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**THE EFFECT OF CURRENT RATIO, NET PROFIT MARGIN, AND
RETURN ON ASSETS ON STOCK RETURN
(Study on Food and Beverages Companies Listed on the Indonesia Stock
Exchange 2015-2017 Period)**

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Abstract

Individuals and corporations investing in stocks should make sure the investments are appropriate before proceeding. It's also possible to use basic research or company performance as a substitute for investment appraisals. An investigation of the relationship between stock return and a company's current ratio, net profit margin, and return on assets was the primary goal of this research project (Study of Food and Beverages Companies Listed on the Indonesia Stock Exchange 2015-2017 Period). From 2015 to 2017, there were 21 Food and Beverage firms listed on the Indonesian Stock Exchange that were studied in this study. Purposive sampling was used to gather samples from 12 different Food and Beverage firms for this study. The SPSS 15 program was used to do multiple linear regression analysis on the data. The results of this study indicate that (1) Current Ratio (CR) with $t_{\text{statistic}} = -2,244$ and a significance value of 0,032 has a significant effect on stock returns; (2) Net Profit Margin (NPM) with $t_{\text{statistic}} = -2,364$ and a significance value of 0,024 has a significant effect on stock returns; (3) Return on Assets (ROA) with $t_{\text{statistic}} = 3,984$ and a significance value of 0,000 has a positive and significant effect on the value of stock returns.

Keywords: *Current Ratio, Net Profit Margin, and Return On Asset.*

1. INTRODUCTION

A country's economy cannot run without the capital market, which serves two purposes: economic and financial. The capital market serves an economic purpose by bringing together individuals with extra funds (investors) and others who are short on cash (borrowers) (issuers). Companies (the issuers) can use these funding for investment purposes without having to wait for operating funds to become available because of the capital market. The capital market offers the fund's owner the chance and opportunity to make a profit based on the investment's features in the financial function (Muklis, 2016).

The development of Indonesia's economy depends on the existence of a capital market, as many sectors and businesses have proved by using this institution as a medium for investment and as a media for strengthening their financial positions. Indeed, in today's modern economic world, the capital market has evolved into a financial nerve center, and a modern economy cannot function without a robust, globally competitive, and well-organized capital market. Furthermore, the capital market is utilized as a barometer of a country's economic growth (Muklis, 2016).

Stocks in the food and beverage business can be found on the stock market. The food and beverage business continues to be a major concern since it fulfills basic human needs. The fundamentals of a company's operations must be improved in order for it to compete with other food and beverage enterprises across the globe. In addition, according to the Minister of Industry, the food and beverage sector's annual growth rate has risen to 9,23% in 2017 from 8,46% in 2016, as reported by Minister of Industry, Airlangga Hartatarto (www.m.detik.finance.com).

From the official site (www.idx.co.id), there were 15 food and beverage companies in 2016, while in 2017, there were 21 food and beverage companies. This highlights that investors are increasingly driving to food and beverage companies for the purpose of investing their shares. Investing in stocks on the stock market is considered an alternative investment because the profits are higher.

Table 1 Average of Stock Return
Food and Beverage Company 2015-2017

Company	2015	2016	2017
Food and Beverage	-0,13	0,022	0,1

Data source: processed idx data

From the data in table 1, it's clear that stock returns increased from 2015 to 2017. Thus, investors can find out the performance evaluation of food and beverage companies' trading evaluations. In 2015 the average stock return of the Food and Beverage company was -0.13 or -13%, in 2016 the average stock return of the Food and Beverage company increased by 0.022 or 2.2%, in 2017 the average return the shares of Food and Beverage companies have increased again with a value of 0.1 or 10%. The increase in the stock return value of the Food and Beverage company can reflect that there is a capital gain obtained from the stock trading results.

Return stock according to Jogiyanto (2010) The outcome of an investment is known as a return. Realized returns are those that have already occurred, whereas anticipated returns are those that are predicted to occur in the future. What is meant by "realized return" is what has actually transpired. In order to compute the actual return, previous data must be taken into account. Because it is regarded as a gauge of the company's performance, realized return is critical. As a starting point for estimating predicted returns and risks, historical returns can also be used. The expected return is the return investors can expect in the future.

The phenomenon of increasing stock return values presented in table 1 above can be said that, there are many factors that influence stock movements. Thus, investors need to analyze these changes. One of them is by analyzing financial ratios. Ratio analysis enables financial managers and interested parties to assess the financial condition of a business. Assessing the financial condition of a business enables financial managers and interested parties to assess the financial condition of a business. The current ratio, net profit margin, and return on assets are all financial ratios that can be used to forecast stock returns.

The current ratio (CR) is a financial ratio that assesses a company's capacity to satisfy its short-term obligations with its available cash flow. This ratio is calculated by comparing the value of the company's current assets with the value of the company's current obligations. The greater the value of the CR, the greater the company's capacity to meet its short-term financial obligations. The greater the ability of a firm to meet its financial obligations, the lower the risk of liquidation that the company faces; in other words, the lower the risk that the company's shareholders are required to undertake. Information on rising CR will be encouraged by the market as a favorable indication that will assist investors in making actions about whether or not to purchase shares (Raharjo & Muid, 2013). The results of Laksono (2017), shows the CR variable has a positive and significant effect, while Anugrah & Syaichu (2017) show that the current ratio has a positive and insignificant effect on stock returns. In contrast, Bisara & Amanah (2015) and Aryanti (2016) shows that the current ratio has a negative and insignificant effect on stock returns.

Net Profit Margin (NPM) is a measure that indicates how much net profit a business earns on each sale. When net income improves, total sales increase as well, which is why NPM has no influence on stock prices. This indicates that management has failed in terms of operations (sales),

which will result in investor confidence in the company dwindling. The better the issuer's potential to earn profits, the higher the stock price should ideally be (Puspita, 2013). The results of Solikhah (2015) show that Net Profit Margin has a positive and insignificant effect on stock returns. On the flip side, Aryanti (2016) show that Net Profit Margin has a negative and significant effect on stock returns.

Moreover, return on assets (ROA) is a ratio that measures a company's ability to generate net profit after tax from the total assets that are utilised in the course of business operations. It is used to determine the amount of efficiency with which a corporation utilizes its assets in the course of its operational activities. It is believed that a higher value for this ratio shows that the company is more efficient in generating net profit after tax from its assets. Information on increased return on assets (ROA) will be welcomed by the market as a favorable indicator that will provide positive feedback for investors when making judgments about whether or not to purchase shares. As a result, the demand for the stock increases, and the price of the stock rises as a result (Raharjo & Muid, 2013). The results of Bisara & Amanah (2015), Aryanti (2016) and Henny & Cokorda (2014) show that return on assets has a positive and significant effect on stock returns. In the other hand, Solikhah (2015) and Laksono (2017) show that return on assets has no significant effect on stock returns.

According to the description above, this study's research question is as follows: How the current ratio, net profit margin, and return on assets affect the stock returns of Food and Beverage companies listed on the IDX from 2015 to 2017.

2. IMPLEMENTATION METHOD

This research is Explanatory Research. The data used in this research is secondary data or indirect quantitative data. The data sources used by the researcher are the annual financial reports of Food and Beverages companies listed on the Indonesia Stock Exchange in the 2015-2017 period and the 2015-2016 IDX Annual Reports. The data used in this study are Current Ratio (CR), Net Profit Margin (NPM), and Return On Assets (ROA). The data used is obtained from the Indonesian Stock Exchange (IDX).

The population of this study includes all food and beverage companies that were publicly traded on the IDX between 2015 and 2017, a total of 21 companies in total. Considering that the shares included in Indonesia Stock Exchange (IDX) calculations are considered as reflecting the price of shares that are actively traded and also affect stock returns, it is envisaged that this would more accurately reflect the current situation in real terms than the previous method. Food and beverage firms that were listed on the Indonesian Stock Exchange between 2015 and 2017 are listed below.

The sample that will be used in this study are Food and Beverage companies listed on the Indonesia Stock Exchange from 2015 to 2017. Sampling in this study was carried out using the purpose sampling method, namely the sampling was carried out in accordance with the research objectives that had been determined. The criteria for selecting samples based on purpose sampling are Food and Beverage companies listed on the IDX in the 2015-2017 period, namely the Current Ratio, Net Profit Margin, and Return On Asset variables. Hence, 12 samples of Food and Beverage companies were obtained based on the criteria.

The method of data collection in this study is documentation, namely by collecting documents related to financial statements and ratios that have been published by the government, namely from the Indonesia Stock Exchange (IDX) in the form of financial statements of Food and Beverages companies for 2015-2017 and IDX Annual Reports of 2015, 2016, and 2017. The systematic analysis method was carried out using descriptive statistics, classical assumption test and multiple regression analysis. In addition, hypothesis testing and coefficient of determination were also tested. SPSS version 25 is used to process the data.

3. RESULTS AND DISCUSSION

3.1 Research Result

3.1.1. Classic assumption test

a. Normality test

The Kolmogorov-Smirnov method is employed in this normality evaluation. The t statistic test is invalid if the residual variable is not normally distributed. If the significance value is more than 0.05, the data are considered normal. As a result of the Kolmogorov-Smirnov normalcy test performed with SPSS, the following findings were obtained:

Table 2 Normality Test Results
One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			36
Normal Parameters(a,b)	mean		,0000000
	Std. Deviation		,37073702
Most Extreme Differences	Absolute		,152
	Positive		,152
	negative		-,067
Kolmogorov-Smirnov Z			,914
asympt. Sig. (2-tailed)			,374

It is clear from table 2's normality test findings that the data are normally distributed, since the Kolmogorov-Smirnov value is 0,914 and the significance is 0,374, both greater than 0,05.

b. Multicollinearity Test

The values of the Tolerance Value and Variance Inflation Factor indicate the presence or absence of multicollinearity. Multicollinearity occurs if the value is if the Tolerance Value $\geq 0,1$ or equal to the VIF value ≤ 10 . The following table summarizes the findings of the multicollinearity test:

Table 3 Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardize d Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,048	,105		,457	,651		
	CR	-,105	,047	-,415	-2,244	,032	,605	1,652
	NPM	-,024	,010	-,507	-2,364	,024	,451	2,217
	ROA	,059	,015	1,009	3,984	,000	,323	3,093

According to the findings of the multicollinearity test in Table 3, all independent variables have a Tolerance value $\geq 0,1$ and a VIF value of ≤ 10 . In other words, all of the variables in this experiment are not multicollinear.

c. Heteroscedasticity Test

The Glejser test, which can be performed with the SPSS application, is one of the statistical tests that can be used to determine whether or not heteroscedasticity exists. As can be seen in the following table, the findings of the heteroscedasticity test are:

Table 4 Heteroscedasticity Test Results

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta	B	Std. Error
1	(Constant)	,216	,254		,848	,410
	LG_X1	,034	,141	,076	,240	,814
	LG_X2	,374	,231	,558	1,618	,128
	LG_X3	-,198	,296	-,229	-,667	,516

In accordance with the findings of the heteroscedasticity test shown in Table 4, it can be concluded that all independent variables have a significance probability value greater than 0,05. As a result, it can be inferred that this research can satisfy the condition that the regression model does not contain heteroscedasticity.

d. Autocorrelation Test

The autocorrelation test is designed to determine whether or not there is a connection between the residuals in the t period and the residuals in the t-1 period in a linear regression model using a linear regression model (the previous period). If there is a correlation, then there is an autocorrelation problem. Autocorrelation occurs because successive observations over time are related to one another. To see the presence of autocorrelation used Durbin Watson Test (DW). The results of the autocorrelation test can be seen in the following table.

Table 5 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,580(a)	,336	,274	,38773	1,945

Based on the results of the autocorrelation test in table 5, it shows that the value of Durbin Watson is 1.945. From the Durbin Watson table, the lower limit value (dl) is 1,2953 and the upper limit value (du) is 1,6539 at a significance level of 0,05. The DW value of 1,945 is greater than the upper limit of du, which is 1,6539, so it can be concluded that there is no autocorrelation.

3.1.2 Multiple Linear Regression Test

Using multiple linear regression, two or more independent variables are compared to the dependent variable to see whether there is any correlation. The following table shows the results of multiple regression tests.:

Table 6 Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,048	,105		,457	,651
	CR	-,105	,047	-,415	-2,244	,032
	NPM	-,024	,010	-,507	-2,364	,024
	ROA	,059	,015	1,009	3,984	,000

The regression line equation is as follows, based on the numerous linear regression computations provided in Table 6:

$$\text{Stock return} = 0,048 - 0,105\text{CR} - 0,024\text{NPM} + 0,059\text{ROA} + e$$

The following can be deduced from the equation for multiple linear regression:

1. The constant of 0,048 explains that if all independent variables are constant or equal to zero, then the level of stock return is 0,048 units.
2. Variable Current Ratio (X1) obtained a coefficient value of -0,05 which shows that if the Current Ratio variable increases by 1 unit, the stock returns of food and beverage companies will decrease by -0,105 units with the assumption that the other independent variables are constant.
3. Variable Net Profit Margin (X2) obtained a coefficient value of -0,024 which shows that if the Net Profit Margin variable increases by 1 unit, then the stock returns of food and beverage companies will decrease by -0,024 units with the assumption that the other independent variables are constant.
4. The Return On Asset (X3) variable obtained a coefficient value of 0,059 which shows that if the Return On Assets variable increases by 1 unit, then the stock returns of food and beverage companies will increase by 0,059 units with the assumption that the other independent variables are constant.

For instance, a model's capacity to explain the dependent variables is measured by its coefficient of determination (Adjusted R2). Between zero and one is the coefficient of determination. The ability of the independent factors to explain the dependent variables is severely hampered if the Adjusted R2 value is low. As per coefficient of determination, the following table shows the results:

Table 7 Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,580(a)	,336	,274	,38773

Table 7 shows an Adjusted R2 of 0,274 based on the data. The current ratio, net profit margin, and return on assets account for 27.34% of the variation in stock returns, while the remaining 72.66% is determined by factors outside the scope of this research.

Table 8 F Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2,435	3	,812	5,398	,004(a)
	Residual	4,811	32	,150		
	Total	7,245	35			

The F test is used to examine whether or not the regression model under consideration is feasible. From Table 8, it can be deduced, for instance, that the F statistic value is 5,398 and that the significance level is 0,004, which is less than 0,05. (5%). As a result of these findings, the regression model developed is practicable, which means the variables current ratio, net profit margin, and return on assets are capable of explaining stock returns.

3.2 Discussion

3.2.1 The Effect of Current Ratio on Stock Return

During the period of 2015-2017, stock returns for food and beverage businesses listed on the Indonesia Stock Exchange were significantly influenced by the current ratio. A negative t-statistic value of -2.244 was found in the initial hypothesis data analysis. There was no statistically significant difference between hypothesis 1 and the significance value of the current ratio (0.032), so it is fair to assume that hypothesis 1 remains true. This means that the current ratio has a negative and significant impact on stock returns.

The findings indicated that the Current Ratio has a significant negative influence on stock return. Therefore, it indicates that a rise in the Current Ratio will result in a drop in the Stock Return, and conversely. Thus, the association between the Current Ratio and the Stock Return is a negative one. This is contrary to research conducted by Raharjo & Muid (2013), Laksono (2017) as well as Anugrah & Syaichu (2017) that shows CR has a significant positive effect on stock returns. So, even though they both have a significant effect, the effect is opposite, which according to previous research has a positive effect, while the results of this study have a negative effect. The results of this study can be explained that theoretically if the Current Ratio is high, which means it shows that the liquidity capacity is high, then there is a tendency to use working capital not optimally, so that it will reduce the level of profitability, so the results of this study are in accordance with the explanation in the sense that the higher level of liquidity, there is a tendency for a low level of profitability, thus the dividends paid tend to decrease.

The possibility that the current ratio value is too high can be interpreted that there is a possibility that the company is less able to utilize its assets to the maximum. In this case, the company must be able to benchmark the current ratio with companies in the same industry. This is an attempt to compare the company's performance with companies in the same industry.

A low Current Ratio is usually considered to indicate a problem in the company's liquidity. A low Current Ratio will result in a decrease in the market price of the company's shares. Conversely, the higher liquidity of a company reflected in the current ratio will tend to have the ability to immediately resolve its short-term obligations, companies that have a high current ratio value are also more likely to have other assets that can be disbursed at any time without experiencing a decrease in market value. Companies with this position are often not disturbed by liquidity, so investors prefer to buy shares of companies with high current asset values compared to companies with low current asset values. The results of this study are supported by Raharjo & Muid (2013) and Puspita (2013), which shows that the current ratio has a significant effect on stock returns.

3.2.2. The Effect of Net Profit Margin on Stock Return

Net Profit Margin (NPM) has a significant effect on stock returns in food and beverages companies listed on the Indonesia Stock Exchange in 2015-2017 period.

The results of the second hypothesis data analysis, it is known that the value of t statistic is negative, which is -2,364. The statistical results of the t-test for the net profit margin obtained a significance value of 0.024 and less than 0.05, it can be concluded that the net profit margin has a negative and significant effect on stock returns, so the second hypothesis is accepted.

The net profit margin decline is due to a decrease in net sales, but that doesn't mean the company is bad. The decline in net sales could be due to the sluggish economic condition at that time, which also suppressed performance in all business sectors. It can be concluded that the rise and fall of the NPM ratio is related to the company's ability to generate large net sales and minimize company costs, such as Cost of Goods Sold (HPP), operating expenses, financial expenses, and other expenses.

The relationship between net income after tax and net sales shows the ability of a management to run the company successfully enough to manage certain margins as reasonable compensation for owners who have provided their capital for a risk. Investors need to know the company's ability to generate profits. By knowing this, investors can judge whether the company is profitable or not.

According to Heryawan in (Aryani, 2016) in fact, the negative value contained in the coefficient indicates a different relationship. This means that if the value of the Net Profit Margin is high, it will contribute to the lower stock return or vice versa, the change in the value of the lower Net Profit Margin will contribute to the higher stock return. This is because in this sample of food and beverages companies, not all companies provide periodic profits on shares owned by investors in a certain period, so that high profits but not accompanied by consistent profit sharing will make the contribution to stock returns low. The results of this study are supported by Sari (2014) and Aryani (2016), which shows that the net profit margin has a significant effect on stock returns.

3.2.3. The Effect of Return on Assets on Stock Returns

Return on Assets has a positive and significant effect on stock returns in food and beverages companies listed on the Indonesia Stock Exchange in 2015-2017.

The results of the third hypothesis data analysis, it is known that the value of t statistic is positive, which is 3.984. The statistical results of the t test for return on assets obtained a significance value of 0.000 and less than 0.05, it can be concluded that return on assets has a positive and significant effect on stock returns, so the third hypothesis is accepted.

Furthermore, according to Kasmir (2015), the smaller (lower) this ratio the less good, and vice versa. This means that this ratio is to measure the effectiveness of the company's overall operations. Companies that are able to generate high profits will attract investors to invest in the company, so that the more investors who invest, the company's stock price will increase and result in increased stock returns from the company.

This analysis is in line with the existing theory that changes in the value of Return On Asset will contribute positively and significantly to changes in stock returns. The increase or decrease in the value of Return On Asset will have an impact on the increase or decrease in the return of company shares, the higher the value of Return On Asset will contribute to the higher return value of the stock or conversely the lower the value of the Return On Asset will contribute to the lower the return of the stock (Heryawan, 2013 in (Aryani, 2016). So that Return on Assets can be used as a benchmark for investors in investing in shares in a desired company. The results of this study are supported by Bisara & Amanah (2015), Aryani (2016), and Henny & Cokorda (2014) which shows that return on assets has a positive and significant effect on stock returns.

4. CONCLUSION

As a result of the data in this study having been thoroughly examined and tested, the following conclusions can be drawn.

1. The Current Ratio has a negative and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the 2015-2017 period.
2. Net Profit Margin has a negative and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the 2015-2017 period.

3. Return on Assets has a positive and significant effect on stock returns in food and beverage companies listed on the Indonesia Stock Exchange for the 2015-2017 period.

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ANALYSIS OF PRODUCT PREFERENCE OF CHITATO AND LAYS POTATO CHIPS

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Abstract

This study aims to determine differences in consumer preferences for potato chip products. Two well-known local brands, Chitato and Lays, come from the same manufacturer and it is interesting to observe the differences in consumer preferences for the two. These two brands already have a high level of brand awareness in the market as evidenced by a larger market share than other brands. Samples were taken as many as 94 respondents with a sampling technique with an accidental sampling approach. The results of the questionnaire were analyzed by SPSS statistics in the form of validity and reliability tests, Paired Sample t-test to see the significance of differences in consumer preferences for potato chips products. The results of hypothesis testing indicate that the consumer preferences of the Chitato brand and the Lays brand are not significantly different. According to respondents as consumers, the selection of potato chip products is the same as buying so that it is the task of marketers to strengthen product attributes and the brand strength of each product.

Keywords: *Potato Chips, Consumer Preferences, Purchasing Decisions.*

1. INTRODUCTION

Potato chips are thin slices of potato from frying or roasting that have a crunch. This product is categorized as a snack accompanied by a variety of spices to add variety to the taste (Katundu et al., 2010). Many potato chip products have been offered by manufacturers. From large manufacturers to home manufacturers offer this product. Promising market potential has made this product continue to grow to this day. However, wide market coverage and efforts to enter the market require the right marketing strategy (Iskandar & Darmawan, 2003; Khasanah et al., 2010).

One way to get regular customers from potato chip products is through observing and understanding consumer behavior focused on purchasing decisions for potato chip products. Consumer preferences are the beginning of knowing the segmentation of consumer perceptions of the products offered (Kotler, Philip & Amstrong, 2016; Mardikaningsih, R. & Sinambela., 2016; Mardikaningsih & Putra, 2017). This preference will provide input for producers and form a further offer package as a form of product development (Downes, 2008; Siró et al., 2008; Sveinsdóttir et al., 2009; Urala & Lähteenmäki, 2004). Knowledge and understanding of consumers in buying potato chip products is needed to select the offer package (Darmawan, 2019; Schiffman & Kanuk, 2010). However, this consumer behavior

is very difficult to predict because the likes and interests of a product are very difficult to predict (Yanti & Yuliana, 2018). However, this can be an opportunity if producers can segment consumers into several characteristics (Gunawan et al., 2019; Naylor et al., 2009).

These consumer characteristics are the background as well as the opportunity to read the market demand for potato chip products in the target market. Understanding consumer conditions and consumer needs is one of the most important issues in the application of market-oriented marketing (Masitoh et al., 2017; Purnamasari et al., 2002; Sinambela, 2017).

There are many potato chip products circulating in the market, Chitato and Lays are well-known ones that are well known to the public and are always available on the shelves of every snack shop to modern ones such as minimarkets and supermarkets. Are there differences in consumer preferences for the selection of potato chip products? Two well-known brands, Chitato and Lays, are unique because they are both produced by Indofood.

The rivalry between fans of these two potato chip brands is quite fierce in the market, and both have loyalists. The difference that can be seen from this chip is in terms of its wavy shape and one is straight and smooth, the other is thicker while the other is thinner. The rest is individual preference. Even though there is market competition, one manufacture is not a threat to producers (Darmawan, 2010). The two brands actually have to strengthen their respective brand equity in order to be able to win market competition with other manufacturers. Thus, this study aims to determine the differences in consumer preferences for Chitato and Lays brand potato chips.

2. RESEARCH METHODS

The type of research used in this research is comparative research, which is research that compares one or more variables in two different samples. This study compares consumer preferences for Chitato and Lays brand potato chips.

The population is a large group and the area that is the scope of research. The population in this study were consumers of Chitato and Lays brand potato chips in the city of Surabaya. The sample is part or the number and characteristics possessed by the population. Researchers distributed questionnaires to 100 respondents by accidental sampling to groups of high school students in the city of Surabaya. The number of questionnaires eligible for further processing was determined as the research sample.

The analytical method used is validity test, reliability test, normality test, Independent Sample t-Test. Experimental research usually uses two or more samples as the object of research. The samples were compared to see if there was a difference after the samples were given different treatments. To see whether there is a difference, a difference test of the two means is carried out. Independent-samples t-test using the variance between the two samples being compared is not significantly different (homogeneous). The data used are from two different samples. The hypothesis of this research is

H₀: There is no significant difference between consumer preferences for Chitato and Lays brand potato chips.

H₁: There is a significant difference between consumer preferences for Chitato and Lays brand potato chips.

3. RESULTS AND DISCUSSION

From the previous determination of the research method, it has been stated that the study involved 100 questionnaires distributed to prospective respondents, but only 94 were eligible for further processing. The initial stage is to test the validity and test reliability. Validity test is used to measure the validity or validity of a questionnaire. The questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire. Reliability test to measure a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable or reliable if a person's answer to the statement is consistent or stable from time to time. The results of the validity and reliability tests are shown in the table.

Table 1 Validity and Reliability Test Results

Variable	Indicator	Statement	Chitato		Lays		Chitato	Lays
			Sig	R	Sig	R	Cronbach Alpha	Cronbach Alpha
Consumer Preference	Cognitive	X1.1	0.000	0.406	0.000	0.537	0.702	0.698
		X1.2	0.000	0.482	0.000	0.461		
		X1.3	0.000	0.435	0.000	0.557		
	Affective	X1.4	0.000	0.431	0.000	0.419	0.713	0.748
		X1.5	0.000	0.425	0.000	0.306		
		X1.6	0.000	0.441	0.000	0.442		
	Conative	X1.7	0.000	0.551	0.000	0.512	0.708	0.727
		X1.8	0.000	0.337	0.000	0.448		
		X1.9	0.000	0.463	0.000	0.523		

Table 1 shows that the significant value for each statement is less than 0.05, so it can be concluded that each statement is said to be valid. Cronbach's Alpha value for each statement is greater than 0.6, it can be concluded that each statement is said to be reliable.

Table 2 Normality test results

Variable	Significance	Status
Chitato Consumer Preferences	0.371	Normal
Lays Consumer Preferences	0.272	Normal

Table 2 shows that Chitato's consumer preference is 0.371 and Lays' consumer preference is 0.272 which has a significance value greater than 0.05 at (sig>0.05), so it can be concluded that the research data is normally distributed.

Table 3 Paired Sample t-test

Paired Difference								
		Mean	Std. Deviation	Std. Error Mean	95 % Confidence Interval of the Difference		t	df
					Lower	Upper		
								Sig. (2-tailed)

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Pair 1	Chitato- Lays	.17389	5.01191	.24221	.24950	.73547	.707	93	.365
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Table 3 shows that the significance value is more than 0.05, which is 0.365, meaning that there is an insignificant difference, so it can be concluded that the Chitato brand and Lays brand products are not significantly different based on consumer perceptions. This means that consumer preferences when faced with product choices between Chitato brand and Lays brand crunchy chips are not significantly different in consumer purchasing decisions, especially consumer preferences in product use.

The results showed that the consumer preferences of Chitato brand potato chips and Lays brand were not significantly different. The results of this study, it can be concluded that the two potato chip products have insignificant differences, meaning that consumer preferences for Chitato and Lays brand potato chips are not significantly different in terms of the use of potato chip products. In this case the segmentation formed in the potato chip product market is a homogeneous preference. This form of preference is shown to consumers who have relatively similar preferences in general, even though no in-depth and follow-up observations have been made. This can be useful as a producer's effort to understand the preferences of the target market. From this, producers can then determine appropriate marketing strategies to meet target market expectations and to face real competitors, namely potato chip producers who are different as competitors (Chen, 2011). Consumers need to develop their knowledge about the choice of branded potato chip products. They need to seek more information in order to have knowledge that will support the quality of their decision making in choosing potato chips that suit their preferences (Aschemann-Witzel & Hamm, 2010). This makes it imperative for manufacturers to strengthen brands, increase product diversity and product attributes that can attract continued purchases (Darmawan, 2021).

4. CONCLUSION AND SUGGESTIONS

The conclusion in this study shows that the consumer preferences of Chitato and Lays brand potato chips are not significantly different. According to respondents as consumers, the choice of potato chip products is the same to buy. These findings indicate that the core product in the form of potato chips has succeeded in offering basic benefits. It's just that manufacturers set differentiation based on different shapes, flavors and packaging have not succeeded significantly because the research results show that they are not significantly different. Manufacturers can pay attention to brand strengthening strategies so that brand associations place more emphasis on real brand differentiation even though the basic benefits are the same. Thus, packaging in a radically different form is suggested in order to strengthen the branding of the two. In addition, it adds diversity or product variants to expand consumer preferences for products and brands.

Each target market must view every product produced by the same producer as a set of attributes. Different brands have different attributes but in similar and relevant products. For future research, it is recommended to research other products with other brands that may be better than the product that the researcher uses.

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IMPLEMENTATION OF CASH FLOW AS A MEASURING TOOL IN PREDICTING FUTURE NET INCOME (CASE STUDY AT KEDAI NYOBIAN 8 DAILY PERIOD SEPTEMBER – OCTOBER 2020)

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Abstract

In Indonesia, MSMEs are protected and have a legal shield such as the Presidential Decree No. 19 of 1998 and several other regulations. Where at this time, many MSME businesses are starting to grow both on a household and large scale, this includes Culinary Business. Culinary businesses are one of the many MSME that are starting to flourish, both on a domestic and big scale, at present moment. This business is in high demand among teenagers and adults. With a limited budget, this business may be launched at home, and it has a potential future. Therefore, the background behind the realization of Kedai Nyobian 8 which is used as a case study of problems that occur in the operational activities of Kedai Nyobian 8. The purpose of this study is to analyze net income in predicting operating cash flows in the future. The research method used is quantitative method. The population in this study is a case study at Kedai Nyobian 8 with a number of samples in the form of financial statements for September for 30 days. While October for 26 days, hence the total sample is 56 observations. The sampling measurement technique is a case study at Kedai Nyobian 8 using Saturated Sample. Therefore, Kedai Nyobian 8 will be more effective and achieve better results in the future by reducing unnecessary costs and anticipating future earnings in cash flow.

Keywords: *Financial Statements, Net Income, Cash Flow.*

1. INTRODUCTION

In Indonesia, MSMEs are protected and have a legal shield such as the Presidential Decree No. 19 of 1998 and several other regulations. Where at this time many MSME businesses are starting to grow both on a household and large scale, this includes Culinary Business. Culinary businesses are one of the many MSME that are starting to flourish, both on a domestic and big scale, at present moment. This business is in high demand among teenagers and adults. With a limited budget, this business may be launched at home, and it has a potential future.

Profitability is the primary objective of any business. A company's profit (also known as income, earnings, or profit) is a financial statement that summarizes the company's operating operations for a given period. A company's profit might shift throughout the year, and this is known as a profit change. Profit changes cannot be detected; hence, profit changes must be predicted (Subramanyam, 2014). In the opinion of Sartono (2010), profitability can be defined as the ratio that describes a company's ability to make profits.

It is possible to see all of the operational activity of the company represented in its

financial statements. In the context of management and stakeholders, financial statements serve as a communication tool. Stakeholders' requirements for financial reports in terms of decision-making and strategy setting can be met by financial reports. In order for a firm to survive, the most important thing that must be maintained is that it does not get into bankruptcy situations. According to Kasmir (2018), financial statements are reports that reveal a company's present financial status or the financial condition of the company over a specific period of time.

Furthermore, Kedai Nyobian 8 currently is struggling to generate profit due to cover the excessive expenditure. According to the findings of Alfandia (2010), gross profit, operating income, net income, and operating cash flow can all be utilized to predict future cash flow. Moreover, there is evidence that cash flow information is better at predicting future cash flows than earnings component information according to research done by Prasetyo (2011) on the ability of gross profit, operating profit, and cash flow in consumer goods companies listed on IDX. Therefore, it is necessary provide an understanding of the MSME actors in Kedai Nyobian 8 in making cash flow reports to obtain more net profit in the future.

Based on the background of the study above, the purpose of this study is to analyze net income in predicting operating cash flows in the future. The urgency in this study is to provide an understanding of the MSME actors in Kedai Nyobian 8 in making cash flow reports as a basis for predicting future net income to provide an overview of the advantages of Kedai Nyobian 8.

2. RESEARCH METHODS

The research method used in this study is a quantitative method, with the objective of testing the hypotheses that have been set (Sugiyono, 2017). Therefore, the reason for choosing this method is because the researcher wants to know the significance of the effect of net income in predicting operating cash flows in the future. So, the author analyzes the effect of net income on predicting operating cash flows in the future.

The population in this research is the Case Study of Kedai Nyobian 8 with a total sample of reports in September for 30 days while in October for 26 days the total sample is 44, so that the number of observations per day is from September and October, with total of 56 days. The sampling measurement technique used a case study at Kedai Nyobian 8. The sampling technique used secondary data, namely the financial statements at Kedai Nyobian 8.

3. RESULTS AND DISCUSSION

Kedai Nyobian 8 Income Data 8 in September 2020

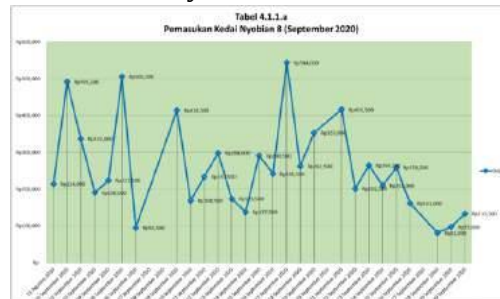
Based on table 1, Kedai Nyobian 8 income in September 2020 shows daily volatility for 1 month for 30 days. But on the other hand, it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in September there are 4 x holidays, meaning that for 4 days off operations were carried out, which made profits not optimal, besides that the turnover obtained showed trend tends to show a decline. Judging from the average income in September 2020 of Rp. 226,119, - while the maximum is Rp. 544,000. Meanwhile, the minimum income was obtained due no

IMPLEMENTATION OF CASH FLOW AS A MEASURING TOOL IN PREDICTING FUTURE NET INCOME

Nurhana Dhea Parlina, Erwin Budianto

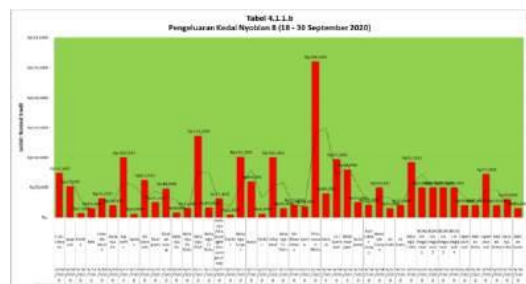
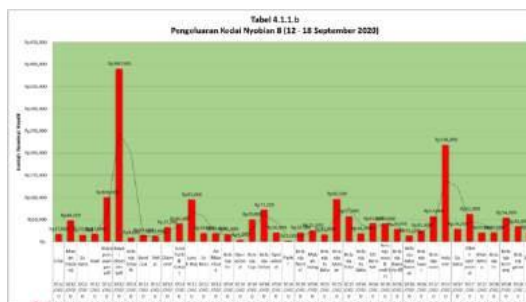
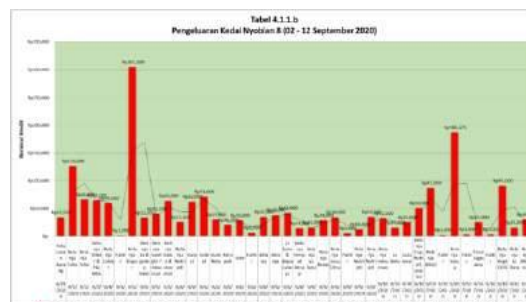
operational activities carried out. As a consequence, there must be a change from the daily trend income that can grow the increase in income obtained so that profits can be generated.

Table 1 Kedai Nyobian 8 Income Data



Expenditure Data of Kedai Nyobian 8 in September 2020

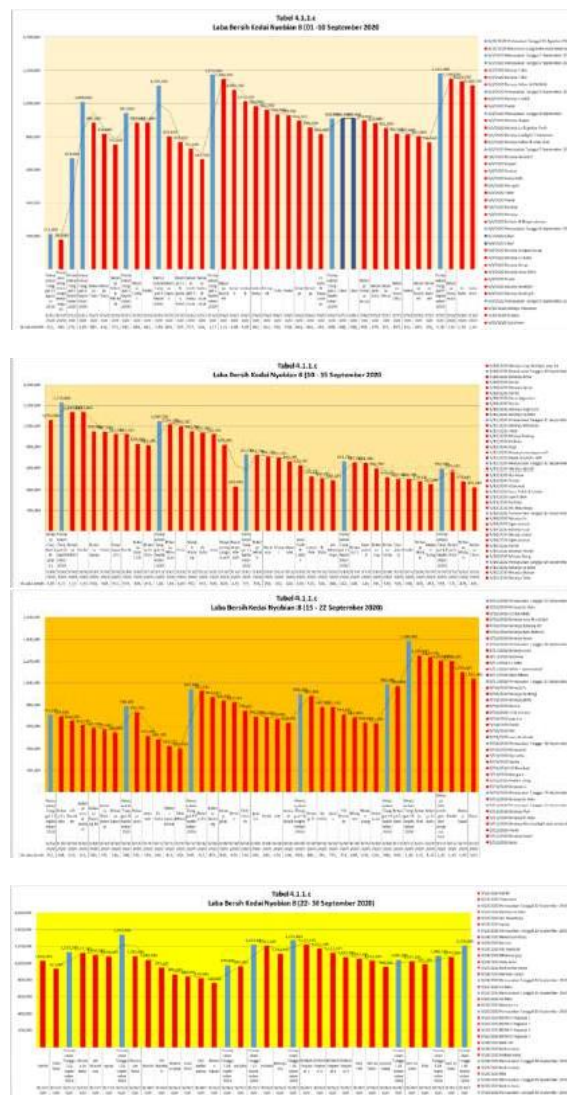
Table 2 Kedai Nyobian 8 Expenditure Data



Based on table 2, the data of Kedai Nyobian 8 expenditure in September 2020 shows daily volatility for 1 month for 30 days. But on the other hand, it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in September there are 4 x holidays, meaning that for 4 days off operations were carried out, which made profits not optimal, besides that the turnover obtained showed trend tends to show a decline. Judging from the average expenditure in September 2020 of Rp. 191,899, - while the maximum is Rp. 617,500. Meanwhile, the minimum was obtained due no operational activities are carried out. Thus, as a matter of concern in the future, the trend of expenditure from operational activities is to minimize unnecessary costs incurred in estimating future profits from expenditures that are more efficient and produce maximum output.

Net Income Data of Kedai Nyobian 8

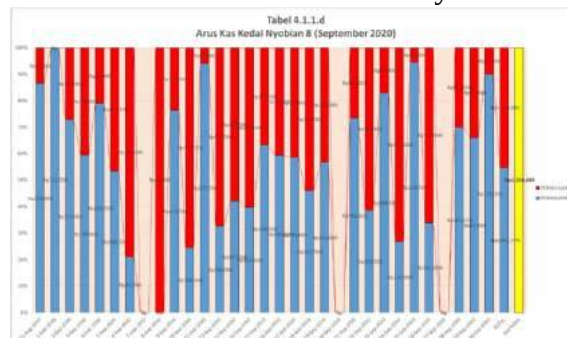
Table 3 Kedai Nyobian 8 Net Income



Based on table 3, Kedai Nyobian 8 Net Income in September 2020 shows daily volatility for 1 month for 30 days. However, it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in September there are 4 x holidays, meaning that for 4 days off operations were carried out, so that profits that obtained are not optimal, besides that the turnover obtained showed trend tends to show a decrease in net income earned. Judging from the average of Net Income in September 2020 of Rp. 226,119, - while the maximum is Rp. 544,000. Meanwhile, the minimum Net Income was obtained due no operational activities are carried out. Because of this, there must be a shift in the daily net income trend that can raise the amount of revenue acquired in order to produce profits, and this must follow soon.

Kedai Nyobian 8 Cash Flow Data

Table 4 Cash Flow of Kedai Nyobian 8

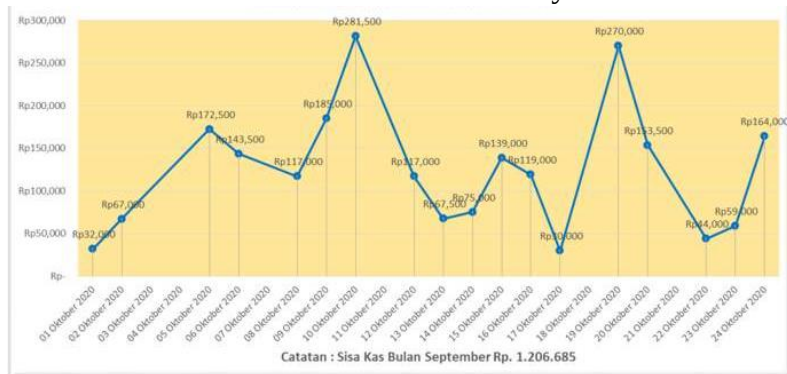


Based on table 4, Kedai Nyobian 8 cash flow in September 2020 shows daily volatility for 1 month for 30 days. But on the other hand, it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in September there are 4 x holidays, meaning that for 4 days off operations were carried out, which made profits not optimal, besides that the turnover obtained showed trend tends to show a decrease in cash flow. Judging from the average cash flow in September 2020 of Rp. 191,899, - while the maximum is Rp. 617,500. Meanwhile, the minimum cash flow was obtained due no operational activities are carried out. As a consequence, there must be a change from daily trend expenditures that can grow the increase in cash flow that occurs during September 2020 in the daily trend period, which is due to cash flow caused by the installation and deposit of wifi that is actually not in accordance with existing funds because the cash flow obtained is very minimal and cannot cover the expenses caused by deposits and installation of wifi, hits, buying water pump switches and water pumps installation.

As stated by Jogiyo Hartono (2017) that defines an asset strategy as a portfolio that provides the maximum expected return with the same level of risk or provides the same expected return with a small level of risk. As a matter of fact, in the future, the trend of expenditure from operational activities should be minimized to anticipate future profits of expenditures to be more efficient and the results are more optimal.

Kedai Nyobian 8 Income Data in October 2020

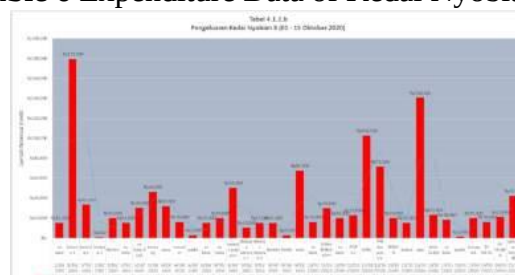
Table 5 Income Data of Kedai Nyobian 8

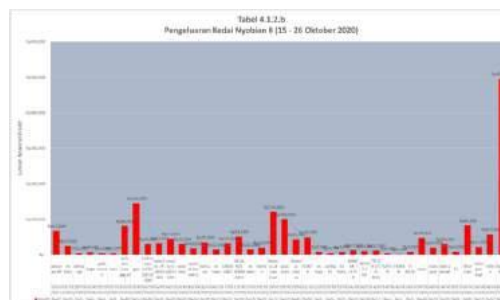


Based on table 5, Kedai Nyobian 8 income in October 2020 shows daily volatility for 1 month for 30 days. But, on the other hand it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in October there are 13 x holidays, meaning that for 13 days of operational off that is done which makes profits not optimal, besides that the turnover obtained shows the trend tends to show a decrease in income in October 2020. Judging from the average income in October 2020, it is Rp. 107,600, - while the maximum is Rp. 281,500, while the minimum income obtained due without operational activities are carried out that resulting the decline sharply due to the absence of income for 13 days. Therefore, there must be a shift from the daily trend income in order to expand the growth in revenue obtained and earn a profit. As according to Weygandt, Kimmel, & Kieso (2019), “when revenues exceed expenses, net income results. When expense exceed revenues, a net loss results”

Kedai Nyobian 8 Expenditure Data in October 2020

Table 6 Expenditure Data of Kedai Nyobian 8





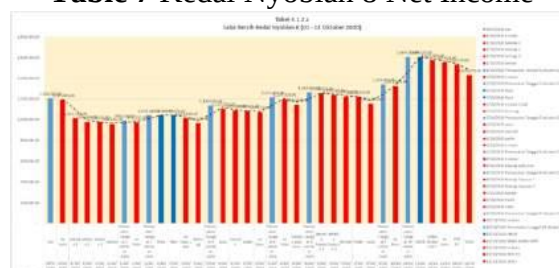
Source: Primary data processed, 2021

Based on table 6, the expenditures of Kedai Nyobian 8 in October 2020, it can be seen that daily volatility for 1 month for 30 days. However, it is stated that the operating activities carried out based on activities are not appropriate for 30 days due operational holidays in October there are 10 x holidays, which means for 10 off operational days, as a result it makes profits not optimal to obtain, besides that the turnover obtained shows trend tends to show a decline. Judging from the average expenditure in October 2020 of Rp. 96,040, - while the maximum is Rp. 495,704. Meanwhile, the minimum expenditure was obtained due without maximum operational activities carried out for further increase revenue turnover at a cost that is as efficient as possible but still effective in existing income. Consequently, there must be a shift in daily trend expenditures to accommodate the increase in expenditures that occurred during the daily trend period in October 2020, mainly due to expenses caused by wifi payments that are not in accordance with existing funds because the income obtained is so low that it cannot cover expenses caused by wifi payments that are not actually needed to be issued in order to produce optimal profits.

As Hanafi and Halim (2015) point out, the sooner the indicators of bankruptcy are recognized, the better for the company's management because the company may take steps to repair its situation sooner. Parties' creditors and shareholders might make plans to avoid or mitigate a variety of negative outcomes. As a matter of future consideration, the trend of operational spending should avoid superfluous costs invested to predict future profits, so that expenditure is more efficient and results are more ideal.

Kedai Nyobian 8 Net Income Data

Table 7 Kedai Nyobian 8 Net Income



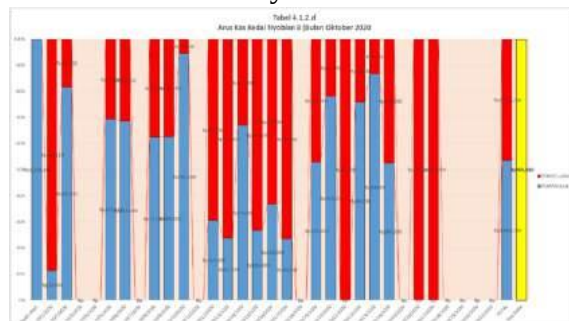


Source: Primary data processed, 2021

Based on table 7, Net Income of Kedai Nyobian 8 in October 2020, it can be seen that daily volatility for 1 month for 30 days. But on the other hand, it is stated that the operations carried out based on activities are not appropriate for 30 days because there are operational holidays in October there are 13 x holidays, meaning that for 13 days of operational off that is done which makes profits not optimal, besides that the turnover obtained shows the trend tends to show a decrease in Net Income in October 2020. Seen from the average Net Income in October 2020 of Rp. 107,600, - while the maximum is Rp. 281,500. While the minimum profit was achieved as a result of no operational operations being carried out, which resulted in a decline, the absence of Net Income for 13 days was responsible for the decline. Because of this, there must be a change from the daily trend Net Income that can grow an increase in the Net Income achieved so that it can produce profits in order for it to generate profits. Moreover, according to the findings of Prayoga (2012) net income, changes in inventory, as well as depreciation and amortization charges, all have a significant impact on future cash flows from operational operations.

Kedai Nyobian 8 Cash Flow Data

Table 8 Kedai Nyobian 8 Cash Flow



Source: Primary data processed, 2021

Based on table 8, Kedai Nyobian 8 cash flow in October 2020 shows daily volatility for 1 month for 30 days. But on the other hand, it is stated that the operating activities carried out based on activities are not appropriate for 30 days because there are operational holidays in October there are 10 x holidays, meaning that for 10 off operational days, it makes profits not optimal, besides that the turnover obtained shows trend tends to show a decrease in cash flow. Judging from the average cash flow in October 2020 of Rp. 96,040, while the maximum is Rp. 495,704, while the minimum result is reached due to the absence of operational operations that would improve cash flow turnover at the most efficient cost possible while maintaining the existing cash flow.

Therefore, there must be a shift from the daily trend cash flow that can grow an increase in cash flow that happened during October 2020 in the daily trend period, especially due to cash flow produced by wifi payments that are not consistent with current funds. The revenue generated is so low that it cannot cover the cash flow created by wifi payments that are not required to create optimal returns. Therefore, as a material for future consideration, the trend in expenditure from operational activities should avoid excessive costs paid in predicting future profits in order to improve cash flow and results.

4. CONCLUSION AND SUGGESTIONS

It has been determined from the conclusions of this study that it is preferable for Kedai Nyobian8 to avoid unnecessary costs in the future so that future profits in cash flow can be anticipated and the company's overall efficiency and performance can be improved.

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THE EFFECT OF ENTREPRENEURIAL LEADERSHIP ON ORGANIZATIONAL PERFORMANCE: LITERATURE REVIEW

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Abstract

In a competitive, dynamic, complex and uncertain business environment as it is today, a leadership type is needed that can play an important role for the survival, success, and growth of the organization. This paper aims to review the influence of entrepreneurial leadership on organizational performance in terms of three hierarchies: individuals, groups/teams, and the organization as a whole. According to the findings of the review, entrepreneurial leadership has a major impact on the individual performance of employees and teams, especially in terms of creativity and creative behavior. Entrepreneurial leadership has a significant effect on overall organizational performance both in financial and non-financial dimensions.

Keywords: *Entrepreneurial Leadership, Employee Performance, Organizational Performance.*

1. INTRODUCTION

Leadership is the process of influencing employees to work towards achieving organizational goals. Therefore, leadership is an important factor that contributes to organizational success (Lussier & Hendon, 2019). Each leader has their own style of influencing subordinates. Robbins and Judge (2017) divide leadership styles into three, namely charismatic, transformational, and transactional. Different leadership styles have varying effects on the overall effectiveness or performance of the organization (Wahab et al., 2016).

Studies on the relationship between leadership style and organizational behavior have been carried out for a long time. Most of these studies discuss transformational leadership styles and transactional leadership styles (Sani et al., 2018). Currently, a new paradigm is developing regarding leadership style and its relevance to organizational behavior that supports business growth and sustainable innovation where the leadership model is referred to as entrepreneurial leadership (Rutan, 2019).

An effective leader is needed in today's dynamic, complicated and uncertain business competition climate which can contribute significantly to the survival, success and expansion of the organization (Li et al., 2020). Experts introduce entrepreneurial leadership as a new leadership theory to address dynamic changes in the 21st century (Mehmood et al., 2020). The entrepreneurial leadership style is a relatively new and modern type of leadership characterized by a combination of leadership characteristics and an entrepreneurial spirit (Esmer & Dayi, 2017). Basically entrepreneurial leadership is more like a transformational leadership style than a transactional leadership style but there are some basic differences (Paladan, 2015).

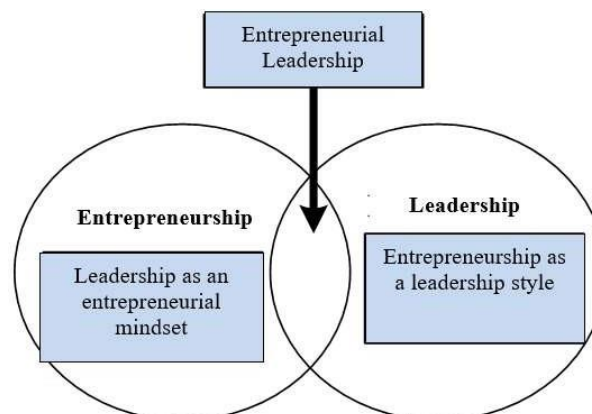
This type of leadership has received more attention from experts and practitioners because of its importance in increasing competitiveness, success and growth (Bagheri &

Harrison, 2020). Research findings indicate that entrepreneurial leadership is an important factor in improving organizational performance in a volatile and competitive environment (Harrison et al., 2019). This leadership can be applied to all organizations regardless of the size of the organization (Ranjan, 2018) both in business organizations (profit) and non-profit organizations (Arifin & Gunawan, 2020). However, there are differences between the entrepreneurial leadership visions of nonprofit organizations and business where the most distinguishing factors are inspiration, realism, conservatism, and flexibility (Ruvio et al., 2010).

2. THEORETICAL BASIS

2.1. Entrepreneurial Leadership

Entrepreneurial leadership is a combination of entrepreneurial-oriented leadership and entrepreneurial management (Gupta et al., 2004). Esmer & Dayi (2017) define it as a type of leadership that combines leadership potential with an entrepreneurial spirit. While Leitch & Harrison (2018) have identified three different parameter positions of the relationship between entrepreneurship and leadership 1) entrepreneurship as a leadership style (leadership that has advantages); 2) entrepreneurial leadership as an entrepreneurial mindset (entrepreneurship that has advantages); and 3) entrepreneurial leadership is at the intersection of the two domains (Figure 1).



Source: Leitch & Harrison (2018)

Figure 1 Leadership, entrepreneurship and entrepreneurial leadership

The behavioral characteristics of entrepreneurial leaders are risk taking, creative, passionate, visionary (Antonakis & David, 2018), evaluating opportunities, being innovative, and productive (Esmer & Dayi, 2017). Furthermore, Zijlstra (2019) in his research uses several dimensions related to entrepreneurial leadership, namely: risk taking, proactiveness, charisma, experimentation, vision, innovation, and creativity. Ranjan (2018) who reviewed many articles concluded the characteristics that entrepreneurial leaders might have such as performance-oriented, ambitious, informed, extra-visionary insight, foresight, trust-building, diplomatic, effective bidder, convincing, encouraging, inspirational, enthusiastic, team builder, improvement oriented, integrator, intellectual stimulation and positive attitude. According to Nguyen et al. (2021) which cited the statement of Gupta et al

(2004) that entrepreneurial leadership involves the organization and motivation of the company's operating system and employees to achieve the company's core values such as taking risks, capturing opportunities, innovating products and processes, creating competitive advantages, and enhancing dynamic competencies pursued by employers.

2.2. Organizational Performance

Organizational performance is considered as a measure of productivity, taking into account the participation of company employees (Oyemomi et al., 2016). Meanwhile, Jenatabadi (2015) defines organizational performance not referring to the results but to the process in which organizational performance is defined as all activities that support the achievement of organizational goals. Organizational performance can be measured for different hierarchical levels and can be assessed for individuals, groups, and the organization as a whole (Knies et al., 2016). Moreover, Antony and Bhattacharyya (2010) claim that organizational system performance is a complex interrelationship between six performance criteria: effectiveness, efficiency, quality, productivity, innovation and profitability.

At the individual level, Mathis et al. (2018) assessed performance based on the quality and quantity of results as well as effectiveness and efficiency as individual behaviors at work. Further, Luo et al. (2012) proposed an assessment of total organizational level performance with two performance indicators, namely, economic and operational performance indicators. To evaluate economic success from a financial and market perspective, financial measures such as revenue, sales, return on investment for shareholders, and other financial metrics are used to evaluate economic performance. Customer satisfaction and loyalty, corporate social capital, and competitive advantage resulting from competence and resources are some visible indicators of operational performance.

3. RESEARCH METHOD

The paper is prepared using the literature review method, which is sourced from textbooks and articles containing both concepts and empirical results. Articles obtained from sciencedirect, emerald, MDPI, and googlescholar. The organizational performance referred to in this paper includes all performance hierarchies, namely individuals, groups/teams, and the organization as a whole.

4. RESULTS AND DISCUSSION

4.1. Research Result

The selected articles are descriptive quantitative research, and the study of the articles taken is relevant to leadership and organizational performance.

Table 1 Summary of 3 articles

Author (Year)	Object of research	Theoretical Framework	Method	Participant s	Key Findings
Samsudin Wahab, Adlan Rahmat, Mohd Sukor	This study examines the leadership style of academic leaders at the State University	Leadership style, Organizational performance	Correlation Descriptive	Five public universities in the Klang Valley area.	Most academic leaders are considered to apply transformational leadership

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Yusof, Badrisang Mohamed (2016)	of Malaysia in the Klang Valley region. It was found that transformational leadership is highly practiced by most of the academic leaders at the Malaysian State University in the Klang Valley.				style because employees can easily share knowledge among themselves when organizations use transformational leadership style.
Endi Sarwoko (2020)	Understanding the relationship between entrepreneurial leadership and innovation work behavior, as well as the role of creative self-efficacy as mediating the relationship between entrepreneurial leadership and innovation work behavior	Entrepreneurial Leadership, Social Cognitive Theory (SCT), and Innovative Work Behavior	Single source method from employees	209 employees	Entrepreneurial leadership has a positive effect on innovative work behavior. In addition, entrepreneurial leadership increases creative self-efficacy, which in turn creative self-efficacy will encourage innovative work behavior
Khawaja Fawad Latif, Aqib Nazeer, Faisal Shahzad, Mohsin Ullah, Muhammad Imranullah, Umar Farooq Sahibzada (2020)	Describes a knowledge-based view (KBV), the study investigates the impact of entrepreneurial leadership (EL) on knowledge management (KM) processes and further examines the mediating role of KM processes on the relationship	Entrepreneurial leadership (EL), Knowledge management process (KMPP),	SMART-PLS structural equation modeling tool.	304 project workers	This study found a significant impact of EL on KM and PS processes. The analysis also reveals that the KM process significantly influences project success while EL influences PS indirectly through the KM process.

between EL and
project success
(PS).

4.2. Discussion

4.2.1. The Effect of Entrepreneurial Leadership on Organizational Performance on Individual and Team Hierarchies

a. The Effect of Entrepreneurial Leadership on Employee Creativity

creativity is the creative thinking of employees based on their skills, qualifications and experience (Shafi et al., 2020). Competition in the global market and rapid technological transformation has made it difficult for organizations to develop creativity for innovation and modern business success (Huang et al., 2016). While previous research has recognized the importance of employee creativity in driving innovation in organizations (Shafi et al., 2020).

Entrepreneurial leadership is leadership behavior that encourages subordinates to identify and take advantage of entrepreneurial opportunities for value creation (Antonakis & David, 2018) and thus aims at motivating employees to engage in creative activities (Cai et al., 2019). Entrepreneurial leaders inspire their employees to perform creative tasks in the workplace that involves recognizing and exploiting opportunities (Strobl et al., 2020). The results also show that there is a positive influence of entrepreneurial leadership on employee creativity (Mehmood et al., 2020) and also team creativity (Nguyen et al., 2021).

b. The Influence of Entrepreneurial Leadership on Employees' Innovative Work Behavior

Innovation is needed due to changes in the competitive business environment (Sawaeen & Ali, 2020) and increasing business risks (Fontana & Musa, 2017). Employee innovative behavior is a cognitive and motivational process directed at introducing, developing and implementing new ideas to provide useful and new solutions to complex and unclear problems (Afsar & Masood, 2018). A number of existing literature recognizes the role of leadership in shaping individual attitudes and behaviors, including employee innovative behavior (Cai et al., 2019). Furthermore, research result by Bagheri (2017); Sarwoko (2020) and Iqbal et al. (2020) shows that entrepreneurial leadership has a significant effect on employee innovative behavior. The results of the research by Wibowo and Saptono (2018) who conducted research on educational organizations also showed that entrepreneurial leadership had an effect on the creative and innovative behavior of teachers.

4.2.2. The Effect of Entrepreneurial Leadership on Organizational Performance on the Organization as a whole

Luo et al. (2012) suggest measuring the performance of a business organization as a whole using two dimensions, namely the economic and operational dimensions. Further, Seo and Lee (2019) also use two components but with different terms, namely financial performance and non-financial performance. Nguyen et al (2021) who use non-financial performance as MSME performance by evaluating the company's ability towards sustainable development, product and service quality, reputation in the industry, overall customer satisfaction, and increasing sales volume over time where the results show that leadership Entrepreneurship has an indirect influence on the performance of MSMEs because

entrepreneurial leadership will affect the dynamic ability of its employees to then have an impact on the performance of MSMEs. Dynamic capabilities are described as the capacity to integrate, develop, and reorganize the company's internal and external resources to deal with the rapidly changing business environment. Dynamic ability is a type of ability that can be acquired through experience. These dynamic capabilities enable managers to transform existing resources to develop new value creation strategies and contribute to creating, developing, and recombining other resources into a competitive advantage. According to the findings of Al Mamun et al (2018) that the characteristics of entrepreneurial leadership in the aspects of responsibility, accountability, and emotional intelligence show a significant positive effect on the performance of micro-enterprises.

Latif et al (2020) use project success as organizational performance where the measure of project success is seen from financial aspects (project completed within the allocated budget) and non-financial (project completed on time). The findings show that entrepreneurial leadership has a major influence on project success. This shows that project-based organizations which are characterized by leadership orientation towards risk, challenge, and passion will have a higher propensity for successful projects. This further strengthens the assertion that leaders can benefit from entrepreneurial competence to deal with a highly volatile and competitive environment (Gupta et al., 2004).

Sarabi et al (2020) measure organizational performance by assessing the performance of subsidiaries using labor productivity, which is measured as total sales divided by the number of employees of the subsidiary. The results show that the entrepreneurial leadership of the subsidiary's CEO improves the performance of the subsidiary and that this relationship is strengthened by managerial discretion.

5. CONCLUSION AND SUGGESTIONS

Entrepreneurial leadership has a significant effect on the performance of individual employees and teams, especially in terms of creativity and innovative behavior. Entrepreneurial leadership also has a significant effect on overall organizational performance both in financial and non-financial dimensions.

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FACTORS AFFECTING SOLVENCY IN INSURANCE COMPANIES IN INDONESIA 2015–2019 PERIOD

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Abstract

This study aims to determine the effect of Firm Size, Investment Return Ratio, Self-Retention Ratio and Underwriting Results on Solvency (proxied by the Risk Based Capital ratio). This study uses secondary data with a population of 74 insurance companies registered with the Financial Service Authority (OJK) during 2015–2019. The Sample selection was done by purposive sampling technique which resulted in 40 insurance companies for 5 years. Thus, the total research observations amounted to 200. This study uses panel data regression analysis with the help of the Eviews 11 program. The result of this study indicate that the Self-Retention Ratio and Underwriting Results affect the solvency of insurance companies. While the Firm Size and Investment Return Ratio have no effect on the solvency of insurance companies.

Keywords: *Solvency, Risk Based Capital, Company Size, Investment Return Ratio, Self-Retention Ratio dan Underwriting Results.*

1. INTRODUCTION

Insurance is an agreement of an insurer who binds himself to the insured to provide an obligation to compensate for loss or damage that may be suffered by the insured (KUHD Pasal 246, 2009). A healthy and reliable insurance company is very much needed by the community. Because the trust in an insurance company from the insured is based on the insurance company's financial health factors (Arzelan, 2017). An insurance company can be said to be healthy if it always fulfills the claim obligations submitted by the insured and has a solvency ratio above the minimum threshold set by the Government (Tarigan & Mahfud, 2015).

General insurance companies experienced a decrease in the number of companies starting from 2012–2018. The following is data on the number of insurance companies in Indonesia according to the 2019 Insurance Statistics Report.

Table 1 Number of Insurance Companies in 2012-2019

Description	2012	2013	2014	2015	2016	2017	2018	2019
General insurance	84	82	81	80	80	79	79	78
National Private	66	65	64	64	58	55	56	55
Joint Venture	18	17	17	16	22	24	23	23

Source: Financial Services Authority, Indonesia Insurance Statistics 2019

The decline in the number of general insurance companies was due to the operating licenses of several companies having been revoked by the Financial Services Authority (OJK) because they could not fulfill the stipulated provisions, namely having a solvency

level below 120%. An example of the case occurred in PT Asuransi Recapital and PT Asuransi Himalaya Protector in 2020. This issue related to solvency has become a major problem in the insurance industry in Indonesia for the past few years.

Solvency in insurance companies is influenced by various factors. According to researches by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) states that firm size has a positive effect on solvency. However, in contrast to the research conducted by Kumar & Kumar (2016) and Verma (2014), which states that firm size has a negative effect on solvency.

Research conducted by Alamsyah & Wiratno (2017) on a loss insurance company that has been registered with the OJK for the period 2011-2015 states that investment returns have a positive effect on the achievement of solvency ratios. However, research conducted by Ambarwati & Hasib (2018) and Joo (2013) states that investment returns have no significant effect on the solvency of insurance companies.

Utami & Khoiruddin (2016) in his research stated that the retention ratio itself had no effect on solvency. Then, research conducted by Aniseh et al. (2019) and Tarigan & Mahfud (2015) show that underwriting results have an effect on the solvency of insurance companies.

Research from Aniseh et al. (2019) and Tarigan & Mahfud (2015) show that underwriting has an effect on the solvency of insurance companies. Underwriting results are the results of underwriting activities which are a process of identifying and selecting risks from prospective insured who will buy an insurance product.

This study will contribute to the literature, where to the best of the researcher's knowledge, there are still few previous studies regarding solvency in insurance companies in Indonesia and there are different (contradictory) results from previous studies related to firm size and investment return ratios. Based on the background explanation above, this research takes the title **"Factors Affecting Solvency in Insurance Companies in Indonesia for the 2015-2019 Period"**.

2. THEORY REVIEW

2.1 Bankruptcy Theory

Research on corporate bankruptcy was first proposed by Beaver in 1996. Beaver in his research compared 30 ratios in 79 failed companies and non-failed companies in 38 industries. The purpose of Beaver's research is to determine whether the selected financial ratios can be used to detect bankruptcy.

The theory of bankruptcy is related to this research, because if the insurance company has problems paying its financial obligations to the insured at maturity, it is very possible for the company to be in an insolvable condition. If these conditions are not addressed quickly, it can lead to business bankruptcy.

2.2 Solvency

The solvency ratio according to Kasim (2013:151) is the company's ability to pay all obligations, both long-term and short-term with all its assets if the company is dissolved or liquidated. Harahap (2015) explains solvency, which is a financial ratio used to measure a company's ability to pay debts when they fall due.

2.3 Risk Based Capital (RBC)

Cheng & Weiss (2012) explained that RBC is the minimum amount of capital required based on the risk accepted by insurance companies in terms of supporting business

activities and minimizing the possibility of bankruptcy. According to Utami & Khoiruddin (2016) RBC is the ratio of capital adequacy to risk borne and is one of the main indicators for assessing the health of insurance companies, especially those related to the ability of insurance companies to fulfill all their obligations (solvability).

2.4 Company Size

Firm size according to Ponziani & Azizah (2017) is a reflection of the number of assets used for the company's operating activities. While Brigham & Houston (2018) define company size as the size of a company assessed by total assets, total sales, total profit, tax expense and others.

2.5 Investment Return Ratio

According to Ningrum (2014), the ratio of return on investment is the ratio used to determine the health of insurance companies. Meanwhile, Ambarwati & Hasib (2018) states that the investment return ratio can be used to assess investment policies carried out by insurance companies. Because most of the investment results obtained are intended to be used as reserves to pay future claims, the insurance company's investment must be safe.

2.6 Own Retention Ratio

According to Yuliana (2008:81), the retention ratio itself reflects the comparison between the net premium and the gross premium. If the retention ratio is close to one, it means that the company is increasingly willing to take the risk of its own claims. On the other hand, if the retention ratio is close to zero, it means that the company is less willing to take the risk of its own claims (Sumartono & Harianto, 2018:5).

2.7 Underwriting Yield Ratio

Nasution (2020) explained that underwriting is a risk selection activity carried out by insurance companies, including in determining the premium level and other provisions that will be imposed on the prospective insured. According to Sastri (2017), underwriting results are profit/loss from the main insurance activities obtained from the difference between underwriting income and underwriting expenses.

2.7 Theoretical Framework and Hypothesis Development

a) Company Size Against Solvency

If the insurance company is large, the premiums obtained as the insurance company's income are also high so that it can also contribute high to the level of solvency of the insurance company. This is in accordance with research by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) which show that firm size has a positive effect on solvency.

H₁: Firm size has a positive effect on the solvency of insurance companies

b) The Effect of Investment Return Ratio on Solvency

Basically, insurance companies have a need to get high investment returns from their investment assets. Therefore, good investment management will provide big profits for insurance companies, which will have a positive impact on solvency levels (Joo, 2013). This is consistent with research by Alamsyah & Wiratno (2017), which states that investment returns have a positive effect on RBC.

H₂: The investment return ratio has a positive effect on the solvency of insurance companies

c) The Effect of Own Retention Ratio on Solvency

The retention ratio itself can measure the company's retention rate to compare the company's actual ability with available funds. If the retention rate is high, it means that the company's ability to manage premium income is also high, which will have an impact on the financial health of the insurance company. According to the research results of Utami & Khoiruddin (2016), they stated that the retention ratio itself partially has no effect on the level of solvency.

H₃: The retention ratio itself has a positive effect on the solvency of insurance companies

d) Effect of Underwriting Results on Solvency

Insurance companies with high risk require more capital. Because of this, insurance companies must be able to obtain sufficient profits from underwriting results for these high risks. According to research Aniseh et al. (2019), Tarigan & Mahfud (2015) and Pitselis (2006) state that underwriting has a significant effect on the company's solvency level. The greater the underwriting results of an insurance company, the greater the solvency level will be.

H₄: Underwriting results have a positive effect on the solvency of insurance companies

The relationship between the factors studied related to corporate philanthropy can be seen in the following figure:

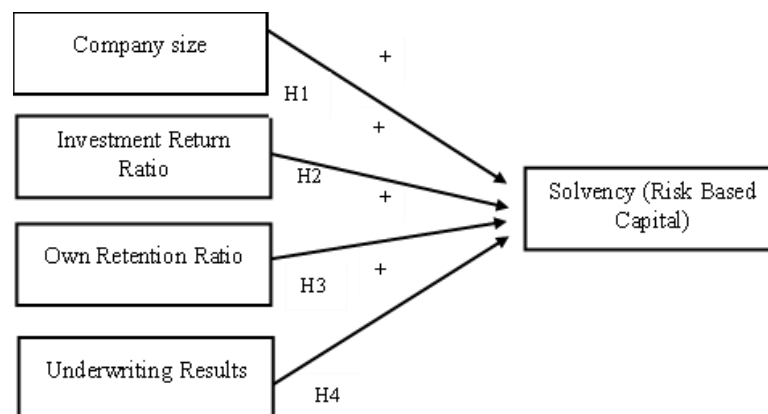


Figure 1 Conceptual Framework

3. RESEARCH METHODS

The unit of analysis and the scope of this research is a general insurance company which is officially registered and supervised by OJK in the 2015–2019 period. This study uses a quantitative approach with the analytical technique used is multiple regression panel data which will be processed with the help of EViews 11 software.

The population used in this study are general insurance companies that are officially registered and supervised by the OJK for the 2015–2019 period, totaling 74 companies. By using the purposive sampling method, the samples obtained are those that meet certain criteria, including:

1. General insurance company registered and supervised by OJK for the period 2015–2019;
2. A general insurance company that publishes an annual report and/or financial statement for the period 2015–2019 and publishes it on the Indonesia Stock Exchange (IDX) website or on the respective websites of the insurance company.
3. A general insurance company that publishes an annual report and/or financial statement in Rupiah.

The number of purposive sampling results that meet the criteria mentioned above are 40 companies. The selected companies were used as research samples with an observation period of each company for 5 years, so in this study there were 200 observations.

Research variables are classified into two groups of variables, namely the independent variable and the dependent variable. The dependent variable in this study is solvency (Y). Meanwhile, the independent variables are company size (X1), investment return ratio (X2), own retention ratio (X3) and underwriting results (X4). For more details, the variables and their indicators can be seen in the following table:

Table 2 Operationalization of Variables

Variable	Measurement	Measuring Scale
Solvency (RBC) (Y)	$\frac{\text{Solvency level}}{\text{RBMC (Risk Based Minimum Capital)}} \times 100\%$	Ratio
Company Size (X1)	$\ln \text{total asset}$	Nominal
Investment Return Ratio (X2)	$\frac{\text{Investment return}}{\text{Total investment}} \times 100\%$	Ratio
Self-Retention Ratio (X3)	$\frac{\text{Net Premium}}{\text{Gross Premium}} \times 100\%$	Ratio
Underwriting Results (X4)	$\text{Underwriting Income} - \text{Underwriting Expenses}$	Nominal

Source: OJK Regulation No.71/POJK.05/2016, Ambarwati & Hasib (2018), Alamsyah & Wiratno (2017), PSAK Nomor 28 Tahun 2012

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to find out the general picture or description of a data seen by the average (mean), median, maximum value, minimum value, and standard deviation. The results of the descriptive statistical analysis processed using the EViews 11 program are presented in table 4.2 below.

Table 3 Results of Descriptive Statistics

	RBC	SIZE	INVT	RTS	UDW
Mean	1.075932	1.443187	0.071672	0.593702	2.033316
Median	1.000040	1.443442	0.064279	0.612871	1.199625
Maximum	3.201316	1.485309	0.238653	0.999275	12.56559
Minimum	0.232210	1.407028	0.001952	0.147084	-0.342760
Std. Dev.	0.560986	0.018116	0.032350	0.203178	2.220136
Observations	200	200	200	200	200

Source: Output EViews 11, 2021

Description:

RBC = Risk Based Capital

SIZE = Company Size
INVT = Investment Return Ratio
RTS = Own Retention Ratio
UDW = Underwriting Results

4.2 Panel Data Regression Model Selection

a) Chow Test on Fixed Effect Model

According to Basuki & Prawoto (2017), Chow test is used to select a model that is more appropriate to be used in the study by choosing between the common effect and the fixed effect. Below is a test table of the Chow test on the fixed effect model.

Table 4 Chow Test

Redundant Fixed Effects Tests Equation: MODEL_FEM Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.086017	(39,156)	0.0000
Cross-section Chi-square	312.532327	39	0.0000

Source: Data processed with EViews 11, 2021

Based on the test results on the chow test table, it shows that the prob value. The Chi-square cross-section is $0.0000 < 0.05$ so that H_0 is rejected, and H_a is accepted. So, the model that is suitable for conducting regression testing in this study uses the fixed effect model.

b) Hausman Test on Random Effect Model

According to Basuki & Prawoto (2017), Hausman test is used to determine whether a model with a fixed effect or random effect approach is more appropriate to use in a study. The results of the Hausman test can be seen in the following table.

Table 5 Hausman Test

Correlated Random Effects - Hausman Test Equation: MODEL_REM Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.499397	4	0.1117

Source: Data processed with EViews 11, 2021

The results of the Hausman test in the table above show that the prob value. The random cross-section is $0.1117 > 0.05$ so that H_0 is accepted, and H_a is rejected. This means that the model chosen for panel data regression is a random effect model.

c) Lagrange Multiplier (LM) Test on Common Effect Model

According to Basuki & Prawoto (2017), in determining the right model between random effects and common effects, it can be done by using the Lagrange multiplier test. The following is a test table of the lagrange multiplier test.

Table 6 Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	203.5880 (0.0000)	0.960138 (0.3272)	204.5481 (0.0000)

Source: Data processed with EViews 11, 2021

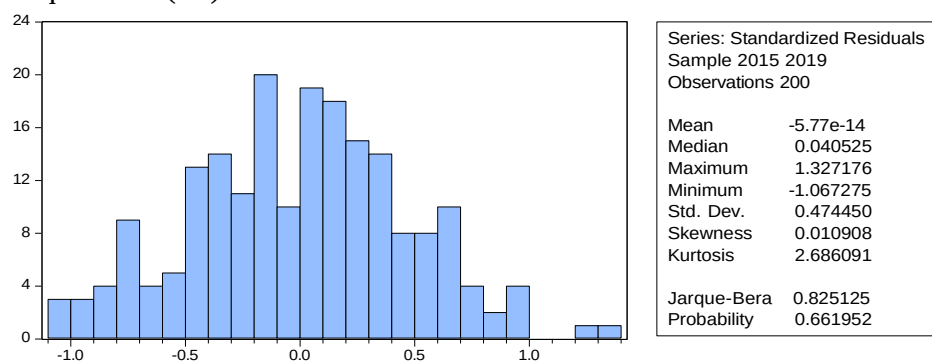
The results of the lagrange multiplier test show that prob. The Breusch-Pagan cross-section on panel data is $0.0000 < 0.05$, which means that H_0 is rejected, and H_a is accepted. Based on the three tests above, the right model for panel data regression is the random effect model.

4.3 Classic Assumption Test

Basically, panel data regression does not require autocorrelation test. This is because the autocorrelation test only occurs in time series data, while in panel data it is closer to cross section data (Basuki and Yuliandi, 2015:152-153). Therefore, the classical assumption test used is as follows.

a) Normality test

The normality test aims to test whether all variables in the regression model have a normal or abnormal data distribution (Ghozali, 2018:161). In this study, the normality test used the Jarque-Bera (JB) test.



Source: Data processed with Eviews 11, 2021

Figure 2 Normality Test Results

Based on Figure 2, it shows the JB value of 0.825125 which means it is smaller than 2. In addition, the probability value is above the alpha value (0.05 or 5%) which is 0.661952. So, it can be concluded that the data in this study are normally distributed.

b) Multicollinearity Test

The multicollinearity test aims to test whether the regression model is mutually correlated between one independent variable and the other independent variables (Ghozali, 2018:107). If the correlation coefficient value < 0.90 , then the data does not experience multicollinearity problems.

Table 7 Multicollinearity Test Results

	SIZE	INVT	RTS	UDW
SIZE	1.000000	0.127427	-0.058429	0.811135
INVT	0.127427	1.000000	0.055325	0.079228
RTS	-0.058429	0.055325	1.000000	0.080479
UDW	0.811135	0.079228	0.080479	1.000000

Source: Data processed with Eviews 11, 2021

The results of the multicollinearity test in the table above, it is known that the value of the correlation coefficient between the independent variables SIZE, INVT, RTS and UDW is less than 0.90. This means that the regression model and the four independent variables used do not occur multicollinearity.

c) Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model has an inequality of variance from the residuals of one observation to another (Ghozali, 2018:137). In this study, the heteroscedasticity test was carried out using the Glejser test method.

Table 8 Heteroscedasticity Test Results

Heteroscedasticity Test: Glejser			
F-statistic	2.292105	Prob. F(4,195)	0.0610
Obs*R-squared	8.981233	Prob. Chi-Square(4)	0.0616
Scaled explained SS	8.419242	Prob. Chi-Square(4)	0.0774

Source: Data processed with Eviews 11, 2021

In the table of heteroscedasticity test results, it is known that the prob value. Chi-Square (on Obs*R-Squared) is $0.0616 > 0.05$. Thus, it can be concluded that the data in this study did not experience heteroscedasticity problems.

d) Multiple Linear Regression Analysis

The equation model that was previously selected through the Chow test, Hausman test, and the Lagrange multiplier test is the random effect model (REM) with the results in the following table.

Table 9 Random Effect Model

Dependent Variable: RBC				
Method: Panel EGLS (Cross-section random effects)				
Date: 11/15/21 Time: 22:58 Sample: 2015 2019				
Periods included: 5 Cross-sections included: 40				
Total panel (balanced) observations: 200				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	38.98050	5.991000	6.506509	0.0000
SIZE	-26.57563	4.150574	-6.402882	0.0000
INVT	0.198828	0.651321	0.305268	0.7605
RTS	0.389377	0.189481	2.054960	0.0412
UDW	0.100141	0.028990	3.454288	0.0007
			S.D.	Rho
Cross-section random			0.417004	0.7539

Idiosyncratic random		0.238281	0.2461
Weighted Statistics			
R-squared	0.234930	Mean dependent var	0.266387
Adjusted R-squared	0.219236	S.D. dependent var	0.272077
S.E. of regression	0.240410	Sum squared resid	11.27039
F-statistic	14.96962	Durbin-Watson stat	1.109655
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.284720	Mean dependent var	1.075932
Sum squared resid	44.79542	Durbin-Watson stat	0.279186

Source: Data processed with Eviews 112021

$$RBC = 38.98050 - 26.57563 \text{ SIZE} + 0.198828 \text{ INVT} + 0.389377 \text{ RTS} + 0.100141 \text{ UDW}$$

e) Model Feasibility Test (Statistical Test F)

In table 9 above, it is known that the F-statistic value is 14.96962 which is greater than Ftable (14.96962 > 2.42). In addition, the Prob F-statistic value is smaller than alpha (0.05), which is 0.000000. It can be concluded that the estimated regression model is feasible to use.

f) Coefficient of Determination (Adjusted R²)

Based on table 9, the test results show that the value obtained from the coefficient of determination R-squared is 0.219236, which means the independent variables SIZE, INVT, RTS and UDW can explain the solvency dependent variable (RBC) of 21.92% while the remaining 78.08% (100% - 21.92 %) is influenced by other variables not examined in the study.

4.4 Hypothesis Test (Test Statistical t)

Based on the results of the t-statistical test in the table above, the hypothesis in this study is as follows.

1. In table 9 it can be seen the prob value. SIZE variable is 0.0000 < 0.05 and t-count is -6.402882 > 1.9722 t-table. The regression coefficient of -26.57563 indicates a negative direction. So, it can be concluded that the **first hypothesis** proposed by the author is **rejected**.
2. Based on the results of hypothesis testing, the prob value is known. the INVT variable is 0.7605 > 0.05 and the t-count is 0.305268 < 1.9722 t-table with a regression coefficient of 0.198828 indicating a positive direction. So, the **second hypothesis** proposed by the author is declared **rejected**.
3. In the results of hypothesis testing, it shows the prob value. the RTS variable is 0.0412 < 0.05 and the t-count is 2.054960 > 1.9722 t-table. The regression coefficient is 0.389377 with a positive direction, which means that the **third hypothesis** proposed by the author is **accepted**.
4. The results of hypothesis testing indicate that the prob value. the UDW variable is 0.0007 < 0.05 and the t-value is 3.454288 > 1.9722 t-table. The regression coefficient has a positive direction of 0.100141, which means that the **fourth hypothesis** proposed by the author is **accepted**.

4.5 Discussion

a) The Effect of Firm Size on Solvency

This study states that there is a relationship between firm size which has a negative effect on the solvency of insurance companies. This means that all assets owned by the company do not always affect the increase in the solvency ratio of the insurance company. This is because not all of the total assets owned by the company can be included in the list of permitted assets as stated in the Financial Services Authority Regulation Number 71/POJK.05/2016 concerning the Financial Health of Insurance Companies and Reinsurance Companies. Assets allowed (admitted assets) is the amount of wealth that is considered in the calculation of the solvency level. Allowed assets are divided into two, namely: (1) permitted assets in the form of investment, (2) permitted assets in the form of non-investment. Thus, even though the company has high total assets, the assets that are allowed to be calculated in solvency are low, thereby reducing the solvency of the insurance company.

The results of this study support previous research conducted by Kumar & Kumar (2016) and Verma (2014) which obtained the results that firm size had a negative effect on solvency. This study obtained different results from research by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) which stated that firm size had a positive effect on the solvency of insurance companies.

b) The Effect of Investment Return Ratio on Solvency

This study yields a positive relationship but does not affect the ratio of investment returns to the solvency of insurance companies. This can be assumed because the investment returns obtained by general insurance companies are less profitable. It can be seen that the average return on investment is 7.16% of the total investment each year. Therefore, investment returns have no effect on solvency.

The results of this study support research that has been carried out by Ambarwati & Hasib (2018) and Joo (2013) which says that investment returns have no effect on solvency. This study obtained different results from research by Alamsyah & Wiratno (2017), which stated that investment returns had a significant effect and had a positive relationship to the solvency ratio.

c) The Effect of Own Retention Ratio on Solvency

This study shows that the retention ratio itself has a positive effect on the solvency of insurance companies. This shows that the retention ratio itself can increase solvency, because increasing the retention ratio means the insurance company is able and reliable to manage its own premium income without having to spread the risk to other insurers (reinsurance companies) so that it has an impact on the company's financial health.

This research supports the research conducted by Agustiyani (2019) which results in the retention ratio having an effect on solvency. However, in contrast to previous research conducted by Utami & Khoiruddin (2016), it was stated that there was no relationship between the retention ratio itself and the level of solvency. If the retention ratio itself increases or decreases, it will not affect the solvency level of the insurance company.

d) Effect of Underwriting Results on Solvency

This study provides the results of the relationship between underwriting results that have a positive effect on the solvency of insurance companies. This is because when the underwriting income of the insurance company can cover all of its underwriting expenses, the difference can affect the profits earned by the insurance company. If profits increase, the solvency ratio can also increase. With increased solvency, the company will be seen as financially healthy and will give a positive signal to shareholders.

The results of this study support previous research conducted by Tarigan & Mahfud (2015) Which obtained the results that underwriting results had a positive effect on solvency. In addition, Aniseh et al. (2019) The results of this study support previous research conducted by Tarigan & Mahfud (2015) which obtained the results that underwriting results had a positive effect on solvency. In addition, Aniseh et al. (2019) also conducted research with the findings that there is a positive relationship between underwriting results and solvency.

5. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

This study aims to examine how the effect of firm size (SIZE), investment return ratio (INVT), own retention ratio (RTS) and underwriting results (UDW) on solvency (proxied by Risk Based Capital ratio) in insurance companies. This research was conducted considering the phenomenon in the insurance world, which is required to meet the solvency ratio, the amount of which has been determined by the Government.

Based on the results of the tests and discussions that have been described previously, it can be concluded that company size has a negative effect on the solvency of insurance companies. The investment return ratio has no effect on the solvency of the insurance company. The retention ratio itself has a positive effect on the solvency of insurance companies. Underwriting results have a positive effect on the solvency of insurance companies.

5.2 Suggestions

Based on the explanation above, there are several recommendations for further researchers, namely as follows:

1. Future researchers are expected to add other independent variables that can increase the proportion in explaining the dependent variable in this study such as the ratio of claims expense and asset growth.
2. Future researchers are expected to increase the time period of the study so that observations on the solvency of insurance companies will later obtain a broader picture.
3. Future researchers are expected to use different methods, for example the selection of proxies in variables, sample selection, test equipment, and the type of analysis method used.

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FACTORS AFFECTING SOLVENCY IN INSURANCE COMPANIES IN INDONESIA 2015–2019 PERIOD

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Abstract

This study aims to determine the effect of Firm Size, Investment Return Ratio, Self-Retention Ratio and Underwriting Results on Solvency (proxied by the Risk Based Capital ratio). This study uses secondary data with a population of 74 insurance companies registered with the Financial Service Authority (OJK) during 2015–2019. The Sample selection was done by purposive sampling technique which resulted in 40 insurance companies for 5 years. Thus, the total research observations amounted to 200. This study uses panel data regression analysis with the help of the Eviews 11 program. The result of this study indicate that the Self-Retention Ratio and Underwriting Results affect the solvency of insurance companies. While the Firm Size and Investment Return Ratio have no effect on the solvency of insurance companies.

Keywords: *Solvency, Risk Based Capital, Company Size, Investment Return Ratio, Self-Retention Ratio dan Underwriting Results.*

1. INTRODUCTION

Insurance is an agreement of an insurer who binds himself to the insured to provide an obligation to compensate for loss or damage that may be suffered by the insured (KUHD Pasal 246, 2009). A healthy and reliable insurance company is very much needed by the community. Because the trust in an insurance company from the insured is based on the insurance company's financial health factors (Arzelan, 2017). An insurance company can be said to be healthy if it always fulfills the claim obligations submitted by the insured and has a solvency ratio above the minimum threshold set by the Government (Tarigan & Mahfud, 2015).

General insurance companies experienced a decrease in the number of companies starting from 2012–2018. The following is data on the number of insurance companies in Indonesia according to the 2019 Insurance Statistics Report.

Table 1 Number of Insurance Companies in 2012-2019

Description	2012	2013	2014	2015	2016	2017	2018	2019
General insurance	84	82	81	80	80	79	79	78
National Private	66	65	64	64	58	55	56	55
Joint Venture	18	17	17	16	22	24	23	23

Source: Financial Services Authority, Indonesia Insurance Statistics 2019

The decline in the number of general insurance companies was due to the operating licenses of several companies having been revoked by the Financial Services Authority (OJK) because they could not fulfill the stipulated provisions, namely having a solvency

level below 120%. An example of the case occurred in PT Asuransi Recapital and PT Asuransi Himalaya Protector in 2020. This issue related to solvency has become a major problem in the insurance industry in Indonesia for the past few years.

Solvency in insurance companies is influenced by various factors. According to researches by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) states that firm size has a positive effect on solvency. However, in contrast to the research conducted by Kumar & Kumar (2016) and Verma (2014), which states that firm size has a negative effect on solvency.

Research conducted by Alamsyah & Wiratno (2017) on a loss insurance company that has been registered with the OJK for the period 2011-2015 states that investment returns have a positive effect on the achievement of solvency ratios. However, research conducted by Ambarwati & Hasib (2018) and Joo (2013) states that investment returns have no significant effect on the solvency of insurance companies.

Utami & Khoiruddin (2016) in his research stated that the retention ratio itself had no effect on solvency. Then, research conducted by Aniseh et al. (2019) and Tarigan & Mahfud (2015) show that underwriting results have an effect on the solvency of insurance companies.

Research from Aniseh et al. (2019) and Tarigan & Mahfud (2015) show that underwriting has an effect on the solvency of insurance companies. Underwriting results are the results of underwriting activities which are a process of identifying and selecting risks from prospective insured who will buy an insurance product.

This study will contribute to the literature, where to the best of the researcher's knowledge, there are still few previous studies regarding solvency in insurance companies in Indonesia and there are different (contradictory) results from previous studies related to firm size and investment return ratios. Based on the background explanation above, this research takes the title **"Factors Affecting Solvency in Insurance Companies in Indonesia for the 2015-2019 Period"**.

2. THEORY REVIEW

2.1 Bankruptcy Theory

Research on corporate bankruptcy was first proposed by Beaver in 1996. Beaver in his research compared 30 ratios in 79 failed companies and non-failed companies in 38 industries. The purpose of Beaver's research is to determine whether the selected financial ratios can be used to detect bankruptcy.

The theory of bankruptcy is related to this research, because if the insurance company has problems paying its financial obligations to the insured at maturity, it is very possible for the company to be in an insolvable condition. If these conditions are not addressed quickly, it can lead to business bankruptcy.

2.2 Solvency

The solvency ratio according to Kasmir (2013:151) is the company's ability to pay all obligations, both long-term and short-term with all its assets if the company is dissolved or liquidated. Harahap (2015) explains solvency, which is a financial ratio used to measure a company's ability to pay debts when they fall due.

2.3 Risk Based Capital (RBC)

Cheng & Weiss (2012) explained that RBC is the minimum amount of capital required based on the risk accepted by insurance companies in terms of supporting business

activities and minimizing the possibility of bankruptcy. According to Utami & Khoiruddin (2016) RBC is the ratio of capital adequacy to risk borne and is one of the main indicators for assessing the health of insurance companies, especially those related to the ability of insurance companies to fulfill all their obligations (solvability).

2.4 Company Size

Firm size according to Ponziani & Azizah (2017) is a reflection of the number of assets used for the company's operating activities. While Brigham & Houston (2018) define company size as the size of a company assessed by total assets, total sales, total profit, tax expense and others.

2.5 Investment Return Ratio

According to Ningrum (2014), the ratio of return on investment is the ratio used to determine the health of insurance companies. Meanwhile, Ambarwati & Hasib (2018) states that the investment return ratio can be used to assess investment policies carried out by insurance companies. Because most of the investment results obtained are intended to be used as reserves to pay future claims, the insurance company's investment must be safe.

2.6 Own Retention Ratio

According to Yuliana (2008:81), the retention ratio itself reflects the comparison between the net premium and the gross premium. If the retention ratio is close to one, it means that the company is increasingly willing to take the risk of its own claims. On the other hand, if the retention ratio is close to zero, it means that the company is less willing to take the risk of its own claims (Sumartono & Harianto, 2018:5).

2.7 Underwriting Yield Ratio

Nasution (2020) explained that underwriting is a risk selection activity carried out by insurance companies, including in determining the premium level and other provisions that will be imposed on the prospective insured. According to Sastri (2017), underwriting results are profit/loss from the main insurance activities obtained from the difference between underwriting income and underwriting expenses.

2.7 Theoretical Framework and Hypothesis Development

a) Company Size Against Solvency

If the insurance company is large, the premiums obtained as the insurance company's income are also high so that it can also contribute high to the level of solvency of the insurance company. This is in accordance with research by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) which show that firm size has a positive effect on solvency.

H₁: Firm size has a positive effect on the solvency of insurance companies

b) The Effect of Investment Return Ratio on Solvency

Basically, insurance companies have a need to get high investment returns from their investment assets. Therefore, good investment management will provide big profits for insurance companies, which will have a positive impact on solvency levels (Joo, 2013). This is consistent with research by Alamsyah & Wiratno (2017), which states that investment returns have a positive effect on RBC.

H₂: The investment return ratio has a positive effect on the solvency of insurance companies

c) The Effect of Own Retention Ratio on Solvency

The retention ratio itself can measure the company's retention rate to compare the company's actual ability with available funds. If the retention rate is high, it means that the company's ability to manage premium income is also high, which will have an impact on the financial health of the insurance company. According to the research results of Utami & Khoiruddin (2016), they stated that the retention ratio itself partially has no effect on the level of solvency.

H₃: The retention ratio itself has a positive effect on the solvency of insurance companies

d) Effect of Underwriting Results on Solvency

Insurance companies with high risk require more capital. Because of this, insurance companies must be able to obtain sufficient profits from underwriting results for these high risks. According to research Aniseh et al. (2019), Tarigan & Mahfud (2015) and Pitselis (2006) state that underwriting has a significant effect on the company's solvency level. The greater the underwriting results of an insurance company, the greater the solvency level will be.

H₄: Underwriting results have a positive effect on the solvency of insurance companies

The relationship between the factors studied related to corporate philanthropy can be seen in the following figure:

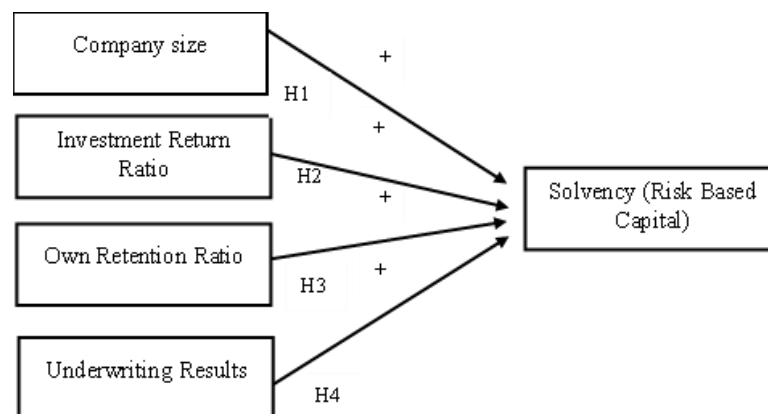


Figure 1 Conceptual Framework

3. RESEARCH METHODS

The unit of analysis and the scope of this research is a general insurance company which is officially registered and supervised by OJK in the 2015–2019 period. This study uses a quantitative approach with the analytical technique used is multiple regression panel data which will be processed with the help of EViews 11 software.

The population used in this study are general insurance companies that are officially registered and supervised by the OJK for the 2015–2019 period, totaling 74 companies. By using the purposive sampling method, the samples obtained are those that meet certain criteria, including:

1. General insurance company registered and supervised by OJK for the period 2015–2019;
2. A general insurance company that publishes an annual report and/or financial statement for the period 2015–2019 and publishes it on the Indonesia Stock Exchange (IDX) website or on the respective websites of the insurance company.
3. A general insurance company that publishes an annual report and/or financial statement in Rupiah.

The number of purposive sampling results that meet the criteria mentioned above are 40 companies. The selected companies were used as research samples with an observation period of each company for 5 years, so in this study there were 200 observations.

Research variables are classified into two groups of variables, namely the independent variable and the dependent variable. The dependent variable in this study is solvency (Y). Meanwhile, the independent variables are company size (X1), investment return ratio (X2), own retention ratio (X3) and underwriting results (X4). For more details, the variables and their indicators can be seen in the following table:

Table 2 Operationalization of Variables

Variable	Measurement	Measuring Scale
Solvency (RBC) (Y)	$\frac{\text{Solvency level}}{\text{RBMC (Risk Based Minimum Capital)}} \times 100\%$	Ratio
Company Size (X1)	$\ln \text{total asset}$	Nominal
Investment Return Ratio (X2)	$\frac{\text{Investment return}}{\text{Total investment}} \times 100\%$	Ratio
Self-Retention Ratio (X3)	$\frac{\text{Net Premium}}{\text{Gross Premium}} \times 100\%$	Ratio
Underwriting Results (X4)	$\text{Underwriting Income} - \text{Underwriting Expenses}$	Nominal

Source: OJK Regulation No.71/POJK.05/2016, Ambarwati & Hasib (2018), Alamsyah & Wiratno (2017), PSAK Nomor 28 Tahun 2012

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to find out the general picture or description of a data seen by the average (mean), median, maximum value, minimum value, and standard deviation. The results of the descriptive statistical analysis processed using the EViews 11 program are presented in table 4.2 below.

Table 3 Results of Descriptive Statistics

	RBC	SIZE	INVT	RTS	UDW
Mean	1.075932	1.443187	0.071672	0.593702	2.033316
Median	1.000040	1.443442	0.064279	0.612871	1.199625
Maximum	3.201316	1.485309	0.238653	0.999275	12.56559
Minimum	0.232210	1.407028	0.001952	0.147084	-0.342760
Std. Dev.	0.560986	0.018116	0.032350	0.203178	2.220136
Observations	200	200	200	200	200

Source: Output EViews 11, 2021

Description:

RBC = Risk Based Capital

SIZE = Company Size
INVT = Investment Return Ratio
RTS = Own Retention Ratio
UDW = Underwriting Results

4.2 Panel Data Regression Model Selection

a) Chow Test on Fixed Effect Model

According to Basuki & Prawoto (2017), Chow test is used to select a model that is more appropriate to be used in the study by choosing between the common effect and the fixed effect. Below is a test table of the Chow test on the fixed effect model.

Table 4 Chow Test

Redundant Fixed Effects Tests Equation: MODEL_FEM Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.086017	(39,156)	0.0000
Cross-section Chi-square	312.532327	39	0.0000

Source: Data processed with EViews 11, 2021

Based on the test results on the chow test table, it shows that the prob value. The Chi-square cross-section is $0.0000 < 0.05$ so that H_0 is rejected, and H_a is accepted. So, the model that is suitable for conducting regression testing in this study uses the fixed effect model.

b) Hausman Test on Random Effect Model

According to Basuki & Prawoto (2017), Hausman test is used to determine whether a model with a fixed effect or random effect approach is more appropriate to use in a study. The results of the Hausman test can be seen in the following table.

Table 5 Hausman Test

Correlated Random Effects - Hausman Test Equation: MODEL_REM Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.499397	4	0.1117

Source: Data processed with EViews 11, 2021

The results of the Hausman test in the table above show that the prob value. The random cross-section is $0.1117 > 0.05$ so that H_0 is accepted, and H_a is rejected. This means that the model chosen for panel data regression is a random effect model.

c) Lagrange Multiplier (LM) Test on Common Effect Model

According to Basuki & Prawoto (2017), in determining the right model between random effects and common effects, it can be done by using the Lagrange multiplier test. The following is a test table of the lagrange multiplier test.

Table 6 Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	203.5880 (0.0000)	0.960138 (0.3272)	204.5481 (0.0000)

Source: Data processed with EViews 11, 2021

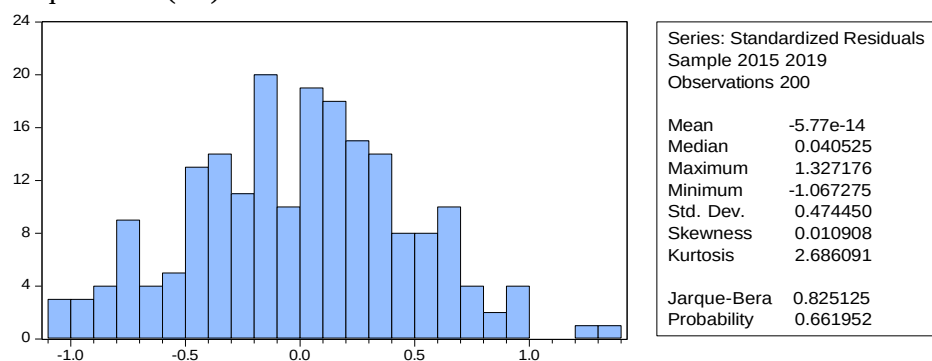
The results of the lagrange multiplier test show that prob. The Breusch-Pagan cross-section on panel data is $0.0000 < 0.05$, which means that H_0 is rejected, and H_a is accepted. Based on the three tests above, the right model for panel data regression is the random effect model.

4.3 Classic Assumption Test

Basically, panel data regression does not require autocorrelation test. This is because the autocorrelation test only occurs in time series data, while in panel data it is closer to cross section data (Basuki and Yuliandi, 2015:152-153). Therefore, the classical assumption test used is as follows.

a) Normality test

The normality test aims to test whether all variables in the regression model have a normal or abnormal data distribution (Ghozali, 2018:161). In this study, the normality test used the Jarque-Bera (JB) test.



Source: Data processed with Eviews 11, 2021

Figure 2 Normality Test Results

Based on Figure 2, it shows the JB value of 0.825125 which means it is smaller than 2. In addition, the probability value is above the alpha value (0.05 or 5%) which is 0.661952. So, it can be concluded that the data in this study are normally distributed.

b) Multicollinearity Test

The multicollinearity test aims to test whether the regression model is mutually correlated between one independent variable and the other independent variables (Ghozali, 2018:107). If the correlation coefficient value < 0.90 , then the data does not experience multicollinearity problems.

Table 7 Multicollinearity Test Results

	SIZE	INVT	RTS	UDW
SIZE	1.000000	0.127427	-0.058429	0.811135
INVT	0.127427	1.000000	0.055325	0.079228
RTS	-0.058429	0.055325	1.000000	0.080479
UDW	0.811135	0.079228	0.080479	1.000000

Source: Data processed with Eviews 11, 2021

The results of the multicollinearity test in the table above, it is known that the value of the correlation coefficient between the independent variables SIZE, INVT, RTS and UDW is less than 0.90. This means that the regression model and the four independent variables used do not occur multicollinearity.

c) Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model has an inequality of variance from the residuals of one observation to another (Ghozali, 2018:137). In this study, the heteroscedasticity test was carried out using the Glejser test method.

Table 8 Heteroscedasticity Test Results

Heteroscedasticity Test: Glejser			
F-statistic	2.292105	Prob. F(4,195)	0.0610
Obs*R-squared	8.981233	Prob. Chi-Square(4)	0.0616
Scaled explained SS	8.419242	Prob. Chi-Square(4)	0.0774

Source: Data processed with Eviews 11, 2021

In the table of heteroscedasticity test results, it is known that the prob value. Chi-Square (on Obs*R-Squared) is $0.0616 > 0.05$. Thus, it can be concluded that the data in this study did not experience heteroscedasticity problems.

d) Multiple Linear Regression Analysis

The equation model that was previously selected through the Chow test, Hausman test, and the Lagrange multiplier test is the random effect model (REM) with the results in the following table.

Table 9 Random Effect Model

Dependent Variable: RBC				
Method: Panel EGLS (Cross-section random effects)				
Date: 11/15/21 Time: 22:58 Sample: 2015 2019				
Periods included: 5 Cross-sections included: 40				
Total panel (balanced) observations: 200				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	38.98050	5.991000	6.506509	0.0000
SIZE	-26.57563	4.150574	-6.402882	0.0000
INVT	0.198828	0.651321	0.305268	0.7605
RTS	0.389377	0.189481	2.054960	0.0412
UDW	0.100141	0.028990	3.454288	0.0007
			S.D.	Rho
Cross-section random			0.417004	0.7539

Idiosyncratic random		0.238281	0.2461
Weighted Statistics			
R-squared	0.234930	Mean dependent var	0.266387
Adjusted R-squared	0.219236	S.D. dependent var	0.272077
S.E. of regression	0.240410	Sum squared resid	11.27039
F-statistic	14.96962	Durbin-Watson stat	1.109655
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.284720	Mean dependent var	1.075932
Sum squared resid	44.79542	Durbin-Watson stat	0.279186

Source: Data processed with Eviews 112021

$$RBC = 38.98050 - 26.57563 \text{ SIZE} + 0.198828 \text{ INVT} + 0.389377 \text{ RTS} + 0.100141 \text{ UDW}$$

e) Model Feasibility Test (Statistical Test F)

In table 9 above, it is known that the F-statistic value is 14.96962 which is greater than Ftable (14.96962 > 2.42). In addition, the Prob F-statistic value is smaller than alpha (0.05), which is 0.000000. It can be concluded that the estimated regression model is feasible to use.

f) Coefficient of Determination (Adjusted R²)

Based on table 9, the test results show that the value obtained from the coefficient of determination R-squared is 0.219236, which means the independent variables SIZE, INVT, RTS and UDW can explain the solvency dependent variable (RBC) of 21.92% while the remaining 78.08% (100% - 21.92 %) is influenced by other variables not examined in the study.

4.4 Hypothesis Test (Test Statistical t)

Based on the results of the t-statistical test in the table above, the hypothesis in this study is as follows.

1. In table 9 it can be seen the prob value. SIZE variable is 0.0000 < 0.05 and t-count is -6.402882 > 1.9722 t-table. The regression coefficient of -26.57563 indicates a negative direction. So, it can be concluded that the **first hypothesis** proposed by the author is **rejected**.
2. Based on the results of hypothesis testing, the prob value is known. the INVT variable is 0.7605 > 0.05 and the t-count is 0.305268 < 1.9722 t-table with a regression coefficient of 0.198828 indicating a positive direction. So, the **second hypothesis** proposed by the author is declared **rejected**.
3. In the results of hypothesis testing, it shows the prob value. the RTS variable is 0.0412 < 0.05 and the t-count is 2.054960 > 1.9722 t-table. The regression coefficient is 0.389377 with a positive direction, which means that the **third hypothesis** proposed by the author is **accepted**.
4. The results of hypothesis testing indicate that the prob value. the UDW variable is 0.0007 < 0.05 and the t-value is 3.454288 > 1.9722 t-table. The regression coefficient has a positive direction of 0.100141, which means that the **fourth hypothesis** proposed by the author is **accepted**.

4.5 Discussion

a) The Effect of Firm Size on Solvency

This study states that there is a relationship between firm size which has a negative effect on the solvency of insurance companies. This means that all assets owned by the company do not always affect the increase in the solvency ratio of the insurance company. This is because not all of the total assets owned by the company can be included in the list of permitted assets as stated in the Financial Services Authority Regulation Number 71/POJK.05/2016 concerning the Financial Health of Insurance Companies and Reinsurance Companies. Assets allowed (admitted assets) is the amount of wealth that is considered in the calculation of the solvency level. Allowed assets are divided into two, namely: (1) permitted assets in the form of investment, (2) permitted assets in the form of non-investment. Thus, even though the company has high total assets, the assets that are allowed to be calculated in solvency are low, thereby reducing the solvency of the insurance company.

The results of this study support previous research conducted by Kumar & Kumar (2016) and Verma (2014) which obtained the results that firm size had a negative effect on solvency. This study obtained different results from research by Ambarwati & Hasib (2018), Joo (2013), and Haan & Kakes (2010) which stated that firm size had a positive effect on the solvency of insurance companies.

b) The Effect of Investment Return Ratio on Solvency

This study yields a positive relationship but does not affect the ratio of investment returns to the solvency of insurance companies. This can be assumed because the investment returns obtained by general insurance companies are less profitable. It can be seen that the average return on investment is 7.16% of the total investment each year. Therefore, investment returns have no effect on solvency.

The results of this study support research that has been carried out by Ambarwati & Hasib (2018) and Joo (2013) which says that investment returns have no effect on solvency. This study obtained different results from research by Alamsyah & Wiratno (2017), which stated that investment returns had a significant effect and had a positive relationship to the solvency ratio.

c) The Effect of Own Retention Ratio on Solvency

This study shows that the retention ratio itself has a positive effect on the solvency of insurance companies. This shows that the retention ratio itself can increase solvency, because increasing the retention ratio means the insurance company is able and reliable to manage its own premium income without having to spread the risk to other insurers (reinsurance companies) so that it has an impact on the company's financial health.

This research supports the research conducted by Agustiyani (2019) which results in the retention ratio having an effect on solvency. However, in contrast to previous research conducted by Utami & Khoiruddin (2016), it was stated that there was no relationship between the retention ratio itself and the level of solvency. If the retention ratio itself increases or decreases, it will not affect the solvency level of the insurance company.

d) Effect of Underwriting Results on Solvency

This study provides the results of the relationship between underwriting results that have a positive effect on the solvency of insurance companies. This is because when the underwriting income of the insurance company can cover all of its underwriting expenses, the difference can affect the profits earned by the insurance company. If profits increase, the solvency ratio can also increase. With increased solvency, the company will be seen as financially healthy and will give a positive signal to shareholders.

The results of this study support previous research conducted by Tarigan & Mahfud (2015) Which obtained the results that underwriting results had a positive effect on solvency. In addition, Aniseh et al. (2019) The results of this study support previous research conducted by Tarigan & Mahfud (2015) which obtained the results that underwriting results had a positive effect on solvency. In addition, Aniseh et al. (2019) also conducted research with the findings that there is a positive relationship between underwriting results and solvency.

5. CONCLUSION AND SUGGESTIONS

5.1 Conclusion

This study aims to examine how the effect of firm size (SIZE), investment return ratio (INVT), own retention ratio (RTS) and underwriting results (UDW) on solvency (proxied by Risk Based Capital ratio) in insurance companies. This research was conducted considering the phenomenon in the insurance world, which is required to meet the solvency ratio, the amount of which has been determined by the Government.

Based on the results of the tests and discussions that have been described previously, it can be concluded that company size has a negative effect on the solvency of insurance companies. The investment return ratio has no effect on the solvency of the insurance company. The retention ratio itself has a positive effect on the solvency of insurance companies. Underwriting results have a positive effect on the solvency of insurance companies.

5.2 Suggestions

Based on the explanation above, there are several recommendations for further researchers, namely as follows:

1. Future researchers are expected to add other independent variables that can increase the proportion in explaining the dependent variable in this study such as the ratio of claims expense and asset growth.
2. Future researchers are expected to increase the time period of the study so that observations on the solvency of insurance companies will later obtain a broader picture.
3. Future researchers are expected to use different methods, for example the selection of proxies in variables, sample selection, test equipment, and the type of analysis method used.

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**THE EFFECT OF COST CONTROL EFFECTIVENESS AND
WORKING CAPITAL TURNOVER ON FIRM VALUE IN THE FOOD
AND BEVERAGE SECTOR LISTED ON THE INDONESIA STOCK
EXCHANGE**

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Abstract

This study aims to examine and analyze the Effect of Cost Control Effectiveness and Working Capital Turnover on Firm Value as an intervening variable. The sample used in this study is secondary data taken from the Indonesia Stock Exchange with 11 companies in 2011 - 2018. The hypothesis is tested using multiple linear regression. The sample used in this research is purposive sampling technique, classical assumption test consisting of normality test, multicollinearity test, heteroscedasticity test, multiple linear regression test consisting of hypothesis testing, determination test and to prove the research hypothesis. The results of this study indicate that the Effectiveness of Cost Control (EPB) has a negative and significant effect on firm value. Working Capital Turnover (PMK) has a positive and significant effect on firm value. Moreover, the Effectiveness of Cost Control and Working Capital Turnover simultaneously has a positive and significant effect on Firm Value.

Keywords: *Cost Control Effectiveness, Working Capital Turnover and Firm Value.*

1. INTRODUCTION

One of the business sectors that continues to grow is the food and beverage industry. The volume of demand for Food and Beverage in Indonesia continues to rise in alongside with the country's growing population. The Indonesian people's preference for ready-to-eat food has resulted in the emergence of a slew of new food and beverage businesses. As a response, business competition is becoming more intense. Companies must reinforce their basics in order to compete with other similar companies in this increasingly intense competition. When a company is unable to compete with global companies, it will see a decline in volume, eventually leading to insolvency. Furthermore, recent business advances necessitate that business players respond more quickly to any changes that occur in today's competitive business environment.

It is critical for a firm to maximize its value, as it entails increasing the organization's primary objective. Increasing the company's worth is a goal that the owners have set for themselves, as it will improve their financial well-being in the long term. In addition, the food and beverage industry is expanding in Indonesia because almost everyone has to eat and drink at some point in their lives. Apart from that, stocks in food and beverage sub-sector companies are the most resilient to the current financial crisis of any sector or sub-sector, because food and beverage products will always be in demand, crisis or no crisis.

Based on this fact, the food and beverage sub-sector companies will continue to survive. It is predicted that many factors will influence firm value, two of which are cost control effectiveness and working capital turnover. The effect of cost control effectiveness and working capital turnover is theoretically explained in more detail in the theories. Thus, researchers use both variables, namely the effectiveness of cost control and working capital turnover as independent variables to prove their effect on the value of companies projected or measured using PER (Price Earning Ratio) as dependent variables.

2. THEORY REVIEW

2.1. Cost Control Effectiveness

Relating the effectiveness, researcher will express his opinions based on expressed understanding by experts. The first opinion, namely the opinion expressed by Makmur (2013) reveals effectiveness related to the level of truth or error. He argues that to determine the level of effectiveness of the success of a person, group, organization, we must make a comparison between the truth or accuracy with the error or what will be done. The lower the level of errors or errors that occur, of course, the closer the accuracy in carrying out the activities or work (tasks) that are charged.

Another opinion expressed by Lukman Dendawijaya (2013) states that the effectiveness of cost control is a condition where the company is able to realize the goals that have been set in an effectiveness value that starts from how the company runs a control, while the opinion expressed by Sedarmayanti (2016) states that effectiveness as a measure that provides an overview how far the target can be achieved. This understanding of effectiveness is output-oriented, while the problem of using less input will be a major concern. The effectiveness of cost control is measured by the BOPO ratio, namely by comparing operational costs with operating income. The formula for cost control efficiency with the BOPO ratio is as follows:

$$\text{BOPO} = \frac{\text{Operating costs}}{\text{Operating income}} \times 100\%$$

The relationship between the measurement of cost control using the BOPO ratio level and the cost control methods proposed by Mulyadi (2013) is that the correct measurement is more on the standard full costing system which states the planned costs to be allocated with a real activity plan, while the BOPO ratio is only as a measurement level only.

2.2. Working Capital Turnover

Every company needs to provide working capital. Companies engaged in any field, both service companies and production companies will always need working capital to finance their production business in the hope that the funds that have been spent can return to the company in a relatively short term. To assess the effectiveness of working capital, the sales ratio divided by current assets minus current liabilities. And the opinion expressed by Kasmir (2018) states that the ratio to measure the level of working capital turnover can be formulated as follows:

$$\text{Working Capital Turnover} : \frac{\text{Sales}}{\text{Current assets} - \text{Current liabilities}}$$

Based on the explanation above, it can be explained that the measuring instrument for calculating working capital turnover is formulated as sales divided by current assets minus current liabilities in the company's financial statements.

2.3. The Value of the Company

Firm value is an investor's perception of the company's level of success which is often associated with stock prices. High stock prices make the value of the company also high. A high company value will make investors believe, not only in the company's current performance, but also in the company's prospects in the future, so that there is a desire for investors to invest in the company. In addition, with a high company value, the prosperity of the shareholders also increases, so that the company's main goals are achieved. For investors, the higher the Price Earning Ratio, the expected profit growth will also increase. Thus, the Price Earning Ratio (the ratio of price to profit) is the comparison between market price per share and earnings per share. Further, Irwan Djaja (2017) argues that the formula for calculating Price Earning Ratio (PER) is as follows:

$$\text{PER} = \text{Market Price per Share} / \text{Earning per Share}$$

2.4. Research Hypothesis

1. Simultaneous Hypothesis:
 - a. There is an effect of Cost Control Effectiveness and Working Capital Turnover on Firm Value.
2. Partial Hypothesis.
 - a. There is an effect of Cost Control Effectiveness on Firm Value.
 - b. There is an effect of Working Capital Turnover on Firm Value.

2.5. Framework of thinking

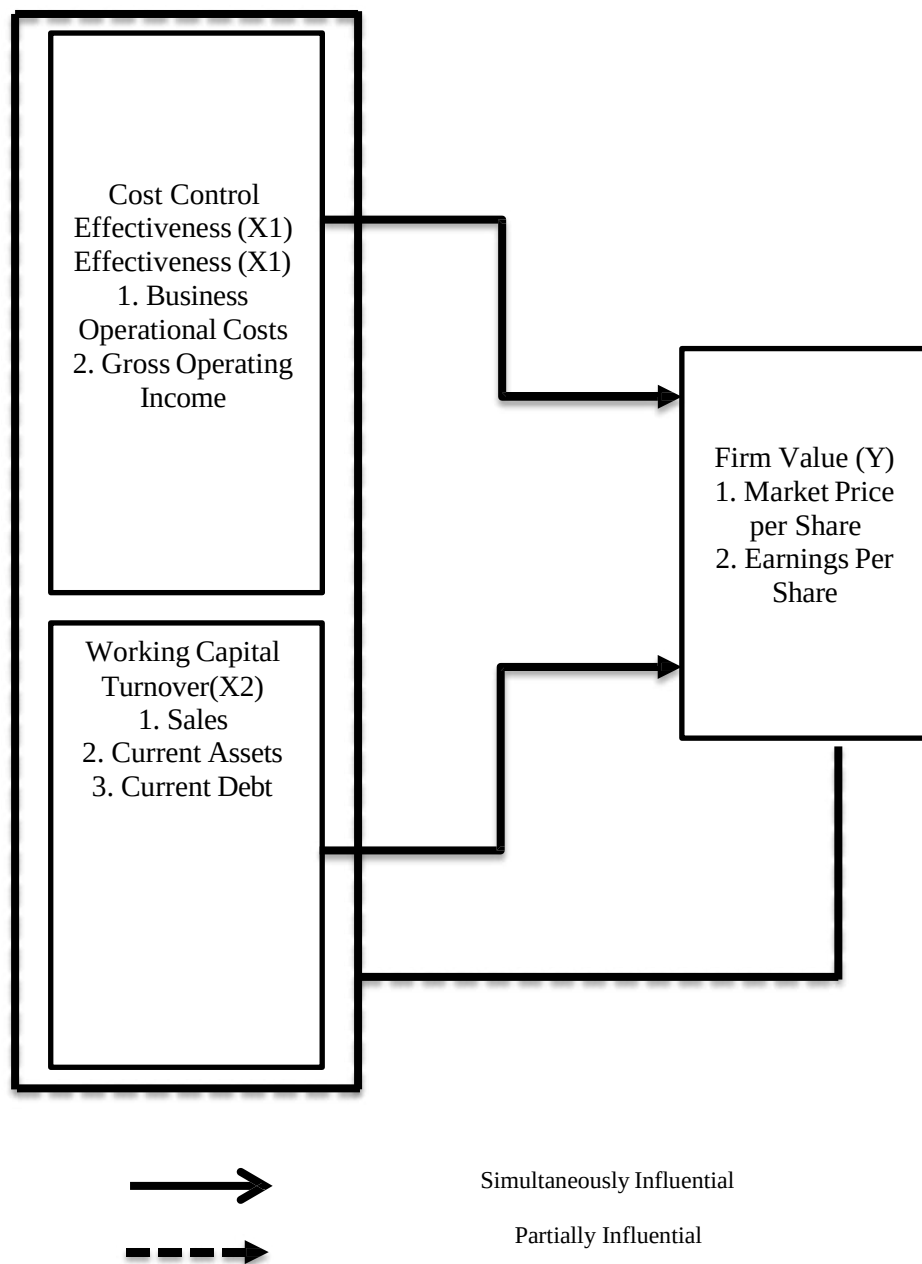


Figure 1 Framework of Thinking

3. RESEARCH METHODS

This study uses descriptive research methods proposed by Sugiyono (2013) that descriptive research methods are research conducted to determine the value of independent variables, either one or more variables without making comparisons, or connecting with other variables. Descriptive method used to determine the condition of the effectiveness of cost control and working capital turnover and firm value.

This study uses a verification method which aims to determine the relationship between two or more variables, as well as the method used to test the truth of a hypothesis, so that evidence can be taken that shows the hypothesis is accepted or rejected. In this study, the verification method used to answer questions in the formulation of the problem of how much influence the effectiveness of cost control and working capital turnover on firm value either simultaneously or partially.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistical Analysis

Table 1 Statistical Descriptive Analysis

	N	Minimum	Maximum	mean	Std. Deviation
EPB	87	.120	5.088	.17423	.543802
PMK	87	.459	6.892	2.47346	1.559423
PER	87	27.00	75.70	17.3253	16.76695
Valid N (listwise)	87				

Source: Data processed by SPSS 16

Based on table 1, it can be seen that the statistical test results for the minimum, maximum, mean and standard deviation values with a total sample of 87 companies. The explanation of the results is as follows:

- 1) The variable of Cost Control Effectiveness shown by the EPB proxy has a value of *minimum* of 0.120; maximum value 5.088; mean value 0.17423; and has a standard deviation of 0.543802.
- 2) Working Capital Turnover variable shown by the PMK proxy has a value of *minimum* of 0.459; maximum value 6,892; mean value 2.47346; and has a standard deviation of 1.559423.
- 3) The Firm Value variable indicated by the PER proxy has a minimum value of 27; maximum value of 75.70; mean value 17.3253; and has a standard deviation of 16.76695.

4.2. Multiple Linear Regression Analysis

The analysis in this study uses multiple linear regression with SPSS 16 software. Based on the output of SPSS 16 software, the influence of 2 independent variables, namely Effectiveness of Cost Control and Working Capital Turnover affects the dependent variable, namely Firm Value which can be seen in Table 2 along with the explanation:

Table 2 Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	0.859	3,507			5,292	.000
PMK	.627	1.172	.058		.535	.044
EPB	.088	3.362	.059		.541	.030

Source: Data processed by SPSS 16

Based on table 2, the test uses the multiple linear regression method to test the effect of the independent variables, namely Working Capital Turnover (PMK) and Cost Control Effectiveness (EPB) on the dependent variable Price Earning Ratio (PER) can be written with multiple linear regression equations as follows:

$$PER = 0.859 + 0.627 PMK + 0.088 EPB$$

While Multiple linear regression equation can be explained as follows:

- The constant value of 0.859 indicates that the independent variable Working Capital Turnover (X1) and Cost Control Effectiveness (X2) are equal to zero, so the value of discretionary accruals Price Earning Ratio is 0.859.
- The Working Capital Turnover (PMK) variable shows that the value of Positive regression coefficient of 0.627 this indicates that PMK has a positive effect on firm value (PER). This shows that if the PMK variable which has an increase of 1% resulted in an increase in PER of 0.627, with the assumption that other variables are considered constant.
- The Profit Margin (EPB) variable shows that the coefficient value of positive regression of 0.088 this indicates that the EPB positive effect on firm value (PER). As a result, it is shows that if the EPB variable increases by 1% resulting in an increase in the Price Earning Ratio of 0.088, with the assumption that other variables are considered constant.

4.3. Classical Assumption Test

The following will present the results of testing the classical assumptions on the regression model. This test is used to see whether the specification of the regression model used is correct or not. The basic tests in this study using classical assumption deviations include the normality test which is carried out through the Kolmogrov Smirnov test to determine whether the data used are normally distributed or not, autocorrelation test using run test values, multicollinearity test using Variance Inflation Factor (VIF), and Heteroscedasticity using the spearman test method.

1) Normality Test

Table 3 Results of Normality Test Analysis

asympt. Sig. (2-tailed)	.357
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Source: Data processed by SPSS 16

Normality test was conducted to see whether a regression model was normally distributed or not. Testing for normality in this study uses the Kolmogrov Smirnov test. If the significant value is above a certain significance, it can be concluded that the data is normally distributed with a significant level of 0.05. Table 3 shows that the results of the normality test using the Kolmogrov Smirnov test, the Asymp.Sig value, shows a value of 0.357 above 0.05, this indicates that the data in this study are normally distributed.

2) Autocorrelation Test

Table 4 Autocorrelation Analysis Results

asympt. Sig. (2-tailed)	.064
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Source: Data processed by SPSS 16

The autocorrelation test aims to test in the linear regression model whether there is a correlation between the confounding error in period t and the confounding error in period $t-1$ (previous). This autocorrelation test uses the Runs test to detect whether there is autocorrelation or not. A good regression model that does not contain symptoms of autocorrelation. Symptoms of autocorrelation can be detected if the Asymp.Sig value is below 0.05. Based on table 4, Runs test results of 0.64, this value is above the Asymp.Sig standard, so it can be concluded that the linear regression model does not occur autocorrelation.

3) Multicollinearity Test

Table 5 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
EPB	.994	1.006
PMK	.994	1.006

Source: Data processed by SPSS 16

The multicollinearity test aims to test whether there is a correlation between the independent variables in linear regression. Tests using this regression model can be seen from the value of VIF (Variance Inflation Factor). Based on table 5 the VIF value of Cost Control Effectiveness (EPB) and Working Capital Turnover (PMK) has a VIF value that is far below 10, so it can be concluded that this regression model does not occur multicollinearity between independent variables.

4) Heteroscedasticity Test

Table 6 Results of Heteroscedasticity Test Analysis
Sig. (2-tailed)

EPB	.091
PMK	.412

Source: Data processed by SPSS 16

The heteroscedasticity test aims to test whether in a regression model there is an inequality of variance from the residual of one observation to another observation. This test is carried out using the Spearman test method. Based on table 6, the regression results show that all independent variables have insignificant values marked by the probability value > 0.05 so it can be concluded that in this regression there are no symptoms of heteroscedasticity.

4.4. Partial Hypothesis Testing (t-Test)

Hypothesis testing with t test is used to show the individual influence between the independent variables on the dependent variable. The results of hypothesis testing multiple regression linear analysis on each independent variable can be explained as follows:

a) Working Capital Turnover Variable (H1)

The first hypothesis proposed states that working capital turnover using a proxy (PMK) has a positive and significant effect on the Price Earning Ratio (PER). Based on the evaluation, the Beta Value is Not Equal to 0, which means that there is an Effect of Working Capital Turnover Variable and the probability value of the research results is 0.044 which is smaller than the predetermined significant level of 0.05, then H1 is accepted, namely there is an influence between PMK on PER. Furthermore, the regression coefficient of the Working Capital Turnover variable on the Price Earning Ratio is 0.627, which means it is positive. Every 1% increase in PMK will increase PER by 62% so that the results of testing the first hypothesis can be concluded that Working Capital Turnover has a positive and significant effect on Price Earning Ratio is accepted, then the first hypothesis is supported.

b) Cost Control Effectiveness Variable (H2)

The second hypothesis proposed states that the Effectiveness of Cost Control using a proxy (EPB) has a positive effect on Firm Value with a proxy (PER). Based on the evaluation, the Beta Value is Not Equal to 0, which means that there is an Effect of Variable Effectiveness of Cost Control and Probability of the research results of 0.030 which is smaller than the predetermined significant level of 0.05 then H2 is accepted, namely there is an influence between EPB on PER. Furthermore, the regression coefficient of the Cost Control Effectiveness variable on firm value is 0.088, which means it is positive. Every 1% increase in EPB will increase PER by 8.8% so that the results of testing the second hypothesis can be concluded that Cost Control Effectiveness has a positive and significant effect on Firm Value is accepted, then the second hypothesis is supported.

4.5. Simultaneous Hypothesis Testing (F-test)

Hypothesis testing with the F test is used to show whether there is an effect of all the independent variables in this regression model having a joint effect on the dependent variable. The following can be seen in the table of F test results below:

Table 7 Results of F-Test Analysis			
Model		F	Sig.
1	Regression	2.268	.00 ^a
	Residual		
	Total		

Source: Data processed by SPSS 16

Based on the research table above, the results of the F test indicate that the significant value of 0.000 is smaller than the predetermined significant level of 0.05 which means that there is a simultaneous significant effect between the independent variable and the dependent variable, so the results of this study can be concluded that all variables independent, namely the Effectiveness of Cost Control and Working Capital Turnover which together affect the Company Value.

4.6. Testing the Coefficient of Determination (R²)

Testing the coefficient of determination can be used to measure how far the model's ability to explain variance dependent variable. The following table shows the results of multiple regression analysis testing:

Table 8 Analysis Results of Adjusted R Square

Adjusted R Square
.29

Source: Data processed by SPSS 16

Based on research table above, it shows that the result of the adjusted R square is 0.29 or 29%, this means 29% of the variation in the dependent variable can be explained by the three variables of Cost Control Effectiveness (EPB) and Working Capital Turnover (PMK) while the remaining 71% explained by other factors outside this research model. The coefficient of determination is said to be relatively small because there are 71% variations in other variables outside of this study which can explain the variation in the Price Earning Ratio (PER) variable.

5. CONCLUSION

This study aims to examine and analyze the effect of Cost Control Effectiveness and Working Capital Turnover on Firm Value. Sampling in this study was carried out using a data pooling technique to avoid data limitations during the eight-year observation period, namely from 2011-2018 in food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange.

Based on the data analysis and discussion, the following conclusions can be drawn: Cost Control Effectiveness (EPB) has a negative and significant effect on firm value. Working Capital Turnover (PMK) has a positive and significant effect on firm value. While, the Effectiveness of Cost Control and Working Capital Turnover has simultaneously positive and significant effect on Firm Value.

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**ANALYSIS OF VILLAGE FINANCIAL ACCOUNTING SYSTEM IN
GIRIREJO VILLAGE INCOME AND EXPENDITURE BUDGET
MANAGEMENT**

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Abstract

This study aims to find out how the application of village financial accounting in the context of managing the Village Revenue and Expenditure Budget (APBDes) in Girirejo Village, Tegalrejo District, Magelang Regency, Central Java Province. Furthermore, in the Village Fund Allocation (ADD) there are several activities such as planning, implementation, reporting, accountability. This research uses descriptive qualitative analysis method. The speakers consist of several resource persons such as the Village Apparatus, namely the Village Head, Carik/Village Secretary, and other staff. The data collection method by means of interviews. Based on the results of this study, the application of the accounting system in Girirejo Village, Tegalrejo District, Magelang Regency, Central Java Province still tends to be low because many village officials have only high school education levels so that knowledge about the world of accounting is still low. However, the management of the Village Revenue and Expenditure Budget (APBDes) starting from the planning, implementation, administration, reporting, and accountability stages is in accordance with applicable laws and regulations based on the principles of transparency, accountability, participatory, orderly and budgetary discipline.

Keywords: *Village Financial Accounting, Village Revenue and Expenditure Budget (APBDes), Village Fund Allocation*

1. INTRODUCTION

Accounting is a field that is always evolving, particularly in the public sector. Public sector accounting is a part of government accounting. There are a variety of ways in which village governments record and report their finances, and these financial reports are used by interested parties, such as village officials and their constituents, to gain an understanding of the village's financial health (Yuliansyah & Rusmianto, 2016). According to Government Regulation Number 72 of 2005 and Revision of Law Number 6 of 201 concerning Villages which regulates village administration very clearly, and stipulates that the village is a legal entity with the authority to regulate and manage the interests of the local community, which are in the national government system and are in the district area (Indonesia, 2015). Girirejo Village is a village located in Tegalrejo District, Magelang Regency, Central Java Province. In Girirejo Village, there are several hamlets, namely Geger, Salakan, Pending Wetan, SoboKarang, Kaliampo, Beran and parts of Sindas Hamlet.

The Village Revenue and Expenditure Budget (hereinafter referred to as APBDes) is a financial plan established by the village administration which is then evaluated and approved by village officials before being governed by village rules (Soleh & Rohmansjah, 2014). APBDes is made up of village expenditure, income, and finance. Village income is made up

of incoming money received through the village treasury account that becomes the village's right within 1 (one) fiscal year and does not have to be repaid by the village, which includes Village Original Income (hereinafter referred to as PADes), Village Fund Allocation (hereinafter referred to as ADD), support government finance, grants, and donations from third parties (Arief, 2018).

Minister of Home Affairs Regulation (*Permendagri*) Number 20 of 2018 concerning Village Financial Management is held based on four basic principles, namely transparent, responsible, participatory, orderly, and budgetary discipline. These principles must be used as guidelines in managing village finances so that village funds can be used effectively and efficiently (Pembangunan, 2015).

Based on some of these backgrounds, this study aims to find out how to apply village financial accounting in the context of managing the Village Revenue and Expenditure Budget (APBDes) in Girirejo Village, Tegalrejo District, Magelang Regency, Central Java Province.

2. LITERATURE REVIEW

2.1. Village Financial Accounting

Village financial accounting encompasses all aspects of financial accounting in the village administration, including recording and reporting financial data in the form of financial reports for use by interested parties such as village officials and community members (Pembangunan, 2015). Village Finance is defined as the rights and duties of the Village that can be valued in money, as well as everything in the form of money and goods connected to the implementation of Village rights and obligations, according to article 71 paragraph (1) of Law Number 6 of 2014. Furthermore, it is mentioned in paragraph (2) that the existence of rights and obligations will result in Village Finance income, expenditure, financing, and administration. Village financial reports must be reported by the village government in the form of a budget, cash book, tax book, bank book, and budget realization reports, according to *Permendagri* No. 113 of 2014. The financial information of an entity is the product of accounting. Financial report is the name for this type of financial data. Moreover, internal and external parties can use these financial reports (Pembangunan, 2015).

Each village has a different ability in financial management. In managing village finances, the most important thing is that the competence and commitment of human resources are reliable (Arief, 2018). At present, most of the village officials have an education level of only high school graduation, so their knowledge of the world of accounting is still low. Therefore, many find it difficult to record financial transactions in the village. Under these conditions it can be difficult in responsible for the village's finances.

The execution of village fund budgeting is based on the accountability concept, which states that the final result must be accountable to the community in accordance with applicable laws and regulations. The most significant aspect of village financial administration is the quality of good financial reports. As a consequence, village administrators must grasp accounting in order to handle the community's finances. The government must also monitor the administration of village funds to ensure transparency and accountability (Faiqoh, 2019). As a practical matter, the establishment of village financial accounting is extremely beneficial in overcoming these issues. It is vital to create village financial accounting in an easy and hence precise way so that it is easily understood by

various parties.

2.2. Village Income and Expenditure Budget (APBDES)

The Village Revenue and Expenditure Budget (APBDes) is a financial plan made by the village government which is then discussed and approved by village officials and then stipulated by Village Regulation. The APBDes budget covers one year, from the beginning of January until the end of December (Indonesia, 2015).

Each village has a different Village Original Income (PAD). Village Original Income comes from village authority based on origin rights and local village scale authority, Village business results include the results of Village-owned enterprises (BUMDes) and *tanah bengkok* (a land that is accepted to be cultivated in lieu of salary for villages officials and so on). Various sources of village income can also be obtained from central government assistance, central and regional financial balance funds, local tax collection, and district/city levies. In the event that the donation/grant is recognized as village treasury/village inventory. Villages also receive budget allocations from the Central Government and Regional Governments. The budget is a budget allocation for each village which is channeled through transfers from the Regional Revenue and Expenditure Budget which is then entered into the Village Revenue and Expenditure Budget and is used for the development of village facilities and infrastructure, community empowerment, and administration (Soleh & Rohmansjah, 2014).

The amount of the budget charged to the Village is 10% of the regional transfer funds in stages. The Village Revenue and Expenditure Budget sourced from the State Revenue and Expenditure Budget is calculated according to the number of villages allocated according to the population, poverty level, village area, geographical conditions. With the Village Revenue and Expenditure Budget, it is expected to improve community welfare and equitable development of village facilities and infrastructure.

2.3. Village Fund Allocation (ADD)

In this Village Fund Allocation (ADD), there are several stages such as planning, implementation, reporting, accountability (Sanjiwani, 2015). Meanwhile, village expenditures are all expenditures from the village and are the village's obligations in 1 fiscal year which are not repaid by the village. Village expenditure can be divided into two, namely:

- 1) Direct Spending
 - a) Spending for goods and services,
 - b) Employee spending,
 - c) Capital expenditure.
- 2) Indirect Spending
 - a) Allowance shopping,
 - b) Grant shopping,
 - c) Subsidy spending,
 - d) Shopping for financial aid
 - e) Social aid spending,
 - f) Unexpected spending.

Furthermore, village financing is also divided into two, namely:

- 1) Funding Receipt
 - a) Village loan receipts,
 - b) Receipt of village receivables,
 - c) Reserve fund transfer,
 - d) SILPA (The rest of last year's budget calculations)
 - e) Proceeds from the sale of separated village assets.
- 2) Financing Expenditure
 - a) Establishment of a reserve fund,
 - b) Lending,
 - c) Principal payment of maturing debt,
 - d) Capital participation/investment.

Besides that. There are the parties who take part in the preparation of the APBDes, such as:

- 1) Village officials;
- 2) Citizen Representative;
- 3) Village Consultative Body;
- 4) Regent/*Camat*.

The village head is the holder of the highest authority in the village and also the holder of the power to manage village finances. Various tasks carried out by the village head related to village financial management are:

- 1) Establishing goods management policies in the village;
- 2) Establishing APBDes policy; and
- 3) Assign village treasurer.

3. RESEARCH METHOD

The research method used in this article is a qualitative descriptive method, also known as a problem formulation, which guides researchers to explore and/or photograph social situations that are discussed in detail, generality, and complexity (Sugiyono, 2017).

Furthermore, the location of the research conducted in this article is in Girirejo Village, Tegalrejo District, Magelang Regency, Central Java Province. Moreover, the primary data is gathered directly through interviews with parties with the authority to supply information in this article. Besides that, secondary data was gathered by searching for references relevant to this study.

4. RESULT AND DISCUSSION

Girirejo village location based on its topography is in the form of mountains. The altitude of Girirejo Village ranges from 0 meters to 470 m above sea level. Meanwhile, the temperature in Girirejo Village varies between 18 to 35 degrees Celsius.

Girirejo Village is administratively located in the Tegalrejo District, Magelang Regency, precisely to the west of Tegalrejo District. The distance from the sub-district office to the village is about 7 Km, while the distance from the regent's office is about 30 Km. The travel time to the sub-district office is approximately 10 minutes, while to the district office is about 30 minutes. Geographically, the boundaries of Girirejo Village are:

- 1) West side: Pancuranmas Village, Secang District
- 2) North side: Purwodadi Village, Tegalrejo District
- 3) East side: Purwodadi Village and Glagah Ombo Village, Tegalrejo District
- 4) South side: Ngasem Village, Tegalrejo District

Girirejo Village, Tegalrejo District, Magelang Regency has a population of 3.710 people with 1.208 families. To be the basis of development, a large population must be accompanied by quality human resources. Dealing with population is very important so that the existing potential can become a machine development especially development in Girirejo Village. Regarding population, aspects that need to be considered include population growth, density level, structure, and distribution. Judging from the age structure, the residents of Girirejo Village are relatively young. The total population aged 0 to 5 years is 218 people, the population aged 6 to 1 year is 227 people. Then the total population aged 26 to 3 years is 212 people and the total population aged 31 to 35 is 206 inhabitants. Moreover, the gender proportion of the population of Girirejo Village shows that the female population is relatively higher than the male population.

The village government in carrying out village financial management there are several stages of activities that are passed such as planning, implementation, administration, reporting, and accountability. All sources of village income are received by channeling them through village accounts. Then its use is determined in the APBDes (Soleh & Rohmansjah, 2014).

In the financial planning stage, starting with the General Budget Policy (hereinafter referred to as KUA) including the indicative upper limit of the Village Fund Allocation (ADD), profit sharing, village funds, and financial assistance that is socialized to villages as the basis for preparing the Village Revenue and Expenditure Budget (APBDes). The procedure for preparing APBDes is:

- 1) Team building

The APBDes drafting team was formed by the Girirejo Village Head by making a village head decree whose task this team was to listen and discuss the village head's vision and mission. The results of the discussion are used as a reference for the preparation of the Girirejo APBDes.

- 2) Alignment of planning policy directions

The Girirejo APBDes with the Magelang Regency APBD in addition to other planning documents must be the same in direction and policies.

- 3) Village condition assessment

When conducting an assessment of the condition of the village, the Drafting Team for the Girirejo APBDes took actions such as:

- a) Comparison of data collection from village data documents.
- b) Comparison of village data: comparison of village data with current village conditions.
- c) Investigation of community ideas: hamlet meetings.

- 4) Village meeting

In this village meeting, an inventory of all activities to be carried out at the hamlet level is carried out which includes all types of activities, both in the form of facilities and infrastructure development activities as well as activities in the field of empowerment.

5) Preparation of APBDes

In carrying out the preparation of the APBDes, the Drafting Team of the Girirejo APBDes carried out the following stages:

- a) Drafting the APBDes in accordance with the minutes taken from the mutual agreement during the village deliberations,
- b) Make news containing the results of the preparation of the APBDes draft by attaching the APBDes draft document,
- c) Sending the minutes of the event and the draft APBDes to the Village Head,
- d) After the village head approves the APBDes draft, followed by village deliberation.

6) Village development plan deliberation (APBDes *musrenbang*)

In this village Deliberations of the Development Plan, the village head of Girirejo and his team, BPD, and community elements discussed and agreed on the APBDes draft. The results of the agreement are included in the minutes of the preparation of the APBDes.

Community elements consist of:

- a) Traditional figure,
- b) Religious leaders,
- c) Public figure,
- d) Education figure,
- e) Representative of farmer groups,
- f) Craftsman group representatives,
- g) Representatives of women's groups,
- h) Representatives of poor community groups.

In addition, the Deliberations of the Development Plan of Girirejo Village was also attended by elements of other communities in accordance with the culture of the local community.

7) Determination of APBDes

The Girirejo Village Deliberations of the Development Plan produces APBDes to be used as Village Regulations regarding APBDes.

In the implementation stage, all receipts and expenditures for the implementation of village authority are sent through the village treasury account. Complete and valid evidence is also required for such receipts and disbursements. In the implementation stage of the APBDes in Girirejo Village, Tegalrejo District, Magelang Regency, it is in line with the laws and regulations, namely transparent, accountable, participatory, and orderly and budgetary discipline.

Furthermore, on the administrative stage, in order to realize the 4 basic principles, it is transparent, accountable, participatory, orderly and therefore village financial administration must be good (Sanjiwani, 2015). The village financial administration is the responsibility of the village treasurer. In Girirejo Village, Tegalrejo District, Magelang Regency, the administration is also in line with the laws and regulations, namely transparent, accountable, participatory, and orderly and budgetary discipline (Indonesia, 2015).

Moreover, on the reporting stage of the APBDes in Girirejo Village, Tegalrejo District, Magelang Regency, it is in line with the applicable laws and regulations, namely transparent, accountable, participatory, and orderly and budgetary discipline.

Last but not least, on the APBDes accountability stage in Girirejo Village, Tegalrejo District, Magelang Regency, it is also in line with the applicable laws and regulations,

namely transparent, then also accountable, participatory, and orderly as well as budget discipline. In his accountability, the village head of Girirejo conveyed it to the Regent of Magelang Regency at the end of each budget year.

5. CONCLUSION

Based on the findings, it can be stated that there is still relatively little or low application of financial accounting in the village since many village authorities who have an education level only graduate high school, so understanding about the world of accounting is still low. It can be difficult to account for the village's finances under these conditions. However, from the planning, implementation, management, reporting, and accountability stages, the management of APBDes is in accordance with existing laws and regulations, notably transparent, then accountable, participatory, orderly, and budget discipline.

Suggestion

Although the Girirejo Village Government in Tegalrejo District, Magelang Regency has implemented the principles of transparency, accountability, participatory, orderly, and budgetary discipline, it is expected to be able to improve it again in order to carry out its duties and responsibilities as effectively as possible. Furthermore, it is vital to publicize the usage of village funds, such as by erecting an information board at the site of each activity. Therefore, accounting needs to be improved in the government of Girirejo Village, Tegalrejo District, Magelang Regency, because accounting will make it easier to manage.

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**THE EFFECT OF BUDGET REFOCUSING DURING THE COVID-19
PANDEMIC ON THE REALIZATION OF THE APBD IN CENTRAL
JAVA PROVINCE**

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Abstract

At the beginning of March 2020 there was a Covid-19 pandemic that hit Indonesia which eventually gave rise to several social restrictions policies for the community. In this case, several financial sectors are affected by the policy. In the context of handling the Covid-19 pandemic, there must be a budget refocusing or reallocation focused on handling Covid-19 in Indonesia. However, the refocusing effort that has been carried out in a short time has resulted in problems that have an impact on the realization of the reallocated budget (before the pandemic). In this regard, a government regulation policy in lieu of the Law is formed and issued which is the basis for the replacement of the Law on Regional Government. In this study, the researcher uses a qualitative descriptive method, which is a non-quantitative data collection and analysis method with the aim of exploring social relationships and a description of the reality experienced by the response, or what is commonly referred to as the problem formulation to be used to explore in depth research. The locus of this research is in Central Java Province, using secondary data sourced from several literature studies.

Keywords: *Refocusing, Pandemic, Realization, Regional Revenue and Expenditure Budget (APBD), Central Java Province*

1. INTRODUCTION

The Covid-19 pandemic has had such a major impact on the slowing down of national economic growth, a decrease in state revenues, and an increase in state spending, financing, and society at large, so that various government efforts are needed to save health and the national economy, according to presidential instructions number 4 of 2020 focus on spending on health, social safety nets, and economic recovery, including the business world and affected communities. To immediately refocus activities and reallocate the budget through the budget revision mechanism and immediately submit proposals and budget revisions to the Minister of Finance in accordance with their authority and in the regulations of the Ministry of Home Affairs (*Kemendagri*) and the Ministry of Finance (*Kemenkeu*) on April 9, 2020 issued a Joint Decree No. 177/KMK/07/2020 regarding the refocusing of the 2020 APBD (Regional Revenue and Expenditure Budget) to accelerate the handling of the Covid-19 outbreak.

Which then instructs every Provincial/Regency/City Government to submit a 2020 budget (APBD) adjustment report no later than 23 April 2020, however, data as of 23 April shows that there are 13 Local Governments that have not reported 2020 Budget Refocusing. Furthermore, according to data in May, the nominal collected from the reallocation of the APBD amounted to Rp. 66.38 trillion from the outlook of the Ministry of Finance which

projects that the APBD that can be reallocated for handling COVID-19 could reach Rp. 94.39 trillion. Hence, it can be said that there are problems with the local government (*Pemda*) in refocusing the budget (Haikal, 2021).

Then after the refocusing is carried out, each region is obliged to realize the budget in order to accelerate the handling of the Covid-19 pandemic as well, including also carrying out its obligations to be able to channel funds for the operation of government and public welfare, but during the pandemic, especially after a budget refocusing, there is a change in priorities and urgency in the use of the budget as a result, hence this issue needs to be studied more deeply so that it is known that refocusing affects the realization of the APBD, which can then be seen the problems or obstacles that occur in it, so that solutions or alternatives can also be found to resolve the problem.

2. LITERATURE REVIEW

2.1. Local Budgeting Theory

In the Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management it is stated that what is meant by Regional Finance is all the rights and obligations of the Region in the context of administering Regional Government which can be valued in money as well as all forms of wealth that can be used as the property of the Region in connection with the rights and obligations the area. Meanwhile, what is meant by Regional Financial Management is all activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of Regional Finances (Karjoko et al., 2020).

According to Pekei (in (Barbakem et al., 2018)), the government budget or State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD) are managed by the government, therefore the budget is a statement about the estimated performance to be achieved during a certain period stated in financial or monetary terms. In the process of budgeting is called budgeting, the budgeting must be prepared based on the interests of public sector organizations, in the preparation of the budget by the government is a fairly broad stage because it does not only consider the economy but also the socio-political factors that are increasingly thick in community organizations.

Budgeting at the government is related to determining the amount of fund allocation for each program or activity to be carried out in one monetary unit, hence there are several aspects that must be met in the preparation of the government budget, namely planning, controlling, and aspects of transparency and accountability in general. In the preparation of the government budget, there are several principles of the government budget, including the control of authority by the legislature, namely that the budget must obtain prior approval by the legislature before the budget is spent by the government/executives and is transparent and open where the budget is prepared openly or transparently and can be easily identified by public.

2.2. Budget Refocusing

Refocusing Budget Refocusing is an alternative in minimizing the occurrence of an economic recession in order to ensure national economic stability. Refocusing can be used by a country to ensure financial stability due to the global economic shock and make the economic system decline due to inappropriate circumstances or experiencing a crisis (Junaidi

et al., 2020). Further, Weston et al. (1994) also argue that refocusing will make it easier for a manager to monitor and make wiser decisions when the company's business is in a slump. Meanwhile, this also can be happening in a country, the concept of refocusing should also be applied to guaranteeing a country's financial stability, especially when facing a slump/crisis. In the aspect of budget policy, special rules governing refocusing are regulated by the government through Presidential Instruction Number 4 of 2020 concerning Refocusing Activities, Budget Reallocation, and Procurement of Goods and Services in the Context of Accelerating the Handling of COVID-19.

Refocusing is also an alternative to minimize the occurrence of an economic recession in order to ensure the stabilization of national/country economies. In the consideration of refocusing, of course, there will be a global economic crash due to a thing or event that weakens the economic systematization caused by the impact of inappropriate or not strategic policies (Kartika, 2021).

In fact, the prevention and control process (Covid-19) must be placed at the top priority in all government policies.⁵⁰ The presence of the Joint Decree of the Minister of Home Affairs and the Minister of Finance of the Republic of Indonesia Number 119/2814/SJ Number 177/KMK/07/2020 provides several provisions. Important aspects of efforts to accelerate the handling of (Covid-19) related to the use of the APBD include the following:

- 1) Requires regional heads to make adjustments to regional revenue targets in the APBD through 2 (two) ways: First, adjustment of transfer income to regions and village funds (TKDD). Second, the adjustment of local revenue.
- 2) Regional heads must make adjustments to regional spending in the context of preventing and handling the pandemic (Covid-19), consisting of: (1) spending on health, such as the procurement of personal protective equipment (PPE) for medical personnel as well as the provision of service facilities and equipment to the community and patient care. (2) Provision of a social safety net, such as the provision of social assistance to underprivileged communities. (3) Handling economic impacts.
- 3) Regional heads must prioritize the use of budgets and methods of implementing activities and budgets through reallocating the use of honorarium budgets, social assistance, and grants to then be transferred to social assistance budgets for the poor who have decreased purchasing power due to the pandemic (Covid-19) (Juliasari & Rizal, 2021).

3. RESEARCH METHOD

This research is descriptive qualitative research, which is a non-quantitative method of collecting and analyzing data with the aim of exploring social relationships and a description of the reality experienced by the response (Saraclaers, 1993 in (Akbar, 2018)), or commonly referred to as the formulation of the problem to be used by researchers to explore what is being studied in depth. The locus of this research is in Central Java Province, using secondary data sourced from several literature studies. The qualitative analysis carried out by the researchers is expected to find the results of a comprehensive study.

4. RESULT AND DISCUSSION

The outbreak of the Covid-19 case in Indonesia affects all sectors, especially in the social and economic fields. Seeing these conditions, the President has instructed all Ministries/Institutions (K/L) and regions to refocus the budget for health funds, social assistance (*bansos*) and support the business world, especially MSMEs. The central government through the Ministry of Finance of the Republic of Indonesia, issued a policy to deal with Covid-19 by mobilizing resources from the financial side to support the handling of Covid-19. In this case, the Ministry of Finance has made regulations that encourage Regional Governments to refocus their budgets for the purpose of handling Covid-19.

All forms of activity can have an impact or consequence that must be faced. This is also inseparable from the policy. Therefore, refocusing the budget will also give rise to various types of perspectives from the impact, including the example that the previous budgeting certainly could not be carried out properly.

Budget refocusing and reallocation have an impact on various sectors, especially the achievement of development targets in 2020. Refocusing and reallocating the budget are aimed at accelerating the handling of Covid-19. The impact of the Covid-19 pandemic has resulted in the set targets being constrained.

Table 1 Budget Plan and Budget Realization

(in Rupiah)

No	Description	2020		%	2019
		Budget	Realisation		
1	2	3	4	5=(4/3)	4
1	Income	26.255.251.903.000,00	25.393.735.934.148,00	96,72	25.859.780.137.936,00
2	Expenditure and Transfer	27.374.409.350.000,00	25.651.740.349.991,00	93,71	26.151.062.842.457,00
3	Surplus (Deficit)	(1.119.157.447.000,00)	(258.004.415.843,00)	-	(291.282.704.521,00)
4	Financing				
	- Receipts	1.119.157.447.000,00	1.119.348.228.370,00	100,02	1.630.776.601.765,00
	- Expenditures	-	-	-	220.336.450.544,00
	NET Financing	1.119.157.447.000,00	1.119.348.228.370,00		1.410.440.151.221,00
5	Excess of Budget Calculation (SILPA)	-	861.343.812.527,00	-	1.119.157.446.700,00

Based on the table above, there is a gap between the budget plan and budget realization, in the income description there is a 2020 budget plan of Rp. 26.255.251.903.000,00 and what was realized from the budget was Rp. 25.393.735.934.148,00, which means 96.72% realized, as a comparison in 2019 which was realized at Rp. 25.859.780.137.936,00, which means a decrease in income from the previous year. While in the description of expenditures and transfers there is a budget plan of Rp. 27.374.409.350.000,00 and what was realized from the budget was Rp. 25.651.740.349.991,00, which means that 93.71% was realized, as a comparison in 2019 which was realized at Rp. 26.151.062.842.457,00.

Moreover, the problems faced in managing revenue for Fiscal Year 2020 are as follows:

- 1) The Covid-19 pandemic period has affected the economic level of the community which has an impact on motor vehicle tax receipts, during the pandemic direct billing activities (door to door) and joint raids with the police are not possible.
- 2) The Covid-19 pandemic period affected the economic level of the community which resulted in a decline in people's purchasing power for new vehicles, thus affecting the acceptance of the Transfer of Names Fee. According to Gaikindo and AISI Letters, that there was a decrease in the vehicle sales target of 40%,
- 3) With many restrictions on people's mobility, causing fuel consumption to decline and resulting in a decrease in PBBKB revenues,
- 4) Not yet optimal level of taxpayer compliance to pay taxes on time,
- 5) Not yet optimal on the use and utilization of regional assets.

Meanwhile, in the implementation and management of regional expenditures, there are still obstacles and problems, namely as follows:

- 1) The understanding of SKPD financial managers, especially UPT/Balai, is not yet optimal on the integrated regional financial information system;
- 2) Not yet optimal regarding the use of Cash Management System (CMS) by financial managers of SKPD/UPT/Balai/Satker, especially in interbank services and tax payments as well as infrastructure that has not yet reached remote areas;
- 3) There are auction failures and delays in the implementation of district/city Financial Aid activities;
- 4) Lack of understanding of financial management and goods, especially in Secondary Education Units (SMA/SMK) and Special Education Units (SLB) on the mechanism for accountability for school finances and regional property that applies to SMA/SMK/SLB.
- 5) There is a new regulation Government Regulation Number 12 of 2019 concerning Regional Financial Management as a replacement for Government Regulation Number 58 of 2005 concerning Regional Financial Management.

5. CONCLUSION

Based on these conditions, the researcher can conclude that the central government's policy on APBD reallocation is ineffective, given the number of regional governments that are still constrained and ineffective in carrying out APBD reallocation, owing to too few deadlines or can be said to be tight, as well as many aspects that must be adjusted on the APBD reallocation report. As a consequence, when managing state finances, particularly budget reallocation, it is critical to actively cooperate between the center and the regions to avoid mistakes. Budgeting measures in regions during the Covid-19 pandemic must, of course, be based on needs in order to expedite management from the health, political, and economic perspectives, as well as those related to community interests. This enables the truth to become the foundation for the emergence of Presidential Instruction Number 4 of 2020 about Refocusing Activities, Reallocation of Budgets, and Procurement of Goods and Services in the Context of Accelerating Covid-19 Handling. However, the potential for deviations from regional financial policy from budget refocusing is very clear, notably by putting the regional head or executive organ in charge of budgeting and budget execution

difficulties. Whereas in the Republic of Indonesia's Constitution, what is meant by regional budgeting must be defined by the executive and legislative branches. This is where the Presidential Instruction on Regional Budget Refocusing should be updated with a Government Regulation rather than a Presidential Instruction.

Suggestion

The results of the research presented by the researcher managed to find some suggestions that are possible to be used by several entities or governments as well, here are some suggestions from the researcher:

- 1) Organizing technical guidance to financial managers up to the UPT/Balai and PPK-SKPD levels as well as improving the Integrated Regional Financial Information System;
- 2) The deadline is too short and there are many aspects that must be adjusted in the APBD reallocation report. Therefore, in the management of state finances, in particular the reallocation of the budget, it is necessary to actively coordinate between the centre and the regions to avoid the mistakes;
- 3) Perform integration of regional financial management applications with the Cash Management System and Padak applications as well as integrate regional financial management applications with Cash Management System applications and tax applications as well as encourage Central Java Bank to improve services to remote areas;
- 4) Carry out monitoring to accelerate the implementation of Financial Aid activities to districts/cities;
- 5) Prepare regulations governing the management of finances and school property and Technical Guidance on reporting school finances and regional property that apply to SMA/SMK/SLB;
- 6) Socialization of Government Regulation Number 12 of 2019 concerning Regional Financial Management to financial managers in SKPD and Regency/City, as well as making adjustments to regional financial management regulations

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Results and Discussions (12 pt)

The purpose of the Results and Discussion is to state your findings and make a interpretations and/or opinions, explain the implications of your findings, and make suggestions for future research. Its main function is to answer the questions posed in the Introduction, explain how the results support the answers and, how the answers fit in with existing knowledge on the topic. The Discussion is considered the heart of the paper and usually requires several writing attempts.

The discussion will always connect to the introduction by way of the research questions or hypotheses you posed and the literature you reviewed, but it does not simply repeat or rearrange the introduction; the discussion should always explain how your study has moved the reader's understanding of the research problem forward from where you left them at the end of the introduction.

To make your message clear, the discussion should be kept as short as possible while clearly and fully stating, supporting, explaining, and defending your answers and discussing other important and directly relevant issues. Care must be taken to provide commentary and not a reiteration of the results. Side issues should not be included, as these tend to obscure the message.

It is easy to inflate the interpretation of the results. Be careful that your interpretation of the results does not go beyond what is supported by the data. The data are the data: nothing more,

nothing less. Please avoid and make over interpretation of the results, unwarranted speculation, inflating the importance of the findings, tangential issues or over-emphasize the impact of your research.

The following components should be covered in discussion: How do your results relate to the original question or objectives outlined in the Introduction section (what/how)? Do you provide interpretation scientifically for each of your results or findings presented (why)? Are your results consistent with what other investigators have reported (what else)? Or are there any differences?

Work with Graphic

Figures and tables are the most effective way to present results. Captions should be able to stand alone, such that the figures and tables are understandable without the need to read the entire manuscript. Besides that, the data represented should be easy to interpret.

Last, please avoid to make a sub section in Results and Discussion if you can.

Conclusions (12 pt)

The conclusion is intended to help the reader understand why your research should matter to them after they have finished reading the paper. A conclusion is not merely a summary of the main topics covered or a re-statement of your research problem, but a synthesis of key points. It is important that the conclusion does not leave the question unanswered.

Conclusions should answer the objectives of the research. Tells how your work advances the field from the present state of knowledge. Without clear Conclusions, reviewers and readers will find it difficult to judge the work, and whether or not it merits publication in the journal. Do not repeat the Abstract, or just list experimental results. Provide a clear scientific justification for your work, and indicate possible applications and extensions. You should also suggest future experiments and/or point out those that are underway.

For most essays, one well-developed paragraph is sufficient for a conclusion, although in some cases, a two or three paragraph conclusion may be required. The another of important things about this section is (1) do not rewrite the abstract; (2) statements with “investigated” or “studied” are not conclusions; (3) do not introduce new arguments, evidence, new ideas, or information unrelated to the topic; (4)do not include evidence (quotations, statistics, etc.) that should be in the body of the paper.

Acknowledgments (if any)

Acknowledge anyone who has helped you with the study, including: Researchers who supplied materials, reagents, or computer programs; anyone who helped with the writing or English, or offered critical comments about the content, or anyone who provided technical help. State why people have been acknowledged and ask their permission. Acknowledge sources of funding, including any grant or reference numbers. Please avoid apologize for doing a poor job of presenting the manuscript. Do not acknowledge one of the authors names.

References

References should follow the style detailed in the APA 7th Publication Manual. Make sure that all references mentioned in the text are listed in the reference section and vice versa and that the spelling of author names and years are consistent. Please to not be used footnote or endnote in any format.

We suggest all of you using software ENDNOTE, MENDELEY, ZOTERO, or EASYBIB for easily citation. References should be the most recent and pertinent literature available (about 5-10 years ago). Authors must also carefully follow APA 7th Publication Manual guidelines for nondiscriminatory language regarding gender, sexual orientation, racial and ethnic identity, disabilities, and age. In addition, the terms counseling, counselor, and client are preferred, rather than their many synonyms.

Page limitations

The full length of submission manuscript not more than 6000 words, or maximum 20 pages and minimum 5 pages; including references, table and figure (Appendix--Exclude).

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