi Penelitian Bisnis Untuk*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Akuntansi dan Manajemen (1st ed.). Bandung: Citapustaka Media.

Jusup, H. (2001). Dasar - dasar Akuntansi (1st ed.). Yogyakarta: STIE YKPN.

Karnisa, D. A. (2015). Pengaruh Kompetensi dan Independensi terhadap Kualitas Audit dengan Motivasi dan Etika Auditor sebagai Variabel Moderasi (Studi Empiris Pada Kantor Akuntan Publik di Jakarta). *Jurnal Ekonomi Diponegoro*, 4(2).

Karnisa, D. A., & Chariri, A. (2015). Pengaruh Kompetensi dan Independensi terhadap Kualitas Audit dengan Motivasi dan Etika Auditor sebagai Variabel Moderasi (Studi Empiris Pada Kantor Akuntan Publik di Jakarta). *Diponegoro Journal Of Accounting*, 4(2), 1–9.

Kurnianingsih, M., & Rohman, A. (2014). Pengaruh Fee Audit, Audit Tenure, dan Rotasi Audit terhadap Kualitas Audit. *Diponegoro Journal Of Accounting*, 3(3), 1–10.



THE INFLUENCE OF RETURN ON ASSETS, RETURN ON EQUITY, CURRENT RATIO, DEBT TO EQUITY RATIO AND COMPANY SIZE ON STOCK RETURNS IN FOOD AND BEVERAGE INDUSTRY MANUFACTURING COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

Desiana Samosir¹, Lasmian Rejeki J. Simamora², Herlin Munthe³, Maduma Sari Sagala⁴
^{1,2,3}Universitas Prima Indonesia
⁴STIE IBMI Medan
herlinmunthe@unprimdn.ac.id³

ABSTRACT

This research was conducted to understand how the effect of Return On Asset, Return On Equity, Current Ratio, Debt to Equity Ratio and Company Size on Stock Returns. This research is a quantitative study conducted on manufacturing companies listed on the IDX in the food and beverage industry. This research uses secondary data in the form of panel data for the period 2020-2023. The sample size taken from a population of 96 issuers was 33 issuers using purposive sampling method. The method of data collection in this research is through documentation, namely data in the form of company financial reports. Data analysis was carried out by multiple linear regression analysis. The research output proves ROA, ROE and CR have no significant effect on stock returns with a significance value of 0.7093, 0.9012 and 0.7268. DER and Company Size have a significant effect on stock returns with a significance value of 0.0128 and 0.0088.

Keywords: Return On Asset, Return On Equity, Current Ratio, Debt to Equity Ratio, Company Size and Stock Returns

INTRODUCTION

The development of the capital market cannot be separated from the work of investors who make transactions in the capital market. Buying and selling transactions, raising funds and a place for investors to invest are facilitated by the capital market. Buying and selling stocks is an investment transaction that investors are most interested in because it can provide promising returns. However, investors will not just make a purchase without evaluating the company properly. Investors will choose to invest in companies that offer profits with little risk (Pandji, 2019). Therefore, every company is required to be able to manage its finances as well as possible in order to attract the attention of investors to invest.

Return is the reward of an investment (Jogiyanto, 2022). Therefore, investors expect



the best return on their investment. Stocks are a sign of ownership in a company, in other words, having stocks means having partial ownership of a company (Tannadi, 2020). The food and beverage industry is a subsector of the consumer goods industry that remains stable even though the national economy is in crisis because the products produced are relatively much needed by the public.

According to the Central Bureau of Statistics, the Indonesian Economy is expected to grow to 3.69% in 2021, after 2.07% in 2020. The IDX recorded 891 issuers (stocks, bonds, sukuk and asset-backed securities) of which 780 issued stocks, showing that stocks are more prominent than other investment characteristics. According to Databok (2022), the decline in sales of the food and beverage industry in 2020 was only 1.8%. this figure dropped significantly compared to the previous year's increase of 7.9%. the slowdown in the development of the food and beverage industry in 2020 was due to the coronavirus, which affected many people's jobs, causing them to lose their income. However, the food and beverage industry began to show a growth rate of 2.4% in 2021 (www.djkn.kemenkeu.go.id).

Stock returns are the returns received from capital investment activities (Purnomo, 2019). Investment activity refers to the time element in which funds are invested by the investors desire to provide a certain amount of current funds to secure future funds as compensation for the time of investment and the risks borne. Income from investing in stocks comes in the form of dividends or capital gains. Please note, there are several variables that influence stock returns, namely Return On Asset (ROA), Return On Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER) and Company Size.

Return On Asset (ROA) is a measure of the company's capability to receive returns from managing assets in the company to generate profit before tax (Francis Hutabarat, 2020). Return On Equity (ROE) is a ratio that describes the size of the capital contribution in generating net profit (Hery, 2018: 19). Current Ratio (CR) shows the level of the company's capability to pay off its current debt (Lailatus & Tyas, 2020). Debt to Equity Ratio (DER) describes the size of the company's capability to pay all debts using its own capital (Handayani & Zulyanti, 2018). Company size refers to the size of a company. Company size is a benchmark for assessing the total assets of a company (Saputra, et al., 2020). In general, large companies are believed to be very smooth in getting loans than small and medium-sized businesses,



because this is related to the trust of creditors in large companies.

LITERATURE REVIEW

1. The Effect of Return On Asset (ROA) on Stock Returns

ROA has a significant influence on stock returns. Companies with high ROA tend to have better stock returns than companies with low ROA. Return On Asset (ROA) describes the company's capacity to earn profit after tax through asset management (Sudana, 2019: 25). When demand rises, then indirectly the company's share price also rises. This also applies if the company has a low return on assets, which means bad news.

$$\text{ROA} = \frac{\text{Net profit after tax}}{\text{Total Assets}}$$

2. The Effect of Return On Equity (ROE) on Stock Returns

Stock returns can also be influenced by ROE. A high ROE will result in a good stock return. This means that the company gets high profits. ROE illustrates the size of the company's capability to create net profit after tax with its own capital (Kasmir, 2018: 204). This ratio shows the success or failure of management in maximizing investors' return on investment.

$$\text{ROE} = \frac{\text{Net profit after tax}}{\text{Total Equity}}$$

3. The Effect of Current Ratio (CR) on Stock Returns

Another factor that can also affect stock returns is the current ratio. CR assesses the level of the company's capability to pay off its current obligations (Kasmir, 2018: 134). Companies that are able to pay off their current debt can be shown from a large CR.

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Debt}}$$

4. The Effect of Debt to Equity Ratio (DER) on Stock Returns

The ratio that uses own capital as collateral to meet all obligations is called the Debt to Equity Ratio (Handini, 2020: 24). A high DER means the company's performance is poor, so the company must try to keep the DER low. This situation proves that DER is one of the factors that also affects stock returns is DER.

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$



5. The Effect of Company Size on Stock Returns

Another factor that can affect stock returns is company size. Good profits can be generated by the company if it has a large value. According to Wati (2019: 31) company size can be indicated by the number of assets, total revenue and average assets. Large profits will increase investors interest in investing and vice versa.

$$\text{Company Size} = \text{Ln} (\text{Total Assets})$$

METHODS

Quantitative is the type of research used in this study. According to Sinambela (2020), this quantitative research processes numerical data to produce structured information. Quantitative research is conducted to find the bond between one variable and another with the aim of answering the problem formulation of the initial hypothesis. Sujarweni (2019) explains that population is the total number of objects that have certain properties and characteristics that researchers have determined to study and draw conclusions. The food and beverage industry is the population in this study with a period of 2020-2023 of 96. According to Sugiyono (2019: 127), the sample is part of the total population. Purposive sampling is a method used in sample selection, namely the sample is selected with certain considerations, it is impossible to take the entire population as a sample. The following are certain criteria for the selected sample results.

Table 1. Criteria for the Example

| No | Criteria | Acumulation Sample |
|---|---|--------------------|
| 1 | Food & Beverage Industry listed on the Indonesia Stock Exchange for the period 2020-2023 | 96 |
| 2 | Food & Beverage industry that is not registered and does not submit financial reports to the IDX for the period 2020-2023 | (35) |
| 3 | Companies that are not profitable during the study period | (28) |
| Amount sample company | | 33 |
| Total years of research | | 4 |
| Total sample data studied during the research period (33 x 4) | | 132 |

Research variables are the focus of interest that influence and have value. Amounts that can change so that they can affect research results are called variables. Variables are used so



that we can easily obtain and understand a problem. This observation uses two variables, namely:

1. Free Variable (Independent Variable) namely the cause of the dependent variable (Sugiyono, 2019: 69). In this study, the independent variables are Return On Asset, Return On Equity, Current Ratio, Debt to Equity Ratio and Company Size.
2. Dependent Variable (Dependent Variable) which is the result due to the independent variable (Sugiyono, 2019: 69). In this study, the dependent variable is Stock Return.

The data collection method in this observation is through documentation, where the researcher directly takes data from the financial statements reported on the IDX in 2020-2023. This secondary data is the financial statements of manufacturing companies listed on the IDX and in accordance with the sample research criteria. This research uses multiple linear regression analysis methods. Multiple linear regression analysis is a statistical method that tests the relationship of independent variables to the dependent variable (Ghozali, 2018). The analysis technique in this study used the help of the EViews 12 program. The statistical analysis stage carried out includes the classical assumption test, t test, f test and the formulation of multiple analysis models. The multiple linear regression analysis equation in this study is:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + e$$

Where:

Y : Stock Returns

a : Constanta

b₁, b₂, b_n : Coefisient Regression

X₁, X₂, X_n : Independent Variabel

e : Error

RESULT

Descriptive statistics are used to describe the data collected without drawing conclusions that apply to the public (Sugiyono, 2019: 206). Descriptive statistics produce financial data of a company which is described in statistical form by looking at the minimum, maximum, mean and standard deviation of a sample (food and beverage industry). The following are the descriptive statistical results of the x and y variables of this study:



Table 2. Descriptive Statistic

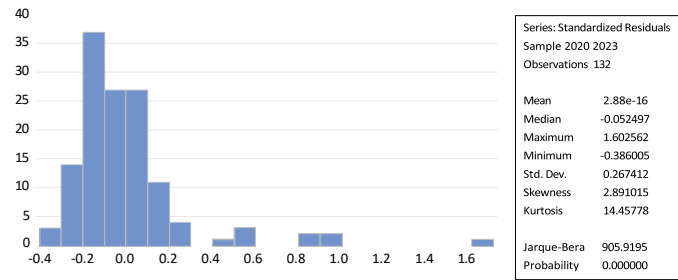
| | X1 | X2 | X3 | X4 | X5 | Y |
|--------------|----------|----------|----------|----------|----------|----------|
| Mean | 0.093197 | 0.151970 | 2.847591 | 0.876152 | 29.49908 | 0.217053 |
| Median | 0.075500 | 0.138500 | 1.926000 | 0.742500 | 29.16800 | 0.140500 |
| Maximum | 0.667000 | 0.862000 | 13.30900 | 4.935000 | 32.86000 | 1.920000 |
| Minimum | 0.001000 | 0.001000 | 0.738000 | 0.103000 | 27.23800 | 0.000000 |
| Std. Dev. | 0.076679 | 0.115180 | 2.415427 | 0.740612 | 1.364766 | 0.279562 |
| Skewness | 3.539810 | 3.372920 | 2.228881 | 1.945118 | 0.493339 | 3.125880 |
| Kurtosis | 25.40649 | 19.55879 | 8.256531 | 9.123434 | 2.602832 | 15.31657 |
| Jarque-Bera | 3036.946 | 1758.350 | 261.2652 | 289.4671 | 6.222027 | 1049.304 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.044556 | 0.000000 |
| Sum | 12.30200 | 20.06000 | 375.8820 | 115.6520 | 3893.879 | 28.65100 |
| Sum Sq. Dev. | 0.770227 | 1.737888 | 764.2915 | 71.85439 | 243.9987 | 10.23827 |
| Observations | 132 | 132 | 132 | 132 | 132 | 132 |

From the results of table 2. above, explains that:

1. The number of samples (N) of ROA (X_1) variables are 132, the minimum number is 0.001000 and the maximum is 0.667000. While the mean is 0.093197 and the standard deviation is 0.076679.
2. The number of samples (N) of the ROE (X_2) variable is 132, the minimum number is 0.001000 and the maximum is 0.862000. While the mean is 0.151970 and the standard deviation is 0.115180.
3. The number of samples (N) of CR (X_3) variables are 132, the minimum number is 0.738000 and the maximum is 13.30900. While the mean is 2.847591 and the standard deviation is 2.415427.
4. The number of samples (N) of the DER (X_4) variable is 132, the minimum number is 0.103000 and the maximum is 4.935000. While the mean is 0.876152 and the standard deviation is 0.740612.
5. The number of samples (N) of the Company Size variable (X_5) is 132, the minimum number is 27.23800 and the maximum is 32.86000. While the mean is 29.49908 and the standard deviation is 1.364766.
6. The number of samples (N) of the Stock Return (Y) variable is 132, the minimum number is 0.000000 and the maximum is 1.920000. While the mean is 0.217053 and the standard deviation is 0.279562.

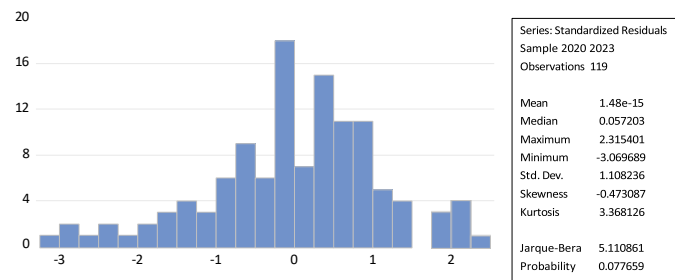
The normality test is carried out to prove whether the data is normally distributed or not. Normally distributed data is data whose probability value is > 0.05 .

Figure 1. Results of Normality Test before Outliers



From the figure above, it can be seen that the probability is $0.000 < 0.05$, which indicates that the data is not normally distributed. To overcome this abnormal data, the author conducted an outlier test, which is a test to eliminate abnormal data. With the help of Microsoft Excel, the author found 13 outlier data so that there will only be 119 samples that will be tested in the next test, then log data transformation is carried out.

Figure 2. Results of Normality Test after Outliers



From figure 2. above, it can be seen that the probability is $0.077659 > 0.05$ which indicates that the data is normally distributed. The graph also shows a diagonal image and does not deviate to the left or right, which means the data passes the normality test.

In this observation, the author uses the VIF (Variance Inflation Factor) method, which is one of the general methods to determine the presence or absence of multicollinearity symptoms, where the VIF requirement must be less than 10 so that there are no multicollinearity symptoms.

Figure 3. Multicollinearity Test Results

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|----------|----------------------|----------------|--------------|
| C | 6.220861 | 577.2045 | NA |
| X1 | 3.491089 | 4.198391 | 1.748995 |
| X2 | 2.732949 | 6.584112 | 1.700723 |
| X3 | 0.003184 | 3.529898 | 1.397765 |
| X4 | 0.028070 | 3.504852 | 1.437071 |
| X5 | 0.006684 | 542.7108 | 1.147029 |

From figure 3. can be seen that the value of all independent variables (centered VIF) <



10. This indicates that there are no symptoms of multicollinearity.

To test the presence or absence of autocorrelation symptoms, in this observation the author uses the Durbin Watson method. Where the requirement is that DW must be between -2 to 2, then there is no autocorrelation.

Figure 4. Autocorrelation Test Results

| | | | |
|--------------------|-----------|-----------------------|-----------|
| R-squared | 0.125193 | Mean dependent var | -1.970067 |
| Adjusted R-squared | 0.086485 | S.D. dependent var | 1.184885 |
| S.E. of regression | 1.132489 | Akaike info criterion | 3.135817 |
| Sum squared resid | 144.9260 | Schwarz criterion | 3.275941 |
| Log likelihood | -180.5811 | Hannan-Quinn criter. | 3.192717 |
| F-statistic | 3.234282 | Durbin-Watson stat | 1.817624 |
| Prob(F-statistic) | 0.009111 | | |

Based on the figure 4. above, the D-W value is 1.817624, the value is between -2 and 2. This shows the data passes the autocorrelation test.

In this study, the authors used the Glejser method which is the most common method for finding the presence or absence of heteroscedasticity symptoms. The criteria for this test is the Probability Obs*R-squared value > 0.05 , so the data does not have symptoms of heteroscedasticity.

Figure 5. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

| | | | |
|---------------------|----------|---------------------|--------|
| F-statistic | 1.143528 | Prob. F(5,113) | 0.3417 |
| Obs*R-squared | 5.731237 | Prob. Chi-Square(5) | 0.3333 |
| Scaled explained SS | 6.089774 | Prob. Chi-Square(5) | 0.2976 |

The results of figure 5. shows the Probability Obs*R-squared of $0.3333 > 0.05$. It can be concluded that the data does not occur symptoms of heteroscedasticity.

Figure 6. Multiple Linear Analysis Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|--------|
| C | 4.234695 | 2.494165 | 1.697840 | 0.0923 |
| X1 | -0.698396 | 1.868446 | -0.373784 | 0.7093 |
| X2 | -0.205735 | 1.653163 | -0.124449 | 0.9012 |
| X3 | -0.019766 | 0.056430 | -0.350278 | 0.7268 |
| X4 | 0.423929 | 0.167540 | 2.530315 | 0.0128 |
| X5 | -0.217943 | 0.081759 | -2.665683 | 0.0088 |
| R-squared | 0.125193 | Mean dependent var | -1.970067 | |
| Adjusted R-squared | 0.086485 | S.D. dependent var | 1.184885 | |
| S.E. of regression | 1.132489 | Akaike info criterion | 3.135817 | |
| Sum squared resid | 144.9260 | Schwarz criterion | 3.275941 | |
| Log likelihood | -180.5811 | Hannan-Quinn criter. | 3.192717 | |
| F-statistic | 3.234282 | Durbin-Watson stat | 1.817624 | |



From the results of figure 6, the following equation is obtained:

$$Y = 4,234695 - 0,698396 - 0,205735 - 0,019766 + 0,423929 - 0,217943$$

1. The constant (a) is worth 4.234695. This means that if ROA, ROE, CR, DER and Company Size are constant or assumed to be 0, then the Stock Return increases by 4.234695.
2. ROA (X₁) is worth -0.698396. This means that if ROA (X₁) increases by 1%, then Stock Return (Y) will decrease by -0.698396. With other variables assumed constant or equal to 0.
3. ROE (X₂) is worth -0.205735. This means that if ROE (X₂) increases by 1%, the Stock Return (Y) will decrease by -0.205735. With other variables assumed constant or equal to 0.
4. CR (X₃) is worth -0.019766. This means that if CR (X₃) increases by 1%, the Stock Return (Y) will decrease by -0.019766. With other variables assumed to be fixed or equal to 0.
5. DER (X₄) is 0.423929. This means that if DER (X₄) increases by 1%, then Stock Return (Y) will also increase by 0.423929. With other variables assumed to be fixed or equal to 0.
6. Company Size (X₅) is -0.217943. This means that if the Company Size (X₅) increases by 1%, the Stock Return (Y) decreases by -0.217943. With other variables assumed to be fixed or equal to 0.

Figure 7. T Test Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | 4.234695 | 2.494165 | 1.697840 | 0.0923 |
| X1 | -0.698396 | 1.868446 | -0.373784 | 0.7093 |
| X2 | -0.205735 | 1.653163 | -0.124449 | 0.9012 |
| X3 | -0.019766 | 0.056430 | -0.350278 | 0.7268 |
| X4 | 0.423929 | 0.167540 | 2.530315 | 0.0128 |
| X5 | -0.217943 | 0.081759 | -2.665683 | 0.0088 |

From the results of figure 7 above, shows that:

1. ROA (X₁) has tcount < ttable (-0.373784 < 1.981180) and a significance value of 0.7093 > 0.05. It can be concluded that ROA has a negative and insignificant effect on Stock Returns.



2. ROE (X_2) has $t_{count} < t_{table}$ ($-0.124449 < 1.981180$) and a significance value of $0.9012 > 0.05$. It can be concluded that ROE has a negative and insignificant effect on Stock Returns.
3. CR (X_3) has $t_{count} < t_{table}$ ($-0.350278 < 1.981180$) and a significance value of $0.7268 > 0.05$. It can be concluded that CR has a positive and insignificant effect on Stock Returns.
4. DER (X_4) has $t_{count} > t_{table}$ value ($2.530315 > 1.981180$) and a significance value of $0.0128 < 0.05$. It can be concluded that DER has a positive and significant effect on Stock Returns.
5. Company Size (X_5) has $t_{count} > t_{table}$ ($-2.665683 > 1.981180$) and a significance value of $0.0088 < 0.05$. It can be concluded that Company Size has a negative and significant effect on Stock Returns.

Figure 8. F Test Results

| | | | |
|--------------------|-----------|-----------------------|-----------|
| R-squared | 0.125193 | Mean dependent var | -1.970067 |
| Adjusted R-squared | 0.086485 | S.D. dependent var | 1.184885 |
| S.E. of regression | 1.132489 | Akaike info criterion | 3.135817 |
| Sum squared resid | 144.9260 | Schwarz criterion | 3.275941 |
| Log likelihood | -180.5811 | Hannan-Quinn criter. | 3.192717 |
| F-statistic | 3.234282 | Durbin-Watson stat | 1.817624 |
| Prob(F-statistic) | 0.009111 | | |

From figure 8 above, shows that the F_{count} obtained is 3.234282 with a significance value of 0.009111, with the F_{table} result of 2.29. The value of $F_{hitung} > F_{tabel}$ ($3.234282 > 2.29$) and the significance value is less than 0.05 ($0.009111 < 0.05$). The conclusion is that ROA (X_1), ROE (X_2), CR (X_3), DER (X_4) and Company Size (X_5) together have a positive and significant effect on Stock Returns (Y).

Figure 9. Coefficient of Determination Results

| | | | |
|--------------------|-----------|-----------------------|-----------|
| R-squared | 0.125193 | Mean dependent var | -1.970067 |
| Adjusted R-squared | 0.086485 | S.D. dependent var | 1.184885 |
| S.E. of regression | 1.132489 | Akaike info criterion | 3.135817 |
| Sum squared resid | 144.9260 | Schwarz criterion | 3.275941 |
| Log likelihood | -180.5811 | Hannan-Quinn criter. | 3.192717 |
| F-statistic | 3.234282 | Durbin-Watson stat | 1.817624 |
| Prob(F-statistic) | 0.009111 | | |

From the results figure 9, it can be seen that the Adjusted R-square value is 0.086485, meaning that ROE, CR, DER and Company Size can explain 8.65% of their influence on stock returns. While the other 91.35% is explained by other variables not examined in this study.

From the partial test results, ROA has a t_{count} value $< t_{table}$ ($-0.373784 < 1.981180$)



which means H_0 is accepted H_1 is rejected. Partial test output explains ROA has a negative and insignificant effect on Stock Returns. Indicated by the significance of $0.7093 > 0.05$. ROA is indeed very important and is often used in assessing stock prices by investors, but in this study ROA has no significant effect on Stock Returns. This situation can be caused by ROA in food and beverage companies not describing the actual situation. This observation output is in line with the research of Crish Shannan Virginian Tjoe, et al (2021) entitled “The Effect of Return On Assets, Earning Per Share and Price Earning Ratio on Stock Returns” which states that stock returns are not influenced by ROA. However, the results of this observation are not in line with those made by Revi Candra (2019) entitled “The Effect of Debt to Equity Ratio and Return On Assets on Stock Returns of Indonesian Food and Beverage Companies” stating that stock returns are significantly influenced by ROA.

From the research results, it is obtained that ROE has a negative and insignificant effect on Stock Returns. This is illustrated by the $t_{count} < t_{table}$ ($-0.124449 < 1.981180$) with a significance level of $0.9012 > 0.05$ which means H_0 is accepted H_2 is rejected. ROE has no effect on Stock Return, meaning that the high or low ROE of a company will not affect investors in making their decisions. These results are in line with research conducted by Arif A.A Mangantar et al (2020) entitled “The Effect of Return On Asset, Return On Equity and Debt to Equity Ratio on Stock Returns in the Food and Beverage subsector on the Indonesia Stock Exchange” states that Stock Returns are not significantly influenced by ROE. However, this research is not in line with that conducted by Ni Nyoman Sri Jayanti Perwani Devi and Luh Gede Sri Artini (2019) entitled “The Effect of ROE, DER, PER and Exchange Rates on Stock Returns” states that ROE has a positive and significant effect on Stock Returns.

Based on the research results, CR has $t_{count} < t_{table}$ ($-0.350278 < 1.981180$) with a significance value of $0.7268 > 0.05$ which means H_0 is accepted H_3 is rejected. The partial test results conducted state that CR has a negative and insignificant effect on Stock Returns. These results are in line with research conducted by Ayu Bella Marlindja and Faradila Meirisa (2022) entitled “Analysis of the Effect of Current Ratio (CR), Return On Investment (ROI), Debt to Equity Ratio (DER) and Total Asset Turnover (TATO) on Stock Returns in Food and Beverage Companies listed on the Indonesia Stock Exchange (IDX) 2015-2019 Period” states that stock returns are not significantly influenced by CR. However, this research is not in line with that conducted by Vivi Yanti (2018) entitled “The Effect of Current Ratio (CR), Return On Equity



(ROE) and Company Size on Stock Returns in Food and Beverage Subsector Companies listed on the Indonesia Stock Exchange” states that stock returns are significantly influenced by CR.

From the t test that has been carried out, DER produces $t_{count} < t_{table}$ ($2.530315 > 1.981180$) with a significance value of $0.0128 < 0.05$, which means H_0 is rejected H_4 is accepted. This means that partially DER has a positive and significant effect on Stock Returns. These results are in line with research conducted by Adestia Saraswati (2020) entitled “The Effect of Earning Per Share, Debt to Equity Ratio, Return On Asset, Price to Book Value and Price Earning Ratio on Stock Returns of Manufacturing Companies listed on the IDX in 2014-2015” states that Stock Returns are significantly influenced by DER. However, the results of this study are not in line with those conducted by Roy Hisa et al (2021) entitled “The Effect of ROA and DER on Stock Returns in Manufacturing Companies on the IDX that Go Public” stating that Stock Returns are not significantly influenced by DER.

Based on the t test that has been carried out, Company Size has a negative and significant effect on Stock Returns. indicated from the $t_{count} > t_{table}$ value ($-2.665683 > 1.981180$) and a significance level of $0.0088 < 0.05$ which means H_0 is rejected and H_5 is accepted. These results are supported by research conducted by Hendra Lesmana et al (2021) entitled “The Effect of Liquidity and Company Size on Stock Returns in Food and Beverage Subsector Manufacturing Companies” which states that stock returns are significantly influenced by company size. However, this research is not in line with that conducted by Meta Nursita (2021) entitled “The Effect of Accounting Profit, Operating Cash Flow, Investment Cash Flow Funding Cash Flow and Company Size on Stock Returns” states that stock returns are not influenced by Company Size.

DISCUSSION

The discussion in this journal highlights the importance of the financial performance of food and beverage companies listed on the Indonesia Stock Exchange in attracting investor interest. Research shows that financial ratios such as Debt to Equity Ratio (DER) and company size have a significant influence on stock returns. This shows that investors tend to consider the company's financial performance before making an investment, which is in line with the theory that investors seek companies with low risk and high returns. In addition, the author suggests that companies pay more attention to these factors to increase investment



attractiveness. This study also indicates the need for further research by adding new variables and expanding the analysis period to obtain more comprehensive results.

CONCLUSION

The purpose of this study is to examine the effect of ROA, ROE, CR, DER and company size on stock returns. From the results of the t test conducted, the conclusions obtained are:

1. Return On Asset does not have a significant effect on Stock Returns, as evidenced by the significance value of $0.7093 > 0.05$ so that H_1 is rejected.
2. Return On Equity does not have a significant effect on Stock Returns, as evidenced by the significance value of $0.9012 > 0.05$ so that H_2 is rejected.
3. Current Ratio does not have a significant effect on Stock Returns, as evidenced by the significance value of $0.7268 > 0.05$ so that H_3 is rejected.
4. Debt to Equity Ratio has a significant effect on Stock Returns, as evidenced by the significance value of $0.0128 < 0.05$ so that H_4 is accepted.
5. Company Size has a significant effect on Stock Returns, as evidenced by the significance value of $0.0088 < 0.05$ so that H_5 is accepted.

The f test results show that Stock Returns are jointly influenced by ROA, ROE, CR, DER and Company Size. The limitation of this study is that the Adjusted R-Square results



obtained only 8.86% ROA, ROE, CR, DER and Company Size can explain stock returns and 91.14% are influenced by other variables not examined in this study.

LIMITATION

Some limitations of this study include:

1. The study only focuses on the food and beverage industry listed on the Indonesia Stock Exchange, so the results may not be generalizable to other industries.
2. The data used is secondary data from financial statements, which may have limitations in accuracy and completeness.
3. This research only covers a certain period of time (2020-2023), which may affect the relevance of the results in the future.

REFERENCES

- Ajjjah, Jijah Hilyatul, and Evi Selvi. 2021. "Pengaruh Kompetensi Dan Integritas Terhadap Kinerja Perangkat Desa." *Jurnal Manajemen* 13 (2): 232–36.
<https://doi.org/10.24036/jess.v5i1.314>.
- Amelia, Dita, Karina R, Nuel Simatupang, Bastian Jovial Sinuraya, and Rahmat. 2021. "Pengaruh Harga, Citra Merek Dan Kualitas Pelayanan Terhadap Kepuasan Pelanggan Pt. Jne Cabang Medan." *Jurnal Manajemen* 7: 11–24.
- Aprisha, Oktesha. 2021. "PENGARUH CURRENT RATIO, DEBT TO EQUITY RATIO, RETURN ON ASSETS, DAN TOTAL ASSET TURN OVER TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN SEKTOR PERTANIAN YANG TERDAFTAR DI BEI PERIODE 2016 – 2020." UNIVERSITAS BATANGHARI JAMBI.
- Ayu, Putu, Putri Padmini, and Komang Krishna Yogantara. 2023. "HARGA SAHAM PERUSAHAAN MAKANAN DAN MINUMAN PADA BEI DITINJAU DARI KINERJA KEUANGAN TAHUN 2019-2021." *Journal Research of Accounting (JARAC)* 4 (2): 304–16.
- Balqis, Badzlina. 2021. "DETERMINASI EARNING PER SHARE DAN RETURN SAHAM : ANALISIS RETURN ON ASSET, DEBT TO EQUITY RATIO, DAN



- CURRENT RATIO.” *Jurnal Ilmu Manajemen Terapan 2* (5): 665–75.
<https://doi.org/10.31933/jimt.v2i5.511>.
- Candra, Revi. 2019. “PENGARUH DEBT TO EQUITY RATIO DAN RETURN ON ASSET TERHADAP RETURN SAHAM PERUSAHAAN MAKANAN DAN MINUMAN INDONESIA.” *Jurnal Fairness* 9 (3): 245–54.
<https://doi.org/10.33369/fairness.v9i3.15248>.
- Delpania, Yun Fitriano, and Nenden Restu Hidayah. 2022. “Pengaruh ROA, EPS, Dan DER Terhadap Return Saham (Pada Perusahaan Sektor Healthcare Yang Terdaftar Di Bursa Efek Indonesia Periode 2017-2021).” *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis* 10 (2): 559–70. <https://doi.org/10.37676/ekombis.v11i1.3217>.
- Devi, Ni Nyoman Sri Jayanti Perwani, and Luh Gede Sri Artini. 2019. “Pengaruh Roe, Der, Per, Dan Nilai Tukar Terhadap Return Saham.” *E-Jurnal Manajemen Universitas Udayana* 8 (7): 4183–4212. <https://doi.org/10.24843/ejmunud.2019.v08.i07.p07>.
- Eviyenti, Nanda, Lusiana, and Sigit Sanjaya. 2021. “Pengaruh Return On Equity, Debt to Equity Ratio, Earning Per Share, Dan Operating Cash Flow Terhadap Return Saham Pada Perusahaan Industri Manufaktur Yang Terdaftar Di BEI 2016-2020.” *Journal of Business and Economics (JBE) UPI YPTK* 6 (2): 56–66.
<https://doi.org/10.35134/jbeupiyptk.v6i2.78>.
- Handini, Sri, and Erwin Dyah Astawinetu. 2020. *TEORI PORTOFOLIO DAN PASAR MODAL INDONESIA*.
- Hartanto, Jogiyanto. 2022. *PORTOFOLIO DAN ANALISIS INVESTASI*. Edited by Jogiyanto Hartono. 2nd ed. ANDI Yogyakarta.
- Hawaria, Sitti. 2018. “Pengaruh Rasio Likuiditas Terhadap Financial Distress Perusahaan Sub Sektor Transportasi Yang Terdaftar Di BEI.” *UNM Online Journal*, 1–9.
- Hisar, Roy, Jaka Suharna, and Ahmad Amiruddin. 2021. “PENGARUH ROA DAN DER, TERHADAP RETURN SAHAM PADA PERUSAHAAN MANUFAKTUR DI BEI YANG GO PUBLIK.” *Forum Ilmiah Universitas Esa Unggul* 18 (2): 178–89.
- Khatimah, Khusnul, and Aliah Pratiwi. 2021. “Analisis Pengaruh Current Ratio Dan Return



- on Equity Terhadap Return Saham Pada PT. Astra Internasional Tbk.” *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (JEBMA)* 1 (2): 147–57.
<https://doi.org/10.47709/jebma.v1i2.1021>.
- Lesmana, Hendra, Wati Erawati, Husni Mubarak, and Ery Suryanti. 2021. “Pengaruh Likuiditas Dan Ukuran Perusahaan Terhadap Return Saham Pada Perusahaan Manufaktur Sub Sektor Makanan Dan Minuman.” *Moneter - Jurnal Akuntansi Dan Keuangan* 8 (1): 25–31. <https://doi.org/10.31294/moneter.v8i1.9077>.
- Limesta, Febry Yani Zamzam, and Dedi Wibowo. 2021. “PENGARUH RETURN ON ASSET DAN DEBT TO EQUITY RATIO TERHADAP NILAI PERUSAHAAN BANK SYARIAH SEBELUM MERGER (Studi Kasus PT Bank BRI Syariah, Tbk Pada Bulan Januari-November 2020).” *Jurnal Ilmiah M-Progress* 11 (2): 156–65.
<https://doi.org/10.35968/m-pu.v11i2.697>.
- Mangantar, Arif A.A, Marjam Mangantar, and Dedy N Baramuli. 2020. “PENGARUH RETURN ON ASSET, RETURN ON EQUITY DAN DEBT TO EQUITY RATIO TERHADAP RETURN SAHAM PADA SUBSEKTOR FOOD AND BEVERAGE DI BURSA EFEK INDONESIA.” *Jurnal EMBA* 8 (1): 272–81.
- Marlindja, Ayu Bella, and Faradila Meirisa. 2022. “Analisis Pengaruh Current Ratio (Cr), Return On Investment (Roi) Debt To Equity Ratio (Der), Dan Total Asset Turnover (Tato) Terhadap Return Saham Pada Perusahaan Food And Beverage Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2015-2019.” *Publikasi Riset Mahasiswa Manajemen* 3 (2): 122–27. <https://doi.org/10.35957/prmm.v3i2.2314>.
- Nursita, Meta. 2021. “PENGARUH LABA AKUNTANSI, ARUS KAS OPERASI, ARUS KAS INVESTASI, ARUS KAS PENDANAAN, DAN UKURAN PERUSAHAAN TERHADAP RETURN SAHAM.” *Jurnal Riset Akuntansi* 16 (1): 1–15.
- Rukmansyah, Mandala Restu Indra, and Dini Widyawati. 2020. “Pengaruh Laba Bersih Dan Komponen Arus Kas Terhadap Arus Kas Masa Depan.” *Jurnal Ilmu Dan Riset Akuntansi* 9 (7): 1–18.
- Sa’adah, Lailatus, and Tyas Nur’ainui. 2020. *Implementasi Pengukuran Current Ratio, Debt to Equity Ratio Dan Return on Equity Serta Pengaruhnya Terhadap Return*. Edited by



Zulfikar. LPPM.

Saraswati, Adestia, Abdul Halim, and Ati Retna Sari. 2020. "PENGARUH EARNING PER SHARE, DEBT TO EQUITY RATIO, RETURN ON ASSET, PRICE TO BOOK VALUE, DAN PRICE EARNING RATIO TERHADAP RETURN SAHAM PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BEI PERIODE TAHUN 2014-2015 Adestia." *Jurnal Riset Mahasiswa Akuntansi* 8 (1): 1–14.

<https://doi.org/10.21067/jrma.v7i1.4234>.

Sari, Ratna, and Reka Ardian Purnama. 2021. "Pengaruh Rasio Profitabilitas, Rasio Aktivitas Terhadap Tingkat Pengembalian Investasi Pada PT. Japfa Comfeed Indonesia TBK. (Studi Kasus Laporan PT. Japfa Comfeed Indonesia Yang Di Publikasi Periode 2010-2019)." *Jurnal Mahasiswa Akuntansi* 2 (1): 43–65.

Satria, Rita. 2022. "PENGARUH CURRENT RATIO (CR) DAN DEBT TO EQUITY RATIO (DER) TERHADAP RETURN ON ASSET (ROA) PADA PT MAYORA INDAH TBK PERIODE 2009 – 2020." *SCIENTIFIC JOURNAL OF REFLECTION : Economic, Accounting, Management and Business* 5 (2): 440–47.

<https://doi.org/10.37481/sjr.v5i2.479>.

Sidauruk, Tagor Darius, and Yeni Yulistika Sari. 2021. "PENGARUH CURRENT RATIO, DEBT TO EQUITY RATIO, NET PROFIT MARGIN, DAN PERTUMBUHAN PERUSAHAAN TERHADAP HARGA SAHAM PERUSAHAAN MANUFAKTUR SUB SEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BEI PERIODE 2016-2019." *Jurnal Ilmiah Akuntansi Dan Ekonomi* 6 (2): 135–47.

<https://doi.org/10.54964/liabilitas.v6i2.85>.

Sulistiani, Andini. 2022. "Pengaruh Return on Equity, Book To Market Ratio Dan Ukuran Perusahaan Terhadap Return Saham Pada Perusahaan Subsektor Farmasi Yang Terdaftar Di Bei Tahun 2013-2020." *Skripsi*. UNIVERSITAS PAKUAN BOGOR.

Sumardeni, Gusti Ayu Novy, and Gde Herry Sugiarto Asana. 2021. "Pengaruh Kualitas Audit, Kepemilikan Publik, Dan Corporate Social Responsibility Terhadap Agresivitas Pajak." *Journal Research of Accounting (JARAC)* 2 (2): 172–84.

Sunandi, Willi, and Augutpaosa Nariman. 2022. "FAKTOR-FAKTOR YANG



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

MEMPENGARUHI RETURN SAHAM PADA PERUSAHAAN MANUFAKTUR DI INDONESIA.” *Jurnal Multiparadigma Akuntansi* IV (4): 1611–21.

Suwarsa, Toto, and Aicha Rahmadani Hasibuan. 2021. “Pengaruh Pajak Restoran Dan Pajak Hotel Terhadap Pendapatan Asli Daerah Kota Padangsidempuan Periode 2018-2020.” *Jurnal Akuntansi* 14 (2).

Tjoe, Chrish Shannan Virginia, Iwan Lesmana, and Sri Handayani. 2021. “PENGARUH RETURN ON ASSETS, EARNING PER SHARE, DAN PRICE EARNING RATIO TERHADAP RETURN SAHAM.” *Accounting Cycle Journal* 2 (1): 78–94.

Wicaksono, Dimas. 2021. “Pengaruh Profitabilitas, Kepemilikan Institusional, Dan Ukuran Perusahaan Terhadap Ketepatan Waktu Penyampaian Laporan Keuangan (Studi Empiris Pada Perusahaan Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018).” *Jurnal Ekonomi Dan Bisnis* 3 (2): 183–97.

Yanti, Vivi. 2018. “PENGARUH CURRENT RATIO (CR), RETURN ON EQUITY (ROE) DAN UKURAN PERUSAHAAN TERHADAP RETURN SAHAM PADA PERUSAHAAN SUB SEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA.” *Jurnal FinAcc* 3 (7): 969–79.

Yap, Hanna Chritianto, and Friska Firnanti. 2019. “Faktor-Faktor Yang Mempengaruhi Return Saham.” *Jurnal Bisnis Dan Akuntansi* 21 (1): 27–38.
<https://doi.org/10.30659/ekobis.19.3.78-89>.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

THE INFLUENCE OF SERVICE QUALITY, PRICE AND LOCATION ON CONSUMER PURCHASING DECISIONS ON CAPTAIN SERVICES FIELD BARBERSHOP

Justine Hubert¹, Mas Intan Purba², Yeslin Anatasya Kho³, Nurul Wardani Lubis⁴

¹Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

²Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

³Department of Economy (Management), Universitas Prima Indonesia, 20117, Indonesia

⁴Department of Economy (Management), State University of Medan, 20221, Indonesia

Email: masintanpurba84@gmail.com

ABSTRACT

This study aims to assess and analyze the impact of service quality, price, and location on consumer purchasing decisions at Captain Barbershop in Medan. The study population consists of all customers who use Captain Barbershop services throughout 2022, with a total population of 9,574 people. Given the large population, the sample was determined using the Slovin formula with an error rate of 10%, so that 99 samples were obtained. The sampling technique used is accidental sampling, where respondents are randomly selected. The results showed that service quality has a positive and significant effect on purchasing decisions at Captain Barbershop Medan. Conversely, price has a negative and significant effect on purchasing decisions. Location also shows a positive and significant influence on purchasing decisions. Overall, service quality, price, and location together have a significant influence on purchasing decisions at Captain Barbershop Medan.

Keywords: Service Quality, Price, Location, Purchase Decision

INTRODUCTION

Service business is a sector that focuses on providing products in the form of services. The principles applied in service businesses are similar to those of goods businesses, where companies offer services with the aim of making a profit. Service businesses, or businesses that provide services, usually offer specialized skills that provide benefits to consumers. One example of a



service business is a barbershop, which faces a high level of competition, especially as many new barbershops have sprung up in major cities in Indonesia, including Medan.

Captain Barbershop is the largest luxury barbershop chain in Indonesia. Since its establishment in 2015, Captain Barbershop has grown to 100 branches spread across various locations such as Jabodetabek, Karawang, Bandung, Surabaya, and Medan, with one of its branches located on Jalan Sumatera, Medan. Captain Barbershop emphasizes on customer satisfaction by providing high-quality services, including adequate sanitary equipment, comfortable facilities, and experienced barbers. However, the increasingly fierce competition, where each barbershop implements various marketing strategies to attract consumers, led to a decrease in the number of customer visits to Captain Barbershop.

Observations showed that the decline in consumers' decision to use Captain Barbershop's services was caused by several factors, including service quality, price, and location. Regarding service quality, it was found that some barbers were not able to provide satisfactory service, such as being less responsive to customer requests. In addition, the facilities provided by Captain Barbershop were considered inadequate, such as waiting rooms with a limited number of chairs and slow service, including barber breaks that exceeded the standard and long waiting times.

The price factor is also an issue, where Captain Barbershop's rate of Rp 100,000 per person is considered higher than other barbershops that charge between Rp 50,000 and Rp 80,000. This causes consumers to reconsider their decision, as many other barbershops offer similar facilities at lower prices.

Captain Barbershop's location on Jalan Sumatera, Medan, is also an issue, especially as it is often congested, especially during peak hours. In addition, the limited parking space, especially for car drivers, means that consumers have to park far away and walk to the location, reducing their convenience. These factors encourage consumers to look for other alternatives that are more satisfying.

Research by Utama et al. (2019) entitled "The Effect of Product Quality and Price on Purchasing Decisions at Setia Kawan Stationery Stores in Lumajang Regency" shows that product



quality and price have a positive and significant effect on purchasing decisions, both partially and simultaneously. Research by Rahmadiyah (2018) entitled "The Effect of Promotion, Location, and Products on Purchasing Decisions at the GTT UD Kediri Souvenir Center" also shows that promotion, location, and products have a positive and significant effect on purchasing decisions, both partially and simultaneously. In addition, research by Raharjo et al. (2019) entitled "Analysis of the Effect of Location, Service Quality, and Price Perception on Purchasing Decisions at T.B. Rajawali Kalicilik Demak" concluded that location, service quality, and price perception have a positive and significant effect on purchasing decisions, both partially and simultaneously.

LITERATURE REVIEW

Service Quality

According to Tjiptono and Chandra (2019), service quality is defined as the result of a comparison between the level of service provided by the company and consumer expectations. Service quality is reflected in how well the company can meet the needs and desires of consumers, as well as its ability to provide services that meet expectations or even exceed consumer expectations. Meanwhile, Sudarso (2020) defines service quality as a comparison between consumer expectations and the actual performance of the services provided. Service quality is an important element considered by consumers in product purchasing decisions.

Price

According to Ramdhani et al. (2020), price is an element that directly affects company profits, and is the value set for a good or service. Price plays an important role in the purchasing decision-making process. Kurniawan (2018) defines price as the exchange rate paid by consumers to obtain goods or services with certain benefits, including services. Product prices affect the level of profit that can be achieved by the company.

Location

Kurniawan (2018) explains that location refers to the place where the company chooses to set up its business. Location selection is a crucial factor in running a business. Halim et al. (2021) state that location is the place where the organization offers its products or services, making it easier for



target consumers to access them. Rachmawati (2020) added that location selection is a significant investment because location can affect the level of visitor crowds.

Purchase Decision

Firmansyah (2018) defines purchasing decisions as a problem-solving process carried out by individuals in choosing between two or more alternative behaviors that are considered the most appropriate for making purchases, through the stages of the decision-making process. Rossanty et al. (2018) states that in the context of a purchase, consumers can make several sub-decisions regarding brand, supplier, quantity, execution time, and payment method. For complex products, consumers usually take longer to make purchasing decisions, while for everyday products, purchasing decisions are generally made more quickly. Firmansyah (2018) defines purchasing decisions as a problem-solving process carried out by individuals in choosing between two or more alternative behaviors that are considered the most appropriate for making purchases, through the stages of the decision-making process. Rossanty et al. (2018) states that in the context of a purchase, consumers can make several sub-decisions regarding brand, supplier, quantity, execution time, and payment method. For complex products, consumers usually take longer to make purchasing decisions, while for everyday products, purchasing decisions are generally made more quickly.

METHODS

The approach used in this research is a quantitative approach, which is characterized by a systematic and structured flow. This research falls into the category of quantitative research and is causal in nature, also known as explanatory research. Causal research aims to identify the existence of a cause-and-effect relationship between two separate events. In this context, changes in the independent variable are expected to affect changes in the dependent variable. This research will be conducted at Captain Barbershop which is located at Jalan Sumatera Medan. The research time is estimated from August 2023 to April 2024. The population in this study were all consumers who used the services of Captain Barbershop during 2022 as many as 9,574 consumers. Due to the total population of 9,574, the sampling technique using the Slovin formula with a standard error of 10%



was obtained as many as 99 research samples. The type of data used in this study is quantitative data. The data sources used are:

1. Primary Data Source

Primary data in this study includes interviews and the results of filling out questionnaires distributed to consumers.

2. Secondary Data Source

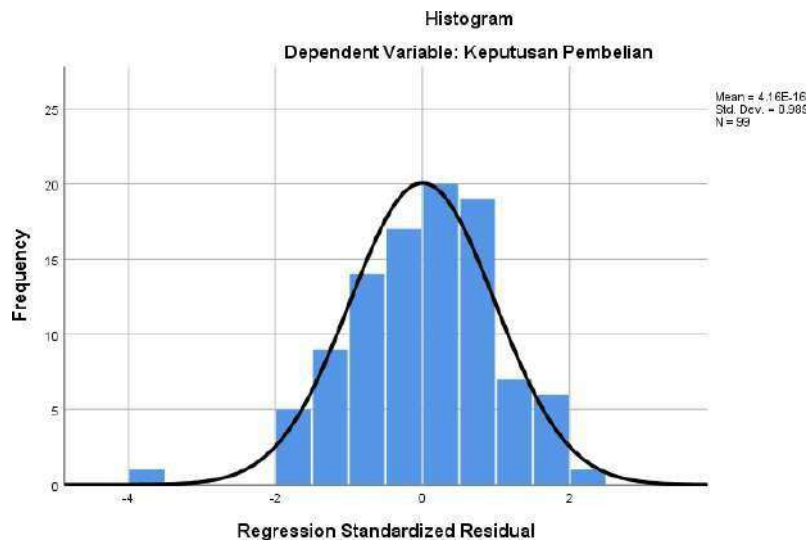
Secondary data in the research includes documentation and literature studies.

RESULTS

Normality Test

There are two ways to detect whether the residuals are normally distributed or not, namely by graph analysis and statistical tests.

Figure 1. Histogram Graph

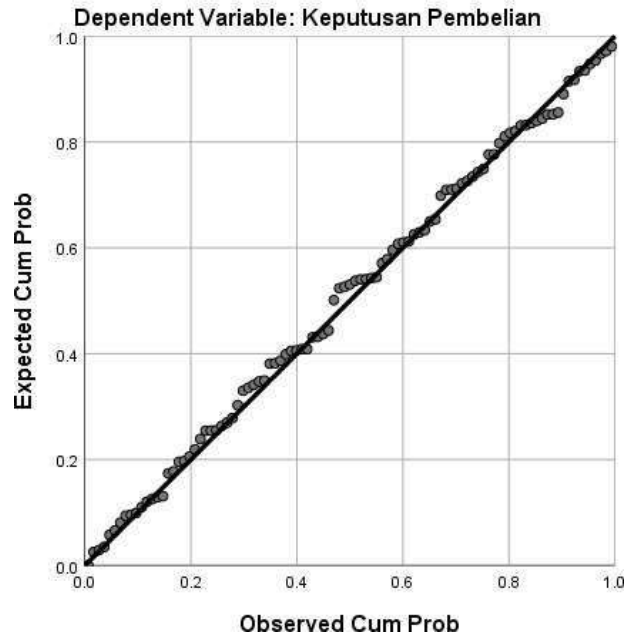


Source: Research Results, 2024 (Data processed)

Based on the picture above, it can be seen that the line drawing is bell-shaped, not deviating to the left or right. This shows that the data is normally distributed and fulfills the assumption of normality.



Figure 2. Normal Probability Plot of Regression Graph
Normal P-P Plot of Regression Standardized Residual



Source: Research Results, 2024 (Data processed)

Based on the picture above, it shows that the data (dots) spread around the diagonal line and follow the diagonal line. So from this picture it is concluded that the residuals of the regression model are normally distributed.

Table 1. One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 99 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.16472508 |
| Most Extreme Differences | Absolute | .049 |
| | Positive | .040 |
| | Negative | -.049 |
| Test Statistic | | .049 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.



Source: *Research Results, 2024 (Data processed)*

Based on the table above, the test results prove that the significant value produced is greater than 0.05, which is 0.200, it can be concluded that the data is classified as normally distributed.

Multicollinearity Test

Multicollinearity testing can be seen in the table below:

Table 2. Multicollinearity Test Results (VIF Test)
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity Statistics | |
|-----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | t | Sig. | Tolerance | VIF |
| 1 (Constant) | 10.564 | 1.865 | | 5.664 | .000 | | |
| Service Quality | .097 | .036 | .186 | 2.706 | .008 | .821 | 1.218 |
| Price | -.077 | .035 | -.152 | -2.195 | .031 | .810 | 1.234 |
| Location | .490 | .060 | .619 | 8.223 | .000 | .688 | 1.454 |

a. Dependent Variable: Purchase Decision

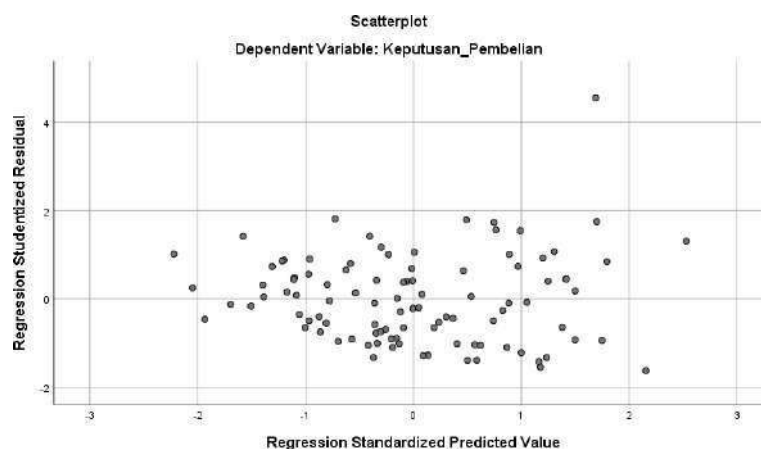
Source: *Research Results, 2024 (Data processed)*

Based on the table above, it can be seen that each variable has a *tolerance* value > 0.1 and a VIF value < 10. Thus, there is no multicollinearity problem in this study.

Heteroscedasticity Test

The following heteroscedasticity test graphically can be seen in the picture below:

Figure 3. Scatterplot Graph



Source: *Research Results, 2024 (Data processed)*

Based on the *scatterplot* graph presented, it can be seen that the points spread



randomly and do not form a certain clear pattern and are spread both above and below zero on the Y axis. This means that there is no heteroscedasticity in the regression model, so the regression model can be used to predict performance based on the input of the independent variables.

Heteroscedasticity testing can be seen in the table below:

Table 3. Glejser Test Results (Heteroscedasticity)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.019 | 1.083 | | 2.788 | .006 |
| | Service Quality | .039 | .021 | .202 | 1.870 | .065 |
| | Price | -.047 | .020 | -.251 | -1.804 | .063 |
| | Location | -.074 | .035 | -.252 | -1.728 | .076 |

a. Dependent Variable: Purchase Decision

Source: Research Results, 2024 (Data processed)

Based on the table above, it can be seen that the significance level of each variable is greater than 0.05. From the calculation results and the significant level above, there is no heteroscedasticity found

Research Model

The results of multiple linear regression analysis testing can be seen in the table below as follows:

Table 4. Multiple Regression Coefficient test results

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|-----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 10.564 | 1.865 | | 5.664 | .000 | | |
| | Service Quality | .097 | .036 | .186 | 2.706 | .008 | .821 | 1.218 |
| | Price | -.077 | .035 | -.152 | -2.195 | .031 | .810 | 1.234 |
| | Location | .490 | .060 | .619 | 8.223 | .000 | .688 | 1.454 |

a. Dependent Variable: Purchase Decision

Source: Research Results, 2024 (Data processed)



$$\text{Purchase Decision} = 10.564 + 0.097 \text{ Service Quality} - 0.077 \text{ Price} \\ + 0.490 \text{ Location} + e$$

Based on the equation above, then:

1. Constant (a) = 10.564. This means that if the independent variables, namely Service Quality (X_1), Price (X_2), and Location (X_3) are 0, the Purchasing Decision (Y) is 10.564.
2. If there is an increase in Service Quality, the Purchasing Decision will increase by 9.7%.
3. If there is an increase in price, the Purchasing Decision will decrease by 7.7%.
4. If there is an increase in Location, the Purchasing Decision will increase by 49%.

Coefficient of Determination (R^2)

The results of testing the coefficient of determination can be seen in the table below:

Table 5. Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .794 ^a | .630 | .619 | 2.199 |

a. Predictors: (Constant), Location, Service Quality, Price

b. Dependent Variable: Purchase Decision

Source: Research Results, 2024 (Data processed)

Based on the table above, the *Adjusted R Square* coefficient of determination is 0.619. This shows that the ability of the Service Quality (X_1), Price (X_2), and Location (X_3) variables to explain their influence on Purchasing Decisions (Y) by 61.9%. While the remaining 38.1% is the influence of other independent variables not examined in this study such as trust, experience, perception, promotion and so on.

Simultaneous Hypothesis Testing (F-test)

The results of simultaneous hypothesis testing can be seen in the table below as follows:

Table 6. Hypothesis Testing Simultaneously

| Model | | ANOVA ^a | | | F | Sig. |
|-------|------------|--------------------|----|-------------|--------|-------------------|
| | | Sum of Squares | df | Mean Square | | |
| 1 | Regression | 782.728 | 3 | 260.909 | 53.974 | .000 ^b |
| | Residuals | 459.231 | 95 | 4.834 | | |
| | Total | 1241.960 | 98 | | | |

a. Dependent Variable: Purchase Decision

b. Predictors: (Constant), Location, Service Quality, Price



Source: *Research Results, 2024 (Data processed)*

Based on the table above, it is obtained that the value of F_{tabel} (2.70) and significant $\alpha = 5\%$ (0.05), namely F_{hitung} (53.974) and sig.a (0.000^a). This indicates that the results of the study accept H_a and reject H_0 . The comparison between F_{hitung} and F_{tabel} can prove that simultaneously Service Quality, Price, and Location have a positive and significant effect on Purchasing Decisions.

Partial Hypothesis Testing (t-test)

The results of partial hypothesis testing can be seen in the table below as follows:

**Table 7. Partial Test Results
Coefficients^a**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-----------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 10.564 | 1.865 | | 5.664 | .000 | | |
| Service Quality | .097 | .036 | .186 | 2.706 | .008 | .821 | 1.218 |
| Price | -.077 | .035 | -.152 | -2.195 | .031 | .810 | 1.234 |
| Location | .490 | .060 | .619 | 8.223 | .000 | .688 | 1.454 |

a. Dependent Variable: Purchase Decision

Source: *Research Results 2022, (Data Processed)*

Based on the table above, it can be seen that :

1. The t_{count} value for the Service Quality variable (X_1) shows that the t_{count} value (2.706) > t_{tabel} (1.984) with a significant level of 0.008 < 0.05 so it can be concluded that there is a partially significant positive effect between Service Quality on Purchasing Decisions.
2. The t_{count} value for the Price variable (X_2) shows that the t_{count} value (2.195) > t_{tabel} (1.984) with a significant level of 0.031 < 0.05 so it can be concluded that there is a partially significant negative effect between Price on Purchasing Decisions.
3. The t_{count} value for the Location variable (X_3) shows that the t_{count} value (8.223) > t_{tabel} (1.984) with a significant level of 0.000 < 0.05 so it can be concluded that there is a partially significant positive influence between Location on Purchasing Decisions.



DISCUSSION

The Effect of Service Quality on Purchasing Decisions

Based on the results of the analysis, the t-count value for the Service Quality variable (X1) is 2.706, which is greater than the t-table of 1.984 with a significance level of 0.008, which is smaller than 0.05. This shows that Service Quality has a partially positive and significant effect on Purchasing Decisions. An increase in Service Quality has the potential to increase Purchasing Decisions by 9.7%. This finding is consistent with the research of Raharjo et al. (2019) which shows that both partially and simultaneously, Location, Service Quality, and Price Perception have a positive and significant influence on Purchasing Decisions. In addition, Tjiptono and Chandra (2019) state that Service Quality is a comparison between the services provided and consumer expectations, while Sudarso (2020) adds that Service Quality is the result of a comparison between consumer expectations and actual service performance, and is a key element in purchasing decisions.

The Effect of Price on Purchasing Decisions

The t-count value for the Price variable (X2) is 2.195, which exceeds the t-table of 1.984 with a significance level of 0.031, which is smaller than 0.05. This shows that Price has a partially negative and significant effect on Purchasing Decisions. An increase in price can cause a decrease in purchasing decisions by 7.7%. This research is in line with the study of Utama et al. (2019), which found that Product Quality and Price have a positive and significant influence on Purchasing Decisions. Ramdhani et al. (2020) state that price has a direct effect on company profits and is an important factor in making purchasing decisions. Kurniawan (2018) adds that Price is the exchange rate paid by consumers to obtain goods or services, which affects company profits.

The Effect of Location on Purchasing Decisions

The t-count value for the Location variable (X3) is 8.223, which is much greater than the t-table of 1.984 with a significance level of 0.000, which is smaller than 0.05. This shows that Location has a partially positive and significant effect on Purchasing Decisions. Increasing



Location can increase Purchasing Decisions by 49%. This research is consistent with the results of Rahmaniyah (2018) which show that Promotion, Location, and Product have a positive and significant influence on Purchasing Decisions. Kurniawan (2018) argues that location is a key factor in determining a place of business, while Halim et al. (2021) and Rachmawati (2020) emphasize that Location affects accessibility and visitor crowds.

The Effect of Service Quality, Price, and Location on Purchasing Decisions

The F-count value is 53.974, while the F-table is 2.70 with a significance level of $\alpha = 5\%$ (0.05). These results indicate that simultaneously, Service Quality, Price, and Location have a positive and significant influence on Purchasing Decisions, accepting the alternative hypothesis and rejecting the null hypothesis. The Adjusted R Square coefficient of determination of 0.619 indicates that the variables of Service Quality (X1), Price (X2), and Location (X3) explain 61.9% of their influence on Purchasing Decisions (Y), while the remaining 38.1% is caused by other independent variables not examined. This finding is in line with the research of Utama et al. (2019), Rahmaniyah (2018), and Raharjo et al. (2019), which show that Product Quality, Price, Promotion, and Location simultaneously have a positive and significant effect on Purchasing Decisions. Firmansyah (2018) adds that purchasing decisions involve individual problem solving in choosing between alternative behaviors, while Rossanty et al. (2018) show that consumers make several sub-decisions in the buying process.

CONCLUSION

The conclusion that researchers can draw from the results of this study is that Service Quality has a positive and significant effect on Purchasing Decisions at Captain Barbershop Medan services. Price has a negative and significant effect on Purchasing Decisions at Captain Barbershop Medan services. Location has a positive and significant effect on Purchasing Decisions at Captain Barbershop Medan services. Simultaneously Service Quality, Price and Location have a significant effect on Purchasing Decisions at Captain Barbershop Medan services.



REFERENCES

- Firmansyah, A. (2018). *Consumer Behavior (Attitudes and Marketing)*. Deepublish Publisher Yogyakarta.
- Halim, F., Kurniullah, A. Z., & Efendi, M. B. (2021). *Service Marketing Management*. Medan: Yayasan Kita Tulis.
- Herlina, V. (2019). *Practical Guide to Processing Questionnaire Data Using SPSS*. Publisher of Elex Media Komputindo. Jakarta.
- Kurniawan, A. R. (2018). *Marketing Basics, Everything About Marketing & Sales*. Quadrant Publisher, Yogyakarta.
- Priyatno, D. (2018). *SPSS Easy Guide to Data Processing for Students & General*. Publisher CV. Andi Offset, Yogyakarta.
- Purnomo, Rochmat Aldy. (2019). *Economic and Business Statistical Analysis with SPSS*. Ponorogo: UNMUH Ponorogo Press.
- Rachmat, Zul, Irzan Soepriyadi, Nur Fadillah Suprayitno, Eegis Yani Pramularso, Tantri Yanuar Rahmat Syah, Ana Fitriyatul Bilgies, Justin Hidayat Soputra, and Arief Yanto Rukmana. (2023). *Entrepreneurship*. West Sumatra: Get Press Indonesia.
- Rachmawati, Rina (2022). *Entrepreneurship*. Yogyakarta: Deepublish Publisher.
- Ramdhani, Dadan. et al, (2020). *Cost Accounting (Concepts and Implementation in the Manufacturing Industry)*. Yogyakarta: Markumi.
- Riyanto, S., & Aglis, A. H. (2020). *Quantitative Research Methods in Management, Engineering, Education and Experimentation*. Yogyakarta: Deepublish Publisher.
- Sudarso, Adriansan. (2016). *Marketing Management of Hospitality Services (Equipped with Research Results on Starred Hotels in North Sumatra)*. Yogyakarta: Deepublish Publisher.
- Supriadi, Iman. (2020). *Accounting Research Methods*. Yogyakarta: Deepublish Publisher.
- Sugiyono. (2019). *Accounting Research Methods*. Yogyakarta: Deepublish Publisher.
- Tjiptono, F. and Chandra, Gregorius. (2019). *Service Quality & Customer Satisfaction*. Yogyakarta: Andi Offset.



The Influence Of Soft Skills And Employee Empowerment Through Job Satisfaction On Civil Servant Performance In North Padang Lawas Regency

Nurul Hikmatul Alawiyah, Yusniar Lubis, Fajar Rezeki Ananda Lubis
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
Postgraduate School, Universitas Medan Area, Indonesia
Postgraduate School, Universitas Prima Indonesia Medan, Indonesia
fajarrezekianandalubis@unprimdn.ac.id

Abstract

Employees help to improve and enhance the performance of the institution. Therefore, employee performance must be considered when they work. Therefore, this study will investigate the relationship between Job Satisfaction and Soft Skills with Civil Servant Empowerment in North Padang Lawas Regency. This study uses a quantitative method with 150 samples. The results of the study indicate that soft skills have a positive and significant effect on employee performance, and employee empowerment also has a significant effect on employee performance. In addition, job satisfaction can be mediated by soft skills and employee empowerment on employee performance.

Keywords: Soft Skill, Employee Empowerment, Job Satisfaction, Employee Performance

INTRODUCTION

The problem of ASN employee job satisfaction throughout the region, especially in North Padang Lawas Regency. Leadership does not affect how effective the operations of the service or work unit are in achieving individual and service or work unit performance targets. In the process of developing a service or work unit, effective leadership ensures that organizational goals can be achieved optimally (Broekema et al., 2019). Leaders can have a direct impact on performance, employee satisfaction, and organizational commitment (Afsar et al., 2016; Kara et al., 2013; Ozturk et al., 2021). Based on the idea that no one leadership style is truly suitable for every situation and condition, a transformational approach to choosing effective leadership is the best alternative choice (Rafferty & Griffin, 2004; Ridwan et al., 2021).

The mismatch between employee skills or expertise and the tasks or responsibilities given by company management is the cause of low employee performance in several studies (Evianisa et al., 2021; Paillé & Meija-Morelos, 2019; Stirpe et al., 2021). So, based on this statement, we can see that the level of employee expertise affects their performance. In general, employee expertise is divided into two categories: hard skills and soft skills. Hard skills are technical skills embedded in a particular job, such as the ability to solve machining problems. Soft skills are abilities beyond technical and academic abilities, which focus on interpersonal and intrapersonal abilities.

If hard skills are improved without being followed by soft skills, it will affect the level of employee work performance. Employees with good soft skills will tend to be enthusiastic to continue to improve and achieve their best level of work performance. Soft skills are also an important component that must be improved in employees. Organizations not only need employees who have academic and technical abilities, but also need employees who communicate well, are able to adapt to changes in the environment, are enthusiastic about work, and work well together (Gunarathne et al., 2021).



Research that focuses on assessing and testing the influence of soft skills on employee performance found that the main task of ASN employees is to provide services to the community, so they must have good soft skills to support their performance. In addition, research that focuses on assessing and testing the influence of soft skills on employee performance found that because the main task of ASN employees is to provide services to the community, ASN employees must have good soft skills. These soft skills can encourage employees to be friendly and polite, find the best solutions to community problems, provide excellent service even in stressful situations, and construct others well (Botke et al., 2018; Gunarathne et al., 2021; Lyu & Liu, 2021).

In addition, it was found that employees felt they did not have good leadership; 18 of them stated that they disagreed, and only 12 stated that they agreed. In addition, the results of interviews with ASN employees supported this finding: most employees did not have the courage when asked to lead a work group because they believed that their abilities were lacking. Agencies or services in North Padang Lawas Regency must not only consider the condition or level of soft skills of their employees, but must also actively empower employees to improve their abilities to help achieve company goals.

Based on the term "employee empowerment", employee empowerment can be defined as an effort by organizational management to encourage and improve the abilities of its employees in an effort to achieve organizational goals (Motamarri et al., 2020). In addition, the problems related to employee empowerment in the Work Unit and Office of North Padang Lawas Regency are as follows: employees are not given the freedom to choose methods to complete tasks independently; employees do not have control over their own work (Karatepe, 2013). In the Work Unit and Office of North Padang Lawas Regency, employees are not allowed to choose the best way to complete their work. This is one of the problems with employee empowerment, which is considered an important element of management practices that focus on improving individual or organizational performance (Karatepe, 2013; Saleem et al., 2019; Yin et al., 2019).

Furthermore, studies investigating the effect of employee empowerment on their performance found differences. For example, research by Tuffaha (2020) and Iqbal et al. (2020) found that employee empowerment had a significant effect on employee performance, while research by Saleem et al. (2019) and Özarallı (2015) found that employee empowerment did not have a significant effect on employee performance. Based on the phenomena, problems and research gaps above, the researcher determined that a study would be conducted on the Effect of Soft Skills and Employee Empowerment Through Job Satisfaction on Civil Servant Performance in North Padang Lawas Regency.

LITERATURE REVIEW

Employee Performance

To determine the level of success of an employee, it is essential that they do the work they are given. The employee performance appraisal system is the result of the employee's work within the scope of his/her responsibilities. It is a formal and structured system used to measure, assess, and influence job-related traits. This system monitors employee behavior, such as absenteeism, work output, and makes decisions about salary increases, bonuses, promotions, and employee placement according to their abilities (Robert & Jhon, 2010).

Bernardin and Russel (2013) emphasized that considering employees as assets is very



important. By treating employees as assets, employee performance and engagement increase automatically. Employee performance is very important to increase employee productivity. Employees who work to improve organizational performance must have knowledge of the elements that can affect performance. Performance is the result of employee work both in terms of quality and quantity that they do when doing their jobs according to their duties. Employee willingness and skills are not enough to complete tasks without a clear understanding of what to do and how to do it.

Employee performance can be defined as the quality and quantity of work results achieved by employees in carrying out their duties in accordance with the responsibilities given to them, according to Luthans (2011). Performance, according to Özduran & Tanova (2017), is defined as the level of achievement of results after completing a particular task. Performance includes individual performance, group performance, and performance influenced by internal and external factors. Performance is defined by DeCenzo et al. (2016) as the willingness of employees to carry out an activity and perfect it according to their responsibilities with the expected results. When associated with performance as a noun, one of the entries of which is the result of a job, performance is the work result that can be achieved by employees of an organization in accordance with their authority and responsibility to achieve organizational goals legally, without violating the law and not contrary to morals or ethics.

Employee Job Satisfaction

The positive emotional state or feeling of satisfaction experienced by an individual as a result of their assessment of their job and work experiences is called employee job satisfaction. It is a measure of the extent to which employees' expectations, needs, and desires are met in their work environment. Some aspects of job satisfaction include the fit between employees and their supervisors, relationships with coworkers and supervisors, and working conditions and environment (Ridlwan et al., 2021; Stirpe et al., 2021; Suhartanto et al., 2018).

Satisfied employees tend to be highly motivated, have a strong commitment to the organization, and higher levels of productivity. Conversely, being unhappy with your job can lead to stress, decreased performance, and even high turnover. Management policies and practices, career development opportunities, compensation and incentive structures, leadership, work-life balance, and company culture and environment are some of the factors that influence job satisfaction. An individual's perception of fairness in the workplace, which includes treatment, task distribution, and compensation, also influences their job satisfaction (Goetz & Wald, 2022; Ozturk et al., 2021; Tkalac Verčič, 2021; X. Wang et al., 2021). Therefore, companies must pay attention to and manage the various factors that influence job satisfaction so that they can create a work environment that supports employee well-being.

Soft Skills

The term "soft skills" is used in sociology and society to indicate a person's level of emotional awareness (EQ), which consists of a group of socially accepted personality traits, communication, language, habits, friendliness, and optimism that characterize relationships with others. Soft skills are an addition to hard skills (a person's IQ), which are job requirements (Botke et al., 2018). Soft skills are life skills and abilities, either with the Creator, a group, or society. The concept of soft skills actually comes from the term emotional intelligence that we have known so far. Soft skills are broadly a combination of intrapersonal and interpersonal



abilities (Botke et al., 2018). A person's level of intellectual intelligence (IQ) usually does not change, but emotional intelligence (EQ) can develop. Soft skills are life skills and abilities that a person has, in a group, or with other people. In addition, soft skills make a person more felt in society (Čuić Tanković et al., 2021).

Communication skills, emotional skills, language skills, teamwork skills, ethics and morals, manners, and spiritual skills are all necessary skills. Soft skills can make your life better, give you more friends, more success, and more happiness. They have no value unless they are applied in a valuable daily life (Wings et al., 2021).

Soft skills are possessed by each person, at different levels and degrees, which are influenced by the way we think, speak, act, and behave. Broadly speaking, soft skills are divided into two categories: a person's ability to manage themselves (intrapersonal skills) and a person's ability to interact with others (interpersonal skills). Interpersonal skills include communication skills, motivation, leadership, self-marketing skills, presentation skills, political awareness, leveraging diversity, service orientation, empathy, management, and efforts to change the world (Aryani et al., 2021; Oladokun & Gbadegesin, 2017).

Performance can demonstrate soft skills, such as the ability to speak that reflects ideas and information, the ability to explain a topic clearly, the ability to easily understand new topics, and the ability to interact and work together in groups. A person who has strong soft skills will demonstrate abilities that exceed their abilities as an employee (Caputo et al., 2019; Gunarathne et al., 2021). This ability arises because people who are independently involved are able to drive internal processes to continue learning, trying, and finding ways to improve themselves and their work. Therefore, mastery of soft skills is very important because it is needed for professional growth (Lyu & Liu, 2021).

Based on the explanation of the definition of soft skills above, it can be concluded that soft skills are non-technical skills that show personality traits. This can be seen in a person's behavior when interacting with others, language skills, habits, and traits that support optimistic behavior. Soft skills are a person's ability to motivate themselves and use their initiative, have an understanding of what to do and can do it well, are useful for dealing with small problems that arise suddenly, and can persist until the problem is resolved. Thus, soft skills are the power of self to change or overcome work problems.

Employee Empowerment

According to Durai (2010) stated that empowerment is a modern practice that is very important for human resources and is widely recognized in today's competitive business context. DeCenzo et al. (2016) divides a person's orientation towards their work role into four dimensions: meaning, competence, self-determination, and influence. The purpose of employee empowerment is to improve individual performance and help them achieve their goals by giving them the authority to participate in the decision-making process. Employees think about their own work and find what they need (Jones & George, 2012).

Roller (1998) defines empowerment as the transfer of power to those who are considered to need it most to complete a task well, giving decision-making responsibility, and providing the right authority and resources for each task. After the empowerment process is complete, there is a task to monitor and evaluate its success. to ensure that the serious efforts have produced the appropriate results. iHuman resource notification is very dependent on the existence of goals.



Managers fear that without goals there will be anarchy, and staff act according to their wishes in chaotic freedom. However, the reality will happen, not anarchy, but still static. No one knows what to do, and organizational power is a sure thing.

RESEARCH METHOD

This study uses a quantitative data approach through a survey method. In addition, this study also uses an observation method as a way to find out whether the survey results are in accordance with the problems discussed. Descriptive statistics are used. In addition, this study tests each research hypothesis that has been made through the use of inferential statistical techniques that are useful for drawing conclusions from data collected from research respondents. All Offices and Work Units of North Padang Lawas Regency are committed to conducting this research. All ASN employees in North Padang Lawas Regency are the subjects of this study. This study uses the SEM sample collection technique, which requires at least 150 people to answer.

Data Collection Techniques

There are two types of data collected in this study: primary and secondary. Primary data is data that comes directly from the research subjects and can be used as an important source of analysis in research (Sugiyono, 2009). The primary data source of this study comes from the results of a questionnaire distributed to ASN employees in North Padang Lawas Regency. This study uses a Likert scale with five answer choices. In this study, the researcher used his own system and arranged a survey for all respondents. This is a system where the study only provides initial information about the purpose of the study and information to help respondents answer questions. On the other hand, each respondent fills in, answers, and provides all the data and statements given (Burns & Bush, 2010).

Validity and Reliability Test

Validity testing is used to evaluate the level of conformity of statements with the standards set for research (Hair et al., 2010). Irreliability testing is used to evaluate the stability of all statements with the phenomena and theories that have been proposed in the study. Good credibility test results will reflect the level of credibility of the statements made to answer the problems that arise at the research location. To evaluate the validity of a variable statement, the method is to compare the icronbach ialpha value with i0.6; the best level of validity is if the icronbach ialpha value is greater than i0.6 (Malhotra, 2010). reliability examination of ASN employees in North Padang Lawas Regency who were not included in the sample or research respondents The Smart-PLS application program was used to conduct SEM analysis for research version 3.0 to process data.

RESULT AND DISCUSSION

The Influence of Soft Skills on Employee Performance

For success in the workplace, soft and hard skills are needed together. Today's work world requires skilled resources. Employees must have high hard skills to meet office needs. In addition to having hard skills, in this era of tight competition, soft skills are also needed, namely skills in interacting with others (interpersonal skills) and skills in analyzing Soft skills are behavioral skills needed to develop and optimize a person's performance. Research by Ibrahim et al. (2017) found that soft skills are a determining factor in employee performance levels and can



help employees become more productive in any situation. Research by Oladokun & Gbadegesin (2017) also found that soft skills can positively and significantly affect employee performance.

H1: Soft Skills have a significant influence on Employee Performance

The Influence of Employee Empowerment on Employee Performance

The management process of empowering all human resources of an organization to improve their abilities, increase their sense of responsibility, become reliable workers, and fulfill their assigned tasks is known as employee empowerment (Bloom, 2021). The process of implementing employee empowerment is also often referred to as training employees to think, act, behave, react, and carry out their duties (Roller, 1998). In essence, empowerment is intended to give all employees the responsibility and authority to make decisions that impact the quality and quantity of their work results (Iqbal et al., 2020; Tuffaha, 2020).

Employee empowerment is a very important process to improve employee performance and can only be done by experienced HR management practitioners. It should not be considered as a simple or routine thing that is done as part of formal HR management tasks. In addition, employee empowerment must produce significant results (Soliman et al., 2021). Research has found that employee empowerment is used to encourage workers to work well, build independent workers, and control worker performance according to standards (Bloom, 2021). The results of several studies found that employee empowerment has a significant influence on employee performance individually or collectively (Iqbal et al., 2020; Tuffaha, 2020).

H2: Employee Empowerment has a significant influence on Employee Performance

The Role of Satisfaction Mediates the Influence of Soft Skills and Employee Empowerment on Employee Performance

In several studies, it was found that the more appropriate all aspects felt by an employee, the higher their job satisfaction (Chang & Lee, 2007; Suhartanto et al., 2018; Williams & Anderson, 1991). Other studies found that job satisfaction felt by an employee can improve their performance and may even encourage them to be more loyal to their company (Suhartanto et al., 2018; Yoopetch et al., 2021). In addition to having an impact on employee performance, job satisfaction variables can also be formed and influenced by soft skills, employee empowerment, and transformational leadership, each of which can have an impact on improving overall and individual employee performance (Akdol & Arikboga, 2015; Doleman et al., 2021; González-González & García-Almeida, 2021; Kara et al., 2013; Meng & Berger, 2019; Mickson & Anlesinya, 2019; Tsai, 2014).

H4: Job Satisfaction is able to mediate the influence of Soft Skills on Employee Performance

H5: Job Satisfaction is able to mediate the influence of Employee Empowerment on Employee Performance

CONCLUSION

One of the results of the study is that soft skills have a positive and significant influence on employee performance. In addition, the study also found that employee empowerment also has a significant influence on employee performance. In addition, job satisfaction can be influenced by the ability to mediate soft skills and employee empowerment. So, all of the variables mentioned above have a significant impact on employee performance in North Padang Lawas Regency.



REFERENCES

- Afsar, B., Badir, Y., & Kiani, U. S. (2016). Linking spiritual leadership and employee pro-environmental behavior: The influence of workplace spirituality, intrinsic motivation, and environmental passion. *Journal of Environmental Psychology*, 45, 79–88. <https://doi.org/10.1016/j.jenvp.2015.11.011>
- Ahmad, I., & Gao, Y. (2018). Ethical leadership and work engagement: The roles of psychological empowerment and power distance orientation. *Management Decision*, 56(9), 1991–2005. <https://doi.org/10.1108/MD-02-2017-0107>
- Akdol, B., & Arikboga, F. S. (2015). The Effects of Leader Behavior on Job Satisfaction: A Research on Technology Fast50 Turkey Companies. *Procedia - Social and Behavioral Sciences*, 195, 278–282. <https://doi.org/10.1016/j.sbspro.2015.06.159>
- Amstrong, M. (2016). Handbook of human resources management. In *Handbook of Human Resources Management* (10th ed.). Kogan Page. <https://doi.org/10.1007/978-3-662-44152-7>
- Aryani, F., Wirawan, H., Saman, A., Samad, S., & Jufri, M. (2021). From high school to workplace: investigating the effects of soft skills on career engagement through the role of psychological capital in different age groups. *Education and Training*, 63(9), 1326–1345. <https://doi.org/10.1108/ET-03-2021-0087>
- Asadullah, M. A., Ul Haq, M. Z., Wahba, K., Hashmi, S., Kim, H. (Markham), & Hwang, J. (2021). Gender differences and employee performance: Evidence from the restaurant industry. *Journal of Hospitality and Tourism Management*, 48(November 2020), 248–255. <https://doi.org/10.1016/j.jhtm.2021.06.015>
- Asiedu-Appiah, F., Mehmood, A., & Bamfo, B. A. (2015). Work-Life Balance Practices, Job Performance and Turnover Intentions. *International Journal of Arts & Sciences*, 08(04), 1944–6934.
- Aydogmus, C., Camgoz, S. M., Ergeneli, A., & Ekmekci, O. T. (2018). Perceptions of transformational leadership and job satisfaction: The roles of personality traits and psychological empowerment. *Journal of Management and Organization*, 24(1), 81–107. <https://doi.org/10.1017/jmo.2016.59>
- Bendoly, E., & Prietula, M. (2008). In “the zone”: The role of evolving skill and transitional workload on motivation and realized performance in operational tasks. *International Journal of Operations and Production Management*, 28(12), 1130–1152. <https://doi.org/10.1108/01443570810919341>
- Bernardin, J., & Russel, J. (2013). *Human Resource Management An Experiential Approach* (6th editio). McGraw-Hill Education.
- Birks, D. F. (2016). Marketing research. In *The Marketing Book: Seventh Edition*. <https://doi.org/10.4324/9781315890005>
- Bloom, D. (2021). *Employee Empowerment-The Prime Component of Sustainable Change Management*. Routledge.
- Botke, J. A., Jansen, P. G. W., Khapova, S. N., & Tims, M. (2018). Work factors influencing the transfer stages of soft skills training: A literature review. *Educational Research Review*, 24(April), 130–147. <https://doi.org/10.1016/j.edurev.2018.04.001>
- Broekema, W., Porth, J., Steen, T., & Torenvlied, R. (2019). Public leaders’ organizational learning orientations in the wake of a crisis and the role of public service motivation. *Safety*



- Science*, 113(November 2018), 200–209. <https://doi.org/10.1016/j.ssci.2018.11.002>
- Bruggen, A. (2015). An empirical investigation of the relationship between workload and performance. *Management Decision*, 53(10), 2377–2389. <https://doi.org/10.1108/MD-02-2015-0063>
- Buljac-Samardzic, M., & van Woerkom, M. (2015). Can managers coach their teams too much? *Journal of Managerial Psychology*, 30(3), 280–296. <https://doi.org/10.1108/JMP-12-2012-0380>
- Burnes, B. (2017). *Managing Change*. Pearson Education Limited.
- Caputo, F., Cillo, V., Candelo, E., & Liu, Y. (2019). Innovating through digital revolution: The role of soft skills and Big Data in increasing firm performance. *Management Decision*, 57(8), 2032–2051. <https://doi.org/10.1108/MD-07-2018-0833>
- Civelek, M. E. (2018). Essentials of Structural Equation Modeling. In *Zea Books* (Issue April). <https://doi.org/10.13014/k2sj1hr5>
- Čuić Tanković, A., Kapeš, J., & Kraljić, V. (2021). *Importance of Soft Skills and Communication Skills in Tourism: Viewpoint From Tourists and Future Tourism Employees*. 6(Summak 2014), 167–185. <https://doi.org/10.20867/tosee.06.12>
- Cummings, T., & Worley, C. (2015). Organization Development and Change. In *Human Resource Development*. Cengage Learning. https://doi.org/10.1007/978-1-137-36010-6_6
- DeCenzo, D. A., Robbins, S. P., & Verhulst, S. L. (2016). Fundamentals of Human Resource Management, 12th Edition. In *Human Resource Management* (Issue September). <https://www.wiley.com/en-us/Fundamentals+of+Human+Resource+Management%2C+12th+Edition-p-9781119158905>
- Di Vaio, A., Hasan, S., Palladino, R., Profita, F., & Mejri, I. (2021). Understanding knowledge hiding in business organizations: A bibliometric analysis of research trends, 1988–2020. *Journal of Business Research*, 134(June), 560–573. <https://doi.org/10.1016/j.jbusres.2021.05.040>
- Doleman, G., Twigg, D., Bayes, S., & Chivers, P. (2021). Paediatric nurses' satisfaction with organisational communication, job satisfaction, and intention to stay: A structural equation modelling analysis. *Collegian*, 28(4), 376–384. <https://doi.org/10.1016/j.colegn.2020.11.005>
- Durai, P. (2010). *Human resource management*. https://books.google.com.my/books?id=cRAvCCsN2e0C&pg=PA28&dq=strategic+management+process+step&hl=en&sa=X&ved=0ahUKEwil263xxb_fAhUHQ48KHbqEA3sQ6AEIQDAE#v=onepage&q=strategic+management+process+step&f=false
- Eliyana, A., Ma'arif, S., & Muzakki. (2019). Job satisfaction and organizational commitment effect in the transformational leadership towards employee performance. *European Research on Management and Business Economics*, 25(3), 144–150. <https://doi.org/10.1016/j.iemeen.2019.05.001>
- Evianisa, H., Sukmawati, A., & Setiawan Slamet, A. (2021). Exploring the Relationship of Competency, Management Best Practices, and Employee Performance in a Palm Oil Mill Company. *Binus Business Review*, 12(1), 85–92. <https://doi.org/10.21512/bbr.v12i1.6407>
- Fausang, M. S., Jeppesen, H. J., Jønsson, T. S., Lewandowski, J., & Bligh, M. C. (2013).



- Moderators of shared leadership: Work function and team autonomy. *Team Performance Management*, 19(5–6), 244–262. <https://doi.org/10.1108/TPM-11-2012-0038>
- Ghadi, M. Y., Fernando, M., & Caputi, P. (2013). Transformational leadership and work engagement: The mediating effect of meaning in work. *Leadership and Organization Development Journal*, 34(6), 532–550. <https://doi.org/10.1108/LODJ-10-2011-0110>
- Gibson, J., Ivancevich, J., Donnelly, J., & Konopaske, R. (2012). *Organization: Behavior, Structure, Processes*. McGraw-Hill Education.
- Goetz, N., & Wald, A. (2022). Similar but different? The influence of job satisfaction, organizational commitment and person-job fit on individual performance in the continuum between permanent and temporary organizations. *International Journal of Project Management*, 40(3), 251–261. <https://doi.org/10.1016/j.ijproman.2022.03.001>
- González-González, T., & García-Almeida, D. J. (2021). Frontline employee-driven innovation through suggestions in hospitality firms: The role of the employee’s creativity, knowledge, and motivation. *International Journal of Hospitality Management*, 94(February). <https://doi.org/10.1016/j.ijhm.2021.102877>
- Gribben, L., & Semple, C. J. (2021). Factors contributing to burnout and work-life balance in adult oncology nursing: An integrative review. *European Journal of Oncology Nursing*, 50(November 2020), 101887. <https://doi.org/10.1016/j.ejon.2020.101887>
- Gunarathne, N., Senarathne, S., & Herath, R. (2021). Addressing the expectation–performance gap of soft skills in management education: An integrated skill-development approach for accounting students. *International Journal of Management Education*, 19(3), 100564. <https://doi.org/10.1016/j.ijme.2021.100564>
- Hair, Black, Babin, & Anderson, R. E. (2010). *Multivariate data analysis*. Pearson Education.
- Hewagama, G., Boxall, P., Cheung, G., & Hutchison, A. (2019). Service recovery through empowerment? HRM, employee performance and job satisfaction in hotels. *International Journal of Hospitality Management*, 81(August 2018), 73–82. <https://doi.org/10.1016/j.ijhm.2019.03.006>
- Holland, P., Tham, T. L., Sheehan, C., & Cooper, B. (2019). The impact of perceived workload on nurse satisfaction with work-life balance and intention to leave the occupation. *Applied Nursing Research*, 49(March), 70–76. <https://doi.org/10.1016/j.apnr.2019.06.001>
- Hon, A. H. Y. (2011). Enhancing employee creativity in the Chinese context: The mediating role of employee self-concordance. *International Journal of Hospitality Management*, 30(2), 375–384. <https://doi.org/10.1016/j.ijhm.2010.06.002>
- Hugill, K., Sullivan, J., & Ezpeleta, M. L. (2018). Team coaching and rounding as a framework to enhance organizational wellbeing, & team performance. *Journal of Neonatal Nursing*, 24(3), 148–153. <https://doi.org/10.1016/j.jnn.2017.10.004>
- Ibrahim, R., Boerhannoeddin, A., & Bakare, K. K. (2017). The effect of soft skills and training methodology on employee performance. *European Journal of Training and Development*, 41(4), 388–406. <https://doi.org/10.1108/EJTD-08-2016-0066>
- Idris, A., See, D., & Coughlan, P. (2018). Employee empowerment and job satisfaction in urban Malaysia: Connecting the dots with context and organizational change management. *Journal of Organizational Change Management*, 31(3), 697–711. <https://doi.org/10.1108/JOCM-04-2017-0155>



- Iqbal, Q., Ahmad, N. H., Nasim, A., & Khan, S. A. R. (2020). A moderated-mediation analysis of psychological empowerment: Sustainable leadership and sustainable performance. *Journal of Cleaner Production*, 262, 121429. <https://doi.org/10.1016/j.jclepro.2020.121429>
- Jaiswal, N. K., & Dhar, R. L. (2015). Transformational leadership, innovation climate, creative self-efficacy and employee creativity: A multilevel study. *International Journal of Hospitality Management*, 51, 30–41. <https://doi.org/10.1016/j.ijhm.2015.07.002>
- Johari, J., Yean Tan, F., & Tjik Zulkarnain, Z. I. (2018). Autonomy, workload, work-life balance and job performance among teachers. *International Journal of Educational Management*, 32(1), 107–120. <https://doi.org/10.1108/IJEM-10-2016-0226>
- Jones, & George. (2012). *Understanding and Managing Organizational Behavior*. Prentice Hall.
- Joo, B. K., Lim, D. H., & Kim, S. (2016). Enhancing work engagement: The roles of psychological capital, authentic leadership, and work empowerment. *Leadership and Organization Development Journal*, 37(8), 1117–1134. <https://doi.org/10.1108/LODJ-01-2015-0005>
- Kalkavan, S., & Katrinli, A. (2014). The Effects of Managerial Coaching Behaviors on the Employees' Perception of Job Satisfaction, Organisational Commitment, and Job Performance: Case Study on Insurance Industry in Turkey. *Procedia - Social and Behavioral Sciences*, 150, 1137–1147. <https://doi.org/10.1016/j.sbspro.2014.09.129>
- Kara, D., Uysal, M., Sirgy, M. J., & Lee, G. (2013). The effects of leadership style on employee well-being in hospitality. *International Journal of Hospitality Management*, 34(1), 9–18. <https://doi.org/10.1016/j.ijhm.2013.02.001>
- Karatepe, O. M. (2013). High-performance work practices and hotel employee performance: The mediation of work engagement. *International Journal of Hospitality Management*, 32(1), 132–140. <https://doi.org/10.1016/j.ijhm.2012.05.003>
- Kia, N., Halvorsen, B., & Bartram, T. (2019). Ethical leadership and employee in-role performance: The mediating roles of organisational identification, customer orientation, service climate, and ethical climate. *Personnel Review*, 48(7), 1716–1733. <https://doi.org/10.1108/PR-12-2018-0514>
- Kim, H., Im, J., & Shin, Y. H. (2021). The impact of transformational leadership and commitment to change on restaurant employees' quality of work life during a crisis. *Journal of Hospitality and Tourism Management*, 48(July), 322–330. <https://doi.org/10.1016/j.jhtm.2021.07.010>
- Kline, R. B. (2015). *TXTBK Principles and practices of structural equation modelling Ed. 4 ****. In *Methodology in the social sciences*.
- Luthans, F. (2011). *Organizational Behavior*. In *Human Resource Management*. McGraw-Hill Education. https://doi.org/10.5005/jp/books/10358_23
- Lyu, W., & Liu, J. (2021). Soft skills, hard skills: What matters most? Evidence from job postings. *Applied Energy*, 300(June), 117307. <https://doi.org/10.1016/j.apenergy.2021.117307>
- Meng, J., & Berger, B. K. (2019). The impact of organizational culture and leadership performance on PR professionals' job satisfaction: Testing the joint mediating effects of engagement and trust. *Public Relations Review*, 45(1), 64–75. <https://doi.org/10.1016/j.pubrev.2018.11.002>



- Mickson, M. K., & Anlesinya, A. (2019). Enhancing job satisfaction among local government servants in Ghana. *International Journal of Public Leadership*, 16(1), 1–16. <https://doi.org/10.1108/ijpl-03-2019-0007>
- Miller, G. A., Buck, C. R., Kang, C. S., Aviles, J. M., Younggren, B. N., Osborn, S., & Keay, C. R. (2020). COVID-19 in Seattle—Early lessons learned. *Journal of the American College of Emergency Physicians Open*, 1(2), 85–91. <https://doi.org/10.1002/emp2.12064>
- Motamarri, S., Akter, S., & Yanamandram, V. (2020). Frontline employee empowerment: Scale development and validation using Confirmatory Composite Analysis. *International Journal of Information Management*, 54(June), 102177. <https://doi.org/10.1016/j.ijinfomgt.2020.102177>
- Newstrom, J. W. (2007). *Organizational behavior: Human behavior at work [Perilaku organisasional: Perilaku manusia di tempat kerja]*.
- Nurhasanah M, W. O., Kalimin, L. O., & Syaifuddin, D. T. (2019). The effect of work-life balance on job satisfaction and female employee performance in commercial bank in Kendari City. *IOSR Journal of Business and Management*, 21(5 Ser. II), 1–7. <https://doi.org/10.9790/487X-2105020107>
- Nusrat, M., & Sultana, N. (2019). Soft skills for sustainable employment of business graduates of Bangladesh. *Higher Education, Skills and Work-Based Learning*, 9(3), 264–278. <https://doi.org/10.1108/HESWBL-01-2018-0002>
- Nwanzu, C. L., & Babalola, S. S. (2020). Examining the moderating role of workload in the relationship between emotional intelligence and caring behavior in healthcare organizations. *International Journal of Business Science and Applied Management*, 15(1), 17–29.
- Oladokun, S. O., & Gbadegesin, J. T. (2017). Adequacy of core knowledge and soft skills in the performance of professional employees of real estate firms in Nigeria. *Property Management*, 35(2), 132–149. <https://doi.org/10.1108/PM-02-2016-0008>
- Oplatka, I. (2017). Principal workload: Components, determinants and coping strategies in an era of standardization and accountability. *Journal of Educational Administration*, 55(5), 552–568. <https://doi.org/10.1108/JEA-06-2016-0071>
- Özarallı, N. (2015). Linking Empowering Leader to Creativity: The Moderating Role of Psychological (Felt) Empowerment. *Procedia - Social and Behavioral Sciences*, 181, 366–376. <https://doi.org/10.1016/j.sbspro.2015.04.899>
- Özduran, A., & Tanova, C. (2017). Coaching and employee organizational citizenship behaviours: The role of procedural justice climate. *International Journal of Hospitality Management*, 60, 58–66. <https://doi.org/10.1016/j.ijhm.2016.10.004>
- Ozturk, A., Karatepe, O. M., & Okumus, F. (2021). The effect of servant leadership on hotel employees' behavioral consequences: Work engagement versus job satisfaction. *International Journal of Hospitality Management*, 97(August 2020), 102994. <https://doi.org/10.1016/j.ijhm.2021.102994>
- Paillé, P., & Meija-Morelos, J. H. (2019). Organisational support is not always enough to encourage employee environmental performance. The moderating role of exchange ideology. *Journal of Cleaner Production*, 220, 1061–1070. <https://doi.org/10.1016/j.jclepro.2019.02.192>
- Princes, E., & Said, A. (2022). The impacts of project complexity, trust in leader, performance



- readiness and situational leadership on financial sustainability. *International Journal of Managing Projects in Business*. <https://doi.org/10.1108/IJMPB-03-2021-0082>
- Quratulain, S., & Al-Hawari, M. A. (2021). Interactive effects of supervisor support, diversity climate, and employee cynicism on work adjustment and performance. *International Journal of Hospitality Management*, 93(November 2020), 102803. <https://doi.org/10.1016/j.ijhm.2020.102803>
- Rafferty, A. E., & Griffin, M. A. (2004). Dimensions of transformational leadership: Conceptual and empirical extensions. *Leadership Quarterly*, 15(3), 329–354. <https://doi.org/10.1016/j.leaqua.2004.02.009>
- Ridlwan, M., Purwandari, D. A., & Rahmat Syah, T. Y. (2021). The Effect of Situational Leadership and Organizational Culture on Employee Performance Through Job Satisfaction. *International Journal of Multicultural and Multireligious Understanding*, 8(3), 73. <https://doi.org/10.18415/ijmmu.v8i3.2378>
- Robbins, & Judge. (2012). *Organizational Behavior*. Pearson.
- Robert, M., & Jhon, J. (2010). *Human Resource Management* (12th ed., Issue 51). Thomson South-Western. <http://ci.nii.ac.jp/naid/40017412209/>
- Roller. (1998). Measuring Empowerment The Perception of Empowerment Instrument (PEI). *The Pfeiffer Annual*, 1(1), 1–15.
- Saleem, M. A., Bhutta, Z. M., Nauman, M., & Zahra, S. (2019). Enhancing performance and commitment through leadership and empowerment: An emerging economy perspective. *International Journal of Bank Marketing*, 37(1), 303–322. <https://doi.org/10.1108/IJBM-02-2018-0037>
- Setyantari, R. D., Ernawaty, & Husniyawati, Y. R. (2020). Relationship between attitude, motivation, and workload with officers' performance of finding leprosy patients early. *EurAsian Journal of BioSciences*, 14(2), 2675–2679.
- Setyorini, R. W., Yuesti, A., & Landra, N. (2018). The Effect of Situational Leadership Style and Compensation to Employee Performance with Job Satisfaction as Intervening Variable at PT Bank Rakyat Indonesia (Persero), Tbk Denpasar Branch. *International Journal of Contemporary Research and Review*, 9(08), 20974–20985. <https://doi.org/10.15520/ijcrr/2018/9/08/570>
- Singh, S. K., Giudice, M. Del, Chierici, R., & Graziano, D. (2020). Green innovation and environmental performance: The role of green transformational leadership and green human resource management. *Technological Forecasting and Social Change*, 150(May 2019), 119762. <https://doi.org/10.1016/j.techfore.2019.119762>
- Soliman, M., Di Virgilio, F., Figueiredo, R., & Sousa, M. J. (2021). The impact of workplace spirituality on lecturers' attitudes in tourism and hospitality higher education institutions. *Tourism Management Perspectives*, 38(May), 100826. <https://doi.org/10.1016/j.tmp.2021.100826>
- Stirpe, L., Profili, S., & Sammarra, A. (2021). Satisfaction with HR practices and employee performance: A moderated mediation model of engagement and health. *European Management Journal*, June. <https://doi.org/10.1016/j.emj.2021.06.003>
- Suhartanto, D., Dean, D., Nansuri, R., & Triyuni, N. N. (2018). The link between tourism involvement and service performance: Evidence from frontline retail employees. *Journal of*



- Business Research*, 83(August 2016), 130–137.
<https://doi.org/10.1016/j.jbusres.2017.10.039>
- Suriyadi, Syaifuddin, D. T., Sidu, D., & Mursidin. (2020). Effects of situational leadership, work motivation and cohesiveness on work satisfaction and employment performance (A case study in education and cultural office in Konawe Regency). *International Journal of Scientific and Technology Research*, 9(2), 1837–1843.
- Tkalac Verčič, A. (2021). The impact of employee engagement, organisational support and employer branding on internal communication satisfaction. *Public Relations Review*, 47(1). <https://doi.org/10.1016/j.pubrev.2021.102009>
- Tsai, C. L. (2014). The organizational climate and employees' job satisfaction in the terminal operation context of kaohsiung port. *Asian Journal of Shipping and Logistics*, 30(3), 373–392. <https://doi.org/10.1016/j.ajsl.2014.12.007>
- Tuffaha, M. (2020). The Determinants of Employee's Performance: A Literature Review. *Journal of Economics and Management Sciences*, 3(3), p14. <https://doi.org/10.30560/jems.v3n3p14>
- Turgut, S., Schlachter, S., Michel, A., & Sonntag, K. (2020). Antecedents of Health-Promoting Leadership and Workload as Moderator. *Journal of Leadership and Organizational Studies*, 27(2), 203–214. <https://doi.org/10.1177/1548051819848988>
- Ulrich, D., Allen, J., Brickbank, W., Yonger, J., & Nyman, M. (2020). *HR Transformation: Building Human Resource form The Outside In*. McGraw-Hill Education.
- Verstappen, V. J., Pikaar, E. N., & Zon, R. G. (2022). Assessing the impact of driver advisory systems on train driver workload, attention allocation and safety performance. *Applied Ergonomics*, 100(December 2021), 103645. <https://doi.org/10.1016/j.apergo.2021.103645>
- Wang, C., Xu, J., Zhang, T. C., & Li, Q. M. (2020). Effects of professional identity on turnover intention in China's hotel employees: The mediating role of employee engagement and job satisfaction. *Journal of Hospitality and Tourism Management*, 45(June), 10–22. <https://doi.org/10.1016/j.jhtm.2020.07.002>
- Wang, X., Wen, X., Paşamehmetoğlu, A., & Guchait, P. (2021). Hospitality employee's mindfulness and its impact on creativity and customer satisfaction: The moderating role of organizational error tolerance. *International Journal of Hospitality Management*, 94(March 2020). <https://doi.org/10.1016/j.ijhm.2020.102846>
- Wings, I., Nanda, R., & Adebayo, K. J. (2021). A Context-Aware Approach for Extracting Hard and Soft Skills. *Procedia Computer Science*, 193, 163–172. <https://doi.org/10.1016/j.procs.2021.10.016>
- Yang, L. R., Yen, H. F., & Chiang, Y. F. (2012). A framework for assessing impacts of leadership competency on police project performance: Mediating role of job satisfaction and moderating role of project type. *Policing*, 35(3), 528–550. <https://doi.org/10.1108/13639511211250785>
- Yang, M., Luu, T. T., & Qian, D. (2021). Dual-focused transformational leadership and service innovation in hospitality organisations: A multilevel investigation. *International Journal of Hospitality Management*, 98(July), 103035. <https://doi.org/10.1016/j.ijhm.2021.103035>
- Yin, Y., Wang, Y., & Lu, Y. (2019). Why firms adopt empowerment practices and how such practices affect firm performance? A transaction cost-exchange perspective. *Human*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Resource Management Review, 29(1), 111–124. <https://doi.org/10.1016/j.hrmr.2018.01.002>
Yoopetch, C., Nimsai, S., & Kongarchapatara, B. (2021). The effects of employee learning, knowledge, benefits, and satisfaction on employee performance and career growth in the hospitality industry. *Sustainability (Switzerland)*, 13(8). <https://doi.org/10.3390/su13084101>



The Influence of Transformational Leadership and Kaizen Culture on Employee Performance at PT Asia Sakti Wahid Foods Manufactures
Luis Figo Wijaya^a, Fajar Rezeki Ananda Lubis^a, Elly Romy^a
^aUniversitas Prima Indonesia

ABSTRACT

The objective of this research is to examine how transformational leadership and Kaizen culture impact employee performance at PT Asia Sakti Wahid Foods Manufacturers. The analysis utilizes the SmartPLS-SEM method with data collected from 60 respondents. The findings indicate that transformational leadership has a significant positive effect on employee performance (coefficient 0.564, p-value 0.000), while the implementation of Kaizen culture also significantly impacts employee performance improvement (coefficient 0.363, p-value 0.003). On the other side, the effect of transformational leadership also has a significantly impacts toward kaizen culture (coefficient 0.493, p-value 0.000). The study concludes that transformational leadership and Kaizen culture play crucial roles in improving employee performance. It suggests that the company should leverage transformational leadership styles and a continuous improvement culture to effectively and efficiently enhance performance.

Keywords: Employee Performance, Kaizen Culture, dan Transformational Leadership

INTRODUCTION

In today's era of globalization, intense competition requires individuals to always be ready to face changes and challenges. The adaptation process is crucial for both individuals and companies to survive in the current globalized world. Improving Human Resources (HR) is an important factor in enhancing personal quality, enabling competition even at the international level (Rusman, 2022). Effective human resource management can serve as a long-term investment for increasing company productivity. Proper and professional management of human resource is totally expected to improve employee performance within a company (Lilia et al., 2020).

Table 1. Percentage of Carton Production Productivity at PT ASW (2019-2024)

| Category | 2019-2020 (%) | 2020-2021 (%) | 2021-2022 (%) | 2022-2023 (%) | 2023-2024 (%) |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| SHP | 29.23% | -62.61% | 94.47% | 26.69% | -23.02% |
| Packaging 21 | 17.62% | -64.08% | 33.26% | 10.10% | -18.58% |
| Cookies Cream | 52.33% | -63.19% | 30.63% | 15.01% | -27.88% |



| | | | | | |
|---------------------|--------|---------|--------|--------|---------|
| Packaging 40 | 49.20% | -64.17% | 35.40% | 15.25% | -25.70% |
| ATB | 42.16% | -47.47% | 67.52% | 7.20% | -21.74% |
| Cheese | 55.95% | -64.61% | 33.06% | 13.57% | -24.61% |

Based on Table 1, it shows the fluctuations in the percentage change in carton quantities for various categories from 2019 to 2024. Products such as SHP experienced significant changes, with a sharp decline in 2020-2021 (-62.61%) followed by a substantial increase in 2021-2022 (+94.47%). A similar pattern is observed in Packaging 21, Cookies Cream, and Packaging 40, which show a drastic decrease in 2020-2021, followed by a gradual increase in the subsequent years. The ATB product maintained a significant upward trend in 2019-2020 (+42.16%), although it began to steadily decline in 2023-2024 (-21.74%). The Cheese product showed a significant decrease in 2020-2021 but gradually increased in the following years.

The productivity of carton production in biscuit companies is influenced by various factors, such as the availability of raw materials, efficient production processes, workforce competence, and the condition of production machinery. The availability of key ingredients such as flour and sugar plays an important role in maintaining smooth production, as supply shortages can hinder output. Operational efficiency, including the use of modern technology and good time management, also contributes to optimal results, supported by a skilled workforce to minimize errors. Machinery breakdowns pose a major challenge, as they can cause delays that directly impact production capacity. In addition, market demand, internal company policies, and working conditions, such as employee motivation, also affect production target achievement. An effective combination of all these elements is key to maintaining productivity stability and competitiveness in the era of globalization (Stevenson, 2021).

Good employee performance is undoubtedly essential to achieving higher productivity levels. One of the indicators used to measure employee performance is work quantity, which can be assessed through the speed and ability of employees to improve the company's productivity (Syafitri, 2022). PT Asia Sakti Wahid Foods Manufacturers has a grand goal of becoming the leading Fast Moving Consumer Goods (FMCG) company in Indonesia and abroad. Therefore, to achieve the company's primary goal, there is a need for improvement in employee performance, taking into account the influence of transformational leadership, the implementation of kaizen culture.

Literature review



Definition of Leadership

Leadership is a complex process involving the continuous interaction of organizing, empowering, and controlling by an individual in a leadership role, all aimed at achieving a specific goal. The purpose of leadership is to provide direction and influence for followers to achieve common objectives. A leader must be capable of making complex and objective decisions, demonstrating feasibility, commitment, and enthusiasm to each member. In the context of an organization, leadership is a crucial value, serving as the guide and responsible party for achieving the organization's goals (Artanto, 2022).

Transformational Leadership

Transformational leadership is a type of leadership that focuses on building a strong commitment by instilling trust in subordinates to achieve specific objectives. It is often viewed as a skill of a leader who aims to change the work environment, motivate followers, and instill work ethics to achieve optimal performance results in reaching goals (Darodjat, 2015). Transformational leadership seeks ways to change the values followed by subordinates to achieve the organization's goals. Additionally, a transformational leader is recognized as an individual who brings about significant changes in a company by creating positive transformations within the organization (Iqbal, 2021).

Kaizen Culture

Kaizen culture is one of the most well-known methods globally and is highly effective in improving company performance by minimizing operational costs as much as possible (Tri et al., 2019). The implementation of Kaizen can effectively progress due to its close relationship with employees, particularly as a communication bridge between workers. The era of globalization demands adaptation and gradual change, while Kaizen consistently offers continuous improvement, even in the smallest aspects, making it the best tool for competing in the present day. Kaizen focuses on improvement in all aspects in a systematic and structured manner, leading to the creation of many successful companies when implemented properly (Macpherson, 2015).

METHODS

Research Location

The research location refers to the area where the study will be conducted. This research will take place



at PT Asia Sakti Wahid Foods Manufacturers. PT Asia Sakti Wahid Foods Manufacturers is located at Jl. Pertahanan I No.7, Timbang Deli, Medan Amplas, Medan City, North Sumatra, with the postal code 20148.

Population and Sample

According to Amin et al. (2023), the population refers to the total size of the research objects/subjects. The research population is important because it involves all components of the objects/subjects with specific characteristics. The population of this study consists of all staff-level employees and above who work at PT Asia Sakti Wahid Foods Manufacturers, totaling 235 individuals. Based on Amin et al. (2023), the sample is a segment of the total population that becomes the research object/subject. Specifically, a sample can serve as a valid representation of a population for researchers. According to Arikunto (2006), when the population has more than 100 respondents, the sample size can range from 20-25%. Given the total number of respondents is 150 individuals, the sample size for this study is calculated as 25% of 235 respondents, which equals approximately 60 respondents.

Data Sources and Collection Techniques

Data sources obtained from PT Asia Sakti Wahid Foods Manufacturers can be divided into primary and secondary data. Primary data includes employee surveys, interviews, and direct field observations. The employee survey is primary data collected for analyzing the relationships between variables. Interviews provide primary data obtained through two-way communication activities. Lastly, direct observation involves observing the implementation of the relationships between variables in more depth.

In addition to primary data, secondary data can also be obtained, which includes company documentation and related literature or studies. Company documentation is secondary data that can be sourced from the company to support the background of the problem. Literature and related studies are secondary data derived from previous research related to the issue at hand. The data sources used in this research are limited because the required information is confidential. While the available data is limited, the most important factor is the relevance of the data to the research objectives. Despite data limitations, efforts have been made to ensure that the information used remains appropriate and supports the primary focus of this research.

Research Methodology



This research is conducted based on the results of evaluations using the Partial Least Square Structural Equation Modeling (PLS-SEM) method, utilizing the SmartPLS Version 4 application. According to Hair et al. (2021), the general model evaluation in PLS-SEM includes testing the outer model, inner model, and model fit.

1. Convergent Validity Test

According to Hair et al. (2021), convergent validity testing is a measurement analysis to assess the relationship between an indicator and a construct, ensuring that they are strongly correlated and can adequately explain the construct, thereby yielding consistent results. Ghozali (2021) states that when using the PLS-SEM method, the outer loading must show correlation values greater than 0.7 for convergent validity to be considered well fulfilled. However, in some cases, loading factors with values ranging from 0.5 to 0.6 are still acceptable. Additionally, Hair et al. (2021) further suggest that an Average Variance Extracted (AVE) value above 0.5 is considered to adequately explain the relationship between the construct and its indicators.

2. Reliability Test

According to Hair et al. (2021), reliability testing is an indicator test aimed at measuring the level of consistency of each indicator with a construct. Reliability testing can be assessed from two aspects: composite reliability and Cronbach's alpha. A composite reliability value greater than 0.7 is considered good and indicates a high level of consistency. On the other hand, a Cronbach's alpha value greater than 0.7 is considered ideal, showing that the model used has very good reliability (Ghozali, 2021)

3. Discriminant Validity Test

According to Hair et al. (2021), discriminant validity testing serves to measure the presence of discriminant validity within the model being used. The results of this test can be observed through the values of cross-loading and the Average Variance Extracted (AVE) using the Fornell-Larcker Criterion method. Ghozali (2021) explains that a good reading of the cross-loading values occurs when each indicator that correlates with a construct has a higher value than those correlating with other constructs, with an ideal value above 0.7. On the other hand, the Fornell-Larcker Criterion method is a measurement that involves comparing the square root of the AVE of a construct. When the square root of the AVE for a construct is higher than the



correlations with other constructs, it indicates that the model has very good discriminant validity (Henseler et al., 2015). Additionally, Hair et al. (2021) add that the cross-loading test can also be used as a method for conducting a more in-depth evaluation of the relationships between indicators, with the aim of determining the extent to which each indicator collaborates with the others.

4. Multicollinearity Test

The multicollinearity test is a statistical procedure focused on identifying the presence of a high level of collinearity among independent variables in a regression analysis. Independent variables should not be highly correlated with each other in order to produce a reliable regression model. One common indicator used to detect multicollinearity is the Variance Inflation Factor (VIF). If the VIF value is greater than 10, it indicates a high level of multicollinearity. Conversely, if the VIF value is less than 10, it suggests a low level of multicollinearity (Indri & Putra, 2022).

5. Path Coefficients Test

Path coefficients testing is a measurement used to clearly describe the relationship between independent and dependent variables in a model. According to Hair et al. (2021), path coefficient values range from -1 to +1, where positive values represent a positive relationship, and negative values represent a negative relationship. In simple terms, the higher the path coefficient, the stronger the relationship between the variables.

6. Hypothesis Test

Hypothesis testing is a procedure used to validate and explain the relationship between independent and dependent variables. According to Ghazali and Latan (2015), the purpose of hypothesis testing is to determine the significance of the relationship, where a p-value below 0.05 indicates a significant relationship, while a p-value above 0.05 suggests that the variable does not have a significant effect. The ideal significance level used is an alpha of 5%, or a confidence interval of 95%.

7. Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) test is a statistical procedure focused on identifying the extent to which variability in the dependent variable is explained by the independent variables in a regression equation. Since this study uses more than one



independent variable, the test is conducted using Adjusted R^2 . A higher R^2 value indicates that the regression model explains the variability in the dependent variable well, while a smaller R^2 value suggests an inability to explain the variability in the data (Indri & Putra, 2022). Ghozali (2021) adds that R^2 values are categorized into different levels: 0.67 (strong effect), 0.33 (moderate effect), and 0.19 (weak effect).

8. Predictive Relevance Test (Q^2)

The Predictive Relevance (Q^2) test is a type of evaluation that interprets the predictive accuracy of exogenous or endogenous variables in predicting the endogenous variable. Ghozali (2021) explains that a Q^2 value greater than 0 indicates that the model has the ability to make more accurate predictions, while a Q^2 value less than 0 suggests that the model is not effective in making predictions. According to Hair et al. (2019), Q^2 values have different levels of implication: a value of 0 indicates low predictive relevance, 0.25 indicates moderate predictive relevance, and 0.5 indicates high predictive relevance.

9. Goodness of Fit Test (GoF)

The Goodness of Fit (GoF) index test is used to analyze the strength of the relationship between the model constructed in SEM analysis. Simply put, the GoF test measures how well a model describes the data and each measured variable. The GoF index value can be obtained by multiplying the average values of communality and the average values of R^2 , followed by taking the square root of the result. The interpretation of the GoF index has different levels: a value of 0.1 indicates a low fit, 0.25 indicates a medium fit, and 0.36 indicates a high fit (Wetzels et al., 2009).

10. PLS Predict Test

According to Hair et al. (2019), SEM analysis requires advanced testing to make predictions about the proposed model. PLS Predict is a tool that can validate and test the predictive strength of a PLS model. A model is considered to show strong predictive ability if the root mean squared error (RMSE) or mean absolute error (MAE) values are lower than those of a linear regression model. This indicates that the PLS model has better predictive accuracy compared to the linear regression model.



RESULTS & DISCUSSION

As an initial step in ensuring the validity and reliability of a research instrument, a critical evaluation of the reflective measurement model is conducted. This analysis is based on the theoretical framework underlying the constructs of the variables to be measured. It is carried out by empirically testing the significance of the factor loading coefficients, internal reliability, and both convergent and discriminant validity. This process aims to provide justification for the selection of indicators and the appropriateness of the research model used, ensuring the soundness of the instrument for measuring the intended constructs.

1. Outer Loading, Composite Reliability, Cronbach's Alpha, and Average Variance Extracted (AVE) Test

The evaluation methods of Outer Loading, Composite Reliability, Cronbach's Alpha, and Average Variance Extracted (AVE) are essential for assessing the quality of instruments in measurement models, particularly in structural analysis and Partial Least Squares (PLS)-based modeling (Hair et al., 2021). Outer Loading measures the strength of the relationship between indicators and the latent variable they represent, where higher values indicate that the indicator plays a significant role in representing the variable. Both Composite Reliability and Cronbach's Alpha assess internal consistency among indicators within a variable, with



Composite Reliability being considered more accurate as it takes into account the weights of each indicator. Additionally, AVE is used to test the convergent validity of variables, where values above 0.5 indicate that the variable captures more variance from its indicators than the variance caused by error (Hair et al., 2021).

Table 2. Outer Loading, Composite Reliability, and Average Variance Extracted

| Variable | Label | Indicator | Outer Loading | Cronbachs Alpha | Composite Reliability | AVE |
|-----------------------------|-------|-----------------------------------|---------------|-----------------|-----------------------|-------|
| Transformational Leadership | KT01 | Role Modeling | 0.744 | 0.960 | 0.964 | 0.609 |
| | KT02 | Trust | 0.767 | | | |
| | KT03 | Moral Leadership | 0.788 | | | |
| | KT04 | Ethical Commitment | 0.786 | | | |
| | KT05 | Reward and recognition | 0.801 | | | |
| | KT06 | Consistency of actions | 0.748 | | | |
| | KT07 | Clear vision | 0.744 | | | |
| | KT08 | Passion and enthusiasm | 0.807 | | | |
| | KT09 | Positive messaging | 0.818 | | | |
| | KT10 | Provision of Innovation Resources | 0.719 | | | |
| | KT11 | Enhancing creativity | 0.784 | | | |
| | KT12 | Problem solving | 0.755 | | | |
| | KT13 | Open discussion | 0.824 | | | |
| | KT14 | Personal guidance | 0.755 | | | |



| | | | | | | |
|-----------------|--------------|-------------------------------------|------------------------|------------------------|------------------------------|------------|
| | KT15 | Career development | 0.795 | | | |
| | KT16 | Empathy and support | 0.823 | | | |
| Variable | Label | Indicator | Outlier Loading | Cronbachs Alpha | Composite Reliability | AVE |
| | KT17 | Constructive feedback | 0.800 | | | |
| Kaizen Culture | BK01 | Frequency of Improvement Initiative | 0.755 | 0.930 | 0.940 | 0.589 |
| | BK02 | Management Involvement | 0.740 | | | |
| | BK03 | Number of ideas | 0.739 | | | |
| | BK04 | Team engagement | 0.728 | | | |
| | BK05 | Employee feedback | 0.769 | | | |
| | BK06 | Kaizen training | 0.735 | | | |
| | BK07 | Kaizen understanding | 0.773 | | | |
| | BK08 | Skill development | 0.726 | | | |
| | BK09 | Performance metrics | 0.843 | | | |
| | BK10 | Outcome evaluation | 0.807 | | | |
| | BK11 | Follow-up | 0.820 | | | |
| | KK01 | Accuracy | 0.807 | | | |
| | KK02 | Attention to detail | 0.833 | | | |
| | KK03 | Job Qualification | 0.849 | | | |



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

| | | | | | | |
|-------------------------|------|--------------------|-------|-------|-------|-------|
| Employee Performance | KK04 | Productivity | 0.811 | 0.942 | 0.950 | 0.657 |
| | KK05 | Output quantity | 0.770 | | | |
| | KK06 | Work speed | 0.775 | | | |
| | KK07 | Work results | 0.831 | | | |
| | KK08 | Decision making | 0.803 | | | |



| Variable | Label | Indicator | Outler Loading | Cronbachs Alpha | Composite Realiability | AVE |
|----------|-------|------------------------|----------------|-----------------|------------------------|-----|
| | KK09 | Collaboration building | 0.785 | | | |
| | KK10 | Team cohesion | 0.837 | | | |

The transformational leadership variable is measured using 17 indicators, resulting in outer loading values ranging from 0.719 to 0.824. These outer loading values indicate that all the indicators used are strongly correlated in explaining the transformational leadership variable, thus meeting the criteria for convergent validity, as stated by Ghozali (2021), where the outer loading correlation value must be above 0.7. The reliability of the transformational leadership variable is also acceptable, with a composite reliability value of 0.940, a Cronbach's alpha of 0.960, and convergent validity with an AVE value of 0.609 (>0.5). This is in accordance with Ghozali (2021), where composite reliability values above 0.7 show excellent consistency and Cronbach's alpha values above 0.7 indicate that the model has good reliability.

Among all the indicators, "Open Discussion" and "Empathy and Support," with the highest loading factors of 0.824 and 0.823, respectively, show a very strong relationship in the application of transformational leadership at PT ASW, and thus should be maintained properly. On the other hand, the indicators "Provision of Innovation Resources" and "Role Modeling" with the lowest loading factors of 0.719 and 0.744, respectively, show a weaker relationship in the application of transformational leadership at PT ASW and thus need improvement and acceleration. This also applies to the reading of Kaizen culture variables and employee performance according to their respective indicators.

2. Validity Discriminant Test

Based on the results of testing using the SmartPLS-4 application, the Fornell and Lacker test results are shown in Table 3.

Table 3. Table of Fornell and Lacker

| Variable | Kaizen Culture | Transformational Leadership | Employee Performance |
|-----------------------|----------------|-----------------------------|----------------------|
| Kaizen Culture | 0.768 | | |



| | | | |
|------------------------------------|-------|--------------|--------------|
| Transformational Leadership | 0.486 | 0.780 | |
| Employee Performance | 0.636 | 0.742 | 0.811 |

Based on Table 3, The Kaizen culture variable has an AVE square root of 0.768, which indicates a stronger relationship with transformational leadership and employee performance with correlations of 0.486 and 0.636, respectively. This result shows that the discriminant validity of the Kaizen culture variable is well established. The transformational leadership variable has an AVE square root of 0.768, which is higher than its correlations with the Kaizen culture and employee performance variables, which are 0.768 and 0.742, respectively. This result confirms that the transformational leadership variable has met the discriminant validity requirements. Next, the employee performance variable has an AVE square root of 0.811, which is also greater than its correlations with the Kaizen culture and transformational leadership, which are 0.768 and 0.780, respectively. This indicates that the discriminant validity of this variable has been achieved. Therefore, based on Henseler et al. (2015), the square root of the AVE of a construct should correlate higher with itself than with other constructs, which demonstrates that the discriminant validity has been very well met.

3. Multicollinearity Test

Based on the testing results using the SmartPLS-4 application, the multicollinearity testing results can be seen in Table 4.

Table 4. Table of Collinearity Statistic (VIF)

| Variable | Kaizen Culture | Transformational Leadership | Employee Performance |
|------------------------------------|----------------|-----------------------------|----------------------|
| Kaizen Culture | | | |
| Transformational Leadership | | | 1.616 |
| Employee Performance | | | 2.108 |

Based on Table 4., it is shown that the VIF values for all variables are below 5. Specifically, the values are 1.616 for Transformational Leadership and 2.108 for Employee Performance. These values indicate that the level of multicollinearity between variables is quite



low. This finding is consistent with the study by Indri and Putra (2022), where VIF values below 10 indicate low multicollinearity. From this result, we can conclude that all variables in this study are stable and unbiased, ensuring that there is no indication of multicollinearity that could disrupt the analysis. The success in producing data free from collinearity influences is crucial to ensure that the findings of this study are reliable. In other words, this testing provides confidence that the analysis performed and the conclusions drawn can be considered accurate, thereby strengthening the foundation for the recommendations and implications generated from this research.

4. Hypothesis Test

Based on the testing results using the SmartPLS-4 application, the direct effect hypothesis testing results can be seen in Table 5.

Table 5. Table of Hypothesis Test (Direct Effect)

| Hypothesis | Path Coefficient | p-value | 95% Confidence Interval Path Coefficient | | f-square |
|--|------------------|--------------|--|--------------|--------------|
| | | | Upper Limit | Lower Limit | |
| H1. Transformational Leadership - > Employee Performance | 0.564 | 0.000 | 0.251 | 0.758 | 0.694 |
| H2. Kaizen Culture-> Employee Performance | 0.363 | 0.003 | 0.149 | 0.626 | 0.287 |
| H3. Transformational Leadership - > Kaizen Culture | 0.493 | 0.000 | 0.310 | 0.709 | 0.321 |

The first hypothesis explores the impact of transformational leadership on employee performance, revealing a path coefficient of 0.564 and a p-value of 0.000. These results indicate a significant positive relationship, where an improvement in transformational leadership contributes to enhanced employee performance. This finding aligns with studies by Pricilla (2017) and Veliando & Yanuar (2011), which assert that transformational leadership significantly influences employee performance. Additionally, the results are supported by Lesilolo (2013), who argues that this significant influence is attributed to the characteristics of



a transformational leader, including resilience, flexible adaptability, and consistency in fostering continuous innovation.

Based on Table 5, it can be concluded that the first hypothesis is accepted, indicating that any change in transformational leadership will lead to improved employee performance. With a confidence interval of 95%, the magnitude of the effect of transformational leadership on enhancing employee performance ranges between 0.251 and 0.758. Furthermore, the f-square value is 0.694, which, according to Hair et al. (2021), denotes that the level of significance between transformational leadership and employee performance is categorized as high (>0.35). This also applies to the reading of the effect of kaizen culture to employee performance and transformational leadership to kaizen culture.

5. R Square dan Q Square Test

Based on the testing results using the SmartPLS-4 application, the R Square and Q Square hypothesis testing outcomes are presented in Table 6.

Table 6. Table of R Square dan Q Square

| | R Square | Q Square (Predict) |
|-----------------------------|-----------------|---------------------------|
| Employee Performance | 0.723 | 0.614 |

Based on Table 6., R Square value of 0.723 for employee performance, it can be interpreted that approximately 72.3% of the variance in performance is explained by the developed model, demonstrating its strong capability in identifying the factors influencing performance. According to Ghazali (2021), an R Square value exceeding 0.67 indicates a substantial impact, while values above 0.33 reflect a moderate impact. Therefore, the model equation is highly effective in explaining the employee performance variable. From a predictive perspective, the Q Square value for employee performance is 0.614, indicating that the model is also sufficiently robust in making predictions. However, based on classification levels, Hair et al. (2021) further suggest that a Q Square value exceeding 0.5 signifies a high predictive relevance.

6. Goodness of Fit Index Test

Based on the testing results using the SmartPLS-4 application, the Goodness of Fit Index testing results can be seen in Table 7.



Table 7. Table of Goodnes of Fit Index (GoF Index)

| Communality | Mean of R Square | GoF Index |
|-------------|------------------|-----------|
| 0.628 | 0.668 | 0.648 |

Based on Table 7, which shows the Goodness of Fit (GoF) index, there are three key values that need to be analyzed: the average communality, the average R Square, and the GoF Index. The recorded average communality value of 0.628 indicates that the variables in this model collectively contribute well to the variability of the observed variables. A high average communality suggests that most of the variables can be explained by the factors identified in the model (Hair et al., 2021). On the other hand, the average R Square value of 0.668 reflects that 66.8% of the variation in the independent variables is well described by the model. The GoF Index value, which reaches 0.648, is an overall measure of model fit, incorporating information from both the average communality and average R Square. According to Wetzels et al. (2009), a GoF Index value above 0.36 indicates good fit, and in this study, the GoF Index value of 0.648 places the model in the very good category. This GoF Index is crucial for assessing how effectively the model represents the observed data, providing confidence that the proposed model is a valid representation of the actual conditions.

7. PLS Predict Test

Based on the testing results using the SmartPLS-4 application, the PLS Predict testing results can be seen in Table 4.8.

Table 8. Table of PLS Predict

| Indicator | Model PLS | | Model LM | |
|-------------|-----------|-------|----------|-------|
| | RMSE | MAE | RMSE | MAE |
| KK01 | 0.788 | 0.672 | 1.308 | 1.015 |
| KK02 | 0.667 | 0.532 | 0.856 | 0.704 |
| KK03 | 0.667 | 0.585 | 0.881 | 0.693 |
| KK04 | 0.605 | 0.487 | 0.862 | 0.667 |
| KK05 | 0.559 | 0.453 | 0.881 | 0.678 |
| KK06 | 0.694 | 0.578 | 0.839 | 0.659 |
| KK07 | 0.531 | 0.419 | 0.779 | 0.603 |
| KK08 | 0.538 | 0.443 | 0.868 | 0.698 |



| | | | | |
|-------------|-------|-------|-------|-------|
| KK09 | 0.680 | 0.576 | 0.720 | 0.576 |
| KK10 | 0.715 | 0.589 | 1.128 | 0.874 |

Based on Table 8, which presents the results of the PLS Predict analysis, a comparison is made between the PLS Model and the LM Model using two evaluation metrics : Root Mean Square Error (RMSE) and Mean Absolute Error (MAE). According to Hair et al. (2021), if all measurement variables in the PLS model show lower RMSE and MAE values compared to the linear regression model, the PLS model is considered to have excellent predictive power. Therefore, the results of this analysis indicate that the PLS Model is consistently more effective in predicting employee performance, as reflected by the lower RMSE and MAE values. This further strengthens the confidence that the PLS model is reliable in data analysis for more accurate decision-making.

CONCLUSION

Based on the results of the research and analysis conducted, the following conclusions have been drawn:

1. Transformational leadership has a positive and significant effect on employee performance, meaning that the implementation of transformational leadership influences the improvement of employee performance at PT Asia Sakti Wahid Foods Manufactures.
2. Kaizen culture has a positive and significant effect on employee performance, indicating that the application of kaizen culture can effectively enhance employee performance at PT Asia Sakti Wahid Foods Manufactures.
3. Transformational leadership has positive and significant effect on kaizen culture, prove that implementation of continuous improvement also directly enchant the value of transformational leadership at PT Asia Sakti Wahid Foods Manufactures.

LIMITATION

The company needs to focus on strengthening transformational leadership and the implementation of kaizen culture to enhance employee performance at PT Asia Sakti Wahid Foods Manufactures. More effective transformational leadership can be achieved through training that emphasizes good communication, employee empowerment, and instilling a clear vision. Additionally,



kaizen culture should be more integrated into daily work processes to encourage innovation and continuous improvement, ultimately boosting employee performance. In conclusion, further research should be conducted with broader access to more comprehensive financial data, enabling a deeper and more comprehensive analysis. More complete research data could provide more accurate insights and support a better understanding of the factors influencing the overall company performance.

REFERENCES

- Airyq, I.M., Hubeis, A.V.S., dan Sukmawati, A. 2023. "Pengaruh Kompetensi, Kepemimpinan dan Budaya Organisasi Terhadap Sumber Daya Manusia". *Jurnal Aplikasi Manajemen dan Bisnis Vol. 9 No. 1* : 285-295.
- Amin, N.F., Garancang, S., dan Abunawas, K. 2023. "Konsep Umum Populasi dan Sampel Dalam Penelitian". *Jurnal Pilar Vol. 14 No. 1* : 15-31.
- Arikunto, S. 2006. "Prosedur Penelitian Suatu Pendekatan Praktik". Jakarta : PT. Rineka Cipta.
- Artanto, D. 2022. "Strategi Kepemimpinan Transformasional untuk Meningkatkan Mutu Layanan Pendidikan Islam". *Jurnal Manajemen Pendidikan Islam Vol 12 No. 2* : 108-122.
- Darodjat, T.A. 2015. "Konsep-Konsep Dasar Manajemen Personalia Masa Kini". Bandung : Refika Aditama.
- Ente, T.K., Alam, H.V., dan Bokingo, A.H. 2023. "Budaya *Kaizen* Meningkatkan Kinerja Pegawai di Kementerian Hukum dan HAM Provinsi Gorontalo". *Jurnal Ilmiah Manajemen dan Bisnis Vol. 5 No. 3* : 1209-1217.
- Fadilah, M.A., Edward., dan Wilian, R. 2023. "Pengaruh Kepemimpinan Transformasional Terhadap Kinerja Karyawan Dengan Organisasi Sebagai Variabel Intervening Pada PT. Enseval Putera Megatrading, Tbk Cabang Jambi". *Jurnal Dinamika Manajemen Vol. 11 No. 1* : 25-37.
- Ghozali, I. 2021. "Partial Least Squares Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.2.9 Untuk Penelitian Empiris (third ed.). Semarang : Universitas Diponegoro.
- Ghozali, Imam dan Latan, K. 2015. "Partial Least Squares Konsep Teknik dan Aplikasi dengan Program Smart PLS 3.0." Semarang: Universitas Diponegoro Semarang.
- Hair, J.F., Hult, G., Tomas, M.R., Christian M.S., Marko, D., Nicholas, P.R., dan Soumya. 2021. "Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R, Practical Assessment, Research and Evaluation".
- Hakim, M.A., Musadieq, M.A., dan Nurthjahjono, G.E. 2016. "Pengaruh Budaya *Kaizen* Terhadap Motivasi dan Kinerja (Studi pada Karyawan PT Semen Indonesia Tbk)". *Jurnal Administrasi Bisnis Vol. 35 No. 1* : 104-109.
- Henseler, J., Ringle, C. M., dan Sarstedt, M. 2015. "A New Criterion for Assessing Discriminant Validity in Variance-Based Structural Equation Modeling". *Journal of the Academy of Marketing Science Vol 43 No. 1* : 115-135.
- Indri, F.Z., dan Putra, G.H. 2022. "Pengaruh Ukuran Perusahaan dan Konsentrasi Pasar Terhadap Kualitas Laporan Keuangan pada Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia pada Tahun 2016-2020". *Jurnal Ilmu Manajemen, Ekonomi, dan Kewirausahaan Vol. 2 No. 2* : 1-17.
- Iqbal, Muhammad. 2021. "Kepemimpinan Transformasional dalam Upaya Pengembangan



- Sekolah/Madrasah. *Jurnal Pendidikan Vol. 10 No. 3 : 119-129.*
- Lesilolo, H.J. 2013. Kepemimpinan Transformasional Dalam Rekonstruksi Peran Agama Di Indonesia. *Jurnal Pembangunan Pendidikan: Fondasi Dan Aplikasi, 1(1):83-93.*
- Lilia, W., Lombu, J.W., dan Napitupulu, P. 2020. “Pengaruh Kepemimpinan Transformasional, Budaya Organisasi, dan Kepuasan Kerja Terhadap Produktivitas Kerja Karyawan pada PT. Intertama Trikencana Bersinar Medan”. *Jurnal Cermin Vol 4 No. 1 : 20-38.*
- Macpherson, W. G., Lockhart, J. C., Kavan, H., & Iaquinto, A. L, (2015), *Kaizen : A Japanese Philosophy and System For Business Excellence. Journal of business strategy, 35(5), 3-9.*
- Pradana, A., dan Martha. (2013). “Pengaruh Gaya Kepemimpinan Transformasional dan Transaksional Terhadap Kinerja Karyawan: Studi Kasus Pada Karyawan Tetap PT. Mustika Bahana Jaya”. Lumajang : Universitas Brawijaya Hlm 3.
- Rusman. 2022. “Tantangan Sumber Daya Manusia di Era Globalisasi”. *Jurnal Ilmiah Ilmu Manajemen Vol 1 No. 2 : 78-84.*
- Stevenson, W..J. 2021. “Operations Management 14th edition. New York : McGraw-Hill Education.
- Veliando, M., dan Yanuar. 2021. “Pengaruh Kepemimpinan Transformasional Terhadap Kinerja Karyawan yang Dimediasi oleh Motivasi”. *Jurnal Manajerial dan Kewirausahaan Vol. 3 No. 2 : 407-416.*
- Wetzels, M., Odekerken-Schroder, G., & Oppen, C. Van. 2009. “Using PLS path modeling for assessing hierarchical construct models: guidelines and empirical illustration”. *MIS Quarterly, 33(1), 177–195.*



THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON MANAGERIAL PERFORMANCE OF JUNIOR HIGH SCHOOL PRINCIPALS MEDIATED BY EMPLOYEE ENGAGEMENT AND INNOVATIVE WORK BEHAVIOR

Riki Priyandi^a, Yeni Absah^b, Prihatin Lumbanraja^b, Iskandar Muda^b

^arikipriyandi.usu@gmail.com, ^byeni.absah@usu.ac.id, ^bprihatinlumbanraja20@gmail.com,
^biskandar1@usu.ac.id

^aDoctoral Student in Department of Management, Faculty of Economic and Business, University of North Sumatera

^bDepartment of Management, Faculty of Economic and Business, University of North Sumatera

ABSTRACT

This study was conducted with the aim of determining the effect of transformational leadership on the managerial performance of junior high school principals in Medan City mediated by employee engagement and innovative work behavior. This study is an explanatory study using a quantitative approach and quantitative descriptive methods. The population in this study were the Principals of Public Junior High Schools and Private Junior High Schools in Medan City totaling 404 principals. By using the Slovin formula, the number of samples used as respondents was 201 principals, consisting of 17 principals of Public Junior High Schools and 184 principals of Private Junior High Schools. The data in this study were collected using a googleform questionnaire distributed via Whatsapp Group. The collected data were then analyzed using the Partial Least Square - Structure Equation Model (PLS SEM). The results of the analysis in this study indicate that transformational leadership, employee engagement and innovative work behavior have a significant positive effect on managerial performance. Transformational leadership has a significant positive effect on employee engagement and innovative work behavior, and transformational leadership also has a significant effect on managerial performance mediated by employee engagement and innovative work behavior.

Keywords: Transformational leadership, Employee engagement, Innovative work behavior and Managerial performance

INTRODUCTION

The success or failure of education and learning in schools is influenced by the performance of the principal in managing each component of the school, especially related to knowledge and understanding of management and leadership and the tasks assigned to him. The role of the



Principal is very strategic in achieving the vision and mission of the school, which is responsible for organizing educational activities, school administration, coaching of educators and education personnel, and the utilization and maintenance of facilities and infrastructure, this is stated in Government Regulation No. 28 of 1990 concerning Basic Education. The principal must maximize his performance in providing good quality education by improving the quality of educators with the hope of improving the quality of education in the school he leads.

Table 1. Quality of Junior High School Education in Medan City for 2021/2022 – 2023/2024 Academic Year

| No | Education Quality Indicators | Criteria | Achievment | | |
|----|------------------------------|----------|------------|-----------|-----------|
| | | | 2021/2022 | 2022/2023 | 2023/2024 |
| 1 | Literacy Ability | Good | 16.0% | 40.3% | 47.7% |
| | | Average | 25.3% | 38.6% | 30.8% |
| | | Poor | 58.7% | 21.1% | 21.6% |
| 2 | Numercay Ability | Good | 4.0% | 12.4% | 39.5% |
| | | Average | 18.4% | 36.8% | 33.2% |
| | | Poor | 77.6% | 50.8% | 27.4% |
| 3 | Character | Good | 17.6% | 72.4% | 59.3% |
| | | Average | 29.3% | 26.5% | 27.1% |
| | | Poor | 53.1% | 1.1% | 14.6% |
| 4 | Learning Quality | Good | 4.9% | 20.5% | 28.5% |
| | | Average | 55.1% | 70.0% | 43.0% |
| | | Poor | 40.0% | 9.5% | 28.5% |
| 5 | School Safety Climate | Good | 57.5% | 91.1% | 72.8% |
| | | Average | 32.0% | 8.6% | 7.9% |
| | | Poor | 10.5% | 0.3% | 19.3% |
| 6 | Climate Diversity | Good | 31.8% | 64.6% | 65.7% |
| | | Average | 63.2% | 35.1% | 11.7% |
| | | Poor | 5.1% | 0.3% | 22.6% |

Source : <https://s.id/dppmbpmpsumut>

In the management framework, the principal has two major roles in achieving school goals, namely as a school manager and at the same time as a school leader. Both roles are inherent in a principal (Sergiovani & Starratt, 2017). As a manager, the principal's duties are mainly related to the maintenance of the applicable school structure, procedures and goals. As a leader, the principal's duties are related to efforts to make changes, achieve vision and growth, and provide inspiration and motivation. The principal as a manager and leader needs to have excellent



leadership skills for the sake of the organization he leads (Sutisna, 1998). Such leadership adheres to the following principles: 1) In quality leadership, a person measures his success from the success of the people (all members) in the organization; 2) Shared responsibility; 3) Continuous quality improvement; 4) The role of teachers and staff; 5) Vision directs people to the goals to be followed; 6) Everyone wants to be a superior person (Sukmadinata, et al; 2006). Such a leader is a leader who applies a transformational leadership style.

Many previous researchers have conducted research on the influence of transformational leadership on performance, both individual employee performance, individual leaders and organizational performance, but the results are still inconsistent, contradictory and debatable. Santoso, et. al. (2019); Ahmad, et. al. (2019); Buchdadi, et. al. (2020); Hariadi & Muafi (2022); Sehol (2022); Firmansyah, et. al. (2022); Pratiwi, et. al. (2023), Bangun, et. al. (2023); Hendrayanti & Sari (2024); Sani (2024); and Sarinah, et. al. (2024) show that transformational leadership significantly affects performance, on the other hand Rafia, et. al. (2020); Lahat, et. al. (2022); Buwana, et. al. (2023); Putra, et. al. (2023); and Pamungkas, et. al. (2023) in their research actually proved that transformational leadership does not significantly affect performance. Lucyanda (2001) said that efforts are needed to reconcile the inconsistency of the relationship between a variable by identifying contextual factors between variables with a contingency approach. The use of contingency variables allows for other variables to act as intervening variables.

Based on the research results of Rafia, et. al. (2020) who found that transformational leadership significantly influences performance mediated by employee engagement, and the research results of Suprapti, et. al. (2020); Putra, et. al. (2023) and Indriani, et. al. (2024) who found that transformational leadership significantly influences performance when mediated by innovative work behavior, then became the basis for re-establishing employee engagement and innovative work behavior as mediating variables in mediating the influence of transformational leadership on the managerial performance of Junior High School Principals in Medan City in this study.



LITERATURE REVIEW

Managerial Performance

Basically, the principal's managerial performance is the work achievement or work results achieved by the principal in carrying out his/her main tasks, functions and responsibilities. The principal's managerial performance is said to be good if the school's targets or goals can be achieved. All of this is supported by the competence, attitude, motivation of the school community including the principal, teachers, administrative staff, students, and the school committee. All work with applicable provisions, resulting in achievements (Suhardiman, 2012). Adi (2013) states that the principal's managerial performance includes the functions of planning, organizing, leading and evaluating.

Innovative Work Behavior

Yuan & Woodman (2010) stated that innovative work behavior is the intention of employees to create, introduce and implement new ideas that they have in the group or organization where they work, which is intended to optimize the performance of the group or organization. According to De Jong & Den Hartog (2008), there are four dimensions related to innovative work behavior, namely idea exploration, idea generation, idea championing and idea implementation.

Employee Engagement

Employee engagement is a concept that shows the level of involvement, motivation, and loyalty of employees to the organization where they work (Macey & Schneider, 2008a). Tritch (2013) said that employees who have engagement values are workers who are fully involved and enthusiastic about their work. Employee engagement can predict increased employee performance, profitability, employee retention, customer satisfaction, and success for the organization (Bates, 2004; Baumruk, 2004; Richman, 2006). Schaufeli, et. al. (2002) 3 (three) dimensions in employee engagement, namely vigor, dedication, and absorption.



Transformational Leadership

Robbins & Cuolter (2010) stated that transformational leadership is a leadership style that stimulates and inspires (transforms) subordinates to achieve extraordinary results. Munandar (2020) stated that transformational leadership is a leadership that seeks to change the behavior of subordinates so that they have high abilities and motivation, and strives to achieve high and quality work performance to achieve common goals. Bass & Avolio (1993) mentioned 4 (four) dimensions inherent in transformational leadership, namely: Idealized influence. Inspirational motivation, Intellectual simulation and Individualized consideration.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Conceptual Framework

The conceptual framework of the relationship between variables in this study is shown in Figure 1.

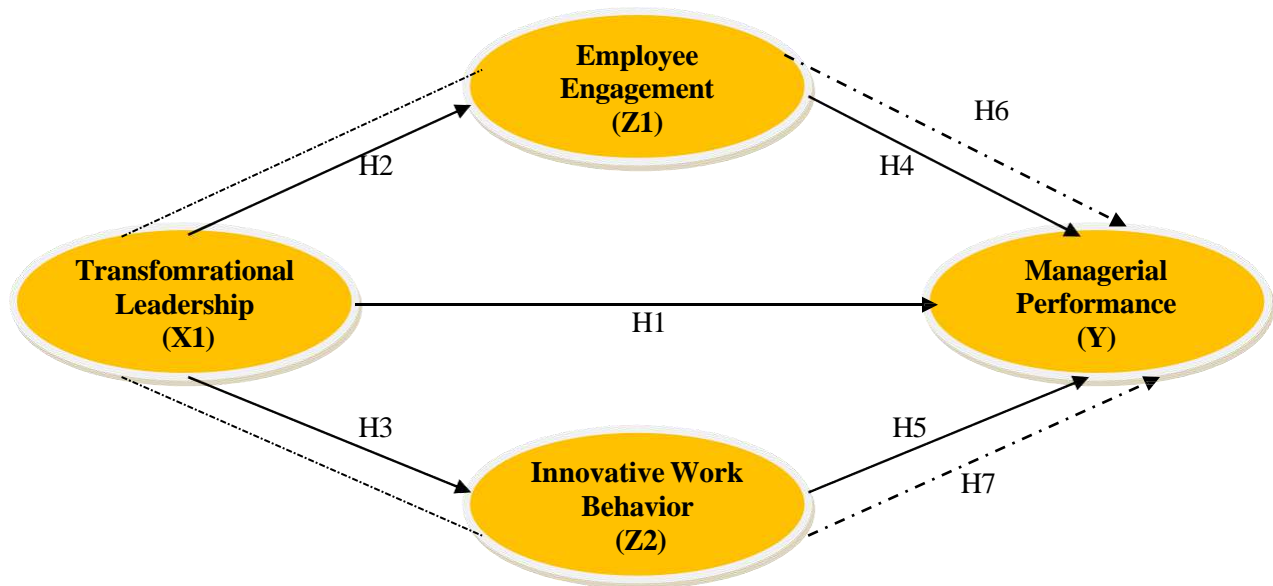


Figure 1. Conceptual Framework

Hypothesis Development

The effect of Transformational Leadership on Managerial Performance



Avolio & Bass (2012) stated that through Transformational Leadership followers can achieve performance that exceeds what the leader has expected. Santoso, et. al. (2019); Ahmad, et. al. (2019); Hariadi & Muafi (2022); Sehol (2022); Firmansyah, et. al. (2022); Pratiwi, et. al. (2023), Bangun, et. al. (2023); Hendrayanti & Sari (2024) and Sani (2024); Sarinah, et. al. (2024) in their research found that transformational leadership significantly influences performance. Based on the explanation above, hypothesis 1 (H1) was developed:

H1 : Transformational leadership has a positive significant effect on managerial performance

The effect of Transformational Leadership on Employee Engagement

Kanexa (2018) said four basic principles that influence engagement, three of which are leaders who inspire confidence in the future, management that values employees and top management that shows real responsibility to employees. These three principles are characteristics of a transformational leadership style. Mozammel, et. al. (2016), Balwant, et. al. (2019); Nguyen, et. al. (2020), Islam, et. al. (2021) and Salma & Ramli (2023) show that transformational leadership has a significant positive effect on employee engagement. Based on the explanation above, hypothesis 2 (H2) was developed:

H2 : Transformational leadership has a positive significant effect on employee engagement

The effect of Transformational Leadership on Innovative Work Behavior

Nardelli (2017) reported that innovation is largely determined by the role of leaders who are able to provide intellectual stimulation and inspirational motivation. Leaders who are able to provide intellectual stimulation and inspirational motivation are leaders who have a transformational leadership style. This view has been proven by many previous studies, including: Aryee, et. al. (2012); Afsar & Badir (2014); Afsar & Masood (2018); Rafique, et. al. (2022); and Helmy, et. al. (2023). Based on the explanation above, hypothesis 3 was developed:

H3 : Transformational leadership has a positive significant effect on innovative working behavior

The effect of Employee Engagement on Managerial Performance

The concept of employee engagement is becoming increasingly important in human resource



management because it has been shown to be associated with better organizational performance, higher productivity, and lower absenteeism and turnover rates. Employees who are engaged in their work will be highly motivated, feel connected to the goals and values of the organization, and feel called to make maximum contributions to improving performance. (Macey & Schneider, 2008b). Kilonzo, et. al., (2018); Ismail, et. al. (2018); Aiyub, et. al., (2021); Gemilang, et. al. (2021) and Siddique, et. al. (2022) show that employee engagement has a significant positive effect on performance. Based on the explanation above, hypothesis 4 is developed:

H4 : Employee engagement has a positive significant effect on managerial performance

The effect of Innovative Work Behavior on Managerial Performance

The importance of innovative work behavior at the individual level in the public sector has been put forward by (Borins, 2002). It is generally believed that individual innovative work behavior in the public sector can improve performance (Bos Nehles et.al., 2017). Recent studies that have proven that innovative work behavior has a significant positive effect on performance include: Suprpti, et. al. (2020); Luhgiatno, et. al. (2021); Sofiyan, et. al. (2022); Sanusi & Dibyantoro (2022); Ausat, et. al. (2022); Bastian & Widodo (2022); Putra, et. al. (2023); Wenehenubun, et. al. (2024) and Indriani, et. al. (2024). Based on the explanation above, hypothesis 5 was developed:

H5 : Innovative work behavior has a positive significant effect on innovative working behavior

The effect of Transformational Leadership on Managerial Performance Mediated by Employee Engagement

In many studies, transformational leadership has an effect on employee engagement and managerial performance. Employee engagement also has an effect on managerial performance. Rafia, et. al. (2020) showed that transformational leadership significantly influences performance mediated by employee engagement. Based on the explanation above, hypothesis 6 was developed:

H6 : Transformational leadership has a positive significant effect on managerial performance mediated by employee engagement



The effect of Transformational Leadership on Managerial Performance Mediated by Innovative Work Behavior

Several previous studies have shown that transformational leadership has an effect on innovative work behavior and managerial performance. Innovative work behavior also significantly affects managerial performance. Suprapti, et. al. (2020); Putra, et. al. (2023) and Indriani, et. al. (2024) showed that transformational leadership has a significant positive effect on managerial performance mediated by innovative work behavior. Based on the explanation above, hypothesis 7 was developed in this study

H7 : Transformational leadership has a positive significant effect on managerial performance mediated by innovative working behavior

METHODS

This study is an explanatory research with the aim of explaining the position of the variables studied and the influence between one variable and another (Sugiyono, 2017). The researcher used a quantitative descriptive study through hypothesis testing using a causal design (Sugiyono, 2017), on the relationship between transformational leadership, employee engagement, innovative work behavior and managerial performance. The method used in this study is a quantitative method, namely: a method used to test a theory and depends on the quality of the measurement instrument used (Schindler, 2022).

The population in the study of principals spread across 404 junior high schools in Medan City, consisting of 45 public junior high schools and 359 private junior high schools. The number of samples in this study was calculated using the Slovin Formula (Hidayat, 2017; Syatriani, 2020), and the number of samples obtained was 201 principals. The number of samples for each population unit was calculated using the proportional stratified sampling approach (Henri, 2018), then the number of samples obtained for public junior high schools was 17 principals and for private junior high schools was 184 principals.

The data used in this study are primary data, namely data originating from original or first sources, collected by researchers to answer problems found in research obtained directly from



sources (Sugiyono, 2017). The data in this study were collected using a questionnaire in the form of a Google form distributed via Whatsapp Group. According to Sugiyono (2017), a questionnaire is a data collection technique carried out by providing a set of written statements to respondents to answer. The questionnaire in the study used a Likert scale of 1-5, where a scale of 1 indicates an attitude of strongly disagreeing, and a scale of 5 indicates an attitude of strongly agreeing.

RESULTS

Demographic Statistical Analysis

The results of the demographic statistical analysis in this study are shown in Table 2..

Table 2. Results of Demographic Statistical Analysis of Research Respondents

| Demographic of Respondent | Frequency | |
|----------------------------|------------|---------------|
| | (People) | Pecent (%) |
| Gender : | | |
| Male | 148 | 73.63 |
| Female | 53 | 26.37 |
| Total | 201 | 100.00 |
| Age : | | |
| 31- 40 Years | 57 | 28.36 |
| 41 – 50 Years | 99 | 49.25 |
| More than 50 Years | 45 | 22.39 |
| Total | 201 | 100.00 |
| Education | | |
| Bachelor degree (S1) | 89 | 44.28 |
| Master degree (S2) | 106 | 52.74 |
| Doctor degree (S3) | 6 | 2.99 |
| Total | 201 | 10.00 |
| Length of Working : | | |
| 6 – 10 Years | 19 | 9.45 |
| 11 – 15 Years | 65 | 32.34 |
| 16 -20 Years | 64 | 31.84 |
| More than 20 Years | 53 | 26.37 |
| Total | 201 | 10.00 |

Source : Questionnaire Survey

Table 2. Shows that respondents in the study were dominated by male school principals, aged between 41 - 50 years with a final education level of Masters (S2) and length of service between



11 - 15 years..

Descriptive Statistical Analysis

The results of the descriptive statistical analysis in this study are shown in Table 3

Table 3. Results of Descriptive Statistical Analysis of Research Variables

| Variables Analysis | Dimenssions | Indicators | Results of Descriptive Statistical | | | | |
|---------------------------------------|-------------------------------------|-----------------|------------------------------------|-----|------|------|-------|
| | | | Min | Max | Mode | Mean | Stdev |
| Transformational Leadership (X) | Inspirational Motivation (X1) | X1.1 | 1 | 5 | 4 | 4,15 | 0,86 |
| | | X1.2 | 1 | 5 | 5 | 4,15 | 0,88 |
| | | X1.3 | 1 | 5 | 5 | 4,17 | 0,85 |
| | Idelaized Influence (X2) | X2.1. | 1 | 5 | 4 | 4,14 | 0,87 |
| | | X2.2 | 1 | 5 | 5 | 4,21 | 0,89 |
| | | X2.3 | 1 | 5 | 5 | 4,15 | 0,90 |
| | Intellectual Stimulation (X3) | X3.1 | 1 | 5 | 4 | 4,05 | 0,86 |
| | | X3.2 | 1 | 5 | 4 | 3,75 | 1,00 |
| | | X3.3 | 1 | 5 | 4 | 3,93 | 0,85 |
| | Individual Consideration (X4) | X4.1. | 1 | 5 | 4 | 4,18 | 0,85 |
| | | X4.2 | 1 | 5 | 4 | 4,14 | 0,84 |
| | | X4.3 | 1 | 5 | 4 | 4,08 | 0,83 |
| | | X4.4 | 1 | 5 | 4 | 4,12 | 0,81 |
| | | X4.5 | 1 | 5 | 4 | 3,96 | 0,92 |
| | Empoyee Engagement (Z1) | Vigor (Z1.1) | Z1.1.1 | 1 | 5 | 4 | 4,29 |
| Z1.1.2 | | | 2 | 5 | 4 | 4,28 | 0,67 |
| Z1.1.3 | | | 2 | 5 | 4 | 4,23 | 0,69 |
| Dedication (Z1.2) | | Z1.2.1 | 3 | 5 | 5 | 4,35 | 0,69 |
| | | Z1.2.2 | 2 | 5 | 5 | 4,36 | 0,69 |
| | | Z1.2.3 | 2 | 5 | 4 | 4,25 | 0,69 |
| | | Z1.2.4 | 1 | 5 | 4 | 4,17 | 0,80 |
| Absorption (Z1.3) | | Z1.3.1 | 1 | 5 | 4 | 3,86 | 0,93 |
| | | Z1.3.2 | 3 | 5 | 4 | 4,23 | 0,62 |
| | | Z1.3.3 | 3 | 5 | 4 | 4,32 | 0,65 |
| Innovative Work Behavior (Z2) | Idea Exploration (Z2.1) | Z2.1.1 | 1 | 5 | 4 | 4,14 | 0,91 |
| | | Z2.1.2 | 2 | 5 | 4 | 4,15 | 0,80 |
| | | Z2.1.3 | 1 | 5 | 4 | 3,73 | 0,98 |
| | Idea Generation (Z2.2) | Z2.2.1 | 1 | 5 | 5 | 4,20 | 0,90 |
| | | Z2.2.2 | 1 | 5 | 5 | 4,08 | 0,88 |
| | Idea Championing (Z2.3) | Z2.3.1 | 1 | 5 | 4 | 4,08 | 0,84 |
| | | Z2.3.2 | 1 | 5 | 4 | 4,13 | 0,86 |
| | Idea Implmentation (Z2.4) | Z2.4.1 | 1 | 5 | 4 | 3,70 | 0,97 |
| | | Z2.4.2 | 1 | 5 | 4 | 4,17 | 0,87 |
| Z2.4.3 | | 1 | 5 | 4 | 4,10 | 0,83 | |
| Managerial Performance (Y) | Planning (Y1) | Y1.1 | 2 | 5 | 4 | 4,02 | 0,84 |
| | | Y1.2 | 1 | 5 | 4 | 4,03 | 0,84 |



| | | | | | | |
|--------------------|------|---|---|---|------|------|
| | Y1.3 | 1 | 5 | 4 | 3,98 | 0,88 |
| | Y1.4 | 1 | 5 | 4 | 3,99 | 0,84 |
| | Y1.5 | 1 | 5 | 4 | 4,00 | 0,87 |
| | Y1.6 | 1 | 5 | 4 | 4,01 | 0,91 |
| Organizing (Y2) | Y2.1 | 1 | 5 | 4 | 3,98 | 0,89 |
| | Y2.2 | 1 | 5 | 4 | 4,05 | 0,83 |
| | Y2.3 | 1 | 5 | 4 | 3,98 | 0,85 |
| Evaluation (Y3) | Y3.1 | 1 | 5 | 4 | 3,78 | 0,93 |
| | Y3.2 | 1 | 5 | 4 | 3,80 | 0,92 |
| | Y3.3 | 2 | 5 | 4 | 3,95 | 0,80 |
| | Y3.4 | 1 | 5 | 4 | 3,94 | 0,83 |
| | Y3.5 | 1 | 5 | 4 | 4,04 | 0,83 |
| Leading (Y4) | Y4.1 | 1 | 5 | 4 | 4,07 | 0,82 |
| | Y4.2 | 1 | 5 | 4 | 4,21 | 0,81 |
| | Y4.3 | 1 | 5 | 4 | 4,10 | 0,86 |

Source : Questionnaire Survey

Table 3. describes that respondents in the study gave very varied responses in measuring transformational leadership, employee engagement, innovative work behavior and managerial performance of school principals in Medan City, which were between the range of 1 (strongly disagree) and 5 (strongly disagree), mode 4 (the most frequent answer scale agrees), the average answer between the range of 3.70 - 4.35 with a standard deviation between the range of 0.62 - 1.00. This indicates that transformational leadership, employee engagement, innovative work behavior and managerial performance of school principals in Medan City are in the good criteria.

Validity and Reliability Test

The results of the validity and reliability test analysis in this study are shown in Tables 4 and Table 5.



Table 4. The Result of Validity Test

| Variables | Dimensions | Item | Loading Factor | | | AVE | | |
|---------------------------------|-------------------------------|-------------------------|----------------|------------|------------|-------|-----------|-------|
| | | | Item | Dimensions | Dimensions | | Variables | |
| Transformational Leadership (X) | Inspirational (X1) | X1.1 | 0.924 | 0.894 | 0.824 | 0.564 | | |
| | | X1.2 | 0.915 | | | | | |
| | | X1.3 | 0.884 | | | | | |
| | Intellectual Stimulation (X3) | X2.1 | 0.889 | 0.924 | 0.799 | | | |
| | | X2.2 | 0.913 | | | | | |
| | | X2.3 | 0.879 | | | | | |
| | Individual Consideration (X4) | X3.1 | 0.821 | 0.715 | 0.671 | | | |
| | | X3.2 | 0.814 | | | | | |
| | | X3.3 | 0.824 | | | | | |
| | | | X4.1 | 0.795 | 0.945 | | 0.866 | |
| | | | X4.2 | 0.832 | | | | |
| | | | X4.3 | 0.803 | | | | |
| | | | X4.4 | 0.833 | | | | |
| | | | X4.5 | 0.745 | | | | |
| | Employee Engagement (Z1) | Vigor (Z1.1) | Z1.1.1 | 0.799 | 0.873 | | 0.670 | 0.549 |
| Z1.1.2 | | | 0.853 | | | | | |
| Z1.1.3 | | | 0.803 | | | | | |
| Dedication (Z1.2) | | Z1.2.1 | 0.764 | 0.914 | 0.657 | | | |
| | | Z1.2.2 | 0.829 | | | | | |
| | | Z1.2.3 | 0.837 | | | | | |
| | | Z1.2.4 | 0.811 | | | | | |
| Absorption (Z1.3) | | Z1.3.1 | 0.660 | 0.817 | 0.612 | | | |
| | | Z1.3.2 | 0.869 | | | | | |
| | | Z1.3.3 | 0.804 | | | | | |
| Innovative Work Behavior (Z2) | | Idea Exploration (Z2.1) | Z2.1.1 | 0.881 | 0.911 | 0.729 | 0.621 | |
| | | | Z2.1.2 | 0.867 | | | | |
| | Z2.1.3 | | 0.812 | | | | | |
| | Idea Generation (Z2.2) | Z2.2.1 | 0.935 | 0.872 | 0.866 | | | |
| | | Z2.2.2 | 0.927 | | | | | |
| | Idea Championing (Z2.3) | Z2.3.1 | 0.918 | 0.856 | 0.729 | | | |
| | | Z2.3.2 | 0.904 | | | | | |
| | Idea Implementation (Z2.4) | Z2.4.1 | 0.814 | 0.920 | 0.830 | | | |
| | | Z2.4.2 | 0.872 | | | | | |
| | | Z2.4.3 | 0.878 | | | | | |
| | Managerial Performance (Y) | Planning (Y1) | Y1.1 | 0.831 | 0.944 | 0.718 | | 0.590 |
| | | | Y1.2 | 0.867 | | | | |
| Y1.3 | | | 0.844 | | | | | |
| Y1.4 | | | 0.833 | | | | | |
| Y1.5 | | | 0.861 | | | | | |
| Y1.6 | | | 0.847 | | | | | |



| | | | | |
|--------------------|------|-------|-------|-------|
| Organizing (Y2) | Y2.1 | 0.895 | 0.876 | 0.820 |
| | Y2.2 | 0.928 | | |
| | Y2.3 | 0.893 | | |
| Evaluation (Y3) | Y3.1 | 0.743 | 0.891 | 0.640 |
| | Y3.2 | 0.688 | | |
| | Y3.3 | 0.855 | | |
| | Y3.4 | 0.872 | | |
| | Y3.5 | 0.826 | | |
| Leading (Y4) | Y4.1 | 0.867 | 0.890 | 0.747 |
| | Y4.2 | 0.882 | | |
| | Y4.3 | 0.843 | | |

Source: Result of Data Processing by SmartPLS SEM 3.0

Table 5. The Result of Reliability Test

| Variables | Dimenssions | Cronbach Alpha | | Composite Reliability | |
|---------------------------------------|-------------------------------|----------------|-----------|-----------------------|-----------|
| | | Dimenssions | Variables | Dimenssions | Variables |
| Transformational Leadership (X) | Inspirational Motivation (X1) | 0.893 | 0.938 | 0.934 | 0.947 |
| | Idelaized Influence (X2) | 0.874 | | 0.923 | |
| | Intellectual Stimulation (X3) | 0.759 | | 0.860 | |
| | Individual Consideration (X4) | 0.861 | | 0.900 | |
| Empoyee Engagement (Z1) | Vigor (Z1.1) | 0.753 | 0.885 | 0.859 | 0.907 |
| | Dedication (Z1.2) | 0.825 | | 0.884 | |
| | Absorption (Z1.3) | 0.753 | | 0.859 | |
| Innovative Work Behavior (Z2) | Idea Exploration (Z2.1) | 0.814 | 0.932 | 0.899 | 0.942 |
| | Idea Generation (Z2.2) | 0.846 | | 0.928 | |
| | Idea Championing (Z2.3) | 0.795 | | 0.907 | |
| | Idea Implmentation (Z2.4) | 0.816 | | 0.891 | |
| Managerial Performance (Y) | Planning (Y1) | 0.922 | 0.956 | 0.939 | 0.960 |
| | Organizing (Y2) | 0.890 | | 0.932 | |
| | Evaluation (Y3) | 0.858 | | 0.898 | |
| | Leading (Y4) | 0.830 | | 0.899 | |

Source: Result of Data Processing by SmartPLS SEM 3.0

Table 4 shows all loading factor values of items and dimensions of transformational leadership, employee engagement, innovative work behavior and managerial performance variables > 0.60 with average variance extracted (AVE) values > 0.50 . Ghozali & Latan (2017) said that loading factor values with values > 0.60 are still acceptable and average variance extracted (AVE) with values > 0.50 can be accepted to test validity. Thus, it can be stated that all instruments used to measure the dimensions of each variable studied in this study are declared valid.

Table 5 shows all Cronbach alpha values of all dimensions and variables studied in this study > 0.60 and composite reliability values > 0.70 . Abdillah & Hartono (2015) stated that a construct is declared reliable if it has a Cronbach Alpha value of > 0.6 and a Composite Reliability value of $>$



0.7. Thus, it can be stated that all instruments used to measure the dimensions of each variable studied in this study are declared reliable.

Analysis of Structural Equation Model - Partial Least Square (SEM PLS)

The results of the structural equation model partial least square (SEM PLS) analysis in this study are shown in Figure 2.

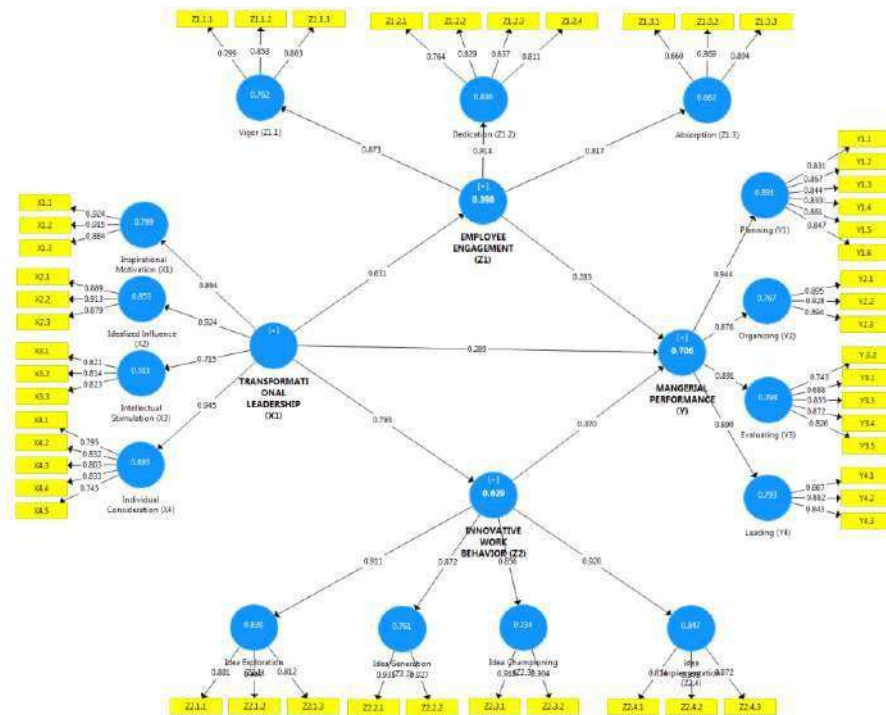


Figure 2. Analysis of Structural Equation Model - Partial Least Square (SEM PLS)

Source: Result of Data Processing by SmartPLS SEM 3.0

Based on Figure 2, a structured equation model was built on the influence of transformational leadership on the performance of junior high school principals in Medan City which is mediated by employee engagement and innovative work behavior as follows:

1. Direct Effect :

$$Z_1 = 0.631X_1 \dots\dots\dots (Eq. 1)$$

$$Z_2 = 0.793X_1 \dots\dots\dots (Eq. 1)$$

$$Y = 0.289X_1 + 0.285Z_1 + 0.370Z_2 \dots\dots\dots (Eq. 1)$$



2. Indirect Effect :

$$Y = 0.160\rho_{YXZ_1} + 0.294\rho_{YXZ_1} \dots\dots\dots (Eq. 1)$$

Equation 1. interprets transformational leadership as having a positive effect on employee engagement. This can be seen from the regression coefficient of transformational leadership which is positive at 0.631. This means that every additional 1 transformational leadership is estimated to increase employee engagement by 0.631..

Equation 2. interprets transformational leadership has a positive effect on innovative work behavior. This can be seen from the positive transformational leadership regression coefficient of 0.793. This means that every 1 additional transformational leadership is estimated to increase managerial performance by 0.793.

Equation 3. interprets transformational leadership has a positive effect on managerial performance. This can be seen from the regression coefficient of transformational leadership which is positive at 0.289. This means that every increase of 1 transformational leadership is estimated to increase managerial performance by 0.289. Employee engagement also has a positive effect on managerial performance. This is shown by the regression coefficient of employee engagement which is positive at 0.285. This means that every increase of 1 employee engagement is estimated to increase managerial performance by 0.285. Likewise, innovative work behavior also has a positive effect on managerial performance. This is shown by the regression coefficient of innovative work behavior which is positive at 0.370. This means that every increase of 1 innovative work behavior is estimated to increase managerial performance by 0.370.

Equation 4. interprets transformational leadership has a positive effect on managerial performance mediated by employee engagement. This can be seen from the regression coefficient of employee engagement mediation which is positive at 0.160. This means that every additional 1 mediation of employee engagement is estimated to increase the effect of transformational leadership on managerial performance by 0.160. Transformational leadership also has a positive effect on managerial performance mediated by innovative work behavior.



This can be seen from the regression coefficient of innovative work behavior mediation which is positive at 0.294. This means that every additional 1 mediation of innovative work behavior is estimated to increase the effect of transformational leadership on managerial performance by 0.294.

Evaluation of Goodness of Fit

The results of the Goodness of Fit evaluation in this study are shown in Table 6.

Table 6. The results of the Goodness of Fit evaluation

| Variable | R Square | Adjusted R Square | Kesimpulan |
|-------------------------------|-----------------|--------------------------|-------------------|
| Employee engagement (Z1) | 0.398 | 0.395 | Moderate |
| Innovative work behavior (Z2) | 0.629 | 0.627 | Kuat |
| Managerial Performance (Y) | 0.706 | 0.702 | Sangat Kuat |

Source: Result of Data Processing by SmartPLS SEM 3.0

Ghozali & Latan (2017) stated that the GoF value can be seen from the R-Square or Adjusted R² with criteria $> 0.70 - 1.00$ indicating a very strong GoF; $> 0.45 - \leq 0.70$ indicating a strong GoF; $> 0.25 - \leq 0.45$ indicating a moderate GoF and ≤ 0.25 indicating a weak GoF. Hair, et al., (2021) said that an SEM model is said to meet the Gof criteria, when the standardized Root mean square residual (SRMR) value produced by the fit model in SmartPLS < 0.100 .

Table 5.14. above shows the r square value of employee engagement produced in the study of 0.398 and the adjusted R Square value of 0.395. This means that the exogenous (independent) variable of transformational leadership has a moderate ability to explain the endogenous (mediating) variable of employee engagement, which is 39.50%, while the remaining 60.50%, employee engagement is influenced by other variables outside the transformational leadership variable that have not been revealed in this study. The r square value of innovative work behavior in the study is 0.629 and the adjusted R Square value is 0.627. This means that the exogenous (independent) variable of transformational leadership has a strong ability to explain the endogenous (mediating) variable of innovative work behavior, which is 62.70%, while the remaining 37.30%, innovative work behavior is influenced by other variables outside the transformational leadership variable that have not been revealed in this study. The r square value of managerial performance in the study was 0.706 and the adjusted R Square value was 0.702.

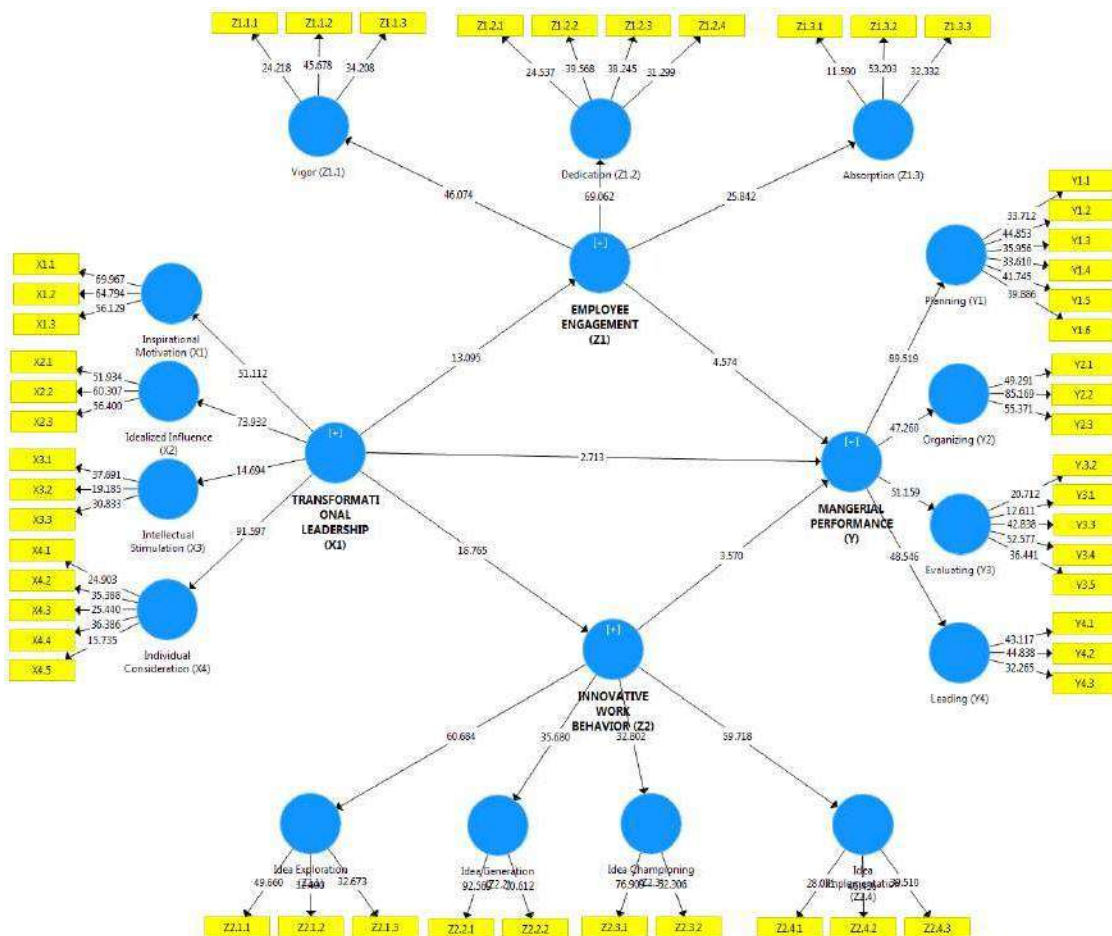


This means that the exogenous (independent) variables of transformational leadership, employee engagement and innovative work behavior have a very strong ability to explain the endogenous (dependent) variable of managerial performance, which is 70.20%, while the remaining 29.80%, managerial performance is influenced by other variables outside the employee engagement and innovative work behavior variables that have not been revealed in the study..

The standardized Root mean square residual (SRMR) value of the fit model produced in the study was $0.082 < 0.100$. Thus, the model of the influence of transformational leadership on the managerial performance of the Head of Junior High Schools in Medan City mediated by employee engagement and innovative work behavior built in the study is stated to meet the Goodness of Fit, or is feasible to be implemented.

Hypothesis Testing

The results of hypothesis testing in this study are shown in Figure 3 and Table 7.





Gambar 3. The Result of Hypothesis Testing (Boostrapping)

Source: Result of Data Processing by SmartPLS SEM 3.0

Tabel 7. The Result of Hypothesis Testing (Boostrapping)

| | Hypothesis | Coef. | t value | p value | Conclusion |
|----------------|---|--------------|----------------|----------------|--|
| H ₁ | <i>Transformational leadership</i> has a positive significant effect on <i>managerial performance</i> | 0.289 | 2.713 | 0.007 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₁ : Accepted |
| H ₂ | <i>Transformational leadership</i> has a positive significant effect on <i>terhadap employee engagement</i> | 0.631 | 13.095 | 0.000 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₂ : Accepted |
| H ₃ | <i>Transformational leadership</i> has a positive significant effect on <i>innovaive work behavior</i> | 0.793 | 18.765 | 0.000 | t value > t tabel n 201 = 1.653 and p value < α 0.05; H ₃ : Accepted |
| H ₄ | <i>Employee engagement</i> has a positive significant effect on <i>managerial performance</i> | 0.285 | 4.574 | 0.000 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₄ : Accepted |
| H ₅ | <i>Innovative work behavior</i> has a positive significant effect on <i>managerial performance</i> | 0.370 | 3.570 | 0.000 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₅ : Accepted |
| H ₆ | <i>Transformational leadership</i> has a positive significant effect on <i>managerial performance</i> mediated by <i>Employee engagement</i> | 0.180 | 4.435 | 0.000 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₆ : Accepted |
| H ₇ | <i>Transformational leadership</i> has a positive significant effect on <i>managerial performance</i> mediated by <i>innovative work behavior</i> | 0.294 | 3.584 | 0.000 | t value > t tabel n 201 = 1.653 dan p value < α 0.05; H ₇ : Accepted |

Source: Result of Data Processing by SmartPLS SEM 3.0

DISCUSSION

According to Stoner & Wankel (2006), management is the process of planning, organizing, leading, and controlling members of an organization and the use of all other organizational resources in order to achieve organizational goals. To realize good management in an organization, a manager who has professional skills in his field is needed, and that also applies in the world of education, especially schools, the quality of school management will depend on a principal who acts as a manager. As a manager, the principal has great duties and responsibilities in managing his school. The success of the principal in managing his school will not be separated



from the ability of the principal as a school leader in carrying out his managerial functions, which include: planning, organizing, evaluating and leading.

There are many factors that influence managerial performance, including the focus of this study, namely transformational leadership, innovative work behavior (Putra, et. al. 2023) and employee engagement (Siddique, et. al., 2022).

Transformational leadership has been shown to influence employee performance (Thomas, 2016). Santoso, et. al. (2019); Ahmad, et. al. (2019); Hariadi & Muafi (2022); Sehol (2022); Firmansyah, et. al. (2022); Pratiwi, et. al. (2023), Bangun, et. al. (2023); Hendrayanti & Sari (2024) and Sani (2024); Sarinah, et. al. (2024) showed that transformational leadership significantly influences performance. Likewise, this study also shows that transformational leadership has a significant positive effect on the managerial performance of Junior High School Principals in Medan City. This is indicated by the coefficient value of the influence of transformational leadership on managerial performance as shown in Table 7. which is positive at 0.289, t value of $0.273 > t_{table\ n\ 201\ of\ 1.653}$ and the probability is $0.007 < \alpha\ 0.05$. Bass (2002) stated that with transformational leadership, performance can be achieved beyond expectations. Transformational leadership will produce and create good performance. Principals in Medan City with a transformational leadership style will be a motivation and stimulus and influence and be a consideration for teachers, school residents and stakeholders to achieve more. The better the principal implements a transformational leadership style in carrying out his managerial functions, the better the principal's managerial performance.

Kanexa (2008) said that the transformational dimension of leaders who inspire confidence in the future, management that values employees and top management that shows real responsibility to employees greatly influences employee engagement. This has been proven in many studies, including Mozammel, et. al. (2016), Balwant, et. al. (2019); Nguyen, et. al. (2020), Islam, et. al. (2021) and Salma & Ramli (2023), including this study also consistently shows that transformational leadership has a significant positive effect on employee engagement. This is indicated by the coefficient value of the influence of transformational leadership on employee engagement as shown in Table 7. which is positive at 0.631, t value of $13.095 > t_{table\ n\ 201\ of}$



1.653 and probability of 0.000 $< \alpha$ 0.05. This means that a principal with a transformational leadership style will be an inspirational motivation, provide an ideal influence, stimulate knowledge and become a personal consideration for teachers, school residents and stakeholders to be more enthusiastic about working, learning and participating, dedicating themselves and absorbing all educational activities and teaching and learning processes at school.

The dimensions of inspirational motivation and intellectual stimulation contained in the transformational leadership style will encourage followers to behave in innovative work. Nardelli (2017) reported that innovation is largely determined by the role of leaders who are able to provide intellectual stimulation and inspirational motivation. The significance of the influence of transformational leadership on innovative work behavior has been proven by many previous researchers, some of which are Aryee, et. al. (2012); Afsar & Badir (2014); Afsar & Masood (2018); Rafique, et. al. (2022); Wulan, et. al. (2023) and Helmy, et. al. (2023). This study also again proves that transformational leadership has a significant positive effect on innovative work behavior. This is indicated by the coefficient value of the influence of transformational leadership on innovative work behavior as shown in Table 7. which is positively marked at 0.793, t value of 18.765 > t table n 201 of 1.653 and the probability is 0.000 $< \alpha$ 0.05. Principals with a transformational leadership style are able to motivate teachers, school residents and stakeholders to have high inspiration and stimulate the intellectual abilities they have to behave in innovative work by exploring, generalizing, winning and implementing innovative ideas in advancing the world of education and the teaching and learning process in schools.

Nowadays, many organizations consider employee engagement as one of the important factors to achieve long-term success, so that employee engagement becomes an increasingly important concept in human resource management. Employee engagement has been shown to be related to better organizational performance, higher productivity, and lower absenteeism and turnover rates. Macey & Schneider (2008a) showed the level of employee involvement, motivation, and loyalty to the organization where they work. Employees who are engaged in their work will have high motivation, feel connected to the goals and values of the organization, and feel called to make maximum contributions. This study provides empirical evidence that employee



engagement has a significant effect on managerial performance. This is indicated by the coefficient value of the influence of employee engagement on managerial performance as shown in Table 7. which is positive at 0.285, t value of $4.574 > t_{table\ n\ 201\ of\ 1.653}$ and probability of $0.000 < \alpha\ 0.05$. The findings of this study support the results of the study (Macey & Schneider, 2008b). Kilonzo, et. al., (2018); Ismail, et. al. (2018); Aiyub, et. al., (2021); Gemilang, et. al. (2021) and Siddique, et. al. (2022) previously showed that employee engagement has a significant positive effect on performance. Principals who are directly involved in the teaching and learning process at school will produce better managerial performance. Principals who have high vigor, dedication and absorption will produce good and optimal planning, organizing, evaluating and leading of educational programs at school.

Borins (2002) stated that innovative work behavior at the individual level is very important to be built in the public sector. It is generally believed that individual innovative work behavior in the public sector can improve performance. The influence of innovative work behavior on performance has been proven in many studies, including: Bos Nehles et.al. (2017); Suprapti, et. al. (2020); Luhglatno, et. al. (2021); Sofiyan, et. al. (2022); Sanusi & Dibyantoro (2022); Ausat, et. al. (2022); Bastian & Widodo (2022); Putra, et. al. (2023); Wenehenubun, et. al. (2024) and Indriani, et. al. (2024). This study again confirms the findings of previous studies which consistently show that innovative work behavior has a positive effect on the managerial performance of school principals in Medan City. This is indicated by the coefficient value of the influence of employee engagement on managerial performance as shown in Table 7. which is positively marked at 0.370, t value of $3.570 > t_{table\ n\ 201\ of\ 1.653}$ and the probability is $0.000 < \alpha\ 0.05$. Principals with innovative work behavior will produce good achievements in carrying out their managerial functions. With the ability of idea exploration, idea generation, idea championing and idea implementation, they can better design and implement planning, organizing, evaluating and leading educational programs in schools well and on target.

The significance of the influence of transformational leadership on managerial performance as produced in research that supports the results of previous studies by Santoso, et. al. (2019); Ahmad, et. al. (2019); Hariadi & Muafi (2022); Sehol (2022); Firmansyah, et. al. (2022); Pratiwi,



et. al. (2023), Bangun, et. al. (2023); Hendrayanti & Sari (2024) and Sani (2024); Sarinah, et. al. (2024), is inconsistent with the research results of Rafia, et. al. (2020); Lahat, et. al. (2022); Buwana, et. al. (2023); Putra, et. al. (2023); and Pamungkas, et. al. (2023) which show that transformational leadership does not significantly affect managerial performance. For this reason, a mediating variable is needed to generalize the inconsistency of the relationship between these variables. Rafia, et. al. (2020) in his study showed that transformational leadership significantly affects performance mediated by employee engagement. Suprpti, et. al. (2020); Putra, et. al. (2023) and Indriani, et. al. (2024) showed that transformational leadership significantly affects performance when mediated by innovative work behavior. The results of the research conducted in this study showed that transformational leadership had a significant positive effect on the managerial performance of junior high school principals in Medan City which was mediated by employee engagement. This is indicated by the coefficient value of the influence of employee engagement in mediating the influence of transformational leadership on managerial performance as shown in Table 7. which is positive at 0.180, t value of $4.435 > t_{table n 201}$ of 1.653 and probability of $0.000 < \alpha 0.05$. This finding supports the research results of Rafia, et. al. (2020). This study also shows that transformational leadership has a significant positive effect on the managerial performance of junior high school principals in Medan City which is mediated by innovative work behavior. This is indicated by the coefficient value of the influence of innovative work behavior in mediating the influence of transformational leadership on managerial performance as shown in Table 7. which is positive at 0.294, t value of $4.435 > t_{table n 201}$ of 1.653 and probability of $0.000 < \alpha 0.05$. This finding is in line with the research results of Suprpti, et. al. (2020); Putra, et. al. (2023) and Indriani, et. al. (2024). This means that Inspirational motivation, Idealized Influence, Intellectual stimulation and Individual consideration in the transformational leadership of the principal in carrying out his managerial functions must be followed by high vigor, dedication and absorption. High vigor, dedication and absorption possessed by the principal will be able to further optimize the principal's managerial performance in designing and implementing planning, organizing, evaluating and leading educational programs in schools so that they can run in accordance with the goals, vision, mission and targets of the educational program to be achieved. Ideal Exploration, Idealized



Influence, Intellectual stimulation and Individual consideration of the principal's transformational leadership in carrying out his managerial functions must also be followed by good idea exploration, generation, championing and idea implementation skills. Good idea exploration, generation, championing and idea implementation possessed by the principal will be able to further optimize the principal's managerial performance in producing innovative ideas in designing and implementing planning, organizing, evaluating and leading educational programs in schools in accordance with the goals, vision, mission and targets of the educational program to be achieved.

CONCLUSION

This study found that transformational leadership, employee engagement and innovative work behavior have a significant positive effect on managerial performance, transformational leadership has a significant positive effect on employee engagement and innovative work behavior, and transformational leadership also has a significant positive effect on managerial performance mediated by employee engagement and innovative work behavior.

When the principal implements a transformational leadership style in carrying out his leadership function, it will motivate inspiration, stimulate knowledge, influence and become a consideration for teachers, school residents and stakeholders to be more involved and innovative in the teaching and learning process at school, which will ultimately improve the performance of the principal himself and the quality of education in the school he leads.

LIMIATION

This study has several limitations that certainly affect the results of the study. Some of the limitations referred to are that managerial performance in this study was only confirmed using 1 (one) exogenous variable of transformational leadership and 2 (two) mediating variables of employee engagement and innovative work behavior. These limitations certainly affect the results of the study which have not been able to fully generalize the theory of managerial performance. The population of this study was only limited to junior high schools in Medan City, which of course the results have not been able to fully generalize the phenomenon of principal



managerial performance in Indonesia. The data used in the study were limited to primary data. This certainly affects the results of the study which have not been able to fully generalize the facts of managerial performance without comparing them with primary data.

IMPLICATION

The results of this study indicate that transformational leadership has a significant positive effect on managerial performance mediated by employee engagement and innovative work behavior. In the realm of theory, the results of this study have implications for the development of a theory of managerial performance determinants that not only see the linear influence between transformational leadership, employee engagement and innovative behavior on managerial performance, but also place employee engagement and innovative behavior variables as contingency variables in mediating the influence of transformational leadership on managerial performance which is still inconsistent and debatable. In the realm of managerial, the results of this study have implications for the Principal in carrying out managerial functions in compiling and implementing planning, organizing, evaluating and leading in schools that are led to implement a transformational leadership style that can build more inspiring motivation, provide ideal influence, stimulate intellectuality and consider the personality of teachers, school residents and stakeholders with high vigor, dedication and absorption by exploring more widely idea exploration, idea generation, idea championing and idea implementation.

REFERENCES

- Abdillah, W. & Hartono. 2015. *Partial Least Square (PLS)*. Yogyakarta : Penerbit Andi.
- Adi, A. F. 2013. The Influence of Principal Managerial Ability on the Performance of Elementary School Teachers in Kotagede District, Yogyakarta. *Student Journal Universitas Negeri Yogyakarta* 2 (1) : 1 -13
- Afsar, B., Badir, Y., & Saeed, B. (2014). Transformational leadership and innovative work behavior. *Industrial Management and Data Systems*, 114(8) : 1270–1300.
- Afsar, B., & Masood, M. (2018). Transformational Leadership , Creative Self-Efficacy , Trust in Supervisor , Uncertainty Avoidance and Innovative Work Behavior of Nurses. *The Journal of Applied Behavioral Science*, 54(1), 36-61. DOI : <https://doi.org/10.1177/0021886317711891>
- Ahmad, Z., Ahmad, J., Farhan, M., & Tahir, A. 2019. Workplace Deviance Behavior : Role of



- Psychological Empowerment and Workplace Deviance Behavior : Role of Psychological Empowerment and Transformational Leadership. *IOSR Journal of Business and Management*, 21, 01–11. DOI : <https://doi.org/10.9790/487X-2112030111>
- Aryee, S., Walumbwa, F. O., Zhou, Q., & Hartnell, C. A. 2012. Transformational Leadership, Innovative Behavior, And Task Performance: Test Of Mediation And Moderation Processes. *Human Performance*, 25 (1), 1–25. DOI : <https://Doi.Org/10.1080/08959285.2011.631648>
- Ausat, A. M. A., Suherlan, S., Peirisal, T., & Hirawan, Z. 2022. The Effect of Transformational Leadership on Organizational Commitment and Work Performance. *Journal of Leadership in Organizations*, 4(4) : 61–82.
- Avolio, B. J., & Bass, B. M. 2012. Developing potential across a full range of leadership: Cases on transactional and transformational leadership. New Jersey: Lawrence Erlbaum Associates Publishers.
- Ayoub, D., Al-Akhras, D. Na'anah, G. & Al-Madadha, A. 2018. The Relationship Between Psychological Empowerment and Creative Performance of Employees: Mediating Effect of Job Satisfaction in International Non-Governmental Organizations. *European Scientific Journal*, 14 (20), 217 -239. DOI : <https://0.19044/esj.2018.v14n20p217>
- Balwant, P., Mohammed, R. & Singh, R. 2019. Transformational leadership and employee engagement in Trinidad's service sector: The role of job resources. *International Journal of Emerging Markets*, 9 (8), 333-345
- Bastian, A. & Widodo. 2022. How Innovative Behavior Affects Lecturers' Task Performance: A Mediation Perspective. *Emerging Science Journal* 6 (Special Issue) : 123 – 137. DOI: <http://dx.doi.org/10.28991/ESJ-2022-SIED-09>
- Bates, S. 2004. Getting Engaged. *HR Magazine*, 49(2) : 44-51.
- Bangun, N. & Aritonang, Y. A. 2023. Transformational Leadership And Job Satisfaction On Employee Performance With Work Motivation As An Intervening Variable In Ksp Cu. Damai Sejahtera Medan. *Proceeding International conference on economic, business, Management and accounting (icebesma) Universitas Prima Indonesia* : 1 – 13
- Bass, B. M., & Avolio, B. J. 1993. Transformational Leadership and Organizational Culture. *International Journal of Business- Regulatory Integrative and Comparative Physiology*, 16(3), 10. : 123 -132. DOI : <https://doi.org/10.1152/ajpregu.1984.247.3.r405>
- Baumruk, R. 2004, The missing link: the role of employee engagement in business success, *Workspan*, 47 (11): 48-52.
- Borins, S. 2002. Leadership and innovation in the public sector. *Leadership and Organization Development Journal*, 23 (8): 467-. 476. B
- Bos-Nehles, A., Renkema, M., & Janssen, M. 2017. HRM and Innovative Work Behaviour: A Systematic Literature Review. *Personnel Review*, 46(7), 1228–1253. DOI : <https://doi.org/10.1108/PR-09-2016-0257>



- Buchdadi, A., D., Dara, D., Yuwono, H., Eliyana, A. & Hamidah. 2020. Linking Transformational Leadership to Performance: A Study in a Correctional Institution. *Journal of Southwest Jiaotong University*, 5 (6) : 1 – 16. DOI : <https://doi.org/10.35741/issn.0258-2724.55.6.28>
- Buwana, S., A., N., Suci, R. P. & Hermawati, A. 2023. The Role Of Transformational Leadership In Improving Managerial Performance Through Organizational Commitment On National Strategic Projects. *International Journal of Economics, Business and Accounting Research (IJEBAAR)* 7 (4) : 1655 – 1672
- De Jong, J.P.J. & Den Hartog, D. 2008. *Innovative Work Behavior Measurement and Validation*. Zoetermeer : EIM Research Report..
- Firmansyah, F., Prasajo, L. D., Jaedun, A., & Retnawati, H., 2022. Transformational leadership effect on teacher performance in Asia: A meta-analysis. *Cypriot Journal of Educational Science*. 17(6), 2127-2146. DOI : <https://doi.org/10.18844/cjes.v17i6.7552>
- Gemilang, I. G. N. B. A., & Riana, I. G. 2021. The Effect of Perceived Organizational Support on Employee Engagement and Employee Performance. *Journal of Multidisciplinary Academic*, 5(3), 260–264. DOI <https://doi.org/10.51971/joma.v5n3.0503230721>
- Ghozali, I. & Latan, H. 2017. *Partial Least Square: Konsep, Metode, dan Aplikasi menggunakan program WarpPLS 5.0*, Edisi ke-3, Semarang: Badan Penerbit Universitas Diponegoro.
- Government Regulation Number 28 of 1990 concerning Basic Education.
- Hariadi, A. R., & Muafi, M. 2022. The effect of transformational leadership on employee performance mediated by readiness to change & work motivation: A survey of PT. Karsa Utama Lestari employees. *International Journal of Research in Business and Social Science* (2147- 4478), 11(6), 252–263. DOI : <https://doi.org/10.20525/ijrbs.v11i6.1945>
- Helmy, I., Azizah, S. N., Shalma, U. N., Purnomo, J., & Fitriani, N. 2023. The Effect of Transformational Leadership on Innovative Work Behavior in SMEs: Test of a Mediating Model. *Journal of International Conference Proceedings*, 6(1), 153-164. DOI : <https://doi.org/10.32535/jicp.v6i1.2245>
- Hendrayanti, S. & Sari, C., T. 2024. The Influence Of Transformational Leadership And Compensation On Employee Performance Through Work Motivation. *Management Analysis Journal* 13 (1) : 107 – 115. DOI: <https://doi.org/10.15294/MAJ.V13I1.1799>
- Indriani, Y., Wahyuningsih, S., H. & Qamari, I., N.. 2024. The Role of Innovative Work Behavior As an Intervening Variable in the Relationship Between Transformational Leadership and Information Sharing on Employee Performance. *Asian Journal of Economics, Business and Accounting* 24 (5) : 269-82. DOI : <https://doi.org/10.9734/ajeba/2024/v24i51309>.
- Islam, M. N, Furuoka, F. & Idris, A. 2021. Employee Engagement and Organizational Change Initiatives: Does Transformational Leadership, Valence, and Trust Make a Difference?



- Global Business and Organizational Excellence*, 7 (1), 224 -233. DOI : <http://dx.doi.org/10.1002/joe.22078>
- Ismail, et al. 2019. Employee Engagement and Job Performance in Lebanon: The Mediating Role of Creativity. *International Journal of Productivity and Performance Management* 4 (1) : 118 – 129.
- Kilonzo, T. M., Were, S. & Odhiambo, R. 2018. Influence of Employee Engagement on the Performance of Teachers in Secondary Schools in Machakos County in Kenya. *International Journal of Novel Research in Humanity and Social Sciences*, 5 (1), 52-71
- Kenexa. 2018. *Engaging the employee: A Kenexa Research Institute WorkTrends report*. USA : Kenexa
- Lucyanda, J. 2001. The Relationship Between Participatory Budgeting and Managerial Performance: The Role of Locus of Control as a Moderating Variable and Motivation as an Intervening Variable. *Thesis*. Postgraduate Program. UGM: Yogyakarta
- Luhglatno, W., Widaryanti & Aprih Santoso. 2022. The Effect of ODOI On Innovative Work Behavior And Employee Performance. *Jurnal Manajemen*, 25 (2), 240–254. DOI : <https://doi.org/10.24912/jm.v25i2.738>
- Macey, W. H., & Schneider, B. 2008a. The Meaning of Employee Engagement. *Industrial and Organizational Psychology*, 1 (1), 3–30. DOI : <https://doi.org/10.1111/j.1754-9434.2007.0002.x>
- Macey, W. H., & Schneider, B. 2008b. The Meaning of Employee Engagement. *Industrial and Organizational Psychology*, 1 (1), 3–30. DOI : <https://doi.org/10.1111/j.1754-9434.2007.0002.x>
- Minister of National Education Regulation Number 13 of 2007 concerning School Principal Standards.
- Mozammel, S.,& Haan, P. 2016. Transformational Leadership and Employee Engagement in the Banking Sector in Bangladesh. *The Journal of Developing Areas*, 50 (6), 43 – 56
- Munandar. A. S. 2020. *Industrial and Organizational Psychology*. Jakarta : UI.
- Nardelli, G. 2017. Innovation dialectics: an extended process perspective on innovation in services. *Serv. Ind. J.*, 37 (1) : 31-56
- Nguyen, P.T., Yandi, A. & Mahaputra, M.R. 2020. Factors that Influence Employee Performance: Motivation, Leadership, Environment, Culture Organization, Work Achievement, Competence and Compensation (A Study Of Human Resource Management Literature Studies). *Dinasti International Journal of Digital Business Management (DIJDBM)*, 1 (4), DOI : <https://645-663.10.31933/DIJDBM>
- Putra, I. Syahrul, L. & Yuliharsi. 2023. The effect of digital literacy and transformational leadership on employee performance mediated by innovative work behavior at the



- Padang city population and civil registration service. *Enrichment: Journal of Management*, 12 (6), 5014-5023
- Lahat, M. A., Marthanti, A. S. & Santosa, J. 2022. The Influence Of Transformational Leadership, Work Ethos, And Organizational Culture On Teacher Performance. *Jurnal Ekonomi*, 11 (03), 564 -573. WEB : <http://ejournal.seaninstitute.or.id/index.php/Ekonomi>
- Pamungkas, B. C., Brahmasari, I. A. & Ratih, I. A. B. 2023. The Effect of Transformational Leadership, Organizational Culture, and Management Control System on Employee Performance with Organizational Commitment as the Intervening Variable at CVMakmur Jaya Abadi Surabaya City. *Journal of Economics, Finance and Management Studies* 6 (1) : 429 -437. DOI: <http://10.47191/jefms/v6-i1-48>
- Pratiwi, V. A., Budiastuti, E., Hartati, S., Sumanti, N. A. & Rohmatun, Y. 2023. The effect of transformational leadership and work motivation on teacher performance in SMP Negeri 17 Cirebon City. *Enrichment: Journal of Management*, 13 (3), 2051 – 2061, DOI : <https://doi.org/10.35335/enrichment.v13i3.1541>
- Rafia, R., Sudiro, A. & Sunaryo. 2020. The Effect Of Transformational Leadership On Employee Performance Mediated By Job Satisfaction And Employee Engagement. *International Journal of Business, Economics and Law*, 21 (5): 119 – 126
- Rafique MA, Hou Y, Chudhery MAZ, Waheed M, Zia T, Chan F. Investigating the impact of pandemic job stress and transformational leadership on innovative work behavior: The mediating and moderating role of knowledge sharing. *Journal of Innovation & Knowledge* 7 (3):100-114. DOI: <https://10.1016/j.jik.2022.100214>.
- Richman, A. 2006. Everyone wants an engaged workforce how can you create it? *Workspan*, 49: 36-39.
- Robbins, S. & Coulter, M. 2010. *Management*. Edisi Kesepuluh, Jilid 1. Jakarta : Erlangga.
- Salma, A. N. & Ramli, A. H. 2023. Pengaruh Ethical dan Transformational Leadership Terhadap Employee Creativity, OCB and Work Engagement Pada UMKM . *Jurnal Pengabdian kepada Masyarakat Nusantara (JPkMN)*, 4 (3), 2946-2953. |DOI : <https://doi.org/10.55338/jpkmn.v4i2.1675>
- Sani, I. 2024. The Effect of Transformational Leadership and Organizational Climate on Employee Performance Through Organizational Commitment as an Intervening Variable. [Journal of Management and Bussines \(JOMB\)](#) 6 (3) : 1033- 1047. DOI: <https://doi.org/10.31539/jomb.v6i3.7376>
- Santoso, T. I., Suharnanik, Mendrofa, Y. & Putri, K. 2023. The Role of Transformational Leadership, Work Environment on Job Satisfaction and Performance of Hospitals Employee during Digital Era. *Jurnal Ilmiah, Manajemen Sumber Daya Manusia (JENIUS)*, 6 (2), 252 -266
- Sanusi F. & Dibyantoro. 2022. Improving Employee Performance Through Innovative Work Behavior. *Syntax Literate: Jurnal Ilmiah Indonesia*. 7 (5) : 5189 -5203



- Sarinah, Taufan, A., Mardalena, Saukani, Aryanti, P. T. & Sasmita, R. 2024. Transformational Leadership on Teacher Performance Through the Mediating Role of Motivation. *Nidhomul Haq: Jurnal Manajemen Pendidikan Islam*, 9 (1), 133-149. DOI : <https://doi.org/10.31538/ndh.v9i1.4568>
- Schaufeli, W. B., Salanova M., Gonzalez R. V., & Bakker, A. B. 2002. The measurement of engagement and burnout : a two sample confirmatory factor analytic approach. *Journal of Happiness Studies*, 3 : 71-92
- Schindler, P.S. 2022. *Business Research Method*. 14th Edition. New York: Mc Graw. Hill.
- Sehol, M. 2022. The Impact of Transformational Leadership Style and Compensation on Teacher Performance at Madrasah Aliyah. *Al-Ishlah: Jurnal Pendidikan* 14 (4) : 7249 -7260. DOI: <https://10.35445/Alishlah.v14i4.1242>
- Sergiovasi, T.J. & Starrat, R.J. 2017. *Supervision a Redefenition*. New York: Mc Graw-Hill, Inc
- Siddique, A., Khanum, B., & Haleem, B. 2022. Teachers Work Engagement and Job Performance: A Correlational Study. *Global Educational Studies Review*, VII(I), 502-516. DOI : [https://doi.org/10.31703/gesr.2022\(VII-I\).48](https://doi.org/10.31703/gesr.2022(VII-I).48)
- Sofiyan, S., Sembiring, R., Danilwan, Y., Anggriani, R., & Sudirman, A. 2022. Innovative Work Behavior and Its Impact on Teacher Performance: The Role of Organizational Culture and Self Efficacy as Predictors. *Journal of Education Research and Evaluation*, 6(1), 44–52. DOI : <https://doi.org/10.23887/jere.v6i1.38255>
- Stoner, J. A. & Wankel, C.. 2006. *Management*. Terjemahan Wilhelmus W. Bakowatun. Jakarta : Intermedia,
- Sugiyono. 2017. *Quantitative, Qualitative, and R&D Research Methods*. Bandung: CV. Alfabeta.
- Suhardiman, B. 2012. *Principal Development Study Concept and Application*. Jakarta: PT Rineka Cipta.
- Sukmadinata, N., S., Jamiat, A., N. & Ahman . 2006. *Quality Control of Secondary School Education (Concepts, Principles, and Instruments)*. Bandung : Refika
- Suprpti, S., Asbari, M., Cahyono, Y., Mufid, A., & Khasanah, N. E. 2020. Leadership style, organizational culture and innovative behavior on public health center performance during Pandemic Covid-19. *Journal of Industrial Engineering & Management Research*, 1(2), 76-88.
- Sutisna, O. 2008. *Educational Administration Theoretical Basis for Professional Practice*. Bandung: Angkasa.
- Tritch, A. 2013. *Work and Organization*. New York: Agraham Sand-Hill.
- Wenehenubun, S. P., Usman, B. & Aseanty, D. 2022. Exploring the Impact of Proactive Personality on Organizational Innovative Performance in Higher Education: The Mediating Role of Innovative Work Behavior. *International Journal Of Multidisciplinary*



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

Research And Analysis 7 (2) : 627 – 641. DOI : <https://doi.org/10.47191/ijmra/v7-i02-27>

Yuan, F. & Woodman, R.W. 2010. Innovative Behavior in the Workplace: The Role of Performance and Image Outcome Expectations. *Academy of Management Journal*. Vol. 53 (2): 323-342



The Influence of Work Discipline and Job Characteristics on Employee Performance Through Motivation as an Intervening Variable at Stikes Senior Medan

Amri Jamoris Sinaga¹⁾
Universitas Stikes Senior Medan¹⁾

Email : amrijamoris87@gmail.com

Abstract

This study aims to analyze the effect of work discipline, work environment, and competence on employee performance at Stikes Senior Medan. This research uses a quantitative approach with data collection techniques through interviews, observations, and distributing questionnaires. The research sample was taken using nonprobability sampling method, with the research population consisting of permanent foundation lecturers. Data analysis was carried out using various test tools, namely validity, reliability, classical assumptions, multiple linear regression, t-test, and F-test. The results showed that work discipline and competence have a positive but insignificant influence partially on employee performance. In contrast, the work environment has a positive and significant effect partially on performance. Simultaneously, the three variables (work discipline, work environment, and competence) are proven to have a positive and significant effect on employee performance.

Keywords: Performance, work discipline, work environment, competence.

INTRODUCTION

Human resources (HR) is an important component of management because humans are the main and important assets as movers and regulators of the company or organization. Very dependent on individuals and their people to achieve goals in accordance with the vision and mission of the organization. Every organization or company will always try to improve the performance of its employees. This is because improving performance is an important program because performance greatly affects the success of an organization or company (Ramadhan, MS, et al., 2022).

To support performance improvement in the education sector, STIKES Senior Medan plays an active role as a foundation involved in the health sector, training, technical guidance, as well as comparative studies or cooperation with other regions in Indonesia. The hope is to increase understanding and ultimately provide greater benefits to the community. To achieve organizational goals, a workforce that has high responsibility, dedication, integrity, and professionalism is required. Human resource management also has an important role in managing all aspects of human resources within the organization. Researchers have collected data directly in the field to find out directly the situation of employees at Stikes Senior Medan.

The results of the recapitulation of attendance every year for the past five years indicate that the percentage of absenteeism, tardiness and early departure of Stikes Senior Medan employees in 2020 to 2024 has increased every year. The highest annual percentage increase for employee absenteeism occurred in 2024, which amounted to 22.03% as well as for tardiness of 25.27% and early departure of 17.18%. This can be a benchmark to see the work discipline of senior field staff. The higher the level of absence, tardiness and early departure of employees, indicating that the level of employee satisfaction is still low.

Employee performance has decreased in 2022 based on the average assessment of all aspects. Stikes Senior Medan is a company engaged in education that focuses on health. In addition to these internal assessments, performance can also be assessed from public complaint data, which can be seen as follows:

According to Cashmere (2019: 189-93), there are several factors that affect performance, such as ability and expertise, knowledge, work design, personality, work motivation, leadership, leadership style, organizational culture, job satisfaction, work environment, loyalty, commitment, and work discipline. In an organizational context, important factors include work discipline, knowledge, and work environment. Work discipline refers to compliance with applicable laws and regulations, as well as the conformity of members' activities with work agreements within the organization where they work. Knowledge includes creativity in generating ideas and planning something that is in line with the organization's goals. A conducive and supportive work environment is also an important factor in an organization or agency. The presence of employees who care about the work environment not only affects personal comfort but also the ability to complete tasks effectively in accordance with the



targets set.

Discipline is the main foundation in achieving the goals of an organization. The implementation of discipline in an organization aims to ensure that all employees voluntarily and without pressure comply with applicable rules and regulations. A good level of discipline can be seen from the level of employee awareness in complying with existing regulations and laws. This includes responsibility for completing tasks, willingness to follow organizational norms and culture, and efforts to improve performance effectiveness and efficiency (Wahyu Eka Wijaya, Diah A. S., 2021). According to Hamali (2018),

Researchers focused the research topic on Civil Servants (PNS) of STIKES Senior Medan due to the limited time and resources available. They also intend to explain the research topic. This research only discusses Work Discipline, Job Characteristics, and Motivation because there are many other factors that can affect performance.

METHOD

The approach in this study is to use an associative approach, an associative approach is an approach where to find out that there is a relationship or influence between the two variables (independent variable and dependent variable). In this study, the independent variable X1 is Work Discipline, X2 is Job Characteristics, Z is Motivation and the dependent variable Y is Performance. The research was conducted from October 2023 to January 2024 at STIKES Senior Medan which is located at Jl. Jamin ginting.

The population and sample in this study were. The population in this study were all Civil Servants (PNS) at STIKES Senior Medan, which were recorded in October 2023, totaling 57 people. Due to the small population, the sampling technique in this study is a saturated sample, which means that the sample size uses the entire population. In this study, the number of samples used was 57 people.

In this study, researchers used primary data and secondary data. According to Sanusi (2011), the types and sources of data are divided into two, namely: Primary Data and Secondary Data. Primary data is data that is first recorded and collected by researchers. Primary data in this study were obtained through questionnaires. Secondary data is data that is already available and collected by other parties. Secondary data for this study were obtained through books and journals related to Work Discipline, Job Characteristics, Motivation and Performance.

The data collection techniques used in the research are Questionnaire, by making a list of questions in the form of a questionnaire addressed to employees and Documentation studies, by collecting company / agency data related to research needs.

RESULTS AND DISCUSSION

Description of Respondent Data

| No. | Age | Amount | Percentage |
|--------------|-------------|-----------|-------------|
| 1. | 20-30 Years | 4 | 6.2% |
| 2. | 31-40 Years | 20 | 30.8% |
| 3 | 41-50 Years | 35 | 53.8% |
| 4 | > 50 Years | 6 | 9.2% |
| Total | | 65 | 100% |

| No. | Gender | Amount | Percentage |
|--------------|--------|-----------|-------------|
| 1. | Male | 15 | 24,6% |
| 2. | Female | 50 | 75,4% |
| Total | | 65 | 100% |

| No. | Education Level | Amount | Percentage |
|-----|--------------------------------------|--------|------------|
| 1. | high school / vocational high school | 10 | 19,3% |



| | | | |
|--------------|-----------------|-----------|-------------|
| 2. | Diploma (1/2/3) | 7 | 7,0% |
| 3. | S1 | 45 | 68,4% |
| 4. | S2 | 3 | 5,3% |
| Total | | 65 | 100% |

| No. | Years of service | Amount | Percentage |
|--------------|------------------|-----------|-------------|
| 1 | < 5 Years | 6 | 3,5% |
| 2 | 5 – 10 Years | 9 | 8,7% |
| 3 | > 10 Years | 50 | 87,7% |
| Total | | 65 | 100% |

From the table above, it can be seen that the majority of respondents are 41-50 years old with 35 employees (53.8%). While the number of respondents aged 20-30 years was 4 employees (6.2%), the number of respondents aged 31-40 years was 20 employees (30.8%) and the number of respondents aged over 50 years was 6 employees (9.2%).

The majority of respondents were female with 45 employees (78.9%). While the number of male respondents was 12 employees (21.1%).

The majority of respondents have an undergraduate education totaling 39 employees (68.4%). Meanwhile, the number of respondents with high school / vocational high school education was 10 employees (19.3%), the number of respondents with Diploma (1/2/3) education was 4 employees (7.0%) and the number of respondents with S2 education was only 3 employees (5.3%).

The majority of respondents have a tenure of > 10 years, totaling 50 employees (87.7%). While the number of respondents who have a tenure of < 5 years is 2 employees (3.5%) and the number of respondents who have a tenure of 5 - 10 years is 5 employees (8.7%).

Validity and Reliability Test Results

Tabel 1. Validity Test

| Variable | Indicator | Questionnaire | r-count | Sig | Result |
|--------------------------------------|-----------|---------------|---------|-------|--------|
| Performance (Y) | 1 | Y1 | 0,547 | 0,014 | Valid |
| | 2 | Y2 | 0,555 | 0,020 | Valid |
| | 3 | Y3 | 0,562 | 0,043 | Valid |
| Work Discipline (X _i) | 1 | X1.1 | 0,566 | 0,044 | Valid |
| | 2 | X1.2 | 0,582 | 0,016 | Valid |
| | 3 | X1.3 | 0,554 | 0,015 | Valid |
| | 4 | X1.4 | 0,525 | 0,028 | Valid |
| | 5 | X1.5 | 0,547 | 0,019 | Valid |
| | 6 | X1.6 | 0,579 | 0,017 | Valid |
| | 7 | X1.7 | 0,541 | 0,015 | Valid |
| | 8 | X1.8 | 0,586 | 0,039 | Valid |
| | 1 | X2.1 | 0,465 | 0,030 | Valid |



| | | | | | |
|---------------------------------------|---|------|-------|-------|-------|
| Job characteristics (X ₂) | 2 | X2.2 | 0,546 | 0,037 | Valid |
| | 3 | X2.3 | 0,542 | 0,015 | Valid |
| | 4 | X2.4 | 0,578 | 0,020 | Valid |
| | 5 | X2.5 | 0,595 | 0,023 | Valid |
| Motivation (Z) | 1 | Z1 | 0,598 | 0,015 | Valid |
| | 2 | Z2 | 0,558 | 0,044 | Valid |
| | 3 | Z3 | 0,596 | 0,013 | Valid |
| | 4 | Z4 | 0,542 | 0,038 | Valid |
| | 5 | Z5 | 0,552 | 0,036 | Valid |

Source : Primary Data Processed, 2023

Based on the validity test of the research instrument in the table above, it can be seen that all statement items are declared valid with the provisions of the comparison of the t-count values obtained > 0.364 and sig < 0.05. Thus the research instrument in this study can be used as a whole in the next test.

Table 2. Reliability Test

| Research Variables | Conbrach's Alpha | Result |
|---------------------------------------|------------------|----------|
| Performance (Y) | 0,839 | Reliabel |
| Work Discipline (X ₁) | 0,773 | Reliabel |
| Job characteristics (X ₂) | 0,866 | Reliabel |
| Motivation (Z) | 0,786 | Reliabel |

Source : Primary Data Processed, 2023

The reliability value of the instrument above shows the level of reliability of the research instrument which is sufficient, indicated by the Conbrach's Alpha value > 0.6. It can be concluded that the statement items of each variable have explained or provided an overview of the variables studied.

Descriptive Statistical Analysis

The analysis used in this study is descriptive analysis, namely to describe the respondents' perceptions of the statement items submitted. The respondent's answer number starts from numbers 1 to 5 in each questionnaire statement of the research variable, namely Work Discipline, Job Characteristics, Motivation and Performance which is a description of the respondent's answer, namely STIKES Senior Medan employees. Determination of the interval class applied to all variables of the lowest value of the scale is 1 and the highest value of the scale is 5. The class interval is $(5-1)/5 = 0.8$. The class division can be seen in the following table:

Table 3. Average Class Division of Respondents' Answers

| Average Value Range | Class/Category |
|---------------------|------------------------|
| 4,21 – 5,00 | Very High/very good |
| 3,41 – 4,20 | High/Good |
| 2,61 – 3,40 | Medium/Neutral |
| 1,81 – 2,60 | Low/Not Good |
| 1,00 – 1,80 | Very Low/Very Not Good |

Information :

- Number of Class Intervals (k) : 5
- Maximum Score : 5
- Minimum Score : 1
- Data Range : 4

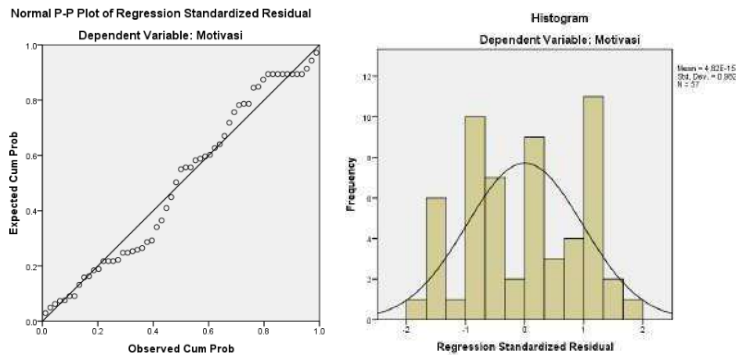


- Class Interval (i) : 0,8

Classic Assumption Test
Normality Test

The data normality test used in this study was carried out with the normality plot test by looking at the P-Plot graph. The basis for decision making is if the data spreads around the diagonal and follows the direction of the diagonal line, then the path model fulfills the assumption of normality. The results of the normality test carried out are shown in the following figure:

Model I



Results of Normality Test
Sub Model I

Histogram Sub Model I

Based on the normal plot graph on the left, it can be concluded that the data spreads around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed.

Similarly, the results of the histogram graph in the figure on the right show that the residual data is normally distributed as seen from the almost perfect bell-shaped image (symmetrical).

Table 4. Results of the Non-Parametric Kolmogorov-Smirnov (K-S) Test Sub

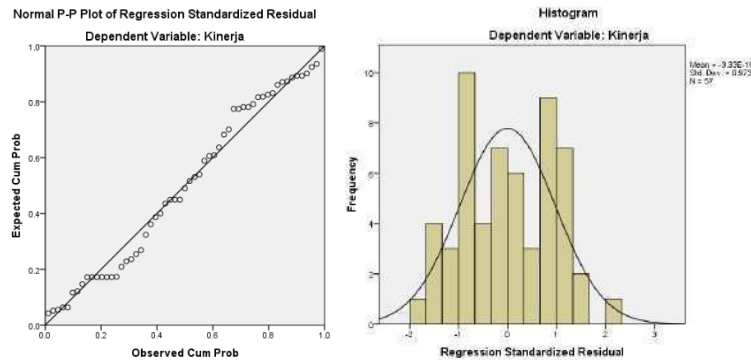
One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 57 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | .39833048 |
| Most Extreme Differences | Absolute | .115 |
| | Positive | .115 |
| | Negative | -.095 |
| Test Statistic | | .115 |
| Asymp. Sig. (2-tailed) | | .059 |

a. Test distribution is Normal.
b. Calculated from data.

Based on the data in Table 15, the Asymp. Sig. (2-tailed) value of 0.059. Because the value of Asymp. Sig. (2-tailed) is greater than 0.05, it can be concluded that the regression model fulfills the assumption of normality.

Model II



Results of Normality Test
Sub Model II

Histogram Sub Model II

By looking at the normal plot graph display on the left, it can be concluded that the data spreads around the diagonal line and follows the direction of the diagonal line. This shows that the residual data is normally distributed.

Similarly, the results of the histogram graph in the figure above show that the residual data is normally distributed as seen from the almost perfect bell-shaped image (symmetrical).

Table 5. Kolmogrov-Smirnov (K-S) Non-Parametric Statistical Test Results Sub

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 57 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | .56432982 |
| Most Extreme Differences | Absolute | .114 |
| | Positive | .097 |
| | Negative | -.114 |
| Test Statistic | | .114 |
| Asymp. Sig. (2-tailed) | | .072 |

Test distribution is Normal.

a. Calculated from data.

Based on the data in Table 5, the Asymp. Sig. (2-tailed) value of 0.062. Because the value of Asymp. Sig. (2-tailed) is greater than 0.05, it can be concluded that the regression model fulfills the assumption of normality.

Multicollinearity Test

Multicollinearity is a condition in which there is a significant correlation between the independent variables. If there is relatively perfect multicollinearity, then the interpretation through least squares becomes indeterminate and the variance and standard deviation become undefined. This leads to increased deviations regarding the accuracy of the independent variables in explaining the dependent variable.

Table 6. Multicollinearity Test Sub Model I
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|--------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-----|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 19.296 | 1.070 | | 18.035 | .000 | | |



| | | | | | | | |
|---------------------|------|------|------|-------|------|------|-------|
| Work Discipline | .088 | .025 | .379 | 3.512 | .001 | .995 | 1.005 |
| Job characteristics | .136 | .032 | .455 | 4.215 | .000 | .995 | 1.005 |

a. Dependent Variable: Motivasi

Source : Primary Data Processed, 2023

The results of multicollinearity testing can be seen that the VIF and tolerance values are as follows: The Work Discipline variable (X1) has a VIF value of 1.005 and a tolerance of 0.995. The Job Characteristics variable (X2) has a VIF value of 1.005 and a tolerance of 9.995. From these provisions that if the VIF value < 10 and tolerance > 0.10 , there are no symptoms of multicollinearity and the values obtained from the calculation are in accordance with the provisions of the VIF and tolerance values, it can be concluded that there is no multicollinearity so that the model has met the requirements for classical assumptions in regression analysis.

Table 7. Multicollinearity Test Sub Model II

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | .932 | 4.055 | | .230 | .819 | | |
| Work Discipline | .132 | .040 | .435 | 3.306 | .002 | .810 | 1.235 |
| Job characteristics | .059 | .053 | .153 | 2.116 | .009 | .749 | 1.336 |
| Motivation | .739 | .195 | .568 | 3.798 | .000 | .625 | 1.599 |

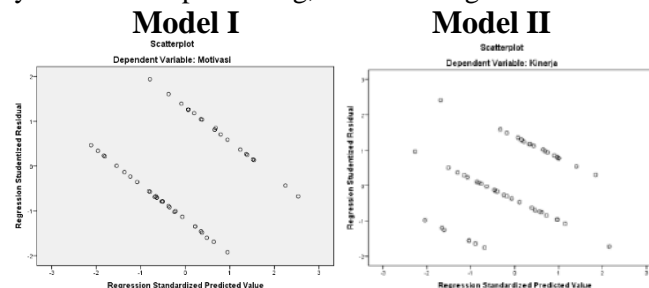
a. Dependent Variable: Kinerja

Source : Primary Data Processed, 2023

The results of multicollinearity testing can be seen that the VIF and tolerance values are as follows: The Work Discipline variable (X1) has a VIF value of 1.235 and a tolerance of 0.810. The Job Characteristics variable (X2) has a VIF value of 1.336 and a tolerance of 0.749. The Motivation variable has a VIF value of 1.599 and a tolerance of 0.625. From these provisions that if the VIF value < 10 and tolerance > 0.10 , there are no symptoms of multicollinearity and the values obtained from the calculation are in accordance with the provisions of the VIF and tolerance values, it can be concluded that the independent variables do not occur multicollinearity so that the model has met the requirements for classical assumptions in regression analysis.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the path model there is an inequality of variance from the residuals of one observation to another. If the variance of the residuals of one observation to another observation is constant, it is called homoscedasticity, otherwise if it is different it is called heteroscedasticity. With SPSS processing, the following results were obtained:



The scatterplots graph in Model I shows that the points spread randomly and are spread both above and below the number 0 on the Y axis and do not form a certain regular pattern, it can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded overall that the regression model meets the requirements of the classical assumption test.

The scatterplots graph in Model II shows that the points spread randomly and are spread both



above and below the number 0 on the Y axis and do not form a certain regular pattern, it can be concluded that there is no heteroscedasticity in the regression model. So it can be concluded overall that the regression model meets the requirements of the classical assumption test.

In addition, the basis for decision making in the heteroscedasticity test can be done using the Glejser test, namely by comparing the resulting significance value. If the significance value > 0.05 , then there is no heteroscedasticity, but if the significance value < 0.05 , then heteroscedasticity occurs.

Table 8. Results of the Glejser Test Sub Model I
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -.300 | .516 | | -.581 | .564 |
| Work Discipline | .018 | .012 | .196 | 1.465 | .149 |
| Job characteristics | .003 | .016 | .030 | .221 | .826 |

a. Dependent Variable: Abs_Res1

Tabel 9. Hasil Uji Glejser Sub Model II
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | -1.894 | 2.019 | | -.938 | .353 |
| Work Discipline | -.001 | .020 | -.007 | -.045 | .964 |
| Job characteristics | .054 | .026 | .311 | 2.040 | .146 |
| Motivation | .069 | .097 | .118 | .708 | .482 |

a. Dependent Variable: Abs_Res2

The results of the Heteroscedasticity Test with the Glejser Method can be seen in the following table. Based on the data in Table 8, obtained sig value. > 0.05 , it can be concluded that heteroscedasticity does not occur.

Based on the data in Table 9, obtained sig value. > 0.05 , it can be concluded that heteroscedasticity does not occur.

Hypothesis Test

The hypothesis states that Work Discipline (X1) and Job Characteristics (X2) have a positive and significant effect on Motivation (Z). The following are the results of the t-test calculation for each variable:

Table 10. Hasil Uji t Sub Model I
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 19.296 | 1.070 | | 18.035 | .000 |
| Work Discipline | .088 | .025 | .374 | 3.612 | .001 |
| Job Characteristic | .136 | .032 | .456 | 5.115 | .000 |

a. Dependent Variable: Motivasi

Source : Primary Data Processed, 2023

In the table, the t statistical test is obtained as follows:

1. Work Discipline variable (X1) with a t-count value (3.612) $>$ t-table (2.005) with a significance probability level (Sig) of 0.001 (< 0.05). This shows that Work Discipline has a significant effect on the Motivation variable.
2. Variable Job Characteristics (X2) with a t-count value (5.115) $>$ t-table (2.005) with a significance probability level (Sig) of 0.000 (< 0.05). This shows that Job Characteristics have a significant effect on the Motivation variable.



Thus, the path analysis equation can be arranged as follows:
 $Z = 19.296 + 0,088 X_1 + 0,136 X_2$

The analysis equation model means:

- 1.The constant value is 19.296 which means that if the independent variables, namely Work Discipline (X1), and Job Characteristics (X2) are equal to zero, then Motivation (Z) is 19.296.
- 2.The regression coefficient value $X_1 = 0.088$ indicates that if Work Discipline increases by 100%, it will increase Motivation by 8.8%.
- 3.The regression coefficient value $X_2 = 0.136$ shows that if Job Characteristics increase by 100%, it will increase Motivation by 13.6%.

Table 11. Results of the t-test for Sub Model II
Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|--------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .932 | 4.055 | | .230 | .819 |
| | Work discipline | | | | | .002 |
| | | .132 | .040 | .435 | 3.207 | |
| | Job characteristic | | | | | .009 |
| | | .059 | .053 | .153 | 2.126 | |
| | Motivation | | | | | .000 |
| | | .739 | .195 | .568 | 3.693 | |

a. Dependent Variable: Kinerja

Source : Primary Data Processed, 2023

In the table, the t statistical test is obtained as follows:

1. The Work Discipline variable (X1) has a t-count value (3.207) > t-table (2.006) with a significance probability level (Sig) of 0.002 (<0.05). This shows that Work Discipline has a significant effect on the Performance variable.
2. The Job Characteristics variable (X2) has a t-count value (2.116) > t-table (2.006) with a significance probability level (Sig) of 0.009 (<0.05). This shows that Job Characteristics have a significant effect on the Performance variable.
3. The Motivation variable (Z) has a t-count value (3.798) > t-table (2.006) with a significance probability level (Sig) of 0.000 (<0.05). This shows that Motivation has a significant effect on the Performance variable.

Thus the path analysis equation can be arranged as follows:

$$Y = 0,932 + 0,132X_1 + 0,059X_2 + 0,739Z$$

The analysis equation model means:

- 1.The constant value is 0.932 which means that if the independent variables, namely Work Discipline (X1), Job Characteristics (X2) and Motivation (Z) are equal to zero, then Performance (Y) is 0.932.
2. The regression coefficient value $X_1 = 0.132$ indicates that if Work Discipline increases by 100%, it will increase Performance by 13.2%.
3. The regression coefficient value $X_2 = 0.059$ indicates that if Job Characteristics increase by 100%, it will increase Performance by 5.9%.
4. The regression coefficient value $Z = 0.739$ shows that if Motivation increases by 100%, it will increase Performance by 73.9%

Model I

Referring to the regression output of Sub Model I, it can be seen that the probability value of significance (Sig) of the two variables, namely Work Discipline (X1) = 0.001 and Job Characteristics (X2) = 0.000. These results provide a conclusion that the regression of Sub Model I, namely the Work Discipline variable (X1) has a significant effect on Motivation (Z), and the Job Characteristics variable (X2) has a significant effect on Motivation (Z).

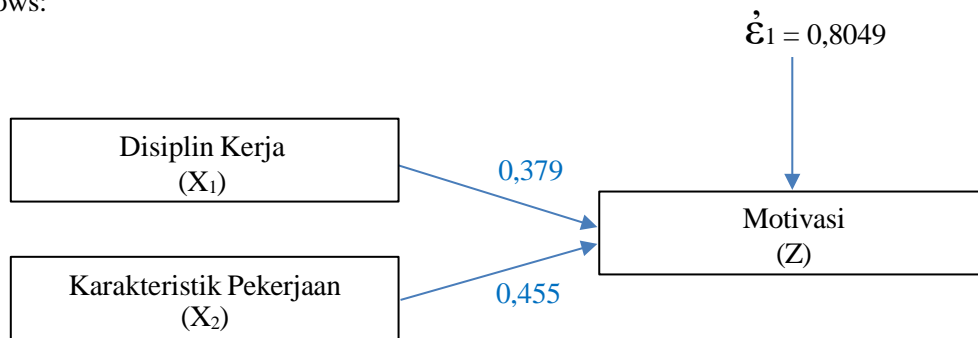


The amount of R2 or R-square value contained in table 12.

Table 12. Model Summary Test Results Sub Model I
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1 | .612 | .375 | .352 | .406 |

The data above shows that the contribution or contribution of the influence of the Work Discipline (X1) and Job Characteristics (X2) variables on the Motivation (Z) variable is 35.2%, while the remaining 64.8% is the contribution of other variables not included in the study. Meanwhile, the value of $\hat{\epsilon}_1$ can be found by the formula $\hat{\epsilon}_1 = \sqrt{(1-0.352)} = 0.8049$. Thus, the path diagram of structure model I is obtained as follows:



$$Z = 19.296 + 0,088 X_1 + 0,136 X_2$$

Sub Model I Path Diagram

Model II

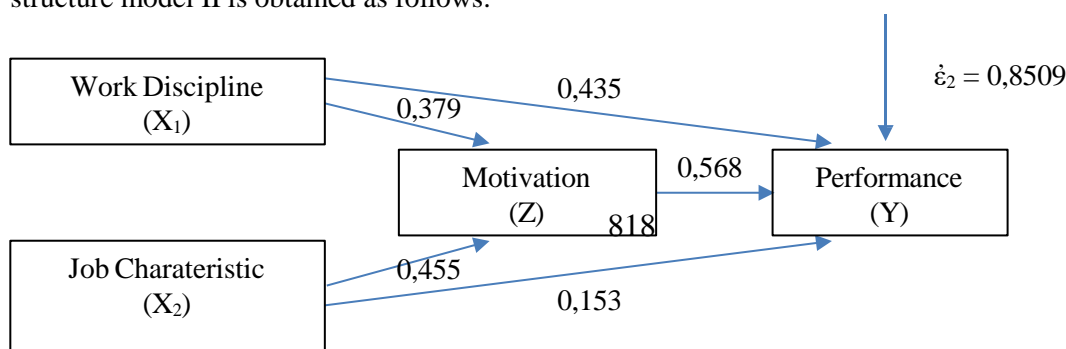
Referring to the regression output of Sub Model II, it can be seen that the significance probability value (Sig) of the Work Discipline variable (X1) is 0.002, Job Characteristics (X2) is 0.269 and Motivation (Z) is 0.000. These results provide the conclusion that the regression of Sub Model II, namely the Work Discipline variable (X1) has a significant effect on Performance (Y), the Job Characteristics variable (X2) has a significant effect on Performance (Y) and the Motivation Variable (Z) has a significant effect on Performance (Y).

The amount of R2 or R-square value contained in table 13.

Table 13. Results of the Model Summary Test Sub Model II
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1 | .508 | .258 | .216 | .580 |

The data above shows that the contribution or contribution of the influence of the Work Discipline variable (X1), Job Characteristics (X2) and Motivation (Z) to the Performance variable (Y) is 21.6%, while the remaining 78.4% is the contribution of other variables not included in the study. Meanwhile, the value of $\hat{\epsilon}_1$ can be found by the formula $\hat{\epsilon}_1 = \sqrt{(1-0.216)} = 0.8509$. Thus, the path diagram of structure model II is obtained as follows:





$$Y = 0,932 + 0,132X_1 + 0,059X_2 + 0,739Z$$

Sub Model II Path Diagram

The results of the analysis show that the direct effect given by Work Discipline (X1) on Performance (Y) is 0.435 While the indirect effect of Work Discipline (X1) on Performance (Y) through Motivation (Z), namely $0.379 \times 0.568 = 0.215$. Then the total effect given by the Work Discipline variable (X1) on Performance (Y) is the direct effect plus the indirect effect, namely $0.435 + 0.215 = 0.650$. Based on the results of the above calculations, it can be seen that the direct effect value is 0.435 and the indirect effect is 0.215, which means that the direct effect value is greater than the indirect effect value. These results indicate that indirectly the Work Discipline variable (X1) through Motivation (Z) has a significant influence on Work Discipline (Y).

The analysis results show that the direct effect given by Job Characteristics (X2) on Performance (Y) is 0.153. While the indirect effect of Job Characteristics (X2) on Performance (Y) through Motivation (Z), namely $0.455 \times 0.568 = 0.258$. Then the total effect given by the Job Characteristics variable (X2) on Performance (Y) is the direct effect plus the indirect effect, namely $0.135 + 0.258 = 0.393$. Based on the results of the above calculations, it can be seen that the direct effect value is 0.135 and the indirect effect is 0.393, which means that the direct effect value is smaller than the indirect effect value. These results indicate that indirectly the variable Job Characteristics (X2) through Motivation (Z) has a significant effect on Performance (Y).

Table 14. Total Influence Value

| No. | Influence | Direct Influence | Indirect Influence | Pengaruh Total |
|-----|-----------------------------------|------------------|------------------------------|----------------|
| 1 | Work Discipline → Performance | 0,435 | $0,379 \times 0,568 = 0,215$ | 0,650 |
| 2 | Job Charaacteristic → Performance | 0,153 | $0,455 \times 0,568 = 0,258$ | 0,393 |

Sobel Test

Sobel test is used to determine Hypothesis 6 and Hypothesis 7. The Sobel test is conducted to test the strength of the indirect effect of the Work Discipline and Job Characteristics variables on the Performance variable through the Motivation variable.

To see the indirect effect, it can be done with a test tool, namely using the available Calculation for the Sobel Test by entering the original sample and standard error of each independent variable on the dependent variable if there is a mediator and without a mediator. With the criteria if the Sobel test statistic ≥ 1.96 with significance < 0.05 , then the variable can be said to be able to mediate between the independent variable and the dependent variable.

Table 15. Sobel Test Results

| Variable | Unstandardized | Std. Error | Test Statistic | Std. Error | P-Value |
|--|----------------|-------------------------|----------------|------------|---------|
| Work Discipline towards Motivation | 0,096 (a) | 0,029 (S _a) | 2.577 | 0.024 | 0.015 |
| Motivation towards Performance | 0,631 (b) | 0,169 (S _b) | | | |
| Job Characteristics towards Motivation | 0.144 (a) | 0.035 (S _a) | 2.075 | 0.032 | 0.038 |
| Motivation towards Performance | 0.462 (b) | 0.191 (S _b) | | | |



Source: Data Processed with Calculation for the Sobel Test, 2023

From Table 15 above, the test statistic value of the effect of Work Discipline on Performance through Motivation as an intervening variable has a test statistic value of $2.077 > 1.96$ with a significance of $0.013 < 0.05$, which means Hypothesis 6 is accepted where Motivation is able to mediate the effect of Work Discipline on Performance.

The test statistic value of the effect of Job Characteristics on Performance through Motivation as an intervening variable has a test statistic value of $2.075 > 1.96$ with a significance of $0.032 < 0.05$, which means Hypothesis 7 is accepted where Motivation is able to mediate the effect of Job Characteristics on Performance.

Discussion

The effect of Work Discipline on Motivation

The Work Discipline variable has a positive and significant effect on Motivation at STIKES Senior Medan. The Work Discipline variable has a regression coefficient value of 0.088 and has a unidirectional effect, which means that if Work Discipline increases by 100%, it will increase the Motivation of Senior STIKES Medan employees by 8.8%.

The effect of Job Characteristics on Motivation

The Job Characteristics variable has a positive and significant effect on Motivation at STIKES Senior Medan. The Job Characteristics variable has a regression coefficient value of 0.136 and has a unidirectional effect, which means that if the Job Characteristics increase by 100%, it will increase the Motivation of Senior STIKES Medan employees by 13.6%.

The effect of Work Discipline on Performance

The Work Discipline variable has a positive and significant effect on performance at STIKES Senior Medan. The Work Discipline variable has a regression coefficient value of 0.132 and has a unidirectional effect, which means that if Work Discipline increases by 100%, it will increase the performance of Senior STIKES Medan employees by 13.2%.

The Effect of Job Characteristics on Performance

The Job Characteristics variable has a positive and significant effect on performance at STIKES Senior Medan. The Job Characteristics variable has a regression coefficient value of 0.059 and has a unidirectional effect, which means that if the Job Characteristics increase by 100%, it will increase the performance of STIKES Senior Medan employees by 5.9%.

The Effect of Motivation on Performance

Motivation variable has a positive and significant effect on performance at STIKES Senior Medan. The Motivation variable has a regression coefficient value of 0.739 and has a unidirectional effect, which means that if Motivation increases by 100%, it will increase the performance of Senior STIKES Medan employees by 37.9%.

The Effect of Work Discipline on Performance through Motivation

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.477 > 1.96$ with a significance of $0.013 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Work Discipline on Performance. Thus it can be said that the effect of Work Discipline will be greater to improve Performance if done through Motivation.

The Effect of Job Characteristics on Performance through Motivation

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.085 > 1.96$ with a significance of $0.037 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Job Characteristics on Performance. Thus it can be said that the effect of Job Characteristics will be greater in improving Performance if done through Motivation

CONCLUSION

Conclusion

Based on the results of research and analysis of the effect of Work Discipline and Job Characteristics on employee performance at the Regency Regional Revenue Agency with motivation as an intervening variable, it can be concluded as follows:



1. Work discipline has an influence on motivation at Senior STIKES Medan.
2. Job characteristics affect motivation at Senior STIKES Medan.
3. Work discipline has an influence on performance at Senior STIKES Medan.
4. Job characteristics affect performance at Senior STIKES Medan.
5. Motivation has a significant influence on performance at Senior STIKES Medan.
6. Work discipline affects performance through motivation as an intervening variable at Senior STIKES Medan.
7. Job characteristics affect performance through motivation as an intervening variable at STIKES Senior Medan.

DAFTAR PUSTAKA

- AA. Anwar Prabu Mangkunegara. 2013. *Manajemen Sumber Daya Manusia Perusahaan*. Bandung: Remaja Rosdakarya.
- Afandi, P. 2016. *Manajemen Sumber Daya Manusia, Teori, Konsep dan Indikator Cetakan ke-1*. Riau: Zanafa Publishing.
- Alden Nelson, A., Lim, J., Setyawan, A. 2022. Analisis Pengaruh Karakteristik Pekerjaan Terhadap Kinerja Karyawan Melalui Mediasi Motivasi Karyawan Pada Karyawan Industri Manufaktur Di Batam. *Jurnal Ilmiah Bisnis dan Ekonomi Asia*, 16(1), 109-119.
- Ananda, S.S., Sunuharyo, B.S. 2018. Pengaruh Karakteristik Individu Dan Karakteristik Pekerjaan Terhadap Kinerja Karyawan Dengan Variabel Mediator Motivasi Kerja Karyawan (Studi Pada Karyawan Pt Petrokimia Gresik). *Jurnal Administrasi Bisnis*, 58(1)
- Anggrainy, I.F., Darsono, N., Putra, T.R.I. 2018. Pengaruh Fasilitas Kerja, Disiplin Kerja Dan Kompensasi Terhadap Motivasi Kerja Implikasinya Pada Prestasi Kerja Pegawai Negeri Sipil Badan Kepegawaian Pendidikan Dan Pelatihan Provinsi Aceh. *Jurnal Magister Manajemen*, 2(1), 1-10.
- Astutik, M., Priantono, S. 2020. Pengaruh Karakteristik Pekerjaan Terhadap Kinerja Karyawan dan Kepuasan Kerja Dengan Variabel Moderator Budaya Kerja Pada Badan Keswadayaan Masyarakat (BKM) di Kota Probolinggo. *Jurnal Manajemen*, 17(1), 81-97.
- Bambang Heri Purwanto, B. H., Soliha, E. 2017. Pengaruh Karakteristik Pekerjaan Dan Kompetensi Terhadap Kinerja Melalui Komitmen Organisasional. *Jurnal Manajemen*, 21(2), 227-240.
- Dewi, D. P., & Harjoyo. 2019. *Manajemen Sumber Daya Manusia*. In E. Junaedi (Ed.1, Issue 1). UNPAMPress.
- Ekhsan, M. 2019. Pengaruh Motivasi dan Disiplin Kerja terhadap Kinerja Karyawan. *Optimal: Jurnal Ekonomi dan Kewirausahaan*, 13(1), 1-13.
- Elbadiansyah. 2019. *Manajemen Sumber Daya Manusia*. Cetakan Kesatu. Malang: IRDH.
- Fahmi. 2017. *Analisis Kinerja Manajemen*. Edisi Ke-1. Bandung: CV Alfabeta.
- Ghozali, I. 2016. *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23*. Edisi 8. Semarang: Badan Penerbit Universitas Diponegoro.
- Gunastri, Ni Made. 2013. Karakteristik Individu, Karakteristik Pekerjaan, Karakteristik Organisasi, Motivasi Kerja dan Kinerja Karyawan. *Jurnal Manajemen*. 7(1), 1-13.
- Hackman, J.R. & Oldham, G.R. 1975. Development of the job diagnostic survey. *Journal of Applied Psychology*, 60,161-172.
- Hajati, D, I., Artiningsih, D. W., Wahyuni, N. 2018. Pengaruh Karakteristik Individu, Karakteristik Pekerjaan Dan Karakteristik Organisasi Terhadap Kinerja Pegawai (Studi Pada Politeknik Kotabaru). *Jurnal Bisnis dan Pembangunan*, 7(1), 1-10.
- Hamali, A. Y. 2018. *Pemahaman Sumber Daya Manusia*. Yogyakarta: PT Buku Seru.
- Hasibuan, Malayu S.P. 2016. *Manajemen Sumber Daya Manusiass*. Edisi Revisi. Jakarta: Penerbit PT Bumi Aksara.
- Jatmiko, Andrie, 2011. Pengaruh Karakteristik Pekerjaan dan Budaya Kerja Terhadap Kepuasan Kerja Karyawan Pada Koperasi Nusantara Kantor Unit Soreang. Skripsi: Program Strata-1 Ekonomi



- Departemen Manajemen Universitas Pasundan: Bandung.
- Jufrizen, Hadi, F.P. 2021. Pengaruh Fasilitas Kerja dan Disiplin Kerja Terhadap Kinerja Karyawan Melalui Motivasi Kerja. *Jurnal Sains Manajemen*, 7(1), 35-54.
- Kasmir. 2016. *Manajemen Sumber Daya Manusia (Teori Dan Praktik)*. Jakarta: PT Raja Grafindo Persada.
- Khasanah, N. 2016. Analisis Disiplin Kerja Pegawai Pada Kantor Camat Raya Kota Pekanbaru. *Jom fisip*, 3(1), 1-16.
- Mangkunegara, A.A. (2017). *Manajemen Sumber Daya Manusi Perusahaan*. Bandung: Remaja Rosdakarya.
- Morissan. 2014. *Metode Penelitian Survei*. Jakarta: Kencana Prenadamedia Group.
- Prasetyo, D. N. 2019. Pengaruh Motivasi Kerja, Lingkungan Kerja, Kepemimpinan, Dan Budaya Kerja Terhadap Kinerja Pegawai Pada Dinas Perhubungan Kabupaten Gresik. Universitas Muhammadiyah Gresik. <http://eprints.umg.ac.id/3235/>.
- Prasetyo, E.T., Marlina, P. 2019. Pengaruh Disiplin Kerja dan Kepuasan Kerja Terhadap Kinerja Karyawan. *Jurnal Inspirasi Bisnis dan Manajemen*, 3(1), 21-30.
- Priyatno, D. 2014. *SPSS 22: Pengolahan Data Terpraktis*. Yogyakarta: Andi Offset.
- Rahayu, S. 2013. *Aplikasi Metode Trimming Pada Analisis Jalur Dalam Penentuan Model Kausal Loyalitas Pelanggan Toserba X*, Skripsi; Universitas Pendidikan Indonesia.
- Rizki, A., Suprajang, S., E. 2017. Analisis Kedisiplinan Kerja dan Lingkungan Kerja Terhadap Kinerja Pada Karyawan PT Griya Asri Mandiri Blitar. *Jurnal Penelitian Manajemen Terapan (PENATARAN)*, 2(1), 49-56.
- Robbins, Stephen P. dan Judge, Timoty A, 2009. *Perilaku Organisasi, Buku 1, Edisi 12*. Jakarta: Salemba Empat.
- Rofi, K. 2021. Pengaruh Motivasi, Insentif, Dan Pelatihan Terhadap Kinerja Karyawan Di PT. AZ-ZAHRA Cakrawala Nusantara Malang. STIE Malangkucecwara. <https://repository.stie-mce.ac.id/1352/>
- Rst, R., Lahat M.A., Susilowat I.H. 2019. Pengaruhdisiplin Kerja Terhadap Motivasi Karyawan Pada Pt Trisentosa Adhirajasa Jakarta. *Jurnal Akrab Juara*, 4(4), 178-193.
- Sanusi, A. 2011. *Metode Penelitian Bisnis*. Jakarta: Salemba Empat.
- Singodimedjo. 2018. *Manajemen Sumber Daya Manusia, Disiplin Kerja*. In Sutrisno. Jakarta: Kencana.
- Sugiyono. 2018. *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: CV Alfabeta.
- Sutrisno, E. 2011. *Manajemen Sumber Daya Manusia*. Jakarta: Kencana.
- Sutrisno, E. 2016. *Manajemen Sumber Daya Manusia*. Cetakan Kedelapan. Jakarta: Prenadamedia Group.
- Syafrina, N. 2017. Pengaruh Disiplin Kerja Terhadap Kinerja Karyawan Pada PT. Suka Fajar Pekanbaru. *Eko dan Bisnis: Riau Economic and Business Review*, 8(4), 1-12.
- Siregar, S.F., Dewi, M., Akbar, A. 2023. Pengaruh Karakteristik Individu dan Karakteristik Pekerjaan terhadap Motivasi Kerja Perawat Rumah Sakit Umum Haji Medan. *Journal of Economics & Management*. 2(3), 1-9
- Torang, S. 2014. *Organisasi dan Manajemen*. Bandung: CV Alfabeta.
- Tyas, R.D., Suharyono, B.S. 2018. Pengaruh Disiplin Kerja Dan Lingkungan Kerja Terhadap Kinerja Karyawan (Studi Pada Karyawan PT. Pertamina (Persero) Refinery Unit IV Cilacap). *Jurnal Administrasi Bisnis*, 62(1)



THE INFLUENCE OF WORK EXPERIENCE AND ORGANIZATIONAL COMMITMENT ON EMPLOYEE PERFORMANCE THROUGH MOTIVATION AS AN INTERVENING VARIABLE AT THE POPULATION AND CIVIL REGISTRATION OFFICE OF LABUHANBATU DISTRICT.

Natalia, Junita Afriani, Nagian Toni, Fenny Krisna Marpaung
Universitas Prima Indonesia

ABSTRACT

This study aims to determine whether Work Experience and Organizational Commitment affect Performance through Motivation as an intervening variable in employees of the Population and Civil Registration Office of Labuhanbatu Regency. The population of this study was 33 people with the sampling technique in the form of saturated samples. Data collection techniques using primary data in the form of questionnaires and secondary data through documentation studies. Data analysis techniques using quantitative data processed with the SPSS version 25 program, namely the t test, sobel test and path analysis. The results in this study indicate 1) there is a positive and significant influence between Work Experience on Motivation, 2) there is a positive and significant influence between Organizational Commitment on Motivation, 3) there is a positive and significant influence between Work Experience on Performance, 4) there is a positive and significant influence between Organizational Commitment on Performance, 5) there is a positive and significant influence between Motivation on Performance, 6) there is an influence between Work Experience on Performance through Motivation as an intervening variable, 7). There is an influence between Organizational Commitment on Performance through Motivation as an intervening variable.

Keywords: Performance, Organizational Commitment, Motivation, Work Experience.

INTRODUCTION

The development of the global economy has made changes to the business environment in the company, including a shift that is characterized by increased employee performance in the company. Improving employee performance is inseparable from human resource management, in addition to other important factors such as assets and capital. according to Moeheriono (2010: 113). Every company is required to continuously improve the quality of its human resources. Quality human resources are human resources who have good skills, abilities, knowledge and attitudes at work. With good and professional human resource management arrangements by the company, it is hoped that employees will be able to work professionally as well in carrying out their duties and obligations. The achievement of organizational goals depends on the good and bad performance of employees. Performance is a view of the level of achievement of the implementation of an activity program or policy to realize the goals, objectives, vision and mission of a company or organization as outlined through strategic planning. Employees with good performance can carry out the tasks assigned to them, understand the relationship between their work and the tasks of others, understand the



company's targets, and are able to overcome the difficulties faced in carrying out their duties. One of the factors that can affect employee performance is work experience. Work experience is obtained in employees who have had more working hours which are expected to have a variety of experiences in solving various problems (Rahmawati, 2016). Apart from experience, the factor that affects employee performance is organizational commitment. According to Robbins (2008), organizational commitment is when an employee has a tendency to side with a particular organization and has a goal to remain a member of that organization. Effective and directed use of labor is the key to improving employee performance. Efforts to create good employee performance are not easy, because in reality there are still many workers who have not mastered their management skills and expertise in their work. The cause, among others, is a lack of work experience. As a result of this incident, the company must provide teaching staff to train these employees so that these employees understand and understand every job they will do where this will take time and money. Another problem that also often arises in companies besides work experience is the educational background of an employee in a company.

Therefore, the researcher raised the title "**The Effect of Work Experience and Organizational Commitment on Employee Performance Through Motivation as an Intervening Variable at the Population and Civil Registration Office of Labuhanbatu Regency.**"

LITERATURE REVIEW

According to Wibowo (2017), performance is about doing work and the results achieved from that work. According to Rachmawati (2017), performance is the real behavior shown by employees as work performance produced by employees in accordance with their role in an organization. According to Yulianto (2020) there are five indicators used to measure the performance of an employee, these indicators are Quality, Quantity, Timeliness, Effectiveness and Independence.

According to Notoatmojo in Saparwati (2012). Experience is an observation that is a combination of sight, smell, hearing and past experience. According to Sutrisno (2010), work experience is a basis or reference for an employee to be able to place himself in the right conditions, dare to take risks, be able to face challenges with full responsibility and be able to communicate well with various parties to maintain productivity, performance and produce competent individuals in their fields.

According to Foster (2011), work experience indicators are Length of Time / Period of Work, Lack of Skills and Mastery of Work and Equipment.

According to Luthans (2006), organizational commitment is a strong desire to remain as a member of a particular organization, the desire to try hard in accordance with the wishes of the organization, as well as certain beliefs and acceptance of organizational values and goals. In other words, it is an attitude that reflects employee loyalty to the organization and the ongoing process by which organizational members express their concern for the organization and its continued success and progress. According to Kreitner and Kinicki (2014), there are three indicators of organizational commitment, namely: Affective Commitment, Continuing Commitment and Normative Commitment.

According to Sutrisno (2016), motivation is a result of a person's interaction with certain situations he faces. For this reason, there are differences in the strength of motivation shown by a person in facing the same situation. In fact, a person will show certain encouragement in dealing with different situations and at different times. According to Sedarmayanti (2015), work motivation indicators are as follows: *Salary*, *Supervision*, *Working relationship*, *Recognition* and *Achievement*.

Based on research conducted by Umbu Tagela, Herry Sanoto, and Mila Chrismawati Paseleng (2023) with the title *Correlation of Work Experience, Welfare with Work Motivation of Private High School Teachers*, the



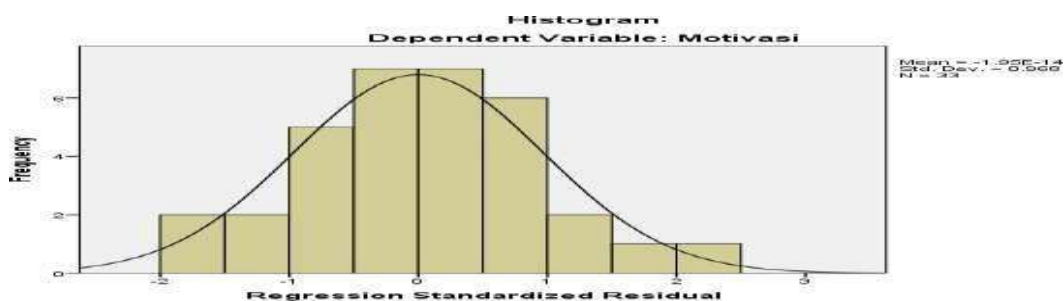
research results show that there is a significant relationship between work experience and work motivation. Based on research conducted by Sholihat Seftiani, Afridha Sesrita, and Irman Suherman (2020) with the title The Effect of Teacher Professionalism on the Motivation of Public Elementary School Students, the research results show that there is an influence of teacher professionalism on student learning motivation at Cijujung 03 State Elementary School where the magnitude of the influence of teacher professionalism on student learning motivation is 13.4%, while 86.6% is influenced by other factors. Based on research conducted by Komang Nonik Jayanti and Komang Trisna Sari Dewi (2021) with the title Impact of Working Period, Work Experience, Work Ability on Employee Performance, the research results show that Work Experience affects Employee Performance at PT Saka Agung Abadi Singaraja Branch by 12.8%. Based on research conducted by Muhamad Sweeto Putro (2020) with the title The Effect of Motivation, Organizational Commitment, and Job Satisfaction on Employee Performance at Bank Jatim Dr. Soetomo Surabaya Branch Office, the results showed that motivation has no significant effect on employee performance, organizational commitment has a significant effect on employee performance, and job satisfaction has no significant effect on employee performance. Based on research conducted by Jimmy Hansen Manalu (2019) with the title The Effect of Motivation and Training on Employee Performance at PT. Gutji Swarnadwipa Medan Branch, the results showed that there was a partial and simultaneous influence between motivation and training on performance.

METHODS

The approach in this study is to use an associative approach, an associative approach is an approach where to find out that there is a relationship or influence between the two variables (independent variable and dependent variable). In this study, the independent variable X1 is Work Experience, X2 is Organizational Commitment, Z is Motivation and the dependent variable Y is Performance.

RESULTS

Normality Test



The results of the histogram graph in the figure above show that the residual data is normally distributed as seen from the almost perfect bell-shaped image (symmetrical).

Multicollinearity Test

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|-------|---------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 15.803 | .497 | .825 | 31.774 | .000 | | |
| | Work Experience | .229 | .034 | .705 | 6.757 | .000 | .956 | 1.046 |
| | Organizational Commitment | .098 | .033 | .313 | 2.997 | .005 | .956 | 1.046 |

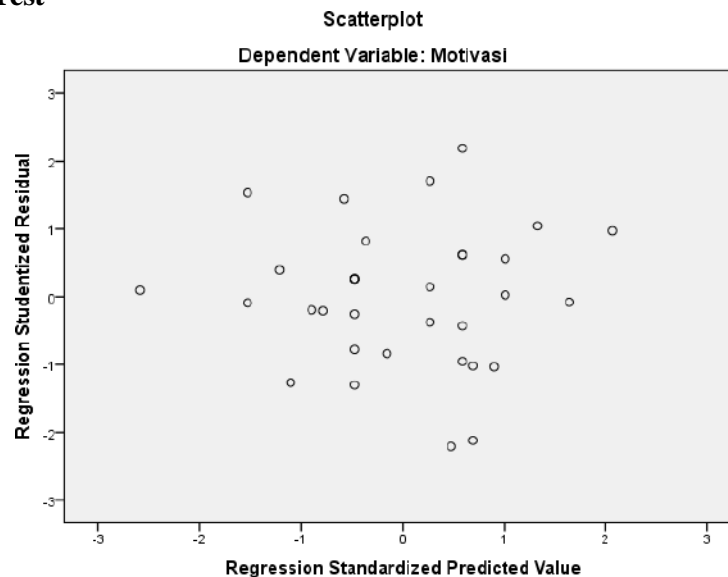


a. Dependent Variable: Motivation

Source: Primary Data Processed, 2024

The results of multicollinearity testing can be seen that the VIF and tolerance values so that it can be concluded that there is no multicollinearity so that the model has met the classical assumption requirements in regression analysis.

Heteroscedasticity Test



The scatterplots graph in the figure above shows that the points spread randomly and are spread both above and do not form a certain regular pattern so it is concluded that there is no heteroscedasticity in the regression model which overall shows that the regression model meets the requirements of the classical assumption test.

Path Analysis of Direct Effect

To calculate the direct effect or DE, the following formula is used:

1. The influence of the Work Experience variable (X1) on Performance (Y) is 0.446
2. The influence of the Organizational Commitment variable (X2) on Performance (Y) is 0.735

Indirect Effect Path Analysis (IDE)

To calculate the indirect effect or IDE, the following formula is used:

1. The influence of the Work Experience variable (X₁) on Performance (Y) through Motivation (Z), namely $0.705 \times 0.268 = 0.188.876$
2. The effect of the Organizational Commitment variable (X₂) on Performance (Y) through Motivation (Z), namely $0.313 \times 0.268 = 0.083$

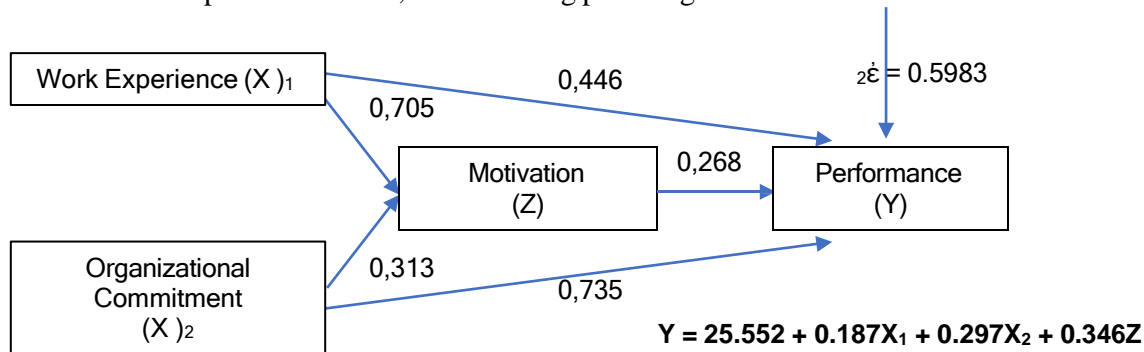
Path Analysis of Total Effect



Based on the explanation above, a path diagram can be drawn on

1. The influence of the Work Experience variable (X_1) on Performance (Y) is $0.446 + 0.188 = 0.634$.
2. The effect of the Organizational Commitment variable (X_2) on Performance (Y) is the direct effect plus the indirect effect, namely $0.735 + 0.083 = 0.818$.

Based on the explanation above, the following path diagram can be drawn:



DISCUSSION

The Work Experience variable has a positive and significant effect on Motivation at the Population and Civil Registration Office of Labuhanbatu Regency. The Work Experience variable has a regression coefficient value of 0.229, indicating that if the Work Experience increases by 100%, it will increase Motivation by 22.9%. Based on the results of the sobel test calculation, it is known that the test statistic value is $1.987 > 1.96$ with a significance of $0.045 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the effect of Work Experience on Performance. Thus it can be said that Work Experience has an influence in improving Performance if done through Motivation.

The Organizational Commitment variable has a positive and significant effect on Motivation at the Population and Civil Registration Office of Labuhanbatu Regency. The Organizational Commitment variable has a regression coefficient value of 0.098, indicating that if the Organizational Commitment increases by 100%, it will increase Motivation by 9.8%.

Based on the results of the sobel test calculation, it is known that the test statistic value is $2.279 > 1.96$ with a significance of $0.020 < 0.05$, it can be concluded that the Motivation variable is able to mediate the relationship between the influence of Organizational Commitment on Performance. Thus it can be said that Organizational Commitment has an influence in improving Performance if done through Motivation.

The Work Experience variable has a positive and significant effect on performance at the Population and Civil Registration Office of Labuhanbatu Regency. The Work Experience variable has a regression coefficient value of 0.187, indicating that if the Work Experience increases by 100%, it will increase performance by 18.7%.

The Organizational Commitment variable has a positive and significant effect on performance at the Population and Civil Registration Office of Labuhanbatu Regency. The Organizational Commitment variable has a regression coefficient value of 0.297, indicating that if the Organizational



Commitment increases by 100%, it will increase performance by 29.7%.

Motivation variables have a **positive and significant effect on performance at the Population and Civil Registration Office of Labuhanbatu Regency**. The Motivation variable has a regression coefficient value of 0.346, indicating that if motivation increases by 100%, it will increase performance by 34.6%.

CONCLUSION

Based on the results of research and discussion conducted by researchers regarding the effect of Work Experience and Organizational Commitment on employee performance at the Population and Civil Registration Office of Labuhanbatu Regency through Motivation as an intervening variable, the following conclusions can be drawn:

1. Work Experience affects Motivation at the Population and Civil Registration Office of Labuhanbatu Regency .
2. Organizational Commitment affects Motivation at the Population and Civil Registration Office of Labuhanbatu Regency .
3. Work experience affects performance at the Population and Civil Registration Office of Labuhanbatu Regency.
4. Organizational commitment affects performance at the Population and Civil Registration Office of Labuhanbatu Regency.
5. Motivation affects performance at the Population and Civil Registration Office of Labuhanbatu Regency.
6. Work experience affects performance at the Population and Civil Registration Office of Labuhanbatu Regency through motivation as an intervening variable.
7. Organizational Commitment affects Performance at the Population and Civil Registration Office of Labuhanbatu Regency through Motivation as a variable intervening.



LIMITATION

This research can also be used as a reference for further research on work experience, organizational commitment, employee performance and work motivation and HR supporting theories and which are the limitations of this research.

REFERENCES

- A, Morissan M. (2014). *Metode Penelitian Survei*. Cet-2. Jakarta: Kencana.
- Adinda, T. N., Firdaus, M. A., & Agung, S. (2024). Pengaruh motivasi kerja dan disiplin kerja terhadap kinerja karyawan. *Jurnal Ekonomi dan Bisnis Digital*, 1(3), 416-422.
- Allen, & Meyer. (2016). Pengaruh komitmen organisasi terhadap kinerja karyawan Perusahaan Listrik Negara area Pekanbaru. Jakarta: Salemba Empat.
- Alwisol. (2012). *Psikologi Kepribadian*. Malang: UMM Press.
- Ardiansah, M. R., & Rochdianingrum, W. A. (2022). Pengaruh budaya kaizen, lingkungan kerja dan komitmen organisasi terhadap kinerja karyawan pada pabrik gula lestari nganjuk. *Jurnal Ilmu dan Riset Manajemen (JIRM)*, 11(7).
- Asri, R. M., Eddy, K., & Husin, R. (2017). Pengaruh Pengalaman Kerja Terhadap Motivasi Kerja Pegawai Pada Dinas Perumahan Dan Permukiman Kabupaten Lampung Selatan. *Jurnal Manajemen Mandiri Saburai (JMMS)*, 1(03), 45-52.
- Bili, W., Resmawan, E., & Kondorura, D. (2018). Pengaruh pengalaman kerja terhadap kinerja pegawai di kantor Kecamatan Laham Kabupaten Mahakam Ulu. *Ejournal Pemerintahan Integratif*, 6(3), 465-474.
- Foster, Bill. (2011). *Pembinaan Untuk Peningkatan Kinerja Karyawan*. Jakarta: PPM.
- Ghozali, I. (2005). *Aplikasi Analisis Multivariate dengan SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23 (Edisi 8)*. Cetakan ke VIII. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang: Badan Penerbit Universitas Diponegoro.
- Irawan & Wijaya, Farid. (2000). *PEMASARAN Prinsip dan Kasus*. Edisi Kedua. Yogyakarta: BPFE.
- Jatiningrum, C. D., Kuswandi, K., & Rahayu, S. (2024). Efek Budaya Organisasi, Gaya Kepemimpinan Dan Komitmen Organisasi Terhadap Kinerja Karyawan Melalui Motivasi Kerja Karyawan (Studi Pada Karyawan Bank Mandiri Kcp Surabaya Darmo Permai). *Jurnal Manajemen*, 14(1), 56-71.
- Jayanti, K. N., & Dewi, K. T. S. (2021). Dampak Masa Kerja, Pengalaman Kerja, Kemampuan Kerja Terhadap Kinerja Karyawan. *JEMBA: Jurnal Ekonomi Pembangunan, Manajemen & Bisnis, Akuntansi*, 1(2), 75-84.
- Karim, A., Siregar, B., Prayoga, B. I., Suyitno, S., & Kartiko, A. (2023). Pengaruh Kompetensi Kepala Sekolah Dan Komitmen Organisasi Terhadap Motivasi Kerja Guru Pada Madrasah Tsanawiyah. *Munaddhomah: Jurnal Manajemen Pendidikan Islam*, 3(3), 306-318.
- Kasmir. (2016). *Manajemen Sumber Daya Manusia (Teori dan Praktik)*. Depok: PT Raja Grafindo Persada.
- Kompri. (2015). *Motivasi Pembelajaran Perspektif Guru dan Siswa*. Bandung: PT Remaja Rosdakarya Offset.
- Kreitner, R., dan Kinicki, A. (2014). *Perilaku Organisasi*. Edisi 9. Buku 1. Jakarta: Salemba Empat.
- Luthans, F. (2006). *Perilaku Organisasi*. Edisi Sepuluh. Yogyakarta: PT. Andi.
- Manalu, J. H. (2019). *Pengaruh Motivasi Dan Pelatihan Terhadap Kinerja Karyawan Pada PT*. Gutji



Swarnadwipa Cabang Medan.

Mangkunegara, A. P. (2017). *Manajemen Sumber Daya Manusia Perusahaan*. Bandung: Remaja Rosdakarya.

Manulang, D. K. (2011). *Manajemen Personalia*. Yogyakarta: Gajah Mada University Press.

Mardikaningsih, R., & Arifin, S. (2022). Studi Empiris Tentang Pengawasan Kerja, Pengalaman Kerja, dan Kemampuan Kerja serta Pengaruhnya terhadap Motivasi Berprestasi Karyawan. *Relasi: Jurnal Ekonomi*, 18(1), 80-100.

Marisa, S. (2020). *Pengaruh Komitmen Organisasi Dan Komunikasi Terhadap Kinerja Pegawai Pada Bagian Keuangan Setda Kota Prabumulih*. (Doctoral Dissertation, 021008 Universitas Tridianti Palembang).

Moorhead, Gregory & Griffin, Ricky W. (2013). *Perilaku organisasi: Manajemen Sumber Daya Manusia dan Organisasi*. Jakarta: Salemba Empat.

Prasetyo, D., N. (2019). *Pengaruh Motivasi Kerja, Lingkungan Kerja, Kepemimpinan, Dan Budaya Kerja Terhadap Kinerja Pegawai Pada Dinas Perhubungan Kabupaten Gresik* (Doctoral Dissertation, Universitas Muhammadiyah Gresik).

Priyatno, D. (2014). *Mandiri Belajar Analisis Data dengan SPSS*. Yogyakarta: Mediakom. *Kausal Loyalitas Pelanggan Toserba 'X'*. Skripsi UPI: Universitas Pendidikan Indonesia. www.repository.upi.edu.

Putro, M. S. (2020). *Pengaruh Motivasi, Komitmen Organisasi, dan Kepuasan Kerja terhadap Kinerja Pegawai Di Bank Jatim Kantor Cabang Dr. Soetomo Surabaya* (Doctoral dissertation, STIESIA SURABAYA).

Rachmawati, R. W. (2017). *Pengaruh Pelatihan Dan Motivasi Kerja Terhadap Kinerja Karyawan PT. Bank BJB Kantor Cabang Suci Bandung*. *Jurnal Manajemen Dan Pemasaran Jasa*, 9(1), 16.

Rachmawati, F. 2016. *Pengaruh Pelatihan Kerja dan Motivasi Kerja Terhadap Kinerja Karyawan Pada PT. TRIAS SENTOSA, KRIAN Sidoarjo*. *AGORA*. Vol.4, No. 2, Hal 259-264, <https://media.neliti.com/media/publications/57136-ID-pengaruh-pelatihan-kerja-dan-motivasi-ke.pdf>, diakses 20 oktober 2017

Rahayu, Suci. (2013). *Aplikasi Metode Trimming Pada Analisis Jalur Dalam Penentuan Model Kausal Loyalitas Pelanggan Toserba X*. Skripsi UPI: tidak diterbitkan. www.repository.upi.edu.

Rivai, V. (2015). *Manajemen Sumberdaya Manusia Untuk Perusahaan Dari Teori ke Praktik*. Jakarta: PT. Raja Grafindo.

Robbins, P. Stephen. 2008. *Organizational Behaviour, Tenth Edition (Perilaku Organisasi Ke Sepuluh)*, alih bahasa Drs. Benyamin Molan. Jakarta: Salemba Empat.

Sanusi, A. (2011). *Metodologi Penelitian Bisnis*. Jakarta: Salemba Empat.

Saparwati, M. (2012). *Studi Fenomologi : Pengalaman kepala ruang dalam mengelola ruang rawat di RSUD Ambarawa*. Universitas Indonesia.

Sedarmayanti. (2015). *Manajemen Sumber Daya Manusia: Reformasi Birokrasi dan Manajemen Pegawai Negeri Sipil*. Bandung: PT. Refika Aditama.

Seftiani, S., Sesrita, A., & Suherman, I. (2020). *Pengaruh Profesionalisme Guru Terhadap Motivasi Belajar Siswa SD Negeri*. *SITTAH: Journal of Primary Education*, 1(2), 125-138.

Sinungan, M. (2016). *Produktifitas. Apa dan Bagaimana*. Jakarta: Bumi Aksara.

Sugiyono. (2018). *Metode Penelitian Kuantitatif, Kualitatif, R & D*. Bandung: CV Alfabeta.

Sugiyono. (2018). *Metode Penelitian Kombinasi (Mixed Methods)*. Bandung: CV Alfabeta.

Sutrisno, E. (2010). *Manajemen Sumber Daya Manusia*. Jakarta: Kencana Prenada Media Group.

Sutrisno, E. (2016). *Manajemen Sumber Daya Manusia*. Cetakan Kedelapan. Jakarta: Prenadamedia Group.

Suwanto, S. (2020). *Pengaruh Kepemimpinan Dan Motivasi Kerja Terhadap Kinerja Karyawan Pada Koperasi Bmt El-Raushan Tangerang*. *JENIUS (Jurnal Ilmiah Manajemen Sumber Daya Manusia)*,



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

3(2), 156-165.

Tagela, U., Herry., S, Paseleng, M., C. (2023). Korelasi Pengalaman Kerja, Kesejahteraan Dengan Motivasi Kerja Guru-Guru SMA Swasta. *Scholaria jurnal pendidikan dan kebudayaan*.13.2:1-7

Torang, S. (2014). *Organisasi dan Manajemen*. Bandung: Alfabeta.

Wibowo. (2017). *Manajemen Kinerja*. Edisi Kelima. Depok: PT. Raja Grafindo Persada.

Wirawan, K. E., Bagia, I. W., & Susila, G. P. A. J. (2019). Pengaruh tingkat pendidikan dan pengalaman kerja terhadap kinerja karyawan. *Bisma: Jurnal Manajemen*, 5(1), 60-67.

Yulianto, B., & Saadah, N. (2020). *Perilaku Penggunaan APD Sebagai Alternatif Peningkatan Kinerja Karyawan Yang Terpapar Bising Intensitas Tinggi*. Surabaya: Scopindo Media Pustaka.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Mediating Role Of Organizational Citizenship Behavior On The Influence Of Transformational Leadership On Employee Performance In Private Plantations In Riau

Sri Zuwefa & Syaifuddin

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Postgraduate School, Universitas Prima Indonesia Medan, Indonesia

Syaifuddin@unprimdn.ac.id

Abstract

To improve the performance of a company, various sectors must work together. The role of leadership in leading a company is very important. Therefore, this study will examine the mediating role of organizational citizenship attitudes towards the influence of transformational management on employee performance in private plantations in Riau. The research data were collected through an explanatory method with 200 respondents. Plantations in Riau are the location of the study. The study shows that transformational leadership has a positive impact on organizational citizenship behavior, performance, and organizational commitment. Organizational citizenship mediation also has a positive impact on transformational leadership on employee performance. So, each variable has an influence on employee performance in private plantation companies in Riau.

Keywords: Organizational Citizenship Behavior Mediation, Transformational Leadership, Employee Performance, Private Plantations in Riau

INTRODUCTION

It is not easy to implement transformational leadership style in oil palm plantation companies. Resistance to change from top management to employees is a major problem. Changes in leadership style are often difficult to accept due to existing customs and hierarchical structures in the plantation industry. Employees who are accustomed to an authoritarian leadership style may be anxious or skeptical of a more participatory and inspiring approach. In addition, limited leadership skills and resources can be barriers. To carry out transformation, a leader must have a clear vision, communicate well, and be able to inspire and empower his employees. However, some plantation leaders may not have or be ready to develop these skills. Developing and training leaders to adopt a transformational leadership style can take time (Haldorai et al., 2021; Iqbal et al., 2023).

Transformational leadership influences employee performance as well as Organizational Citizenship Behavior (OCB), which is the voluntary behavior of employees that goes beyond their formal responsibilities and helps the overall operation of the organization run smoothly. Through a compelling and meaningful vision, transformational leaders can inspire and motivate their employees. These leaders can encourage employees to identify with the goals and principles of the organization. Idealistic influence, inspirational motivation, intellectual stimulation, and individualized consideration are elements of transformational leadership that are essential to enhancing OCB (Iqbal et al., 2023; Miao et al., 2017; Tuan et al., 2021). There is insufficient research on the impact of transformational leadership on citizenship behavior (OCB) among plantation company employees. This is mainly due to the lack of research focusing on the context of the plantation industry, which has features such as harsh working conditions, remote



locations, and specific environmental issues. Much of the research on OCB and transformational leadership has been conducted in the corporate, education, and healthcare sectors. Therefore, their findings may not be fully relevant or applicable in the plantation sector (Iqbal et al., 2023; Wengang et al., 2023; Zhao & Zhou, 2021).

In oil palm plantations, the mediating role of Organizational Citizenship Behavior (OCB) in the influence of transformational leadership on employee performance is very significant. Transformational leadership, which includes factors such as idealistic influence, inspirational motivation, intellectual stimulation, and individual consideration, has the potential to create a supportive and inspiring work environment. A transformational leader can encourage employees to go beyond their formal responsibilities and voluntarily contribute to the prosperity of the organization, which is the basis of OCB (Hsieh et al., 2024; C. M. Wu et al., 2023).

Workload imbalance is one of the major issues facing OCB in oil palm plantation companies, which can hinder employee productivity and health. OCB serves as a mediator that links QWL and work commitment to employee performance. Good work environment quality and strong organizational commitment encourage employees to participate in OCB, which in turn results in improved individual and organizational performance. Companies that focus on improving QWL and strengthening their employees' organizational commitment will see an increase in supportive volunteer behavior (Noor & Abdullah, 2012).

The problem of organizational commitment among palm oil plantation employees has many complex and diverse aspects. One of the main problems is low employee loyalty and attachment to the company, which is often caused by inadequate working conditions, such as limited facilities, difficult working environments, and lack of employee welfare. In addition, the lack of career development opportunities and adequate training can also reduce employee motivation and commitment. Other factors that can impact the organization are unhealthy relationships between management and employees, as well as leadership styles that are not supportive or inspiring. Unfair or inconsistent management policies and practices can also reduce employee trust and attachment to the organization. Conversely, changes in palm oil commodity prices and market instability can increase economic pressure on the company. This ultimately affects employee welfare policies and job stability. All of these factors contribute to the major challenge of building and maintaining strong organizational commitment among palm oil plantation employees.

The mediation of organizational commitment on the influence of transformational leadership on the performance of oil palm plantation employees is very important. The focus of transformational leadership on individual development, inspiration, and motivation has a direct impact on improving employee performance. However, this influence is often mediated by the level of employee commitment to the organization. Workers tend to show higher performance when transformational leaders encourage employees to be strongly committed to the organization's vision and goals. Strong organizational commitment makes employees more engaged and enthusiastic to do their best. They are more motivated to achieve common goals, increase productivity, and try their best to achieve optimal work results. Therefore, organizational commitment helps link transformational leadership style to better oil palm plantation employee performance (Iqbal et al., 2023, 2023; Yakimova et al., 2016).

The lack of research on the relationship between organizational commitment and



employee performance often lies in several important elements that have not been fully studied. Variations in the impact of organizational commitment in the context of a particular industry or sector, such as oil palm plantations, where internal and external factors can be very different from other sectors, is one area that has received little attention. In addition, longitudinal research that can show how organizational commitment and employee performance change over time is needed. Mixed methods research is also needed to gain a deeper understanding of these dynamics (Kara et al., 2013; Thomas & Albishri, 2024; Wei et al., 2023). Based on the findings from the presentation of the above phenomenon, the research title can be determined as follows: the mediating role of citizen attitudes in the organization towards the influence of transformational leadership on employee performance in private plantation employees in Riau province.

LITERATURE REVIEW

Employee Performance

The extent to which an individual or group successfully achieves the goals and standards set in their workplace is called employee performance. It encompasses a variety of elements, including overall contribution to organizational goals, target achievement, quality of work output, and productivity (Meyer & Dunphy, 2019). The results achieved are not the only way employee performance is measured; the work processes, efficiency, and innovation used to achieve those results are also important. Managers and superiors typically conduct regular employee performance evaluations to provide feedback, identify areas for development, and provide rewards or incentives to employees who meet or exceed performance standards (Di Vaio et al., 2021).

The work environment, support from superiors and coworkers, and the availability of resources needed to complete tasks are some of the external factors that affect employee performance. Employees can be more productive and more productive if they have a good work environment, which includes a safe, comfortable, and conflict-free workplace. Support from superiors, which includes guidance, rewards, and recognition, and cooperation with coworkers, are also very important to increase employee motivation. Resources such as adequate work tools, access to information, and relevant training enable employees to perform better. In addition, changes in the industry or economy can affect employee performance, providing new challenges and opportunities (Ibrahim et al., 2017; Sharma et al., 2021; Wang et al., 2020).

Organizational Citizenship Behavior

Individual behavior in an organization that goes beyond their formal duties and responsibilities and contributes to the overall success and efficiency of the organization is referred to as organizational citizenship behavior (OCB). OCB includes voluntary actions of employees that are not recognized by the formal reward system but help the organization function such as helping coworkers, taking initiative, and being loyal to the company (Hermanto et al., 2024).

OCB is unique in that it does not require direct compensation. It demonstrates high levels of employee involvement and commitment to the organization and their colleagues. OCB has several aspects, such as altruism (helping coworkers), courtesy (preventing conflict), sportsmanship (maintaining a positive attitude even in difficult situations), conscientiousness (performing tasks carefully and on time), and civic engagement (engaging in organizational



activities outside of primary duties) (Iqbal et al., 2023). OCB encompasses a variety of aspects of workplace behavior that support a productive and healthy work environment. These include helping coworkers who are facing problems, offering new ideas for improving work processes, maintaining a positive spirit, and actively participating in company meetings and events. OCB can also involve actions that support the organization's culture and norms, as well as behaviors that demonstrate a sense of responsibility and concern for the collective well-being (Tai et al., 2012).

OCB is considered important because it can improve overall organizational performance, create a better work culture, and increase employee satisfaction and engagement. Employees who demonstrate OCB tend to create a more collaborative and supportive work environment, which in turn can increase productivity and operational efficiency. In addition, OCB can help companies retain talented employees (Hsieh et al., 2024).

Transformational Leadership

Transformational leadership is a leadership style that focuses on a leader's ability to inspire and motivate followers to achieve extraordinary results while developing their personal and professional potential. The concept of transformational leadership encompasses the process by which a leader works with a team or followers to identify what is needed for change, create an inspiring vision for the future, and motivate them to do what they can do (Gumusluoglu & Ilsev, 2009; Siahaan, 2017).

The ability of transformational leaders to bring about fundamental change in an organization through a charismatic, visionary, and individual development-oriented approach is a hallmark of transformational leadership. Transformational leaders not only focus on achieving organizational goals but also on improving the morale, motivation, and performance of their followers. They act as change agents who are able to encourage creativity, innovation, and adaptation to change. In this regard, transformational leadership emphasizes the importance of ongoing coaching, effective communication, and strong interpersonal relationships (Hermanto et al., 2024; Iqbal et al., 2023).

Idealistic influence, inspirational motivation, intellectual stimulation, and individualized consideration are some aspects of the scope of transformational leadership. Idealistic influence means that leaders act as role models with integrity and have a clear vision, thereby generating trust and respect from followers. Inspirational motivation includes the leader's ability to convey an interesting and challenging vision, which inspires Intellectual stimulation means that leaders encourage critical thinking and creativity by inviting followers to try new solutions and creative ideas. When leaders consider individuals, they show genuine concern and support for the needs and progress of their followers by providing helpful criticism and opportunities for growth (Eliyana et al., 2019; Jauhari et al., 2024).

RESEARCH METHOD

Using an explanatory research type, this study focuses on explaining the causal relationship between the variables studied: Organizational Commitment, Employee Performance, and Transformational Leadership. The purpose of this study is to limit the discussion to the core of the problem so that the results can be more systematic and measurable. This study involved private plantation employees in Riau Province. It will see how transformational leadership affects employee performance, using organizational commitment as an intervening variable. This



study was conducted in Riau Province. This study involved private oil palm plantation employees in Riau Province. Kline (2011) stated that more than 200 high-quality samples were taken using the Structural Equation Model method. Primary and secondary data are the data sources used in this study. To collect questions relevant to this research problem, the Likert scale method was used. The variables in this study were measured using a 5-point Likert scale. SEM analysis was carried out using the Smart-PLS version 3.0 application program for data processing.

Validity and Reliability Test

In the main analysis stage, the confirmatory factor analysis (CFA) method will be used to test the validity. This is done to find out how good the causal relationship is between each indicator and its latent variable. The value of the additional factor and its AVE can be measured, and an additional factor exceeding 0.5 is considered very significant (Hair, Black, Babin, & Anderson, 2010). In addition, reliability is related to the reliability and consistency of an indicator. Reliability analysis is used to measure the level of accuracy and precision of possible answers to several questions. High reliability measurements give researchers a level of confidence that each indicator is consistent in its measurement. To process the data, SEM analysis is used in the Smart-PLS version 3.0 application program.

RESULT AND DISCUSSION

The Influence of Transformational Leadership on Organizational Citizenship Behavior

The influence of transformational leadership on OCB is significant and interrelated. Transformational leadership has aspects such as individual consideration, idealistic influence, inspirational motivation, and intellectual stimulation. This method can help create a supportive work environment and motivate employees to go beyond their formal responsibilities. Transformational leaders set an example with their integrity and commitment, which inspires employees to behave in the same way. By providing a clear vision and inspiring motivation, they can encourage employees to do more than expected (Al-shami et al., 2023; Iqbal et al., 2023).

In addition, employees are motivated by the intellectual stimulation provided by transformational leaders. This stimulation often involves cooperation and supportive co-workers behavior, which is the basis of OCB (Özduran & Tanova, 2017; Zhao & Zhou, 2021). Personal consideration provided by transformational leaders also makes employees feel valued and cared for, increases job satisfaction, and increases loyalty. This encourages them to volunteer to help co-workers, support positive change, and actively participate in organizational activities. All of these are indicators of OCB. Overall, transformational leadership helps improve OCB by creating an inspiring, supportive, and collaborative work environment. Ultimately, this will result in improved overall organizational performance (Miao et al., 2017; Pham et al., 2021).

H1: There is an Influence of Transformational Leadership on Organizational Citizenship Behavior

The Influence of Transformational Leadership on Employee Performance

Employee performance can be significantly influenced by transformational leadership. Transformational leadership can improve team and individual performance through idealistic influence, inspirational motivation, intellectual stimulation, and individual consideration (Iqbal et al., 2023; Kara et al., 2013; Singh et al., 2020). Transformational leaders set an example by being honest and dedicated, inspiring their employees to work with the same passion. Leaders who



have a clear vision and strong motivation can increase employee motivation and morale by increasing their involvement in achieving organizational goals (Filimonau et al., 2024; Hoai et al., 2022; Iqbal et al., 2023).

Transformational leaders encourage employees to be innovative, find new solutions, and continuously learn and grow. This enhances employees' ability to solve problems and adapt, which in turn improves their performance. Special attention given to individual development, also known as individualized consideration, makes employees feel valued and cared for, which leads to them being more satisfied with their jobs and more loyal to the company. Employees who receive professional and emotional support tend to be more motivated and dedicated to achieving the best results (Aydogmus et al., 2018; W. G. Kim et al., 2020).

Overall, transformational leadership helps employees create a work environment that allows them to reach their full potential, increasing efficiency, work quality, and productivity. Thus, transformational leadership improves employee performance not only personally but also improves overall organizational performance (W. G. Kim et al., 2020; Qalati et al., 2022).

H3: There is an Influence of Transformational Leadership on Employee Performance The Influence of Transformational Leadership on Organizational Commitment

Transformational leadership significantly and profoundly influences organizational commitment. Transformational leaders build strong relationships with their employees in a charismatic and inspiring manner (Hon, 2011; Siahaan, 2017). These leaders become role models who inspire trust and respect from employees, instilling a strong foundation for emotional commitment through their idealistic influence. When a leader conveys an appealing vision and goals to their employees, it is called inspirational motivation. This encourages employees to participate in organizational goals (Shao et al., 2019). Transformational leaders provide intellectual stimulation to employees, encourage them to be more innovative and increase their sense of belonging in the organization (Kara et al., 2013; Shao et al., 2019). Employees also feel valued and supported by personal considerations that pay attention to their needs and development. Overall, transformational leadership increases organizational commitment by creating a positive, supportive, and empowering work environment. This makes employees more enthusiastic, loyal, and dedicated to achieving organizational goals (Eliyana et al., 2019; Princes & Said, 2022).

H4: There is an Influence of Transformational Leadership on Organizational Commitment The mediating role of Organizational Citizenship Behavior on the influence of Transformational Leadership on Employee Performance

It is important to understand how transformational leadership can improve work outcomes. Transformational leadership can inspire and motivate employees through clear vision, inspirational motivation, intellectual stimulation, and individual attention. Transformational leadership can also create an OCB-friendly work environment (Hsieh et al., 2015). Employees led by transformational leaders tend to feel valued, motivated, and supported to perform voluntary actions beyond formal work (C. M. Wu et al., 2023).

OCB includes helping coworkers, taking initiative, maintaining a positive attitude, and actively participating in organizational activities. Employees who engage in OCB create a more productive and collaborative work environment, which promotes team and individual



performance (PHAM et al., 2021). Therefore, OCB acts as a mediator and conveys how transformational leadership can improve employee performance. Transformational leadership fosters OCB among employees, which results in a more productive and harmonious work culture, which in turn significantly improves employee performance. Thus, transformational leadership affects employee performance directly and through increased OCB (PHAM et al., 2021; C. M. Wu et al., 2023).

H9: Organizational Citizenship Behavior has an influence on Employee Performance

H10: Organizational Citizenship Behavior is able to mediate the influence of Transformational Leadership on Employee Performance

CONCLUSION

The results of the study indicate that transformational leadership has a positive impact on organizational citizenship behavior, performance, and organizational commitment. Organizational citizenship mediation also has a positive impact on transformational leadership on employee performance. So, all variables have an impact on employee performance at PT Perkebunan Swasta Riau. Therefore, some specific variables are very important to improve the company's reputation and quality.

REFERENCES

- Abdul, R., Mohd, A., Abdullah, H., Tajudin, A., & Mahmood, R. (2013). The Effect of Leadership Styles on the Business Performance of SMEs in Malaysia. *International Journal of Economics Business and Management Studies*, 2(22), 2226–4809.
- Ahmed, R. R., Akbar, W., Aijaz, M., Channar, Z. A., Ahmed, F., & Parmar, V. (2023). The role of green innovation on environmental and organizational performance: Moderation of human resource practices and management commitment. *Heliyon*, 9(1), e12679. <https://doi.org/10.1016/j.heliyon.2022.e12679>
- Akdol, B., & Arikboga, F. S. (2015). The Effects of Leader Behavior on Job Satisfaction: A Research on Technology Fast50 Turkey Companies. *Procedia - Social and Behavioral Sciences*, 195, 278–282. <https://doi.org/10.1016/j.sbspro.2015.06.159>
- Al-shami, S. A., Al mamun, A., Rashid, N., & Cheong, C. B. (2023). Happiness at workplace on innovative work behaviour and organisation citizenship behaviour through moderating effect of innovative behaviour. *Heliyon*, 9(5), e15614. <https://doi.org/10.1016/j.heliyon.2023.e15614>
- Al-Swidi, A. K., Gelaidan, H., & Saleh, R. M. (2021). The joint impact of green human resource management, leadership and organizational culture on employees' green behaviour and organisational environmental performance. *Journal of Cleaner Production*, 316(July), 128112. <https://doi.org/10.1016/j.jclepro.2021.128112>
- Asadullah, M. A., Ul Haq, M. Z., Wahba, K., Hashmi, S., Kim, H. (Markham), & Hwang, J. (2021). Gender differences and employee performance: Evidence from the restaurant industry. *Journal of Hospitality and Tourism Management*, 48(November 2020), 248–255. <https://doi.org/10.1016/j.jhtm.2021.06.015>
- Ashfaq, F., Abid, G., & Ilyas, S. (2023). Transformational leadership and life satisfaction: The sequential mediation model of organizational trust and proactive behavior. *Scandinavian Journal of Management*, 39(4), 101298. <https://doi.org/10.1016/j.scaman.2023.101298>



- Aydogmus, C., Camgoz, S. M., Ergeneli, A., & Ekmekci, O. T. (2018). Perceptions of transformational leadership and job satisfaction: The roles of personality traits and psychological empowerment. *Journal of Management and Organization*, 24(1), 81–107. <https://doi.org/10.1017/jmo.2016.59>
- Bani-Melhem, S., Shamsudin, F. M., Abukhait, R., & Al-Hawari, M. A. (2023). Competitive psychological climate as a double-edged sword: A moderated mediation model of organization-based self-esteem, jealousy, and organizational citizenship behaviors. *Journal of Hospitality and Tourism Management*, 54(December 2022), 139–151. <https://doi.org/10.1016/j.jhtm.2022.12.011>
- Birks, D. F. (2016). Marketing research. In *The Marketing Book: Seventh Edition*. <https://doi.org/10.4324/9781315890005>
- Brad Shuck, M., Rocco, T. S., & Albornoz, C. A. (2011). Exploring employee engagement from the employee perspective: Implications for HRD. *Journal of European Industrial Training*, 35(4), 300–325. <https://doi.org/10.1108/03090591111128306>
- Buil, I., Martínez, E., & Matute, J. (2016). From internal brand management to organizational citizenship behaviours: Evidence from frontline employees in the hotel industry. *Tourism Management*, 57, 256–271. <https://doi.org/10.1016/j.tourman.2016.06.009>
- Buil, I., Martínez, E., & Matute, J. (2019). Transformational leadership and employee performance: The role of identification, engagement and proactive personality. *International Journal of Hospitality Management*, 77(June 2018), 64–75. <https://doi.org/10.1016/j.ijhm.2018.06.014>
- Chang, P. C., Sun, K., & Wu, T. (2022). A study on the mechanisms of strengths-based psychological climate on employee innovation performance: a moderated mediation model. *Chinese Management Studies*, 16(2), 422–445. <https://doi.org/10.1108/CMS-09-2020-0374>
- Civelek, M. E. (2018). Essentials of Structural Equation Modeling. In *Zea Books* (Issue April). <https://doi.org/10.13014/k2sj1hr5>
- Cohen, J. (2013). Statistical Power Analysis for the Behavioral Sciences. In *Statistical Power Analysis for the Behavioral Sciences*. <https://doi.org/10.4324/9780203771587>
- Cummings, T., & Worley, C. (2015). Organization Development and Change. In *Human Resource Development*. Cengage Learning. https://doi.org/10.1007/978-1-137-36010-6_6
- DeCenzo, D. A., Robbins, S. P., & Verhulst, S. L. (2016). Fundamentals of Human Resource Management, 12th Edition. In *Human Resource Management* (Issue September). <https://www.wiley.com/en-us/Fundamentals+of+Human+Resource+Management%2C+12th+Edition-p-9781119158905>
- Di Vaio, A., Hasan, S., Palladino, R., Profita, F., & Mejri, I. (2021). Understanding knowledge hiding in business organizations: A bibliometric analysis of research trends, 1988–2020. *Journal of Business Research*, 134(June), 560–573. <https://doi.org/10.1016/j.jbusres.2021.05.040>
- DitjenbunRI. (2023). Statistik Perkebunan Unggulan Nasional 2021 - 2023. In *Direktorat Jenderal Perkebunan RI* (1st ed.). Sekretariat Direktorat Jenderal Perkebunan.
- Durai, P. (2010). *Human resource management*. <https://books.google.com.my/books?id=cRAvCCsN2e0C&pg=PA28&dq=strategic+manag>



- ement+process+step&hl=en&sa=X&ved=0ahUKEwil263xxb_fAhUHQ48KHbqEA3sQ6AEIQDAE#v=onepage&q=strategic management process step&f=false
- Dyck, J. H., Woolverton, A., & Rangkuti, F. Y. (2012). *Indonesia's modern retail sector*.
- Eliyana, A., Ma'arif, S., & Muzakki. (2019). Job satisfaction and organizational commitment effect in the transformational leadership towards employee performance. *European Research on Management and Business Economics*, 25(3), 144–150. <https://doi.org/10.1016/j.iemeen.2019.05.001>
- Farber, D. J. E., Payton, D. C., & Dorney, D. P. (2020). Life balance and professional quality of life among baccalaureate nurse faculty. *Journal of Professional Nursing*, 36(6), 587–594. <https://doi.org/10.1016/j.profnurs.2020.08.010>
- Filimonau, V., Matute, J., Kubal-Czerwińska, M., & Mika, M. (2024). How to encourage food waste reduction in kitchen brigades: The underlying role of 'green' transformational leadership and employees' self-efficacy. *Journal of Hospitality and Tourism Management*, 59(July 2023), 139–148. <https://doi.org/10.1016/j.jhtm.2024.04.005>
- Gerdenitsch, C. (2017). New Ways of Working and Satisfaction of Psychological Needs. *Journal of Psychology*, 1–169. <https://doi.org/10.1007/978-3-319-54678-0>
- Ghadi, M. Y., Fernando, M., & Caputi, P. (2013). Transformational leadership and work engagement: The mediating effect of meaning in work. *Leadership and Organization Development Journal*, 34(6), 532–550. <https://doi.org/10.1108/LODJ-10-2011-0110>
- Gibson, J., Ivancevich, J., Donnelly, J., & Konopaske, R. (2012). *Organization: Behavior, Structure, Processes*. McGraw-Hill Education.
- Goetz, N., & Wald, A. (2022). Similar but different? The influence of job satisfaction, organizational commitment and person-job fit on individual performance in the continuum between permanent and temporary organizations. *International Journal of Project Management*, 40(3), 251–261. <https://doi.org/10.1016/j.ijproman.2022.03.001>
- González-González, T., & García-Almeida, D. J. (2021). Frontline employee-driven innovation through suggestions in hospitality firms: The role of the employee's creativity, knowledge, and motivation. *International Journal of Hospitality Management*, 94(February). <https://doi.org/10.1016/j.ijhm.2021.102877>
- Gumusluoglu, L., & Ilsev, A. (2009). Transformational leadership, creativity, and organizational innovation. *Journal of Business Research*, 62(4), 461–473. <https://doi.org/10.1016/j.jbusres.2007.07.032>
- Hair, Black, Babin, & Anderson, R. E. (2010). *Multivariate data analysis*. Pearson Education.
- Haldorai, K., Kim, W. G., Seo, W. S., & Cai, X. (2021). Learning orientation and self-initiated expatriates' work performance: a moderated-mediation model. *International Journal of Hospitality Management*, 94(October 2019), 102861. <https://doi.org/10.1016/j.ijhm.2021.102861>
- Haricharan, S. J. (2023). Leadership, management and organisational implications for public service employee well-being and performance. *SA Journal of Human Resource Management*, 21, 1–14. <https://doi.org/10.4102/sajhrm.v21i0.2080>
- Hartini. (2018). Pengaruh Person Organization Fit (P-O Fit), Quality of Work Life, Keadilan Organisasi Terhadap Kepuasan Kerja Dan Kinerja Karyawan Bumn Di Sulawesi Selatan the. *Program Doktor Ilmu Ekonomi Fakultas Ekonomi Dan Bisnis Universitas Hasanuddin*.



- Hasanawi, A., Masturi, H., & Hasanawi, A. (2019). Improvement of Community Governance to Support Slum Upgrading in Indonesia. *Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning*, 3(3), 347–358. <https://doi.org/10.36574/jpp.v3i3.88>
- Hermanto, Y. B., Srimulyani, V. A., & Pitoyo, D. J. (2024). The mediating role of quality of work life and organizational commitment in the link between transformational leadership and organizational citizenship behavior. *Heliyon*, 10(6), e27664. <https://doi.org/10.1016/j.heliyon.2024.e27664>
- Hewagama, G., Boxall, P., Cheung, G., & Hutchison, A. (2019). Service recovery through empowerment? HRM, employee performance and job satisfaction in hotels. *International Journal of Hospitality Management*, 81(August 2018), 73–82. <https://doi.org/10.1016/j.ijhm.2019.03.006>
- Hoai, T. T., Hung, B. Q., & Nguyen, N. P. (2022). The impact of internal control systems on the intensity of innovation and organizational performance of public sector organizations in Vietnam: the moderating role of transformational leadership. *Heliyon*, 8(2), e08954. <https://doi.org/10.1016/j.heliyon.2022.e08954>
- Holland, P., Tham, T. L., Sheehan, C., & Cooper, B. (2019). The impact of perceived workload on nurse satisfaction with work-life balance and intention to leave the occupation. *Applied Nursing Research*, 49(March), 70–76. <https://doi.org/10.1016/j.apnr.2019.06.001>
- Hon, A. H. Y. (2011). Enhancing employee creativity in the Chinese context: The mediating role of employee self-concordance. *International Journal of Hospitality Management*, 30(2), 375–384. <https://doi.org/10.1016/j.ijhm.2010.06.002>
- Hsieh, C. C., Li, H. C., Liang, J. K., & Chiu, Y. C. (2024). Empowering teachers through principals' emotional intelligence: Unlocking the potential of organizational citizenship behavior in Taiwan's elementary schools. *Acta Psychologica*, 243(48), 104142. <https://doi.org/10.1016/j.actpsy.2024.104142>
- Hult, M., Terkamo-Moisio, A., Kaakinen, P., Karki, S., Nurmeksela, A., Palonen, M., Peltonen, L. M., & Häggman-Laitila, A. (2023). Relationships between nursing leadership and organizational, staff and patient outcomes: A systematic review of reviews. *Nursing Open*, 10(9), 5920–5936. <https://doi.org/10.1002/nop2.1876>
- Ibrahim, R., Boerhannoeddin, A., & Bakare, K. K. (2017). The effect of soft skills and training methodology on employee performance. *European Journal of Training and Development*, 41(4), 388–406. <https://doi.org/10.1108/EJTD-08-2016-0066>
- Iqbal, R., Shahzad, K., & Donia, M. B. L. (2023). Environmentally specific transformational leadership and employee green attitude and behavior: An affective events theory perspective. *Journal of Environmental Psychology*, 92(June), 102181. <https://doi.org/10.1016/j.jenvp.2023.102181>
- Ismail, H. N., Iqbal, A., & Nasr, L. (2019). Employee engagement and job performance in Lebanon: the mediating role of creativity. *International Journal of Productivity and Performance Management*, 68(3), 506–523. <https://doi.org/10.1108/IJPPM-02-2018-0052>
- Jauhari, H., Kumar, M., & Pandey, J. (2024). Impact of transformational leadership on service delivery behaviours of frontline service employees. *Journal of Retailing and Consumer Services*, 79(January), 103816. <https://doi.org/10.1016/j.jretconser.2024.103816>
- Kara, D., Uysal, M., Sirgy, M. J., & Lee, G. (2013). The effects of leadership style on employee



- well-being in hospitality. *International Journal of Hospitality Management*, 34(1), 9–18. <https://doi.org/10.1016/j.ijhm.2013.02.001>
- Karatepe, O. M. (2013). High-performance work practices and hotel employee performance: The mediation of work engagement. *International Journal of Hospitality Management*, 32(1), 132–140. <https://doi.org/10.1016/j.ijhm.2012.05.003>
- Kia, N., Halvorsen, B., & Bartram, T. (2019). Ethical leadership and employee in-role performance: The mediating roles of organisational identification, customer orientation, service climate, and ethical climate. *Personnel Review*, 48(7), 1716–1733. <https://doi.org/10.1108/PR-12-2018-0514>
- Kim, H., Im, J., & Shin, Y. H. (2021). The impact of transformational leadership and commitment to change on restaurant employees' quality of work life during a crisis. *Journal of Hospitality and Tourism Management*, 48(July), 322–330. <https://doi.org/10.1016/j.jhtm.2021.07.010>
- Kim, W. G., McGinley, S., Choi, H. M., & Agmapisarn, C. (2020). Hotels' environmental leadership and employees' organizational citizenship behavior. *International Journal of Hospitality Management*, 87(February 2019), 102375. <https://doi.org/10.1016/j.ijhm.2019.102375>
- Kline. (2011). Positive definiteness. In *Principles and Practice of Structural Equation Modeling* (Vol. 97). The Guilford Press. <https://doi.org/10.1017/cbo9781107415805.015>
- Kline, R. B. (2015). *TXTBK Principles and practices of structural equation modelling* Ed. 4 ***. In *Methodology in the social sciences*.
- Luthans, F. (2011). Organizational Behavior. In *Human Resource Management*. McGraw-Hill Education. https://doi.org/10.5005/jp/books/10358_23
- Malhotra, N. K., & Hall, P. (2019). *Student Resource Manual with Technology Manual Essentials of Marketing Research: A Hands-On Orientation Preface*.
- Maryono, M., Killoes, A. M., Adhikari, R., & Abdul Aziz, A. (2024). Agriculture development through multi-stakeholder partnerships in developing countries: A systematic literature review. *Agricultural Systems*, 213(May 2023), 103792. <https://doi.org/10.1016/j.agsy.2023.103792>
- Meyer, D., & Dunphy, S. (2019). The role of knowledge-based psychological climates in human resource management systems. *Management Decision*, 54(5), 1222–1246. <https://doi.org/10.1108/MD-02-2015-0068>
- Miao, C., Humphrey, R. H., & Qian, S. (2017). Are the emotionally intelligent good citizens or counterproductive? A meta-analysis of emotional intelligence and its relationships with organizational citizenship behavior and counterproductive work behavior. *Personality and Individual Differences*, 116, 144–156. <https://doi.org/10.1016/j.paid.2017.04.015>
- Mickson, M. K., & Anlesinya, A. (2019). Enhancing job satisfaction among local government servants in Ghana. *International Journal of Public Leadership*, 16(1), 1–16. <https://doi.org/10.1108/ijpl-03-2019-0007>
- Moon, H. K., & Choi, B. K. (2014). How an organization's ethical climate contributes to customer satisfaction and financial performance: Perceived organizational innovation perspective. *European Journal of Innovation Management*, 17(1), 85–106. <https://doi.org/10.1108/EJIM-03-2013-0020>



- Noor, S. M., & Abdullah, M. A. (2012). Quality Work Life among Factory Workers in Malaysia. *Procedia - Social and Behavioral Sciences*, 35(December 2011), 739–745. <https://doi.org/10.1016/j.sbspro.2012.02.144>
- O'Reilly, C. A., Caldwell, D. F., Chatman, J. A., & Doerr, B. (2014). The Promise and Problems of Organizational Culture: CEO Personality, Culture, and Firm Performance. *Group and Organization Management*, 39(6), 595–625. <https://doi.org/10.1177/1059601114550713>
- Oladokun, S. O., & Gbadegesin, J. T. (2017). Adequacy of core knowledge and soft skills in the performance of professional employees of real estate firms in Nigeria. *Property Management*, 35(2), 132–149. <https://doi.org/10.1108/PM-02-2016-0008>
- Özduran, A., & Tanova, C. (2017). Coaching and employee organizational citizenship behaviours: The role of procedural justice climate. *International Journal of Hospitality Management*, 60, 58–66. <https://doi.org/10.1016/j.ijhm.2016.10.004>
- Ozturk, A., Karatepe, O. M., & Okumus, F. (2021). The effect of servant leadership on hotel employees' behavioral consequences: Work engagement versus job satisfaction. *International Journal of Hospitality Management*, 97(August 2020), 102994. <https://doi.org/10.1016/j.ijhm.2021.102994>
- Pasali, O. (2018). Efektivitas Konvensi Wina 1961 Tentang Hubungan Diplomatik Dalam Memberikan Perlindungan Hukum Terhadap Diplomat. *Jurnal Hukum Atmajaya*, 1(1), 1–15.
<http://www.fao.org/3/I8739EN/i8739en.pdf%0Ahttp://dx.doi.org/10.1016/j.adolescence.2017.01.003%0Ahttp://dx.doi.org/10.1016/j.childyouth.2011.10.007%0Ahttps://www.tandfonline.com/doi/full/10.1080/23288604.2016.1224023%0Ahttp://px.sagepub.com/lookup/doi/10>
- Pattnaik, S. C., & Sahoo, R. (2020). Employee engagement, creativity and task performance: role of perceived workplace autonomy. *South Asian Journal of Business Studies*, 10(2), 227–241. <https://doi.org/10.1108/SAJBS-11-2019-0196>
- Paudel, S., & Sthapit, A. (2021). Work-Family Balance and Employee Performance in Nepalese Commercial Banks. *Indian Journal of Commerce & Management Studies*, XII(1), 33. <https://doi.org/10.18843/ijcms/v12i1/04>
- Perkebunan, D. (2022). *Produksi Kelapa Sawit Menurut Provinsi di Indonesia 2017-2021*. Dirjen Perkebunan RI. www.pertanian.go.id
- Pfajfar, G., Shoham, A., Małecka, A., & Zalaznik, M. (2022). Value of corporate social responsibility for multiple stakeholders and social impact – Relationship marketing perspective. *Journal of Business Research*, 143(January), 46–61. <https://doi.org/10.1016/j.jbusres.2022.01.051>
- PHAM, A. T., NGUYEN, T. Le, HOANG, X. T., TRINH, H. P., LE, T. V. A., VU, V. A., DANG, T. K., & NGUYEN, T. K. (2021). Green performance and employees' citizenship behavior: Examining the role of employees' pride and commitment. *Geojournal of Tourism and Geosites*, 36(2), 563–570. <https://doi.org/10.30892/GTG.362SPL02-684>
- Princes, E., & Said, A. (2022). The impacts of project complexity, trust in leader, performance readiness and situational leadership on financial sustainability. *International Journal of Managing Projects in Business*. <https://doi.org/10.1108/IJMPB-03-2021-0082>
- Qalati, S. A., Zafar, Z., Fan, M., Sánchez Limón, M. L., & Khaskheli, M. B. (2022). Employee



- performance under transformational leadership and organizational citizenship behavior: A mediated model. *Heliyon*, 8(11). <https://doi.org/10.1016/j.heliyon.2022.e11374>
- Rao, P. (2016). Investment and collaboration: the Indian model for “best” HRM practices. *Journal of Asia Business Studies*, 10(2), 125–147. <https://doi.org/10.1108/JABS-03-2015-0033>
- Saleem, M. A., Bhutta, Z. M., Nauman, M., & Zahra, S. (2019). Enhancing performance and commitment through leadership and empowerment: An emerging economy perspective. *International Journal of Bank Marketing*, 37(1), 303–322. <https://doi.org/10.1108/IJBM-02-2018-0037>
- Savitri, E., Andreas, A., Diyanto, V., & Gumanti, T. A. (2020). the Effect of Leadership, Internal Control System, and Organizational Commitment on Accountability of Village Financial Management. *Jurnal Aplikasi Manajemen*, 18(3), 522–532. <https://doi.org/10.21776/ub.jam.2020.018.03.12>
- Selviasari, R. (2019). EFFECT OF SITUATIONAL LEADERSHIP STYLE, COMPENSATION AND MOTIVATION ON EMPLOYEE PERFORMANCE IN PT. BANK RAKYAT INDONESIA (PERSERO), Tbk. KEDIRI BRANCH. *Journal of Engineering and Management in Industrial System*, 7(1), 40–52. <https://doi.org/10.21776/ub.jemis.2019.007.01.6>
- Setyorini, R. W., Yuesti, A., & Landra, N. (2018). The Effect of Situational Leadership Style and Compensation to Employee Performance with Job Satisfaction as Intervening Variable at PT Bank Rakyat Indonesia (Persero), Tbk Denpasar Branch. *International Journal of Contemporary Research and Review*, 9(08), 20974–20985. <https://doi.org/10.15520/ijcrr/2018/9/08/570>
- Shao, Y., Nijstad, B. A., & Täuber, S. (2019). Creativity under workload pressure and integrative complexity: The double-edged sword of paradoxical leadership. *Organizational Behavior and Human Decision Processes*, 155(February 2018), 7–19. <https://doi.org/10.1016/j.obhdp.2019.01.008>
- Sharma, S., Prakash, G., Kumar, A., Mussada, E. K., Antony, J., & Luthra, S. (2021). Analysing the relationship of adaption of green culture, innovation, green performance for achieving sustainability: Mediating role of employee commitment. *Journal of Cleaner Production*, 303, 127039. <https://doi.org/10.1016/j.jclepro.2021.127039>
- Siahaan, E. (2017). Antecedents of employee performance and the influence on employee job satisfaction in banking service sector in Indonesia. *Banks and Bank Systems*, 12(4), 75–89. [https://doi.org/10.21511/bbs.12\(4\).2017.07](https://doi.org/10.21511/bbs.12(4).2017.07)
- Singh, S. K., Giudice, M. Del, Chierici, R., & Graziano, D. (2020). Green innovation and environmental performance: The role of green transformational leadership and green human resource management. *Technological Forecasting and Social Change*, 150(May 2019), 119762. <https://doi.org/10.1016/j.techfore.2019.119762>
- Soomro, A. A., Breitenecker, R. J., & Shah, S. A. M. (2018). Relation of work-life balance, work-family conflict, and family-work conflict with the employee performance-moderating role of job satisfaction. *South Asian Journal of Business Studies*, 7(1), 129–146. <https://doi.org/10.1108/SAJBS-02-2017-0018>
- Stirpe, L., Profili, S., & Sammarra, A. (2021). Satisfaction with HR practices and employee



- performance: A moderated mediation model of engagement and health. *European Management Journal*, June. <https://doi.org/10.1016/j.emj.2021.06.003>
- Sugiarto, S. (2019). Online Dispute Resolution (ODR) Sebagai Alternatif Penyelesaian Sengketa Di Era Modernisasi. *Journal Qawanin*, 26(1), 1–4. <https://doi.org/10.1007/s11273-020-09706-3>
<http://dx.doi.org/10.1016/j.jweia.2017.09.008>
<https://doi.org/10.1016/j.energy.2020.117919>
<https://doi.org/10.1016/j.coldregions.2020.103116>
<http://dx.doi.org/10.1016/j.jweia.2010.12.004>
<http://dx.doi.org/10.1016/j.jweia.2010.12.004>
- Suhartanto, D., Dean, D., Nansuri, R., & Triyuni, N. N. (2018). The link between tourism involvement and service performance: Evidence from frontline retail employees. *Journal of Business Research*, 83(August 2016), 130–137. <https://doi.org/10.1016/j.jbusres.2017.10.039>
- Tai, C.-C. L., Chang, C.-M., Hong, J.-Y., & Chen, L.-C. (2012). Alternative Models for the Relationship among Leadership, Organizational Citizenship Behavior, and Performance: A Study of New Product Development Teams in Taiwan. *Procedia - Social and Behavioral Sciences*, 57, 511–517. <https://doi.org/10.1016/j.sbspro.2012.09.1218>
- Thomas, G., & Albishri, N. A. (2024). Driving employee organizational citizenship behaviour through CSR: An empirical study in the context of luxury hotels. *Acta Psychologica*, 245(February), 104231. <https://doi.org/10.1016/j.actpsy.2024.104231>
- Tuan, L. T., Rowley, C., Masli, E., Le, V., & Phuong Nhi, L. T. (2021). Nurturing service-oriented organizational citizenship behavior among tourism employees through leader humility. *Journal of Hospitality and Tourism Management*, 46(February), 456–467. <https://doi.org/10.1016/j.jhtm.2021.02.001>
- Tuffaha, M. (2020). The Determinants of Employee's Performance: A Literature Review. *Journal of Economics and Management Sciences*, 3(3), p14. <https://doi.org/10.30560/jems.v3n3p14>
- Wang, C., Xu, J., Zhang, T. C., & Li, Q. M. (2020). Effects of professional identity on turnover intention in China's hotel employees: The mediating role of employee engagement and job satisfaction. *Journal of Hospitality and Tourism Management*, 45(June), 10–22. <https://doi.org/10.1016/j.jhtm.2020.07.002>
- Wei, F., Abbas, J., Alarifi, G., Zhang, Z., Adam, N. A., & Queiroz, M. J. de. (2023). Role of green intellectual capital and top management commitment in organizational environmental performance and reputation: Moderating role of pro-environmental behavior. *Journal of Cleaner Production*, 405(March), 136847. <https://doi.org/10.1016/j.jclepro.2023.136847>
- Wengang, Z., Fenglian, W., & Feng, X. (2023). Motivating servant process for employee organizational citizenship behavior towards the environment: A goal setting perspective of integrating person-organization fit model. *Journal of Cleaner Production*, 387(November 2022), 135932. <https://doi.org/10.1016/j.jclepro.2023.135932>



- Wu, C. M., Chen, T. J., & Wang, Y. C. (2023). Formation of hotel employees' service innovation performance: Mechanism of thriving at work and change-oriented organizational citizenship behavior. *Journal of Hospitality and Tourism Management*, 54(June 2022), 178–187. <https://doi.org/10.1016/j.jhtm.2022.12.015>
- Wu, Y., Xu, Q., Jiang, J., Li, Y., Ji, M., & You, X. (2023). The influence of safety-specific transformational leadership on safety behavior among Chinese airline pilots: The role of harmonious safety passion and organizational identification. *Safety Science*, 166(July), 106254. <https://doi.org/10.1016/j.ssci.2023.106254>
- Yakimova, R., Merrilees, B., & Miller, D. (2016). Engaging Internal Stakeholders: Revitalizing Community Organizations Through Rebranding. *Developments in Marketing Science: Proceedings of the Academy of Marketing Science*, 2008, 764–771. https://doi.org/10.1007/978-3-319-24184-5_186
- Yang, M., Luu, T. T., & Qian, D. (2021). Dual-focused transformational leadership and service innovation in hospitality organisations: A multilevel investigation. *International Journal of Hospitality Management*, 98(July), 103035. <https://doi.org/10.1016/j.ijhm.2021.103035>
- Zhao, H., & Zhou, Q. (2021). Socially responsible human resource management and hotel employee organizational citizenship behavior for the environment: A social cognitive perspective. *International Journal of Hospitality Management*, 95(99), 102749. <https://doi.org/10.1016/j.ijhm.2020.102749>
- Zheng, L., Wang, Y., Guo, Z., & Zhu, Y. (2022). Effects of managerial coaching on employees' creative performance: cross-level moderating role of a climate for innovation. *Leadership and Organization Development Journal*. <https://doi.org/10.1108/LODJ-03-2021-0132>



ANALYSIS OF THE INFLUENCE OF THE *REWARD* SYSTEM AND *WORK-LIFE BALANCE* ON PERFORMANCE WITH DISCIPLINE AS AN INTERVENING VARIABLE FOR EMPLOYEES OF PT. PAWNSHOP PRINGGAN BRANCH MEDAN.

Farhan Fahmil¹, Cut Fitri Rostina², Elly Romy³, Fauzi⁽⁴⁾
Universitas Prima Indonesia^{1,2,3,4}

Abstract

This research uses a quantitative approach and the type of research used is descriptive quantitative and the nature of the research used is explanatory. The population and sample in this study amounted to 40 employees. The method in this study used saturated sampling. The results showed that simultaneous testing obtained a value of $f_{hitung} > f_{tabel}$ ($22.466 > 2.64$). Sig value of $0.000 < 0,05$. This means that simultaneously there is a significant effect of the *reward* system (x_1), *work* discipline (x_2), and *work life balance* (x_3) together. Through the test results of the Coefficient of Determination, it can be seen that the f_{count} value 22.466. This value is greater than f_{tabel} 2.64 ($22.466 < 2.64$). Sig value of 0.000. This value is smaller than 0.05 ($0.000 < 0.05$). This means that there is a positive and significant effect of the *reward* system (x_1), *work* discipline (x_2), and *work life balance* (x_3) together on employee performance (Y). Reward system has a significant effect on employee work discipline at PT Pegadaian Pringgan Medan Branch. *Work-Life Balance* has no significant effect on employee work discipline at PT. Pawnshop Pringgan Medan Branch. *Work-Life Balance* has a significant effect on employee performance through work discipline at PT Pegadaian Pringgan Medan Branch, meaning that this condition proves that the better the company's *Work-Life Balance* can improve employee performance through discipline. Based on the results of the analysis and discussion carried out, the following conclusions can be drawn: there is a positive and significant effect of the *reward* system (x_1) on employee performance (Y), there is a positive and significant effect of *work* discipline (x_2) on employee performance Y) and there is a positive and significant effect of *work life balance* (x_3) on employee performance (Y). the influence of the independent variables of the *reward* system (x_1), *work* discipline (x_2), and *work life balance* (X_3) on the dependent variable employee performance (Y) is 62.3% while the remaining 37.7% is influenced by other variables not examined in this study.

Keywords: *Reward*, *Work Discipline*, *Work-Life Balance*, *Employee Performance*



Background of the Problem

In the face of globalization, whether or not the company succeeds in achieving its goals depends largely on the ability of human resources to carry out the tasks assigned to the company. Human resources are one of the factors that are very important and even cannot be separated from an organization, both institutions and companies. This research was conducted at PT Pegadaian Pringgan Medan Branch. PT Pegadaian Pringgan Medan Branch is a company engaged in Business Pawn, Pawn, Kreasi, Krasida, Mulia, Kresna, EmasKu, Flexi Pawn, Savings, MPO (Purchase and Payment of Telephone Bills, Electricity, Water, Tickets, Internet, Pay TV, Payment of BPJS Dues, etc.). In this study, researchers used the factors of *reward* system, *work* discipline and *work-life balance* on the performance of employees of PT Pegadaian Pringgan Medan branch because these factors are currently an important issue to improve performance in a sustainable manner. The first factor is about the *reward* system which is one of the human resource functions as a form of positive attention from a company. The problem in this company shows that there is a system of providing salaries that are not suitable for employees to receive with the weight of the work provided. For example, the company gives tasks to employees past the work time limit set by the company without providing rewards in accordance with the performance carried out by these employees. Furthermore, the second factor that is suspected is work discipline. The problem of work discipline where it can be seen from the time mismatch in the company is that there are employees of PT Pegadaian Cabang Pringgan Medan who are still unable to manage time which is characterized by being late and leaving early.

Furthermore, the third factor that is thought to affect employee performance is the application of *work-life balance*. Because there are some employees who are stressed at work, it can be seen from the existence of several employees at PT Pegadaian Pringgan Medan Branch who no longer communicate intensely with the leadership. The optimal performance of the company is influenced by the employees of PT. Pegadaian Pringgan Medan Branch who are less able to complete their performance properly. However, the performance of PT. Pegadaian Pringgan Medan Branch employees who are still not maximized in completing fast work on time given by the company's leadership requires continuous evaluation.

Theory

Definition of *Reward* System

According to Siagian (2015: 4-5) "Reward is the work itself, wages, promotion opportunities, supervision, and coworkers. reward is also an



effort or way to foster recognition or feelings of acceptance in the organization, which includes non-financial and financial".

According to the opinion above, it can be concluded that the reward system is a form of reward for job performance, in the form of rewards, gifts, awards, or rewards.

Reward Indicator

According to Kadarsiman (2012: 122) *reward* indicators include: Wages, promotions, awards, incentives, allowances, salaries.

Definition of Work Discipline

According to Hamali (2016: 215) "Discipline is a person's behavior in accordance with existing regulations, work procedures, or discipline is an attitude, behavior, and behavior that is in accordance with the rules of the organization, both written and unwritten". According to the above opinion, it can be concluded that work discipline is the attitude of someone who is willing to obey all applicable organizational rules and norms.

Work Discipline Indicator

According to Supomo & Nurhayati (2018: 134-137) indicators that affect the level of employee discipline of an organization include the following: Purpose and Ability, Leadership Example, Merit Pay, Justice, Waskat, Punishment Sanctions, Firmness, Human Relations.

Definition of Work-Life Balance

According to Wardani & Firmansyah (2021: 8) "work-life balance is a condition in which an employee or an individual tries to make a situation balanced between work and his personal life".

Based on the definition according to the experts above, it can be concluded that work-life balance is a situation where a person tries to be able to balance the demands of work and his personal life.

Work-Life Balance Indicators

McDonald and Bradley (2017) in pangemanan et al. (2017) aspects to measure work-life balance, as follows: Time balance, Involvement balance, Satisfaction balance.

Definition of Employee Performance

According to Wibowo (2013: 08) "performance comes from the notion of performance, performance is also defined as the result of work or work performance. But in reality performance has a broader meaning, not only the results of work, but also includes how the work process takes place. "

According to the above opinion, it can be concluded that employee



performance is the result obtained by a person in doing his job in accordance with the roles and that have been given by the organization or company.

Employee Performance Indicators

According to Bangun (2012: 233) to measure employee performance, as follows: Amount of work, Quality of Work, Punctuality, Attendance, Ability to work together.

Conceptual Framework

Based on the theories that have been stated above, it can be concluded that employee performance is influenced by work-life balance and reward systems through work discipline. This means that if the work-life balance and reward system in the company can provide comfort and security and can cover all employee needs, the level of employee discipline will increase. Increased employee work discipline will also improve employee performance. For more details, the hypothesis in this study can be described as follows:

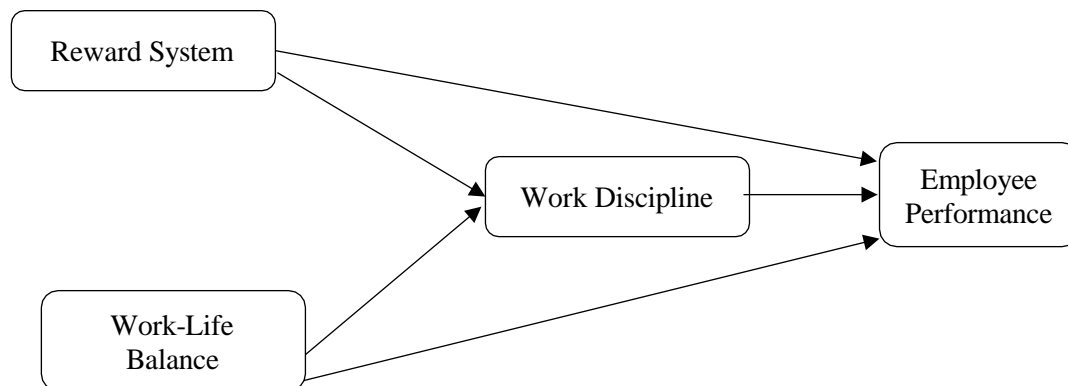


Figure 2.1 Conceptual Framework

Hypothesis

Hypothesis is a temporary answer to research problems, until proven through collected data. The hypothesis of this research is:

- H1: The Reward System has a significant effect on employee work discipline at PT Pegadaian Pringgan Medan Branch.
- H2: *Work-Life Balance* has a significant effect on employee work discipline at PT Pegadaian Pringgan Medan Branch.
- H3: *Reward* system has a significant effect on employee performance at PT Pegadaian Pringgan Medan Branch.
- H4: *Work-Life Balance* has a significant effect on employee performance at



PT Pegadaian Pringgan Medan Branch.

H5: Work discipline has a significant effect on employee performance at PT Pegadaian Pringgan Medan Branch.

H6: *Reward* system has a significant effect on employee performance through work discipline at PT. Pegadaian Pringgan Medan Branch

H7: *Work-Life Balance* has a significant effect on employee performance through work discipline at PT Pegadaian Pringgan Medan Branch.

Research Population

According to Sangadji and Sopiah (2010), population is a generalization area consisting of: subjects or objects with certain qualities and characteristics set by researchers to study and then draw conclusions. The population in this study were all employees of PT Pegadaian Pringgan Medan Branch, totaling 40 people consisting of 4 (four) groups as illustrated in the table below:

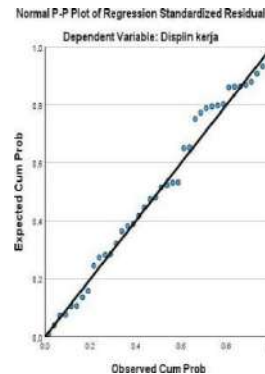
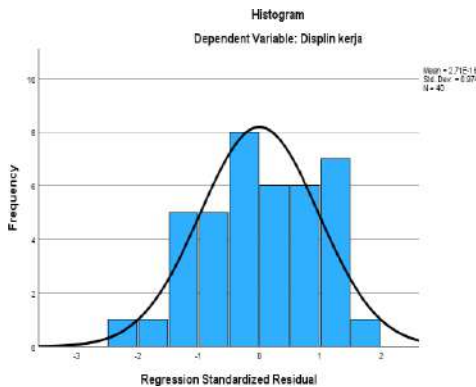
Number of Employees of PT Pegadaian Pringgan Branch Medan

| No. | Goals | Total |
|-------|-------|-------|
| 1 | I | 10 |
| 2 | II | 12 |
| 3 | III | 10 |
| 4 | IV | 8 |
| Total | | 40 |

Classical Assumption Test

Submission of Classical Assumptions Sub

Model I Normality Test of Sub Model 1



One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual | |
|--|-------------------------|-------------------------|------|
| N | | 40 | |
| Normal Parameters ^{a, b} | Mean | .0000000 | |
| | Std. Deviation | 5.04915639 | |
| Most Extreme Differences | Absolute | .107 | |
| | Positive | .066 | |
| | Negative | -.107 | |
| Test Statistic | | .107 | |
| Asymp. Sig. (2-tailed) ^c | | .200 ^d | |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | .290 | |
| | 99% Confidence Interval | Lower Bound | .278 |
| | | Upper Bound | .301 |

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.
- e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Based on the table above, it can be seen that the Sig. Or the normal significance of this data is 0.200. This value is greater than 0.05 ($0.200 > 0.05$). So it can be concluded that the data used in this study is normally distributed.

Multiconierity Test

| Coefficients ^a | | | | | | | | |
|---------------------------|-------------------|-----------------------------|------------|-----------------------------------|-------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients Beta | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | | | | Tolerance | VIF |
| 1 | (Constant) | 19.294 | 5.878 | | 3.283 | .002 | | |
| | Sistem Reward | .330 | .140 | .376 | 2.354 | .024 | .883 | 1.133 |
| | Work-life balance | .090 | .203 | .071 | .446 | .658 | .883 | 1.133 |

a. Dependent Variable: Displin kerja

Based on the table above, it can be seen that the tolerance value for the reward system variable is 0.883, this value is greater than 0.10 ($0.883 > 0.10$). Furthermore, for the work- life balance variable of 0.883, this value is greater than 0.10 ($0.883 > 0.10$). Meanwhile, the VIF value for the reward system variable is 1.133, this value is smaller than 10 ($1.133 < 10$). Furthermore, for the work-life balance variable of 1.133, this value



is smaller than 10 ($1.133 < 10$). Based on the information above, it can be concluded that the two independent variables do not occur multicollinearity.

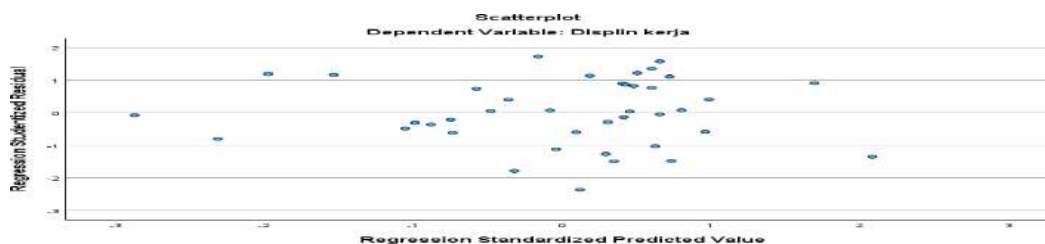
Heteroscedasticity Test

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1. | (Constant) | .359 | 3.277 | | .109 | .913 |
| | Sistem Reward | .090 | .078 | .197 | 1.150 | .257 |
| | Work-life balance | .001 | .113 | .001 | .005 | .996 |

a. Dependent Variable: Abs_Res1

Based on the table above, it can be seen that the Sig value of the *reward* system variable is 0.257, this value is greater than 0.05 ($0.257 > 0.05$). While the sig value of the *work life balance* variable is 0.996, this value is greater than 0.05 ($0.996 > 0.05$). So based on the data above, it can be concluded that in this research data there is no heteroscedasticity.



Based on the scatterplot graph above, it can be seen that the points spread with an unclear pattern both above and below the zero (0) on the Y axis, not gathering in one place, so from the scatterplot graph it can be concluded that there is no heteroscedasticity.

Inferring whether or not heteroscedasticity occurs in the research data can be seen from its significance value. With the criteria that heteroscedasticity does not occur if the Sig value. Or normal significance or probability > 0.05 .

Sub

Model I

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1. | (Constant) | 19.294 | 5.878 | | 3.283 | .002 |
| | Sistem Reward | .330 | .140 | .376 | 2.354 | .024 |
| | Work-life balance | .090 | .203 | .071 | .446 | .658 |

a. Dependent Variable: Displin kerja



Based on the table above, it can be seen

1. The *reward* system variable has a value t_{hitung} of 2.354, this value is greater than the value t_{tabel} 2.02809 ($2.354 > 2.02809$). The Sig value of the reward system variable is 0.000. This value is smaller than 0.05 ($0.024 < 0.05$). This means that there is a positive and significant effect of the reward system (X1) on employee work discipline (Z).
2. In the *work life balance* variable, the value t_{hitung} is 0.446. This value is smaller than t_{tabel} 2.02809 ($0.446 > 2.02809$). Sig value 0.658. This value is greater than 0.05. This value is greater than 0.05 ($0.658 < 0.05$). This means that there is no significant effect of *work life balance* (X3) on employee work discipline (Z).

F test

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|-------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 196.710 | 2 | 98.355 | 3.660 | .035 ^b |
| | Residual | 994.265 | 37 | 26.872 | | |
| | Total | 1190.975 | 39 | | | |

a. Dependent Variable: Displin kerja

b. Predictors: (Constant), Work-life balance, Sistem Reward

Based on the table above, it can be seen that the value of f_{hitung} is 3.660. This value is greater than f_{tabel} 2.64 ($3.660 > 2.64$). Sig value is 0.035. This value is smaller than 0.05 ($0.035 < 0.05$). This means that there is a positive and significant effect of the *reward* system (X1) and *work life balance* (X2) together on employee work discipline (Z).

Path Analysis Sub Model I

$$Z = a + b_1X_1 + b_2X_2$$

$$Z = 19.294 + 0.330 + 0.090$$

The analysis equation model is meaningful:

- 1) Constant (a) = 19.294 indicates that the constant value where if the variable System *reward* and *work-life balance* are equal to 0, then job satisfaction is 19.294.
- 2) *Reward* System Variable (X1) = 0.330 indicates that every addition of one unit in the work environment variable, job satisfaction will increase by 0.330.
- 3) *Work-life Balance* (X2) variable = 0.090 indicates that every addition of one unit to the organizational culture variable, job satisfaction will increase by 0.090.

Table of Coefficient of Determination sub Model I



Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .406 ^a | .165 | .120 | 5.18382 |

a. Predictors: (Constant), Work-life balance, Sistem Reward

b. Dependent Variable: Displin kerja

Based on the table above, it can be seen that the Adjusted R-Square value is

0.120. This means that the independent variables of the *reward* system (X1) and *work life balance* (X2) are able to explain the intervening variable of employee performance discipline (Y) by 12.0% while the remaining 88.0% is influenced by other variables not examined in this study. Examples are leadership variables, work stress, work motivation and so on.

Sobel Test Sub Model I

$$0,167$$

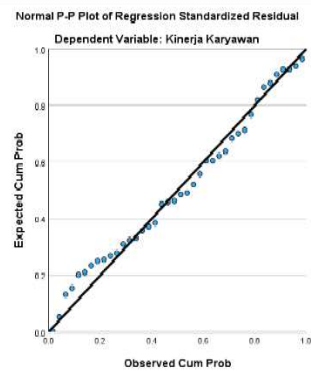
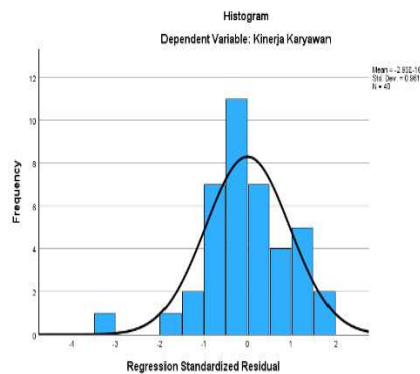
$$Z \text{ _____ } 0,0564$$

$$Z= 2,960$$

From the results of the sobel test calculation above, a z value of 2.960 is obtained because the z value obtained is $2.960 > 1.67$ with a significance level of 5%, proving that work discipline is able to mediate the relationship between system variables on employee performance.

Sub Model

II Classical





One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual | |
|--|-------------------------|-------------------------|------|
| N | | 40 | |
| Normal Parameters ^{a,b} | Mean | .0000000 | |
| | Std. Deviation | 2.76079466 | |
| Most Extreme Differences | Absolute | .092 | |
| | Positive | .058 | |
| | Negative | -.092 | |
| Test Statistic | | .092 | |
| Asymp. Sig. (2-tailed) ^c | | .200 ^d | |
| Monte Carlo Sig. (2-tailed) ^e | Sig. | .532 | |
| | 99% Confidence Interval | Lower Bound | .519 |
| | | Upper Bound | .544 |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 299883525.

Based on the table above, it can be seen that the Sig. Or the normal significance of this data is 0.200. This value is greater than 0.05 ($0.200 > 0.05$). So it can be concluded that the data used in this study is normally distributed.

Multicollinearity Test

| | | Coefficients ^a | | | | | Collinearity Statistics | |
|-------|-------------------|-----------------------------|------------|---------------------------|-------|-------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Tolerance | VIF |
| | | B | Std. Error | Beta | | | | |
| 1 | (Constant) | -2.551 | 3.690 | | -.692 | .494 | | |
| | Sistem Reward | .453 | .088 | .611 | 5.158 | <.001 | .883 | 1.133 |
| | Work-life balance | .269 | .127 | .250 | 2.111 | .042 | .883 | 1.133 |

a. Dependent Variable: Kinerja Karyawan

Based on the table above, it can be seen that the tolerance value for the *reward* system variable is 0.883, this value is greater than 0.10 ($0.883 > 0.10$). Furthermore, for the *work-life balance* variable of 0.883, this value is greater than 0.10 ($0.883 > 0.10$). Meanwhile, the VIF value for the *reward* system variable 1.133, this value is smaller than 10 ($1.133 < 10$). Furthermore, for the *work-life balance* variable of 1.133, this value is smaller than 10 ($1.133 < 10$). Based on the information above, it can be concluded that the two independent variables do not occur multicollinearity.

Heteroscedasticity Test

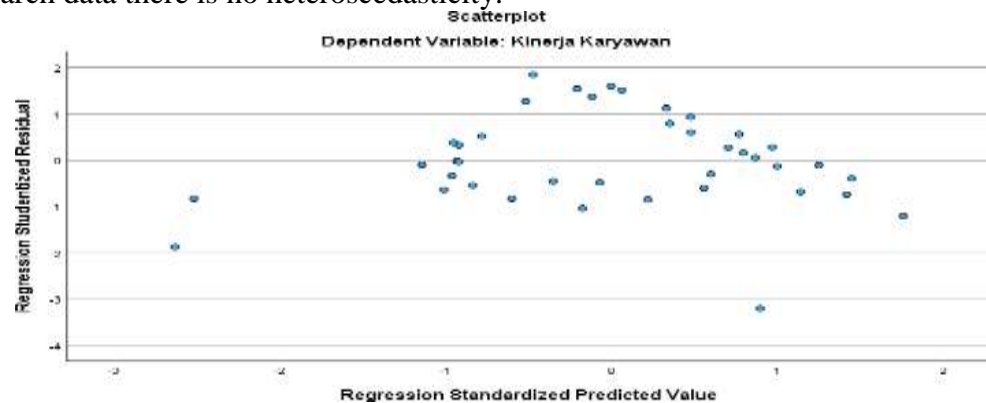


Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.768 | 2.340 | | 1.183 | .244 |
| | Sistem Reward | .039 | .053 | .140 | .750 | .458 |
| | Work-life balance | -.077 | .071 | -.188 | -1.081 | .287 |
| | Displin kerja | -.023 | .058 | -.072 | -.405 | .688 |

a. Dependent Variable: Abs_Res2

Based on the table above, it can be seen that the Sig value of the *reward* system variable is 0.458, this value is greater than 0.05 ($0.458 > 0.05$). The sig value of the work discipline variable is 0.688, this value is greater than 0.05 ($0.688 > 0.05$). While the sig value of the *work life balance* variable is 0.287, this value is greater than 0.05 ($0.287 > 0.05$). So based on the data above, it can be concluded that in this research data there is no heteroscedasticity.



Based on the scatterplot graph above, it can be seen that the points spread with an unclear pattern both above and below the zero (0) on the Y axis, not gathering in one place, so from the scatterplot graph it can be concluded that there is no heteroscedasticity.

Inferring whether or not heteroscedasticity occurs in the research data can be seen from its significance value. With the criteria that heteroscedasticity does not occur if the Sig value. Or normal significance or probability > 0.05 .

Test t

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|-------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -8.500 | 3.702 | | -2.296 | .028 | | |
| | Sistem Reward | .352 | .083 | .474 | 4.226 | <.001 | .768 | 1.303 |
| | Displin kerja | .308 | .091 | .364 | 3.383 | .002 | .835 | 1.198 |
| | Work-life balance | .241 | .113 | .224 | 2.137 | .040 | .878 | 1.139 |

a. Dependent Variable: Kinerja Karyawan



Based on the table above, it can be seen

3. The reward system variable has a value t_{hitung} of 4.226, this value is greater than the value t_{tabel} 2.02809 ($4.226 > 2.02809$). The Sig value of the reward system variable is 0.000. This value is smaller than 0.05 ($0.000 < 0.05$). This means that there is a positive and significant effect of the reward system (X1) on employee performance (Y).
4. In the work discipline variable, the value t_{hitung} is 3.383. This value is greater than t_{tabel} 2.02809 ($3.383 > 2.02809$). Sig value of 0.002. This value is smaller than 0.05 ($0.002 < 0.05$). This means that there is a positive and significant effect of work discipline (X2) on employee performance (Y).
5. In the *work life balance* variable, the value t_{hitung} is 2.137. This value is smaller than t_{tabel} 2,02809 ($2,137 > 2,02809$). Sig value 0.040. This value is smaller than 0.05. This value is smaller than 0.05 ($0.040 < 0.05$). This means that there is a positive and significant effect of *work life balance* (X3) on employee performance (Y).

F test

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|--------------------|
| 1 | Regression | 556.518 | 3 | 185.506 | 22.466 | <,001 ^b |
| | Residual | 297.257 | 36 | 8.257 | | |
| | Total | 853.775 | 39 | | | |

a. Dependent Variable: Kinerja Karyawan

b. Predictors: (Constant), Work-life balance, Displin kerja, Sistem Reward

Based on the table above, it can be seen that the value of t_{hitung} is 22.466. This value is greater than t_{tabel} 2.64 ($22.466 > 2.64$). Sig value is 0.000. This value is smaller than 0.05 ($0.000 < 0.05$). This means that there is a positive and significant effect of the *reward* system (X1), *work* discipline (X2), and *work life balance* (X3) together on employee performance (Y).

Path Analysis Model Sub II



Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized | t | Sig. | Collinearity Statistics | |
|-------|-------------------|-----------------------------|------------|--------------|--------|-------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -8.500 | 3.702 | | -2.296 | .028 | | |
| | Sistem Reward | .352 | .083 | .474 | 4.226 | <.001 | .768 | 1.303 |
| | Displin kerja | .308 | .091 | .364 | 3.383 | .002 | .835 | 1.198 |
| | Work-life balance | .241 | .113 | .224 | 2.137 | .040 | .878 | 1.139 |

a. Dependent Variable: Kinerja Karyawan

$$Z = a + b_1X_1 + b_2X_2 + b_3Z +$$

$$Z = -8.500 + 0.352 + 0.308 + 0.241$$

The analysis equation model is meaningful:

- 1) Constant (a) = -8,500 indicates that the constant value where if the work environment, organizational culture and job satisfaction variables are equal to 0, then employee performance is worth -8,500.
- 2) *Reward* System Variable (X1) = 0.352 indicates that every addition of one unit in the work environment variable, employee performance will increase by 0.352.
- 3) The *Work-Life Balance* variable (X2) = 0.308 indicates that every addition of one unit to the organizational culture variable, employee performance will increase by 0.308.
- 4) Work Discipline Variable (Z) = 0.241 indicates that every addition of one unit to the job satisfaction variable, employee performance will increase by 0.241.

Coefficient of Determination of sub model II

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .807 ^a | .652 | .623 | 2.87353 |

a. Predictors: (Constant), Work-life balance, Displin kerja, Sistem Reward

b. Dependent Variable: Kinerja Karyawan

Based on the table above, it can be seen that the R-Square value is 0.623. This means that the influence of the independent variables of the reward system (X1), work discipline (X2), and work life balance (X3) on the dependent variable of employee performance (Y) is 62.3% while the remaining 37.7% is influenced by other variables not examined in this study. Examples are leadership variables, work stress, work motivation and so on.



Sobel Test Sub Model II

$$= \frac{0,2203}{0,0686}$$
$$Z= 3,211$$

From the results of the sobel test calculation above, a z value of 3.211 is obtained because the z value obtained is $3.211 > 1.67$ with a significance level of 5%, proving that work discipline is able to mediate the relationship between *work-life balance* variables on employee performance.

Conclusion

1. H1: The Reward System has a significant effect on employee work discipline at PT Pegadaian Pringgan Medan Branch, meaning that this condition proves that better the company's *reward system* can improve the work discipline of its employees.
2. H2: *Work-Life Balance* does not have a significant effect on employee work discipline at PT Pegadaian Pringgan Medan Branch, that is, the level of significance does not mean that *work-life balance* has an important role in increasing job satisfaction.
3. H3: *Reward* system has a significant effect on employee performance at PT Pegadaian Pringgan Medan Branch, meaning that this condition proves that better the company's *reward system* can improve employee performance.
4. H4: *Work-Life Balance* has a significant effect on employee performance at PT Pegadaian Pringgan Medan Branch, meaning that this condition proves that the better the company's *Work-Life Balance* can improve employee performance.
5. H5: Work discipline has a significant effect on employee performance at PT Pegadaian Pringgan Medan Branch, meaning that this condition proves that better the company's work discipline can improve the performance of its employees.
6. H6: The *Reward System* has a significant effect on employee performance through work discipline at PT. Pegadaian Pringgan Medan Branch, meaning that this condition proves that the better the company's *Reward System* can improve employee performance.
7. H7: *Work-Life Balance* has a significant effect on employee performance through work discipline at PT Pegadaian Pringgan Medan Branch, which means this condition proves that the better the



company's *Work-Life Balance* can improve employee performance through discipline.

Suggestion

Suggestions that aim to improve employee performance are as follows:

1. Company PT Pegadaian Pringgane Branch Medan
 - a. The company should be able to maximize the role of the reward system, work discipline and work life balance so that it can have an impact on maximizing employee performance.
 - b. It is hoped that in increasing rewards it is necessary to pay attention to the factor of providing bonus incentives, because employees who do work according to the target or exceed the target, it would be better to give appreciation or gifts as a reward or gratitude to employees for helping to develop a company.
 - c. It is hoped that the company will improve work discipline for each employee, both superiors and subordinates fairly. With good work discipline in the company, it can improve employee performance in carrying out the duties and responsibilities given by the company.
2. For researchers
So that researchers must realize the importance of this research and be more serious in conducting subsequent research.
3. For future research
To conduct research using other variables such as leadership variables, work stress, work motivation and so on.

DAFTAR PUSTAKA

1. R. N. Zaeni, Pengaruh Reward, Promosi. Dan Mutasi Jabatan Terhadap Prestasi.
2. S. Oktavia and S. Rahayu, "Pengaruh Kompetensi Sumber Daya Manusia, Komitmen."
3. T. Andalucia, PENGARUH TINGKAT INFLASI. TINGKAT SUKU BUNGA DAN.
4. A. Maulana and M. Lestariningsih, "Pengaruh Harga, Brand Ambassador Dan Kualitas."
5. S. S. Kusumawardhany and Y. K. Shanti, "Pengaruh Pengaruh Komite Audit, Dewan."
6. I. Irwansyah, Y. Lestari, and N. F. Adam, "Pengaruh ukuran perusahaan dan leverage."
7. E. Romer, "Pengaruh Harga Transfer dan Kepemilikan Manajerial Terhadap."
8. R. S. Yani, I. B. Treysha, and A. Sukarsa, "Brand Image Indicator on Vivo Smartphone."
9. E. M. Dilasari and G. Yosita, "Pengaruh Cita Rasa Dan Promosi Melalui Media Sosial."



10. R. Handayani and S. Oktapiani, "Pengaruh Disiplin Dan Lingkungan Kerja Terhadap."
11. H. Hendrayani, "PENGARUH DISIPLIN KERJA TERHADAP KINERJA."
12. S. N. Dewi and N. N. Marpaung, "Pengaruh Lingkungan Kerja Dan Disiplin Kerja," *Parameter*, vol. 8, no. 1. pp. 1–12, 2023.
13. Solihin, "Pengaruh Kedisiplinan Terhadap Prestasi Siswa," *Jom FISIP*, vol. 4, no. 1. pp. 1– 15, 2017.
14. E. Setiawan and Mardalis, "Kepuasan Kerja Sebagai Variabel Intervening,"
15. *Jurnal Ekonomi Manajemen Sumber Daya*, vol. 17, no. 2. pp. 67–77, 2015.
16. Z. Mora, M. R. Zati, and S. Musdalifa, "Reward dan Kompensasi Serta Pengaruhnya."
17. A. Arif, S. Sukuryadi, and F. Fatimaturrahmi, "Pengaruh Ketersediaan Sumber Belajar."
18. A. Rozaq, K. F. Lestari, and S. Handayani, "Sistem informasi produk dan data calon jamaah haji dan umroh pada Pt. Travellindo Lusiyanan Banjarmasin berbasis web," *Jurnal POSITIF*, vol. 1, no. (1). pp. 1–13, 2015. [Online]. Available: <http://ejurnal.poliban.ac.id/index.php/Positif/article/view/208>
19. Desi, "Evaluasi Penerapan Sistem Pengendalian Intern," *Jurnal EMBA*, vol. 1, no. 4. pp. 213–223, 2013.
20. W. Sujarweni, *Metodologi Penelitian: Metodologi penelitian Skripsi*. Deepublish, 2017.
21. Handaka Irvan Budhi, "STUDI DESKRIPTIF TENTANG MODEL EVALUASI PELAKSANAAN PROGRAM BIMBINGAN DAN KONSELING DI SMA NEGERI DI
22. KABUPATEN BANTUL Irvan," *Jurnal Konseling GUSJIGANG*, vol. 1, no. 2. 2015.
23. AYU PUSPITAWATI HAFID, "Pengaruh Disiplin Kerja Terhadap," *Energies*, vol. 6, no. 1. pp. 1–8, 2018. [Online]. Available: <http://journals.sagepub.com/doi/10.1177/1120700020921110%0Ahttps://doi.org/10.1016/j.reuma.2018.06.001%0Ahttps://doi.org/10.1016/j.arth.2018.03.044%0Ahttps://reader.sd/pii/S1063458420300078?token=C039B8B13922A2079230DC9AF11A333E295FCD8>
24. D. Dina, "Pengaruh Work-Life Balance Terhadap Kinerja Karyawan Di Kud Minatani Brondong Lamongan," *Jurnal Indonesia Membangun*, vol. 17, no. 2. pp. 184– 199, 2018.
25. m. R. A. N. Raffi Elmanda, "Pengaruh Disiplin Kerja Dan Komunikasi Terhadap," *Jurnal Ekonomi dan Industri*, vol. 21, no. 3. pp. 50–61, 2020.
26. U. Y. Asepti and S. H. P. Maruno, "Analisis pengaruh work-life balance dan."
27. W. Erpurini, "Pengaruh Sistem Informasi Sumber Daya Manusia Dan Disiplin Kerja Terhadap Kinerja Pada," *Penelitian Ekonomi dan Akutansi*, vol. IV, no. 1. pp. 1007– 1016, 2019.



The Influence Of Fixed Assets, Debt Levels, Company Profitability, And Capital Intensity Ratio On Tax Management In Manufacturing Companies Listed On The Indonesia Stock Exchange For The Period 2018-2022

Fransisca Angelinea, Rasinta Ria Ginting, Enda Noviyanti Simorangkora, Ayang Pratamaa

Universitas Prima Indonesia

*E-mail :

Abstract

The The purpose of this study is to examine the influence of fixed assets, debt levels, company profitability, and the capital intensity ratio on tax management in manufacturing companies listed on the IDX for the period 2018–2022, both partially and simultaneously. To achieve desired profitability and liquidity, tax management can be optimized. Effective tax administration is crucial to prevent businesses from engaging in tax law violations or tax evasion. The population in this study consists of all manufacturing companies listed on the IDX during the 2018–2022 period, totaling 177 companies, with a sample size of 285 analytical units. The research method employs multiple linear regression analysis techniques. The results of this study indicate that fixed assets, company profits, and the capital intensity ratio do not affect tax management. The debt level has a positive effect on tax management. Fixed assets, debt level, company profits, and the capital intensity ratio simultaneously affect tax management in manufacturing companies listed on the IDX for the 2018–2022 period.

Keywords: *Fixed Assets, Debt Levels, Company Profitability, Capital Intensity Ratio, Tax Management.*

INTRODUCTION

Manufacturing companies need to have specific objectives when running their business to develop their company. In the business world, the main goal of a company is to generate profits. To achieve profitability, a company must implement various strategies in managing its business. One of the business responsibilities is handling its taxes. Businesses use tax avoidance as a management approach, which involves legally reducing taxes. The use of lawful tax provisions to reduce a taxpayer's tax obligations results in tax savings, known as tax avoidance. Tax avoidance is not illegal, as it refers to actions taken by taxpayers to reduce, minimize, or avoid tax payments.

One way to understand tax management is as a means to fulfill tax responsibilities accurately. To achieve the desired profitability and liquidity, taxation can be minimized. Effective tax administration is crucial to prevent businesses from engaging in tax law violations or tax evasion. The business sector must be able to take advantage of gaps in



Indonesia's prevailing tax regulations.

LITERATURE REVIEW

| Code Emite | Year | Fix Asset | Total Debt | Net Profit | Total Aset | Tax expense |
|------------|------|--------------------|--------------------|--------------------|---------------------|-------------------|
| ICBP | 2018 | 10.741.622.000.000 | 11.660.003.000.000 | 4.658.781.000.000 | 34.367.153.000.000 | 1.788.004.000.000 |
| | 2019 | 11.342.412.000.000 | 12.038.210.000.000 | 5.360.029.000.000 | 38.709.314.000.000 | 2.076.943.000.000 |
| | 2020 | 13.351.296.000.000 | 53.270.272.000.000 | 7.418.574.000.000 | 103.588.325.000.000 | 2.540.073.000.000 |
| | 2021 | 46.751.821.000.000 | 92.285.331.000.000 | 11.229.695.000.000 | 179.271.840.000.000 | 3.258.958.000.000 |
| | 2022 | 47.410.528.000.000 | 86.810.262.000.000 | 9.192.569.000.000 | 180.433.300.000.000 | 3.126.196.000.000 |
| GGRM | 2018 | 22.758.558.000.000 | 23.963.934.000.000 | 7.793.068.000.000 | 69.097.219.000.000 | 2.686.174.000.000 |
| | 2019 | 25.373.983.000.000 | 27.716.516.000.000 | 10.880.704.000.000 | 78.647.274.000.000 | 3.607.032.000.000 |
| | 2020 | 27.678.244.000.000 | 19.668.941.000.000 | 7.647.729.000.000 | 78.191.409.000.000 | 2.015.404.000.000 |
| | 2021 | 29.780.132.000.000 | 30.676.095.000.000 | 5.605.321.000.000 | 89.964.369.000.000 | 1.681.525.000.000 |
| | 2022 | 32.426.439.000.000 | 30.706.651.000.000 | 2.779.742.000.000 | 88.562.617.000.000 | 866.779.000.000 |
| HMSP | 2018 | 7.288.435.000.000 | 11.244.167.000.000 | 13.538.418.000.000 | 46.602.420.000.000 | 4.422.851.000.000 |
| | 2019 | 7.297.912.000.000 | 15.223.076.000.000 | 13.721.513.000.000 | 50.902.806.000.000 | 4.537.910.000.000 |
| | 2020 | 6.582.808.000.000 | 19.432.604.000.000 | 8.581.378.000.000 | 49.674.030.000.000 | 2.580.088.000.000 |
| | 2021 | 6.038.643.000.000 | 23.899.022.000.000 | 7.137.097.000.000 | 53.090.428.000.000 | 2.015.069.000.000 |
| | 2022 | 6.697.429.000.000 | 26.616.824.000.000 | 6.323.744.000.000 | 54.786.992.000.000 | 1.949.315.000.000 |

1. An increase in fixed assets occurs, but tax management also increases.
2. An increase in the debt level occurs, but tax management also increases.
3. An increase in company profits occurs, but tax management decreases.
4. An increase in the Capital Intensity Ratio occurs, but tax management also increases.
5. An increase in fixed assets, debt level, company profits, and the Capital Intensity Ratio occurs, but tax management also increases.

Fixed Assets are assets owned and used by a company for a period exceeding one year and have a useful life that depreciates over time (the utility value decreases over time). (Lubis, 2018:29)

Debt Levels measures the extent to which a company is financed by debt. (Fahmi, 2018:72)

Indicator = Total Liabilities / Total Equity

Profitability is a ratio used to assess a company's ability to generate profits. (Kasmir, 2018:196)

Indicator Net Income) / Total Assets

Capital Intensity Ratio (CIR) is a ratio that measures the amount of assets required to generate one rupiah of sales. (Nelmidia and Siregar, 2016:1)

Indicator = Total Assets / Sales

Tax Management is one of the methods that taxpayers can use in managing the taxation of their business or income. (Rudianto, 2018:17)

Indicator = Tax Expense / Profit Before Tax

METHODS

Research Location

This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2022 period. The reason the researcher chose the 2018–2022 period is that the data obtained is expected to reflect the current condition of



manufacturing companies, making it relevant to use the latest available period, namely 2018–2022.

Population, Sample, and Sampling Technique

The population of this study consists of 177 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2022 period. The sample used in this study consists of 320 analysis units (5 years × 64 companies).

Data Analysis Method

The research design used in this study is **quantitative research**. Quantitative research is a type of research that involves numerical data and is analyzed using statistical methods.

The type of research applied is **descriptive quantitative research**. Descriptive quantitative research explains the relationship between variables by analyzing numerical data using statistical methods through hypothesis testing.

The nature of this research is **descriptive explanatory**, which aims to examine the relationship between variables that have a cause-and-effect connection. In this context, there are independent variables (variables that influence) and dependent variables (variables that are influenced).

RESULTS

Descriptive Statistics

| | N | Descriptive Statistics | | | |
|-------------------------|-----|------------------------|-------------------|--------------------|----------------------|
| | | Minimum | Maximum | Mean | Std. Deviation |
| Fixed Assets | 320 | 2127000000,00 | 62337000000000,00 | 5455060302524,2480 | 12070821140870,94500 |
| Debt Level | 320 | ,07 | 5,44 | ,7407 | ,70245 |
| Company Profits | 320 | ,00 | ,92 | ,0894 | ,08813 |
| Capital Intensity Ratio | 320 | ,14 | 5,75 | 1,2917 | ,73679 |
| Tax Management | 320 | ,00 | 1,22 | ,2454 | ,11536 |
| Valid N (listwise) | 320 | | | | |

The table shows the minimum value of fixed assets at IDR 2,127,000,000 for PT Akasha Wira International Tbk in 2018. The maximum value of fixed assets is IDR 62,337,000,000,000 for Astra International Tbk in 2019.

The minimum debt ratio is 0.07 for PT Multi Prima Sejahtera Tbk in 2019 and PT Supreme Cable Manufacturing Corporation Tbk in 2021. The maximum debt ratio is 5.44 for PT Alakasa Industrindo Tbk in 2018.

The minimum company profit is 0.00 for PT Cahayaputra Asa Keramik Tbk in 2020 and PT Semen Baturaja (Persero) Tbk in 2020. The maximum company profit is 0.92 for PT Merck Tbk in 2018.

The minimum Capital Intensity Ratio is 0.14 for PT Alakasa Industrindo Tbk in 2021. The maximum Capital Intensity Ratio is 5.75 for PT Astra International Tbk in 2022.

The minimum tax management is 0.00 for PT Alakasa Industrindo Tbk in 2018 and PT Integra Indocabinet Tbk in 2019 and 2017. The maximum tax management is 1.22 for



PT Trias Sentosa Tbk in 2019.

1. Results of Classical Assumption Test

Normality Test

| One-Sample Kolmogorov-Smirnov Test | | |
|------------------------------------|----------------|-------------------------|
| | | Unstandardized Residual |
| N | | 182 |
| Normal Parameters ^{a,b} | Mean | .000000 |
| | Std. Deviation | .02517523 |
| Most Extreme Differences | Absolute | .051 |
| | Postive | .040 |
| | Negative | -.051 |
| Test Statistic | | .051 |
| Asymp.Sig.(2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

The table shows that the Kolmogorov-Smirnov (K-S) significance value is 0.200. This means the data is normally distributed, as the significance is > 0.05 statistically.

Multicollinearity Test

| Variables | Collinearity statistics | |
|-------------------------|-------------------------|-------|
| | Tolerance | VIF |
| LN Fixed Asset | .901 | 1.110 |
| Debt Level | .748 | 1.337 |
| Company Profits | .808 | 1.237 |
| Capital Intensity Ratio | .961 | 1.040 |

Dependent Variable : Tax Management

Based on the SPSS data above, it can be concluded that there is no multicollinearity in this study. This is evidenced by the fact that none of the independent variables have a Tolerance value < 0.1 or a VIF < 10. The results of the multicollinearity test show that the Tolerance value or VIF for fixed assets is 0.901 > 0.1 or 1.110 < 10. The Tolerance value or VIF for the debt level is 0.748 > 0.1 or 1.337 < 10. The Tolerance value or VIF for company profits is 0.808 > 0.1 or 1.237 < 10. The Tolerance value or VIF for the capital intensity ratio is 0.961 > 0.1 or 1.040 < 10. The conclusion from this multicollinearity test is that all independent variables do not exhibit multicollinearity.

Autocorrelation Test

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .278 ^a | .077 | .57 | 1.863 |

a. Predictors: (Constant), Fixed Asset, Debt Level, Company Profits, Capital Intensity Ratio

b. Dependent Variable: Tax Management

The table above shows that the data processing result obtained a Durbin-Watson value of 1.863 with n = 182 and k = 4, resulting in a DL value of 1.7128 and a DU value of 1.8025. Since the DW value of 1.863 is above DU 1.8025



(1.8025 < 1.863 < 2.1975), it can be concluded that no autocorrelation occurs.

Heteroscedasticity Test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|-------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -6.889 | 1.741 | | -3.965 | .000 |
| | Fixed Assets | .092 | .063 | .168 | 1.455 | .149 |
| | Debt Level | -.019 | .296 | -.008 | -1.553 | .950 |
| | Company Profits | -.575 | 2.166 | -.031 | -.265 | .791 |
| | Capital Intensity Ratio | .239 | .291 | .089 | .820 | .415 |

a. Dependent Variable: LN_res

Source: Data Processing SPSS 2024

The table shows that the fixed assets Park test value is 1.455 with a significance value of 0.149. The debt level Park test value is -0.063 with a significance value of 0.950. The company profit Park test value is -0.265 with a significance value of 0.791. The capital intensity ratio Park test value is 0.820 with a significance value of 0.415. This means there is no heteroscedasticity in the regression model, making the regression model suitable for use in this study, as the significance values are > 0.05 statistically.

Analisis Regresi Linear Berganda

| Model | | Coefficients ^a | | | | t | Sig. |
|-------|-------------------------|-----------------------------|------------|---------------------------|--------|------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | | |
| | | B | Std. Error | Beta | | | |
| 1 | (Constant) | .300 | .033 | | 9.091 | .000 | |
| | Fixed Assets | -.002 | .001 | -.129 | -1.696 | .092 | |
| | Debt Level | .013 | .006 | .186 | 2.232 | .027 | |
| | Company Profits | -.069 | .043 | -.128 | -1.590 | .114 | |
| | Capital Intensity Ratio | -.009 | .005 | -.135 | -1.873 | .068 | |

a. Dependent Variable: Tax Management

Source: SPSS Data Processing , 2024

Based on the data above, a regression equation can be formulated to analyze the effect of fixed assets, debt level, company profit, and Capital Intensity Ratio on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The equation is as follows:

$$Y = 0.300 - 0.002 X_1 + 0.013 X_2 - 0.069 X_3 - 0.009 X_4 + e$$

The coefficients in the multiple linear regression equation have the following meanings:

- The constant (a) of 0.300 indicates that if fixed assets, debt level, company profits, and Capital Intensity Ratio are assumed to be zero, the tax management in manufacturing companies listed on the IDX for the 2018-2022 period would be 30%.
- The fixed assets regression coefficient (b1) of -0.002 indicates that for every 0.2% increase in fixed assets, there will be a 0.2% decrease in tax management in manufacturing companies listed on the IDX for the 2018-2022 period.



c. The debt level regression coefficient (b2) of 0.013 indicates that for every 1.3% increase in debt level, there will be a 1.3% increase in tax management in manufacturing companies listed on the IDX for the 2018-2022 period. d. The company profit regression coefficient (b3) of -0.069 indicates that for every 6.9% increase in company profits, there will be a 6.9% decrease in tax management in manufacturing companies listed on the IDX for the 2018-2022 period. e. The Capital Intensity Ratio regression coefficient (b4) of -0.009 indicates that for every 0.9% increase in the Capital Intensity Ratio, there will be a 0.9% decrease in tax management in manufacturing companies listed on the IDX for the 2018-2022 period.

Partial Hypothesis Testing (t-Test)

| | | Coefficients ^a | | | | t | Sig. |
|-------|-------------------------|-----------------------------|------------|---------------------------|--|--------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | | |
| Model | | B | Std. Error | Beta | | | |
| 1 | (Constant) | .300 | .033 | | | 9.091 | .000 |
| | Fixed Assets | -.002 | .001 | -.129 | | -1.696 | .092 |
| | Debt Level | .013 | .006 | .186 | | 2.232 | .027 |
| | Company Profits | -.069 | .043 | -.128 | | -1.590 | .114 |
| | Capital Intensity Ratio | -.009 | .005 | -.135 | | -1.873 | .068 |

a. Dependent Variable: Tax Management

Source: SPSS Data Processing , 2024

Based on the results of the partial test in table 4.8, the test results for each independent variable are as follows:

The test result for the fixed assets variable shows a t-value of -1.696 < the t-table value of 1.97338 with a significance value of 0.092 > 0.05, so H1 is rejected. This means that fixed assets do not have a partial effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.

The test result for the debt level variable shows a t-value of 2.232 > the t-table value of 1.97338 with a significance value of 0.027 < 0.05, so H2 is accepted. This means that the debt level has a positive partial effect on tax management in manufacturing companies listed on the IDX for the 2018-2022 period.

The test result for the company profit variable shows a t-value of -1.590 < the t-table value of 1.97338 with a significance value of 0.114 > 0.05, so H3 is rejected. This means that company profit does not have a partial effect on tax management in manufacturing companies listed on the IDX for the 2018-2022 period.

The test result for the Capital Intensity Ratio variable shows a t-value of -1.837 < the t-table value of 1.97338 with a significance value of 0.068 > 0.05, so H4 is rejected. This means that the Capital Intensity Ratio does not have a partial effect on tax management in manufacturing companies listed on the IDX for the 2018-2022 period.



Simultaneous Hypothesis Testing (F-Test)

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|-------|-------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | .010 | 4 | .002 | 3.715 | .006 ^b |
| | Residuals | .115 | 177 | .001 | | |
| | Total | .124 | 181 | | | |

a. Dependent Variable: Tax Management

b. Predictors: (Constant), Fixed Asset, Debt Level, Company Profits, Capital Intensity Ratio

Based on the results of the simultaneous test presented in table 4.9, with an F-value of $3.715 < \text{the F-table value of } 2.66$ and a significance value of $0.006 < 0.05$, H5 is accepted. It can be concluded that fixed assets, debt level, company profit, and Capital Intensity Ratio simultaneously affect tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.

DISCUSSION

The Effect of Fixed Assets on Tax Management

The statistical test results in this study on the fixed assets variable with tax management indicate that fixed assets do not have a partial effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The lack of a relationship suggests a strong association with tax management. This is because the level of fixed asset ratio in this study does not affect tax management.

The Effect of Debt Level on Tax Management

The statistical test results in this study on the debt level variable with tax management indicate that debt level has a positive partial effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The observed relationship shows a strong association with tax management.

The Effect of Company Profit on Tax Management

The statistical test results in this study on the company profit variable with tax management indicate that company profit does not have a partial effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The observed relationship shows a strong association with tax management.

The Effect of Capital Intensity Ratio on Tax Management

The statistical test results in this study on the Capital Intensity Ratio variable with tax management indicate that the Capital Intensity Ratio does not have a partial effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The lack of a relationship suggests a strong association with tax management.

The Effect of Fixed Assets, Debt Level, Company Profit, and Capital Intensity Ratio



on Tax Management

The statistical test results in this study on the fixed assets, debt level, company profit, and Capital Intensity Ratio variables with tax management indicate that there is an effect of fixed assets, debt level, company profit, and Capital Intensity Ratio on tax management. The observed relationships show a strong association with tax management.

CONCLUSION

1. The partial test results prove that fixed assets do not affect tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.
2. The partial test results prove that the debt level has a positive effect on tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.
3. The partial test results prove that company profit does not affect tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.
4. The partial test results prove that the capital intensity ratio does not affect tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.

The simultaneous test results prove that fixed assets, debt level, company profit, and Capital Intensity Ratio simultaneously affect tax management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period.



REFERENCES

- Afifah, Mutia Dianti dan Mhd Hasymi. (2020). "Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Intensitas Aset Tetap dan Fasilitas Terhadap Manajemen Pajak dengan Indikator Tarif Pajak Efektif." *Journal of Accounting Science*. Vol. 4 Issue. 1. p.29-42.
- Afrida, Mohamad Husni, dan Muhammad Angga Anggriawan. (2023). "Pengaruh Intensitas Aset Tetap, Tingkat Hutang, Kepemilikan Manajerial Dan Profitabilitas Terhadap Tarif Pajak Efektif". *Fluralis*. Vol. 2 No. 1. p.50-58.
- Amrie, Riska. (2021). *Kajian Akuntansi Keuangan : Peran Tata Kelola Perusahaan Dalam Kinerja Tanggung Jawab Lingkungan, Pengungkapan tanggung Jawab Sosial, Agresivitas Pajak*. Jakarta: Adab.
- Dayanti, Irda. Nana Umdiana dan Lulu Nailufaroh. (2022). "Pengaruh Intensitas Aset Tetap, Tingkat Hutang, Dan Profitabilitas Terhadap Tarif Pajak Efektif". *Jurnal Revenue*. Vol. 2 No. 2. p. 302-314.
- Dewi, Sari Lati. (2022). *Monograf The Influence of Product Quality pada Kepuasan Konsumen*. Surabaya: CV. Global Aksara Pers.
- Kurniati, Eling Ri dan Neni Riana. (2020). "Pengaruh Capital Intensity Ratio, Leverage Perusahaan Terhadap Manajemen Pajak Dengan Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2014-2017". *Jurnal Medikonis Stie Tamansiswa Banjarnegara*. Vol. 20.
- Lubis, Zulkarnain. (2021). *Statistika Terapan untuk Ilmu-ilmu Sosial dan Ekonomi*. Yogyakarta: Andi.
- Priyastama, Romie. (2020). *The Book of SPSS*. Yogyakarta: Anak Hebat Indonesia.
- Purba, Calvin V Jayanto dan Hanif Dwi Kuncahyo. (2020). "Pengaruh Profitabilitas, Likuiditas, dan Leverage, Terhadap Agresivitas Pajak pada Perusahaan Manufaktur Sektor Lainnya yang Terdaftar di BEI". *Jurnal Bisnis Net*. Vol. III No. 2. p.158-174.
- Riyanto, Slamet dan Aglis Andhita Hatmawan. (2020). *Metode Riset Penelitian Kuantitatif Penelitian Di Bidang Manajemen, Teknik, Pendidikan dan Eksperimen*. Yogyakarta: CV Budi Utama.
- Sembiring, Samuel Abel Tanta, Bayu Wulandari, Michelle Howard dan Albert Rico Joansen Simbolon. (2022). "Pengaruh Aset Tetap, Tingkat Hutang, Keuntungan Perusahaan Dan Capital Intensity Ratio Terhadap Manajemen Pajak Pada Perusahaan Manufaktur Yang Di Bursa Efek Indonesia". *Management Studies and Entrepreneurship Journal*. Vol. 3 No. 2. p.341-356.
- Setiana, Adi Robith. (2022). *Monograf Kinerja Tenaga Pendidik*. Surabaya: CV. Global Aksara Pers.



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

The Effect of Accounting Skills, Forensic Accounting Knowledge, and Accounting Information Systems on Fraud Detection and Prevention Moderated by Organizational Support at PT PLN (Persero) P3B Sumatra

Nalom sourina sibarani, Aremi Evanta br Tarigan, Helman, Rasinta Ria Ginting,
Matondang Elsa Siburian

Master of Accounting, Faculty of Economy, Universitas Prima Indonesia

ABSTRACT

Fraud has become one of the most serious risks to organizations in both the public and commercial sectors. Fraudulent behaviors can have a negative influence on an organization's reputation, cause financial losses, and demoralize staff. According to survey data from the Association of Certified Fraud Examiners (ACFE) Indonesia, the government and state-owned enterprises (BUMN) rank foremost among the organizations most impacted by fraud (2019). Considering the importance of accounting skills in recognizing suspicious patterns in financial transactions and forensic accounting knowledge about fraud detection methods, investigative audit techniques, and laws by utilizing accounting information systems to facilitate real-time transaction monitoring, identify anomalies, and produce accurate reports to support decision-making processes, supported by organizations that establish anti-fraud policies, management commitment, training, and resource allocation to prevent fraud. The purpose of this study is to establish the relationship between accounting abilities, forensic accounting knowledge, and accounting information systems in impacting fraud detection and prevention, with the organization serving as a moderator. This study used the total sampling technique, and the analysis tool used the Partial Least Squares (PLS) method, with 50 employees from PT PLN (Persero) P3B Sumatra serving as respondents. The data was collected via questionnaire.

Keywords: fraud, accounting skills, forensic accounting, accounting information systems, organization

INTRODUCTION

Fraud is one of the biggest threats to organizations, both in the public and private sectors. The impacts of this fraud include a destroyed organizational reputation, losses to the organization, losses to government finances, and damage to employee morale (Andari & Ismatullah, 2019). The fraud that is a problem today can occur at all levels in the company's organizational structure, this level includes all positions or positions, from the top management level to operational staff. This is a concern because many businesses / businesses from these companies are very influential in most developing countries including Indonesia (Nurani & Fuad, 2023).

In Indonesia, strategic policy optimization is also carried out by the Financial Services Authority (2020). The policy includes five things, namely increasing economies of scale, narrowing regulatory and supervisory gaps, accelerating financial



access and encouraging the strengthening of consumer protection, and developing the Islamic economic and financial ecosystem.

Although various financial reporting standards have been enforced throughout the world, including in Indonesia, fraud in financial reporting still occurs. Several cases of fraud in state-owned companies have occurred in Indonesia, namely the first corruption case committed by PT Garuda Indonesia (Persero Tbk) which caused state losses of IDR 8.8 trillion, where the losses resulted from the procurement of CRJ-1000 aircraft and the takeover of ATR 72-100 aircraft which were not in accordance with the provisions of the principles of SOE procurement. Second, the case of PT Kimia Farma (Persero) Tbk, the case is the reuse of used antigen test kits in 2021. Quoting from the financial statements available on the IDX, the profit generated by PT Kimia Farma in the current year was IDR 17.63 billion, even though in the previous year it suffered a loss of 12.72 billion. The third is the money laundering case committed by the investment manager corporation of PT Asuransi Jiwasraya (Persero) Tbk and several related parties in 2019 and still has an impact until 2022. Where the case cost the state losses of around Rp 10 trillion. These three examples show that there is still a lot of fraud in financial reporting in state-owned companies (Khumairoh et al., 2023).

The higher the level of fraud that occurs in Indonesian companies, it is necessary to improve fraud detection and prevention. Detection and prevention of fraud need to pay attention to employee and organizational management factors. One important effort in preventing and detecting fraud is to improve the accounting skills of professionals in the organization. The qualifications needed in accounting are education, knowledge, expertise and skills, experience, and other competencies needed to carry out their responsibilities, such as those that are collective in nature, which refer to the ability of professionals to carry out their professional responsibilities effectively (Ginanjari et al., 2023). According to Abdolmohammadi and Wright (1987), accounting expertise includes two technical and non-technical abilities. Technical expertise, which consists of procedural knowledge and other clerical skills in accounting and auditing. Meanwhile, non-technical expertise is an internal ability influenced by their personality and experience. Expertise can develop along with work experience and practice (Rahmawati & Ratnawati, 2024).

Accounting knowledge and skills are obtained through formal education and certification, further professional education, seminars, symposiums, workshops, briefings from superiors, and training relevant to the profession. The material of higher education accounting knowledge and skills refers to the International Education Standards - IFAC, the second standard (IES 2), as listed on the IAI website (Indonesian Institute of Accountants, 2012). The material includes knowledge of accounting, finance, and knowledge relevant to financial accounting and corporate reporting, management accounting and management control, taxation, business and commercial law, auditing and assurance, financial management and professional ethics and values (Yuniati & Banjarnahor, 2021). Skills have a positive influence on auditor ability (Henny et al., 2021). So that it is in accordance with previous research by Murtanto et al. (2022) that skills have a significant positive effect on the auditor's ability to detect fraud (Murtanto et al., 2022). In-depth accounting knowledge and skills enable individuals to identify anomalies in financial statements and understand



suspicious transaction patterns (Wells, 2014).

Gap Research in this study is the selection of research locations at PT PLN (Persero) P3B Sumatra, because it considers fraud cases in BUMN institutions which are still quite high and previous studies have focused more on private sector organizations. Audit and forensic accounting competencies have often been carried out in previous studies on fraud detection and prevention, but there is still not much focus on accounting skills and forensic accounting knowledge. Organizational support from training, policies, and organizational culture in previous studies has a direct effect on fraud detection and prevention, organizational support is considered there is a possibility of moderating the relationship between accounting skills, forensic accounting knowledge, and accounting information systems on fraud detection and prevention.

Literature Review

Cheating

According to the Association of Certified Fraud Examiners (ACFE), fraud is an act of fraud or error committed by a person or entity who knows that the error can result in some unfavorable benefits to individuals or entities or other parties (Thaifur & Amiruddin, 2024). The Institute of Internal Auditors defines fraud as an act characterized by circumvention or breach of trust to obtain assets, services or prevent payments or losses or to ensure personal and business benefits (Priantara, 2013).

Fraud Detection

Kumaat (2011) argues that fraud detection is an effort to obtain sufficient early indications of fraud, as well as narrowing the space for the perpetrators of fraud (i.e. when the perpetrator realizes his practice has been discovered, it is too late to escape). According to Pusdiklatwas BPKP (2008), the purpose of detecting fraud is to find out that fraud has occurred (exists), whether the company or organization is a victim or a perpetrator of fraud, there are weaknesses in internal control and the morals of the perpetrators that cause fraud, and the environmental conditions of the company or organization that cause fraud (Nurak & Angi, 2022).

Fraud Prevention

According to Amin Widjaja Tunggal (2012), fraud prevention is an integrated effort that can reduce the occurrence of factors that cause fraud. According to Priantara (2013), fraud prevention is eliminating opportunities or opportunities to commit fraud by building and implementing risk management (especially fraud risk management), internal control and honest corporate governance (Nisa & Kuntadi, 2024).

Accounting Skills

According to Hery (2011), accounting is the activity of recording financial transactions that are processed into financial data so as to produce information and can be used by internal and external parties in decision making (Hery, 2011). According to L.M. Samryn (2017), accounting is an information system with a process of identifying, recording, and interpreting which will ultimately produce a financial



report. In making a financial report, written proof of transactions is required (Samryn, 2017).

Forensic Accounting Knowledge

According to Oyedokun (2016), Forensic Accounting is a scientific accounting method to uncover, resolve, analyze and present fraud issues in a way that is acceptable in court. Forensic accounting, sometimes called investigative accounting, is a unique career field that combines accounting with information technology. A Forensic Accountant uses his knowledge of accounting, law, investigative auditing, and criminology to uncover fraud, find evidence and present that evidence in court if requested (Arianto, 2023).

Forensic accounting is the process of investigating various fraudulent practices because it plays a role in finding various evidence of fraud. This process is passed through the collection of non-financial information, to interviews with parties related to fraud. In the context of business and public entities, the application of forensic accounting seeks to conduct early detection of the emergence of various forms of fraud originating from internal and external companies (Saputra et al., 2024).

Organizational Support

Based on organizational support theory, the development of organizational support is triggered by the tendency of employees to establish human-like organizational characteristics. Robbins & Judge (2014) in (Syarif & Yusuf, 2017) suggest that employees perceive organizational support is the extent to which employees believe that the organization values their contributions and cares about their well-being (for example, an employee believes his organization will accommodate if he has a problem or will forgive if he has a mistake).

According to Rhoades and Eisenberger (2002), perceptions of organizational support refer to employee perceptions regarding the extent to which the organization values contributions and cares about employee welfare. Organizational support is also an effort to reward, care for, and improve the welfare of each employee in accordance with the efforts given to the organization. Basically, organizational support is always expected by every employee. If employees feel the support of the organization in accordance with their norms, desires, and expectations, then employees will automatically have a commitment in fulfilling their obligations to the organization (Syarif & Yusuf, 2017).

Research Methods

Research Location

The location of this research was conducted at employees of PT PLN (Persero) P3B Sumatra. Population is the entire object or subject in a domain that has specific characteristics determined by the researcher for the purpose of study and analysis (Siyoto & Sodik, 2015). The population in this study were all accounting employees at PT PLN (Persero) P3B Sumatra, totaling 40 people.

This research uses the *Total Sampling* technique. *Total sampling* is a sampling technique using all existing populations. Data source sampling techniques based on researcher needs. The goal is to explore as much information as possible which will form the basis of the research design of the existing sample (Sugiyono, 2017).



The type of research method used in this research is a quantitative approach. Quantitative research methods are techniques applied to investigate part or all of a group or example, where data is collected through special instruments, then analyzed statistically with the aim of testing the hypothesis that has been formulated (Sugiyono, 2013). Quantitative research is a research approach in which data are presented in the form of numbers and analyzed using statistical tests (Digidowiseiso, 2017).

Data Collection Sources and Techniques

Data is a set of information that has an important function in a study. The data source in this research is primary data. Primary data is data that is obtained directly from the initial source and requires the researcher to be directly involved in the field (Tarjo, 2019). Primary data is data that is collected specifically to meet the needs of the research being conducted. Primary data sources in this study are data in the form of written answers through a questionnaire.

The data collection techniques used in this study are:

1. Questionnaire

The questionnaire is a data collection technique that is done by giving a set of questions or written statements to respondents to answer (Sugiyono, 2013). In this study, the questionnaire used was a closed questionnaire, which is a questionnaire that provides various alternative answers so that respondents only need to choose the appropriate answer (Mundir, 2013).

2. Observation

Observation is described as directing all the senses to pay attention to an object in order to collect information. Observation is a direct observation of the phenomenon under study using sight, hearing, smell, touch, or taste. Observation is generally divided into two forms, namely participatory observation (researchers are involved) and non-participatory (researchers are not involved / only as observers). The forms of instruments that can be used in observation can be in the form of observation guidelines, tests, questionnaires, image recordings, and sound recordings (Siyoto & Sodik, 2015). The form of observation used by researchers in this study is to use non-participatory observation techniques, namely researchers only as observers and do not participate directly in the observation process.

Data Analysis Technique

Descriptive Statistics

Descriptive statistics in research is a process of transformation in research in tabulated form so that it is easy to understand. Descriptive statistics are generally used by researchers to provide information about the characteristics of the main research variables. Measures used in descriptive include: frequency, central tendency (mean, median, mode), dispersion (standard deviation and variance), and correlation coefficient between research variables.

Partial Least Squares (PLS)-SEM Analysis

Data analysis in this study used *Smart-PLS* software. This analysis tests the direct effect of variables X1, X2, and X3 (independent variables) on variables Y1 and Y2 (dependent variables), as well as the indirect effect of variables X1, X2, and X3 (independent variables) on variables Y1 and Y2 (dependent variables) through variable Z (moderating variable).

There are two evaluation models in *partial least square* (PLS), including the following:

Measurement Model (Outer Model)

The measurement model (*outer model*) is a test used to assess the validity and reliability of the



instrument. The types of measurement model evaluation include the following:

1. Convergent Validity Test
The Rule of Thumb for testing convergent validity is the loading factor value > 0.7 for *confirmatory* research and between 0.6-0.7 for *exploratory* research, as well as the *average variance extracted* (AVE) value > 0.5 (Solling Hamid & M Anwar, 2019).
2. Discriminant Validity Test
How to test Discriminant validity is seen from the *cross loading* value for each variable which must be > 0.70 . The model has sufficient discriminant validity if the root *average variance extracted* (AVE) for each construct $>$ correlation between constructs and other constructs (Solling Hamid & M Anwar, 2019).
3. Reliability Test
Cronbach alpha tends to provide low value in testing construct reliability, so it is more advisable to use *Composite Reliability*. So that a construct can be said to be reliable, the *Cronbach alpha* value > 0.6 and the *Composite Reliability* value > 0.7 (Solling Hamid & M Anwar, 2019).

Structural Model (Inner Model)

The structural model (*inner model*) is a test used to predict the relationship between latent variables. Types of structural model evaluation include the following:

1. R-square (R^2)
R-square (R^2) is used to test the effect of independent variables on the dependent variable. R-square (R^2) values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate and weak, respectively. If the R^2 value is higher, the better the prediction model and the proposed research model (Hamid & Anwar, 2019).
2. Q-square (Q^2)
Q-square (Q^2) is used to measure how well the observed values are generated by the model and its parameter estimates. If the value of $Q^2 > 0$, it indicates that the model has predictive relevance, but if the value of $Q^2 < 0$, it indicates that the model lacks predictive relevance.
3. *Goodness of Fit* (GoF)
Goodness of Fit or GoF testing is carried out to evaluate the research model overall, whether the model can be said to be feasible or not (Ghozali & Latan, 2015). GoF has a calculation of the square root of the average communality index value. index which multiplied by the average R-Square. The GoF index has an interpretation values of 0.1 (Small GoF), 0.25 (Moderate GoF), and 0.36 (Large GoF).

Discussion

Accounting skills include an individual's ability to understand, analyze, and interpret financial statements. Previous research by Murtanto et al. (2023) that skills have a significant positive effect on the auditor's ability to detect fraud, because competent accountants can recognize suspicious patterns in financial transactions. Forensic accounting knowledge refers to an in-depth understanding of investigative audit techniques, laws, and fraud identification methods. Research by Kaur et al. (2022), Oraby (2025), Naz & Khan (2024) explain forensic accounting has a significant effect in detecting and preventing fraud, especially in complex cases. Modern and integrated accounting information systems enable organizations to detect anomalies more effectively through analytical technology and real-time reporting. Research by Mansyuri et al. (2023), Candrayani & Sasanti (2024) suggests that AIS is predicted to increase the efficiency of fraud detection and prevention. Organizational support includes anti-cheating policies, management commitment, training, and resource allocation to prevent fraud. research Mangala & Kumari (2017), Kassem (2022), Abdullah et al. (2023) suggest that organizations that provide training, resource allocation, governance with strong fraud prevention policies, can moderate the effectiveness of fraud detection and prevention. Strong organizational support is



believed to strengthen the relationship between the independent variable and the dependent variable.

Conclusion

Accounting Skills, Forensic Accounting Knowledge, Accounting Information Systems on Fraud Detection and Fraud Prevention. This means that every employee has the knowledge competence to avoid fraud.

References

- Abdullah, M. W., Hanafie, H., & Bayan, A. Y. M. (2023). Internal governance and fraud prevention system: The potentiality of the spiritual quotient. *Journal of Governance and Regulation*, 12(4). <
<<https://pdfs.semanticscholar.org/dfd8/bb6f5084b4cbc4a3230f563bb5b16868daa0.pdf>>
- ACFE Indonesia. 2020. *Survei Fraud Indonesia 2019*. Jakarta: ACFE Indonesia Chapter.
- ACFE. 2018. *Report to the Nations: 2018 Global Study on Occupational Fraud and Abuse*. ACFE.
- ACFE. 2020. *Report to the Nations: 2020 Global Study on Occupational Fraud and Abuse*. ACFE.
- ACFE. 2022. *Report to the Nations: 2022 Global Study on Occupational Fraud and Abuse*. ACFE.
- ACFE. 2024. *Report to the Nations: 2024 Global Study on Occupational Fraud and Abuse*. ACFE.
- Achmad, T., Huang, C. Y., Putra, M. A., & Pamungkas, I. D. 2024. Forensic Accounting and Risk Management: The Moderating Role of GAS and WBS on Fraud Detection in Indonesia. *Preprints*. <https://doi.org/10.20944/preprints202410.1752.v1>.
- Al Zobi, M.K. & Jarah, B.A.F. 2023. The Role of Internal Auditing in Improving the Accounting Information System in Jordanian Banks by Using Organizational Commitment as a Mediator. *Risks*, 11(9):153. <https://doi.org/10.3390/risks11090153>.
- Alayli, S. (2022). The impact of accounting information systems on audit quality: the case of Lebanese SMES. *Dutch Journal of Finance and Management*, 5(2), 22931. <
<<https://doi.org/10.55267/djfm/13675>>
- Alharasis, E. E., Haddad, H., Alhadab, M., Shehadeh, M., & Hasan, E. F. 2023. Integrating forensic accounting in education and practices to detect and prevent fraud and misstatement: case study of Jordanian public sector. *Journal of Financial Reporting and Accounting*. <https://doi.org/10.1108/JFRA-04-2023-0177>.
- Andari, L. & Ismatullah, I. (2019). Pengaruh Pengendalian Internal Terhadap Pencegahan Kecurangan (Studi Kasus Pada CV. Agung Mas Motor Kota Sukabumi). *Jurnal Ilmiah Ilmu Ekonomi: Jurnal Akuntansi, Pajak dan Manajemen*, 8(15), 75-81.
- Andi Yaumil Bay R Thaifur (et.al.). 2024. "Pencegahan Korupsi/Kecurangan (Fraud Sejak Dini)". *Jurnal Kolaboratif Sains*, 7(2), Hal. 1016-1020.
- Arianto, B., et al. 2022. *Akuntansi Forensik*. Padang: GETPRESS INDONESIA.
- Candrayani, M., & Sasanti, E. E. 2024. The Effect of Internal Inventory Control and Accounting Information Systems on the Prevention of Fraud in Inventory (Study at PT. Astra International Tbk.-Honda NTB Branch). *Asian Journal of Management, Entrepreneurship and Social Science*, 4(02), 140-158.
- Chandrarin, G. 2017. *Metode Riset Akuntansi Pendekatan Kuantitatif*. Jakarta: Salemba Empat.
- Digdowniseiso, K. 2017. *Metodologi Penelitian Ekonomi dan Bisnis*. Jakarta: LPU-UNAS.
- Endaryati, E. 2021. *Sistem Informasi Akuntansi*. Semarang: Yayasan Prima Agus Teknik.
- Espinosa-Jaramillo MT. (2024). Internal Control in Companies from the Perspective of the COSO. *Management (Montevideo)*, 2:28. <https://managment.ageditor.uy/index.php/managment/article/view/17>



- Galih Supraja, Dito Aditia Darma Nasution, Mika Debora Br Barus. 2023. *Sistem Informasi Akuntansi - I*. Nganjuk: CV. Dewa Publishing.
- Ghozali, I. dan Latan, H. 2015. *Partial Least Squares Konsep Teknik dan Aplikasi dengan Program Smart PLS 3.0*. Semarang: Universitas Diponegoro Semarang
- Ginanjar, Y., Lestari, A. G., Mulyani, H. S., Rahmayani, M. W., Hernita, N., & Riyadi, W. (2023). Identification of the Ability of External Auditors to Detect Audit Fraud. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, 8(6), 25.
- Hamid, R.S. dan Anwar, S.M. 2019. *Structural Equation Modeling (SEM) Berbasis Varian: Konsep Dasar dan Aplikasi dengan Program SmartPLS 3.2.8 dalam Riset Bisnis*. Jakarta: PT Inkubator Penulis Indonesia.
- Handoko. 2014. *Kiat-kiat Melejitkan Karir Bagi Karyawan Profesional*. Bandung: Kaifa Press.
- Hardani, Auliya, N. H., Andriani, H., Fardani, R. A., Ustiawaty, J., Utami, F. E., et al. 2020. *Metode Penelitian Kualitatif dan Kuantitatif*. Yogyakarta: Penerbit Pustaka Ilmu.
- Henny, D., Rebecka, S. D., & Yanti, H. B. (2021). Kualitas laporan keuangan instansi pemerintah. *Media Riset Akuntansi, Auditing & Informasi*, 21(2), 227-244.
- Hery. 2011. *Teori Akuntansi*. Jakarta: Kencana
- Ibrahim, A., Alang, A. H., Madi, Baharuddin, M.A.A., & Darmawati. 2018. *Metodologi Penelitian*. Makassar : Gunadarma Ilmu.
- Imelda, Dian Rahmawati & Sumarno,. 2020. *Buku Ajar Sistem Informasi Akuntansi dan Manajemen*. Sidoarjo: UMISDA Press.
- Indrayati. 2015. *Sistem Informasi Akuntansi (Teori dan Konsep Desain SIA)*. Malang: Aditya Media Publishing.
- Indriani, N., & Rohman, A. (2022). Fraud triangle dan kecurangan laporan keuangan dengan Model Beneish M-Score. *Jurnal akuntansi bisnis*, 20(1), 85-104.
- Ismainar, H. 2015. *Manajemen Unit Kerja*. Yogyakarta: Penerbit Deepublish.
- Jaya, I. M. L. M., & Narsa, I. M. 2021. The importance of forensic tax and accounting knowledge to prevent fraud in new normal era. *Journal of Hunan University Natural Sciences*, 48(2).
- Karyono. 2016. *Forensic Fraud*. Yogyakarta: CV. Andi. Hal. 93-94.
- Kassem, R. (2022). Elucidating corporate governance's impact and role in countering fraud. *Corporate Governance*, Vol. 22 No. 7, pp. 1523-1546. <https://doi.org/10.1108/CG-08-2021-0279>.
- Kaur, B., Sood, K., & Grima, S. 2022. A systematic review on forensic accounting and its contribution towards fraud detection and prevention. *Journal of Financial Regulation and Compliance*, 31(1), 60-95.
- Khumairoh, S., Kuntadi, C., & Maidani, M. (2023). Pengaruh Fraud Diamond dalam Mendeteksi Terjadinya Kecurangan Laporan Keuangan Studi Empiris pada Perusahaan Bumn yang Terdaftar di Bursa Efek Indonesia. *Journal of Comprehensive Science (JCS)*, 2(1), 129-140. <https://doi.org/10.59188/jcs.v2i1.193>.
- Kim, R., Gangolly, J., & Elsas, P. (2017). A framework for analytics and simulation of accounting information systems: A Petri net modeling primer. *International Journal of Accounting Information Systems*, 27, 30-54. <<https://doi.org/10.1016/j.accinf.2017.09.002>>
- Kranacher, M., & Riley, R. 2019. *Forensic Accounting and Fraud Examination*. Wiley.
- Lestari, A. D., & Asyik, N. F. 2015. Pengaruh kualitas sistem informasi dan pengetahuan akuntansi terhadap kualitas informasi akuntansi. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, 4(9).
- Lestari, N. A., & Rustiana, S. H. 2019. Pengaruh Persepsi Owner Dan Pengetahuan Akuntansi Dalam Penggunaan Sistem Informasi Akuntansi Terhadap Kinerja Usaha Mikro, Kecil, Dan Menengah Di Pamulang. *Baskara: Journal Of Business And Entrepreneurship*, 1(2),



67-80.

- Mahardhika, S. N. 2020. *Pengaruh Pengetahuan Akuntansi Forensik Dan Pola Pikir Terhadap Tugas Kerja Penilaian Risiko Kecurangan Dalam Audit Laporan Keuangan (Sebuah Eksperimen)*. Skripsi. Universitas Islam Indonesia: FEB.
- Mangala, D., & Kumari, P. (2017). Auditors' Perceptions of the Effectiveness of Fraud Prevention and Detection Methods. *Indian Journal of Corporate Governance*, 10(2), 118–142. <<https://doi.org/10.1177/0974686217738683>>
- Mangkunegara, A.B. 2010. *Perilaku dan Budaya Organisasi*. Bandung: Refika Aditama.
- Mansyuri, M. I., Samsudin, S., Arsyad, M., & Yulianti, Y. (2023). The Influence of Internal Audit, Effectiveness of Control and Accounting Information Systems on Fraud Detection (Study at Dompu Regional Drinking Water Company). *International Journal of Social Science*, 2(5), 2045-2054. < <https://doi.org/10.53625/ijss.v2i5.4809>>
- Marina, A., Wahjono, S.I., Syaban, M. & Suarni, A.. 2017. *Sistem informasi akuntansi : teori dan praktikal*. Surabaya: UMSurabaya Publishing.
- Missa, P. F., & Rafael, S. J. M. (2020). Persepsi Mahasiswa Akuntansi dan Karyawan di Bidang Akuntansi tentang Fraud. *Jurnal Akuntansi: Transparansi Dan Akuntabilitas*, 8(2), 105-116.
- Murtanto, M., Banjarnahor, E., & Ferisanti, F. 2022. Determinants of Fraud Prevention in Village Fund Management with Organizational Justice as Moderator. *Indonesian Management and Accounting Research*, 21(1), 1-16.
- Murtanto, Yanti, H.B., Noor, I.N., Dewi. R.N. (2022). Fraud Detection Skill of External Auditors. In *3rd Borobudur International Symposium on Humanities and Social Science 2021 (BIS-HSS 2021)* (pp. 800-805). Atlantis Press.
- Naz, I. and Khan, S.N. 2024. Impact of forensic accounting on fraud detection and prevention: a case of firms in Pakistan. *Journal of Financial Crime*. <https://doi.org/10.1108/JFC-01-2024-0010>.
- Nisa, H., & Kuntadi, C. 2024. Faktor-faktor yang Mempengaruhi Pencegahan Fraud: Audit Forensik, Audit Internal, dan Audit Eksternal. *Jurnal Inovasi Ekonomi Syariah dan Akuntansi*, 1(3), 43-61.
- Nurak, C., & Angi, Y. F. (2022). Pengaruh Kompetensi, Independensi Dan Pengalaman Audit Terhadap Pendeteksian Kecurangan Dalam Laporan Keuangan Pemerintah Daerah Pada Badan Pemeriksa Keuangan Perwakilan Provinsi Nusa Tenggara Timur. *Jurnal Akuntansi: Transparansi Dan Akuntabilitas*, 10(1), 1-14. <https://doi.org/10.35508/jak.v10i1.8672>
- Nurani, B.K. & Fuad. (2023). Penyalahgunaan Aset: Perspektif Model Fraud Pentagon di Lembaga Keuangan Mikro. *Owner: Riset dan Jurnal Akuntansi*, 7(1), 379-390.
- Olaniyan, N. O., Ekundayo, A. T., Oluwadare, O. E., & Omolade Bamisaye, T. 2021. Forensic accounting as an instrument for fraud detection and prevention in the public sector: moderating on ministries, departments and agencies in Nigeria. *Acta Scientiarum Polonorum. Oeconomia*, 20(1), 49-59.
- Olubukola, D. O., Adebowale, A. G., & Oluwafemi, A. S. (2021). Effect of forensic accounting on fraud detection and prevention in Nigerian deposit money banks. *Hallmark University Journal of Management and Social Sciences (HJUMSS)*, 3(2), 174.
- Oraby, S. A. 2025. The Role of Forensic Accounting in the Detection of the Financial Fraud: Evidence from Saudi Arabia. *Pakistan Journal of Life and Social Sciences*, 23(1): 353-366
- Priadana, S & Sunarsi, D. 2021. *Metode Penelitian Kuantitatif*. Tangerang: Pascal Books.
- Priantara. D. 2013. *Fraud Auditing & Investigation*. Jakarta: Mitra Wacana Media.
- Pribadi, A. R., Karnadi, K., & Sari, L. P. 2023. Pengaruh Pengetahuan Akuntansi Dan Teknologi Informasi Terhadap Pengelolaan Barang Milik Daerah Dengan Penggunaan Sistem Informasi Akuntansi Sebagai Variabel Intervening (Studi Pada Dinas Kesehatan



- Kabupaten Bondowoso). *Jurnal Mahasiswa Entrepreneurship (JME)*, 2(10), 2274-2290.
- Puspitawati, L. 2021. *Sistem Informasi Akuntansi: Kualitas dan Faktor Lingkungan Organisasi yang Mempengaruhi*. Bandung: Rekayasa Sains.
- Qatawneh, A. M. 2024. The role of artificial intelligence in auditing and fraud detection in accounting information systems: moderating role of natural language processing. *International Journal of Organizational Analysis*. <https://doi.org/10.1108/IJOA-03-2024-4389>.
- Rahayu, S., & Herawaty, N. 2022. Organizational Commitment And The Role Of Internal Auditors As Consultants And Catalysts In Fraud Prevention Efforts. In *Proceeding of International Conference On Economics, Business Management, Accounting and Sustainability*, Vol. 1, pp. 46-58.
- Rahmawati, D. Y. & Ratnawati, T. (2024). Studi Literatur: Kompetensi Auditor dan Keahlian Sistem Informasi Auditor terhadap Pembuktian Fraud. *Pro-fit*, 15(1), 38-50.
- Ratmono, D., Diany, Y. A., & Purwanto. (2017). Dapatkah Teori Fraud Triangle Menjelaskan Kecurangan dalam Laporan Keuangan?. *Jurnal Akuntansi Dan Auditing*, 14(2).
- Ringle, Christian M., Wende, Sven, & Becker, Jan-Michael. 2024. SmartPLS 4. Bönningstedt: SmartPLS. Retrieved from <https://www.smartpls.com/documentation/algorithms-and-techniques/model-fit>. [12/11/2024]
- Robins, Stephen P dan Timothy A Judge. 2008. *Perilaku Organisasi*. Jakarta: Salemba Empat. 2008.
- Rosari, R., Zacharias, J., & Pono, M. R. 2021. Pencegahan Fraud Dalam Pelaporan Keuangan: Pendekatan Faktor Individu. *Wahana: Jurnal Ekonomi, Manajemen Dan Akuntansi*, 24(2), 251-276.
- Rostiati, N. dan Zamzam, F. 2021. *Etika Profesi Manajemen Era Society 5.0*. Yogyakarta: Deepublish Publisher.
- Samryn, L.M. 2017. *Akuntansi Manajemen Informasi untuk mengendalikan Aktivitas Operasi dan Investasi*. Jakarta: Prenada Media
- Saragih, F., & Harahap, R. D. 2023. Perkembangan UMKM Di Indonesia: Peran Pemahaman Akuntansi, Teknologi Informasi dan Sistem Informasi Akuntansi. *Owner: Riset Dan Jurnal Akuntansi*, 7(3), 2518-2527. DOI : <https://doi.org/10.33395/owner.v7i3.1427>.
- Sayidah, N., Assegaf, A., Hartati, S.J & Muhajir. 2019. *Akuntansi Forensik Dan Audit Investigasi*. Sidoarjo: Zifatama Jawara.
- Sayyid, A. 2014. Pemeriksaan fraud dalam akuntansi forensik dan audit investigatif. *Al-Banjari: Jurnal Ilmiah Ilmu-Ilmu Keislaman*, 13(2).
- Setiadi. 2020. *Buku Pintar Sistem Informasi Akuntansi Teori Dan Praktek Soal*. Yogyakarta: Bening Pustaka.
- Siswanto, S. 2020. Pengaruh faktor tekanan dan ukuran perusahaan terhadap kecurangan laporan keuangan. *Jurnal Akuntansi, Keuangan, dan Manajemen*, 1(4), 287-300.
- Siyoto, S. dan Sodik, A. 2015. *Dasar Metodologi Penelitian*. Sleman: Literasi Media Publishing. <
https://www.google.co.id/books/edition/DASAR_METODOLOGI_PENELITIAN/QPhFDwAAQBAJ?hl=id&gbpv=1&dq=buku+Sandu+Siyoto+dan+Ali+Sodik.+Dasar+Metodologi+Penelitian.+Sleman:+Literasi+Media+Publishing.+2015&pg=PR2&printsec=frontcover>
- Sugiyono. 2017. *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: ALFABETA.
- Supomo, B. dan Indrianto, N. 2010. *Metodologi Penelitian Bisnis untuk Akuntansi dan Manajemen*. Yogyakarta: FE UGM.
- Supomo, B. dan Indriantoro, N. 2014. *Metodologi Penelitian Bisnis untuk Akuntansi dan Manajemen*. Yogyakarta: FE UGM.
- Suryani dan Hendryadi. *Metode Riset Kuantitatif: Teori Dan Aplikasi Pada Penelitian Bidang Manajemen dan Ekonomi Islam*. Jakarta: Prenada Media Group. 2016. <



ICEBESMA
International Conference on Economics,
Business, Management, and Accounting

<https://www.google.co.id/books/edition/Metode Riset Kuantitatif Teori dan Aplik/YHA-DwAAQBAJ?hl=id&gbpv=1&dq=buku+Suryani+dan+Hendryadi.+Metode+Riset+Kuantitatif:+Teori+Dan+Aplikasi+Pada+Penelitian+Bidang+Manajemen+dan+Ekonomi+Islam.+Jakarta:+Prenada+Media+Group&pg=PR4&printsec=frontcover>>

- Tarjo. 2019. *Metode Penelitian Sistem 3x Baca*. Yogyakarta: Deepublish.
- Tarjo., Moh. Riskiyadi., Eklamsia Sakti., Yustin Nur Faizah., Dewi Ummiyati. 2021. *Akuntansi Forensik Dalam Referensi Analisis Transaksi Fraud Keuangan*. Surabaya: CV. Jakad Media Publishing. Hal. 8.
- Tuanakotta, T. M. 2010. *Akuntansi forensik dan audit investigatif*. Jakarta: Salemba Empat.
- Umar, H., Purba, R. B., Safaria, S., Mudiar, W., & Sariyo, H. 2021. *The new Strategy in Combating Corruption (Detecting Corruption: HU-Model)*. Medan: Merdeka Kreasi Group.
- Vona, L. W. 2012. *Fraud risk assessment: Building a fraud audit program*. John Wiley & Sons.
- Wang, Y. (2018). *Designing continuous audit analytics and fraud prevention systems using emerging technologies* (Doctoral dissertation, Rutgers University-Graduate School-Newark).
- Wells, J. T. 2014. *Principles of Fraud Examination*. Wiley.

