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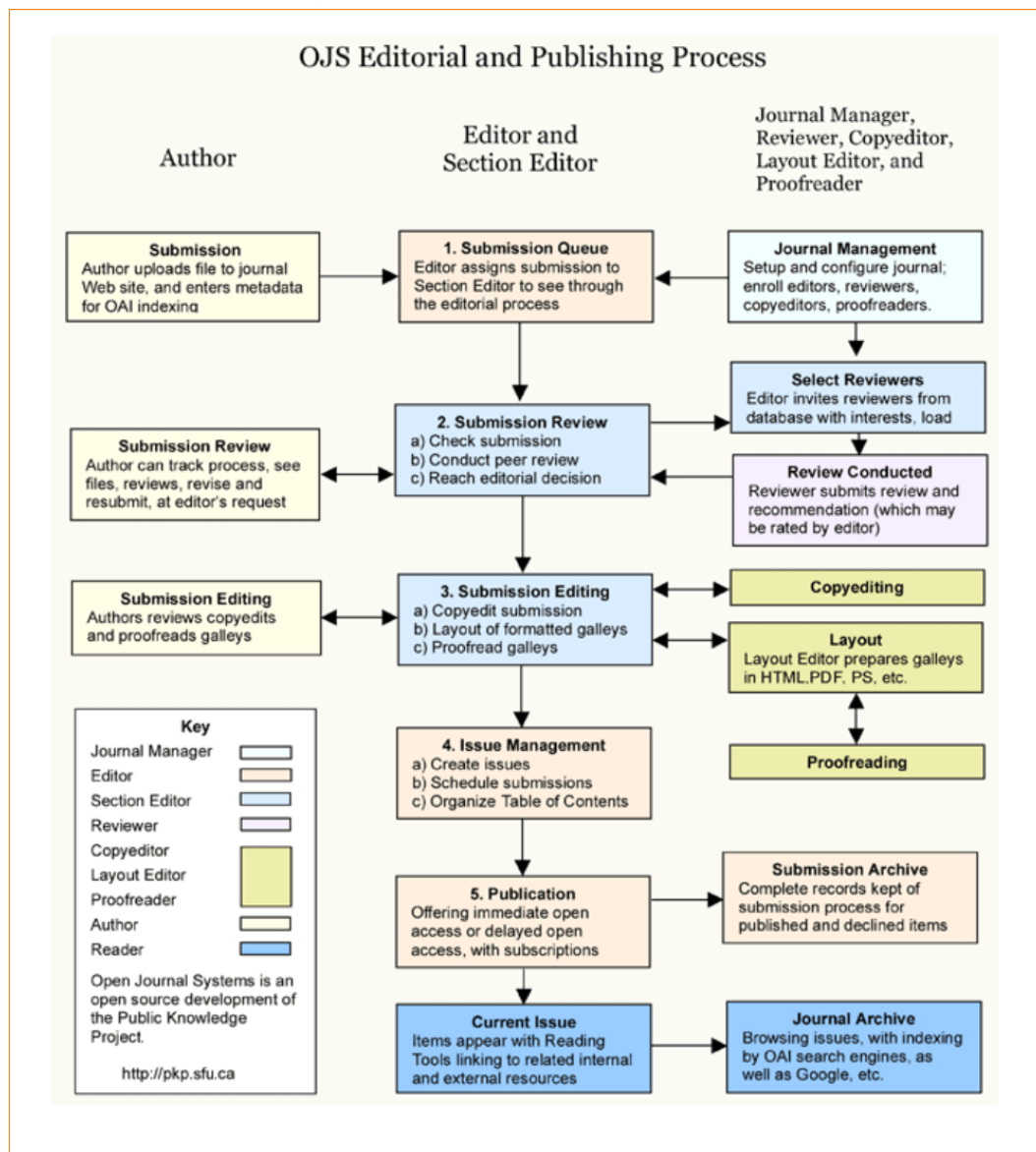
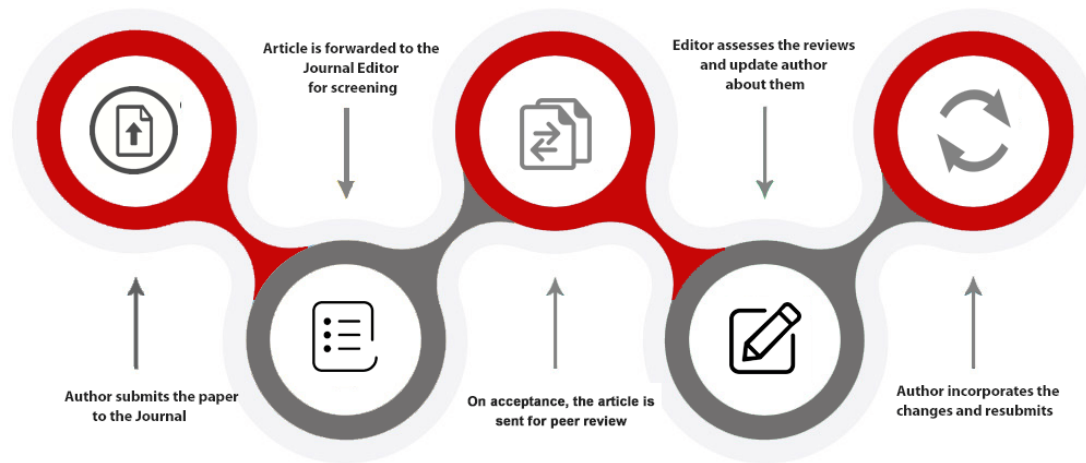
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Organizational Capacity Development and Innovation: The Case of Tunisian High-Tech Companies

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ABSTRACT

Purpose: This article examines the impact of organizational capacity development on the innovation potential of companies.

Design/methodology/approach: Based on a survey conducted with 32 high-tech sector companies, the study highlights that enhancing skills, knowledge, and resources within organizations promotes their ability to innovate. Statistical analysis, carried out using SPSS version 25, confirms a positive correlation between these organizational capacities and company performance.

Findings: This underscores their crucial role in ensuring survival and growth in an ever-evolving economic environment.

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Keywords: Innovation, organizational capacity, innovation potential.

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I. INTRODUCTION

Today, in a context where innovation is more accessible than ever, companies must leverage this opportunity to enhance their competitiveness and develop innovative projects, as emphasized by Anthony Scott. Although the concept of innovation is often seen as abstract, its strategic importance for businesses is undeniable. Faced with increased competition, rapidly evolving technologies, and constantly changing markets, innovation is a crucial driver of growth. The survival and development of companies largely depend on their ability to effectively utilize their internal resources, skills, and knowledge.

Organizational capabilities, in particular, play a fundamental role in the success of innovation strategies. These managerial and operational competencies are central to business performance, enabling companies not only to adapt to changes but also to foster creativity and innovation within their internal processes. Moreover, new companies often emerge through innovative approaches that set them apart from competitors; to maintain this advantage, they must continually renew their practices and offerings.

From this perspective, this article aims to assess the impact of organizational capabilities on companies' innovation capacity. Based on an empirical study conducted with Tunisian high-tech companies, this research seeks to answer the following question: **What is the effect of developing organizational capabilities on innovation?** We will first address the theoretical foundations of the link between these two concepts before analyzing the concrete results observed in this study.

A. Literature Review

This literature review is organized around two main themes. The first examines the concept of innovation and the capacity of companies to innovate. The second focuses on organizational capabilities, emphasizing the key theories and components that influence organizational performance.

1. Concept of Innovation

Innovation has long been recognized as a crucial factor for business competitiveness and growth (McAdam & Keogh, 2004; Edwards, 2005). In 2024, research continues to confirm that innovation remains a significant driver of value creation at both microeconomic and macroeconomic levels, playing a key role in helping companies adapt to constantly evolving markets (Dosi et al., 2020). Innovation helps businesses differentiate themselves in a globalized environment, thus creating and maintaining a competitive advantage (Teece, 2022).

Innovation capacity, defined as the ability to develop new ideas, products, or services, is now viewed as a critical strategic resource for business adaptability and sustainability (Pisano, 2019). It enables organizations to meet market expectations while enhancing their competitiveness through continuous productivity and operational efficiency improvements (Schilling, 2021). This perspective aligns with earlier works that identified innovation as a central pillar of business success (Guan & Ma, 2003).

1) Innovation Typologies

a. Typologies by Innovation Object

Innovation can be classified into various types based on its object and process (OECD, 2005; Christensen et al., 2023). While technological innovation, whether related to products or processes, has traditionally dominated, recent studies highlight growing interest in non-technological innovation, particularly organizational and marketing innovation (Schumpeter, 1942; Dyer et al., 2023). According to the OECD (2005), innovation now includes the implementation of new organizational and commercial methods, reflecting the increased complexity of innovation processes in modern companies (Gawer & Cusumano, 2022).

- 1) **Product Innovation:** This type involves entirely new or improved products and remains a key lever for enhancing sales and profitability (Orfila-Sintes & Mattsson, 2009). The distinction between technologically new and improved products remains relevant in current studies (OECD, 2023).
- 2) **Process Innovation:** Process innovation, which optimizes production or distribution processes, continues to be recognized for its indirect impact on competitiveness by reducing costs and increasing performance (Tidd & Bessant, 2018).
- 3) **Organizational Innovation:** This form involves reorganizing internal practices to increase productivity. In 2024, many authors emphasize its role in improving organizational flexibility, essential in a constantly changing economic environment (Rothaermel, 2022). Organizational innovation also promotes integrating digital technologies into management and production processes, a crucial element for today's industries (OECD, 2023).
- 4) **Marketing Innovation:** Innovations in marketing, often linked to new promotion or distribution methods, have gained importance with digital transformation, influencing digital marketing strategies (Kotler et al., 2022).

b. Typologies by Novelty Degree

Innovations fall into two main categories: incremental and radical innovations. These reflect different degrees of change and impact on organizations (Garcia & Calantone, 2002; O'Sullivan & Dooley, 2020).

- 1) **Incremental Innovation:** This involves continuous, gradual improvements to existing products or processes. While it does not fundamentally transform business practices, it enhances overall long-term performance (Tidd et al., 2022). In a competitive environment, this type of innovation remains crucial for maintaining an edge.
- 2) **Radical Innovation:** By contrast, radical innovation introduces entirely new products or processes capable of disrupting a market (Teece, 2022). Although riskier, these innovations often lead to significant transformations for companies. In 2024, it is estimated that only 10% to 15% of innovations are truly radical (OECD, 2023).

2. Organizational Capabilities

Organizational capabilities are defined as a company's ability to effectively mobilize its human, technological, and physical resources to achieve strategic objectives (Collis, 1994; Grant, 1991). These capabilities include internal skills, established routines (Zollo & Winter, 2002), and the ability to renew and optimize assets to maintain competitiveness (Teece et al., 1997).

In 2024, knowledge management and organizational learning are central elements of these capabilities, facilitating the diffusion of innovations within the company (Nonaka & Takeuchi, 2019). Current researchers

emphasize the importance of coordinating these resources to foster a continuous culture of innovation (Pisano, 2022).

Synthesis: The literature review demonstrates that innovation, whether incremental or radical, largely depends on a company's organizational capabilities. These capabilities enable the transformation of ideas and knowledge into new products or processes, thereby enhancing competitiveness. The study of current innovation typologies and components highlights the need for an integrated approach, where technological, organizational, and marketing innovations are interconnected to maximize performance.

B. Impact of Organizational Capacity Development on Innovation Capability

In this section, after examining the concepts of organizational capacity development and innovation capability, along with key components such as skills, knowledge, and resources, we explore their respective impacts on innovation capability. First, we analyze the effect of organizational capacities (OC) on companies' innovation capacity, followed by the impact of skills, knowledge, and resources.

1. Relationship Between Organizational Capacity Development and Innovation Capability

Recent literature emphasizes the central role of innovation in ensuring the competitiveness, growth, and sustainability of businesses (Dyer et al., 2024; Edmondson & Gino, 2023). Innovation has become a crucial lever for gaining competitive advantages and responding to rapidly evolving markets (Teece, Pisano, & Shuen, 1997). Several studies highlight those organizational capacities (OC) play a key role in strengthening companies' innovation capability. For example, Koc (2007) highlighted the importance of OC in fostering innovation, defined as the ability to adopt and effectively implement new ideas, processes, and products (Hurley & Hult, 1998). Human resource management, particularly the diversity of skills and experiences, has a direct impact on the performance and success of innovative projects (Tsai, Moskowitz, & Lee, 2023). Thus, improving organizational capacities is a crucial factor for business competitiveness (Dyer et al., 2024).

2. Effect of Skills on Innovation Capability

The quality of human resources is often identified as a key factor in companies' innovation capability (Freel et al., 2023; Becheikh et al., 2023). Several authors, such as Carrier and Julien (2024), emphasize the role of technical skills (engineers, technicians, designers) in the innovation process. These employees not only generate ideas but also act as catalysts to stimulate creativity within the organization. A highly skilled and diverse workforce enhances innovation capacity, as noted by Romijn and Albaladejo (2023) and Souitaris (2024).

3. Effect of Knowledge on Innovation Capability

The role of knowledge in innovation has been extensively highlighted in contemporary literature (Nonaka & Takeuchi, 2023). Innovation often begins with acquiring and managing new knowledge, allowing companies to better interact with their competitive environment (Chanal, 2024). Companies must not only create knowledge bases but also promote internal dissemination to foster innovation (Perdomo-Ortiz et al., 2024). The process of sharing and exchanging information is also essential for innovation, as it enriches ideas and supports the development of new solutions (Boutelitan & Boder, 2024).

4. Effect of Resources on Innovation Capability

The availability and diversity of resources, whether human, technical, or financial, are essential for supporting innovation (Freel et al., 2024; Huang et al., 2023). Innovation projects, often complex and costly, require sufficient resources to succeed. A company capable of aligning its resources with its innovation strategy is better positioned for success (Doyle, 2024). Indeed, resources such as R&D, as well as marketing and technological skills, play a crucial role in developing new products and services (Landry et al., 2024). Access to diverse resources is therefore a determining factor in the success of innovative projects.

These analyses show that organizational capacities, skills, knowledge, and resources all play critical roles in developing innovation capability, an essential lever for ensuring companies' competitiveness in an ever-evolving economic environment.

II. METHODS

The methodology of this study aims to analyze the impact of organizational capacities on companies' innovation capability. A survey was conducted with 32 companies operating in the high-tech sector in Tunisia, chosen for its technological dynamism, conducive to innovation. Data were collected from mid-level managers, who play key roles in implementing innovative initiatives. The analysis is based on a set of 25 variables measuring organizational capacities and 13 variables related to innovation.

To collect data, a questionnaire was used due to its ability to generate quantifiable and comparable information within a representative sample. The questions were formulated clearly and concisely, in a closed-ended format, following the methodological standards established by Evrard et al. (2003). Responses were gathered using a five-point Likert scale, ranging from "strongly disagree" to "strongly agree," which facilitated statistical analysis and the identification of key factors for testing hypotheses.

Data processing was conducted using SPSS 25 software, applying two complementary statistical approaches. Initially, an exploratory analysis tested the reliability and validity of the data using Cronbach's Alpha and Principal Component Analysis (PCA). A confirmatory analysis was then performed using the Partial Least Squares (PLS) method version 2.0 to validate the measurement structure and test hypotheses regarding the influence of organizational capacities on innovation. These techniques enabled validation of the theoretical model by analyzing relationships between organizational capacities and innovation capability.

The hypotheses formulated in this research are as follows:

1. H1: Organizational capacities have a positive impact on companies' innovation capability.
2. H2: Leveraging internal competencies significantly contributes to innovation.
3. H3: Knowledge development plays a key role in enhancing innovation.
4. H4: An organizational culture conducive to innovation significantly strengthens companies' innovation capability.

These hypotheses were integrated into a conceptual model designed to explore interactions between the studied variables. This model serves as an analytical framework to understand the effects of organizational capacities on innovation in the high-tech sector

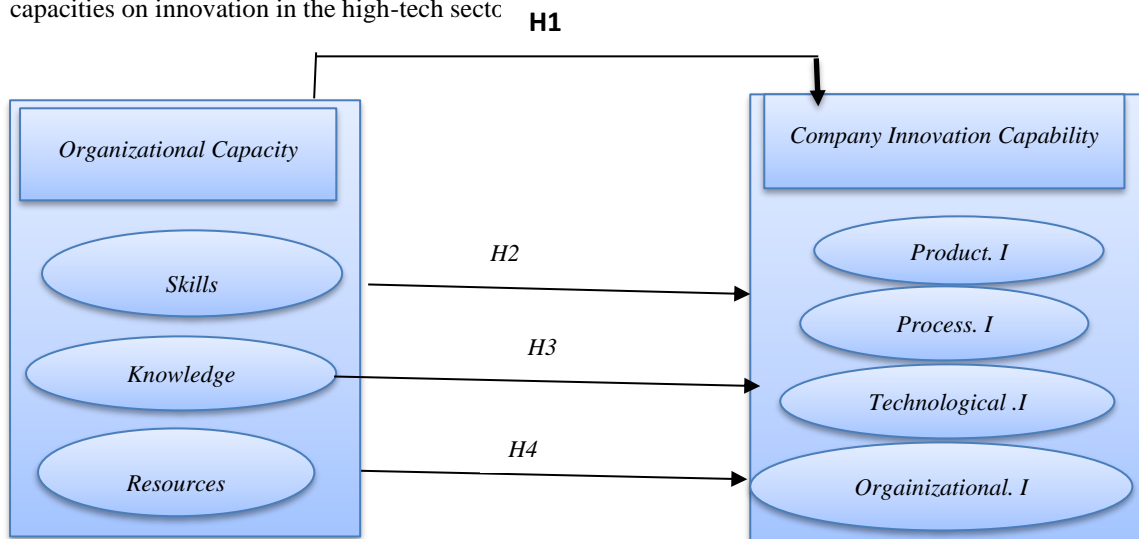


Fig. Theoretical Research Model

A. Characteristics of the Research Sample

In this section, we present the characteristics of the studied sample. To profile the respondents, univariate statistical analyses were conducted, including frequency distributions for each descriptive variable. This approach enabled the categorization of participants based on criteria such as age and gender. The following paragraphs detail these characteristics, addressing the distribution by gender and by the age of respondents.

B. Distribution of Respondents by Gender

The table below shows the distribution of the sample members by gender.

Table 1: Distribution of Respondents by Gender

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Male	25	62,5	62,5	62,5

<i>Female</i>	<i>15</i>	<i>37,5</i>	<i>37,5</i>	<i>100,0</i>
<i>Total</i>	<i>40</i>	<i>100,0</i>	<i>100,0</i>	

As shown in the table above, more than half of the respondents are male, representing **62.5%** of the sample. In comparison, female respondents constitute approximately one-third of the participants.

These data indicate that the majority of respondents are male, accounting for **62.5%**. The predominance of males among the respondents in this study can be explained by several factors related to the high-tech sector in Tunisia:

- Firstly, this sector has traditionally been dominated by a male workforce, which is also observed in other countries. This trend can be attributed to a historically higher representation of men in technical fields such as computer science, engineering, and applied sciences.
- Additionally, women are still underrepresented in STEM fields (science, technology, engineering, and mathematics), limiting their presence in companies within this sector. Gender stereotypes also play an important role, as technical professions are often perceived as more suited to men, which influences women's career choices.
- Furthermore, men frequently occupy a larger proportion of leadership positions in technology companies. If the sample includes managers or innovation leaders, this could reinforce the observed male predominance.
- Finally, certain internal company policies may inadvertently favor a higher male presence due to imbalances in recruitment or promotion processes. Therefore, this disparity reflects not only the current structure of the sector in Tunisia but also broader cultural, educational, and organizational factors.

C. Distribution of Respondents by Age

The following table presents the distribution of respondents according to three age groups: under 30 years old, 30 to 40 years old, and over 40 years old. As indicated in the table, the majority of respondents belong to a relatively older age group. Specifically, 42.5% of respondents are over 40 years old, while those under 40 account for only 37.5% of the sample.

Table 2: Distribution of Respondents by Age

		<i>Frequency</i>	<i>Percentage</i>	<i>Valid Percentage</i>	<i>Cumulative Percentage</i>
<i>Valid</i>	<i>Under 30 years</i>	<i>8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
	<i>Between 30 and 40</i>	<i>15</i>	<i>37.5</i>	<i>37.5</i>	<i>57.5</i>
	<i>Over 40 years</i>	<i>17</i>	<i>42.5</i>	<i>42.5</i>	<i>100,0</i>
	<i>Total</i>	<i>40</i>	<i>100,0</i>	<i>100,0</i>	

This distribution can be explained by several factors specific to the high-tech sector in Tunisia.

Firstly, the development of organizational capabilities and innovation often requires significant professional experience, which could explain the strong representation of respondents over 40 years old. These individuals are likely to hold managerial or leadership positions, where their skills and expertise are essential for implementing innovative strategies.

Secondly, companies in the high-tech sector generally value profiles with in-depth knowledge of the field and a strategic vision, often acquired after many years of experience. Additionally, roles related to innovation or organizational decision-making are frequently held by individuals with seniority in the company, which explains their prominent presence among the respondents.

Finally, younger respondents, particularly those under 30 years old, may be underrepresented because they often occupy technical or operational roles with more limited involvement in decision-making processes related

to organizational innovation. Therefore, this age distribution reflects the hierarchical structure of the sector and the importance of experience in developing organizational capabilities and fostering innovation.

D. The distribution of the respondent sample according to their experience

The table below presents the distribution of respondents' experience, categorized into three groups: participants with less than 5 years of experience, those with between 5 and 10 years of experience, and those with more than 10 years of experience.

Table 3: Distribution of Respondents by Experience

<i>Depuis combien de temps travaillez-vous dans cette entreprise</i>					
		<i>Effectifs</i>	<i>%</i>	<i>% valide</i>	<i>% cumulé</i>
<i>Valide</i>	<i>Moins de 5 ans</i>	8	20,0	20,0	20,0
	<i>Entre 5 et 10 ans</i>	14	35,0	35,0	55,0
	<i>Plus de 10 ans</i>	18	45,0	45,0	100,0
	<i>Total</i>	40	100,0	100,0	

After presenting the distribution of participants by gender, age, and experience within the company, we can conclude that our sample consists mainly of men, over 40 years old, who have been working in the company for more than 10 years. As shown in the previous table, a significant proportion of respondents (45%) have more than 10 years of professional experience in their company. However, a notable share of participants belongs to categories with shorter tenure, ranging between 20% and 35%.

Analyzing the distribution of participants by gender, age, and tenure reveals that the sample is primarily composed of men over 40 years old with more than 10 years of experience in their company.

These results provide essential insights into understanding the relationship between organizational capabilities and innovation in Tunisian high-tech companies. The fact that 45% of respondents have over 10 years of experience indicates significant internal stability, which can foster the long-term development of organizational capabilities. Experienced employees often play a key role in disseminating knowledge and continuously improving organizational practices.

Furthermore, the notable presence of employees with less than 10 years of tenure (between 20% and 35%) introduces a factor of diversity that should not be overlooked. These newer profiles are likely to bring fresh ideas, contributing to a balance between tradition and innovation.

Additionally, the majority of respondents are men over 40 years old, reflecting the typical demographic structure of companies in this sector in Tunisia. This composition raises interesting questions about the influence of social and cultural factors in developing organizational capabilities. Seniority and experience can offer better mastery of internal processes, while generational diversity might stimulate innovation by incorporating varied approaches. Therefore, these results show that combining experience with diverse profiles can play a crucial role in the adaptability and innovative performance of companies.

III. RESULTS AND DISCUSSION

The results of our study reveal significant correlations between organizational capabilities and various forms of innovation. First, we analyzed the structure of organizational variables using exploratory factor analyses, followed by reliability checks for the measurement scales.

1. Validation of the Organizational Capabilities Measurement Scale

The exploratory factor analysis validated the measurement scale for the explanatory variable "organizational capability," composed of 25 items distributed across three main dimensions: skills, knowledge, and organizational resources. The factorization conditions were met (significant Bartlett's test and KMO = 0.699), justifying the analysis.

- e. Organizational Skills (COMPT): This dimension includes 10 items with excellent internal consistency ($\alpha = 0.942$), measuring the level of organizational skills.
- f. Organizational Knowledge (CONN): Composed of 6 items, this dimension shows satisfactory internal consistency ($\alpha = 0.892$), capturing mastery of organizational knowledge.
- g. Organizational Resources (RESS): This dimension includes 9 items with satisfactory reliability ($\alpha = 0.841$), measuring the importance of available tangible and intangible resources.

These results confirm that the measurement scale for organizational capability is multidimensional and provides a reliable structure for evaluating this key variable.

2. Validation of the Innovation Capability Measurement Scale

The innovation capability measurement scale, consisting of 13 items, was also subjected to exploratory factor analysis. With a total explained variance percentage of 71.43%, the items grouped into four main dimensions after Varimax rotation:

- a. Product Innovation (INNOVPDT): Comprising 5 items, this dimension exhibits excellent internal consistency ($\alpha = 0.929$), measuring product innovation.
- b. Process Innovation (INNOVPRO): This dimension consists of 2 items, with satisfactory internal consistency ($\alpha = 0.825$), measuring innovations in production processes.
- c. Technological Innovation (INNOVTECH): Comprising 3 items, this dimension measures technological innovation with acceptable reliability ($\alpha = 0.608$).
- d. Organizational Innovation (INNOVORG): Although this dimension includes 3 items, it was excluded due to low reliability ($\alpha = -0.253$).

Ultimately, the innovation capability scale is also multidimensional, consisting of 3 dimensions and 10 items, and it presents high reliability for measuring innovation within companies.

3. Confirmatory Factor Analyses and PLS Regressions

Confirmatory factor analyses, conducted using PLS 2.0 software, validated the scale structures and theoretical relationships between organizational variables and innovation capability. PLS regressions, which do not require strict normality conditions, revealed significant correlations between organizational capabilities (skills, knowledge, and resources) and various forms of innovation (product, process, and technology).

The results indicate that developing skills, knowledge, and resources within companies plays a crucial role in enhancing their innovation capability, thereby contributing to their competitiveness in a dynamic environment.

4. Correlations Between Latent Variables

The correlations between latent variables are illustrated in the conceptual model below. This model explores the relationship between factors of organizational capability and innovation capability. Manifest variables (items) such as COMP1, COMP2, COMP3, COMP5, and COMP7 contribute significantly and positively to constructing the latent variable "skills." Conversely, some variables do not have a significant impact on their respective latent variables. For instance, manifest variables RH3, RH5, and RH6 do not contribute significantly to the "human resources" dimension, suggesting that these items may not adequately capture key aspects of this factor or might be redundant with other items.

Regarding the "knowledge" dimension, while most manifest variables have a positive effect, the item CONN4 exhibits a negative influence. This may suggest that this item reflects a weakness or limitation in the transmission or application of knowledge within the organization.

At the level of the dependent variable, which is the company's innovation capability, all latent variables are significant. This indicates that the measured organizational factors have a direct and relevant impact on innovation capability, highlighting the importance of coherent and optimized management of these various dimensions.

The correlations between the latent variables are as follows:

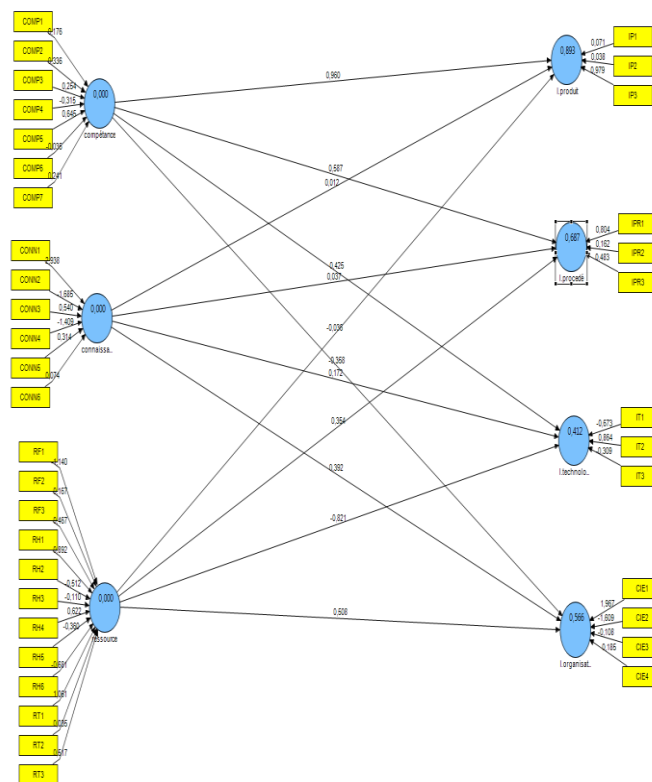


Figure : Results of the Conceptual Model Test on the Relationship Between Organizational Capability and Innovation Capability Using the PLS Method.

The structural model, also known as the inner model, describes the relationships between explanatory latent variables and the latent variables to be explained. The validation of this model relies on two main criteria: the coefficient of determination (R^2) and the significance of regression coefficients, measured using the Student's t-test.

The first criterion to examine is the coefficient of determination (R^2). This coefficient assesses the quality of the inner model, indicating the model's ability to predict endogenous variables. For a model to be considered sufficiently explanatory, the R^2 value must be relatively high. According to W. Chin (1998), an R^2 greater than 0.670 is considered substantial, around 0.333 as moderate, and below 0.19 as weak.

The coefficient of determination (R^2) evaluates the quality of the internal model, specifically the relationships between the latent variables. The significant and positive correlations between all variables of organizational capability and various forms of innovation are as follows: product innovation (0.893), process innovation (0.687), technological innovation (0.412), and organizational innovation (0.566).

A. Results

The growth and sustainability of businesses rely primarily on their resources and their ability to manage them effectively. Among these resources, organizational capabilities—especially in terms of knowledge and expertise—play a fundamental role. Innovation forms a central pillar of competitiveness, requiring companies to innovate continuously to remain viable in a competitive environment. This article examines the impact of developing organizational capabilities on the innovation capacity of companies in the high-tech sector.

Our study is structured into two main sections. The first section outlines the theoretical foundations underpinning our work, focusing on the definition of organizational capabilities and their influence on innovation. The second section presents the data collection methodology and empirical results obtained from questionnaires administered to 40 mid-level managers from 31 companies. Statistical analyses confirm that developing organizational capabilities positively impacts innovation, particularly in product, procedural, and technological areas.

From a theoretical perspective, this research enriches knowledge about the impact of organizational capabilities by incorporating variables from various management fields. However, our results have certain limitations. The quantitative approach and specific sectoral context introduce biases, suggesting the need for future

qualitative research applied to other sectors. Finally, it would be useful to better understand the influence of different types of resources (human, financial, and technological) on a company's innovation capacity.

B. DISCUSSION

1. Examination of Direct Relationships

1) H1: The Positive Impact of Skills on the Firm's Innovation Capability

The acceptance of hypothesis H1.3, which examines the impact of organizational skills on technological innovation, and the rejection of hypotheses H1.1 and H1.2, concerning product innovation and process innovation, respectively, can be explained by several factors specific to the context studied.

Firstly, technological innovation is closely linked to organizational skills because it heavily relies on a company's ability to efficiently manage information, human resources, and internal processes from a technological integration perspective. Tunisian high-tech companies appear to have focused their organizational efforts on acquiring and optimizing new technologies, which would justify the acceptance of H1.3.

In contrast, product innovation, which requires specific research and development skills as well as design capabilities, may exceed the scope of general organizational skills, thus explaining the rejection of H1.1.

Similarly, process innovation, which focuses on improving internal processes, could be hindered by technological or structural constraints, limiting the impact of organizational skills in this area and resulting in the rejection of H1.2.

Finally, the high-tech sector in Tunisia seems to prioritize a strategy focused on technological innovation, mobilizing organizational resources accordingly.

2) H2: The Impact of Knowledge on the Firm's Innovation Capability

The acceptance of hypothesis **H2.1**, which establishes a link between organizational knowledge and product innovation, can be explained by the fact that high-tech companies often leverage their internal knowledge to develop new products. This knowledge may include market data, customer experiences, or specific expertise. The ability to integrate and utilize this knowledge allows companies to design products better suited to market needs or offer innovative solutions.

Similarly, the acceptance of **H2.3**, concerning technological innovation, demonstrates that organizational knowledge plays a central role in adopting and enhancing existing technologies or developing new ones. This may include mastery of technological tools, integration of new solutions, or internal expertise in specialized areas. In a technology-intensive sector, organizational knowledge fosters a dynamic and sustained innovation environment.

In contrast, the rejection of hypothesis **H2.2**, related to the impact of organizational knowledge on process innovation, suggests that this knowledge is not directly applied or utilized to transform internal processes. Process innovation often requires specific approaches to quality management, operational optimization, or automation, which may go beyond general organizational knowledge. Companies may also face structural or cultural barriers that limit their ability to apply this knowledge to process improvements.

How do these dynamics manifest?

Organizational knowledge contributes to product innovation (**H2.1**) by providing a better understanding of market needs and differentiation opportunities. This knowledge can be structured through internal databases, customer feedback, or accumulated team experiences. Leveraging this knowledge facilitates the creation of new products tailored to technological sector demands.

Regarding technological innovation (**H2.3**), this knowledge is utilized to identify, adopt, and sometimes develop new technological solutions. It can stem from technological watch, internal expertise, or collaborations with research institutions. The high-tech sector inherently values the ability to transform organizational knowledge into tangible technological innovations.

However, for process innovation (**H2.2**), simply possessing organizational knowledge is insufficient. Implementing structured processes for continuous improvement or quality management is necessary. The rejection of this hypothesis may indicate a gap in companies' ability to convert this knowledge into concrete actions for processes or a lack of prioritization of process innovation in their overall strategy.

Thus, these results show that organizational knowledge is crucial for certain types of innovation, but its impact heavily depends on how it is utilized within companies.

3) H3: The Impact of Resources on the Firm's Innovation Capability

Analyzing the impact of organizational resources on various forms of innovation (H3.1, H3.2, H3.3) provides insight into the internal dynamics of the studied companies. The positive effect of organizational resources on product innovation (H3.1) may be explained by the ability of these resources to support new product

development processes by providing infrastructure, specialized human skills, or appropriate management tools. These resources create an environment conducive to designing innovative solutions aligned with market needs.

For technological innovation (H3.3), organizational resources play a key role in acquiring and integrating new technologies, facilitating access to advanced equipment, or promoting continuous training for technical teams.

Conversely, if the impact of resources on process innovation (H3.2) is less evident or rejected, it may indicate that companies do not effectively mobilize their resources to improve internal processes. Process innovation often requires specific resources dedicated to operational optimization, which may not yet be sufficiently developed or prioritized within these companies.

Thus, the results reveal that the effectiveness of organizational resources depends on each company's innovation strategy and their ability to align these resources with specific innovation objectives.

IV. CONCLUSION

In an economic context marked by increased competition, top-performing companies strive to position themselves strategically while leveraging their resources to enhance efficiency and improve future performance. Innovation, now viewed as an essential lever, is a key factor for survival and differentiation. Simultaneously, developing organizational capabilities represents both a managerial challenge and a fundamental lever for business success and growth.

This article explores the interaction between organizational capabilities—specifically skills, knowledge, and resources—and the innovation capacity of Tunisian high-tech companies. Using a hypothetico-deductive approach, an empirical study was conducted with a representative sample of companies, combining theoretical and practical aspects.

The research results indicate that developing organizational capabilities, particularly in skills and resources, directly promotes innovation and strengthens competitiveness. Companies that leverage these strengths stand out by continuously improving their products, processes, and technologies, thus consolidating their competitive position. Our study also confirms that innovation capacity is closely linked to the quantity and quality of available resources, highlighting the central role of developing organizational capabilities as a driver of innovation, particularly for SMEs.

Practically, this research provides business leaders and stakeholders in the technology sector with valuable insights to foster innovation. It also offers guidance for struggling companies to innovate and adapt to the demands of a constantly evolving global market. The developed typology allows companies to assess their competitive positioning and define more ambitious and innovative strategies.

However, this study has certain limitations. Firstly, it focuses on companies within a specific technology hub, limiting the generalizability of the results. Additionally, although we examined the information and communication technology (ICT) sector as a whole, these conclusions may not apply to other technology sectors.

Methodologically, our sample size remains limited. A study involving a larger and more diverse sample could validate and deepen our conclusions. Furthermore, while the quantitative approach based on a questionnaire is suitable, it has limitations, particularly regarding response reliability, despite face-to-face administration. Finally, although the PLS method is relevant in our context, it could be enhanced with larger samples and more complex research models. Future studies could focus on specific organizational components—such as human, financial, technological, and organizational resources—and their impact on innovation, offering new perspectives and a broader framework for reflection.

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Bridging the Financial Divide: Factors That Influence Financial Exclusion amongst The Unbanked Population of Botswana

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ABSTRACT

Purpose: The aim of this research is to determine the primary causes behind the unbanked population's exclusion from Botswana's official financial system. The study aims to address the following research question: What are the main causes of the unbanked population's exclusion from Botswana's formal financial system, and how do these causes affect financial inclusion?

Deign/Methodology/Approach: This study used a mixed-methods approach to research, collecting and analysing data using both quantitative and qualitative techniques. Participants in the data collection process were given surveys to accomplish this goal. These surveys collected detailed data regarding people's financial inclusion status in Botswana. The surveys also explored the reasons behind the unbanked population's absence from the official financial system.

Findings: The study's findings indicate that the unbanked population's degree of financial inclusion in Botswana is greatly impacted by the factors that keep them out of the country's formal financial system. The results of this study will add to the body of knowledge in business studies and financial technologies. Additionally, Mobile Network Operators (MNOs), commercial banks, government policy makers, and regulators in the financial and insurance sectors can use the study's findings to obtain useful information and guidance.

Paper Type: Research Paper

Keywords: Financial Exclusion, Unbanked Population, Mobile Network Operators (MNO).

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I. INTRODUCTION

Understanding Botswana's financial inclusion and exclusion requires understanding how financial exclusion affects inclusive growth (Achugamonu et al., 2020). According to sub-Saharan African research, financial marginalization can hinder inclusiveness efforts (Achugamonu et al., 2020). This effect is especially obvious for low-income groups, immigrants, ethnic minorities, and the elderly in industrialized and high-income nations (Sarma & Pais, 2011). The World Bank Global Findex database was used to study financial inclusion in China and compare it to other BRICS nations (Fungáčová & Weill, 2015).

Financial inclusion and economic growth are linked, making financial exclusion a critical issue (Sharma, 2016). This problem is widespread in Africa, especially Botswana, where a large portion of the population relies on illegal finance or is financially excluded (Kpodar & Andrianaivo, 2011). Financial inclusion barriers greatly affect financial exclusion, emphasizing the need to remove them (Baza & Rao, 2017).

Financial inclusion may reduce complex poverty, according to studies (Liu et al., 2022). The increased global interest in implementing financial inclusion strategies to alleviate socioeconomic challenges has led to research on financial inclusion characteristics in Southern Africa (Mhlanga & Denhere, 2020). Examination of socioeconomic and demographic variables on financial inclusion in less developed countries has shown the complex interaction of numerous factors in inclusion and exclusion dynamics (Mhlanga, 2022).

Financial exclusion is an alternative to financial inclusion that emphasizes the need to address exclusionary practices in financial institutions (Bashir et al., 2022). Digital financial inclusion may promote inclusive finance and reduce urban-rural income inequalities (Ji et al., 2021). Fintechs may enable financial inclusion, highlighting the importance of inclusive financial systems in addressing socio-economic marginalization (Joia & Cordeiro, 2021).

This thorough overview of financial inclusion and exclusion highlights its worldwide significance and consequences for inclusive growth and poverty reduction. This research can help Botswana enhance financial inclusion and address financial exclusion issues. Secondary data will be extracted via a complete literature review, qualitative analysis, conclusions, and suggestions for this project.

Research Question 1: What are the primary factors contributing to the exclusion of the unbanked population from the formal financial system in Botswana, and how do these factors impact financial inclusion?

A. Study Hypothesis

Hypothesis 1 (H1): The factors contributing to the exclusion of the unbanked population from the formal financial system in Botswana significantly impact their level of financial inclusion.

Null Hypothesis 1 (H0): The factors contributing to the exclusion of the unbanked population from the formal financial system in Botswana do not have a significant impact on their level of financial inclusion.

B. Theoretical Framework

A research study's theoretical framework serves as a key foundation for its legitimacy and consistency. This important element establishes the framework for developing research questions, making assumptions, and creating the technique. According to (Stahl et al., 2023), a theoretical framework is a coherent combination of related ideas, definitions, and claims that are skillfully constructed to describe and forecast certain phenomena. It basically acts as a conceptual roadmap, directing the course of the study and facilitating an organized understanding of the correlations among the variables.

1. Theory and the Process of Developing Theories in Research

A theory fundamentally represents a harmonious collection of interrelated concepts, definitions, and claims designed to explain or predict specific events or behaviors. The origin of theories in scholarly research is anchored in a systematic effort to unravel the complexities among various variables. As Weible (2023) suggests, the development of theories requires a combination of both inductive and deductive reasoning, along with hypothesis testing and concrete observations. This indicates that theories are born out of a cyclical process of identifying, examining, and empirically validating phenomena.

2. Financial Exclusion Theory

Barriers to formal financial services define financial exclusion. Distance to financial institutions, cost, awareness, and regulatory and institutional frameworks might be hurdles (Sakanko, 2020). Because they lack access to official financial services, poor, rural, female, and young people are often excluded (Allen et al., 2016). By not using financial services, people, especially those who are unbanked, low-income, or less profitable to financial organizations, might become financially excluded (Msosa, 2021).

Financial inclusion is understood differently in each nation, hence essential principles or propositions must be identified to explain the observed disparities in financial inclusion practices (Ozili, 2020). Governments are targeting financial inclusion for sustained socio-economic development (Noureldin Sayed & Shusha, 2019). Recent studies show that a strong financial system reduces poverty and income inequality (Claessens, 2006). When imposing stronger restrictions, financial inclusion must not be harmed (Hannig & Jansen, 2010). Interest prohibitions could affect Muslim individuals' use and demand for formal financial services, affecting financial inclusion (Demirguc-Kunt et al., 2014). Despite having access and the means to afford financial services, people may opt to exclude themselves for religious or cultural reasons (Mohieldin et al., 2011).

3. Financial Inclusion Theory

Demirguc-Kunt et al. (2018) proposed the Financial Inclusion Theory, which states that digital financial platforms like mobile or digital money can help underbanked people access financial services. This theory emphasizes financial services, financial capacity, and financial literacy, as supported by Daud & Ahmad (2023); Yeyouomo et al. (2023). The purpose of this theory is to examine how digital financial platforms affect financial access, particularly for non-bankers. This notion is highlighted in "The Impact of Digital Financial Solutions, Provided by Mobile Network Operators (MNOs) and Commercial Banks on Botswana's Unbanked Demographic". Based on the Financial Inclusion Theory, this study examines how digital financial solutions may aid Botswana's unbanked. Digital finance processes can aid change by improving financial literacy and access to financial tools, according to the notion. To elaborate: Financial inclusion depends on people's ability to use formal financial systems. Digital platforms allow non-bankers to participate in the financial ecosystem.

Financial Literacy and Capability: People value financial literacy and capability over access (Hasan et al., 2021). Digital financial tools can help consumers make smart financial decisions by offering information and skills. The Financial Inclusion Theory underpins the study. It guides the research's main questions, assumptions, and methods and interprets digital finance's consequences on Botswana's unbanked. The Financial Inclusion Theory underpins studies on how digital money affects Botswana's unbanked. It also guides the study's methodology and provides a theoretical framework for improvements.

II. METHODS

When the purpose of the investigation is to discover the truth by the application of scientific principles, the positivist methodology that was utilized in this study is most effective (Straub & Gefen, 2004). According to Doyle et al. (2009), it is particularly well-suited for research projects that need the formulation and testing of hypotheses with substantial sample sizes. According to Cherrington et al. (2006), the positivist approach, which is driven by a methodological focus, is extremely beneficial to the social sciences. According to Sharp et al. (2011), it assists in the creation of testable, predictive "truths" that may be applied, frequently through the utilization of numerous large-scale quantitative data sets. Additionally, Sarker & Lee (2002); Shanks et al. (2002) state that this method is recommended for conducting in-depth case studies in the field of information systems research as well as for evaluating competing concepts in the field of business process redesign.

The purpose of this study is to identify the primary factors that contribute to the majority of Botswana's unbanked people being excluded from the country's official financial system. In order to accomplish this, questionnaires were distributed to the participants. These questionnaires aimed to collect specific information on the level of financial inclusion that each individual possessed in Botswana, as well as to investigate the factors that contribute to the financial exclusion of the unbanked population of the country. It was within a radius of sixty kilometers from Gaborone that the research was carried out in the metropolitan area of Gaborone. At the end of the study, there was a response rate of one hundred percent, and the sample size for the qualitative study or random selection was 385 participants. The study had a response rate of eighty percent, which was attained by twelve out of fifteen participants, making the sample size for qualitative analysis fifteen.

Both descriptive and inferential statistical analyses were carried out on the data that was gathered by utilizing the SPSS software that was available. The descriptive statistics provided a general picture of the unbanked population's situation in terms of financial inclusion by making use of metrics of central tendency and dispersion within the data. The proportion of people who did not have access to banking services was the dependent variable, whereas the factors that contributed to financial exclusion were the independent variables. This was accomplished through the utilization of inferential methods such as chi-square testing and logistic regression in order to discover correlations between the two. With the help of this strategy, it became much simpler to identify significant correlations between a wide variety of socioeconomic and demographic variables and the experience of being excluded from the formal financial system. For the purpose of ensuring the study's validity, reliability, and credibility, extensive piloting, meticulous survey instrument design, and rigorous statistical analysis were utilized. The credibility of the qualitative component was improved by the utilization of tried-and-true methods, verification of members, and detailed descriptions. Prioritizing ethics in the research required adhering to protocols, ensuring participant autonomy, obtaining informed permission, and maintaining confidentiality. Additionally, prior to beginning data collecting, obtaining ethical approval from a review board at the University of Zambia (UNZA) was necessary.

III. RESULTS AND DISCUSSION

A. Factors contributing to financial exclusion

This section focuses on exploring the main factors leading to the exclusion of the unbanked population from Botswana's formal financial system. Comprehending these factors is crucial for formulating strategies and interventions aimed at improving financial inclusion. The factors that this study identifies and examines are:

1. Lack of understanding of the formal financial system (LOU)
2. High fees associated with banking services (HFA)
3. Inadequate access to physical banking branches (IAP)
4. General mistrust of the formal financial system (GMF)
5. Cultural beliefs and norms acting as barriers (CBN)

Understanding each of these factors is vital as they shed light on the obstacles and challenges encountered by Botswana's unbanked population. This understanding is key to tackling the wider problem of financial exclusion.

B. Factors Contributing to Financial Exclusion: Lack of Understanding (LOU)

Table 4.1 illustrates the role of a lack of understanding (LOU) of the formal financial system in contributing to financial exclusion. This data offers a perspective on how the unbanked population in Botswana may feel distanced or estranged from the formal financial system due to unfamiliarity or a lack of comprehension.

Table 1 Factors Contributing to Financial Exclusion: Lack of Understanding (LOU)

<i>LOU</i>	<i>Frequency</i>	<i>Percent</i>
<i>Strongly Disagree</i>	<i>57</i>	<i>14.8</i>
<i>Disagree</i>	<i>79</i>	<i>20.5</i>
<i>Neutral</i>	<i>84</i>	<i>21.8</i>
<i>Agree</i>	<i>68</i>	<i>17.7</i>
<i>Strongly Agree</i>	<i>97</i>	<i>25.2</i>
<i>Total</i>	<i>385</i>	<i>100.0</i>

To complement the data presented in the table, Figure 4.1 is shown below.

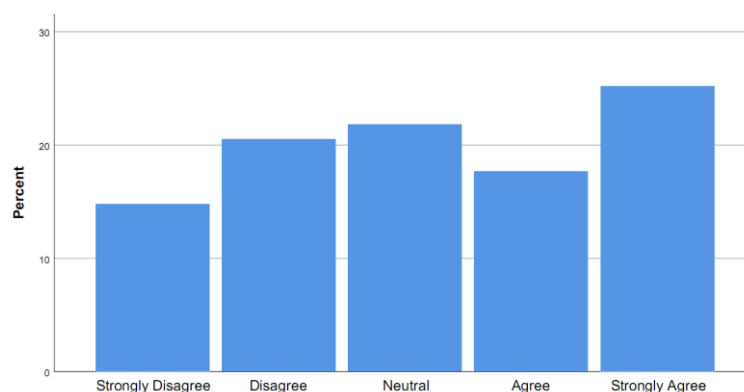


Figure 1 Graphical Representation of LOU Factor

Table 1 shows respondents' views on how comprehending the formal financial system affects Botswana's financial inclusion. The study found that 14.8% (57) of respondents believe a lack of understanding hinders financial inclusion, whereas 20.5% (79) disagree. Interestingly, 21.8% (84) of participants are neutral, and 17.7% (68) believe lack of awareness causes financial marginalization. 25.2% of respondents—97 people—strongly agree that a lack of understanding of the formal financial system is a major cause of financial exclusion.

To improve regional financial inclusion, evidence shows knowledge gaps must be closed. A large percentage of respondents say a lack of understanding of the formal financial system causes financial exclusion. The combined number of agreement and strongly agreeing (42.9%) shows that financial inclusion requires knowledge of the formal financial system, underscoring the necessity for financial literacy and education. According to empirical studies in the literature review, Botswana is not alone in its confusion.

Khan et al. (2022) stressed financial literacy and education for financial inclusion. In their investor financial literacy study, Ansari et al. (2022) found financial literacy vital. These findings support earlier studies recommending targeted financial education and simpler banking procedures to close the knowledge gap and improve financial inclusion. The study emphasizes the relevance of this understanding because a lack of it can

lead to missed financial growth and financial marginalization. Governments, financial institutions, and educators must work together to teach the unbanked how to use the formal financial system.

C. High fees (HFA)

1. High fees associated with banking services lead to the exclusion of many from the financial system (HFA)

This subsection delves into the role of high fees associated with banking services, denoted as HFA, in contributing to financial exclusion in Botswana. Table 4.2 below presents the data.

Table 2 High fees associated with banking services (HFA)

HFA	Frequency	Percent
Strongly Disagree	8	2.1
Disagree	3	.8
Neutral	106	27.5
Agree	153	39.7
Strongly Agree	115	29.9
Total	385	100.0

To complement the data presented in the table, Figure 4.2 is shown below.

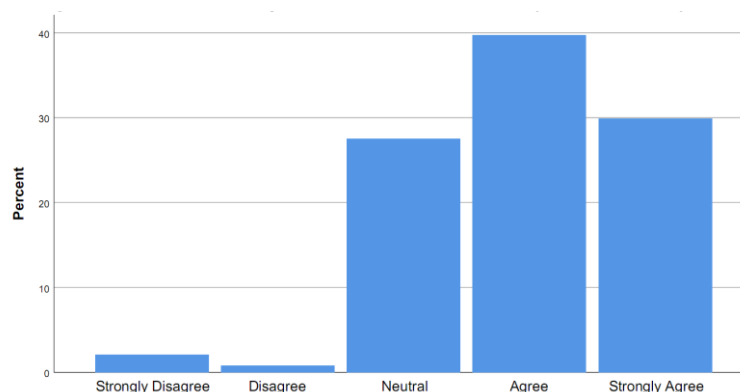


Figure 2 High fees associated with banking services (HFA)

Table 2 shows respondents' views on how high banking fees affect Botswana's financial exclusion. Only 2.1% (8 respondents) strongly disagree that high fees cause financial exclusion, whereas 0.8% (3 respondents) disagree. A sizable 27.5% (106 respondents) are neutral. 39.7% (153 respondents) believe that excessive fees hinder financial access, and 29.9% (115 respondents) strongly agree. These findings suggest Botswana residents worry about banking costs. Table 4.2 shows how high banking costs keep many people out of the financial system. Financial institutions should review their charge structures to improve financial inclusion since 69.6% of respondents agree or strongly agree that excessive costs dissuade. The World Bank (2018) and Molefe & Mokgweetsi (2020) agree that high banking fees and levies hinder financial inclusion worldwide, including Botswana. Mokgweetsi et al. (2021) found that low-income groups struggle with formal banking due to high prices. To achieve financial inclusion, banking services must be cheaper.

The study also stresses the importance of addressing this issue. High fees may deter users, especially those with limited financial resources, from using banking services. This could result in a reliance on informal financial institutions, which may offer less security and benefits. Therefore, it is imperative for policymakers, financial institutions, and other stakeholders to collaborate to make banking more affordable and accessible.

D. Inadequate Access to Physical Banking Branches

1. Inadequate access to physical banking branches makes it difficult for some populations to engage with the formal financial system (IAP).

This subsection delves into the perceptions of respondents regarding the accessibility of physical banking branches and its impact on financial inclusion in Botswana. Table 4.3, presented below, captures the distribution of responses concerning the statement that inadequate access to physical banking branches makes it challenging for some populations to engage with the formal financial system.

Table 3 Inadequate Access to Physical Banking Branches as a Barrier to Financial Inclusion

<i>IAP</i>	<i>Frequency</i>	<i>Percent</i>
<i>Disagree</i>	<i>11</i>	<i>2.9</i>
<i>Neutral</i>	<i>90</i>	<i>23.4</i>
<i>Agree</i>	<i>143</i>	<i>37.1</i>
<i>Strongly Agree</i>	<i>141</i>	<i>36.6</i>
<i>Total</i>	<i>385</i>	<i>100.0</i>

To complement the data presented in the table, Figure 4.3 is shown below.

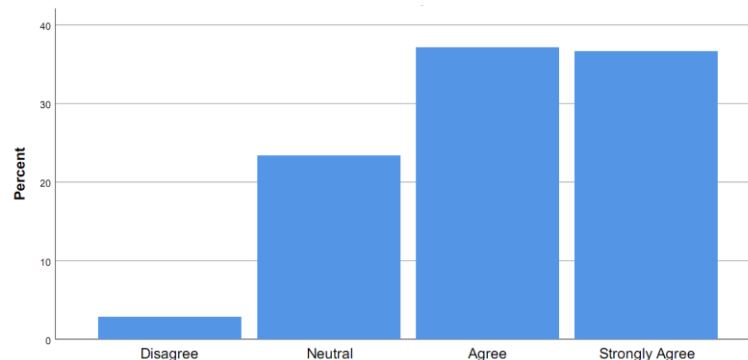


Figure 3 Distributions of Responses on Inadequate Access to Physical Banking Branches

Table 3 shows respondents' views on Botswana's financial inclusion and physical banking branch accessibility. Only 2.9% of respondents—11 people—disbelieve that restricted banking branches cause financial exclusion. However, 73.7% of respondents, 143 agreeing and 141 strongly agreeing, said the lack of physical banking facilities hinders financial inclusion. Neutral is the issue for 23.4% of responses, 90 people. This shows the necessity of physical banking branches for financial inclusion, especially in locations where digital financial solutions are viewed with mistrust.

Botswana needs real banking branches, according to the data. A majority of respondents (73.7% agree and strongly agree) believe that poor banking branch access hinders financial inclusion. Only 2.9% don't think it's important. The 23.4% neutral may be uncertain or think other things are more important. Despite the expansion of digital financial services, traditional banking offices remain important, especially in areas with limited digital literacy or trust in digital platforms. Providing physical and digital banking services in Botswana could boost financial inclusion.

The literature emphasizes the unbanked's concerns in areas with little financial infrastructure. Botswana's rural banks are sparse, limiting access to formal financial services. Many poor countries face this challenge (Mokgweetsi et al., 2021). The digital divide—limited internet access and technological penetration—also hinders financial inclusion, according to the research. Botswana's limited internet infrastructure and technology adoption hinder digital financial services (Molefe & Mokgweetsi, 2020). These digital access and physical availability

issues warrant a multimodal strategy to financial inclusion, enabling service accessibility through several channels.

E. General mistrust of the formal financial system

1. There's a general mistrust of the formal financial system among the unbanked population in Botswana (GMF).

This subsection delves into the perceptions of respondents regarding the level of trust in the formal financial system among the unbanked population in Botswana. Table 4.4, presented below, captures the distribution of responses concerning the statement that there's a general mistrust of the formal financial system among the unbanked population in Botswana.

Table 4 Mistrust of the Formal Financial System among the Unbanked Population

<i>GMF</i>	<i>Frequency</i>	<i>Percent</i>
<i>Disagree</i>	<i>9</i>	<i>2.3</i>
<i>Neutral</i>	<i>89</i>	<i>23.1</i>
<i>Agree</i>	<i>144</i>	<i>37.4</i>
<i>Strongly Agree</i>	<i>143</i>	<i>37.1</i>
<i>Total</i>	<i>385</i>	<i>100.0</i>

To complement the data presented in the table, Figure 4.4 is shown below.

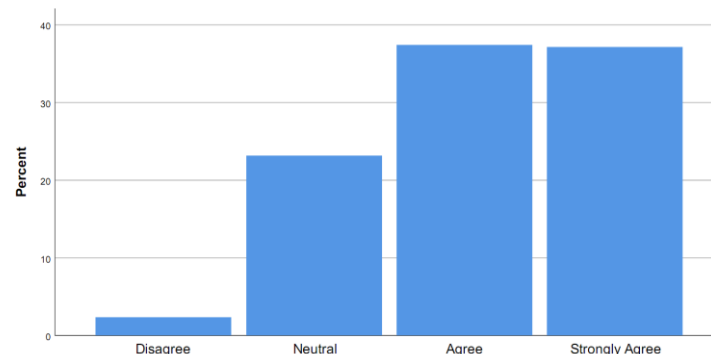


Figure 4 Distributions of Responses on Mistrust of the Formal Financial System

Table 4 presents the respondents' evaluations regarding the trustworthiness of the formal financial system. It reveals that a mere 2.3% (9 respondents) do not believe that the unbanked population distrusts the formal financial system. A substantial 74.5% of respondents (144 agree and 143 strongly agree) indicate that the unbanked population in Botswana harbors mistrust towards the formal financial system. The remaining 23.1% (89 respondents) hold a neutral stance on the issue.

The data indicates a significant skepticism regarding the formal financial system among the respondents. As a substantial 74.5% of respondents either agree or strongly agree that the unbanked mistrust the formal financial system, it is evident that financial institutions need to build trust and credibility among this demographic. The 23.1% who remain neutral could represent those who are uncertain or consider other factors to be more significant. Addressing this mistrust is essential for advancing financial inclusion, as trust constitutes the foundation of financial relationships.

The survey findings concludes that there is skepticism towards the formal financial system. It shows prevalent distrust among Botswanans towards traditional financial institutions, which raises concerns regarding their security and reliability, consequently resulting in a preference for informal financial mechanisms. The survey

findings and literary insights highlight the necessity for financial institutions in Botswana to cultivate trust and exhibit cultural sensitivity to improve financial inclusion.

F. Cultural beliefs and norms

1. Cultural beliefs and norms act as barriers to engaging with the formal financial system (CBN)

This subsection delves into the perceptions of respondents regarding the influence of cultural beliefs and norms on the engagement with the formal financial system in Botswana. Table 4.5, presented below, captures the distribution of responses concerning the statement that cultural beliefs and norms act as barriers to engaging with the formal financial system.

Table 5 Cultural Beliefs and Norms as Barriers to Financial Inclusion

<i>CBN</i>	<i>Frequency</i>	<i>Percent</i>
<i>Disagree</i>	<i>10</i>	<i>2.6</i>
<i>Neutral</i>	<i>79</i>	<i>20.5</i>
<i>Agree</i>	<i>152</i>	<i>39.5</i>
<i>Strongly Agree</i>	<i>144</i>	<i>37.4</i>
<i>Total</i>	<i>385</i>	<i>100.0</i>

To complement the data presented in the table, Figure 4.5 is shown below.

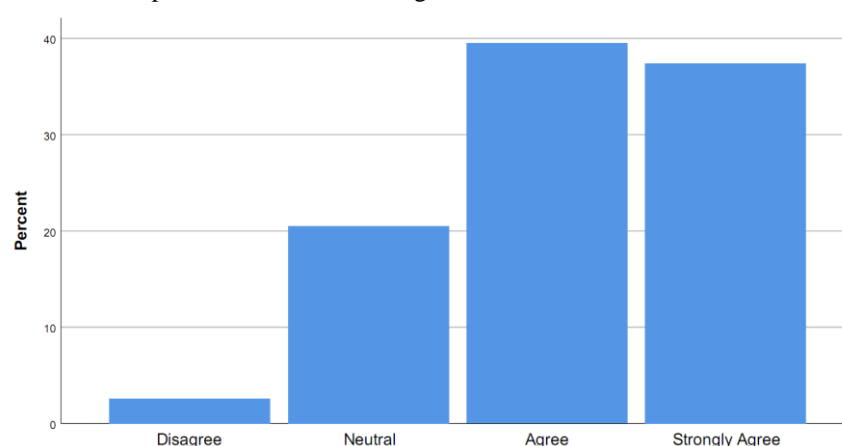


Figure 5 Distributions of Responses on Cultural Beliefs and Norms as Barriers

Table 5 illustrates the respondents' views regarding the influence of cultural norms on financial inclusion. A mere 2.6% (10 respondents) dissent from the view that cultural attitudes and norms hinder financial engagement. In contrast, a notable 37.4% (144 respondents) strongly concur, and 39.5% (152 respondents) concur that cultural attitudes and norms serve as impediments to engagement in the formal financial system. A total of 20.5% (79 respondents) maintain a neutral stance on this issue.

The research indicates that cultural norms significantly impact financial behaviors and decisions. A remarkable 76.9% of respondents either agree or strongly agree that cultural variables significantly impact financial inclusion. The indifferent 20.5% may signify persons who are ambivalent or perceive that alternative concerns are of greater significance. Confronting these cultural obstacles is essential for financial inclusion, as they significantly influence individuals' perceptions and confidence in the formal financial system. Consequently, to improve financial inclusion in Botswana, it is essential for financial institutions and governments to exhibit cultural awareness and implement tactics that resonate with local values.

The results of this study determined that cultural practices and attitudes hinder financial inclusion. Research indicates that, owing to cultural familiarity and trust, stokvels may present a more attractive savings and lending

alternative in Botswana compared to traditional banking institutions. This inclination towards conventional processes highlights the cultural obstacles and the necessity for financial institutions to be culturally aware. The significant proportion of respondents in this study who concur or strongly concur that cultural attitudes and norms hinder financial inclusion supports these literary findings. Therefore, it is imperative for governments and financial institutions to acknowledge and incorporate these cultural subtleties into their financial inclusion plans in Botswana.

G. Data Analysis

1. Analysis of Descriptive Statistics for Factor Variables

Table 6 Factors Contributing To Financial Exclusion

<i>Measure/Variable</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>	<i>Skewness</i>	<i>Kurtosis</i>
<i>Lack of understanding of the formal financial system contributes to financial exclusion in Botswana</i>	3.18	1.398	1.955	-0.093	-1.269
<i>High fees associated with banking services lead to the exclusion of many from the financial system</i>	3.95	0.890	0.791	-0.674	0.660
<i>Inadequate access to physical banking branches makes it difficult for some populations to engage with the formal financial system.</i>	4.08	0.843	0.710	-0.432	-0.783
<i>There's a general mistrust of the formal financial system among the unbanked population in Botswana.</i>	4.09	0.830	0.689	-0.423	-0.814
<i>Cultural beliefs and norms act as barriers to engaging with the formal financial system.</i>	4.12	0.819	0.671	-0.505	-0.608

Table 6 provides descriptive statistics for different factors that contribute to financial exclusion in Botswana. Each factor is evaluated based on its mean, standard deviation, variance, skewness, and kurtosis.

The data indicates that cultural beliefs and norms, which act as barriers to engagement with the formal financial system, are the most significant contributors to financial exclusion, with a mean value of 4.12. This is closely followed by a widespread mistrust of the formal financial system among the unbanked population in Botswana, which has a mean value of 4.09. The challenge of inadequate access to physical banking branches, which hinders some populations from engaging with the formal financial system, has a mean value of 4.08.

The high fees associated with banking services also significantly contribute to financial exclusion, as indicated by a mean value of 3.95. This suggests that the cost of banking services is a concern for many. The factor with the least impact, based on the mean value, is the lack of understanding of the formal financial system, which has a mean value of 3.18 and contributes to financial exclusion in Botswana.

In terms of distribution, the standard deviation values reveal that the responses varied most for the lack of understanding of the formal financial system, while they were most consistent for cultural beliefs and norms. The skewness values suggest that the response distribution for all factors is slightly negatively skewed, implying that the majority of respondents agreed or strongly agreed with the statements. The negative kurtosis values for all factors indicate that the distribution has lighter tails and a flatter peak compared to a normal distribution.

The examination of the Descriptive Statistics for Factor Variables data highlights that the primary contributors to financial exclusion in Botswana are cultural beliefs and norms, a distrust of the formal financial system, and insufficient access to physical banking branches. Although high banking service fees and a lack of comprehension of the formal financial system also play a role, their impact is somewhat less significant. These findings underscore the necessity for customized interventions that tackle both cultural and infrastructural obstacles to improve financial inclusion in Botswana.

H. Inferential Statistics

While descriptive statistics offer a summary of the data, inferential statistics enable us to draw conclusions or make predictions about our population from our sample data. This is the stage where hypotheses become

crucial. By employing methods such as regression and correlation analysis, these hypotheses can be examined to ascertain the relationships and impacts of different factors on financial inclusion. This approach allows for a more comprehensive understanding of the dynamics at play.

I. Correlations among Factors Contributing to Financial Exclusion

Table 7 Analysis of the Correlation Table

Variable Pairing	Correlation Description	Correlation Coefficient (r)	Significance Level (p)
Lack of Understanding and High Fees	Moderate positive correlation	.240	.000
Lack of Understanding and Inadequate Access	Moderate positive correlation	.289	.000
Lack of Understanding and Mistrust	Moderate positive correlation	.268	.000
Lack of Understanding and Cultural Beliefs	Weak positive correlation	.198	.000
High Fees and Inadequate Access	Moderate positive correlation	.231	.000
High Fees and Mistrust	Weak positive correlation	.180	.000
High Fees and Cultural Beliefs	Weak positive correlation	.145	.004
Inadequate Access and Mistrust	Strong positive correlation	.511	.000
Inadequate Access and Cultural Beliefs	Moderate positive correlation	.315	.000
Mistrust and Cultural Beliefs	Strong positive correlation	.482	.000

Table 7 provides an in-depth analysis of the relationships between various factors that could shape individuals' views and behaviors towards financial services.

A moderate positive correlation of 0.240, which is statistically significant, is observed between "Lack of Understanding" and "High Fees". This implies that a decrease in individuals' understanding could lead to a perception of higher fees for financial services, or the other way around. "Lack of Understanding" also shows moderate positive correlations with "Inadequate Access" and "Mistrust", with coefficients of 0.289 and 0.268 respectively, both statistically significant. This suggests that individuals who lack understanding often express concerns about access and exhibit distrust towards financial services.

A less strong but still significant correlation is seen between "Lack of Understanding" and "Cultural Beliefs", with a coefficient of 0.198. This indicates that cultural beliefs may influence an individual's understanding, but the relationship is not as strong as with the other variables. Further examination of "High Fees" reveals moderate and weak positive correlations with "Inadequate Access" and "Mistrust" respectively. This indicates that individuals who perceive fees as high also often express concerns about access and exhibit some level of mistrust, but the strength of these relationships varies.

A strong positive correlation of 0.511 is found between "Inadequate Access" and "Mistrust", suggesting that individuals who experience access challenges also tend to strongly distrust financial services. Both these variables also show significant positive correlations with "Cultural Beliefs", suggesting that cultural factors influence

perceptions about access and trust. A strong positive correlation of 0.482 between “Mistrust” and “Cultural Beliefs” indicates a significant interaction between an individual’s trust level in financial services and their cultural beliefs.

Furthermore, the data highlights the interconnectedness of understanding, fees, access, mistrust, and cultural beliefs in relation to financial services. While some relationships are stronger than others, the significance of the correlations across the board underscores the complex nature of challenges and perceptions in the field of financial services. A comprehensive approach that takes into account all these interconnected factors would likely be required to address these challenges.

J. Regression Statistics Analysis

The following Tables showcase the regression statistics for each dependent variable

Table 8 Regression Statistics for Factors Contributing to Financial Exclusion in Botswana

<i>Dependent Variable</i>	<i>R</i>	<i>R²</i>	<i>Adjusted R²</i>	<i>F-Statistic</i>	<i>Sig. Level</i>	<i>Durbin-Watson</i>
<i>Lack of understanding</i>	0.298	0.089	0.077	7.390	0.000	0.438
<i>High fees</i>	0.213	0.045	0.033	3.590	0.003	0.910
<i>Inadequate access</i>	0.250	0.063	0.050	5.054	0.000	1.019
<i>General mistrust</i>	0.225	0.051	0.038	4.053	0.001	0.927
<i>Cultural beliefs</i>	0.261	0.068	0.056	5.528	0.000	0.900

Table 8 sheds light on the elements that lead to financial exclusion in Botswana. The Durbin-Watson statistic for the “Lack of understanding” variable indicates a possible positive autocorrelation, suggesting that the residuals are not independent. The variable “Lack of understanding of the formal financial system” has an R value of 0.298, the highest among all, indicating a moderate correlation with the predictors. The Adjusted R Square value for this variable reveals that the predictors explain approximately 7.7% of the variance in the dependent variable. Conversely, “High fees” and “General mistrust” have comparatively lower R values, signifying weaker relationships with their predictors. All models in this table, except for “Cultural beliefs,” which is on the edge, are statistically significant based on their F-Statistics and associated significance levels.

Every variable in this Table 5.3 significantly predicts financial exclusion in Botswana, implying that each factor has a role in determining this outcome. “Lack of understanding” emerges as a key factor, as its model accounts for the largest percentage of variance. However, the potential autocorrelation in this model warrants further examination.

K. Discussions and Findings

To determine the validity of the hypotheses, the regression statistics are evaluated.

- Hypothesis 1 (H1):**
The factors contributing to the exclusion of the unbanked population from the formal financial system in Botswana significantly impact their level of financial inclusion.
- Evidence from Data:**
For the dependent variable "Offering low-cost mobile banking packages tailored for the unbanked population", the F-statistic is 8.311 with a significance level of 0.000. This indicates that the model is statistically significant.
- Finding:**
The evidence supports H1. The factors do have a significant impact on the level of financial inclusion.
- Literature Alignment:**
The results align with the research conducted by Albert et al. (2020), which underscored the difficulties encountered by individuals upon their inclusion in the financial ecosystem. However, these findings diverge from the study by Marco (2018), which proposed that the digital divide is less significant. The importance of

financial literacy, as stressed by Molefe & Mokgweetsi (2020), and the issues arising from the digital divide, as documented in the literature, are also emphasized in these findings.

IV. CONCLUSION

This study found that financially inclusive ecosystem members may be excluded for general or health reasons (Albert, et al 2020). Some people, especially in semi-urban and rural settings, can easily use technology, but others struggle (Marco, 2018). Lack of financial literacy and awareness of financial cybercrimes has exacerbated mistrust in rural areas, slowing digital technology adoption. It also highlights the difficulty of maintaining last-mile delivery arrangements, especially in rural areas. The government possesses many data items; however they are not properly used due to confusion. These data pieces include healthcare planning, social inclusion, and immunization.

A. Objective & Research Question Addressed and Recommendations:

The goals and research questions of the study have been met by this research, which has illuminated the primary factors that lead to financial exclusion. It has addressed the research question and is consistent with previous literature by exposing the different barriers and challenges faced by Botswana's unbanked populace.

The study's conclusion provides insightful information about Botswana's financial inclusion situation. It highlights the difficulties encountered by the unbanked community and offers recommendations for enhancing their availability of financial services. These results address the research objectives and questions, are in line with the literature, and provide a foundation for further studies in this area.

Further research is still necessary, though. Subsequent research endeavors may delve into the tactics and approaches employed by MNOs, commercial banks, and insurance providers in their efforts to enhance financial inclusivity. They might also investigate the difficulties that came with adoption and offer suggestions to promote financial inclusion.

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A Comprehensive Literature Review on The Role of Leadership Styles in Implementation of Strategic Plans in Malawi State-Owned Enterprises

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ABSTRACT

Purpose: The development of strategic plans has become sort of a cliché in recent years. However, studies show that developing a strategic plan is way easier than implementing it. The aims of the study are to find out the role that leadership styles play in the implementation of strategic plans and to recommend the most appropriate leadership style for use during the implementation of strategic plans.

Deign/Methodology/Approach: Data for this study was sourced from relatable previous studies from across the globe and those close to Malawi. The literature was sourced online using Google Scholar search engine.

Findings: The findings show that indeed, leadership styles have a role to play when it comes to the implementation of strategic plans. The most common leadership styles are transformational, autocratic, democratic, laissez-faire and transactional. The study recommends the use of all other leadership styles except autocratic which is deemed to be oppressive to the team. All the other leadership styles encourage teamwork, commitment and working towards the same goals.

Paper Type: Research Paper

Keywords: Leadership styles, implementation, strategic plan, enterprise, transformation.

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I. INTRODUCTION

It has been proven now and again that it is much easier to develop a full strategic plan, launch it in a colorful ceremony and fail miserably to implement the strategic plan. The strategic plan remains a colorful dream on paper but does not get to be implemented physically for the organization to move forward in its endeavors. Chandler (1962) defined a strategic plan as a document that lays out the goals and objectives of an organization and its planned course of action to achieve those targets. The targets can be likened to the vision of what the organization aspires to be in the foreseen future. Now that the targets are set the issue becomes how to get to the desired future.

Joram & Otieno (2018) note in their study note that even with the availability of models, theories and trainings leadership remains the biggest reason why organizations fail to implement strategic plans. Leaders have the task of leading change in organizations which in essence means implementing strategic plans (Kanter et al., 1992). Leadership is about providing the right environment for your subordinates to work and achieve goals (Jabbar & Hussein, 2017). Leaders will inspire the team, boost morale and cultivate positive work relationships with all stakeholders. In this positive environment it is believed that an organization should be able to successfully implement a strategic plan.

The government of Malawi has 85 State-Owned Enterprises (SOEs) all of which have strategic plans. These SOEs are in water supply, energy, public infrastructure, agriculture, transport, education and health. These are key sectors of the Malawi government hence the need to have these SOEs perform at their optimum levels. One

way to ensure efficiency and continuous improvement is by developing strategic plans. but as explained earlier, it has proven to be much easier to develop strategic plans than to implement them.

A. Aim of the Paper

The aims of the study are to find out the role that leadership styles play in the implementation of strategic plans and to recommend the most appropriate leadership style for use during implementation of strategic plans.

B. Literature Review

1. Leadership Styles

Leadership is basically about skillfully using influence to get people in an organization to rally behind a certain goal (Omolayo, 2007). A leader captures the minds of followers and shows them the way to achieving their goals. An effective leader uses their ability to influence as a way to meet targets in the organization. Below, we will discuss each leadership style in detail.

2. Transformational Leadership style

A transformational leader seeks to change the behavior, attitude and perception of the followers by aligning them with common organizational goals. In transformational leadership the leader will be attentive to the needs of the followers and ensure that they are catered to. Bass (1997) plainly stated that transformational leadership is literally about ‘transforming’ the followers’ minds and aligning them to a particular goal. A transformational leader will spend time explaining the vision and mission to the followers. They want the followers to pursue the organization goals as if they were personal to them all. Bass & Avolio (1994) noted that a transformational leader will appeal to the interests of the followers and link that to the common organizational goals. The idea is to encourage commitment and solve problems as they arise within the organization. A transformational leader encourages the team to work together, fight for each other and share both wins and losses in the organization.

3. Transactional Leadership style

Transactional leadership can be simply thought of as an exchange type for leadership style. The transactional leader will offer the followers gifts and incentives in exchange of a certain behavior or attainment of goals (Nanjundeswaras wamy & Swamy, 2014). This is like a carrot and stick analogy on a horse. The leader will typically note good behavior that leads to attainment of organizational goals and reward it accordingly. According to Bass and Avolio (1990) the transactional leader plays a trade with the followers by providing incentives while getting positive results from the followers. This exchange is what is called the transaction. Followers are then motivated by the promise of these rewards which can be in the form of promotion, cash or gifts to work hard on their job and thus achieve the set goals. Burns (1978) underscored the fact that transactional leaders do not only offer rewards for attainment of goals but they also use punishment. The punishment can be in the form of demotion or non-renewal of work contracts. So the fear of punishment and the possibility of receiving rewards are the benchmarks of transactional leadership.

4. Laissez-faire Leadership Style

According to Val & Kemp (2012) in a laissez-faire leadership style the leader gives room to the followers to make decisions on their own without much or little guidance from the leader. The followers are responsible for carrying out tasks that will ensure the attainment of goals without the leader interfering. Laissez faire leadership style can be thought of as a ‘hands off’ type of leadership. The follower has to figure out how to solve problems on their own and report back to the leader on their progress. A laissez faire leader would usually quickly agree with suggestions from the team and offer little resistance (Val & Kemp, 2012).

5. Autocratic (authoritarian) leadership style

In an autocratic leadership style, all the major decisions are made by the leader. The leader would simply make a decision and the followers would follow without any questions (Val & Kemp, 2012). The decisions come like commands not suggestions. These decisions are given to follow dictation. That is why sometimes an autocratic leader is called a dictator. An autocratic leader would not give room for suggestions or idea sharing from their followers. The decisions they make are final and they think of themselves as the only suitable person to make decisions for the group. In an autocratic leadership setup, no attention is given to the feelings or ideas of the followers when decisions are being made. Everyone toes the line as dictated by the autocratic leader. (Lewin et al., 1939) categorically concluded that autocratic leadership is total control and absolute authoritarianism over a group of people.

6. Democratic (participative) leadership

In a democracy leaders rely on the active participation of followers before decisions are made. The leaders allow ample time for consultations and hearing suggestions before a decision is taken (Dessler & Starke, 2004). This is why democratic leadership is also known as participatory leadership. The followers participate in decision-making by making suggestions however the final decision is made by the leader drawing conclusions from how the majority felt about the issue at hand. A democratic leader shares the feelings and interests of his followers. Everyone in the group is treated with respect and thought to have an important opinion (Foster, 2002). Because of the various ideas and suggestions from the group democratic leaders tend to make better and more informed decisions on behalf of the group.

C. Previous Studies

Recent research has extensively explored the crucial role of leadership in the successful implementation of strategic plans across various organizational contexts. This review synthesizes findings from four pivotal studies, each offering unique insights into how leadership styles directly influence strategic plan execution.

II. METHODS

In Kisumu County, Kenya, a study focusing on Non-Governmental Organizations revealed a significant gap in leadership skills and abilities among local leaders, which adversely affected the implementation of strategic plans (Joram & Otieno, 2018). The research, which involved 150 individuals from diverse workplaces using questionnaires and interviews, found that most leaders lacked transformational qualities and were ill-equipped to lead organizational change. This study highlighted the need for a comprehensive understanding of leadership styles, including transformational, democratic, laissez-faire, autocratic, and transactional, and their impact on strategic planning.

Another study emphasized the leader's role as the linchpin in strategic management, drawing from an extensive review of current literature on leadership (Jabbar & Hussein, 2017). It underscored the importance of the leader as a mentor, coach, and performance evaluator. The research posited that the organization's strength is a reflection of the leader's effectiveness. This study reinforced the idea that leadership is central to steering an organization towards its vision and goals, affirming that the success of a strategic plan hinges on the leader's capabilities.

III. RESULTS AND DISCUSSION

In Nairobi, Kenya, a study within the context of savings and credit co-operative societies, particularly in Mwalimu Sacco, shed light on how different leadership styles impact the implementation of strategic plans (Michira & Anyieni, 2018). The research found that leadership styles such as transformational, democratic, laissez-faire, transactional, and even autocratic significantly influence strategic plan implementation. This study stressed the importance of a positive management attitude, an effective company structure, and involving employees in strategic planning as key facilitators for successful implementation.

A Malaysian study delved into the impact of strategic leadership on strategy implementation in organizations (Mubarak & Yusoff, 2019). By reviewing past literature, the study linked successful strategy execution to good leadership, while failure in execution was attributed to poor leadership. The research highlighted that leaders must not only skillfully influence and motivate their team but also solve problems, provide clear direction, and continually assess and adjust team performance.

Through these studies, a consistent narrative emerges: the style and effectiveness of leadership are fundamental to the successful implementation of strategic plans in various settings. Leaders are not just figureheads but active drivers of change, vision, and strategy within their organizations. The studies collectively underline the necessity for leaders to be transformational, proactive, and deeply involved in guiding their teams toward achieving organizational goals (Jabbar & Hussein, 2017; Joram & Otieno, 2018; Michira & Anyieni, 2018; Mubarak & Yusoff, 2019). This review, thus, underscores the indispensable role of leadership in shaping the direction and outcome of strategic initiatives within diverse organizational landscapes.

1. Role of Leadership

The literature proves that indeed leadership has a key role in the implementation of strategic plans. The leader has the responsibility to motivate and rally the team towards the attainment of the set goals. By using influence skillfully, a leader is able to capture the imagination of the organization and guide them towards a

common vision. According to Mubarak & Yusoff (2019) a leader is also tasked with setting up a systematic way of evaluating the progress and performance of the team. The leader would then make the necessary course adjustments to ensure that the team remains on track to achieve its goals. Jabbar & Hussein (2017) argued that a leader is actually the center piece of any organization. Everything starts and falls on leadership. This means that it is the ultimate responsibility of the leaders to show the team the way and direction.

2. Leadership Styles

Joram & Otieno (2018) concluded their study by explicitly stating that leadership styles have an influence on the implementation of a strategic plan. Michira & Anyieni (2018) recommended the use of transformational, democratic, laissez-faire and transactional leadership styles. An autocratic leadership style is not recommended since it prohibits the involvement of followers in the decision-making process making it mostly likely to stir up resentment and reduce morale within the team. A transformational leader will seek to motivate the team to achieve the set goals by appealing to the emotions of the team while in the same way a transactional leader will use rewards to ensure that the team has something to work towards. A democratic and laissez-faire leader will allow the full participation of the team. This will motivate the team since they feel they are part of the decision making process.

IV. CONCLUSION

The synthesis of these studies undeniably demonstrates the pivotal role of leadership in the successful implementation of strategic plans within organizations. Leadership is not merely about holding a position of authority; it is about skillfully employing influence to motivate and guide individuals towards a shared goal. The findings underscore the significance of leadership styles in shaping organizational outcomes. Transformational, democratic, laissez-faire, and transactional leadership styles are particularly noted for their positive impact on strategic plan execution, fostering an environment of motivation, inclusion, and alignment with organizational goals.

In contrast, autocratic leadership, with its limited follower involvement, emerges as less effective, potentially leading to resentment and reduced morale. The studies collectively advocate for leadership approaches that engage and empower team members, ensuring their active participation in the decision-making process. This engagement not only boosts morale but also enhances the collective commitment to achieving the set objectives.

The centrality of leadership in an organization's fabric is further emphasized. The leader's role extends beyond mere direction; it encompasses the responsibility to continually assess, adjust, and align the team's efforts with the organizational vision. The leader, thus, stands as a pivotal figure, influencing the course and effectiveness of strategy implementation. The success or failure of strategic initiatives, as evidenced by these studies, largely hinges on the leader's ability to inspire, guide, and adapt to the dynamic needs of the organization and its people. In summary, effective leadership, manifested through appropriate leadership styles, is crucial for the successful implementation of strategic plans, serving as the linchpin for organizational success and sustainability.

RECOMMEDATION

The study recommends the use of transformational, democratic, laissez-faire and transactional leadership styles in implementation of strategic plans in Malawi state owned enterprises. Leaders must be skilled in these leadership styles and also trained if they do not have capacity. Autocratic leadership must be discouraged entirely as it demoralizes the team and leads to resentment. This is the reason why it is difficult to implement strategic plans in the first place.

A transformational leader will ensure that diverse views and ideas are taken into consideration. This will lead to SOEs that are dynamic and agile enough to respond to the rapidly changing business environment and implement strategic plans aimlessly. Employees need motivation and cheering on to get them going.

A transactional leader will provide a platform where employees who excel and achieve goals as stated in the strategic plans are rewarded according. On the other hand, those who do not achieve should be punished and encourage to do better next time.

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Tax Incentives and Entrepreneurship Development in Nigeria

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ABSTRACT

Purpose: This broad objective of this study is to investigate the relationship between tax incentives and entrepreneurship development in Nigeria.

Design/Methodology/Approach: The study adopted a survey research design approach through administration of questionnaire to infinite population which comprises of entrepreneurs drawn from highly commercialised States (including Lagos, Edo, Kano, Rivers, Anambra, and Federal Capital Territory) in Nigeria, staff of Federal Inland Revenue Service (FIRS), staff of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and staff of Bank of Industries (BOI) respectively. The Cochran 1977 sample size determination technique was used in arriving at a sample size of three hundred and eighty-four (384) respondents. However, for purpose of proactiveness, four hundred and fifty (450) copies of likert scale questionnaire were administered. Four hundred and seven (407) copies were retrieved, and after sorting for defects and mutilated copies, the sample size of 384 copies, which conforms with Cochran (1977) sample size for infinite population were used for this study.

Findings: Responses were analysed with the aid of inferential analytical statistics, and the results shows that on the average that tax exemption has a significant positive relationship between entrepreneurship development; there is a significant and positive relationship between rural location tax incentives and entrepreneurship development; and there is a significant positive relationship between tax holiday and entrepreneurship development in Nigeria. It is therefore recommended that the Nigerian Government should as a matter of urgency give policy direction targeted at granting tax incentives to entrepreneurs in its fiscal policy implementations to be able to attract more persons into the entrepreneurship and allied activities, as this will go a long way in changing the current narrative of mass unemployment in Nigeria.

Paper Type: Research Paper

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I. INTRODUCTION

Entrepreneurship activities among others has been identified as critical catalyst in galvanizing economic status of Nigeria from developing to a sustainable and developed economy, and ultimately achieving a paradigm shift from public sector dominated entity, to private sector dominated entity, to the extent that it could serve as “Special Purpose Vehicle (SPV)” for achieving a favourable balance of payment, positive employment situation and increase level of Gross Domestic Product (GDP). According to Solomon (2017) entrepreneurship not only generates employment but also catalyses technological advancements, diversifies the economy, and empowers marginalized communities.

Ajayi and Ojo (2022) in expression of similar views, asserted that entrepreneurship aid job creation, innovation, and economic inclusivity. It is however pertinent to submit at this juncture that the success of entrepreneurship activities in any clime could be a function of government policies directions which may likely have a ripple effect in terms of the success and overall well-being of such activities. The Nigerian Government have however made concerted efforts in this regard towards encouraging entrepreneurship development through

the establishment by an Act of parliament; the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN); the Bank of Industry (BOI), to mention but a few. Beyond these robust attempts through policy formulation, the government has three main fiscal policies it uses in regulating the economy, which are public debt, public expenditure, and taxation.

These tripods are sensitive to measuring the responsiveness of any macro or micro activities that takes place within any country. The crux of this paper however is to look at the role of tax incentives in the propagation of entrepreneurship activities in Nigeria. It is conventional to mention that tax is a disincentive to any tax-base or entities, hence government through the enabling tax legislations could grant different forms of tax incentives to different tax bases to stimulate economic activities in this regard. The effect of this policy of Nigerian government, without prejudice to prior investigations is the major motivation for this study.

Entrepreneurs in Nigeria encounter a multitude of challenges that impede their effectiveness in contributing to economic growth. One significant obstacle is the burden of excessive taxation imposed by the government, coupled with issues such as double or multiple taxations, insufficient enlightenment on tax-related matters, and flawed tax regulations (Masud, Aliyu & Gambo, 2014; Feyitimi *et al.* 2016). These challenges not only hinder the positive role that entrepreneurs are expected to play in economic growth but also result in heightened poverty rates and escalated production costs. The challenges of entrepreneurship in Nigeria are further exacerbated by factors like insufficient capital, irregular power supply, infrastructural inadequacies, lack of focus, inadequate market research, over-concentration on limited markets, absence of succession plans, poor bookkeeping, inability to separate business and personal finances, and intense competition (Muritala *et al.* 2012).

Aremu and Adeyemi (2011) highlighted that a significant proportion of entrepreneurs in Nigeria face extinction within the first five years of operation, with additional challenges leading to a continued decline. The urgent need to provide an enabling environment for entrepreneurial development is evident, as these entrepreneurs are anticipated to mobilize domestic savings for investment, utilize local raw materials, contribute significantly to the gross domestic product, generate employment, and reduce poverty through sustainable livelihoods. However, the existing complex taxation system in Nigeria acts as a major deterrent to entrepreneurial growth and development.

Meanwhile Olawale and Gariwe (2010) argued the fact that government across the globe acknowledges the role and importance of tax incentives which will help reduce the tax burden on start-ups and Small and Medium-Sized Enterprises (SMEs), free up resources, encourage investment, and facilitate risk-taking. Notable amongst these incentives are tax holidays, tax exemption, and rural location tax incentives, while entrepreneurship development is largely a measure of the level of SMEs, Micro, Small and Medium-Sized Enterprises (MSMEs), and Small Business Units (SBU).

Flowing from the aforementioned background, this study adopted a survey research design to examine the nexus between tax incentives and entrepreneurship development in Nigeria, which serve as a broad objective to this study, while the specific objectives were to: examine the relationship between tax exemption and entrepreneurship in Nigeria; find out the nexus between tax holiday and entrepreneurship development in Nigeria; and find out the nexus between rural location tax incentives and entrepreneurship development in Nigeria.

A. Literature Review

1. Entrepreneurship Development in Nigeria

Entrepreneurship, the act of identifying and capitalizing on opportunities, is a potent force driving innovation, economic growth, and job creation across the globe. It fuels the dynamism of economies, fosters technological advancements, and empowers individuals to shape their destinies (Ocheni & Gemade, 2015; Igbinovia & Okoye, 2017). From Silicon Valley's tech giants to the bustling marketplaces of Lagos, entrepreneurs are the architects of progress, weaving a tapestry of solutions to diverse challenges (Solomon, 2017). Inadequate infrastructure, including unreliable electricity, poor transportation networks, and limited access to technology, hinders the efficiency and competitiveness of Nigerian businesses. These constraints disrupt operations, increase costs, and limit market reach, ultimately hindering entrepreneurial growth (Aborode & Arowolo, 2020).

Despite these challenges, there are glimmers of hope. The Nigerian government has implemented various initiatives to support entrepreneurship, including tax incentives, loan programs, and skills development initiatives (SMEDAN, 2023). Additionally, the rise of fintech and digital platforms is providing alternative financing options and improving access to markets for entrepreneurs.

2. Tax Incentives in Nigeria

Tax holidays, the temporary exemption from corporate income tax for qualifying businesses, have emerged as a popular tool wielded by the Nigerian government to stimulate entrepreneurship development in specific sectors. While offering undeniable benefits, these tax breaks also come with nuances and potential drawbacks that require careful consideration (Babatunde, 2014).

According to Ocheni and Gemade (2015) while tax holidays offer temporary relief, certain types of businesses in Nigeria enjoy **permanent tax exemptions**, further diversifying the landscape of fiscal incentives. These exemptions, enshrined in the Companies Income Tax Act (CITA), primarily target entities engaged in public benefit activities, fostering social good and complementing government efforts in specific domains.

Ajayi and Ojo (2022) asserted that beyond sector-specific exemptions, Nigeria's incentive tapestry also features **location-based tax reductions** targeted specifically at businesses operating in **rural areas**, at least 20 kilometers from basic infrastructure like electricity, water, and tarred roads. This policy recognizes the inherent challenges faced by rural entrepreneurs, such as limited access to resources and markets, and aims to incentivize economic activity in these often-neglected regions.

In the same vein, Adeyemi (2023) opined that corporate entities are eligible for a 10% investment allowance on expenditures related to plant and equipment. This allowance is calculated based on the cost and is granted in the initial year of asset utilization.

B. Theoretical Framework

1. Neoclassical Economic Theory

Alfred Marshall in the late 19th century championed the Neoclassical theory which emphasises the role of government in encouraging entrepreneurial activities through offering of tax incentives. Masud *et al.* 2014 noted that this approach can lead to increased business formation, job creation, and economic growth. The neoclassical theory is of the opinion that government has no business in business, hence must be ready to put policies in place to encourage and regulate the activities of the organised private sector. Tax incentives are one of the policy tools governments can use to intervene or regulate the activities of the private sector.

Adeyemi (2023) has however maintained on the need for caution to be exercised when granting tax incentives, and that incentives effect depends on their design and implementation, hence if they are poorly targeted, overly complex, or riddled with bureaucratic red-tapism, they may fail to reach intended beneficiaries and generate unintended consequences, such as inefficient resource allocation and tax evasion.

2. Empirical Review

Adul, Aruwa and Adamu (2013) in their study delved into the potential of tax incentives to bolster entrepreneurial outcomes in Nigeria, specifically in wealth creation, value addition, job generation, and community improvement. Through an exploratory survey of literature, the research reveals the diverse impacts of tax incentives across economies, highlighting the potential of a holistic set of incentives to stimulate entrepreneurship. However, the study emphasizes the need for consistent and well-designed government policies to ensure that incentives don't become counter-productive and maximize their impact on entrepreneurial success.

Igbिनovia and Okoye (2017) explored the perspectives of entrepreneurs regarding tax burden, tax incentives, and entrepreneurial development in Benin City, Nigeria, country. Employing a cross-sectional survey research design, data was collected from 140 respondents through a structured research questionnaire utilizing a 5-point Likert attitudinal scale. The questionnaire gauged respondents' preferences and levels of agreement on specific questions and assertions. Analysis of the data was carried out using Spearman's rank correlation and ordinary least square (OLS) regression techniques. The findings indicated that a majority of respondents viewed tax burden as a deterrent to entrepreneurial development, revealing a significant negative relationship. Additionally, the study established a positive but insignificant relationship between tax incentives and entrepreneurial development in Nigeria.

Twesige and Gasheja (2019) examined the impact of tax incentives on the sales growth of Small and Medium-sized Enterprises (SMEs) in Kenya for the period 2013 to 2018. The research revealed a consistent annual increase in sales for the sampled SMEs during this timeframe. The analysis of financial statements from these SMEs indicated favourable financial performance. Given that profitability is a measure of a company's revenues surpassing its relevant expenses, the study's findings demonstrated a positive correlation between the availability of tax incentives and increased sales throughout the study period. In essence, the results suggest that tax incentives contribute positively to the sales growth of SMEs.

Hammed and Adewole (2020) conducted a research study examining the impact of tax breaks on the growth and development of manufacturing firms in Nigeria. The research adopted an ex-post facto research design, and data on various tax incentives, including corporate income tax, capital allowance, custom duty, excise tax, and return on assets, were gathered from financial statements spanning from 2013 to 2018. The analysis utilized E-view 9.0 and employed the ordinary least squares multiple regression approach. The study's findings indicated that corporate income tax incentives, capital allowance incentives, custom duty incentives, and excise tax incentives had a positive and statistically significant effect on the return on assets for the selected Nigerian manufacturing firms. As a recommendation, the study suggested that the government should undertake cost-benefit analyses to ensure that the objectives of providing such incentives are achieved. Additionally, efforts

should be made to minimize variations in incentive levels across enterprises to enhance the survival of a larger number of businesses.

Obafemi, Araoye and Araye (2021) examined the impact of various governmental tax incentives on the growth and development of Small and Medium-sized Enterprises (SMEs) in developing economies, with a specific focus on Kwara State SMEs in Nigeria. Utilizing a descriptive research design, the study collected primary data on variables influencing tax effects and their repercussions on SME growth. A sample of 260 respondents from the production sector in Kwara State Industrial area was selected through Stratified and Simple Random Sampling techniques. Questionnaires, interviews, and observations were employed to gather data, subsequently analysed using the ordinary least square regression model to estimate each variable's contribution to SME growth. The findings revealed a significant correlation between taxation and SMEs' growth. The study recommends the implementation of a business-friendly tax policy, such as a tax holiday for start-up enterprises, or the introduction of a growth limit that ensures a stable level capable of sustaining tax payments.

II. METHODS

The survey approach is adopted and blueprint design as it afforded collection of relevant information from the respondents on their perception about the nexus between tax incentives and entrepreneurship development in Nigeria. This study population were mainly top entrepreneurs across highly commercialised States (including Lagos, Edo, Kano, Rivers, Anambra, and Federal Capital Territory) in Nigeria. Furthermore, questionnaire was also administered on some staff of Federal Inland Revenue Service (FIRS), staff of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and staff of Bank of Industries (BOI) respectively. There is however an infinite population of entrepreneurs in Nigeria, thus the population of the study is infinite.

Sample size determination adopted the use Cochran (1977) formula in arriving at a sample size from the infinite population. The justification for the use of Cochran (1977) approach is premised on the fact that it is a standard formular for drawing sample size in an infinite population of a given study. An application of 5% margin of error, amounted to a sample size of three hundred and eighty-four (384) respondents. Consequently, primary data for the study were derived through the means of well-structured administered questionnaire on selected sample respondents. However, to achieve the Cochran sample size, four hundred and fifty (450) copies of questionnaire were administered, while about 407 copies were retrieved, after sorting for defects and mutilated copies, the sample size of 384 copies were used for the study.

1. Validity and reliability of research instrument

Survey questionnaire had been subjected to a pilot test in order to ascertain its reliability and validity. Validity aided the determination as to whether the questions asked satisfy the purpose as it relates to the study. In the same vein questionnaire was administered to two lecturers (professor and senior lecturer respectively) in the Faculty of Management Sciences, University of Benin, Benin City, to help ascertain the face validity. The necessary corrections which include restructuring of scale, sentence structure and technical terms were made. These adjustments were incorporated in the final draft to make it valid for this study.

A reliability test was also conducted on the questionnaire, which measures the degree or extent of consistency of a research instrument. A test re-test method was adopted on a pilot test and the test was administered to twenty respondents drawn from entrepreneurs, staff of Federal Inland Revenue Service (FIRS), staff of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and staff of Bank of Industries (BOI) respectively, who are not part of the sample population. After two weeks interval the same instrument was re-administrated to the same respondents. The research questionnaire was subjected to Cronbach's Alpha test, the dependent variable comprising questions 1 to 5 among the questionnaire sets showed a Cronbach's Alpha coefficient of 0.92, while the independent variables measured by questions 6 to 14 among the questionnaire sets showed a Cronbach's Alpha coefficient of 0.71. The reliability coefficients values justify the reliability of our research instruments since the reliability benchmark is achieved when Cronbach's $\alpha > 0.7$.

2. Method of Data Analyses

The analyses of data in this research were done with the the aid of descriptive and inferential statistics, while means, frequencies, percentages, standard deviations, and inferential statistics were computed for test of formulated hypotheses, while sectionalised copies of likert scale questionnaire were used to generate data. Hence the responses of the respondents were coded numerically to suit the analytical tool.

III. RESULTS AND DISCUSSION

The results of frequencies of responses, and percentages computed which is used to address the specific objectives and answer the implied research questions and discussion of findings are presented below:

1. Tax exemption and Entrepreneurship Development in Nigeria (Q6-Q8)

Table 1 Tax exemption increases tax base of entrepreneurial ventures?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	288	75.0	75.0	75.0
	<i>Agree</i>	88	23.0	23.0	98.0
	<i>Neutral</i>	8	2.0	2.0	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Table 2 Tax exemption is sufficient motivation for more participation in SMEs activities?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	315	82.0	82.0	82.0
	<i>Agree</i>	42	11.0	11.0	93.0
	<i>Neutral</i>	27	7.0	7.0	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Table 3 Tax exemption promotes sustainability of SMEs?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	<i>240</i>	<i>62.5</i>	<i>62.5</i>	<i>62.5</i>
	<i>Agree</i>	<i>131</i>	<i>34.0</i>	<i>34.0</i>	<i>96.5</i>
	<i>Neutral</i>	<i>13</i>	<i>3.5</i>	<i>3.5</i>	<i>100.0</i>
	<i>Disagree</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>100.0</i>
	<i>Strongly Disagree</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>100.0</i>
	<i>Total</i>	<i>384</i>	<i>100.0</i>	<i>100.0</i>	

Source: Researcher Computation using SPSS 25.0

Findings as revealed in Tables 3.1, 3.2, and 3.3 respectively are used to address the specific objective of this study which is to examine the relationship between tax exemption and entrepreneurship in Nigeria. The results of the frequency distribution across the different tables shows that the total numbers of respondents who strongly agree, as well as agree on relevant questions relating to tax exemption relative to entrepreneurship development in Nigeria are higher with cumulative ratings of 98%, 93%, & 96.5% respectively. Hence, it can be deduced on the average that tax exemption has a significant positive relationship between entrepreneurship development in Nigeria.

2. Rural location tax incentives and Entrepreneurship Development in Nigeria (Q9-Q11)

Table 4 Rural tax location incentives encourages development of SMEs in rural areas in Nigeria?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	<i>204</i>	<i>53.0</i>	<i>53.0</i>	<i>53.0</i>
	<i>Agree</i>	<i>161</i>	<i>42.0</i>	<i>42.0</i>	<i>95.0</i>
	<i>Neutral</i>	<i>19</i>	<i>5.0</i>	<i>5.0</i>	<i>100.0</i>
	<i>Disagree</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>100.0</i>
	<i>Strongly Disagree</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>100.0</i>
	<i>Total</i>	<i>384</i>	<i>100.0</i>	<i>100.0</i>	

Source: Researcher Computation using SPSS 25.0

Table 5 Rural tax location incentives speeds up growth of commercial and economic activities in rural areas?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	219	57.0	57.0	57.0
	<i>Agree</i>	165	43.0	43.0	100.0
	<i>Neutral</i>	0	0	0	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Table 6 Rural tax location incentives help stem the tide of rural-urban migration, thus leading to increase MSMEs development in rural areas?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	173	45.0	45.0	45.0
	<i>Agree</i>	211	55.0	55.0	100.0
	<i>Neutral</i>	0	0	0	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Findings as revealed in Tables 3.4, 3.5, and 3.6 respectively are used to address the specific objective of this study which is to find out the nexus between tax holiday and entrepreneurship development in Nigeria. The results of the frequency distribution across the different tables shows that the total numbers of respondents who strongly agree, as well as agree on relevant questions relating to rural location tax incentives relative to entrepreneurship development in Nigeria are high with cumulative ratings of 95%, 100%, & 100% respectively. Hence, it can be deduced on the average that there is a significant and positive relationship between rural location tax incentives and entrepreneurship development in Nigeria.

3. Tax holiday and Entrepreneurship Development in Nigeria (Q12-Q14)

Table 7 Tax holiday aid entrepreneurship development?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	270	70.4	70.4	70.4
	<i>Agree</i>	70	18.2	18.2	88.6
	<i>Neutral</i>	44	11.4	11.4	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Table 8 Tax holiday gives the entrepreneur sufficient time to adjust to new business to the extent that it begin to stabilise?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	262	68.2	68.2	68.2
	<i>Agree</i>	122	31.8	31.8	100.0
	<i>Neutral</i>	0	0	0	100.0
	<i>Disagree</i>	0	0	0	100.0
	<i>Strongly Disagree</i>	0	0	0	100.0
	<i>Total</i>	384	100.0	100.0	

Source: Researcher Computation using SPSS 25.0

Table 9 Tax holiday helps cover up for initial challenges faced by entrepreneurs in creation of new ventures?

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	262	68.2	68.2	68.2
	<i>Agree</i>	122	31.8	31.8	100.0
	<i>Neutral</i>	0	0	0	100.0
	<i>Disagree</i>	0	0	0	100.0

Strongly Disagree	0	0	0	100.0
Total	384	100.0	100.0	

Findings as revealed in Tables 3.7, 3.9 and 3.9 respectively are used to address the specific objectives of this study which is to find out the nexus between tax holiday and entrepreneurship development in Nigeria. The results of the frequency distribution across the different tables shows that the total numbers of respondents who strongly agree, as well as agree on relevant questions relating to tax holiday relative entrepreneurship development in Nigeria is high with cumulative ratings 88.6%, 100%, & 100% respectively. Hence, it can be deduced on the average that there is a significant positive relationship between tax holiday and entrepreneurship development in Nigeria.

IV. CONCLUSION

This study investigates the relationship between tax incentives and entrepreneurship development in Nigeria. Given the growing interest in entrepreneurial activities citizens in Nigeria, and sub-Saharan Africa countries, largely due to proliferation of unemployment, the need for friendly and enabling policies of government to be formulated and implemented cannot be overemphasized. Taxation, being one of the fiscal elements of government could be used in this regard as business-friendly policy, through deployment of different tax incentives. The effect of such strategic move by government to stimulate growth and development of entrepreneurship is the crux upon which this investigation was conducted. The study adopted a survey approach research design, and findings from inferential analytical statistics shows that on the average that tax exemption has a significant positive relationship between entrepreneurship development; there is a significant and positive relationship between rural location tax incentives and entrepreneurship development; and there is a significant positive relationship between tax holiday and entrepreneurship development in Nigeria. It is therefore recommended that the Nigerian Government should as a matter of urgency give policy direction targeted at granting tax incentives to entrepreneurs in its fiscal policy implementations so as to be able to attract more persons into the entrepreneurship and allied activities, as this will go a long way in changing the current narrative of mass unemployment in Nigeria.

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The Effect of Motivation and Compensation as Well as Leadership Style on the Performance of Employees of the Population and Civil Registration Office of Samarinda City with Job Satisfaction as an Intervening Variable

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ABSTRACT

Purpose: The Effect Of Motivation And Compensation As Well As Leadership Style On The Performance Of Employees Of The Population And Civil Registration Office Of Samarinda City With Job Satisfaction As An Intervening Variable

Design/methodology/approach: using a quantitative approach. In this study, the data used are primary data and secondary data. Sampling in this study uses the census method or also called total sampling. Taking a total sampling due to the population being less than 100. In other words, all existing population members will be part of the research sample, while the number of samples for this research is 93 employees of the Samarinda City Population and Civil Registration Office.

Findings: The results of this study showed that motivation (X1) had a positive and significant effect on performance (Y), compensation (X2) had a positive and significant effect on performance (Y), leadership style (X3) had no positive and significant effect on performance (Y), motivation (X1) had a positive and significant effect on job satisfaction (Z), compensation (X2) had a positive and significant effect on job satisfaction (Z), leadership style (X3) had a positive and significant effect on satisfaction work (Z), job satisfaction (Z), has a positive and significant effect on performance (Y), motivation (X1) has a positive and significant effect on performance (Y) through job satisfaction (Z) as an intervening variable, compensation has a positive and significant effect on performance (Y) through job satisfaction (Z) as an intervening variable, leadership style has a positive and significant effect on performance (Y) through job satisfaction (Z) as an intervening variable of the Population and Civil Registration Office Samarinda City.

Keyword: Motivation, Compensation, Leadership Style, Job Satisfaction, Performance.

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I. INTRODUCTION

A. Background

The Office of the Population and Civil Registration Office in the city of Samarinda in its activities has the main task of carrying out a complete and timely recording, registration, and bookkeeping, as well as providing the best legal certainty for the birth, death of marriage and divorce of a citizen. The success of a government in achieving its goals is greatly influenced by the human resources contained in the government. Human resources are a very important element in determining the success of a government, because humans are creatures who have certain thoughts, feelings, needs and expectations such as motivation and compensation as well as leadership style, job satisfaction and employee performance.

Problems that often occur in the Population and Civil Registration Office of Samarinda City are often miscommunication of information that is not conveyed effectively, causing misunderstandings, conflicts between employees, disharmony between teams/individuals that can interfere with employee performance. Lack of supervision or reward for employees, social jealousy between employees and superiors, coordination with citizens, superiors and co-workers is lacking. The number of works is still not in accordance with the SOP or the main tasks of the work, facilities and infrastructure are still lacking such as parking lots and workspaces, the network is sometimes sluggish and broken, computers and printers are faulty. The obstacles that often occur in the Samarinda City Population and Civil Registration Office are that the inter network is disconnected or sluggish, too often asked for help to help other fields or sections, often throwing responsibility for the work which causes other employees who are not the main task of the job to complete the work.

Seeing this, there is still less than optimal employee performance and still lack of job satisfaction, which can be caused by a lack of motivation and compensation as well as a leadership style on the performance of employees of the Samarinda City Population and Civil Registration Office with job satisfaction. A problem is every problem that is a solution to solving a problem first, it is necessary to know about how the situation is and what background and factors are the causes, so that it will get out of the problem.

Based on the background description above, the author tries to formulate the main problems in this study, namely:

1. Does motivation affect the performance of Employees of the Samarinda City Population and Civil Registration Office?
2. Does Compensation affect the performance of Employees of the Population and Civil Registration Office of Samarinda City?
3. Does Leadership Style affect the performance of employees of the Samarinda City Population and Civil Registration Office?
4. Does Motivation affect the Job Satisfaction of employees of the Samarinda City Population and Civil Registration Office?
5. Does Compensation affect the Performance Satisfaction of Employees of the Population and Civil Registration Office of Samarinda City?
6. Does Leadership Style affect the Performance Satisfaction of Employees of the Population and Civil Registration Office of Samarinda City?
7. Does Job Satisfaction affect the Performance of Employees of the Samarinda City Population and Civil Registration Office?
8. Does Motivation Affect the Performance of Employees of the Samarinda City Population and Civil Registration Office through Job Satisfaction as an Intervening Variable?
9. Does Compensation affect the performance of Employees of the Samarinda City Population and Civil Registration Office through Job Satisfaction as an Intervening Variable?
10. Does Leadership Style affect the performance of Employees of the Samarinda City Population and Civil Registration Office through Job Satisfaction as an Intervening Variable?

B. Literature review

1. Motivation

The motivation of human needs is composed in a hierarchy of needs that causes the existence of five levels of human needs and desires. Higher needs will encourage a person to get satisfaction with those needs after the (previous) lower needs are satisfied (Alam, 2021). Motivation is the encouragement, effort, and desire in humans that activate, empower, and direct their behavior to carry out tasks and responsibilities in the work environment (Rahmawati, 2016). Motivation shows the drive and effort to meet or satisfy a need or to achieve a (Sukidi & Wajdi, 2017).

2. Compensation

Compensation is defined as "all income in the form of money, direct or indirect goods received by employees in exchange for services provided to the company (Wicaksono, 2019). Defines that compensation is all remuneration that an employee receives as a result of the labor he has given to the company (Mundakir & Zainuri, 2018). Compensation can be interpreted in several terms, including: salary, allowances or bonuses. Salary is a reward in the form of money received by employees as a contribution to achieving the company/organization's goals (Afifah, 2017). (Garaika, 2020).

3. Leadership Style

Leadership style is a way that a leader does in influencing the behavior and thoughts of his subordinates so that they are able to carry out their duties in an effort to achieve organizational goals (Frisca et al., 2018). Leadership style is a set of characteristics that leaders use to influence subordinates to achieve organizational

goals or it can also be said that leadership style is a pattern of behavior and strategies that are preferred and often applied by a leader (Hamid, 2023). Leadership style is a set of characteristics that leaders use to influence subordinates so that organizational goals are achieved, or it can also be said that leadership is a pattern of behavior and strategy that is preferred and often applied by a leader (Ummah, 2019).

4. Performance

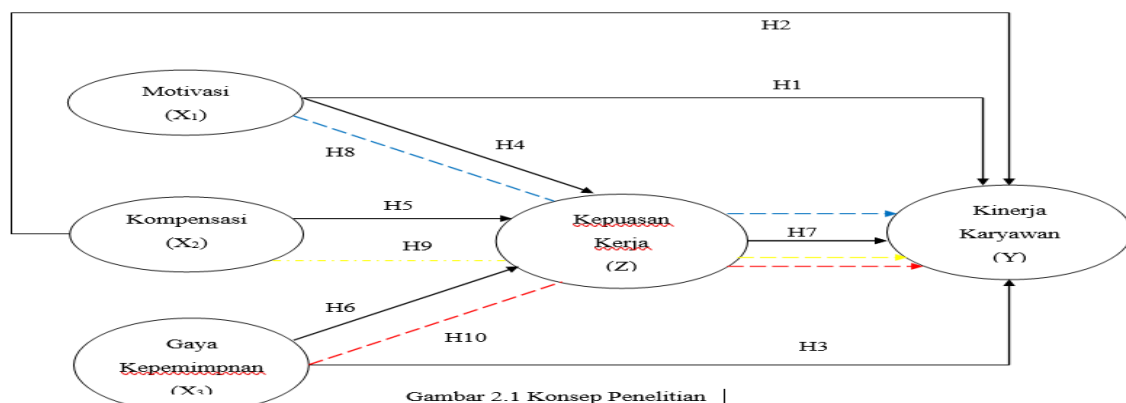
Performance also means as the result of employee work seen in terms of quality, quantity, work time, and cooperation to achieve the goals that have been set by the organization (Siagian & Khair, 2018). Performance is the level of task performance that can be achieved by a person, unit or division by using existing abilities and limitations that have been set to achieve the goals of the organization/company (Pps et al., 2021). Performance as the result of work achieved by workers or employees in quality and quantity in accordance with their responsibilities (Yasser, 2023).

5. Job Satisfaction

Job satisfaction is a feeling related to work involving aspects such as wages or salaries received, career development opportunities, relationships with other employees, job placement, type of work, company organizational structure, and quality of supervision (Sukidi & Wajdi, 2017). (Sugiono, Darmadi, et al., 2021) says that job satisfaction is a level of positive or negative feelings about some aspect of the job, work situation, and relationships with coworkers. Revealed that job satisfaction is a positive attitude that concerns the healthy self-adjustment of employees to work conditions and situations, including wage issues, social conditions, physical conditions and psychological conditions (Muslimin, 2020).

C. Conceptual Framework

To find out the problem to be discussed, it is necessary to have a framework of thinking that is the basis for researching problems that aim to find, and develop in testing the correctness of a research and the framework of thinking can be described as follows:



Gambar 2.1 Konsep Penelitian |

Figure 1. Research concept

D. Hypothesis

Hypothesis is an answer that is still theoretical, and in the formulation of the hypothesis is from the rumor of the problem and based on the description that has been explained earlier, the hypothesis of the data of this research is:

1. Motivation has a positive and significant effect on the performance of Employees of the Population and Civil Registration Office of Samarinda City.
2. Compensation has a positive and significant effect on the performance of Employees of the Samarinda City Population and Civil Registration Office.
3. Leadership Style has a positive and significant effect on the performance of Employees of the Samarinda City Population and Civil Registration Office.
4. Motivation has a positive and significant effect on the Job Satisfaction of employees of the Samarinda City Population and Civil Registration Office.
5. Compensation has a positive and significant effect on the Job Satisfaction of Employees of the Population and Civil Registration Office of Samarinda City.

6. Leadership Style has a positive and significant effect on Job Satisfaction of Employees of the Population and Civil Registration Office of Samarinda City.
7. Job Satisfaction has a positive and significant effect on the performance of employees of the Samarinda City Population and Civil Registration Office.
8. Motivation has a positive and significant effect on the performance of Employees of the Samarinda City Population and Civil Registration Office through Job Satisfaction as an Intervening Variable.
9. Compensation has a positive and significant effect on the performance of Employees of the Samarinda City Population and Civil Registration Office through Job Satisfaction as an Intervening Variable.
10. Leadership Style has a positive and significant effect on the performance of Employees of the Population and Civil Registration Office of Samarinda City through Job Satisfaction as an Intervening Variable.

II. METHODS

A. Type Of Research

Quantitative research is a type of research activity whose specifications are systematic, planned, and structured from the beginning to the creation of the research design, both about the research objectives, research subjects, research objects, data samples, data sources, and methodologies. As the name implies, quantitative research involves itself in calculations or numbers or quantities. This research was conducted at the Samarinda City Population and Civil Registration Office. The scope of this study is to analyze the influence of motivation, compensation, and leadership style on the performance of employees of the Samarinda City Population and Civil Registration Office with Job Satisfaction as an Intervening Variable.

B. Population and Sample

The population in this study is all employees or parties in the Population and Civil Registration Office of Samarinda City which totals 93 existing employees.

C. Data Analysis Method

The statistical method used to test the hypothesis proposed in this study is Partial Least Square ((SEM-SmartPLS) V.3.2.9). There are several steps in the use of PLS (Partial Least Square) according to Ghozali (2015) including:

1. Outer Model Testing

External model analysis is carried out to ensure that the measurements used are appropriate for the measurements (valid and reliable). There are several calculations in this analysis:

- 1) Average Variance Extracted (AVE)
- 2) The model has better discriminatory validity if the square root of the AVE for each construction is greater than the correlation between the two constructions in the model. AVE is an average variance of at least 0.5.
- 3) Convergent Validity
- 4) The convergence validity of the measurement model with reflexive indicators is assessed based on the correlation between the item score or component score and the latent variable score or construction score estimated with the PLS program. The expected value exceeds > 0.7 as the minimum limit for factor loading values, meaning that the values meet the convergent validity requirements so that all indicators are suitable for use in further research and analysis.
- 5) Discriminant Validity
- 6) If the loading value of each indicator item on the construction is greater than the cross-loading value, which is 0.5. Thus, it can be concluded that all constructions or latent variables have good discriminatory validity, where the indicators in the construction indicator block are better than the indicators in the other blocks.
- 7) Composite Reliability and Cronbach alpha
- 8) Variables can be declared to meet composite reliability if they have a value of > 0.6 or composite reliability measurements if the reliability value > 0.6 then the value constructed has a high reliability value. Meanwhile, Cronbach alpha is a variable that can be declared reliable if it meets the Cronbach alpha value > 0.7 .

2. Inner Model Testing

Model Testing In Structural models (inner models) are evaluated by looking at the coefficient values of the relationship path parameters between latent variables.

- 1) Path Output Coefficient if the result of $R^2 > 0.67$ for endogenous latent variables in the structural model indicates that the influence of exogenous variables on endogenous variables is in the good category.
- 2) Goodness of fit (Q2) The calculation result of $Q2 \geq 0.90$ means that the structural model without moderating variables or with moderating variables is fit, so the model can be used for hypothesis testing.

3. Proving hypothesis

- 1) Direct causal effect is the influence of an exogenous variable that has a positive and significant effect on an endogenous variable that occurs without other endogenous variables.
- 2) Indirect causal effect is the influence of an exogenous variable that has a positive and significant effect on an endogenous variable that occurs through another endogenous variable.
- 3) Total causal effect is the sum of direct causal and indirect causal effects.

III. RESULTS AND DISCUSSION

A. Research result

The Model analysis is carried out through evaluation of the outer model and inner model, which is explained below:

1. Outer Model Testing

Outer model analysis is carried out to ensure that the measurements used are suitable for measurement (valid and reliable). The results of testing the outer construct indicator model are presented based on the following image:

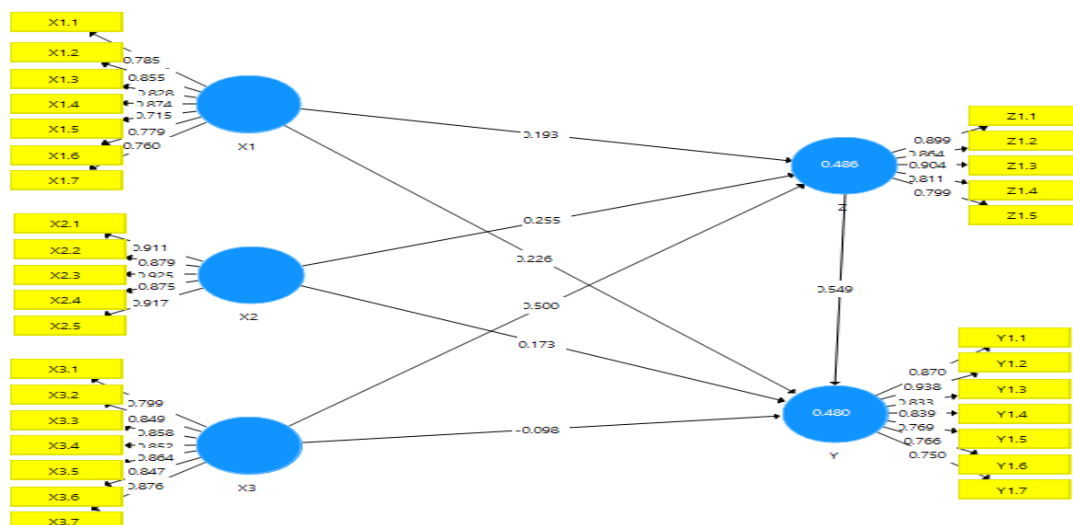


Figure 2. Outer Model Testing

Source: Research results, 2024

Figure 2. is the result of the outer model testing after all indicators on the variables of competence, work stress, workload, job satisfaction, and performance have an outer loading model value of > 0.7 .

2. Proving Hypothesis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Y	0.226	0.228	0.092	2.448	0.007
X1 -> Z	0.193	0.199	0.076	2.534	0.006
X2 -> Y	0.173	0.164	0.101	1.717	0.043
X2 -> Z	0.255	0.236	0.112	2.275	0.012
X3 -> Y	-0.098	-0.101	0.072	1.364	0.087
X3 -> Z	0.500	0.514	0.126	3.971	0.000
Z -> Y	0.549	0.567	0.143	3.835	0.000

Figure 3 Path Coefficient Output

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Z -> Y	0.106	0.111	0.052	2.033	0.021
X2 -> Z -> Y	0.140	0.134	0.074	1.879	0.030
X3 -> Z -> Y	0.274	0.292	0.108	2.547	0.006

Figure 4 Output Indirect Effect

B. Discussion of Research Results

1. The Influence of Motivation on Employee Performance

The results of the test of the influence of motivation (X1) on the performance (Y) of employees at the Samarinda City Population and Civil Registration Office conducted using SmartPLS 3.2.9 showed a T-Statistics value of $2.448 > 1.96$ and a p-value of $0.007 < 0.05$. The original sample showed a value of 0.226, which showed a positive and significant influence of motivation on the performance of employees of the Samarinda City Population and Civil Registration Office, so that the first hypothesis (H1) could be concluded. The findings are consistent with previous research that shows that high motivation is positively correlated with good performance (Sutanjar & Saryono, 2019). And shows that work motivation has a positive and significant effect on performance (Hartaroe et al., 2016). is an example of research that supports a positive relationship between work motivation and employee performance, thus work motivation is not only an internal motivation, but also an important key in improving the productivity and quality of individual and organizational performance as a whole, in accordance with the findings in this study and consistency with previous theories and research.

(Selviandry & Noviantoro, n.d.) Work motivation is an effort to encourage, as well as efforts and desires contained in humans that activate, empower, and can direct several human behaviors to carry out the tasks given properly within the scope of their work. (Alam, 2021) Human needs are organized into a hierarchy of needs which leads to the existence of five levels of human needs and desires. Higher needs will encourage a person to get satisfaction for those needs after the lower (previous) needs are satisfied. Motivation.

2. The Effect of Compensation on Employee Performance

The effect of compensation (X2) on the performance (Y) of employees of the Samarinda City Population and Civil Registration Office proved positive and significant, with a T-Statistics value of 1.717 which exceeded the critical value of 1.96, and a p-value of 0.043 which was less than the significance level of 0.05. The original sample showed a value of 0.173, which showed that there was a positive and significant effect of compensation on the performance of employees of the Samarinda City Civil Registration and Occupation Office, so that the second hypothesis (H2) could be accepted. Support from previous research, such as that conducted by (Habib Ibnu Alwan, 2018), also corroborates these findings by showing that compensation has a positive and significant effect on employee performance such as research (Karomah & Aldiansyah, 2019), and (Fikri et al., 2018) There is a positive influence of compensation on employee performance, meaning that the better the compensation received from the agency, the better the employee's performance will increase (Mardiyah & Mariyono, 2024)

(Wicaksono, 2019) Compensation is everything that employees receive in return for their work. (Mundakir & Zainuri, 2018) Compensation is all income in the form of money, direct or indirect goods that employees receive in exchange for services provided to the company. These findings confirm that rewards given through

compensation not only have an impact on the financial well-being of employees, but also on the productivity and quality of the performance they produce, thus compensation is not only a form of material reward, but also an important factor that motivates employees to achieve optimal performance. This research makes an important contribution in understanding how compensation management can support the achievement of organizational goals through better motivation and performance of employees.

3. The Influence of Leadership Style on Employee Performance

The influence of leadership style (X3) on the performance (Y) of employees of the Samarinda City Population and Civil Registration Office based on the analysis of the results of the hypothesis test carried out can be seen as the T-Statistics value of $1.364 < 1.96$ and the p-value of $0.087 > 0.05$. However, the original sample showed a negative value (-0.098), which showed that the leadership style did not have a significant influence on the performance of employees of the Samarinda City Population and Civil Registration Office, so it can be concluded that the third hypothesis (H3) was rejected. The results of this study are in line with the research conducted by (Wasis Budiarto, Indra Prasetyo, n.d.). In addition, other studies conducted by (Purba Astakoni, 2017) Leadership style has a negative and insignificant effect on employee performance, supported by research (Asiva Noor Rachmayani, 2015) in line with (Rahmaini, 2023) and (Sasandaru, 2018). This shows that leadership style does not have a direct effect on employee performance. This means that leadership style does not have a direct effect on employee performance

Leadership styles that do not affect the performance of employees in the Samarinda City Population and Civil Registration Office are often influenced by complex factors inside and outside the organization. First, unsupportive work environment conditions, such as limited resources or inadequate infrastructure, can be a major obstacle to the implementation of effective leadership strategies. For example, when the resources needed to run an employee development project or program are insufficient, the leader may not be able to provide adequate support to his team. This can result in frustration and decreased motivation among employees, even if the right leadership style has been implemented.

4. The Effect of Motivation on Job Satisfaction

The positive effect of motivation (X1) on job satisfaction (Z) of the Samarinda City Population and Civil Registration Office is significant, shown by a T-Statistics value of 2.534 which exceeds the critical value of 1.96, and a p-value of 0.006 which is smaller than 0.05, indicating that motivation plays a crucial role in increasing the level of job satisfaction, so that the fourth hypothesis (H4) can be concluded.

The results of this study are in line with the research conducted by (Aryo Primanda, 2016), also strengthened that work motivation has a positive and significant impact on job satisfaction (Primandaru et al., 2018), also supported by research (Cahyo Agung Laksono, Mochamad Edris, n.d.). supported by research (Misdiana, Iranita, 2018), supported by research (Dems de Haan et al., 2022). These findings are consistent with the results of this study which shows that high levels of motivation can increase employees' perception of their satisfaction with their work and work environment.

5. The Effect of Compensation on Job Satisfaction

The statistical results of this study show that the T-Statistics value for the effect of compensation (X2) on job satisfaction (Z) in the Samarinda City Population and Civil Registration Office is 2.275, exceeding the critical value of 1.96. In addition, the p-value obtained was 0.012, which is smaller than the significance level of 0.05. This shows that there is strong evidence that compensation has a positive and significant influence on job satisfaction in the Samarinda City Population and Civil Registration Office. so that the fifth hypothesis (H5) can be concluded to be accepted.

The results of this study are in line with the findings (Mundakir & Zainuri, 2018) shows that compensation and work motivation have an effect on employee job satisfaction. Compensation has a significant effect on job satisfaction (Rifdah Abadiyah, n.d.). Compensation has a significant effect on job satisfaction at Prof. Dr. R. D. Kandou Manado Hospital (Christin et al., 2019). there is a significant effect between Compensation and Job Satisfaction (Nur Aidah, Muhammad Aziz Firdaus, n.d.). The results of this study support the finding that adequate compensation can increase employee job satisfaction. When employees feel that the rewards they receive are proportional to their contributions and work output, they tend to feel more valued and satisfied with their work, in addition to other studies conducted by (Rini & Adelia, 2016).

6. The Influence of Leadership Style on Job Satisfaction

The statistical results of this study show that the T-Statistics value for the influence of leadership style (X3) on job satisfaction (Z) in the Population and Civil Registration Office of Samarinda City is 3.971 which is greater

than the critical value of 1.96, and the p-value of 0.000 which is smaller than the significance level of 0.05, shows that the relationship between leadership style and job satisfaction in the Population and Civil Registration Office of Samarinda City is strong and significant, so that the sixth hypothesis (H6) can be concluded.

Previous research conducted by (Sinurat, n.d.) It also supports these findings by showing that leadership style has a positive and significant effect on job satisfaction. In line with the research conducted by (Siti & Fuadati, 2024) Leadership style has a significant positive effect on job satisfaction. Leadership style has been shown to have a partial effect on job satisfaction (Zulher et al., 2022). Leadership style has a direct effect on job satisfaction (Kholid, n.d.). Leadership style has a positive and significant effect on (Ismail & Rahmawati, 2016). Job satisfaction This study reinforces the conclusion that leaders who are able to adopt a leadership style that suits the needs of the team and the situation can play a crucial role in creating a work environment that is conducive to high job satisfaction. Overall, this study not only provides empirical evidence regarding the significant influence of leadership style on job satisfaction, but also strengthens the urgency for organizations to develop and improve leadership competencies as a strategy to improve employee performance and satisfaction.

7. The Effect of Job Satisfaction on Employee Performance

The statistical results of this study show that the T-Statistics value for the effect of job satisfaction (Z) on employee performance (Y) at the Samarinda City Population and Civil Registration Office is 3.835 which exceeds the critical value of 1.96, and the p-value of 0.000 which is smaller than the significance level of 0.05, shows that the relationship between job satisfaction and performance in the Samarinda City Civil Registration and Population and Civil Registration Office is strong and significant. so that the seventh hypothesis (H7) can be concluded.

The results of this study are in line with the research conducted by (Mardiyana et al., 2019) Supported by (Wan Dedi Wahyudi, 2023), and (Winarsih et al., 2018) Also by (Abdullah, 2023) and (Sitti Husniah, Aryati Arfah, Baharuddin Semmaila, 2022) It shows that job satisfaction has a positive and significant influence on employee performance. These results provide strong empirical support that organizations need to pay attention to and improve job satisfaction levels as a strategy to improve overall employee performance. In conclusion, the findings of this study not only strengthen the theory and empirical support regarding the positive influence of job satisfaction on performance, but also highlight the importance of human resource management oriented to improving and maintaining a high level of job satisfaction as an effort to improve organizational performance.

8. The Effect of Motivation on Employee Performance through Job Satisfaction as an Intervening Variable

The results of the study using SmartPLS3.2.9, found that job satisfaction plays a significant intervening variable between work motivation and employee performance at the Samarinda City Population and Civil Registration Office. The results of the analysis show that the path coefficient between motivation (X1) and employee performance (Y) at the Samarinda City Population and Registration Office through job satisfaction (Z) as an intervening variable is 0.106, with a T-Statistics value of 2.033 and a p-value of 0.021. A T-Statistics value greater than 1.96 and a p-value smaller than 0.05 indicate that the relationship is statistically significant, validating through the role of job satisfaction as an intervening variable, so that the eighth hypothesis (H8) can be concluded.

Results of previous research by The role of job satisfaction in mediating the positive influence of work motivation on employee performance in PT PLN (Persero) UP3 Kuala Kapuas - Kalimantan Tengah (Noor Riadi Kurniawan, 2020). Motivation for employee performance mediated by job satisfaction and the result is that it has a significant influence (Bayu Dwilaksono Hanafi, Yohana, 2017). Job satisfaction mediates motivation with employee performance (Liza Aprilianti, Dimas Angga Negoro, Lista Meria, 2023). These findings provide additional evidence that job satisfaction plays an important role in linking work motivation to optimal performance in an organizational context. Job satisfaction mediates the influence of motivation on employee performance (Pratiwis & Yuniantos, 2018).

9. The Effect of Compensation on Employee Performance through Job Satisfaction as an Intervening Variable

The results of the study using SmartPLS3.2.9, it was found that through job satisfaction (Z) played a role as a significant intervening variable between compensation (X2) and employee performance (Y) at the Samarinda City Population and Civil Registration Office. The results of the analysis show that the path coefficient between compensation (X2) and employee performance (Y) at the Population and Civil Registration Office of Samarinda City through the Intervening variable as job satisfaction is 0.140, with a T-Statistics value of 1.879 and a p-value of 0.030. Although the T-Statistics value is slightly below the critical value of 1.96, the p-value smaller than 0.05 still shows an indication of statistical significance through job satisfaction as an intervening variable at the Samarinda City Population and Civil Registration Office, so that the ninth hypothesis (H9) can be concluded.

Previous research supports these findings, one of which is by (Gorap et al., 2019) (Fikri et al., 2018), Dan (Sumarno et al., 2017). Compensation has a significant positive influence on employee performance with job satisfaction as an intervening variable so that the hypothesis is accepted (Muhamad Rifa'i, Rosalia Sela, n.d.). in

support with research (Cahyaningrum & Budianto, 2019). in support with research (Talashina & Ngatno, 2020). Compensation has been proven to have a positive effect on employee performance through job satisfaction (Sugiono, Efendi, et al., 2021).

10. The Influence of Leadership Style on Employee Performance through Job Satisfaction as an Intervening Variable

The results of the study using SmartPLS3.2.9, it was found that job satisfaction (Z) played a role as a significant intervening variable between leadership style (X3) and employee performance (Y) in the Population and Civil Registration Office of Samarinda City. The analysis shows that the path coefficient between leadership style and employee performance through intervening variables as job satisfaction is 0.274, with a T-Statistics value of 2.547 and a p-value of 0.006. A T-Statistics value greater than 1.96 and a p-value smaller than 0.05 indicate that through job satisfaction as an intervening variable on the relationship between leadership style and employee performance is statistically significant, so that the tenth hypothesis (H10) can be concluded.

An effective leadership style is able to create a positive and supportive work environment, where subordinates feel valued, supported, and motivated to perform high. When high job satisfaction is achieved, employees tend to be more motivated and committed to achieving organizational goals because they feel that their contributions are recognized and valued. Previous research supports this research conducted by (Nurwijayanti et al., 2019). Thus this research is in line with (Kholid, n.d.). Leadership style on employee performance through job satisfaction has a silmuting effect (Putro, 2021). Leadership style and work environment on employee performance through job satisfaction have a silmutant or joint effect (Alfiyansyah & Serang, 2024). Thus this research is in line with (Fatyandri & Surbakti, 2023). Leadership style indirectly, through performance, has a significant influence on job satisfaction (Taufan, 2023). Positive Influence of Leadership Style on Employee Performance through Job Satisfaction as an Intervening Variable (RAHAYU, 2020). It was found that leadership style had a significant effect on employee performance through job satisfaction mediation. These findings confirm that an effective leadership style not only provides direct direction and support, but also influences performance through the creation of working conditions that promote employee satisfaction and motivation.

IV. CONCLUSION

1. Motivation has a positive and significant effect on the performance of employees of the Samarinda City Population and Civil Registration Office. That is, the higher the level of motivation of employees, the higher the performance that can be achieved by them.
2. Compensation has a positive and significant effect on affecting employee performance. This suggests that fair and adequate compensation can improve employee motivation and performance.
3. Leadership style does not have a significant direct influence on employee performance. Nevertheless, a good leadership style can increase job satisfaction, which in turn can positively affect employee performance.
4. Motivation has a positive and significant effect on employee job satisfaction. This indicates that the higher the employee's motivation, the higher the job satisfaction they feel in carrying out their duties.
5. Compensation has a positive and significant effect on employee job satisfaction. This means that good compensation not only increases employee motivation but also increases their job satisfaction.
6. Leadership style has a positive and significant effect on employee job satisfaction. This shows that an effective leadership style can directly increase employee job satisfaction.
7. Employee job satisfaction has a positive and significant effect on employee performance. Employees who are satisfied with their jobs tend to have higher motivation and performance.
8. Motivation has a significant positive influence on employee performance, through job satisfaction as a mediator. High motivation can increase job satisfaction, which then contributes to improving employee performance.
9. Compensation has a significant positive influence on employee performance, through job satisfaction as a mediator. Satisfactory compensation can increase job satisfaction, which ultimately affects employee performance positively.
10. Leadership style has a significant positive influence on employee performance through job satisfaction as a mediator. This shows that a good leadership style not only increases job satisfaction but also has a positive impact on employee performance.

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The Effect of After-Sales Services Quality, Customer Ratings and Reviews Towards Customer Purchase Intention and Customers Loyalty Through Customers Satisfaction as Intervening Variable (Case Of Tokopedia E-Commerce Platform in Surabaya Indonesia)

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ABSTRACT

Purpose: E-commerce in indonesia is expected to keep expanding due to the high consumer spending habits of the indonesian population. Online transactions can be conducted through applications or websites accessible via smartphones, with tokopedia being one of the most prominent e-commerce platforms. The scale used in this study is the likert scale.

Design/methodology/approach: The population in this study is tokopedia users in surabaya. Taking into account suggestion number 3 on determining the number of samples by Hair et al. (2010), total sample taken was 160. In collecting the data, the researcher distributed questionnaires by using google form to 160 users of tokopedia in surabaya city.

Findings: The result of the study showed that after sales services and customer ratings and reviews had positive and significant affect toward customer purchase intention. Besides, after sales services and customer ratings and reviews had positive and significant affect toward customer loyalty. After sales services and customer ratings and reviews had positive and significant affect toward customer satisfaction. After sales services and customer ratings and reviews has a significant indirect effect on customer purchase intention through customer satisfaction. After sales services and and customer ratings and reviews has a significant indirect effect on customer loyalty through customer satisfaction.

Keyword: *After Sales Services Quality, Customer Ratings and Reviews, Customer Purchase Intention, Customer Loyalty, Customer Satisfaction.*

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I. INTRODUCTION

E-commerce in Indonesia is expected to keep expanding due to the high consumer spending habits of the Indonesian population. Online transactions can be conducted through applications or websites accessible via smartphones, with Tokopedia being one of the most prominent e-commerce platforms. According to databoks.id research by Jayani (2021) Tokopedia is still the most visited e-commerce in the third quarter of 2021. IPrice reports this is seen from the number of monthly web visitors which reached 158.1 million visits, up 7% from the previous quarter when as many as 147.8 million visits beat other E-commerce such as Shopee, Bukalapak, Lazada, and others. From the results of the research that has been done, it can be seen that the public has higher interest and trust in Tokopedia than other E-commerce applications. Since the onset of the pandemic, Tokopedia has onboarded nearly 3.8 million new sellers, bringing the total to 11 million sellers across Indonesia. This expansion led to a rise in sales across nearly all regions, with notable increases observed in West Nusa Tenggara, Central Sulawesi, and South Sulawesi, which saw the highest sales growth. Additionally, the pandemic led to increased

The Effect of After-Sales Services Quality, Customer Ratings and Reviews Towards Customer Purchase Intention and Customers Loyalty Through Customers Satisfaction as Intervening Variable (Case Of Tokopedia E-Commerce Platform in Surabaya Indonesia)

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transactions on Tokopedia for various products, including health items, personal care, fashion, beauty products, goods for mothers and children, vehicle accessories, food and beverages, and electronics.

Based on data from the Indonesian Consumer Foundation (YLKI), it stated that in 2022, it received 16.6% consumer complaints on the type of business, namely online shopping. Complaints when shopping online are in second place, which indicates that there are still many complaints that occur when shopping online so that consumers are not satisfied with the buying and selling transactions carried out. Tokopedia is one of the e-commerce that also receives many complaints from consumers. Based on a survey conducted by YLKI, it was found that Tokopedia received 13% of complaints from the public, so it can be said that there is customer dissatisfaction when making transactions on Tokopedia. Customer satisfaction, as defined by Deng et al. (2010), is a crucial aspect of business operations because it significantly impacts revenue generation. When customers are pleased with the services they receive, businesses thrive. Customer satisfaction specifically relates to how customers behave in terms of purchasing and the level of satisfaction they derive from using a product. It involves customers comparing your offerings with those of competitors to make informed decisions.

Therefore, researchers conducted research with the following problem statement :

1. Does after-sales services have a significant positive effect on customers purchase intention?
2. Does customers ratings and reviews have a significant positive effect on customers purchase intention?
3. Does after-sales services have a significant positive effect on customers loyalty?
4. Does customers ratings and reviews have a significant positive effect on customers loyalty?
5. Does after-sales services quality have a significant positive effect on customers satisfaction?
6. Does customers ratings and reviews have a significant positive effect on customers satisfaction?
7. Does after-sales services have a significant positive effect on customers purchase intention through customers satisfaction?
8. Does customers ratings and reviews have a significant positive effect on customers purchase intention through customers satisfaction?
9. Does after sales services have a significant positive effect on customers loyalty through customers satisfaction?
10. Does customers rating and reviews have a significant positive effect on customers loyalty through customers satisfaction?

A. Objectives

The following are the research objectives of this study:

1. To test and analyze whether after-sales services have a significant positive effect on customers purchase intention
2. To test and analyze whether customers ratings and reviews have a significant positive effect on customers purchase intention
3. To test and analyze whether after-sales services have a significant positive effect on customers loyalty
4. To test and analyze whether customers ratings and reviews have a significant positive effect on customers loyalty
5. To test and analyze whether after-sales services quality have a significant positive effect on customers satisfaction
6. To test and analyze whether customers ratings and reviews have a significant positive effect on customers satisfaction
7. To test and analyze whether after-sales services have a significant positive effect on customers purchase intention through customers satisfaction
8. To test and analyze whether customers ratings and reviews have a significant positive effect on customers purchase intention through customers satisfaction
9. To test and analyze whether after sales services have a significant positive effect on customers loyalty through customers satisfaction
10. To test and analyze whether customers rating and reviews have a significant positive effect on customers loyalty through customers satisfaction

Because e-commerce shopping means that customers cannot see the goods directly, which leads to the receipt of some goods by customers that are not compatible with the pictures posted on in the online platform. This has an effect on customer dissatisfaction due to the difference in the product received. This leads the customer to a low rating and low reviews and the customer may send a complaint to the store on the online platform to request a return or refund. When a complaint is received, the seller's response with an online platform the problem greatly affects the rating and review that the customer will provide. If the online platform gives a good response to customer complaints, customers will do high ratings and reviews and that enhances the Customer's satisfaction for Customers Intention to buy on Tokopedia and that leads the Customers to gain loyalty for Tokopedia.

B. Literature Review

1. After Sales Services Quality After-sales service is considered an important factor that has an impact on the creation of good relationships with customers (Ladokun I et al., 2013). According to Nasir et al. (2014) a company can create, maintain, and improve customer loyalty by providing excellent after-sales services as follows is the quick response of customer complaint, Replace the faulty good or make a full refund in case of the customer is not happy with the products or service.

2. Customer Ratings and Reviews

Ratings are part of the review, but the opinions given by consumers are in the form of a determined scale, usually the rating assigned by online stores is in the form of stars where more stars indicate a better value (Lackermair et al., 2013). Ratings are made by customers who have made online purchases and posted in the application. Often, ratings are one method for giving input from customers to sellers. According to Farki et al. (2016) stated that there are three indicators in online customer ratings and reviews are as follows is perceived usefulness, perceived enjoyment, perceived controlling.

3. Customer Purchase Intention

Apriyani & Sunarti (2017) stated that consumer satisfaction is a situation that consumers exhibit when they realize that their needs and desires are as expected and fulfilled well. According to Armstrong Mahemba (2019) there are several dimensions of customer satisfaction is perceived quality, perceived value, customer expectations.

4. Customer Loyalty

According to Agung (2016) customer Purchase Intention can be interpreted as buying interest that reflects the desire and desire of consumers to buy a product. Purchase intention can be defined as a willingness of a consumer to purchase or to buy a certain brand in the future based on consumer consideration about the specification of a brand. According to Kotler & Armstrong (2016) the main factors that affect a person's interest in repurchasing, namely as following is cultural factor, psychological factor, personal factor, social factor.

5. Customer Satisfaction

Oliver (2015) states customer loyalty as certainty by customers to buy a product and service on an on going basis, it triggers continued purchases on existing products. According to Griffin (2012), there are four dimension of customer loyalty as follows is make repeat purchases, buying other products and services with the same producer means using all the goods or services they need, recommend to others, demonstrate immunity from the attractiveness of competitors' products.

II. METHODS

Analysis of the data used in this study using quantitative descriptive analysis techniques. The scale used in this study is the Likert scale. The population in this study is Tokopedia users in Surabaya. The population in this study is infinite, meaning that researchers cannot know the exact number of Tokopedia users in Surabaya. Taking into account suggestion number 3 on determining the number of samples by Hair et al. (2010), the researcher determined the number of samples using the following formula is $16 \times 10 = 160$. The number of samples required in this study is at least 160 respondents. The source of research data is an important factor that is considered in determining the method of data collection. The types of data obtained are primary data. Primary data were collected using the technique distributing questionnaires, namely the questionnaire is a data collection technique that This is done by giving a set of questions or a written statement to respondents to answer (Sugiyono, 2019) . Analysis of the data used in this study is Partial Least Square (PLS).

A. Data Collection

In collecting the data, the researcher distributed questionnaires by using Google form to 160 Users of Tokopedia in Surabaya City. Then asked them to fill out the questionnaire and give a checklist for each statement in the questionnaire by using google form. For easier to understand by the respondent the researcher efforts to translate it into Indonesian language. The responses were given on a 5-point Likert scale, where 1 indicated strong disagreement and 5 indicated strong agreement with a statement: 1= strongly disagree, 2= disagree, 3= simply agree, 4= agree, and 5= strongly agree which indicated the degree frequency of respondents. After the respondents finished answering the questionnaires, the questionnaire was checked whether all items are completely answered. All gathered data to evaluate and analyzed for the purpose of the research.

III. RESULTS AND DISCUSSION

1. After sales services quality towards customer purchase intention

Correlation between After-sales service toward Customer Purchase intention is positif. Its mean that increase After-sales service, than Customer Purchase intention will increase. The result hypotheses testing between After-sales service toward Customer Purchase intention indicates t Statistic is 2.288 and p value is 0.023. While t-table is 1.96. Because t test > t-table that is $2.288 > 1.96$ or p-value $(0.023) < \alpha = 0.05$ then influence of X1 (After-sales service) toward Customer Purchase intention results is significant. Means, reject H0 and accept H1. It indicates that After-sales service affect Customer Purchase intention. Based on the results, it can be stated that Hypotheses 1 is supported. Nasir et al. (2021) examine the interconnected roles of after-sales service, customer satisfaction, loyalty, and repurchase intentions on word-of-mouth communication. The study finds that effective after-sales service is a critical driver of customer satisfaction, which subsequently influences customer loyalty and the likelihood of repurchase. The researchers emphasize that high-quality after-sales support strengthens customer relationships and encourages repeat business. This highlights the necessity for businesses, including platforms like Tokopedia, to prioritize their after-sales services to enhance customer satisfaction and foster loyalty, ultimately leading to positive word-of-mouth and sustained growth in their customer base.

2. Customer ratings and reviews towards customer purchase intention

Correlation between between Customer ratings and reviews toward Customer Purchase intention is positif. its mean that increase Customer ratings and reviews, than Customer Purchase intention will increase. The result hypotheses testing between Customer ratings and reviews toward Customer Purchase intention indicates t Statistic is 2.455 and p value is 0.014. While t-table is 1.96. Because t test > t-table that is $2.455 > 1.96$ or p-value $(0.014) < \alpha = 0.05$ then influence of X₂ (Customer ratings and reviews) toward Customer Purchase intention results is significant. Means, reject H₀ and accept H₁. It indicates that Customer ratings and reviews affect Customer Purchase intention. Based on the results, it can be stated that Hypotheses 2 is supported. A study by Chatterjee et al. (2022) explored the effect of online customer reviews (OCR) on purchase intentions across different cultures. It found that OCR significantly impacts customer purchase intentions in both India and the UK, though the degree of influence varies by demographic factors such as age and gender. These findings underscore the importance of online customer reviews and ratings in shaping consumer purchase intentions. Positive reviews not only enhance trust and credibility but also provide valuable information that guides consumers towards making a purchase.

3. After sales services quality towards customer loyalty

Correlation between between After-sales service toward Customer loyalty is positive. its mean that increase After-sales service, than Customer loyalty will increase. The result hypotheses testing between After-sales service toward Customer loyalty indicates t Statistic is 2.527 and p value is 0.012. While t-table is 1.96. Because t test > t-table that is $2.527 > 1.96$ or p-value $(0.012) < \alpha = 0.05$ then influence of X1 (After-sales service) toward Customer loyalty results is significant. Means, reject H0 and accept H1. It indicates that After-sales service affect Customer loyalty. Based on the results, it can be stated that Hypotheses 3 is supported. Aslam & Farhat (2020) have study emphasizes the critical role of after-sales services in shaping consumer behavioral intentions within the e-commerce sector. They found that effective after-sales services, which encompass warranty support, technical assistance, and responsive customer care, are vital in fostering customer loyalty. Their research indicates that consumers who receive satisfactory after-sales support are more inclined to make repeat purchases and promote the brand through recommendations. This consistent body of research highlights how high-quality after-sales services lead to enhanced customer satisfaction, which is directly linked to increased customer retention and loyalty. Businesses that excel in delivering exceptional post-purchase support can gain a significant competitive advantage. For Tokopedia, investing in robust after-sales services such as timely customer support, effective issue resolution, and personalized assistance will be essential for nurturing long-term customer relationships. This direct relationship suggests that customers are more likely to remain loyal to Tokopedia when they experience reliable and supportive after-sales care. Thus, prioritizing superior after-sales services is crucial for building a loyal customer base and ensuring ongoing engagement and repeat business.

4. Customer ratings and reviews towards customer loyalty

Correlation between between Customer ratings and reviews toward Customer loyalty is positif. Ist mean that increase Customer ratings and reviews, than Customer loyalty will increase. The result hypotheses testing between Customer ratings and reviews toward Customer loyalty indicates t Statistic is 2.150 and p value is 0.032. While t-table is 1.96. Because t test > t-table that is $2.150 > 1.96$ or p-value $(0.032) < \alpha = 0.05$ then influence of X₂ (Customer ratings and reviews) toward Customer loyalty results is significant. Means, reject H₀ and accept H₁. It indicates that Customer ratings and reviews affect Customer loyalty. Based on the results, it can be stated that Hypotheses 4 is supported. Macheka et al. (2024) research highlights the significant impact of online customer

reviews on the shopping experiences of young female consumers, particularly concerning their purchase intentions and loyalty. Their study revealed that positive reviews not only enhance customer satisfaction but also increase the likelihood of repeat purchases, thereby fostering greater loyalty. The research underscores the critical importance of effectively managing and responding to online reviews to strengthen customer loyalty. This collective body of evidence illustrates how customer ratings and feedback serve as powerful tools in shaping consumer perceptions and long-term engagement. High ratings and positive reviews contribute to building trust in Tokopedia's products and services, directly enhancing customer loyalty. This direct relationship suggests that when consumers encounter consistent positive feedback, their commitment to the platform is reinforced, leading to increased brand advocacy and repeat transactions. Therefore, Tokopedia should prioritize cultivating and managing positive customer reviews, as they are essential for driving customer loyalty and ensuring ongoing business success.

5. After sales services quality towards customer satisfaction

Correlation between After-sales service toward Customer Satisfaction is positif. It means that increase After-sales service, then Customer Satisfaction will increase. The result hypotheses testing between After-sales service toward indicates t Statistic is 3.616 and p value is 0.000. While t-table is 1.96. Because t test > t-table that is $3.616 > 1.96$ or p-value $(0.000) < \alpha = 0.05$ then influence of X_1 (After-sales service) toward Customer Satisfaction results is significant. Means, reject H_0 and accept H_1 . It indicates that After-sales service affect Customer Satisfaction. Based on the results, it can be stated that Hypotheses 5 is supported. Chawla & Singh (2022) have study revealed that the quality of after-sales service significantly affects customer satisfaction in the retail sector. The research highlighted that factors such as customer support, service efficiency, and problem-solving capabilities play a crucial role in enhancing customer satisfaction. Effective after-sales service leads to higher levels of customer contentment and positive shopping experiences.

6. Customer ratings and reviews towards customer satisfaction

Correlation between Customer ratings and reviews toward Customer Satisfaction is positif. It means that increase Customer ratings and reviews, then Customer Satisfaction will increase. The result hypotheses testing between Customer ratings and reviews toward indicates t Statistic is 5.499 and p value is 0.000. While t-table is 1.96. Because t test > t-table that is $5.499 > 1.96$ or p-value $(0.000) < \alpha = 0.05$ then influence of X_2 (Customer ratings and reviews) toward Customer Satisfaction results is significant. Means, reject H_0 and accept H_1 . It indicates that Customer ratings and reviews affect Customer Satisfaction. Based on the results, it can be stated that Hypotheses 6 is supported. Kim & Kim (2022) have study demonstrates that online reviews play a critical role in shaping customer satisfaction in the hotel industry. Their research found that positive reviews enhance customer satisfaction by providing assurance of quality and meeting expectations, while negative reviews can decrease satisfaction by highlighting potential drawbacks and lowering perceived value.

6. After Sales Services toward Customer Purchase Intention by mediating Customer satisfaction

The result hypotheses testing between After Sales Services toward Customer Purchase Intention by mediating Customer satisfaction indicates t test is 2.035. While t-table is 1.96. Because t test > t-table that is $2.035 > 1.96$ or p-value $(0.042) < \alpha = 0.05$ then influence of X_1 (After Sales Services) toward Customer Purchase Intention by mediating Customer satisfaction results is significant. Means, reject H_0 and accept H_1 . It indicates that the Customer Satisfaction is mediate between After Sales Services toward Customer Purchase Intention. Based on the results, it can be stated that Hypothesis 7 is supported. Rigopoulou et al. (2008) illustrate the pivotal role of after-sales service quality in shaping customer satisfaction, particularly within the electronic appliances sector. Their study reveals that high-quality after-sales services enhance customer satisfaction by providing assurance and support, which in turn fosters customer loyalty. The research indicates that effective management of after-sales services is essential for maintaining positive customer experiences and satisfaction levels. The findings underscore that after-sales service quality directly influences customer perceptions of value and trust in a brand. This relationship emphasizes the importance of businesses, including platforms like Tokopedia, to prioritize after-sales support, as it significantly contributes to overall customer satisfaction and loyalty. By investing in robust after-sales services, companies can not only improve customer satisfaction but also enhance their competitive advantage in the market.

7. Customer Ratings and Reviews toward Customer Purchase Intention by mediating Customer satisfaction

The result hypotheses testing between Customer Ratings and Reviews toward Customer Purchase Intention by mediating Customer satisfaction indicates t test is 2.356 While t-table is 1.96. Because t test > t-table that is $2.356 > 1.96$ or p-value $(0.019) < \alpha = 0.05$ then influence of X_2 (Customer Ratings and Reviews) toward Customer Purchase Intention by mediating Customer satisfaction results is significant. Means, reject H_0 and accept H_1 . It

indicates that the Customer Satisfaction is mediate between Customer Ratings and Reviews toward Customer Purchase Intention. Based on the results, it can be stated that Hypothesis 8 is supported. Sweeney & Soutar (2001) examine the role of customer perceptions of value in shaping satisfaction and purchase intentions. Their study indicates that positive customer ratings and reviews enhance perceived value, which significantly impacts overall customer satisfaction. By validating the quality of products and services, positive reviews not only boost satisfaction but also encourage repeat purchases. The findings highlight the necessity for businesses, including platforms like Tokopedia, to focus on managing customer feedback effectively, as it directly influences satisfaction and long-term loyalty. By promoting a culture of positive ratings and reviews, companies can strengthen customer relationships and improve market performance.

8. After Sales Services toward Customer Loyalty by mediating Customer satisfaction

The result hypotheses testing between After Sales Services toward Customer Loyalty by mediating Customer satisfaction indicates t test is 2.431. While t-table is 1.96. Because t test > t-table that is $2.431 > 1.96$ or p-value $(0.015) < \alpha = 0.05$ then influence of X_1 (After Sales Services) toward Customer Loyalty by mediating Customer satisfaction results is significant. Means, reject H_0 and accept H_1 . It indicates that the Customer Satisfaction is mediate between After Sales Services toward Customer Loyalty. Based on the results, it can be stated that Hypothesis 9 is supported. Balinado et al. (2021) investigate the impact of service quality on customer satisfaction within the automotive after-sales service sector, employing the SERVQUAL model. The study highlights that high-quality service is fundamental in enhancing customer satisfaction, which subsequently fosters customer loyalty. Key dimensions identified, such as reliability and empathy, are essential for improving overall customer experiences. The findings underscore the importance of maintaining service excellence to strengthen customer relationships, suggesting that automotive service providers should prioritize these aspects to enhance satisfaction and loyalty among their clientele. By effectively managing service quality, platforms like Tokopedia can similarly enhance customer satisfaction in their after-sales interactions, leading to sustained business success.

9. Customer Ratings and Reviews toward Customer Loyalty by mediating Customer satisfaction

The result hypotheses testing between Customer Ratings and Reviews toward Customer Loyalty by mediating Customer satisfaction indicates t test is 2.763. While t-table is 1.96. Because t test > t-table that is $2.763 > 1.96$ or p-value $(0.006) < \alpha = 0.05$ then influence of X_2 (Customer Ratings and Reviews) toward Customer Loyalty by mediating Customer satisfaction results is significant. Means, reject H_0 and accept H_1 . It indicates that the Customer Satisfaction is mediate between Customer Ratings and Reviews toward Customer Loyalty. Based on the results, it can be stated that Hypothesis 10 is supported. Chen et al. (2022) explore the influence of online reviews on consumer purchasing decisions through an eye-tracking study. The research reveals that online reviews significantly affect consumer attention and decision-making processes. Positive reviews capture more attention and enhance perceptions of product quality, thereby increasing the likelihood of purchase. Conversely, negative reviews can deter potential buyers and decrease purchasing intent. The study highlights that the placement and prominence of reviews on product pages are crucial in shaping consumer behavior. These findings emphasize the importance for platforms like Tokopedia to effectively manage and display customer reviews, as they play a vital role in influencing customer satisfaction and purchase intentions. By focusing on positive online feedback, businesses can enhance customer trust and loyalty, leading to increased sales and sustained growth.

IV. CONCLUSION

The study concludes that After-Sales Services (X_1) and Customer Ratings and Reviews (X_2) positively and significantly affect Customer Purchase Intention, Customer Loyalty, and Customer Satisfaction. Additionally, After-Sales Services and Customer Ratings and Reviews have significant indirect effects on Customer Purchase Intention (Y_1) and Customer Loyalty (Y_2) through Customer Satisfaction.

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The Influence of WOM and Brand Image on Customer Trust and Satisfaction at BANK CENTRAL ASIA (BCA)

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ABSTRACT

Purpose: The purpose of this study was to determine the satisfaction of BCA customers in Surabaya, through Word of Mouth (WOM), Brand Image, and Trust.

Design/methodology/approach: The research method used is quantitative research, with 200 respondents, through the distribution of questionnaires to BCA Bank customers in Surabaya. The sampling technique used purposive sampling followed by snowball sampling technique. This study uses a 5 scale likert scale.

Findings: The results obtained state that word of mouth (WOM) and brand image have a significant effect on trust, as well as word of mouth (WOM), brand image and trust have a significant effect on BCA Bank customer satisfaction in Surabaya. Trust (T) is a partial mediation variable between BI and satisfaction and between WOM and satisfaction.

Research limitations/implications: This research has limitations, namely the distribution of data only in the city of Surabaya.

Practical implications: Data processing using Structural Equation Modeling (SEM) WarpPLS.

Originality/value: This paper is original

Paper type: Research paper

Keyword: Word of Mouth; Brand Image; Trust and Satisfaction

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I. INTRODUCTION

The economic sector plays a very important role such as trade, industry, and services. This is supported by the existence of banks that play an important role in supporting economic sectors in Indonesia (Rohman, 2023). The increasing number of banks continues to increase, requiring banks to be able to compete to offer various types of services in terms of savings and loans and e-channels. This is because banking competition in Indonesia is increasingly complex, not only competing with banks but also competing with other financial institutions (Defritriady & Sirait, 2018). Banks take a central role, as is the case in Surabaya, banks can be utilised by the community for personal, family, and business institution needs (surabaya.go.id, 2024).

Table 1. Number of Banking Institutions based on Surabaya City Government Data Year 2024

Banking Type	Total
Government Bank	6

<i>Regional Development Bank</i>	2
<i>Private Banks</i>	42
<i>International Bank</i>	11
<i>Total</i>	61

Source: surabaya.go.id, (2024)

Table 1 provides information that private banks have the highest frequency in Surabaya, which is 68.85% of the total number of banks in Surabaya. Therefore, private banks must be able to compete among other private banks as well as government banks and international banks. One of the things that banks need to pay attention to is the satisfaction of their customers, because customer satisfaction has an impact on company profits. (Vivi et al, 2021). There are several factors of satisfaction with consumers, including: product quality, service quality, wom, price, brand image, trust, promotion, e-wom, e-promotion. (Kadi et al, 2021; Vivi et al, 2021; and Neni et al, 2023) and many other factors. This study uses the variables of wom, brand image, and trust as satisfaction factors. This is in accordance with the results of previous research which states that wom is one of the factors currently needed to satisfy consumers (Maghfiroh, 2019; Dewi & Hariawan, 2022; Rochman et al, 2022). Apart from wom, there is also a brand image which is considered important to satisfy consumers (Hasanah & Octavia, 2022; Behboudi & Hosseini, 2017; Diputra & Yasa, 2021). Other previous researchers also stated that trust or trust in this day and age is needed so that consumers feel satisfied (Behboudi & Hosseini, 2017; Mawey et al., 2018; Diputra & Yasa, 2021). Customer satisfaction needs to be considered, especially if there are similar companies, so that there is competitive competition (Sinaga et al, 2017).

In this study there is also a research gap. Some previous studies state that wom has an effect on customer satisfaction (Maghfiroh, 2019; Itasari et al, 2020; Dewi & Hungarianwan, 2022; Rochman et al, 2022; and Aprilia et al., 2024), but other researchers state that wom has no effect on customer satisfaction (Sinaga et al., 2017; Widyaningtyas & Masreviastuti, 2023). Likewise with brand image, several previous researchers stated that brand image has an effect on customer satisfaction (Behboudi & Hosseini, 2017; Diputra & Yasa, 2021; Putra et al., 2021), but other researchers stated that brand image has no effect on customer satisfaction (Rusmahafi & Wulandari, 2020; and Diendara, 2023). In addition to wom and brand image, previous researchers stated that trust or trust has an effect on satisfaction (Diputra & Yasa, 2021; Putra et al., 2021; and Mahendra & Indriyani, 2018), but other researchers stated that trust has no effect on customer satisfaction (Behboudi & Hosseini, 2017; Mawey et al., 2018; and Meida, 2022).

A. Literature Review

1. Consumer Satisfaction

According to Tjiptono (2014), that customer satisfaction is the level of feeling happy or disappointed from customer expectations before the product or service is used, compared to the product or service after use. Consumer satisfaction is a specific construct and attitude that consumers have after purchase which reflects how much consumers like or dislike the services experienced by consumers (Woodside et al., 1989 in Behboudi & Hosseini, 2017). There are three indicators in measuring customer satisfaction (Indrasari, 2019: 92), namely: conformity to expectations, interest in visiting again (repeat orders), and willingness to recommend.

2. Word of Mouth (WOM)

According to Sumardy et al (2011: 71) in Wijaya & Sujana (2020) Word of Mouth (WOM) is an act of providing information about products or services by consumers to other consumers. Word Of Mouth is a communication that comes from word of mouth regarding the assessment of a product or service personally or in groups with the aim of providing information (Joesyana, 2018). There are 5 indicators in measuring wom (Joesyana, 2018) known as 5T, namely: Talkers, Topics, Tools, Talkingpart and Tracking.

3. Brand Image

Brand Image is a perception of a brand that can be reflected as an association in the minds of consumers (Keller, 1993: 22) in (Hasanah & Oktavia, 2022). Brand Image is a set of brand associations that are formed and embedded in the minds of consumers (Rusmahafi & Wulandari, 2020). There are three indicators in measuring

brand image (Indrawati & Pattinama, 2021), namely: easy to remember, easy to recognise, and has a good reputation.

4. Trust

Trust is all the knowledge and conclusions that consumers have about objects, their attributes and benefits (Mowen & Minor, 2002: 312). Trust is the willingness of consumers to rely on other parties based on a belief in these other parties (Caturani et al., 2019). There are four indicators in measuring trust (Masman & Wina, 2019 in Indrawati, 2021), namely: pay attention to reputation, feel safe, the services offered meet the requirements, and keep promises.

II. METHODS

This research uses a quantitative method approach. The independent variables in this study are word of mouth (X1) and brand image (X2). The dependent variable is customer satisfaction (Y), while the mediating variable is Trust. The sampling technique used in this study is non-probability sampling with purposive sampling followed by snow ball sampling technique. The population in this study were Bank Central Asia (BCA) customers in Surabaya, with sample criteria, first, BCA customers in Surabaya, second, BCA customers have been BCA customers for at least the last 1 year until this research was conducted. The number of respondents was 200 people. The data analysis technique used in this study uses Structural Equation Modeling (SEM) WarpPLS 3.0 and SPSS version 25.

A. Research model:

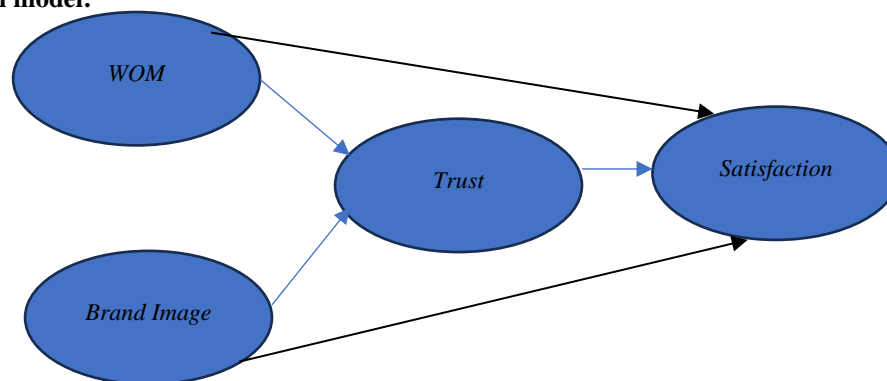


Figure 1 Research Model

B. Hypothesis:

- H1: Word Of Mouth (WOM) has a significant effect on Trust.
- H2: Brand Image has a significant effect on Trust.
- H3: Word Of Mouth (WOM) has a significant effect on customer satisfaction.
- H4: Brand Image has a significant effect on customer satisfaction.
- H5: Trust has a significant effect on customer satisfaction.

III. RESULTS AND DISCUSSION

a. Validity Test

Based on the results of data processing using SPSS Version 25 on the validity test, the following results were obtained:

Table 2. Validity Test

No	Statement items	Correlation Coef	Sig Value	Deskription
1	Word Of Mouth (WOM)			
	WOM 1	0,795	0,000	Valid
	WOM 2	0,780	0,000	Valid
	WOM 3	0,820	0,000	Valid
	WOM 4	0,821	0,000	Valid
	WOM 5	0,662	0,000	Valid
2	Brand Image (BI)			
	BI 1	0,826	0,000	Valid
	BI 2	0,804	0,000	Valid
	BI 3	0,825	0,000	Valid
3	Trust (T)			
	T 1	0,696	0,000	Valid
	T 2	0,781	0,000	Valid
	T 3	0,773	0,000	Valid
	T 4	0,780	0,000	Valid
4	Kepuasan (K)			
	K 1	0,847	0,000	Valid
	K 2	0,838	0,000	Valid
	K 3	0,848	0,000	Valid

Based on Table 2, the Sig value is <0.05, so it can be stated that all statement items are valid.

b. Reliability Test

Based on the results of data processing using SPSS Version 25 on the reliability test, the results are as follows:

Tabel 3. Reliability Test

No.	Variabel	Cronbach's Alpha	Deskripsi
1	Word of Mounth (WOM)	0,798	Reliabel
2	Brand Image	0,752	Reliabel
3	Trust	0,836	Reliabel
4	Satisfaction	0,753	Reliabel

Based on Table 3, the Cronbach's Alpha value > 0.60 is obtained, it can be said that all variables are declared reliable.

c. Model

Based on data processing using WarpPLS 6, the structural equation is obtained as follows:

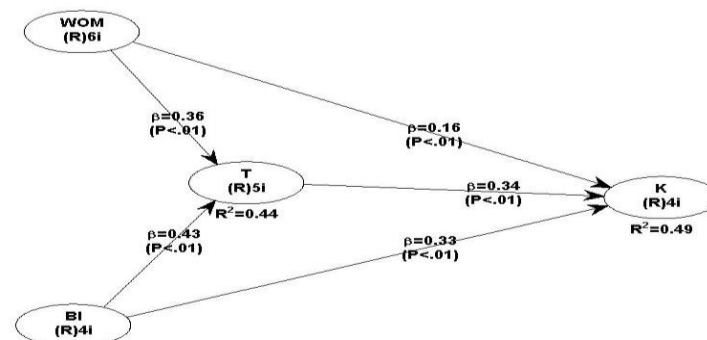


Figure 2 Research model

d. The Direct Effect of WOM on Satisfaction

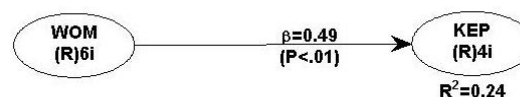


Figure 3. The Direct Effect of WOM on Satisfaction

Figure 2 provides information that the direct effect of WOM on satisfaction is 0.49 and significant with a value of $p < 0.01$. The R^2 value is 24% which can be explained by the WOM variant. In Figure 1, it can be explained that wom to trust (T) and trust (T) to satisfaction are significant, and wom to satisfaction is also significant, where the path coefficient of wom to satisfaction is $0.16 < \text{path coefficient on the direct effect of wom to satisfaction } 0.49$, it can be interpreted that trust is a partial mediating variable. Trust is not the only mediating variable between wom and satisfaction, there are other variables that act as mediating variables.

e. Direct Effect of Brand Image on Satisfaction

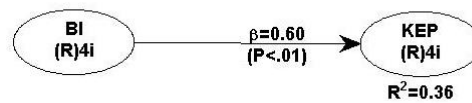


Figure 4. Direct Effect of Brand Image on Satisfaction

Figure 3 provides information that the direct effect of Brand Image (BI) on Satisfaction is 0.60 and significant with a value of $p < 0.01$. The R^2 value is 36% which can be explained by the BI variant. In Figure 1, it can be explained that BI to T and T to satisfaction are significant, and the BI to satisfaction variable is also significant, where the path coefficient of T to satisfaction is $0.33 < 0.60$, it can be interpreted that trust is a partial mediating variable. Trust is not the only mediating variable between BI and satisfaction, there are other variables that act as mediating variables.

f. Goodness of Fit (GoF)

Goodness of fit Model to determine the contribution of exogenous variables to endogenous variables. There are 10 criteria in evaluating Goodness of fit Model Based on data processing using WarpPLS 6, the following results are obtained:

Table 4 Evaluation of Goodness of Fit Indices Criteria

No	Model fit and quality indices	Kriteria fit	Hasil	Keterangan
1	Average path coefficient (APC)	$p < 0.05$	$P < 0.001$	Significant
2	Average R-squared (ARS)	$p < 0.05$	$P < 0.001$	Significant
3	Average adjusted R-squared (AARS)	$p < 0.05$	$P < 0.001$	Significant
4	Average block VIF (AVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.457	Ideally
5	Average full collinearity VIF (AFVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.624	Ideally
6	Tenenhaus GoF (GoF)	Small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36	0.579	Large
7	Sympson's paradox ratio (SPR)	Acceptable if ≥ 0.7 , ideally $= 1$	1.000	Ideally
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9 , ideally $= 1$	1.000	Ideally
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7	1.000	Acceptable
10	Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if ≥ 0.7	1.000	Acceptable

Based on Table 4, it can be interpreted that the 10 Goodness of fit Model criteria all meet the specified criteria.

g. Hypothesis Testing (Resampling Bootstrapping)

Hypothesis testing to test whether there is an influence between exogenous variables and endogenous variables. The test criteria state that if the p value \leq level of significance ($\alpha = 5\%$), then it is stated that there is a significant effect of exogenous variables on endogenous variables. Based on the processing results, the results of hypothesis testing can be obtained in table 4 as follows:

Tabel 5 Hypothesis testing to test

<i>Eksogen</i>	<i>Endogen</i>	<i>P Value</i>	<i>Decision</i>
<i>Word Of Mounth (WOM)</i>	<i>Trust (T)</i>	<i>< 0,01</i>	<i>Significant</i>
<i>Brand Image (BI)</i>	<i>Trust (T)</i>	<i>< 0,01</i>	<i>Significant</i>
<i>Word Of Mounth (WOM)</i>	<i>Satisfaction (K)</i>	<i>< 0,01</i>	<i>Significant</i>
<i>Brand Image (BI)</i>	<i>Satisfaction (K)</i>	<i>< 0,01</i>	<i>Significant</i>
<i>Trust (T)</i>	<i>Satisfaction (K)</i>	<i>< 0,01</i>	<i>Significant</i>

Based on Table 5, it can be explained as follows:

1. The Effect of Word of Mounth (WOM) on Trust (T)

Based on Table 5, a significant value <0.05 is obtained, it can be said that word of mounth has a significant effect on trust. So that the hypothesis that word of mounth has a significant effect on trust is accepted. This means that BCA customers will have more confidence in who tells / talks about BCA, explanations of BCA products, the machines used by BCA, the role of BCA in the community and the supervision that has been carried out by BCA (Joesyana, 2018). The results of this study are in line with the research of Yulianto & Soesanto (2019).

2. The Effect of Brand Image (BI) on Trust (T)

Based on Table 5, a significant value <0.05 is obtained, it can be said that brand image has a significant effect on trust. So that the hypothesis that brand image has a significant effect on trust is accepted. This means that BCA customers will have more confidence in the BCA brand which is easy to remember, easy to recognise, and BCA has a good reputation (Indrawati & Pattinama, 2021). The results of this study are in line with the research of Yulianto & Soesanto (2019).

3. The Effect of Word Of Mounth (WOM) on Satisfaction (K)

Based on Table 5, a significant value <0.05 is obtained, it can be said that word of mouth has a significant effect on satisfaction. So that the hypothesis that word of mounth has a significant effect on satisfaction is accepted. This means that BCA customers will feel more satisfied from stories / talks about BCA, explanations of BCA products, machines used by BCA, BCA's role in society and supervision that has been carried out by BCA (Joesyana, 2018). The results of this study are in line with the results of research by Aprilia et al., (2024), which states that word of mouth has an effect on satisfaction.

4. The Effect of Brand Image (BI) on Satisfaction (K)

Based on Table 5, a significant value <0.05 is obtained, it can be said that brand image has a significant effect on satisfaction. So that the hypothesis that brand image has a significant effect on satisfaction is accepted. This means that BCA bank customers will feel satisfied if they receive fast service, friendly bank employee greetings and a comfortable room atmosphere so that a positive brand image will be formed in the minds of BCA Bank customers (Witama, 2019). The results of this study are in line with the results of Santana's research (2020) which states that brand image has an effect on customer satisfaction.

5. The Effect Trust (T) on Satisfaction (K)

Based on Table 5, a significant value <0.05 is obtained, it can be said that trust has a significant effect on satisfaction. So that the hypothesis that trust has a significant effect on satisfaction is accepted. This means that BCA bank customers will feel satisfied if customers pay attention to reputation, feel safe, the services offered

meet the requirements, and keep promises (Masman & Wina, 2019 in Indrawati, 2021). The results of this study are in line with the results of research by Aprilianto et al., (2022) which states that trust has an effect on satisfaction.

IV. CONCLUSION

The results of the study can be concluded that Word Of Mouth (WOM) and Brand Image have a significant effect on Trust. Word Of Mouth (WOM) and Brand Image have a significant effect on Bank Customer Satisfaction. Trust has a significant effect on Bank Customer Satisfaction. Trust (T) is a partial mediation variable between BI and satisfaction and between WOM and satisfaction, there are still other variables as mediation.

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Analysis of the Influence of Social Capital on Entrepreneurial Orientation and Entrepreneurial Behavior: A Study on Startups in Jabodetabek

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ABSTRACT

Purpose: The purpose of this study is to analyze the impact of social capital on entrepreneurial orientation and entrepreneurial behavior of startup owners in the greater area of Jakarta, Bogor, Depok, Tangerang and Bekasi (Jabodetabek).

Design/methodology/approach: This study applies a quantitative approach. The data collection was done via online questionnaire from April 2024 to June 2024. The 376 respondents were startup owners whose business was domiciled in Jabodetabek. SEM PLS was used to develop a model and analyze the data.

Findings: The study finds that social capital significantly affected both entrepreneurial orientation and entrepreneurial behavior of startup owners, partially and simultaneously.

Research implications: Social capital, in the form of robust social networks, plays an important role in enhancing entrepreneurial orientation and behavior, including proactiveness, innovation, and risk taking.

Practical implications: This study shows the importance of strengthening social networks to support an entrepreneurial mindset and attitude. Entrepreneurs can leverage social capital to access information, resources, and opportunities.

Originality/value: This study expands the understanding of how social networks, trust, and norms influence innovation, risk taking, and proactivity, providing practical value for entrepreneurs, organizations, and policymakers to optimize social capital in enhancing entrepreneurial mindset.

Paper type: Research paper

Keyword: Social Capital, Entrepreneurial Orientation, Entrepreneurial Behaviour

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I. INTRODUCTION

The development of technology and digitalization has created an increasingly dynamic and competitive business environment (Rachinger et al 2018). Technology advances, especially in the field of information and communication technology, have enabled companies to operate more efficiently, reach wider markets, and offer more innovative products or services (Kagermann 2014). In addition, digitalization has opened up new opportunities for companies to interact with customers, understand customer needs, and provide more personalized and relevant solutions (Lenka et al 2017). Amid these changes, the OECD (2020) explains that start-ups have emerged as one of the main forces in the global economy, with the ability to adapt quickly to change, start-ups have succeeded in challenging the status quo and changing traditional ways of doing business to be more modern. Start-ups have succeeded in bringing innovation and creativity to the market, and often changing industries and opening up new opportunities. Start-ups are companies that have just been established and operating for a short period of time with the aim of developing innovative products or services that can change the way we live, work, or interact (Smith 1998). Startups are usually founded by a group of entrepreneurs who have a vision

to create something new and different, with a focus on innovation and rapid growth, startups are often able to challenge large companies and gain significant market share.

Indonesia, as a developing country, has the largest number of startups in Southeast Asia. According to Annur (2023), the number of startups in Indonesia is the highest in Southeast Asia in 2023. This reflects the potential that Indonesia has to become a centre of innovation and economic growth in the Southeast Asia region. Some unicorns from Indonesia, such as Gojek, Tokopedia, and Bukalapak, have succeeded in changing the behaviour of Indonesian people in business transactions, communication, and access information. Of cities and provinces across Indonesia itself, startups in Jabodetabek continue to grow in numbers whereby 80% of the recorded startups are 1 to 10 years old.

According to Lumpkin and Dess (2001) an entrepreneur who has a strong orientation towards opportunities may be more likely to take risks in their business, while those who have a strong orientation towards achieving goals may be more focused on the growth and scalability of their company (Gorgievski et al 2011). Entrepreneur Orientation (EO) is defined as the approach taken by business leaders to apply business strengths to current and long-term market needs to enable sound entrepreneurial decisions and actions (Fellnhöfer et al., 2016; Rauch et al., 2009). There are two views regarding the important factors that support entrepreneurial orientation. The research conducted by Lumpkin and Dess (1996) established five dimensions of entrepreneurial orientation, namely innovation, risk-taking, proactiveness, competitive aggressiveness, and autonomy. Furthermore, there is research that limits their study to the dimensions of entrepreneurial orientation as established by other researchers, namely innovativeness, proactiveness, and risk-taking (D'Angelo and Presutti 2019; Diabate et al. 2019).

EO refers to the processes, structures, and behaviors of a company characterized by three main dimensions: innovation, proactiveness, and risk-taking (Covin and Slevin 1989; Miller 1983). Innovativeness is a broad concept that involves a company's tendency to create something new (Salavou 2004). Innovation is the willingness to try new things or experiment with various elements with the aim of mastering new products or technologies. An innovative orientation is often necessary to change the company culture, which will ultimately enhance performance (Leal-Rodríguez et al. 2014). Proactiveness is the tendency to anticipate and act on new opportunities related to future demand, as well as taking the initiative to try to improve the current situation or create a new one. At the organizational level, proactive behavior reflects an attitude of anticipating and acting on future market deficiencies and needs, thereby creating an advantage over other competitors by being the first to act. It is crucial for companies to shift towards more proactive and sustainable engagement with stakeholders to maintain a competitive advantage (Jiménez-Barrionuevo et al. 2019). Risk taking refers to the willingness of a company to seize opportunities in an uncertain business environment (Pratono 2018). Risk-taking propensity refers to an individual's tendency to exhibit risk-taking or risk-avoidance behavior when faced with risky situations. The main factor in distinguishing entrepreneurs from employed workers is the uncertainty and risk taken by the former workers (Gürol and Atsan 2006).

Factors such as economic motivation, personal aspirations, and the social environment can influence this intention. Although the number of startups in Indonesia continues to grow, the challenges for startups will continue to grow. One of them is getting access to sufficient capital to develop their business, where 34.1% of startups feel that access to capital is a crucial problem (MIKTI, 2021). In addition, they must also be able to adapt quickly to survive and thrive amidst fierce competition. This requires the ability to think creatively, take risks, and learn from failure. Therefore, it is important for start-up entrepreneurs to have good management skills and get support from mentors, investors, and a wide business network.

In running their business, start-ups are faced with various challenges and opportunities. To be able to make good business decisions, start-ups that is represented by the owners must have a deep understanding of the market, customers, and competitors. Start-ups must also be able to carefully evaluate risks and opportunities and create realistic and implementable business plans. In addition, the ability to adapt quickly to changes in the business environment is also very important for the success of start-ups. Success or failure in making business decisions can have a significant impact on the future of the company (Schwenk 1993). Farooq (2018) presents a framework for understanding Entrepreneurial Behavior (EB) by categorizing it into several key dimensions. The business planning dimension refers to the strategic aspects of entrepreneurship, including business model development, market analysis, competitive strategy, and operational planning. The financing of a new firm dimension focuses on the financial aspects of starting a new venture, such as identifying potential sources of capital, financial planning, risk assessment, and investment strategies. Finally, the interaction with external environmental dimension relates to how entrepreneurs interact with the external business environment, including networking, building relationships with stakeholders, understanding market trends, and responding to regulatory and economic conditions. Each of these dimensions plays a critical role in shaping entrepreneurial behavior and contributing to the success of entrepreneurial ventures.

One factor that has emerged as a focus of research is social capital. Mahfud et al (2020) consider social capital as an important resource that provides access to various other assets, including finance, market information, and clients. This includes aspects such as trust, social norms, access to information, and social support. Nahapiet

and Ghoshal (1998) grouped social capital into three dimensions, namely structural, cognitive, and relational dimensions. The structural dimension refers to the existence of networks that provide access to people and resources. This dimension includes the relationships between actors, network configurations, and the roles, rules, precedents, and procedures present within the network. The cognitive dimension refers to the subjective interpretation of shared understanding. This includes aspects such as shared language, codes, and narratives, as well as shared values, attitudes, and beliefs. This dimension also encompasses shared goals, objectives, and vision. The relational dimension refers to the nature and quality of relationships between actors in the network. This includes aspects such as trust and reliability, norms and sanctions, as well as obligations and expectations. This dimension also includes identity and identification.

Previous research on social capital has shown that it can play an important role in business development and decision making. Jamaluddin et al (2020) explained that social capital, especially trust and networks, has a direct influence on decision making for the welfare of women micro-entrepreneurs in the Kendari Korem Market. The similar thing was also found in the research of Wang et al (2021) that there was a significant relationship between the cognitive dimension of social capital from the family and entrepreneurial decision making. However, studies exploring the influence of social capital on the entrepreneurial orientation and behaviours in making business decisions for start-up businesses are still scarce.

Therefore, this study aims to analyze the influence of social capital on entrepreneurial orientation and entrepreneurial behaviour of start-up business owners. In this context, social capital can have a complex impact on start-up entrepreneurs, both positively and negatively. By understanding the complexity of the interaction between social capital and contextual factors, this study is expected to provide deeper insights into how business decision-making in start-up environments can be shaped by social capital and external factors.

II. METHODS

A. Research Approach

This study uses a quantitative approach, which aims to test hypotheses based on existing theory and concepts. Neuman (2015) stated that knowledge on the positivist paradigm is learned and verified through observation and experience (Neuman, 2015). This study applies social capital as exogeneous variable and both entrepreneurial intention and behavior as endogeneous variables.

B. Type of Research

Based on its purpose, this study is explanatory research, which aims to explain the causal relationship between variables: social capital, entrepreneurial orientation, and entrepreneurial intentions. This research is pure research that describes the relationship between theory and reality. The study was conducted cross-sectionally, with data collection carried out at one time.

C. Data Collection

The research data consists of primary and secondary data. Secondary data is collected from literature studies, while primary data is collected through surveys with the use of a questionnaire. The research respondents were start-up owners in Jabodetabek, with a total sample of 376 people, determined using the Slovin formula with a margin of error of 5%. The instrument uses the Likert scale to measure the level of respondent agreement. Validity testing was carried out using Pearson correlation analysis, while reliability testing used Cronbach's alpha (Sekaran and Bougie, 2017).

D. Data Analysis

The data were analyzed using the Structural Equation Model Partial Least Squares (SEM PLS) technique. The measurement model (outer model) was tested through convergent validity, discriminant validity, and composite reliability, while the structural model (inner model) was analyzed using the coefficient of determination (R^2) and predictive relevance (Q^2). The relationship between variables is depicted through a path diagram, and hypothesis testing is carried out by comparing the t-statistic value with the t-table (Hair et al., 2019).

E. Hypothesis

Based on the previous section, this study is based on three hypotheses, namely:

H1: Social Capital (X1) affects Entrepreneurial Orientation (Y1)

H2: Social Capital (X1) affects Entrepreneurial Behavior (Y2)

H3: Social Capital (X1) affects both Entrepreneurial Orientation (Y1) and Entrepreneurial Behavior (Y2)

III. RESULTS AND DISCUSSION

A. Research Instrument Validity Test

The validity test was conducted by measuring the relationship between the total score and the score of each item. An item is considered valid if the Pearson correlation value (r-count) is greater than the r-table of 0.361 for a sample of 30 respondents. The following are the results of the validity analysis of each variable:

1. Social Capital (X1)

This variable has 8 question items covering the structural dimensions (SC1–SC4) and relational dimensions (SC5–SC8). Based on the results of the validity test (Table 1) all items have an r-count value greater than 0.361, so they are declared valid.

Table 1. Social Capital Validity

Variable	ITEM	R-COUNT	R-TABLE	Description
Social Capital (X1)	SC1	0,790	0,361	Valid
	SC2	0,720	0,361	Valid
	SC3	0,773	0,361	Valid
	SC4	0,492	0,361	Valid
	SC5	0,778	0,361	Valid
	SC6	0,827	0,361	Valid
	SC7	0,665	0,361	Valid
	SC8	0,546	0,361	Valid

2. Entrepreneurial Orientation (Y1)

This variable consists of 14 items grouped into three dimensions: innovativeness (EO1–EO6), proactiveness (EO7–EO11), and risk-taking (EO12–EO14). The results of the validity test show that all items have an r-count value above 0.361 (Table 2), so they are valid for use in research.

Table 2. Validity Entrepreneurial Orientation

Item	R-Count	R-Table	Description
EO1	0,768	0,361	Valid
EO2	0,633	0,361	Valid
EO3	0,728	0,361	Valid
EO4	0,720	0,361	Valid
EO5	0,693	0,361	Valid

EO6	0,522	0,361	Valid
EO7	0,700	0,361	Valid
EO8	0,666	0,361	Valid
EO9	0,721	0,361	Valid
EO10	0,537	0,361	Valid
EO11	0,732	0,361	Valid
EO12	0,720	0,361	Valid
EO13	0,813	0,361	Valid
EO14	0,535	0,361	Valid

3. Entrepreneurial Behavior (Y2)

This variable involves 21 items covering three main dimensions: business planning (EB1–EB7), financing the new firm (EB8–EB14), and interaction with external environment (EB15–EB21). Based on the analysis, all items have an r-count value greater than 0.361 (Table 3), so all indicators are declared valid.

Table 3. Validiy Entrepreneurial Behaviour

ITEM	R-COUNT	R-TABLE	Description
EB1	0,494	0,361	Valid
EB2	0,611	0,361	Valid
EB3	0,490	0,361	Valid
EB4	0,480	0,361	Valid
EB5	0,666	0,361	Valid
EB6	0,648	0,361	Valid
EB7	0,541	0,361	Valid
EB8	0,541	0,361	Valid
EB9	0,459	0,361	Valid
EB10	0,706	0,361	Valid

EB11	0,515	0,361	Valid
EB12	0,552	0,361	Valid
EB13	0,547	0,361	Valid
EB14	0,589	0,361	Valid
EB15	0,535	0,361	Valid
EB16	0,417	0,361	Valid
EB17	0,664	0,361	Valid
EB18	0,604	0,361	Valid
EB19	0,535	0,361	Valid
EB20	0,548	0,361	Valid

B. Reliability Test of Research Instruments

Reliability is tested using the Cronbach's Alpha method. An instrument is considered reliable if the Cronbach's Alpha value is greater than 0.6. The results of the reliability test are as follows:

5. Social Capital (X1)

This variable has a Cronbach's Alpha of 0.849 for 8 items, indicating that this instrument is reliable.

Table 4. Social Capital Reability

Variabel	Cronbach Alpha	Item	Description
Social Capital (X1)	0,849	8	Reliable

4. Entrepreneurial Orientation (Y1)

With a Cronbach's Alpha value of 0.909 for 14 items, this variable is stated to have high internal consistency.

Table 5. Entrepreneurial Orientation Reability

Variabel	Cronbach Alpha	Item	Description
Entreprnural Orientation (Y1)	0,909	14	Reliable

6. Entrepreneurial Behavior (Y2)

This variable shows a Cronbach's Alpha value of 0.885 for 21 items, indicating high reliability.

Table 6. Entrepreneurial Behaviour Reability

Varibel	Cronbach Alpha	Item	Description
Entreprnural Behaviour (Y2)	0,885	21	Reliable

Based on the results of the validity and reliability tests, all of these research instruments have met the requirements for use in primary data collection.

C. Descriptive Statistical Analysis

1. Social Capital

Social Capital in this study was analyzed through two dimensions, namely structural and relational, each of which is represented by eight indicators (SC1 to SC8). The structural dimension measures aspects of communication and direct relationships with customers, while the relational dimension assesses interpersonal interactions, mutual respect, and trust. Based on the results of the descriptive analysis, all social capital indicators are in the "very high" category with an overall average score of 5.224. The indicator with the highest average score is SC8, which is 5.252, which describes personal friendships with key customers as an important element in social capital. In contrast, indicator SC1 has the lowest average score, which is 5.197, although it remains in the "very high" category. The frequency distribution of answers shows that the majority of respondents gave scores on a high scale (5 and 6), reflecting a very strong level of trust, social involvement, and social networks.

Table 7. Social Capital Average Score

Variable	Indicator	1	2	3	4	5	6	Average Score	Cate
Social Capital	SC1	0.000	0.526	3.158	12.368	40.263	43.684	5.197	Ver
	SC2	0.263	0.789	3.684	14.211	36.579	44.211	5.250	Ver
	SC3	0.000	0.263	2.895	13.947	39.473	43.947	5.213	Ver
	SC4	0.000	0.000	3.684	15.263	37.105	43.526	5.210	Ver
	SC5	0.526	0.789	2.368	12.632	38.684	44.211	5.229	Ver
	SC6	0.000	0.526	3.421	14.474	37.105	45.263	5.234	Ver
	SC7	0.000	0.789	2.632	13.947	38.947	43.526	5.213	Ver
	SC8	0.263	0.684	3.263	14.579	36.263	45.526	5.252	Ver
Average Score								5.224	Ver

This finding indicates that the individuals or groups studied have solid social relationships, which can contribute positively to the success of their collaboration and social welfare.

2 Entrepreneurial Orientation

Entrepreneurial Orientation (EO) is measured through three main indicators: innovativeness, proactiveness, and risk-taking. Each indicator covers various aspects such as product and technological innovation, initiative in competition, and courage to take risks. The results of the analysis show that the average score of all EO indicators is in the "high" category with an average value of 4.678. Indicator EO1, which emphasizes research and development, has the highest score of 4.902, indicating the importance of innovation in supporting startup businesses. In contrast, indicators EO2 and EO5 have the lowest average scores of 4.508, which may reflect differences in technology needs in various startup industries. The frequency distribution of answers confirms that the majority of respondents gave a positive assessment of each EO indicator. This indicates that a strong entrepreneurial orientation, including creativity, courage to take risks, and competitive advantage, has been widely accepted and appreciated.

Table 8. Entrepreneurial Orientation

Variable	Indicator	1	2	3	4	5	6	Average Score	Description
Entrepreneurial Orientation	EO1	1,596	2,926	4,521	19,681	37,234	34,043	4,902	High
	EO2	1,596	2,394	8,777	35,372	34,574	17,287	4,508	High
	EO3	0,798	2,128	5,053	27,660	41,489	22,872	4,755	High
	EO4	3,989	3,457	4,521	23,670	37,500	26,862	4,678	High
	EO5	2,926	2,394	5,319	39,362	30,319	19,681	4,508	High
	EO6	0,798	1,330	9,574	28,989	35,904	23,404	4,681	High
	EO7	2,394	1,596	6,383	23,670	42,021	23,936	4,731	High
	EO8	3,723	1,862	8,777	30,851	34,840	19,947	4,511	High
	EO9	1,862	2,660	5,053	27,394	40,426	22,606	4,697	High
	EO10	2,660	1,862	6,117	29,255	37,500	22,606	4,649	High

	2,660	4,255	6,649	27,660	35,904	22,872	4,585	High
EO11								
	0,798	1,862	5,851	28,191	39,894	23,404	4,747	High
EO12								
	0,266	1,596	6,649	25,266	42,287	23,936	4,795	High
EO13								
	0,000	1,862	5,585	27,660	45,745	19,149	4,747	High
EO14								
Average Score							4,678	High

3. Entrepreneurial Behavior

Entrepreneurial Behavior (EB) in this study covers three aspects: business planning, financing the new firm, and interaction with the external environment. A total of 21 indicators are used to measure entrepreneurial behavior, including business planning, financial investment, and interaction with the external environment. The average score of all EB indicators is 4.788, which is in the "high" category. Indicator EB1, which is related to business plan preparation, has the highest score of 5.154. Meanwhile, indicators EB13 and EB14, which are related to government funding, have lower scores of 4.537 and 4.540, respectively, although they remain in the "high" category. The majority of respondents gave scores on a high scale (5 and 6), reflecting a positive perception of the entrepreneurial behavior studied. High average scores on indicators such as EB9 (4.904) and EB20 (4.888) confirm the appreciation of the dedication and success of startup businesses that have achieved tangible results, such as receiving the first payment and net profit.

Overall, the results of the analysis show that both social capital, entrepreneurial orientation, and entrepreneurial behavior are at a very good level. This reflects the great potential of the individuals or groups studied in managing social networks, innovating, taking risks, and carrying out entrepreneurial behavior effectively.

D. Inferential Statistical Analysis

1. Outer Model Evaluation Results

At the convergent validity test stage, it was found that the outer loading value for each indicator in the Entrepreneurial Behavior, Entrepreneurial Orientation, and Social Capital variables showed a figure of more than 0.70, as suggested by Hair et al. (2017). This proves that these indicators are valid for measuring their respective constructs. Thus, the convergent validity in this study can be accepted.

Table 10. Entrepreneurial Behaviour

Variable	Indicator	1	2	3	4	5	6	Avarage Score	Description
Entrepreneurial Behaviour	EB1	0,532	1,330	2,926	14,096	39,628	41,489	5,154	Very High
	EB2	0,000	1,064	6,915	31,383	41,489	19,149	4,707	High
	EB3	0,798	2,128	5,319	25,532	40,691	25,532	4,798	High

EB4	0,000	1,862	3,989	27,926	45,745	20,479	4,790	High
EB5	0,266	1,862	5,585	27,926	39,362	25,000	4,793	High
EB6	0,266	1,596	6,649	19,947	40,691	30,851	4,918	High
EB7	0,266	3,457	4,521	25,798	40,160	25,798	4,795	High
EB8	0,000	2,394	4,521	29,787	40,426	22,872	4,769	High
EB9	0,000	1,064	3,191	25,798	44,149	25,798	4,904	High
EB10	0,532	1,862	5,319	25,000	40,426	26,862	4,835	High
EB11	1,862	1,064	7,713	30,319	36,968	22,074	4,657	High
EB12	3,723	2,394	5,053	26,064	39,894	22,872	4,646	High
EB13	5,851	1,596	6,649	27,660	35,372	22,872	4,537	High
EB14	4,787	2,660	6,649	26,862	37,766	21,277	4,540	High
EB15	1,862	1,596	7,979	28,989	35,904	23,670	4,665	High
EB16	0,532	2,660	6,117	24,468	41,223	25,000	4,782	High
EB17	0,532	2,660	3,723	25,798	38,564	28,723	4,854	High
EB18	0,532	0,798	5,585	24,734	42,819	25,532	4,851	High
EB19	0,266	1,064	2,926	29,521	42,021	24,202	4,846	High
EB20	0,532	1,330	3,191	27,128	39,362	28,457	4,888	High
EB21	1,862	1,064	4,787	23,670	42,819	25,798	4,819	High
Avarage Score							4,788	High

The Cronbach's Alpha and Composite Reliability values for all variables were above the threshold of 0.6. Entrepreneurial Behavior has a Cronbach's Alpha value of 0.816 (very reliable), while Entrepreneurial Orientation and Social Capital each have values of 0.744 and 0.734 (reliable). These results indicate that the data in this study are reliable.

Table 11. Convergent Validity Value

Indicators and Variables	Outer loadings
EB1 <- Enteprenurial Behaviour	0,933
EB10 <- Enteprenurial Behaviour	0,935
EB11 <- Enteprenurial Behaviour	0,801
EB12 <- Enteprenurial Behaviour	0,906
EB13 <- Enteprenurial Behaviour	0,922
EB14 <- Enteprenurial Behaviour	0,906
EB15 <- Enteprenurial Behaviour	0,916
EB16 <- Enteprenurial Behaviour	0,964
EB17 <- Enteprenurial Behaviour	0,899
EB18 <- Enteprenurial Behaviour	0,949
EB19 <- Enteprenurial Behaviour	0,948
EB2 <- Enteprenurial Behaviour	0,847
EB20 <- Enteprenurial Behaviour	0,924
EB21 <- Enteprenurial Behaviour	0,740
EB3 <- Enteprenurial Behaviour	0,927
EB4 <- Enteprenurial Behaviour	0,918
EB5 <- Enteprenurial Behaviour	0,970
EB6 <- Enteprenurial Behaviour	0,951
EB7 <- Enteprenurial Behaviour	0,860
EB8 <- Enteprenurial Behaviour	0,925
EB9 <- Enteprenurial Behaviour	0,917
EO1 <- Enteprenurial Orientation	0,925

<i>EO10 <- Enteprenurial Orientation</i>	<i>0,917</i>
<i>EO11 <- Enteprenurial Orientation</i>	<i>0,880</i>
<i>EO12 <- Enteprenurial Orientation</i>	<i>0,896</i>
<i>EO13 <- Enteprenurial Orientation</i>	<i>0,917</i>
<i>EO14 <- Enteprenurial Orientation</i>	<i>0,829</i>
<i>EO2 <- Enteprenurial Orientation</i>	<i>0,926</i>
<i>EO3 <- Enteprenurial Orientation</i>	<i>0,904</i>
<i>EO4 <- Enteprenurial Orientation</i>	<i>0,882</i>
<i>EO5 <- Enteprenurial Orientation</i>	<i>0,917</i>
<i>EO6 <- Enteprenurial Orientation</i>	<i>0,880</i>
<i>EO7 <- Enteprenurial Orientation</i>	<i>0,896</i>
<i>EO8 <- Enteprenurial Orientation</i>	<i>0,917</i>
<i>EO9 <- Enteprenurial Orientation</i>	<i>0,829</i>
<i>SC1 <- Social Capital</i>	<i>0,949</i>
<i>SC2 <- Social Capital</i>	<i>0,948</i>
<i>SC3 <- Social Capital</i>	<i>0,847</i>
<i>SC4 <- Social Capital</i>	<i>0,924</i>
<i>SC5 <- Social Capital</i>	<i>0,880</i>
<i>SC6 <- Social Capital</i>	<i>0,896</i>
<i>SC7 <- Social Capital</i>	<i>0,917</i>
<i>SC8 <- Social Capital</i>	<i>0,829</i>

2. Inner Model Evaluation

The results of the R-Square evaluation show that Entrepreneurial Behavior has a value of 0.429 or 42.9%, which indicates a moderate category. Meanwhile, Entrepreneurial Orientation has an R-Square value of 0.161 or 16.1%, which is included in the weak category.

Table 12. Cross Loading Value

Variabel	Enteprenurial Behaviour	Enteprenurial Orientation	Social Capital
Enteprenurial Behaviour			
Enteprenurial Orientation	0,857		
Social Capital	0,425	0,470	

For the predictive relevance test (Q-Square), the Q-Square value for the Entrepreneurial Behavior variable is 0.742, which indicates good observation with positive predictive relevance (Q-Square > 0). This indicates that the research model has adequate predictive quality.

Table 13. Reliability Test

Variable	Cronbach's alpha	Description
Enteprenurial Behaviour	0,816	Very Reability
Enteprenurial Oriental	0,744	Reability
Social Capital	0,734	Reability

3. Model Fit and Path Diagram

The research model shows a causal relationship between exogenous variables (social capital) and endogenous variables (entrepreneurial behavior and entrepreneurial orientation).

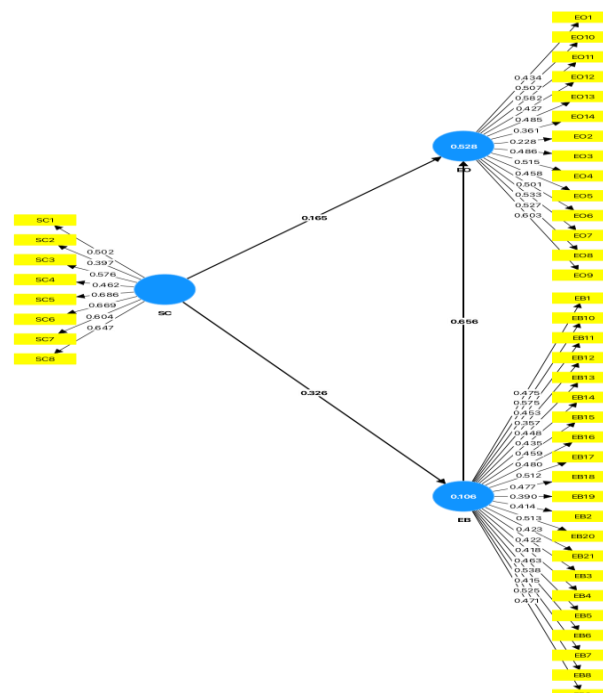


Figure 1. Model Fit and Diagram Path

4. Hypothesis Testing

Based on the results of hypothesis testing:

Table 16. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
EB -> EO	0,656	0,669	0,044	14,899	0,00 0
SC -> EB	0,326	0,347	0,069	4,734	0,00 0
SC -> EO	0,165	0,163	0,063	2,621	0,00 9

Social Capital has a significant direct influence on Entrepreneurial Orientation with a path coefficient of 0.165 and a p-value of 0.009.

Social Capital also has a significant direct influence on Entrepreneurial Behavior with a path coefficient of 0.326 and a p-value of 0.000.

5. Simultaneous Test Results with MANOVA

The MANOVA results show that the P-values for all multivariate statistics (Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root) are 0.000 ($p < 0.05$). This shows that Social Capital has a significant simultaneous influence on Entrepreneurial Behavior and Entrepreneurial Orientation.

Table 17. Manova Test

Multivariate Testsa						
	Effect	Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.974	6567.585b	2.000	345.000	.000
	Wilks' Lambda	.026	6567.585b	2.000	345.000	.000
	Hotelling's Trace	38.073	6567.585b	2.000	345.000	.000
	Roy's Largest Root	38.073	6567.585b	2.000	345.000	.000
SC	Pillai's Trace	.474	3.707	58.000	692.000	.000
	Wilks' Lambda	.561	3.989b	58.000	690.000	.000
	Hotelling's Trace	.721	4.276	58.000	688.000	.000
	Roy's Largest Root	.621	7.405c	29.000	346.000	.000

a. Design: Intercept + SC

b. Exact statistic

c. The statistic is an upper bound on F that yields a lower bound on the significance level.

From all of these analyses, it can be concluded that this research model is valid, reliable, and has a significant causal relationship between the variables tested.

E. Research Implications

According to the findings of this study, social capital significantly influences entrepreneurial orientation and entrepreneurial behavior, separately. This means that the entrepreneurial tendencies of individuals or organizations will increase along with their level of social capital. Aspects of entrepreneurial orientation include risk-taking, proactiveness, and innovativeness. When it comes to fostering innovation in an entrepreneurial environment, social capital is crucial. The creation of new concepts and cutting-edge products relies on easy access to information and related resources, which is enabled by strong social networks. A study conducted by De Carolis and Saporito (2017) found that social networks with trust and positive interactions enable people and organizations to share knowledge more effectively and openly, which in turn drives innovation.

A key component of entrepreneurial orientation, proactiveness, is also influenced by social capital. Social networks offer the necessary assistance to identify and exploit market opportunities before competitors. Organizations with high social capital are more likely to actively seek out new business prospects, according to a study conducted by Prashantham and Dhanaraj (2020). This is because these organizations can rely on information from their networks to help them make decisions faster and smarter.

In addition, social capital contributes to increasing the capacity of individuals or organizations to take risks. Strong interpersonal ties and mutual trust make entrepreneurs more confident in taking opportunities that can generate profits. Research by Lin et al. (2017) shows that trust developed through social capital can encourage entrepreneurs to take more opportunities by reducing uncertainty and fear of failure (Lin et al., 2017). Overall, social capital provides a strong foundation for the growth of an entrepreneurial mindset. Social networks make it easier for people and organizations to obtain important information, receive support, and feel more comfortable taking risks because of the trust and conventions they have created. Entrepreneurial orientation is characterized by greater discovery, proactiveness, and risk-taking abilities, all of which are influenced by these characteristics. Therefore, social capital encourages dynamic and enduring entrepreneurial behavior in addition to increasing social ties.

Not only that, according to this study, social capital significantly increases entrepreneurial behavior. This shows that the tendency of individuals or organizations to act entrepreneurially increases with the amount of social capital they have. Among the many tasks that shape entrepreneurial behavior are opportunity recognition, resource mobilization, decision making, and business management.

Social capital makes opportunities easier to identify by giving people access to useful and relevant information. Extensive social networks provide entrepreneurs with access to knowledge about customer demand, industry trends, and technological advances that they cannot obtain through traditional news sources. Research conducted by Stam, Arzlanian, and Elfring (2014) shows that people's capacity to identify business opportunities is enhanced by social network involvement and trust because they can rely on advice and information from their networks (Stam et al, 2014).

An important component of entrepreneurial behavior is resource enhancement. Social capital makes resources such as money, labor, and technology accessible. Entrepreneurs with strong networks can attract investors, business partners, and other resource suppliers. According to a study conducted by Pratono (2018), social capital facilitates entrepreneurs' access to funding and other resources through social networks, which in turn increases their capacity to launch and grow their businesses (Pratono, 2018).

Entrepreneurs often use comments and information from their social networks to inform their decisions. Social capital offers a platform for entrepreneurs to exchange ideas, get feedback, and gain insights from the experiences of others. Sequeira, Mueller, and McGee (2018) found that interactions in social networks facilitate better decision-making for entrepreneurs because they allow them to leverage the aggregate knowledge and experience of their network members.

In general, social capital provides a solid foundation for the growth of entrepreneurial mindsets and behaviors. Individuals and organizations can obtain the knowledge, assets, and assistance needed to innovate, take initiatives, and run businesses successfully through social networks, trust, and supportive norms. As a result, social capital encourages dynamic and beneficial business activities and orientations in addition to increasing social interactions.

Based on the explanation given above, this study has significant consequences for our understanding of how social capital influences the entrepreneurial orientation and behavior of startup owners. It has been shown that social capital is very important in encouraging an entrepreneurial mindset that requires taking calculated risks and having a proactive and creative attitude. Strong social networks make it easier for people to obtain knowledge, resources, and market opportunities. This encourages entrepreneurs to be creative and proactive. In addition, social capital fosters self-confidence and reduces uncertainty, making people and organizations more likely to take advantage of existing opportunities.

This study also shows how a broad social network helps opportunity recognition, resource mobilization, and decision making related to entrepreneurship. One of the main advantages of having large social capital is having better access to financial resources and information about business and technological breakthroughs. Decisions made by entrepreneurs are also influenced by feedback and encouragement from social networks, thus enhancing the decision-making process. As a result, social capital serves as a catalyst to guide individuals or organizations towards entrepreneurial success in addition to supporting commercial operations. The findings of this study highlight the importance of creating and maintaining strong social networks for business owners and organizations seeking to enhance their entrepreneurial mindset and behavior. An environment that fosters entrepreneurship can be created by policies and initiatives that foster social capital, such as business forums, networking training, and entrepreneurial communities.

IV. CONCLUSION

This study aims to analyze the influence of Social Capital on Entrepreneurial Orientation and Entrepreneurial Behavior in startups in JABODETABEK. Of all the questioners distributed, 376 respondents were selected as samples. Analysis using the SEM method with SmartPLS shows that Social Capital has a positive effect on both Entrepreneurial Orientation and Entrepreneurial Behavior, and simultaneously influences both significantly. Based on the findings of the study, it is recommended that the government support the strengthening of social capital through business incubator programs, co-working spaces, and networking events, as well as providing community-based training and incentives. Start-up entrepreneurs are advised to build professional networks by joining business associations or entrepreneurial communities, strengthening relationships with business partners, and taking advantage of opportunities from social capital for access to information and social support. Academically, further research can explore the impact of social capital on different startup sectors or use a longitudinal approach to understand its influence on various stages of startup development. In addition, from a technical perspective, business actors can utilize social network analysis to evaluate influential connections and identify new opportunities, thereby maximizing the impact of social capital on their business performance.

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The Effect of Company Growth, Capital Structure, Good Corporate Governance Mechanism, On Firm Value with Earnings Management as An Intervening Variable

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ABSTRACT

Purpose: The aim of this research is to assess the effect of earnings management as an intervening variable on the value of main consumer goods sector businesses listed on the IDX between the years 2020 and 2022. Furthermore, included in this assessment will be firm development, capital structure, and good corporate governance.

Design/methodology/approach: Using intentional sampling, this paper employs partial least squares (PLS) data analysis and hypothesis testing. The following describes the approach of this research.

Findings: The results show that capital structure has no effect on earnings management; nonetheless, the growth of a firm increases its value and reduces the number of strategies for earning management. Moreover, good corporate governance increases the value of the firm and reduces the quantity of profits control done.

Research implications: The results of this research are only relevant to companies listed on the IDX in the major consumer products industrial sector between the years 2020 and 2022 since of the limits of the research. These results might not be relevant for other sectors or historical eras.

Practical implications: Establishing efficient corporate governance policies is therefore crucial for investors and other stakeholders if they are to raise the value of the firm by reducing profits management techniques. This is so because the financial decisions other stakeholders and investors make depend on this.

Originality/value: This study offers fresh ideas on how corporate governance, capital structure, and firm size influence business value. Main consumer goods companies listed on the IDX employ earnings management as an intervening variable. This study stresses originality and worth as well.

Paper type: Research paper

Keyword: Company Growth, capital structure, good corporate governance mechanisms, firm value, earnings management

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I. INTRODUCTION

In the current era of globalization, businesses unquestionably work to maximize their profits. If, on the other hand, the firm is unable to carry out its operations in an efficient manner, the chance of the firm making a profit is quite minimal. The ongoing inability of the firm to generate profits is indicative of a lack of sufficient funds to support its activities, which may have contributed to the ultimate demise of the firm. The present price of a business's stock is used by investors to determine the worth of the firm since it provides them with the ability to forecast the firm's future growth. A decision that is made by management that is incorrect will result in a decrease in the stock price of the firm. When using this strategy, it is anticipated that management will make choices that will result in an increase in the stock price of the firm. According to (Eugene F. Brigham & Houston., 2014), an increase in the stock price can give large assets to shareholders, which in turn can further increase the value of the

firm. There are many different factors that can be used to determine the value of a firm, one of which is the stock price, which provides investors with assistance in determining the equity of the firm. An increase in the stock price is accompanied by an increase in the value of the firm. A growth in the value of a firm is indicative of an improvement in the performance of the firm (Nurminda et al., 2017).

Companies that have high values are in high demand among investors because it is anticipated that companies with high valuations would provide significant returns for their owners. The value of a firm is influenced by a wide range of characteristics, such as its capital structure, growth, efficient corporate governance, profitability, financial performance, leverage, and information asymmetry. The capital structure, the evolution of businesses, and the effectiveness of corporate governance will all be investigated in this research. According to (Ramadhan & Sulistyowati, 2022), the capital structure consists of both stock and debt. Within the context of companies, capital structure is an important issue to discuss since it has a direct influence on the financial health of the organization. According to (Ramadhan & Sulistyowati, 2022), firms must contend with significant difficulties if they have weak financial structures and a significant amount of debt. Due to the fact that tax assessments are based on operational results after interest deductions, the utilization of debt in the operations of a firm might result in a reduction of tax liabilities. Additionally, as a consequence of this, the earnings of shareholders are larger than those of businesses that do not make use of debt, which leads to a higher valuation of the corporation. This suggests that a modification to the capital structure of the firm will result in a rise in the value of the business (Sari & Marsoyo, 2022). Due to the fact that this would result in an increase in the firm's financial liabilities, businesses will not fund their operations entirely through debt. As the firm's financial status continues to deteriorate, this effect is a consequence of the firm's capacity to satisfy interest and installment financial obligations. Because the utilization of debt in a strategic manner within a certain time frame might result in an increase in a firm's value, its nominal debt must be carefully evaluated. The findings of (Sari & Marsoyo, 2022), (Manurung & Simbolon, 2020) and (Irawan & Kusuma, 2019) indicate that the capital structure (DER) of a firm has a positive and significant impact on the value of the firm. (Tridewi, 2015) found that the capital structure aim exceeds the appropriate level for growing debt, which indicates that the capital structure target has a negative effect on the value of the firm.

The worth of a firm rises as it expands its operations. According to (Elvina Kurniawati Hadiyanto, 2018), growth is related to how a firm positions itself in a competitive economy, specifically how it compares to other businesses operating within the same industry. This indicates that a reputable firm is evaluated on a regular basis, either in terms of its standing within the organization or the contribution it makes to the economy. Increasing their market share, increasing their competitive position, and experiencing high sales growth are all favorable outcomes that quickly emerging companies are able to achieve, as (Agustianingrum et al., 2023). A change in the number of current assets relative to the previous year is what is meant by the term "Company Growth." This shift can be either an increase or a loss, depending on the scenario. Both internal and external stakeholders place a high value on the expansion of the firm since it signals that the organization is headed in the correct direction for the future. When the quantity of business assets continues to develop at a rapid pace, it has the potential to draw the attention of investors and creditors. This would demonstrate the firm's potential for profitability, which would ultimately lead to an increase in the value of the firm. According to the findings of research conducted by (Agustianingrum et al., 2023), the expansion of a firm has a positive and significant influence on the value of the firm. In a similar vein, (Arianti, 2022) discovered that the expansion of a corporation has a positive impact on the value of the business. This suggests that robust growth may indicate an increase in the value of the firm.

Increasing the value of the firm is achieved in large part via the implementation of efficient corporate governance. According to (Arianti, 2022), effective corporate governance is a collection of regulations that regulates the interactions between shareholders, management, the government, and other major stakeholders in line with the rights and responsibilities that are individually assigned to each of these groups. One definition of good corporate governance is a framework that assists in the equitable distribution of power among the many stakeholders that are present within an organization. In order to foster the expansion of the organization, good business governance was developed with the purpose of controlling and regulating daily business activities. The collapse of Lehman Brothers in 2008 was the impetus for a worldwide economic crisis that was characterized by a decrease in investment. This crisis had an effect on countries like Indonesia. Financial contributions from investors from other countries are essential to Indonesia's economy. People started taking cash out of their accounts during the crisis, which led to a decrease in the value of the rupiah. As a result of the fact that inadequate corporate governance can be the root cause of a crisis, enhancing corporate governance can be an effective means of overcoming the crisis (Nanda, 2019). To establish whether or not Good Corporate Governance is being applied, it is possible to utilize a number of different metrics, including management ownership, institutional ownership, and the percentage of independent commissioners. Shares that are owned by management are referred to as managerial ownership (Nanda, 2019). This is done in order to prevent agency conflicts that arise between managers and shareholders. The term "institutional ownership" refers to the holding of shares by institutions with the intention of exercising external influence over the firm in which they possess shares within the firm.

Independent commissioners are appointed with the purpose of fostering an environment within the firm that is transparent and makes things clear. An rise in a firm's value may result from the implementation of good corporate governance. The worth of the firm is a reflection of the public's acknowledgment of its operations from the firm's inception.

Due to the fact that its execution results in enhanced operational efficiency, effective corporate governance has the potential to boost the value of a firm. The overall worth of the firm as well as the profits will rise. According to the findings of a study conducted by (Inayah & Wijayanto, 2020), the control and leverage aspects provide supporting evidence that GCG has a favorable impact on the value of a corporation. Despite the fact that ROA does not have an effect on firm value, (Inayah & Wijayanto, 2020) came to the conclusion that institutional ownership does have an effect. However, despite the fact that (Martikarini, 2014) demonstrated that financial performance has an effect on firm value, GCG is unable to reduce the impact that financial performance has on the monetary worth of the organization. (Robby, 2021) came to the conclusion that GCG, which is represented by institutional ownership, has a direct and significant positive impact on firm value. Furthermore, GCG, which is also represented by institutional ownership, also exerts an indirect and significant influence on firm value through the mediating variable of financial performance. When we talk about earnings management, we are referring to the process of manipulating financial figures in order to achieve particular objectives, such as improving the firm's reputation among investors. Earnings management has the potential to act as an intervening variable within the context of this study (Anam et al., 2023). It has the potential to either magnify or lessen the impacts of business development, capital structure, and corporate governance on firm value. A great number of studies suggest that earnings management may have an effect on how investors perceive the performance of a firm, which in turn may have an effect on the market value of the firm (Sartono, 2018). Adding earnings management as a moderating factor makes this process more complicated than it would otherwise be. The amount of research that has been conducted in Indonesia concerning the impacts of firm development, capital structure, and corporate governance on firm value is low. This is especially true when earnings management is taken into consideration as an independent factor. This is essential because growing nations like Indonesia have more complex rules and market dynamics than economies that are more developed. This is in contrast to the situation in countries that are more prosperous. It is anticipated that this study will greatly contribute to the development of financial management theory and practice in Indonesia, particularly with regard to the increase of corporate value.

II. METHODS

This study used a quantitative methodology, namely the Partial Least Squares (PLS) analysis, in order to investigate the impact that factors such as business development, capital structure, Good Business Governance (GCG), and earnings management have on the value of a firm. The objective measurements and statistical analysis of numerical data are the foundations of a quantitative approach, which is used to ascertain the correlations between the variables (Sugiyono, 2010). Between the years 2021 and 2023, the study population consisted of 124 principal companies operating in the consumer products market that were listed on the Indonesia Stock Exchange (IDX). It is possible to define a population as a collection of things, persons, or entities that share particular traits that are pertinent to the aims of the research (Sugiyono, 2010). The selection of 41 companies for the study was accomplished through the use of the purposive sample approach. Purposive sampling is a non-probability sampling strategy in which the researcher picks samples based on specified criteria or judgments relevant to the study (Sugiyono, 2010). A sample is a subset of a population that represents the characteristics of the population as a whole.

The secondary data that were utilized in this study were gathered from the financial statements of the firms, which can be found on the official website of the IDX corporation. There are three types of variables that make up the study variables: independent factors (business development, capital structure, and GCG), a dependent variable (firm value), and an intervening variable (earnings management). Validity and reliability evaluations, normality checks, PLS regression, and hypothesis testing through bootstrapping are some of the data analysis approaches that are utilized. Various metrics, including R² criteria, path coefficient estimates, impact size (f²), and predictive relevance (Q²), are utilized in the evaluation of models. In order to analyze hypotheses, the T test is utilized, and the significance value is used to determine whether the hypothesis is accepted or rejected (Ghozali., 2018).

III. RESULTS AND DISCUSSION

A. Research Hypothesis Test Results

Earnings management serves as an intermediate, revealing the overall correlation of each variable at the bottom of this page; specifically, the model delineating the impact of corporate development, capital structure, and effective corporate governance on firm value.

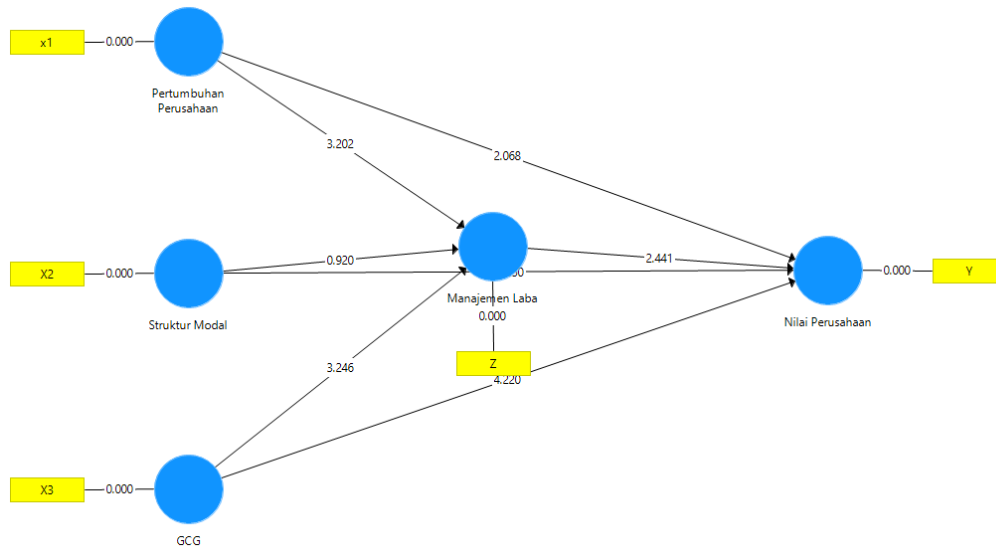


Figure 1 Partial Least Square (PLS) Bootstrapping Model

Source: Processed Primary Data, 2024

Calculating the outcomes of the structural model test estimate is accomplished by utilizing the t statistic and the p values. the fact that the p-value is lower than 0.005 indicates that the study hypothesis is accepted. Within the framework of PLS, the statistical analysis of every hypothesised link is carried out through the operation of simulation. The bootstrap method is applied on the sample in this application. The purpose of bootstrap testing is to solve the problem of research data that is not completely normal. In accordance with the findings of the PLS analysis, the following are the outcomes of the bootstrapping tests:

Table 2. Results of t statistics and p values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Results
GCG → Profit Management	-0.278	-0.294	0.086	3.246	0.001	Significant
GCG → Firm Values	0.173	0.173	0.040	4.313	0.000	Significant
Earnings Management → Firm Value	-0.012	-0.014	0.005	2.441	0.015	Significant
Company Growth → Earnings Management	-0.165	-0.190	0.052	3.202	0.001	Significant
Company Growth → Firm Value	0.016	0.018	0.007	2.213	0.027	Significant
Capital Structure → Earnings Management	-0.077	-0.065	0.084	0.920	0.358	Not Significant
Capital Structure → Firm Value	-0.846	-0.848	0.038	22.410	0.000	Significant
GCG → Profit Management -> Firm Value	0.003	0.004	0.001	2.234	0.026	Significant
Company Growth → Earnings Management -> Firm Value	0.002	0.003	0.001	1.641	0.101	Not Significant
Capital Structure → Earnings Management -> Firm Value	0.001	0.001	0.001	0.633	0.527	Not Significant

Source: Processed Primary Data, 2024

The results of the study reveal robust and statistically significant relationships among most variables within the research model. Good Corporate Governance (GCG) emerges as a key determinant, significantly influencing

both earnings management (t-statistic = 3.246, p-value = 0.001) and firm value (t-statistic = 4.313, p-value = 0.000). This suggests that effective implementation of GCG principles enhances transparency and accountability, thereby reducing the likelihood of earnings manipulation and increasing stakeholder trust in the firm's valuation. Furthermore, earnings management itself significantly impacts firm value (t-statistic = 2.441, p-value = 0.015), highlighting its dual role as both a dependent variable affected by corporate practices and an intervening variable that mediates the relationship between governance and firm performance. Additionally, Company Growth positively influences earnings management (t-statistic = 3.202, p-value = 0.001), suggesting that expanding companies may engage in strategic earnings practices to meet investor expectations and sustain market confidence.

In contrast, the impact of capital structure on earnings management is insignificant (t-statistic = 0.920, p-value = 0.358), implying that leverage does not directly drive managerial decisions regarding earnings reporting. However, capital structure exhibits a substantial direct influence on firm value (t-statistic = 22.410, p-value = 0.000), underscoring the critical role of financial policy in shaping the firm's market perception and valuation. The indirect effects reveal mixed outcomes: while GCG significantly influences firm value through earnings management (t-statistic = 2.234, p-value = 0.026), other paths, such as those involving Company Growth and capital structure, are not statistically significant (t-statistic = 1.641, p-value = 0.101 and t-statistic = 0.633, p-value = 0.527, respectively). These findings underscore the complexity of intervariable dynamics and the pivotal mediating role of earnings management in linking governance practices to firm value. The overall significance of direct and indirect effects confirms the intricate interplay between governance, financial strategies, and firm performance, with GCG and earnings management standing out as crucial drivers of value creation.

B. Discussion

According to (Amanda et al., 2018) research, which demonstrates that Company Growth has a significant impact on firm value in the property and real estate industries, the findings of this study, which suggest a positive influence of business development on firm value, are compatible with the findings of the previously mentioned research. On the other hand, (Sahyu & Maharani, 2023) research discovered that the expansion of a firm had a negative impact, albeit a moderate one, on the value of the firm in the consumer products sector that was listed on the Indonesia Stock Exchange (IDX). The findings of the research conducted by (Agustianingrum et al., 2023) indicate that the expansion of a firm has a detrimental effect on profits management, which suggests that there is a positive association between the two. It seems from the findings of (Hermansyah & Rahman, 2012) research that the expansion of a firm has a detrimental impact on the management of profits. Both (Sahyu & Maharani, 2023) discovered that there is a favorable correlation between the capital structure of a firm and its value. The findings of this study, on the other hand, are in direct opposition to the findings of (Ramadhan & Sulistyowati, 2022), who assert that the capital structure of a firm does not have a significant influence on the value of the firm. In their respective studies, (Minari & Asmara, 2023) discovered that earnings management is not significantly impacted by capital structure. According to the findings of (Hartanto et al., 2022), earnings management is significantly impacted by the capital structure of a firm. The conclusion that excellent corporate governance significantly enhances business value is supported by research that investigates the impact that good corporate governance has on the value of a firm. One example of such research is the work that (Hermansyah & Rahman, 2012) have done. The research conducted by (Nanda, 2019) shown that excellent corporate governance does not have a significant impact on the value of a firm.

According to the findings of this study, the research conducted by (Robby, 2021), which demonstrates that the implementation of good governance can reduce the use of earnings management strategies, gives credibility to the conclusions of this study in terms of the influence that strong corporate governance has on earnings. However, (Irawan & Kusuma, 2019) discovered that managerial ownership does not necessarily have a major impact on profits management. This was the conclusion reached by both these researchers. On the subject of the impact that earnings management has on the value of a firm, this result is in line with the findings of (Robby, 2021) research, which discovered that earnings management strategies had a negative impact on the value of a firm. On the other hand, (Pasilong et al., 2018) research asserts that earnings management has a large and detrimental impact on the value of a firm, which lends credibility to the findings of this investigation. Research conducted by (Hartanto et al., 2022) demonstrates that the expansion of a business has a detrimental effect on the value of the firm. On the other hand, research conducted by (Anindya & Yuyetta, 2020) demonstrates that earnings management is adversely affected by the growth of a firm. The consequence of this is that the impact of corporate expansion on the value of the firm via profits management is negligible. Finally, (Anam et al., 2023) discovered that earnings management influences the capital structure of a business in a substantial way, which in turn has an effect on the value of the organization. Based on the findings of these research, earnings management has the potential to modify the connection between capital structure and the value of a firm. In spite of this, the findings of this study contradict the findings of previous studies that assert profits management has a positive impact on the value of a firm through the capital structure.

IV. CONCLUSION

Based on the results of the study, it can be concluded that company growth, capital structure, and good corporate governance (GCG) play significant roles in shaping firm value and earnings management practices that:

1. Company growth significantly increases firm value, supporting the hypothesis.
2. Company growth significantly reduces earnings management practices, supporting the hypothesis.
3. A debt-dominated capital structure significantly reduces firm value, supporting the hypothesis.
4. Capital structure does not significantly affect earnings management, rejecting the hypothesis.
5. Good corporate governance significantly increases firm value, supporting the hypothesis.
6. Good corporate governance significantly reduces earnings management, supporting the hypothesis.
7. Earnings management significantly reduces firm value, supporting the hypothesis.
8. Company growth does not significantly affect firm value through earnings management, rejecting the hypothesis.
9. Capital structure does not significantly affect firm value through earnings management, rejecting the hypothesis.
10. Good corporate governance significantly increases firm value by reducing earnings management, supporting the hypothesis.

Based on the study's findings, companies should prioritize sustainable growth strategies and implement robust Good Corporate Governance (GCG) practices to enhance firm value while minimizing earnings management. For companies with a high debt-to-equity ratio, re-evaluating capital structure to balance leverage and equity could mitigate negative impacts on firm value. Investors are advised to closely monitor corporate governance practices and earnings management indicators when making investment decisions, as these significantly influence firm performance. Future researchers should explore alternative variables, such as corporate social responsibility (CSR) or tax aggressiveness, to enrich the understanding of factors affecting firm value and earnings management.

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Determinants of Green Financing Implementation

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ABSTRACT

Purpose: The severity of climate change and environmental degradation continuing to worsen, the implementation of sustainable development principles in a variety of industries, including Islamic banking, is becoming increasingly important. Islamic banks, which have values that support sustainability, have a strategic role to play in supporting green finance, which refers to the financing of projects that have a positive impact on the environment, such as renewable energy and waste management. Green finance is something that Islamic banks have a strategic role to play in supporting sustainable practices. To be more specific, the purpose of this study is to investigate the influence that green policies, green customers, green operations, and green products have on green financing in Islamic financial institutions. There are a number of factors that fall under this category, including banking products that support sustainability, green operational management, the preferences of customers who are becoming increasingly environmentally conscious, and the policies and regulations that are implemented by banks.

Design/methodology/approach: The application of quantitative methods is the primary focus of this study, which is primarily concerned with the analysis of the customers of the Bank Jatim Syariah Kediri Branch. A sample size of seventy-five individuals was utilised for the purpose of data collection. This was accomplished through the utilisation of research instruments and primary data that was obtained directly from the source. Among the methods that are associated with data analysis is the technique known as multiple linear regression analysis.

Finding: The green products, green operations, and green policies significantly support green financing, whereas, green customers have no significant effect on green financing. Therefore, banks are advised to continue developing green products, optimising green operations through digital technology, strengthening green policies with clear targets, and engaging customers through education and sustainable products.

Paper type: Research type

Keywords: *Green product, green operation, green policy, green customer, and green financing*

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I. INTRODUCTION

The concept of the green economy encourages all economic activities to reduce their environmental impact, including the banking sector through green banking. While banking itself is not a major polluter, the financing provided to customers can indirectly support activities that have an environmental impact. Green banking prioritises environmentally friendly operations, social responsibility, and the management of environmental and social risks. Anwar's (2022) research outlines the green economy strategy in Indonesia, but does not specifically address green financing. Raihan et al. (2022) focuses on green financing, but limits this to the energy sector. Meanwhile, studies on green financing across all corporate sectors in Indonesia are still rare, and to date, there is no comprehensive regulation governing the mechanism of green financing. Bank Indonesia, through PBI No. 14/15/PBI/2012, encourages national banks to incorporate environmental feasibility factors when assessing business prospects, in accordance with Law No. 32 of 2009, Government Regulation No. 27 of 2012, and Regulation of the Minister of Environment No. 5 of 2012 regarding AMDAL.

Green banking aims to establish environmentally friendly, socially responsible, and sustainable banking operations. Banks not only focus on profit but also take into account environmental (planet) and societal (people) aspects in their pursuit of sustainability. This approach involves managing environmental and social risks through initiatives such as online banking, mobile banking, green loans, and energy-saving measures. Bai et al. (Sharma & Choubey, 2022) argue that by integrating environmental considerations into business decisions, banks can mitigate the negative impacts of their operations while promoting social responsibility and sustainability (Shaumya & Arulrajah, 2016). The adoption of green banking practices can enhance a bank's position in the global market, which is increasingly focused on environmental concerns, support environmental sustainability, and bolster its positive public image.

Several studies have examined the positive impact of green banking implementation, an environmentally conscious banking concept that promotes environmentally responsible financing and eco-friendly internal processes. (Masukujjaman & Aktar, 2014) argue that green banking helps prevent environmental damage, ensuring the Earth remains habitable through innovative green banking products. As an entity with high visibility, banking tends to address social issues to improve its image and attract customers (Branco & Rodrigues, 2006), making green banking a concept worth adopting. Through green banking initiatives, banks introduce paperless and technology-based services while promoting their role as corporate citizens responsible for sustainability (Fernando et al., 2017). A bank's involvement in formulating green banking policies can improve its reputation and attract new customers, contributing to the bank's long-term sustainability (Lymperopoulos et al., 2012).

The study by (Pariag-Maraye et al., 2017), focusing on customer perspectives in Mauritius, found that customers had positive perceptions of the efficiency of green banking projects, while (Mehedi, S et al., 2017) identified organizational pressure and policies as key drivers in adopting green banking in Bangladesh. (Bryson et al., 2016) highlighted environmental integrity, attitudes towards green banking, environmental concern, and collectivism as key factors influencing the use of green banking services. (Chen, 2011) emphasized the importance of gaining a green competitive advantage through a strengthened green culture and environmental leadership. However, (Masukujjaman & Aktar, 2014) noted that green banking practices in developing countries like Bangladesh are still lagging despite consistent implementation efforts. (Rahman & Barua, 2016) found that foreign banks excel in green banking compared to state-owned banks. In Indonesia, the implementation of green banking is driven by relevant regulations, in line with stakeholder theory, which underscores the responsibility of banks to key stakeholders such as customers, shareholders, and the community. Green products in green financing reflect the bank's commitment to addressing the needs of stakeholders who prioritize the environment, fostering customer loyalty and improving the bank's reputation. Stakeholder theory also stresses the importance of responding to stakeholder demands through green operations, including energy efficiency, digitalization of services, and carbon footprint reduction. Customers' concern for the environment encourages banks to expand green products (Fernando et al., 2017), while internal policies supporting green banking demonstrate commitment to global agendas like the SDGs and strengthen relationships with external stakeholders (Lymperopoulos et al., 2012).

(Gupta, 2015) identified several challenges in implementing green banking, such as customer acceptance, technology adoption, data protection, costs, and employee capabilities, all of which require significant investments in new technologies, data protection, renewable energy, and recycling. Customers need time to adapt, and bank employees require education and training to embrace green banking practices. While some banks have declared themselves as green, the actual implementation remains diverse, with no clear technical guidelines. In Indonesia, green banking practices are still developing, unlike in developed countries where they are more established in financing (Bisnis, 2017). State-owned banks are expected to lead by example in adopting green banking practices, aligning with the sustainable financial goals set by the Financial Services Authority. The goal of adopting green banking is to increase environmental awareness and foster changes towards more environmentally friendly business patterns (Handayani et al., 2023), although the implementation faces several challenges. Research by (Handayani et al., 2023) identified key indicators of green banking activities in state-owned banks, such as green products, green operations, green customers, and green policies, which serve as the basis for studying the "Determinants Of Green Financing Implementation."

II. METHODS

This study used a quantitative methodology, namely the Partial Least Squares (PLS) analysis, in order to investigate the impact that factors such as business development, capital structure, Good Business Governance (GCG), and earnings management have on the value of a firm. The objective measurements and statistical analysis of numerical data are the foundations of a quantitative approach, which is used to ascertain the correlations between the variables (Sugiyono, 2010). Between the years 2021 and 2023, the study population consisted of 124 principal companies operating in the consumer products market that were listed on the Indonesia Stock Exchange

(IDX). It is possible to define a population as a collection of things, persons, or entities that share particular traits that are pertinent to the aims of the research (Sugiyono, 2010). The selection of 41 companies for the study was accomplished through the use of the purposive sample approach. Purposive sampling is a non-probability sampling strategy in which the researcher picks samples based on specified criteria or judgments relevant to the study (Sugiyono, 2010). A sample is a subset of a population that represents the characteristics of the population as a whole.

The secondary data that were utilized in this study were gathered from the financial statements of the firms, which can be found on the official website of the IDX corporation. There are three types of variables that make up the study variables: independent factors (business development, capital structure, and GCG), a dependent variable (firm value), and an intervening variable (earnings management). Validity and reliability evaluations, normality checks, PLS regression, and hypothesis testing through bootstrapping are some of the data analysis approaches that are utilized. Various metrics, including R2 criteria, path coefficient estimates, impact size (f2), and predictive relevance (Q2), are utilized in the evaluation of models. In order to analyze hypotheses, the T test is utilized, and the significance value is used to determine whether the hypothesis is accepted or rejected (Ghozali., 2018).

III. RESULTS AND DISCUSSION

A. Results

1. Descriptive Test

Table 2. Descriptive Test

	N	Minimum	Maximum	Mean	Std. Deviation
Green Product	75	3.00	5.00	3.8495	.49388
Green Operation	75	3.00	5.00	4.1856	.45093
Green Customer	75	3.00	5.00	4.0193	.41113
Green Policy	75	3.00	4.83	4.0240	.45243
Pembiayaan Hijau	75	3.17	5.00	3.8756	.49277
Valid N (list wise)	75				

Source: SPSS Processed Data, 2024

According to the results of descriptive statistics, the Green Product variable reveals an average value (mean) of 3.8495, with the least value being 3.00 and the utmost being 5.00, accompanied by a standard deviation of 0.49388. This signifies that the level of implementation of green products by respondents is of a high nature, consistent, and steady. The Green Operation has an average of 4.1856, with a minimum of 3.00 and a maximum of 5.00, and a standard deviation of 0.45093, demonstrating that the green-based operations have been executed commendably, with the perceptions of the respondents being fairly harmonious. Further, the Green Customer variable holds an average of 4.0193, accompanied by a standard deviation of 0.41113, indicating that customer participation or the support for the green principles is notably high, with slight variations in perception. Green Policy presents an average of 4.0240, with a minimum value of 3.00 and a maximum of 4.83, with a standard deviation of 0.45243, revealing that the green policies have been adequately implemented, though slight differences in perception exist among respondents. Lastly, Green Finance holds an average of 3.8756, with a standard deviation of 0.49277, signifying that green finance is executed at a reasonably good level, with relatively minimal variation in perceptions. In sum, these results reflect that the green elements—products, operations, customers, policies, and financing—have been faithfully implemented, with the perceptions of respondents tending to be in agreement in each variable.

2. Test of Validity of Data

To ensure the trustworthiness and consistency of the instruments used in this research, validity and reliability tests were conducted. The validity test revealed that all statement items, whether pertaining to dependent or independent variables, displayed correlation values exceeding 0.3 with significance below 0.05, thus confirming their validity. The reliability test employed the Cronbach's Alpha method, where all variables—Green Product (0.825), Green Operation (0.683), Green Customer (0.700), Green Policy (0.688), and Green Financing (0.792)—attained values surpassing 0.6, hence they were deemed reliable and fit for continued analysis.

The classical assumption test included assessments of normality, heteroscedasticity, autocorrelation, and multicollinearity. The normality test, conducted via the PP Plot graph, displayed that the data points were spread

near the diagonal line, indicating a normal distribution of residuals. The heteroscedasticity test, visualized through a scatterplot, revealed a random distribution of points around the zero line, signifying the absence of heteroscedasticity. The autocorrelation test, with a Durbin-Watson value of 1.780, lay between dU (1.70) and 4 - dU (2.30), thereby affirming that no autocorrelation exists. The multicollinearity test showed that all independent variables possessed VIF values below 10—Green Product (1.611), Green Operation (1.880), Green Customer (2.632), and Green Policy (3.895)—indicating no presence of multicollinearity. Thus, the regression model satisfies all classical assumptions and is deemed appropriate for further examination.

3. Hypothesis Testing

Table 3. Results of Testing Indirect Effects

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-,683	,324		-2,104	,039
Green Product	,271	,073	,272	3,714	,000
Green Operation	,362	,086	,331	4,187	,000
Green Customer	,123	,112	,103	1,099	,276
Green Policy	,373	,124	,343	3,009	,004

a Dependent Variable: Green Finance

Source: SPSS Processed Data, 2024

Based on the results of the partial t-test, the interpretation for each independent variable is as follows:

1. Green Product holds a t-value of 3.714 with a significance value of 0.000 ($p < 0.05$), indicating that this variable exerts a statistically significant influence on Green Financing. It signifies that as the value of Green Product rises, so too does the Green Financing.
2. Green Operation bears a t-value of 4.187 with a significance value of 0.000 ($p < 0.05$), demonstrating a substantial positive impact on Green Financing. This indicates that an increase in Green Operation leads to a corresponding increase in Green Financing.
3. Green Customer has a t-value of 1.099 with a significance value of 0.276 ($p > 0.05$), suggesting that this variable does not have a noteworthy impact on Green Financing. Thus, alterations in Green Customer do not statistically influence Green Financing.
4. Green Policy shows a t-value of 3.009 with a significance value of 0.004 ($p < 0.05$), signifying a significant positive effect on Green Financing. This reveals that improvements in policies related to Green Policy result in a rise in Green Financing.

Limit t (t-crisis):

For a sample size of 75 ($n = 75$) and 4 independent variables ($k = 4$), the degrees of freedom (df) for the t-test are calculated as:

$$df = n - k - 1 = 75 - 4 - 1 = 70.$$

At a significance level of 0.05 with $df = 70$, the critical t-value (t-table) is approximately 1.995.

Thus, if the computed t-value exceeds 1.995 or falls below -1.995, the null hypothesis is to be rejected, and the variable is considered to have a significant influence on the dependent variable (Green Financing). In this case, Green Product, Green Operation, and Green Policy have t-values greater than the critical value (1.995), whereas Green Customer does not demonstrate significance, as its t-value is less than the threshold.

Table 4. Anova f test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13,778	4	3,445	57,542	,000(a)
	Residual	4,190	70	,060		
	Total	17,969	74			

a Predictors : (Constant), Green Policy, Green Product, Green Operation, Green Customer

b Dependent Variable: Green Financing

Source: SPSS Processed Data, 2024

The results from the ANOVA test reveal that the entirety of the regression model holds significance in forecasting Green Financing. This truth is illuminated by the F value of 57.542 with a significance of 0.000 ($p < 0.05$), which signifies that there exists a noteworthy connection between the independent variables—Green Policy, Green Product, Green Operation, and Green Customer—and Green Financing. Hence, this regression model stands firm as a valid instrument to elucidate the variations in Green Financing. The minuscule significance value

serves as evidence that the predictors, when considered collectively, contribute profoundly and significantly to the dependent variable.

Table 5. Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.876(a)	.767	.753	.24467	1.780

a Predictors : (Constant), Green Policy, Green Product, Green Operation, Green Customer

b Dependent Variable: Green Financing

Source: SPSS Processed Data, 2024

Verily, the value of R, a robust 0.876, signifies that the bond between the independent variables and the dependent variable is of great strength. The R Square, a sacred number of 0.767, reveals that 76.7% of the variation in Green Financing is explained by the predictors within the model, with the remaining 23.3% being influenced by forces beyond its grasp. The Adjusted R Square of 0.753 refines the estimation, considering the multitude of variables at play. The Std. Error of the Estimate, standing at 0.24467, unveils the extent of deviation of the data from the sacred regression line.

B. Discussion

1. Green Products towards Green Financing:

According to the wisdom of Legitimacy Theory, companies must preserve their honor by aligning with the increasing expectations of society in the realm of the environment (Branco & Rodrigues, 2006). Green Products, having a marked influence on Green Financing, reflect that companies may earn favor and legitimacy through the offering of products that protect the Earth. These products draw in customers who value sustainability, thus creating a favorable public image. In the teachings of Stakeholder Theory, banks must attend to the desires of those they serve, offering products that mirror their concern for the planet (Ullah & Rahman, 2015). By providing green products, financial institutions strengthen their bond with stakeholders, thereby fostering the growth of Green Financing (Munjal & Malarvizhi, 2021).

Scholars of the past, such as (Masukujjaman & Aktar, 2014), have declared that green banking serves as a path to environmental harmony, where products born of sustainability guide the way. (Pariag-Maraye et al., 2017) affirmed the significant role of customer awareness in nurturing the acceptance of green banking. Therefore, the green products, offered with transparency and trust, help banks to rise as champions of both environmental and financial sustainability (Handajani et al., 2019).

2. Green Operation towards Green Financing:

In the vast teachings of Legitimacy Theory, those banks that practice Green Operation earn their place in the hearts of the people, maintaining their dignity by serving the environment (Branco & Rodrigues, 2006). A Green Operation that impacts Green Financing signifies that by improving operations to honor the Earth, banks gain the trust of the public. Stakeholder Theory echoes this truth, as customers expect institutions to act in harmony with nature. As these green operations are enhanced, the bank's reputation grows, and Green Financing flourishes (Handajani et al., 2019).

The ancient knowledge of (Chen, 2011) revealed that a green competitive advantage arises from an organization's culture, steered by sustainability and enlightened leadership. Similarly, (Pariag-Maraye et al., 2017) revealed the importance of operational efficiency in securing loyalty and trust from customers. (Rahman & Barua, 2016) noted that green practices, such as energy efficiency and digital advancements, align the bank's operations with societal expectations, bringing forth greater success in Green Financing.

3. Green Customer towards Green Financing:

While customers who are mindful of sustainability hold great significance, the insignificant influence of Green Customers on Green Financing reveals that their environmental awareness alone does not catalyze the adoption of Green Financing (Branco & Rodrigues, 2006). This shows that banks must refine their strategies, offering products that more effectively meet the needs of these conscious customers. The teachings of Stakeholder Theory suggest that aligning customer desires with the right products is key to success, yet in this case, other factors may hold greater sway (Handajani et al., 2019).

While prior research (Fernando et al., 2017) and (Biswas, 2011; Bryson et al., 2016) pointed to the promise of green customers embracing sustainable products, this study unveils a different truth. It is not merely awareness that drives action, but a confluence of other forces that guide customers to choose Green Financing.

4. Green Policy towards Green Financing:

In the ancient wisdom of Legitimacy Theory, it is understood that responsive policies toward sustainability enhance the institution's honor and respect in society (Branco & Rodrigues, 2006). A Green Policy that nurtures Green Financing reflects that the proper policies elevate public trust in the institution. According to Stakeholder Theory, policies that resonate with environmental concerns will meet the needs of stakeholders, fostering further participation in Green Financing (Handajani et al., 2019).

Research by (Lymperopoulos et al., 2012) has revealed that well-constructed green policies improve the reputation of financial institutions, thereby attracting both new and loyal customers. (Masukujjaman & Aktar, 2014; Tandukar et al., 2021) reminded us that policies grounded in sustainability foster awareness and create a favorable image of the bank. A robust Green Policy serves as a beacon for customers who seek alignment with environmental values, thereby strengthening Green Financing.

IV. CONCLUSION

The results are clear: Green Products, Green Operations, and Green Policies significantly foster Green Financing. The Green Product, with a t-value of 3.714, signals that banks should persist in creating environmentally friendly products to drive Green Financing. Green Operations, with a t-value of 4.187, urge banks to enhance their sustainability practices and digitalize services for greater impact. Green Policies, with a t-value of 3.009, reveal that strong sustainability policies will further encourage Green Financing. Conversely, Green Customers, while valuable, do not significantly influence Green Financing (t-value of 1.099), thus prompting banks to explore additional factors that might encourage customer adoption of green products.

Banks are advised to continue developing green products that meet the needs of a more environmentally conscious market, such as renewable energy financing. Green operations should be optimized through the use of digital technology and policies that reduce the carbon footprint. Moreover, banks must engage green customers through education and the introduction of sustainability-driven products. Finally, Green Policies should be strengthened with clear targets, transparent reporting, and sustainable practices. Future research is encouraged to explore further the impacts of green operations and policies on customer decisions, particularly in light of growing regulations and awareness surrounding sustainability.

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The Influence of Brand Image and Product Innovation on Starbucks Coffee Purchase Decisions in Surabaya City

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ABSTRACT

Purpose: Along with the urban lifestyle, the development and growth of culinary businesses are currently increasing in Indonesia, especially in the city of Surabaya, this is marked by the rise of restaurants, cafes and coffee shops. Starbucks Coffee Indonesia now has 22 coffee outlets in the city of Surabaya. Starbucks strives to present an extraordinary legacy and experience in every cup. This study aims to analyze the influence of brand image and product innovation on coffee purchasing decisions at Starbucks coffee shops in the city of Surabaya. This research is a quantitative study.

Deign/Methodology/Approach: The number of samples in this study was 104 Starbucks Coffee consumers taken from 22 Starbucks coffee outlets in the city of Surabaya using accidental sampling techniques. Researchers used interviews, questionnaires and observations to obtain data.

Findings: The results of the study showed that partially brand image and product innovation had a significant effect on consumer purchasing decisions for Starbucks coffee in the city of Surabaya. Furthermore, Brand Image and Product Innovation simultaneously had a significant effect on Starbucks Coffee purchasing decisions at coffee outlets in the city of Surabaya. This shows that in the midst of the highly competitive business competition between foreign and local coffee shops in Surabaya, Starbucks coffee can still survive and carry out its business activities sustainably through the brand image it carries and innovating the products it offers.

Paper Type: Research Paper

Keywords: Brand Image, Product Innovation, Purchasing Decisions, Starbucks Coffee.

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I. INTRODUCTION

Currently there is a new lifestyle trend in society, especially among Generation Z and Y, there are several factors that drive the rapid growth of coffee shops, namely the emergence of new cultures or habits such as hanging out while drinking coffee, increasing middle-class consumers and the price of coffee menus in cafes is increasingly affordable, a new lifestyle created by the younger generation to consume coffee, the existence of social media that helps coffee shop business people to promote and market easily.

Surabaya as one of the largest cities in Indonesia has great potential to develop coffee shop businesses, this can be seen from the increasing number of foreign and local coffee shops that have emerged and the presence of their businesses is very competitive in attracting consumers. Since 2019 until now the number of coffee shops in the city of Surabaya has experienced quite rapid growth, where the East Java Indonesian Cafe and Restaurant Entrepreneurs Association (Akprindo) said that the growth of coffee shops has increased by 16 percent to 18 percent along with changes in the lifestyle of urban communities. The increase in coffee shops in Surabaya is not only in expensive coffee shops per glass but the increase is also found in coffee shops that sell their products at low prices.

Amidst the booming local coffee shops and the aggressiveness of chain coffee shops, Starbucks Coffee is stealing the attention of coffee lovers in the country who lately have a liking for events to meet with colleagues

for hanging out, doing college or office assignments or other events that are deliberately done by gathering while enjoying coffee. Our outlets are a place to gather and meet friends and family. Our customers enjoy quality service, a comfortable atmosphere, and extraordinary drinks at our outlets and Starbucks Reserve® located in 9 cities in Indonesia: Bali, Bandung, Bogor, Depok, Jakarta, Medan, Surabaya, Tangerang and Yogyakarta. PT Sari Coffee Indonesia is also the only company that has an exclusive license to establish and operate Starbucks in Indonesia and now has a Starbucks Coffee Indonesia Network that has grown to more than 500 outlets in 59 major cities in Indonesia.

Starbucks has always believed in serving the best coffee. Our goal is for all of our coffee to be grown to the highest quality standards, based on ethical sourcing practices. Our coffee buyers personally travel to coffee farms in Latin America, Africa, and Asia to select the highest quality Arabica beans. And our master roasters bring out the balance and richness of the Starbucks® Roast coffee beans. We also offer a selection of premium teas, delicious pastries, and other delicious treats to please your palate. And the music you hear in stores is chosen for its art and appeal. It's not uncommon to see people coming into Starbucks to chat, meet, or even work. We're a neighborhood gathering place, a part of our daily routine — and we're excited about it.

Starbucks strives to deliver an extraordinary heritage and experience in every cup. In Indonesia, all food and beverages sold in our stores have gone through the Halal certification process by the Halal Product Guarantee Agency (BPJPH) with Certificate Number ID00410007748310723.

Starbucks has a mission: to inspire and nurture the human spirit — one person, one cup, and one neighborhood at a time. While Starbucks values are: Creating a culture of warmth and belonging, where everyone is welcome; Acting with courage, challenging the status quo, and finding new ways to grow the company and each other; Being present, connecting with transparency, dignity, and respect; Giving our best in all we do, holding ourselves accountable for the results achieved.

Competition in the culinary business, especially coffee shops, is very competitive among brands that are already familiar to consumers, both global and local brands that are now emerging.

Table 1 Coffee shop business competition

<i>No.</i>	<i>Name Description</i>	<i>Information</i>
<i>1</i>	<i>Starbucks Coffee</i>	<i>Foreign brand</i>
<i>2</i>	<i>The Coffee Bean & Tea Leaf</i>	<i>Foreign brand</i>
<i>3</i>	<i>Dunkin' Donuts</i>	<i>Foreign brand</i>
<i>4</i>	<i>Excelso</i>	<i>Foreign brand</i>
<i>5</i>	<i>McCafé</i>	<i>subsidiary of McDonald's (Foreign brand)</i>
<i>6</i>	<i>Kopi Kenangan</i>	<i>Local brand</i>
<i>7</i>	<i>Janji Jiwa</i>	<i>Local brand</i>

Source: survey results, 2024

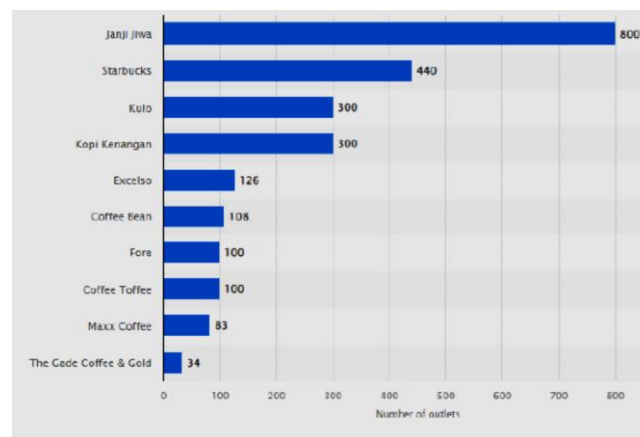


Figure 1

Source: Statistical Data, 2023

Number of coffee shop outlets in Indonesia between August 2019 and April 2020, by brand

Based on the data in table 1 and figure 1, there is a foreign coffee brand that has the second most stores in Indonesia, namely Starbucks Coffee. Starbucks is a global coffee shop from the United States and is the largest coffee shop company in the world. Starbucks offers various types of coffee such as black coffee, cappuccino, frapuccino and various other snacks that can be enjoyed with coffee. Starbucks Coffee has become one of the famous coffee shop brands that has many competitors that produce the same results, namely coffee as its main brand. Some of Starbucks Coffee's competitors are Maxx Coffee, The Coffee Bean & Tea Leaf, Excelsa, and others.

Table 2 Starbucks outlets in Surabaya city

Number	Shop/Outlet Location
1	Starbucks Gubeng, Gubeng Main Road No. 33, Gubeng District, Surabaya
2	Starbucks Plaza Surabaya, Embong Kaliasin, Genteng District, Surabaya
3	Starbucks Manyar Kertoarjo, Jalan Raya Manyar Kertoarjo No. 33 A, Mojo, Gubeng District, Surabaya
4	Starbucks Tunjungan Plaza, TP 3, TP 4, TP 5, TP 6 Tunjungan Plaza Mall, Embong Kaliasin, Surabaya
5	Starbucks Grand City, Jalan Walikota Mustadjab No. 1, Ketabang, Genteng District, Surabaya
6	Starbucks Ngagel, Jalan Ngagel Jaya Selatan No. 153 Baratajaya, District Gubeng, Surabaya
7	Starbucks East Jemursari, East Jemursari II Street, Jemur Wonosari, Wonocolo District, Surabaya
8	Starbucks Villa Taman Telaga, Niaga Gapura Road, Lidah Kulon, Lakarsantri District, Surabaya

- 9 *Starbucks Ciputra World, Mayjen Sungkono Street No. 87, Gunung Sari, Dukuh Pakis District, Surabaya*
- 10 *Starbucks BG Junction, BG Junction Mall, Bubutan Street, Surabaya*
- 11 *Starbucks Merr, Dr. Ir. H. Soekarno Street, Kedungbaruk, Rungkut District, Surabaya*
- 12 *Starbucks Pakuwon Mall, Ground Floor, Mayjend Jonosewojo Street, No. 2, Babatan, Wiyung District, Surabaya*
- 13 *Starbucks Pakuwon Mall 1, Level G, East Coast Center, Laguna Highway, White Water Pond, Mulyorejo, Surabaya*
- 14 *Starbucks Pakuwon Mall 2. Shophouse PATOS NO FR 1 Pakuwon City Sukolilo, White Kejawan Tambak, Mulyorejo, Surabaya*
- 15 *Starbucks Reserve Galaxy Mall 3, Dharmahusada Indah Timur Street No. 35-37, Mulyorejo, Mulyorejo District, Surabaya*
- 16 *Starbucks Graha Pena, Ahmad Yani Street No. 88, Ketintang, Gayungan District, Surabaya*
- 17 *Starbucks National Hospital, Jalan Boulevard Famili Selatan Kav 1, Ground Floor National Graha Hospital, Babatan, Wiyung District, Surabaya*
- 18 *Starbucks Royal Residence, Jalan Menganti No. 479, Babatan, Wiyung District, Surabaya*
- 19 *Starbucks Kenjeran, Kalijudan, Mulyorejo District, Surabaya*
- 20 *Starbucks Lenmarc Mall, Level G, Olen Marc Mayjend Yono Suwoyo Street, No. 9 Pradahkalikendal, Dukuh Pakis District, Surabaya*
- 21 *Starbucks The Square Apartment, The Square Apartment, LG Floor, Siwalankerto Street, No. 140-148, Siwalankerto, Wonocolo District, Surabaya*
- 22 *Starbucks Coffee Juanda Airport Terminal 1, Ir H. Juanda Highway, Segoro Tambak, Sedati District, Sidoarjo*

Source: Researcher survey results, 2024

Currently, many coffee shops offer various types of menus and variations of coffee, besides that there are many cafes both in big and small cities, but Starbucks is able to survive with its distinctive and unique quality, currently there are 22 outlets spread throughout the city of Surabaya, this is because Starbucks has a very strong brand image among cafe fans who specifically offer coffee products and various other menus. With the increasing number of outlets opened, it shows that Starbucks has a very strong desire to emphasize and maintain its brand image amidst the competition of coffee shop businesses, both foreign and local in the city of Surabaya.

Each consumer has different opinions and perceptions in making purchasing decisions for a particular product or service that they want to consume, including the Influence of Digital Marketing, Word Of Mouth, service quality, Location, Promotion and Price Perception, Customer Relationship Management and Customer Experience, brand image, product innovation and others. The purchasing decision process according to Engel et al (1995: 141) starts from recognizing needs, searching for information, and evaluating alternatives. Where someone in determining alternative evaluations will form a belief that will result in a positive attitude in forming purchasing intentions. Purchase intentions will shape attitudes and decide on purchases. According to Kotler and

Armstrong (2019), the purchasing decision is to buy the most preferred brand, but two factors can be between purchasing intentions and purchasing decisions. By knowing the product information or product brand and conducting an evaluation so that it can solve problems and lead to purchasing decisions.

One way to encourage consumer purchasing decisions for their products, manufacturers are required to create superior products, one of which is through the creation of attractive product innovations, in order to be able to satisfy consumer tastes. Companies are required to innovate in producing a product in order to produce greater customer value (Kolter and Keller, 2009:4). According to research by Romdonah et al. (2013), there is a positive influence of product innovation variables on purchasing decisions. This means that if the product offered is better, the purchasing decision will increase.

In addition to product innovation, one of the company's strategies for building a strong brand in the minds of consumers is through brand equity. According to Setiadi (2003:110), brand image is related to attitudes in the form of beliefs and preferences for a brand. Consumers with a positive image of a brand are likely to make purchases. This is supported by research by Kiswalini and Nurcahya (2014), brand image has a positive effect on motorcycle purchasing decisions. If the product image is good, consumers will make purchases of the product.

Image is how others see your company, person, committee, or activity. Every company has as many images as people see it. Image itself is one of the most important assets of a company or organization. Before an image is created, people have an opinion about the reality they experience. Public opinion is influenced by various reference materials.

The stronger the brand image in the minds of consumers, the stronger the consumer's confidence to remain loyal or faithful to the products they buy, so that this can lead a company to continue to make a profit over time. Competition is increasing among brands operating in the market, only products that have a strong brand image are able to compete and dominate the market.

Based on the description of the background of the problem above, the formulation of the problem in this study is:

1. Do brand image and product innovation partially influence purchasing decisions at Starbucks Coffee Shops in Surabaya?
2. Do brand image and product innovation simultaneously influence purchasing decisions at Starbucks Coffee Shops in Surabaya?

A. Literature Review

Supranto and Limakrisma (2011: 25) state that brand image is what consumers think and feel when they hear or see a brand and what consumers learn about the brand. Thus, it can be concluded that a brand image is a set of brand associations that consumers can feel and think about that are created and maintained by marketers to form in the minds of consumers.

Then according to Kotler and Keller (2009: 403) brand image is a number of beliefs, ideas, and impressions that a person holds about an object. Meanwhile, brand image is the perception and belief held by consumers, as reflected in the associations embedded in consumers' memories.

According to Tjiptono (2008), what is meant by brand image is a description of the association and consumer confidence in a particular brand. There are several indicators used to measure Brand Image according to Ratri (2007), that is:

1. Product attributes, are things related to the brand itself, such as packaging, taste, price, and so on.
2. consumer benefits, is the use of products from that brand.
3. Brand personality, is an association regarding the personality of a brand if the brand is a human.
- 4.

Meanwhile, according to Trott (2008) innovation is management regarding all activities including the process of idea formation, technology development, manufacturing and marketing processes for the existence of new and developed products. Thus, it can be said that innovation is a change made by a company, both in terms of development and creation of something new, where these changes can be accepted by the market and have a positive impact on the company's development. Product innovation is a consumer perception that views a product or service as a new variant. Product innovation in this study refers to the opinion (Nanang Wahyudin, 2015) that is:

1. Line expansion is the use of strategies to expand the market share of the product's sales.
2. New products, products that are traded, have fresh or new conditions so that they attract consumers.

According to Setiadi (2010), buying behavior implies that individual activities are directly involved in exchanging money for goods and services and in the decision-making process that determines these activities. A consumer's decision to buy a product always involves physical activity (in the form of direct consumer activity through the stages of the purchase decision-making process) and mental activity (when consumers judge the product according to certain criteria set by individuals).

According to Kotler and Armstrong (2019), the purchasing decision is to buy the most preferred brand, but two factors can be between the purchase intention and the purchase decision. By knowing the product information or the product brand and conducting an evaluation so that it can solve the problem and lead to a purchasing decision.

Purchasing decisions taken by buyers are actually a collection of a number of organized decisions. According to Sumarni (2005) every purchase decision has a structure of seven components. These components include :

- 1) Decisions about product types
- 2) Decisions about product form
- 3) Decisions about brands
- 4) Decisions about sales
- 5) Decisions about the number of products
- 6) Decisions about when to buy
- 7) Decisions about how to pay

B. Conceptual Framework

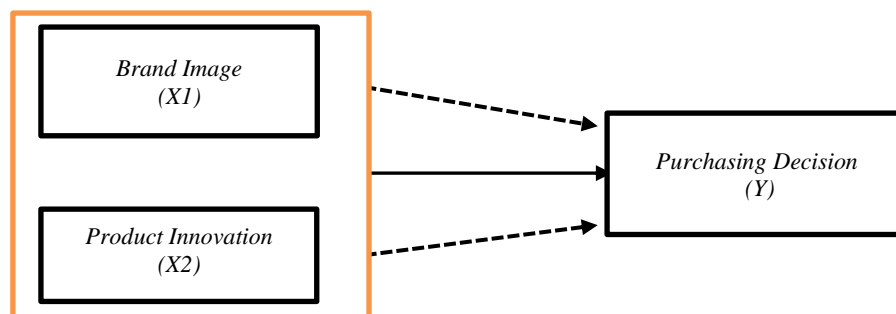


Figure 2 Conceptual Framework of Research.

II. METHODS

This type of research is quantitative research. The researcher took a sample of 104 consumers at Starbucks coffee outlets in 22 coffee shops in Surabaya City. The type of sample used was simple random sampling by distributing questionnaires to anyone who happened to come and the author met when distributing questionnaires at the 22 coffee shops. Data collection techniques in this study used interviews, questionnaires, and observations by meeting any consumers who came and the author met when the author distributed questionnaires at 22 Starbucks coffee outlets in Surabaya City (accidental sampling). The data in this study were processed using the Statistical Package for Social Science (SPSS) 18.0 for Windows program. Data analysis in this study used multiple linear regression analysis.

Researcher used a partial test (T test) and simultaneous test (F test) to test the hypothesis in this study. The hypothesis formulation for the partial test (t statistical test) in this study is as follows:

- 1) Ho = independent variable (X) partially has no significant effect on the dependent variable (Y).
- 2) Ha = independent variable (X) partially has a significant effect on dependent variable (Y).

The hypothesis formulation for the simultaneous test (f statistical test) in this study is as follows:

1. Ho = independent variable (x) simultaneously has no significant effect on the dependent variable (y).
2. Ha = independent variable (x) simultaneously has a significant effect on the dependent variable (y).

The basis for making a decision with a significant level of 0.05 is as follows:

- 1) If the sig value > 0.05, the decision Ho is accepted and Ha is rejected, it means that the independent variable (x) simultaneously has no significant effect on variable (y).
- 2) If the sig value < 0.05, the decision Ho is rejected and Ha is accepted, it means that the independent variable (x) simultaneously has a significant effect on the dependent variable (y).

III. RESULTS AND DISCUSSION

The data in this study were obtained from the results of distributing questionnaires to 104 Starbucks Coffee consumers in 22 coffee shops in Surabaya. Based on the results of respondents' answers in the distributed questionnaire, the respondent data can be described based on gender, age, last education, occupation, income rank, and estimated respondent purchases as follows:

Table 3 Characteristics Based on the Gender of Respondents

		<i>Gender</i>			
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Women</i>	<i>34</i>	<i>32,7</i>	<i>32,7</i>	<i>32,7</i>
	<i>Men</i>	<i>70</i>	<i>67,3</i>	<i>67,3</i>	<i>100,0</i>
	<i>Total</i>	<i>104</i>	<i>100,0</i>	<i>100,0</i>	

From the table above it can be seen that most of the respondents that is 34 respondents or 32.7% are men, and 70 respondents or 67.3% are women.

Table 4 Characteristics Based on Age of Respondents

		<i>Age Group</i>			
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>17-20 Years Old</i>	<i>3</i>	<i>2,9</i>	<i>2,9</i>	<i>2,9</i>
	<i>21-25 Years Old</i>	<i>57</i>	<i>54,8</i>	<i>54,8</i>	<i>57,7</i>
	<i>26-30 Years Old</i>	<i>37</i>	<i>35,6</i>	<i>35,6</i>	<i>93,3</i>
	<i>31-40 Years Old</i>	<i>7</i>	<i>6,7</i>	<i>6,7</i>	<i>100,0</i>
	<i>Total</i>	<i>104</i>	<i>100,0</i>	<i>100,0</i>	

From the table above it can be seen that most of the respondents, that is 3 respondents or 2.9% aged 17-20 years, 57 respondents or 54.8% aged 21-25 years, 37 respondents or 35.6% aged 26-30 years, 7 respondents or 6.7% aged 31-40 years.

Table 5 Characteristics Based on Respondents' Last Education

		<i>Last Education</i>			
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>High school</i>	42	40,4	40,4	40,4
	<i>Bachelor</i>	57	54,8	54,8	95,2
	<i>Postgraduate</i>	5	4,8	4,8	100,0
	<i>Total</i>	104	100,0	100,0	

From the table above it can be seen that most of the respondents, that is 42 respondents or 40.4% were high school students, 57 respondents or 54.8% were bachelor, 5 respondents or 4.8% were postgraduate.

Table 6 Characteristics Based on Occupation of Respondents

		<i>Occupation</i>			
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Students</i>	25	24,0	24,0	24,0
	<i>Government employees</i>	10	9,6	9,6	33,7
	<i>Private employees</i>	55	52,9	52,9	86,5
	<i>Housewife</i>	14	13,5	13,5	100,0
	<i>Total</i>	104	100,0	100,0	

From the table above it can be seen that most of the respondents, that is 25 respondents or 24.0% are students, 10 respondents or 9.6% are Government employees, 55 respondents or 52.9% are private employees, 14 respondents or 13, 5% Housewives

Table 7 Characteristics Based on Respondents' Income Level

		<i>Income Level</i>			
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>1 – 2 Million</i>	17	16,3	16,3	16,3
	<i>2 – 4 Million</i>	54	51,9	51,9	68,3
	<i>4 – 6 Million</i>	33	31,7	31,7	100,0
	<i>Total</i>	104	100,0	100,0	

From the table above, it can be seen that most of the respondents, that is 17 respondents or 16.3%, are 1 million – 2 million, 54 respondents or 51.9% are 2 million – 4 million, 33 respondents or 31.7% are 4 million – 6 million.

1. T Test (Partial) and F Test (simultaneous)

T test is to test how the influence of each independent variable on the dependent variable.

Table 8 T Test (Partial)

Coefficients ^a										
Model	Unstandardized Coefficients		Standardized Coefficients		Correlations			Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	-,250	,324		-,771	,443					
Brand Image	,692	,088	,615	7,883	,000	,821	,617	,421	,469	2,130
Product Innovation	,362	,100	,283	3,635	,000	,731	,340	,194	,469	2,130

a. Dependent Variable: Purchasing Decision

- Based on the SPSSs output above, the significance value of brand image is 0.000 < 0.05, it means that brand image has a significant effect on purchasing decisions.
The significance value of product innovation as large as 0.000 < 0.05 means that product innovation has a significant effect.
- The 5% (0.025) significance level of testing includes two-way testing
Formula: $df = n - k$ where n = many observations K = many variables (free and dependent) $Df = 104 - 2 = 102$
From these results with a significance level of 5%, the ttable value is 1.98350
From the output of the SPSSs above, it is known that the tcount of brand image is $7.883 > 1.98350$, meaning that there is a significant influence between brand image and purchasing decisions.

This shows how strong the influence of brand image is on consumer purchasing decisions on Starbucks coffee so far. Starbucks offers a concept to customers by changing the experience of drinking coffee and then combining it with various types of quality coffee. Starbucks focuses on its commitment to presenting creative products based on superior coffee and the food served is suitable to support its coffee drink products such as pastries, cakes and others. Starbucks is successful because it always thinks about the customer experience. They provide the best quality products for customers, coupled with high-quality service. Their outlets are also known to be friendly and comfortable to visit.

Through their deep understanding of coffee and tea, Starbucks realizes the importance of customer experience. This has a huge impact on customer loyalty and the coffee experience they get. They use various strategies to make customers feel emotionally close. This helps increase their satisfaction and loyalty.

Starbucks focuses on creating an unforgettable customer experience. They pay attention to several important things. This shows Starbucks' commitment that consumers no longer come to Starbucks just to drink coffee, because Starbucks not only sells products but also offers an experience. The experiences offered include consumers who come to Starbucks not only for the needs of eating and drinking, but to socialize with friends and family, the atmosphere of the shop is made as comfortable as possible plus music is played to increase consumer appeal, and internet access (Wi-Fi) is provided. Innovations made by Starbucks coffee include: High quality and consistent coffee products are the main priority, Friendly and trained baristas provide excellent service consistently. Comfortable and modern outlets help create a memorable experience, Unique menu and merchandise brands attract customers, Loyalty program, Starbucks Rewards, provides convenience and benefits for customers.

In this way, Starbucks has managed to close the gap between the brand and its customers. Satisfied and loyal customers will promote Starbucks. This helps the company in increasing their brand awareness and market share. Starbucks strives to create pleasant memories for every customer who comes to Starbucks. An exceptional customer experience is the key to building long-term loyalty.

From the output of the SSPS above, it is known that the value of product innovation t count is 3,635 > t table 1,98350, meaning that there is a significant influence between product innovation on purchasing decisions. The Product Innovation variable (X2) has a partial effect on Purchasing Decisions, the calculated t value is 3.635 > t table 1.98350 with a significance of $0.000 < 0.05$, which means that Product Innovation has a significant effect on Purchasing Decisions for Starbucks Coffee in Surabaya. Innovation is a cornerstone of Starbucks' marketing strategy. The company continuously introduces new and exciting products to keep its menu fresh and appealing. From seasonal favorites like the Pumpkin Spice Latte to innovative beverages like the Nitro Cold Brew, Starbucks is always pushing the boundaries of what a coffeehouse can offer. Starbucks' product innovation extends beyond beverages. The company has expanded its food menu to include a wide range of items, from breakfast sandwiches to protein boxes, catering to the diverse tastes and dietary needs of its customers. This commitment to innovation ensures that there is always something new for customers to try, keeping them coming back for more.

The F test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. The degree of confidence used is 0.05. If the calculated F value is greater than the F value according to the table, then the alternative hypothesis, which states that all independent variables simultaneously have a significant effect on the dependent variable.

Table 9 F TEST (Simultaneous)

ANOVA ^b						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45,537	2	22,769	124,721	,000 ^a
	Residual	18,438	101	,183		
	Total	63,975	103			

a. Predictors: (Constant), Product Innovation

b. Dependent Variable: Purchasing Decision

1. Based on the SPSs output above a significance value of $0.000 < 0.05$ means that simultaneously the perception of brand image and product innovation on purchasing decisions
2. Comparing the magnitude of the number F count with the formula F table:
From these results, with a significance level of 5%, the F table value is 3.93
From the output of the above spss, it is known that the value of F count is $124.721 >$ from F table 3.93, it means that brand image and product innovation simultaneously affect purchasing decisions.

Thus it can be said that the second hypothesis which states that "brand image and product innovation simultaneously influence purchasing decisions" is proven empirically true.

The variables of Brand Image (X1) and Product Innovation (X2) simultaneously influence the decision to purchase Starbucks coffee in Surabaya, which is indicated by the large value of f count = $124.721 >$ from f table 3.09 with a significance of $0.000 < 0.05$ which means it has a significant effect on the Decision to Purchase Starbucks Coffee in Surabaya. This shows that the combination of the brand image owned by Starbucks coffee and the product innovation carried out so far is a marketing strategy within the framework to maintain competition in the coffee shop business which is competing tightly with the emergence of new competitors from both foreign and local brands entering the market, so that the sustainability and sustainability of the Starbucks coffee business will be able to run in the long term.

A. Managerial Implications

Based on the results of the Regression analysis, brand image and product innovation have a significant influence on coffee purchasing decisions at Starbucks coffee shops in Surabaya. The managerial implications that

can be proposed are as follows: There are many benefits obtained by Starbucks coffee from the brand image it has carried so far in the coffee business. The higher the benefits felt by consumers from the Starbucks coffee brand image, the higher the consumer's purchasing decision in consuming Starbucks coffee

The proposed managerial implication is to ensure that Starbucks coffee continues to increase product and service variations through product innovation that is carried out continuously with the aim of always being able to survive in the increasingly competitive situation of the coffee shop business which is increasingly rampant and developing in the city of Surabaya.

IV. CONCLUSION

This study shows that brand image and product innovation in Starbucks coffee affect consumer purchasing decisions. The brand image variable (X1) has a partial effect on purchasing decisions, the t-value is $7.883 > t\text{-table } 1.98350$ with a significance of $0.000 < 0.05$, which means that brand image has a significant effect on purchasing decisions at Starbucks Coffee shops in Surabaya. And the product innovation variable (X2) has a partial effect on purchasing decisions, the t-value is $3.635 > t\text{-table } 1.98350$ with a significance of $0.000 < 0.05$, which means that product innovation has a significant effect on purchasing decisions at Starbucks Coffee shops in Surabaya.

The dominant factor that influences consumer purchasing decisions at Starbucks coffee is brand image. It can be said that Starbucks coffee has indeed had a positive and good image among coffee lovers, so it is not wrong if consumers choose the Starbucks coffee brand when consuming coffee compared to other brands, both foreign and local brands that are very competitive in the coffee shop business in the city of Surabaya. The decision to purchase Starbucks coffee is based on the experience that consumers get when they consume coffee at Starbucks outlets and the comfortable atmosphere of the outlet for consumers to enjoy coffee.

A. Recommendation

This study or research provides a simple model that can be used by business people in any coffee shop business (both foreign and local) who want to do business and improve their marketing strategies to attract consumers or customers from various groups who are truly coffee lovers. Because the variables that influence consumer purchasing decisions can be better understood, and coffee shop owners can provide information in such a way that it can encourage consumers to consider their purchasing decisions.

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The Contribution of Education, Health, and Unemployment on HDI in East Java, Indonesia

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ABSTRACT

Purpose: This study aims to analyse the influence of education, health, and unemployment on the Human Development Index (HDI) in East Java, Indonesia. Given the disparities in HDI across regions, this research seeks to identify the extent to which these factors contribute to HDI variations in the province.

Design/methodology/approach: A quantitative research approach was employed, using secondary data from the Central Bureau of Statistics (BPS) of East Java for the years 2021 and 2022. The study analysed data from 38 regencies/cities in East Java, using multiple linear regression to examine the impact of education (average years of schooling), health (number of hospitals), and unemployment (percentage of the labour force) on HDI.

Findings: The results indicate that education and health have a significant positive impact on HDI, while unemployment has a significant negative effect. The findings confirm that increasing education levels and improving healthcare access contribute positively to human development, whereas higher unemployment rates hinder HDI growth. The coefficient of determination (R^2) suggests that these three factors collectively explain a substantial portion of HDI variation in East Java.

Research limitations/implications: This study is limited to secondary data analysis and does not consider qualitative factors such as policy effectiveness, governance, and social infrastructure that may also influence HDI. Future research should incorporate qualitative methods and longitudinal data to capture broader determinants of human development.

Practical implications: The findings provide valuable insights for policymakers in East Java to focus on education and healthcare improvements while addressing unemployment challenges. Policy recommendations include expanding access to quality education, improving healthcare facilities in underdeveloped areas, and implementing effective employment programs to reduce regional disparities in HDI.

Originality/value: This research contributes to the understanding of HDI determinants at the provincial level in Indonesia, offering empirical evidence on the interplay between education, health, and unemployment. The study highlights the need for integrated policy approaches to enhance human development in East Java.

Paper type: Research paper

Keyword: Education, Health, Unemployment, Human Development Index, East Java, Indonesia, Multiple Linear Regression

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I. INTRODUCTION

The Human Development Index (HDI) is a critical indicator used to measure the quality of life in a region (Jam'an et al., 2024). HDI encompasses three main dimensions: education, health, and a decent standard of living (Morse, 2023). East Java, as one of the provinces with the largest population in Indonesia, plays a strategic role

in contributing to the national HDI. However, despite the national increase in HDI, East Java's HDI growth still faces significant challenges (Sari, 2022).

According to data from the Central Statistics Agency (BPS), East Java's HDI ranks at a medium level compared to other provinces in Indonesia. Several regencies/cities in East Java exhibit relatively low HDI achievements, particularly in rural and underdeveloped areas. This highlights the inequality in human development, which may hinder efforts to improve welfare evenly across the region (BPS Jawa Timur, 2021).

Education is a major contributing factor to HDI, but disparities remain in the average years of schooling and expected years of schooling across various areas in East Java. Limited access to quality education in remote areas is one of the primary causes of this issue (Setyadi, 2022).

Similarly, the health dimension also impacts HDI achievements. Although life expectancy in East Java tends to increase, challenges persist due to the lack of healthcare facilities in certain areas and unequal access to healthcare services between urban and rural regions. These issues are exacerbated by the high prevalence of stunting and maternal mortality rates compared to more developed provinces in Indonesia (Hosokawa et al., 2020).

Additionally, unemployment is a serious issue that contributes to the low standard of living among the population. Data shows that while East Java's unemployment rate is generally lower than the national average, several areas still report high levels of open unemployment. This condition affects the community's ability to meet basic needs related to education and health (Prayitno & Kusumawardani, 2022).

This phenomenon indicates a strong correlation between education, health, and unemployment levels in determining HDI achievements in East Java. Therefore, this study aims to analyse the extent to which these factors influence HDI in East Java. This research is expected to provide a more comprehensive understanding of the dynamics of human development in the province and to offer effective policy recommendations to improve HDI in the future.

Numerous studies have investigated the relationship between education, health, unemployment, and the Human Development Index (HDI) in various regions of Indonesia. These factors are widely recognized as key determinants influencing human development outcomes.

1. Education and HDI

Education plays a crucial role in shaping human development, as it enhances individuals' knowledge and skills, thereby improving economic opportunities and overall well-being. Research conducted in Aceh Province confirms that government investment in education significantly contributes to HDI improvement (Siregar, 2024). Similarly, a study in South Sulawesi found that education influences economic growth, which is an integral component of human development (Dinar et al., 2022). Moreover, research on unemployment in Sumatra reveals that education has a notable impact on reducing joblessness, indirectly influencing HDI (Manihuruk et al., 2024).

2. Health and HDI

Health is another fundamental pillar of HDI, as it directly affects life expectancy and quality of life. Studies in South Sumatra indicate that health investments have a strong correlation with economic growth, which in turn enhances HDI (Hidayat & Sahri, 2023). Furthermore, research in Yogyakarta confirms that improvements in HDI are significantly driven by healthcare development (Suci et al., 2023). These findings reinforce the idea that better healthcare services contribute to higher HDI levels by reducing mortality rates and increasing productivity.

3. Unemployment and HDI

Unemployment is a critical factor that negatively impacts HDI, as it limits individuals' access to income, education, and healthcare. Research in East Luwu suggests that lower unemployment rates contribute to higher HDI, as more people gain access to better living conditions (Dahliah & Nur, 2021). Similarly, a study in Central Java highlights the significant relationship between unemployment and HDI, where a decrease in unemployment is associated with poverty reduction and improved human development (Handayani, 2023). Additionally, an analysis in Jakarta confirms that human capital development through education and employment opportunities helps lower the unemployment rate, leading to enhanced HDI (Darodjatun et al., 2021).

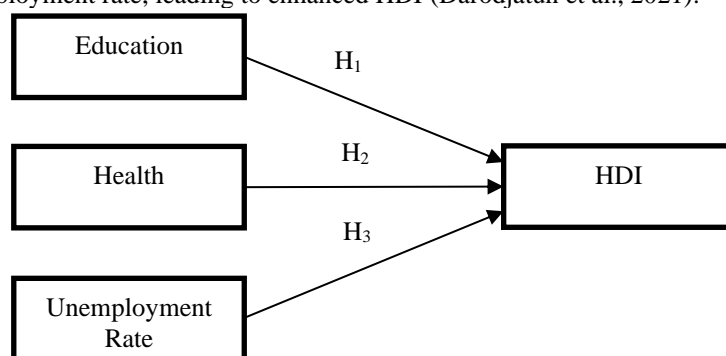


Figure 1 Conceptual framework

Based on these empirical findings, this study proposes the following hypotheses:

- H1: Education has a significant effect on the Human Development Index (HDI) of East Java Province.
H2: Health has a significant effect on the Human Development Index (HDI) of East Java Province.
H3: Unemployment Rate has a significant effect on the Human Development Index (HDI) of East Java Province.

II. METHODS

This research adopts a quantitative approach aimed at analysing the impact of education, health, and unemployment on the Human Development Index (HDI) in East Java. Employing a descriptive and explanatory approach, the study seeks to provide a comprehensive overview and explain causal relationships among variables.

The population comprises all regencies and cities in East Java Province, totalling 38 administrative regions. Using a total sampling technique, every regency and city is included as the research subject to ensure comprehensive representation. Secondary data obtained from the East Java Central Bureau of Statistics (BPS) and other official sources were used. These data cover education (mean years of schooling in years), health (number of health facilities such as hospitals), unemployment rate (percentage), and HDI. The data span two years, 2021 and 2022, allowing for the analysis of patterns and trends.

Data collection was conducted through access to official reports published by BPS, local governments, and supporting documents. Data validation was carried out by cross-referencing multiple sources to ensure consistency. The study considers three independent variables and one dependent variable: education (X_1), measured by mean years of schooling; health (X_2), measured by the number of health facilities; unemployment (X_3), measured by the open unemployment rate; and HDI (Y), measured by official HDI figures.

The data were analysed using multiple linear regression, employing the equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where:

Y represents the HDI,

X_1 , X_2 , X_3 denote education, health, and unemployment, respectively,

β_0 is the constant,

β_1 , β_2 , β_3 are the regression coefficients, and

ε is the error term.

Statistical tests include:

1. t-tests to assess the significance of each independent variable's influence on the dependent variable,
2. F-tests to evaluate the simultaneous influence of all independent variables, and
3. Coefficient of determination (R^2) to measure the extent to which the independent variables explain variations in the dependent variable.

The data analysis was conducted using statistical software, such as SPSS or EViews. The research hypotheses are formulated as follows:

1. H_0 : Education, health, and unemployment have no significant impact on HDI in East Java.
2. H_1 : Education, health, and unemployment have a significant impact on HDI in East Java.

The results are expected to provide empirical evidence on the relationships among the study variables.

III. RESULTS AND DISCUSSION

A. Result

Table 1 Descriptive Statistic

Variable	Mean	Std. Deviation
Education (average years of schooling)	8.217	1.624

<i>Health (number of hospitals)</i>	<i>10.737</i>	<i>10.650</i>
<i>Unemployment Rate</i>	<i>5.152</i>	<i>1.776</i>
<i>HDI (Human Development Index)</i>	<i>72.968</i>	<i>5.050</i>

The data provides descriptive statistics for several key variables related to human development in East Java. The variable "Education," measured as the average years of schooling, has a mean of 8.217 years with a standard deviation of 1.624. This suggests that on average, individuals in East Java have just over eight years of schooling, with some variability around this mean, indicating that education levels are spread across a range of values, but not extremely diverse. The standard deviation value shows that most individuals' years of schooling are concentrated relatively close to the mean, but there are still some with considerably higher or lower years of education.

The "Health" variable, represented by the number of hospitals in the region, has a mean value of 10.737, with a relatively high standard deviation of 10.650. This indicates a wide variation in the distribution of hospitals across East Java, suggesting that while some areas have a relatively low number of hospitals, others have a significantly higher number. This variability reflects the uneven distribution of healthcare infrastructure, with some regions possibly having better access to healthcare services than others.

The "Unemployment Rate" stands at a mean of 5.152% with a standard deviation of 1.776. This indicates a moderate unemployment rate in East Java, with some variation between regions. The standard deviation suggests that while some areas might have relatively low unemployment, others experience higher unemployment, contributing to the overall variability in this metric. This rate reflects the economic health of the region and is a critical indicator of the labour market's functioning.

Finally, the "Human Development Index" (HDI) has a mean of 72.968 with a standard deviation of 5.050. The HDI is a composite index used to measure human development, considering factors such as life expectancy, education, and standard of living. The mean value of 72.968 indicates a relatively high level of human development in East Java, while the standard deviation suggests that there is moderate variation in HDI values across the region. This variability may be influenced by factors such as regional differences in education, healthcare, and economic opportunities.

The data suggests that East Java experiences variability in all the key indicators of human development, with education and health services showing some level of inequality, and unemployment rates fluctuating across the region. The moderate variation in HDI implies that while the general level of human development is high, there are areas with considerable room for improvement, especially in terms of education, healthcare infrastructure, and reducing unemployment.

Table 2 R and R-square

<i>Model</i>	<i>R</i>	<i>R Square</i>
<i>1</i>	<i>0.980</i>	<i>0.960</i>

The data presents the values of the correlation coefficient (R) and the coefficient of determination (R²) for a regression model, with predictors including the unemployment rate, education (average years of schooling), and health (number of hospitals). The correlation coefficient (R) is 0.980, which indicates a very strong positive relationship between the dependent variable (Human Development Index, HDI) and the independent variables (unemployment rate, education, and health). This suggests that changes in these predictors are closely related to variations in the HDI, with the model explaining a substantial portion of the variability in HDI.

The R² value is 0.960, meaning that 96% of the variance in the HDI can be explained by the independent variables in the model. This is a high R² value, indicating that the predictors (unemployment rate, education, and health) collectively account for a very large portion of the changes in the HDI. The remaining 4% of the variability in HDI is due to factors not included in the model, which could involve other social, economic, or environmental factors influencing human development.

The R and R² values suggest that the regression model is highly effective in explaining the variation in HDI, with education, health, and unemployment rate playing significant roles in determining human development

outcomes in East Java. The strength of the relationship highlighted by these values provides confidence in the model's ability to predict and explain the factors influencing HDI.

Table 3 ANOVA (F-test)

Model	df	F	Sig.
Regression	3	890.027	0.000
Residual	110		
Total	113		

The ANOVA (Analysis of Variance) table presents the results of the F-test for the regression model, where the dependent variable is the Human Development Index (HDI) and the independent variables are the unemployment rate, education (average years of schooling), and health (number of hospitals). The model has 3 predictors, and the degrees of freedom for the regression are 3, as indicated in the table. The F-statistic is 890.027, which is extremely high, suggesting that the model explains a significant portion of the variation in HDI.

The p-value (Sig.) associated with the F-statistic is 0.000, which is well below the commonly used threshold of 0.05. This indicates that the overall regression model is statistically significant, meaning that at least one of the predictors (unemployment rate, education, or health) has a significant effect on HDI. The significance level of 0.000 shows strong evidence that the relationship between the independent variables and HDI is not due to random chance.

Table 4 Patial Test (T-test)

Variable	Coefficient	t	Sig.
(Constant)	48.704	96.152	0.000
Education (average years of schooling)	2.917	39.847	0.000
Health (number of hospitals)	0.061	5.451	0.000
Unemployment Rate	-0.070	-0.914	0.363

Based on the provided data, the regression equation for the model can be expressed as:

$$\text{HDI} = 48.704 + 2.917\text{Education} + 0.061\text{Health} - 0.070\text{Unemployment Rate} + \epsilon$$

Model Interpretation:

1. Education has a significant positive impact on HDI (p-value<0.05), with a coefficient of 2.917. This means that for each additional year of schooling, HDI increases by 2.917 units, assuming other variables remain constant.
2. Health also positively influences HDI (p-value<0.05), with a coefficient of 0.061, indicating that an increase in the number of hospitals improves HDI.
3. Unemployment Rate has a negative but statistically insignificant effect on HDI (p-value=0.363), meaning it does not have a strong direct impact on HDI in this model.

4. The Rsquare value is 0.960, suggesting that 96% of the variation in HDI is explained by the model.

B. Discussion

1. The Influence of Education on HDI in East Java

From the regression table, it can be observed that the education variable has a positive regression coefficient (2.917) and is statistically significant ($p\text{-value} < 0.000$). This indicates a positive correlation between education levels and HDI. In other words, the higher the education level of a region or individual, the higher the HDI value.

The effect of education on HDI is not coincidental and is statistically significant. This means we can be reasonably confident that education is one of the factors contributing to the increase in HDI.

Education equips people with the skills and knowledge they need to work productively and earn better incomes (King, 2023). This contributes to per capita income growth, which is one of the main factors in calculating HDI. Education enables individuals to actively participate in society—politically, socially, and economically. This active participation fosters the development of better communities.

Education provides people with opportunities to develop their potential and improve their quality of life. Educated individuals tend to have easier access to information, technology, and other opportunities (Burbules et al., 2020).

Both studies emphasize the significant role of education in shaping the Human Development Index (HDI), yet they approach the subject with different focuses and methodologies. The first study, *The Influence of Education on HDI in East Java*, presents a statistical analysis demonstrating a positive and significant relationship between education levels and HDI, with a regression coefficient of 2.917 and a $p\text{-value}$ of less than 0.000. This result confirms that higher education levels contribute to increased HDI by equipping individuals with essential skills and knowledge, which in turn enhances productivity and income levels. As stated by King (2023), "education equips people with the skills and knowledge they need to work productively and earn better incomes," which ultimately contributes to per capita income growth—one of the key components in calculating HDI. Furthermore, education fosters active participation in political, social, and economic spheres, leading to the development of better communities. Burbules et al. (2020) highlight that "education provides people with opportunities to develop their potential and improve their quality of life," as educated individuals have greater access to information, technology, and various opportunities that enhance their overall well-being.

In contrast, the second study, *Education and HDI*, examines the relationship between education and HDI from a broader regional perspective, incorporating findings from multiple provinces in Indonesia. It highlights the role of government investment in education as a significant driver of HDI improvement, as demonstrated by Siregar (2024), who states that "research conducted in Aceh Province confirms that government investment in education significantly contributes to HDI improvement." Additionally, Dinar et al. (2022) emphasize the economic impact of education, stating that "a study in South Sulawesi found that education influences economic growth, which is an integral component of human development." Beyond economic growth, education also plays a crucial role in addressing unemployment, as evidenced by research in Sumatra. Manihuruk et al. (2024) assert that "education has a notable impact on reducing joblessness, indirectly influencing HDI," further reinforcing the argument that education is a fundamental pillar of human development.

While both studies align in their conclusion that education is essential for HDI improvement, they differ in their analytical approaches. The first study provides a precise, quantitative assessment based on statistical regression for East Java, offering concrete evidence of the direct impact of education on HDI. Meanwhile, the second study adopts a comparative, regional perspective, drawing on findings from various provinces to illustrate the broader implications of education on economic growth, government investment, and unemployment. Despite these differences, both studies reinforce the fundamental idea that education is a key driver of human development, influencing income levels, societal participation, and overall quality of life.

2. The Influence of Health on HDI in East Java

The regression table shows that the health variable has a positive regression coefficient (0.061) and is statistically significant ($p\text{-value} < 0.000$). This indicates a positive correlation between health status and HDI. In other words, the better the health status of a region or individual, the higher the HDI value.

The effect of health on HDI is not coincidental and is statistically significant. This means we can be reasonably confident that health is a factor contributing to the increase in HDI. Healthy people tend to be more productive. They can work more efficiently and contribute to economic growth (Umair et al., 2024).

Good health ensures that children can attend school regularly and receive quality education, which also contributes to improving HDI. Furthermore, health enhances the quality of life in society. Healthy individuals enjoy life more and have a greater sense of well-being (Yogiantoro et al., 2019).

Both studies highlight the crucial role of health in determining the Human Development Index (HDI), yet they approach the topic from different perspectives and contexts. The first study, *The Influence of Health on HDI in East Java*, presents a statistical analysis showing a positive and significant relationship between health status

and HDI, with a regression coefficient of 0.061 and a p-value of less than 0.000. This finding suggests that improved health conditions contribute to a higher HDI by enhancing individual productivity, facilitating access to education, and improving overall well-being. As stated by Umair et al. (2024), "healthy people tend to be more productive. They can work more efficiently and contribute to economic growth." Additionally, good health ensures that "children can attend school regularly and receive quality education, which also contributes to improving HDI" (Yogiantoro et al., 2019). These findings confirm that health plays a crucial role in shaping human development, making it a key driver rather than a mere correlation.

In contrast, the second study, *Health and HDI*, adopts a broader perspective, examining the relationship between health and HDI across different Indonesian regions, specifically South Sumatra and Yogyakarta. It underscores the strong correlation between health investments and economic growth, reinforcing the argument that better healthcare services play a critical role in increasing HDI. As noted by Hidayat & Sahri (2023), "studies in South Sumatra indicate that health investments have a strong correlation with economic growth, which in turn enhances HDI." Similarly, Suci et al. (2023) confirm that "improvements in HDI are significantly driven by healthcare development" in Yogyakarta, demonstrating that enhanced healthcare services contribute to higher HDI levels by reducing mortality rates and increasing productivity.

While both studies align in their conclusion that health is a fundamental pillar of HDI, the first study provides a more quantitative and region-specific analysis with statistical evidence from East Java, whereas the second study presents a broader, comparative discussion supported by findings from multiple regions. The key difference lies in their methodological approaches—one relying on statistical regression and the other on regional case studies—yet both reinforce the critical role of health in shaping human development outcomes.

3. The Influence of Unemployment on HDI in East Java

Based on the research results, the regression coefficient for the unemployment variable is -0.70 , which is not statistically significant ($p\text{-value} = 0.363$). In other words, there is insufficient strong evidence that the unemployment rate has a significant impact on HDI.

In other words, changes in the unemployment rate do not have a direct and significant impact on HDI. Although the negative regression coefficient is not significant, it suggests that an increase in the unemployment rate is theoretically associated with a decrease in HDI.

In contrast, several empirical studies conducted in other regions found a significant negative relationship between unemployment and HDI. A study in East Luwu (Dahliah & Nur, 2021) suggests that lower unemployment rates contribute to higher HDI by increasing access to income, education, and healthcare. Similarly, research in Central Java (Handayani, 2023) highlights that a decrease in unemployment is significantly linked to poverty reduction and improved human development. Additionally, a study in Jakarta (Darodjatun et al., 2021) confirms that human capital development through education and employment opportunities helps reduce unemployment, ultimately enhancing HDI.

The key difference lies in the statistical significance of the findings. While the East Java study found no significant relationship, the studies in East Luwu, Central Java, and Jakarta all identified a meaningful negative correlation between unemployment and HDI. These differences may be attributed to regional economic contexts. Jakarta, as an economic hub, offers more employment opportunities and resources for human capital development, making unemployment a more critical factor in determining HDI. Meanwhile, East Java's economy may be influenced by other dominant factors such as the informal sector, government policies, or labor migration, which could overshadow the impact of unemployment on HDI.

Moreover, variations in research methodologies, data periods, and control variables could also contribute to these differing results. While economic theory generally supports the notion that unemployment negatively affects HDI, specific regional dynamics may alter this relationship. Therefore, further analysis is needed to identify the key factors shaping HDI in different regions and to understand why the impact of unemployment appears to vary across studies.

IV. CONCLUSION

The study investigates the effects of education, health, and unemployment on the Human Development Index (HDI) in East Java. The results indicate that education has a positive and statistically significant influence on HDI, with a regression coefficient of 2.917 and a p-value less than 0.000. This means that an additional year of schooling is associated with a 2.917-point increase in HDI, holding other factors constant. Education plays a crucial role in enhancing individual productivity, income levels, and active participation in society, all of which are key contributors to improving HDI. Furthermore, education provides individuals with the necessary skills and

knowledge to contribute more effectively to economic growth and societal development, thereby improving overall quality of life.

Health, represented by the number of hospitals, also demonstrates a positive and statistically significant impact on HDI, with a regression coefficient of 0.061 and a p-value less than 0.000. The results suggest that an increase in the availability of healthcare services is positively correlated with higher HDI values. This highlights the importance of accessible healthcare in promoting better health outcomes, which in turn improves productivity, educational attainment, and the general well-being of the population. Health improvements contribute significantly to a higher quality of life and foster a more prosperous society by ensuring that individuals are healthy enough to work and contribute to economic and social development.

On the other hand, the unemployment rate, with a regression coefficient of -0.070, does not have a statistically significant effect on HDI (p-value = 0.363). This indicates that the unemployment rate, despite its negative regression coefficient, does not directly impact HDI in a statistically meaningful way in this model. While the negative sign of the coefficient suggests that higher unemployment could theoretically reduce HDI, the lack of statistical significance implies that other factors might be influencing HDI more strongly in the context of East Java. Therefore, while reducing unemployment could have indirect benefits on HDI, it does not appear to be a primary determinant in this study.

The model overall shows excellent performance, with an R^2 value of 0.960, indicating that 96% of the variation in HDI can be explained by the three variables (education, health, and unemployment). The F-test result of 890.027 ($p < 0.000$) confirms the statistical significance of the model as a whole, further supporting the validity of the findings. In conclusion, the study emphasizes the critical role of education and health in driving human development in East Java. While unemployment has a negative association with HDI, its impact is not statistically significant, suggesting that addressing unemployment might not directly affect HDI in this region. However, improving education and healthcare services remains a vital strategy for enhancing human development outcomes in the area.

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Determination of Employee Performance Based on Leadership Style, Discipline, and Work Culture on Motivation as An Intervening Variable

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ABSTRACT

Purpose: knowing and analyzing the influence of leadership style on motivation, the influence of work discipline on motivation, the influence of work culture on motivation, the influence of leadership style, discipline, and work culture on motivation, knowing the influence of leadership style on performance, knowing the influence of discipline on performance, knowing the influence of work culture on performance, knowing the influence of leadership style, work culture, and work discipline on performance, and knowing the influence of work motivation on performance.

Design/methodology/approach: The method used in this study is quantitative, with the analysis tool used SmartPLS4. Respondents in this study were 72 people. The sampling technique used was probability sampling. Data collection was done through field work research and library research.

Findings: The results of the study showed leadership style has a significant effect on work motivation, work discipline has a significant effect on employee work motivation, work culture has a significant effect on employee work motivation, leadership style, work discipline, and work culture have a significant effect on employee work motivation, leadership style has a significant effect on employee performance, work discipline has a significant effect on employee performance, work culture has a significant effect on employee performance, leadership style, work discipline, and work culture significantly influence employee performance, and work motivation has a significant effect on employee performance. Suggestions that can be made are several training activities and family gathering activities to strengthen the sense of family and respect so that they motivate each other in achieving the vision, mission, and goals of the organization.

Research limitations/implications: Time Limitation

Practical implications: Practical implications and theoretical implications

Originality/value: The originality of this research is based on several previous studies that have relatively similar characteristics in terms of study themes, although they differ in terms of subject criteria, number, and position of research variables or analysis methods used.

Paper type: Research paper

Keywords: Leadership Style, Discipline, Work Culture, Motivation, and Performance.

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I. INTRODUCTION

A. Background

Human resources are very important for an organization in managing, organizing and utilizing employees so that they can function productively to achieve organizational goals. Human Resources according to (Sutoro, 2020) is Human resources in an organization need to be managed professionally to create a balance between

employee needs and the demands and capabilities of the organization. Organizations need employees who have high performance. The concept of performance measurement is one measure of employee ability in carrying out their authority. As stated by (Purnamasari et al., 2019) Many things can influence employee performance, including leadership style, work discipline, work culture, and work motivation.

There are many opinions regarding leadership style, the author takes the definition according to (Hamidah & Riza, 2013) Leadership style is the behavior that a leader uses to influence the behavior of others.. Leadership style greatly influences the work process and work results of an organization. Leadership style greatly influences the resulting performance. According to observations of leadership styles that occur in State Administration Institute in Samarinda has a decline in performance from the previous leader. It can be seen from the employee's response to the leader and other tasks being less than optimal in the completion process.

Work discipline according to (Mandasari et al., 2022) is an attitude used by managers to be willing to change a behavior and as an effort to increase awareness and willingness of a person to fulfill all organizational regulations. Some examples of employee indiscipline are employees are late in coming to the office so they are late in carrying out tasks that have been given by the leadership so that other work is delayed, there are employees who often do not get off work without explanation, employees who are not disciplined according to the Standard Operating Procedures (SOP) that apply in the agency, employees are not disciplined about the clothes they wear, employees use working time for the employee's own interests and there are employees who excuse their friends even though their friends are not yet present at the office.

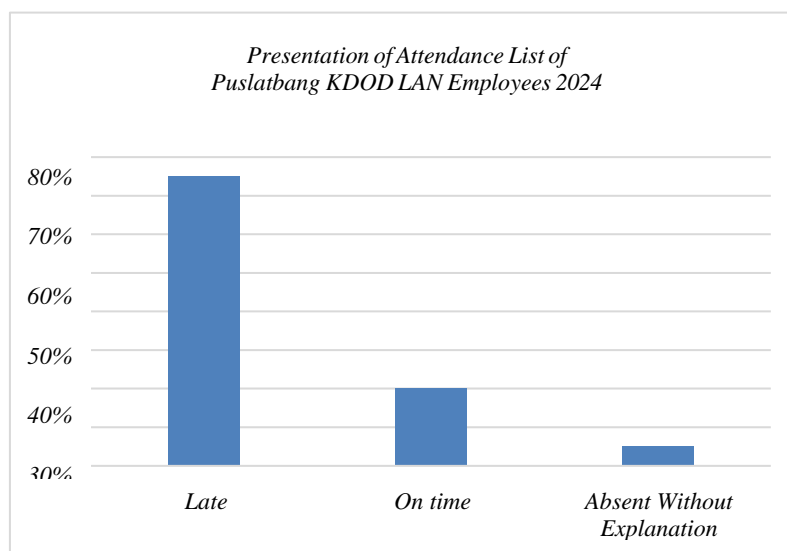


Figure 1 LAN employee absence data in Samarinda

Source: processed data, 2024

This late absence results in a salary deduction of Rp 9,000.00/absenteeism for Non-Civil Servant Employees (PNASN). In 2024, the January-April period, the deduction reaches Rp 3,000,000. Work culture according to (Dzulkifli, 2018) are values, assumptions, beliefs and norms that are shared and binding in a particular organization. According to the results of observations by the author, what happens from indiscipline becomes a tradition in the agency. In addition, the lack of communication with coworkers becomes an inherent tradition so that miscommunication occurs.

Employee performance is the result of activities carried out. Good performance begins with various trainings for operational employees and education for organizational management. Operational development and education for organizational management aim to improve results effectively while technical development aims to improve concepts and strategies in planning and developing the potential that exists in each organizational management.

Efforts to improve employee performance require high employee motivation. Motivation is an internal or external drive from each individual. Motivation gives a person a reason to work well in accordance with the procedures, standards and targets that have been set. Each individual employee has two attitudes, namely being colored by the environment or coloring the environment. (Khayal & Farid, 2019) "Unfortunately, many nations suffer from very constrained segments in their highly skilled, knowledge-centric labor market. Given the relative ease of attrition and relative difficulty to train, the HRM literature has given a great deal of attention to IT professionals"

The quote above explains that many countries are still facing limitations in the labor market and high skills that are centered on human resource knowledge. The importance of skills possessed by each human resource and prospective employee greatly determines the output or performance produced.

Symptoms of problems that arise in an agency related to human resources are very diverse. The author took the object at the State Administration Institute in Samarinda. Things like this cause leaders to have to work optimally to embrace and influence superior and integrity human resources so that they have discipline, motivation, and can create a work culture that has been implemented so as to increase the productivity results of superior employee performance.

Based on this background, the author conducted a study entitled "Determination of Employee Performance Based on Leadership Style, Discipline, and Work Culture on Motivation as an Intervening Variable (Study at the State Administration Institution in Samarinda)".

B. Literature review

1. Human Resource Management

According to (Kale et al., 2023):45 Human Resource Management is the utilization, development, assessment, reward, and management of individual members of an organization or workgroup, employee planning, selection and placement, employee development, career management, compensation, performance evaluation, work team development up to retirement, and health which has a very vital role in carrying out all organizational activities.

According to (Poltak, 2019):7 Human Resource Management can be defined as a technique for managing and utilizing the resources available to individuals. Management is the process of utilizing all resources owned by an organization to achieve predetermined goals. The process involves the organization, direction, coordination and evaluation of people in order to achieve the predetermined goals.

Human Resource Management according to (Putra & Pasaribu, 2022) Human Resource Management is often referred to as something that forms the planning, organization, implementation and supervision of procurement, development, remuneration, integration, maintenance and separation of the workforce in order to achieve organizational goals. (Zhou, 2024) *"The equitable allocation of human resources is important for improving the equity of public services and improving the quality of public services."* This quote explains the importance of fair and equal allocation of human resources so that they can be used optimally to serve the nation and state.

2. Employee Performance

According to (Halim, 2021) performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Performance is a record of outcomes resulting from certain employee functions or activities carried out during a certain period of time. While the performance of a position as a whole is equal to the sum (average) of the performance of employee functions or activities carried out. According to (Zamara, 2022) employee performance affects how much they contribute to the organization, including quantity of output, attendance at work, and cooperative attitude.

3. Motivation

The term motivation is taxonomically derived from the Latin word "movere" which means to move. Some definitions of motivation can be stated as follows:

- a. According to the Encyclopedia of Management, Economics and Business (2017), motivation is the process of developing and directing behavior or groups, so that individuals or groups produce the expected output, in accordance with the targets or goals that the organization wants to achieve.
- b. According to Siagin, as quoted by the Head of the Apparatus Study Division at PKP2A III LAN (2016:409), motivation is a driving force that causes a member of an organization to have the will and be willing to mobilize their abilities, in the form of expertise or skills, energy and time to organize various activities that are their responsibility and fulfill their obligations, in order to achieve the goals and various targets of the organization that have been previously determined.

Some things that are usually contained in the definition of motivation include desires, hopes, needs, goals, targets, drives, and incentives. Motivation contains three components, namely needs, drives, and goals. Needs arise in an individual when the individual feels that there is a deficiency in himself, namely in the homeostatic sense of an imbalance between what is owned and what according to the person's perception should be owned, both in physiological and psychological terms. To overcome this imbalance, an urge will arise in the individual in the form of an effort to fulfill the deficiency in a directed manner. Therefore, this urge is usually oriented towards certain actions that are consciously carried out by a person and this is the core of motivation. The third component of motivation is a goal, which is something that eliminates needs and reduces drives. Achieving goals means developing balance in a person, both psychological and physiological.

4. Leadership Style

Leadership style is a style in a leader that becomes the spotlight and an example in an organization. because the leader is a role model in the organization and is able to respond to every movement pattern of his subordinates that has an impact on their work patterns.

According to(Mufarrohah & Sumartik, 2022)Leadership style is a way for someone to influence others so that they can join in carrying out their mission to achieve organizational goals. With the appropriate leadership style and being able to generate employee work motivation, it will also be able to increase the attitude of organizational commitment in employees. In fact, leaders can influence and provide change in the sector they lead. According to(Thoa, 2017):49 Leadership style is a behavioral norm used by a person when the person tries to influence the behavior of others. Thus, this leadership style is a behavior based on a certain rule or principle so that it can be used to lead or direct others. According to(Rivai, 2014):42 Leadership style is one of the characteristics shown by leaders to influence their subordinates so that organizational goals are achieved. The characteristics shown are certainly related to various behaviors that can be used to persuade or influence others such as subordinates or members of the organization under their leadership. Further according to(Kale et al., 2023) Leadership style is an individual's way of influencing employee behavior so that they are willing to cooperate and work as productively as possible in order to achieve organizational goals.

It can be concluded that leadership style is a technique used by leaders to influence, motivate, direct, control and can provide positive changes to the organization.

5. Work Discipline

According to (Zamara, 2022) Work discipline is compliance with the rules or orders set by the agency. Furthermore, according to(Purnamasari et al., 2019) Work discipline is a process used to address performance problems; it involves managers identifying and communicating performance problems to employees. If performance problems are not corrected, managers are also involved in identifying, communicating, and implementing consequences. In the early stages, the work discipline process is similar to, or even identical to, the performance management process. In this stage, problems are identified by managers and employees working together to solve them.

6. Work Culture

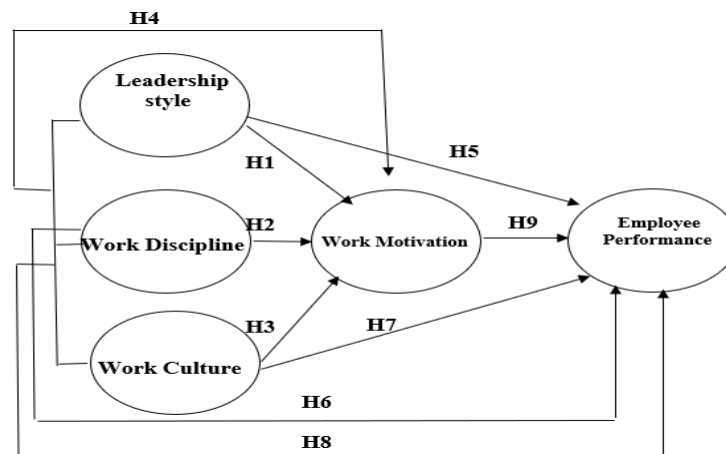
Work culture is a pattern of behavior and values agreed upon by employees in working. Work culture means a person's perspective or way of giving meaning to "work". Work culture is a philosophy based on a view of life as values that become traits, habits, and driving forces; then reflected in attitudes into behavior, beliefs, ideals, opinions, and actions that are manifested as "work" or "working". Work culture is one component of human quality that is closely related to national identity and is a basic benchmark in development. Work culture is an instrument to change the old way of working into a new way of working that will be oriented to satisfying customers or the community. Therefore, work culture seeks to change the traditional communication culture into modern management behavior so that trust and a high spirit of cooperation and discipline are embedded.

According to the Work Culture Group (KBK) PKP2A III LAN (2017:8) work culture is a pattern of behavior and values agreed upon by employees in working. Work culture means a person's perspective or way of giving meaning to "work". Work culture(Work Study Group, 2017):35 is a philosophy based on a view of life as values that become characteristics, habits and driving forces; cultured in the life of a community group or organization, then reflected in attitudes that become behavior, beliefs, ideals, opinions and actions that are manifested as "work" or "working". Work culture is one of the components of human quality that is very closely related to national identity and becomes a basic benchmark in Development. Work culture can be an instrument to change the old way of working into a new way of working that will be oriented to satisfy stakeholders. According to(Halim, 2021)Work culture is a group of behavioral patterns that are inherent in every individual in an organization.

Work culture can be interpreted as a philosophy based on a view of life as values that become traits, habits and also drivers that are cultivated in a group and reflected in attitudes that become behavior, ideals, opinions, views and actions that are manifested as work. The application of work culture values in the government organization environment is believed to be a driving force and lever to achieve optimum performance. According to(KBK, 2017)work culture is a new approach to modern management that is more fundamental than the values of family and togetherness, balance and alignment, honesty and openness, and mutual trust and respect. The implementation of work culture is expected to stimulate the growth of creativity, intuition, motivation, and commitment from all members of an organization.

C. Conceptual Framework

According to (Sugiyono, 2019) The framework of thinking is a conceptual model of how theory relates to various aspects that have been identified. The following is the conceptual model of this study:



D. Hypothesis

Hypothesis aims to direct and provide guidance in the subject matter and objectives of the research. Therefore, from the description of the existing problem, a research hypothesis can be raised as follows:

H₁: Leadership style has a significant effect on work motivation; H₂: Work Discipline has a significant effect on Work Motivation; H₃: Work Culture has a significant influence on Work Motivation;

H₄: Leadership Style, Work Discipline, and Work Culture have a significant influence on Work Motivation; H₅: Leadership style has a significant effect on employee performance;

H₆: Work Discipline has a significant effect on Employee Performance; H₇: Work Culture has a significant influence on Employee Performance;

H₈: Leadership Style, Work Discipline, and Work Culture have a significant influence on Employee Performance; and

H₉: Work Motivation has a significant effect on Employee Performance.

II. METHODS

A. Type Of Research

This study uses a quantitative research type using a descriptive format. Quantitative research with a descriptive format aims to explain, and summarize various conditions, various situations, or various variables that arise in the community that is the object of research based on what happens.

B. Population and Sample

This study used a population of 72 employees at the State Administration Institution in Samarinda, divided into (PPPK (Government Employees with Work Agreements) PNS (Civil Servants)) and Non-Civil Servants (PNASN). The sampling technique for this study was saturated sampling or total sampling. The sampling technique in this study was Probability Sampling with a systematic sampling type.

C. Data Analysis Method

The Descriptive analysis conducted includes data collection, data grouping, and data processing that produces statistical value measurements presented in the form of graphs, tabulations, or images. This type of research is a descriptive analysis used to describe the results of data tabulation such as descriptions of respondent characteristics and descriptions of analysis results. Descriptive statistics are statistics used to analyze data by describing or depicting data that has been collected as it is without intending to make conclusions that apply to the public or generalizations.

1. Outer Model Test

The analysis of the model measurement (outer model) was carried out through four stages of testing, namely individual item reliability, internal consistency reliability, Average Variance Extracted (AVE) and discriminant validity.

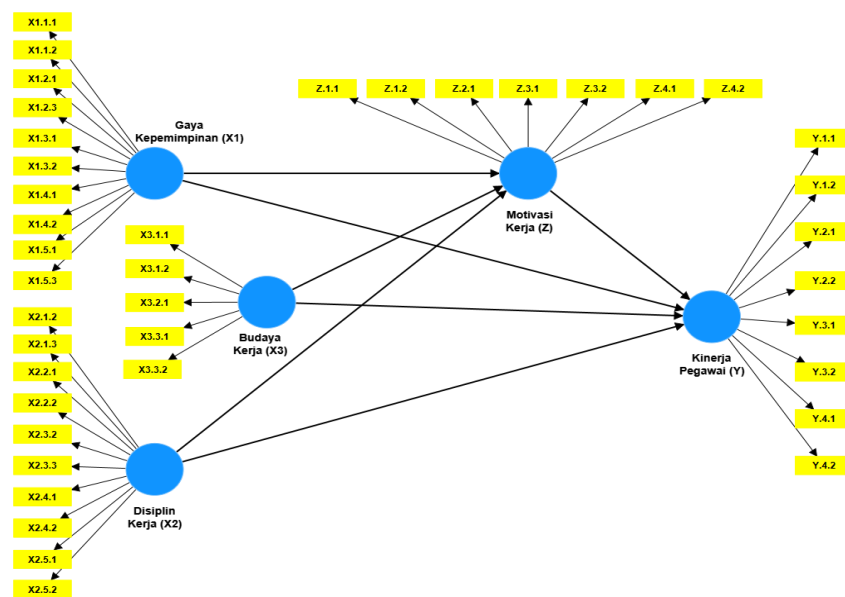


Figure 1. Structural Model research on Smart-PLS 4

Figure 1 shows that the model used in this study consists of 5 variables consisting of leadership style (X1), work discipline (X2), work culture (X3), work motivation (Z) and employee performance (Y) with 40 question items.

2. Inner Model Test

Measurement of the inner model is the relationship between latent variables (structural model) that describes the relationship model between variables based on the substantive theory of the study. This structural model is evaluated using two methods, namely using R² for each endogenous latent variable (bound) as the predictive power of the structural model, so the higher the R² value means the better the predictive model of the proposed research model because the Goodness of Fit inner model is measured using R-square (R²). According to (Ghozali, Imam, 2021) The R-square value of 0.67 is a strong model. The results of the PLS R-square represent the amount of variance of the construct explained by the model. However, R² is not an absolute parameter to measure the accuracy of the prediction model because the basis of the theoretical relationship is the most important parameter to explain the causal relationship.

3. Hypothesis Testing Model

This test was conducted using the bootstrapping method with a two-tailed test with a significance level of 5% to test the research hypothesis. The hypothesis is declared accepted if the t-test value is greater than 1.96. Of the 5 hypotheses in this study, all hypotheses were accepted because the t-test value was above 1.96.

III. RESULTS AND DISCUSSION

The following are the t-test values for each hypothesis in this study.

Table 1 Results-test analysis

Variables	Coefficient	T Statistics	p-value	Information
(Leadership Style) → (Work motivation)	0.222	2,913	0.004	Significant Positive
(Work Discipline) → (Work motivation)	0.249	2.311	0.023	Significant Positive

(Work Culture)□(Work motivation)	0.508	5.070	0.000	Significant Positive
(Leadership Style) □ (Employee Performance)	0.200	2.351	0.021	Significant Positive
(Work Discipline)□(Employee Performance)	0.295	2.998	0.003	Significant Positive
(Work Culture)□(Employee Performance)	0.219	2.109	0.037	Significant Positive
(Work motivation)□(Employee Performance)	0.323	2.779	0.007	Significant Positive

Source: Primary data processed with Smart-PLS 4

Next, to see the influence of the construction of work motivation and employee performance. Does it make the influence between leadership style, Work discipline And work cultureas follows :

Table 5.16 ResultsTotal Influence of Variables

Path Construction	F Statistics	F Table	p-value	Information
Leadership style, Work discipline And Work cultureto (□) Work motivation	55.782	2.740	0.000	Significant
(Leadership style, Work discipline AndWork cultureto (□) (Employee Performance)	82.919	2,740	0.000	Significant

Source: Processed Primary Data (2024)

The results of Table 5.16 of the total influence of variables can be explained by proving the research hypothesis as follows:

- The results of the table above show that the relationship between leadership style and work discipline and work culture towards work motivation is significant with an F-statistic value of ($55.782 > 2.740$) and a p- value of ($0.000 < 0.05$). The F-statistic value is positive, indicating that the direction of the relationship between the leadership style variables and work discipline and work culture is in line with work motivation. This means that the higher/bigger the leadership style value, the higher the work discipline. and work culture will further improve work motivation. Thus, hypothesis H₈ in this study states that "Leadership style, work discipline, and work culture have a significant influence on work motivation at PUSLATBANG KDOD LAN RI" can already be accepted.
- The results of the table above show that the relationship between leadership style work discipline and work culture on employee performance is significant with an F-statistic value of ($82.919 > 2.740$) and a p-value of ($0.000 < 0.05$). The F-statistic value is positive, indicating that the direction of the relationship between the leadership style variables, work discipline, and work culture is in line with employee performance. This means that the higher the leadership style value, the higher the work discipline. and work culture will further improve employee performance. Thus, the H₉ hypothesis in this study states that "Leadership style, work discipline, and work culture have a significant influence on employee performance KDOD LAN RI TRAINING AND DEVELOPMENT CENTER" can already be accepted.

The output results are in the form of a diagram with values. *t-test* using Smart-PLS 4 can be seen as follows:

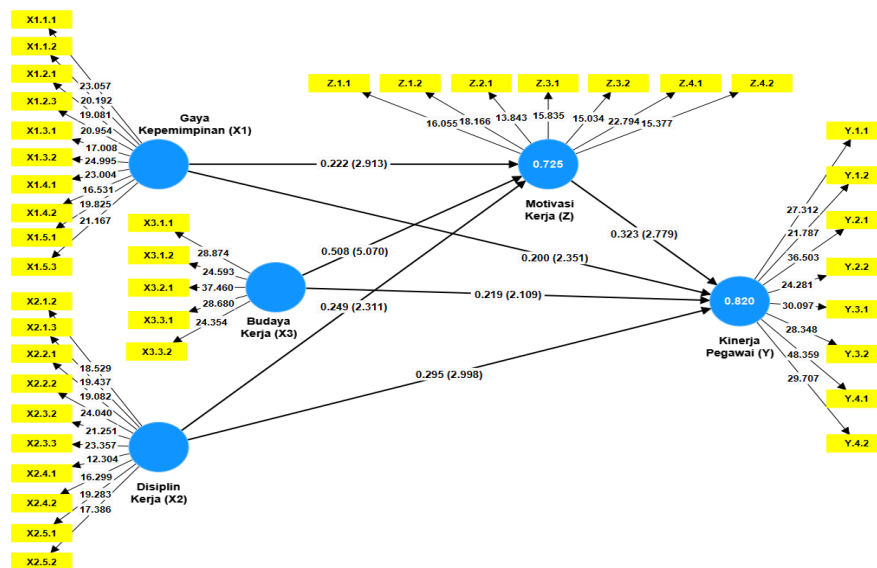


Figure 3. Valuet-test Bootstrapping Output Results

Based on the coefficient value in model construct 1, it is obtained that **leadership style** has an influence on work motivation of 0.222, work discipline of 0.249 and work culture of 0.508. In the model 2 construct, the coefficient value obtained **leadership style** has an influence on employee performance of 0.200, work discipline of 0.295, work culture of 0.219 and work motivation of 0.323. Furthermore, of the two constructs that directly influence employee performance, namely **leadership style**, work discipline, work culture and the work motivation that has the greatest influence is work motivation because it has the highest coefficient value of

0.323 compared to the other two constructs. Thus, work motivation is the most dominant construct in influencing employee performance. in CENTER OF TRAINING AND DEVELOPMENT OF KDOD LAN RI.

A. Discussion of Research Results

1. The Influence of Leadership Style on Work Motivation

The results of the study show that the relationship between the variables **leadership style** with work motivation is significant with a T-statistic value of $(2.913 > 1.96)$ and a p-value of $(0.004) < 0.05$. The value coefficient is positive, namely 0.222, which shows that the direction of the relationship between **leadership style** with work motivation is already in the same direction. This means that the higher/bigger the value **leadership style** then it will further increase work motivation. Thus, the hypothesis H_1 in this study states that "Leadership style has a significant influence on work motivation at the Samarinda State Administration Institute employees" is acceptable. In addition, when the character value of the leadership style is high, it will affect employee motivation to improve performance. Conversely, when the character value of the leadership style is low, it will have an impact on decreasing employee motivation. Leadership style can create a binding working relationship between staff under its leadership. Therefore, there needs to be a joint commitment between leaders and their subordinates. The role of a leader's character greatly influences the way employees work, so there needs to be self-introspection of the leader so that he is liked by employees. So that employees feel motivated in carrying out their respective tasks. The results of this study are in line with research conducted by (Hamidah & Riza, 2018) shows that leadership style has a significant influence on work motivation.

2. The Influence of Work Discipline on Work Motivation

The results of the study showed that the relationship between work discipline with work motivation is significant with a T-statistic value of $(2.311 > 1.96)$ and a p-value of $(0.023) < 0.05$. The value coefficient is positive, namely 0.249, which shows that the direction of the relationship between work discipline with work motivation are in the same direction. This means that the higher the value work discipline then it will further increase work motivation. Thus, the hypothesis H_2 in this study states that "Work discipline has a significant influence on work motivation at the Samarinda State Administration Institute employees" rejected. In addition, if the justice value is low, employee motivation will decrease, conversely if the justice value is high, it will provide high enthusiasm to produce good performance. One of the disciplines of work is arriving on time, following the applicable SOP and utilizing working hours by doing the tasks given. Work motivation and work discipline are two different things but are very closely related to the implementation of an organization's activities. Work motivation

is very important in efforts to improve and enforce employee work discipline to achieve maximum work results. The results of this study are in line with research conducted by (Jufrizen & Puspita, 2021) showing that work discipline has a positive and significant effect on work motivation.

3. The Influence of Work Culture on Work Motivation

The results of the study show that the relationship between the variables work culture with work motivation is significant with a T-statistic value of $(5.070 > 1.96)$ and a p-value of $(0.000) < 0.05$. The value coefficient is positive, namely 0.508, which shows that the direction of the relationship between work culture with work motivation is already in the same direction. This means that the higher/bigger the value work culture then it will further increase the value work motivation. Thus, the hypothesis H_3 in this study states that "Work culture has a significant influence on work motivation at the Samarinda State Administration Institute employees" is acceptable. When the work environment habits are good, employee motivation will increase, conversely, if the work environment habits are bad, employee motivation will also be low. A good work culture will motivate employees to achieve the organization's vision and mission. The results of this study are in line with research conducted by (Umami Kultsum, 2020) showing that work culture has a positive and significant effect on work motivation.

4. The Influence of Leadership Style on Employee Performance

Results The study shows that the relationship between leadership style variables and employee performance is significant with a T-statistic value of $(2.351 > 1.96)$ and a p-value of $(0.021) < 0.05$. The coefficient value is positive, namely 0.200, which indicates that the direction of the relationship between leadership style and behavioral intention is in the same direction. This means that the higher/greater the value of leadership style, the more it will increase customer behavioral intention. Thus, hypothesis H_5 in this study states that "Leadership style has a significant effect on employee performance in Samarinda State Administration Institute" is acceptable. When the work environment habits are good, the performance produced by employees will increase, conversely, if the work environment habits are bad, employee performance will also be low. The results of this study are in line with research conducted by (Hamidi, 2020) which shows that leadership style has a significant effect on employee performance.

5. The Influence of Work Discipline on Employee Performance

The results of the study indicate that the relationship between work discipline variables and employee performance is significant with a T-statistic value of $(2.998 > 1.96)$ and a p-value of $(0.003) < 0.05$. The coefficient value is positive, namely 0.295, which indicates that the direction of the relationship between work discipline and employee performance is in the same direction. This means that the higher/greater the value of work discipline, the more it will increase employee performance. Thus, hypothesis H_5 in this study states that "Work discipline has a significant influence on employee performance in Samarinda State Administration Institute" is acceptable. When leaders have equal justice towards all employees, employees will produce maximum performance. Conversely, if a justice leader differentiates between one employee and another, it will cause social jealousy which will affect employee performance. The results of this study are in line with research conducted by (Bambang, 2019) which shows that work discipline has a significant effect on employee performance.

6. The Influence of Work Culture on Employee Performance

The results of the study indicate that the relationship between work culture variables and employee performance is significant with a T-statistic value of $(2.109 > 1.96)$ and a p-value of $(0.037) < 0.05$. The coefficient value is positive, namely 0.219, which indicates that the direction of the relationship between work culture and employee performance is in the same direction. This means that the higher/greater the value of work culture, the more it will increase employee performance. Thus, the H_5 hypothesis in this study states that "Work culture has a significant influence on employee performance in Samarinda State Administration Institute" is acceptable. When leaders have good habits in working employees can be motivated to produce maximum performance. Conversely, if leaders have bad habits employees do not have the motivation to maximize their work. The results of this study are in line with research conducted by (Lidwina, Herdi, Yoseph, 2023) showing that work culture has a significant effect on employee performance.

7. The Influence of Work Motivation on Employee Performance

The results of the study indicate that the relationship between work motivation variables and employee performance is significant with a T-statistic value of $(2.779 > 1.96)$ and a p-value of $(0.007) < 0.05$. The coefficient value is positive, namely 0.323, which indicates that the direction of the relationship between work motivation and employee performance is in the same direction. This means that the higher/greater the value of work motivation, the more it will increase employee performance. Thus, hypothesis H_5 in this study states that "Work motivation

has a significant impact on employee performance in Samarinda State Administration Institute ” is acceptable. When leaders always appreciate employee performance results and provide employees with opportunities to develop individual potential, it will produce a sense of comfort and high motivation to work optimally. The results of this study are in line with research conducted (Tarjo, 2019) showing that work motivation has a significant effect on employee performance.

8. The Influence of Leadership Style, Work Discipline, and Work Culture on Work Motivation

The results of the study showed that the relationship between leadership style, work discipline, and work culture to work motivation is significant with an F-statistic value of ($55.782 > 2.740$) and a p-value of (0.000)

< 0.05 . The F-statistic value is positive, indicating that the direction of the relationship between the variables leadership style, work discipline, and work culture is in the same direction as work motivation. This means that the higher/bigger the value of leadership style, work discipline, and work culture will further increase work motivation. Thus, hypothesis H_8 in this study states that "Leadership style, work discipline, and work culture have a significant influence on work motivation at the Samarinda State Administration Institute " can already be accepted. The relationship between character, justice, and habits is very close when leaders improve these three things will affect employee motivation. Conversely, if character, justice, and habits are low, employee motivation will be low. The results of this study are in line with research conducted by (Kholilatul, Sumartik, 2020) showing that leadership style, work discipline, and work culture have a significant effect on work motivation.

9. The Influence of Leadership Style, Work Discipline, and Work Culture on Employee Performance

The results of the study showed that the relationship between leadership style, work discipline, and work culture to employee performance was significant with an F-statistic value of ($82.919 > 2.740$) and a p-value of (0.000) < 0.05 . The F-statistic value is positive, indicating that the direction of the relationship between the variables leadership style, work discipline, and work culture is in the same direction as employee performance. This means that the higher the value of leadership style, work discipline, and work culture then it will further increase employee performance. Thus, hypothesis H_9 in this study states that "Leadership style, work discipline and work culture have a significant influence on employee on performance Samarinda State Administration Institute " can already be accepted. The relationship between character, justice, and habits is very close when leaders improve these three things will affect employee performance. The results of this study are in line with research conducted by (Endah, 2019) showing that previous research shows that leadership style, work discipline, and work culture have a significant effect on employee performance.

IV. CONCLUSION

Based on the results of the analysis related to the formulation in this study, the following conclusions can be drawn:

- 1) Leadership style has a significant influence on the work motivation of employees of the Samarinda State Administration Institute;
- 2) Work discipline has a significant influence on the work motivation of employees of the Samarinda State Administration Institute;
- 3) Work culture has a significant influence on the work motivation of employees of the Samarinda State Administration Institute;
- 4) Leadership style, work discipline and work culture have a significant influence on the work motivation of employees of the Samarinda State Administration Institute;
- 5) Leadership style has a significant influence on the performance of employees of the Samarinda State Administration Institute;
- 6) Work discipline has a significant influence on the performance of employees at the Samarinda State Administration Institute;
- 7) Work culture has a significant influence on the performance of employees of the Samarinda State Administration Institute;
- 8) Leadership style, work discipline, and work culture has a significant influence on the performance of the Samarinda State Administration Agency Employees; and
- 9) Work motivation has a significant influence on the performance of employees at the Samarinda State Administration Institute.

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The Effect of Social Influence and Brand Image on Brand Awareness and Purchase Intention

Study Case: Skintific Skincare

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ABSTRACT

Purpose: This study examines the relationships between social influence, brand image, brand awareness, and purchase intention in consumer behavior. The primary goal is to analyze how social influence and brand image contribute to brand awareness and purchase intention.

Design/methodology/approach: By exploring these dynamics, the research offers insights into consumer decision-making processes. Using empirical analysis and statistical techniques, the study provides actionable implications for marketers aiming to enhance brand awareness and drive purchase intention in today's competitive market.

Findings: The findings reveal that brand image has the strongest correlation with purchase intention (H4) with a t-statistic of 6.013. Significant relationships are also found between social influence and brand awareness (H1) with a t-statistic of 5.050, brand awareness and purchase intention (H5) with a t-statistic of 3.536, and brand image and brand awareness (H2) with a t-statistic of 3.297. Conversely, the relationship between social influence and purchase intention (H3) is not significant, indicated by a t-statistic of 0.503. Thus, hypotheses for H1, H2, H4, and H5 are accepted, while H3 is rejected. This study enriches existing knowledge by clarifying the relationships between social influence, brand image, brand awareness, and purchase intention. These insights are crucial for marketers who aim to leverage social influence and brand image to boost brand awareness and drive purchase intention. The findings highlight the pivotal role of brand image in influencing purchase decisions and the importance of social influence in building brand awareness, offering a strategic framework for effective marketing strategies.

Paper type: Research paper

Keywords: Social Influence, Brand Image, Brand Awareness, Purchase Intention.

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I. INTRODUCTION

Skincare is a series of activities carried out to care for the skin, using certain products with the aim of getting healthy, clean and beautiful skin using a number of traditional or modern activities that can make the skin well cared for and maintain its health. The skin care industry in Indonesia is rapidly growing and is estimated to be worth billions of dollars. Young adults and teenagers, who fall between the ages of 15 and 35, are the primary target demographic for skin care products in Indonesia (Wachiraruengsin & Dithsaporn, 2016). This demographic is highly conscious of their appearance and is more receptive to new beauty trends, which drives their spending on skin care products. On average, they spend several hundred thousand to several million Indonesian Rupiahs per month on skin care products. The market for beauty products is very competitive. To survive and gain a competitive advantage, it is essential to study consumers' purchase intention for skincare product.

To encourage buying intention of consumers, brand awareness plays an important part. Along with brand awareness, consumers associate the brand with a particular product, the goal is to have and become a generating force in the consumer's mind. Increased brand awareness will have a significant impact on subsequent purchasing behaviors once the brand has been tested by the consumer and met the consumer's expectations (Koniewski, 2012). As things stand, it has been assumed that customers who are already aware with the brand will favor it (Macdonald et al., 2003). An important factor driving brand awareness is the brand image of the product. Brand image is a set of ideas people have about a company that are connected in their minds (Ouwersloot & Tudirca, 2001). Brand image is another term for a brand association that influences how people perceive a brand (Keller, 2003). The importance of brand awareness in shaping consumers' purchase intention has driven several studies to examine the relationship and influence of brand image and brand awareness on consumers' purchase intention on skin care products (Sanny .,et al, 2020). Although the influence of brand image and brand awareness on consumers' purchase intention has been studied, there is still a lack of research analyzing the impact of beauty influencers on brand awareness and consumers' purchase intention. Despite, the growing trend of influencer marketing that has driven the growth of the cosmetics and skin care industry. According to Lee (2020), influencers have a personal tendency to influence the purchasing decisions of other customers. Thus, this study main objective is to examines the influence of social influence from influencer marketing and brand image on brand awareness and its impact on consumers' purchase intention for skincare products. Considering the growing trend of beauty product influencers and how many skincare brands incorporate influencers into their marketing strategies, the impact of social influence from influencers on brand awareness and purchase intention for skincare products becomes an important subject of study. This study makes a significant contribution to the development of academic literature, particularly in the context of beauty products and online influencers marketing.

A. Literature Review

1. Social Influence

Vulnerability to social influence is related to adherence to group norms or expectations in obtaining things (Bearden et al. 1989). Perceived social pressure to comply with or disobey the behavioral expectations of others is called social influence (Ajzen 2002). A change in a person's beliefs, feelings, attitudes, or conduct brought on by contacts with other people or groups is referred to as social influence. Social influence is distinct from authority, conformity, and power. When a person presents specific beliefs or behaviors to fit particular circumstances or to fulfill expectations of others, even though he may not actually hold those opinions or believe that those behaviors are appropriate, this is known as conformity. French and Raven argue that norms and roles can also act as agents of change in addition to individuals and groups. They see social influence as the product of social power being used in one of five ways: to reward, coerce, legitimize, expert, or refer to. A social example is a reported shift in perspective or attitude.

Several studies have created more complex models to supply distant and higher clarification of outside impacts on person recognitions. Subjective standards, proposed by Hypothesis of Contemplated Activity (Fishbein & Ajzen, 1980), clarify the standardizing perspective of social influence. Be that as it may, social influence does not comprise exclusively of social interaction such as normative social influence, but moreover the conveyance of information such as informational social influence (Wood, 2000). Utilizing as it were, standardizing social influence comes about in a frail show. A more grounded view of both educational and regulating social influence is in this way required (Green, 1998). social impact alludes to how a person in a social arrangement is affected by the behavior of others to comply with the behavior designs of society (Venkatesh & Brown, 2001). Deutsch and Gerard (1955) recognize two sorts of social influence, enlightening and regulating. Enlightening social influence is "the impact to acknowledge data gotten from others. Social influence is a multifaceted concept that encompasses the ways individuals are influenced by others within their social environment.

Drawing from the insights of experts such as Martínez-López et al. (2017) and Hu, X., Chen, X., & Davison, R. M. (2019), social influence can be understood through various dimensions. Martínez-López et al. (2017) emphasize the role of social power dynamics in shaping social influence. They highlight the influence exerted by individuals or groups within a social context, which can manifest through different forms of power, including reward, coercion, legitimate, expert, or referent power. This perspective underscores the complexity of social influence, acknowledging that it can stem from various sources and operate through diverse mechanisms. On the other hand, Hu, X., Chen, X., & Davison, R. M. (2019) delve into the nuanced interplay between normative and informational aspects of social influence. They explore how individuals are influenced not only by societal norms and expectations (normative social influence) but also by the dissemination of information and knowledge (informational social influence). This perspective highlights the importance of both subjective norms and informational cues in shaping individuals' attitudes, beliefs, and behaviors within social contexts.

Prior study by Ao et al., (2023) and Chen (2024) stated that social influence significantly influences the brand awareness of consumers. Thus, these hypotehese is proposed:

H1: Social Influence has a significant effect on Brand Awareness

Prior research by Sanchez et al. (2021) highlights the significant role of social influence in shaping purchase intentions. Thus, these hypotheses are formed:

H3 : Social Influence has a significant effect on Purchase Intention

2. Brand Image

Company Image The importance of brand image in the corporate sector is stated by Kotler (2008). No matter the type of business or enterprise, developing a strong brand image is crucial for fostering customer loyalty. The consumer's view of a brand is referred to as its "brand image," and it is portrayed by brand associations that are ingrained in customers' memory. According to Roslina (2010), who also supports the significance of brand image in the Business and Management Journal, potential customers will undoubtedly want to test the company's products if they can recall and feel confident about the brand. Previous researchers have stated that customers who have a positive image of a certain brand may have a good perceived value of a product or service, which in turn affects satisfaction (Alves, 2010; Minkiewicz et al, 2011; Kambiz et al, 2014) and encourages repeat buying loyalty as a competitive market advantage. Brand image has been characterized and connected in an assortment of ways by diverse analysts. Varieties in definitions can be befuddling with respect to brand image estimation. The number of client discernments of the brand created by the interaction of cognitive, full of feeling, and evaluative forms within the customer's intellect to better reflect the concept relative to the brand picture within the writing survey.

Keller (2001) conceptualizes brand picture with terms such as brand affiliation, brand execution, brand image, shopper judgment, and customer feeling. As a result of the distinctive employments of the brand picture of the express, there are limitations to the way concepts can be assessed. Brand image plays a vital part within the improvement of a brand, since brand image concerns the notoriety and validity of the brand which at that point gets to be a "rule" for the customer group of onlookers to undertake or utilize an item or benefit (Kotler and Keller, 2016). Brand image could be a representation of the by and large recognition shaped from data and information approximately the brand. Brand image is closely related to the states of mind and convictions that shape the choice towards a brand. Beneath certain conditions, the brand can be portrayed by a certain character as a human being. The more positive the portrayal, the more grounded the brand picture and the more openings too for brand improvement (Davis, 2000). A brand picture can be accepted as a set of brand affiliations gathered within the minds of customers (Mowen & Minor, 2001). According to Keller and Swaminathan (2020), brand image is not merely about the visual representation or identity of a brand, but it extends to the overall reputation, credibility, and perception of the brand in the minds of consumers. It encompasses the cognitive, affective, and evaluative processes that consumers undergo when encountering a brand. This holistic perspective emphasizes that brand image is shaped by consumers' experiences, interactions, and associations with the brand over time.

One of the key factors in developing a successful brand is establishing a positive brand image. This is because consumers, who serve as the target audience for advertising campaigns, interpret and actualize brand messages in their daily lives, incorporating them into the construction of their reality and self-concept. As a result, managers can utilize a purchase intention to determine which client categories and geographic regions the product should be introduced to (Sewall, 1978; Silk & Urban, 1978; Urban & Hauser, 1993).

H2: Brand Image has a significant effect on Brand Awareness

According to Bartels and Onwezen (2014), a consumer's social group affiliation is an important factor in determining purchase intention. In addition, individual decisions have a tremendous impact on the brand image due to our relationships with other people. Therefore, based on the collective evidence provided by the aforementioned studies, it is hypothesized that brand image will have a significant positive effect on purchase intention, highlighting the critical role of branding in shaping consumer behavior and purchase intentions.

H4 : Brand Image has a significant effect towards Purchase Intention

3. Brand Awareness

Brand awareness is the ability of potential buyers to recognize and remember a brand as part of a certain product category (Keller and Swaminathan, 2020). In order for customers to believe that the product is the only brand in its category, brand awareness requires a sequence of steps beginning with the feeling that a certain brand has never been known before. Four levels of brand awareness are distinguished: 1) brand unfamiliarity, 2) brand recognition, 3) brand recall, and 4) top of mind (Arjana et al., 2022). Brand recognition, sometimes referred to as the level of assisted recall, is the lowest level of brand awareness, according to Darmadi Durianto (2001). The next step is brand recall, often known as unassisted recall, because consumers can remember a brand without assistance. It is more difficult to measure brand familiarity without support than it is with aid. Posters, movies, commercials, banners, and social media can all be used to help. The brand that is referenced for the first time during brand awareness on its own, or top of mind, is at the next stage. The brand with the most brand awareness is the one that dominates the other brands in consumers' perceptions.

Brand awareness reduces the time and risk that consumers will spend searching for the product that they will buy (Verbeke et al., 2005: 7). In this respect, consumers are expected to choose the brand that they have information on. Aaker (1996) has stated that brand awareness consists of four levels: brand recognition, brand recall, top of the mind brand and dominant brand. Brand recognition is associated with brand familiarity of the consumer while brand recall is the thinking of the brand at first when a range of products is introduced (Farjam and Hongyi, 2015). Being a brand that comes to mind at first refers to becoming the most aware of a brand in the product category. The level of brand dominance refers to the level at which the brand replaces the product category. According to Malarvizhi et al. (2022), brand awareness can be measured along two dimensions: brand recognition and brand recall. Brand recognition refers to consumers' ability to identify a brand when presented with its name, logo, or other visual cues. On the other hand, brand recall involves consumers' ability to retrieve the brand from memory when prompted with product categories or attributes.

4. Purchase Intention

Marketers need a clear strategy based on a comprehensive understanding of why consumers buy a brand. The situation of the economic downturn and the decrease in the purchasing power of the people, as well as the efforts to create a brand name of enterprises in the market. Purchase intention is a type of decision making that studies why consumers buy a particular brand (Shah et al., 2012). Researchers have suggested 6 steps before deciding to buy a product, which are: perception, knowledge, preference, persuasion and purchase (Kotler & Armstrong, 2010) (Kawa et al., 2013). Customers always believe that buying cheap products, simple packaging, and few names are high risks because the product quality is not guaranteed (Gogoi, 2013). Online purchase intention variable is often chosen as the basis for studies on purchasing behavior. The literature points to intention as a possible major predictor of all behavior (Fishbein and Ajzen, 1977). Purchase intention can be used to test the implementation of new distribution channels to help managers determine if the concept is worth further development and determine the geographic and distributional markets. Which consumer segments to target through these channels (Morwitz et al., 2007). Its importance lies in the fact that intention is considered the main predictor of actual behavior (Montano and Kasprzyk, 2015). Purchase intention is also widely used by academic researchers as an indirect measure of purchasing behavior (Schlosser, 2003). According to Pena-García et al. (2020), purchase intention is influenced by a myriad of factors, including individual characteristics, psychological variables, situational factors, and marketing stimuli. These factors interact to shape consumers' perceptions, attitudes, and preferences towards a product or service, ultimately influencing their likelihood to make a purchase.

Building upon the empirical findings from Wedayanti & Ardani (2020), Setiawan & Aksari (2020), and Dewi & Sulistyawati (2018), a hypothesis can be formulated concerning the relationship between brand awareness and purchase intention.

H5: Brand Awareness has a positive and significant influence on Purchase

B. Conceptual Framework

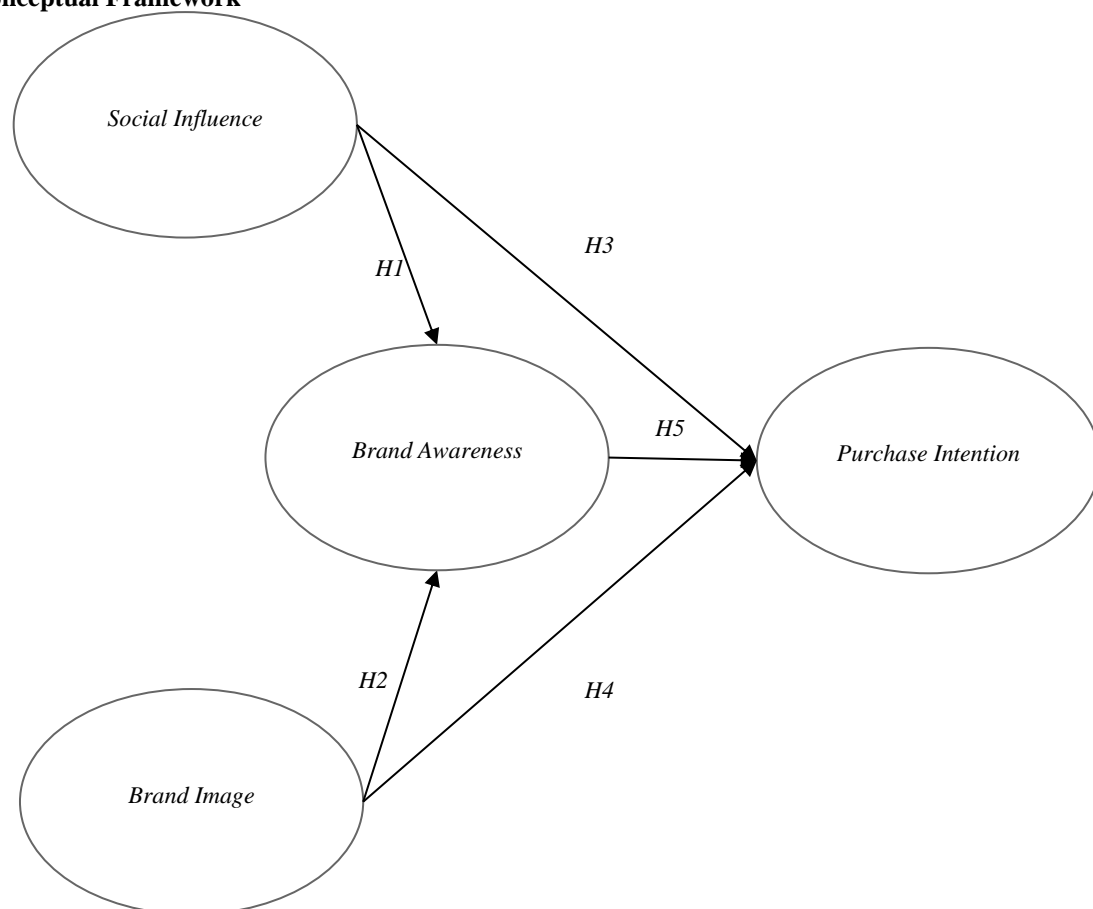


Figure 1. Conceptual Framework

II. METHODS

A. Methodology and Data CollectionTechnique

The data collection process is facilitated through an online survey method, utilizing Google Forms as the platform for collecting primary data. This approach offers several advantages, including cost-effectiveness, ease of management, and a reduced possibility of data errors. Google Forms provides a user-friendly template that can be easily understood and navigated by participants, regardless of their technological proficiency. This accessibility ensures that individuals from diverse backgrounds can contribute to the research, enhancing the inclusivity of the study. Before conducting the full sample test, the author firstly conducts a pilot test to make sure the research went well.

B. Population and Sample

The approach used by the author in this research is a quantitative approach. The quantitative approach is employed to study a specific population or sample, utilizing research instruments for data collection, and conducting statistical data analysis with the aim of testing the formulated hypotheses. The author proposes employing quota sampling to select the sample for this study.

The range has been selected deliberately to capture a substantial portion of the target population while also considering potential outliers or individuals who may not be influenced significantly by brand image or social influences in their skincare purchasing decisions. Considering that our target population consists primarily of individuals from Generations Y and Z in Indonesia, who are avid skincare users and active on social media platforms, the author anticipates that a significant proportion of this population will demonstrate susceptibility to brand image and social influences on their brand awareness and purchase intentions. By opting for a sample size of 100 samples as a roundup from 96,04 number of samples (Sugiyono, 2016). The author aims to ensure adequate representation of our target population while also accounting for potential variations in consumer behavior within

this demographic. This approach allows for a comprehensive examination of the effect of brand image and social influences on brand awareness and purchase intention among skincare users in Indonesia.

C. Measuring Variable

The researcher questionnaire variables were measured by the Likert scale model. The respondents were given a scale of answers to fill in from 1 to 5 from strongly disagree to strongly agree. The Likert scale, as described by Bertram (2006), serves as a methodological tool utilized within survey research to assess the degree of agreement or disagreement individuals hold towards specific statements or topics. This scale is widely employed due to its efficacy in gauging respondents' attitudes in a structured manner. Notably, it operates by focusing on singular dimensions or constructs in each item, rather than attempting to compare multiple variables simultaneously. This characteristic enhances the scale's precision by ensuring that each statement pertains to a distinct aspect of the subject under investigation. Furthermore, the Likert scale employs an ordinal measurement framework, wherein respondents indicate their level of agreement or disagreement through predefined response options. These options typically range from "strongly agree" to "strongly disagree," enabling researchers to categorize responses according to their relative strength of conviction.

D. Partial Least Square Method (PLS)

In this research paper, the author proposes utilizing SmartPLS as the statistical software to facilitate data aggregation and analysis. SmartPLS offers a user-friendly interface and a comprehensive menu bar that simplifies the analysis of both primary and secondary data.

III. RESULTS AND DISCUSSION

A. Results

1. Respondent Characteristic

In order to gain insights into the characteristics of the respondents who constitute the sample for this study, the authors employ various methods of data presentation. This presentation of respondent data serves the purpose of identifying unique traits possessed by the participants, thereby facilitating the analysis process for researchers. The data presentation encompasses three main categories: demographic, behavioral, and variable-related questions. For the pilot phase of the study, the authors distributed surveys to 30 respondents selected through opportunity sampling. This sampling method involved sending surveys via online messaging applications. The pilot phase is crucial as it ensures the reliability, validity, and trustworthiness of the data to be analyzed in the main study.

Following the pilot phase, the authors will proceed to analyze data from a total of 100 qualified respondents who meet the predetermined criteria, such as age and previous purchase experience on the Skintific user. This analysis will include a comprehensive examination of both demographic and behavioral data. The demographic profile of respondents will encompass variables such as gender, age, occupation, and monthly expenditure. These factors are crucial in understanding the characteristics and backgrounds of the participants, which in turn can inform the interpretation of study findings and the development of targeted interventions or recommendations.

Table 1 Demographics Characteristic Respondents

	Frequency(n)	Percent (%)
<i>Gender</i>		
<i>Male</i>	6	6%
<i>Female</i>	94	94%

<i>Age (year)</i>		
<i>18-25</i>	<i>27</i>	<i>27%</i>
<i>26-33</i>	<i>72</i>	<i>72%</i>
<i>34-41</i>	<i>1</i>	<i>1%</i>
<i>42-59</i>	<i>0</i>	<i>0%</i>
<i>60-64</i>	<i>0</i>	<i>0%</i>
<i>Education</i>		
<i>None</i>	<i>0</i>	<i>0%</i>
<i>Primary School</i>	<i>0</i>	<i>0%</i>
<i>High School</i>	<i>25</i>	<i>25%</i>
<i>University Graduate/Diploma</i>	<i>75</i>	<i>75%</i>
<i>Occupation</i>		
<i>Unemployment</i>	<i>2</i>	<i>2%</i>
<i>Private Employee</i>	<i>62</i>	<i>62%</i>
<i>Civil Servant</i>	<i>8</i>	<i>8%</i>
<i>Business Owner</i>	<i>8</i>	<i>8%</i>
<i>Other</i>	<i>20</i>	<i>20%</i>

Monthly Expenditure

<Rp.1.000.000	2	2%
1.000.000-2.500.000	17	17%
2.500.000-5.000.000	79	79%
5.000.000-10.000.000	2	2%
>10.000.000	0	0%

Most Used Social Media

Instagram	60	60%
Twitter	4	4%
Facebook	8	8%
TikTok	28	28%

First Time Knowing Skintific

Social Media Advertising	70	70%
Recommendation	11	11%
Internet Source	19	19%

The demographic characteristics of the participants, as presented in Table 5.1, reveal key insights. The majority of respondents were female (n=44) and aged between 26 and 33 (n=72). Additionally, a significant portion held bachelor's degrees or equivalent qualifications (n=75), were employed in the private sector (n=62), and had monthly expenditures ranging from 2.5 million to 5 million rupiah (n=79). Moreover, most respondents reported using Instagram as their primary social media platform (n=60) and first learned about Skintific Skin Care

through social media advertisements (n=70). These findings provide valuable demographic insights into the participant profile for the study.

2. Validity and Reliability

Table 2 Convergent Validity Test Result (n30)

	Loading	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)	Description
<i>Social Influence</i>	SI1: 0.602 SI1: 0.625 SI3: 0.627 SI4: 0.779 SI5: 0.789	0.734	0.754	0.821	0.482	Valid Reliable
<i>Brand Image</i>	BI1: 0.486 BI2: 0.613 BI3: 0.525 BI4: 0.837 BI5: 0.816	0.706	0.785	0.796	0.451	Valid Reliable
<i>Brand Awareness</i>	BA1: 0.581 BA2: 0.741 BA3: 0.802 BA4: 0.627 BA5: 0.874	0.781	0.842	0.850	0.537	Valid Reliable
<i>Purchase Intention</i>	PI1: 0.867 PI2: 0.742 PI3: 0.819 PI4: 0.608 PI5: 0.762	0.817	0.818	0.874	0.585	Valid Reliable

The author administered surveys to 30 participants as part of a pilot study, employing opportunity sampling and distributing the surveys through online messaging applications. For the validity test, there are two measurements such as the loading factor and average variance extracted. Loading factor numerical values provided (ranging from approximately 0.486 to 0.874) are the loading factors for each observed variable associated with its respective latent variable. Higher loading factors indicate stronger relationships between the observed variable and the underlying latent variable. These values help in understanding the contribution of each observed variable to the latent construct. The loading factor of 0.874 suggests a strong association between the observed variable and its latent construct, while a loading factor of 0.486 indicates a weaker association. While AVE test values above 0.5 are generally considered acceptable, indicating that more than half of the variance in the indicators is explained by the underlying construct. However, 0.4 is still considered acceptable due to the condition if the loading factor is >0.6 (Fornell and David, 1981).

Composite reliability (pa) is a measure used in structural equation modeling to assess the internal consistency or reliability of a latent construct, which is a variable that is not directly observed but inferred from a set of observed variables. Composite reliability values closer to 1 suggest greater internal consistency among the items measuring the latent constructs. The analysis of composite reliability revealed values ranging from 0.754 to 0.842 for each construct, surpassing the acceptable threshold of >0.7. Additionally, the Cronbach Alpha values for each

construct fell between 0.706 and 0.817, indicating strong reliability. Consequently, it can be inferred that the data collected is dependable, enabling the author to proceed with further research confidently.

Table 3 Convergent Validity Test Result (n100)

	<i>Loading</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability (rho_a)</i>	<i>Composite Reliability (rho_c)</i>	<i>Average Variance Extracted (AVE)</i>	<i>Description</i>
<i>Social Influence</i>	SI1: 0.642 SI1: 0.639 SI3: 0.790 SI4: 0.749 SI5: 0767	0.766	0.733	0.842	0.519	Valid Reliable
<i>Brand Image</i>	BI1: 0.706 BI2: 0.698 BI3: 0.635 BI4: 0.789 BI5: 0.826	0.787	0.811	0.853	0.539	Valid Reliable
<i>Brand Awareness</i>	BA1: 0.801 BA2: 0.757 BA3: 0.817 BA4: 0.828 BA5: 0.791	0.859	0.863	0.898	0.639	Valid Reliable
<i>Purchase Intention</i>	PI1: 0.781 PI2: 0.787 PI3: 0.733 PI4: 0.798 PI5: 0.749	0.828	0.829	0.879	0.593	Valid Reliable

The author administered comprehensive surveys to 100 participants to obtain the research results. The data for this study was collected through online surveys using a Google Form link. As shown in Table 5.3, the analysis of convergent validity (loading factor and average variance extracted) shows the results ranging from 0.635 to 0.828 and the AVE values are >0.5 which indicate strong relationships between the observed variables. Composite reliability for the research yielded values ranging from 0.733 to 0.863 for each construct. Since the acceptable threshold for composite reliability is >0.7, these findings indicate that the collected data is reliable and suitable for further analysis. Furthermore, the Cronbach Alpha values for each construct, ranging between 0.766 and 0.859, indicate good reliability. Cronbach Alpha measures the internal consistency of a set of items within a construct, with values closer to 1 indicating higher reliability. Therefore, the observed values falling within this range affirm the reliability of the variables under study. In conclusion, based on the robustness of both validity and reliability test, it is determined that the construct is reliable and valid.

3. Structural Equation Model & Hypothesis Testing

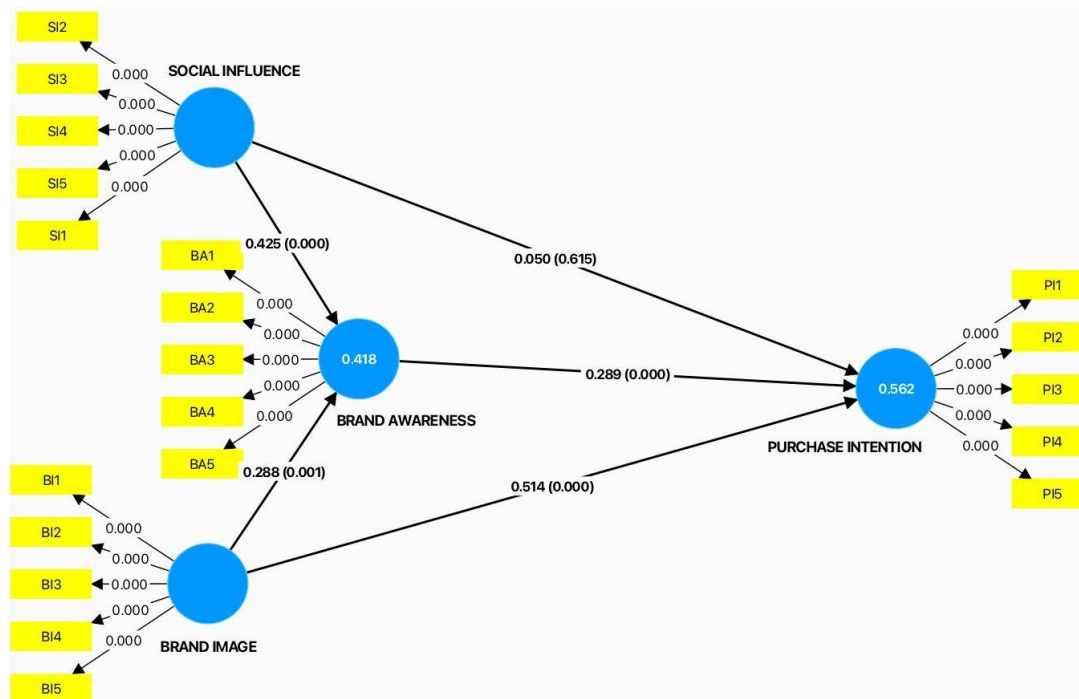


figure 2 Bootstrapping test result - R Square Test Adjusted

Path coefficient estimation involves determining the significance of the path relationships within the structural model. According to Ghazali (2008), the R2 criterion for endogenous latent variables categorizes results as "good," "medium," or "weak" based on values of 0.67, 0.33, and 0.19, respectively. The coefficient of determination (R2) illustrates the extent of variance in an endogenous latent variable relative to the independent latent variable. Additionally, the adjusted R-squared indicates the percentage of variation attributable solely to independent variables directly influencing the dependent variable. The analysis of the previously assessed R2 model suggests a medium overall evaluation. The inner model assessment aims to scrutinize the relationships between constructs, path coefficient parameters, and significance levels. The R-square for both Brand Awareness and Purchase Intention indicates that 41.8% and 56.2% of the variance, respectively, is explained by their corresponding predictors. The adjusted R-squared value, which accounts for the number of variables, should not exceed the R-squared value; an increase in variables may lead to a decrease in the adjusted R-square score. The similarity between the R2 and adjusted R2 scores demonstrates their statistical significance.

Table 4 Analysis of R-Square (R2) Result

	R Square	R Square Adjusted
Brand Awareness	0.430	0.418
Purchase Intention	0.575	0.562

Table 5 Hypothesis Testing Result

	<i>Original Sample</i>	<i>T statistic</i>	<i>P value</i>	<i>Description</i>
<i>Social Influence -> Brand Awareness</i>	<i>0.425</i>	<i>5.050</i>	<i>0.000</i>	<i>Accepted</i>
<i>Brand Image-> Brand Awareness</i>	<i>0.288</i>	<i>3.297</i>	<i>0.001</i>	<i>Accepted</i>
<i>Social Influence -> Purchase Intention</i>	<i>0.050</i>	<i>0.503</i>	<i>0.615</i>	<i>Rejected</i>
<i>Brand Image-> Purchase Intention</i>	<i>0.514</i>	<i>6.013</i>	<i>0.000</i>	<i>Accepted</i>
<i>Brand Awareness-> Purchase Intention</i>	<i>0.289</i>	<i>3.536</i>	<i>0.000</i>	<i>Accepted</i>

Based on the explanation provided, the hypothesis is considered significant if the p-value is below the alpha threshold of 5% (0.05). In this context, the hypothesis is supported when the p-value is equal to or less than 0.05. Additionally, significance thresholds for t-values are established at 2.58 for a 99% confidence level, 1.96 for a 95% confidence level, and 1.75 for a 90% confidence level (Hair et al., 2014). Consequently, if the p-value is less than 0.05 or if the t-statistics exceed 1.96 (with $\alpha = 0.05$ or 5%), it is assumed that the alternative hypothesis is accepted.

The findings from Table 5.4 reveal the results of hypothesis testing, indicating the strongest correlation between brand image and purchase intention, with a t-statistic of 6.013, surpassing the threshold of 1.96. This suggests a significant influence of Brand Image on the Purchase Intention of Skintific Skincare. Additionally, Social Influence to Brand Awareness (5.050), Brand Awareness to Purchase Intention (3.536), and Brand Image to Brand Awareness (3.297) all exhibit significant relationships based on their respective t-statistics. However, the relationship between Social Influence and Purchase Intention falls short of the required threshold, with a t-statistic of only 0.503, indicating insignificance in this association.

B. Discussions

1. H1: Social Influence has a significant effect on Brand Awareness

According to table 5.4, it shows that Social Influence (X1) has a significant effect on Brand Awareness (Y1) with the p value is 0.000 and t statistic is 5.050 which surpasses the threshold for t statistic is 1.96 and p value with below alpha threshold (0.05). Hence the hypothesis is accepted. These metrics support the hypothesis that social influence significantly impacts brand awareness, meaning the more a brand is influenced socially, the more aware consumers become of it. This statistical evidence supports the hypothesis that social influence plays a crucial role in shaping consumers' awareness of a brand. This finding is supported by the findings from Ao et al., (2023) which stated that social influence significantly influences the dimensions of brand awareness. The research by Chen (2024) also proved that brand awareness is significantly affected by social influence. The correlation suggests that as social influence increases, there is a corresponding rise in brand awareness.

2. H2: Brand Image has a significant effect on Brand Awareness

According to table 5.4, it shows that Brand Image (X2) has a significant effect on Brand Awareness (Y1) with the p value is 0.001 and t statistic is 3.297 which surpasses the threshold for t statistic is 1.96 and p value with below alpha threshold (0.05). Hence the hypothesis is accepted. This finding is supported by previous research by Balmer et al., (2020) which stated that a positive perception of a brand is essential for brand recognition. When considering the relationship between brand image and brand awareness, it's crucial to recognize that brand image plays a pivotal role in shaping consumers' perceptions and attitudes towards a brand. Enhances brand awareness

by increasing consumers' familiarity and recognition of the brand. By building and maintaining a positive brand image, companies can enhance their brand awareness and strengthen their position in the minds of consumers.

3. H3 : Social Influence has a significant effect on Purchase Intention

According to table 5.4, it shows that Social Influence (X1) has no significant effect on Purchase Intention (Z1) with the p value is 0.615 and t statistic is 0.503 which no surpasses the threshold for t statistic is 1.96 and p value with above alpha threshold (0.05). Hence the hypothesis is rejected. The result of direct effect from social influence to purchase intention shows insignificant effect. The finding from Ariffin et al., (2018) stated that social influence does not always have a direct and significant impact on purchase intentions. However, the research by Sanchez et al. (2021) highlights the significant role of social influence in shaping purchase intentions. Specifically, when consumers are aware of the partnerships between influencers and brands, it boosts the perceived trustworthiness and credibility of the products. This enhanced perception positively affects their ability to influence consumer purchasing decisions, demonstrating the powerful effect of social influence on consumer behavior. Therefore, The bootstrapping result for the indirect effect of social influence mediated by brand awareness shows a t-statistic of 2.830 with a p-value of 0.005. This result is statistically significant, indicating that the mediation effect of brand awareness on the relationship between social influence and purchase intention is meaningful. This underscores the importance of brand awareness as a key factor that can amplify the impact of social influence on consumer purchase decisions process.

4. H4 : Brand Image has a significant effect towards Purchase Intention

According to table 5.4, it shows that Brand Image (X2) has a significant effect on Purchase Intention (Z1) with the p value is 0.000 and t statistic is 6.013 which surpasses the threshold for t statistic is 1.96 and p value with below alpha threshold (0.05). Hence the hypothesis is accepted. Based on the research findings, it was determined that brand image, measured through indicators such as the strength, benefits, and uniqueness of brand associations, has a positive and significant impact on purchase intention. This research aligns with the study conducted by Hanjani and Widodo in 2019, which also concluded that brand image significantly and positively influences purchase intention. This finding is also supported by previous research by Wydyanto and Yandi, (2020) which stated brand image has significant influence on purchase decision process. The previous research conducted by Isyanto et al., (2020) yielded empirical evidence indicating that a positive brand image significantly influences consumers' inclination to purchase products or services. This suggests that when consumers hold favorable perceptions of a brand, they are more inclined to show interest in buying from that brand.

5. H5: Brand Awareness has a significant influence on Purchase Intention

According to table 5.4, it shows that Brand Awareness (Y1) has a significant effect on Purchase Intention (Z1) with the p value is 0.000 and t statistic is 3.536 which surpasses the threshold for t statistic is 1.96 and p value with below alpha threshold (0.05). Hence the hypothesis is accepted. This result is supported by a previous study by Chen and Xu (2019) which stated that brand awareness has a significant effect on purchase intention. This finding implies that there is a strong association between brand awareness and consumers' intentions to purchase a product or service. When consumers are more aware of a brand and its offerings, they are more likely to express an intention to purchase from that brand. This aligns with established marketing principles, which suggest that higher levels of brand awareness lead to increased consideration and preference among consumers. The significant effect of brand awareness on purchase intention underscores the importance of building and maintaining strong brand visibility and recognition in the marketplace.

IV. CONCLUSION

Hypothesis testing served as a pivotal component of this research, shedding light on the correlations between constructs. The conclusions derived from the literature review and statistical analysis of this study indicate that social influence and brand image have a significant positive effect on increasing brand awareness. Furthermore, brand awareness has a significant positive impact on enhancing consumer purchase intention for skincare products. The findings also demonstrate a significant influence of brand image on purchase intention. However, this study reveals that social influence does not have a significant impact on purchase intention. The findings offer actionable insights for marketers seeking to optimize brand awareness and social influence within the competitive skincare industry landscape.

A. Implications

The implications of this research extend beyond theoretical insights, offering actionable recommendations for marketers, product developers, and business leaders within the skincare industry. By strategically integrating these recommendations into its marketing and business strategies, Skintific Skincare can effectively leverage social influence, enhance brand image and awareness, and ultimately drive purchase intention, leading to sustained success and growth in the competitive skincare industry. There are some suggestion for the brand such as:

1. Leveraging Social Influence Channels

Skintific Skincare can capitalize on social media platforms and influencer partnerships to amplify its brand presence and reach a wider audience. By strategically engaging with influencers who align with its brand values and target demographics, Skintific can harness social influence to enhance brand awareness and visibility among potential consumers.

2. Enhancing Brand Image

Skintific Skincare should focus on cultivating a positive brand image by emphasizing its unique selling propositions, product benefits, and commitment to quality and innovation. By consistently delivering on its brand promise and maintaining a strong reputation, Skintific can reinforce consumer trust and loyalty, ultimately driving purchase intention.

3. Building Brand Awareness

Skintific Skincare can invest in comprehensive brand awareness campaigns across various touchpoints, including digital marketing, experiential activations, and strategic partnerships. By increasing brand visibility and recognition, Skintific can ensure that consumers are more likely to consider and prefer its products when making purchasing decisions.

4. Driving Purchase Intention

Skintific Skincare should implement targeted marketing strategies aimed at converting brand awareness into tangible purchase intentions. This can involve offering incentives, such as exclusive promotions or product samples, to incentivize trial and purchase. Additionally, emphasizing the unique value proposition of Skintific's products and highlighting customer testimonials can further strengthen purchase intention among potential buyers.

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Strategizing the Development of MSME in District X

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ABSTRACT

Purpose: Micro, Small and Medium Enterprises (MSMEs) is a business segment that has the potential to grow and become one of the backbones of economic development in Indonesia, one of which is in Regency X. In order to support the achievement of the vision and mission of Regency X, the government of Regency X intends to spur the development of MSMEs in its region by providing an MSME development program that aims to help MSMEs to develop into one of the pillars of regional economic development in Regency X by encouraging tourism development and encouraging the development of the creative economy (startup).

Design/methodology/approach: This study uses quantitative and qualitative approaches.

Findings: The quantitative approach was carried out to obtain influential criteria for the development of MSMEs in Regency X which were then analyzed by the Cochran Q Test, the results of the selected criteria were continued with the calculation of the weights of internal factors and external factors, the calculation of the Internal Strategic Factors Analysis Summary (IFAS) and External Strategic Factors Analysis Summary (EFAS) matrices, determination of the SWOT analysis cartesian diagram and SWOT matrix. A qualitative approach was used to explore information on internal and external factors affecting the development of MSMEs in Kabupaten X and determine MSME development strategies based on the IFAS and EFAS matrices from the SWOT analysis results.

Paper type: Research paper

Keyword: MSME development strategy, IFAS and EFAS matrix, SWOT analysis

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I. INTRODUCTION

This study used a quantitative methodology, namely the Partial Least Squares (PLS) analysis, in order to investigate the impact that factors such as business development, capital structure, Good Business Governance (GCG), and earnings management have on the value of a firm. The objective measurements and statistical analysis of numerical data are the foundations of a quantitative approach, which is used to ascertain the correlations between the variables (Sugiyono, 2010). Between the years 2021 and 2023, the study population consisted of 124 principal companies operating in the consumer products market that were listed on the Indonesia Stock Exchange (IDX). It is possible to define a population as a collection of things, persons, or entities that share particular traits that are pertinent to the aims of the research (Sugiyono, 2010). The selection of 41 companies for the study was accomplished through the use of the purposive sample approach. Purposive sampling is a non-probability sampling strategy in which the researcher picks samples based on specified criteria or judgments relevant to the study (Sugiyono, 2010). A sample is a subset of a population that represents the characteristics of the population as a whole.

The secondary data that were utilized in this study were gathered from the financial statements of the firms, which can be found on the official website of the IDX corporation. There are three types of variables that make up the study variables: independent factors (business development, capital structure, and GCG), a dependent variable (firm value), and an intervening variable (earnings management). Validity and reliability evaluations, normality checks, PLS regression, and hypothesis testing through bootstrapping are some of the data analysis

approaches that are utilized. Various metrics, including R2 criteria, path coefficient estimates, impact size (f2), and predictive relevance (Q2), are utilized in the evaluation of models. In order to analyze hypotheses, the T test is utilized, and the significance value is used to determine whether the hypothesis is accepted or rejected (Ghozali., 2018).

A. Literature Review

1. Strategy

Strategy is an overall approach related to the idea, planning, and execution of an activity within a certain period of time. In a good strategy there is coordination of the work team, has a theme of identifying supporting factors in accordance with the principles of rational implementation of ideas, efficiency in funding and has tactics to achieve goals effectively. Meanwhile, according to Buzzel and Gale, strategy is the key policies and decisions used for management, which have a major impact on financial performance. These policies and decisions usually involve important resources and cannot be replaced easily.

2. MSMEs

Studies conducted by the International Labor Organization (ILO) as stated by Sethuraman (1993) in Sriyana (2010), explained that the activities of SMEs are not limited to certain jobs, but even also include a variety of economic activities which are characterized by: easy to enter, relying on local resources, self-owned businesses, small-scale operations, labor-intensive and adaptive technology, skills can be obtained outside the formal school system, and are not directly affected by regulation and competitive markets.

II. METHOD

In terms of the Study of the Preparation of MSME Development Strategies in Regency X, it is carried out through stages, namely the Study Method for the Preparation of MSME Development Strategies in Regency X using quantitative and qualitative approaches. The quantitative approach was carried out to obtain influential criteria for the development of MSMEs in Kabupaten X which were then analyzed by the Cochran Q Test, the results of the selected criteria were continued with the calculation of the weights of internal factors and external factors, the calculation of the Internal Strategic Factors Analysis Summary (IFAS) and External Strategic Factors Analysis Summary (EFAS) matrices, determination of the SWOT analysis cartesian diagram and SWOT matrix.

A qualitative approach was used to explore information on internal and external factors affecting the development of MSMEs in Kabupaten X and determine MSME development strategies based on the IFAS and EFAS matrices from the SWOT analysis results.

A. Sampling

Respondents consisted of MSME associations/organizations and MSME actors in Regency X. Determining the number of samples in this study can use the Roscoe theory formula. Roscoe's theory says that if the research will analyze with multivariate (correlation or multiple regression), then the number of sample members is at least 10 times the number of variables studied (Sugiyono, 2010: 130). In the Study on the Formulation of MSME Development Strategies in District X using 31 variables, the minimum sample size is 310 respondents. The number of sub-districts in Kabupaten X is 27 sub-districts, it is hoped that respondents from MSME associations/organizations and MSME actors can represent each sub-district, so as to get an overview of the condition of MSMEs in each sub-district. In the implementation of the survey, the number of respondents was 313 people.

From the results of the Cochran Q Test, selected criteria were obtained to continue with the calculation of the weights of internal factors and external factors. The calculation of the weight and rating of internal and external factors was carried out by policy makers and experts. Here the policy makers are the Economic Section, the Office of Cooperatives and MSMEs, the Office of Trade and Industry and related government agencies or institutions. In this final report, the calculation of weights and ratings was obtained from 3 (three) experts.

B. Survey Procedure

The survey procedure to determine influential criteria for MSME development in Kabupaten X is as follows:

1. The survey was conducted through filling out questionnaires 1 to MSME associations/organizations and MSME players per sub-district in District X.
2. The minimum number of respondents needed is 310 people, and the survey results have obtained a total of 313 respondents, this number has met the quota for the minimum number of respondents.
3. The survey was conducted by:

- a. The implementation team made questionnaire 1 online and distributed it to the heads of MSME associations/organizations to be forwarded to the MSME actors under their guidance.
- b. In addition, filling out the questionnaire was also carried out offline, the survey team conducted field visits to the heads of MSME associations/organizations and MSME players in each sub-district of Kabupaten X.
- c. The questionnaire contains 2 types of questions, namely in the form of choice questions and essays containing problems and input to the local government related to each criteria.
4. Assessment of the weight and rating of internal factors and external factors by :
 - a. The implementation team made an online questionnaire and distributed it to policy makers and experts, here the policy makers are the Economic Section, the Office of Cooperatives and MSMEs, the Office of Trade and Industry and related government agencies or institutions.
 - b. In addition, discussions were held on the results of the assessment of the weight and rating of internal factors and external factors with policy makers as well as discussions of problems, opportunities, and inputs for the development of MSMEs in Kabupaten X.

C. Measurement Tools

Some previous research findings, Hamid and Susilo, 2011; Sakur, 2011; Syahza, 2013; Irdyanti, 2012, state that the weak competitiveness of MSMEs is due to several problems including: (1) Marketing; (2) Capital and funding; (3) Innovation and utilization of information technology; (4) Use of raw materials; (5) Production equipment; (6) Labor absorption and empowerment; (7) Business development plans; and (8) Readiness to face external environmental challenges. The contribution and role of MSMEs in the national economy is very meaningful, but in terms of competitiveness, there are many weaknesses and problems for MSMEs that must be addressed to face competition both domestically and globally.

To achieve the objectives as in subchapter 1.2, a questionnaire was created as one of the instruments to measure the desired information both regarding the criteria that influence the development of MSMEs in Kabupaten X as well as information on problems that occur in the field and input from MSME actors to the local government. Determination of criteria for the questionnaire was obtained from a collection of several previous research references and 31 variables were obtained which would be selected as considerations for respondents to determine the criteria that influence the development of MSMEs in District X. The following is a list of selected criteria:

Table 1 Criteria for MSME development in District X

No	Criteria	Description
Q12	Availability of capital	Adequacy of current capital to run the business
Q13	Access to capital	Accessibility to finance/capital
Q14	Raw materials	Main raw materials come from local sources
Q15	Production cost	Production cost
Q16	Production equipment	Availability of business facilities and infrastructure
Q17	Production technology	Use of appropriate technology
Q18	Labor Ability	To Absorb local labor
Q19	Quality of human resources	Availability of skilled workers and education level of both owners and workers

Q20	Management	Management skills to manage the business
Q21	Production barriers	Barriers in production activities
Q22	Production capacity	Ability to produce according to the target
Q23	Business legality	Business legality in the form of, UD, CV or PT
Q24	Product legality	Legality (certification, production license, halal, etc.)
Q25	Price stability	Stable economic conditions so that people's purchasing power is stable, so that product selling prices are stable and affordable by the market.
Q26	Profitability	Ability of the business to earn profit
Q27	Service Excellent	Service to customers
Q28	Payment media	Payment media with financial technology
Q29	Environment	Business/products produced are environmentally friendly (eco-friendly)
Q30	Product excellence	Always creative and innovate products, so that they become superior products
Q31	Competitiveness	High level of competitiveness in terms of characteristics, quality, competitive prices, and wide marketing reach.
Q32	Marketing	Ease of reach and online marketing media
Q33	Offline marketing	media One of the offline marketing media by participating in exhibitions, SME centers, and others
Q34	Market Share	Is there a market share for the product?
Q35	Social	The business is social-friendly or acceptable to the community (because it provides benefits to the community/environment)
Q36	Collaboration partners	There are partners for product development
Q37	MSME association/organization	MSME association/organization that houses MSME players
Q38	Counseling/Business development support programs	Availability of counseling and business development assistance programs

Q39	Infrastructure	Availability of infrastructure and facilities to support production/business operations
Q40	Policy Institutional	policy support for MSMEs
Q41	Regional economy	Ability to improve the economy in the neighborhood or business operation area
Q42	Geographical	location and geographical conditions support the running of the business

The questionnaire was divided into 2 sections, namely section A and section B:

1. Part A, consists of 11 questions about the characteristics of respondents, namely questionnaire numbers one to eleven (Q1 to Q11).
2. Section B, consists of 2 kinds of questions, namely question 1 and question 2.
 - a. Question 1 is in the form of choices, containing criteria that influence the business of MSME actors. Consists of 31 optional questions with questionnaire numbers ranging from Q12 to Q42.
 - b. Question 2 is in the form of an essay, containing problems that occur in the field and input from MSME actors to the local government. Each selected question has 2 essay questions, a total of 62 essay questions with questionnaire numbers Q12.1 to Q42.2.

In addition to the questionnaire, the Implementation Team also created questionnaire 2 which was used for weighting and rating internal and external factors. The assessment of the importance of factors affecting the current development of MSMEs is in the form of a Likerts scale, where number 1 states that it is slightly important, number 2 states that it is somewhat important, number 3 states that it is important and number 4 states that it is very important.

Table 2 Level of Importance of Internal Factors and External Factors

Strategic Factor	Level of Importance			
	1	2	3	4
<i>Strengths</i>				
<i>Price Stability - Maintain stability in selling prices, so that selling prices are always competitive.</i>				
<i>Environment - Most of the products are environmentally friendly</i>				
<i>Product Excellence - Products are durable, so they can reach market share outside of X District</i>				
<i>Geographical Conditions - The location of X is in the coastal area, so the potential for the main raw material in the form of fish is quite abundant.</i>				
<i>Capital Availability - There is BPUM assistance from the Government, to increase capital during pandemic conditions, although not all MSMEs receive BPUM assistance.</i>				

Total Strengths

Weaknesses

Availability of Capital - Need capital for production and difficulty in obtaining loans with low interest rates

Payment Media - The payment system still uses cash/cash

Production Equipment - Production equipment is still manual, so it is necessary to add technological production equipment to increase capacity

Management - Management is still done conventionally

Product Legality - Not yet certified/licensed for products, such as halal certification, BPOM, etc.

Product excellence - Lack of innovation and creativity in creating products

Online Marketing - Not yet mastering online marketing

Market Share - Difficulty in marketing products

Regional Economy - Because the business is still limited or has not developed so that it has not had an impact on the welfare of the surrounding environment

Total Weaknesses

Total Internal Factors

Opportunity and Threats Factors

	<i>Level of Importance</i>			
<i>Strategic Factor</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>

Opportunities

Market Share - Changes in the lifestyle of today's society make the market share quite high

Market Share - MSME Product Export

Cooperation Partners - Good relationship with suppliers

Government Policy - Indomaret Retail Product Sales

Government Policy - Opportunity to export products abroad (Turkey)

Geographical Conditions - Location X is crossed by the main pantura route connecting Jakarta-Surabaya. Along the north coast of Java, there are many tourism spots

Associations/organizations of MSMEs - Join an association/organization of MSMEs, so that there is a medium for discussion related to product development.

Counseling / business development support programs - The government provides counseling / curation programs to support the development of MSMEs.

Total Opportunities

Threats

Production Costs - High production costs due to rising/high raw material prices and manual production equipment.

Labor - Lack of labor interest in working in MSMEs compared to industries/factories

Quality of Human Resources - The quality of human resources is not yet qualified

Infrastructure - Inadequate road access and street lighting

Production Barriers - The presence of diseases and pests for MSMEs based on agriculture, plantations, and fisheries

Production Capacity - The pandemic has had an effect on the decline in people's purchasing power so that production capacity has decreased

Profitability - Profit earned is small because the selling price is fixed/competitive while the price of basic commodities rises.

Competitiveness - Competition that causes price wars (prices become cheap/decrease)

Offline Marketing Media - The existence of offline marketing such as bazaars, exhibitions and the like requires a lot of operational costs for transporting products, lodging, operations and others while the selling price must remain competitive in order to sell.

Geographical Conditions - Less suitable for coffee plantations

Total Threats

Total External Factors

In addition, a rating is carried out on internal factors and external factors regarding stakeholder expectations for the effectiveness of the strategy to respond to various influencing factors, rating in the form of a Likerts scale, namely rating 1 states very low, number 2 states low, number 3 states high and number 4 states very high.

The following are the analysis steps in the study of the preparation of MSME development strategies in Kabupaten X:

1. Identify and classify MSME data from secondary data.
2. To achieve the objectives and portrait of the existing conditions of MSMEs in each sub-district in Kabupaten X, it can be seen in the characteristics of respondents in the questionnaire. The results of the characteristics of respondents in the phase 1 survey will be explained through a graphical method using bar charts. The data uses the results of information collected from questionnaires number 1 to number 11. The criteria that influence the development of MSMEs in Kabupaten X were analyzed using paired k-sample comparative hypothesis testing with the Cochran Q-test analysis technique.
3. To find out the problems faced by MSME actors in running their businesses, we will convey descriptively in the form of a conclusion of the problems associated with the criteria according to the essay questions in the questionnaire.
4. Meanwhile, to find out the input from MSME actors for the local government related to their business development, we will convey it descriptively in the form of input conclusions related to the criteria in accordance with the essay questions in the questionnaire. The results of the discussion can be seen in section 3.4.
5. The results of questionnaire 1 will be identified and grouped into internal factors and external factors to be processed using the SWOT method.
6. Data processing with the SWOT method can be done in the following way: Calculation of the weight of internal factors and external factors

$$\text{Internal Factor Weight} = \frac{\text{Total Responden Answers}}{\text{Total Data Processing Internal Factors}}$$

$$\text{Eksternal Factor Weight} = \frac{\text{Total Responden Answer}}{\text{Total Data Processing Internal Factors}}$$

- a. Matrix Calculation IFAS and EFAS

$$\text{Rating Calculation (IFAS)} = \frac{\text{Total IFAS Answer}}{\text{Total Responden}}$$

$$\text{Rating Calculation (EFAS)} = \frac{\text{Total EFAS Answer}}{\text{Total Responden}}$$

$$\text{Score Calculation (IFAS)} = \text{Internal Factor Weight} \times \text{Rating IFAS}$$

$$\text{Score Calculation (EFAS)} = \text{Internal Factor Weight} \times \text{Rating EFAS}$$

- b. Cartesian diagram of SWOT analysis

The SWOT analysis cartesian diagram is obtained from the IFAS and EFAS matrix, the data entered is the total score with the coordinate formula as follows:

$$\begin{aligned} \text{Internal Analisis Koordinat ; Koordinast analisis eksternal} &= \frac{\text{Total Strengh Score} - \text{Total Weakness Score}}{2} ; \frac{\text{Total Opportunities Score} - \text{Total Threat Score}}{2} \\ &= \frac{S-W}{2} ; = \frac{O-T}{2} \end{aligned}$$

- c. SWOT Matrix

After obtaining the total value of the IFAS matrix and EFAS matrix and depicted on the next cartesian diagram, it is processed using the matrix strategy formula by combining internal factors with external factors.

7. Conduct SWOT analysis of the results of data processing SWOT method
8. Discussion of the results of the assessment of the weight and rating of internal factors and external factors with policy makers as well as discussion of problems, opportunities, and inputs to the development of MSMEs in Kabupaten X.
9. Develop a strategy for the development of MSMEs in Kabupaten X

III. RESULTS AND DISCUSSION

A. Reliability Test

The reliability test is carried out to show the measurement results can be trusted and reliable. The following are the results of the reliability test.

Table 3 Reliability Test

<i>Cronbach's Alpha</i>	<i>Criteria</i>
0,729	Reliabel

B. Cochran Test

The results of the analysis of paired k-sample comparative hypothesis testing use the Cochran Q-test analysis technique, in this case the Cochran Q-test is used to determine whether or not the proportion of “Yes” answers on the attributes to the determining criteria that are influential for the preparation of MSME development strategies in District X. The following are the results of the Cochran Q-test examination:

Hypotesis :

H0 : All attributes that have the same proportion of “Yes” answers

H1 : All attributes that have an unequal proportion of “Yes” answers

Significan t Level : $\alpha = 0,05$

Rejection Area : Reject H0 jika p-value < 0,05

Test Statistic :

Table 4 Cochran Test

<i>N</i>	<i>Cochran's Q</i>	<i>P-value</i>	α	<i>Result</i>
313	1699,349	0,000	0,05	Reject H0

Table 4.2 shows that the Cochran's Q value is 1699.349 for the number of respondents of 313 respondents and has a p-value of 0.000 which is smaller than the alpha value of 0.05 which has a decision to reject H0 which means that all influential determining criteria attributes for the preparation of MSME development strategies in District X have an unequal proportion of “Yes” answers. To get the results of the Cochran test failed to reject H0, the smallest “Yes” answer will be removed. From the answers to question 1 to respondents, there are 4 variables that have the smallest “Yes” answers, including Q13 access to capital, Q17 Production Technology, Q23 Business Legality and Q35 Social. These four variables are the variables that will be eliminated. The following are the results of the Cochran Q-test:

Hypotesis:

H0 : All attributes that have the same proportion of “Yes” answers

H1 : All attributes that have an unequal proportion of “Yes” answers

Significan t Level : $\alpha = 0,05$

Rejection Area : Reject H0 jika p-value < 0,05

Test Statistic :

Table 5 Cochran Test

<i>N</i>	<i>Cochran's Q</i>	<i>P-value</i>	<i>α</i>	<i>Result</i>
313	4,790	0,091	0,05	Failure to Reject H_0

Table 4.3 shows that the Cochran's Q value is 4.790 for a total of 313 respondents and has a p-value of 0.091 which is greater than the alpha value of 0.05 which has a failed decision to reject H_0 , which means that all MSME attributes in East Java have the same proportion of "Yes" answers. Furthermore, the selected factors, namely 25 factors, will continue at the stage of sorting internal factors and external factors as well as calculating weights and determining their ratings. The following are the determinants of MSME development in District X:

C. SWOT Matrixx Analisis

The SWOT matrix has 4 types of strategies, namely the S-O strategy is a combination of strengths (S) and opportunities (O), the W-O strategy is a combination of weaknesses (W) with opportunities (O), the S-T strategy is a combination of strengths (S) with threats (T) and the W-T strategy is a combination of weaknesses (W) with threats (T). The following is a strategy for developing MSMEs in Kabupaten X:

1. S-O strategy

1. This strategy is made on the basis of utilizing opportunities for MSMEs in Kabupaten X:
 - a. (S1, S3, S4, O1, O2, O5, O6) The potential of the fisheries business, processing of food ingredients from fish, and similar products has very good potential, both from the always available supply of raw materials, competitive prices, and various processed fish. So it needs Government support to encourage in terms of marketing to the international market.
 - b. (S5, O8) The local government always updates the database of MSMEs in Kabupaten X, so that all recorded MSMEs receive BPUM assistance from the government.
 - c. (S2, S3, O4, O7, O8) Providing counseling to MSME actors through MSME associations/organizations or directly to develop MSME products through product curation programs from the government, retail product marketing at Indomaret and so on.
 - d. (S1, O3) Building cooperation with cooperation partners such as investors, raw material suppliers, buyers and so on
 - e. (S4, O1, O6) Increase local marketing through product sales at tourism sites in Kabupaten X.
2. This strategy is made to take advantage of opportunities and minimize the weaknesses of MSMEs.
 - a. (W2, W4, W6, W7, O8) Provide training to MSME actors on how to manage businesses, non-cash payment systems, innovation and creativity in creating products, packaging, and branding, as well as online marketing.
 - b. (W1, W3, W5, O8) Providing basic assistance or business knowledge to MSME actors such as easy access to capital, technological production equipment, and assistance in accelerating the process of obtaining product legality.
 - c. (W4, O8) Implement an MSME curation program to encourage MSMEs to become MSMEs with operational and product standards that are ready to have product and business certification and licensing
 - d. (W1, O8) Establish cooperation with microfinance institutions to provide funding for MSMEs with supervision and monitoring from the government through related agencies.
 - e. (W9, O7, O8) Increase the implementation of trainings and encourage MSME Associations and MSME actors to always develop and improve their businesses so that it will have a welfare impact on the surrounding environment.
 - f. (W4, O7, O8) Provide comprehensive counseling and mentoring to MSME Associations/Organizations and MSME actors.
 - g. (W7, W8, O2, O5) Establish a program to assist the marketing of MSME products both offline and online, both locally, regionally, nationally, and internationally (export).
 - h. This strategy is made to optimize the strengths to overcome the threats of MSMEs
 - i. (S1, S2, S3, T4) Improving infrastructure, especially roads and lighting to facilitate product mobility
 - j. (S1, T1, T8) Government participation in price control of both raw materials and selling prices in the Market
 - k. (S3, T6) Government policy to promote the purchase of local products to all people in Kabupaten X.
3. W-T strategy

This strategy is based on the weaknesses of MSMEs to avoid threats.

- a. (W3, T6, T7) Provide assistance or knowledge about technological production equipment to increase production capacity so as to reduce production costs.
- b. (T2, T3, W4, T11) Improve the quality of human resources in Kabupaten X by providing skills training in both soft and hard skills.
- c. (W8, T9) Provide and expand MSME centers to market MSME products
- d. (T3, W6) Providing teaching on entrepreneurship since high school and its equivalent.

2. Strategi Turn Around

The results of the above analysis can be formulated that the alternative strategy for developing MSMEs in Regency X is the Turn Around Strategy. The strategies implemented include:

- a. Identifying the internal problems of MSMEs in Regency X
- b. Providing training to MSME actors on how to manage businesses, non-cash payment systems, innovation and creativity in creating products, packaging, and branding, as well as online marketing
- c. Provide basic assistance or business knowledge to MSME players such as easy access to capital, technological production equipment, and assistance in accelerating the process of obtaining product legality
- d. Implementing MSME curation programs to encourage MSMEs to become MSMEs with operational and product standards that are ready to have product and business certifications and licenses
- e. Build cooperation with microfinance institutions to provide funding for MSMEs with supervision and monitoring from the government through relevant agencies
- f. Increasing the implementation of trainings and encouraging MSME Associations and MSME actors to always develop and improve their businesses so that it will have a welfare impact on the surrounding environment
- g. Provide comprehensive counseling and mentoring to MSME Associations/Organizations and MSME actors
- h. Establish a program to assist the marketing of MSME products both offline and online, both locally, regionally, nationally, and internationally

IV. CONCLUSION

Based on the data and information that has been processed and explained in the previous chapter, the following conclusions can be drawn:

1. Based on the SWOT matrix, it can be concluded from the IFAS and EFAS factors that:
 - a. MSMEs in Regency X have a strength score of 0.70 which consists of maintaining the stability of selling prices so that selling prices are always competitive, most of the products are environmentally friendly, durable products, so that they can reach market shares outside Regency X, the location of X is in a coastal area, so the potential for the main raw material in the form of fish is quite abundant and there is BPUM assistance from the Government, to increase capital during pandemic conditions, although not all MSMEs receive BPUM assistance.
 - b. In addition, MSMEs in Regency X also have weaknesses with a score of 1.36, including the need for capital for production and difficulties in obtaining loans with low interest, production equipment is still manual, so it is necessary to add technological production equipment to increase capacity, management is still carried out conventionally, does not yet have certification / permits for products, such as halal certification, BPOM, etc., lack of innovation and creativity in creating products, have not mastered online marketing, difficulty in marketing products, and because the business is still limited or has not developed so that it has not had a welfare impact on the surrounding environment.
 - c. Opportunities for MSMEs in Regency X have a score of 1.13 including changes in the lifestyle of the current community making the market share quite high, export of MSME products, good relationships with suppliers, sales of Indomaret Retail Products, product export opportunities abroad (Turkey), product curation programs from the government, the location of X is crossed by the main pantura route connecting Jakarta-Surabaya. Along the north coast of Java, there are many tourism sites, joining an association/organization of MSMEs, so that there is a medium for discussion related to product development, and there are counseling/business development support programs from related agencies, although not comprehensive to all MSMEs.
 - d. The threats faced by Kabupaten X MSMEs have a score of 1.29 include high production costs due to rising/high raw material prices and production equipment that is still manual, lack of labor interest in working in MSMEs compared to industries/factories, the quality of human resources that is not yet

qualified, inadequate road access and street lighting, the presence of diseases and pests for MSMEs based on agriculture, plantations, and fisheries, a pandemic that has an effect on decreasing people's purchasing power so that production capacity decreases, little profit is obtained because the selling price is fixed/competitive while the price of basic commodities rises, competition that causes price wars (prices become cheap/down), offline marketing such as bazaars, exhibitions and the like requires a lot of operational costs for transporting products, lodging, operations and others while the selling price must remain competitive in order to sell and is less suitable for coffee plantations.

2. From the quantitative model analysis, the highest W-O strategy value is obtained, namely 2.49 and the coordinate point of the SWOT analysis diagram shows in quadrant III, namely the Turn Around Strategy. The Turn Around strategy means that MSMEs in Regency X face enormous market opportunities, but on the other hand also face various internal constraints/weaknesses. The focus of the MSME development strategy in Kabupaten X is to minimize the internal problems of MSMEs so that they can seize better market opportunities. Thus, alternative strategies that can be carried out are:
 - a. Identify the internal problems of MSMEs in Kabupaten X,
 - b. Provide training to MSME actors on how to manage businesses, non-cash payment systems, innovation and creativity in creating products, packaging, and branding, as well as online marketing,
 - c. Provide basic assistance or business knowledge to MSME actors such as easy access to capital, technological production equipment, and assistance in accelerating the process of obtaining product legality,
 - d. Implement an MSME curation program to encourage MSMEs to become MSMEs with operational and product standards that are ready to have product and business certification and licensing,
 - e. Build cooperation with microfinance institutions to provide funding for MSMEs with supervision and monitoring from the government through relevant agencies,
 - f. Increase the implementation of trainings and encourage MSME Associations and MSME actors to always develop and improve their businesses so that they will have a welfare impact on the surrounding environment, provide comprehensive counseling and mentoring to MSME Associations/Organizations and MSME actors, and form programs to assist the marketing of MSME products both offline and online, both locally, regionally, nationally, and internationally (export).

The government of Kabupaten X in the RPJMD has given special attention to the development of MSMEs, where the policies taken have also been aligned with the policies of the East Java Provincial Government. The programs in question include the Priority Program of the Regional Head, the Direction of Development Policy, and the Work Program of the Cooperative and MSME Office of District X. These government policies can also be seen from the alignment of the RPJMD of District X for 2021-2026 with the RTRW of District X for 2020-2039.

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