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Measuring User Readiness of Kartu Tani on Technology Readiness Index (TRI) in Sumenep District

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ABSTRACT: The government program related to Kartu Tani aims to provide welfare to farmers. However, until now it hasn't been realized, meaning that not all farmers accept the innovations given by the government. Measure user readiness to use Kartu tani to determine the success of implementing the technology. This study aims to determine a certain technical readiness index for Kartu Tani in Sumenep District. Almost all of the data were collected from farmers by a simple random sampling method using Hair 85 valid sample in Sumenep District. The measurement method used is TRI made with the four variables of optimism, innovation, discomfort, and insecurity. It is found that the preparation level of Kartu tani users is at a medium level of technical preparation, with a value of 3.33. The farmers' TRI value is considered to be moderate and needs to be improved.

KEYWORDS: kartu tani, user readiness, subsidized fertilizer

I. INTRODUCTION

The agricultural sector plays an important role in supporting the Indonesian economy (Setiawan & Prajanti, 2016). The problem is the scarcity of subsidized fertilizers due to their low availability while the need for subsidized fertilizers is high (Setiawan & Prajanti, 2016). Fertilizer subsidies are provided at affordable prices. The types of fertilizers that receive subsidies are urea, SP-36, ZA, NPK, Phonska, and organic fertilizers (Pertanian, 2017). The provision of subsidized fertilizers is based on the Group Needs Certainty Plan (RDKK) which contains data on the needs of farmer group members, a maximum land area of two hectares, the types of plants cultivated, and the allocation of subsidized fertilizers.

(Z. Ahmad & Wibowo, 2021) The world of agriculture that is entering the era of the industrial revolution 4.0 has the opportunity to develop one of them in fertilizer subsidies. Farmer's card is a tool to redeem subsidized fertilizer. The implementation of fertilizer subsidies through Kartu Tani is faced with the problem of decreasing program effectiveness. One of the problems that occur is the lack of understanding about the use of the service features provided, the risks, and how to transact. Most farmers are not good at applying new technologies (Jorgi et al., 2019). Farmer knowledge can make the Kartu Tani program a success. Given that Kartu Tani is a relatively new program, this information requires various improvements for wider implementation in the future.

The success of implementing a new technology depends on how users adopt the new technology, it is necessary to measure the level of readiness of new users in the technology field to determine the success of the technology (Suryadi, 2015). One way to measure the success rate of implementing technology is to measure user readiness (Abd Hamid & Mansor, 2016).

As a pilot project in East Java, Sumenep Regency has completed the transaction of the Kartu Tani with the highest fertilizer value in East Java, from 2020 to 2021 is Rp 46.674.850. The Sumenep Regency Government has also used Kartu Tani for transactions of 30.934 cards. The amount of fertilizer that has been distributed is 29.244.00 kg with a total fertilizer value of Rp 51.227.454.500. Hence, farmers in Sumenep Regency are the right object to be studied. Previous research discussed the information technology of Kartu Tani, for example, research on Differences in Farmers Perceptions of the Kartu Tani Program in Kalijambe District, Sragen Regency (Moko et al., 2017) ; The Effect of Kartu Tani Application on the Effectiveness of Subsidized Fertilizer Distribution in Kendal Regency, Central Java (Chakim, 2019); Community Perceptions of the Use of Kartu Tani in Pati Regency (Case in Wotan Village and Pakem Village, Sukolilo District) (Kurniawati & Kurniawan, 2018); Level of Technological Readiness in Working with Salt Farmers on Madura Island (Utomo & Anggara, 2020); Analysis of the Effectiveness of the Use of

Kartu Tani in Ex-Kisidenan Pati (Isabella & Sunaryanto, 2020); Factors Affecting the Decision to Adopt Farmers' Card Tani in Ex Karisedenan Surakarta (Yuliana & Nadapdap, 2020).

Previous research that discussed the level of technology readiness by Utomo, 2020 with the final TRI value of 2.39 was included in the category of low technology readiness. The results of research conducted by (Marthasari et al., 2020) with the results of a high level of technological readiness with a value of 3.63. Based on this description, research was conducted on "Readiness to Use Kartu Tani Based on the Technology Readiness Index (TRI) in Sumenep Regency." The purpose of the study was to measure the readiness of the Kartu Tani users in the form of the user's level of readiness. This is important for further program development. These results also provide recommendations for stakeholders in increasing the readiness of technology users from the results of the analysis that has been carried out and can describe the level of readiness of Kartu Tani users.

II. LITERATURE REVIEW

According to (Parasuraman, 2000), (Walczuch et al., 2007), and (Lin et al., 2005) stated in the assessment of the Technology Readiness Index, four important factors can affect the level of user readiness in using and utilizing technology. The four factors are:

A. Optimism

Optimistically thinking users tend not to pay attention to negative events or incidents but are more open to new technologies (Walczuch et al., 2007). In this case, farmers who use the Kartu Tani in Sumenep Regency will be optimistic that they are more willing to use the Kartu Tani compared to other farmers who are not optimistic. Optimistic farmers perceive a technology to be more useful and easier to use and have less concern about the possibility of negative outcomes.

B. Innovativeness

Innovativeness can also be interpreted as an individual's willingness to try new technology (Walczuch et al., 2007). Farmers who use innovativeness farmer cards tend to understand technology easily because they have good technical knowledge and have an interest in learning about farmer cards which are still considered new technology. Farmers who have high innovation tend to think that they will lose certain benefits if they do not try Kartu Tani.

C. Discomfort

The uncomfortable attitude is that one has no control over the technology (Walczuch et al., 2007). A user who has an uncomfortable attitude towards a new technology does not have the power to be able to change the technology so that he feels uncomfortable in using it.

D. Insecurity

According to (Walczuch et al., 2007) that the presence of fear makes people avoid using technology. Users who are insecure about technology have a low level of technology use. This fact causes farmers who use the Kartu Tani with a feeling of insecurity or insecurity to have a low level of ease of using the Kartu Tani and reduce the benefits that can be obtained.

III. MATERIALS AND METHODS

Based on the background of the research that has been submitted, the conceptual model for measuring Kartu Tani user readiness is designed as shown in Figure 1. The method of determining the research location is purposive sampling (Sugiyono, 2018), namely in Sumenep Regency based on the pilot project of the Kartu Tani program in East Java. The type of data used is almost all data from farmers who use Kartu Tani through interviews and direct surveys using structured questionnaires through focus group discussions (FGD) with related parties. The data needed in this study is the readiness of farmers to use Kartu Tani. The population of Kartu Tani users in Sumenep Regency is 102,760 farmers. A simple random sampling method was used to determine the sample with the technique of determining the number of samples of farmers using the formula (Hair Jr et al., 2016) with a ratio of 5:1. There are 17 question indicator items, so the number of samples needed is 85 farmers who use the Kartu Tani.

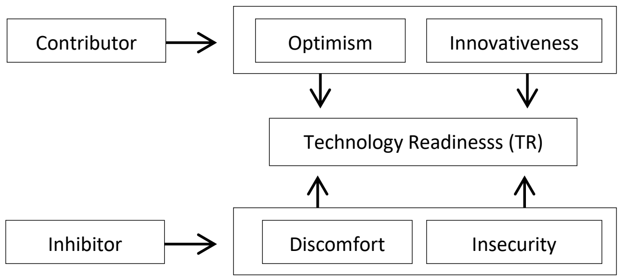

Figure 1. Research Model

Source : (Colby & Parasuraman, 2001)

TRI has four variables. The exogenous variables consist of positive variables using technology, namely optimism, and innovation. The negative variables of use are discomfort and insecurity (Colby & Parasuraman, 2001). Positive variables (optimism and innovation) encourage farmers to use technology products/ services and have a positive attitude towards technology. Negative variables (discomfort and insecurity) hinder the application of technology by farmers. TRI has three categories in its application, namely low, medium, and high. User readiness if the TRI value is equal to or less than 2.89 low technology readiness (TRI = <2.89) is considered low, moderate if the TRI value is between 2.90 to 3.51 medium technology readiness (1.90 = < TRI = >3.51) and high if the TRI value is more than 3.51 high technology readiness (TRI>3.51).

The research tools used were adapted from Pasuraman. (Colby & Parasuraman, 2001) The questionnaire used followed the likert scale and to test the feasibility of the instrument using validity and reliability tests.

IV. RESULTS AND DISCUSSIONS

A. Valuation and Reliability

Tests of validity and reliability are used to ensure that the use of research instruments is appropriate. Pearson bivariate correlation was used by correlating each item's score with the total score. The total score is obtained from the sum of all items. If r count > r table in a two-tailed test, the significance is 0.05,

Table 1. Research Instruments

No	Variable	Statement
1.	*Optimism*	Kartu Tani facilitates access to subsidized fertilizers
		Kartu Tani is much more efficient in obtaining subsidized fertilizer
		Kartu Tani Card is easier to use in conducting financial transactions for farming
		Kartu Tani provides an easy service
		One day, the Kartu Tani will facilitate farming
2.	*Innovativeness*	Be the first to get a Kartu Tani compared to other farmers
		Explain the use of Kartu Tani compared to other Farmers
		Facing fewer problems than other farmers using the Kartu Tani
		Mastering the use of Kartu Tani
3.	*Discomfort*	Thinking that Kartu Tani makes it difficult to get subsidized fertilizer
		The Kartu Tani service does not help because the transaction process is not understood
		It is difficult to access subsidized fertilizers because very few agricultural store provide Kartu Tani
		Field instructors/ PPL or Farmer Groups do not help in using the Kartu Tani
4.	*Insecurity*	It's more dangerous/loss to use the Farmer's Card because you don't trust bank employees or agricultural store
		Since you have to go to the nearest ATM or agricultural store, it is difficult to cheque the balance of the subsidized fertilizer received
		Lack of confidence in the security of using Kartu Tani because the balance received is not in cash
		For every financial transaction you make, you don't get proof of a purchase transaction from the nearest farm store you visit

Source: (Colby & Parasuraman, 2001)

Then the research instrument has a significant correlation and is declared valid [14]. In this study, r indicates that 5% (85) is 0.211. The following validation test results in Table 2 and 3.

Table 2. Validity Test Results

Items	Outer Loadings	Value
OP1	0.803	Valid
OP2	0.781	Valid
OP3	0.833	Valid
OP4	0.759	Valid
OP5	0.549	Valid
INN1	0.608	Valid

INN2	0.736	Valid
INN3	0.767	Valid
INN4	0.805	Valid
DIS1	0.805	Valid
DIS2	0.810	Valid
DIS3	0.706	Valid
DIS4	0.855	Valid
INS1	0.839	Valid
INS2	0.811	Valid
INS3	0.749	Valid
INS4	0.790	Valid

Source: original data, resulting from own experiences

In According to Table 2, the r arithmetic of all indicators > the value from the r table is (0.211) meaning that all indicators of the questionnaire are declared valid (Ghozali, 2014). Furthermore, the reliability test was carried out using the Cronbach alpha method, it was declared reliable if the value > 0.6 to see the consistency of the data.

Table 3. Reliability Test Results

Variable	*Alpha Cronbach*	Value
Optimism	0.890	Reliabel
Innovativeness	0.753	Reliabel
Discomfort	0.893	Reliabel
Insecurity	0.942	Reliabel

Source: original data, resulting from own exprериences

Based on the data in table 3 that all reliability test results show reliable results on all variables, all Cronbachs alpha values> 0.6.

The calculation of the TRI method by calculating the average value for each item statement. (Lazuardi, 2013) First, the weight (f) is multiplied on each item by a likert scale (n) which is determined to get the average value, the second is divided by the number of respondents or farmers. Each variable has a total weight of 25% divided by the number of question items in each variable. TRI scores were obtained for each variable, with the mean value multiplied by the weight of each variable. The total TRI score is the result of the sum of the total scores of each variable. The use of these four variables will help assess farmers' readiness for Kartu Tani technology. The total TRI score is obtained by adding up the total score of each variable.

B. Analysis of User Readiness

Technology Readiness Index (TRI) analysis is conducted to determine the level of readiness to the research four variables. TRI calculation method is done by calculationg the mean on each statement item.

1. *Calculation of Optimism Variable*

In the results of the optimism variable contributed a value of 1.01. This value is the largest contribution to the total TRI score. This fact shows that farmers who use the Kartu Tani in Sumenep Regency have a positive view of the Kartu Tani. The user believes that the Kartu Tani will have a positive influence on his farm.

Table 4. Calculation for Variable Optimism

Statement	Answer		f x n	Mean	Weight	Score
	F	N				
1	1	3	3	4.28	5.00%	0.21
	2	2	4			
	3	2	6			
	4	39	156			
	5	39	195			
2	1	1	1			
	2	4	8			

	3	5	15	4.24	5.00%	0.21
	4	46	184			
	5	39	195			
3	1	1	1	4.04	5.00%	0.20
	2	9	18			
	3	6	18			
	4	39	156			
	5	30	150			
4	1	3	3	4.29	5.00%	0.21
	2	2	4			
	3	4	12			
	4	34	136			
	5	42	210			
5	1	2	2	3.69	5.00%	0.18
	2	21	42			
	3	8	24			
	4	24	96			
	5	30	150			
Score Variable *Optimism*						1.01

Source: original data, resulting from own experiences

2. *Calculation of Innovativeness Variable*

Innovativeness gives a value of 0.98. This value is the second largest value in contributing to the total TRI score. This value shows that the Kartu Tani has an innovativeness quality in adopting and utilizing the Kartu Tani in his farming.

Table 5. Calculation for Variable *Innovativeness*

Statement	Answer		f x n	Mean	Weight	Score
	F	N				
1	1	7	7	3.51	6.25%	0.22
	2	21	42			
	3	8	24			
	4	20	80			
	5	29	145			
2	1	3	3	4.02	6.25%	0.25
	2	1	2			
	3	16	48			
	4	36	144			
	5	29	145			
3	1	3	3	4.12	6.25%	0.26
	2	2	4			
	3	10	30			
	4	37	148			
	5	33	165			
4	1	3	3	4.00	6.25%	0.25
	2	1	2			
	3	11	33			
	4	48	192			
	5	22	110			
Score Variable *Innovativeness*						0.98

Source: original data, resulting from own experiences

3. *Calculation of the Discomfort Variable*

Discomfort accounted for 0.60 of the total TRI score. Discomfort and insecurity are variables that must be assessed in reverse (reversal costing) because they contain a negative value to the resulting TRI value. From the value obtained, it means that farmers have a low level of comfort in adopting Kartu Tani.

Table 6. Calculation for Variable *Discomfort*

Statement	Answer		f x n	Mean	Weight	Score
	F	N				
1	1	6	6	2.38	6.25%	0.15
	2	61	122			
	3	6	18			
	4	4	16			
	5	8	40			
2	1	11	11	2.46	6.25%	0.15
	2	43	86			
	3	20	60			
	4	3	12			
	5	8	40			
3	1	10	10	2.51	6.25%	0.16
	2	41	82			
	3	23	69			
	4	3	12			
	5	8	40			
4	1	23	23	2.16	6.25%	0.14
	2	34	68			
	3	21	63			
	4	5	20			
	5	2	10			
Score Variable *Discomfort*						0.60

Source: original data, resulting from own experiences

4. *Calculation of Insecurity Variable*

The insecurity variable gave the smallest contribution with a value of 0.74 for the total TRI score. This value means that farmers who use a Kartu Tani have a lower level of security for Kartu Tani technology.

Table 7. Calculation for Variable *Insecurity*

Statement	Answer		f x n	Mean	Weight	Score
	F	N				
1	1	7	7	2.99	6.25%	0.19
	2	25	50			
	3	25	75			
	4	18	72			
	5	10	50			
2	1	8	8	3.02	6.25%	0.19
	2	26	52			
	3	19	57			
	4	20	80			
	5	12	60			
3	1	10	10	2.86	6.25%	0.18
	2	30	60			
	3	17	51			

	4	18	72			
	5	10	50			
4	1	9	9	2.82	6.25%	0.18
	2	33	66			
	3	18	54			
	4	14	56			
	5	11	55			
Score Variable *Insecurity*						0.74

Source: original data, resulting from own experiences

Table 8. TRI Score Table

Variable	Value
Optimism	1.01
Innovativeness	0.98
Discomfort	0.60
Insecurity	0.74
TRI	3.33

Source: original data, resulting from own experiences

Measurements of user readiness level from 85 respondents or farmers found that the level of readiness of Kartu Tani users was at technological readiness with a value of 3.33. If seen from the categorization carried out by (Colby & Parasuraman, 2001), farmers in Sumenep Regency tend to have a moderate level of technology readiness or medium technology readiness because they are located between 2.90 - 3.51.

The value of the optimism variable is 1.01, the high self-confidence value in mastering the Kartu Tani technology, the innovativeness variable ranks second 0.98. This fact indicates that farmers have an innovativeness attitude in adopting technology, the discomfort variable value is 0.60 which indicates a lack of comfort in implementing the Kartu Tani and is followed by the variable value. insecurity 0.74 that the use of Kartu Tani technology has not been able to feel safe in its application. This study is in line with research (F. Ahmad et al., 2021) in his research, the results obtained that in the implementation of new technology from 105 respondents using new technology, the TRI value of 2.48 was categorized in the medium technology readiness index, meaning that the respondents were quite ready to implement the technology by improving the two variables of discomfort (discomfort) and insecurity because it still gets a low score of 0.30 and 0.61 in its implementation. Farmers receiving the benefits of fertilizer subsidies will be said to be successful if they can ease the burden of spending in running their farming (Arisandi et al., 2016).

V. CONCLUSIONS

Based on the results of the research that has been done, it can be concluded that the Kartu Tani users in Sumenep Regency get a score of 3.33. This value means that farmers who use the Kartu Tani belong to the category of medium technical preparation. Users already have a readiness in the medium category in readiness to use Kartu Tani. The value of the optimistic variable that contributes the greatest value can be concluded that the user or farmer believes that the Kartu Tani technology will have a positive impact. Then, from the innovation variable, which means that the user has the desire to innovate, it influences other farmers who have not used the Kartu Tani. From the negative value variable, it can be concluded that discomfort is the biggest obstacle in using Kartu Tani. From a practical point of view, the results of this study are very useful for the development or stakeholders of Kartu Tani in Sumenep Regency in particular and all regions in East Java. The government and stakeholders must design better Kartu Tani so that farmers as users feel more comfortable when transacting with Kartu Tani. The government, stakeholders, and farmers need to apply guidelines for the use of Kartu Tani and evaluate whether they are by the plan or not.

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Influence of Human Capital and Self-Efficacy in Improving Productivity of Power Plant Perators at Jeneponto Power Plant Through Knowledge Sharing

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ABSTRACT: Research related to productivity improvement through the knowledge sharing process is still limited, so this research aims to find a model of productivity improvement through the utilization of knowledge sharing that can provide multi-effects at the organizational level, task level, and individual level of operators as a solution to research problems in terms of improving human capital and self-efficacy. Productivity is a concept related to system theory (input-process-output) that is reflected in the ability of employees in producing a product. This study uses primary data in the form of questionnaires as data collection instruments. Sample withdrawal in this study using Purposive Sampling method is a sampling technique with certain considerations, samples used as many as 110 samples. furthermore, the data of the questionnaire results are processed using Partial Least Square (PLS). The results showed that human capital and Self-efficacy have a positive and significant effect on knowledge sharing and productivity of operators, Knowledge sharing has a positive and significant effect on the productivity of operators, Human capital and self-efficacy has a significant effect on the productivity of operators through knowledge sharing. The implications of the results of the study, the better the quality of human capital and self-efficacy, the ability to do knowledge sharing is also increasing so as to have a postifi impact on the improvement of operator productivity. The practical implications of this research can be used as a model in improving operator productivity through the knowledge sharing process. So there is an accelerated process of knowledge transfer between foreign operators and local operators. The novelty of this research lies in the process of knowledge sharing that is generally done by design through the process of training in door in this research the process of knowledge sharing is done out door through a natural process conducted between foreign operators and local operators. So that the results of this study can add research references in the field of human capital development.

KEYWORDS: Human capital, knowledge sharing, self-efficacy, produktivity

I. INTRODUCTION

Energy problems in Indonesia began with a shortage of energy supplies that were not managed properly. It is estimated that in 2019-2020 the national electricity needs will grow by 8-9 percent per year, so it is necessary to accelerate the construction of the plant and its distribution. This indicates that each year about 5,700 MW of new generating capacity is needed. If this electricity needs are not met, it will have an impact on economic growth. (Sindonews.com.2017).

The increase in electricity needs tends to increase every year due to increased community activity and industrial development. However, due to limited capacity and power supply owned by PT. PLN, so the electricity needs outside Java-Bali can not be fully met. The development strategy is carried out by PT PLN in meeting electricity needs through the utilization of light electricity, renting diesel plants and making private electricity purchases. Of course, this effort requires a large budget in investing in electricity infrastructure to the corners of villages and islands. Electricity distribution has not been evenly distributed based on the electrification ratio there are still 93.08 percent of people who have not enjoyed electricity. The high need for electricity subsidies is a problem experienced by PT PLN in distributing electricity to 6 million people and the growing industry, as well as the growing population.

Dependence on fossil energy is a major national electricity problem. Where petroleum availability remains 0.2 percent, Coal 3 percent, and Natural Gas 1.6 percent of the world's proven reserves. (Central Bureau of Statistics, 2019). The data shows the need for the use of renewable energy in supporting the national electricity supply.

Local electricity problems also occur in jeneponto power plant which is still constrained in electricity distribution management, thus impacting the level of operator productivity whose achievement rate is only 64.10 percent in 2019, so there are still 35.9 percent that do not meet the standard duration of barge unloading (PLTU-Jeneponto, 2019). So to improve the productivity of operators in 2020-2021 it takes a competent human capital in regulating electricity distribution. In its operation, Jeneponto Power Plant uses many operators, both local and foreign operators. The level of disparity in ability, especially language skills and understanding of working instructions between local and foreign operators is very high, so there is often a conflict of interest between local operators and foreign operators, because local operators are slow to respond to technical information provided, thus impacting machine operational services. The number of local operators does not last long so it must replace with a new local operator that automatically senior operators have to start over to guide and direct the operator's work process. To reduce the level of disparity of operator capability, in the human capital theory can be done through organizational learning in the form of training and development in a continuous manner.

Research (Bibi et al., 2018) and (Brahmana et al., 2018) found that training and development greatly influenced the improvement of productivity. However, on the other hand, training and development is an obstacle for Jeneponto Power Plant Management because it requires a large budget and a slow operator midset change process, so this model is less effective. In the perspective of this research a new thing that was not found in previous research that one of the methods to accelerate the distribution of knowledge between foreign operators and local operators with no need for a large budget is the process of knowledge sharing.

Knowledge sharing is a process of transfer of knowledge, skills, work experience, and behavior between individuals both formally and non-formally outside the organization resulting in traction, (Lee, 2001). So knowledge sharing has been recognized as an important tool to create a competitive advantage in uncertain economic conditions (Sudarti and Wasitowati, 2021). Knowledge sharing process as a solution in accelerating knowledge transfer between local operators and foreign operators that can be done through the process of traction both formally through organizational learning in the form of training and non-formal through discussions conducted naturally between operators. Knowledge sharing is a model offered in this study to improve the ability of human capital operators so that their productivity can be increased. In the era of society 5.0 the existence of human capital is very important in supporting the company's productivity with the support of the presence of information technology. In the concept of society 5.0 information technology basically serves to help people in simplifying work, meeting needs, and maintaining security, so that human life is more meaningful.

Of course, operators need interpersonal skills in carrying out tasks as a function of operations and control functions. Interpersonal skills competencies can be obtained through the process of education, training, discussion, and learning independently by looking at the surrounding environment finally formed work experience. Knowledge sharing is an effective and efficient transfer of knowledge model in transferring knowledge, skills and work experience in innovating, (Ranto, 2015) and (Sudarti and Wasitowati, 2021). Knowledge sharing in this study was measured using indicators of knowledge internalization, knowledge exchange, knowledge retrieval, and knowledge creation (Khoe Yao Tung, 2018).

The existence of self-efficacy becomes very important in supporting human capital productivity, because it relates to confidence in carrying out the work of (Yandra et al., 2021). This means that operators who have good self-efficacy will be able to work with high self-confidence, thus making the job a challenge to develop competence (Alqurashi, 2016). In social cognitive theory, (Bandura, 1977) explains that self-efficacy is the self-confidence of human capital regarding their ability to manage and carry out actions in achieving productivity.

Research problems are still low level of productivity operators, so it is necessary to improve the quality of human capital through training and mutation of work between foreign operators and local operators, in addition to other efforts needed to accelerate the transfer of knowledge, skills, and experience required knowledge sharing between operators. Operators who already have knowledge, skills and experience still need to be motivated to self-efficacy in order to utilize their competence in improving productivity. The purpose of this study is to find a productivity improvement model that can provide multi-effects at the organization level, task level, and individual operator level. The theoretical implications of the results of the study, the better the quality of human capital and self-efficacy, the ability to do knowledge sharing is also increasing so as to have a postifi impact on the improvement of operator productivity. While the practical implications of the results of this study can be used as a model in improving operator productivity through the knowledge sharing process. So there is an accelerated process of knowledge transfer between foreign operators and local operators.

The novelty of this research lies in the process of knowledge sharing that is generally done by design through the process of training in door in this research the process of knowledge sharing is done out door through a natural process conducted between foreign operators and local operators. So that this model can speed up the process of transfer of knowledge between operators walupun have a different culture diversity between foreign operators and local operators.

II. LITERATURE REVIEW

The Human Capital Theory

Resource based theory (RBT) emphasizes on the achievement of productivity through the utilization of tangible resources and intangible resources through the role of human capital, (Wernerfelt, 1984). (Jusriadi, 2019) explains that human capital is a human asset owned by an organization with knowledge, skills, and work experience that can improve the productivity of the organization. (Perrotta & Perrotta, 2018) explained that the quality of human capital can be reflected in competence (knowledge, skills, and work experience). Joshi et. al. (2013) in (Jusriadi, 2019) explained that the quality of human capital can be improved through the training and development process. (Ejere, 2011), explained that human capital is related to the competence of an employee in supporting the task.

Human Capital indicator according to (Mayo, 2000) consists of: 1) individual capability. Individual capability relates to aspects of self-proficiency, which have the following criteria: a) personal capabilities, b) professional and technical know-how, c) experience, d) the network and range of personal contacts, and e) the value and attitudes that influence actions. 2) Individual motivation. (Anwar, 2017) states that individual motivation is related to intrinsic energy. Intrinsic energy is reflected in the attitude and mentality of employees in the face of heavy workload situations. 3) The organization climate, relating to the value system of the organization that can affect the work behavior of the members of the organization. (Saad & Abbas, 2018) explains that the primary characteristics of the organization climate are: a) innovation and risk taking, b) careful, c) the orientation of the results, d) having aggressiveness, and e) stability. 4) Workgroup effectiveness, related to indicators of work effectiveness that can be measured from the aspect of productivity and personal satisfaction. Human capital variables can be measured from indicators: a) Individual capability, b) individual motivation, c) the organization climate, d) workgroup effectiveness, and e) leadership.

Knowledge Sharing

Knowledge sharing is related to the transfer of knowledge process both in door and out door, (Tobing, 2007). (Tung, 2018) knowledge sharing relates to the process of generating knowledge and the process of implementing knowledge. (Lee, 2001) explains that knowledge sharing is related to the transfer of knowledge, skills, and experiences that can occur inside and outside the organization.

This knowledge sharing model will help employees and organizations in improving productivity through the availability of human resources that have a competitive advantage. Intraksi between individuals is part of the knowledge sharing process that is very likely to occur the transfer of knowledge between individuals. Knowledge sharing indicator refers to theory (Marquardt, 1996) consists of: 1) Knowledge internalization, 2) knowledge exchange, 3) knowledge retrieval, and 4) knowledge creation. (Tung, 2018) explains the determining factors of knowledge sharing attitude determined by: 1) personal factors in the form of extrinsic motivation, absorbing ability, communication media channels, sense of self-worth, In role behavior. 2) Influential social factors in the knowledge sharing process include management support for organizational culture, leadership, organizational climate, and subjective norms.

Self-Efficacy

Self-efficacy is derived from Albert Bandura's developed social cognitive learning theory (Feist & Feist, 2017) which emphasizes individual beliefs in getting the job done. Self-efficacy is the concept of community learning, social means in society.

Baron and Byrne, 1991 in (Ghufron and Suminta, 2017) states that self-efficacy relates to the capabilities of employees in carrying out work and addressing work-related problems. Self-efficacy is related to decision making and self-confidence to be able to do a good job. Self-efficacy in each individual develops from every process achieved in the work, which can be sourced or shaped by the environment, personality, and social net. It is further explained that self-efficacy is not only related to the ability to do something successfully based on the ability possessed for various conditions. So to be able to improve the performance of the organization, self-efficacy of employees needs to be encouraged to improve. In this study self-efficacy can be measured by indicators: a) Productivity of the past, b) experience, c) persuasive, d) problem solving, (Feltz, 2014).

Productivity

Productivity is a concept related to system theory (input-process-output) that is reflected in the ability of employees in producing a product, (Sedarmayanti, 2009) explains that productivity is related to efforts to create an effective product by utilizing available resources. Individual productivity can be influenced by mental attitudes in the form of work motivation, quality of work, knowledge sharing, ability to self-efficacy, work climate, production facilities, technology and achievement agreement.

Cash and Fischer in (Thoyib, 2005) explained that productivity can be influenced by organizational performance itself which includes organizational development, compensation plan, communication system, managerial style, organization structure, and policies and procedures, with 1) quality of work, 2) quantity of work, 3) Level of cooperation ability.

Research Model

This study uses resource based theory and the human capital theory as the basis of theory to explain operator productivity. Quantitative research approach is used to find the influence of human capital variables, self-efficacy on the productivity of power plant operators through the role of knowledge sharing.

Based on the theoretical framework and phenomena that occur then the research framework is shown in the following figure

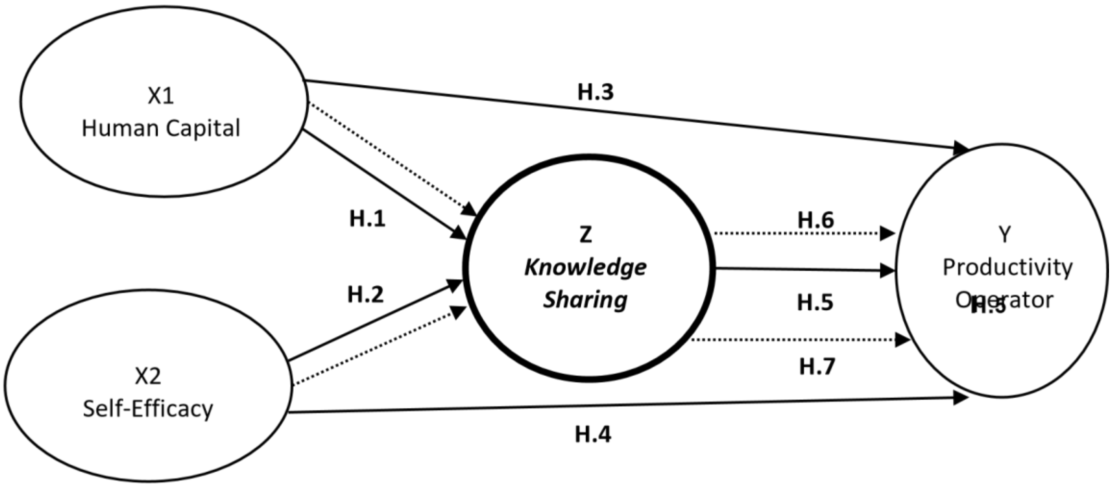

Figure 1 : Conceptual Research Framework Model

Hypotheses

This study focuses on operator produktivity by using human capital variables, self-efficacy, and knowledge sharing with the following hypothesis formulation:

Hypotheses 1: Human capital berpengaruh signifikan terhadap knowledge sharing

Human capital in this study shows the level of knowledge, skills, work experience, and behavior of individuals (Jusriadi, Edi, 2019), while knowledge sharing is the process of transfer of knowledge, skills, work experience, and behavior between individuals, (Lee, 2001). The formulation of this hypothesis refers to the results of previous studies conducted (Mačiulytė-Šniukienė & Matuzevičiūtė, 2018) and (Ranto, 2015), which found that employees who have competence will easily conduct the knowledge sharing process. So that the process of transfer of knowledge, skills, and experience will be easy to do.

Hypotheses 2: Self-Efficacy has a significant effect on knowledge sharing

Self-efficacy is related to the certainness that individuals have over the ability to do an activity. Individuals who have strong self-confidence will be able to do knowledge sharing well, so that there is a transfer of knowledge. The hypothesis formulation refers to (Yandra et al., 2021), which found that a person will be able to do knowledge sharing well if they have Self-efficacy. These findings mean that employees will self-efficacy to others if the employee has more abilities than others

Hypotheses 3: Human capital has a significant impact on operator productivity

The existence of quality human capital in an organization will be able to increase productivity. So the better the quality of human capital, the productivity will also increase. The hypothesis formulation refers to research (Amodu et al., 2017), (Fapohunda, 2015), (Mačiulytė-Šniukienė & Matuzevičiūtė, 2018), and (Sukoco & Prameswari, 2017), finding that human capital quality has a significant effect in improving company productivity through good selfmotivation. This means that the better the quality of human capital, the more self-motivation to work, so that in the end it will be able to increase the productivity of the company.

Hypotheses 4: Self-Efficacy has a significant effect on Operator productivity

Strong self-Efficacy of each individual will give birth to work motivation, so that with the strong work motivation of each individual will be able to increase productivity. This hypothesis formulation is supported by research

(Okyere-Kwakye, 2011) and (Judge et al., 2007), finding that productivity will be achieved well if supported by employees who have self-efficacy to be able to do the work according to their respective responsibilities.

Hypotheses 5: Knowledge sharing has a significant impact on operator productivity

The existence of knowledge sharing between individuals in an organization will accelerate the process of transferring knowledge, skills, and experience, so as not to cause a high level of disparity between individuals. Deangan the ability of knowledge sharing between individuals will have an impact on improving productivity. The hypothesis submission in this study refers to the results of research (Galeazzo & Furlan, 2019), (Ipe, 2003), (Lin, 2007), and (Sutanto, 2019), which found that the process of knowledge sharing between employees has a significant impact on the productivity of individuals in a company. The process of knowledge sharing in the organizational environment can be effective if supported by social harmonization between employees. In addition, knowledge sharing is an effective and efficient transfer of knowledge model in transferring knowledge, skills and work experience in innovating, (Ranto, 2015). Sudarti &Wasitowati's research also found that knowledge sharing behavior can have an impact on improving human capital capabilities.

Hypotheses 6: Human Capital has a significant impact on operator productivity through knowledge sharing.

The productivity of the organization is strongly influenced by the productivity of human capital. So to be able to increase the productivity of the organization, human capital must have competence that is unique. So it takes knowledge sharing between individuals in carrying out activities, in order to transfer knowledge, skills, and work experience. The research hypothesis stems from previous research by (Amodu et al., 2017), (Ipe, 2003), (Mačiulytė-Šniukienė & Matuzevičiūtė, 2018), (Sukoco & Prameswari, 2017), and (Sutanto, 2019), which found that productivity can only be achieved if supported by good human capital quality, so as to improve the quality of human capital, there is a need for a continuous knowledge sharing process between individuals in an organization.

Hypotheses 7: Self-Efficacy has a significant impact on operator productivity through knowledge sharing.

Individuals who have competencies that can be obtained through the knowledge sharing process will have a high Self-Efficacy in increasing their productivity. So that individuals in an organization need to be encouraged to do knowledge sharing in order to have a strong Self-Efficacy. Determination of research hypotheses based on research conducted (Galeazzo & Furlan, 2019), (Judge et al., 2007), (Okyere-Kwakye, 2011), and (Sutanto, 2019) which found that good self-efficacy will be able to increase the productivity of the company. So to be able to increase self-efficacy in employees need to be done a good knowledge sharing process.

III. RESEARCH METHOD

This research design uses survey method with explanatory approach through questionnaire to 110 jeneponto power plant operators who are in charge of unit 1, unit 2, unit 3A and 3B, which can be explained in the following table:

Table 1: Research Respondents

No	**Respondent's Position**	**Person**
1	Shift Leader Control Circulation Roomunit 1 and Unit 2	4
2	Shift Leader Ash Handling unit 1 and Unit 2	4
3	Shift Leader Control Circulation Room unit 3A and unit 3B	4
4	Shift Leader Coal Handling System unit 3A and unit 3B	4
5	Member of Operator Control Circulation Room unit 1 and Unit 2	12
6	Ash Handling Operator Members unit 1 and Unit 2	8
7	Member of Operator Control Circulation Room unit 3A and unit 3B	20
8	Ash Handling Operator Member unit 3A and unit 3B	8
9	Member of Coal Handling System Operator unit 3A and unit 3B	38
10	Member of Water Treatment Plant Operator unit 3A and unit 3B	8
	Amount	**110**

Source: Primary Data (2021)

This study used saturated samples or census methods as many as 110 operators both foreign operators and local operators working at jeneponto power plant. Measurement model testing is conducted in several stages to determine the reliability, feasibility, and compatibility of data through partial least square (PLS) analysis techniques, (Solimun et al., 2017).

This study uses three independent variables and one dependent variable that can be explained in the operational definition of the research variable as follows:

Table 2: Variable Operational Definitions

Variable Type	Variable Name	Defenisi	Indikator
Independent variables	Human Capital	Human Capital is related to employee competence which is reflected in the level of knowledge, skills, work experience, and behaviors owned in work.	Individual Capability, Individual Motivation, The Organization Climate, Workgroup Effectiveness, and Leadership. (Source: Mayo, 2000)
	Self-Efficacy	Self-Efficacy is an individual's certainty about the ability to perform the tasks or actions necessary to achieve a particular result	Productivity of the past, Experience, Persuasive, and Troubleshooting. (Source: Feltz, 2014)
Dependent variables	Productivity	Productivity is a comparison between sacrifice (input) and income (output)	Quality of work, Quantity of work results, and Level of cooperation ability. (Source: Thoyib, 2005)
Intervening Variabel	Knowledge Sharing	Knowledge Sharing related to the transfer of knowledge between individuals, groups, or organizations either done formally or non-formally outside the organizational environment.	Knowledge Internalization, Knowledge Exchange, Knowledge Retrieval, and Knowledge Creation. (Source: Tung, 2018)

Source: (Feltz, 2014); (Mayo, 2000); (Thoyib, 2005); and (Tung, 2018) .

IV. RESULT AND DISCUSSION

Description of Research Site

PT. Bosowa Energi, is a joint venture company between Sumbergas Sakti Prima and Bosowa Corporation engaged in the business of providing electricity to meet the regional needs of South Sulawesi and West Sulawesi. The electricity generated is then channeled to PT's SULSELBAR network system. PLN Persero with a 30-year cooperation contract. One of the steam-powered power plants utilized by PLN in meeting the needs of electricity in South Sulawesi and West Sulawesi through the construction of power plants such as Jeneponto Power Plant.

Jeneponto Steam Power Plant (PLTU) has been operating since 2012 and has had four units with a total installed capacity of 520 MW built on an area of 100 Ha. Location and production process of Steam Power Plant (PLTU) as shown below:

Figure 2: Jeneponto Power Plant Layout

Jeneponto Power Plant is divided into two blocks, namely block one with a capacity of 2×125 MW where jetty construction in February 2010 - May 2012; plant construction in July 2010 and October 2012; first firing on March 18, 2012 and commercial operation date (COD) in October 2012. Expansion project block two with a capacity of 2×135 MW where the efectiveness of contract in February 2016; installation of drum lifting in December 2016; first firing unit 3A in October 2017; first firing unit 3B in January 2018; first syncronization in November 2017; Certificate of Operation (SLO) unit 3A on November 20, 2017; and commercial operation date (COD) on April 1, 2018.

Incremental Grade Operators

Human capital development is continuously carried out by jeneponto power plant management to obtain skilled and innovative operators and full capabilities in improving their productivity. This is done by conducting an assessment. In table 3 is shown the increase in value or increamental grade to the electric operator after the operation simulation training that has been carried out in 2019.

The implementation of training operation simulation, which was followed by 11 people who were assessed before and after the training shown in the pretest grade and post test grade. Thus, based on the data that the operator's capability improvement can be continuously improved, it can be shown an increase in the.

Table 3: 2021 Operation Simulation Training Results

No	**Koding Name**	**Pre-Test**	**Post-Test**	**Increamental Grade**
1	AM	6,20	76,20	10,55
2	EGS	19,20	81,40	3,24
3	ERH	6,80	72,10	9,60
4	GM	6,00	73,80	11,30
5	IM	10,80	76,00	6,04
6	IA	6,60	79,10	10,98
7	LAPT	11,80	72,70	5,16
8	MAAS	6,90	72,40	9,49
9	SIR	5,80	67,90	10,71
10	SS	14,80	71,90	3,86
11	ZS	8,00	67,30	7,41

Source: Primary Data (2021)

This data shows an increase in operator knowledge after training by calculating the difference between pretest and post test values accumulated from the incremental grade of each code. Based on existing data shows that the highest incremental grade value based on the results of Operation Simulation Training Year 2019 is at the GM code of 11.30. The use of training models in improving the knowledge, skills, and work experience of operators has a downside in the aspects of the budget used is very large and the opportunity for operators to engage in training activities conducted is limited to participants, as well as the implementation time is only done once in each year. So this model based on the results of research is less effective in accelerating the transfer of knowledge, skills, and work experience between foreign operators and local operators.

Operator Power Data

This study involved 110 foreign operators and local operators who are the source of information, which can be classified based on gender, age, and level of education as follows:

Table 4: Respondent Profile

No	**Gender**	**Amount**	**Percentage**
1	Men	106	96 Percent
2	Women	4	4 Percent
	Age		
1	15-25	30	27 Percent
2	26-40	80	73 Percent
3	41-55	0	0 Percent
4	>55	0	0 Percent
	Education		
1	SLTA	75	68 Percent

2	Academy/D3	6	5 Percent
3	S1	29	26 Percent
4	S2/S3	0	0 Percent

Source: Primary Data (2021)

Based on table 4, showing that 96 percent of operators are male and 4 percent female, with an average age of 26-40 of 73 percent, this data shows from the age side of the operator is still young so that the ability to work in the target is still productive. Meanwhile, in terms of the average level of education slta equivalent to 68 percent. This data shows that in terms of education level operators are still very low so it takes knowledge, skills, and work experience from senior operators through the training and knowledge sharing process.

Partial Least Square Analysis

Test Outer model

The Outer Test model is used to test the relationship between variables and indicators on each variable. Outer model can be identified from the value 1) convergent validity), 2) discriminant validity, 3) composite reliability, 4) Average Variance Extracted (AVE) and 5) alpha cronbach's, which can be described as follows:

1. Convergent Validity

Convergent validity is used to measure the loading factor value of each variable. With loading factor value above 0.60 or 0.70 is highly recommended. The PLS Algorithm model can be described in the following image:

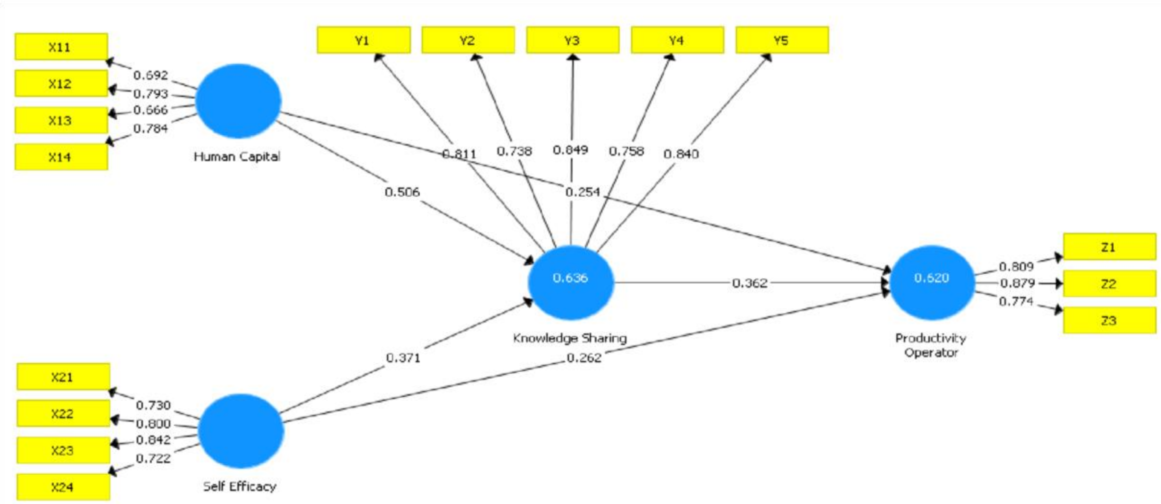

Figure 3: Model PLS Algorithm

The PLS model loading value of each variable indicator can be described in the following table:

Table 5. Value Loading Indicator

Indicator	Human Capital	Self-Efficacy	Productivity Operator	Knowledge Sharing
X1.1	0,692			
X1.2	0,793			
X1.3	0,666			
X1.4	0,784			
X2.1		0,730		
X2.2		0,800		
X2.3		0,842		
X2.4		0,722		
Y1			0,811	
Y2			0,738	
Y3			0,849	
Y4			0,758	
Y5			0,840	

Z1				0,809
Z2				0,879
Z3				0,774

Source: PLS Validity Convergent Value

Based on table 5, shows that: 1) on human capital variables with four indicators obtained the highest indicator loading value X1.2: 0.793 and lowest X1.3: 0.666. 2) on the variable self efficacy which has four indicators obtained the highest indicator loading value on the indicator X2.3: 0.842 and the lowest is on the indicator X2.4: 0.722. 3) In variable knowledge sharing with three indicators obtained the highest loading value indicator at X2: 0.879 and the lowest is at X3: 0.774, and 4) On the contractivity of the operator productivity of the five indicators obtained the highest loading indicator value that is the indicator Y3: 0849 and the lowest is on the indicator Y2: 0.738. Based on the results of the measurement shows that all indicators on each variable obtained a loading value of > 0.6 means that each indicator on each variable is valid.

2. Discriminant validity

The discriminant value is used to assess whether a variable has an adequate discriminant validity. If the correlation of the indicator has a higher value compared to the correlation of the indicator with other contracts, then it is said that the variable has a high discriminant validity. The result of cross loading value can be explained in table 6:

Table 6. Cross Loading Value

Indicator	Human Capital	Self-Efficacy	Productivity Operator	Knowledge Sharing
X1.1	0,692	0,427	0,432	0,574
X1.2	0,793	0,474	0,577	0,556
X1.3	0,666	**0,426**	**0,440**	**0,416**
X1.4	0,784	0,563	0,575	0,626
X2.1	0,369	0,730	0,478	0,493
X2.2	0,542	0,800	0,569	0,608
X2.3	0,602	0,842	0,600	0,607
X2.4	0,467	0,722	0,438	0,438
Y1	0,628	0,570	**0,661**	**0,811**
Y2	**0,533**	0,589	0,486	0,738
Y3	0,605	0,599	0,603	0,849
Y4	0,539	0,367	0,541	0,758
Y5	0,664	0,643	0,630	0,840
Z1	0,485	0,638	0,809	0,579
Z2	0,575	0,581	0,879	0,628
Z3	0,649	0,454	0,774	0,603

Source: PLS Discriminant Validity Value

Based on table 6, cross loading shows all loading indicator values have a higher loading value to the intended contract than to other undirectional contracts.

3. Composite Reliability

The high composite reliability value indicates the consistency of each indicator in the contract to measure variables. The composite reliability value criteria >0.7 which indicates that the variable has good internal consistency. Composite realibility values are described as follows:

Table 7. Composite Reliability Value

	Composite Reliability
Human Capital	0,824
Self-Efficacy	0,857
Productivity Operator	0,862
Knowledge Sharing	0,899

Source: PLS Composite Reliability Value

Based on table 7, shows the value of composite reliability variable human capital 0.824, knowledge sharing 0.899, self efficacy 0.857 and productivity operator 0.862. All four contracts have a composite reliability value of >0.70, which means that variables have a good internal consistency value.

4. Average Variance Extracted (AVE)

An AVE value is a variable indicator variance value that can be captured by that variable more than a variance resulting from a measurement error. The expected AVE value is >0.5. Human capital contract AVE value of 0.541, knowledge sharing 0.641, selfefficacy 0.602 and operator productivity 0.675, as presented in the following table:

Table 8. Nilai Average Variance Extracted (AVE)

Contracts	**Average Variance Extracted (AVE)**
Human Capital	0,541
Self-Efficacy	0,601
Productivity Operator	0,675
Knowledge Sharing	0,641

Source: PLS AVE Value

In addition to the AVE value, for evaluation of discrimian validity can use the fornell larchker test seen in the correlation value between the contract and the ROOT AVE. It is expected that the AVE root value > the correlation value between the contracts. As in the following table:

Table 9. AVE root value and Correlation between Contracts

Contracts	**Human Capital**	**Knowledge Sharing**	**Productivity Operator**	**Self-Efficacy**
Human Capital	**0,736**			
Knowledge Sharing	0,746	**0,800**		
Productivity Operator	0,694	0,735	**0,822**	
Self-Efficacy	0,646	0,698	0,679	**0,775**

Source: Fornell Larchker Test Results

Based on table 9, shows that the table contents in the diagonal direction box are ave root values and other values are correlations between contracts. The correlation value of human capital with knowledge sharing is 0.746, productivity operator 0.694 and self efficacy 0.646. While the root value of human capital AVE is only 0.734 is still lower compared to the correlation of human capital with knowledge sharing. While the root value of AVE knowledge sharing is 0.800, operator produktivity 0.822 and self efficacy 0.775 is higher than the correlation between other contral.

5. Cronbach's Alpha

Reliability test is rated from cronbach's alpha value > 0.7. The alpha value of cronbach's human capital variable is 0.718, knowledge sharing is 0.859, self-efficacy is 0.779, productivity operator is 0.758. The results of Cronbach's alpha values are outlined in the following table:

Table 10. Cronbach's Alpha Value

Contracts	**Cronbach's Alpha**
Human Capital	0,718
Self-Efficacy	0,779
Productivity Operator	0,758
Knowledge Sharing	0,859

Source: Cronbach's Alpha Value Result

Uji Model Structural (Inner Model)

Structural model test results can be seen at the values R2 (R-Square), f2 (effect size, goodness of fit index (GoF) which is a test of Goodness of the fit model, which can be described as follows:

1. R^2 (R-Square)

Knowledge sharing variable with R2 value: 0.636 which means variation on knowledge sharing can be explained by human capital variable and knowledge sharing of 63.6% while the remaining 37.4% (100% - 63.6%) described by other variables outside the research. Variable productivity operator with value R2 : 0.620 or 62.0%. This value indicates that the variant variable productivity operator can be explained by human capital variables, knowledge sharing and self efficacy of 62.0% while the remaining 38.0% is explained by other variables that are not studied. The result of the R-square value calculation value is presented in table 11.

Table 11. R-Square Value

Contracts	R-Square
Knowledge Sharing	0,636
Productivity Operator	0,620

Source: R-Square Value

2. f^2 (effect size)

Changes in the R-squares value can be used to explain the influence of independent variables on dependent variables whether they have substantive influences. Assessment criteria f2: 0.02 small influence, 0.15 medium/medium influence and 0.35 large influence. The result of the value f2 (effect size) is described in table 12.

Table 12. Value f2 (effect size)

Contracts	Knowledge Sharing	Productivity Operator
Human Capital	**0,409**	0,070
Knowledge Sharing		0,126
Self-Efficacy	**0,220**	0,086

Source: R-Square Value

Based on table 12, shows that the value of f2 (effect size) human capital to knowledge sharing of 0.409 and to productivity operator 0.070. The value of f2 knowledge sharing to productivity operators is 0.126. The value of f2 (effect size) self efficacy to knowledge sharing of 0.220 and to the productivity operator of 0.086.

3. *Goodness of fit index* (GoF)

Goodness of fit index is used to evaluate measurement models and structural models for the overall of model predictions. The GoF value is calculated from the square root value of the average communility index with an average R-squares with criteria of 0.10 small GoF, 0.025 medium and 0.36 in large categories. The results of the GoF value are presented as follows:

$$GoF = \sqrt{\overline{com}\ X\ \overline{R^2}}$$
$$GoF = \sqrt{0.6145\ X\ 0.628}$$
$$GoF = \sqrt{0.385}$$
$$GoF = 0.621$$

Hypothesis testing with a significance level of 5% if the t-statistic value > 1.96 then the hypothesis (H0) is rejected. The t-statistical value of the coefficient of influence of the contract is obtained from PLS Bootstrapping. Pls Bootstrapping Model results are outlined in the following figure:

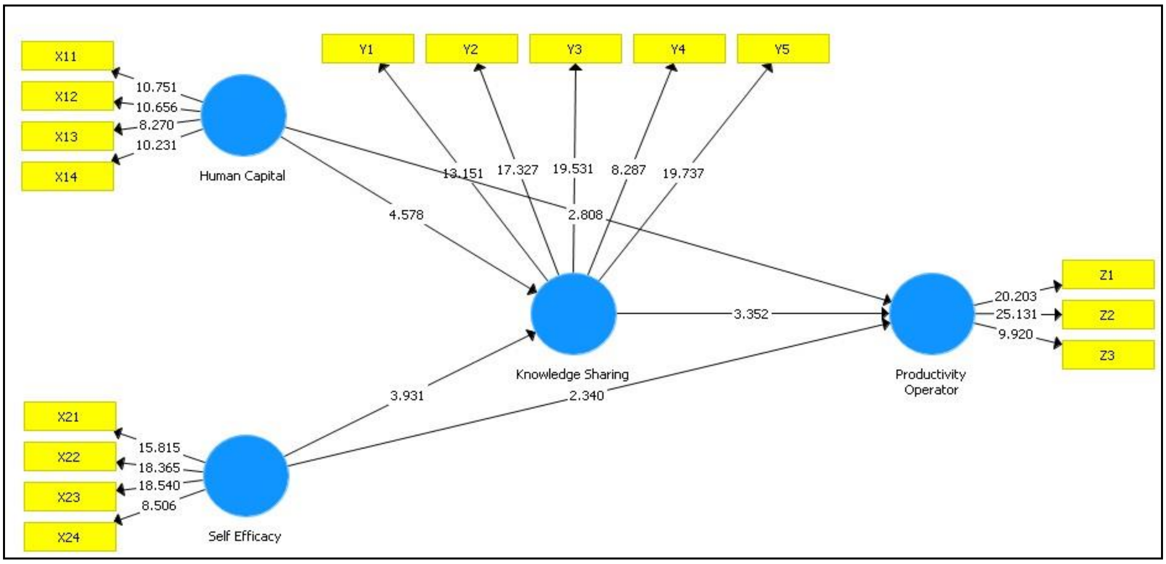

Figure 4. Model PLS Bootstraping

Parameter coefficient values can be seen in the original sample, standard error (standard deviation) and t-statistical and p-values values can be seen in the table below:

Table 13. Direct Effect and Indirect Effect Coefficient Values

Path of Influence	Original Sample (O)	Standard Deviation (STDEV)	T-Statistics (|O/STDEV|)	P-Values	Description
			Direct Effect		
Human Capital->Knowledge Sharing	0,506	0,110	4,578	0,000	Significant
Human Capital->Productivity Operator	0,254	0,091	2,808	0,005	Significant
Knowledge Sharing->Productivity Operator	0,362	0,108	3,352	0,001	Significant
Self-Efficacy->Knowledge Sharing	0,371	0,094	3,931	0,000	Significant
Self-Efficacy->Productivity Operator	0,262	0,112	2,340	0,020	Significant
			I ndirect Effect		
Human Capital->Knowledge Sharing -> Productivity Operator	0,183	0,061	3,002	0,003	Significant
Self-Efficacy->Knowledge Sharing -> Productivity Operator	0,134	0,060	2,250	0,025	Significant

Source: PLS parameter coefficient value

Based on table 13, shows the value of coefficient of influence between variables that can be based on the hypothesis as follows:

1. Hypothesis 1
   The coefficient of human capital influence on knowledge sharing is 0.506, the standard error value is 0.110 and p-values is 0.000. With a t-statistical value of 4,578 > 1.96 then H0 was rejected. This proves that there is a positive and significant influence of human capital on knowledge sharing.
2. Hypothesis 2
   The coefficient of self-efficacy influence on knowledge sharing is 0.371, standard error value 0.094, p-values 0.000, and tstatistical value 3.931 > 1.96 then H0 is rejected. This proves that self-efficacy has a positive and significant effect on knowledge sharing.
3. Hypothesis 3
   The coefficient value of human capital influence on operator productivity is 0.254, standard error value 0.091, p-values 0.005 with t-statistical value 2.808 > 1.96 then H0 is rejected. This proves that human capital has a positive and significant influence on operator productivity.

4. Hypothesis 4
   The coefficient of self-efficacy against the operator productivity is 0.262, the standard error value is 0.112, the p-values are 0.020 and the t-statistical value is 2,340 > 1.96 then H0 is rejected. This proves that self-efficacy can affect the productivity of the operator.
5. Hypothesis 5
   The coefficient of influence of knowledge sharing on operator productivity is 0.362, standard error value is 0.108, t-statistical value is 3,352 and p-values is 0.001. Because the t-statistical value is 3,352 > 1.96 then H0 is rejected. This proves that knowledge sharing can increase operator productivity.
6. Hypothesis 6
   Human capital indirect effect coefficient value to productivity operator through knowledge sharing of 0.183, standard error value 0.061, p-values 0.003., with t-statistical value of 3,002 > 1.96 then H0 rejected. Human capital can increase operator productivity when supported by the ability to do knowledge sharing.
7. Hypothesis 7
   The coefficient value of indirect effect self efficacty against productivity operator through knowledge sharing is 0.134, standard error value is 0.060, p-values 0.025. The t-statistical value is 2,250 > 1.96 then H0 is rejected. It means that self efficacty has an influence on the productivity of operators through knowledge sharing.

DISCUSSION

Based on the results of the research analysis, it can be interpreted the influence of human capital, knowledge sharing, and self-efficacy on the productivity of jeneponto power plant operators, as follows:

The Influence of Human Capital on Knowledge Sharing

Hypothetical test results found that human capital has an effect on knowledge sharing. This means that human capita who have competence will have the ability to share knowledge with others.

Facts in the field show that although the quality of human capital from the aspect of education level is still low dominant SLTA but because of the process of training and knowledge sharing conducted between foreign and local operators so that the acceleration of the process of transfer of knowledge and experience runs quickly.

The findings of this study are supported by research conducted (Mačiulytė-Šniukienė and Matuzevičiūtė, 2018) and (Ranto, 2015), which found that employees who have competence will easily conduct the knowledge sharing process. So that the process of transfer of knowledge, skills, and experience will be easy to do.

Self Efficacy Affects Knowledge Sharing

Based on hypothesis testing found that self-efficacy affects knowledge sharing. It means that the better self-efficacy that the operator has, the better the ability to share knowledge. The findings of this study are supported by

The findings of this study are in line with the fact that operators who have knowledge, skills, and work experience will be better able to self-efficacy in themselves and their environment in improving productivity. The development of Self-Efficacy among operators due to the loyalty of operators in developing jeneponto power plant as an institution where operators live and earn income from working as operators.

The findings of this study are supported by research conducted by (Yandra et al., 2021), which found that individuals who have good self-efficacy can do knowledge sharing. These findings mean that employees will self-efficacy to others if the employee has more abilities than others.

Human Capital Affects Operator Productivity

Based on hypothesis testing found that human capital can improve operator productivity. This means that the better the human capital capability of the operator, the more produktivity will be increased.

Field facts show an increase in operator knowledge after training by calculating the difference in pretest and post test values accumulated from the incremental grade of each coding. Based on existing data shows that the highest incremental grade based on the results of Operation Simulation Training Year 2019 is in the GM code of 11.30 good categories.

The findings of this study are supported by the opinion of Bontis, 1999 in (Jusriadi, 2019) and (Siagian, 2010), that organizational productivity can only be achieved, if supported by the quality of human capital in carrying out organizational activities. The quality of human capital can be measured from indicators of knowledge level, skills, and work experience (Jusriadi et al., 2018). The study findings were consistent with research results (Amodu et al., 2017), (Fapohunda, 2015), (Mačiulytė-Šniukienė & Matuzevičiūtė, 2018), and (Sukoco & Prameswari, 2017), which found that employee quality was a key determinant in improving employee productivity.

Self-Efficacy Affects Operator Productivity

Based on hypothesis testing found that individuals who have self-efficacy will be able to increase their productivity. The better the self-efficacy operator, the more productivity will increase. The findings of this study are in line with the fact that operators who have knowledge, skills, and work experience will be better able to self-efficacy in themselves and their environment in improving productivity. The development of Self-Efficacy among operators due to the loyalty of operators in developing jeneponto power plant as an institution where operators live and earn income from working as operators.

The study's findings are consistent with the opinions (Cherian & Jacob, 2013) and are consistent with the findings of the study (Feltz, 2014), (Judge et al., 2007), (Okyere-Kwakye, 2011), and (Sedighi et al., 2016), finding that good self-efficacy will affect employee productivity. The findings of this study are different from the findings of the study (Donassolo & De Matos, 2014) found that self-efficacy negatively affects salesperson performance. This finding means that employees who have a high level of knowledge will have the ability to be able to apply themselves and the surrounding environment.

Knowledge Sharing Effects Productivity Operators

Hypothesis testing found the ability to do knowledge will be able to improve operator productivity. The better the knowledge sharing process conducted between foreign and local operators, the process of transfer of knowledge, skills, and experience will run quickly, so it will have an impact on the operator's productivity. Efforts made by jeneponto power plant management in reducing the level of disparity of knowledge and skills of operators are carried out through the process of training and mutation of work between foreign operators and local operators.

The findings of this study are supported by the opinion (Tung, 2018), that knowledge sharing can run effectively due to the characteristics of the source of knowledge, the background of knowledge, interests, and culture of the recipient of knowledge itself. The results of this study are consistent findings (Fapohunda, 2015) and (Sutanto, 2019) that explain good knowledge sharing between employees will be able to increase the motivation of the organization's productivity work. The results of this study are also consistent research results (Galeazzo & Furlan, 2019), (Ipe, 2003), (Lin, 2007) and (Sutanto, 2019), which found that the process of knowledge sharing between employees has a significant impact on the productivity of individuals in a company.

Human Capital Influences Operator Productivity through Knowledge Sharing

Hypothesis testing found that human capital will be able to influence the operator's productivity if supported by knowledge sharing. This means that the better the ability of knowledge sharing between operators, it will be able to improve the quality of human capital so that it will be able to improve productivity. The findings of this study are in line with the fact that in an effort to improve human capital competence, jeneponto power plant management encourages the knowledge sharing process between local and foreign operators in order to accelerate the transfer of knowledge, skills, and work experience to support operator productivity due to budget constraints in conducting training.

The findings of this study are supported by research conducted by (Amodu et al., 2017), (Ipe, 2003), (Sukoco & Prameswari, 2017), (Sutanto, 2019), and (Mačiulytė-Šniukienė & Matuzevičiūtė, 2018), which found that productivity can only be achieved if supported by good human capital quality, so as to improve the quality of human capital, there is a need for a continuous knowledge sharing process between individuals in an organization.

Self-Efficacy Effects Productivity Operators through Knowledge Sharing

The ability to do self-efficacy will be able to improve the productivity of the operator through the ability to do knowledge sharing. This means that the better the knowledge sharing capability between operators will be able to improve self-efficacy so that it will be able to improve productivity. The findings of this study are in line with the fact that the knowledge sharing process that occurs between local and foreign operators will increase the ability of Self-Efficacy in each operator, so that with the presence of high self-efficacy in each operator will be able to increase productivity.

The research findings are based on research (Galeazzo & Furlan, 2019), (Judge et al., 2007), (Okyere-Kwakye, 2011), and (Sutanto, 2019), which found that employees who have self-efficacy can increase the productivity of the company. So to be able to increase self-efficacy in employees, it is necessary to do a good knowledge sharing process.

CONCLUSIONS

This research focuses on assessing how the model of productivity improvement in the company. Based on some literature and previous research results where the application of knowledge sharing process is generally done by design through the training process in door. This process is very ineffective because the participants are limited and require a large budget. So in this study found a more effective and efficient model and can be done anytime and anywhere through a natural knowledge sharing process that can be done between foreign operators and local operators.

The findings of this study can certainly have implications on the development of studies in Human Resource Management, especially human capital produktivity. So thesimulan as the findings of the study can be explained as follows:

1. Human capital has a positive and significant effect on knowledge sharing
2. Self-efficacy has a positive and significant effect on knowledge sharing 3. Human capital has a positive and significant effect on operator productivity.
4. Self-efficacy has a positive and significant effect on operator productivity.
5. Knowledge sharing has a positive and significant effect on operator productivity.
6. Human capital has a positive and significant effect on the productivity of operators through knowledge sharing.
7. Self efficacty has a positive and significant effect on operator productivity through knowledge sharing

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Economic Growth and Financial Deepening – A Case Study of Nigeria

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Abstract: The study examined Economic Growth and Financial Deepening – A Case Study of Nigeria. The study employed the Variance Inflation Factor (VIF) to test the presence of multicollinearity in the model, Augmented Dicky Fuller (ADF) unit root test to check the stationarity of the variables, the Error Correction Mechanism (ECM) was used to estimate the model established, and the Pairwise Granger Causality test to check the existence of causality among the dependent and independent variables. The result of the study of cointegration and equilibrium test of Economic Growth and Financial Deepening shows generally, a long run cointegration between economic growth and financial deepening. However, further study of the relationship shows that money supply shows a significant relationship with economic growth, while credit to private sector shows insignificant relationship with economic growth. Furthermore, there is no significant causal relationship between credit to private sector and gross domestic product, while there is an existence of bi-directional causality between money supply and gross domestic product. The implication of this is that money supply as it can cause economic growth and vice versa, while credit to private sector does not have any impact on economic growth.

1. INTRODUCTION

Financial deepening can be seen as the extension of financial services to all the corners of a country. It is also the growth in financial services that helps more citizens participate in financial transaction.

Financial deepening is a term used often by economic development experts. It refers to the increased provision of financial services with a wider choice of services geared to all levels of society. Financial deepening generally means an increased ratio of money supply to GDP or some price index. By implication, it is the improvement on financial intermediation, financial markets, and financial institutions for improvement in the performance of the economy.

Hassan, Sanchez, and Yu (2011) opined that the major role of financial deepening is reduction in poverty. Onwumere et al (2013) is of the view that a country's financial system encompasses intermediation that involves savings allocation to investments. It includes the optimal use of available resources for economic growth and development. Ndebbio (2004) is of the opinion that the determinant of economic growth and development is the spread of finance and financial services to the people. It is an improvement on the financial assets supply in an economy which otherwise is called financial intermediation.

Boyd and Prescoth (1986) in their review pointed out that what brings about optimum resource allocation is the promotion of the distribution of capital resources for the growth and development of companies which should ordinarily be the role of financial institutions. This on its own brings about economic development which in turn requires more capital allocation that will impact more positively on the continuous growth of the economy.

It is instructive to note that economic growth may be impossible without improvement in the provision of financial services to the whole sectors of an economy. The relationship between financial intermediation and economic growth has been discussed by so many scholars such as Schumpeter (1911), Goldsmith (1969), McKinnon (1973), Shaw (1973).

The extension of financial intermediation deepens the participation of the financial system in the allocation of financial resources for economic growth and development. It involves taking funds from the surplus unit and allocating same to the deficit unit. It was Onwumere et al (2013) that said that the efficiency of a financial system whose role includes but not limited to intermediation can only be realized only when there is a promotion of the best resources allocation formula for development. Financial deepening of any economy is determined by the state of health of the financial sector, whose primary responsibility is credit creation. When we talk of financial deepening, we refer to the capacity of the financial system in fostering economic growth. The implication of this is that when there are several intermediation activities in an economy, there is every likelihood of more efficient allocation of funds.

There is no way an economy will do well without adequate funding and even allocation of resources from the financial institutions. This research therefore is set out to determine whether there exists long run relationships between financial deepening indices such as money supply, and credit to the private sector when compared to economic growth.

2. LITERATURE REVIEW

2.1 Theoretical Framework

McKinnon (1973); Shaw(1973); Levine(2001) who are renowned finance/economics scholars by several empirical studies, show that the Financial Sector is the chief support for the Economic growth of any economy. Solow (1957) in his paper titled ‘‘A Contribution to the Theory of Economic Growth’’ observed that economic growth is exists only on the accumulation of capital which implies the creation of enough savings which enables an increase in the allocation of funds for investment purposes. There are so many other hypotheses behind financial development and economic growth which includes but not limited to Demand-Following and Supply-Leading Hypothesis

2.1.1 Demand-Following Hypothesis

Robinson (1952), Kuznets (1955), Jung (1986) Lucas (1988), and Ireland (1994) are the proponents of this hypothesis. They are of the view that it is economic growth that stimulates the development of financial markets. This means that it is economic growth that creates the demand for financial products. By implication, amount spent on the development of financial market may lead to waste of resources. This hypothesis suggests that it is growth in the economy that brings about the increase in the demand for financial services which will in turn bring about more financial development. Some study in this direction discovered that economic growth causes financial development. Financial deepening is seen as a product of growth of the real sector.

2.1.2 Supply-Leading Hypothesis

This hypothesis proposes that that economic growth is caused by Financial deepening. Dermirguc-Kunt, Ross, Asli,Levine (2008) in the review of various theoretical studies putting into consideration the methods, discovered that financial development brings about economic growth. This study is in line with the Supply-Leading hypothesis which opines that the development of financial markets culminates in growth of savings and investment which in turn improves the accumulation of capital. The hypothesis is of the view that a well-structured and well-managed financial institution will encourage an efficient economy which creates savings mobilization, enhanced capital accumulation, efficient transfer of funds from surplus to deficit units, money creation and encourage the response of competent entrepreneurs.

2.2 Empirical Literature

There have been so many studies on financial deepening and economic growth in Nigeria and other parts of the world. However, we will review a few of them here.

Okoli (2010) in his study of the relationship between financial deepening and stock market returns and volatility in the Nigerian Stock Market, using GARCH (1,1) model, it was discovered that financial deepening as a ratio of market capitalization compared to GDP (Economic Growth) indicates a reduction in the stock market risk.

Darrat (1999) did a study of the role of financial deepening in economic growth in the middle eastern countries (Saudi Arabia, Turkey, and United Arab Emirate), using the granger causality test and error correction model, observed that financial deepening granger-causes economic growth, however the enormity of the evidence is different in the various countries under the study. Onwumere, Onodugo and Ibe (2012) investigated the impact of financial deepening on economic growth in Nigeria, using broad money velocity, money stock diversification, economic volatility, market capitalization, and market liquidity as proxy for financial deepening, while GDP proxied economic growth. The study revealed that broad money velocity and market liquidity are significant to economic growth, while the other independent variables were not, hence the recommendation a deliberate policy on liquidity expansion, savings mobilization, and increase in money supply to enhance economic growth.

The study of Nzotta and Okereke (2009) made estimations of financial deepening in Nigeria from 1986 to 2007 using two-stage least square regression technique analysis and trend analytical technique in its study. The study reveals that ratio of cheques to GDP, ratio of deposit money banks to GDP, financial savings ratio and interest rate are significant in discovering financial deepening, though the study observed that the level of financial deepening is low in Nigeria.

Similarly, Igwe, Ede & Ukpere (2014) examined financial deepening and economic growth in Nigeria (1981-2012): A managerial Economic Perspective. This study employed the Augmented Dickey-Fuller (ADF), alongside Engle-Granger Cointegration and Error Correction Models to test the variables. The result shows that the credit to private sector was not significant to economic growth, while money supply was positive and weakly significant in the determination of economic growth, as such the conclusion was that financial deepening does not have the desired significant impact on economic growth, hence a suggestion for improved credit allocation to enhance economic growth.

Ohiwofasa & Aiyedogbon (2013), studied Financial Deepening and Economic Growth in Nigeria: An Empirical Growth in Nigeria (1986 – 2011). This study used the Vector Autoregressive (VAR) technique to review the relationship between financial deepening and economic growth. It was observed that there was co-integration and long run relationship amongst the variables. A one-year lag of economic growth (GDP), gross national savings as a ratio of GDP (lag 1) and lag 1 of exchange rate have significant positive impact on the present economic growth. The Gross Capital Formation had a negative and significant relationship with economic growth. They recommended the stimulation of savings to have more funds in the financial system for intermediation. They also suggested a reasonable rate of lending as an incentive for investment.

In the study of Levine (1991) his model exposed the influence of stock markets on economic growth through improvement of the organization's efficiency. Agu and Chukwu (2009) in their study used the Johansen – Juselius and Toda – Yamamoto model to investigate economic growth in Nigeria from 1970-2015. The cointegration analysis revealed that there was a cointegration equation which means that there is a long-run relationship between economic growth and financial deepening. The Toda-Yamamoto causality test supports both demand-following and supply-leading hypothesis.

Similarly, Nazim (2005) investigated the role of banking sector deregulation on capital accumulation which leads to economic growth and development. Panel data was used on a 35-year information It was discovered in this study that using a dynamic generalized method on five Latin American countries testing the country-specific effects. The findings revealed a significant and positive relationship between the variables which implies that financial deepening plays an important role in the security of investment for economic development.

Adediran, Oduntan and Matthew (2017) in their study of development and inclusive growth, discovered that a long-run relationship between financial development and inclusive growth. The study employed the ARDL technique, using domestic credit to GDP as proxy for financial development. However, the study left out other variables that can be used as proxy for financial development like credit to private sector.

Okafor, Bowale, Onabote, Afolabi, & Ejemeyovwi (2021), studied the Financial Deepening and Economic Growth in Nigeria: A Johannsen and Error Correction Model Technique, employing real gross domestic product as proxy for GDP and market capitalization, credit to private sector, lending rates, labour participation and gross capital formation as proxies for financial deepening. The study used the cointegration technique and observed the existence of a long-run relationship among the variables. The Pairwise Granger Causality test indicated a bi-directional relationship between economic growth and financial deepening. The implication of the cointegration result is that financial deepening impacts on economic growth and vice-versa. This was confirmed by the causality test which showed that economic growth and financial deepening can cause each other.

Kawode (2015) investigated the impact of capital market on industrial growth in Nigeria. The result of the study indicated that government securities and all share indexes influence industrial growth significantly. In the same vein Igwe, Edeh & Ukpere (2014) examined the impact of financial deepening on economic growth from 1981 to 2012, employing ADF, and ECM. Broad Money Supply to GDP and Credit to the Private Sector to GDP were used as independent variables while GDP was used as an dependent variable. The result of the study shows that money supply significantly weak and positive, while credit to private sector is not significant and negative. This result shows that financial deepening does not influence economic growth. In their study, Andabai & Igbodika (2015) investigated the causal relationship between financial deepening and the performance of Nigerian economy with a data ranging from 1990 to 2013. The Engel and Granger model was used, and the result revealed that a causal relationship exists between financial deepening and performance of the Nigerian economy.

Nwanna & Chinwudu (2016) studied financial deepening and economic growth in Nigeria (1985 to 2014) using the ordinary least square method of analysis. The independent variables of this study are money supply, market capitalization, private sector credit and financial savings on growth (financial deepening proxies), while the gross domestic product was used as the dependent variable (economic growth proxy). The result of the study revealed that financial deepening proxies have significant and positive relationship with the economic growth proxies.

Mesagan, Olunkwa & Yusuf (2018) employed classical least square regression method in investigating the relationship between financial sector development and manufacturing performance in Nigeria. The study revealed that credit to private sector and money supply does not have significant but positive impact on manufacturing capacity utilization and manufacturing output.

Luqman (2014) did a study of Pakistan in respect of financial deepening and economic growth employing vector error correction model. The result of the study showed that foreign direct investment, inflation, credit to private sector and economic growth maintains a long-run relationship. However, the study further indicated that there is a relative low level of financial deepening in Pakistan.

Similarly, Alrabadi and Kharabsheh (2016) examined the dynamic relationship between financial deepening and economic growth in Jordan (1992 – 20140). Vector Auto Regressive Regression was used alongside Granger causality and Johansen-Juselius cointegration employing quarterly data. The outcome shows that there is significant long-run relationship between financial deepening and economic growth, while the Granger Causality test reveals a bi-directional causality between financial deepening and economic growth, when financial deepening is proxied by credit to private sector. However, when money supply is used as a proxy for financial deepening, it showed that economic growth causes financial deepening only.
The study of Okafor V, Bowale E, Onabote A, & Afolabi J (2021), on Financial Deepening and Economic Growth in Nigeria: A Johannsen and Error Correction Model Technique, revealed that financial deepening impacts positively and significantly.

2.3 Research Gap

Financial deepening involves all services rendered by financial institutions. Extending financial services should not just be for the fun of it but should be geared towards economic growth and development of a country. A review of the previous studies on this subject shows divergent views. While some scholars of finance argue that financial deepening impacts on economic growth, some are of the view that it does not. Similarly, previous studies did a general analysis of the dependent variables, thereby having a general result. This study is focused on harmonizing previous positions or authenticating some established positions of the different schools of thought and at the same time do specific analyses of the dependent variables to pin down the variables responsible for what in the study.

3. METHODOLOGY

3.1 Data Collection

This study made use of data from Central Bank of Nigeria 2020 Statistical bulletin for a period of forty years (1981-2020) giving us a total number of forty observations.

3.2 Model Specification.

The regression model adopted for this study is as follows:
Y = f(X)……………………………….(Basic Model)
GDP = f(MS_2),CPS.
GDP = $ß_0 + ß_1 MS_2 + ß_2$ CPS + e –
Where;
GDP = Gross Domestic Product at Market Prices
MS_2 = Ratio of Money supply to GDP
CPS = Ratio of Credit to Private Sector to GDP
ß0 = Regression Constant term and, ß1, ß2, = Regression coefficients of the variations to determine the volatility of Money Supply and Credit to Private Sector respectively.

3.3 Estimation Techniques

Descriptive Statistics is employed in this study to know the distributive features of the data, while Serial correlation, Heteroscedasticity, Ramsey Reset test, Recursive Estimates of the CUSUM (Cumulative Sum Control) Test are used for residual diagnostic and stability tests. To test the presence of multicollinearity in the model, the Variance Inflation Factor (VIF) was used. Augmented Dicky Fuller (ADF) unit root test was employed to check the stationarity of the variables. Error Correction Mechanism (ECM) was used to estimate the model established. To ascertain the full causality implications of the variables in the model, Johansen cointegration was employed.

3.3.1 Variables

The variables used in the models are the independent variables (MS_2 and CPS) and dependent variables (GDP); the former is a representative of the output or effects while the latter represents the inputs or causes. Since the models are statistical the dependent variable is studied to see if and how much it varies as the independent variable varies.

3.3.2 A priori Expectation

It is expected that $ß_1$ & $ß_2 > 0$.

1. $ß_1$ & $ß_2$ are the coefficients of money supply and credit to private sector respectively. It is expected that the more the money supply and credit extension in the system, the more the economy expands, hence growth in the economy.

4. ANALYSIS AND RESULTS

4.1 Trend Analysis of Data

This section starts with trend analysis of data. The time series plot of the data is shown in figure I below. The figures below showed that both MS_2/GDP and CPS/GDP trended upward with periods of peak and trough except GDP that trended smoothly upwards showing non-stationarity of the variables as expected.

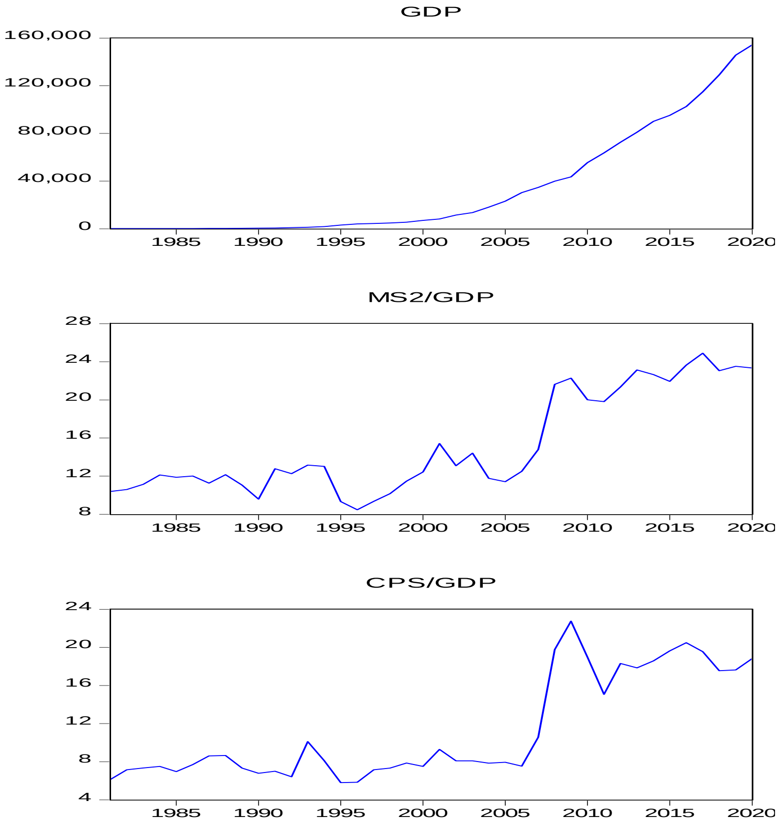


Figure 1: Trend Analysis of GDP, MS_2/GDP and CPS/GDP

4.2: Description of Variables

Table 1 below shows the distributional characteristics of all the data. As seen in table 1, the standard deviation of GDP, MS_2/GDP and CPS/GDP are 45875.59, 5.284174 and 5.477719 respectively, indicating high standard deviation. MS_2/GDP and CPS/GDP showed Kurtosis lower than normal suggesting platykurtic distributions while GDP recorded Kurtosis greater than 3, which is excess from the normal, an indication of a leptokurtic distribution. GDP, MS_2/GDP, and CPS/GDP have respective skewness coefficients of 1.265728, 0.614716 and 0.766911 suggesting positive skewed distribution. GDP and CPS/GDP recorded p-values of Jarque-Bera that are significant at 5%, evidence of abnormal distribution, while MS_2/GDP is insignificant at 5%, suggesting normal distribution.

Table 1: Descriptive Statistics for GDP, MS_2/GDP and CPS/GDP

	GDP	MS2_GDP	CPS_GDP
Mean	34087.79	15.23321	11.29330
Median	7648.622	12.64095	8.089291
Maximum	154252.3	24.89526	22.75484
Minimum	139.3105	8.464230	5.806165
Std. Dev.	45875.59	5.284174	5.477719
Skewness	1.265728	0.614716	0.766911
Kurtosis	3.351861	1.731911	1.849357
Jarque-Bera	10.88680	5.199253	6.127652
Probability	0.004325	0.074301	0.046709
Sum	1363512.	609.3285	451.7318
Sum Sq. Dev.	8.21E+10	1088.977	1170.211
Observations	40	40	40

4.3: Global Utility Examination and Determination

It is important in macroeconomic analysis to ascertain the global usefulness of the specified models. This gives a researcher confidence to draw inferences that can be used for policy making. To do this end, the Ordinary Least Square (OLS) was used in this study.

4.3.1 Ordinary Least Square (OLS) Method

The result of the Ordinary Least Square (OLS) estimate is seen below in Table 2. It revealed that Durbin-Watson statistics is 0.711990, suggesting that autocorrelation is found. This is not good for further analysis and policy formulation, therefore ignored and subjected to stationarity test to choose an appropriate method for model estimation.

Table 2: Ordinary Least Square (OLS) method

Dependent Variable: GDP				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
MS2_GDP	10947.96	2294.169	4.772081	0.0000
CPS_GDP	-3130.108	2213.109	-1.414348	0.1656
C	-97335.60	13068.10	-7.448334	0.0000
R-squared	0.820602	Mean dependent var		34087.79
Adjusted R-squared	0.810905	S.D. dependent var		45875.59
S.E. of regression	19949.03	Akaike info criterion		22.71179
Sum squared resid	1.47E+10	Schwarz criterion		22.83845
Log likelihood	-451.2357	Hannan-Quinn criter.		22.75759
F-statistic	84.62274	Durbin-Watson stat		0.711990
Prob(F-statistic)	0.000000			

4.4 Stationarity Properties of the Variables

In this study, the researcher employed Augmented Dickey Fuller (ADF) unit root test as shown below in table 3. As seen from the table 3 below, the entire variables did not attain stationarity at level, suggesting non-rejection of the null hypotheses that all the variables have unit root at level. They all achieved stationarity at first difference or differenced once to be stationary, indicating rejection of null hypotheses that the entire variable has unit root at first difference. Having confirmed that all the variables are integrated at order one or 1(1), then the researcher proceeded to co-integration test.

Table 3: ADF Unit Root Test at Level and First differenced Data

Variables	Maxlag	Level	1st Difference	Remarks
		ADF Statistics/P-value	**ADF Statistics/ P-value**	
LnGPD	9	-1.318810 (0.6112)	-3.334832 (0.0201)	@1(1)
$LNMS_2$/GDP		-0.960905 (0.7575)	-5.771701 (0.0000)	@1(1)
LNCPS/GDP	9	-1.120155 (0.6982)	-5.393954 (0.0001)	@1(1)

4.5 Co-integration and Equilibrium Test

This is important to ascertain if there exist equilibrium relationships between the variables; GDP, MS_2/GDP and CPS/GDP. Table 4 below shows that unrestricted rank tests (Trace and Maximum Eigenvalue) recorded two cointegration equations each at 5% level of significance at ‘‘*none’’ and, ‘‘At most 2’’ respectively. This is sufficient evidence to show that long run relationship exists between the dependent variable economic growth proxied by GDP and independent variables; financial deepening variables (MS_2/GDP and CPS/GDP). By implication, there is a long run relationship between economic growth and financial deepening in Nigeria.

Table 4: Johansen Cointegration Test

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.522951	38.34433	29.79707	0.0041

At most 1	0.159601	11.69941	15.49471	0.1719
At most 2 *	0.140242	5.439774	3.841466	0.0197
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.522951	26.64492	21.13162	0.0076
At most 1	0.159601	6.259637	14.26460	0.5801
At most 2 *	0.140242	5.439774	3.841466	0.0197

4.6 Estimation of Relationship between Economic Growth and Financial Deepening

This study, which employed the Error Correction Mechanism Test, revealed as follows in table 5; that MS_2/GDP significantly relate to economic growth, while CPS/GDP insignificantly relate to economic growth. Adjusted R-squared is 9.2%, suggesting that financial deepening only explain 9.2 % of the variables in the total variation of the economy proxied by GDP. This result is reliable for further investigation because problem of autocorrelation is totally negated since Durbin-Watson (DW) stat is 2.482210 in this study.

Table 5: Error Correction Mechanism Test

Dependent Variable: D(LNGDP)				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LNGDP(-1))	0.923495	0.072749	12.69430	0.0000
D(LNMS2_GDP(-1))	0.434299	0.168341	2.579874	0.0148
D(LNMS2_GDP(-2))	-0.210747	0.165476	-1.273584	0.2123
D(LNCPS_GDP(-1))	-0.084869	0.117713	-0.720980	0.4763
D(LNCPS_GDP(-2))	0.189896	0.120672	1.573649	0.1257
ECM(-1)	-0.017698	0.011118	-1.591907	0.1216
R-squared	0.447339	Mean dependent var		0.185919
Adjusted R-squared	0.358200	S.D. dependent var		0.115243
S.E. of regression	0.092324	Akaike info criterion		-1.779632
Sum squared resid	0.264235	Schwarz criterion		-1.518402
Log likelihood	38.92320	Hannan-Quinn criter.		-1.687536
Durbin-Watson stat	2.482210			

4.7. Causal Relationship between GDP, MS_2/GDP and CPS/GDP

In macroeconomic analysis, causality test is a common tool used to check if causality exists or otherwise between any two or more variables. From the table 6 below, MS_2/GDP granger causes GDP, also GDP granger causes MS_2/GDP, suggesting bidirectional causality between MS_2/GDP and GDP. That means causality flows from MS_2/GDP to GDP with feedback effect. Again, CPS/GDP does not granger causes GDP, as well GDP does not granger cause CPS/GDP. These show no causality found between CPS/GDP and GDP.

Table 6: Pairwise Granger Causality Test Results

Null Hypothesis:	Obs	F-Statistic	Prob.
LNMS2_GDP does not Granger Cause LNGDP	38	3.47568	0.0427
LNGDP does not Granger Cause LNMS2_GDP		4.17889	0.0241
LNCPS_GDP does not Granger Cause LNGDP	38	0.22903	0.7966
LNGDP does not Granger Cause LNCPS_GDP		3.16212	0.0554

4.8. Residual Diagnostic and Stability Tests

For diagnostic and stability tests, Normality test, Serial correlation test, Ramsey Reset test, Recursive Estimates of the CUSUM (Cumulative Sum Control) Test and Variance Inflation Factor (VIF) were used as seen below;

Table 7: Breusch-Godfrey Serial Correlation LM Test

F-statistic	1.483784	Prob. F(2,29)	0.2435
Obs*R-squared	3.434731	Prob. Chi-Square(2)	0.1795

Serial correlation test on table 7 above revealed that F-statistic coefficient is 1.483784 with p-value of 0.2435 and Obs*R-squared has coefficient of 3.434731 with p-value of 0.1795. The respective p-values are greater than the 5% level of significance, suggesting absence of serial correlation in the model used in this study.

Table 8: Ramsey Reset test

	Value	df	Probability	
t-statistic	0.107487	30	0.9151	
F-statistic	0.011554	(1, 30)	0.9151	
Likelihood ratio	0.014247	1	0.9050	

Table 8 above is The Ramsey Reset test conducted to ascertain the stability of the regression model. The result showed the respective p-values for t-statistic, F-statistic and Likelihood ratio are 0.9151, 0.9151 and 0.9050; greater than 5% significance or benchmark. This revealed that the model is stable.

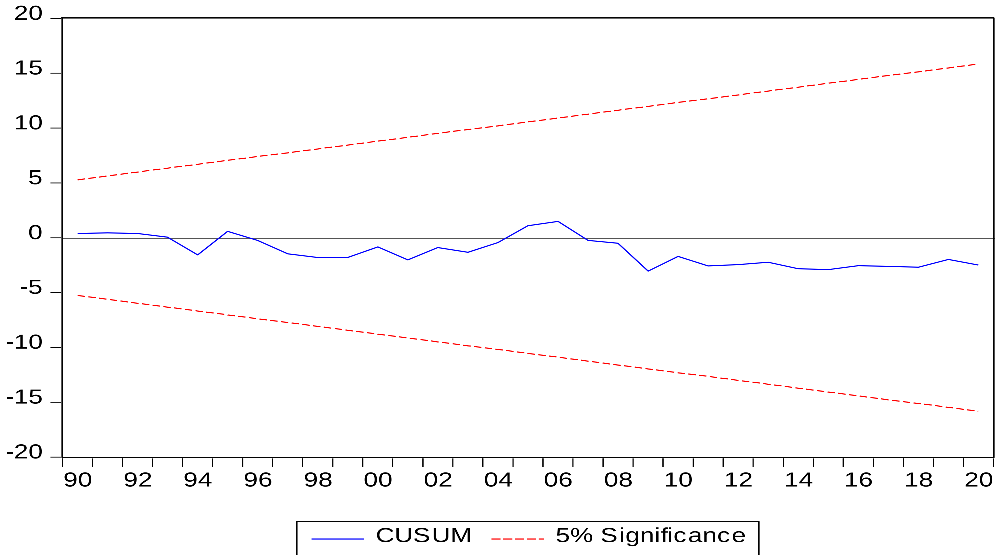
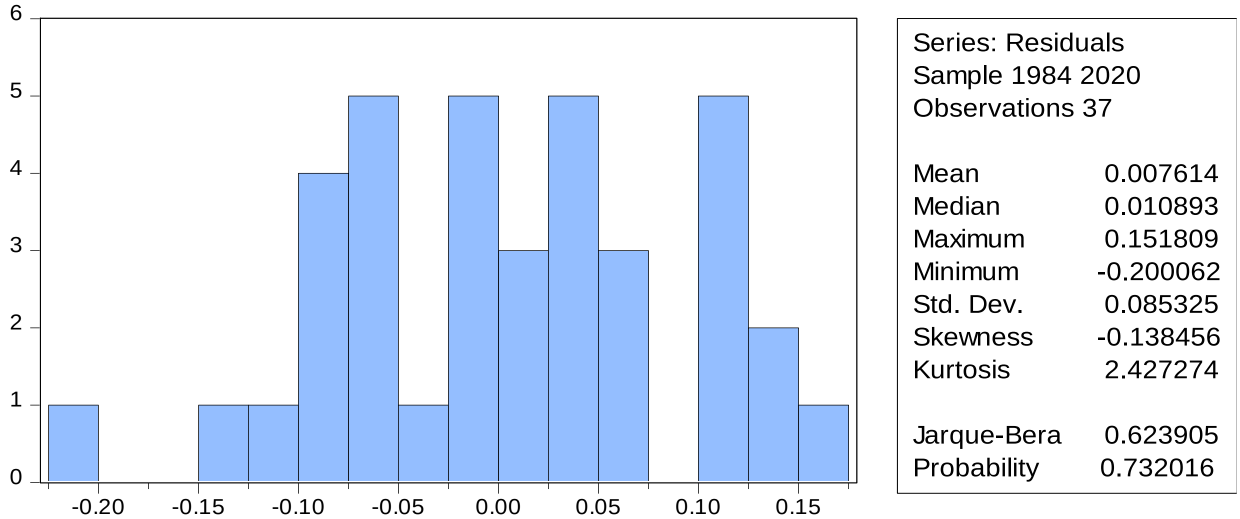


Figure 2: Recursive Estimates of the CUSUM (Cumulative Sum Control) Test

Recursive Estimates of the CUSUM in figure 2 above revealed that the blue line falls between the two red lines showing the 5% significance level boundaries. This confirmed that the model is stable

Table 9: Normal Distribution Test



Histogram normality in table 9 showed that the coefficient of Jarque-Bera is 0.623905 with 0.732016; the p-value is more than 5% level of significance established in this study. This discloses that the data set is normally distributed

4.9 Discussion of Findings

To come up with inferences, this study employed the Variance Inflation Factor (VIF) to test the presence of multicollinearity in the model, Augmented Dicky Fuller (ADF) unit root test to check the stationarity of the variables, the Error Correction Mechanism (ECM) was used to estimate the model established, and the Pairwise Granger Causality test to check the existence of causality among the dependent and independent variables. To ascertain the full causality implications of the variables in the model, Johansen cointegration was employed. The result of the study of cointegration and equilibrium test of Economic Growth and Financial Deepening shows generally, a long run cointegration between economic growth and financial deepening. However, further study of the relationship shows that money supply shows a significant relationship with economic growth, while credit to private sector shows insignificant relationship with economic growth. Furthermore, there is no significant causal relationship between credit to private sector and gross domestic product, while there is an existence of bi-directional causality between money supply and gross domestic product. The implication of this is that money supply as it can cause economic growth and vice versa, while credit to private sector does not have any impact on economic growth. The result of this study is in line with that of Edeh &Ukpere(2014), and Nwanna & Chinwudu(2016) et al. Howevever, it is in contrast with the findings of Mesagan, Olunkwa & Yusuf (2018) and others.

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

This study examined the relationship between Economic Growth and Financial Deepening – A case study of Nigeria. Analyses on this study was done as reported in chapter four above and results obtained. The result shows that Money supply which is one of the variables of financial deepening used in the study influences economic growth and can at the same time cause economic growth. Also economic growth can also cause financial deepening. It therefore suggests that as money supply increases, economic growth increases and vice versa and this validates one of the a priori expectations. On the other hand, credit to private sector does not have any influence on economic growth, neither does it cause economic growth and vice versa.

5.2 Conclusion

As a result of the findings, the cointegration analysis showed that there is a cointegration equation which means that there is a long-run relationship between economic growth and financial deepening. A further probe indicated that the relationship is between money supply and economic growth, while the credit to private sector has no relationship with economic growth. This was confirmed by the result of the causality test which shows a bi-directional causality between economic growth and money supply.

5.3 Recommendations

Consequent upon the result of the study the following recommendations are are made:

1. Monetary authorities should make sound policies that will guide effective and efficient money supply so as to impact more on economic growth.
2. There should be effective monitoring of the policies for efficiency
3. More economic variables that impact on economic growth should be engaged to make room for increase in financial deepening since the study revealed that economic growth causes financial deepening.
4. Financial institutions should review their credit policies so as to allocate more facilities to the private sector.
5. A review of the interest rate policy by monetary authorities to attract more applications for credit.

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The Management Strategy Of Covid-19 Pandemic Files Towards InformationPublic Disclosure In Malang City Government

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ABSTRACT: Disclosure of public information becomes a medium to optimize a public oversight toward the state administration, public agencies, and everything that affects the public interest. Information disclosure is necessary to create Good Governance in encouraging governance, transparency, participation, and accountability well. The purpose of this study is to find out, describe, and analyze the strategies and factors that influence information disclosure in the management of the Covid-19 pandemic files as materials for public sector accountability in the Malang City Government. This research is conducted using a qualitative descriptive approach. Data collection techniques are carried out by in-depth and structured interviews, non-participatory observations, and documentation. The selection of informants is based on purposive sampling with certain considerations relevant to the research topic. Analysis of research data uses Creswell Model data analysis. The result of the research is that the public information disclosure strategy related to COVID-19 has not been implemented by the Malang city government.

KEYWORDS: strategy, disclosure, information, covid-19 pandemic, public supervision.

INTRODUCTION

The facilities of information and dissemination are utilized to support the implementation of public information disclosure. Based on Law Number 14 of 2008 concerning Public Information Disclosure, public information disclosure is a medium to optimize public oversight of state administration, public agencies, and everything that influences the public interest (Dipopramono, 2017). An example of public information is an archive which is a record of information on the results of an organization's activities as a source of information needed by every institution or agency. One of the information currents in the spotlight is the coronavirus pandemic. The information spreads rapidly through online or social media that causes much false information. It can be a serious threat to public health during a pandemic like COVID-19 (Laato et al., 2020). These conditions following the results of the research indicate that one's trust toward information in online media is considered excessive and becomes a strong predictor of the sharing of unverified information (Elnaboulsi et al., 2018).

The phenomenon of false information also occurs in Malang City. A piece of mysterious information from a WhatsApp number claiming as a spokesperson for the Malang City COVID-19 Task Force (satgas) on behalf of himself as dr. Husnul Muarif. Based on the official website of the Minister of Communication and Information (Menkominfo), the information is not true. Therefore, public information disclosure with strategies and collaboration between parties is important to be implemented as prevention and verifier for the spread of false information. In implementing Law No. 14 of 2008 concerning the Disclosure of Public Information, the City of Malang has implemented it since 2010. One of the pieces of evidence is the existence of Mayor Regulation (Perwali) No. 50 of 2010 related to Guidelines for Public Information Services which explain PPID (Information Management and Documentation Officer) as the implementer of Law No. 14 of 2008. In addition, the existence of an official website for the Malang City Government and other public parties about 100 parties as distributors of public information is also an implementation of information disclosure (Muhammad, 2017). Malang City got an award of PPID Award in the Public Agency Towards Informative Category (malangkota.go.id) in 2019. The award was gotten based on the results of monitoring and evaluation of PPID Public Parties by Information Institution in East Java Province.

In addition to the government's role in public information disclosure, Malang City is also known as the Community Information Group (KIM). It is a communication partner for the Regional Government in disseminating various government programs and policies directly to the community, as well as channeling public aspirations towards the government. To empower KIM, the holding of the KIM Award has several aspects of assessment such as institutional administration, media management, community empowerment, and partnerships (Malang City Government, 2020). The existence of KIM can also further support the implementation of public information disclosure.

Research conducted by Tiara Indah and Puji Hariyanti entitled Implementation of public information disclosure policies at the Ministry of Communication and Information of the city of Tasikmalaya. The study examines the implementation of public information disclosure policies. The results obtained are the theory of policy implementation involving 4 factors, namely communication, resources, disposition, and bureaucratic structure. The following conclusions can be drawn, such as; first, in terms of communication. From findings and analysis carried out by researchers, it can be seen that communication between policymakers and implementers has gone quite well. Besides, communication between implementers and local media in Tasikmalaya is also quite good.

In addition, information disclosure research was also carried out by Diah Fatma Sjoraida, and Rully Khairul Anwar entitled The urgency of elite elements in the implementation of public information policies in West Java. The implementation of PPID tasks in each OPD runs independently. There is no integration and coordination related to the technical implementation of the UU KIP in all OPDs. The implementation of public information services is not uniform, and there are no higher officials to be responsible for all information services provided within the West Java Provincial Government. The provisions of the UU KIP require the implementing organizational structure to consist of the PPID (assisted by functional officials) and the PPID's superiors. Although the West Java Provincial Government already has an information system and network that connects each OPD, not all OPD update information such as OPD performance information that can be accessed by the public at the official website link of the West Java Provincial Government. Every request for information services sent by Diskominfo to the OPD email link is not followed up quickly.

Moreover, research related to public information was also carried out by Kurniawan Muhammad entitled Realizing Good Governance in the Malang City Government through the Implementation of Law no. 14 of 2008. This research concerns public information disclosure of the existence of websites within the Malang City Government as a transmitter of public information. The results show that Malang City is still not optimal in carrying out the provisions in Law No. 14 of 2008. The publication only relates to activities from the public parties within the Malang City Government while crucial things that should be submitted to the public are not published regularly and in detail. For example, financial reports, APBD, and reports on the existence of BUMD. Besides, there is not a single website within the Malang City Government that publishes the existence of BUMD, its performance, or its financial reports. It makes BUMD difficult to supervise. This phenomenon can result in being prone to fraud either financial misappropriation or misappropriation of office. From some of these studies, it can be seen that the disclosure of public information in various cities has not been maximized, so the government needs to strengthen the disclosure of public information so that people can easily get information related to government activities either financial misappropriation or misappropriation of office. Some previous studies (Indah, & Hariyanti(2018)), (Asmawi, Sjoraida & Anwar (2017)) and (Muhammad, K. (2017) are more focused on discussing the disclosure of public information in the field of public policy, Therefore research on information disclosure collaboration strategies is very important to be studied

The disclosure of public information is one of the pillars of freedom in expressing the idea in public and a pillar of democracy. The realization of open government is one of the characteristics of good governance. A good government must implement the principles of good governance, and it can be seen when the government has solid and responsible with their roles and has a principle in line with the democracy concepts (Sedarmayanti, 2004). This research will analyze more information disclosure strategies and information disclosure collaboration strategies in managing the covid-19 pandemic archives as public sector accountability in the Malang city government.

LITERATUR REVIEW

Archive Management

Based on Law Number 43 of 2009 concerning Archives in Rosalin (2017:6), the objectives of the implementation of archiving are as follows: a) Ensuring the creation of archives of activities carried out by state institutions, local governments, educational institutions, companies, political organizations, community organizations, and individuals, as well as ANRI as a national archive organizer. b). Ensuring the availability of authentic and reliable archives as legal evidence. c) Ensure the realization of reliable archive management and use of archives in accordance with the provisions of laws and regulations. d). Guarantee the protection of the interests of the state and the civil rights of the people through the management and use of authentic and reliable archives.

From the explanation above, it can be concluded that the purpose of conducting archival activities is to ensure the safety of information sources that can be used as material for national accountability in the process of planning, implementing and organizing national life and to provide material for accountability for government activities. Archive management is carried out to ensure the safety of archives as a tool or material for national accountability for the life of society, nation and state. As stated in Law Number 43 of 2009 and Government Regulation Number 28 of 2012 explains that archive management includes archive acquisition, archive management, archive preservation, and archive access. 1). Archives Acquisition Archive acquisition is the process of adding archive treasures to archival institutions which is carried out through the submission of archives and their management rights from archive creators to archival institutions. Based on Law Number 43 of 2009 concerning Archives, it is stated that archive acquisition activities by archival institutions are related to archives submitted by archive creators. Archival institutions are obliged to carry out the acquisition of archives from state institutions, local governments, companies, political organizations, community organizations, individuals, work units, and the academic community in the university environment that will submit their archives, including private educational institutions and private companies that receive state budgets or foreign aid. The implementation of the acquisition of advanced process archives from the results of archival searches in the archives creator environment by archival institutions according to their respective areas of authority. Archive acquisition activities must be carried out strictly, responsibly, and in an orderly manner so that there is no additional archive treasure at archival institutions outside the control of both at the provincial and regional levels. The implementation of archive acquisition activities starts from the stages of data collection, assessment, and handover of archives. 2). Archive Processing Law number 43 of 2009 states that archive management is the process of making archives re-discovery aids based on archival principles through activities of description and arrangement of archives. archive management will produce a means of discovery of archives (finding aids).

The availability of archive retrieval aids as an output of archive processing activities at archival institutions is one of the prerequisites for the accessibility of archives stored by archival institutions. In order to ensure the availability of archives for various purposes such as government activities, research and so on, it is necessary to have an archive list, archive inventory, and archive guide which is carried out through archive management activities.

3). Archives Preservation According to Sedarmayanti (2003) Preservation or preservation of archives is a process and work in order to protect archives against archive damage or destructive elements and repair (restoration) of damaged archives. Meanwhile, according to Hendrawan and Ulum (2017) archive maintenance is an activity to clean archives regularly to prevent damage due to several causes. From the above understanding it can be concluded that archive preservation is an archive maintenance activity to avoid damage caused by elements of archive destroyer. Archive preservation includes the following activities: 1) Maintenance and preservation of archives against various factors that destroy archives, both those caused by internal factors and external factors (preventive or preventive actions). 2) Maintenance and repair of the archive if at any time there is damage (curative or corrective action) 3) Security and protection, especially for the information contained in the archive. 4). Access to Archives The fourth stage of archive management, according to the Law of the Republic of Indonesia Number 43 of 2009 concerning Archives, is carried out through archive access activities. Access to archives is the availability of archives as a result of legal authority and legal authorization and the existence of supporting facilities to facilitate the discovery and use of archives. Furthermore, Article 64 of Law Number 43 of 2009 concerning Archives explains that archive access is carried out for the benefit of utilization, utilization and public services by taking into account the principles of integrity, security and safety of archives. In the current era of public information disclosure, archival institutions as public bodies must have strategic management to facilitate the process of managing archives and simplify access to archives information services.

Strategy formulation is the development of long-term plans by looking at environmental opportunities and threats as well as organizational strengths and weaknesses. The formulation includes: a. The mission of the organization which contains a description and purpose of the establishment of an organization and what must be done. The concept of mission in the organization makes it easier for organizations to organize and carry out organizational activities. b. Organizational goals are the final results of planning activities that explain what will be completed and when it will be completed. c. Strategy is the planning formulation of the organization in order to achieve the mission and goals that have been set. d. Strategic policies are broad guidelines to assist in decision making in organizations. Policies are also guidelines that link strategy formulation and implementation.

The strategy implementation process is the management process in realizing the planned strategy and policies through the development of programs, budgets and procedures. Program means the steps needed to complete the plan. Budget means the program stated in the breakdown of costs. Procedures or commonly referred to as Standard Operating Procedures (SOP) are steps or techniques that describe sequentially a picture of how a job is completed. Strategy evaluation is the final stage of strategic management. Strategy evaluation is the process of comparing the activities or performance that have been carried out with the desired performance results. Evaluation activities are carried out to take corrective actions and problem solving. (Faizah & Rohmiyati, 2018)

RESEARCH METHOD

This study uses an exploratory descriptive type with a qualitative approach. Qualitative research is research that aims to gain an in-depth understanding of human and social problems (Ghony & Almanshur, 2016). According to Gunawan (2014), this qualitative research highlights making decisions, its implementation, and result. The focus of this research is the strategy of information disclosure and management of COVID-19 archives by the Malang City Government which is seen from the mission, objectives, and strategic policies. Furthermore, the sources and types of data, according to Moleong (2014) as the main sources of qualitative research are words and action and the additional data such as documents and others. The data sources used are primary data sources and secondary data sources:

A). Primary data sources. Primary data is data obtained when entering the field. according toMoleong (2014)primary data source is the main data source obtained from written notes or recordings of images or sounds, taking photos or videos. The researchers used the purposive sampling method. The primary data sources used were non-participatory observations as well as in-depth and structured interviews, with informants: a). Head of the Malang City Library and Archives Service b). Archives of the Malang City Library and Archives Service. B). Secondary data sources are data sources obtained from other data through intermediaries. according to Sugiyono (2014), secondary data sources are data sources that do not provide information directly to data collectors. Thus, secondary data was obtained from various documents related to the research topic.

Data collection techniques used in this study are: (a) Non-Participatory Observation. According to Gunawan (2014) observation is a data collection technique that is carried out carefully and systematically recording. In this study, non-participatory observation was used because it adjusted the health protocol. (b). In-depth and Structured Interview. Researchers used in-depth and structured interviews to get in-depth answers based on structured questions. According to Ghony & Almanshur (2016), the main method used by the qualitative approach to understanding people's perceptions, feelings, and knowledge is in-depth and intensive interviews. In-depth interviews include two basic processes, namely developing good relationships and pursuing information acquisition (Mantja, 2007). This research is planned to do for 3 months (April to July 2021). During the interview, the researchers ask some questions directly to the informants based on the list of questions that has been prepared in advance. The entire interview is recorded with a recording application on a cellphone which is then presented in the form of an interview transcript, in the middle of the interview process the researchers also record several important parts with writing instruments such as notebooks. Interviews have been conducted either face-to-face (seeing the current conditions of the Covid-19 pandemic and the government's appeal) or through WhatsApp communication media (text and call), SMS, telephone, and email. The interview time is chosen according to the informant and the length of the interview process no more than 1 hour, and also uses a recording device between 45 minutes to 1 hour. In this research, the selection of informants is carried out based on their roles and capacities. (c). Documentation Analysis. According to Bungin (2005:154), documentation is a data collection method used by social research. The purpose of this method is to trace data from documents. Documentation is just another name for written analysis or analysis of the visual content of a document (Gunawan, 2014:176).

At the technical stage of data analysis, data analysis is the process of systematically searching and compiling data from interviews, field notes, and documentation by organizing data into categories, describing them into units, synthesizing, compiling into patterns, selecting what is important. and what will be studied, then make conclusions, so that they are easily understood by researchers or others(Sugiyono, 2014). This study uses the Creswell Model data analysis method:

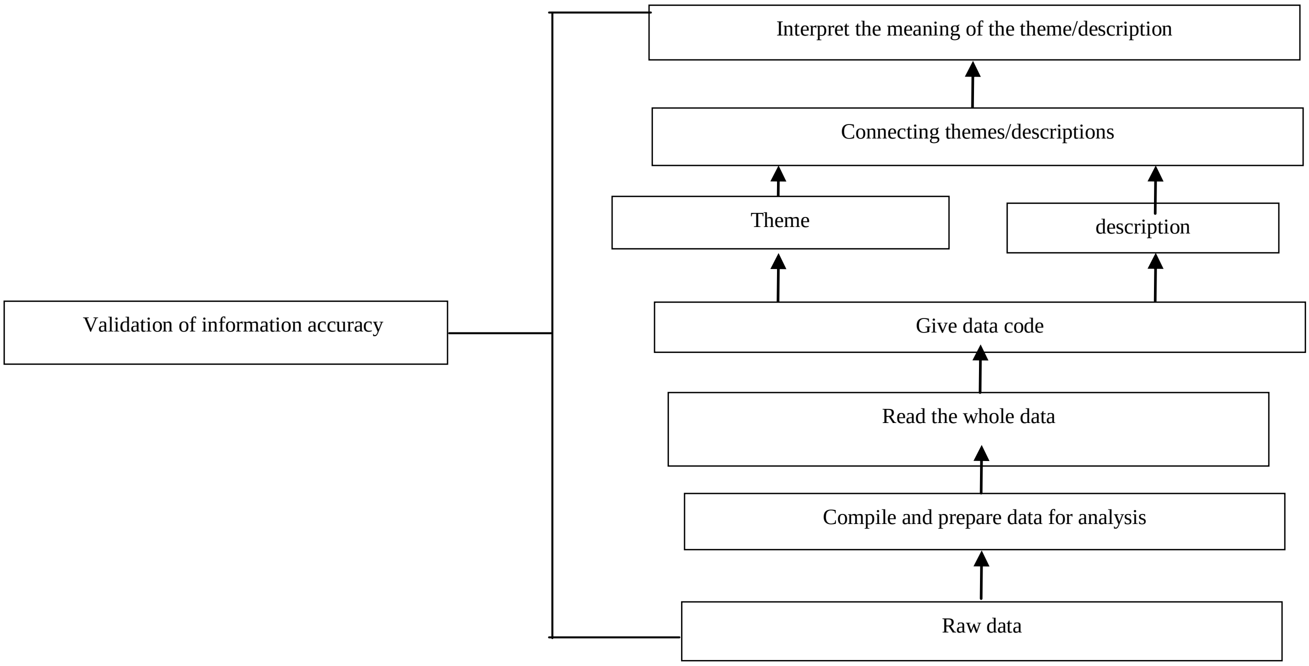

Figure 1. Creswell Model Data Analysis Flow
Source: (Creswell, 2016)

Creswell (2016) describes six lines of analysis of qualitative research data: Processing and preparing data to be analyzed, namely: (a) Preparing data collected from observations, interviews and document analysis regarding information disclosure and management of COVID-19 archives by the Malang City Government. (b) Reading the entire data. In this step, the data that has been collected based on existing data sources is read, understood, processed and adjusted to the research focus by making small notes containing an overview of the data. (c) Analyzing data code. This process processes data and information that are following the research focus, including a description of the results of interviews using data codes according to the research topic. (d) Processing data to describe domains, informants, categories and topics to be analyzed. This description involves the delivery of detailed information about people, locations or events in a particular domain according to the research topic. (e) Linking theme or description. In this process, the researchers connect the themes and descriptions of the results of the interviews and then present them in narrative form to explain the results of the research. (f) Interpreting the theme or describe. This is the last step where the researchers present the topic in the form of a narrative accompanied by evidence from interviews, observations, location, and time. In this process, the researchers connect the themes and descriptions of the results of the interviews and then presents them in narrative form to explain the results of the research.

In qualitative research, there is a data validity test stage to check the data to ensure data validity. Sugiyono (2014)defines valid data as data that does not differ between the data reported by researchers and field data. Researchers used data triangulation techniques to test the validity of researchdata. Triangulation is proof by combining several methods using empirical data, viewpoints, and observations that are carried out regularly so that it becomes a strategy in increasing the strength, breadth, and depth of research.(Salim, 2006). The researchers use the source triangulation technique in testing the validity of the data.

RESULTS AND DISCUSSION

A strategy is an overall approach that deals with the idea, planning, and execution of activity over some time. In a good strategy, there is a coordination of the work team, has the theme of identifying the supporting factors following the principles of rational implementation of ideas, efficiency in funding and having tactics to achieve goals effectively (Fandi, 2000). The library service to the archives of the city of Malang has a special strategy for managing the archives of the covid-19 pandemic, from the results of the study it is known that. Basically archive management is related to archive management. Regarding public information about Covid-19, Dispusip has not provided related to this, both physical information and digital information through its official website. Because the Covid-19 archives are currently still considered as active archives and archive management at the relevant agencies is still in the process of being organized. Meanwhile, Dispusip as the archival unit is responsible for managing inactive archives.

The archives managed by Dispusip are mostly archives from many years ago. In the archive management process at Dispusip, it is supported by a clear system and SOP in managing archives, and this is following an interview with an informant Mr. Suparmin

Dinata DPAD Archives that "for the covid-19 pandemic archives there are not yet because the covid-19 pandemic is still a direct event Currently, while it is called the archive, when the problem is finished, we usually wait a year after the event is finished and then archive it, if it is still an active archive, archives such as covid-19, archives related to covid-19 are still in other agencies," the results of the interview on June 23, 2021. In addition, archives related to the covid-19 pandemic have not been submitted to the Dispusip, the archives are still in the office -Relevant agencies such as the information technology office and the health office. This is because the archive is still an active archive so that the archive becomes the right of the OPD regarding this matter according to the informant from the Head of the archive management section, Dra. Peni Wijayanti stated that "regarding the information disclosure policy, it depends on each department because it is still an active archive, so Dispusip has not received an archive from another OPD, usually they will provide the archive if the archive is said to be one year old".

Furthermore, he conveyed that strategic policy is a guideline that connects strategy formulation and implementation, as for strategic policies on archive management at the Malang city library service as in the results of the interview as follows "if our policy and decision making refers to Malang Mayor Regulation Number 40 of 2016 Regarding the Position, Organizational Structure, Duties and Functions and Work Procedures of the Public Library and Regional Archives Service, our decision refers to the guardian there even though we have ahead of service or the head of their field does not arbitrarily make decisions following the guardianship, the name is also a regional organization, of course, the policy refers to the regulations or technical guidelines that have been made by the government" interview result on June 23, 2021. From the interview above, it can be concluded that the guidelines for decision making refer to Malang Mayor Regulation Number 40 of 2016 concerning Position, Organizational Structure, Duties and Functions and Work Procedures of the Public Library and Regional Archives Service because the Perwali has explained how the main duties and functions take a role in the work procedures of the public library and regional archives of the city of Malang, including in the management of archives.

The meaning of archives is related to the understanding of information. Information is the knowledge that humans perceive through one or more of their senses. When represented as data in a document, information can be stored, communicated, and used. So, information is the knowledge that is communicated. Data is the presentation of information in a formal manner suitable for communication, interpretation, and processing. The term raw data refers to information that has not been processed. Law number 43 of 2009 states that archive management is the process of making archives re-discovery aids based on archival principles through activities of description and arrangement of archives. archive management will produce a means of discovery of archives (finding aids). Therefore, archive management requires a strategy. A strategy is an overall approach that deals with the idea, planning, and execution of an activity over some time. In a good strategy there is coordination of the work team, has the theme of identifying the supporting factors following the principles of rational implementation of ideas, efficiency in funding and having tactics to achieve goals effectively.

Strategy formulation is the development of long-term plans by looking at environmental opportunities and threats as well as organizational strengths and weaknesses. The formulation includes: a. The mission of the organization which contains a description and purpose of the establishment of an organization and what must be done. The concept of mission in the organization makes it easier for organizations to organize and carry out organizational activities. b. Organizational goals are the final results of planning activities that explain what will be completed and when it will be completed. c. Strategy is the planning formulation of the organization in order to achieve the mission and goals that have been set. d. Strategic policies are broad guidelines to assist in decision making in organizations. Policies are also guidelines that link strategy formulation and implementation.

A. Vision Mission organization.

Jesper Kunde (2000), stated the importance of vision, mission and values for companies in managing their business: "For the future business, the values behind the product is therefore becoming a more important aspect for gaining a competitive advantage in market competition. Mission and vision will however remain empty words if the company is not united around a set of values the corporate religion. Corporate religion is the set of values that unites the organization around a mission and vision". From this statement it can be concluded that the strategy for managing a form of business must be guided by the vision, mission and values that must be understood and understood by everyone involved in the organization.

Mission vision is a unique goal that covers activities and can be used as a quality strength for the organization. Mission as a guide for what to do within the vision frame that has been formulated. While values are the center of the formation of behavioral disciplines both individuals and organizations in carrying out missions and achieving organizational goals. And the values that are instilled in the organization will lead to commitment. The mission formulation has been carried out by the Malang City Archives Library service so that with this mission it provides encouragement to the actors involved in archive management and provides motivation to actors to carry out the mission of archive management in addition to support from organizational structure support, organizational culture, evaluation system, and compensation so that they can give effective mechanism in workplace and the structural flow of work.

B. Organization goals

The organization is a social unit that seeks to achieve certain goals: the essence of the organization is nothing but the pursuit of goals. But if the organization has been formed, then the organization will have its own needs, and all of this sometimes causes the organization to even have to submit to these needs. As an example, a fund-raising organization may spend more money on building staff and publicity, and donate less in terms of the purpose of the fundraiser. In such circumstances it seems clear that in order to meet its own needs the organization is no longer pursuing its original ideals; when in fact efforts to serve their own needs must be adapted to activities to achieve the goals that have been determined. The purpose of social organization includes several functions, including providing direction by describing future conditions that the organization is always trying to pursue and realize. Thus, these objectives also create a number of guidelines for the foundation of organizational activities. Purpose is also a source of legitimacy that justifies every activity of the organization, as well as for the existence of the organization itself. In addition, goals also serve as benchmarks that can be used by members of the organization and outsiders to assess the success of the organization, for example in terms of effectiveness and efficiency. According to this method, organizational goals serve as benchmarks for scientists in the field of organization to try to find out how far an organization is going well (Etzioni, 1985).

It should be understood that the purpose of the organization is nothing but a future state that is pursued by an organization as a collective goal so that it can be realized as expected. These goals are indeed influenced by the goals of the top executivesand the board of directors and subordinates. Sometimes goals can be determined through safe and peaceful negotiating conditions, but not infrequently it is preceded by power competition between various divisions, secret group factories/projects, ranks and certain "personalities" within an organization. In principle, all organizations have a formal section that is explicitly recognized and sometimes unique by law which serves to determine the main objectives and make changes as necessary. In some organizations it is not uncommon for these objectives to be formally determined through a vote of shareholders; in addition, some are determined by the voting results of its members (eg in labor organizations). In addition, it is sometimes determined by several commissioners themselves, and sometimes it is determined by the individual who owns and manages the organization. As explained in the mission and vision, the objectives, targets of the Malang City Public Library and Regional Archives Service for the 2019-2023 period are as follows a). The objectives of the Malang City Public Library and Regional Archives Service - The realization of a reading culture through non-formal learning - The realization of an orderly awareness of archives in all Regional Apparatuses - The realization of an accountable Regional Apparatus b). The target of the Malang City Public Library and Regional Archives Service - Increasing reading culture services - Increasing the quality of archive management - Increasing the service performance of Regional Apparatus.

The goals of the organization are the steps taken by the organization to achieve the mission that has been set while the purpose of archive management is to ensure the safety of national accountability materials regarding the planning, implementation, and implementation of national life as well as to provide materials for national accountability. The accountability for government activities, the objectives of the Malang city library and archive service have been formed from the beginning, these goals are formed by policymakers so that the goals given are following the mission of the library service and the Malang city archives.

C. Strategy

The strategy has been used by all types of organizations and the main ideas contained in the original meaning are still maintained, only that their application is adapted to the type of organization that implements them. Hunger (2001) states that corporate strategy is a comprehensive planning formulation of how the company will achieve its mission and goals. Then David (2010) suggests that strategy is a common means with long-term goals to be achieved. Handoko (2009) explains that strategy provides integrated direction for the organization and various organizational goals, and provides guidelines for the utilization of organizational resources used to achieve goals. The strategy connects human resources with other resources with the challenges and risks that must be faced from the environment outside the company. Strategic planning is a long-term plan that is comprehensive, provides a formulation of the direction of the organization or company, and procedures for allocating resources to achieve goals over a certain period of time in various possible environmental conditions. Strategic planning is also a process of selecting organizational goals, determining strategies, policies, strategic programs needed for these goals. Strategic planning is the process of deciding which programs will be implemented by the organization and the estimated amount of resources that will be allocated to each long-term program over the next several years. The result of the strategic planning process is in the form of a document called a strategic plan that contains information about programs for the next few years (Badrudin, 2013). Proper strategic planning is very useful for minimizing errors because all organizational activities carried out are always directed towards the same direction. This also means that each member of the organization will carry out activities following the strategy in managing archives, namely building employee resources following the field of archiving, inputting archives in the excel data base and documenting the archives. The strategy of Archives Library Service, namely:

1) Human resources in an organization consist of all the efforts, skills or abilities of all the people who work in an organization. Some organizations refer to human resources as staff or labor or labor or employees, but the basic meaning remains the same. The strengthening of resources at the library and archives department of the city of Malang is done by doing some steps, such as, a). Selecting employees according to the potency, educational background, and expertise possessed by employees.b).Conducting training and development performance to strengthen the performance of the employees. c). Doing an work evaluation in every level of employees from top and bottom level employees. d). Conducting job training. e). Clarifying the work structure through the main tasks and functions within the organization. f).\ Applying discipline in work. g).Providing motivation to employees. e). Building an active communication channel between employees.

2) The management of archives at the Malang City Library and Archives Service (Dispusip) starts from the acquisition stage where it is carried out by the OPD (Regional Apparatus Organization). The archive is managed in the Dispusip record center. The archive will be identified by first collecting data in excel file format by the archivist so that later it will facilitate the archive retrieval process. Then, the archive will be stored in the boxes provided with information about what archives are stored in the box. Furthermore, these boxes are stored in a room with fire-proof shelves, and the room also has a temperature controller to keep the quality of the files.

D. Strategic policies

These policies are broad guidelines to assist in decision-making in organizations. Policies are also guidelines that link strategy formulation and implementation. Dunn (1999) policies will be the main reference for actors in policy behavior in general, are problem-solving and proactive, policies are generally used as general guidelines regarding strategy implementation, strategic policies from the Malang city library and archives service are following Dunn's (1999) theory. where the policy is used as a guideline with the actors involved, while the policy regarding the management of pandemic archives has not been issued, it is still in the design of the library and archives office of Malang, but in carrying out the main tasks and functions within the government scope of the library service and the city archives. Malang refers to the Regulation of the Mayor of Malang Number 40 of 2016 concerning Position, Organizational Structure, Duties and Functions and Work Procedures of the Public Library and Regional Archives Service,because the perwali has explained how the main tasks and functions in the work procedures of the public library and regional archives of the city of Malang are included in archive management so that with the mayor's regulation it becomes a reference.

CONCLUSION

From this discussion, it can be concluded that the information disclosure strategy public information related to covid-19 has not been carried out by the Malang city government. This is because files Covid-19 pandemic is still an active archive. Meanwhile, the Malang city government only started the archive when the archive was declared inactive. The archives managed by the Malang city government, especially in the library and archives service, are inactive archives, namely archives that have been running for one year after the incident occurred. The strategy carried out by the government is only an organizational management strategy, there is no specific strategy related to the management of the covid-19 pandemic archives. masalah kurangnya tenaga kesehatan profesional dalam skrining risiko penyakit kardiovaskular di pedesaan Indonesia.

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The Impact of Energy Price Volatility on Inflation in Nigeria

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ABSTRACT: The event of the covid-19 pandemic led to fluctuation in energy prices and different economies are still recovering from the impact of the pandemic. The pandemic also saw a rise in prices which made the cost of living difficult for the common man. This paper investigated the relationship between energy prices and inflation in Nigeria between the years 1985 to 2018. The unit root test performed on the data indicated that the ARDL method be used to analyze the data. The result of the bounds test shows the presence of long run relationship. The long run result shows that energy prices have no impact on inflation in the long run. In the short run the one-year lag of oil price has a negatively significant impact on inflation while, the one-year lag of gas price has a positively significant impact on inflation in Nigeria.

INTRODUCTION

Inflation is one of the foremost economic indicators that is of importance to any government. It can be exaggerated by the energy price shocks, since energy price vicissitudes could further lead to fluctuations in the price level through both direct and indirect means. Moreover, being a fundamental input for the production process, energy price changes may also cause rise in the producer prices, which could spark cost-push inflation affecting an upsurge in the price of other goods and services.

The rise in the inflation rate could have negative impact on an economy and affect significant economic variables such as GDP (Gross Domestic Product), unemployment rate and the exchange rate. If the prices of goods and services in an economy are high, the citizens would opt for importation rather than consuming home-made goods thereby negatively affecting GDP and the exchange rate of the economy. High prices could also cause workers to be laid off by firms to reduce their costs and prices. This would increase the level of unemployment in the economy and put pressure on the government.

Nigeria is a highly oil dependent country. Revenue from the sale of crude oil makes up majority of the country's national income. It also makes a reasonable level of income from the sale of gas, although it has not tapped into its gas market as much as its oil market. Given these realities, energy price fluctuations are critical to the growth and development of the Nigerian economy. Inflation has also been a big issue in the Nigerian economy recently as there has been a persistent rise in price level. This has made the livelihood of the Nigerian masses harder.

The Nigerian government has also complained about the impact of the covid-19 virus on the energy industry. As oil prices were seen to fall, the revenue of the Nigerian government also fell; and this placed the government in a position where it could not meet up its expenses without borrowing. This rise in borrowing was also accompanied my high prices in the economy at that time. These movements of energy prices, inflation rate and external debt to finance the Nigerian economy is a serious cause for concern for policy makers. Hence, this has necessitated that this paper investigates the nature of the relationship that exists between energy prices and inflation in Nigeria.

Cost-push inflation refers to instances where the rise in factors of production lead to an increase in the inflation rate. Energy prices are key factors of production for different production processes. This paper therefore takes the position that energy prices will have a positive impact on the inflation rate in Nigeria as its null hypothesis. The empirical investigation will provide us with a result to either accept or refute this claim. The next part of this paper will review literature on energy prices and inflation in Nigeria. The paper will then go on to explain the method of analysis after which the analysis will be carried out. The paper will end with an interpretation of the result of the analysis and a conclusion.

LITERATURE SURVEY

There are a variety of empirical papers examining the link between energy prices and inflation. The different studies have their different outcomes. These outcomes are assessed by numerous approaches and different classification. The outcome of each paper differs depending on the period chosen, data processed, other variables integrated in the technique or econometric approach employed. This section of the paper will review the different literature.

REVIEW OF EMPIRICAL STUDIES

Bawa et al (2020) studied the asymmetric impact of oil price on inflation in Nigeria. The study covered the period of the first quarter of 1999 till the last quarter of 2018. The time series data covering this period was subjected to a Non-linear Autoregressive Distributed Lag (NARDL) method of analysis. The result of the analysis showed that increase in the oil price was responsible for core and food inflation in Nigeria and vice-versa. This is because oil price has a high impact on cost of production in Nigeria. Bawa et al (2020) go on to advice for the use of monetary policy to control inflation in the time of oil price increase. The paper also advocates for policies that would promote local agricultural activities. This would enable local food consumption and reduce the impact of oil price volatility on food inflation in Nigeria.

Kilian and Zhou (2020) examined the relationship that exists among inflation, gasoline prices and oil prices in the Unites States of America between the years 1990 to 2013. To do this, the paper made use of the Vector Autoregressive (VAR) model. The result of the model shows that gasoline price fluctuations drive the level of inflation in America. Specifically speaking, the results shows that gasoline price fluctuations accounts for 39% of the variation in household inflation. The paper proposes that more research should be done to accurately determine the other factors responsible for inflation in Nigeria as gasoline prices alone cannot be used to moderate the rate of inflation in America.

Conflitti and Luciani (2019) investigated the relationship between oil price and core inflation in the United States of America and Europe between the years 1984 to 2018. The innovation in this research is that it accessed the impact of oil price fluctuations on disaggregated price level indicators. A dynamic factor model on a panel of disaggregated prices was used to carry out this analysis. Vector Autoregressive (VAR) model was used to determine the pass-through effect of oil price into inflation. The result of the analysis shows that oil price inflation passes through into inflation. Therefore, it is important for policy makers to consider oil price volatility while making policy decisions to control inflation.

Zhao *et al* (2016) analyzed the effects of oil price volatility on output and inflation in China. They identified that oil price volatility could be derived from a variety of sources. However, for the purpose of the analysis the sources of oil price volatility were broken down into political events in OPEC countries, volatility in the demand for industrial commodities, demand shocks specific to the crude oil market and other oil supply shocks. To engage in this analysis, they engaged an open-economy dynamic stochastic general equilibrium model with China and the rest of the world. The result shows that oil price volatility as a result of political events affects inflation in the short-run. However, the oil price volatility, originating from the other sources of oil price volatility affect inflation in the long-run. Basically, oil price volatility has a significant impact on inflation.

Hadzwan *et al* (2019), accessed the nature of energy subsidy, oil price fluctuation and price behavior in Malaysia. The aim of the paper is to investigate the impact of energy subsidy and oil price fluctuation on inflation to enable policy makers in decision making. The study made use of time series data from the year 1981 to 2015. The data was subjected to the Autoregressive Distributed Lagged (ARDL) model of analysis. The result shows that oil price volatility has significant impact on inflation in Malaysia within the years 1981 to 2015. The findings also showed that the Producer Price Index (PPI) is more sensitive to oil price volatility than the Consumer Price Index (CPI). The paper proposes that social safety nets be employed to reduce the impact of oil price volatility on the common man.

Gylych *et al* (2020) investigated the impact of oil price fluctuation on the economy of Nigeria, the core analysis for energy producing countries. The data for this analysis covered the period of 1995 to 2018 for the following variables being exchange rate, inflation rate and interest rate. Gylych *et al* (2020) used the Toda-Yamamoto (TY) model to carry out the analysis. The analysis also adopted the TY Modified Wald test approach to causality. The findings of the test shows that oil price is a strong determinant of exchange rate and inflation rate in Nigeria. The paper therefore advices that forecasting oil price volatility would be useful to fiscal and monetary policy decision makers in Nigeria.

Ozaydin (2019) investigated the nexus between energy prices and inflation. This analysis was done from a historical perspective being the case of the Ottoman Empire which existed within the period of 1885 to 1914. The timeseries data for this research were subjected to unit root rest and none of the variables were stationary at second or higher orders. The ARDL bounds test to cointegration was employed and it was discovered that there is long-run relationship between energy prices and inflation in Ottoman. The result showed that energy prices have a positive impact on inflation as energy price fluctuation accounted for 85% of the movement in inflation rate in Ottoman.

Atiq (2014) studied South Asian economies to understand the relationship between energy prices, monetary policy, and inflation. The objective of Atiq's (2014) paper was to address the dilemma that exists in a situation where contractionary monetary policy is being used to reduce cost push inflation which exists because of energy price increase. Time series data from 1980 to 2012 was used for this analysis. The data was subjected to unit root and granger causality tests. The result shows that oil price fluctuation has cost implications on inflation. The paper suggests that the use of monetary policy to reduce cost push inflation is not effective.

Behname (2013) analyzed the relationship between market size, inflation, and energy in Northern Europe. The data for this analysis covered the period of 1980 to 2009. This data was then subjected to unit root test which showed that all the variables were integrated at first order. Given this result the Hausman test suggests a fixed-effects model. The result of the Pedroni test shows the absence of long-run relationship. The result of the short-term Granger test shows that there is a bilateral relationship among market size, oil price and unemployment which jointly lead to inflation and economic growth. It is therefore important to monitor oil price shocks as it affects economic growth and inflation.

The literature reviewed the relationship between energy prices and inflation. It revealed in Nigeria, the oil market is more active than the gas market and therefore, oil price should have more impact on inflation in Nigeria than gas price. This is true as majority of Nigeria's revenue is gotten from the sale of oil. The literature reviewed also shows a consensus that oil price fluctuation has positive and significant impact on inflation. However, this impact varies depending on the economic situation of the country. This position is therefore taken to be the null hypothesis of this paper and will be subjected to empirical examination in the next part of the paper.

METHODOLOGY

This part of the paper will explain the data collection and analytical methods that will be used in this study. The plan is to adopt descriptive statistics and Ex Post Facto Research Design. The variables used for the analysis are inflation (INFR) which is the dependent variable. The independent variables are oil price (OILP), gas price gas price (GASP) and trade openness (TOP). These variables were subjected to a unit root test to determine their stationarity level. A co-integration tests was then conducted to determine if there is the existence of long-run relationship between inflation and energy prices in Nigeria between the period of 1985 and 2018. Secondary data gotten from Bloomberg and the World Bank data base was used for this analysis.

3.1 Model Specification:

$$INFR_t = \beta_0 + \beta_1 OILP_t + \beta_2 GASP_t + \beta_3 TOP_t + \mu_t$$

For the analysis the model will be transformed to a log linear form. This is seen in the equation below:

log$INFR_t = log\beta_0 + \beta_1 logOILP_t + \beta_2 logGASP_t + \beta_3 logTOP_t + \mu_t$

β_1>0;β_2>0;β_3>0;β_4>0; β_5>0;

Where:

β_0 is the constant term for the model, β_1 is the parameter estimator for OILP, β_2 is the parameter estimator for GASP, β_3 is the parameter estimator for TOP and μ_t is the error term for the model.

RESULTS AND DISCUSSION

4.1 Energy prices and inflation

The impact of energy prices on the inflation rate in Nigeria is analyzed in this section. The hypothesis below us used to test this impact:

Hypothesis

H01: There is no significant impact of oil prices on inflation in Nigeria.

H02: There is no significant impact of gas prices on inflation in Nigeria.

4.2 Unit Root Test

The Augmented Dickey-Fuller (ADF) was utilized to test for the existence of unit roots in the data at trend and intercept. The results of the test at level are shown below:

Table 4.1- Augmented Dickey-Fuller Unit Root Test @ Trend and Intercept I (0)

SERIES	ADF TEST STATISTIC	5% CRITICAL VALUES	10% CRITICAL VALUES	ORDER	REMARKS
INFR	-3.551669	-3.552973	-3.209642	I(0)	Non-stationary
OILP	-4.710025	-3.603202	-3.238054	I(0)	Stationary
GASP	-2.198294	-3.552973	-3.209642	I(0)	Non-stationary
TOP	0.036027	-3.595026	-3.233456	I(0)	Non-stationary

Source: E-views computer output

The results above shows us that OILP is stationary at level I(0) as the ADF calculated statistics is less than its critical values at both 5% and 10% level of significance. However, the calculated statistics value for INFR, GASP and TOP are greater than their respective critical values at both 5% and 10% levels of significance which implies that they are not stationary. Given that these variables are not stationary at level, the first difference of these variables will be taken to make them stationary (Shrestha and Bhatta 2018). The first difference is taken and presented below:

Table 4.1- Augmented Dickey-Fuller Unit Root Test @ Trend and Intercept I 1)

SERIES	ADF TEST STATISTIC	5% CRITICAL VALUES	10% CRITICAL VALUES	ORDER	REMARKS
INFR	-6.804008	-3.557759	-3.212361	I(1)	Stationary
GASP	-4.777929	-3.557759	-3.212361	I(1)	Stationary
TOP	-4.124981	-3.612199	-3.243079	I(1)	Stationary

Source: E-views computer output

From the table above the calculated statistics value for INFR, GASP and TOP are all less than their critical values at 5% and 10% indicating that they are all stationary. Sherstha and Bhatta (2018) advise that the ARDL method of analysis be used when a timeseries model contains variables that are stationary at different levels.

ARDL Bound Test Approach

In engaging the ARDL bound test, we start by using the bound test to check for the existence of long-run relationship among the variables within the model. The results of the bounds test are seen below:

K	F-Statistic	Significant	Lower Bound, I(0)	Upper Bound, I(1)
3	4.119304	10%	2.618	3.532
		5%	3.164	4.194
		1%	4.428	5.816

Source: E-views computer output

The result of the bounds test above shows that the calculated F-statistics of 4.119304 is higher than the upper bound (3.532) at 10% which is a sign that there is long run relationship among the variables. The calculated F-statistics is in-between the higher and lower bound at 5%. From the results above the short-run and the long-run results will be presented to gain a proper understanding of the impact of energy prices on inflation in Nigeria. The long-run results are presented in the table below:

Variable	Coefficient	Std. Error	T-statistic	P-Value
OILP	2.627206	4.433850	0.592534	0.5605
GASP	-9.142621	6.387258	-1.431384	0.1686
TOP	-0.686358	0.394336	-1.740541	0.0979

Source: E-views computer output

The table above shows the long-run results for the analysis of the relationship between energy prices and inflation in Nigeria. On the table we see that in the long-run, oil prices have a positive but insignificant impact on inflation in Nigeria. Therefore, a 1% increase in oil prices will lead to approximately 2.6% increase in the inflation rate in Nigeria.

Unlike the case of oil prices, in the long-run gas prices have a negative but insignificant relationship with inflation in Nigeria. This implies that a 1% increase in gas prices will lead to approximately 9.14% decrease in the inflation rate in Nigeria.

Finally, we can see a negative and insignificant relationship between trade openness and inflation in Nigeria. This implies that a 1% increase in trade openness in the long-run would lead to an approximately 0.69% decrease in the inflation rate in Nigeria.

The Impact of Energy Price Volatility on Inflation in Nigeria

The results in the table above tell us that in the long-run energy prices do not have any significant impact on inflation in Nigeria. This paper will now proceed to examine the impact of energy prices on inflation in the short-run.

Variable	Coefficient	Std. Error	t-statistic	P-value
D(OILP)	-5.060398	2.803771	-1.804855	0.0870
D(OILP)(-1)	-9.006892	2.965212	-3.037520	0.0068
D(GASP)	6.804198	3.720196	1.828989	0.0831
D(GASP)(-1)	10.87906	3.857527	2.820217	0.0109
D(TOP)	-0.386693	0.203134	-1.903635	0.0722
D(TOP)(-1)	-0.646158	0.193100	-3.346242	0.0034
D(TOP)(-2)	-0.537661	0.195872	-2.744960	0.0129
CointEq(-1)*	-0.691192	0.138425	-4.993259	0.0001

Source: E-views computer output

The table above presents the short-run effects of energy prices on inflation in Nigeria. The result shows us that the different energy prices have instances when they significantly affect inflation in Nigeria after a certain lag period.

From the table above we see that oil price has a negative but insignificant impact on inflation in the short-run. However, oil price has a negative and significant impact on inflation in the short-run after a one year lag. Therefore, if oil price should increase by 1%, gas prices will reduce by approximately 9% after a one-year lag in the short-run ceteris-paribus.

From the table we also see that gas price has a positive and insignificant impact on inflation in the short-run. However, gas prices have a positive and significant impact on inflation in Nigeria after one year lag in the short-run. This implies that a 1% increase in gas prices will lead to an approximately 11% increase in the inflation rate in the short-run, ceteris-paribus.

Trade openness generally has a negative relationship with inflation in Nigeria from the results presented. We see that trade openness has a negative and insignificant impact on inflation in Nigeria in the short-run. However, trade openness has a negative and significant impact on inflation in Nigeria after a year lag. This implies that a 1% increase in trade openness in the short-run will lead to approximately 0.6% reduction in the inflation rate, ceteris-paribus after a year lag. Trade openness also has a significant impact on inflation in the short-run after two years lag in Nigeria. This implies that a 1% increase in trade openness will lead to approximately 0.5% decrease in inflation in Nigeria after two years lag in the short-run ceteris paribus.

The coefficient of the error correction mechanism (CointEq(-1)) is appropriately signed as negative and statistically significant at 5%. The absolute value of -0.691192 implies that the speed of adjustment of the model to the long-run equilibrium is approximately 7% within the year.

Post Estimation Test

Test	**Techniques**	**Statistic**	**P-Value**	**Remarks**
Residual Normality	Jacque-Bera	Jacque-Bera	0.070412	Accepted
Serial Correlation	Breusch-Godfrey	X^2	0.6811	Accepted
Heteroskedasticity	Breusch-Pagan-Godfrey	X^2	0.9158	Accepted

Above are the results of the post estimation tests conducted in this research. The result of the normality test shows that the estimated residuals are normally distributed. The result also shows the absence of serial correlation within the error term. The result of the heteroskedasticity test also shows the absence of heteroskedasticity among the estimated error terms.

IMPLICATION OF RESULTS

Looking at the results presented above, we can see that energy prices do not have any significant impact on inflation in Nigeria in the long run. In the short run we see that energy prices (oil price and gas price) are significant in determining inflation after a year lag. The implication of this is that changes in energy prices will lead to a fluctuation in the inflation rate in Nigeria after at least a year lag. When oil price rises, inflation in Nigeria will fall after a year lag and when gas prices rise inflation will also rise after a year lag. However, we also see that in the long-run energy price fluctuation have no significant impact on inflation in Nigeria.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

This paper set out examine the impact of energy price fluctuation on inflation in Nigeria. The specific objective was to examine the impact of oil price and gas price on inflation in Nigeria in the short-run and long-run between the years 1985 to 2018.

Ex-post facto research design using Nigeria's data obtained from the World Bank covering the years 1985-2018 was utilized. The pre-test analysis used on the data was the Augmented Dickey Fuller test (ADF) which showed that the data set is made up of a combination of I (0) and I(1) data. The data was further subjected to the Autoregressive Distributed Lag (ARDL) bounds test to check the existence of co-integration. Given that the result showed the presence of co-integration, the short-run and long-run results were presented. We found out that in the long-run energy prices have no significant impact on inflation in Nigeria. In the short-run oil price has a negative impact on inflation after a year lag in Nigeria, while gas price has a positive impact on inflation in Nigeria in the short-run after a year lag.

It is therefore important for policy makers to monitor energy price fluctuations so that they anticipate its impact on the inflation in the country and engage the necessary fiscal or monetary policy to keep the inflation rate at Nigeria's benchmark inflation rate that would promote economic growth.

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Increasing Taxpayer Compliance Through Justice and Tax Knowledge

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ABSTRACT: The purpose of this study was to determine the effect of justice and tax knowledge on individual taxpayer compliance at the North Malang Primary Tax Office. In this study, the population is personal taxpayers who are registered at the North Malang Primary Tax Office with a research sample of 100 people. The sampling technique in this study using convience sampling technique. The analytical method used in this research is multiple regression. Based on the results of the analysis, it is found evidence that justice and tax knowledge have an effect on individual taxpayer compliance at the North Malang Pratama Tax Office. In order to improve taxpayer compliance, the North Malang Primary Tax Service Office provides tax knowledge to the public through intensive, consistent and sustainable tax education. In addition, it is necessary to increase the quantity and quality of tax counseling so that public knowledge of taxation increases and becomes more aware and obedient in carrying out their tax obligations. In addition, taxpayers should learn and understand the regulations regarding applicable taxation so that they can increase their compliance as taxpayers.

KEYWORDS: Justice, tax knowledge and taxpayer compliance

INTRODUCTION

Taxes are one of the largest reliable sources of state revenue to date. The contribution of tax revenues in APBN financing continues to increase over time. This can be seen from the tax revenue target. Minister of Finance (Menkeu) Sri Mulyani Indrawati revealed that the realization of tax revenues during 2019 reached around IDR 1,545.3 trillion or only 86.5% of the 2019 State Budget target set at IDR 1,786.4 trillion. This percentage of realization is lower than the percentage of last year's realization which was still above 90%. Compared to the 2018 realization which reached IDR 1,521.4 trillion, the 2019 tax revenue was recorded to still grow 1.7%. Meanwhile, although nominally it continued to increase, in terms of percentage the realization of state revenue in 2019 was recorded to decline. Realization of state revenues in 2018 reached IDR 1,942.34 trillion or 102.51% of the 2018 State Budget target.

One area in East Java that has tax potential that can still be explored is Malang City. The tax revenue target received by KPP Pratama Malang Utara always increases, such as the target in 2017 of IDR 509 billion, the realization of IDR 535 billion. The 2018 target is IDR 609 billion, revenue realization is IDR 733 billion, and for 2019 the revenue target is IDR 827.6 billion.

So big is the role of taxes in the APBN, then efforts to increase tax revenue are continuously carried out by the government, which in this case is the task of the Directorate General of Taxes. Various efforts have been made by the Directorate General of Taxes to maximize tax revenue, among others, by extensification and intensification of taxes. This is done by expanding the tax subject and object, by capturing new taxpayers. Efforts to maximize tax revenue cannot only rely on the role of the Directorate General of Taxes and tax officials, but also requires an active role from the taxpayers themselves. Changes in the taxation system from Official Assessment to Self Assessment, giving taxpayers confidence to register, calculate, pay and report their own tax obligations. This makes tax compliance a very important factor in terms of achieving successful tax revenue.

Compliance can be defined as the behavior of taxpayers in fulfilling their tax obligations in accordance with applicable regulations. Tax compliance according to Gunadi (2005: 4) is the willingness of taxpayers to fulfill their tax obligations in accordance with applicable regulations without the need for inspection, careful investigation, warnings or threats and the application of both penalties and administrative sanctions. According to Nurmantu (2003: 86), there are two kinds of compliance, namely material compliance and formal compliance. Material compliance is a condition in which the Taxpayer substantially / substantially fulfills all material tax provisions, namely according to the content and spirit of the tax law. Meanwhile, what is meant by formal compliance is a condition in which the taxpayer fulfills tax obligations formally in accordance with the provisions in the taxation law.

The compliance of taxpayers to pay taxes basically does not only lead to obedience, obedience and discipline, but is also followed by a critical attitude. The more advanced the society and the government, the higher the compliance with paying taxes, but it doesn't stop there, they are increasingly critical in addressing taxation issues, especially regarding policy materials in the field of taxation, for example the application of rates, mechanisms for imposing taxes, regulations, clashes in practice in the field. and the extension of its subject and object. People in developed countries have indeed benefited from the taxes they pay. The health, education, social and transportation facilities and infrastructure are quite advanced and the operational costs of the state apparatus come from taxes that have been paid to the state.

However, the real condition that has occurred is that until now the public's compliance in paying taxes has not reached the level as expected. In general, the community still does not believe in the existence of taxes because they still feel the same as tribute, it is burdensome, the payments often experience difficulties, they do not understand what taxes are and how complicated it is to calculate and report them. However, there are still efforts that can be done so that people are fully aware of paying taxes and this is not something that is impossible. When the public has awareness, paying taxes will be done voluntarily, not compulsion.

Tax justice contributes to taxpayer compliance in paying taxes. Albari (2008) concluded that only the dimensions of the tax office's distributive justice have a positive effect on taxpayer compliance. Pris (2010) concluded that the dimensions of tax justice are the level of general fairness, the reciprocity received by the government (exchanges with government), self-interest, special provisions and the tariff structure. Tax (tax rate structures) do not have a significant effect on Corporate Taxpayer compliance. Berutu and Harto (2012) concluded that there is an influence from the dimensions of tax justice, namely general justice, government reciprocity, special provisions, preferred tax rate structure, and personal interests on tax compliance behavior.

The cause of taxpayer compliance, in addition to the tax justice factor, is determined by the taxpayer's knowledge of taxes. Tax knowledge is the process of changing the attitude and behavior of a taxpayer or group of taxpayers in an effort to mature humans through teaching and training efforts (Hardiningsih and Yulianawati, 2011). Knowledge of tax regulations is important to foster obedient behavior, because how can taxpayers be asked to obey if they do not know how tax regulations are, meaning how taxpayers are told to submit their tax returns on time if they do not know when the tax returns are due. Nazir (2010) shows that there is a positive and significant influence between the level of tax knowledge on taxpayer compliance. Susilawati and Budiartha (2013) concluded that taxpayer awareness, tax knowledge, tax sanctions and public service accountability have a positive effect on taxpayer compliance in paying motor vehicle taxes at the Joint Office of SAMSAT Singaraja City. Witono (2008) shows that there is a significant influence on tax knowledge and perceptions of tax justice on the level of tax compliance.

Based on this background, the researcher felt the need to study more deeply and wanted to prove empirically about the variables that affect taxpayer compliance at the North Malang Primary Tax Office.

Literature Review and Hypothesis Development

Tax Compliance

According to Nurmantu (2003), tax compliance is defined as "a situation where the taxpayer fulfills all tax obligations and exercises his taxation rights. There are two kinds of compliance, namely: formal compliance and material compliance. Formal compliance is a condition in which the taxpayer fulfills tax obligations formally in accordance with the provisions of the taxation law. For example, the deadline for submitting an Annual Income Tax Return (SPT PPh) is March 31. If the taxpayer has reported the Annual Income Tax Return (SPT PPh) before or on March 31, the taxpayer has fulfilled the formal requirements, but the contents do not necessarily fulfill the material provisions, namely a condition where the taxpayer substantively complies with all material tax provisions. , namely in accordance with the content and spirit of the tax law. Material compliance can include formal compliance. Taxpayers who meet material compliance are taxpayers who fill in honestly, completely and correctly the Tax Return (SPT) according to the provisions and submit it to the Tax Office before the deadline ends.

According to Nasucha (2004), taxpayer compliance can be identified from taxpayers' compliance in registering themselves, compliance to re-deposit tax returns (SPT), compliance in calculating and paying taxes owed, and compliance in paying arrears. Nasucha (2004) uses psychological theory in taxpayer compliance, namely guilt and shame, taxpayers' perceptions of the fairness and fairness of the tax burden they bear, and the effect of satisfaction on government services. The issue of compliance is important because non-compliance simultaneously creates an effort to avoid taxes, both through fraud and illegally called tax evasion, as well as tax avoidance without fraud and is done legally called tax avoidance. In the end, tax evasion and tax avoidance have the same effect, namely reduced tax deposits in the state treasury.

Increasing Taxpayer Compliance Through Justice and Tax Knowledge

Devano and Rahayu (2006) state that taxpayer compliance is an act of taxpayers in fulfilling their tax obligations in accordance with the provisions of laws and regulations and taxation implementation regulations in force in a country. According to Sofyan (2005), taxpayer compliance is influenced by the condition of the tax administration system which includes tax service and tax enforcement. Administrative improvement measures are expected to encourage taxpayer compliance in two ways, first, obedient taxpayers because they get good, fast, and pleasant service and the taxes they pay will be beneficial for national development. Second, taxpayers will comply because they think that they will be severely penalized for taxes that they do not report detected tax information and administration systems and the ability to crosscheck information with other agencies.

Tax Justice

The perception of fairness in the taxation system is the opinion or feeling of the taxpayer towards the government regarding the use of tax funds. The taxpayer's ignorance of public spending, among other things, regarding the realization and its impact on him, places trust to be very important (Ferrari and Randisi, 2013) and becomes one of the determinants of tax compliance (Kogler, et al. 2013). Taxpayers who do not believe will be less likely to pay taxes if they feel injustice in the tax system (Richardson, 2008). The tendency of taxpayers to comply with tax regulations can be achieved if taxpayers feel that the reciprocity received by taxpayers from the government is commensurate with the amount paid through taxes (Mangoting et al. 2015). How much influence a government has on its people, including fostering a sense of trust, is closely related to the policies that the government implements on all established procedures (Dijke et al. 2010).

Albari (2008) concluded that only the dimensions of the tax office's distributive justice have a positive effect on taxpayer compliance. Pris (2010) concluded that the dimensions of tax justice are general fairness, exchanges with government, self-interest, special provisions and tariff structures. Tax (tax rate structures) do not have a significant effect on Corporate Taxpayer compliance. Berutu and Harto (2012) concluded that there is an influence from the dimensions of tax justice, namely general justice, government reciprocity, special provisions, preferred tax rate structure, and personal interests on tax compliance behavior.

Based on the description above, the following hypothesis can be formulated:

H_1 Tax justice affects taxpayer compliance

Tax Knowledge

Tax knowledge which is an understanding of the tax rules and regulations that apply in Indonesia needs to be owned by all taxpayers. From the correct understanding of taxes, it is hoped that the compliance of taxpayers can be increased to carry out their obligations as citizens by paying taxes on time and according to the nominal amount that should be paid. Therefore, the existence of adequate facilities to support tax knowledge of taxpayers is an important provision for understanding tax.

Tax Knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions, and for taking certain directions or strategies in connection with the implementation of their rights and obligations in the field of taxation. Veronica, C (2009) revealed that tax knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions, and for taking certain directions or strategies in relation to the implementation of their rights and obligations in the field of taxation.

Nazir (2010) shows that there is a positive and significant influence between the level of tax knowledge on taxpayer compliance. Susilawati and Budiartha (2013) concluded that taxpayer awareness, tax knowledge, tax sanctions and public service accountability have a positive effect on taxpayer compliance in paying motor vehicle taxes at the Joint Office of SAMSAT Singaraja City. Witono (2008) shows that there is a significant influence on tax knowledge and perceptions of tax justice on the level of tax compliance

Based on the description above, the following hypothesis can be formulated:

H_2 Tax knowledge affects taxpayer compliance

METHOD

In accordance with the main problem and research objectives, this study uses a level of explanation, which is a study that intends to describe the pattern of relationships or influences between two or more variables, the pattern of these relationships can be symmetrical, causal and reciprocal (Sugiyono, 2002) The pattern of influence that will be revealed in this study is the effect of justice and tax knowledge on taxpayer compliance. The population of this study were private taxpayers registered at the North Malang Pratama Tax Service Office which recorded until the period 31 December 2019 the number of registered OP taxpayers was 92,667 taxpayers. With a population size of 92,667 taxpayers and an inaccuracy allowance level of 10%, the sample size is 100 respondents.

After determining the number of samples, the research sample was taken using convenience sampling technique, where the distribution of questionnaire data to respondents, in this case, taxpayers who are easy to find, can be reached or are at the right time, namely when making tax payments at the Malang Primary Tax Office North. The method of analysis used in this study is multiple linear regression. With a significance level α = 5 and df = (n-1), so that if Sig.t <5%, the independent variable has a significant effect on the dependent variable.

RESULTS

Multiple regression analysis is used to determine whether there is an effect of tax justice (X1) and tax knowledge (X2) on taxpayer compliance (Y). The following table is the result of multiple regression calculations

Table 1. Results of Multiple Regression Analysis

Variable	B	T	Sig. t	Evidence
Constant	3.838			
Tax justice	0.135	3.272	0.001	Significant
Tax knowledge	0.648	9.966	0.000	Significant
α	: 5 %			
R	: 0.771			
R Square	: 0.595			
F statistics	: 71.182			
Sig. F	: 0.000			

The value of the constant is 3.838. This means that if tax justice and knowledge of tax value are zero (0), then taxpayer compliance will decrease by -3.838. The amount of the tax justice coefficient is 0.135 and has a positive coefficient value. This means that an increase in the tax rate will increase taxpayer compliance by 13.5%. The amount of the tax knowledge coefficient is 0.648 and has a positive coefficient value. This means that an increase in tax knowledge will increase taxpayer compliance by 64.8%.

The value of the multiple correlation coefficient (R) is 0.771, this shows that the magnitude of the relationship between tax justice and tax knowledge and taxpayer compliance is 77.1%. The value of the coefficient of determination (R2) is 0.595, this shows that the influence of tax justice and tax knowledge on taxpayer compliance is 59.5% and the remaining 40.5% is influenced by other factors or variables that are not included in the research model.

The results of the analysis of the effect of tax justice on taxpayer compliance show the t value of 3.272 with a significance level of 0.001, and the significance value is smaller than the α value of 5%. This shows that tax justice affects taxpayer compliance. The results of the analysis of the influence of tax knowledge on taxpayer compliance show the t value of 9,966 with a significance level of 0.000, and the significance value is smaller than the α value of 5%. This shows that tax knowledge has an effect on taxpayer compliance.

DISCUSSION

Based on the results of the analysis, it is found that tax justice contributes to taxpayer compliance. This result can be explained that fairness refers to a non-arbitrary or impartial attitude towards the inappropriate behavior of individuals regarding taxes. In order for tax regulations to be obeyed, the tax burden must be in accordance with its obligations. Taxpayers' perceptions about the fairness of the taxation system in effect in a region greatly affect the implementation of good taxation in that area. This taxpayer's perception will influence tax compliance behavior and tax avoidance behavior. Taxpayers will tend to disobey and avoid tax obligations if they feel the tax system is unfair.

The fairness of data taxpayers is implied with income tax that is charged fairly, income tax paid considers the benefits provided by the government such as building important public facilities, sharing the tax burden in balance with the income received by each taxpayer, tax determination is based on the time when the taxpayer receives income and the taxpayer whose income is higher must be subject to a higher rate.

In this regard, how to achieve tax justice is not easy to apply, because justice has a very broad perspective. As stated by Siahaan (2010), justice between each individual is different. There are at least three aspects of justice that need to be considered in the application of taxes, namely:

1. justice in the formulation of tax laws related to the formulation of laws is one of the determinants in realizing tax justice, because by looking at the process and the final results of the tax law making which are then put into effect the public will be

able to see whether the government also accommodates the interests of the taxpayers in the stipulation. tax regulations, such as provisions regarding who is the object of tax, what is the object of tax, how to pay taxes, actions that can be imposed by the tax authorities on taxpayers, sanctions that may be imposed on taxpayers who do not carry out their obligations incorrectly, taxpayers' rights, protection Taxpayers from tax authorities which he deems not in accordance with the provisions, tax relief that can be given to the taxpayers

2. justice in the application of taxation provisions which must be properly considered by the State / government as the party authorized by tax law to collect / collect taxes from the public. In achieving this justice, the State / government through the tax authorities must understand and apply tax collection principles properly.
3. fairness in the use of tax money which is the benchmark for the application of tax justice, relating to the expectations to which the benefits of tax collection are used for the benefit of the public at large. Justice that comes from the use of tax money is very important because paying taxes does not receive a direct counterpart that "can" be appointed or that is equal when paying taxes. So that the tax benefits for public services and public welfare must really get attention and can be felt directly by the people who are taxpayers. The benefit approach is fundamental in assessing fairness in the use of tax money by the government.

This is in accordance with what Mardiasmo (2009) stated that in accordance with the objectives of law, namely achieving justice, the law and implementation of collection must be fair. Fairness in legislation includes imposing taxes in general and evenly, and according to their respective abilities. Meanwhile, it is fair in its implementation, namely by giving taxpayers the right to file objections, delay in payments and submit an appeal to the Tax Advisory Council.

The results of this study support the study proposed by Albari (2008) which concludes that only the dimensions of the tax office's distributive justice have a positive effect on taxpayer compliance. Berutu and Harto (2012) that the tax justice dimension affects the Compliance Behavior of Individual Taxpayers (WPOP). Different results are shown by Pris, K. Andarini (2010) that the tax justice dimension does not have a significant effect on corporate taxpayer compliance.

Tax knowledge contributes to taxpayer compliance, meaning that taxpayers will have compliance with their taxes if the taxpayer has knowledge of NPWP registration, has knowledge of taxpayer rights and obligations, has knowledge of PTKP, PKP, and tax rates, has knowledge regarding sanctions for violating taxation and having knowledge of tax regulations through socialization.

The results of this study can be explained that taxation knowledge possessed by taxpayers is the most basic thing that must be possessed by taxpayers because without knowledge of taxes, it is difficult for taxpayers to carry out their tax obligations. The government has made efforts to add knowledge to taxpayers, including through counseling, advertisements in the mass media and electronic media with the aim of making taxpayers easier to understand and more quickly informed of taxation even though the frequency of these activities is not often carried out. The tax information does not only contain taxpayer obligations, but also contains an explanation of the importance of taxes for the life of the nation and state so that it can raise awareness from within the taxpayer's heart.

The results of this study support the study conducted by Nazir (2010) that there is a positive and significant influence between the level of tax knowledge on taxpayer compliance. Susilawati and Budiartha (2013) concluded that tax knowledge has a positive effect on taxpayer compliance in paying motorized vehicle taxes at the SAMSAT Joint Office in Singaraja City. Witono (2008) shows that there is a significant influence on tax knowledge and perceptions of tax justice on the level of tax compliance.

CONCLUSION

Based on the results of the analysis and discussion of this research, it can be concluded that tax justice and tax knowledge have a significant effect on taxpayer compliance behavior. Taxpayers will have compliance if the tax imposed provides the concept of justice and taxpayers must have knowledge of taxation. Based on the above conclusions, the contribution of this research to the North Malang Pratama Tax Office provides tax knowledge to the public through intensive, consistent and sustainable tax education. In addition, it is necessary to increase the quantity and quality of tax counseling so that public knowledge of taxation increases and becomes more aware and obedient in carrying out their tax obligations. Taxpayers should learn and understand more about applicable tax regulations so that they can increase their compliance as taxpayers.

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The Debt Policy was affected by Institutional Ownership, Company Size, and Profitability at The Customer Goods Companies in Indonesia

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ABSTRACT: This study aims to analyze the effect of institutional ownership, firm size and return on assets (ROA) on the policy of debt equity ratio (DER). The research method uses quantitative research methods with panel data to prove the hypothesis. The data is taken from the financial statements of consumer products companies in the 2016-2019 research period. The sample selection used purposive sampling method with certain criteria and obtained 15 companies or 60 observations. Based on data processing that has been done with Eviews ver.9 reveals that the institutional ownership affects significantly on the debt equity ratio policy, while company size and return on assets do not affect the debt equity ratio policy at all. The results of this study indicate how the strategic role of institutional shareholders in influencing the debt policy. The implications of the results of this study on consumer product companies are in selecting and determining competent and responsible institutional ownership in order to produce a DER policy that does not harm the company.

KEYWORDS: Institutional Ownership, Company Size, Return on Assets, Debt Equity Ratio, Customer Goods

INTRODUCTION

Debt policy for companies engaged in any business is very important, especially for consumer products companies whose usage rates are very high. In consumer product companies that have a business character that prioritizes short-term interests rather than long-term, the productivity level of product usability is short. The business characteristics of a consumer product company are very interesting because this business is one of the businesses that is able to survive in any economic conditions (Ang, 1997). The debt itself can come from internal companies such as profit reserves, or debts from external parties such as insurance banks or other creditors. All the company's initial needs, both internal and external, aim to meet the company's operational funding needs. Debt policy as one of the company's funding actions is seen as very strategic for the survival of the company and as it is known that the role of debt. According to Riyanto, 2013 not only has an effect in helping the smooth operation of the company but can also increase the value of the company. Debt policy can also monitor managers' actions, and debt can also increase tax savings for companies. The debt ratio must be monitored so as not to burden the company when paying interest. Referring to the thoughts of Van Horne and Wachowics, 2013 that managers have responsibilities to shareholders and creditors within the agency theory framework (Jensen,M.C and Meckling, 1976). Therefore, manager must also be responsibility to manage the debt policy. A high debt ratio tends to be balanced with a high expected rate of return (Brigham and Houston, 2014). Regarding the order of priority in fulfilling funds, based on the pecking order theory from Brealey, R. A. & Myers, S. C. 1991, when a company is faced with an urgent need for funds, the company prioritizes the fulfillment of funds from the availability of retained earnings sources, then sequentially from sources of debt, equity and share issuance. Based on this order, the fulfillment of funds from debt sources takes precedence over equity sources because the debt policy is more profitable than the issuance of shares. (Kasmir, 2014). The debt policy by charging interest continues to show the advantages and disadvantages of this policy. The advantages of a debt policy with a fixed interest expense can reduce taxable income. This means the interest paid is lower than the fixed interest expense. On the other hand, the weakness occurs in the increase in the amount of debt so that the business risk becomes less conducive which in turn can reduce the value of assets (Titman, et.al.2013). Referring to the debt policy, the explanation cannot be separated from the issue of equity because the comparison of debt with equity shows the solvency condition of the company.

Meanwhile, the company's share ownership is very influential on the direction of debt policy. the greater the percentage of share ownership, the greater the influence in determining debt policy. Dominant institutional share ownership has a direct effect on debt policy (Kallapur and Trombley, 2001; Scot,W.R, 2015). However, the company's financial performance also affects the debt policy because the better the financial performance, the higher the target of the debt policy. The performance of companies that have succeeded in increasing assets is also seen as an achievement for the company. because the size of the company is measured by the number of assets controlled, and assets can also be used as collateral related to debt policies (Jensen, 1986; Suhendry, et.al, 2021). In addition, the level of efficient use of assets reflects the level of company profitability, which is known as the return on assets. (Thomas, G.N, et.al 2020; Sujana, 2015). The higher the rate of return on assets, the stronger the support for debt policy. According to ICAEW 2019 that company size to be reflected in the amount of assets owed.

Based on the description above, three determinants are found that affect debt policy. First, parties who have institutional ownership whose role can influence debt policy. The share ownership from banks, insurance or other institutions can monitor management so that it works optimally. Second, debt policy is also influenced by the amount of assets owned. (Yenatie and Destriana, 2010; Hotbertua,et.al, 2021;Chen,et.al,2021). Companies that enter the capital market with large total assets will certainly find it easier to access the debt market than companies with relatively small total assets. Third, debt policy is influenced by profitability and the level of profitability will determine the company's equity. Having a good or bad level of profitability will determine what kind of debt policy will be planned. Based on the description above, the hypotheses that can be raised are:

H1: How does institutional ownership affect debt policy

H2: How does firm size affect debt policy

H3: How does return on assets affect debt policy

RESEARCH METHODS

The research method used the quantitative research method to observe the effect of the independent variable on the dependent variable. The research sample was taken from consumer goods industrial companies on the IDX in the period 20162019.

Table 1: List of Company Samples

No	Name of Company	Code
1	PT Akasha Wira International Tbk.	ADES
2	PT Budi Starch & Sweetener Tbk.	BUDI
3	PT Wilmar Cahaya Indonesia Tbk.	CEKA
4	PT Chitose Internasional Tbk.	CINT
5	PT Darya-Varia Laboratoria Tbk.	DVLA
6	PT Gudang Garam Tbk.	GGRM
7	PT Indofood CBP Sukses Makmur Tbk.	ICBP
8	PT Indofood Sukses Makmur Tbk.	INDF
9	PT Kimia Farma (Persero) Tbk.	KAEF
10	PT Kalbe Farma Tbk.	KLBF
11	PT Pyridam Farma Tbk.	PYFA
12	PT Mandom Indonesia Tbk.	TCID
13	PT Tempo Scan Pacific Tbk.	TSPC
14	PT Ultrajaya Milk Industry & Trading Company Tbk.	ULTJ
15	PT Wismilak Inti Makmur Tbk.	WIIM

Source: Data Processed by Author, 2021

The sample selection was carried out using a proportional sampling technique, from 35 companies out of 50 companies that meet the criteria; *first,* companies did not issue financial statements; *second,* companies were losses, *third,* companies that occurred new listings or delisting from IDX, and *fourth,* companies could not present the required data in full. The result of Eviews version 9 is used to explain the effect of the independent variable on the dependent variable based on the hypothesis proposed by using panel data tabulation. According to Gujarati, 2012 panel data is a combination of time series data and individual cross section data. Data processing produces descriptive statistics, and the Chow test and Hausman test produce the best regression equation among Common Effect Model (CEM), FEM (Fixed Effect Model), and Random Effect Model (REM), t test or partial test is carried out to determine the significance of the effect of the independent variable on the dependent variable. The analysis discusses the results of descriptive statistics, t-tests and the best regression equations from the 3 effect models and relates them to other journals or theories that support or do not support. Finally, the analysis also explains the results of the research with the hypothesis that has been used.

RESULTS AND DISCUSSIONS

The average value of Debt Policy (DER) in consumer goods industrial companies is 0.571797, with a standard deviation of 0.419738. The company that has the largest Debt Policy with a value of 1.8186 was PT Kimia Farma, Tbk (Persero) in 2018, while the smallest Debt Policy (DER) of 0.1635 was PT Ultrajaya Milk Industry & Trading Company, Tbk in 2018. Skewnees for DER showed the value 1.453748, meaning that the slope or asymmetry to the normal distribution is 1.453748. Therefore, the normal distribution model in this research data has a positive normal distribution. Meanwhile, the kurtosis on the DER was 4.302838, indicating that the curve is sharper than the normal curve because the kurtosis is > 0.263.

Table 2: Descriptive Statistic

Date: 07/17/21 Time: 12:25
Sample: 2016 2019

	DER	KI	SIZE	ROA
Mean	0.571797	0.675350	29.04807	0.081222
Median	0.457200	0.746900	28.71940	0.073550
Maximum	1.818600	0.945700	32.20100	0.175100
Minimum	0.163500	0.051000	25.79570	0.000900
Std. Dev.	0.419738	0.232589	1.773412	0.045153
Skewness	1.453748	-0.940960	0.187365	0.260790
Kurtosis	4.302838	3.429698	2.184931	2.055172
Jarque-Bera	25.37729	9.315658	2.011903	2.911864
Probability	0.000003	0.009487	0.365697	0.233183
Sum	34.30780	40.52100	1742.884	4.873300
Sum Sq. Dev.	10.39460	3.191748	185.5544	0.120291
Observations	60	60	60	60

Source: Data Processed by Author, 2021

The average value of Institutional Ownership (KI) is 0.675350, with a standard deviation of 0.232589. The company with the largest Institutional Ownership of 0.9457 was PT Kimia Farma, Tbk (Persero) in 2019, while the smallest Institutional Ownership of 0.051 was PT Wismilak Inti Makmur, Tbk in 2019. Skewnees for KI showed a value of -0.94096, meaning the slope or asymmetry to the normal distribution of -0.94096. Therefore, the normal distribution model in this research data has a negative normal distribution. Meanwhile, the kurtosis in KI was 3.429698, indicating that the curve is sharper than the normal curve because the kurtosis is > 0.263. The average value of company size (SIZE) was 29,04807, with a standard deviation of 1.773412. The company that has the largest Company Size worth 32,201 was PT Indofood Sukses Makmur, Tbk in 2018, while the smallest Company Size (SIZE) of 25,7957 was PT Pyridam Farma, Tbk in 2017. Skewnees for SIZE showed a value of 0.187365, meaning the slope or asymmetry to the normal distribution of 0.187365. Therefore, the normal distribution model in this research data has a positive normal distribution. Meanwhile, kurtosis at SIZE of 2.184931 showed that the curve is sharper than the normal curve because the kurtosis is > 0.263. The average value of Profitability (ROA) was 0.081222, with a standard deviation of 0.045153. The company that has the largest Profitability with a value of 0.1751 is PT Wilmar Cahaya Indonesia Tbk in the 2016 period, while the smallest Profitability of 0.0009 was PT Kimia Farma Tbk in 2019. Skewnees for Profitability showed a value of 0.26079, meaning that the slope or asymmetry of the normal distribution is 0.26079. Therefore, the normal distribution model in this research data has a positive normal distribution. Meanwhile, the kurtosis in profitability of 2.055172 shows that the curve is sharper than the normal curve because the kurtosis is > 0.263, and this curve is called a leptokurtic.

Table 3: Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d..	Prob.
Cross-section F	18.901572	(14,42)	0.0000
Cross-section Chi-square	119.276767	14	0.0000

Source: Data Processed by Author, 2021

Table 2 shows the results of the Chow test (Common Effect Model vs. Fixed Effect Model) that Ho was rejected because the results of Prob Cross-Section F < alpha (0.000 <0.05), so the chosen model in this study was the Fixed Effect Model (FEM). Meanwhile, table 3 shows the results of the Hausman test (Random Effect Model vs. Fixed Effect Model) that Ho is rejected and Ha is accepted because the Cross-Section Random value is 0.0197. < 0.005 so that the Fixed Effect Model (FEM) was selected. Based on the results of the two tests above, the chosen regression model was the Fixed Effect Model (FEM).

Table 4: Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-S q. Statistic	Chi -Sq. d.f.	Prob.
Cross-section random	9.871905	3	0.0197

Cross-section random effects tes t comparisons:

Variable	Fixed	Random	Var (Diff.)	Prob.
KI	0.774064	0.600175	0.312553	0.7558
SIZE	0.230793	0.070738	0.012529	0.1527
ROA	-0.781882	-2.357426	0.292966	0.0036

Source: Data Processed by Author, 2021

Based on the selection of the regression model from the fixed effect model, the multiple linear regression equation is
DER = -0.464962 + 0.728193 KI + 0.020282 SIZE – 0.544772 ROA.

The results of the partial regression test that the regression coefficient value of Institutional Ownership is positive at 0.728193, the t-count value is 5.290208 with a probability of 0.00000 < 0.005, then the effect of Institutional Ownership on Debt Policy is significant and positive. Meanwhile, from the results of other partial tests that the positive company size regression coefficient is 0.020282, the t-count value is 0.302650 with a probability of 0.7637 > 0.05, then the effect of company size is not significant on debt policy. Then, on the results of the last partial test that the negative profitability regression coefficient is -0.544772, the t value is -1.409714 with a probability of 0.1660 > 0.05, then the effect of profitability is not significant on debt policy.

Table 5: The Regression of Fixed Effect Model (FEM)

Dependent Variable: DER
Method: Panel EGLS (Cross-section weights)
Date: 07/17/21 Time: 12:27
Sample: 2016 2019
Periods included: 4
Cross-sections included: 15
Total panel (balanced) observations: 60
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.464962	1.923147	-0.241772	0.8101
KI	0.728193	0.137649	5.290208	0.0000
SIZE	0.020284	0.067023	0.302650	0.7637
ROA	-0.544772	0.386441	-1.409714	0.1660

Effects Specific ation

Cross-section fixed (dummy va ri ables)

Weighted Statistics

R-squared	0.958031	Mean dependent var	1.024222
Adjusted R-squared	0.941044	S.D. dependent var	0.530416
S.E. of regression	0.118200	Sum squared residual	0.586794
F-statistic	56.39696	Durbin-Watson stat	2.569791
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.918647	Mean dependent var	0.571797
Sum squared residual	0.845627	Durbin-Watson stat	1.903294

Source: Data Processed by Author, 2021

Table 6: Partial test or t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.464962	1.923147	-0.241772	0.8101
KI	0.728193	0.137649	5.290208	0.0000
SIZE	0.020284	0.067023	0.302650	0.7637
ROA	-0.544772	0.386441	-1.409714	0.1660

Source: Data Processed by Author, 2021

Based on the above findings, institutional ownership affects debt policy positively and significantly in consumer goods industrial companies. This at least shows that the involvement of parties who have institutional ownership in the company is real and cannot be hidden. Institutional ownership can be in the form of ownership of company shares owned by institutions such as the government, banks, insurance, pension funds, cooperatives and other institutions. Institutional share ownership as happened in PT Kimia Farma (Persero), Tbk which is now 90% of its shares have been controlled by PT Bio Farma (Persero) so that in this case PT Kimia Farma (Persero) becomes a subsidiary of PT Bio Farma (Persero). The Debt Policy of PT Kimia Farma (Persero), which has become part of the pharmaceutical BUMN holding, is of course very much determined by institutional share ownership. PT Bio Farma (Persero) as the institution that holds the majority share and also as the controlling shareholder of PT Kimia Farma (Persero) may make debt policies that benefit shareholders.

The size of the company does not have a significant effect on the company's debt policy. The size of the company is reflected in the total assets owned, the greater the number of assets, the greater the size of the company. As it is known that the characteristics of consumer goods companies produce typical products that are not durable and quickly run out when consumed. In principle, the debt policy is guided by the availability of long-term fixed assets owned by the company as support for the debt policy. Basically, consumer goods companies have problems with the unavailability of long-term fixed assets to support debt policies, even if they are not relevant enough as a condition to support debt policies. (Titman, S.et.al, 2013). Moreover, consumer goods companies do not require long-term debt, and the type of debt policy that is indispensable is short-term debt that supports the company's operational activities. This research proves empirically that the size of the company has no effect on debt policy. These results are in line with research from Silitonga, A.H, 2014 which reveals that company size has no effect on debt policy. On the contrary, from the results of other studies, namely from Sari, D.P, 2017 stated that company size affects debt policy. PT Indofood Sukses Makmur Tbk which has a company size of 32.2010 has never used its assets as collateral in its debt policy, especially since this company is a member of a group company.

Another result of this study, empirically profitability does not affect the debt policy of consumer goods companies. These results confirm that the company's fixed assets do not intersect with debt policy both from the aspect of asset size and from the results of the use of assets. Referring to the performance of the use of assets, namely return on assets which is used as a proxy for profitability in this study, empirically, ROA does not have a significant effect on debt policy. The same result was expressed by Sari, D.P, 2017; that even though they come from different corporate sectors and years, it turns out that ROA has no effect on debt policy. However, in the study of Silitonga, AH, 2014 that ROA has a negative influence on debt policy. PT Wilmar Cahaya Indonesia Tbk as a company with the largest ROA, namely: 0.1751 or 17.51%, it is proven that empirically it has no effect on debt policy because the business character of consumer goods companies tends to have a relatively low level of profitability so that it is not sufficient as a condition to support debt policies that are being implemented company.

CONCLUSION

Based on the results of the study, the R-squared value of 0.958031 from the output of the fixed effect model indicates that institutional ownership, firm size and profitability together affect debt policy. This result explains that institutional ownership has a massive and significant influence on debt policy because company size and profitability do not affect the debt policy. Consumer goods industry companies should already understand that institutional shareholders can influence the company's debt policy, and companies must develop strategies to maximize the interests of management related to debt policies. As a limitation of the study, this study does not include the influence of other variables such as company growth. The company's growth shows the need for funds for the company's business development and based on the pecking order theory that the fulfilment of funding needs is ordered according to a priority scale, starting from the delivery of funds from retained earnings, debt and finally the issuance of new shares. For further research, it is possible to include the company's growth variable as one of the additions to deepen further research based on the intended novelty.

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Effect of Promotion, Quality of Service, and Trust on Interest in Becoming a Customer

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ABSTRACT: This study aims to analyze the effect of promotion, service quality, and trust on interest in becoming a customer at a private bank. The population in this study was customers of PT. BPR Mertha Sedana with a sample size of 100 people. This type of research is quantitative with data collection techniques using questionnaires, and the data analysis technique used is multiple linear regression analysis assisted by the SPSS program. The results of the analysis show that Promotion has a positive and significant effect on student interest, with a significance value of 0.034. Service quality has a positive and significant effect on student interest, with a significance value of 0.000. Trust has a positive and significant effect on the decision to become a customer, with a significance value of 0.000. Promotion, service quality, and trust together have a positive and significant effect on the decision to become a customer, with significance value of 0.000 so that the hypothesis is accepted.

KEYWORDS: Promotion, Service Quality, Trust, and Interest

I. INTRODUCTION

The rapid development of the economy in society has made the economic need for clothing, food, and housing also increase. The increase in primary needs coupled with secondary needs makes people increasingly competing to find ways to fulfill their desire to fulfill all these needs (Saifudin, Aima, Sutawidjaya, & Sugiyono, 2021). To meet growing needs, financial institutions are present during the community and provide a helping hand to the community so that they can fulfill their needs through lending in the form of various loan products. The condition of Microfinance Institutions such as Rural Banks (BPR), Financing Banks (BPRS), and Cooperatives, both conventional and Islamic, is becoming increasingly alarming. One by one the Financial Institutions fell. In contrast to commercial banks, if there is a BPR/BPRS whose business is problematic, the Government through the Financial Services (OJK) from 2014 will not hesitate to close it because it is considered not to have a systemic impact.

Based on Kompasnia.com 2019, it shows that the number of BPRs has a declining trend every year. Seen in 2010 the number of BPR in Bali was 1817 BPR and continued to decline until 2019 to 1635 BPR. The number of significant declines indicates that the existence of BPRs is experiencing problems in maintaining their existence. The decreasing number of BPRs is caused by many factors./financing non-performing *loans*, as of August this reached 6.54% for BPRs and 9.97% for BPRS, far above the NPL for commercial banks which was only 3%. On the other hand, rural banks rely on deposits that have high-interest rates, so the *cost of funds* is higher than commercial banks. In addition, there is also the problem of fraud committed by BPR owners. A new problem arose when many commercial banks began to enter the micro sector which had been worked on by BPRs. With promotions that are less attractive and not more attractive than Commercial Banks, BPRs are unable to compete and leading to a decrease in the number of BPRs.

BPR Mertha Sedana, is one of the BPRs located in Mengwi District, Badung Regency, Bali Province. Located on the outskirts of the city, BPR Mertha Sedana has a variety of customers and aims to help economically weak communities in the urban area of Badung and rural communities around the BPR. Badung Regency has residents with diverse livelihoods; there are farmers, breeders, fishermen, entrepreneurs, employees, and so on. This diversity provides an opportunity for BPR Mertha Sedana to provide creative promotional strategies from all fields to attract public interest to become customers. Based on the results of observations and interviews, PT BPR Mertha Sedana in promotional activities related to attractive savings and credit products was carried out in print media such as the Bali Bank newspaper, and also installed billboards in strategic places, in addition to following the development of an increasingly advanced era, PT. BPR Mertha Sedana conducts promotions through social media, Facebook, and radio broadcasts. Based on this, it can be indicated that the promotion method at PT BPR Mertha Sedana is classified as intensive, but the management is still not with the results achieved because there are still many people who do not know about the product, so the management still has to try harder to do promotions.

Reported from the balibanknews.com page that PT. BPR Mertha Sedana, Mengwi District, Badung Regency, won the Golden Award again at the national scale BPR performance appraisal event by Infobank magazine in Jakarta on August 30, 2019. The BPR, which is headquartered on Jalan Cokroaminoto Utara, Denpasar, has won six consecutive Infobank Awards since 2013 and two of them are Golden Awards. President Director of PT. BPR Mertha Sedana said the BPR he manages won the very good predicate for the category of BPR with assets above Rp 50 billion and below Rp 100 billion. He said the performance during 2018 was satisfactory even in the midst of a sluggish national and regional economy. During 2018, this BPR succeeded in increasing asset growth from the previous year by 125 percent or IDR 56.88 billion in 2017 to IDR 71.1 billion in 2018.

Asset growth is certainly supported by growth in savings and time deposits. The amount of fundraising in the form of savings during 2018 was recorded at Rp. 18.31 billion, an increase of about 127 percent from the previous year of Rp. 14.37 billion. Time deposits also increased during 2018 by Rp. 20.58 billion, an increase of around 146 percent from the previous Rp. 14.03 billion. In addition to the growth of funds, the disbursed loans also experienced a growth of around 128 percent from IDR 44.77 billion in 2017 to IDR 57.29 billion in 2018 and the profit generated until December 2018 was IDR 1.25 billion. Based on this, it can be seen that BPR Mertha Sedana can attract public interest to become customers. The customer's decision to become a customer at BPR Mertha Sedana does not just appear, it is indicated that there are factors that influence the decision to become a customer at BPR Mertha Sedana.

Competition is getting tougher due to the current society tends to put more trust in big banks such as BRI, BCA, BNI, and so on compared to BPRs which have a smaller scope. In terms of credit interest, competition burdens the BPR because big banks provide lower interest rates. So to compensate for the interested inequality, there must be other aspects that are highlighted by BPR companies, one of which is to improve the quality of service to customers to satisfy customers to become or seek credit. Research conducted by (Li & Shang, 2020; Pham, Limbu, Bui, Nguyen, & Pham, 2019) shows that service quality has a significant influence on customer decisions. To get customers, promotion is very necessary (Pornpitakpan, Yuan, & Han, 2017; Su & Teng, 2018). Wulandari and Subagio (2015) say that the decision to become a customer at a bank is influenced by various factors. The decision to become a customer at a Bank is a decision taken based on trust in the Bank. Trust is a very difficult thing to grow, it requires a long process and a mature system.

Azhar (2018) states that trust is a desire to use, follow and be willing to give up what we have to what we trust. Trust is an important factor that influences interest in becoming a customer or becoming a bank. Matters related to finance require a high principle of trust in it so that everything planned and collaborated can run smoothly.

II. LITERATUR REVIEW

A. Marketing

Marketing is a process that is carried out socially and managerially, both from a personal and organizational perspective,to obtain the desired needs through the work of creation and can exchange them with others. (Khaleeli, Faisal, & Anwar, 2021; Rois, Kartika, Budiman, Komarudin, & Gunawan, 2021; Soekotjo, Cahyono, Nugroho, Rismawati, & Kawiana, 2021) divide marketing into several concepts including the production concept, the product concept, the sales concept, the marketing concept, and the social concept of marketing.

B. Promotion

(Le Borgne, Sirieix, & Costa, 2018) emphasize that to get customers, promotion is very necessary. (Yasa, Giantari, Setini, & Rahmayanti, 2020; Yasaa et al., 2020) also stated that the decision to become a customer at a bank is influenced by various factors. The decision to become a customer at a Bank is a decision taken based on trust in the Bank. Trust is a very difficult thing to grow; it requires a long process and a mature system. (Epstein, Flores, Goodstein, & Milberg, 2016; Taylor & Strutton, 2016) mention several indicators of promotion including Promotion Frequency, Promotion Quality, Promotion Quantity, Promotion Time, and Accuracy of Promotional.

C. Service Quality

(Pham et al., 2019) explain that the type of good service is seen from a customer or consumer satisfaction. . Service quality is important because it can’s image company. Competition is getting tougher due to the current society tends to put more trust in big banks such as BRI, BCA, BNI, and so on compared to BPRs which have a smaller scope. In terms of credit interest, competition burdens the BPR because big banks provide lower interest rates. So to compensate for the interested inequality, there must be other aspects that are highlighted by BPR companies, one of which is to improve the quality of service to customers to satisfy customers to become or seek credit. Research conducted by (Ha & Lee, 2018; Pornpitakpan et al., 2017) shows that service quality has a significant influence on customer decisions.

D. Trust

Is a desire to use, follow and be willing to give up what we have to what we trust? Trust is an important factor that influences interest in becoming a customer or becoming a bank. Matters related to finance require a high principle of trust in it so that everything that is planned and collaborated can run smoothly. (Radomska, Wołczek, Sołoducho-Pelc, & Silva, 2019; Suhartanto et al., 2021) mentions several indicators of trust are: 1) Honesty in managing the company, 2) Competence and 3) The information provided can be trusted.

E. Interest in Becoming a Customer

Interest can be interpreted as a condition that makes a person or individual experience a tendency or preference for attention or desire (Ferdousi & Mahmud, 2019). Interest in becoming a customer is assumed to be buying interest. Purchase intention is part of the behavioral component of the attitude to consuming. According to (Ferdousi & Mahmud, 2019; Kelliher, Reinl, Johnson, & Joppe, 2018; Tabrani, Amin, & Nizam, 2018), buying interest is an action taken by consumers who are carried out because of the inclination before the buying decision is implemented.

F. Research Hypothesis

H1: Promotion (X1) has a positive effect on Interest in Becoming a Customer (Y).
H2: Service Quality (X2) has a positive effect on Interest in Becoming a Customer (Y).
H3: Trust (X3) has a positive effect on Interest in Becoming a Customer (Y).
H4: Promotion (X1), Service Quality (X2), and Trust (X3) affect Interest in Becoming a Customer (Y)

III. RESEARCH METHOD

A. Research Location

The research location was conducted by the author at PT. BPR Mertha Sedana. BPR Mertha Sedana, is one of the BPRs located in Mengwi District, Badung Regency, Bali Province. Located on the outskirts of the city, BPR Mertha Sedana has a variety of customers and aims to help economically weak communities in the urban area of Badung and rural communities around the BPR. The reason for choosing this location is because the phenomenon shown in the form of a decrease in the number of BPRs in Bali due to bad loans makes BPR Mertha Sedana always have to show its credibility through promotion, service quality and increasing public trust.

B. Population and Sample

The population in study was customers of PT. BPR Mertha Sedana, totaling 5211 customers. Furthermore, the determination of the sample using the *Slovin formula,* obtained a sample of 100 people.

C. Types of Data

The type of data used in study is quantitative data. Quantitative data is a study that can be calculated or numbered as the results of a questionnaire given to consumers of PT. BPR Mertha Sedana.

D. Data Sources

Primary data in the form of data obtained directly from data sources obtained through the results of distributing questionnaires obtained directly from consumers of PT. BPR Mertha Sedana. Secondary data is data obtained indirectly from the source but can be obtained through other studies in books, journals, articles, and other matters that are still related to this research. Secondary data in this study are in the form of previous research, journals on the internet, and books.

E. Data Collection

Techniques Data collection techniques that will be carried out in this research are by distributing questionnaires. The questionnaire contains a *Likert* which is used as a measuring.

F. Data Analysis

Techniques multiple regression analysis was used to analyze the effect of independent variables on the dependent variable (Ghozali, 2006). In this study the independent variables consist of Promotion (X_1), Service quality (X_2), and Trust (X_3) while the dependent variable is Interest in Becoming a Customer (Y) Ganesha Pudak Café Kedonganan Restaurant. Calculation analysis will use the help of SPSS. The multiple linear regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots$$

(1) In addition to multiple regression analysis, the study also uses the T-test and F test. The different t-test is used to test how far the influence of the independent variables used in this study individually in explaining the dependent variable partially (Ghozali, 2011). The t-test can be calculated by the formula (Ghozali, 2011):

$$t\ count = \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots$$

(2) According to Cooper & Schindler, the F test aims to test the feasibility of a model (Andoko & Devina, 2015).

IV. RESULTS AND DISCUSSION

A. Result

PT. BPR Mertha Sedana is located on Jalan Denpasar-Tabanan Mengwitani, Mengwi Badung. PT. BPR Mertha Sedana was established on November 24, 2004, based on the Letter of the Directorate of Rural Bank Supervision No. 5/304/DPBPR/P3BPR dated August 27, 2003, regarding Approval in Principle of Establishment, and based on the Decree of the Governor Bank Indonesia No.6/80/KEP.GB/2004 dated October 19, 2004, regarding the Granting of Business Licenses. PT. BPR Mertha Sedana has a vision, namely "To become a Rural Bank that is trusted by the community by carrying out a healthy, profitable and highly competitive banking function to support micro-economic strength by taking into account the economic and socio-cultural potential of the people of Palembang''. With the mission of PT. BPR Mertha Sedana is "Opening access to banking services in the form of savings and credit for the community and entrepreneurs in the microeconomic sector (MSMEs)".

Characteristics of Respondents

Table 1. Characteristics of Respondents Based on Gender

Classification	Number of Respondents (persons)	Percentage Respondents (%)
Man	36	36,0
Women	64	64,0
Total	100	100

Source: Primary Data Processed, 2020

Referring to the table, it is found that respondents with female sex are more dominant than male.

Table 2.Characteristics of Respondents Based on Age

Classification	Number of Respondents (persons)	Percentage Respondents (%)
18 - 27 Years	17	17,0
28 – 37 Years	53	53,0
38 - 47 Years	23	23,0
>47 Years	7	7,0
Total	100	100

Source: Primary Data Processed, 2020

Referring to the table obtained by respondents aged 18 - 27 years as many as 17 people with a percentage of 17.0%. Respondents are aged 28 - 37 years as many as 53 people with a percentage of 53.0%. Respondents aged 37 - 47 years were 23 people with a percentage of 23.0%, and respondents aged over 47 years were 7 people with a percentage of 7.0%. This shows that respondents aged 28-37 years are the most dominating among other ages.

Table 3.Characteristics of Respondents Based on Length of Being a Customer

Classification	Number of Respondents (persons)	Percentage Respondents (%)
1 Years	31	31,0
1 – 4 Years	14	14,0
>4 Years	55	55,0
Total	100	100

Source: Primary Data Processed, 2020

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Referring to the table shows that the respondents are dominated by the length of being a consumer more than 4 years.

Analisis Deskriptif

Table 4. Criteria and Assessment Categories of Respondents' Answers

No	Criteria	Rating Category
1	1,00 – 1,80	Very Not Good
2	1,81 – 2,60	Not good
3	2,61 – 3,40	Average
4	3,41 – 4,20	Good
5	4,21 – 5,00	Very good

Source: Sugiyono, 2020

The respondents' perceptions of the promotion variable with 5 statements, service quality with 5 statements, trust with 5 statements and the decision to become a customer with 5 statements are described as follows:

Table 5.Description of Respondents' Answers on Promotion Variables

Statement	Response Frequency					Average	Category
	SS	S	KS	TS	STS		
Promotions carried out by PT BPR Mertha Sedana take place at regular intervals	13	42	44	0	1	3,66	Good
The use of outdoor media in the form of billboards, banners, and news from print and electronic media makes it easier for the public to get to know the PT BPR Mertha Sedana program	10	49	41	0	0	3,69	Good
The promotion area carried out by PT BPR Mertha Sedana has been evenly distributed	12	44	44	0	0	3,68	Good
The timing of the promotion by PT BPR Mertha Sedana chose the right time	14	55	30	0	1	3,81	Good
Promotion of savings products directly relates to the community and is carried out properly	12	56	29	0	1	3,74	Good
Overall Average						3,72	Good

Source: Primary Data Processed, 2020

Table 6. Description of Respondents' Answers on Service Quality Variables

Statement	Response Frequency					Average	Category
	SS	S	KS	TS	STS		
PT BPR Mertha Sedana has a comfortable and safe place	11	82	6	0	1	4,02	Good
Employees of PT BPR Mertha Sedana provide fast and precise service	11	82	5	2	0	4,02	Good
Employees of PT BPR Mertha Sedana provide services when consumers need	9	81	6	1	3	3,92	Good
Employees of PT BPR Mertha Sedana have good skills and	7	72	12	8	1	3,76	Good

knowledge							
Employees of PT BPR Mertha Sedana give individual attention to consumers	12	80	6	2	0	4,02	Good
Overall Average						3,95	Good

Source: Primary Data Processed, 2020

Table 7. Description of Respondents' Answers on Trust Variables

Statement	Response Frequency					Average	Category
	SS	S	KS	TS	STS		
I believe the management of PT BPR Mertha Sedana manages the organization honestly	21	52	16	10	1	3,82	Good
I believe that the programs owned by PT BPR Mertha Sedana will provide convenience and benefits for customers	26	39	28	6	1	3,83	Good
The information provided about the PT BPR Mertha Sedana program is easy for me to understand and makes sense	22	45	26	5	2	3,80	Good
The program offered by PT BPR Mertha Sedana makes me feel safe to save or apply for credit	26	60	13	1	0	4,11	Good
Every program offered makes me feel that PT BPR Mertha Sedana is responsible to customers	24	44	32	0	0	3,92	Good
Overall Average						3,90	Good

Source: Primary Data Processed, 2020

Referring to the table of trust variables has an overall average of 3.90 with a good category, the lowest score is in the statement "The information provided about the PT BPR Mertha Sedana program is easy for me to understand and makes sense" of 3.80 with a good category, while the score The highest score is in the statement "The program offered by PT BPR Mertha Sedana makes me feel safe to save or apply for credit" of 4.11 with a good category.

Table 8. Description of Respondents' Answers on Decision Variables to Become a Customer

Statement	Response Frequency					Average	Category
	SS	S	KS	TS	STS		
I am interested in opening a savings account at PT BPR Mertha Sedana	9	63	25	3	0	3,78	Good
I will give advice to other people (friends, relatives, etc.) to start and open a savings account at PT BPR Mertha Sedana	16	60	22	2	0	3,90	Good
I will ating again and use other savings products provided by PT BPR Mertha Sedana	20	61	16	3	0	3,98	Good
After knowing the savings information at PT BPR Mertha Sedana, I am interested in finding	29	55	13	2	1	4,09	Good

out more about other programs							
I already have a savings account at PT BPR Mertha Sedana	31	56	12	1	0	4,17	Good
Overall Average						3,98	Good

Source: Primary Data Processed, 2020

Referring to the decision variable table to become a customer, the overall average is 3.98 with a good category, the lowest score is in the statement "I am interested in opening a savings account at PT BPR Mertha Sedana" of 3.78 with a good category, while the highest score is in the statement "I already have a savings account at PT BPR Mertha Sedana" of 4.17 with a good category.

Instrument Test Results

Validity Test and Reliability Test

Referring to the table, the results show that all instrument items can be declared valid and reliable, it can be stated so because all correlation coefficients are greater than 0.30. Thus, all statement items are said to be valid and suitable for use. Referring to the table, the results show that all variables in the study have *Cronbach's alpha* above 0.6. Thus, all variables are reliable and worthy of further analysis.

Data Analysis Techniques

Normality Test

Table 9. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.86676937
Most Extreme Differences	Absolute	.070
	Positive	.050
	Negative	-.070
Test Statistic		.070
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Primary Data Processed, 2020

Referring to the table, it can be seen that the value of Kolmogorov-Smirnov is 0.070 with a sig 2 tailed value of 0.200> 0.05. These results show that the equation model is distributed normally.

Multicollinearity Test

Table 10. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Promotion	.813	1.230
	Service quality	.902	1.109
	Trust	.743	1.346

a. Dependent Variable: Decision to Become a Customer

Referring to the table, it can be seen that the *tolerance* is greater than 0.10 and the VIF is smaller than 10, which means that there is no multicollinearity.

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Heteroscedasticity Test

Table 11. Uji Heteroskedastisitas

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.493	1.161		2.147	.034
	Promotion	.065	.046	.155	1.409	.162
	Service Quality	-.031	.049	-.066	-.634	.528
	Trust	-.083	.043	-.220	-1.914	.059

a. Dependent Variable: ABS_RES1

Source: Primary Data Processed, 2020 (Appendix 7)

Referring to the table that the significance value of each variable is greater than 0.05 which means that there is no heteroscedasticity.

Multiple Linear Regression Analysis Results

Table 12. Multiple Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.206	1.974		-.105	.917
	Promotion	.169	.079	.163	2.152	.034
	Service Quality	.485	.083	.422	5.869	.000
	Trust	.380	.074	.408	5.150	.000
R		0,743				
R Square		0,552				
Adjusted R Square		0,538				
F Count		39,361				
Sig		0,000				

Source: Primary Data Processed, 2020

Referring to the table, the following structural equation can be made: $Y = -0.206 + 0.169 X_1 + 0.485X_2 + 0.380 X_3$

The regression coefficient value of promotion, service quality, and trust variables has a positive influence with a t-test significance value of less than 0.05. This means that promotion, service quality, and trust each have a significant positive effect on the decision variable to become a customer.

Partial Coefficient Significance Test (T-Test)

Table 13. Partial Test (t Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.960	1.884		5.816	.000
	Promotion	.105	.043	.165	2.438	.016
	Service Quality	.417	.063	.510	6.618	.000
	Trust	.432	.126	.242	3.436	.001

Source: Primary Data Processed, 2020

Effect of Promotion, Quality of Service, and Trust on Interest in Becoming a Costumer

Effect of Promotion on Decision to become a customer. Based on the results of the analysis, the significance is 0.005 with the regression coefficient value is 0.034 and the t value > t table (2.152 > 1.660). This result means that promotion has a positive and significant influence on the decision to become a customer.

The Influence of Service Quality on Decisions to Become a Customer-Based on the results of the analysis, the significance is 0.005 with the regression coefficient value is 0.000 and the t value > t table (5.869 > 1.660). This result means that service quality has a positive and significant impact on the decision to become a customer.

The Effect of Trust on Decisions to Become a Customer-Based on the results of the analysis, the significance is 0.005 with the regression coefficient value is 0.000 and the t value > t table (5,`50 > 1.660). This result means that trust has a positive and significant influence on the decision to become a customer.

Simultaneous Coefficient Significance Test (F Test)

Table 14. Simultaneous Test (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	424.362	3	141.454	39.361	.000[b]
	Residual	344.998	96	3.594		
	Total	769.360	99			

Source: Primary Data Processed, 2020

Based on the results of the analysis, the significance value is 0.000 and the calculated F value > F table (39.361 > 3.09). This result means that promotion, service quality, and trust have a positive and significant influence on the decision to become a customer.

Determinant Coefficient Test (R2)

Table 15. Coefficient of Determination Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.552	.538	1.896

Source: Primary Data Processed, 2020 (Appendix 11)

Referring to the table shows that the total value of R2 is 0.552 x 100% = 55.2%, influenced by the variables of promotion, service quality, and trust, while the remaining 44.8% is explained by other factors such as environment, atmosphere, and time.

B. Discussion

The Effect of Promotion on the Decision to Become a Customer

Based on the results of the analysis, the significance value of the Promotion variable on the decision to become a customer is 0.034 with a regression coefficient value of 0.169 which is positive, the value is 0.034 less than 0.05 (0.034 < 0.05). This result means that promotion has a positive and significant effect on the decision to become a customer.

The promotion has a positive and significant effect on student interest. This means that with every increase in Promotion there will be an increase in Decision to become a customer and vice versa for every decrease in Promotion there will be a decrease in Decision to become a customer.

Based on data analysis, the promotion variable has an overall average of 3.72 with a good category, the lowest score is in the statement "Promotions carried out by PT BPR Mertha Sedana take place at regular intervals." of 3.66 in the good category, while the highest score was in the statement "The time of promotion by PT BPR Mertha Sedana chooses the right time" of 3.81 in the good category.

The Influence of Service Quality on the Decision to Become a Customer

On the results of the analysis, the significance is 0.005 with the regression coefficient value is 0.000 and the t value > t table (5.869 > 1.660). This result means that service quality has a positive and significant impact on the decision to become a customer.

Service quality has a positive and significant effect on student interest. This means that for every increase in service quality, there will be an increase in the decision to become a customer and vice versa for every decrease in service quality, there will be a decrease in the decision to become a customer.

Based on data analysis, the service quality variable has an overall average of 3.95 with a good category, the lowest score is in the statement "Employees of PT BPR Mertha Sedana have good skills and knowledge" of 3.76 with a good category, while the highest score is Sedana has a comfortable and safe place" of 4.02 with a good category.

The Effect of Trust on the Decision to Become a Customer

Based on the results of the analysis, the significance value is 0.005 with the regression coefficient value is 0.000 and the t count > t table (5, `50 > 1.660). This result means that trust has a positive and significant influence on the decision to become a customer.

Trust has a positive and significant impact on the decision to become a customer. This means that for every increase in trust, there will be an increase in the decision to become a customer and vice versa for every decrease in trust, there will be a decrease in the decision to become a customer.

Based on data analysis, the trust variable has an overall average of 3.90 with a good category, the lowest score is in the statement "The information provided about the PT BPR Mertha Sedana program is easy for me to understand and makes sense" of 3.80 with a good category, while the highest score is on the statement "The program offered by PT BPR Mertha Sedana makes me feel safe to save or apply for credit" of 4.11 with a good category.

The Influence of Promotion, Service Quality, and Trust on Decisions to Become a Customer

Based on the results of the analysis, the significance value of the independent variable was 0.000 less than 0.05 (0.000 <0.05). It means that promotion variables, service quality, and trust simultaneously have a positive and significant influence on the decision to become a customer.

Promotion, service quality, and trust simultaneously have a positive and significant impact on the decision to become a customer. This means that any increase in promotion, service quality, and trust simultaneously there will be an increase in the decision to become a customer, and vice versa. Together, all the variables that have been used are expected to have a positive impact on the decision to become a customer to influence the decision to become a customer in the application process.

V. CONCLUSION

Based on the results of data analysis and discussion, the conclusions obtained from the research are as follows, Promotion has a positive and significant impact on customer interest. This means that with every increase in Promotion there will be an increase in Decision to become a customer and vice versa for every decrease in Promotion there will be a decrease in Decision to become a customer. Service quality has a positive and significant impact on customer interest. This means that for every increase in service quality, there will be an increase in the decision to become a customer and vice versa for every decrease in service quality, there will be a decrease in the decision to become a customer. Trust has a positive and significant influence on the decision to become a customer. This means that for every increase in trust, there will be an increase in the decision to become a customer and vice versa for every decrease in trust, there will be a decrease in the decision to become a customer. Promotion, service quality, and trust together have a positive and significant influence on the decision to become a customer. This means that any increase in promotion, service quality, and trust simultaneously, there will be an increase in the decision to become a customer, on the contrary, if there is a decrease in promotion, service quality, and trust simultaneously, there will be a decrease in the decision to become a customer.

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Product Quality Analysis Of Customer Purchase Decisions Of Palm Oil Products With The Role Of Distribution Channel (Case Study Of Palm Oil Companies)

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ABSTRACT: The purpose of this research was to examine and analyze the effects of product quality and distribution channels on the purchase decisions of Crude Palm Oil consumers in palm oil companies. The product quality, distribution channel, and purchase decision theories were applied in this study. The quantitative descriptive approach was used in the research, and the type of research was quantitative descriptive. The research was explanatory descriptive, with a multiple linear regression analysis method. The population in this study consisted of 112 customers from the oil palm sector, and the sampling technique employed was saturation sampling. The results showed that simultaneously product quality and distribution channel had a positive and significant impact on the purchase decisions of customers for Crude Palm Oil products at companies in the oil palm sector. Partially, product quality has an effect on product purchase decisions in oil palm companies and partially distribution channel have a significant effect on product purchase decisions in oil palm companies. With a coefficient of determination of 0.384, this suggests that product quality variables and distribution channel explain 38.4% of the variation in purchase decision variables, while the remainder is explained by variables other than the variables analyzed.

1. INTRODUCTION

Purchase decisions are actions taken by consumers to purchase a product. Consumer purchase decision-making is a process that involves picking one of the numerous possible problem-solving options and then following through on it. Following that, the customer can evaluate the option and decide what attitude to take next. Before making a purchase decision, customers normally go through several stages, including problem recognition, information search, alternative evaluation, purchase decisions, and pre-purchase behavior.

Toscano Company is one of Indonesia's palm oil (CPO) producers. This company has provided a significant amount of CPO to various well-known palm oil processing companies in the Medan and Jakarta areas. In addition to palm oil (CPO), this company also sells shell and kernel products. In this study, researchers will specifically discuss Crude Palm Oil products. The company's current problem is that its sales do not meet the sales targets that have been established. The cause of the decline is because customer satisfaction with the quality of the company's products has not been achieved, and the distribution channel is unsatisfactory.

The Toscano Company's sales are declining due to various factors. Following interviews with several customers, one of the keys to sales success is obviously the product's quality. The final product must be good, in the sense that it can serve its purpose and satisfy the criteria that customers expect when purchasing a product. Product quality is defined as a product's ability to provide benefits following the needs and expectations of consumers. The perceived quality of the product by the customer will affect the company's performance. As a result, companies that fulfill consumer demands must be able to provide product quality that meets customer expectations, so that it can subsequently encourage customer interest in purchasing the products offered. Product quality is one of the factors that influence consumer purchase decisions at Toscano Company. Oil of excellent quality, such as clear and odorless oil, will attract consumers to buy the oil; otherwise, dirty oil and a rancid smell are some of the causes of Toscano Company's dropping sales.

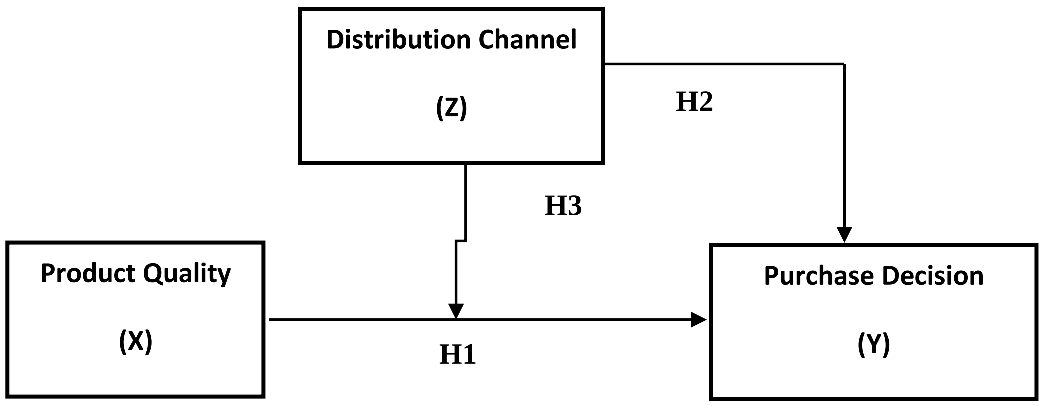
2. LITERATURE REVIEW

According to Assauri (2014: 211), product quality is one of the main tools to achieve a product position. Quality indicates the level of ability of a particular brand or product in carrying out the expected function. To assess product quality, we look at how satisfied a consumer is with how a product or service performs. Products that provide the greatest quality in terms of performance, attractiveness, or unique features will be sought after by consumers (Alisan & Sari, 2018).

According to Suparyanto and Rosad (2015: 159), a distribution channel is all interrelated organizations in the delivery of products from producers until they can be consumed by final consumers. According to Sangadji and Sopiah (2013: 20), the distribution channel is the path through which the flow of goods from producers to final consumers is carried out either through long or short intermediaries.

According to Siswandi (2011:143), a decision is the determination of the desired choice. While decision making refers to the determination or selection of an alternative from among multiple possible options.

Fig. 1 Conceptual Framework



The hypothesis of this research is as follows:
H_1: Product quality has a positive effect on product customer purchase decisions
H_2: Distribution channel has a positive effect on product customer purchase decisions
H_3:Product quality has a positive effect on product customer purchase decisions through moderating variables

3. METHODOLOGY

According to Sugiyono (2015: 148), a population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and draw conclusions. The population used in this study was Toscano Company customers in 2018, totaling 112 customers.

4. RESULT AND DISCUSSIONS

4.1 Reliability-Analysis

A reliability test, according to Priyatno (2013:30), is a measuring instrument that is considered to be reliable if the tool in measuring a symptom consistently produces the same results. Cronbach's alpha is a prominent reliability test technique. This method works well with scores that are on a scale (e.g. 1-4, 1-5) or in a range (e.g. 0-10, 0-30).

1. If the Cronbach's alpha value > 0.60 then it is declared reliable
2. If the Cronbach's alpha value < 0.60 then it is declared unreliable

Table 1: Reliability Analysis

Variable	Reliability Value	Information
Product Quality (X)	0,754	Reliable
Distribution Channel (Z)	0,853	Reliable
Purchase Decision (Y)	0,899	Reliable

It is shown that all of the three variables get high Cronbach's alpha. The Cronbach's alpha bigger than 0.6 is accepted.

4.2 Validity (F-Test and T-Test)

According to Ghozali (2013), F-test and T-test shows how far the influence of one explanatory/independent variable is in explaining the variation of the dependent variable.

Table 2: F-TEST

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	678,220	3	226,073	24,153	,000[b]
	Residual	1010,887	108	9,360		
	Total	1689,107	111			

a. Dependent Variable: Purchase Decision

b. Predictors: (Constant), Moderator, Product Quality, Distribution Channel

Table 3: T-TEST

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	6.766	2.624		2.579	.011
1	Product Quality	.249	.082	.227	3.038	.003
	Distribution Channel	.654	.082	.597	8.003	.000

From Table II and III above, the outcome shows that the legitimacy is substantial. It implies that the theory is acknowledged.

4.3 Normality Test

Normality test is overseen as its prerequisite. By utilizing the one-sample Kolmogorov-Smirnov test, it shows that the gathered information is dispersed regularly. Table 4 below shows the outcome.

Table 4: Statistical Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		112
a,b	Mean	0E-7
	Std. Deviation	3.03433950
Most Extreme Differences	Absolute	.093
	Positive	.080
	Negative	-.093
Kolmogorov-Smirnov Z		.985
Asymp. Sig. (2-tailed)		.286

Test distribution is Normal.

Calculated from data.

The value of p = > 0.05 on the measurement results of the Kolmogorov-Smirnov test, as shown in Table 4 above, indicates that the results with a value of 0.286 are larger than 0.05. Thus, it is possible to conclude that the data is normally distributed. As a result, it is possible to conclude that the data is normally distributed.

5. CONCLUSION

Based on the results of research and discussion, it can be seen that product quality and distribution channels have a partial effect on the purchase decision. Purchase decision through moderating variables is not able to increase the influence on the purchase decision.

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Social Accounting Accountability for Social Costs in Non-Profit Entities (Study at Muhammadiyah Hospital Surabaya)

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ABSTRACT: The business performance of an organization cannot be separated from how to participate in caring for social and environmental responsibilities. This research method uses a descriptive qualitative research type by describing the concept of social accounting as a development of the accounting discipline that leads to social values that have been running at Muhammadiyah Persyarikatan Hospital. The results showed that the performance of social costs from the achievement of profit performance, the performance of benefits and costs on social costs always decreased on the performance of activities related to social interests. This proves that it can be said that Muhammadiyah Surabaya Hospital is not too focused on activities in social interests and is only carried out voluntarily. the performance of benefits and costs on social costs always decreased on the performance of activities related to social interests.The performance of benefits and costs on social costs always decreased on the performance of activities related to social interests. This proves that it can be said that Muhammadiyah Surabaya Hospital is not too focused on activities in social interests and is only carried out voluntarily.

KEYWORDS: Social Responsibility, Non-Profit, Social Costs, Benefit and Cost, Social Accounting

INTRODUCTION

Non-profit is an organization that was founded with the aim of not being held in order to achieve maximum profit. On the other hand, this non-profit organization is also a self- regulating organization formed to serve the public or membership.(Salamon & Anheier, 1996)**.** Organizationally, these are referred to as the non-profit sector, the non-profit sector, the voluntary sector and the non-governmental sector (commonly referred to as NGOs). They are also often considered as part of the social economy that moves with the wheels of the government's economy(Mook, 2014). There are many such organizations, ranging from those aimed at serving the wider community, such as educational and other social service organizations, to non-profit, membership-focused organizations, such as professional professional associations and other non-governmental organizations. Their common feature is that they are mostly founded and built on the basis of togetherness in carrying out social goals and at the same time must survive under any conditions for social purposes.(McLaughlin, 2016). Traditionally, the application of accounting is more helpful in monitoring the financial condition of these non-profit organizations, but does not consider the social goals of these organizations. The existence of social goals with the application of accounting in these organizations gives birth to the existence of social accounting in these organizations. Social accounting, on the other hand, is a tool that can be used to integrate and manage the financial functions of the two lines. Social accounting in this not-for-profit organization is more defined as "a systematic analysis of the effects of an organization on a community of stakeholders or stakeholders, with stakeholder input as part of the data analyzed in statements of generally accepted accounting standards"(Mook & Quarter, 2006).

The existence of social accounting is more about achieving a fairly new development in the existence of the world of accounting, which first appeared in the corporate sector in the mid-1960s era. Since then, the existence of external demands for social and environmental responsibility that often arise on issues in corporations is considered a reaction to labor practices that are sometimes in a position of insecurity and injustice and concerns over environmental degradation that have caused many companies to adapt their business practices. them and report it. Small and medium enterprises (SMEs) are increasingly considering social and environmental factors in their operations, driven not only by cost reductions and increased spending efficiency,(Kechiche & Soparnot, 2012). In practice, social accounting can be stated that social accounting is an issue that says that social and environmental reporting in an organization. An international survey of the top 100 companies in 41 countries found that 75 percent produced corporate responsibility reports related to social and environmental responsibility whereas in 1995 this number had decreased to 13 percent (in 10 countries).(Bebbington et al., 2004). The database is spread all over the world starting with corporate responsibility, especially those related to social and environmental responsibility and sustainability reports (especially this has an impact on non-profit organizations, but it also affects organizations based on the not-for-profit sector and public institutions).

Muhammadiyah Surabaya Hospital as one of the business charities of the Muhammadiyah organization is required not only to prioritize the core business in the health sector with the main goal of providing health services for the people, but also to be required to always develop and pay attention to the social environment related to social and environmental responsibility. . By carrying out social and environmental responsibilities, this will create a balance between business and social or the surrounding environment.

Because to improve the business performance of an organization such as the Surabaya Muhammadiyah Hospital, it cannot be separated from how the participation of RSM Surabaya is in caring for this social and environmental responsibility. This means that if the practice of social and environmental responsibility has been implemented, then the application of social accounting for costs to support the preparation of social and environmental reporting is very necessary for the sustainability of a business organization such as this hospital. Besides the implementation of this arrangement, what is very important is of course how the role of accountability or responsibility for social and environmental reporting has been carried out by the Surabaya Muhammadiyah Hospital to stakeholders in this Surabaya Muhammadiyah Hospital.

In this article, researchers are encouraged to further examine the role of social costs as a form of social care and responsibility at the Muhammadiyah Surabaya Hospital by examining the reporting of social costs on non-profit entities such as hospitals. The purpose of this article is also to study how accountability for social costs in non-profit entities has been running at one of the Surabaya Muhammadiyah Hospitals, so that it can also create sustainability for reporting social costs as one of the scientific developments. social accounting.

LITERATURE REVIEW

Social Accounting

In the previous explanation, social accounting can be defined as recognition of "systematic analysis of the surrounding social conditions as the impact of the effect of the organization on the community of stakeholders or stakeholders with input from stakeholders as part of the data analyzed for social accounting statements" (Mook, 2007). The explanation of this definition can be interpreted that the existence of social accounting is able to expand the range of factors from "what counts" which is used as "consideration" when measuring performance and viewing the organization in relation to environmental conditions, both social and natural. In social accounting rules usually include three factors that are often applied in business organizations; [1]. Finance (to ensure long-term economic and financial performance as a result of the application of social accounting);[2]. Social (creating added value economically for the surrounding community);[3]. Environment (through responsible environmental management and natural resource rebuilding)(Giovannoni & Fabietti, 2013). In taking an approach to the effects of social accounting, an entity will always use and consider the three dimensions above together. So that this will inevitably lead to tensions between one dimension and another, so that it will add to the complexity in the performance management of non-profit organizations. It is necessary to remember that in designing and monitoring social performance systems, of course, there will always be benchmarks on the three dimensions so that social performance between dimensions can work in balance with each other.

From a normative point of view, the purpose of social accounting is to direct the actions and actions of change for the better in using the three social dimensions above. (Osborne & Ball, 2010). Non-profit organizations can be guided and monitored from two main concerns in practice, namely; [1] accomplished their mission and ;[2]. Still economically viable, but the management system of the initial social performance can only deal with financial measures based on traditional accounting systems(Manoochehri, 1999). In using this dimension, this approach has two important drawbacks for nonprofits. One is the traditional accounting framework that was developed for the purposes of nonprofit organizations with different goals in mind. The other is that the system is not too fixated on not recognizing the importance of non-financial performance. This is done by instead imitating the performance style of business organizations. according toMautz (1994)argues that the focus of social accounting on not-for-profit organizations should be focused and devoted to answering other types of questions such as: [1] What does the organization receive and from what sources?; [2]. What the organization does with what it receives; [3] How much is left of the organization; [4] What are his plans for the future with nonprofit sustainability. Whereas in traditional accounting the main objective is to measure profits for owners and shareholders.

These are all included in the Non-profit Integrated Social Accounting (NISA) model. In the case of the NISA model the main question in the integration sequence is used to answer the main question as follows: is the organization moving towards the achievement of its mission in an effective and efficient manner, taking into account economic, social and environmental factors? In answering this question, stakeholders are very interested in knowing that resources are being used properly in achieving the mission of a nonprofit organization in an ethical manner. This leads to consideration of the concepts of accountability and allocation of resources.

Reporting Accountability

As an organization that has a bureaucratic structure, the question arises that the organization must be responsible for all actions and behavior in achieving goals. This raises two different things in answering questions related to this; responsible for what? and responsible to whom? As a non-profit organization, this is a new polemic and complex problem because there are many stakeholders from non-profit organizations and this will certainly create many models of accountability paths. according toFried & Worthington (1995)that each of these stakeholder groups in nonprofit organizations has different interests in the future performance of the nonprofit organization, and that each is affected differently by the charities that serve to oversee the goals of the not-for-profit organization or fulfill their mission.

Conceptually, accountability is a contested space in making and obtaining decisions by involving many stakeholders in the application of this model guided by the multi- constituent theory. This theory states that performance goals such as effectiveness are socially constructed, and that these constructs can differ among stakeholders and over time.(Herman & Renz, 1997). according toZammuto (1984)Accountability is defined as organizational effectiveness as “a human assessment of the desirability of organizational performance outcomes from the point of view of various constituents who are directly and indirectly affected by organizational performance”. So since, there is variability in the way the concept of organizational performance is constructed and assessed, it is important to look at the perspectives of different stakeholder groups separately rather than averaging them.(Herman & Renz, 1997).

Indeed, several studies confirm that there is significant variation in how the effectiveness of accountability can be viewed and evaluated by different stakeholders. As interest in the definition of accountability for non-profit entities has grown, a number of conceptual frameworks have been developed to explain the above-mentioned concept of accountability. The first attempt within the not-for-profit entity accountability framework is to use a four-cell matrix, with reactive and proactive internal response systems on one axis and implicit and explicit mandates for external controls on the other, to identify four dimensions of accountability – negotiable, professional, compliance and anticipatory.(Najam, 1996). According to him, it seeks to broaden the understanding of accountability beyond “accountability to nonprofit donors and mechanistic project evaluation”.

By means of the definition for “accountability” according to Schafer (1999), that accountability is "a slippery and ambiguous concept of responsibility and creates the concept of no less responsibility". On the other hand, it also defines that the concept of responsibility is similar to providing the managers with the breadth of not-for-profit entities in carrying out responsible management practices. The nonprofit manager's role as manager is always important in terms of theory (if not always in practice), at least within the organization and for its donors or donors. However, the importance of accountability has increased as non- profit organizations have gone beyond private providers of public goods to become publicly funded providers of public goods.

RESEARCH METHODS

This study uses a qualitative research type design by describing the concept of social accounting that has been running so far, which in this case is the scientific development of the accounting discipline which leads to the social values of one of the Muhammadiyah organization's charitable business entities in the field of Health. In this study, researchers focus more on how the concept of accountability model for the application of social accounting can be used so that the accountability model can be used as a form of accountability from managers to stakeholders. This research approach uses library research based on books.

According toMoelong (2005)Qualitative research methods are often referred to as naturalistic research methods because the research is carried out in natural conditions (natural settings). the analysis is much more qualitative in nature. Bogdan & Biklen (1997) also explained that qualitative research is research that does not use mathematical, statistical or Computer models. Qualitative research is research in which researchers do not use numbers in collecting data and in providing interpretations of other results (Marshall & Rossman, 2014).

RESULTS AND DISCUSSION

Muhammadiyah Hospital Surabaya Social Activities

As one of the charities of Persyarikatan Muhammadiyah, Muhammadiyah Surabaya Hospital realizes that business entities and the surrounding environment are inseparable and influence each other. As an entity based on religious and social values, Muhammadiyah Surabaya Hospital also embodies these values by establishing a harmonious relationship between the two, and is committed to always providing the maximum benefit to the surrounding environment. As one of the Muhammadiyah charities, the Muhammadiyah organization is not profit-oriented but is also required to carry out business activities related to social interests.

One of these business activities is to implement corporate social responsibility (CSR), the CSR program carried out by the Muhammadiyah Hospital Surabaya is a concept that is capable and can provide the role and function of a non-profit business entity as an organization that does not focus on achieving profit in fulfilling on its obligations to the community as a stakeholder. The implementation of these social activities will have an impact on mutually supportive, supportive, strengthening and beneficial relationships between the community and Muhammadiyah hospitals. Muhammadiyah Surabaya Hospital in carrying out several social activities is a form of concern for the environment and is an obligation that must be fulfilled as a form of concern and social responsibility. These social activities are in the form of; [a]. Contribution to Society;[b]. Contribution to the environment.

Social Cost Performance Measurement

As explained in the previous sub-chapter, this research focuses more on the approach to accountability for the social costs incurred by the hospital. Before entering the realm of accountability, the researcher will first explore the performance of social costs that have been carried out by the Muhammadiyah Surabaya Hospital from the period 2018, 2019 and 2020 and classify them into 2 parts, namely costs related to the community and costs for the environment. From the analysis of the reports of social costs issued for both the community and the environment, accountability for social reporting and the percentage of social costs at Muhammadiyah Hospital Surabaya can be drawn up.

Table 1. Percentage of Social Costs from Net Profit of Muhammadiyah Hospital Surabaya

Tahun	Keterangan	Biaya Sosial	Laba	Persentase
2018	Masyarakat dan Lingkungan	161.394.399	7.663.946.775	2,11%
2019		170.454.850	6.489.995.895	2,63%
2020		80.016.000	5.351.969.932	1,50%

By referring to the percentage of social costs that have been carried out by the Muhammadiyah Surabaya Hospital above from the period 2018 - 2020, then the performance measurement of these social costs can be carried out as a separate measurement before reporting accountability is carried out. The performance assessment can be seen from the calculation of the Benefit cost ratio (B/C Ratio) which is also called the Profitability Index (PI). according toHiggins & Reimers (1995) the calculation of the B/C ratio can be done as follows:

$$\text{B/C Ratio} = \frac{\text{Cash Inflow}}{\text{Initial Investment}}$$

By referring to the formula for the cost of social performance above, in this study, we will assess the performance of the social cost by using the following formula calculation:

$$\text{B/C Ratio} = \frac{\text{Cash Inflow}}{\text{Social Cost}}$$

Table 2. Percentage of Cash Inflow and B/C Ratio of Muhammadiyah Hospital Surabaya

Tahun	EAT	Depresiasi	Cash inflow	B/C Ratio
2018	7.663.946.775	1.313.202.706	8.977.149.481	55,62
2019	6.489.995.895	1.831.673.694	8.321.669.588	48,82
2020	5.351.969.932	1.986.283.549	7.338.253.481	91,71

Source: Data processed

Based on the above calculations, it can be explained that the performance of the Muhammadiyah Surabaya Hospital in 2018 decreased by 6.80 from 2019 (that is, from 55.62 to 48.82). However, in 2020, the B/C Ratio increased by 42.89 from the previous year in 2019, from 48.82 to 91.71. Compared to hospital cash inflows per year with the investment value in the form of social costs, hospitals are able to cover the social costs of cash inflows per year. Hospital cash inflow in 2018 was Rp. 8,977,149,481,- which was greater than the total social costs of Rp. 161.394,399, - , so that the hospital is able to cover social costs as much as 55.62 times. In 2019 the hospital's cash inflow was Rp. 6,489,995,895, - although there was a decrease from the previous year for the achievement of the social cost performance, however, this is still higher than the total social costs of Rp. 170.454.850,-, and from these results it is still considered capable of covering social costs as much as 48.82 times. Meanwhile, in 2020 the cash inflow generated by the hospital was Rp. 7,338,253,481, - although there was a decrease in cash inflow generated by Muhammadiyah Surabaya hospital of Rp. 983,416,107,- but these results are sufficient to cover the social costs generated in 2020 of Rp. 80,016,000, - 91.71 times, although in 2020 there was also a decrease in social costs incurred by Muhammadiyah Surabaya hospital in the previous year. To complete the analysis of social expenditures and performance appraisals at Muhammadiyah hospitals,

Table 3. Calculation of ROA and ROE at Muhammadiyah Hospital Surabaya

Tahun	EAT	Equity	Total Assets	ROA	ROE
2018	7.663.946.775	40.319.829.606	43.252.460.176	17,72%	19,01%
2019	6.489.995.895	49.415.295.760	51.987.222.819	12,48%	13,13%
2020	5.351.969.932	42.774.109.101	45.769.147.352	11,69%	12,51%

Source: Data processed

Based on the above calculations in 2018 to 2020, the hospital experienced a decrease in both ROA and ROE performance from 2018 so that it obtained an ROA performance of 17.72% and an ROE of 19.01%. In 2019, there was a decline, as a result of the decline in profit after tax generated by Muhammadiyah Surabaya hospital with an ROA of 12.48% and an ROE of 13.13%. In 2020, the ROA and ROE performance decreased by 11.69% and 12.51%, respectively. The decrease from 2018 - 2020 on the ROA and ROE performance above in table 3, it can be said that the asset performance and equity performance at the Surabaya Muhammadiyah Hospital can be said to be less good.

From this study it can be concluded that as one of the charities of the Muhammadiyah organization, Muhammadiyah Surabaya Hospital, although in carrying out business activities based on religious values, in the implementation of matters related to social costs it can be said to be not good. . This is because the expenditure on these social costs, so far, can still be said to be carried out voluntarily depending on the achievement of the profit performance generated in the current year period. With these results, this proves that Muhammadiyah Surabaya Hospital is not too focused on activities that are oriented to social interests.

CONCLUSION

Muhammadiyah Surabaya Hospital has carried out several social activities as a form of responsibility for social care for the community and the surrounding environment. These social activities can be divided into 2 (two) namely contributions to the community and the surrounding environment. However, from these social activities, Muhammadiyah Surabaya Hospital can be said to experience a decline in the performance of these social activities. This can be proven by the decreasing performance related to social costs from 2018 to 2020 both from the percentage of social costs on social profits (see table 1), benefits and costs of social costs (see table 2) and performance ROA and ROE (see table 3).

Limitations and Suggestions

The researcher realizes that there are limitations in this study, where the limitations of this study are that the data and information that are available and have been running at the Muhammadiyah Persyarikatan Hospital do not compare with data and information related to the private sector. Of course, this treatment will be different in terms of policies related to spending on social costs.

Expected to RS. Muhammadiyah Surabaya, it is better if it is related to expenditures on social costs, it is better to make guidelines related to social activities by determining the percentage of profit generated. For example, it is determined by setting 2.5% of profit performance. So that as one of the company's charities, it does not only focus on business activities but also bases it on activities related to social interests.

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The Existence of Subak in Responding To the Challenges of Globalization

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ABSTRACT: This study describes the existence of subak as a traditional agricultural irrigation system in Bali in maintaining its existence in the midst of the rapidly changing issue of globalism. The challenge for Subak in the future is to be able to adapt to changes that occur without leaving the entity as a traditional organization that must maintain the noble values that are inherited. In this paper, we will discuss the challenges of subak both from the external side and from the internal side of the subak itself so that the existence of subak can survive in the future. The method used is a literature review from various sources of research articles. The results of the study show that Subak is experiencing challenges in land conversion, less water availability, environmental damage due to pollution, and the lower interest of the younger generation in farming. Meanwhile, from an institutional perspective, the existence of subak that is not yet a legal entity makes it difficult to prevent the transfer of land functions and resolve existing disputes between farmers. In addition, technological advances have not been fully adopted by subaks due to the limited ability of the subak's human resources.

KEYWORDS- Bali, Globalization, **I**nstitution**,** Subak.

1. INTRODUCTION

Subak is one of the local wisdoms that still exist in several areas in Bali. It is a traditional water distribution organization in rice fields. The subak organization has 4 (four) elements such as agricultural land (rice fields), water sources, subak members and subak temples. So in every subak organization these four elements will always be there and are an absolute requirement for a subak organization [1]. Preserving subak is one way to maintain the preservation of agriculture and the environment in order to achieve food and biological security, especially in the Bali area. This belief is based on the reason that elements within the subak organization such as agricultural land, water distribution subak members, and ritual activities at the subak temple still function properly.

In general, subak is still wanted to play a role in the development process in Bali. Bali development means development that is able to prosper the Balinese people as a whole, maintain the stability of Bali from customary, religious and ethnic conflicts. In addition, some observers of subak, including the government, still believe that keeping subak is a way to save Balinese culture from the influence of tourism globalization. But there are many challenges that must be faced by subak as a traditional institution in Bali. These challenges may be able to destabilize the life joints of the subak or even threaten its existence if efforts cannot be made so that these challenges can be used as opportunities for the subak to strengthen and enhance its role in the future in accordance with the times. [2].

Based on the explanation above, it is necessary to study further the existence of subak in the era of globalization which is full of challenges in order to be able to survive as a pedestal for farmers in Bali in carrying out their agriculture. In this paper, we will discuss the challenges of subak both from the external side and from the internal side of the subak itself so that the existence of subak can survive in the future.

2. METHOD

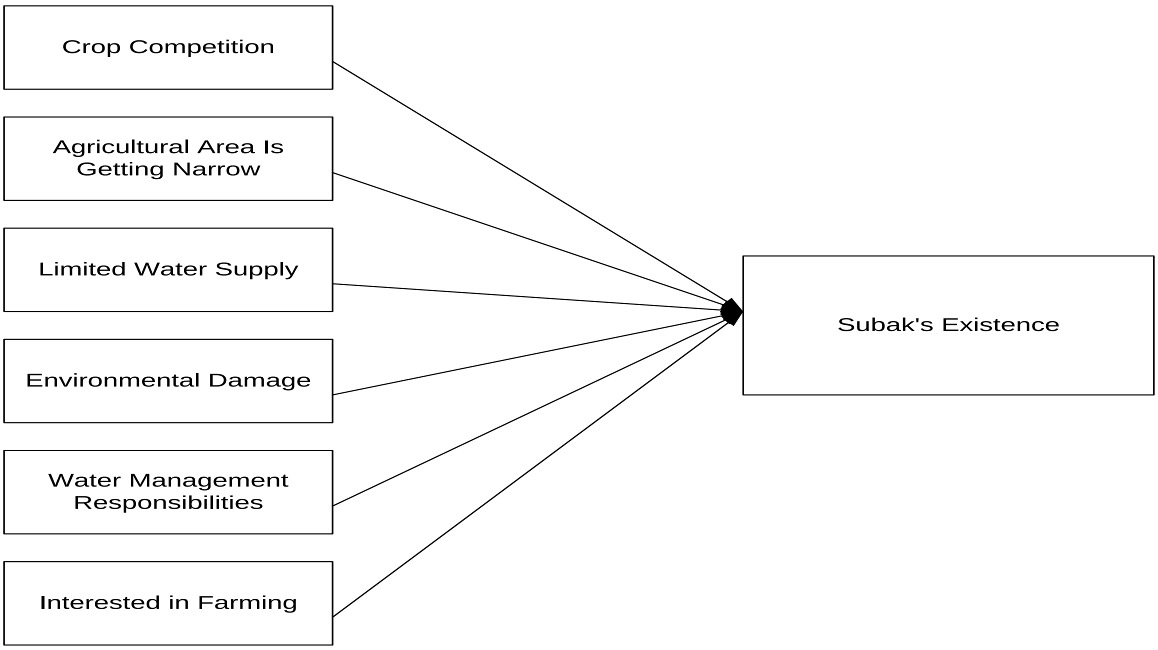
This is a systematic review of the literature, which explains how the research and development methodology is used to combine and evaluate research that is relevant to the core of a particular topic. The purpose of a systematic review of the literature is to examine, identify, evaluate, and interpret all research on an interesting phenomenon with a variety of questions in certain appropriate research [3]. This study employs descriptive analysis, which is a systematic presentation of the data obtained, followed by an explanation and justification for the reader.

3. RESULT AND DISCUSSION

The Balinese subak culture is a traditional irrigation management system as a pillar of Balinese culture, starting to face problems. The problem that arises is that nature is starting to degrade which has the potential to weaken the harmonization between humans and their environment in a number of subak [4] . Subak culture specifically related to rituals is only effective at the level of the superstructure. Ritual activities, the belief in the concept of Tri Hita Karana (THK) is still firmly attached to the Balinese people. However, at the implementation level, a number of subaks have begun to be degraded due to land conversion, professional change, a weak economy and the younger generation who are no longer interested in continuing the existence of subaks. [5].

here are various kinds of challenges faced by Subak, especially in facing the era of globalization which if not resolved, the survival of Subak could be threatened. As an illustration, the concept of the challenges faced by Subak will be presented in the following figure :

Figure 1 Subak Challenge in Bali



The real challenges faced by subaks in Bali today can be divided into 6, namely marketing competition for agricultural products, reduced agricultural area, increasingly limited water supply, environmental damage due to development of other sectors, handing over responsibility from the government to farmers in maintaining water networks, and declining public interest in working in the agricultural sector [6]

The Existence of Subak in the Era of Globalization

Judging from the previous presentation, there are various kinds of challenges faced by Subak as an agricultural organization based on local wisdom. Of course this is not easy to solve because it is very complex between one field and another. The real picture of the condition of Subak in Bali is presented as follows.

a. Competition in Marketing of Agricultural Products is Increasingly Sharp. So far, subak farmers are still acting individually in farming. In fact, they are classified as small farmers with a narrow cultivation area, limited capital and a very weak bargaining position

b. The Shrinking of Irrigated Rice Fields Due to Functional Transfer. One of the challenges faced by Subak is the shrinking of irrigated paddy fields as a result of the conversion to non-agricultural activities. In Bali in recent years the area of rice fields that have changed functions is estimated to reach 1000 hectares per year [1]

c. Water Availability Is Increasingly Limited. Increasing people's income and population as well as development in all fields, especially settlements and the tourism industry in Bali, demands the fulfillment of water needs that continue to increase both in terms of quantity and quality. This has an impact on the increasingly scarce availability of ground water for irrigation

d. Environmental Damage, especially Water Resources Pollution. In several places, there have been complaints from farming communities about environmental pollution, especially water resources in rivers and irrigation canals due to industrial waste and waste from hotels and settlements [7]

e. Handover of Irrigation Network Management Responsibilities to Farmers. Due to the increasingly limited capacity of the government, both in terms of personnel and funding, to carry out operation and maintenance activities (OP) of irrigation networks, the government has adopted a set of policies which basically give responsibility for managing irrigation networks to farmers who are members of P3A/subak. For irrigation networks over 500 hectares, farmers are required to pay the Irrigation Service Fee (IPAIR). Meanwhile, for those under 500 hectares, it is completely handed over to P3A/subak through the Small Irrigation Delivery Program (PIK).

f. Reduced Interest of Youth to Work as Farmers. There is a tendency that farming in the fields is considered no longer able to support improving the welfare of farmers compared to working in the industrial and service sectors, especially those related to tourism. This is due to the narrow area of arable land and the low exchange rate of farmers.

Judging from the fact that subak has still existed until now since its inception, which is almost a thousand years ago, it is necessary to be optimistic that subak will be able to face these challenges. However, it should be underlined that efforts are still needed to empower these traditional irrigation institutions in order to improve their ability to face the various challenges that come their way. But there are still some potentials that Subak has. First, a relatively stable organization such as a clear structure, clear management authority and responsibility, equipped with awig-awig (regulations) with various sanctions. Second, Each subak member has the right to supervise and monitor anyone, including the management, in implementing mutually agreed regulations. Third, high spirit of mutual cooperation in carrying out subak activities, especially in maintaining physical networks and subak ritual activities. The subak ritual is a unifying element for its members so that the subak becomes a strong and resilient organization. Fourth, subak has clear territorial boundaries and is based on hydrological principles not on the basis of administrative units. Fifth, subak has a philosophical foundation of Tri Hita Karana which emphasizes balance and harmony, namely balance and harmony between humans and each other, with their natural environment and with God Almighty. Sixth, subak has a mechanism for handling conflicts that arise between its members and between members of the subak concerned and members of other subaks. Seventh, Awig-awig can be changed and adjusted according to changing conditions based on the agreement of all subak members. Eigth, fundraising as one of the important functions of subak to finance repair and maintenance of irrigation networks as well as for the purposes of performing rituals.

In fact, not only the good potential is owned by Subak. Some of the weaknesses in the subak system include : (a) Most of the subaks in Bali do not have legal entity status; (b) The area of subak farmers is limited and many have the status of being passive. (c) Lack of capital ownership and limited access to credit owned by farmers / subak. (d) Weak bargaining position of farmers because they act individually in the procurement of production facilities and marketing of agricultural products. (e) Limited ability of farmers in the field of non-rice cultivation technology starting from the production process to post-harvest processing. (f) Limited managerial and entrepreneurial skills among farmers. (g) Weak control of farmers over market information, especially those related to quantity needed, price, time, quality, payment system, etc. (h) Lack of knowledge and mastery of technology in the field of conservation of natural resources, especially water resources. (i) There are still several DI (Irrigation Areas) which are a physical amalgamation of irrigation systems but do not yet have a forum for coordination between subaks within the DI environment concerned.

In fact, in some countries there are already irrigation organizations that are able to play a dual role, namely apart from being irrigation managers, they are also able to manage the activities of various economic businesses, such as those found in several irrigation organizations in India and Bangladesh. The economic activities carried out by irrigation organizations in Gujarat India, for example include: procurement of agricultural production facilities; credit; marketing of agricultural products; post-harvest processing; and providing agricultural extension services [8]. In Bangladesh there are irrigation organizations that manage groundwater and also successfully perform business functions that include crediting, marketing agricultural products, procurement of agricultural production facilities and leasing agricultural machinery [9]

Various efforts need to be made to strengthen subak institutions in order to continue to exist in the face of various future challenges. In subak conditions in Bali, several things must be done to perfect the subak institution so that it can become the focus of farmers in improving their welfare [10]. Overcoming the marketing competition of the subak members has not utilized subak institutions as a common container to conduct more agribusiness-oriented business activities. In the face of increasingly sharp competition, farmers should unite through an existing container that is subak in carrying out activities that are more agribusiness-oriented instead of just using the subak container only for the purpose of operation and maintenance (OP) irrigation network.

The reduction of rice fields in Bali due to switching functions is quite significant every know. The shrinkage of this rice field area is very rapid, even more so in locations near the city because it is triggered by prices that tend to soar [11]. It seems that farmers who own rice fields in the area around the city tend to be tempted by the offer of high land prices. Because, when compared to trying to work alone for farming the results are really unbalanced. Farmers may prefer to deposit money from the sale of their land in the bank and just receive interest every month which can be much greater than the results of their farm. If the shrinkage of rice fields in Bali continues as it is now feared that subak organizations will be endangered [12]. For that, it is necessary to establish policies that can reduce the acceleration of the transfer of irrigated land functions for example by requiring compensation in lieu of the investment value of irrigation network development for each transfer of functions, strict and indiscriminate enforcement of spatial violations and existing green lines. Even if necessary prohibit the transfer of irrigated land functions for non-agricultural use.

The scarcity of water sources should also get attention by subak. Competition that leads to conflicts of interest in its utilization between various sectors, especially the agricultural and non-agricultural sectors, is likely to increase in the future [7]. The absence of water control rights owned by users is one of the causes of conflicts in water utilization. This is understandable because the water that has been used more for agriculture, now and in the future must be allocated also to the non-agricultural sector. Considering that water is becoming increasingly scarce, farmers are required to be able to manage water more efficiently and so are other water users in order to be able to develop a water-saving culture.

The downward trend in water quality will increase along with the increasing number of industries that emit toxic waste that is channeled through rivers and irrigation canals. In this regard, subak is required to be able to play an active role in efforts to maintain environmental sustainability [13]. The need to encourage and facilitate the establishment of coordination containers between subak for the purpose of preventing or reducing the emergence of conflicts in the utilization of water between subaks in the same bend, coordinating the allocation of water more fairly, setting planting patterns and planting schedules between related subaks, coordinating the payment of Irrigation Service Contributions and receiving irrigation network assets from the government if the concerned will be handed over management responsibilities to the farmers/ subak.

Attracting the younger generation to farm is not easy. Working outside the agricultural sector tends to be more attractive than being a farmer who is all mud-covered and full of risks due to crop failure and price fluctuations [14]. It is understandable that the village youths of peasant families tend to abandon their parents and go to the city trying to find more prestigious jobs. It can also be expected that in the next few years who live in rural areas working as farmers are elderly people who are certainly less productive again. This tendency may have negative implications for the subak's own life. The government must be able to guarantee the price certainty of agricultural comuditas so that the profits obtained by farmers are not much different from the advanced sector [10]. With the certainty of the price of agricultural products, they can estimate more accurately how much profit is obtained from farming. This will make the young man interested in returning to farming as the focus of his life

4. CONCLUSSION

Conclusions from the previous exposure can be concluded as follows.

1. Subak is faced with various challenges both present and future. These challenges include trade liberalization (including agricultural products), the transfer of irrigated land functions to non-agriculture, the increasingly limited availability of water relative to needs, environmental damage, especially water resource pollution; the transfer of water management responsibilities, and the reduced interest of young people to work as farmers.
2. Faced with such challenges, subak will be able to maintain its existence because subak has potential such as a clear organizational structure, high spirit of gotong-royong, ritual activities that are basically a unifying element of the members, have a philosophical foundation Tri Hita Karana, the existence of conflict management mechanisms, and the existence of a function of extracting funds for the benefit of the organization.
3. Subak also did not escape from weaknesses such as mostly un-incorporated, the area of farmers' work is very narrow and has a status of captivity, limited farmer capital, weak farmer bargaining position, limited mastery of technology,

managerial and entrepreneurial ability and market information, and not all have a coordination container between subak

The advice that can be given from the results of the above exposure is as follows:.

1. Efforts that need to be taken to hold relevant programs in order to further strengthen subak institutions, such as the provision of legal entity status, training and education programs and counseling in various fields (administration and management, bookkeeping, operation, operation and maintenance of irrigation networks, environmental preservation, cultivation technology of various types of agriculture, market information services.
2. Involving subak in the decision-making process related to the problem of the problem, establishing policies that can reduce the acceleration of the transfer of rice fields, and facilitate the development of subaks that are able to play a double role as an irrigation institution as well as an economic institution

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Analysis of the Effect of Profitability, Company Size and Growth Opportunity toward Firm Value with Capital Structure as Intervening Variable in Consumer Goods Companies Listed on Indonesia Stock Exchange period 2018-2020

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ABSTRACT: This research was conducted to analyze whether profitability, company size and growth opportunity influence firm value with capital structure as an intervening variable toward consumer goods companies listed on Indonesia Stock Exchange period 2018-2020.This research selects 30 consumer goods companies listed on Indonesia Stock Exchange periode 2018 to 2020 as research objects using purposive sampling method. The results show that Profitability and Firm Size have a positive and significant effect on Capital Structure, while Growth Opportunity have no significant effect on Capital Structure. Profitability and Capital Structure have positive significant effect on firm value, while firm size and growth opportunity have no significant effect on firm value. Capital Structure cannot be intervening variable toward the effect of Profitability, Company Size and Growth Opportunity on Firm value.

KEYWORDS: Profitability, Company Size, Growth Opportunity, Capital Structure, Firm Value

I. INTRODUCTION

Rapid development of Indonesian economy has led to intense competition between companies that have gone public. This intense competition has encouraged many companies to improve their performance for the purpose of maximizing profit as the main purpose of establishing a company.

A company that has gone public or listed on the IDX is a business entity that was established with short-term as well as long-term goal. In short-term, the main purpose of establishing a company is to generate profit while during long-term, company aim to maximize the firm value. (Brigham and Houston, 2011)

Firm value is essential for a company because it provides an overview to shareholders about the state and management of the company which can be measured by Price to Book Value (PBV). Increase of firm value will encourage investors to invest as they believed that the company have future and vice versa. Increased firm value followed by a high rate of return on investment to shareholders will affect shareholder value (Ramdhonah et al., 2019)

Consumer goods sector plays an important role in boosting Indonesia's economic growth as it produces products that are consumptive and daily needs such as food and beverages, cosmetics, etc. Furthermore, demand for investing in consumer goods sector is increasing over the years as demand for consumer goods products is increasing continuously.

Firm value can be influenced by profitability. Profitability is measured by Return on Assets (ROA). ROA is used to examine how efficiently a company uses its assets to generate profit. Higher ROA represents the company's ability to generate profits through the use of existing assets therefore can influence firm value because firm value can be determined by the number of company's total assets. (Yanti and Santoso, 2018)

Several previous studies done by Fauziah and Sudiyatno (2020), Amro and Asyik (2021), Oktiwiati and Nurhayati (2020) showed that profitability have positive and significant effect toward firm value . On the other hand, previous studies done by Nurul Isnaeni (2020) and Kumalasari et al (2020) showed that profitability have no significant effect toward firm value.

Firm value can be influenced by company size. Company size is also important factors in increasing firm value. Company size describes the size of a company. Company size is figured by the total assets owned by the company. Companies with large amount of total assets demonstrate that the company has more strong sources of funding so that it can attract potential investors to invest therefore firm value increases. (Chasanah, 2018)

Company size in this study was measured using logarithm (Ln) total assets with the aim of reducing excessive data fluctuations. Total assets must be calculated with the natural logarithm (Ln) because total assets of the company commonly amount to billions until trillions while other variables are in percentage units. (Susilawati, 2020)

Based on research that Pangesti et al., (2020), Nurul Isnaeni (2020), Oktiwiati and Nurhayati (2020) that company size has a significant effect on firm value while research conducted by Mardevi et al., (2020), Oentoro and Susanto (2020) and Rizkya Paulita Nasution (2021) stated that company size had no significant effect on firm value.

Firm value can be influenced by growth opportunity. Growth Opportunity is measured by total Assets Growth (TAG) is used as one of the independent variables in this study because growth opportunity is also an important factor that affects firm value. The company's high growth opportunity will provide a positive signal to investors because it shows prospects in the future. (Novitasari and Krisnando , 2021)

Growth opportunity shows the opportunity of a company to grow even better in the future. Companies that have high growth opportunities will use long-term debt more. Companies that grow rapidly will continue to try to increase their fixed assets. As the result, companies with high growth rates require more funds in the future and also retain more profits. (Yanti et al., 2018)

Several previous studies conducted by Atiningsih and Wahyuni (2020) and also Marpuah et al., (2021) stated that Growth Opportunity has significant effect on firm value while previous studies conducted by Aslindar and Lestari (2020) , Terrania and Wahidahwati (2021) Setiyowati et al., (2020) also Desy Harfiani (2021) stated that Growth Opportunity has no significant effect on firm value.

For the purpose of increasing firm value, management also needs to apply the right and optimal capital structure for company. By managing the right capital structure, will help achieve company goals.Furthermore, the capital structure is also important to meet the production needs of the company. Optimal capital structure will have a positive impact on the company and indirectly increase the company's financial position as well as the firm value. Failure in managing the capital structure will result in a large amount of debt, then increase financial risk due to the company's inability to pay interest and debt as the result firm value will also decrease. (Dewi and Sudiartha, 2017)

The fundamental factor influencing firm value which is the independent variable of this study such as profitability, company size and growth opportunity have shown inconsistencies in the previous research results toward firm value. Therefore intervening variable such as Capital Structure measured with Debt to Equity Ratio is implemented. Intervening variables are variables that are assumed to indirectly affect the relationship between the independent variable and the dependent variable which cannot be observed or estimated

II. LITERATURE REVIEW

A. Signalling Theory

Signalling theory stated that that it is important for companies to convey information through financial reports to parties outside the company in a good and accountable manner. Companies have more information about the company's financial condition and performance as well as challenges and opportunities in the future, this causes information asymmetry. The non-exposure of information provided by the company to outsiders can lead investors' doubts to invest their capital, this happens because investors want to protect themselves from losses so that investors give a low value to the company. Positive signals conveyed by companies through financial statements can reduce information asymmetry. (Sudiyatno E.S., 2018)

B. Firm Value

Firm value can be measured using price to book value (PBV) is the comparison between the stock price and the book value per share. The higher the PBV, the higher the level of prosperity of the shareholders because it is the fundamental goal of a company. Price to Book Value ratio can be implemented to all types of companies because book value can be a rational measure for valuing companies. (Sartono, 2015)

Firm value indicates the level of success of a company which is always associated with stock prices. The increasing stock price has a high impact on the value of the company and company's future prospects. (Susilawati, 2020). Firm value can be calculated as follow:

$$Price\ to\ Book\ Value\ (PBV) = \frac{Harga\ per\ lembar\ saham}{Nilai\ Buku\ per\ lembar\ saham}$$

C. *Profitability*

Profitability is measured by Return on Assets (ROA). Return on Assets (ROA) is included as one of the profitability ratios. In financial statement analysis, this ratio is most often applied because it can show the company's success in generating profits. ROA is able to measure the company's ability to obtain profits in the past so that it can be projected in the future. ROA can be calculated as follow:

$$Return\ on\ Assets = \frac{Laba\ Bersih}{Total\ Aset}$$

D. *Company Size*

According to Pratiwi (2016), company size can be indicated using total sales, total assets, as well as market capitalization. However, total assets are the most stable measurement compared to other measurement in measuring company size. Total assets are transformed into the natural logarithm (ln) because total assets value is relatively large compared to other variables. Therefore, company size can be calculated as follow:

$$\text{SIZE = Ln Total Aset}$$

E. *Growth Opportunity*

Growth Opportunity is the shifting of either in the form of a decrease or an increase in the total assets possessed by the company. Asset growth is calculated as the percentage change in assets in a current period against the previous period. (Novitasari and Krisnando, 2021). The calculation formula is as follow:

$$Total\ Assets\ Growth = \frac{\text{Total Asset t} - \text{Total Asset t} - 1}{\text{Total Asset t} - 1}$$

F. *Capital Structure*

Capital Structure is the mixture of debt and equity to finance company operations and shows the portion of capital originating from debt sources (creditors) as well as showing the share of capital from the owners of capital (equity) itself. (Rini, 2018). Capital structure measured using Debt to Equity Ratio with formula as follow:

$$Debt\ to\ Equity = \frac{Total\ Hutang}{Total\ Ekuitas}$$

G. *Profitability and Capital Structure*

Kusna and Setijani (2018) stated that Profitability shows the company's ability to obtain profits through the utility of assets. Profitability will affect management decisions in using funding either from internal or external funds for the company's operational needs. Profitability can affect the amount of debt or capital from external companies needed for operational needs. The higher the profitability will increase the needs of using external funds such as debt.

Akbar and Fahmi (2020) found that Profitability has significant effect on Capital Structure.

H_1: Profitability has significant effect on Capital Structure

H. *Company Size and Capital Structure*

Company size is one of the important factors considered before making decisions related to capital structure. Companies with large sizes will find it easier to get loans when compared to small companies. Companies with large sizes will also tend to use greater debt because the need for external funds is increasing along with the growth of company size. Therefore, the larger the company, the larger the external funds needed by the company (Arief et al., 2016)

Andrew Santoso (2018) on his research stated that Company Size has significant effect on Capital Structure.

H_2: Company Size has significant effect on Capital Structure

I. Growth Opportunity and Capital Structure

Ayu Anggraini (2019) stated that companies with high growth opportunities require greater capital because of their high productivity level and companies will continue to increase their fixed assets as well. Therefore, companies with high level of growth opportunities will use external capital in the form of debt or funds from outside the company to finance the company's operations and increase internal capital to support the company's growth. Marpuah et al., (2021) found that Growth Opportunity has significant effect on Capital Structure.

H_3: Growth Opportunity has significant effect on Capital Structure

J. Capital Structure and Firm value

Capital Structure is the decision for either use debt or equity to finance company operation. The decision to use high debt can increase firm value because it shows the company's prospects in the future. The use of debt is a positive sign or signal from the company that can make investors value the share price higher than the amount recorded on the company's balance sheet, therefore firm value will increase accordingly (Suwardika et al., 2017). Research conducted by Nurwahyuni et al (2020) stated that Capital Structure has significant effect on Firm Value .

H_4: Capital Structure has significant effect on Firm Value

K. Profitability and Firm value

Research conducted by Radja dan Artini (2020) showed that Profitability has significant effect on Firm Value.Profitability is an indicator used to assess a company because it shows the effectiveness of a company and shows how the company's management manages its resources (assets) to generate profits. High profitability will indicate good company prospects thereby increasing demand for shares. The increasing demand for shares will boost firm value (Aslindar and Lestari , 2020)

H_5: Profitability has significant effect on Firm Value

L. Company Size and Firm value

Company size represents total assets occupied by the company. The advantage of large companies is that they attract investors to invest because they are considered to have great prospects in the future, therefore company also increases (Hartini, 2019). Research conducted by Pangesti et al., (2020) showed that Company Size has significant effect on Firm Value.

H_6: Company Size has significant effect on Firm Value

M. Growth Opportunity and Firm value

Research conducted by Atiningsih dan Wahyuni (2020) stated that Growth Opportunity has significant effect on Firm Value. Companies with high growth opportunities represents that there are opportunities for companies to earn high profits in the future therefore increase the value of the company (Dewi and Sudiartha, 2017).

H_7: Growth Opportunity has significant effect on Firm Value

N. Profitability on Firm Value with Capital Structure as an intervening variable

Companies with high level of profitability will easily get funds from external parties in the form of debt because the company is considered to have good performance because the company is considered to be able to use all of its capital optimally in generating maximum profits for the company. For the purpose of increasing the value of the company, the company can make policies related to the use of debt to give investors confidence that the company's performance is getting better as indicated by the company's increasing profits. Jemani and Erawati (2020) found that Profitability has significant effect on Firm Value with Capital Structure as an intervening variable. Companies with a high level of profitability tend to be attractive to investors because they are assumed to generate large returns in the future therefore increase firm value.

H_8: Profitability has significant effect on Firm Value with Structure Capital as an intervening variable.

O. Company Size on Firm Value with Capital Structure as an intervening variable

Nurul Isnaeni (2020), Company size is one of the significant factors that affects the capital structure because large companies often have a lot of loans/debts. An increase in debt can raise the value of the company because investors believe that the company can set up optimal capital structure to improve company performance as well as firm value. Vernando and Erawati (2018) on their research stated that Company Size has significant effect on Firm Value with Capital Structure as an intervening variable

H_9: Company Size has significant effect on Firm Value with Capital Structure as an intervening variable

P. Growth Opportunity on Firm Value with Capital Structure as an intervening variable

Growth opportunities expressed by asset growth indicate the level of asset development from the previous period. Companies with fast growth rates highly rely on external funding sources. Thus, the growth of the company will trigger an increase in the capital structure. Companies with external funds obtained will be used to finance company operations in improving company performance. Investors will believe in investing in the company therefore firm value increases.

Pratiwi dan Budiarti (2020) on the research showed that Growth Opportunity has significant effect on Firm Value with Capital Structure as an intervening variable

H_{10}: Growth Opportunity has significant effect on Firm Value with Capital Structure as an intervening variable

III. RESEARCH METHOD

This research is associative research that focused on analyzing the relationship between two or more variables on firm value. The research was conducted on consumer goods companies listed on the Indonesia Stock Exchange period 2018-2020.This research uses secondary data such as financial statements of each company selected as sample obtained from official website of Indonesia Stock Exchange. This research applies non-probability sampling technique with purposive sampling method. This method establishes certain criteria to select sample that applied in this research.

IV. RESEARCH FINDINGS

Table 4.1 Descriptive Statistics Result

Delimiter: Semicolon | Encoding: UTF-8 | Re-Analyze | Open External
Value Quote Character: None | Sample size: 90
Number Format: US (example: 1,000.23) | Indicators: 5
Missing Value Marker: None | Missing Values: 0

Indicators: | Indicator Correlations | Raw File | Copy to Clipboard

	No.	Missing	Mean	Median	Min	Max	Standard ...	Excess Ku...	Skewness
ROA	1	0	0.120	0.097	0.001	0.921	0.126	18.009	3.549
SIZE	2	0	28.943	28.695	25.955	32.726	1.560	-0.314	0.601
GROWTH...	3	0	0.112	0.082	-0.287	1.676	0.218	29.156	4.407
DER	4	0	0.651	0.506	0.130	3.159	0.525	7.922	2.351
PBV	5	0	4.654	2.398	0.295	60.672	8.704	24.290	4.668

Source: Authors' calculations (2021)

Based on the results of converting Microsoft Excel data which is then run on SmartPLS as shown in Table 4.1, it shows the minimum value, maximum value, average value (mean), and standard deviation of the ROA variable ($X1$), SIZE variable ($X2$), TAG (X3) , DER (Z), and PBV (Y) with the following explanation:

1. The ROA variable has a sample size of 90, with a minimum value of 0.001 at Sekar Bumi Tbk in 2019 and a maximum value of 0.921 at Merck Tbk in 2018 while the mean is 0.120 with standard deviation of 0.126.
2. The SIZE variable has a sample size of 90, with a minimum value of 25,955 at Pyridam Farma Tbk in 2018 and a maximum value of 32,726 at Indofood Sukses Makmur Tbk in 2020, while the mean is 28,943 with standard deviation of 1,560.
3. The Growth Opportunity variable has a sample size of 90, with a minimum value of -0.287 at Merck Tbk in 2019 and a maximum value of 1.676 at Indofood CBP Sukses Makmur Tbk in 2020 while the mean is 0.112 with standard deviation of 0.082
4. The DER variable has a sample of 90, with a minimum value of 0.130 at Campina Ice Cream Industry Tbk in 2020 and a maximum value of 3.159 at Unilever Indonesia Tbk in 2020 while the mean is 0.651 with standard deviation of 0.525.
5. The PBV variable has a sample size of 90, with a minimum value of 0.295 at Wismilak Inti Makmur Tbk in 2018 and a maximum value of 60,672 at Unilever Indonesia Tbk in 2019 while the mean is 4,654 with standard deviation of 8,704.

Table 4.2 R Square

R Square

Matrix | R Square | R Square Adjusted

	R Square	R Square Adjusted
Y	0.487	0.462
Z	0.150	0.121

Based on table 4.2, the value of R-Square Adjusted on the firm value is 0.462. This value is interpreted as the ability of Profitability (ROA), Firm Size (SIZE), Growth Opportunity (TAG) and Capital Structure (DER) in influencing Firm Value (PBV) of 46.2% and the rest is explained by other variables/factors of 53.8%.

Based on table 4.2, the R-Square Adjusted value on the capital structure is 0.121. This value is interpreted as the ability of Profitability (ROA), Firm Size (SIZE), and Growth Opportunity (TAG) in influencing Capital Structure (DER) of 12.1% and the rest is explained by other variables/factors of 87.9%.

Table 4.3 F Square

f Square

Matrix | f Square | Copy to Clipboard:

	X1	X2	X3	Y	Z
X1				0.298	0.105
X2				0.011	0.032
X3				0.050	0.004
Y					
Z				0.288	

Source: Authors' calculations (2021)

Based on table 4.3, it can be stated as follow:

a. The effect of ROA on firm value has F Square = 0.298 is moderate or medium category

b. The effect of SIZE on firm value having F Square = 0.011 is a weak or small category

c. The effect of TAG on firm value having F Square = 0.050 is a weak or small category

d. The effect of DER on firm value having F Square = 0.288 is a moderate or medium category

e. The effect of ROA on DER having F Square = 0.105 is a moderate or medium category

f. The effect of SIZE on DER having F Square = 0.032 is a weak or small category

g. The effect of TAG on DER having F Square = 0.004 is a weak or small category

Table 4.4 Path Coefficients

Path Coefficients

Mean, STDEV, T-Values, P-... | Confidence Intervals | Confidence Intervals Bias ... | Samples | Copy to Clipboard: | Excel Format | R Format

	Original ...	Sample ...	Standard ...	T Statistic...	P Values
X1 -> Y	0.418	0.499	0.179	2.334	0.020
X1 -> Z	0.303	0.283	0.149	2.027	0.043
X2 -> Y	0.080	0.039	0.096	0.839	0.402
X2 -> Z	0.170	0.170	0.078	2.177	0.030
X3 -> Y	-0.166	-0.137	0.088	1.886	0.060
X3 -> Z	0.064	0.072	0.094	0.681	0.496
Z -> Y	0.417	0.380	0.164	2.535	0.012

Source: Authors' calculations (2021)

Hypothesis test is the analysis performed by comparing the T-table with the T-statistics obtained from bootstrapping result in SmartPLS. The hypothesis is accepted if the T-statistics value > T-table (1.96) with a significance level of 5% or through P-value = 5%, p-value = 0.05 (Ghozali, 2011). Path Coefficients are useful for testing the hypothesis of the influence of an exogenous variable on the endogenous variable. The result based on table 4.4 showed that Profitability (X1) and Company Size (X2) have positive and significant effect on capital structure (Z) whereas Growth Opportunity (X3) has no significant effect on capital structure (Z). Furthermore, Capital Structure (Z) has significant effect on Firm Value (Y). Profitability (X1) also has significant effect on Firm Value (Y).On the other hand, Company Size (X2) and Growth Opportunity (X3) has no significant effect on firm value (Y).

The test result shows that H1 is proven and consistent with result of the research done by Thaib and Dewantoro (2017), Savitri et al (2021), Azmi et al (2019), Jemani and Erawati (2020), Ayu Anggraini (2019), Antoro et al (2020), Denziana dan Yunggo (2017), Warsono and Zoebaedi (2019). The results of the study indicate that companies that have high profitability will encourage company managers to borrow more debt because the company require more external funds to continuouslly expand. In accordance with the Signaling theory which states that an increase in profitability will be captured as a positive signal that can increase creditor willingness to lend company debt. With high profitability, companies will have easier access to external funds because creditors are more confident in lending funds to companies with high profitability because they believe that the company can meet its financial obligations. Increase in debt can result in an increase in capital structure.

In this research, Consumer goods companies are selected as sample which process raw materials into finished goods for the people's daily needs. So that in operational activities, the company needs more external funds to encourage increased profits in the future because company will continue to expand related to product development and production processes. Therefore, companies that have high profitability will need more external funds and have easier access to loans so that the capital structure will also improve.

The test result shows that H2 is proven and consistent with result conducted by Marpuah et al (2021), Warsono dan Zoebaedi (2019), Andrew Santoso (2018), Vernando dan Erawati (2018). Based on Signalling Theory, large companies is a positive signal for creditors to lend debt. Because large companies are considered capable of paying back debts as they have high profits and have stable cash flows so that companies can reduce the risk of using debt and the probability of bankruptcy is low compared to small companies. Therefore, larger companies will increase capital structure.

Consumer goods companies tend to have relatively large sizes, which can be seen through the total assets possessed by companies in this sector. Because starting from the processing of raw goods to production, it requires various kinds of assets, including high-tech production machines and factories

Furthermore, asset turnover in the consumer goods industrial sector tends to be high. Asset turnover is a ratio that shows the company's efficiency in using its assets to generate a certain sales volume. The higher the ratio, the more efficient the use of the company's overall assets which causes the company's sales level to increase. Therefore, consumer goods companies with relatively large size will increase capital structure as external funds such as debt is also increasing.

The test result shows that H3 is not proven but is consistent with result conducted by Afinindy (2021), Antoro et al (2020), Yanti et al (2018), dan Ayu Anggraini (2019) that stated Growth Opportunity or changes in asset growth obtained by the company do not affect management's funding decisions, because asset growth without an increase in profit does not affect the company's capital structure.

The high level of sales in consumer goods companies can cause the company's Growth Opportunity to be even higher. Furthermore, this sector produces products for the daily needs of the community so that the growth opportunities for this sector tend to be high. However, Growth Opportunity, which is marked by changes in the increase in an asset obtained by the company but is not followed by an increase in profit, will not have significant impact on the company's capital structure. This condition shows that companies with high assets tend to use internal funds and company’s fixed assets to meet the company's operational needs. The increase in assets indirectly makes the company's debt increase. Companies that have abundant cash flow can use their internal funds to purchase assets without having to use debt.

The test result shows that H4 is proven and is consistent with result conducted Anjarwati et al (2016), Jemani and Erawati (2020), Afinindy (2021), Aslindar and Lestari (2020), Nurwahyuni et al (2020), Radja and Artini (2020), serta Novitasari and Krisnando (2021). This result is in line with signaling theory which states that the decision to use debt gives a positive signal to investors. Companies that use debt are considered as companies that are confident in their company's prospects in the future. The company uses debt at a certain level and uses it as capital so that it can develop its business in the hope that the company will receive greater profits. With a larger profit or profit, of course, it can increase the value of the firm.

Consumer goods companies produces product such as food and beverages, household needs, pharmaceuticals and so on, has the advantage of the demographic factor of the population and a large consumer base like Indonesia. With this advantage, consumer goods companies have high resilience to the economic crisis, but are still experiencing changes in the composition of their capital structure. Capital structure of companies in this sector continues to increase because this sector has high operating activity so that it requires external funds to meet the company's operational activities, which in turn can increase the firm value.

The test result shows that H5 is proven and is consistent with result conducted by Aslindar and Lestari (2020), Nurwahyuni et al (2020), Radja and Artini (2020),Warsono and Zoebaedi (2019). This research is in accordance with signaling theory which explains that higher profitability can indicate better company prospects so that it will be a positive signal for investors to invest in the company. If the market can respond positively to the signal, then the firm value will increase consecutively.

Consumer goods companies have a high operating activity thus this sector company must be able to manage each of its activities in order to obtain maximum profit therefore this sector also tends to have a high inventory turnover. Inventory turnover that is increasing indicates the level of turnover of funds embedded in inventory is also high. Inventory turnover shows the company's performance in its operational activities. The higher the level of inventory turnover, the company's profitability will be higher as well. (Hery, 2018)

The test result shows that H6 is not proven but is consistent with result conducted by Mardevi et al., (2020), Oentoro and Susanto (2020) and Rizkya Paulita Nasution (2021). This result indicates that investors do not consider the total value of the assets owned by the company, whether the company enters the large-scale category or not is not a determinant in determining the value of the company. This is due to the company's lack of ability to manage assets efficiently, if the company has a large or small company size but has the ability to manage assets efficiently then this will certainly affect the increase in firm value (Laveda and Khoirudin, 2020)

The test result shows that H7 is not proven but is consistent with result conducted by Aslindar and Lestari (2020) , Terrania and Wahidahwati (2021) Setiyowati et al., (2020) and Desy Harfiani (2021). Growth Opportunity of companies in the consumer goods companies sector tends to be high because this sector produces people's daily needs such as food, medicine, etc. However, companies that have high level of Growth Opportunity but not followed by an increase in profit does not impact the value of a company. Companies that grow rapidly often have to increase their fixed assets for the purpose of development for the companies. Thus, companies with high growth rates require more funds in the future and also retain more profits. Companies with this condition are less attractive to investors so that Growth Opportunity is not included as one of the consideration for investors to invest.

Table 4.5 Specific Indirect Effects

Specific Indirect Effects

Mean, STDEV, T-Values, P-... | Confidence Intervals | Confidence Intervals Bias ... | Samples | Copy to Clipboard: | Excel Format | R Format

	Original ...	Sample ...	Standard ...	T Statistic...	P Values
X1 -> Z -> Y	0.126	0.116	0.079	1.604	0.109
X2 -> Z -> Y	0.071	0.067	0.044	1.612	0.108
X3 -> Z -> Y	0.027	0.025	0.037	0.717	0.474

Source: Authors' calculations (2021)

Specific Indirect Effect or Path Analysis (Path Analysis) showed in table 4.5 determine the direct and indirect effect between the variables of profitability, firm size, growth opportunity, capital structure, and firm value.

Path analysis is an analysis used to explore the influence (either direct or indirect) of the independent variable (independent) on the dependent variable (dependent). (Sihite, 2018)

The test result shows that H8 is not proven but is consistent with result conducted by Savitri et al (2021), Azmi et al (2019), Afinindy (2021), Rahmatullah (2019), Aslindar dan Lestari (2020), Yanti et al (2018). This result indicates that when the company's profitability is high, it will increase investor interest so tthe value of the company increases. Companies with high profitability will have an increased capital structure as well. Although the capital structure increases, it does not affect the value of the company because investors tend to pay attention to the company's profitability performance because companies that have high profitability are assumed to be able to fulfill their debt obligations so the value of the company can still increase even though investors know the company's capital structure is high.

The test result shows that H9 is not proven but is consistent with result conducted by Pratiwi dan Budiarti (2020), Azmi et al (2019), Afinindy (2021), Nurul Isnaeni (2020). Large companies with large total assets but are not able to manage assets efficiently to generate profits will not attract investors and cannot affect the effect of size on firm value. Because investors often focus on the ability of company to manage their assets to maximize profit.

The test result shows that H10 is not proven but is in line with result conducted by Afinindy (2021), Aslindar and Lestari (2020), Yanti et al (2018). Growth opportunity, which is expressed by asset growth, shows the level of asset development from the previous period to a certain period. The result of this study indicate that growth opportunities have no effect on firm value through capital structure as an intervening variable because companies that have a high level of growth opportunities have large assets but are not followed by an increase in profits will not have an impact firm value. Companies with high growth rates require a lot of funds in the future and also retain more profits so that they are less of a concern to investors.

V. CONCLUSIONS

The conclusion of this study is Profitability had a positive and significant effect on Capital Structure, Firm Size had a positive and significant effect on Capital Structure, Growth Opportunity had a positive and not significant effect on Capital Structure. Profitability had a positive and significant effect on firm value, firm size has a positive and not significant effect on firm value, growth opportunity had a negative and not significant effect on firm value. Capital Structure could not be the intervening variable toward the effect of Profitability, Company Size and Growth Opportunity toward firm value

This study may have managerial implications which show that investors who want to invest in companies in consumer goods companies, they should consider the ratios used in research such as Profitability (ROA) as a reference for determining the company to invest in. Investors are advised to choose a company that has a high ROA value because it will be able to increase the value of the company by using assets efficiently. Furthermore, investors also need to pay attention to the company's ability to determine the optimal capital structure (DER), which can increase company value and increase shareholder wealth through increasing share prices. Future research should be able to more secondary data of other sectors of the company. Moreover, future research is also expected to be able to add more independent variables to analyze their effect on firm value and increase the period of research.

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The Relationship Between Financial Development, Inflation and Economic Growth: The Case of MINT Countries

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ABSTRACT: Along with the integration of money and capital markets, macroeconomic variables such as growth and inflation, which are among the indicators of macroeconomic stability, are also among the determinants of financial development in developed and developing countries. The relationship between financial development and growth is mostly explained by the process of transferring savings to investments in the literature. In endogenous growth theories, financial development is taken as an indicator of growth.

In this study, the relationship between financial development, inflation and economic growth was examined with the Kónya (2006) panel causality test for MINT countries in the 2010-2020 period. According to the causality analysis, it was concluded that there is a bidirectional causality relationship between the credit given to the private sector, which is accepted as an indicator of financial development, and growth. In line with the causality analysis findings, it was concluded that Arthur Lewis (1955)'s 'supply leading hypothesis' which states that financial development causes growth as well as Joan Robinson (1952) and Goldsmith's (1969) 'demand-followed hypothesis' which states the causality relationship from growth to financial development, are valid in MINT countries.

1. INTRODUCTION

Among the main objectives of the economic policy, besides ensuring price stability and growth, thus economic stability, there are also fair income distribution, efficiency in resource distribution, and ensuring balance in the balance of payments. For this reason, the relationship between inflation and growth variables comes to the fore first.

In macroeconomic theory, in line with the views of Mundell and Tobin in the 1960s and 1970s, it is stated that inflation will have positive effects on growth. Also referred to as the Keynes-Kaldor effect in the literature, it is that redistribution of income to those with a high propensity to save will increase growth by causing an increase in savings. Depending on the decrease in financial returns in inflationary periods, investments are directed from the financial sector to the real sector and it is also expressed as the Tobin effect, where capital accumulation will increase (Karabulut, 2019: 172).

It is argued that inflation, which is defined as the increase in the general level of prices, will cause an increase in capital accumulation and an increase in capital accumulation will cause an increase in growth. Later, in theory, this view has changed, inflation will increase the uncertainties about the future due to the rise in prices, and the capital owners do not want to incur losses. While it is desired to increase total demand with Keynesian policies, it affects growth negatively by causing an increase in inflation (Altunoz, 2013: 176, 177).

The relationship between inflation and economic growth is examined in three different groups in the literature (Yaprakli, 2010: 288-290): Some of the studies that concluded that there is a positive relationship between inflation and economic growth in the first group studies are Karras (1993), Black, Dowd and Keith (2001), Mallik and Chowdhury (2001), Rapach (2003), Benhabib and Spiegel (2006). In the second group of studies, Fischer (1983), Kormendi and Mequire (1985), Grier and Tullock (1989), Grimes (1991), Smyth (1992), De Gregorio (1993), Alexander (1997), Motley (1998), Judson et al. Orphanides (1999), Kim and Willet (2000), Gylfason and Herbertsson (2001), Caporin and Maria (2002), Roe (2003), Barber and Artan (2004), Apergis (2005), Artan (2006) and Hodge (2006)'s studies show that there is a negative relationship between inflation and economic growth. Among the third group studies, Fischer (1993), Bullard and Keating (1995), Ericsson, Irons and Tyron (2001), Bhatia (1960), Johnson (1967), Faria and Carneiro (2001), Chowdhury (2002), Hineline (2004) and Vaona (2006), it was concluded that there is no significant relationship between inflation and economic growth.

In the studies of Boyd, Levine and Smith (2001), Cuadro, Gallego and Herrero (2003), Haslag and Koo (1999), Zoli (2007), in which the relationship between financial development and inflation are examined, it is seen that an increase in inflation causes negative effects on financial development. Dehasa, Druck and Plekhanov (2007) and Bittencourt (2008) concluded that a decrease in inflation causes an increase in the amount of credit utilization and therefore has a positive effect on financial development (Turkmen and Agir, 2020: 579).

Arthur Lewis (1955) deals with the relationship between financial development and growth with the "supply leading hypothesis". According to the hypothesis, financial development as a result of economic growth in financial markets is defined as having a stimulating role in real economic growth. Joan Robinson (1952), on the other hand, states that with the “demand-following hypothesis” founded by Goldsmith (1969), financial development follows economic growth and that the developments in the real dimension of the economy will cause financial development (Altunoz, 2013: 184; Tuncay and Oruc, 2021: 2115).

The relationship between financial development and economic growth is explained by four different approaches. According to the supply-side approach, financial development causes growth. An advanced financial system causes a rapid increase in capital accumulation. Increasing capital accumulation provides positive contributions to the growth process by increasing technological development. In the demand-side approach, on the other hand, financial development causes economic growth, provided that real growth occurs through real economic activities. According to the third hypothesis, it is claimed that there is a bidirectional causality relationship between financial development and economic growth, which also expresses that real and financial sectors encourage each other's development. The fourth approach is the hypothesis led by Lucas (1988) and Stern (1989), which states that there is no causal relationship between financial development and economic growth, that is, the two variables are independent from each other (Al-Yousif, 2002: 132; Hayaloglu, 2015: 132).
When the studies in the literature are examined, Schumpeter (1911), Gurley and Shaw (1960), Goldsmith (1969), McKinnon (1973), Shaw (1973), King and Levine (1993), Beck et al. (2000), Arestis et al. (2001), Falahaty and Hook (2003), Caporale et al. (2005), McCaig and Stengos (2005), Artan (2007), Ang (2008) concluded that financial development has a positive effect on growth. Achy, (2004), Chang (2002), Acaravci et al. (2009), on the other hand, concluded that financial development does not have an important role in the economic growth process for the period examined in the studies and for the countries and country groups discussed. In the studies of Müslümov and Aras (2002), Christopoulos and Tsionas (2004), Thangavelu and James (2004), Chang and Caudill (2005), and Islam and Shah (2012), it was found that financial development causes economic growth. In the studies of Liang and Teng (2006), Ang and McKibbin (2007), and Odhiambo (2008), it was stated that economic growth causes financial development. Al-Yousif (2002), Calderon and Liu (2003), Pradhan et al. (2013), Dritsakis and Adamopoulos (2004), Shan and Jianhong (2006) found that there is a bidirectional causality relationship between financial development and economic growth (Hayaloglu, 2015: 132).

The relationship between economic growth and financial development by Schumpeter (1911) is explained by the role of the banking system, which is financial institutions, on economic growth. It is argued that financial institutions have an encouraging role in the growth and technological innovation and development process. Patrick (1966), on the other hand, argues that there is a bidirectional causality relationship between financial development and economic growth (Tuncay and Oruc, 2021: 2114, 2115).

Although the product variety of financial markets is among the financial development indicators, monetary aggregates as quantity criteria, indicators related to credit and variables related to the capital market are among the indicators used to measure the development of the financial sector. Money supply definitions, domestic credit volume data and stock market indicators are also accepted as quantity criteria (Kar and Agir, 2005). In endogenous growth theories, financial development is an indicator of economic growth (Turkmen and Agir, 2020: 578).

2. DATASET AND METHODOLOGY

In this study, it is aimed to examine the relationship between financial development, inflation and economic growth for MINT countries - Mexico, Indonesia, Nigeria and Turkey - for the 2010-2020 period. In the study, econometric analyzes were made using economic growth, financial development and inflation indicators. The annual % change in consumer prices, % annual change in economic growth and domestic credit given to the private sector (percentage of GDP) are taken as the inflation variable. Econometric analyzes of the study were performed using the Gauss 10.0 econometric program.

The data used in the study were taken from the "data.worldbank.org" databases. In the study, the analysis of the variables in the study was performed with the Breusch-Pagan (1980) $CDLM_1$ and Pesaran (2004) $CDLM_2$ horizontal cross section dependency tests and the Kónya (2006) panel causality test.

2. 1. Econometric Analysis and Findings

The cross-sectional dependence is explained by the assumption that all units are affected by a possible shock to the units that make up the panel, and that the other countries that make up the panel are affected by a possible macroeconomic shock to any of the countries. Due to the increase in globalization, international trade level and financial integration between countries, it can be said that the economic shock of the global financial crisis in 2008 will affect other countries differently. For this purpose, the findings obtained from the econometric analyzes made without considering the cross-sectional dependency give consistent results. It is necessary to test the cross-sectional dependence between the series before making the analysis (Mercan, 2014: 235; Menyah et al., 2014: 389; Kocbulut and Altıntas, 2016: 152).

Breusch-Pagan (1980) $CDLM_1$ and Pesaran (2004) $CDLM_2$ cross-section dependency tests are among the methods used to apply cross-section dependence in panel data analysis. Hypotheses of the test (Govdeli, 2018: 382):

H_0: There is no cross-section dependency,

H_1: There is a cross-section dependency.

As stated in the test statistics developed by Pesaran (2004), the findings obtained from the Breusch-Pagan (1980)) $CDLM_1$ expressed in equation 1 and Pesaran (2004) $CDLM_2$ cross-section dependency tests in equation 3 (Pesaran et al., 2008) If the probability values are less than 0.05, the H_0 hypothesis is rejected at the 5% significance level. Therefore, it is decided that there is a cross-section dependency between the units that make up the panel (Govdeli, 2018: 382):

$$LM = T\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\widehat{P}_{ij}^2 \qquad (1)$$

$\widehat{P}_{ij}$: It expresses the estimates of cross-section correlations between residual values.

$$\widehat{P}_{ij} = \widehat{P}_{ji} = \frac{\sum_{t=1}^{T}\hat{v}_{it}\hat{v}_{jt}}{\left(\sum_{t=1}^{T}\hat{v}_{it}\right)^{1/2}\left(\sum_{t=1}^{T}\hat{v}_{jt}\right)^{1/2}} \qquad (2)$$

Based on the H_0 hypothesis, the cross-section dependency is decided. In the H_0 hypothesis, N is constant and goes to $T\to\infty$. Statistics have N(N-1)/2 degrees of freedom and a chi-square asymptotic distribution. In the $CDLM_1$ test, T>N gives more reliable results when the time dimension is larger than the cross-section dimension (Pesaran, 2004; Guloglu and Ivrendi, 2010: 384). Again, Pesaran (2004) $CDLM_2$ statistic shows standard normal distribution in case of $T\to\infty$ and $N\to\infty$ under H_0 hypothesis. $CDLM_2$ cross-section dependency test also gives better and more reliable results than T>N when the time dimension is larger than the cross-section dimension (Govdeli, 2018: 382).

Table 1. Cross Section Dependency Test Results

Tests	Test Statistics	Probabilty Value (p)
Cd Lm1 (Breusch,Pagan 1980)	59.124	0.000*
cd LM2 (Pesaran 2004 CDlm)	15.336	0.000*

Note: ** denotes cross-sectional dependence at 5% and 1% significance levels.

In table 1, the analysis findings of the $CDLM_1$ and $CDLM_2$ cross-section dependence tests are given. In line with the analysis findings obtained, the null hypothesis is rejected at the 5% significance level for both tests and the alternative hypothesis is accepted. In this case, it can be said that there is a cross-section dependency in the panel. This finding tells us that the financial shock, inflationary shock, economic stagnation and crisis-induced growth shock that may come to any MINT country will also affect the other MINT country.

In order to test the homogeneity of the variables, Pesaran (2008) developed the Swamy (1970) test to determine the homogeneity or heterogeneity of the slope coefficients. Equation 3 is used for testing large samples and the test statistics expressed in equation 4 for testing small samples are used (Ilgaz Yıldırım and Sahin, 2018: 77, 78):

H_0: $\beta_i = \beta$, Slope coefficients are homogeneous.

H_1: $\beta \neq \beta_j$ the slope coefficients are not homogeneous.

$$\hat{\Delta} = \sqrt{N}\left(\frac{N^{-1}\hat{S}-k}{\sqrt{2k}}\right) \qquad (3)$$

$$\widetilde{\Delta_{adj}} = \sqrt{N}\left(\frac{N^{-1}\tilde{S}-k}{\sqrt{2k}}\right) \approx N(0,1) \qquad (4)$$

N is the number of cross-sections, S is the Swamy test statistic, and k is the number of explanatory variables. Among these equations, error terms show free distribution when $(N, T) \dashrightarrow \infty$, $\sqrt{N}/T \dashrightarrow \infty$ under the H_0 hypothesis (Pesaran, Yamagata, 2008: 52-57; Kocbulut and Altintas, 2016: 159).

Table 2. Homogeneity Test Result

	Test Statistics	Probability Value (p)
$\tilde{\Delta}$	61.651**	0.000
$\tilde{\Delta}_{adj}$	16.065**	0.000

Note: ** denotes cross-sectional dependence at 5% and 1% significance levels.

In table 2, the delta-tilde and delta-tilde-adj test statistics values are rejected as the null hypothesis of "the slope coefficients are homogeneous" and the slope parameters vary between cross-sections and therefore are heterogeneous. Since cross-sectional units are determined as heterogeneous units affected by each other, the use of Kónya (2006) panel causality analysis, which gives effective results under the assumption of cross-sectional dependence and heterogeneity, is preferred in this study.

Kónya (2006) causality test is a SUR causality test based on the Wald test about the direction of causality, which allows to examine the countries separately based on the apparently unrelated regression estimation and is tested with critical values. It gives more effective findings under the assumption of cross-section dependence and heterogeneity. Kónya (2006) panel causality test has many advantages. With this test, it is not assumed that the panel is homogeneous, it is possible to conduct a separate Granger causality test for each country that makes up the panel. Again, in this approach, since the bootstrap critical value is obtained separately for each country, it does not require cointegration and unit root test. In addition, with the Kónya (2006) panel causality analysis, it can be determined that there is no one-way, two-way or causality relationship for each country that makes up the panel (Ilgaz Yildirim and Sahin, 2018: 78). Kónya bootstrap panel causality test, panel causality test is estimated with the following equations (Kónya, 2006: 981):

$$
\begin{aligned}
y_{i,t} &= \propto_{1,1} + \sum_{i=1}^{ly1} \beta_{1,1,i}\, y_{1,t-i} + \sum_{i=1}^{lx1} \gamma_{1,1,i}\, \chi_{k,1,t-1} + \mathcal{E}_{1,1,t} \\
y_{2,t} &= \propto_{1,2} + \sum_{i=1}^{ly1} \beta_{1,2,i}\, y_{2,t-i} + \sum_{i=1}^{lx1} \gamma_{1,2,i}\, \chi_{k,2,t-1} + \mathcal{E}_{1,2,t} \qquad (13) \\
y_{N,t} &= \propto_{1,N} + \sum_{i=1}^{ly1} \beta_{1,N,i}\, y_{N,t-i} + \sum_{i=1}^{lx1} \gamma_{1,N,i}\, \chi_{k,N,t-i} + \mathcal{E}_{1,N,t}
\end{aligned}
$$

ve

$$
\begin{aligned}
\varkappa_{k,1,t} &= \propto_{2,1} + \sum_{i=1}^{ly2} \beta_{2,1,i}\, y_{1,t-i} + \sum_{i=1}^{lx2} \gamma_{2,1,i}\, \chi_{k,1,t-1} + \varepsilon_{2,1,t} \\
\varkappa_{k,2,t} &= \propto_{2,2} + \sum_{i=1}^{ly2} \beta_{2,2,i}\, y_{2,t-i} + \sum_{i=1}^{lx2} \gamma_{2,2,i}\, \chi_{k,2,t-1} + \varepsilon_{2,2,t} \qquad (14) \\
\varkappa_{k,N,t} &= \propto_{2,N} + \sum_{i=1}^{ly2} \beta_{2,N,i}\, y_{N,t-i} + \sum_{i=1}^{lx2} \gamma_{2,N,i}\, \chi_{k,N,t-i} + \varepsilon_{2,N,t}
\end{aligned}
$$

In the equations, the variables y and x express the number of cross-section units (i = 1,2, ..., N), while the time dimension t (t = 1,2, ..., T) and l, mly and mlx respectively, gives lag lengths. The Wald statistics obtained to determine the causality relationship and the direction of causality are obtained by comparing the critical values for the cross-section units reached by the bootstrap causality analysis method. If the Wald statistical values are greater than the bootstrap critical value, the null hypothesis stating that there is no causality is rejected. (Sahin, 2018: 291).

Table 3. Kónya (2006) Panel Causality Test Results

Causality Direction	Panel Fisher	P-val.
Cred → Enf	7.957	0.438
Enf → Cred	7.091	0.527
Gr → Cred	5.291	0.076*
Cred → Gr	3.105	0.029**
Gr → Enf	8.270	0.408
Enf → Gr	10.516	0.231

Note: *, **, *** denote heterogeneity at 10%, 5% and 1% significance levels, respectively. Credit: Credits to the private sector, Gr: Growth, Inf: Inflation.

In table 3, the panel causality analysis findings are explained for the panel as a whole. Since there is a causal relationship from credit to the private sector to growth at only 5% significance level for MINT countries, the H_0 hypothesis, which is the hypothesis that credit to the private sector is not the cause of growth, is rejected, and it can be said that credit to the private sector are the cause of growth. In addition, since the H_0 hypothesis, which is expressed as the reason for the growth is not the credit given to the private sector, is rejected, since the one-way causality relationship from the growth to the credit given to the private sector is found at the level of 10% significance, the growth causes the credit given to the private sector. It is concluded that there is a bidirectional causality relationship between financial development and growth for MINT countries.

Table 4. Kónya (2006) Panel Causality Test Results

H_0: Credit to Private Sector are not the Cause of Inflation						H_0: Inflation is not the Cause of Credit to Private Sector				
i	Wald	Boot-pval	Critical Values			Wald	Boot-pval	Ciritical Values		
			1%	5%	10%			1%	5%	10%
1- Mexico	0.775	0.747	64.785	29.845	19.705	1.483	0.605	63.321	26.303	16.491
2- Indonesia	8.880	0.214	74.678	29.650	18.545	4.232	0.254	40.039	16.256	9.822
3- Nigeria	2.650	0.488	95.303	39.239	22.732	2.733	0.329	31.547	13.847	8.848
4-Turkey	5.738	0.240	42.138	19.186	12.430	0.778	0.572	30.029	12.861	7.915
Panel Fisher : 7.957						Panel Fisher : 7.091				
p-value : 0.438						p-value : 0.527				

Note: *, **, *** denote heterogeneity at 10%, 5% and 1% significance levels, respectively.

In line with the Kónya (2006) panel causality analysis findings expressed in table 4, H_0 hypotheses expressed as "Credits to the private sector are not the cause of inflation" and "inflation is not the cause of credit to the private sector" are H_0 respectively, since Bootstrap probability values are not higher than the critical values. H_0 hypotheses are accepted for MINT countries since the hypotheses cannot be rejected and there is no causality relationship from inflation to credit given to the private sector and from credit to the private sector to inflation.

Table 5. Kónya (2006) Panel Causality Test Results

H_0: Growth is not the Cause for Credits to Private Sector						H_0: Credit to Private Sector is not the cause for Growth				
i	Wald	Boot-pval	Critical Value			Wald	Boot-pval	Critical Value		
			1%	5%	10%			1%	5%	10%
1 Mexico	3.839	8.776***	36.914	14.632	4.203	0.017	97.105**	123.071	49.995	32.571
2 Indonesia	0.552	6.577***	23.970	10.496	6.011	3.933	37.011**	81.286	31.105	18.353
3 Nigeria	1.044	12.177**	26.627	7.984	5.104	0.763	72.026**	98.585	35.779	21.740
4 Turkey	0.003	9.066***	21.335	9.096	5.602	0.227	81.372*	66.885	24.809	15.003
Panel Fisher : 5.291						Panel Fisher : 3.105				
p-value : 0.076*						p-value : 0.029**				

Note: *, **, *** denote heterogeneity at 10%, 5% and 1% significance levels, respectively.

In line with the Kónya (2006) panel causality analysis findings expressed in table 5, H_0 hypotheses expressed as "growth is not the reason for credit to the private sector" and "credits to the private sector are not the reason for growth" are H_0 since Bootstrap probability values are greater than the critical values. hypotheses are rejected. Therefore, H_0 hypothesis is rejected for MINT countries, there is a one-way causality relationship from growth to credit to the private sector and from credit to the private sector to growth.

Table 6. Kónya (2006) Panel Causality Test Results

H_0: Growth is not cause of Inflation						H_0: Inflation is not cause of Growth				
i	Wald	Boot-pval	Ciritical Value			Wald	Boot-pval	Critical Value		
			1%	5%	10%			1%	5%	10%

1- Mexico	1.498	0.457	36.779	14.753	9.073	6.293	0.308	91.756	34.024	20.414
2- Indonesia	3.232	0.262	41.114	15.801	8.917	7.995	0.142	52.675	18.976	11.041
3- Nigeria	3.756	0.239	37.779	13.998	8.412	1.295	0.546	65.362	23.573	14.062
4- Turkey	0.574	0.562	22.584	9.389	5.858	6.170	0.218	63.669	22.257	13.187
Panel Fisher : 8.270						Panel Fisher : 10.516				
p-value : 0.408						p-value : 0.213				

Note: *, **, *** denote heterogeneity at 10%, 5% and 1% significance levels, respectively.

In line with the Kónya (2006) panel causality analysis findings expressed in table 6, the H_0 hypotheses expressed as "growth is not the cause of inflation" and "inflation is not the cause of growth" are not valid for MINT countries since Bootstrap probability values are not greater than critical values and H_0 hypotheses cannot be rejected. H_0 hypotheses are accepted and there is no causality relationship from growth to inflation and from inflation to growth.

3. RESULT

Growth and inflation are among the macroeconomic indicators. Growth and inflation are also among the indicators that affect financial development. Financial system has an important role in developed and developing countries for a sustainable economic growth. Financial development is also an indicator of the development of the financial markets of the country's economies. Financial development is defined as the increase in the level of use of financial instruments used in a country and the widespread use of these instruments. The relationship between financial development and growth has been examined in a theoretical and empirical framework. Financial development or a developed financial system provides an increase in savings and the conversion of savings into investments. In endogenous growth theories, economic growth is explained in the context of the concept of financial development. The general opinion expressed in the literature is that financial development will positively affect growth in the long run.

In this study, the relationship between financial development, growth and inflation in MINT countries - Mexico, Indonesia, Nigeria and Turkey - for the 2010-2020 period was examined theoretically and empirically with Kónya (2006) panel causality analysis. In line with the analysis findings, it was concluded that there is a bidirectional causality relationship between the credit given to the private sector as an indicator of financial development and growth variables for MINT countries and the panel in general. The analysis findings of the study also coincide with the analysis findings of Al-Yousif (2002), Calderon and Liu (2003), Pradhan et al. (2013), Dritsakis and Adamopoulos (2004), and Shan and Jianhong (2006)'s studies.

In addition, Arthur Lewis (1955)'s 'supply leading hypothesis', which states that financial development causes economic growth, and Joan Robinson (1952) and Goldsmith's (1969) 'demand-follower hypothesis', which states that developments arising from economic growth lead to financial development. It can be stated that this is also valid for this study.

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Innovations On Sustainability and the Environment in the Italian Constitution. Non-Financial Information and the Audit of Documents Containing Such Disclosures

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ABSTRACT: In February 2022, the Constitution in Italy was amended by adding articles 9 and 41 to introduce the issue of the environment and sustainability in general into the constitutional law. However, in February 2022, the additions to Articles 9 and 41 made sustainability issues, the environment and animal protection more relevant at the state level.

At the same time, the Italian Association of Auditors, Assirevi, issued a research paper (research paper no. 243 of February 2022) so that the audit on non-financial information would be more comprehensive than what was already established in Assirevi paper no. 127 of 2019.

Only time will tell whether these changes to the Italian Constitution and these documents on the audit and control of non-financial data will lead to an overall improvement in the widespread application of sustainability at each Italian citizen's corporate and personal level.

KEYWORD: sustainability, Italian Constitution, audits, non-financial disclosure documents.

SUSTAINABILITY: FROM TRIPLE BOTTOM LINE TO QUINTUPLE BOTTOM LINE

For several decades, sustainability has been the focus of doctrinal debates and discussions with companies. For many years, it has been emphasised that it must sustain the company's economic development. Environmental, social and governance (ESG) factors are generally referred to when highlighting the need to achieve sustainable goals and act following the principle of sustainability. In the 1990s, an entrepreneur, John Elkington, studied the issue of sustainability and created the so-called triple bottom line, according to which business activities should be carried out in three directions: profit, people and the planet. According to this concept, the protection of workers, the community, and the environment are indispensable elements for a business to conduct ethically correctly. The writer has pointed out that the online triple-bot cannot function if two essential components are missing: ethics and the culture of sustainability spread at a personal level within each community in the various countries. According to this concept, the online triple-bot becomes the Quintuple Bottom Line in which culture and ethics are indispensable elements.

As can be seen, in the Quintuple Bottom Line, culture permeates every element of the Triple Bottom Line. It should note that earlier reference was made to the need for a culture of sustainability to permeate every citizen. This is not the case. The fourth element of the QuintupleLine is the culture tout court. Only an educated population can understand the issues directly or indirectly affect social and environmental sustainability. In the general sense, the absence of culture makes understanding sustainability issues extraordinarily complex and challenging, not to say almost impossible. Culture is generally linked to the schooling of a people. However, culture can be present even in people without educational qualifications who, individually, have studied science, literature, philosophy, history, etc., in-depth.

Culture is wisdom, and it is an understanding of the whole; it is an overview of the various types of study activities carried out by man. However, culture is only widespread if the rate of schooling is high. In the schooling phase of a person's life, it can spread culture to the entire population. However, it should emphasise that this is not always true by definition. It is enough for the so-called Masters to have an idea of schooling as pure notions that culture no longer appears to be interconnected with the school attendance of children or young people. Culture represents an overall feeling of issues that goes far beyond the notion.

In the Quintuple Bottom Line, culture permeates every constituent element of the Bottom Line. This includes social behaviour, environmental behaviour and the objective of maximising company profitability. But this element is not yet sufficient to achieve a structured goal consisting of profitability social and ecological elements. Ethics are missing. Ethics, like culture, must permeate every individual in the community. Only in this case can corporate sustainability of an income, social and environmental nature be pursued.

Ethics is interconnected with human conduct and the various ways people relate to one another. Each relationship is guided by a set of principles that enable human beings' interrelation. This is not the right place to discuss the concept of ethics, the business ethics problem, and the concept of personal ethics (Torelli R.,(2020). This paper highlights how ethics is an indispensable element for sustainability to be applied in business. The writer is aware that this sentence does not identify the concept of ethics. This is not because this concept has nothing to do with what we are writing about, but rather because the idea of ethics changes over time and geographically. What is ethical in one place may not be moral in another. What is honest in a given time may not be ethical a century before or a century after. For example, in some regions of Africa, it must take in the middle east, Asia, special care m not to give a left hand to people, as it is used for personal hygiene. In other places, crossing one's legs is unethical because the interlocutor can see the soles of the person's shoes in front of him, soles which, by definition, are the dirtiest element a person wears.When we talk about ethics (Drucker, P.f., (1981), we mean values and morals, i.e. a set of human behaviours that living beings put into practice in everyday life. With human evolution, the need to ensure that one's own life does not harm the lives of other living beings has also evolved. Harmonious coexistence has therefore become a fundamental aim of the social life of communities. As Orland points out, it must assume the consensus previously established in every human culture to be essential. According to this author, a person is not born ethical, nor does he or she have a pre-established morality supported by values, judgements and statements. This is proven because the concept of ethics changes over time and has different characteristics depending on the geographical locations we consider. What may be regarded as desirable in one country may be highly damaging in another culture. Ethics does not escape this rule, even if the issues involved are far more complex than what has been stated above and what will be illustrated in this short article.

With human evolution, every subject must evolve as the concepts of market, profit, competitiveness and civil rules of human coexistence evolve. All these issues change as historical periods and geographical locations vary. Therefore, it is difficult to write in a few lines about ethics in financial reporting as this issue is deeply rooted in the rules of life accepted as moral and ethical in the historical period in question.

Ethics is one of the most complex philosophical issues addressed by scholars in the humanities. The aim of this article is in no way to examine the historical evolution of the concept of ethics in the human being as a whole.
This article aims merely to make a few remarks concerning business ethics or to use Drucker's concept, ethics in business. Drucker was one of the first scholars to explore this issue in the field of business. He pointed out that, in his opinion, it would be correct to speak of ethics in business rather than ethics in the business itself.

Some scholars point out that for ethics to work in an organisation, it is essential that there is synergy between vision statements, mission statements, core values, general business principles and code of conduct. Such a code must have several benefits for both the company and third parties. A practical, ethical programme cannot be determined at a certain point and then left to its own devices. Such a programme requires the continuous reinforcement of solid values and the continual review of corporate objectives set as the mission of the whole enterprise. Therefore, business organisations must act in such a way that their employees and, above all, management absorb the codes of ethics and moral values that the organisation feels it is essential to achieve.

The proper ethical climate requires a combination of structural rules and the continuous and constant dissemination of moral values. Only an appropriate mix of these can ensure that, within a given company, one can speak of the existence of ethics in business.

Ethics would therefore not be linked to the business itself but would result from the behaviour of the people working in the various businesses. Ethics, therefore, is the result of human conduct within a business. It is related to how human beings relate to each other in businesses and how they act in businesses when they have to have inter-relationships outside the business entity. Such relationships, sometimes non-consensual, allow the collectivity to free itself from chaos or from the behaviour of sub-aggregates of subjects that, essentially, a harmonious life of the collectivity itself. In reality, up to now, in the writer's opinion, no founding elements have been reached in terms of universal principles that would allow a precise circumscription of ethical behaviour. In the context of this issue, we should not underestimate the interrelationships that can identify between the subject we are concerned with and the religions that are widespread in the world. Even though there is a large grey area of ethical behaviour, which depends on cultural, religious and human factors, the author believes that it is possible to identify unanimously accepted ethical behaviour. It should emphasise that the grey area is frequently more significant than the area in which behaviour is undoubtedly ethical or unethical.

This article highlights how ESG factors have now become part of the concept of entrepreneurship, at least in terms of study and theory. This article highlights how ESG factors have now become part of the concept of entrepreneurship, at least at the level of research and theory. Two studies carried out by the writer of this article on greenwashing and the perception of sustainability by companies will soon be published. The results are astonishing in that they clearly show that the sustainability explained by scholars is not identified with the attitude of companies. The prevalence of greenwashing and the near-irrelevance of sustainable actions in corporate management are two elements that were highlighted by the two studies mentioned above. When addressing this issue, it is necessary to always keep in mind the differentiation between the theory and studies carried out by academics and the practice implemented in companies.

THE ITALIAN CONSTITUTION INTRODUCE SUSTAINABILITY

Sustainability has been the subject of in-depth theoretical studies by scholars and regulatory interventions aimed at regulating the dissemination and external communication of non-financial information by companies. In Italy, articles of the Constitution, particularly Articles 9 and 41, were amended on 10 February 2022 to ensure explicit references in the Constitution to protect the environment and support sustainability in the broadest sense. Given the majorities achieved in the House and Senate, the changes to the two articles come into force immediately and are not subject to referendum. Before analysing the amendments that introduced the concept of environmental protection and sustainability into the Constitution, it should be noted that, while the amendment itself is to be welcomed, it is not a striking novelty in Europe: Europe is the 22nd member of the European Union to have included one or more references to the environment and sustainability in its Constitution. We are pioneers in this respect, as only four other countries in the world have mentioned this issue in their constitutions. The changes mentioned and which we are about to describe, albeit very briefly, are certainly to be welcomed, except that we hope that the legislative action will be followed by practical action on the part of companies. As previously noted in a study to be published in the coming months, it has been shown that many companies give preference to profit over sustainability. This attitude may be dictated by a kind of selfishness of the companies' shareholders, who prefer to have more profit and me lo costs related to sustainability, or it may be dictated by the company's operational needs related to its survival. In particular, we are witnessing an excessive increase in energy costs in this historical period. Companies have seen the energy cost used in their businesses triple or quadruple, and households have noticed that their electricity and gas bills have more than doubled. It is clear that in such a situation, many companies are forced to reduce all their costs to cope with these indiscriminate increases in the cost of energy, not so much to increase their profits as to survive and not be put into liquidation. Therefore, in this economic context, the fact that sustainability and environmental protection is regulated by the Constitution and many other laws to which we will soon refer is a relevant element that does not prevent the non-application of these rules. Disapplication is not intended to increase corporate profits but is imposed by the disastrous economic conditions many companies have to operate. Therefore, such non-application is not due to the selfish behaviour of shareholders who want to achieve high profits but derives from the very need for the company's economic survival. When certain costs, such as those of energy, increase in an unsustainable way for the company, it is evident that the management tends to reduce the costs, which, in the concise term, do not provide profitability. And among these are indeed the costs related to sustainability. Many scholars have pointed out that acting sustainably leads to increased profitability in the medium term. The problem is that, if the company is about to go bankrupt because of the exorbitant increase in certain negative income components, such as energy costs, the management must act in such a way as to overcome the short term, otherwise in the medium term the company cannot go into liquidation.

Therefore, all the regulatory changes we are going to illustrate, concerning sustainability and the audit/control of non-financial disclosure documents, will have to be put to the test in the context of business activity which, if it succumbs to other costs, will certainly struggle to deal with the issue of sustainability excellently.

Innovations On Sustainability and the Environment in the Italian Constitution. Non-Financial Information and the Audit of Documents Containing Such Disclosures

On 10 February 2022, it makes the following amendments to Articles 9 and 41 of the Italian Constitution (the new parts are in bold and underlined):

Article 9: "The Republic promotes the development of culture and scientific and technical research. It protects the landscape and the historical and artistic heritage of the Nation**.** It protects the environment, biodiversity, and ecosystems in future generations' interests. The law of the State regulates the ways and forms of protection of animals'.

Article 41: Private economic initiative is free. It may not carry out in conflict with social utility or in such a way as to damage security, freedom, human dignity, health or the environment. The law determines the appropriate programmes and controls so that public and private economic activity can be directed and coordinated for social and environmental purposes.

The above changes have been enthusiastically welcomed by the community, scholars and sustainability experts. For the first time in Italy, the Constitution has imposed the protection of the environment, biodiversity, ecosystems and animals.

Certainly, this is noteworthy. From a moral, ethical and pragmatic point of view, the introduction of such innovative elements must be interpreted as a massive step towards shared sustainability implemented by every subject of the State, be it business or individual. As already pointed out in the previous pages, only history will tell us whether these changes have created a difference between what happened before the introduction of the amendments to the Constitution and what will happen in the future due to these changes. From a purely theoretical and scientific point of view, however, the effort made by our legislator to send out a strong message on the issue of sustainability by intervening directly in the Constitution and not contenting himself with issuing ordinary laws is highly commendable.

It should note that, before the amendments introduced to articles 9 and 41 of the Constitution on 10 February 2022, the legislator had already addressed, at least partially, the issue of sustainability in the Constitution itself.

The first paragraph of Article 9 of the Constitution states that "The Republic shall promote the development of culture and scientific and technical research. It protects the landscape and the historical and artistic heritage of the nation". It is clear that this article, introduced in the past, had already opened the door to a more intelligent regulatory intervention on sustainability.
Article 32 of the Constitution is also interconnected with the environment, albeit indirectly. Article 32 states that "The Republic protects health as a fundamental right of the individual and in the interest of the community, and guarantees care for the indigent. No one may be obliged to undergo a given health treatment except by a provision of law. The law may in no case violate the limits imposed by respect for the human person".

This article does not refer specifically to the environment but, according to the prevailing legal doctrine, indirectly implies the protection of the environment itself since, in an unhealthy environment, there can be no health and, therefore, the protection of health, indirectly, required, even before the amendments made to Articles 9 and 41 of the Constitution, the protection of the environment.

In addressing the issue of environmental sustainability, we cannot forget what is stated in Article 117 of the Italian Constitution:
"Legislative power shall be exercised by the State and the Regions to comply with the Constitution and the constraints arising from the Community order and international obligations.

The State shall have exclusive legislation in the following matters.
a) foreign policy and international relations of the State; relations of the State with the European Union; right of asylum and legal status of citizens of States not belonging to the European Union;
b) immigration;
c) relations between the Republic and religious denominations;
d) defence and armed forces; State security; arms, munitions and explosives;
e) money, protection of savings and financial markets; protection of competition; currency system; State taxation and accounting system; harmonisation of public budgets; equalisation of financial resources;
(f) State organs and electoral laws; State referenda; election of the European Parliament;
(g) order and administrative organisation of the State and national public bodies;
(h) public order and security, except for local administrative police;
(i) citizenship, civil status and registers;
j) jurisdiction and procedural rules; civil and criminal law; administrative justice;

(k) determination of the essential levels of the services concerning civil and social rights that must guarantee throughout the national territory
l)general rules on education
(m) social security;
n)electoral legislation, governing bodies and fundamental functions of Municipalities, Provinces and Metropolitan Cities;
o)customs, protection of national borders and international prophylaxis;
p) weights, measures and time determination; statistical and computer coordination of data of the State, regional and local administration; intellectual works
q) protection of the environment, the ecosystem and cultural heritage.

The following are matters of shared legislation (State and regions), international relations and relations with the European Union of the regions; foreign trade; labour protection and safety; education, without prejudice to the autonomy of school institutions and with the exclusion of vocational education and training; professions; scientific and technological research and support for innovation in productive sectors; health protection; food; sports regulations; civil protection; territorial government; civil ports and airports; large transport and navigation networks; communication regulations; national energy production, transportation and distribution; complementary and supplementary pensions; coordination of public finance and the tax system; enhancement of the cultural and environmental heritage and promotion and organisation of cultural activities; savings banks, rural banks, regional credit companies; regional land and agricultural credit institutions. In concurrent legislation, the regions have legislative powers, except for the determination of fundamental principles, which are reserved for State legislation.
The Regions shall have legislative powers concerning any matter not expressly reserved for State legislation.
"The Regions and the Autonomous Provinces of Trento and Bolzano, in the matters falling within their competence, shall participate in decisions aimed at the formation of Community legislative acts and shall see to the implementation and execution of international agreements and European Union acts, in compliance with the rules of procedure laid down by a law of the State, which shall regulate the guidelines for the exercise of substitute power in the event of non-compliance.

Regulatory powers shall be vested in the State in exclusive legislation, subject to delegation to the Regions. Regulatory powers shall be vested in the regions in all other matters. Municipalities, provinces and metropolitan cities have the regulatory authority to regulate the organisation and performance of the assigned functions.

Regional laws shall remove all obstacles preventing the full equality of men and women in social, cultural and economic life and promote equal access for women and men to elected office.

Regional laws shall ratify the Region's agreements with other regions to improve its functions by identifying common bodies.
In matters within its competence, the Region may conclude agreements with States and understandings with territorial entities within another State, in the cases and with the forms governed by the laws of the State."

From a reading of Article 117 of the Italian Constitution, it can understand that even before February 10, 2022, the Constitution established that the subject matter "protection of the environment, the ecosystem and the cultural heritage" is entrusted exclusively to the Italian State. On the other hand, the "valorisation of the cultural and environmental heritage and the promotion and organisation of cultural activities" is a matter of shared legislation between the State and the Regions. This situation of competition has created various legal problems in the past. Many scholars have highlighted the centralism of the State in the environmental sphere when, in their opinion, it should have created a situation of coordination between the State and the Regions .

This is not the place to go into the rants that have been waged over this competition. What is important to note is that, even before the amendments to articles 9 and 41 of the Constitution, which came about when Parliament approved these additions on February 10 2022, the issue of the environment and sustainability was already present in our Constitution. However, there were no references to animals. And it must welcome the integration approved on February 10 2022, because it cannot separate the concept of sustainability from a human attitude towards animals, which, although not human beings, are living beings with feelings. Therefore, in my opinion, the integration of animal protection should be seen as a massive step towards a more evolved community.

In various rulings before the year 2022, the Constitutional Court has highlighted the need to promote environmental protection. In particular, in sentence no. 210 of 1987, the Constitutional Court states that "the effort underway to give specific recognition to the protection of the environment as a fundamental right of the individual and fundamental interest of the community and to create legal institutions for its protection must be recognised. It includes the conservation, the rational management and the improvement of natural conditions (air, water, soil and territory in all its components). These are values that the Constitution provides for and guarantees through articles 9 and 32, according to which the audit norms need an increasingly modern interpretation. The community directives commit the State in a relevant way to a coordinated consideration of the environment, to the timely and correct execution of the commitments undertaken and to the provision of appropriate, necessary and indispensable measur.

"In the judgment of the Constitutional Court No 127 of 1990, it is stated that "This implies that, in the final analysis, since - as we have seen - the decree is an implementation of that Directive and, therefore, expressly.

This means that, ultimately, since - as we have seen - the decree, which implements that Directive and is therefore expressly aimed at "protecting health and the environment throughout the national territory", the maximum limit of polluting emissions, taking into account the criteria mentioned above, can never exceed the absolute and indefectible limit of tolerance for the protection of human health and the environment in which man lives: protection entrusted to the fundamental principle of Article 32 of the Constitution, to which Article 41(2) refers.

In its judgment 127/1990, the Constitutional Court further states that: "the Pretore complains, in substance, that Article 2 of Presidential Decree No 203 of 24 May 1988, which

In essence, the Court complains that Article 2 of Presidential Decree No 203 of 24 May 1988, by including, among other definitions, one concerning the 'best available technology, made the containment or reduction of polluting emissions by industrial plants subject to the condition that the application of the measures 'does not entail high costs. In so doing, the law conflicts with the 'absolute subjective right' to environmental health and the citizen's health, which, according to the principle laid down in Article 32(1) of the Constitution, cannot be subject to any limitation whatsoever. However, there is a similar contrast with the principles laid down in the first and second paragraphs of Article 41 of the Constitution, which require private initiative to be subordinate to and aimed at the social benefit: whereas, by allowing entrepreneurs to subordinate anti-pollution measures for emissions to the interests of the company, the very social benefit of the private initiative would be sacrificed by the offence inflicted on a primary and fundamental good such as health".

It is clear from the above that, even before the amendments to Articles 9 and 41 of the Constitution, the environment, sustainability, and all that is directly or indirectly related to these issues were the subject of national interest, particularly of the Constitution itself of the Constitutional Court.

However, concerning the additions to Articles 9 and 41 of the Constitution issued on 10 February 2022, only time will tell whether these changes will have a tangible impact on the issue of sustainability.

Also, concerning the integration of animal protection, whether the actual application of the principle introduced in the Constitution will have a tangible impact on the community and the lives of every citizen will depend on how the rules are applied. Again, only time will tell how this integration has impacted the community's behaviour towards animals and sustainability in general. As long as a principle is enshrined in law, even if it is a constitutional law but is not applied by the community, it does not help the problem it regulates.

3)Sustainability and the documents containing non-financial information: general considerations on the content of such information documents intended for third parties outside the company.

Non-financial information is subject to two regulations, partially different, depending on the type of company it refers to.
The two regulations are:

1) Legislative Decree No. 254 of 30 December 2016, Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding the disclosure of non-financial and diversity information by certain undertakings and large groups. (17G00002) (OJ General Series No.7 of 10-01-2017);
(2) Article 2428 of the Civil Code governs the management report.

Legislative Decree No. 254 of 30 December 2016, Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding the disclosure of non-financial and diversity information certain undertakings and by certain large groups. (17G00002) (OJ General Series No.7 of 10-01-2017) applies to public interest entities. Such entities are defined by Article 16 of Legislative Decree No 3 of 27 January 2010. That decree specifies that public interest entities include:

a) Italian companies issuing securities admitted to trading on regulated
b) Italian companies issuing securities admitted to trading on regulated markets in Italy and the European Union; banks;
c) insurance undertakings referred to in Article 1(1)(u) of the Private Insurance Code;
d) reinsurance undertakings referred to in article 1 (1, cc) of the code of private insurance, with head office in Italy, and the branches in Italy of non-EU reinsurance undertakings referred to in article 1 (1, cc-ter) of the code of private insurance.

It must apply article 2428 of the Civil Code concerning the management report to companies that draw up their financial statements according to the Civil Code rules and are therefore not part of the companies defined as "public interest entities" by the decree as mentioned above.

The content of the information document concerning non-financial information imposed on public interest entities under Legislative Decree 254/2016 is as follows:
"Art. 3 Legislative Decree 254/2016.
Individual declaration of a non-financial character

1) The individual non-financial statement, to the extent necessary to ensure an understanding of the company's activity, its performance, its results and the impact it has produced, shall cover environmental, social, personnel, human rights, and the fight against active and passive corruption issues, which are relevant given the company's activities and characteristics, describing at least:

a) the company's model for managing and organising its activities, including any organisational and management models adopted according to Article 6(1)(a) of Legislative Decree no. 231 of 8 June 2001, also about the management of the issues as mentioned above;
b) the policies practised by the undertaking, including those of due diligence, the results achieved through them and the relevant non-financial key performance indicators;
c) the principal risks, ((including how they are managed)) generated or incurred, related to the above issues and arising from the company's activities, products, services or commercial relationships, including, where relevant, supply chains and subcontracting;

2) Concerning the areas referred to in paragraph 1, the non-financial statement shall at least contain information on

a) the use of energy resources, distinguishing between those from renewable and non-renewable sources, and the use of water resources
b) greenhouse gas emissions and air pollutant emissions;
c) the impact, where possible based on realistic hypotheses or scenarios also in the medium term, on the environment as well as on health and safety, associated with the risk factors referred to in paragraph 1, letter c), or with other relevant environmental and health risk factors;
d) social and personnel management aspects, including actions taken to ensure gender equality, measures aimed at implementing the conventions of international and supranational organizations on the matter, and how to dialogue with the social partners is carried out;
e) respect for human rights, measures taken to prevent violations thereof, as well as actions are taken in order to avoid discriminatory attitudes and actions;
f) the fight against corruption, both active and passive, and the means adopted to that end.

3. The information referred to in paragraphs 1 and 2 shall be provided with a comparison with that provided in previous years, following the methods and principles set out in the reporting standard used as a reference or in the independent reporting methodology used to draw up the declaration and, where appropriate, shall be accompanied by references to the items and amounts contained in the financial statements. The report shall make explicit reference to the reporting standard adopted. The reporting standard used differs from the one referred to in the previous year's statement shall be disclosed in the report.

If the reporting standard used differs from the one referred to in the declaration for the previous financial year, the reasons are explained.

4. Where a stand-alone reporting method is used, a clear and detailed description of the method and the reasons for its adoption in the non-financial statement is provided. Similarly, any changes from previous years are described, and their causes are given.

5. For reporting, the performance indicators used, as referred to in paragraph 1, letter b), is envisaged by the reporting standard adopted and represent the various areas, as well as consistent with the activity carried out and the impacts produced by it. If an autonomous reporting methodology is used, or if the performance indicators provided by the adopted are not adequate to consistently represent the activity carried out and the impacts produced by it, the company selects the most suitable indicators for this purpose, providing clearly and articulately the reasons underlying this choice. The choice of performance indicators shall also be made taking into account, where appropriate, the guidelines issued by the European Commission according to the provisions of Directive 2014/95/EU.

6. Public interest entities subject to the obligation to prepare the non-financial statement that does not practice policies concerning one or more of the areas referred to in paragraph 1 shall provide in the same statement, for each of those areas, the reasons for this choice, indicating the reasons clearly and articulately.

7. Responsibility for ensuring that the report is prepared and published following the provisions of this Legislative Decree rests with the directors of the public interest entity. In fulfilling their duties, they shall act professionally and diligently. The control body, within the scope of the functions attributed to it by the law, shall supervise compliance with the provisions of this decree and shall report on it in its annual report to the shareholders' meeting.

8. Without prejudice to the obligations deriving from the admission or the application for admission of securities to trading on a regulated market, upon the reasoned decision of the management body, after consulting the supervisory body, information concerning upcoming developments and transactions in the course of trading may be omitted from the non-financial statement in exceptional cases if their disclosure would seriously jeopardise the undertaking's commercial position.

Where the public interest entity avails itself of this option, it shall disclose it in the non-financial statement with an explicit reference to this subparagraph. However, omission shall not be permitted where it would prejudice a fair and balanced understanding of the undertaking's performance, results and position, and the impact of its activities concerning the matters referred to in paragraph 1.

9. For parties which fulfil the obligations of this Article by presenting a non-financial statement in the management report following article 5, the obligations referred to in the first and second paragraphs of article 2428 of the civil code, in article 41 of legislative decree n. 136 of 18 August 2015, and in article 94 (1-bis) of legislative decree n. 209 of 7 September 2005, limited to the analysis of the non-financial information, shall be considered as fulfilled.

10. The person charged with the statutory audit of financial statements shall verify that the directors have prepared the non-financial statement. The same person, or another person specifically appointed to carry out the legal audit, shall issue, by means of a specific report separate from the report referred to in Article 14 of Legislative Decree No. 39 of 27 January 2010, a statement regarding the conformity of the information provided with the requirements of this legislative decree and with the principles, methodologies and procedures set out in paragraph 3. The conclusions shall be expressed on the basis of the knowledge and understanding that the person in charge of carrying out the control activity on the non-financial statement of the public interest entity, of the adequacy of the systems, processes and procedures used for the purpose of preparing the non-financial statement. In the event that the non-financial statement is contained in the management report pursuant to Article 5 (1) (a), the opinion referred to in Article 14 (2) (e) of Legislative Decree No. 39 of 27 January 2010 shall not include said statement, which shall remain the subject of the certification obligation referred to in this paragraph. The report, dated and signed by the person designated for the purpose, shall be attached to the non-financial statement and published together with it in the manner set out in Article 5. "

The information required by Decree 254/16 is, in substance, the same as that required by the directive from which the decree itself originates. It should note that reading the first paragraph of Article 3; it is clear that the legislator grants the company considerable discretion. If we read Article 3, it is clear that the reference principle is composed of two elements: necessity and relevance or materiality. This is imposed to ensure that the information provided is helpful to third parties outside the company. Materiality is a concept already commonly used by those who prepare financial information, auditors of financial reports, and users of such information. According to Article 2, 16, of the Financial Reporting Directive 2013/34/EU, the financial information is material when its omission or misstatement could reasonably be expected to influence the decisions made by users on the basis of the company's financial statements. The Assirevi (Italian Association of Auditors) document No. 226/2019 pointed out that " the statement concerning non-financial information must provide information, to the extent necessary to ensure the understanding of the company's activity, its performance, its results and the impact of the same produced, concerning the issues identified by Article 3 of Decree-Law 254/2016. Similar guidance can be found in auditing standards and, in addition to ISAE 3000 Revised (paragraphs 44/A94), in particular in ISA (Italy) 320, where it is stated that "errors, including omissions, are considered material if they could reasonably be expected, individually or in combination, to influence the economic decisions made by users based on the financial statements".

In the non-financial sphere, assessing the materiality of the information to be provided in the DNF presents undoubted peculiarities. It is necessary to consider that the information in question does not always imply the presence of numerical data, and the potential users of the DNF do not necessarily coincide with the potential users of the financial statements.

It can draw helpful hints for assessing the relevance of the information to be included in the DNF from the Communication.
In that document, the European Commission first clarified that, in preparing a DNF, companies (i) "are required to consider the information needs of all interested parties", including, "among others: investors, employees, consumers, suppliers, customers, local communities, public authorities, vulnerable groups, social partners and civil society" and (ii) "should provide relevant and useful information about/on their interactions with/on the way they address the information needs of interested parties" (see p. 9). In particular, it may consider several factors in assessing the relevance of information, including business model, strategy and critical risks, major industry issues, stakeholder interests and expectations, the impact of public activities and policies, and regulatory incentives.

Among the factors mentioned above, in the opinion of the European Commission, the impacts of a company's activities are a particularly significant aspect. As stated in the Communication, "impacts can be positive or negative, and relevant disclosures should address both in a clear and balanced manner" (see p. 5).

In addition, it should be considered that the materiality of the information must be assessed, on the one hand, in light of the specific characteristics of the company to which it refers and, on the other hand, taking into account the sector in which it operates16.

As clarified by the European Commission, in fact, "it is likely that companies.
As clarified by the European Commission, "companies in a given sector are likely to share similar environmental, social and governance challenges, for example under the resources they can rely on to produce goods and services or the impacts they can have on people, society the environment. Accordingly, it may be appropriate to directly compare relevant disclosures of non-financial information by companies in the same sector.

In the light of the above-mentioned peculiarities, the assessment of the relevance of non-financial information to be included in the the non-financial disclosure statement required by Legislative Decree 254/16 (after this DNF) (is undoubtedly complex and susceptible to be influenced by numerous subjective and objective factors.

The assessment in question will have to be reviewed regularly to ensure that the content of the DNF meets the requirements of Legislative Decree 254 / 201617".

To safeguard the company's privacy, the legislator, in point no. 8, provides that it may delete certain sensitive information from the statement to prevent the disclosure of such information from harming the company's management.

Unlike public interest entities, companies that must draw up financial statements following the Civil Code disclose information on the environment and sustainability based on Article 2428 of the Civil Code, which regulates the so-called management report. This document is not part of the financial statements, but its preparation is mandatory. Although the report does not form part of the financial statements, more and more weight is given to this statement, so much so that in various rulings, the financial statements have been declared null and void due to the nullity of the report even if the latter does not form part of the financial statements.

The management report is divided into two parts:

A)The second part of the report is technical. It requires the disclosure of accounting information regarding the balance sheet data or, indirectly, the information derived from the balance sheet and profit and loss. In particular, in this part of the report, must provide the following information :

1) research and development activities;

2) the relationships with subsidiaries, associates, parent companies and companies subject to the control of these latter companies;

3) the number and nominal value of both the company's shares and the shares or quotas of parent companies held by the company, also through trust companies or intermediaries, with an indication of the corresponding portion of capital

4) the number and nominal value of both the company's shares and the shares or quotas of parent companies acquired or disposed of by the company during the financial year, including through trust companies or intermediaries, with an indication of the corresponding portion of capital, the consideration and the reasons for the purchases and disposals;

5) (......)

6) the foreseeable development of operations;

6-bis) concerning the company's use of financial instruments and if relevant to the assessment of the financial position and results of operations for the year:

(a) the company's financial risk management objectives and policies, including its policy for hedging each significant type of forecasted transaction;

(b) the company's exposure to price, credit, liquidity, and cash flow risks.

7(...)

8)The report must also include a list of the company's branches.

B) the first part of Article 2428 of the Italian Civil Code requires a general indication of the following issues: "The financial statements must be accompanied by a report by the directors containing an accurate, balanced and comprehensive analysis of the company's situation and the trend and results of operations, as a whole and in the various sectors in which it has operated, including through subsidiaries, with particular regard to costs, revenues and investments, as well as a description of the principal risks and uncertainties to which the company is exposed.

The analysis referred to in the first subparagraph shall be consistent with the size and complexity of the company's business and shall contain, to the extent necessary for an understanding of the company's position and of the development and performance of its business, financial and, where appropriate, non-financial performance indicators relevant to the particular industry of the company, including information relating to environmental and employee matters. The analysis shall, where applicable, include references to and additional explanations of amounts reported in the financial statements."

As can be seen, the first part of the annual report requires, but leaves a great deal of freedom to the preparer, the disclosure of information concerning sustainability in the broad sense and environmental and personnel protection. However, the phrase "if appropriate...." introduces excessive discretion to the report's editor. This phrase can be interpreted either extensively or restrictively by the person drafting the management report, with the result that, when reading the reports of many companies, there is a tendency to provide minor and succinct non-financial information about the company.

The integration of Articles 9 and 41 of the Constitution will perhaps give impetus to the disclosure of non-financial information by companies not subject to Legislative Decree 254/2016. But only time will tell.

THE CONTROL AND AUDIT OF NON-FINANCIAL INFORMATION.

The audit of financial reporting and, consequently, of financial and income information has become part of every nation's accounting practice. The audit of financial and economic data is governed by auditing standards issued by the competent bodies that regulate such control of the data disclosed by companies in a particularly analytical manner. The audit varies depending on whether companies are listed or unlisted. Still, the basic principle remains that auditing the accounts is a fundamental step in ensuring that the information disclosed by companies is true and fair.

Non-financial information is also subject to audit. In particular, Article 3 of Legislative Decree 254/16, as already highlighted in the previous pages, specifies that "The person in charge of the statutory audit of the financial statements shall verify that the directors have prepared the non-financial statement. The same person, or another person authorised to carry out the legal audit specifically designated, expresses, through a special report separate from the report referred to in Article 14 of Legislative Decree No. 39 of 27 January 2010, a statement regarding the conformity of the information provided concerning the requirements of this Legislative Decree and for the principles, methodologies and methods outlined in paragraph 3. It shall express the conclusions based on the knowledge and understanding that the entity in charge of carrying out the control activity on the non-financial statement has of the public interest entity, of the adequacy of the systems, processes and procedures used to prepare the non-financial statement. The report, dated and signed by the person designated for this purpose, is attached to the non-financial statement and published together with it in the manner outlined in Article 5. If the non-financial statement is contained in the management report under Article 5 (1) (a), the opinion referred to in Article 14 (2) (e) of Legislative Decree No. 39 of 27 January 2010 shall not include said statement, which shall remain the subject of the attestation obligation referred to in this paragraph.

In addition to this, also Regulation (EU) 18.6.2020 no. 852 (. EU 22.6.2020 no. L 198)Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework in favour of sustainable investments and amending Regulation (EU) 2019/2088, Art. 8 - Transparency of undertakings in non-financial statements, states that :

"Any undertaking required to disclose non-financial information following Article 19a or Article 29a of Directive 2013/34/EU shall include, in its non-financial statement or consolidated non-financial statement, information on how and to what extent the undertaking's activities are associated with economic activities that are considered environmentally sustainable following Articles 3 and 9 of this Regulation.
2. In particular, non-financial undertakings shall disclose the following
(a) the share of their turnover derived from products or services associated with economic activities considered as environmentally sustainable under Articles 3 and 9; and
(a) the share of their turnover from products or services associated with economic activities considered as environmentally sustainable by Articles 3 and 9; and (b) the percentage of their capital expenditure and the percentage of their operating cost related to assets or processes associated with economic activities considered as environmentally sustainable following Articles 3 and 9.
3. Where an undertaking publishes non-financial information within the meaning of Article 19a of Article 29a of Directive 2013/34/EU in a separate report following Article 19a(4) or Article 29a(4) of that Directive, the information referred to in paragraphs 1 and 2 of this Article shall be published in the separate report.
The Commission shall adopt a delegated act by Article 23 to supplement paragraphs 1 and 2 of this Article to specify the content and presentation of the information to be disclosed following those paragraphs, including the methodology to be used to comply with them, taking into account the specificities of financial and non-financial undertakings and the criteria for technical screening established under this Regulation. The Commission shall adopt that delegated act no later than 1 June 2021."

The issues analysed here are supplemented by the related EU Delegated Regulations 2021/2178 and 2021/2139.
However, the regulations mentioned above do not go into the details of the audit, limiting themselves to providing general principles of conduct.

On 4 February 2022, the Italian Association of Auditors ASSIREVI issued research paper no. 243, where various issues regarding the audit of non-financial information are addressed, in a particularly analytical manner, through integrations to document no. 226 of 2019, which concerned the auditor's report on the non-financial statement prepared according to Legislative Decree 254/2016 and Article 5 of the Consob Regulation adopted by resolution no. 20267 of January 2018, which states: "Article 5 (Report on the non-financial statement) 1. The appointed auditor shall issue a special report, addressed to the administrative body, which: (a) indicates the regulatory prerequisite under which the report is issued; (b) identifies the non-financial statement approved by the administrative body and audited; (c) indicates the methodologies and principles set out in the reporting standard used as a reference or in the stand-alone reporting methodology used by the administrative body in preparing the non-financial statement; (d) it shall contain a description of the scope of work performed and of the verification procedures put in place for the purpose of issuing the attestation; (e) it shall indicate the international standard, recognised by professional bodies and associations, used for the performance of the attestation engagement f) it contains a statement on the compliance with the principles on independence and other ethical principles established by the international codes recognised by professional bodies and associations, used for the performance of the attestation engagement; g) it expresses an attestation that, on the basis of the work carried out, no elements have come to the attention of the designated auditor that would suggest that the non-financial statement has not been prepared, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of the decree and with the reporting standard or self-reporting methodology used. 2. As an alternative to the provisions of paragraph 1 (g), the administrative body preparing the non-financial statement may request the appointed auditor to certify that, in the auditor's opinion, the non-financial statement or certain specific information contained therein has been prepared, in all material respects, following the requirements of Articles 3 and 4 of the decree and the reporting standard or self-reporting methodology used. 3. If the appointed auditor issues a qualified opinion, an adverse opinion or a statement of inability to issue an opinion, the report shall set out in detail the reasons for the conclusions".

"Regarding the principles to which the auditor must refer for the audit of non-financial information provided for by Decree 254/2016, the Assirevi document no. 226/2019 establishes that the audit of non-financial information must first take into account the standards of external Communication of non-financial information. In this regard, Assirevi document 226/2019 highlights that "II Legislative Decree 254/2016 provides that the DNF may be prepared using:

(i) "reporting standards", which are defined as "standards and guidelines issued by authoritative supranational, international or national bodies, of a public or private nature, functional, in whole or in part, to fulfil the non-financial reporting obligations provided for by this legislative decree and Directive 2014/95/EU" (art. 1, letter f), or
(ii) an "autonomous reporting methodology", defined as "the composite set, consisting of one or more reporting standards, as defined in/a letter f), and the additional principles, criteria and performance indicators, independently identified and supplementary to those provided for by the adopted reporting standards, which is functional to fulfil the non-financial reporting obligations provided for by this legislative decree and Directive 2014/95/EU of/the European Parliament and of/the Council of/ 22 October 2014" (Art. 1(g)).

Directive 2014/95/EU, in Recital 9, provides a (non-exhaustive) list of standards that can be used: "ii Eco-Management and Audit Scheme (EMAS), "ii World Compact (Global Compact) of/the United Nations, the Guiding Principles on Business and Human Rights of/the United Nations in implementation of/the "Protect, Respect and Remedy" Framework, the OECD Guidelines for Multinational Enterprises, the International Organisation for Standardisation's ISO 26000 standard, the International Labour Organisation's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the Global Reporting Initiative or other recognised international standards.

The Communication reiterated what is stated in Recital 9 of the Directive, pointing out that some standards cover various sectors and thematic issues (horizontal standards); others are sectoral or specific to a thematic issue. Some focus exclusively on disclosing non-financial information, while others refer to transparency in a broader context.

In this regard, it should note that the only standards that can use independently to prepare the DNF are the so-called "reporting standards" (the main one being the Global Reporting Initiative), which are the only ones able to meet the non-financial disclosure requirements expressed by the Decree. Process standards (e.g. ISO 26000) or reference frameworks (e.g. Integrated Reporting Framework - IIRC) can only be used in addition to reporting standards.

In light of the above, the reference should be, alternatively
to the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (after this "GRI Standards");

in the case of a GRI Referenced approach to the "Global Reporting Initiative Sustainability Reporting Standards" as defined in 2016 by GRI - Global Reporting Initiative ("GRI Standards");
to any other reporting standards or the stand-alone reporting methodology indicated in the "Methodological Note" paragraph of the DNF.

Consequently, in cases where an EIPR includes the DNF in a document prepared according to the IIRC framework, it is necessary to comply with the requirements of the Decree:
"- however, report the information required by Article 3 of the decree according to one of the reporting standards as the IIRC Framework is not a reporting standard;

- in the case of an integrated report included in the management report, provide disclosure of the information that constitutes the DNF (having through the expositive technique of incorporation by reference in the terms described by the Consob

Consultation Document of 21 July 2017) to make clear to the users of the DNF the data on which the auditor expresses the attestation required by Article 3, paragraph 10, of the Decree." To implement an excellent and complete non-financial data audit, Assirevi's document 226/2019 also highlights that "According to Article 3, paragraph 7, Legislative Decree 254/2016, "The responsibility for ensuring that the report is prepared and published following the provisions of this legislative decree lies with the directors of the public interest entity. In the performance of their duties, they shall act professionally and diligently".
As Assonime also pointed out in its Circular no. 13 of 12 June 2017, in the light of this provision, it is clear that the DNF 'is an act that falls within the exclusive competence of the directors who assume the paternity and responsibility for its' (see p. 37).
Consequently, it is also the task of the directors to define organisational structures suitable for achieving the strategic objectives pursued by the company in the socio-environmental field and to structure an internal control system that enables the effective identification and management of the risks that are important for the company, as well as the collection of non-financial information intended to be included in the DNF".
The Assirevi document cited above goes on to point out that " Art. 3, paragraph 7, Legislative Decree 254/2016, then provides that "the control body, as part of the performance of/functions assigned to it by the system, monitors compliance with the provisions set out in this decree and reports on it in the annual report to the shareholders' meeting".
It follows from this provision that the control tasks entrusted to the Board of Statutory Auditors on non-financial information fall within the scope of the supervisory functions assigned to it based on general principles (Article 2403 of the Italian Civil Code and Article 149 of the TUIF for companies with shares listed on Italian or European regulated markets). These supervisory functions, as we know, focus on:

1) Compliance with the law and the articles of association.
2) Compliance with the principles of proper administration.
3) The adequacy of the organisational, administrative and accounting system.

In light of the above, concerning non-financial information, the supervision of the board of statutory auditors should concern, in particular, the adequacy of (i) the organisational structures defined by the directors for the pursuit of the strategic objectives identified by the company in the social and environmental field, as well as (ii) the internal control system and the procedures implemented by the directors for risk management and for the collection of data to be included in the DNF .

In any case, as also clarified in Assonime Circular No. 13/2017, the supervisory body is required "to perform a supervisory role of a synthetic type on systems and processes, which also include non-financial reporting systems and processes, which does not have the objective of monitoring the company's financial position.

The purpose of this role is not to verify the correctness of the non-financial statement but rather to ensure compliance with the rules of proper administration introduced into administrative action by the laws under review.

The Assirevi, as mentioned above document concludes by pointing out that "the auditor of the financial statements or "any other specifically designated auditor" must express "a statement regarding the conformity of the information provided concerning the requirements of this legislative decree and for the principles, methods and procedures provided for in paragraph 3". This attestation is contained in a "specific report separate from that referred to in Article 14 of Legislative Decree No 39 of 27 January 2010".

This verification is carried out according to the procedures described in paragraph 6 below and concludes with the issue of a specific report.

"It is worth noting that the conclusions expressed by the auditor refer to the compliance of the information provided in the DNF with what is required by the regulations and the reporting standard chosen by the EIPR. The auditor's assessment is called to perform does not concern the company's behaviour concerning the issues covered by the DNF.

The control activity delegated to Consob by Legislative Decree 254/2016 is also oriented in this direction.
In the Explanatory Report to the Regulation, it specified that the Authority "is not entrusted with the task of sanctioning, in the continuous adversarial debate between companies and stakeholders, a generic 'corporate social responsibility, but rather with the task of verifying the completeness and consistency of non-financial information provided to the market".

The Legislative Decree no. 254/2016 does not contain any audit regarding the timing of the DNF verifications requested to the auditor linked to the subject in charge of the compliance verification provided for by art. 3, paragraph 10, Legislative Decree no. 254/2016.

Concerning the verification requested of the independent auditor concerning the preparation of the DNF by the directors, since the independent auditor is called upon to acknowledge the results of the assurances of the DNF, the independent auditor is called upon to acknowledge the results of the verifications of the DNF.
The auditor is called upon to acknowledge the results of said verification in the audit opinion; the same must be
The auditor is called upon to acknowledge the verification results in the audit opinion, and it must complete the verification within the deadline for issuing the audit report.

Concerning the verification of compliance, it should first note that, according to art. 5 Legislative Decree 254/2016, the DNF may:
(i) be contained in the management report of which it constitutes a specific section as such marked.
(ii) constitute a separate report, without prejudice to the obligation to be marked in any case by a similar wording.

The Legislative Decree 254/2016 does not expressly provide for the passage of the DNF to the shareholders' meeting. However, from the interpretative indication contained in the Consob Consultation Document it can deduce that the DNF is, in any case, the subject of the pre-meeting information related to the resolution for the approval of the financial statements even if the shareholders do not have the power to vote on it.
In the case of DNF contained in the management report, the DNF will obviously follow the regime of making available to the board of statutory auditors and the auditor and the regime of publication of the management report provided by art. 154-ter TUIF for listed issuers and by art. 2429 cod. Civ. for other companies not falling within the category of listed issuers.

In the case of a DNF constituting a separate report, the publication regime is clarified by art. 2 of the DNF.
explained by Article 2 of the Regulation, according to which:

(i) listed issuers shall publish the separate report "together with the annual financial report according to Article 154-ter" of the Consolidated Law on Finance;
(ii) listed issuers shall "file the separate report at the company's registered office together with the management report within the terms provided for by Article 2429, paragraph 3, of the Italian Civil Code";
(iii) unlisted and non-listed entities shall "file a separate report at the registered office together with the management report within the time limits outlined in Article 2429, paragraph 3, of the Italian Civil Code".

According to Article 5, paragraph 1, of Legislative Decree 254/2016, the DNF constituting a separate report "shall be made available to the contracting body and to the person in charge of performing the tasks referred to in Article 3, paragraph 10 within the same terms provided for the submission of the draft financial statements".

"In addition to what has been highlighted above, it is recalled that Article 3, paragraph 10, Legislative Decree 254/2016 provides that the report issued by the entity in charge of the DNF compliance verification "shall be attached to the non-financial statement and published together with it".

In light of the regulatory framework illustrated above, it is nt1ene that the verification of compliance provided for by Article 3, paragraph 10, of Legislative Decree 254/2016 must be completed within the timeframe provided for the publication of the management report or the separate report, i.e. 21 days before the shareholders' meeting called to approve the annual financial report in the case of listed companies or 15 days before the same meeting in the case of unlisted companies.

Notwithstanding the above, it is, however, deemed appropriate that the statutory auditor and the entity in charge of the compliance audit receive, from the company, before issuing their respective reports, information on the results of the audit activities carried out by each of them concerning aspects that may affect their conclusions. Specific certification in this regard is issued in the letter attached under 3 and 4.

Consequently, it is deemed that also the dates of issuance of the audit report on the financial statements and the report of the entity in charge of the compliance assessment should be concurrent or, at least, close to each other".

Concerning the professional standards of reference for the development of the audit of non-financial information provided for by Decree 254/2016, Assirevi points out that the basic principle to which it is necessary to refer is the International Standard Assurance Engagement ISAE 3000 Revised, Assurance, Engagement Other than Audits or Reviewers of Historical Financial Information issued by IAASB (Internationa Auditing and Assurance Standard Board, ISAE 3000.

ISAE 3000 provides for two forms of assurance (reasonable assurance and limited assurance), from which two different conclusions are derived:

(i) in the case of a reasonable assurance engagement, a statement as follows: "In our opinion, the information has been prepared, in all material respects, following....";
(ii) in the case of a limited assurance engagement, a statement is as follows: "Based on our work, nothing has come to the attention that causes us to believe that the disclosure has not been prepared in all material respects following...".

The main difference between the two approaches is identifiable both in the type of checks that are carried out (e.g. understanding and verification of processes, analysis of the internal control system, detailed checks, etc.), and in the extension and depth of such procedures and the breadth of such verification activities (less in the limited assurance form than in the reasonable one), with consequent differences in the time required to carry out the checks in the two cases (less in the limited one).
Article 5 of the Regulation defines the contents of the audit report in line with the provisions of the ISAE as mentioned above 3000.

In particular, paragraph 1 of Article 5 of the Regulation states that the audit report shall conclude with "an attestation that, based on the work performed, no elements have come to the attention of the designated auditor that would suggest that the non-financial statement has not been prepared, in all significant aspects, under the requirements of Articles 3 and 4 of the Decree and the reporting standard or the independent reporting methodology used" ("limited assurance").

In any case, to allow for the broadest possible range of possibilities regarding the verification of the DNF, Article 5(2) of the RegulationRegulation provides that the administrative body of the EIPR may "request the appointed auditor to certify that, in the auditor's opinion, the non-financial statement or certain specific information contained therein has been prepared, in all material respects, following the requirements of Articles 3 and 4 of the Decree and with the reporting standard or autonomous reporting methodology used".

Reporting standard or the stand-alone reporting methodology used'. Therefore, if the companies so request, the auditor's conclusions may also be expressed in the form of a reasonable assurance on the DNF as a whole or in a "mixed" form, so to speak (limited assurance on the DNF as a whole and reasonable assurance on some information contained therein).
Consob, in its Explanatory Report to the RegulationRegulation, has specified that the flexible model for the DNF report provided for in Article 5 is part of the "measures aimed at allowing market operators to gradually approach the new obligations and to gain the necessary experience over time so that the systems put in place by companies and external controls can evolve towards possibly more complex forms".

It should note that, to date, the most common form of assurance for sustainability reports/CSR Reports in international practice is limited assurance.
Moreover, it should considere that the level of assurance that the professional provides with the performance of a "limited" audit is in any case adequate to increase in a not insignificant way the confidence of potential users in the information being audited".

In February 2022, Assirevi supplemented its 2019 research paper 226 above, highlighting a number of additions to ensure that audit certification complied with Article 3 of Legislative Decree 254/16 and new regulations issued by the EU. In particular, the Assirevi research paper No. 243 of February 2022 was issued to introduce in the auditor's report of non-financial information what is provided by Art. 8 of Regulation (EU) 2020/852 of 18 June 2020 (c. so-called "Taxonomy Regulation") and the Delegated Regulations (EU) 2021/2178 (the "Delegated Regulation ex art. 8") and (EU) 2021/2139 (the "Delegated Regulation ex art. 0 and 11" and together with the Delegated Regulation ex art. 8, the "Taxonomy Delegated Regulations").

Innovations On Sustainability and the Environment in the Italian Constitution. Non-Financial Information and the Audit of Documents Containing Such Disclosures

The new Assirevi document No. 243 of 2022 sets out, in essence, examples of additions to be made to the auditor's report of the Statement of Non-Financial Information. In addition, the document indicated some suggested additions to the text of the attestation letter issued by the directors of the audited company.

It should emphasise that, apart from the additions highlighted in Assirevi Document No. 243, every indication in Document No. 226 of 2019 remains valid.

In the Assirevi document no. 243/2022, it is stated that "The Taxonomy Regulation issued on 18 June 2020 is one of the initiatives adopted within the EU to facilitate the transition towards sustainable finance.
The objective of the European RegulationRegulation is the implementation of a taxonomy aimed at
to define the conditions under which economic activities can be considered environmentally sustainable and stimulate the extension of the mandatory disclosure requirements for the preparation of the DNF.

According to Art. 8 of the Taxonomy Regulation, any company required to publish a DNF must include in this document, as of 1 January 2022 (i.e. concerning the information relating to the 2021 reporting period), specific information on how and to what extent the company's activities are associated with economic activities considered "environmentally sustainable" following articles 33 and 94 of the same RegulationRegulation.

In this regard, Article 10 of the Delegated Regulation ex-art. 8 provides that, concerning the reporting period 2021, the obliged companies shall report only the proportion of eligible and non-eligible economic activities to the EU taxonomy ("Eligible Activity")" According to Article 1 of the EU Regulation 852 of 2020, an aligned activity is defined as an economic activity that meets the requirements of Article 3 of the Regulation which is reproduced on the following page. While the same Article 1 defines an eligible activity as an economic activity described in the delegated acts adopted according to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, regardless of whether such economic activity meets any or all of the technical screening criteria set out in those delegated acts.

Conversely, the activity is ineligible when the economic activity is not described in the delegated acts adopted according to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852".

After that, as of the reporting period 2022, non-financial corporations (and, as of the reporting period 2023, financial corporations) will have to report activities aligned with the EU taxonomy ("Aligned Activity")."

It is recalled that, according to Art. 3 of the EU Regulation 2020/ 852, it is possible to define an eco-friendly economic activity only when the activity simultaneously meets the following requirements:
Article 9 of the Regulation as mentioned above identifies the following environmental objectives:
(v) Climate change mitigation
(vi) Climate change adaptation
(vii) Sustainable use and protection of water and marine resources
(viii) Transition towards a circular economy
(ix) Pollution prevention and control
(x) Protection and restoration of biodiversity and ecosystems.
The technical screening criteria to define whether an activity contributes to an environmental objective does not cause significant damage to it are left to specific delegated acts adopted by the EU Commission. The delegated act relates to the first two objectives and the Delegated Regulation ex art. 10 and 11 on climate aspects.

The Assirevi document 243 of 2022, continuing the analysis of the integrations to be made to the document 127 issued in 2019 underlines that "Article 8 of the Taxonomy Regulation, as mentioned above, requires the inclusion in the DNF of specific information on the company's activities associated with economic activities considered "environmentally sustainable" according to Articles 3 and 9 of the same Regulation, but does not provide for the assurance by a statutory auditor of such information.

"As is well known, on the one hand, Directive (EU) 2013/34 (the "Accounting Directive") provides that "The Member States shall ensure that statutory auditors or audit firms canvass/report the submission of the non-financial statement" (see para. 5, Art. 19-bis).

On the other hand, Recital 16 of Directive 2014/95/EU, which supplemented the Accounting Directive, introduces the possibility (and not the obligation) for the Member States to subject the non-financial information referred to in Articles 19-bis and 29-bis to assurance by a statutory auditor. Consequently, when it transposed the Accounting Directive in Italy, Article 3, paragraph 10 of Legislative Decree no. 254/2016 was introduced, which requires the person in charge of the statutory audit of the financial statements to verify that the DNF has been prepared-In addition, with the same provision, the Italian legislator decided to include the audit in the national regulatory framework, left to the discretion of the Member States, of non-financial information according to Articles 19-bis and 29-bis to be audited by the statutory auditor. In this regard, Article 3, paragraph 10 of Legislative Decree 254/2016 provides that the person in charge of the statutory audit of the financial statements (or another person authorised to carry out the statutory audit designated explicitly for this task) expresses an attestation as to the conformity of the non-financial information provided concerning the rules of Legislative Decree 254/2016 itself and concerning the methodologies and principles provided by the reporting standards used7. The tasks of the auditor and the content of the report on the non-financial statement issued by the auditor are also more the auditor's duties and the report's content on the non-financial statement issued by the auditor are further detailed in Articles 4 and 5 of the Consob Regulation.

From the framework described above, it emerges that, at present, European legislation provides that the auditor of the financial statements is only obliged to verify the existence of the DNF. On the other hand, the European and national regulatory context now the auditor's assurance on the DNF is an activity required exclusively by the Italian On the contrary, the European and national regulatory context illustrated above leads us to note that the auditor's assurance on the DNF is an activity required only by the Italian legislator and does not derive from the European regulatory framework of reference currently in force, where there is no obligation for the auditor to perform in this sense.

The same issues are expressly addressed by the European Commission's Q&A clarifying certain interpretative aspects related to Article 8 of the Taxonomy Regulation published in December 2021 (the "EU Commission FAQs"). In particular, the EU Commission's FAQ no. 7 specifies, in response to the question: "Should Taxonomy eligibility reporting as part of the Disclosures Delegated Act be externally assured?", che l'Art. 8 del Regolamento Tassonomia "clarifies that 'any undertaking which is subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU shall include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable [...)'. The non-financial statements are subject to an existence check by the statutory auditor in accordance with the Non-Financial Reporting Directive (NFRD) (EU) 2014/95. There is no requirement in Union Law to verify the content of the disclosures".

Therefore, it emerges from the above that the auditor's assurance activity on the DNF is required only by the national legislation and not by the European legislation. Therefore it cannot extend it to the disclosure according to Article 8 of the Taxonomy Regulation, which, as explained above, comes from a Community act that does not expressly provide for any related obligation of the auditor.

As also pointed out by Assonime in its Circular n. As Assonime also pointed out in Circular no. 1 of 9 January 2022, the European regulation on the taxonomy of eco-sustainable activities: disclosure obligations for companies, in fact, "the introduction of a compliance check is a discretionary choice of the national legislator of an exceptional nature, it appears difficult to be susceptible to an extensive interpretation that goes beyond the literal fact since the directive does not expressly require it nor is it logically indispensable that any compliance check necessarily includes all the information in the declaration of non-financial information, (DNF)". It also follows that an extension of the perimeter of the information subject to the auditor's assurance activity would require a specific audit coming from an adequate primary or delegated regulatory source.

In conclusion, in light of the above, and the absence of changes to the national regulatory framework of reference, found in Legislative Decree 254/2016 and in the related regulatory provisions of the Supervisory Authority, the information that Article 8 of the Taxonomy Regulation requires to be included in the DNF starting from January 2022 would be excluded from the auditor's verification pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016 and Article 5 of the Consob Regulation.

Given that, as indicated in paragraph 3 of this document, assurance requirements are not considered applicable to the information required by Article 8 of the Taxonomy Regulation, their inclusion in the DNF requires the auditor to treat them as "other information" as defined by ISAE 3000R. To this end, the auditor shall use their diligence and obtain an understanding of the DNF and the company's business to identify any significant inconsistencies of the information according to Article 8 of the Taxonomy Regulation with the data reported in the DNF based on the requirements of the Taxonomy Regulation reported in the DNF according to the requirements of Legislative Decree 254/2016.

In this regard, the guidance provided by paragraph 62 of the standard is considered relevant:
- the professional must read such other information to identify any significant inconsistencies with/to the subject information
- must identify a significant inconsistency between the other information and the subject matter information or the assurance report; or
- he becomes aware of a significant misrepresentation of facts in the other information not related to matters in the subject matter information or the assurance report, he shall discuss the issue with the appropriate party, or parties, taking further action as appropriate."

To identify the information required by art. 8 of the Taxonomy Regulation in the context of the DNF and to allow users to understand the data on which the DNF is based, the DNF should be based on the information required by the DNF.
To identify the information required by art. 8 of the Taxonomy Regulation in the DNF and to allow users to understand the data on which the auditor expresses assurance under art. 3, paragraph 10, of the Decree, it is essential that the information in question is clearly distinguished from other information in the DNF. Therefore, the auditor must ensure that the data is reported in a specific paragraph of the DNF.

Considering the above and following the indications in the ISA 3000 R guidance, the auditor's report must be separate from the other information present in the DNF.
The auditor's report will have to integrate with the specification that the clarification that the assurance activity carried out has excluded the information presented by the directors in the DNF report under art. 8 of the Taxonomy Regulation. In particular, assuming, as mentioned above, that the data is clearly and separately identifiable, the opening paragraph of the auditor's report and the one relating to the conclusions should be integrated as follows:

"Integration suggested by Assirevi:
According to article 3, paragraph 10, of/ Legislative Decree no. 254 of 30 December 2016 (in the future the "Decree") and article 5 of/ CONSOB Regulation no. 20267/2018, we have been engaged to carry out a limited assurance engagement of the [non-financial consolidated] statement of ABC S.p.A. [, and on control,/ate (in the future the "Group")] for the year ended [day month year] prepared according to article 4 of the Decree. [and on control/ate (starting now ii "Group")l for the year ended [day month year) prepared according to art. 4 of the Decree, [if applicable: presented in the specific section of/the Report on Operations and approved by the Board of Directors on (day month year of the statement of non-financial information.")

Concerning the letter of attestation, Assirevi, with document 243 of 2022, indicates the following additions as appropriate:
The purpose of the assignment given to you is to issue a report on the conformity of the
The assignment's purpose is to issue a report on the conformity of the information provided concerning what is required by the Decree and for the principles, methods and procedures provided for in paragraph 3 of the Decree. We are aware that the information under Article 8 of Regulation (EU) 2020/852 of 18 June 2020 (the "Taxonomy Regulation") is excluded from the scope of your activity and is therefore not subject to your limited review. It is our responsibility to prepare the DNF under the requirements of articles 3 and 4 of the Decree and to [adapt in the specific circumstances by inserting the reporting standard or autonomous reporting methodology indicated in the paragraph "Methodological note" of the DNF] identified by us as [reporting standard/independent reporting methodology] according to the Decree. We also confirm that we are responsible for the inclusion in the DNF of the information required by art. 8 of the Taxonomy Regulation its compliance with art requirements. 8 of the Taxonomy Regulation and the Delegated Regulations (EU) 2021/2178 (ii "Delegated Regulation ex art. 8") and (EU) 2021/2139 (ii "Delegated Regulation ex art. 10 and 11" and together with the Delegated Regulation ex art. 8, the "Taxonomy Delegated Regulations") as well as their consistency with the other information included in the DNF ."

At the end of this analysis, it must remembere that Assirevi's research documents, although not constituting laws of the Italian State, are of great scientific and operational relevance. Therefore, all Italian auditors should align themselves with the suggestions offered in the research papers issued by this association.

Since the audit of non-financial data concerns all countries, the writer believes that it is also helpful for scholars from countries other than Italy to read the suggestions on the audit of non-financial information provided by Assirevi as they apply to non-Italian countries.

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Manufacturing Sector and Globalization Nexus in Nigeria: An Empirical Study

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ABSTRACT: Globalization is meant to efficiently allocate resources around the world to enable economic growth. Hence, the study took as its objective to examine the relationship between globalization and the Nigerian manufacturing sector. To achieve this, the study utilized annual time series data from 1986 to 2019. The analytical method followed the Paseran, Shin, and Smith (2001) ARDL approach. Bound cointegration test revealed that stable long run relationship exists among the variables. The result shows that overall globalization and economic globalization had negative and significant impact on manufacturing output growth in the long run. However, in the short run only economic globalization has a positive significant impact on manufacturing in Nigeria. Based on these findings, the study, therefore recommended that, the government should adopt proactive trade policies to protect and give competitive advantage to the domestic manufacturers.

KEYWORDS: Exchange rate, development globalization, manufacturing sector, trade openness.

1.0 INTRODUCTION

The concept globalization has attracted the attention of many scholars from diverse fields and has been explained differently by these scholars. The globalization phenomenon is a multi-dimensional process which includes political, economic, social, and cultural dimensions that have been variously explained in different terms and context (Akinboye, 2008). Although the political, cultural, social, and environmental aspects of globalization are no doubt important, the economic aspect is perceived to be the heart of the globalization process and most discussed (Obadan, 2008).

Globalization is the intensification of cross border trade, increased financial flows across border, and foreign direct investment (FDI) flows among nations, promoted by rapid advances in trade liberalization and in communication and information technology (Islam ,2002). It is the process of integrating economic decision making across the world and creating a global marketplace in which all nations participate. Thus, globalization entails a borderless world or global village with attendant increase in international trade and capital flows among countries of the world (Kwanashie, 1998). Globalization is therefore the integration of the world economy, and it involves the interdependence of nations around the world through borderless transactions and increased financial flows.

Globalization phenomenon, over the years, has been a contentious issue. It has been widely criticized by some, and widely praised by many others, because of its experiences and consequences which varies from country to country. Globalization has influence on industrialization, especially, in developing economies where there is shortage of capital and technology for production of goods and services. Today, as part of the moving trend of globalization Nigeria is a member of and signatory to many multilateral and regional trade agreements such as International Monetary Fund (IMF), World Trade Organization (WTO), Economic Community of West African States (ECOWAS), just to mention a few.

Despite all her efforts to meet up with the demands to these economic partnerships in terms of opening her borders, industrialization of the Nigerian economy is still a mirage. Manufacturing sector output contribution to GDP continues to fall annually, as employment share of the sector. It therefore creates doubt as to the contribution globalization to industrialization and the development of the manufacturing sector in Nigeria. Hence the following question quickly comes to mind: does globalization have any positive significant impact on manufacturing sector development in Nigeria? This work therefore seeks to investigate the effect of globalization on manufacturing development with special attention to Nigerian economy.

This study will be of immense benefit to all research students, and the Nigerian Government. To the government, it will enable them to know globalization is affecting economy and what policy to implement in other to reap the benefit of globalization. The remaining part of the paper is structured into four sections as follows: section two (2) is the literature review. Section three (3) presents the empirical methodology, while section four (4) is the presentation of empirical results and discussion of findings. Section five (5) is devoted to the summary and conclusion from the study.

2.0 LITERATURE REVIEW

The theoretical and empirical literature reviews of the study are presented in this section. First, we present the theoretical literature followed by the empirical literature.

2.1 Theoretical Literature

Theoretically, there are two main schools of thought on the argument about the role of globalization and economic growth. The classical economists from Adam Smith to Ricardo advocated the need for free trade and removal of all trade barriers to allow for free flow of goods and services across international geographical boundaries. Their main proposition is that free trade will institutionalize economies of scale, division of labor, along the line of absolute advantage or along the line of comparative advantage and increase output level. In other words, globalization, according to the classical economists, will stimulate productivity and overall growth in the economy and the world at large.

The classical economists were mainly concerned with economic growth, the role of the three primary factors of production and their shares in the national income. They concluded that apart from the important role of these factors of production, the size of the market matters for division of labor, productivity, and output growth. Hence, they advocate for free trade to encourage growth. Within the context of the globalization, the classical economists are in support of globalization.

The neoclassical economists examined the concept of economic growth from a different perspective. For the neoclassical economists, economic growth results from three main sources. The first source is the increase in quantity and quality of labor. The second source is the increase in accumulation of capital stock, and the third is technological. In the long run, increasing capital cannot grow the economy. Any increase in saving rate results in temporary economic growth during the transition period. However, because of the diminishing returns, the per capita income grows until the steady state. Once steady state is reached, economic growth becomes zero. To have growth, there must be technological progress.

The sources of the technological progress are the main argument between the exogenous and endogenous strands of the neoclassical growth theorist. The endogenous growth theory, proposed by Romer (1986) exerts that technological progress is endogenous. It comes from within; it results from investment and knowledge accumulated in the economy. Technological progress does not suffer from diminishing returns, and it has zero marginal cost once it has been produced. What this implies is that it is costless to multiply, and more application yield more output. With respect to globalization, the theory emphasizes domestic investment in capital goods, and R&D to engender technological progress and economic growth beyond the steady state. So, globalization is not important. What matters is investment to drive growth. The theory failed to address the case where there is insufficient domestic savings for investment. In this case, capital, and capital goods would have to be imported. The free movement of goods and services, and financial assets is now important.

The Solow–Swan (1956) exogenous model contradicts the Romer model. The argument of the Solow-Swan model is that technological progress arises from research and development activities around the world. Economies that are open will grow faster through interaction with outside world; while closed economy will grow slowly. Thus, close economies impede FDI flows, R&D, technological diffusion, and adoption. This will retard growth and underdeveloped economy. Therefore, opening the economy for the flow of FDI, good and services will accelerate growth and development in the developing countries. The theory gives significant importance to trade liberalization, and the globalization mantra as a strategy for development of the less developed countries.

2.2 Empirical literature

There is a plethora of empirical literature on the effect of globalization on manufacturing sector output at the national level using time series data, at the sectoral level, and using panel data in cross sections studies. The results of the studies vary in methods and findings. Some of the studies and their findings are summarized in Table 2.1

Table2.1: Empirical Literature Review Summary

Author(s)/Year	Unit of Analysis	Period	Method	Globalization Variables used	Result
Offori-Atta (2017)	Ghana	1985-2013	Ordinary Least Squares (OLS) regression	FDI	Globalization had negative effect on Ghanaian manufacturing sector
Erumebor(2016)	Nigeria	1986-2010	Ordinary Least Squares (OLS) regression	trade openness and exchange rat	globalization has also had negative effects on Nigeria's industrial sector development
Odebode and Aras (2019)	Nigeria	2010Q1-2018Q4	Structural Vector Autoregressive (SVAR	Trade Openness and exchange rate	manufacturing output reacted negatively to Trade openness and exchange rate fluctuations
Gygli et al. (2019)	92 developing economies	2000-2016	Panel data approach	FDI, Trade Openness, exchange rate	globalization had a negative impact on economic growth in developing countries.
Olaniyi, Sakariyahu, &Ariyo. (2016)	Nigeria	1980-2014	OLS method	Exchange rate, and Trade openness	globalization has a positive impact on the performance of the Nigerian capital market
Nyeche and Ekine (2018	Nigeria	1985-2016	ARDL	trade openness exchange rate and FDI	Trade openness and exchange rates had negative effect on GDP while FDI and exert insignificant influence on GDP
Bakare et al. (2020)	Nigeria	1981-2017	Vector Error Correction Model (VECM). Regression Techniques	trade openness index	Trade openness caused increase in the manufacturing output in Nigeria
Odebodeeta (2019)	Nigeria	2010-2018	Structural Vector Autoregressive (SVAR	Exchange rate and FDI	manufacturing output reacted negatively to exchange rate fluctuations.
Ali, Obayori and Obayori (2018)	Nigeria	1980-2016	Error Correction Model (ECM) analysis techniques	Trade openness index, and Exchange rate	The result shows that there is a short-run and long-run casual effect between globalization and manufacturing growth in Nigeria
Jonathan et al. (2015)	Nigeria	1980-2013	Vector Auto Regression (VAR) model	Trade openness, foreign direct investment, exchange rat	The result shows that globalization had positive and significant impact on manufacturing sector output

Source: Researcher' compilation.

It is noteworthy that the results from the empirical literature are, however, mixed. There is no consensus of the effect of globalization on manufacturing sector, both for Nigeria and other countries.

3.0 METHODOLOGY

This paper will adopt Ex Post Facto Research Design. The variables used in this research are properly outlined in table 3.1. The time series data which covers the period of 1986 to 2019 for the different variables will be subjected to a unit root test to determine their stationarity level. The model was then subjected to a bounds cointegration test to determine the long run relationship between globalization and the manufacturing sector in Nigeria. The result of the bounds test will lead to a short run analysis where the error correction mechanism of the model will be specified. Finally, post estimation tests will be conducted to check the integrity of the analysis. Residual normality test, autocorrelation test, heteroskedasticity test and Ramsey reset test will all be carried out under 5% probability level.

3.1 Model Specification

The analytical framework of the study is based on the Solow-Swan model in which economic growth results from factors outside the economy. It proposes that economic growth is primarily determined by external and independent forces. Therefore, playing on the world stage would afford a country the capacity to grow. The model is derived from conventional Cobb- Douglass production function in which foreign resources is introduced as an input in addition to labor and domestic capital. In the usual notation the production function can be written as follow

$$Y = AK^{\alpha}L^{\beta} \quad (3.1)$$

Where, K is capital formation, L is labour force, and A is the Solow Residual or Total Factor Productivity (TFP). α and β are output elasticity with respect to capital and labour and α +β= 1. According to Keller and Yeaple (2003), the TFP is a separately additive function of several variables including level of technology, institutional quality, foreign direct investment, foreign aid, and trade openness. Hence, we simplify and specify the functional model of globalization -manufacturing sector output growth nexus in Nigeria as:

$$MVA = f(GI, EG, FDI\ TOP\ EXR) \quad (3.2)$$

We transform the implicit function above to explicit econometrics model as follows:

$$MVA_i = \beta_0 + \beta_1 GI_i + \beta_2 EG_i + \beta_3\ FDI_i + \beta_4 TOP_i + \beta_5 EXR_i + \mu_i \quad (3.3)$$

Where MVA_i is manufacturing sector value added to GDP, GI_i is overall globalization index, EG_i is economic globalization, FDI_i is foreign direct investment, TOP_i is trade openness, and EXR_i is exchange rate. β_0 is a constant, $\beta_1 \ldots \beta_5$ are model parameter estimators, and μ_i is a white noise error term.

Table 3.1: Explanation of Variables

Variable	Measurement	Sources of Data
Manufacturing Sector Output (MVA)	Manufacturing sector value added to GDP per annum. It is measured in billions of naira	Central Bank of Nigeria Statistical bulletin (various issues)
Globalization Index	Composite index of economic, social, and political dimensions of globalization	KOF Index of Globalization (2019)
Economic Globalization	Composite index of trade flows portfolio investment, and level of trade restrictions that applies to a country	KOF Index of Globalization (2019)
Foreign Direct investment	FDI Inward flow is the value of foreign investors equity in Nigeria and net loans to enterprises in Nigeria it is measured in U.S dollars	Central Bank of Nigeria Statistical bulletin (various issues), UNCTAD, OECD
Trade Openness	Export plus import divided by GDP, it is an index ranging from 1 to 100	World Bank's World Dev. Indicator (WDI)/CEIC global data base . OECD
Exchange rate	The amount of naira given up in exchange for one dollar	Central Bank of Nigeria Bulletin

Source: author's compilation

All data are secondary in nature and were collected from 1990 to 2019.

4.0 EMPIRICAL RESULTS AND DISCUSSION

This section of the study presents the empirical results and discussed the findings as follows:

4.1 Unit Root Test Results

The result of the Augmented Dickey-Fuller (ADF) is contained in table 4.1 below. The critical t- statistic at 5% probability level is 3.6220.

Table 4.1: Unit Root Test Results

Augmented Dickey Fuller (ADF)			
Variable	**Level**	**First Diff**	**Order**
MVA	-1.2144	-5.0479	I (1)
GI	-1.5410	-5.9151	I (1)
EG	-2.4892	-6.9929	I (1)
FDI	-4.1324	-	I (0)
TOP	-2.7721	-6.4581	I (1)
EXR	-1.5153	-3.8783	I(1)

Source: E-view computer output

The unit root test shows that all the variables, apart from FDI, have unit root at level for the Augmented Dickey-Fuller (ADF) test. Foreign Direct Investment (FDI) is stationary at level. However, all the other variables, apart from FDI, are first difference stationary, that is, they are I (1) series, or integrated of order 1. FDI is integrated of order 0 and therefore is I (0) series. The next step is to examine the integrated variables for cointegration, to see if there is any stable long run relationship among the variables.

4.2 ARDL/Bound Co integration Test

The ARDL/Bound Cointegration Test approach was adopted to examine the integrated variables for cointegration. The result is presented in Table 4.2.

Table 4.2: ARDL/Bound Test Result

F-Bound Test	**Null Hypothesis: No levels relationship**			
		Actual Sample Size: N= 29		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-Statistics	4.1340			
K	5	10%	2.331	3.417
		5%	2.804	4.013
		1.00%	3.900	5.419

Source: E-view computer printout

The ARDL/Bound test result in Table 4.2 shows that the variables are cointegrated. The empirical F-Statistics is greater than the upper critical bound statistics at 5% probability level, thus, the null hypothesis which says there is no level relationship is rejected at 5% probability level. This implies that there is a fixed long run relationship among the variables of globalization and manufacturing sector performance in Nigerian economy. We proceed to presenting the long run impact coefficients of the effect of globalization on Nigeria's manufacturing sector during the period under review.

4.3 ARDL Model Parameter Estimates

Having identified that the variables in the empirical model are cointegrated. We proceeded to estimate and present the model parameter estimates. First, the long run coefficients and second the short run coefficients. The long run and the short run coefficients are presented in Table 4.3 and 4.4 respectively.

Table 4.3: Long Run Coefficients

Variable	Coefficient	St. Error	t-Statistics	Prob.
GI	-0.6424	0.2861	-2.2456	0.0427
EG	-0.2058	0.0861	-2.3897	0.0327
FDI	0.0000	0.0000	0.2354	0.8175

TOP	-0.1053	0.0442	-2.3826	0.0331
EXR	-0.0572	0.0250	-2.2873	0.0396

Source: E-view computer output

The long run coefficients presented in Table 4.3 above show the effect of globalization variables on Nigeria's manufacturing sector performance in terms of output. The table reveals that globalization index (GI) negative and significant impact on manufacturing sector output. This is in line with the a priori expectation for the variable and economic theory. This implies that increase in overall globalization had positive impact on the Nigerian manufacturing sector. Specifically, increase in Nigeria's globalization index led to increase in Nigeria's manufacturing sector output by 0.6424. The relationship between economic globalization and manufacturing sector output is negative, but significant. This implies that increase in Nigeria's economic globalization index (EG) had negative impact on Nigeria's manufacturing sector output during the period under review.

The impact of FDI on the Nigerian manufacturing sector in the long run is positive. But insignificant it implies that the inflow of FDI to Nigeria during the period under review has not been beneficial to the Nigerian manufacturing sector. The impact of Trade Openness (TOP) on Nigerian manufacturing sector out is negative and statistically significant. The implication is that the openness of Nigerian economy during the period under review had negative impact on the Nigerian manufacturing sector. This is contrary to the a priori expectation for the variable. The relationship between Naira's exchange rate (EXR) and the manufacturing sector output is negative, but significant. The sign of the variable coefficient conforms to the a priori expectation for the variable. The result implies that. During the period under review, variations of the value of the Nigerian currency had negative effect on the Nigerian manufacturing. In all, the impact of globalization on the Nigerian manufacturing sector in the long run is negative. We proceed to examine the short run impact of globalization on manufacturing sector.

Short Run Coefficients

Variable	Coefficient	St. Error	t-Statistics	Prob.
D(EG(-1))	0.0487	0.0196	2.48192	0.028
D(EXR(-1))	0.0329	0.0085	3.86137	0.002
D(FDI(-2)	0.0001	0.0542	0.00184	0.173
D(TOP(-1)	0.0000	0.0251	0.0039	0.459
CointEq(-1)*	-0.4171	0.0641	-6.50339	0.000

Source:

The short run impact of globalization on manufacturing sector output as presented in Table 4.7 reveals that Economic Globalization (EG), exchange rate Variations (EXR), Trade Openness (TOP), and foreign direct investment (FDI) had positive effect on manufacturing sector output. However, the impacts of FDI and trade openness were statistically insignificant in the short run. Overall globalization index had no short run effect on manufacturing sector out. The insignificant impact of FDI and TOP is a direct consequence of the fact that FDI and Trade Openness have long and significant impact lags. This will make their impact insignificant in the short run, but significant in the long run after adjustments. The coefficient of the Error correction mechanism (CointEq (-1) *) is negative and statistically significant. The coefficient of the variable is appropriately signed and significant. The absolute value of the coefficient, -0.4171, implies that the speed of adjustment of the model to the long run equilibrium value is about 4% within one year.

4.4 Post Estimation Tests

Post estimation tests examine the model employed for the empirical analysis and the parameter estimates whether they meet the basic assumptions of the Ordinary Least Square (OLS) regression techniques. The diagnostic test carried out on the model and the parameter estimates are the residual normality test, autocorrelation test, heteroskedasticity, and model specification error tests. All tests were conducted at 0.05 level of significance. The summary of the results of the tests are presented in table 4.8 below.

Table 4.4 Diagnostic Test Results

Test	Method	Empirical Statistics	Prob.	Remarks
Residual Normality	Jacque-Bera(JB)	1.438	0.4871	Accepted

Autocorrelation	Breusch-Godfrey Test	1.914	0.1666	Accepted
Heteroskedasticity	ARCH Test	0.093	0.7602	Accepted
Model Specification	Ramsey RESET	0.048	0.8303	Accepted

Source: E-view computer output

The Jacque- Bera (JB) test of residual normality shows that the estimated residuals have normal distribution. Thus, the null hypothesis is accepted at 0.05 level of significance. The autocorrelation test shows no evidence of autocorrelation among the estimated error terms. The Bresuch-Godfrey test statistic value is far much lower than the critical value at 0.05 levels. Thus, the null hypothesis of the test is accepted. The Autoregressive Conditional Heteroskedasticity (ARCH) test of heteroskedasticity supports the acceptance of the null hypothesis at 0.05 levels of significance. It therefore implies that there is no evidence of heteroskedasticity in the estimated error terms. The test of model specification error using the Ramsey Regression Specification Error Test (RESET) indicates that the model employed for the analysis was correctly specified. Based on the results of the model diagnostic test, we can confidently declare that the model parameter estimates are the Best Linear Unbiased and Efficient Estimators.

5.0 SUMMARY AND CONCLUSION

The study examined how globalization affects the performance of the Nigerian manufacturing sector between the period 1990 and 2019. The objective of the study was to estimate the effect of globalization on the Nigerian manufacturing sector output contribution to the GDP during the period under review. The study adopted Ex-Post research design approach using secondary data collected from various sources and a multiple regression model which has Nigerian manufacturing sector output contribution to GDP as the dependent variable, while overall globalization index, economic globalization, foreign direct investment, and trade openness were the independent variables.

The empirical model was estimated using the Pesaran, Smith, and Shin (2001) Autoregressive Distributed Lag/Bound test cointegration analysis techniques. The ARDL/Bound cointegration test shows that the variables in the model have stable long run relationship. Estimates of the long run coefficients revealed that the overall globalization index has positive and significant impact on the manufacturing sector out during the period under review. However, economic globalization index and foreign exchange variations have negative, but significant effect on the manufacturing sector output in the long run. Trade openness and foreign direct investment had negligible and insignificant impact on manufacturing sector out in the long run. The short run impact of economic globalization and exchange rate were found to be positive and significant, while FDI and trade openness were not significant.

Based on the findings from the study, it is evident that globalization had negative effect on the Nigerian manufacturing sector. The annual output of the sector declined heavily under the influence financial and trade liberalization. The sector lost it market in the West African region and the domestic market in the face of cheaper and more sophisticated products from European and Asian manufacturers. The problem has been compounded by huge infrastructure deficit, macroeconomic instability, exchange rate instability, galloping inflation, negative real interest rate, price instability, and sluggish economic growth. The manufacturing sector is important for job creation, industrial sector development, and economic growth, reserves conservation and foreign exchange earnings. The dwindling fortune of the Nigerian manufacturing sector has to be mitigated policy responses that protect critical the sectors from the raving influence of globalization and competitions from developed economies, while at the same time, not restricting international trade and consumers choices and variety space.

To achieve this, the government should adopt proactive trade policies, especially, policies that protect the domestic manufacturers and give competitive advantage to the manufacturers in the regional and domestic markets. Trade policies such as most rules of origin, most favored nations clauses, local content requirement, and high tariff on non-essential goods should be pursued to local manufacturers afloat.

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Impact of Corporate Social Responsibilities on Organizational Commitment at Processing Enterprises in Viet Nam

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ABSTRACT: The study aimed to evaluate the aspects of social responsibility to the organizational cohesion of employees of processing enterprises in Hau Giang province, Vietnam. Data is collected from 196 working employees. The methods of descriptive statistics, reliability testing, explore factor analysis and multivariable regression analysis were used through SPSS software. Research results have identified 5 aspects of social responsibility that affect employees' organizational cohesion, including autonomy at work, training and development, and responsibility for the natural environment. Responsibility to the community and Benefits for employees. In which, autonomy in work is considered to have the strongest influence on employee's organizational cohesion. Implications are also proposed to help processing enterprises in the area to come up with appropriate policies to improve employee engagement through social responsibility implementation activities.

KEYWORDS: Social responsibility, CSR, organizational commitment, employee’s commitment, processing enterprises.

I. INTRODUCTION

Social responsibility has become more widely understood in recent years. That is, it is understood not only from an ethical point of view, but also from a legal point of view. Environmental damage caused by some companies, such as Bedan and Formosa Industrial Company in Vietnam, affects social life ... Not only is this morally criticized by public opinion, but more importantly it must be dealt with. It is strictly legal. Therefore, it is no coincidence that the term corporate social responsibility is used more and more frequently in Vietnamese books, newspapers, and many forums.

Hau Giang is one of 13 provinces of the Mekong Delta, Vietnam. In recent years, Hau Giang has implemented preferential policies, attracting investors in the field of high-tech agriculture associated with the processing industry, planning industries in key regions and industrial clusters, in which priority is given to the food and food processing sector. Currently, many processing enterprises have been established and operating in processing fields in Hau Giang province such as food processing, leather, footwear, clothing industry, ... In which, manufacturing industry Food production and processing is the industry with a very large proportion (more than 42.75% of the output value of the whole industry), and is the main industry of the province. The processing industry is one of the industries that attracts the attention of individuals, organizations and state management units about the implementation of corporate social responsibility..

How are processing companies in the region implementing social responsibility, and what is its impact on employee behavior? Of interest to managers and researchers. This article will analyze the aspects of the social responsibility of processing companies that affect the organizational commitment of employees.

II. THEORITICAL AND RESEARCH MODEL

2.1 Theoretical

According to Carroll (1991), social responsibility relates to areas such as economic benefits, legal compliance, business ethics and aspects of social support. In addition, he also believes that corporate social responsibility means that the company makes profits and obeys the law, which are two important conditions before coming to business ethics.

Albdur et al. (2010) stated that social responsibility is the formulation of business strategies and decisions to ensure ethical values in accordance with laws and regulations of stakeholders. Thus, the essence of social responsibility is that a company must respond to the needs of its social and business activities, but aim to maximize its positive impact and minimize its negative impact. Lantos and Geoffrey, 2001). Along with the operational characteristics of the processor, the CSR in this study is analyzed based on four aspects: responsibility to employees, customers, environment and community.

Organizational commitment is a strong belief, acceptance of the organization's goals and values, a willingness to push and work towards the organization, and some desire to maintain success. organizer (Mowday et al., 1979). it is the will to devote all one's efforts to the organization and seek to maintain the relationship with the organization (Kalleberg et al., 1996). Organizational commitment can be considered as the emotional attitude or behavior that binds an employee to the organization, which is a psychological state that denotes the employee's relationship with the organization. Therefore, it is closely related to the decision to retain members in the organization. (Size 10 & Normal)An easy way to comply with the conference paper formatting requirements is to use this document as a template and simply type your text into it.

2.2 Hypotheses and research model

Imran Ali et al. (2010) argued that labor is the most important resource for all enterprises. Attributing responsibility to employees means that the company must ensure adequate wages for workers, creating conditions for workers to provide at least the basic needs of themselves and their families. In addition, the enterprise must ensure the correct implementation of the employee's regimes such as bonuses, allowances, sightseeing guides, insurance regimes, working regimes, promotion conditions, etc. Good implementation of social responsibility towards employees will create motivation for them to work, help increase labor productivity and create longer-term benefits for the company. The elements of employee responsibility presented in the article include 3 components as follows:

(1) Benefits for employees: A worker's purpose is to work and earn the income he needs to support himself and his family. In addition to the salaries they receive, employees may receive other benefits such as bonuses, payroll deductions and allowances, and travel allowances. .... All remuneration received by an employee can be collectively referred to as remuneration received by the employee (Turker d., 2009a). It can be said that employees are more likely to be engaged in their work when they receive more key benefits from their work.

Therefore, hypothesis H1 is proposed: Benefits for employees positively affect on organizational commitment.

(2) Work autonomy: means employees can work independently according to their abilities and responsibilities in the rules and principles of the organization. Employees can freely express their opinions, improve and be creative at work as long as it is effective at work. When employees are independent in their work, not bound or forced by anyone, they will be able to work more effectively. This will encourage employees to feel more involved in their work (Turker D., 2009b).

Therefore, hypothesis H2 is posed: Work autonomy has a positive impact on employee's organizational commitment.

(3) Training and development: The employee's working goal is to earn an income to support himself and his family. In addition to salary, bonus and other benefits that employees receive, they need to be trained and promoted at work (Farooq O, Payaud M, Merunka D, Valette-Florence P). Although they do good work and are well paid, the organization is not interested in promotion. This will make them feel self-conscious and reduce organizational commitment.

Therefore, hypothesis H3 is proposed: training and development for employees has a positive effect on organizational commitment.

- Responsibility to customers: the company makes commitments and guarantees to customers such as: ensuring product quality, accuracy of information, ready to satisfactorily deal with all customer complaints, etc. (Skudience et al., 2010). When companies fulfill their responsibilities to their customers, they build trust, reliability and customer satisfaction. It helps companies increase sales and profits, thereby increasing employee income.

- Responsibility to the natural environment: Companies operating in business strictly comply with the provisions of the Law on Environmental Protection, minimizing negative impacts on the environment. When a company performs well on its environmental responsibility, it creates friendliness towards customers and people around, thereby helping to strengthen the company's brand and reputation in the market (Yoon et al., 2006).

- Responsibility to the community: including corporate activities for social support such as fundraising for the poor, scholarship sponsorship activities, contributions to public projects, etc. . (Carroll, 1991). When performing well social responsibility to the community will enhance the image of the company in society.

Based on Social Identity Theory (SIT), it's far used to give an explanation for the procedure of self-enhancement of people closer to organizational performance. Therefore, SIT is the important idea to give an explanation for the impact of CSR on stakeholders via organizational commitment (Turker, 2009). When personnel sense that their organisation works for the benefit, for the obligation of society. This contributes to the improvement of a effective image, personnel sense a feel of delight and need to discover themselves with the organisation, for that reason improving worker confidence, delight and engagement. for the organisation (Hogg & Terry, 2000).

Therefore, the following hypotheses are proposed:

H4: CSR to customer has a positive impact on organizational commitment

H5: CSR to the natural environment has a positive impact on organizational commitment

H6: CSR to the community has a positive impact on organizational commitment

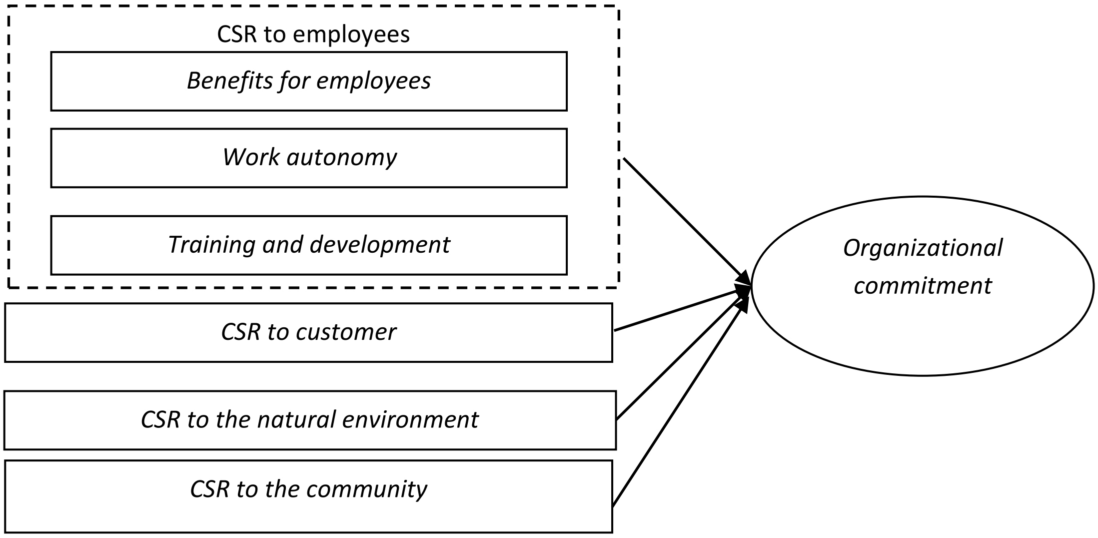

Figure 2.2. Research models

Source: Author's proposal

III. RESEARCH METHODS

The sample size is based on the study of Hair, Anderson, Tatham and Black (1998). Accordingly, in order to be able to analyze factors, it is necessary to collect data with the number of observations 5 times higher than the number of variables to be analyzed, this topic has 30 variables, so the minimum number of observations to be collected is 150.

Convenient random survey method was carried out with a total of 210 questionnaires distributed to employees working in processing enterprises in Hau Giang province, Vietnam. As a result, there are 14 invalid questionnaires due to missing information by respondents and a questionnaire with the same level of comment for all questions. The remaining 196 valid questionnaires, accounting for 93%.

Qualitative method: on the basis of an overview of previous studies, the research team built an initial scale, then the questionnaire was sent to experts and conducted a trial survey of 30 employees to control the survey. edit and supplement concepts in the questionnaire.

Quantitative methods: used with methods such as Cronbach's Alpha, exploratory factor analysis (EFA), and multivariate regression.

IV. RESEARCH RESULTS

According to the survey results, out of 196 observations, 65 men accounted for 33.2%, 131 women accounted for 66.8%.

Regarding age: the majority of workers are in 2 age groups: from 30 to 39 years old and from 18 to 29 years old, with a total of 157 people, accounting for over 80%. 20% are over 40 years old.

Working time: Employees have working time from 1 to less than 3 years, accounting for 33.2%; from 3 to under 5 years, accounting for 32.1%; from 7 years or more, accounting for 24.5%; the rest is less than 1 year, accounting for 10.2%.

Regarding positions in work: employees who do not hold positions account for 87.8%; employees holding managerial positions accounted for 12.2%..

4.1 Cronbach's Alpha reliability analysis

The scale of the study is inherited and developed based on previous studies (Table 1)

Table 1. Summary of scale's reliability

Factors	Scales	Code	Corrected Item-Total Correlation	Cronbach 's Alpha if Item Deleted	Source of Scales
Benefits for employees, Cronbach's Alpha: 0.684	Wages paid by enterprises to employees to ensure their own and their family's life	BE2	0.418	0.638	Imran Ali & et al. (2010)
	Enterprises appropriately determine allowances for employees	BE3	0.470	0.613	
	Enterprises pay bonuses for attractive employees	BE4	0.498	0.611	
	The enterprise has many welfare regimes for employees such as full insurance participation, annual travel, etc.	BE5	0.510	0.593	
Work autonomy Cronbach's Alpha: 0.840	Employees are assigned the right to perform work	WA1	0.614	0.815	Turker D. (2009)
	Employees have the right to take initiative and be responsible for their work	WA2	0.679	0.798	
	Employees are encouraged to participate in decision-making	WA3	0.700	0.791	
	Employees are encouraged to come up with ideas and improve their work	WA4	0.653	0.805	
	Employees have the right to make certain decisions about work	WA5	0.571	0.826	
Training and development, Cronbach's Alpha: 0.864	Employees know well the necessary conditions for development and promotion	TD1	0.799	0.795	Farooq O, Payaud M, Merunka D, Valette-Florence P. (2013)
	Employees can participate in training and retraining courses to improve their skills	TD2	0.774	0.802	
	Employees are oriented and trained in the right skills	TD3	0.522	0.915	
	The enterprise has a clear plan on skills training for employees	TD4	0.806	0.790	
CSR to customer Cronbach's Alpha: 0.836	Enterprises provide full information about their products to customers	CSRC1	0.616	0.809	Skudience & et al. (2010)
	Enterprises always satisfactorily handle customer complaints	CSRC2	0.687	0.789	
	Enterprises always focus on product after-sales	CSRC3	0.641	0.802	
	Enterprises consider customer satisfaction as an important criterion for survival and development	CSRC4	0.644	0.801	
	Brand is very reputable and trustworthy	CSRC5	0.600	0.813	
CSR to the natural	The enterprise has a waste treatment system to minimize harm to the environment	CSRE1	0.671	0.744	Yoon & et al. (2006)

Factors	Scales	Code	Corrected Item-Total Correlation	Cronbach 's Alpha if Item Deleted	Source of Scales
environment Cronbach's Alpha: 0.811	Enterprises always use environmentally friendly products	CSRE2	0.734	0.712	
	Enterprises always consider the environmental and community aspects of their business activities	CSRE3	0.820	0.667	
	Enterprises always pay attention to protecting and improving the natural environment	CSRE4	0.347	0.893	
CSR to Community g Cronbach's Alpha: 0.838	Enterprises always pay attention to protect and improve the natural environment	CSRM1	0.573	0.844	Caroll (1991)
	Enterprises regularly deduct funds to support social activities such as donations to support funds for the poor, scholarship activities, contributions to public projects, etc.	CSRM2	0.795	0.737	
	Enterprises set up their own funds to support social activities	CSRM3	0.728	0.771	
	The image of the enterprise is known from the community	CSRM4	0.607	0.822	
Organizational commitment Cronbach's Alpha: 0.847	Always try your best to work for the business	OC1	0.436	0.822	Jaros (2007)
	Feeling proud to be working at the company	OC2	0.650	0.577	
	Willing to stay and work for a long time for the business	OC3	0.654	0.567	

Source: Summary of data analysis results

The results of the reliability analysis show that the measurement concepts ensure unidirectionality, reliability, and differentiating values

4.2 Exploratory factor analysis

Table 2. Rotated Component Matrix

observed variables	Component					
	Work autonomy	CSR to customer	CSR to Community	Training and development	CSR to the natural environment	Benefits for employees
WA1	0.744					
WA2	0.669					
WA3	0.658					
WA4	0.625					
WA5	0.520					
CSRC2		0.770				
CSRC4		0.727				
CSRC3		0.698				
CSRC5		0.698				
CSRC1		0.543				
CSRM2			0.812			

CSRM3			0.719			
CSRM4			0.671			
CSRM1			0.661			
TD4				0.906		
TD2				0.865		
TD1				0.747		
CSRE3					0.888	
CSRE2					0.865	
CSRE1					0.712	
BE2						0.683
BE5						0.675
BE3						0.646
BE4						0.620

Source: Summary of data analysis results

The results of EFA analysis showed that the extracted variance of the scale reached 71.439%, the KMO coefficient of 0.829 was greater than 0.5. Factor loading coefficients are all greater than 0.5, all factors converge and are consistent with the theoretical model.

4.3 Regression analysis

The regression equation was analyzed based on the data collected from 196 questionnaires to determine the degree of influence of the factors in the aspects of social responsibility on organizational cohesion.

Table 3. Regression analysis results

Hypotheses	Factors	Standardized Coefficients	t	Sig.	Collinearity Statistics		Decision
					Tolerance	VIF	
H1	X1 (Benefits for employees)	0.138	2.296	0.023	0.731	1.368	Accept
H2	X2 (Work autonomy)	0.296	4.506	0.000	0.614	1.628	Accept
H3	X3 (Training and development)	0.194	3.238	0.001	0.741	1.350	Accept
H4	X4 (CSR to customer)	0.030	0.483	0.630	0.673	1.485	Reject
H5	X5 (CSR to the natural environment)	0.185	2.992	0.003	0.696	1.436	Accept
H6	X6 (CSR to Community)	0.151	2.289	0.023	0.609	1.641	Accept

Source: Regression analysis results from survey data

According to the regression results in Table 3, the content of the regression analysis with the selected confidence level is 95%, corresponding to the independent variables having Sig. < 0.05 and has a positive beta normalization coefficient, Thus, the independent variables X1, X2, X3, X5, and X6 are significantly correlated with the dependent variable Y and there is no multicollinearity because of VIF less than 2.

V. DISCUSSION AND IMPLICATION

5.1 Discussion

For Employee benefits, there is a positive influence with organizational cohesion (β = 0.138). Therefore, the more businesses perform their responsibilities or have good policies for employees, the more employees will be more engaged to work and devote to the business and vice versa. The results of this study are similar to those of previous studies such as: Duygu Turker (2009); Mai Dang Tien, Nguyen Thi Thu Thuy and Nguyen Tinh (2019).

Work autonomy is also a component in the content of responsibility for employees, this factor has the largest impact among factors on organizational cohesion (β = 0.296). If the enterprise has a better work policy and promotes self-reliance in work for employees, they will be more attached to the enterprise. Similar to the research results of Duygu Turker (2009); Mai Dang Tien, Nguyen Thi Thu Thuy and Nguyen Tinh (2019),

Training and development is a factor that has a positive influence on employees' organizational cohesion (β = 0.194). When the enterprise has a good training and development policy, the employees will be more attached to the enterprise. This result is also similar to previous studies such as the study of Stephen Brammer, Andrew Millington and Bruce Rayton (2007).

Responsibility for the natural environment (β = 0.185). The more clearly the company shows its role and responsibility to preserve and protect the natural environment in production and processing activities, the more employees will stick with the company. and vice versa. Responsibility for the natural environment has an impact on employee job satisfaction as indicated by (Nguyen & Tu, 2020).

Responsibility to the community (β = 0.151) has a positive effect on organizational commitment. When outsourcing companies have more social policies, more charity funds, for the community, employees show more respect and commitment. Research by Lee, Y. et al (2012) shows that the charitable responsibility component has a strong impact on employees' trust in the organization. Furthermore, research by Huynh Long Ho (2014) shows that the perception of charitable responsibility has a positive impact on employee trust and employee trust in the organization has a positive impact on organizational commitment.

5.2 Implication

For processing enterprises to put in place appropriate policies to maintain and improve organizational commitment through the implementation of social responsibility. Leaders of processing enterprises need to implement the following aspects:

Firstly, promote autonomy in work for employees: empowering employees to perform the work they are in charge of, so that employees have the right to take initiative and take responsibility for their work. In addition, Encourage employees to participate in decisions related to their work; come up with new initiatives, new ways to improve work for higher efficiency; Empower employees to decide on certain tasks.

Second, have a reasonable and clear training and development policy: Leaders need to support employees in terms of time and costs so that they can improve their skills; develop a clear plan on training and retraining of professionals and skills for employees. In fact, most employees when they first come to work do not complete their jobs well for many reasons: they are not qualified, have no working skills, or are only trained in the form of "handheld instructions". job". Therefore, the performance they bring to the company is relatively low. In order to improve the skills of employees, businesses can equip themselves with more knowledge about advanced production management support tools such as 5S, lean production management, etc. Third, focus on responsibility for the natural environment: companies should fully equip waste treatment systems to minimize harm to the environment; use environmentally friendly natural products and goods; The surrounding environment and the community must always be of concern to the commercial and production activities of companies.

Fourth, effectively implement community responsibility: pay attention to local social policies, regularly raise funds to support social activities such as: donating funds for the poor, sponsoring scholarships, Contribution to public works. It is necessary to establish a fund to support social activities and create a good corporate image for the community Fifth, ensure the rights of workers; Enterprises pay wages to employees to ensure their lives and their families, the payment of wages to employees must be calculated reasonably and in accordance with the regime; Consider rewarding attractive employees to have the effect of promoting work enthusiasm; there should be many social protection regimes for employees such as participation in comprehensive insurance, annual travel, etc.

5.3 Limitations and further research

The number of research samples is limited, so the representativeness of the population is still not high. Through data analysis, the explanatory value of the model (R^2 is 0.49), so the study only evaluates about 49% of the influence of social responsibility factors on employee engagement. organization, the rest is determined by other factors at a fairly high rate, but was not found. Therefore, this is also a limitation of the study, but it is also a premise and an idea for further studies to further explore the social responsibility factors affecting organizational commitment.

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The Effect of Profitability and Corporate Size on Company Value with Good Corporate Governance as a Moderating Variable in Manufacturing Companies

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ABSTRACT: Manufacturing companies are chosen as the object of research because manufacturing companies listed on the Indonesia Stock Exchange (IDX) each year are developing and consist of various industrial sub-sectors so as to reflect the overall capital market reaction. This research aims to find out the effect of profitability and the size of the company on the value of the company with good corporate governance (GCG) as a moderator variable, as well as whether good corporate governance (GCG) is able to moderate the relationship between profitability and the size of the company to the value of the company. The population in the study was a company. The population in the study is a Manufacturing company listed on the Indonesia Stock Exchange (IDX) in the period 2018-2020. Samples collected using the purposive sampling method totaled 31 companies determined as samples. The methods used in this study are descriptively quantitative, and the nature of the research is explanatory. The data collection techniques used are documentation as well as the types and sources of data used are secondary data. The study used partial least square (PLS) data analysis methods. The results showed that profitability affects the value of the company, the size of the company has no effect on the value of the company, Good Corporate Governance (GCG) is not able to moderate the relationship between profitability and the size of the company to the value of the company.

KEYWORDS- Good Corporate Governance, profitability, Partial Least Square, firm size, manufaktur

I. INTRODUCTION

Manufacturing companies are companies engaged in the raw material management industry into finished goods that are ready to be used or sold to consumers. Based on the industry classification set by the Indonesia Stock Exchange called Jakarta Stock Exchange Industrial Classification manufacturing companies consist of the basic industrial and chemical sectors, the multi-industry sector, and the consumer goods industry sector. Manufacturing companies are the most listed companies on the Indonesia Stock Exchange (IDX). More than 190 manufacturing companies were listed on the Indonesia stock exchange in 2018-2020 which were grouped into several industry sub-categories.

Based on statistics of the Central Statistics Agency (BPS) for Indonesia's economic growth in the first quarter of 2020, the manufacturing industry sector still contributed the most to the structure of national gross domestic product (GDP) up to 19.98% followed by large-retail trade; car-motorcycle repair by 13.20% : agriculture, forestry and fisheries by 12.84%; and construction by 10.70%. In addition, the Ministry of Industry (Kemenperin) said that the non-oil and gas processing industry is still the sector that contributes the most to the achievement of national export value. During the first half of 2020, the total value of shipments of manufacturing products made up 60.76 billion US dollars or accounted for 79.52% of all national export figures which reached 76.41 billion US dollars.

According to Fahmi [1] the understanding of maximizing the value of the company is how the company's management is able to provide maximum value when the company enters the market. The value of the company is very important because it reflects the performance of the company which can affect the investor's view of the company. High company values lead to good company performance. According to Rodono and Ali (2014: 4) the higher the stock price the higher the value of the company. High company value becomes the desire of the owners of the company, because with high value shows the prosperity of shareholders is also high.

Effect of Profitability and Corporate Size On Company Value With Good Corporate Governance as a Moderating Variable in Manufacturing Companies

Oktaryani and Mannan [2] stated that profitability has a significant positive effect on the value of the company. These findings suggest that profitability is considered a positive signal to investors that will increase the value of the company. High profitability gives an indication of a good company's prospects so that it can trigger investors to help increase the demand for shares that can increase the value of the company. Mahardhika and Roosmawarni's [3] research found that the size of the company proved to have a positive and significant influence on the value of the company in manufacturing companies listed on the IDX. These results show that the penisahaan with a large company size condition then the need for funds will also be greater.

One alternative to the fulfillment of these funds comes from external funding, namely debt. In addition, the larger the size of the company, the more transparent the company in disclosing the company's performance to outside parties, thus the easier the company gets a loan to enlarge the quantity of production and expansion of the factory so as to increase the value of the company. In this study Good Coprporate Governance was chosen as a moderation variable of profitability, and the size of the company against the value of the company. Good Coprporate Governance has information as a condition of the company's prospects. The determination of the number of independent commissioners as much as at least 30% of the total commissioners is considered good and reflects the value of a good company. The objectives of this study are to find out the effect of profitability on the value of the company on the company, to find out the effect of the size of the company on the manufacturing company, to find out the ability of Good Corporate Governance to moderate the relationship between profitability to the value of the company in the manufacturing company in the period 2018-2020.

II. METHODS

The criteria for sample selection criteria in this study are as follows (Table 1):

1. All manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 3 consecutive years and publish consecutive annual financial statements from 2018-2020.
2. Manufacturing companies that earned positive profits for 3 consecutive years from 2018-2020
3. Manufacturing companies that have positive equity developments from 2018-2020.

Table 1. Sample Selection Criteria

No	Keterangan	Jumlah
1	T Manufacturing Companies Listed on the IDX	196
2	Total manufacturing companies that do not publish annual financial	(56)
3	Total manufacturing companies that did not make a positive profit	(73)
4	manufacturing companies that are positive equity developments in 2018-2020	(36)
Number of companies		31
Number of samples		93

A. Operational Definition

The study used 3 (three) variables, namely dependent variables, independent variables, and moderating variables (Table 2).

Table 2. Operational Definition

Variabel	Operational Definition	Parameter	Scale
Company value (Y)	Value that reflects the state of the company based on the company's performance and stock market price.	$PBV = \dfrac{\textit{Market price per share}}{\textit{Book value per share}}$	Rasio

		Weston & Copeland (2010)	
Profitability (X1)	A ratio that measures a company's level of effectiveness to make a profit.	ROE = $\frac{\text{EAT}}{\text{Shareholders's equity}}$ Fahmi (2016)	Rasio
Size of the company (X2)	The size of a company based on the amount of assets obtained by the company.	Firm size = Ln total assets Kasmir (2016)	Rasio
GCG (Z)	The company's policy in determining independent commissioners.	KI = $\frac{\text{Commissioner Independet}}{\text{Total Commissioners}}$ Fahmi (2016)	Rasio

B. Data Analysis

This research uses partial least square data analysis methods (PLS). According to Haryono [4] there are two approaches in Structural Equatton Modeling (SEM), namely SEM with covariance (Covariance Based SEM) abbreviated cb-SEM and SEM based variance (VARIANCE Based SEAO (VB) SEM) abbreviated VB-SEM with partial leastr squarer path modeling (PLS-PM) technique. The PLS technique uses iterations of algorithms consisting of senial PLS which is considered an alternative model of Covariance Based SEM (CB-SEM). Data analysis in this study uses SmartPLS software version 3.0. The analysis using PLS through five stage processes in accordance with the Ghozali and Latan methods [5].

C. Hypothesis

The t test is performed to show how far the influence of one independent variable individually on in explaining the variation of the dependent variable. In hypothesis testing, the value analyzed is the value that exists on the t-statistics resulting from the PLS ouput by comparing it to the t-table value. PLS output is an estimate of latent variables which are aggregate linear of indicators. According to Ghozali and Latan [5] testing criteria with a significance level of (a) 5% are determined as follows:

1. If the table >t is more than 1.96, the hypothesis is accepted.
2. If the table <t count, which is less than 1.96, the hypothesis is rejected.

Hypothesis testing with PLS is carried out in two stages, namely directly calculating the influence of independent latent variables on dependent latent variables, and calculating the effect of independent latent variables on dependent latent variables with moderation variables.

III. RESULTS AND DISCUSSIONS

A. Descriptive Statistics

Based on Table 3. Descriptive statistical results can be explained as follows:

1. Profitability variables using ROE (X1) indicators have an average value of 2.124 Minimum value of 0.0006 in PT Chitose International in 2020 and maximum value of 2,244 in PT Merk Tbk in 2018 and standard deviation of 3,393
2. Company size variable using Ln TA (X4) indicator has an average value of 29.7555. The minimum value is 26,483 in PT Duta Pertiwi Nusantara Tbk in 2020 and the maximum value of 33,495 in PT Astra International Tbk in 2019 and the standard deviation of 1.7955.
3. Good Corporate Governance variables using the Independent Commissioner (Z) indicator have an average value of 4,280. Minimum value of 0.3 in some companies and maximum value of 0.8 at PT Unilever Tbk and standard deviation of 1,149.
4. The company value variable using the PBV (Y) indicator has an average value of 4,515. Minimum value of 0.219 in PT Indofood CBP Sukses Makmur Tbk in 2020 and maximum value of 23,286 at PT Unilever Indonesia Tbk in 2019 and standard deviation of 8,749.

Table 3. Desciptive statistical results

	mean	minimum	maximum	Standard deviation
ROE	2,124	0,0006	2,244	3,393
Ln TA	29,7555	26,4831	33,494	17,955
GCG	4,280	3	8	1,149
PBV	4,515	0,219	61,827	8,749

*ROE = Returns on Equly; Ln TA = firm size; GCG = Good Corporate Governance; PBV = Price to Book Value

B. *Evaluation of Inner Model*

In Figure 1 presented path coefficient values between independent variables to dependent variables.

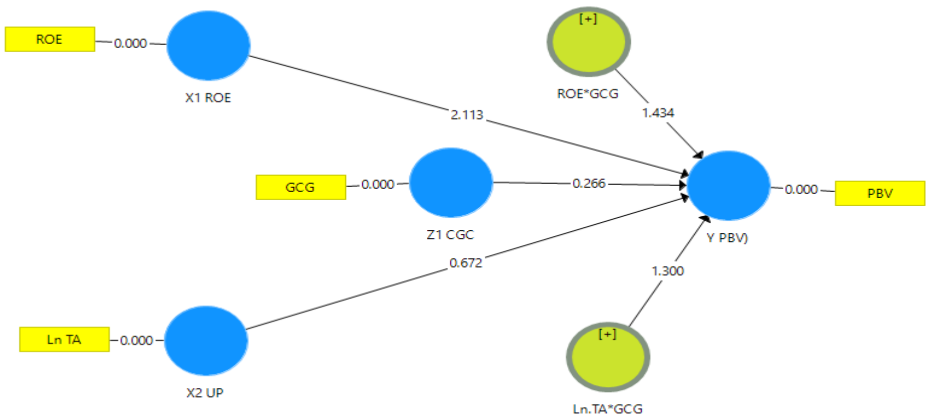

Figure 1. PLS Algorithm Calculation Results

C. *Coefficient of Determination of Hlipotesis*

Testing of structural models is done by looking at the Square value (R^2) which is a test for each variable as the predictive strength of the structural model. The coefficient of determination (R^2) for the enterprise value variable (Y) is 0.679. This suggests that the profitability variable, company size, and Good Corporate Governance as moderation variables can explain the company value variable of 67.9% and the remaining 32.1% explained by other variables.

D. *Hypothesis Testing*

The next analysis is the analysis of hypothesis testing by comparing the 1-statistical values resulting from the PLS ouput by comparing with the value of the t-table (1.96). In table 4 presented the results for the test of significance of influence.

Table 4. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics P (O/STDEV)	P Values
Profitability (X1) -> Company value (Y)	0,454	0,599	0,215	2,113	0,035
Firm size (X2)- > Company value (Y)	-0,026	-0,025	0,038	0,675	0,502
Good Corporate Governance (Z)- > Company value (Y)	0,020	0,008	0,074	0,266	0,790
Profitability* Good Corporate Governance -> Company value (Y)	0,265	0,237	0,185	1,434	0,152
Firm size * Good Corporate Governance - > Company value (Y)	-0.096	-0,083	0,074	1,300	0,194

Source: smartPLS processing results (2021)

Based on the results the following models or equations are obtained:

Y= 0.454X1 - 0.026X2 + 0.020Z + 0.265X1* Z - 0.096X2* Z

1. The value of the profitability coefficient 0.454. The value can be interpreted that profitability has a positive effect on the value of the company. Profitability to the value of the company is known to have a T-Statistics value of 2,113 > 1.96 and the value of P-Values of 0.035 < 0.05, so profitability has a positive and significant effect on the value of the company.
2. The cocfisien value of the size of the company to the value of the company is -0.026. The value can be interpreted that the size of the company negatively affects the value of the company. The size of the company against the value of the company is known to have a T-Statistics value of 0.672 < 1.96 and the value of P-Values of 0.502 > 0.05, so the size of the company has a negative and insignificant effect on the value of the company.
3. Good Corporate Governance coefficient value moderates profitability to company value of 0.265. This value can be interpreted that Good Corporate Governance moderates profitability to positively affect the value of the company. Good Corporate Governance moderates profitability to the value of companies known to have a T-Statistics value of 1,434 < 1.96 and P-Values value of 0.152 > 0.05, so Good Corporate Governance has a positive but insignificant influence in moderating the relationship between profitability to corporate value.

E. *Effect of Profitability on the Value of the Company*

The results showed that profitability was affected and significantly to the value of the company in the Manufacturing Company of the Indonesia Stock Exchange for the period 2018-2020. This means that the high low profitability ratio affects the value of the company. Profitability is considered a positive signal by investors that will improve the company's prospects in the future. The value of the company will be guaranteed to grow sustainably if the company is able to improve its financial performance by utilizing its assets to earn profits so that it will have an impact on the rising stock price and result in an increased value of the company as well. The higher the value of profitability of the company, the higher the value of the company.

The results of this study are in line with research conducted by Kusumawati and Rosady [6]. Oktaryani and Mannan [2], Fajaria and Isnalita [7], Faozi and Ghoniyah [8], and Janice and Toni [9] with ROE as a profitability variable stated that profitability affects the value of the company. However the results of this study are different from the research conducted by Mahardhika and Roosmawarni (2016) states that profitability variables have no effect on the value of the company.

F. *Effect of Company Size on Company Value*

The results showed that the size of the company had no effect and was insignificant to the value of the company in the manufacturing company on the Indonesia Stock Exchange for the period 2018-2020. This means that the size of the company does not affect the value of the company.

The increase in corporate assets does not affect the increase in total sales significantly even in some companies total sales decreased and the value of shares decreased, especially in 2020, this is because the world conditions affected by the Covid-19 pandemic, large assets if not utilized optimally then the value of the company will fall or the stock price will be low compared to its book value.

The results of this study are in line with research conducted by Husna and Satria [10] which states that the size of the company negatively affects the value of the company. This study contradicts research conducted by Husna and Satria [10], and Aldi, et al [11], which showed that the size of the company had a significant positive effect on the company's value.

G. *The Effect of Profitability on Corporate Value with Good Corporate Governance as a Moderating Variable*

The results showed that Good Corporate Governance had no effect and was insignificant in moderating the relationship between profitability and profitability of companies in manufacturing companies on the Indonesia Stock Exchange for the period 2018-2020. This means that good good corporate govermance is not able to moderate profitability to affect the value of the company.

H. *The Effect of Corporate Size on Corporate Value with Good Corporate Governance as a Moderating Variable*

The results showed that Good Corporate Governance had no impact and was insignificant in moderating the relationship between the size of the company and the value of the company in manufacturing companies on the Indonesia Stock Exchange for the period 2018-2020. This means that Good Corporate Govermance is unable to moderate the relationship between the size of the company and the value of the company.

CONCLUSIONS

Based on the results of hypothesis testing and discussions conducted, it can be obtained the following conclusions Profitability affects the value of the company in manufacturing companies on the Indonesia Stock Exchange for the period 2018-2020. Firm size has no effect on the value of the company in the manufacturing company on the Indonesia Stock Exchange for the period 2018 - 2020. Good corporate government is not able to moderate profitability to the value of the company in manufacturing companies on the Indonesia Stock Exchange for the period 2018-2020. Good corporate government is unable to moderate the size of the company to the value of the company in manufacturing companies on the Indonesia Stock Exchange for the period 2018-2020.

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Size Company as Moderator the Influence of Rofitability and Leverage on Stock Return in Manufacturing Companies in Indonesia

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Abstract: This study aims to examine the effect of profitability and leverage on stock returns through the role of firm size as moderator. The Research population used manufacturing companies. There are 143 companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The sampling technique used purposive sampling method, and the amount of samples was 36 companies. The test results provided evidence that profitability and leverage have a positive and significant effect on stock returns, as well as the moderator variable, namely firm size strengthened the effect of profitability and leverage on stock returns.

KEYWORDS: profitability, leverage, size company, stock return

INTRODUCTION

Investors need understand the basic concepts of investing before do transaction purchase shares in the capital market. Investors should too do analysis to companies of interest in order to obtain the expected rate of return (return . Analysis this used as basic for carry out an assessment of interested companies . _ one _ evaluation What investors can do is through fundamental aspects.

Fundamental analysis can be done using financial ratios such as profitability and leverage on stock returns. Kasmir (2001 5 states that the profitability ratio is the ratio used for the company's ability to seek a profit, while the leverage ratio is the ratio used to measure the extent to which the company's assets are financed by debt. Analysis using profitability is important in assessing prospects company in in the future, because the high and low level of profitability has an influence on the return to be obtained company. The level of leverage also needs to be considered because the larger the company is financed by debt, the greater the burden that must be borne by the company, and this will result in the risks faced company also getting higher.

Investors, apart from consider ratio analysis, you should also consider scale or size company in do investment . Large companies are considered to be able to manage the company properly so as to be able to provide the return expected by investors. Company size describes the size of the company which can also be viewed from the field of business being run. Determination of the size of the company can be seen from the total sales, total assets , average level of sales, and average total assets (Handayani, 201 8).

The results of research Ambarwati , et al . (2015) shows that working capital, liquidity, activity, and firm size simultaneously have a significant effect on profitability. Dewi and Wirajaya (201 3) state that company size is an improvement from the fact that large companies will have large market capitalizations, large book values and also high profits. The statement shows that The relationship between company size and profitability can be seen from market capitalization and also from its assets. The company 's assets are getting maximum , then the profit that will be obtained by the company will also be maximized. This thing occur because the company 's assets are used by the company for the company's operational activities whose purpose is to generate profits. Company size is an important factor in terms of funding. Great company will requires a large amount of funds . Large companies tend to be easier to obtain loans from third parties third, because of its ability to access other parties or the collateral it has in the form of assets greater value than small companies (Fauzi et al . , 201 6).

An analysis of investments made the will increase investor confidence regarding the certainty and clarity of investment from relevant information regarding financial performance something company. Errors in assessing financial performance will result in calculations unexpected returns. This error arises because often an investor does not know what measures can actually be used in assessing the performance of a company.

Several studies on the influence of factors that affect stock returns have been many done before. Research results Nudiana and Prijati (201) show that liquidity (Current Ratio = CR), has a positive and significant effect, leverage (Debt to Assets Ratio = D TA) has no significant effect, activity (T total A ssets T urn Over = TATO) has no significant positive effect, and profitability (Return On Assets = ROA) has a positive and significant effect on stock returns . Wicaksono's research (206) shows that the P rice Earning. variable Ratio (PER) , e -arning Share share (EPS) , and ROA have a positive and significant effect on stock returns , while the results of Puspita's research (206) state that that PER has a positive relationship and has a significant effect on stock returns , and profitability (ROA), leverage (Debt to E quity). R atio = DER) and firm size statistically has no significant effect on stock returns . Ngaisah 's research (20 08) shows that profitability (ROA) and leverage (DTA) have a negative effect on stock returns , and the results of Simanungkalit's research (20 09) explain that the profitability variable (ROA) has no effect on stock returns and leverage (DTA) has no significant positive effect on stock returns .

A number of results study the found different results regarding the effect of profitability, and leverage on stock returns. Conflict results study previously about influence profitability to stock returns is ROA as indicator for size profitability positive and significant effect on stock returns (Nudiana and Prijati , 2013; Wicaksono 201 6); ROA no take effect significant to stock returns (Puspita, 2016; Simanungkalit , 2009); ROA has a negative effect on stock returns (Gaisah , 2008).

Conflict results study previously about influence leverage on stock returns is DTA has no significant positive effect on stock returns (Simanungkalit; 2009) ; leverage (D TA) has no significant effect to stock returns (Nudiana and Prijati , 2013; Puspita, 201 6); DTA has a negative effect on stock returns (Gaisah , 2008).

The differences in the results of these studies can indicate that there have been occur inconsistencies in the research. This research intends to re-examine by adding a moderating variable, namely firm size (size) as a Moderated Regression Analysis (MRA). The moderating variable is another independent variable that is included in the model because it has a contingency effect on the relationship between the dependent variable and other independent variables (Jogiyanto, 20 1 7). This moderating variable was identified from previous studies which concluded that a causal relationship resulted in conflict, both conflicting in significance and conflict in direction. Analysis method _ The method used in this study is the moderating regression method, with firm size as the moderator. This research aims to test and explain role size company as moderator the effect of profitability and leverage on stock returns.

LITERATURE STUDY AND HYPOTHESES

Stock Return

Return according to Wardana and Wirama (2019) is the return on investment made by buying shares from the capital market, both primary and secondary markets. Jogiyanto (201) stated that stock return is the rate of return on investment made by investors. Return is a return on investment that has been invested by investors or in other words return is a gain or loss from an investment activity (Rusdin, 2006). Sulaiman and Handi (20 0 8) stated that stock return is the profit obtained from the investor's share ownership on the investment made which consists of dividends and capital gains/ los s .

Capital gain is the difference between the purchase price of shares and the selling price of shares (Rusdin, 20 0 6). The income from the investment is the return from the sale and purchase of shares which is called capital gain. Meanwhile, capital loss is a loss from the difference between the purchase price of shares and the selling price of shares.

Jogiyanto (20 1 7) state that stock returns can be grouped into realized returns and expected returns . The realized return is a return that has already occurred, while the expected return is a expected return in the future.

Profitability

Sutrisno (20 15) states that profitability is a profit ratio to measure how much profit the company can get. Increasing profit rate _ big shows the better management in managing the company. Munawir (2010) explains that profitability is the ability of a company to generate profits during a certain period.

Profitability is the ratio used to assess the company's profits in search of a profit (Kasmir, 2001 5) . This ratio provides a measure of the effectiveness of a company's management as indicated by the profit generated from sales and revenue. Mamduh and Halim (2007) explain that the profitability ratio is a ratio that measures the company's ability to generate profits (profit) at a certain level of sales, assets, and share capital. Harmono (2014) stated that this profitability analysis describes the company's fundamental performance in terms of the level of efficiency and effectiveness of the company's operations in obtaining profits.

ROA is a ratio that shows the results (return) on the number of assets used by the company (Kasmir , 2015). ROA is able to provide a better measure of the company's profitability because it shows the effectiveness of management in using assets to generate revenue. ROA is able to represent profitability to measure the company's effectiveness in utilizing assets in the company in making a profit . Fahmi (2015) stated that because assets funded by shareholders and creditors, ROA must be able to provide a measure of the productivity of assets in return to these investors.

Leverage

Leverage ratio or solvency ratio is a ratio used to measure the extent to which company assets are financed with debt (Kasmir , 2015) . Soleman (2008) states that the leverage ratio is a ratio that measures how much the company's assets are financed by outside parties or creditors. Companies with debt that are greater than equity are classified as highly leveraged. Debt (leverage) is one of the tools used by companies to increase their capital in order to increase profits (Singapurwoko and El-Wahid , 201 1).

One of the financial ratios used to measure leverage is Debt to Total Assets (DTA). Kasmir (201) states that DTA is a debt ratio used to measure the ratio between total debt and total assets , or it can be interpreted how much effectiveness debt in asset management peru s ahaan.

Company Size

Company size is a scale of the size of the company. Classification scale company There are various ways, including measuring with total assets, total sales, market value of shares (Ibrahim and Yusman , 20 18). Firm size is an improvement from the fact that large companies will have large market capitalizations, large book values and high profits (Dewi and Wirajaya, 201 3).

statement about _ size company it can be interpreted that company size is the size of a company that can be measured by total assets , total sales, and market value of shares which can affect market capitalization, book value, and also profits. The larger the company is expected to be able to get a large profit as well.

Research Hypothesis

Company Size as Moderator Influence Profitability against Stock Return

Company size shows the size of a company as measured by total assets. Firm size according to Ibrahim and Yusman (20 18), is a scale for classifying the size of the company according to various ways, including total assets, total sales, market value of shares.

A large company size is considered to have a large market capitalization and large profits. Soleman (20 0 8), states that companies with large sizes typically have a larger net income than companies with small sizes. Big companies guarantee the company's prospects in the future for investors in predicting stock returns. The bigger the company, the more guaranteed a large profit, so from the large profit it is expected to be able to provide a large stock return.

Mahatma Dewi and Wirajaya (2013) support statement the by proving that firm size is an improvement from the fact that large firms will have large market capitalizations, large book values and high profits. Research results that show that company big will have big capitalization _ this is also reinforced by the results results study kind of other.

Ambarwati , et al . (2015) stated that company size has a positive and significant effect on profitability. Ulfa and Astika 's research results (201 7) also stated that the size of the company has a significant effect on stock returns . Based on results study before that, then hypothesis formulation in study this as follows:

H 1 : Firm size strengthens the effect of profitability on stock returns

Company Size as Moderator Influence Leverage on Stock Return

The size of the company has an important influence on the company's financing activities. Large companies tend to be easier to obtain loans from third parties, because of their ability to access other parties or the collateral they have in the form of assets of greater value than small companies (Fauzi et al ., 201 6) . This can be interpreted that companies that have a larger size will find it easier to generate loans, so that the company's activities will be maximized and the profit generated is expected to be maximized as well. Large companies indicate good returns in investment activity

This statement is supported by research conducted by Fauzi et al. (2061), which states that firm size has a positive effect on leverage . Research results Ulfa and Astika (201 7) also stated that the size of the company has a significant effect on stock returns. Based on results study before that, then hypothesis formulation in study this as follows:

H 2 : Firm size strengthens the effect of leverage on stock returns

RESEARCH METHODS

Research Type

The type of research used in this study is an explanatory research design, which explains the causal relationship between research variables through hypothesis testing (Singarimbun and Effendy, 2008). This study uses a quantitative approach, with using research data in the form of numbers (Sugiyono, 2017) which was carried out testing with statistical test tool . The source of this research data comes from secondary data obtained through website access www.idx.co.id . Furthermore, the data were analyzed using a moderating regression model.

Population and Sampling Techniques

Population

Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 201 7). The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 201 5 – 201 9 , namely as many as 143 companies.

Sample

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2017) . The sample is a small part of the population that is taken according to a certain procedure, so that it can represent the population. Arikunto (2001) says that if the population is less than 100 then the sample taken is all, but if the research population is more than 100, it can be taken between 10%-15% or 20%-25%.

Based on this statement, this study determines the sample with the largest presentation, which is 25% of the total 143 manufacturing companies. The samples taken in this study were 36 companies. The sampling technique was carried out using the purposive judgment sampling method , namely subjective sampling by determining the criteria (Ferdinand , 2001 4). The sampling criteria in this study were determined by considering the needs of the variables used. The criteria used in the sampling of this study are:

a. Manufacturing companies listed on the Indonesia Stock Exchange in 2015 5 s/d. 201 9
b. Manufacturing companies that published consecutive financial reports in 2015 5 s/d. 201 9
c. Companies that generate profits in a row in the study period.

Data Types and Sources

The type of data used in this study is secondary data in the form of quantitative from the financial statements of manufacturing companies in 2018 8 – 201 9 which contains variables related to Return on Assets (profitability) , Debt to Total Assets Ratio (leverage) , Log Total Asset (size company) and data on closing prices of shares in 2015 5 – 201 9 , which are sourced from documents issued by the IDX which are accessed through www.idx.co.id.

Data collection technique

The data used in this study is secondary data, with the method of data collection using documentation techniques based on the annual financial statements of manufacturing companies for the period 201 5 – 201 9 and stock closing price data for the period 201 5 – 201 9 published by the IDX which can be accessed through www.idx.co.id.

Variable Operational Definition

Operational definition of variables in this research is as follows:

Dependent Variable

The dependent variable in this study is **stock** return, which is symbolized by "Y". Variable this calculated referring to Jogiyanto (20 1 7) as follows:

$$R = \frac{(P_{it} - P_{it-1})}{P_{it-1}}$$

Description:

R = Return realized for current period shares

P_{it} = Current closing price of shares (period t)

P_{it-1} = closing price of the stock last period (period t-1)

Independent Variable

1. **Profitability**

Profitability in this study is an independent variable, which is symbolized by "X_1". The profitability ratio is the ratio used to assess the company's profits in seeking a profit (Kasmir, 2015). The financial ratios used to measure profitability in this study are Return On Assets (ROA). ROA can be calculated with reference to Cashmere (2015):

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total assets}}$$

2. **Leverage**

Leverage in this study is measured using Debt to Total Assets (DTA) which is an independent variable, which is symbolized by "X_2". DTA is a ratio that compares total debt with total assets. DTA can be calculated with reference to Cashmere (2015)

$$DTA = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Description:

Total Debt = Total Liabilities

Total Assets = Total Assets

Moderate Variables si

Jogiyanto (20 1 7) explained that the moderate variable si is another independent variable that is included in the model because it has a contingency effect from the relationship between the dependent variable and the previous independent variable. The moderating variable in this study is company size (size). Is a measure that describes the size of the company which can also be viewed from the field of business being run. Company size can be measured by referring to Suprianto and Falikhatu n (20 0 8).

$$SIZE = Ln\ (\text{Total Assets})$$

Data analysis technique

Moderated Regression Analysis

The technique in this study uses moderated regression analysis, to determine the relationship between variables. Testing and explaining the effect of the independent variable on the dependent variable with the moderating variable can use the moderating regression model formulated by (Jogiyanto, 20 1 7) as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_1{}^*X_3 + b_4X_2{}^*X_3 + e$$

Description:

Y = Stock Return

a = Constant

b_1-b_4 = Regression coefficient

X_1 = Profitability (ROA)

X_2 = Leverage (DTA)

X_3 = Company Size

e = error term

Classic Assumption Test

Classical assumption testing should be done more first in nature using a regression analysis tool. Classical assumption testing is done through 4 (four) stages, namely multicollinearity test, autocorrelation test, heteroscedasticity test, and normality test (Ghozali, 201 6).

Hypothesis test

Testing this hypothesis using moderated regression. This test aims to test whether firm size moderates the independent variables, namely profitability and leverage partially on the dependent variable, namely stock returns. Partial testing by comparing the significance value of the t-test with 5% alpha (Ghozali, 201 6). The significance value of the t-test shows less than 5% alpha, then the proposed hypothesis is accepted or partially interpreted as the independent variable affects the dependent variable. The value of the probability value of the t-test shows that it is greater than 5% alpha, then the proposed hypothesis is rejected or can be interpreted partially the independent variable has no effect on the dependent variable.

RESEARCH RESULT

Classical Assumption Test Results

The results of the multicollinearity test using the VIF (Variance Inflation Factor) approach, the results show that the VIF value of the variable $X_1 = 1{,}158$, variable $X_2 = 1{,}259$, variable $X_3 = 1{,}416$, $X_1 X_3 = 1{,}516$, and $X_2 X_3 = 1{,}756$ indicates smaller than 10 means, in this test there is no multicollinearity. The results of the classical heteroscedasticity test use the scatterplot approach , because the scatterplot is a graph commonly used to see a pattern of relationships between variables, if the points on the graph do not form a certain regular pattern, it indicates that there is no heteroscedasticity , and vice versa. The result appears that the scatterplot image is irregular or does not form a certain pattern or image. This shows that there is no heteroscedasticity. The results of the classical autocorrelation test show that the value of 1.674 lies between 1.55–2.46, thus there is no autocorrelation . The results of the normality test using the Kolmogorof-Smirnov approach, because the degree of correspondence between the distribution of a series of samples (observed scores) with a certain theoretical b distribution. This test establishes whether the scores in the sample can reasonably be ascribed to a population

Results of Moderated Regression Analysis

The results of the moderated regression analysis are summarized in the table:

Table 1: Summary of Moderated Regression Analysis Results

Variable	Standardized regression coefficient	Sig Value	Conclusion
Variable X_1 (ROA)	0.327	0.000	Take effect
Variable X_2 (DTA)	0.268	0.009	Take effect
Variable X_3 (Size)	0.160	0.032	Take effect
$X_1 * X_3$ (ROA * size)	0.232	0.014	Moderate
$X_2 * X_3$ (DTA * size)	0.123	0.040	Moderate
The moderating regression equation is as follows: $Y = a_{+1} X_1 + 2 X_2 + {}_3 X_3 + {}_4 X_1 * X_3 + {}_5 X_2 * X_3 + e$ $Y = 3.238 + 0.327X_1 + 0.268X_2 + 0.160X_3 + 0.232X_1 {*} X_3 + 0.123X_2 X_3 + e$			

Source: secondary data processed by researchers in 20 20

Based on the equation & table 2 , it can be explained as follows:

1. The regression coefficient value of the ROA variable is positive 0.327, indicating that the ROA variable is positively related to the stock return variable. This means that if the ROA variable is increased by one percent, the stock return variable will increase by 0.327 percent, assuming the other variables do not change.
2. The regression coefficient value of the DTA variable is positive 0.268, indicating that the DTA variable is positively related to the stock return variable. This means that if the DTA variable is increased by one percent, the stock return variable will increase by 0.268 percent, assuming the other variables do not change.
3. The regression coefficient value of the size variable is positive 0.160, indicating that the size variable is positively related to the stock return variable. This means that if the variable size is increased by one percent, the stock return variable will increase by 0.160 percent with the assumption that the other variables do not change.
4. The value of the moderating coefficient $X_1 * X_3$ is positive 0.232, indicating that the size variable is positively related to the relationship between ROA and stock returns. This means that if the profitability and size variables are increased by one percent, it will increase the stock return by 0.232 percent with the assumption that other variables do not change.
5. The value of the moderating coefficient $X_2 * X_3$ is positive 0.123, indicating that the variable size is positively related to the relationship between DTA and stock returns. This means that if the leverage and size variables are increased by one percent, it will increase the stock return by 0.123 percent assuming the other variables do not change.

DISCUSSION

Research results this show that variable size (size company) able strengthen influence Variable X_1 (ROA) and Variable X_2 (DTA) to return stock . With so, company looked at need notice size company in effort boost return stock.

Company size is the level of classification of the size of the company based on total assets (Ibrahim and Yusman , 20 1 8). Based on the descriptive data available, it can be concluded that the greater the total assets owned, the greater the total assets owned company , the higher the profit generated. This is in accordance with Soleman's (2008) statement, which states that the larger the size companies typically have net income that is greater than in small companies.

Firm size can strengthen the effect of profitability on stock returns. This interpreted that the larger the size of the company, the assets owned by the company are also greater and the profits to be obtained are maximized. This is because the company's assets are used by the company for the company's operational activities whose aim is to generate profits (Ambarwati, et al. 201 5). The higher the profit generated from the management of assets owned by the company will be able to attract investors to invest in the company so that the share price will increase and the impact on stock returns will also increase. This is in accordance with the statement of Mahatma Dewi and Wirajaya (2013), who explain that company size is an increase from the fact that large companies will have large market capitalizations and large book values.

The conclusion from the statement can be stated that if the company wants to increase profits which also guarantees high returns to investors, then the company must consider and increase the size of the company. Company size is a scale for classifying the size of the company based on total assets (Ibrahim and Yusman , 2018). A company that wants to increase the size of its company, then the company could through enhancement the company 's assets . There are several factors that the company considers in increasing the assets it owns, including by incurring debt or by issuing new shares.

Company size is the level of classification of the size of the company based on total assets (Ibrahim and Yusman, 20 1 8). In this study, the coefficient value of the firm size variable is 0.190, indicating that the level of firm size strengthens the relationship between leverage and stock returns. The larger the size of the company, the greater the need for funding. Soleman (2008), states that the larger the size of the company will also reflect the greater the company's ability to be able to finance its funding needs in the future.

Companies can meet funding needs through: debt. This is what it means that as the size of the company increases, the capital needed is also getting bigger and the size of the company has an influence in obtaining loans. In line with the statement of Fauzi , et al . (2013), which states that large companies tend to be easier to obtain loans because of their ability to access other parties or the collateral they have in the form of assets of greater value than small companies. The bigger the size of the company , the will could make it easier to obtain loans to meet funding needs, by thus the company 's operations will be maximized , so that the profit generated will also be maximized . This thing of course just will have an impact on stock returns which also increase. So, the bigger the company, the bigger the collateral in the form of assets so investors don't worry about the company being unable to pay the company's debts.

The conclusion from this statement can be stated that large companies are easier to obtain loans so that the funding needs of the company's operations are not disrupted. Companies can make loans from third parties, if the company wants to meet funds for company operations that are not available can be funded by the company itself. For get a loan easily, then Companies must pay attention to the size of the company or the total assets owned. Total assets is one of the consideration for party to three for determine how much loan will be given to company . A good debt policy , if the total debt you have company is at in below its total assets . The company must use its own capital whose proportion is greater than on the use of debt, because the company will benefit from smaller interest payments so that the company's risk is also getting smaller (Brigham, 2011).

CONCLUSION

Study this aim for test what is leverage and profitability take effect to stock returns with size company as variable moderation. Test results show as following: First , profitability partially affects stock returns . The more big company profit, then will the more the stock return is great . Second , leverage partially affects stock returns . The more big company use debt in financing company , then the stock return will the more big too. Third , firm size strengthens the relationship between profitability and stock returns . This means that deep company _ state profit and have size great company _ will could increase their stock returns. To four , firm size strengthens the relationship of leverage to stock returns . . Big company will get opportunity for borrow to party to three, because company have asset still enough _ big for ensure the debt. Debt from party to three as source financing managed company _ with good will increase stock returns company that.

The implication of the results of this study is that investors will react after knowing the company's financial performance, because information about profitability contains information that is used to assess stock prices . M manager company size big should consider the right time in announcing the company's profits because it has an impact on the company's stock returns. For investors, this research can provide an overview of the information that needs to be considered in determining the company's stock price for get return great stock. _

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Macroeconomic Drivers of Economic Growth

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ABSTRACT: Kenya's GDP growth is hampered by high fiscal deficits, high interest rates, and volatile exchange rates. As a result, the economy has experienced sluggish cycles of low economic growth, prompting policymakers to revise their policies. Kenya's ability to address macroeconomic instability hinges on its ability to increase economic growth. Divergent perspectives on the relationship between selected macroeconomic variables and economic growth is revealed by additional evidence. The goal of this research was to see how certain macroeconomic drivers affected economic growth. The study was based on the theory of endogenous growth. The study, which was based on the philosophical paradigm of positivism, used an explanatory research design and secondary data from the Kenya Bureau of Statistics, which covered the years 1990 to 2020. In the empirical analysis, the study used the bound test to test for a long-run relationship and the Autoregressive Distributed Lag model (ARDL) to evaluate the relationship between the variables. The data was tested for stationarity using the Augmented Dickey Fuller method. The long run ARDL results showed that the coefficients of exchange rate 0.080 (p-value 0.033<0.05), lending interest rate -0.172 (p-value 0.011<0.05), and broad money supply 0.242 (p-value 0.001<0.05) all had a significant impact on economic growth. The results of this study will be useful in forming fiscal and monetary policy, as well as in informing the government about potential solutions to economic growth challenges. According to the study, CBK policymakers should pursue policies that ensure exchange rate stability, determine effective lending interest rates, and keep the fiscal deficit in line with Kenya's economic growth.

KEY WORDS: Economic growth, Broad money Supply Lending rates, Fiscal deficit, Exchange Rate, Macroeconomic Stability, Autoregressive Distributed Lag model (ARDL)and implement modern monetary policy frameworks

BACKGROUND TO THE STUDY

In today's world, especially in developing countries, economic growth is a major concern. Kenya's overall economic performance has been underwhelming since its independence in 1964. Economists have been interested in determining the factors that influence long- and short-term economic growth in order to assess their impact. Every sovereign nation's goal is to improve its citizens' living standards by encouraging economic growth and development (Ismaila *et al.*, 2015). It is a prerequisite for economic development, which explains why it appears prominently in various government policy documents. Economic growth is linked to policies aimed at reforming and restructuring the real economy. However, a lack of domestic resources, savings, and capital to support and sustain the sectors is a major impediment to the country's economic development (Imimole *et al.*, 2014).

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Members in 2015 as a universal call to action to end poverty, protect the environment, and ensure that all people live in peace and prosperity, according to Vision 2030. In this regard, economic growth is seen as the most important goal for reducing poverty and fostering hope for societal improvement (Ketema, 2006).

Figure 1.1 depicts the representation of GDP growth since 1985:

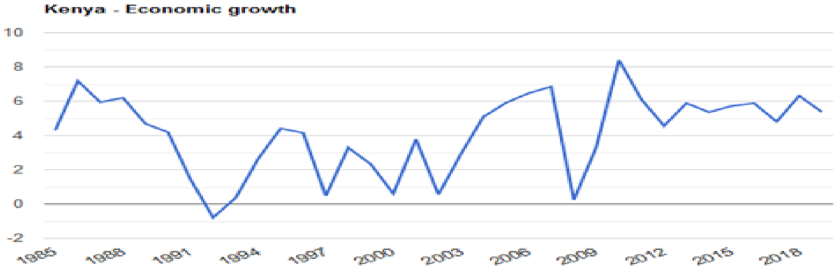


Figure 1. 1: Annual GDP Growth Rate

Source: Central Bank of Kenya, 2020

Macroeconomic Drivers of Economic Growth

Economic growth and specific macroeconomic variables have become a common structural problem for many developing countries. Kenya has implemented reforms based on these variables in the hopes of spurring economic growth and putting the country back on track. However, the economy appears to be deteriorating in most parts of the country, with high unemployment rates, low living standards, and a poor road network (Kose *et al.*, 2020).

ECONOMIC GROWTH AND FISCAL DEFICIT LEVEL IN KENYA

According to **Ojong *et al.* (2013),** a fiscal deficit can have a significant impact on economic growth, though this is dependent on employment levels. Excessive deficits will cause macroeconomic imbalances in a situation of full employment. Large and persistent fiscal deficits typically contribute to macroeconomic instability, reducing output growth and raising inflationary pressures in the economy. This is due to the fact that it increases the reserve base of commercial and merchant banks, resulting in excess liquidity in the financial system.

Interest Rates and Economic Growth

In recent years, there has been an increase in the volatility of bank lending rates. Acts of the Central Bank of Kenya (CBK) triggered this. When the CBK cut its base lending rates to commercial banks in 2010, commercial banks cut their lending rates to customers, and many people took out loans to take advantage of the low bank lending rates.

Exchange Rates and Economic Growth

The local exchange rate versus the US dollar has been volatile, for example, between 2006, when the exchange rate averaged Ksh. 73, and 2019, when the exchange rate averaged Ksh. 102. Local currency appreciation contributes to a loss of export competitiveness, resulting in lower profitability. The effects of depreciation are inverse. Exchange rate fluctuations cause the local currency to appreciate or depreciate, affecting a country's balance of payments and, as a result, the variability of economic growth in Kenya (Otambo, 2016).

Money Supply and Economic Growth

This macroeconomic indicator is governed by the Central Bank's monetary policy and reports issued during the bi-annual monetary policy reports under Kenya Act, CAP 491. The central bank influences the level of economic activity by controlling money supply through monetary policy instruments such as reserve requirements, discount rates, and open market operations in order to regulate economic growth. According to economic theory, an increase in the money supply eventually leads to an increase in aggregate demand, which raises economic growth through various channels.

STATEMENT OF THE PROBLEM

Kenya's long-term development blueprint, Vision 2030, aims to transform the country into a middle-income country. To achieve this, the economy was expected to grow at a rate of 10% per year starting in 2012. The government has implemented policies and targeted specific sectors in order to propel the economy toward long-term growth, but growth rates have been inconsistent and have not resulted in a significant broadening of the economic base.

In order to achieve and maintain high growth rates of more than 10% per year, the government has pursued a variety of stabilization and structural adjustment policies. The main policy measures implemented to accelerate economic growth rates have been price decontrol, trade liberalization, domestic credit restrictions to avoid crowding out, adoption of a floating exchange rate to contain volatility, stringent fiscal policy measures, and interest rate regulation and deregulation. Despite these efforts, the rate of economic growth has been unsatisfactory, with low positive and negative rates of change in real GDP growth.

Specific Objectives of the Study

The specific objectives of the study were;

i. To determine the effect of fiscal deficit on economic growth in Kenya
ii. To evaluate the effect of exchange rate on economic growth in Kenya
iii. To analyze the effect of interest rate on economic growth in Kenya
iv. To determine the effect of broad money supply on economic growth in Kenya

Significance of the Study

Kenya aspires to be a newly industrialized, middle-income country with a good standard of living for all of its citizens in a clean and secure environment, according to Vision 2030. The vision is built on three pillars: economic, social, and environmental. The economic pillar aims for a ten percent annual sustainable economic growth rate. The social pillar aims to promote social justice and equitable development by guiding prudent macroeconomic policies with the use of selected macroeconomic indicators. The study's political instability well captures the political pillar, which is aimed at issue-based politics, a democratic system of governance, and a citizen-centered system of governance. The majority of these pillars are based on prudent macroeconomic stability (Economic Survey, 2010). As a result, this research will be useful in developing policy guidelines to achieve this vision.

LITERATURE REVIEW

Solow-Swan Model

The Solow – Swan model is a long-run economic growth model developed in the context of the neoclassical economics school of thought. It aids in the understanding of long-run economic growth by examining capital accumulation, labor or population growth, and increased productivity, which is referred to as technological advancement. Solow proposes a continuous function of production that connects output to interchangeable capital and labor inputs (Jhingan, 2011).

According to Ejigayehu (2013),the Solow growth model has attempted to answer one of the major economic growth mysteries, namely, why are rich countries so rich and poor countries so poor. The Cobb-Douglass type development function is used to construct the model;

$$Y = F(AK, L) = AK^{\alpha}L^{1-\alpha} \quad \text{...2.1}$$

Whereby

Y = economic output K = Capital input L = Labor input, A is technology and $\alpha, 1-\alpha$, are output elasticity's of capital and labor consistently.

According to North (1990), institutions create an economy's incentive system, and organizations form to take advantage of the opportunities that exist within that framework. In this case, monetary and fiscal policies are among the institutions that promote favorable economic policies. As a result, the modified model looks like this:

$$Y = FD, MS, LR, ER \quad \text{...2.2}$$

Whereby *Y* is total output, lR is the lending interest rate, ER is the exchange rate, FD is the fiscal deficit, MS is the money supply.

Fiscal Deficit and Economic Growth

Using the Johansen methodology, Ajisafe *et al.* (2015) investigated the fiscal deficit and economic growth nexus. The findings confirmed the existence of a long-term relationship between the variables in question and economic growth. The findings show that there is a significant negative relationship between fiscal deficit and economic growth in the long run, between 1950 and 2007, and that the two sets of variables are co-integrated. This was consistent with the earlier work of Bose *et al.* (2007).

Ahmad (2013) used time series data from 1971 to 2007 to conduct an empirical study on the impact of Pakistan's budget deficit on economic growth. The Granger causality test reveals that there is bi-directional causality between the budget deficit and GDP, as well as between GDP and the budget deficit. This contradicted the findings of Dao *et al.* (2016), who found that there was no long-term link between budget deficit and economic growth in Malaysia. However, the research was aided by a study conducted in Saudi Arabia by Maji *et al.* (2012). The work of Fatima *et al.* (2012) produced a contradictory study result. In Pakistan, the study finds a negative relationship between the budget deficit and economic growth. The findings of Roy *et al.* (2009) on the budget deficit and US economic growth backed up this conclusion. According to reports, an increase in budget deficits, ceteris paribus, slows the rate of growth of the US economy.

Murwirapachena *et al.* (2013) looked at the economic factors that influenced budget deficits in South Africa from 1980 to 2010. The study's specific goal was to determine whether South Africa's budget deficits are a result of the country's economic problems. Using the Error Correction Model, the impact of selected macroeconomic variables on budget deficits in South Africa was investigated (VECM). According to the findings, all of the determinants have a positive impact on budget deficits, with the exception of foreign debt.

Interest Rates and Economic Growth

Obamuyi (2009) used time series and annual data from 1970 to 2006 to examine the relationship between interest rates and economic growth in Nigeria. The long-run and short-run variable dynamics were captured using a co-integration and error correction model. Real lending rates have a significant impact on economic growth, according to the empirical findings.

Sambiri *et al.* (2014) did a study on lending rates and its impact on economic growth in Kenya.

In Kenya, Sambiri *et al.* (2014) conducted research on lending rates and their impact on economic growth. The study looked at international budget interest rates, the budget deficit, inflation, and their effects on economic growth as well as other factors that influence lending interest rates. According to the study's error correction model, Kenya's budget deficit, inflation, and interest rates have a positive and significant impact.

Macroeconomic Drivers of Economic Growth

Exchange Rate and Economic Growth

The study of Onyango (2014) on the impact of real exchange rate on Kenya's economic growth from 1980 to 2012, the results output using the ECM indicated that exchange rate volatility has got a positive but insignificant effect on economic growth .

The results of Onyango (2014) study on the impact of real exchange rates on Kenya's economic growth from 1980 to 2012 revealed that exchange rate volatility had a positive but insignificant

In their study of exchange rates and economic growth in Kenya, McPherson *et al.* (2001)found that there is no evidence of a robust direct relationship between changes in the exchange rate and economic growth in three different settings using a vector auto-regression model.

Broad Money Supply and Economic Growth

According to a study by Ufoeze (2018)on the effect of monetary policy on economic growth in Nigeria, the variables have a long-term relationship. The study's main finding was that monetary policy rates, interest rates, and government spending had marginally positive effects on Nigerian economic development. Money supply, on the other hand, has a significant positive impact on Nigerian growth.

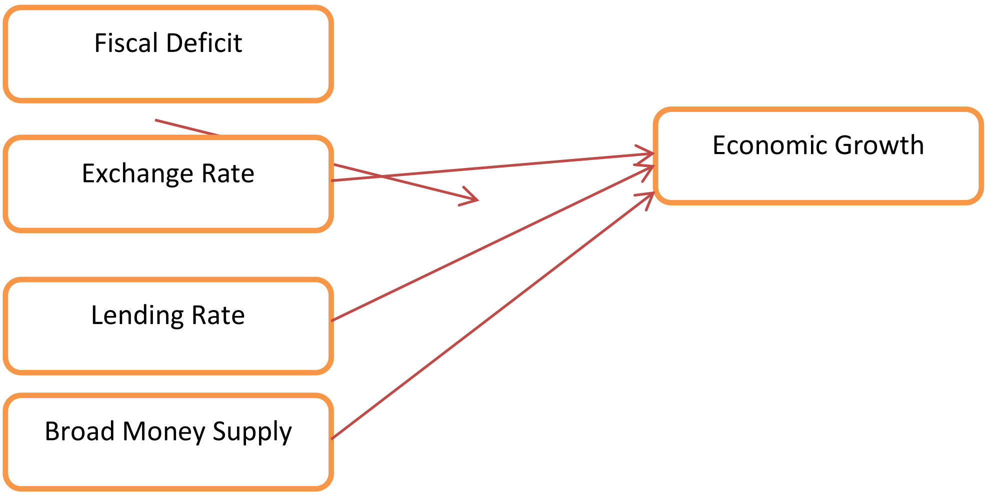
Gatawa *et al.* (2017) investigated the effects of money supply and inflation on Nigerian economic growth (1973-2013). The results of the ECM model show that broad money supply has a positive impact on growth, whereas inflation and interest rates have a negative impact on growth, particularly in the long run.

Knowledge Gaps

The World Bank and the International Monetary Fund made a policy recommendation in 2015 that low-income countries should seek to implement modern monetary policy frameworks that better anchor inflation through monetary policy, increase control over short-term interest rates to regulate hot money supply, and so on, in order to develop, eliminate poverty, and maintain economic stability (Rey, 2015).

Despite the fact that several studies in Kenya have been conducted to identify major economic growth determinants, none of these studies have addressed the role of macroeconomic stability in achieving long-term economic expansion.

Conceptual Framework



Source: Researcher, 2021

RESEARCH METHODOLOGY

Area of Study

Kenyan economy was the case study.

Research Design

A research design is a comprehensive plan that lists the basic data collection and analysis methods and procedures to ensure that the information gathered allows the researcher to directly address the research questions. A data-gathering research strategy employs existing theory to generate hypotheses, which are then tested and confirmed, in whole or in part, or refuted, resulting in further development of the theory, which can then be tested through additional research (Rahi, 2017). The study used an explanatory approach.

Macroeconomic Drivers of Economic Growth

Model Specification

The study used a multivariate model that included endogenous macroeconomic variables that affect economic growth, such as the fiscal deficit, exchange rate, and lending interest rate, and thus the relationship between the variables was represented as a function, as shown below.

$$GDP_t = A_0 + A_1FD_t + A_2ER_t + A_5MS_t + A_6LR_t + \varepsilon_1 \ldots.$$

Whereby;

GDP_t = Economic Growth, A_0= Constant $A_1, A_2 \ldots A_6$ = variable parameters FD_t = Fiscal deficit, ER_t= Exchange rate, MS_t is Broad money Supply LR_t= lending interest rate and ε_1=error term.

An ARDL that was used in data analysis is given as;

$$\Delta y_t = v + \alpha\beta' y_{t-1} + \sum_{i=1}^{p-1} \Gamma_i \; \Delta x_{t-i} + \varepsilon_t.$$

Where

v = becomes K×1 vector of parameters representing constants in the short-run.

α = K×r matrix of adjustment parameters in the co-integrating equations i.e. the error correction term

β = K×r matrix of coefficient parameters of the long-run relationship in the r co-integrating equations

Γ_i = Showing short-run coefficients of lagged variables.

Δ = First difference operator.

r = The co-integrating rank which is $1 \leq r \leq K-1$

Measurement of Variables

GDP	Economic Growth	This is annual change in the real GDP		KNBS
FD	Fiscal Deficit	It was measured as a percentage of the Gross Domestic Product	Negative	KNBS
EXR	Exchange Rate	The price of the Kenyan currency in relation to the United States dollar measured by the annual average exchange rate was employed, Ksh/US $	Negative	KNBS
Ms	Broad Money Supply	M3 is a collection of the money supply that includes M2 money with timely deposit with the financial institutions that includes large time deposits, larger liquid funds, institutional money market funds, and short-term repurchase agreements. Annual percentage change was used	Positive	KNBS
LR	Lending Interest Rate	This is the bank rate that usually meets the short- term funding needs of the private sector.	Negative	KNBS
μ_t	is the stochastic error term	Factors that affect Economic stability but not captured in the model		

Source: Author's Conceptualization, 2021

Data Analysis

Unit Root Test using Augmented Dickey-Fuller Test, ADF

To calculate the test statistic, we used the augmented Dickey-Fuller regression model.

$\Delta y = \alpha + \beta y_{t-1} + \delta t + \sum_{j=1}^{k} \alpha_j \, \Delta y_{t-j} + e_t$

e analysis.

Co-integration Test

A time series variable is integrated of order $d, I(d)$, if stochastic trends / unit roots can be eliminated by differentiating a series d times and stochastic trend remains after differencing only $d-1$ times (Gujarati, 2009).

DATA ANALYSIS AND PRESENTATION

Unit Root Tests

The variables should be checked for stationarity before running an ARDL model. As a result, the researchers used Augmented Dickey Fuller to check for unit root or stationarity (Elliott, 1999). Table 4.2 shows the results of ADF.

The results show that all variables were non stationary at the 5% level of significance with p value>0.005 with the exception of GDP, which had a p value of 0.0497 and 0.0185 0.005. As a result, none of the tests were able to rule out the null hypothesis of a unit root. All variables became stationary after the initial differencing.

Table 4. 2: Unit Root Tests

ADF Unit Root Test at Level						
			Critical Values			
Variables	p-values	ADF Test Statistic	1%	5%	10%	Remark
GDP	0.0185	-3.227	-3.716	-2.986	-2.624	Stationary
FD	0.5900	-0.5620	-3.716	-2.986	-2.624	Unit root
ER	0.2600	-2.062	-3.716	-2.986	-2.624	Unit root
MS	0.1782	-2.281	-3.716	-2.986	-2.624	Unit root
LIR	0.7009	-1.135	-3.716	-2.986	-2.624	Unit root
Unit Root at First Difference						
GDP	0.0000	-6.338	-4.352	-3.588	-3.233	I (1)
FD	0.0001	-5.183	4.352	-3.588	-3.233	I (1)
ER	0.0001	-5.169	4.352	-3.588	-3.233	I (1)
MS	0.0000	-6.197	4.352	-3.588	-3.588	I (1)
LIR	0.0000	-5.410	4.352	-3.588	-3.233	I (1)

Source: Researcher Data, 2021

Bounds Test

According to Pesaran *et al.* (2001), the null hypothesis is rejected when the calculated F statistic is greater than the upper bound critical value, indicating that the underlying variables in the study are co-integrated. The calculated F statistic of 4.88 exceeds the upper bounds at 10 percent, 5 percent, 2.5 percent, and 1 percent significance levels, indicating that there is a long run relationship between the variables, as shown in table 4.3.

Table 4.3: Bounds Test

	H_O: no level relationship			F = 4.88, t = -4.730
	Critical Values 0.1	0.05	0.025	0.01
	[I_0] [I_1] L_1 L_1	[I_0] [I_1] L_05 L_05	[I_0] [I_1] L_025 L_025	[I_0] [I_1] L_01 L_01
k_6	2.12 3.23	2.45 3.61	2.75 3.99	3.15 4.43

Accept if F $<$ $critical\ value\ for\ I\ (0)\ regressors$.

Reject if F $>$ $critical\ value\ for\ I\ (1)\ regressors$.

	Critical Values 0.1	0.05	0.025	0.01
	[I_0] [I_1] L_1 L_1	[I_0] [I_1] L_05 L_05	[I_0] [I_1] L_025 L_025	[I_0] [I_1] L_01 L_01
k_4	-2.57 -4.04	-2.86 -4.38	-3.13 -4.66	-3.43 -4.73

$$\text{Accept if t} > critical\ value\ for\ I(0)\ regressors.$$
$$\text{Reject if t} < critical\ value\ for\ I(1)\ regressors.$$
$$\text{k: \# of non} - \text{deterministic regressors in long} - \text{run relationship.}$$

Source: Research Data, 2021

Diagnostic Tests

Table 4.6: ARDL with Error Correction Model

Sample 1990 – 2020				Number of observations = 31	
Log likelihood = -52.787505				R-squared= 0.6486	
				Adj R-squared = 0.5213	
				Root MSE= 1.9510	
	D.GDP	Coef.	Std. Err	T	P > |t|
ADJ	GDP				
	L1	-.9985559	.2111284	-4.73	0.000
LR	FD	0.010315	0.023893	0.432	0.671
	ER	0.080460	0.035204	2.286	0.033
	LIR	-0.171520	0.060810	-2.821	0.011
	MS	0.242124	0.062711	3.861	0.001
	Cons	-18.4509	15.94865	-1.16	0.263

Source: Research Data, 2021

The R - squared is 64.86, implying that the fiscal deficit FD, exchange rate ER, lending interest rate LR, and money supply MS account for 64.86 percent of economic growth variations. The speed of adjustment to the long run equilibrium is negative and significant (p – value 0.000 0.05) with a coefficient of – 0.998, implying that short run shock corrections converge to equilibrium. According to a high significant coefficient of -0.998 (p value 0.000), approximately 99.8% of any disequilibrium caused by explanatory innovations is corrected annually.

The long run ARDL model shows that fiscal deficit has a positive effect on economic growth (p-value 0.671> 0.0500) and a coefficient of 0.01, but the results are not significant. An increase of one unit in fiscal defect leads to a 0.01 unit increase in economic growth. On the relationship between Pakistan's budget deficit and economic growth, this study agrees with Nayab (2015) The study found no evidence of a link between the budget deficit and economic growth.

The foreign exchange rate and economic growth, according to orthodox economists, have a positive relationship. Increases in foreign exchange rates increase net exportation volume, which boosts economic growth by increasing commodity demand.

Structural economists, on the other hand, argue that the exchange rate and economic growth are inversely related (Karahan, 2020) . The findings are in line with those of SELIMI *et al.* (2017), who looked into the impact of the Macedonian exchange rate on economic growth.

The long run results show that money supply has a significant positive effect on economic growth, with a coefficient of 0.242 (p-value 0.001 0.005), implying that a unit change in money supply leads to a 0.242 unit increase in economic growth. This is consistent with the majority of economic theories. Money supply has an impact on the economy's supply side. With an increase in money supply, business activities expand due to the availability of credit in both the public and private sectors of the economy, which increases economic growth through various monetary transmission mechanisms.

According to the findings, lending interest rates have a negative and significant relationship with economic growth (p-value 0.005 level of significance) with a coefficient of -0.17. This corresponds to the Keynesian theory of interest rates, which states that a unit decrease in lending rates contributes to an increase in economic growth of 0.17 units when all other factors remain constant. Because it sets the pace for both domestic and international investors, the interest rate is one of the most important economic drivers. Interest rate cuts encourage capital inflows, which strengthens the local currency (Boivin *et al.*, 2010).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The results of the ARDL regression showed that fiscal deficits boosted economic growth but were statistically insignificant in the long run. According to the study, any increase in Kenya's budget deficit has no impact on economic growth. This is due to the high fiscal deficit to GDP ratio, which was 4% during the study period, well above the recommended 3.7 percent.

Macroeconomic Drivers of Economic Growth

According to the regression results, exchange rates have a positive and statistically significant impact on economic growth in Kenya. This backs up the traditional view that the foreign exchange rate and economic growth have a positive relationship. Increases in foreign exchange rates increase net exportation volume through devaluation, which boosts economic growth due to increased commodity demand.

The broad money supply was discovered to be the most important determinant of economic growth in the long run.

Interest rate cuts encourage capital inflows, which strengthens the local currency and attracts investors. According to the findings, lending interest rates have a significant impact on economic growth, with lower bank lending rates resulting in increased economic growth.

Recommendations

Sequel to the ARDL model regression results, the study proffers the following recommendations;

Policymakers in CBK ought to adopt policies that maintain and keep stability in exchange rate to avoid fluctuations in order to foster economic growth this include imposition of high tariffs to discourage importation initiatives like “buy Kenya build Kenya” should be encouraged. Efforts too should be channeled toward export diversification. Exchange control policies should be put in place to determine optimal value of the exchange rate which in the long run helps to strengthening the currency through devaluation.

Control of inflation volatility should be a major objective of economic policy in Kenya. The government should look for avenues to expand the output. Structural changes should be implemented to boost domestic production by harnessing investment into import - substituting products to control increased prices of products in order to boost economic growth. Monetary policymakers should decide on optimum inflation targets to adopt to avoid detrimental effects of high inflation while reaping the growth benefits of low inflation.

Central Bank of Kenya should pay close attention to broad money supply as a major tool for monetary policy to foster economic growth at the same time controlling overall inflation within the limits. Monetary policies should be expansive and sustainable. Banks, non-banking financial institutions, and the government should all play key roles in putting the policy into action.

Low interest rates will increase credit availability in an economy that will drive economic growth. As a result, it is critical that the CBK of Kenya regulate, determine effective and stable lending interest rates.

Internet usage has failed to meet a large number of consumers who can benefit from network externalities, consequently contributing to economic growth rates. As a result, governments should promote technological innovations, the use of the Internet in e-learning, business transactions, and all types of interactions. Promotion of technological innovations aimed at addressing the obstacles that people face is welcomed. Due to the critical role of ICT and its contribution to ICT, governments should invest in the ICT sector, like Rwanda’s free wireless internet in Kigali city to boost investors. In order to capitalize on the positive effects of ICT on economic growth, policymakers should regulate the sector to make it more accessible and affordable

In order to improvement economic growth, the government should endeavor to improve political stability and promote good governance. This could be accomplished by gradually building institutions that uphold the rule of law and security, reducing ethnic polarization and political conflicts during electioneering period by enabling individuals to take personal responsibility, and improving accountability and transparency in government non- government institutions. This will make Kenya an investment hub in the horn of East Africa with a double digit growing economy.

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Sustainability Report: The Role towards Stock Return of Banking Sector

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ABSTRACT: The purpose of this study is to gather empirical evidence on the effect of sustainability report disclosure on stock returns in banking sector companies listed in the category of BUKU 3 and BUKU 4 on the IDX for the 2019–2020 period. In this study, 23 banks were sampled, including local and foreign banks listed in the category of BUKU 3 and BUKU 4. The quantitative research method was used, with a pre-test and post-test hypothesis testing approach using the SPSS 26 program. The findings show a significant difference in stock returns before and after the bank discloses the sustainability report in accordance with Financial Services Authority Regulation (POJK) Number 51 of 2017.

KEYWORDS: Sustainability Report, Bank, Stock Return, BUKU 3 and BUKU 4.

I. INTRODUCTION

The Sustainability Report is a one-year report that contains information on the company's performance in several areas such as economic, environmental, and social. This report is addressed to the public as well as the shareholders as a form of corporate responsibility that is communicated transparently. This report also seeks to communicate the company's commitment to operating in a sustainable manner. Furthermore, the Sustainability Report provides all stakeholders with a broader and more transparent picture of the company's sustainable development activities.

Companies were not required to produce sustainability reports in the past, but with the passage of time and government demands for accountability, this report is now required of all businesses. It became popular in the 1980s after being initiated by a chemical company with the goal of repairing a tarnished image. The tobacco company was the other company that pioneered the sustainability report. The goal is to increase the number of people who are interested in investing their money (ethical investing).

In Indonesia, businesses voluntarily adopt and implement a sustainable reporting model. Reporting company information to stakeholders and the larger community is becoming more common, as evidenced by the fact that in 2005, the number of companies that adopted the new Sustainability Report was around ten, but by 2013, the number had risen to more than 100.

The increasing awareness and commitment of global corporations to implementing the Sustainability Report model is not triggered by strong pressure from global market players and government regulations, nor is it influenced by the corporation's own awareness of being accepted by stakeholders, but rather by various economic and non-economic benefits that can be obtained, both in the short and long term. The theoretical application of sustainability reports is thought to be capable of increasing stakeholders' appreciation for accountability and transparency of company information, which has a positive impact on their decisions. This application also makes funding and investment decisions easier for businesses, as well as business operations, and will improve business performance, financial performance, and company value in the long run. Furthermore, there are numerous advantages to implementing the Sustainability Report, which is thought to be capable of improving the company's image, reputation, and goodwill, as well as increasing innovation and continuous improvements, strategic competitive position, and a good and effective corporate governance system. Aside from the positive impact of market participants' or stakeholders' appreciation, other benefits that can be obtained include reduced business risk, financial risk, and corporate market risk.

If companies disclose the Sustainability Report, the community will recognize the company's existence and activities, indicating that the company has participated in sustainable development. This effectively declares that the company is superior to competitors. The company's zeal in disclosing sustainability report information indicates that the company is serious about achieving its long-term goals in order to attract the attention of conservative investors. This is due to the fact that investors prefer to invest in companies that are transparent and provide complete and accurate information in order to assist investors in their decision-making process [1]. Investors are interested in social information reported by companies in annual reports and believe that economic information alone is insufficient as a consideration for investment [2]. As a result of the reduced information asymmetry, investors will be interested in investing in companies that have been able to issue a Sustainability Report [3].

Investors will, of course, first analyze the condition of the company in question before making an investment decision by purchasing shares in the capital market. According to Jogiyanto, capital market participants will evaluate every announcement made by the company [4]. The greater the market's appreciation for the company, the higher the stock price [5]. An increase in stock prices provides hope for all investors because high stock prices will have an impact on shareholder prosperity. A rise or fall in stock prices will have an effect on rising or falling stock returns [6] [7]. Return can be defined as the benefits received in the future or the rate of return that investors will receive on their investments. This is also referred to as a stock return.

In 2019, the government hopes that financial companies in Indonesia, particularly banks, will demonstrate accountability and transparency in carrying out social and environmental responsibilities through sustainability reports issued in accordance with Financial Services Authority (OJK) Regulation number 51 of 2017, under which the banking sector is required to issue Sustainability Report's in 2019 for BUKU 3 and BUKU 4, and in 2020 for BUKU 1 and BUKU 2.

Banks that included in the category of BUKU 3 and BUKU 4: three banks out of a total of 13 banks included in BUKU 3 (23%) and one bank out of 10 (ten) banks included in BUKU 4 (10%) have not issued their Sustainability Report in 2019. Meanwhile, in 2020, there are one of three banks included in BUKU 1 (33.3 percent) and seven banks of 20 banks included in BUKU 2 (35 percent) that have issued Sustainability Report in the company's annual financial statements.

II. LITERATURE REVIEW

A. Sustainability Report

Sustainability Report is a non-financial report that companies can use as a reference to view reporting from social, economic, and environmental perspectives. Companies engage in Sustainability Report to measure, disclose, and strive to become an accountable company for all stakeholders in order to develop sustainable company performance [8].

According to Gray and Bebbington, Sustainability Report is a separate non-financial report from financial statements. This report focuses on the environment, and it includes ten statements, definitions, and missions, statements about company policies or goals, and progress toward environmental achievements issued by companies or organizations [9].

The Global Reporting Index (GRI) is an international organization based in Amsterdam, the Netherlands, whose main activities revolve around increasing a company's transparency and reporting through the development of standards. The Sustainability Reporting Guidelines are guidelines issued by this organization for the disclosure of sustainability reports. GRI defines Sustainability Report as the practice of measuring and disclosing company activities as a responsibility to all stakeholders for organizational performance in achieving sustainable development goals.

The Sustainability Report concept is a variant of John Elkington's Triple-Bottom Line concept, which emphasizes the three Ps (profit, people and planet). Companies that want to be sustainable must, in addition to profit, meet the needs of the community and contribute to environmental preservation. Year after year, Sustainability Report grew at a rapid pace. Every year, this report discusses the environment, health, and safety. In Indonesia, Sustainability Report is a type of voluntary report. This report is disclosed as an addition to the financial statements, but it is submitted separately from the company's financial statements.

The Sustainability Report must adhere to several GRI-G3 guidelines in its disclosure, including the following: (1) Balance. To provide clear information to report users, the Sustainability Report must describe both the positive and negative aspects of the company's performance; (2) Comparable. The information in the Sustainability Report must be consistently selected, collected, and reported in order for stakeholders to analyze information on changes in performance from year to year and support the analysis relative to other groups; (3) Accurate. Sustainability Report disclosure must be accurate and complete in order for information users to properly and correctly assesses the company's performance.

B. Stock Return

According to Irham Fahmi, stock return is the profit expected by an investor in the future against a number of funds that have been placed [11]. Expectations describe something that may occur that is not expected. Meanwhile, the difference between the amount received and the amount invested, as defined by Brigham and Houston, is divided by the amount invested [12].

In their book “the Fundamentals of Financial Management”, Home and Wachoviz explain that stock returns are a type of benefit from cash dividends paid at the beginning of the year as well as capital gains realized at the end of the year [13]. According to some of the definitions above, stock returns are the rate of return in the form of rewards obtained from the sale and purchase of shares.

C. Type of Stock Return

According to Jogiyanto, stock returns can be divided into two categories: (1) realized return, which is a return calculated based on historical data, and (2) expected return, which is the return that investors expect to receive in the future based on the amount of funds invested [14].

D. Component of Stock Return

Tandelilin defines stock returns as having two components: (1) capital gain/loss, which is an increase or decrease in the price of a stock that can result in profits or losses for investors, and (2) yield, which is a return component that reflects the cash flow or income obtained on a regular basis from a stock investment [15].

The difference between the current investment price and the price for a specific period is referred to as capital gain or capital loss. The following formula can be used to calculate the amount of capital gain or loss:

$$R = \frac{Pt - Pt\text{-}1}{Pt\text{-}1}$$

If the current investment price (Pt) is greater than the previous period's investment price (Pt-1), there has been a capital gain; otherwise, there has been a capital loss. Yield is the percentage of periodic cash receipts toward the investment price of a specific period of a share investment; yield is the percentage of interest on loans obtained against the price of bonds in the previous period. As a result, the total return can be expressed as follows:

$$R = \frac{(Pt - Pt\text{-}1)}{Pt\text{-}1} + \text{yield}$$

However, because the company does not always spend out cash dividends to its shareholders on a regular basis, the stock return can be calculated as follows:

$$R = \frac{Pt - Pt\text{-}1}{Pt\text{-}1}$$

Abbreviation:

R = Stock Return

Pt = Current value of stock

Pt-1 = Previous value of stock

E. Stock Return Factors

According to Samsul, the following factors influence stock returns: (1) Macro factors, or external factors, such as macroeconomic and non-economic factors. Non-economic factors include domestic political events, foreign policy events, wars, demonstrations, and environmental cases; and (2) micro factors are considerations within the company, such as earnings per share, value per share, debt to equity ratio, and other financial ratios [16].

F. Regulation by OJK No: 51 Year 2017

According to OJK regulation number 51/POJK.03/2017, the application of sustainable finance principles in the Indonesian financial institution system is the implementation of Law Number 32 of 2009 on Environmental Protection and Management to develop and implement economic and environmental instruments, including an environmentally friendly policy for the banking, capital market, and non-bank financial industry.

The application of the sustainable finance principle is also a tangible manifestation of Indonesia's commitment to the international community by providing funding sources to mitigate and adapt to climate change.

According to Article 8 (6) points a and b, the first sustainability report must be submitted for the following reporting period: (1) January 1 to December 31, 2019 for LJK in the category of BUKU 3, BUKU 4, and foreign banks; and (2) January 1 to December 31, 2020 for LJK in the category of BUKU 1 and BUKU 2, finance companies, sharia finance companies, venture capital companies, sharia venture capital companies, infrastructure financing companies, insurance companies, sharia insurance companies.

G. Research framework and hypotheses

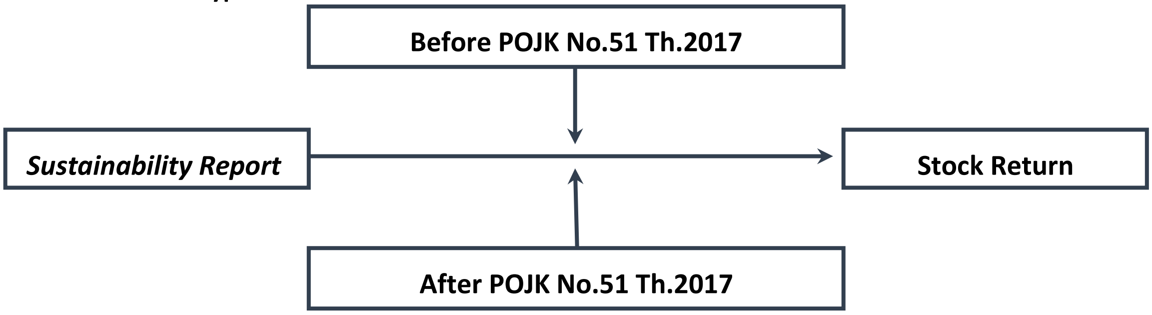

Figure 1: Conceptual framework

Hypotheses

This study measures four variables: Sustainability Report before POJK No.51 Th.2017, After POJK No.51 Th.2017, and Stock Return. As a result, the research hypotheses are:

H1: Stock Return influences the Sustainability Report, Prior to POJK No. 51 of 2017.

H2: Stock Return influences the Sustainability Report, after POJK No. 51 of 2017

III. METHODOLOGY

This study relied on secondary data in the form of an annual report. The secondary data is in the form of publications obtained from the Indonesia Stock Exchange website (http://www.idx.co.id) within two years before and one year after the enactment of POJK Number 51 of 2017. The banking sector listed in the category of BUKU 3 and BUKU 4 (Annual Report) that have been audited and published on the Indonesia Stock Exchange (IDX) for the 2019-2020 period is the population that is the subject of this research. The Purposive Sampling technique is used to collect the sample, as shown in the table below:

Table 1: Elimination Sample Selection Criteria

No	Description	Total
1	Banking Companies listed in BUKU 3 and BUKU 4 in 2019-2020	23
2	Banking companies whose financial reports provide incomplete data for the period 2019 and 2020.	(0)
3	Banking Companies that do not use Indonesian currency (Rp)	(0)
4	Banking companies do not routinely submit Sustainability Reports	(4)
	Total Sample	**19**

(Source: Processed data 2021)

Table 2: Population and samples

No	Company Code	Company Name	Category	Total Sample
1	BTPS	BANK BTPN SYARIAH TBK	BUKU 3	2
2	AGRS	BANK IBK INDONESIA TBK	BUKU 3	2
3	BBKP	BANK KB BUKOPIN TBK	BUKU 3	2
4	MAYA	BANK MAYAPADA INTERNASIONAL TBK	BUKU 3	2
5	BNII	BANK MAYBANK INDONESIA TBK	BUKU 3	2
6	MEGA	BANK MEGA TBK	BUKU 3	2
7	BJBR	BANK PEMBANGUNAN DAERAH JAWA BARAT	BUKU 3	2
8	BJTM	BANK PEMBANGUNAN DAERAH JAWA TIMUR	BUKU 3	2
9	BNLI	BANK PERMATA TBK	BUKU 3	2
10	BBTN	BANK TABUNGAN NEGARA (PERSERO)	BUKU 3	2
11	BTPN	BANK BTPN TBK	BUKU 4	2
12	BBCA	BANK CENTRAL ASIA TBK	BUKU 4	2
No	**Company Code**	**Company Name**	**Category**	**Total Sample**

13	BNGA	BANK CIMB NIAGA TBK	BUKU 4	2
14	BDMN	BANK DANAMON INDONESIA TBK	BUKU 4	2
15	BMRI	BANK MANDIRI (PERSERO) TBK	BUKU 4	2
16	BBNI	BANK NEGARA INDONESIA (PERSERO)	BUKU 4	2
17	NISP	BANK OCBC NISP TBK	BUKU 4	2
18	PNBN	BANK PAN INDONESIA TBK	BUKU 4	2
19	BBRI	BANK RAKYAT INDONESIA (PERSERO)	BUKU 4	2
Total				**38**

(Source: Processed data 2021)

IV. RESULTS AND DISCUSSION

A. Research findings

Descriptive Statistics

It is obtained through the use of descriptive statistics analysis as shown on below table.

Table 3: Descriptive analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PRETEST	23	11,00	26000,00	4120,7391	6075,38098
POSTTEST	23	11,00	33425,00	4600,0000	7538,69052
Valid N (listwise)	23				

(Source: Processed data 2021)

Table 3 shows that the total number of research samples (N=23). On the pretest and posttest, the minimum and maximum values of stock return variables are 11.00 and 11.00, respectively. With an average value of 4120.74 and 4600.00, respectively, and standard deviations of 6075.38 and 7538.69.

Paired Test

Based on the results of the normal test, it appears that the data is normally distributed, allows the researcher to conduct the Paired Test and obtain the results:

Table 4: Paired Test BUKU 3 and BUKU 4

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRETEST	4120,7391	23	6075,38098	1266,80450
	POSTTEST	4600,0000	23	7538,69052	1571,92564

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRETEST & POSTTEST	23	,982	,000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	PRETEST - POSTTEST	-479,26087	1958,10377	408,29286	-1326,00844	367,48670	-1,174	22	,253

(**Source**: **Processed data 2021**)

The table above shows a significant value of t = -1.174, inferring that t 0.05, H0 is rejected. This indicates that one independent variable has a significant influence on the dependent variable.

B. Discussion

The results of the descriptive analysis (Table 3) and paired tests (Table 4) show that stock returns on banks included in BUKU 3 and BUKU 4 before and after the enactment of POJK No. 51 of 2017 were 4,120 and 4,600, respectively, indicating that there are significant differences. Significant impact on stock returns before and after the Sustainability Report presentation provision is implemented in accordance with POJK regulations No. 51 of 2017. The findings of this study concede with Effendi that the Sustainability Report is a non-financial report that the company can use as a reference to see reporting from the social, economic, and environmental dimensions [17]. The company performs Sustainability Report to measure, disclose, and the company's efforts to become a company that is accountable to all stakeholders for the company's performance toward sustainable development. The Sustainability Report has an effect on increasing stock returns, which boosts investor confidence in banks. The greater the market's appreciation for the company, the higher the stock price [18]. An increase in stock prices provides hope for all investors because high stock prices will have an impact on shareholder prosperity.

V. CONCLUSION

The purpose of this study is to empirically demonstrate the effect of Sustainability Report disclosure on stock returns in banking sector companies listed on the IDX in the category of BUKU 3 and BUKU 4 for the 2019-2020 period. In this study, 23 banks were sampled, including local banks and foreign banks listed in the category of BUKU 3 and BUKU 4.

Based on the findings of research conducted in several stages, beginning with data collection, data analysis, and interpretation of the results of the analysis regarding the effect of Sustainability Report disclosure on stock returns, it is possible to conclude that the disclosure of Sustainability Reports in banking sector companies listed in the category of BUKU 3 and BUKU 4 on the IDX for the period 2019 – 2020 has a significant effect on stock returns.

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Analysis of Net Profit and Car Based on PSAK 71 on Stock Prices in Registered Banking Companies

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ABSTRACT: This study aims to examine the effect of Net Profit and CAR which is calculated based on the provisions of PSAK 71 which is effective January 1, 2020 on stock prices. The sample of this study consisted of 32 banking companies in 2020 listed on the Indonesia Stock Exchange. Multiple regression analysis was used to test the hypothesis in this study and the sampling technique used was purposive sampling. The test results in this study indicate that net income and CAR based on PSAK 71 simultaneously affect stock prices. NPL (Non-Performing Loan) strengthens the effect of Net Income on Share Prices. NPL also strengthens the effect of CAR on stock prices.

KEYWORDS: Stock Price, Net Profit, CAR, NPL, Statement of financial accounting standards /PSAK 71

INTRODUCTION

Companies in a competitive economy have the goal of obtaining high profits and surviving in the long term. Although not all corporate organizations make profit as the main goal. But in reality, companies in the form of non-profit organizations still need profits for the continuity of their activities. The company's net profit is one of the indicators seen by investors in the capital market in determining their investment decisions. One way that can be taken by investors in investing their funds is by buying shares. In maintaining and increasing company profits, it is a must so that shares still exist and are still in demand by investors (Hermansyah, 2008).

A share is one of the securities that can be traded owned by a person or a company, and is supported by a sign of participation. Parties who need funds can issue shares as a source of funds to finance their company's operational activities, parties with excess funds can invest their funds in shares in the hope that these funds will generate the expected returns. Capital gains and dividends are profits obtained by investors in investing in stocks. Dividends are profits distributed to shareholders (investors). The difference between the purchase and sale prices of the shares, where the selling price is higher than the purchase price is called Capital Gain, (Jogiyanto, 2011).

The value of the company can be indicated by the value of the share price. Stock market prices often fluctuate due to various factors, both internal and external. Meanwhile, internal factors that influence stock prices are financial performance, company management, and company fundamentals. External factors (macro environment) that can affect stock prices include domestic political turmoil, inflation rate, changes in government regulations, macroeconomic conditions of the country concerned, changes in interest rates, and so on.

Bank reserves are needed for the liquidity of a bank, such as being used to absorb deposits, provide capital to other banks and can be used to allocate facilities. (Giannetti and Simonov, 2009). When the rate of capital adequacy ratio (CAR) which is calculated by dividing the salary of shareholders with total assets, which is equal to one, means that banks are more dependent on shareholders in terms of financing (Giannetti and Simonov, 2009). If the Bank reduces the CAR, it means that it will increase the level of bank financial risk and will rely on foreign financial resources. This can lead to an increase in the company's cash costs and thereby reduce bank profitability (Taherinia and Baqeri, 2018).

In Indonesia, the provisions governing the presentation of financial statement items relating to Allowance for Earning Assets Losses (PPAP) and capital adequacy ratios are regulated in PSAK 55 concerning financial instruments. However, since January 1, 2020, the Statement of Financial Accounting Standards (PSAK) which regulates financial instruments is PSAK 71. PSAK 71 is a statement of financial accounting standards adopted from IFRS regarding financial instruments. With PSAK 71, banks are required to make a larger Allowance for Earning Assets (PPAP) than before using PSAK 50, 55 and 60. This is because PSAK 71 requires banks to use the expected credit loss approach in determining PPAP or loss reserves. credit that is formed from the burden of provision for credit losses. While the old PSAK, namely PSAK 50, 55, and 60, used the incurred loss approach. The incurred loss approach recognizes the provision of credit losses or impairment when an event that results in the risk of default occurs (Jasman and Rizal, 2019).

Meanwhile, theapproach *expected loss* requires banks to immediately recognize the impact of changes in expected credit losses after the initial recognition of financial assets based on *forward looking,* including macroeconomic predictions. This approach is considered to be able to increase the number of*non-performing loans (NPL*) and increase the burden of credit losses, which then has implications for a decrease in the capital adequacy ratio (Jasman and Rizal, 2019). Referring to previous studies, so in this study the hypothesis proposed is:

H_1 : Net Profit has a positive effect on stock prices.
H_2 : NPL strengthens the positive effect of Net Income on the company's stock price.
H_3 : CAR has a positive effect on stock prices.
H_4 : NPL strengthens the positive effect of CAR on the company's stock price.

RESEARCH METHOD

A quantitative approach is used in this study which is presented descriptively by calculating the effect of net income and capital adequacy ratio on stock prices which is strengthened by the non-performing loan (NPL) variable using Analysis Test Multiple Regression. This study uses a sample of banking companies which are included in the main categories on the recording board. The source of data in this study was obtained by *purposive sampling method,* namely selecting banking companies listed on the main board of the IDX in 2020. Data processing and analysis using the Two Unrelated Sample Test (t-test), Classical Assumption Test, F Test, Test T and Regression Analysis Test.

ANALYSIS AND DISCUSSION

Capital Adequacy Ratio (CAR)

The value of the *capital adequacy ratio* is projected in the form of a ratio. *Capital adequacy ratio is* obtained by comparing the company's capital with risk-weighted assets (RWA). Based on 32 research samples, the CAR variable in the descriptive statistical test shows a minimum value of 0.13 which is owned by Bank Ina Perdana. The maximum or highest car value is owned by Panin Syariah Bank with a value of 0.27. The average CAR value based on descriptive statistical tests is 0.19 and the standard deviation is 0.04. Capital adequacy ratio is the ratio of capital adequacy to overcome the possible risk of loss, measuring the ability of a bank through its capital and assets. The greater the CAR value of a banking company, the better the banking ability in terms of security and fulfillment of its obligations.

Net Profit

Based on descriptive statistical tests on 32 samples of net income of banking companies in this study, the company with a minimum net profit value is Bank Mayapada with a net profit of (ln: 18.78); The maximum net profit in this study is (ln: 30.4) which is owned by Bank BCA. The average value of net income in the 32 companies that became the research sample was (ln: 26.06). The standard deviation of net income is (ln: 2.63). The company's net profit is obtained by subtracting the total expenses from the total income, then deducting the company's income tax. The value of the company's net income can be used as a reference as profitability to investors and creditors who have an interest in the company and find out how efficiently it generates profits from total revenue.

Stock Price

The stock price variable in this study is using the closing stock price on June 30, 2020. Based on the descriptive statistical test, the minimum stock price is obtained, namely (ln: 3.9) which is the share price of Bank Panin Dubai Syariah. The maximum or the highest share price belongs to Bank BCA, which is equal to (ln: 10.2). Of the 32 samples of banking company stock prices studied, the average was (ln: 6.5). The standard deviation is (ln : 1.5). The high and low share prices are determined by the demand and supply of these shares in the capital market (Jogiyanto, 2011). The stock price is defined as the price in the real market, because it is the stock price in the ongoing market, or if the market is closed then the market price is the closing price (Musdalifah, 2015).

Non-Performing Loan (NPL)

Research data, namely the NPL used in this study, is only 2020 research data. This is because NPL data using PSAK 71 is only available in the first semester of 2020. Descriptive analysis of NPL research data in 2020 has a minimum value of 0.80. Furthermore, from the amount of data as many as 32 samples, the highest value of *non-performing loans is* 7.48. The average NPL value is 3.1319. The standard deviation of the NPL data distribution of banking companies in 2020 is 1.63270.

Test of Two Unrelated Samples (t-Test difference test)

Table 1. Test Results of the Difference in Net Profit

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Net Profit2019	26.1813	32	2.57312	.45487
	Net Profit2020	26.0612	32	2.63220	.46531

In table 1 it can be seen that the average Net Profit on the financial statements of banking companies that became the object of research in 2019, namely before the application of PSAK 71 was 26.1813 while after the application of PSAK 71 is equal to 26.0612. It is absolutely clear that the net income before and after the application of PSAK 71 is different. So it can be concluded that the net income of banking companies before the implementation of PSAK 71 and after the application of PSAK 71 is significantly different.

Table 2. Results of the CAR Difference Test

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	**CAR2019**	.1919	32	.04192	.00741
	CAR2020	1.7237	32	.78109	.13808

In table 2 it can be seen that the average *capital adequacy ratio* in banking companies before the implementation of PSAK 71 was 0.1919 while for banking companies after the implementation of PSAK 71 was 1.7237. It is absolutely clear that the average *capital adequacy ratio is* different between before the application of PSAK 71 and after the application of PSAK 71. So it can be concluded that the *capital adequacy ratio* before and after the application of PSAK 71 is significantly different.

Multiple Regression Analysis

Table 3. Results of Multiple Regression Analysis Model 1

Model		*Unstandardized Coefficients*		*Standardized Coefficients*
		B	Std. Error	Beta
1	(Constant)	-5.477	2.096	
	Net Profit (NP)	0.480	0.086	0.772
	CAR	-0.912	1.680	-0.075

Based on table 3 the results obtained multiple regression equation as follows:

Stock Price (SP) = -5477 + 0.480NP - 0.912CAR

From the regression equation can be concluded that the constant value of -5.477 means that if the variables of net income and *capital adequacy ratio are* assumed to be equal to zero/constant, then the value of the share price is -5.477. The coefficient value of the Company's Profit variable is 0.480, meaning that if the company's net income variable increases by one point and other independent variables are considered constant, it causes an increase in share price of 0.480. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the capital adequacy ratio variable is -0.912, which means that if the CAR variable increases by one point and the other independent variables are considered constant, it causes a decrease in stock prices of 0.912.

Table 4. Results of Multiple Regression Analysis Model 2

Model		*Unstandardized Coefficients*		*Standardized Coefficients*
		B	Std. Error	Beta
	(Constant)	-8.265	5.849	
2	Net Profit	0.601	0.228	0.967
	NPL	1.408	1,.936	1.437
	NPxNPL	-0.062	0.077	-1.523

Table 4 Based on the results obtained multiple regression equation as follows:

$$SP = -8265 + 0.601NI + 1.408NPL - 0.062NIxNPL$$

From the regression equation From this, it can be concluded that the constant value is -8.265, meaning that if the net income and NPL variables are assumed to be zero/constant, then the share price value is -8.265. The coefficient value of the Net Profit variable is 0.601, meaning that if the company's net income variable has increased by one point and other independent variables are considered constant, it will cause an increase in stock prices of 0.601. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the NPL variable is 1.408, which means that if the NPL variable increases by one point and the other independent variables are held constant, it will cause an increase in stock prices of 1,408. The coefficient value of the Net Profit variable moderated by NPL is -0.062, meaning that if the Net Profit variable moderated by NPL has increased by one point, while other independent variables are considered constant, it will cause a decrease in stock prices of 0.062. The direction of negative influence means that the higher the Net Profit moderated by NPL, the lower the stock price.

Table 5. Results of Multiple Regression Analysis Model 3

Model		*Unstandardized Coefficients*		*Standardized Coefficients*
		B	Std. Error	Beta
	(Constant)	6.878	1.384	
2	CAR	4.020	4.557	0.329
	NPL	-0.230	0.459	-0.235
	CARxNPL	-0.468	1.607	-0.162

Based on table 5, the results of the multiple regression equation are obtained as follows:

$$SP = 6.878 + 4.020CAR - 0.230NPL – 0.468CARxNPL$$

From the regression equation From that information, it is obtained that the constant value is 6.878, meaning that if the CAR and NPL variables are assumed to be equal to zero/constant, then the value of the share price is 6.878. The coefficient value of the CAR variable is 4,020, meaning that if the company's CAR variable has increased by one point and other independent variables are considered constant, it will cause an increase in stock prices of 4,020. Because the value is positive, it means that the higher the company's net profit, the higher the stock price will be. The coefficient value of the NPL variable is -0.230, which means that if the NPL variable increases by one point and the other independent variables are held constant, it will cause a decrease in stock prices of 0.230. The coefficient value of the NPL-moderated CAR variable is -0.468, meaning that if the NPL moderated CAR variable increases by one point, while other independent variables are considered constant, it will cause a decrease in stock prices of 0.468. The direction of negative influence means that the higher the CAR moderated by NPL, the lower the company's stock price.

Hypothesis Testing

The coefficient of determination*(adjustedR2)*

Table 6. Test Results Coefficient of Determination Model 1

Model	***Adjusted*** R^2	**Percentage (%)**
Regression Analysis	0.521	52.1

Based on output above the known value of R Square of 0521, this means that the effect of net income (X_1) and CAR (X_2) simultaneously on the Y variable is 52.1%. Therefore, the effect of net income and *capital adequacy ratio* on stock prices simultaneously is 52.1%, while 47.9% is the effect caused by other factors.

Table 7. Test Results Coefficient of Determination Model 2

Model	*Adjusted* R^2	Percentage (%)
Regression Analysis	0.578	57.8

Based on output above the known value of R Square of 0578, this means the influence of net profits and NPL as moderating variables on stock prices influence simultaneously of 57.8% while 42.2% is the influence caused by other factors.

Table 8. Test Results Coefficient of Determination Model 3

Model	*Adjusted* R^2	Percentage (%)
Regression Analysis	0.199	19.9

Based on output above the known value of R Square of 0.199, it means that the effect of CAR and NPL as moderating variables on stock prices influence simultaneously of 19.9% while 80.1% is the influence caused by other factors.

STATISTICAL TEST F

Table 9. Significance Test Results F Model 1

Model	F	Sig	Description
Multiple Regression Analysis	17.880	0.000	Simultaneous Effect

Based on Table 9 F test model 1 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Net Profit and variables *Capital Adequacy Ratio* simultaneously affect stock prices or the F test results can also be interpreted as a multiple regression analysis model is feasible. If you look at table 9 it proves that there is an effect of X_1 and X_2 simultaneously on Y. Thus, net income and CAR simultaneously affect the stock price.

Table 10. Significance Test Results F Model 2

Model	F	Sig	Description
Multiple Regression Analysis	12.771	0.000	Simultaneous Effect

Based on Table 10 F test model 2 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Net Profit and NPL variables as moderating variables simultaneously affect stock prices or the results of this F test can also be interpreted as a multiple regression analysis model is feasible. This proves that there is an effect of net income and NPL as a moderating variable that simultaneously affects stock prices.

Table 11. Significance Test Results F Model 3

Model	F	Sig	Description
Multiple Regression Analysis	2.319	0.000	Simultaneous Effect

Based on Table 11 F test model 3 obtained a significance value of 0.000 less than 0.05. This means that it can be concluded that the Capital Adequacy Ratio and NPL variables simultaneously affect stock prices or the results of the F test can also be interpreted as a multiple regression analysis model is feasible. If seen in table 11, this proves that there is an effect of X_2 and NPL simultaneously on Y. Thus, CAR and NPL as moderating variables simultaneously affect the stock price.

TEST STATISTICS T

Table 12. Statistical Test Results t Model 1

Model	Prediction	*Standardized Coefficients Beta*	T	*Sig (one tailed)*
(Constant)			-2.613	
Net Profit	+	0.772	5.611	0.000
CAR	-	-0.075	-0.543	0.591

Source: Secondary data processed, 2020

Table 13. Statistical Test Results t Model 2

Model	Prediction	*Beta Standardized Coefficients*	T	*Sig (one-tailed)*
(Constant)			-1.413	0.169
Net Profit	+	0.967	2.635	0.014
NPL	-	1.436	0.727	0.473
LBXNPL		-1.523	-0.806	0.427

Source: secondary data is processed, 2020

.

Table 14. Statistical Test Results t Model 3

Model	Prediction	*Standardized Coefficients Beta*	t	*Sig (one tailed)*
(Constant)			4.969	0.000
CAR	+	0.329	0.882	0.385
NPL	-	-0.235	-0.501	0.620
CAR x NPL		-0.162	-0.291	0.773

Source: Secondary data processed, 2020

Based on test results t above so that the following analysis is obtained:

Hypothesis 1: Net Profit has a positive effect on Stock Prices

The first hypothesis (H_1) of this study states that Net Income has a positive effect on stock prices. Referring to table 12, it can be seen the coefficient value of each variable in the first model regression equation. The value of the coefficient B has a positive value of 0.772 indicating that only the Net Profit variable has a p value of 0.000 <0.05. This means that only the Net Profit variable has a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the net profit, the higher the stock price, and vice versa. This means that the first hypothesis which states that net income has a positive effect on stock prices is acceptable.

Hypothesis 2: NPL reinforce positive influence on the net profit on stock price

Second hypothesis (H_2) this study stated that the NPL as a moderating variable has a positive effect on the relationship Earnings and Stock Price. Referring to table 13, it can be seen the coefficient value of each variable in the second model regression equation. The value of the coefficient B is positive at 0.967, indicating that only the Net Profit variable has a p value of 0.014 < 0.05. This means that only the Net Profit variable has a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the net profit, the higher the company's stock price, and vice versa. This means that the second hypothesis which states that NPL strengthens the positive influence of Net Profit on Stock Prices is acceptable.

Hypothesis 3: CAR positive effect on stock price

Third hypothesis (H_3) this study stated that the CAR has a positive effect on stock price. Referring to table 12, it can be seen the coefficient value of each variable in the second model regression equation. The value of the coefficient B variable for the *Capital Adequacy Ratio* is negative at 0.075, which means the higher the Capital Adequacy Ratio, the lower the company's stock price. Variable X_2 is CAR with p value 0.591 > 0.05 and has a negative coefficient B value, meaning that the third hypothesis which states that CAR has a significant effect on stock prices is rejected, this means that there is no effect of CAR on stock prices.

Hypothesis 4: NPL strengthens the positive effect of CAR on stock prices.

The fourth hypothesis (H_4) of this study states that NPL as a moderating variable has a positive effect on the relationship between CAR and stock prices. Referring to table 14, it can be seen that the coefficient value of each variable in the second model of the regression equation. The positive value of the B coefficient is 0.329, indicating that the NPL variable has a p value of 0.385 > 0.05. This means that the NPL variable does not have a significant relationship in this equation. The value of the coefficient B has a positive direction, which means the higher the NPL, the higher the company's stock price, and vice versa. This means that the hypothesis that NPL strengthens the positive effect of CAR on stock prices cannot be accepted (rejected).

DISCUSSION

From the results of data analysis by T-test test (Difference Test) it was found that there was a significant difference between the Net Profit of banking companies before and after the application of PSAK 71. Hypothesis testing was found that the probability value of sig 0.007 which means sig < 0.05, it means profit net before the application of PSAK 71 with after the application of PSAK 71 has a variant that is not the same (not identical). Thus, the company's net income before and after the implementation of PSAK 71 is significantly different.

From the results of data analysis by T-test (Different Test) it is found that there is a significant difference between the CAR of banking companies before and after the application of PSAK 71. Hypothesis testing was found that the probability value sig 0.000 which means sig <0.05, it means that the CAR before the application of PSAK 71 and after the application of PSAK 71 has a variant that is not the same (not identical). Thus, the company's CAR before and after the implementation of PSAK 71 is significantly different.

Net Profit Based on PSAK71 has an effect on Stock Price.

The significance value of Net Income is 0.000 which is smaller than 0.05, so the first hypothesis is accepted because there is an influence between Net Earnings on Stock Prices. Likewise, the research of Putri and Dillak (2017) and Nawangwulan, (2018) which concluded that simultaneously or partially stated that net income had a significant effect on the stock price of companies listed on the LQ 45 Index of the Indonesia Stock Exchange. This means that if the company's net income increases, the company's share price will also increase. The results show that net income and CAR simultaneously affect stock prices, with anvalue *R Square* of 0.521, this means that the effect of net income and *capital adequacy ratio* on stock prices simultaneously is 52.1% while 47.9% is the effect caused by other factors.

Capital Adequacy Ratio based on PSAK 71 has no effect on stock prices.

The significance value of CAR is 0.591, which is greater than 0.005 and the t-count value -0.543 is smaller than the t table, which is 2.037, so the hypothesis is rejected, meaning that there is no effect of CAR on stock prices. This result is in accordance with the results of Masril's research in 2018, namely CAR has no influence on individual stock prices (Masril, 2018). *The capital adequacy ratio has* no significant effect on share prices in banking companies in Malaysia (Ahmed, 2018). CAR has an influence on individual stock prices (Rusdiyanto, 2018). *Capital Adequacy Ratio (CAR)* has a significant positive effect on stock prices. The results of the study simultaneously showed a relationship, (Warsiati, 2018). According to Bank Indonesia Circular No. 15/11/DPNP/2013 stipulates that the minimum CAR for commercial banks to obtain the Short Term Funding Facility (FPJP) is 8%, after previously being set at 5%.

In this study, the average CAR of commercial banks exceeds the minimum limit set by Bank Indonesia (BI) so it is the same as NPL, this is a good signal for investors, as long as the figure is not less than that set by BI. Investor optimism continues to strengthen in line with improving economic and banking conditions, so that the increase in stock prices of commercial banks exceeds fluctuations in CAR every year. This is what causes CAR to have no significant effect on stock prices of commercial banks in the period 2008 – 2012 (Sigit, 2013).

CONCLUSION

This study concludes that the net income of banking companies before the application of PSAK 71 and after the application of PSAK 71 is significantly different. Likewise, there is a significant difference to the capital adequacy ratio at the time of the application of PSAK 71 before or after the application of PSKA 71. Individual net income has a positive effect on the company's stock price. However, individual CAR has no effect on the company's stock price. CAR and net profit of the company have a significant effect on stock prices simultaneously. NPL as a moderating variable has a positive influence on the relationship between Net Profit and Share Price with the value of R Square increasing to 57.8%. Meanwhile, NPL as a moderating variable does not have a positive effect on the relationship between CAR and stock prices, with the value of R Square decreasing to 19.9%.

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The Implementation of Good Corporate Governance in BUMD Institutions

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ABSTRACT: This study talks about how many Regional-Own Enterprises (BUMD) there are in the Indonesian economy. In this study, we look at the institutional aspects of BUMD, how BUMD helps the local economy, and how Good Corporate Governance (GCC) is used to run BUMD. The method used is to look at research articles from a variety of sources to learn about them. Government Regulation No. 54 of 2017 on Regional Owned Enterprises already has rules and regulations in place to make BUMD a legal entity that is owned by a regional government. This is because BUMD doesn't do a good job of running things, which means that the results haven't been able to generate new revenue that's equal to a big chunk of regional income. BUMD must be able to be run in accordance with Good Corporate Governance in order to make sure that local businesses are run properly and to help the region.

KEYWORDS: Bali, BUMD, Good Corporate Governance

I. INTRODUCTION

Regional-Own Enterprises (BUMD) are firms that are owned by local governments and exist to generate cash for local revenue (PAD). However, the reality is that existing BUMDs have been unable to generate a meaningful contribution to local revenue (PAD); in fact, local governments have injected more cash than profits can be earned. This condition adds to the APBD's load. Thus, the aim of establishing BUMD as a source of revenue for local governments is not accomplished (P2 LIPI 2010). Apart from promoting the community's wealth and welfare, Harahap, (2011) believes that regional companies or BUMDs exist to maximize profit in their line of activity in order to raise regional original income through dividends deposited in the regional treasury. Dividends received from the BUMD will subsequently be converted to local government revenues, enhancing the APBD's ability to finance regional development. The separation of the BUMD concept into business and community service has various repercussions. For BUMD that is business-oriented, financial gains are expected. Meanwhile, BUMD's community service orientation should enable it to address the demands and interests of the general public (Harahap, 2011)

In accordance with the principles of sound corporate governance described in the Minister of BUMN's Decree Kep-103/MBU/2002 establishing a BUMN audit committee. BUMN's condition is one step ahead of BUMD's economic activity, and even state-owned enterprises have transformed themselves into public companies by issuing stock on the stock exchange. One of the challenges in managing and developing BUMD is the institutional aspect of the organization, which provides direction and guidance on how to manage a regional business entity professionally and in accordance with the principles of good corporate governance in order to serve the interests of shareholders (BUMD owners) and stakeholders. (community at large). Additionally, a research is required on the management of BUMD that is capable of contributing to regional revenue growth. Several of the issues explored in this article include the following: what is the legal basis for the formation of BUMD?, what is the function of BUMD in generating regional income?, and how is BUMD managed in an effort to achieve good corporate governance?

II. METHOD

This is a systematic evaluation of the literature that demonstrates how the research and development technique is used to combine and assess relevant research on a certain topic. The objective of a systematic review of the literature is to analyze, identify, evaluate, and interpret all research on an interesting topic that addresses a number of problems in a specific area of inquiry (Sugiyono, 2015). This study makes use of descriptive analysis, which is a method of presenting facts in a methodical fashion, followed by an explanation and rationale for the reader.

III. RESULT AND DISCUSSION

1. Legal Aspect of BUMD

The development of BUMD is inseparable from the development of policies related to State-Owned Enterprises (BUMN). In 1960, the Government considered that it was necessary to immediately endeavor to implement the Government's general program in the economic sector so that there was a reorganization of the means of production and distribution aimed at the implementation of Article 33 of the Constitution so that there would be uniformity in the way of administering and controlling as well as the form of Therefore, the Government issued a Peraturan Pengganti Undang-undang (Perpu) Number 19 of 1960 concerning State Enterprises . In line with the needs of the national economy and the development of the business world as well as Law Number 17 of 2003 concerning State Finances resulted in Perpu Number 1 of 1969 concerning Forms of State Enterprises, Government Regulation Number 12 of 1998 concerning Limited Liability Companies (Persero) and Government Regulation Number 13 1998 concerning Public Companies is not in accordance with the needs of the economy and the business world. Therefore, the Government and the DPR issued Law No. 19 of 2003 concerning State-Owned Enterprises which stipulates that there are only 2 (two) forms of state-owned enterprises, namely:

a. Company is a BUMN in the form of a limited liability company whose capital is divided into shares of which all or at least 51% (fifty one percent) of the shares are owned by the Republic of Indonesia whose main purpose is to pursue profit.
b. Public Company is a BUMN whose capital is entirely owned by the state and is not divided into shares, which aims for the public benefit in the form of providing high-quality goods and/or services and at the same time pursuing profits based on the principles of corporate management.

Regional Enterprises Statute No. 5 of 1962 is a law whose development was influenced by the publication of Perpu No. 19 of 1960 regulating State Companies. Regional Companies, as defined in Law No. 5 of 1962 on Regional Enterprises, are businesses whose entire or a substantial portion of their capital is derived from distinct regional assets. Specifically for regional banks, Law No. 13 of 1962 on the Fundamental Provisions of Regional Development Banks. In 1998, pursuant to Permendagri No. 1 of 1998 on Regional Development Banks' Legal Forms, a regional corporation's legal form might be transformed to a limited liability company. According to Article 3 paragraph (1) of the Minister of Home Affairs Regulation, BPDs with the legal form of Regional Companies are subject to the Regional Companies Law, while paragraph (2) emphasizes that BPDs with the legal form of a Limited Company (PT) are subject to Law No. 1 of 1995. Article 4 of the Minister of Home Affairs gives the Governor the authority to convert the BPD from a Regional Company (PD) to a PT.

Implementing regulations from the Minister of Home Affairs for Law No. 5 of 1962, which deals with Regional Companies, deal with things like how Regional Companies can be set up.:

a. Regulation of the Minister of Home Affairs Number 1 of 1984 concerning Procedures for Guidance and Supervision of Regional Companies
b. Regulation of the Minister of Home Affairs Number 3 of 1990 concerning the Management of Property of Regional Companies.
c. Regulation of the Minister of Home Affairs Number 3 of 1998 concerning the Legal Form of BUMD

Rule No. 3 from 1998 says that when BUMDs are legally formed, they can be in the form of regional companies or limited liability companies, but they can't have more than one person or one thing to pay (PT). Each BUMD must follow the rules that apply to its own type of business. For example, Regional Companies must follow the rules set out in Law Number 5 of 1962 about Regional Companies, and Limited Liability Companies must follow the rules set out in Law Number 1 of 1995 about Limited Liability Companies. When Law Number 22 of 1999 about Regional Government was passed, it was changed to Law Number 32 of 2004 about Regional Government. Then, regulations about how BUMDs should be formed didn't follow that. Law Number 23 of 2014, which deals with Regional Government, says that there are two types of BUMD, which are called Regional Public Company (Perumda) is a BUMD whose entire capital is owned by one Region and is not divided into shares. And the Regional Public Company (Perseroda) is a BUMD in the form of a limited liability company whose capital is divided into shares which are wholly or at least 51% (fifty one percent) of the shares are owned by one Region.

The history of BUMD can't be separated from Law Number 23 of 2014 about Regional Government, which deals with the general rules for Regional Owned Enterprises. Several things are regulated in Law Number 23 of 2014 about Regional Government, including the setting up of BUMDs. BUMDs are set up by regions based on their own rules. It can be a regional public company (perumda) and a regional company (perumda) (perseroda). The goal of setting up BUMD is:

a. provide benefits for regional economic development in general

b. organize public benefits in the form of providing quality goods and/or services for the fulfillment of community needs in accordance with the conditions, characteristics and potential of the area concerned based on good corporate governance
c. earn profit and/or profit. The establishment of the BUMD is based on regional needs and the feasibility of the BUMD business field to be formed

Law Number 23 of 2014, which deals with regional government, says that rules about how to set up BUMDs, how BUMDs work, and how BUMDs are run must be written down in more detail by the government. Following Law Number 23 of 2014 concerning Regional Government for three years, the Government issued a regulation in 2017 called Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises, which is an implementation of the law. Government Regulation Number 54 of 2017 is the legal basis for managing BUMD. Among other things, BUMD is still lacking a work ethic, is too bureaucratic, inefficient, lacks market orientation, does not have a good reputation, is not very professional, and does not have a good name. Many local governments try to help BUMD too much, and the lack of clarity between making money and having to help the community can make BUMD not focus on its main goal.

In Government Regulation Number 54 of 2017, there are many special rules for BUMD. These rules include the authority of the Regional Head at BUMD, the establishment of BUMD, the amount of money it needs to start up, the number of staff members it needs, and how it should be run. Following the Government Regulation Number 54 of 2017, there were several more specific laws and regulations that dealt with BUMD. These laws and regulations include Permendagri Number 37, which deals with the appointment and dismissal of members of the Supervisory Board or members of Commissioners or Directors of Regional Owned Enterprises. Permendagri Number 37 of 2018 is about the Appointment and Dismissal of Members of the Supervisory Board or Members of the Board of Commissioners and Members of the Board of Directors of Regional Owned Enterprises. This is to make sure that the rules in Article 39 and Article 58 of Government Regulation Number 54 of 207 about Regional Owned Enterprises are followed. Article 39 of the Government Regulation Number 54 of 207 about Regional Owned Enterprises says that the Board of Commissioners of BUMD is chosen through a process that includes a fit and proper test stage that is done by a team or professional group. It is more complicated than the law that governs the appointment and removal of members of the BUMD Board of Commissioners. Permendagri No. 37, which came into effect in 2018, says that members of the BUMD Supervisory Board are appointed by KPM, and members of the Board of Commissioners are appointed by the General Meeting of Shareholders (GMS)

The selection of the members of the BUMD Supervisory Board in the form of Perumda and the members of the BUMD Board of Commissioners in the form of Perseroda is carried out through 3 (three) stages, namely the Administrative Selection Stage, the Fit and Proper Test Stage and the Final Interview Stage. In addition to regulating the election stages, Permendagri Number 37 of 2018 concerning the Appointment and Dismissal of Members of the Supervisory Board or Members of Commissioners and Directors of Regional Owned Enterprises also regulates the composition of members of the supervisory board or commissioners which may involve independent elements, elements of local government officials and/or or elements of central government officials. Permendagri Number 37 of 2018 concerning the Appointment and Dismissal of Members of the Supervisory Board or Members of Commissioners and Directors of Regional Owned Enterprises also regulates the appointment and dismissal of members of the Board of Directors of Perumda and Perseroda. The selection of members of the board of directors goes through 3 (three) stages, namely the Administrative Selection Stage, the Fit and Proper Test Stage and the Final Interview Stage. The final interview is conducted by the Regional Head and determines the candidates for the members of the board of directors for each position to be submitted to the KPM or the GMS. Thus, members of the board of directors for BUMD must obtain approval from the regional head which is carried out through an interview mechanism.

2. The role of BUMD in increasing regional income

The main goal of Regional Enterprises is to help the people in their area and the country as a whole grow economically. They do this by putting a lot of emphasis on industrialization. So, a portion of the profits made by the Regional Company must go to the fund for the development of the area where the company is based. In addition, all public funds and resources (funds and forces) must be used to help the region grow. Cooperatives and the private sector must also be involved in the start-up of regional businesses. However, the private sector still agrees with the main idea that a regional company is a company that only owns assets in the area where it is based. a regional company is a company that is owned and run by the regional government. So that the shares of regional companies are split into priority shares and ordinary shares, where priority shares can only be controlled by the regions, either at the first level or the second level. Ordinary shares can be controlled by anyone. Even though, if a regional company has all of the assets of a region as its capital, it doesn't need to be in shares to be able to get money.

Based on the explanation of Article 5 above, it can be concluded that there are two types or patterns of BUMD, namely:

The Implementation of Good Corporate Governance in BUMD Institutions

a. BUMD, which is oriented to public service, aims to provide adequate services to the community, so that for this type a BUMD is established whose core business is related to the distribution of needs that affect the lives of many people.
b. Profit-oriented BUMDs are established solely to contribute to the Regional Government, usually these BUMDs have a more competitive core business, such as BUMDs engaged in banking and plantations.

This is what happened because of the Constitution (UUD): It said that autonomous regions should be able to run and manage their own homes the best way possible. There must be enough money to do this. It must have enough power and capability for the Autonomous Region, so money is needed. Regional businesses make a lot of money for the people who live there. In this case, there are also businesses that focus on the public good, as well as businesses that want to boost regional income and production. There are a lot of reasons to think that BUMD is becoming more important in terms of regional development. It is seen as a leader in a business sector that isn't yet popular with private businesses. It also helps small and medium-sized businesses grow. Some BUMDs can also help the region make money, either through taxes, dividends, or privatization money.

In general, the role of BUMD companies in economic activities and regional development can be seen in three ways: production, job opportunities, and regional income. In addition, BUMD has a lot of different jobs and responsibilities. The main ones are to implement government policies in the field of the economy and regional development, fertilize funds for regional development financing, encourage community participation in the business sector, meet the needs of goods and services for the public interest, and be a pioneer in activities and businesses that the private sector isn't interested in starting.

This part of managing regional revenue is very important. The main thing that needs to be looked at is how to manage local revenue (PAD). PAD must be part of the main source of money for regional autonomy to work. This shows that PAD is the most important measure of a region's ability to implement and achieve regional autonomy, so PAD is a good way to show how free a region is. From local taxes, regional levies, the results of regional wealth management, and other legal PAD, PAD can come from PAD, but it must be legal. PAD that comes from separate regional wealth management is income from Regional Companies (PD) or Regional Owned Enterprises (ROE) (BUMD). BUMD has a role in making the region more prosperous by giving PAD money in the form of dividends or taxes. One way to solve a problem with increasing PAD is to make BUMD play a bigger role. To figure out how important PD/BUMD is to a regional economy, look at the amount of added value it adds to the Gross Regional Domestic Product (GRDP) and how well it can take in labor. There are a lot of big problems that BUMD has to deal with as the business world grows. As a tangible sign of regional investment, BUMD will have to deal with more and more competition from the global market. There are two options for the BUMD: stay where it is, or change its vision, mission, and business strategy to stay on top of the competition and keep up with the times.

According to what it does, BUMD was set up to help with regional and national economic development in order to help people live in a just and prosperous society, which is why it was set up. However, until now, PD/BUMD has not reached this goal. The role of BUMD in generating PAD is still very small. On the other hand, BUMD is also seen as a business that wants to stay independent and make money so that it can keep BUMD's business going and help the community be more prosperous. As a result, BUMD is a big help in increasing PAD. As it turns out, regional economic activities and businesses that come from BUMD have been going on for a long time before the Law on regional autonomy was signed into law. BUMD optimization efforts need to be made to make sure that BUMDs can compete with the strengths of other economic sectors. This means that BUMDs need to become more professional and have the right facilities and infrastructure so that they can compete with other businesses.

In Makassar City, South Kalimantan, a study looked at the contribution of regional-owned businesses to regional original income. It found that the contribution of BUMD to PAD is still very low, with a contribution of 1.73 percent (Nurmiati et al., 2019). The same is true for research done in Berau, East Kalimantan, Indragili Hulu and other places in Riau Province and West Java. The results show that BUMD doesn't play a big role in the development of PAD in these places (Rosid, Heriasman and Suwaji, 2020, 2021, and 2022). (Novita & Suwaji, 2021). 2020) and Bali (Sukarmi & Budiasih, 2016). People in the area don't make much money because BUMD doesn't run its business well and doesn't manage its own money well (Novita & Nurhasanah, 2020; Nurmiati et al., 2019; Rosid et al., 2020; Sukarmi & Budiasih, 2016; Zulhadi, 2009). As long as there is good management, the company will be owned by the region and a source of income for the area. This is what good management looks like.

3. Good Corporate Governance in the management of BUMD

The problems that BUMD faces both inside and outside can, of course, affect how well BUMD does at managing regional wealth. BUMD can improve its business performance by taking these steps and actions: The Bureau of Financial and Monetary Analysis, Ministry of Finance, has a report on the results of a study on the business performance of non-PDAM BUMD. There are three strategy sections: business strategy, growth strategy, and company restructuring strategy.

a. The Company's Business Strategy, which can be carried out by taking steps or actions to improve the company's performance, including by:

1) External threats can be overcome by improving the quality of products and services, the quality of human resources, and the creativity and activity of marketing staff in looking for new ways to make the company better.
2) Fix internal problems, such as by re-establishing the core business, getting rid of business units that always lose, and improving the organization's management system.
3) Making the most of outside opportunities, such as by working together with other businesses that are similar or related. A joint venture or other form of cooperation can also be used to work together, and this can happen in many different ways.
4) The second thing to do is to focus the business on businesses with a good chance of succeeding, find new customers, and look for new production methods that can make the business run more smoothly.

b. To grow and develop the company in accordance with the agreed-upon size to achieve the company's long-term goals. As sales volume, market share, profit, and other things rise, BUMD is said to grow, too. Several things can be done to make sure the company keeps growing and developing, like focusing the business on important products, expanding the market, developing new products, and horizontal and/or vertical integration, to name a few.

c. There are two ways to do this: a strategic and an operational way. In the strategic approach, for example, if the company can't meet consumer needs in line with its mission, it's important to do a thorough review of the business to look for changes and improvements. Another approach aims to change the company's operations but not its business strategy. In this regard, the steps that are usually taken to keep a business running well:

1) Implement cost cutting (savings). Costs that are not directly related to the company's main operational activities that immediately generate income are usually the first choice to be reduced, such as administrative costs, research and development, and marketing.
2) Increase the income earned by various business techniques, such as price cutting, promotion enhancement, adding and improving customer service, improving distribution channels and improving product quality,

There should be more thought put into the BUMD businesses that have been running with low and limited performance in the past as well as the BUMD businesses that will be built in the future. This will help them do more to help the regional economy and finances. In general, though. This means that new BUMDs need to be set up and existing BUMDs need to be improved. A business feasibility study is done in a very thorough way, and it can be concluded that it will be able to produce viable products and services with very good (or very good) profit prospects. Increasing cooperation with businesses that are similar or related in order to make them more competitive in both domestic and international markets. Implementation of business institutions and organizations with people who are well-educated and trained. They also have an entrepreneurial spirit. Companies like private cooperatives that run their business in a way that is orderly, open and integrated, and BUMD getting more power from regional leaders so that directors can be more "free" in their work.

IV. CONCLUSION

A State-Owned Enterprise, which is a business owned by a regional government, already has a set of rules and guidelines in place. These rules and guidelines are found in Government Regulation Number 54 of 2017 about Regional Owned Enterprises. The low contribution of BUMD to regional income is because of the poor management of BUMD. The results have not been able to provide extra income with a significant portion of regional income. As you can see, c. Good Corporate Governance is needed to make sure that regionally owned businesses are run well and that the region benefits from them.

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Productive Waqf Management of UNISMA Foundation in the Perspective of Kuntowijoyo's Prophetic Social Theory

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ABSTRACT: Waqf is able to create a big contribution if it is managed productively. Therefore, there are many waqf institutions that are developing waqf productively, one of which is the UNISMA Foundation. By having good management, the UNISMA Foundation has succeeded in making productive waqf continues to grow through the establishment of business units. This study aims to obtain an overview and analyze the productive waqf management at the Waqf Institution of UNISMA Foundation in the perspective of Kuntowijoyo's prophetic social theory. This research applies a qualitative approach with the type of case study. The results showed that the management of productive waqf management was carried out through the implementation of management functions in the form of planning, organizing, directing and controlling functions. The analysis of Kuntowijoyo's prophetic social theory shows that in the management of productive waqf at the Waqf Institution of UNISMA Foundation, there are elements of Kuntowijoyo's prophetic social in the form of humanization, liberation and transcendence.

KEYWORDS: Management, Productive Waqf, Kuntowijoyo's Prophetic Social

I. INTRODUCTION

The Waqf Institution of UNISMA (Malang Islamic University-East Java) Foundation is one of the waqf institutions appointed to be a pilot productive waqf institution. In 2007, the Waqf Institution of UNISMA Foundation received assistance from the Ministry of Religion Rp. 2 Billion. The productive waqf assistance was given to become a stimulant in the development of productive waqf at the UNISMA Foundation.

So far, the great potential of waqf has not been fully explored and developed. If this large number of waqf is developed productively through economic empowerment of the people such as various forms of profitable business and with good management by professional nazhir, then waqf will absolutely become a source of funds that can be used to improve the welfare of the community [1].

Research conducted by Rahman (2019) states that productive waqf has great potential because its benefits are wider and can be used as a means of developing people in various fields. Several other studies also concluded similar things such as research by Shaikh (2017), Amarodin (2019) Sofiandi (2019) Rahman & Widiastuti (2020), Ardiyansyah & Kasdi (2021) and Munawar & Mufraini (2021). However, the development of productive waqf is inseparable from various challenges and obstacles that can be concluded from several studies such as research by Hasanah (2012), Muntaqo (2015) Choiriyyah (2017), Nizar (2017), Hadyantari (2018) and Fitri & Wilantoro (2018).

The obstacle faced in the management of productive waqf is related to simple management, where nazhir manages waqf not by fulfilling the concept of good management [2]. This is caused by nazhir waqf who is less professional in managing waqf [3]. Many nazhirs were chosen not based on their abilities, but because of their kinship or character [4]. In fact, there are also Nazhir who are less trustworthy in their responsibilities by making irregularities in management, not protecting waqf assets and other fraud [2].

From the problems above, it can be understood that good management of productive waqf requires a professional and reliable institution and is competent in managing waqf [5]. Therefore, a study of the management of productive waqf management becomes important to know how the implementation of waqf management should be. This is what underlies the researchers to raise the theme of research on productive waqf management. To analyze the management of productive waqf at Waqf Institute of UNISMA Foundation, this study applies Kuntowijoyo's prophetic social theory. Kuntowijoyo's prophetic social theory is the construction of social knowledge based on divine and prophetic values through the link between humanization, liberation, and transcendence [6].

II. LITERATURE REVIEW

Productive Waqf

Qahaf explained that productive waqf is managing the objects or assets that are given as waqf to generate the profits [7]. Then, the profits are allocated according to the purpose of the waqf (mauquf alaih). Meanwhile, according to Jaih Mubarok, productive waqf is managing waqf in a professional manner so that the benefits of waqf become greater. It reflects that productive does not have to be interpreted as an increasing in the quantity of benefits/profits obtained but the increasing in the quality of the benefits of waqf property [8]. Productive waqf management can be done through investment, trade, mining, industry, property development for educational facilities and health facilities [9].

Management Function

Nickels and McHugh stated that management is a process to create organizational goals through a series of activities in the form of planning, organizing, directing and controlling people and other organizational resources [10]. In waqf, waqf managers, or it is called as nazhir, really need management in carrying out their duties. This management is used to regulate waqf management activities, collect waqf, and maintain good relations between nazhir, wakif and the community [11].

The management function is a number of activities that cover various types of work and can be classified in one group to form an administrative unit [12]. The management function according to Nickels and McHugh consists of a planning, an organizing, a directing and a controlling function [13].

Planning Function

According to George R. Terry and Lesile W. Rue, planning is the process of deciding what goals to pursue in the future and what to do to achieve those goals [14]. To determine the goals to be achieved, it requires a process to consider and analyze the importance of these goals.

Organizing Function

George R. Teryy and Leslie W. Rue defined that organizing is an activity which is carried out by organizers to create cooperation among workers so that the works can be done effectively and efficiently in order to achieve the goals by the organization in the future [14].

Directing Function

Amirullah Haris Budiono stated that the directive function is a process to raise the morale of the employees and guide them to work according to the plan to realize the goals to be achieved by the organization [14]. In this stage, they have to to implement the process of leadership, mentoring, and providing motivation to the workers that are recruited by Nazhir so that they can work effectively and efficiently in achieving the goals [15].

Controlling Function

Controlling is a process to ensure that the entire series of activities that have been planned, organized and implemented can run according to the expected targets even though various changes occur.

Kuntowijoyo's Prophetic Social Theory

Kuntowijoyo's prophetic social theory is the construction of social knowledge based on divine and prophetic values through the link between humanization, liberation, and transcendence. This idea is intended as a process of objectification of Islamic values in social theories and also as a trap of analysis in building transformations in practical life [16]. The concept of humanization in Kuntowijoyo's view is rooted in theocentric-humanism. Humanism-theocentric means that humans must focus on God for their sake [6]. Liberation is the deliverance of all that connotes to social significance. According to religion, nahi munkar means preventing from all destructive crimes. Yet, in science, nahi munkar means liberation from ignorance, poverty or oppression [6]. Transcendence can be interpreted as hablun minallah, namely the spiritual bond of the servant with God or it can also be called the dimension of human faith. Transcendence in Islamic theology means believing in Allah, Allah's books and all things unseen [17].

Humanization in the practice of productive waqf management means that the management of waqf has been carried out honestly, fairly and properly. Liberation in waqf management is the deliverance which means that the management has been free from the denial and injustice in the form of corrupt practices, untrustworthy nazhir waqf and distribution that is not on target and so on. Transcendence in the management of productive waqf means that the management is based on the faith of Allah SWT.

III. RESEARCH METHOD

In this study, the researchers used a qualitative approach in the form of case study by collecting data through interviews, observation and documentation. The analytical method used was descriptive analysis method. This study examined in depth the implementation of productive waqf management at Waqf Institution of UNISMA Foundation, so that it can find the reality behind the implementation in the perspective of Kuntowijoyo's prophetic social theory.

IV. RESULT AND DISUCUSSION

The prophetic values in the form of humanization, liberation and transcendence have two positions, namely as, the basis and purpose in waqf management. The prophetic value as the basis means that, the management of productive waqf which is carried out by the institution must be based on the values of humanization, liberation and transcendence. The prophetic value as a goal means that, the management of waqf which is carried out must have an impact on the creation of humanization, liberation and transcendence values for both organizers and beneficiaries of productive waqf.

Productive waqf management which consists of planning, organizing, directing and controlling functions which is carried out by Waqf Institution of UNISMA Foundation can be viewed from the perspective of prophetic social theory, the management is in accordance with the prophetic social theory developed by Kuntowijoyo. This can be seen from the management functions which contain prophetic social values which consist of humanization, liberation and transcendence.

Planning Function of Productive Waqf Management

The planning function at the Waqf Institute of UNISMA Foundation runs with regular coordination meetings that are held to make programs to be implemented. In planning the program to manage productive waqf, first, Nadzir looks at what business potentials can be developed and how these businesses can be achieved.

The value of humanization contained in this productive waqf management planning function is the goal of nazhir waqf of the UNISMA Foundation to develop the value of waqf assets so that it can take function as a source of funds for community empowerment without having to reduce the actual value of waqf goods. This is part of the value of humanization in the perspective of Kuntowijoyo which is rooted in the theocentric-humanism view.

The value of liberation in this productive planning function is Nazhir's effort to avoid management that is made haphazardly but by creating careful planning and consideration. These considerations are in the form of business opportunities, potential and supporting factors for the realization of the plans.

The value of transcendence can be interpreted as hablun minallah, namely the spiritual bond between the servant with his God or the so-called dimension of human faith. Transcendence in Islamic theology means believing in Allah SWT, His books and everything that is unseen. If you pay attention, the value of transcendence in the planning function which is carried out by nazhir waqf of the UNISMA Foundation is a form of obedience to Allah's commands, which instructs humans to plan. In surah al-Hasyr (59) verse 18 Allah SWT says:

Meaning: "O you who believe! Fear Allah and let everyone pays attention to what he has done for tomorrow (hereafter), and fear Allah. Verily Allah is Aware of what you do" [18]

Organizing Function of Productive Waqf Management

The organizing function of the Waqf Institution of UNISMA Foundation has been running well. This can be seen from the management structures, the delegation of responsibilities and authorities as well as the placement of staffs in accordance with their field of expertise and experience. The placement of human resources in accordance with their respective fields and expertise is a condition for achieving good work efficiency.

The value of humanization contained in the organizing function of productive waqf management is that, there is a value of justice in the organizing process. Fair means putting something in its place. In the organization that is carried out, the organizers in charge of managing the waqf are placed according to their abilities and expertise. Delegation of responsibilities given adjusts to the position and authority that they have. This organizing function also teaches the values of the trust that must be owned by each administrator. When nazhir has made a work program and has delegated duties and authorities, then each side has the responsibility to carry out the assigned tasks. This mandate concerns aspects of spirituality and aspects of professionalism which are based on commitment and qualified skills.

The value of liberation contained in the organizing function is to avoid productive waqf from being managed carelessly by people who do not have credibility. The delegation of the tasks at the Waqf Institution of UNISMA Foundation is carried out by placing someone according to their field and expertise.

The transcendence value contained in the organizing function is because it is in accordance with God's commands in the Qur'an. In surah al-Qashash (28) verse 26 there are rules for choosing the right person to occupy a position [18]. There are two criterias that become the standard of assessment, those are who have a strong nature (quwwah) and trustworthiness (amaanah). Strength here includes intellectual abilities and certain skills needed to carry out a particular task or job. Meanwhile, amanah means taking good care of everything that is entrusted to him and being responsible for the consequences.

Directing Function of Productive Waqf Management

The directive function at the UNISMA Waqf Foundation is carried out by Nazhir by providing guidance in carrying out productive waqf management activities. The directing in this case aims to make the programs run according to the plans. The direction forms that are arried out are through the provision of motivation, leadership functions shown by nazhir and communication patterns developed between nazhir and all staffs. The value of humanization in the directive function of productive waqf management is the increasing in work ethic, development of knowledge and skills, and spirituality. The direction carried out by nazhir waqf of the UNISMA Foundation in the form of motivation, coaching, skill training, direction on the importance of worship aspects is in line with Kuntowijoyo's humanization-theocentric concept which means humanizing humans through developing self-quality and making them part of servitude to Allah SWT.

The value of liberation in the directive function is an effort to eliminate the arrogance of the organizers and remain humble. Ahimsa and Putra stated that Tawadhu' is one of the prophetic work ethic. With an attitude of tawadhu', the organizers will always be ready to receive knowledge from anywhere and anyone. With an attitude of tawadhu', a person will always be open for criticism because he does not feel he is always right or the most right person. The transcendence value contained in the directive function is because it is in accordance with the command of Allah SWT in the Qur'an Ali-Imron (3) verse 110 related to commanding ma'ruf nahi munkar. The concept of amar ma'ruf nahi munkar is emphasized to create good things, anticipate and eliminate all negative things that may occur. The direction carried out by the UNISMA Foundation is to create good things in the form of developing abilities, skills in seeing opportunities and enthusiasm for work as a form of worship into Allah SWT.

Control Function of Productive Waqf Management

The control function at the Waqf Institution of UNISMA Foundation is carried out by ensuring the entire series of activities that have been planned, organized and implemented can run according to the expected targets. Nazhir waqf evaluates the success in achieving goals in accordance with predetermined indicators. After that, Nazhir corrects on the deviations that is found. The value of humanization in the control function of productive waqf management is the honest and (critical) nature that must be possessed by organizers. Honesty means the organizer's efforts to be trusted in words, actions and work both towards himself and others. Accuracy means that in carrying out their duties, the organizers must be accurate and careful.

The value of liberation contained in the controlling function is to prevent the management of productive waqf from deviations that may be carried out by organizers. The supervision that is carried out in the management of productive waqf is to ensure the objectives of the waqf that are achieved. This will be achieved if the management is free from corrupt practices, Nazhir's insecurity and other forms of abuse.

The control function contains a transcendent value because it is in accordance with God's command in the Qur'an al-Mujadalah (58) verse 7 related to the supervision that God does to his creatures [18]. The control that is carried out by the Waqf Institution of UNISMA Foundation is a reflection of the value of divinity which is the Supreme Oversight Substance. [18]

Table 1. Management of Productive Waqf in the Perspective of Kuntowijoyo's Prophetic Social

Management/Prophetic Values of Kuntowijoyo	Humanization	Liberation	Transcendence
Planning	Maximization of waqf for great benefits (humanismtheocentric)	Avoiding careless management	Applying Allah's commandment for arranging plannings (Surah Al-Hasyr (59): 18)
Organizing	Value of justice (placement of natural resources according to ability) and the value of trust	Avoiding waqf from the organizers who do not have credibility	Applying the rules of the Qur'an about the right person in occupying the position (QS. Al-Qoshos (28): 26)
Directing	Improving work ethic, knowledge, skills and spirituality	Eliminating the arrogance and remaining humble	Applying the value of admonishing ma'rufnahi munkar (QS. Ali Imron
Controlling	The honesty and carefulness (critical) of the organizers	Avoiding deviations that may occur	Applying the concept of supervision in the Qur'an (Surah Al-Mujdah (58): 7)

CONCLUSIONS

The conclusion from the research above is that, the management functions in the form of planning, organizing, directing and controlling have been carried out well by the Waqf Institution of UNISMA Foundation. This can be seen from the perspective of Kuntowijoyo's Prophetic Social Theory, where each management function is carried out in accordance with the prophetic values of humanization, liberation and transcendence.

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