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TABLE OF CONTENTS

TITLE AND AUTHOR	Pages
Implementation of Loan Accounting Treatment for New Members in CU. Canaga Antutn <i>Jaurino, Endang Kristiawati, Risal, Aris Setiawan, Sartono, Wilda Sari</i>	251 - 263
The Influence of Bid-Ask Spread, Market Value, Variance Return, and Stock Trading Volume on the Stock Holding Period on the SRI-KEHATI Index listed on the Indonesia Stock Exchange in 2018-2022 <i>Santi Paramita, Amelia</i>	264 - 278
The Effect of Earning Per Share, Price to Book Value, and Price Earning Ratio on the Share Price of PT. Express Transindo Utama Tbk <i>Adelia Dewi Irawan, Erna Herlinawati, Listri Herlina</i>	279 - 290
DEMATEL Method in Implementing Green Business Process Management (BPM) in Micro, Small and Medium Enterprises in Kendari City <i>La Ode Abdul Manan, Ridha, Imran</i>	291 - 301
Analysis of the Implementation of Good Corporate Governance (GCG) Principles to Improve Service Quality at Bumiputera Syariah Life Insurance Company <i>Indry_Anggraini Putri, Rahmi Syahriza, Tri Inda Fadhila Rahma</i>	302 - 319
Can Profitability Moderate the Impact of Green Investment, Corporate Social Responsibility, and Good Corporate Governance on Company Value on the SRI-KEHATI Index? <i>V. Santi Paramita, Ashma Ali</i>	320 - 338
The Effect of Service Quality and Excellence in Islamic Insurance Products on Community Preferences in Choosing an Islamic Insurance Company in Sikara Kara 1 Village, Natal Kab. Madina <i>Eka Lestari, Nurul Jannah, Juliana Nasution</i>	339 - 350

Implementation of Loan Accounting Treatment for New Members in CU. Canaga Antutn

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Abstract

Research entitled Analysis of Accounting Treatment of Member Loans in CU. Canaga Antutn, aims to build a model of the accounting treatment for recording savings formation with loans and remuneration for services provided. This can formulate systems and procedures for providing productive credit to establish control and increase the productivity of CU members. This research will benefit CU because they have an accounting treatment model and credit granting system to build controls that will become a reference for CU members. The method used in this research is a survey with a qualitative approach, conducted by interviews and observing the process of accounting treatment results that have been carried out. Then it is studied to provide a solution for CU Canaga Antutn by designing a model for CU loan accounting treatment. The results of this research show that CU. Canada Antutn does not carry out journal entries, either when disbursed funds are recorded as member loans or when the loan funds are recorded as savings. Non-performing loans, both Mangala loans and productive loans, based on CU management policy, Canaga Antutn, the level of smooth payments is still considered smooth, with a range between 70% - 80%, with a limit of 60% - 90%. Mangala Loans Smooth payment rates from 2019 to 2022: 66.88%, 65.62%, 72.60% and 70.62%. Productive loans 92.88%, 92.60%, 90.72% and 95.35%. The credit disbursement control system and non-performing loans information system are still weak, and there is no analysis of the age of receivables.

Keywords: Accounting Treatment, Member Loans, Non-Performing Loans

How to Cite:

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1. Introduction

Financial institutions in Indonesia are experiencing very rapid growth, not only in the banking world but also in cooperatives, credit unions and other financial institutions, with a variety of products on offer. The growth of these financial institutions has an impact on competition in getting customers, which leads to a lack of compliance with the provisions or requirements for credit granting decisions and results in non-performing loans. Credit Union (CU) is a financial institution that takes the form of cooperation, one of which is in the economic sector and continues to develop in various fields with the same vision and mission, namely achieving a better life (Vuspitasari et al., 2019). The presence of a Credit Union (CU) has an impact on improving the economy of its members through the role of Credit Union members in creating savings for their retirement. In addition to saving, members can also borrow to meet their needs. According to (Septyarini & Maharani, 2019), CU activities and programs are oriented toward members' progress, independence, and welfare by becoming financial consultants, providing good financial management education, skills training to increase family income, and providing fair savings and loan facilities.

Basically, the purpose of establishing a credit union is to guide and develop a thrifty attitude among its members, so that efficiency and effectiveness of the business are achieved by saving people can provide decent, precise, fast, and targeted loans, because when a group of people can save and save together, the capital collected together can be directly used to provide loans to other members; educate members in using money wisely to prevent unintentional carelessness.

The principles of credit union governance are upheld on the basis of a philosophy of mutual cooperation and central values, namely equality, justice, and self-sufficiency. By realizing the various practices of implementing the CU philosophy throughout the world, in the conscience of these principles is the concept of human development and brotherhood between humans which is reflected in people working together to achieve a better life for themselves and their communities (Puskopditbag, 2014).

Research on credit unions has been carried out from various researchers' perspectives. In research carried out by (Hasibuan & Purba, 2019) found that member savings and loans have a significant influence on the remaining business results at CU Maju Bersama. Research (Beni, 2021) states that raising the dignity of the people who are members of the Credit Union is carried out through continuous empowerment activities, namely: Prospective Member Education, Basic Education, Credit Education, Advanced Education, Member Productive Business Assistance, Member Group Assistance, Solidarity Dues, Annual Member Meetings, Core Group/Potential Members and collectors. Credit unions exist to make people more independent and empowered (Kusumajati et al., 2022).

The loans offered by CU vary according to the basic needs of human life, from birth, school, opening a business, buying a vehicle, building a house, getting married, becoming parents, starting a large family, retirement and death. This also happens to CU. Canaga Antutn, where the concept of development is the concept of Farmer's Philosophy. This is a paradigm that prioritizes the principles of equality and justice, thereby rejecting all forms of exploitation by strong groups against those who are weak. This concept combines the practices of CU in general, with the local wisdom of farmers and especially Dayak farmers.

CU. Canaga Antutn provides various types of savings and loans, the types of credit offered to members are as follows:

1. Loans to fulfill basic needs, in the form of Ensabakng Loans, Panyarantak Loans, Botakng Loans, Parawu Loans, Sosak Loans.
2. Loans for sustainability, in the form of Mangala Loans, Palalo Loans, Tabulitn Loans, Para Loans, Kail Loans.
3. Loans for social/solidarity needs, in the form of Kopal Buakng loans.
4. Loans for spiritual needs, in the form of Tantomas Loans and Bahiang Batibar Loans.

Of the various loan products, the one that attracts attention is the loan for sustainable needs, namely the Mangala Loan. This loan is a superior loan and is given to people to become members and create member savings with increasing balances. This savings is not through cash deposits but rather through loans that are not taken out by the borrower (potential member). The maximum repayment period is 60 months, CU members through Mangala loans have the obligation to pay the loan principal and interest installments.

The problem with the Mangala loan is that an accounting recording model is needed starting from the treatment of the size of the loan, the amount of installments and interest, remuneration for services which so far have not been recorded according to generally accepted accounting principles. The following is the number of credit distributions, Mangala Loans and non-performing loans to CU. Canaga Antutn, from 2019-2022.

Table 1. Manggala Loans and Non-Performing Loans

Year	Loan Amount (Rp)	Non-Performing Loans (IDR)
2019	7.402.159.500	2.451.423.400
2020	7.356.802.230	2.529.468.100
2021	7.345.409.900	2.012.438.415
2022	7.450.350.800	2.215.455.250

Source : CU. Canaga Antutn, 2022

CU. Canaga Antutn also distributes productive loans with the aim of increasing member productivity which ultimately increases member welfare. CU. Canaga Antutn has responsibility for controlling and guiding productive loans so that the loan allocation meets members' productivity targets. The problem faced is that non-performing loans from productive loans are still high and whether productive loans have encouraged member productivity in business. The following is the amount of productive loan distribution and non-performing loans in 2019 – 2022:

Table 2 Productive Loans and Non-Performing Loans

Year	Productive Loans (IDR)	Non-Performing Loans (IDR)
2019	1.350.188.600	95.979.500
2020	983.730.100	72.805.100
2021	925.118.200	85.872.500
2022	1.369.828.600	63.864.100

Source: CU.Canaga Antutn

Based on preliminary observations, many productive loans distributed to members are misused by members, for example to buy a two-wheeled vehicle, which is consumptive in nature. On the other hand, comprehensively in credit distribution, it is suspected that there is still a lack of

compliance in the implementation of the systems and procedures for providing credit that have been developed, this is indicated by the still high level of non-performing loans.

Based on the matters above, it is necessary to create a recording model in accounting treatment that can make it easier for CU to record mangala loans. CU Canaga Antutn is unique in its mangala lending process, namely that people who apply for mangala loans are required to become members and must open savings not through cash deposits but through loans. Apart from that, with the high level of non-performing loans from productive loans, are the productive loans disbursed able to increase productivity. Lack of compliance with the systems and procedures established in credit distribution also contributes to the formation of non-performing loans.

2. Literature Review

2.1 Pervasive Concepts and Principles

According to (Taswan, 2019) According to (Taswan, 2019) Accounting is defined as an art, science, information system which involves recording, classifying and summarizing appropriately and in monetary units for transactions and events which at least partly have a financial nature as well as interpreting the results of the recording and presentation in financial reports.

Meanwhile (Sujarweni, 2019) states that accounting is a process of transactions that are proven by invoices, then from the transactions a journal, ledger, work balance, then information will be produced in the form of financial reports that are used by certain parties. Financial statements are the final product of a series of processes for recording and summarizing business transaction data (Hery, 2019). The purpose of financial statements is to provide information regarding the financial position, performance and changes in the financial position of an entity that is useful for a large number of users in making economic decisions. (Hutauruk, 2019). Users include resource providers to entities, such as creditors and investors. In fulfilling its objectives, financial reports also show management's accountability for the resources entrusted to it. Therefore, it is necessary to treat the recognition, measurement, recording and presentation of economic transactions.

2.2 Definition of System

A system is defined as a set of components that are coordinated to achieve a set of goals. A system has three characteristics, namely: 1) a component, or something that can be seen, heard, or felt; 2) processes, namely activities to coordinate the components involved in a system; and 3) objectives, namely the final targets to be achieved from the component coordination activities (Krismiaji, 2020).

2.3 Definition of Cooperative

A cooperative is a business entity that is based on the principle of kinship (Jumaidi, 2021). According to Law Number 25 of 1992, a cooperative is defined as a business entity consisting of individuals or cooperative legal entities that bases its activities on cooperative principles as well as being a people's economic movement based on the principle of kinship.

Cooperative business is a business that is directly related to the interests of members, improving business and members' welfare (Peraturan Pemerintah Republik Indonesia Nomor 07 Tahun

2021). Things that must be considered in a cooperative business at least include:

1. Member needs and cooperative capacity.
2. Prioritizing providing the best service to members to encourage increased member loyalty.
3. Good business governance practices to build professionalism and member trust.
4. Inter-cooperative cooperation.
5. Cooperation between cooperatives and/or cooperatives with other business entities.
6. The standards and norms in the law are clearly explained in the roles and functions of Indonesian cooperatives, such as:
7. A tool to build and develop the economic potential and abilities of members in particular and society in general to improve their economic and social welfare.
8. A tool to enhance human life and society.
9. A tool to strengthen the people's economy as the basis for the strength and resilience of the national economy.
10. A tool to realize and develop a national economy which is a joint effort based on the principles of kinship and economic democracy.

2.4 Definition of Credit Union (CU)

A credit union is a group of people who have agreed to save their money together. Then the money is lent among themselves with low interest, for productive purposes and prosperity. CU is a single purpose business with a savings and loan business as its core (Munaldus, 2020). Thus, the loan will benefit members. According to Munaldus (2020) CU is a financial cooperative that is run democratically and shares profits, offering various savings products and low interest loans to its members.

2.5 Purpose of Credit Unions

Credit Unions were established for three purposes, namely:

1. Guiding and developing an economical attitude among its members so that business efficiency and effectiveness is achieved.
2. Providing loans that are appropriate, targeted and helpful.
3. Educate members in using money wisely, money is a concept and a means, not an end.

Credit unions also have the aim of strengthening mutual solidarity, empowering and strengthening prosperity among their members in accordance with the CU principles of members, by members and for members (Pagiu & Pundissing, 2020). There are principles that must be implemented in savings and loans at a credit union, namely:

1. Savings are only obtained from members (self-help principle).
2. Loans are only given to members (the principle of, by and for members).
3. The best collateral for a loan is the borrower's own "character" (the principle of loyalty to friends and brotherhood).

2.6 Definition of credit

The term credit comes from Latin, namely *credo*, which means I believe, or I put my trust. The word *credo* comes from a combination of the Sanskrit word *cred*, which means trust, and the Latin word *do*, which means I put or in simple language, trust in the truth in daily practice.

Published by:

According to (Kasmir, 2016) credit is a provision or claim equivalent to money based on an agreement or agreement between the lender and the customer, which requires the customer to pay back after a certain period of time with additional interest.

Credit is the provision of money or bills that can be equivalent to it, based on an agreement or loan agreement between BUK and another party which requires the borrower to pay off the debt after a certain period of time with interest payments. (Peraturan Bank Indonesia Nomor 23/2/PBI/2021).

3. Research Method

This research uses a qualitative approach. In qualitative research, we do not start data collection with pre-made instruments to measure variables, but we learn from participants and develop a form called a protocol to record data during the research (Ghozali, 2016). The method used is a qualitative descriptive method, namely describing and explaining existing problems systematically based on existing facts, then analyzing the data on the research object in accordance with the research objectives.

The data collection techniques used are observation, interviews, and documentation. The data analysis techniques used are Financial Accounting Standards, flowchart analysis, and success analysis consisting of:

1. Measuring productivity from a management point of view
 - a) Calculation of the percentage of non-performing productivity loans:

$$Productivity = \frac{\text{Productive Loans Default}}{\text{Productive Loans}} \times 100\%$$

- b) Calculation of the current loan percentage = 100% - % non-performing
Productive loan management policies are still considered smooth if the repayment level of borrower members is between 70% - 80%. per year, with a limit of 60% - 69%.
2. Measurement of productivity from the perspective of a borrower member

Productivity = Installment Total - Loan Principal

A business loan is said to be productive if the member can complete the loan within the specified time and the business is still running with increasing assets.

4. Findings and Discussions

Canaga Antutn Credit Union aims to help the community improve their welfare through loans. The organizational structure of CU.Canaga Antutn shows a separation of functions and authority, which consists of management elements: advisors, administrators, supervisors. Meanwhile, management elements: Head of Organization, Head of Business, Head of HRD and Personnel, Head of Finance and Credit, Head of Technology and Information. The credit policy regulated and determined by CU.Canaga Antutun is, Does not give members an automatic right to get credit, Tries to help every member so that their credit can be useful, Every credit given is in accordance with the specified regulatory requirements, Does not differentiate between credit applicants based on status, religion and gender, and does not provide credit to members with business objectives that can damage the environment and society.

Mangala Loans

Manggala loans aims to increase members' savings balances with an interest rate of 18%, a maximum repayment period of 5 years and a maximum of 12 months. Cash repayment before a maximum period of 12 months is subject to a final payment of 5% of the initial credit balance.

Loan Principal Installment Calculation and Mangala Loan Services

Every prospective borrower is required to become a member, by opening a savings account. Savings are opened not with cash deposits, but through loans called Mangala loans. Management policy regarding mangala loans for the first time prospective borrowers can borrow IDR 3,000,000 to IDR 5,000,000. Table 1 is an example of calculating the remuneration and installments for a Mangala loan from a loan value of IDR 5,000,000 and a loan period of 1 year, the loan interest rate according to the provisions for calculating Mangala credit remuneration is 18%.

Table 3. Mangala Loan Calculation

Month to	Date	Loan Principal	Loan Principal Installments	Return on Loan Services (18%pa)	Principal and Interest Installments
0	01/01/2022	5.000.000			
1	10/02/2022	4.583.300	416.700	75.000	491.700
2	10/03/2022	4.166.600	416.700	68.800	485.500
3	10/04/2022	3.749.900	416.700	62.500	479.200
4	10/05/2022	3.333.200	416.700	56.300	473.300
5	10/06/2022	2.916.500	416.700	50.000	460.500
6	10/07/2022	2.499.800	416.700	43.800	460.500
7	10/08/2022	2.083.100	416.700	37.500	454.200
8	10/09/2022	1.666.400	416.700	31.300	448.000
9	10/10/2022	1.249.700	416.700	25.000	441.700
10	10/11/2022	833.000	416.700	18.800	435.500
11	10/12/2022	416.300	416.700	12.500	429.200
12	10/01/2023	-	416.300	6.300	423.000
Total interest paid				487.800	

Source: CU. Canaga Antutn

• Mangala loan interest calculation per month:

$$\frac{\text{Loan balance} \times 18\%}{12} = \text{Mandala loan interest}$$

Example: Calculation of interest on a Manggala loan

1. Mangala loan IDR 5,000,000, then the calculation for the 1st month is:

$$\frac{(\text{Rp } 5.000.000) \times 18\%}{12} = \text{Rp } 75.000$$

2. Calculation of 2nd month loan interest:

$$\frac{(\text{Rp } 5.000.000 - \text{Rp } 416.700)}{12} \times 18\% = \text{Rp } 75.000$$

Calculation of savings balances and mangala savings services

After the Mangala Canaga Antutn credit is approved, the admin section transfers the loan value to the Mangala Savings account belonging to the member concerned. Calculation of savings services (interest) and member savings balances from Manggala loans, with a savings service of 12%. Management policy regarding the calculation of savings services is to round up.

Table 4. Mangala Savings Development

Month	Savings	Interest (12%pa)	Savings Balance
0	5,000,000		5,000,000
1		50.000	5,050,000
2		50,500	5,100,500
3		51,000	5,151,500
4		51,500	5,203,000
5		52,000	5,255,000
6		52,600	5,307,600
7		53,000	5,361,000
8		53,600	5,414,600
9		54,200	5,468,800
10		54,700	5,523,500
11		55,300	5,578,800
12		55,800	5,634,600
Remuneration per year		634,200	

Source: CU. Canaga Antutn (data diolah)

• Calculation of services (interest) on Mangala savings per month:

$$\frac{(\text{Savings Balance}) \times (\text{number of days to settle}) \times 12 \%}{360 \text{ hari}} = \text{Mangala loan interest}$$

Example: Calculation of interest on a Manggala loan

1. Mangala's savings are IDR 5,000,000,- so the calculation of interest on savings for the 1st month is:

$$\frac{(\text{Rp. } 5.000.000,-) \times 30 \times 12 \%}{360} = \text{Rp. } 50.000$$

2. Calculation of 2nd month savings interest

$$\frac{(\text{Rp. } 5.050.000 \times 30) \times 12\%}{360} = \text{Rp. } 50.500$$

If we take into account the excess of compensation for mangala loan services with compensation for mangala savings, if within one year there are no withdrawals by members and there are no payment arrears, then more benefits will be obtained for members. The amount of profit obtained by members from the accumulative value of savings services received in return for mangala loans for one year, is IDR 146,400., (IDR 634,200 – IDR 487,800), provided that members pay loan installments regularly every month, according to the amount of the installments agreed upon in the agreement.

Accounting Treatment of Mangala loans

Accounting Standards applied to CU. Canaga Antutn uses the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), issued by the Indonesian Accounting Association Financial Accounting Standards Board (DSAK IAI) in 2021, as a basis for preparing financial statements. Accounting treatment of transactions related to lending to collection and accounting treatment of defaulted credit. The discussion regarding the accounting treatment of loan provision is divided into several stages, as follows.

Accounting treatment at the time of Mangala Loan Disbursement by members

When a member of the CU. Canaga Antutn has been approved for Mangala's proposed loan, then CU. Canaga Antutn will deposit the approved loan funds into the member's account, namely antutn mangala savings, as a form of disbursement for approved mangala credit applications. Mangala credit disbursement by transfer to the relevant customer's Mangala account is recorded as follows:

Table 5. Recording of Mangala Credit Disbursement to Mangala Savings

General ledger				
Date	Description	Account Code	Debit	Credit
Jan 1, 2023	Member		IDR 5.000.000	
	Receivables			
	Mangala Savings			IDR 5.000.000

Source: CU. Canaga Antutn (processed data)

Accounting treatment at the time of monthly installment payments

Starting from the following month, members as Mangala credit borrowers make regular credit installment payments every month, namely amounting to the principal installment plus loan service remuneration. The accounting treatment for the installment receipts is recorded in the books as follows:

Table 6. Recording of Installment Payments and Mangala Loan Remuneration

General ledger

Date	Description	Account Code	Debit	Credit
Feb 10, 2022	Cash		IDR 491.700	
	Member Receivables			IDR 416.700
	Remuneration income			IDR 75.000

Source: CU. Canaga Antutn (processed data)

Table 7. Recording of Mangala Savings Interest

General ledger

Date	Description	Account Code	Debit	Credit
Jan 1, 2023	Interest expense		IDR 50.000	
	Mangala savings			IDR 50.000

Source: CU. Canaga Antutn (processed data)

Calculation of default/arrears/non-performing loans on Mangala Loans

Non-performing loans is a delay in credit payments by members who borrow, for various reasons, including not having enough money. CU. Canaga Antutn has a policy relating to defaulting credit, that Mangala loans are still considered to have current payments, if the borrower member's repayment level is between 70% - 80%. per year, with a limit of 60% - 69%.

Table 8. Mangala Loan Balance and Arrears

Year	Mangala Loan Amount (IDR)	Mangala Loans Default (IDR)	Mangala Loans Default (%)	Current Mangala Loans (%)
2019	7.402.159.500	2.451.423.400	33,12	66,88
2020	7.356.802.230	2.529.468.100	34,38	65,62
2021	7.345.409.900	2.012.438.415	27,40	72,60
2022	7.450.350.800	2.215.455.250	29,27	70,62

Source: CU. Canaga Antutn

- Calculation of the Percentage of Non-Performing Loans:

$$\frac{\text{Non-Performing Loans}}{\text{Mangala Loans}} \times 100\% = \frac{\text{Rp 2.451.423.400}}{\text{Rp 7.402.159.500}} \times 100\% = 33,12\%$$

- Calculation of Current Loan Percentage = $100\% - 33\% = 66,88\%$

Based on table 6, in 2019 and 2020, the level of smooth payment of Mangala loan members was at the threshold level, namely 66.88% and 65.62% respectively, which needs attention from management in controlling collections to Mangala loan members. Meanwhile, in 2021 the smooth payment rate of 72.60% is still in accordance with the policies determined by CU.Canaga Antuttn.

If there is a credit arrears, in the first month, then CU. Canaga Antutn will provide guidance and warnings regarding the provisions for arrears and the impact on membership status. If by the second maturity date you still haven't paid your loan installments, then the CU will recall the member who failed to pay, provide guidance and warnings as well as providing the opportunity to pay the outstanding installments before the due date of the following month, informing that if the third installment is due, the person concerned will be asked to disburse the funds they are entitled to and sign a statement of resignation as a CU member. Canaga Antutn. If this happens, then CU. Canaga will make withdrawals from the principal savings, mandatory savings, daily savings and Mangala Savings of the member concerned to pay the arrears on the loan principal to which he is entitled.

Analysis of the internal control system for kail credit (productive)

CU Canaga Antutn's internal control system related to the provision of Kail (productive) credit can be evaluated from organizational structure, parts involved, job descriptions for each part, and the credit management system implemented. The system for providing Kail (productive) credit at CU Canaga Antutn is as follows:

1. Organizational structure
 - a. Already have an adequate organizational structure.
 - b. There is a separation between the credit function and the financial/savings management function
 - c. There is a separation between the credit and accounting functions.
 - d. There is a separation between the financial and accounting functions.
 - e. The credit department handles credit applications, checking supporting documents, interviews and 5C fulfillment.
2. Authorization systems and recording procedures
 - a. Every business activity is authorized by competent authorities.
 - b. Credit approval has been determined by an authorized official to authorize it.
 - c. Approval of Actions for default credits must be authorized by the competent authority.
 - d. Tiered authority for different types and/or loan amounts.
 - e. Recording of cash disbursements from lending is carried out by the accounting department every time a business transaction occurs.
 - f. Recording of write-offs of receivables is carried out after obtaining approval from the management board.
 - g. Before recording, the accounting department checks the correctness and validity of the loan amount given.
3. Healthy Practices
 - a. Cash disbursements are made on the basis of the credit agreement document and its attachments.

- b. Before disbursing cash, first match the cash out receipt and the credit agreement letter and its attachments.
 - c. At each stage of granting credit to members, first check the suitability of the credit document and the attachments.
4. Competent Employees
 - a. Placement of employees according to their field of expertise .
 - b. Education and training have been carried out to improve employee competency.
 - c. Position rotation is rarely carried out.

Factors Causing Non-Performing Loans

Various factors cause problem loans that can affect the smooth collectability and productivity of credit payments. The following are the causal factors that can be identified in credit distribution to CU Canaga Antutn:

1. Internal factors that cause non-performing loans are:
 - a. Expansive credit policy,
 - b. Deviating from the implementation of credit procedures,
 - c. Lack of good faith from owners, managers or employees,
 - d. Weak credit information system.
2. Meanwhile, external factors that cause non-performing loans are:
 - a. Debtor's business failure,
 - b. Debtors are taking advantage of an unhealthy competitive climate for CU, as well as declining economic activity and high credit interest rates.

5. Conclusion

Canaga Antutn Credit Union aims to help the community improve their welfare through loans. Manggala loans aims to increase members' savings balances with an interest rate of 18%, a maximum repayment period of 5 years and a maximum of 12 months. Every prospective borrower is required to become a member, by opening a savings account. Management policy regarding manggala loans for the first time prospective borrowers can borrow IDR 3,000,000 to IDR 5,000,000. If we take into account the excess of compensation for manggala loan services with compensation for manggala savings, if within one year there are no withdrawals by members and there are no payment arrears, then more benefits will be obtained for members. The amount of profit obtained by members from the accumulative value of savings services received in return for manggala loans for one year, is IDR 146,400., (IDR 634,200 – IDR 487,800), provided that members pay loan installments regularly every month, according to the amount of the installments agreed upon in the agreement.

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The Influence of Bid-Ask Spread, Market Value, Variance Return, and Stock Trading Volume on the Stock Holding Period on the SRI-KEHATI Index listed on the Indonesia Stock Exchange in 2018-2022

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Abstract

The increasing awareness of society to play a role in preserving the environment has encouraged more and more investors to choose environmentally friendly stocks. One of the environmentally friendly stock indexes in Indonesia is the SRI-KEHATI Index. This research aims to determine the factors that influence the holding period of SRI-KEHATI Index stocks. Thus, this research examines the influence of bid-ask spread, market value, return variance, and stock trading volume on the stock holding period. The research focuses on the SRI-KEHATI Index listed on the Indonesia Stock Exchange in 2018-2022. The research uses quantitative methods with descriptive and associative approaches. The population in this study was 41 companies. Sampling used a purposive sampling technique with a total sample of 13 companies so 65 observation data were obtained. The data analysis technique uses panel data regression analysis. Partial test results show that the bid-ask spread and return variance do not affect the stock holding period. Market value and stock trading volume positively affect the stock holding period. Simultaneous testing shows that bid-ask-spread, market value, return variance, and stock trading volume impact the stock holding period.

Keywords: Stock Holding Period, Bid-Ask Spread, Market Value, Variance Return, Stock Trading Volume

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1. Introduction

Investment activities can support environmental sustainability and social responsibility in an approach called sustainable investment or ESG Investing (Mobius, 2019). Sustainable investing is an investment approach that evaluates environmental, social, and governance aspects when allocating funds to companies. This type of investment considers the company's financial performance and pays attention to the impact on stakeholders and how it protects the surrounding environment in its business operations.

Investors who work based on ESG factors are generally more active in influencing company policies and practices (Van Loo, 2023). Applying ESG in business activities can increase investors' interest in investing. This is because ESG principles seek to mitigate various financial performance risks and make sustainable investment attractive for potential investors (Whitelock, 2015).

According to a separate examination by NASA and the National Oceanic and Atmospheric Administration (NOAA), Earth's average surface temperature in 2018 was the fourth highest since 1880. According to experts at NASA's Goddard Institute for Space Studies (GISS) in New York, global temperatures in 2018 were 1.5 degrees Fahrenheit (0.83 degrees Celsius) higher than the average temperature recorded between 1951 and 1980. Global temperatures in 2018 were lower than those recorded in 2016, 2017, and 2015. The past five years have been the warmest regarding contemporary temperatures (NASA.govnews).

In response to the problem of global warming, the Indonesian government has prioritized initiatives to promote environmentally friendly investments and sustainable projects to address climate change and ensure long-term environmental stability. In addition, investors are increasingly drawn to companies that prioritize environmental, social, and governance (ESG) factors, driven mainly by heightened awareness of the consequences of global warming. Presently, investors are becoming more cognizant of the fact that environmental, social, and governance (ESG) factors have substantial ramifications for the value of an investment over the long run. ESG-focused investments may mitigate climate change risks and actively contribute to sustainability. Investors aim to promote firms that actively tackle global concerns like global warming by prioritizing ethical business practices. This approach creates a financially viable portfolio and supports sustainable development.

The development of ESG standards in Indonesia commenced in 2009 with the introduction of the SRI-KEHATI index. In addition to SRI-KEHATI, the Indonesia Stock Exchange introduced three other ESG indices: the IDX ESG Leaders Index, the ESG Sector Leaders IDX KEHATI Index, and the ESG Quality 45 IDX KEHATI. The SRI-KEHATI index serves as a benchmark for evaluating the effectiveness of ESG-focused stock indexes. SRI-KEHATI is the top-ranked green investment index in ASEAN and the second-ranked index in Asia, as determined by Exchange and Sustainable Investment statistics. Since its initial publication, this index has demonstrated exceptional performance and growth. These findings indicate that investors react favorably toward stocks listed on the SRI-KEHATI Index.

Investors want significant returns and strive to reduce risks while making investments. To maximize their profits, investors must possess the expertise to determine the opportune moments to sell, buy, release, and hold onto the stocks they own. However, most investors need help when trying to determine the optimal timeframe for keeping their stocks in order to

optimize their gains. The period of stock ownership, often known as the holding period, is an essential consideration for investors in their decision-making process (Singh & Singh, 2018). Several factors can influence the holding period, such as bid-ask spread, market value, variance return, and stock trading volume.

The stock trading transaction process or system generates a disparity between the bid price and the asking price of stocks, known as the bid-ask spread. Investors must pay more significant expenses to acquire stocks as the bid price increases. This, in turn, will cause the asking price to rise for investors who are selling stocks. Consequently, the bid-ask gap will widen. Investors tend to retain their stocks longer to minimize losses from transaction expenses when confronted with a wider bid-ask spread. According to the findings of prior studies (Susetyo & Niati, 2019; Rahayu & Saefullah, 2021; and Sirait & Yulianti, 2021), it has been shown that the bid-ask spread has a positive effect on the stock holding period. Research conducted by Ardana et al., (2018), Kurniawan et al., (2022), and Subaida (2019) indicates that the bid-ask spread does not affect the stock holding period.

Market value refers to the current price of a stock on the stock market, as established by participants in the market at a specific moment (Jogiyanto, 2017). Investors will select firms with substantial market capitalization since they believe these companies are more likely to possess financial stability. Having stable finances will undoubtedly ensure that investors receive certain earnings as dividends. The duration of an investor's stock ownership is directly proportional to the market value of a firm. Previous studies conducted by Ardana et al. (2018), A. Rahayu et al. (2022), and Susetyo & Niati (2019) stated that market value positively affects the stock holding period. Meanwhile, Mahardika & Gama (2023) and Saputra et al., (2020) explain that market value does not affect the stock holding period.

Variance return is a metric used to approximate the degree of risk resulting from changes in stock prices. As the variation in returns increases, the risk associated with the stock also increases, leading investors to sell their stocks. Conversely, when the variance return is less, the level of stock risk becomes less significant, enticing investors to retain their stocks for a longer duration with the expectation of future returns. According to the findings of prior studies by Veridiana (2020), Susetyo & Niati (2019), and Mahardika & Gama (2023), variance return negatively affects the stock holding period. Meanwhile, Ningsih & Asandimitra, (2017) and Wijanarko (2018) found that variance return does not affect the stock holding period.

Stock trading volume refers to the mean quantity of stocks exchanged yearly. The trading volume activity (TVA) indicator can reveal the trading volume variable, which reflects stock trading activities (Wang et al., 2021). A corporation can be considered liquid if its trading volume grows. Investors are more likely to purchase stocks at a higher price when the trading volume is high since this signals active stocks trading on the stock exchange floor. According to Ardana et al. (2018) and Saputra et al. (2020), Stock trading volume positively affects the stock holding period of company stocks. Meanwhile, Subaida (2019) states that the stock trading volume does not affect the stock holding period.

2. Literature Review

2.1. Investment

Investment is a delay in using funds or assets at this time to gain profits in the future. Investment

activities often involve allocating funds to real assets, such as land, gold, machinery, or buildings, as well as financial assets, such as deposits, stocks, mutual funds, sukuk, or bonds.

Financial investment refers to investment in the money market or capital market (Jogiyanto, 2017). There are several types of instruments available in the capital market, but stocks are considered a type of instrument that is able to provide a high level of return on investment. Therefore, stocks are the most popular and common choice among investors Indonesian Stock Exchange. Stocks are documents that record proof of ownership of a company.

2.2. SRI-KEHATI Index

The stock index is a statistical measure that describes the overall stock movement of a group of stocks selected based on certain criteria and methodology and evaluated periodically. The SRI-KEHATI index is an index that measures the stock price performance of 25 listed companies that have high performance. both in encouraging sustainable businesses, as well as having awareness of the environment, social and good corporate governance or what is called Sustainable and Responsible Investment (SRI). The SRI-KEHATI Index was launched and managed in collaboration with the Indonesian Biodiversity Foundation (KEHATI Foundation).

Evaluation stocks of the SRI-KEHATI Index are carried out every six months, namely in May and November. The mechanism for selecting and reviewing issuers in the constituent list of the SRI-KEHATI stock index is carried out through three selection stages, including:

1. Selection of core business aspects. At this stage, KEHATI carries out negative selection, namely ensuring that the issuer does not move and has a core business in the following nine types of business: pesticides, nuclear, weapons, tobacco, alcohol, pornography, gambling, genetically modified organisms (GMO), and coal mining.
2. Financial aspect, where only issuers that have a market capitalization and total assets greater than IDR 1 trillion, a free float ratio greater than 10 percent, and a positive price earnings (PE) ratio, have the opportunity to pass to the next selection stage.
3. Fundamental aspects, at this stage the issuer in question will be assessed based on the six fundamental indicators in the SRI-KEHATI index, which include: corporate governance, environment, community involvement, business behavior, human resources and human rights.

2.3. Signaling Theory

Signaling Theory is a theory underlying an investment that informs the instructions that management wants to convey to external parties. The signals provided include information on management performance, company prospects and the company's financial condition. This is done by management so that external parties can find out what is happening within the company as a basis for making investment decisions Apriani et al. (2023).

2.4 Bid-Ask Spread

The bid-ask spread refers to the disparity between the maximum price buyers are willing to purchase and the minimum price sellers are willing to sell. The bid-ask spread represents the expenses associated with buying and selling stocks. Investors will often hold onto their stocks until a specific price is reached to make a profit and offset the costs incurred from trading stock. (Widiatmoko & Paramita, 2017). The bid-ask spread, a function of transaction costs, influences

investors' decision to hold a stock. Stocks that have a more extensive spread will produce a higher expected return. As a result, investors will hold stocks or have a more extended holding period (Veridiana, 2020).

Thus, the higher the difference between the highest buying price and the lowest selling price of a stock (bid-ask spread), the longer investors will hold the stock in the hope of making a profit in the future. Research conducted by Susetyo & Niati (2019), Sirait & Yulianti (2021), and Rahayu & Saefullah (2021) stated that bid-ask spread positively affects the holding period. Meanwhile, research conducted by Ardana et al. (2018) and Subaida (2019) stated that the bid-ask spread does not affect the holding period. Then, the hypothesis that will be proposed is that bid-ask spread positively impacts the holding period. In this study, in general, bid-ask spread can be calculated with the formula:

$$\text{spread}_{it} = \left[\sum_{t=1}^n \frac{\text{Ask}_{it} - \text{Bid}_{it}}{(\text{Ask}_{it} + \text{Bid}_{it})/2} \right] / N$$

2.5 Market Value

Market value refers to the stock price set by market participants on the stock market at a specific moment (Jogiyanto, 2017). The financial soundness of a corporation is shown by its substantial market value. Investors commonly perceive that giant corporations exhibit more financial stability, fewer risks, and the capacity to deliver reliable financial reports. The company's substantial market value will catalyze investors to retain their stocks longer (A. Rahayu et al., 2022).

Thus, a company's high market value reflects the company's financial health which will have an impact on the longer investors hold onto their stocks in the hope of gaining long-term profits. Research conducted by Ningsih & Asandimitra (2017), Kurniawan et al. (2022), and Ardana et al. (2018) stated that market value positively affects the holding period. Meanwhile, research by Saputra et al. (2020) stated that market value does not affect the holding period. Then, the hypothesis that will be proposed is that market value positively impacts the holding period. In this study, in general, market value can be calculated with the formula:

$$Mktvl = \sum_{t=1}^n \text{Closing price} \times \text{number of stocks outstanding}$$

2.6 Variance Return

Stock return variance is a risk phase that arises from investment activities, namely transactions that occur on the stock exchange due to fluctuations in stock prices (Wijanarko, 2018). Stock return variance shows the difference in actual stock returns compared to the expected return value. The higher the stock return variance indicates the higher the stock risk. High return variance can be interpreted as an indication of a high level of uncertainty or risk in the market. This level of uncertainty can be a signal that there is information or events that could affect the value of the asset or overall market conditions. Investors may take this level of uncertainty as a signal to be more careful in managing risk in their portfolios. This encourages investors to immediately sell their stocks so that the holding period for stocks becomes shorter. Thus, a high

return variance will have an impact on a shorter stock holding period (Stereńczak, 2022).

Research conducted by Apriani et al. (2023), Lubis et al. (2020), and Yunita et al. (2020) stated that variance return negatively affects the holding period. Meanwhile, research conducted by Ardana et al. (2018) and Subaida (2019) stated that variance return does not affect the holding period. Then, the hypothesis that will be proposed is that variance return hurts the holding period. In this study, in general, variance return can be calculated with the formula:

$$\sigma_t^2 = \sum_{t=1}^n \frac{(R_t - \bar{R}_t)^2}{n-1}$$

2.7 Stock Trading Volume

Stock trading volume indicates the number of stocks traded in a certain period (Dewi & Paramita, 2019). If the trading volume of a company's stocks increases, this shows that more investors are interested in transacting on these stocks so that the stocks become more liquid. This condition will encourage investors to hold stocks, so that the holding period for stocks becomes longer. On the other hand, if the trading volume of a company's stocks decreases, the company will become less liquid, investors will not like the stocks as much, and the stock's holding period will become shorter (Mutiasari & Paramita, 2016).

Thus, the greater the stock trading volume, the longer the stock holding period will be. Research conducted by El Fanani (2023), Ardana et al. (2018), and Saputra et al. (2020) stated that stock trading volume positively affects the holding period. Meanwhile, research conducted by Subaida (2019) stated that stock trading volume does not affect the holding period. Then, the hypothesis that will be proposed is that stock trading volume positively impacts the holding period. In this study, in general, stock trading volume can be calculated with the formula:

$$TVA = \frac{\text{Number of stocks traded}}{\text{Number of stocks outstanding}}$$

2.8 Stock Holding Period

When investors wish to engage in stock trading, they must make important considerations regarding investment decisions, especially in determining the period for how long stocks will be held. However, investors often face difficulties in determining how long they should hold stocks before reaching maximum profit. If an investor projects that stock prices will increase in the future, they tend to maintain stock ownership for a longer period of time, in the hope of achieving significant profits. Conversely, if the stock price prediction decreases, investors may choose to sell more quickly (Rahayu et al., 2022).

The period of stock ownership by an investor varies depending on the decisions they make. The decision to hold stocks should be considered taking into account the potential profits and risks involved. When investors expect high stock returns, the risks that may occur also become greater, and vice versa. The duration required by an investor to hold ownership of an issuer's stocks for a certain period or period is usually called the holding period (Widiastuti, 2019). In this study, in general, the stock holding period can be calculated with the formula:

$$\text{Holding Period} = \frac{\text{Number of stocks outstanding}}{\text{Transaction Volume}}$$

3. Research Method

This study uses a quantitative method with a descriptive and associative approach. The population used is companies listed on the SRI-KEHATI index for the 2018-2022 period. There are 41 firms included in the entire population of the SRI-KEHATI Index. The sample was determined using the purposive sampling approach, consisting of 13 companies. The research relies on secondary data sources from the Indonesian Stock Exchange (IDX) website, namely www.idx.com and the Yahoo finance websites. The data analysis technique uses panel data regression, classical assumption testing, and hypothesis testing. The regression equation of this study is as follows:

$$HP_{it} = \beta_0 + \beta_1 BAS_{it} + \beta_2 MV_{it} + \beta_3 VR_{it} + \beta_4 TVA_{it} + e_{it}$$

4. Results and Discussions

4.1 Selection of Panel Data Regression Estimation Model

In order to get the most accurate estimate, it is imperative to do the Chow, Hausman, and Lagrange multiplier tests. These tests assist in selecting the optimal panel data regression estimation model. The experiment was conducted utilizing the Eviews 12 program. The Chow and Hausman tests were conducted using the provided data to determine the optimal regression model.

4.1.1 Chow test

Chow test is carried out to determine which model is the best, the fixed effect model or the standard effect model.

Table 1, Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.411965	(12,48)	0.0000
Cross-section Chi-square	95.606112	12	0.0000

Source: data processing, 2023

Table 1 shows the results of the cross-section chi-square probability of $0,0000 < 0,05$ so that H_0 is rejected and H_a is accepted. That is, the best estimate is the fixed effect model.

4.1.2 Hausman test

The Hausman test is carried out to determine which model is the best between the fixed effect

model and the random effect model.

Table 2, Hausman Test Results

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.619163	4	0.0204

Source: data processing, 2023

Table 2 shows the results of the cross-section random probability of $0,0204 < 0,05$ so that H_0 is rejected and H_a is accepted. That is, the best estimate is the fixed effect model. So, there is no need to continue the Lagrange Multiplier test.

4.2 Estimation Results of Panel Data Regression Analysis

Table 3, Selected Estimation Test Results: Fixed effect model

Variable Dependent: Holding Period Saham					
Variable Independent	Coefficient	Std. Error	T-Statistic	Prob.	Prob/2
C	11.50229	5.187462	1.481636	0.1450	0.0725
BAS	6.631012	7.211496	0.919506	0.3624	0.1812
MV	2.560146	0.469379	5.465976	0.0000	0.0000
VR	-6.843912	7.782137	-0.947238	0.3483	0.1741
TVA	3.113559	0.402884	7.728185	0.0016	0.0008
R-Squared			0.568368		
Adjusted R-Squared			0.524491		
F-Statistic			19.79080		
Prob (F-Statistic)			0.000378		

Source: data processing, 2023

Based on Table 3, the research regression model equation is obtained as follows:

$$HP: 11,50229 + 6,631012BAS + 2,560146MV - 6,84391VR + 3,113559TVA$$

From the equation model, it shows that:

1. The constant value (α) is 11.50229. This shows that if all the independent variables, namely bid-ask spread, market value, variance return, and stock trading volume, are zero or equal to zero, the holding period will be constant at 11,50229 stocks.
2. The value of β_1 on BAS is 6,631012. This shows that every 1% increase in the bid-ask spread will increase the stock holding period by 6,631012 stocks.
3. The β_2 value for MV is 2,560146. This shows that with every increase in Rp. 1 in market value, the stock holding period will increase by 2,560146 stocks.
4. The value of β_3 in VR is -6,84391. This shows that every 1% increase in variance return

will reduce the stock holding period by 6,84391 stocks.

5. Variable β_4 stock trading volume This shows that for every one stock increase in stock trading volume, it will increase the stock holding period by 3,113559.
6. The probability value of the f test is 0,000378. This shows that the probability $< 0,05$. This means that H_0 is rejected and H_a is accepted, meaning that simultaneously, the bid-ask spread, market value, variance return, and stock trading volume affect the stock holding period.
7. The adjusted r-squared value is 0,524491; this shows that 52,44% contribute simultaneously or simultaneously from the variables bid-ask spread, market value, variance return, and stock trading volume to the stock holding period.

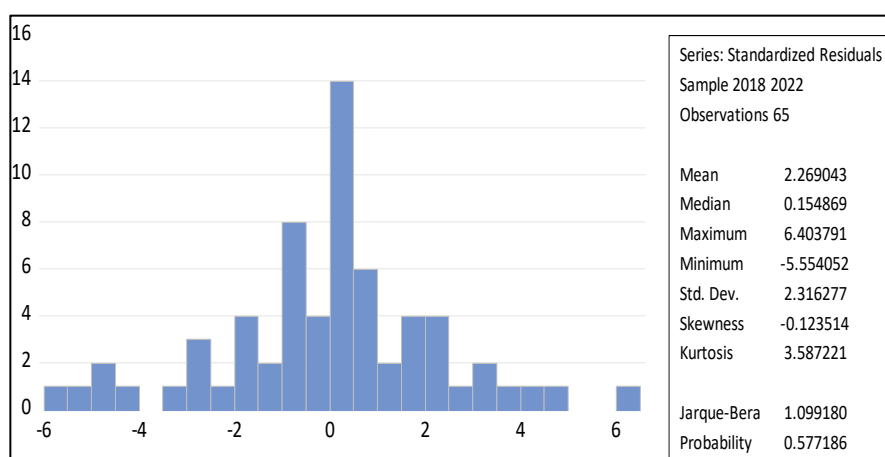
4.3 Classic Assumption Test

The classical assumption test is a requirement used for regression testing using the Ordinal Least Square (OLS) method. Analysis that is not based on OLS does not need to use classical assumption test requirements. In panel data regression, the common effect model and fixed effect model use OLS, while the random effect model uses generalized least squares (GLS). So whether there is a test of classical assumptions in panel data regression depends on the selected model estimation. In this research, the classical assumption test was carried out with the help of the Eviews 12 program, where the researcher tested the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

4.3.1 Normality Test

According to the data shown in Table 4, it can be inferred that the probability values obtained for bid-ask spread, market value, variance return, stock trading volume, and stock holding period are statistically significant, with values more than 0.05. Therefore, it can be concluded that the residual value is within the normal range. To further this research, achieving a statistically significant result that adheres to the premise of normalcy is necessary.

Table 4, Normality Test Results



Source: data processing, 2023

4.3.2 Multicollinearity Test

According to the data shown in Table 4, it can be inferred that the probability values obtained

for bid-ask spread, market value, variance return, stock trading volume, and stock holding period are statistically significant, with values more than 0.05. Therefore, it can be concluded that the residual value is within the normal range. To further this research, achieving a statistically significant result that adheres to the premise of normalcy is necessary.

Table 5, Multicollinearity Test Results

Variance Inflation Factors
Date: 11/27/23 Time: 19:44
Sample: 1 65
Included observations: 65

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.018765	5.302889	NA
BAS	0.247233	1.160251	1.413894
MV	0.117789	1.117808	1.927267
VR	0.061278	3.120099	1.748052
TVA	0.075861	2.006877	1.537667

Source: data processing, 2023

4.3.3 Heteroscedasticity Test

Based on the output table 6, it is evident that the prob. The chi-square Obs*R-squared value is 0.0733, which indicates that the value is more than 0.05. Based on the foundation of decision-making in the heteroscedasticity test, there are no indications of heteroscedasticity in the regression model.

Table 6, Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser

F-statistic	2.282911	Prob. F(4,56)	0.0717
Obs*R-squared	8.552374	Prob. Chi-Square(4)	0.0733
Scaled explained SS	8.589107	Prob. Chi-Square(4)	0.0722

Source: data processing, 2023

4.3.4 Autocorrelation Test

Based on the output table 7, it is evident that the Prob. Chi-Square Obs*R-squared value is 0.0775, which exceeds the threshold of 0.05. Based on the foundation of decision-making in the autocorrelation test, there are no indications of autocorrelation in the regression model.

Table 7, Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.970528	Prob. F(8,48)	0.0708
Obs*R-squared	15.08083	Prob. Chi-Square(8)	0.0775

Source: data processing, 2023

4.4 Discussions

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4.4.1 Effect of Bid-ask spread on Stock Holding period

According to the findings in Table 3, the bid-ask spread has a probability value of 0.3624, obtained by dividing the two outcomes by 0.1812. This value exceeds the significance threshold 0.05, indicating that the H_0 is accepted and the H_a is rejected. The bid-ask spread, defined as the disparity between the bid price (the highest price a buyer is willing to pay) and the asking price (the lowest price a seller is willing to accept) of a stock, does not impact the stock holding period. The company's growth prospects and long-term investment strategy to generate profits determine when investors maintain stock ownership or the holding period. It does not consider gains derived from the spread. The difference in the SRI-KEHATI index spread in this study shows no direct role in determining how long investors hold stocks. Factors such as company growth, economic conditions, and financial performance seem more dominant in determining the holding period of stocks in the SRI-KEHATI Index.

The findings of this study align with the studies conducted by Ardana et al. (2018) and Kurniawan et al. (2022), which assert that the bid-ask spread has no impact on the duration for which stocks are held. Nevertheless, these findings are in direct opposition to the studies conducted by Susetyo & Niati (2019) and Sirait & Yulianti (2021), which assert that the bid-ask spread benefits the duration of stock ownership.

4.4.2 Effect of Market value on Stock Holding period

According to the findings presented in Table 3, the market value has a probability value of 0.0000. This result is lower than the significance of 0.05, indicating that the H_0 is rejected and the H_a is accepted. Market value positively impacts the stock holding period, particularly for green equities like the SRI-KEHATI index. A high market value on the SRI-KEHATI index can provide a favorable impression in the market, particularly among investors, indicating that the firm has secure prospects and reduced risk. Additionally, companies with a high market value that is part of the SRI-KEHATI index can prove that they are successful at implementing market-recognized sustainable business practices. Long-term investors typically perceive market values as a gauge of a company's well-being and potential for future expansion. The stock holding period demonstrates that investors in the SRI-KEHATI index, which has a sizable market value, have confidence in the company's ability to respond to environmental and social challenges. Their effect will prolong stock ownership to uphold the company's sustainability objective.

The results of this study are consistent with those of Ardana et al. (2018) and Rahayu et al. (2022), which claim that the market value positively impacts the stock holding period. Nevertheless, these findings directly oppose the studies conducted by Mahardika & Gama (2023) and Saputra et al. (2020), which assert that the market value has no impact on the stock holding period.

4.4.3 Effect of Variance return on Stock Holding period

According to the findings in Table 3, the variance return has a probability value of 0.3483, which is obtained by dividing the two outcomes by 0.1741. This value is above the significance threshold of 0.05, meaning that H_0 is accepted and H_a is rejected. The stock holding period on the SRI-KEHATI index is not influenced by variance return, which is sometimes indicative of stock price volatility or fluctuation. Long-term trends influence the holding period on the SRI-

KEHATI Index. Investors pay more attention to fundamental factors and long-term company financial performance than short-term stock fluctuations. Variance returns are thought to be of more concern to short-term investors who are looking to profit from momentary price changes. Meanwhile, long-term investors generally prioritize fundamental factors. As a result, variance return is not the main determining factor in determining the holding period for investors with a long-term focus on the SRI-KEHATI Index.

This study's results align with those of Ningsih & Asandimitra (2017) and Wijanarko (2018), who claim that the market value does not affect the stock holding period. Nevertheless, these findings contradict the studies by Mahardika & Gama (2023) and Veridiana (2020), asserting that the volatility of returns negatively impacts the stock holding period.

4.4.4 Effect of Stock trading volume on Stock Holding period

According to the findings in Table 3, the probability value for the stock trading volume is 0.0016, obtained by dividing the two outcomes by 0.0008. This value is lower than the significance threshold of 0.05, meaning that H_0 is rejected and H_a is accepted. Stock trading volume has a positive impact on the stock holding period. The substantial magnitude of stock trading signifies investors' keen attention and vigorous involvement, demonstrating robust endorsement for equities prioritizing sustainable business practices. Investors who actively engage in stock trading on the SRI-KEHATI index have a specific interest in and concern for firms with an excellent environmental effect or a solid commitment to social responsibility. As the trading volume on the SRI-KEHATI index rises, market liquidity also grows, providing investors with more significant opportunities to purchase and sell stocks at fair prices. Investors seeking to maintain stocks for an extended period might get assurance from the substantial trading volume on the SRI-KEHATI index, as it indicates active trading and enhances portfolio liquidity. By actively participating in the market, individuals can have a greater sense of assurance about maintaining their ownership of stocks in the SRI-KEHATI index for an extended period.

The findings of this study align with the research conducted by Ardana et al. (2018) and Saputra et al. (2020), which assert a positive correlation between stock trading volume and the stock holding period. Nevertheless, these findings directly oppose the study by Subaida (2019), which asserts that the trading volume of stocks has no impact on the stock holding period.

4.4.5 Effect of Bid-ask spread, Market value, Variance return, Stock trading volume on Stock Holding period

The data in Table 3 shows that the bid-ask spread, market value, variance return, and stock trading volume variables all have a probability value of 0.000378 when considered together. If the value is below the significance level of 0.05, it suggests that H_0 is rejected and H_a is accepted. Therefore, it can be inferred that the bid-ask spread, market value, variance return, and stock trading volume impact the stock holding periods.

The test results presented in Table 3 indicate that the adjusted R-squared value is 0.524491, corresponding to 52.44%. This value represents the combined and simultaneous contribution of the variables bid-ask spread, market value, variance return, and stock trading volume to the stock holding period. The remaining 47.56% is attributed to other variables not addressed in this research.

5. Conclusion

The results of this research show that market value and stock trading volume have a positive effect on the holding period of SRI-KEHATI index stocks on the Indonesia Stock Exchange. However, the bid-ask spread and return variance are not able to influence the stock holding period. Simultaneously, the bid-ask spread, market value, return variance, and trading volume are able to influence the holding period of SRI-KEHATI index stocks listed on the Indonesia Stock Exchange.

Based on the results of this research, researchers recommend that investors who are interested in investing in the SRI-KEHATI index consider the stock holding period and its determinant factors, which consist of market value and stock trading volume. These two factors have been proven to have a positive impact on stock holding periods. The researcher suggests that future researchers consider replacing ineffective independent variables, such as the bid-ask spread and return variance. Future research can also add other determinant factors that have the potential to impact the stock holding period.

Future research can study the determinants of the holding period between environmentally friendly stock indices from various countries.

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The Effect of Earning Per Share, Price to Book Value, and Price Earning Ratio on the Share Price of PT. Express Transindo Utama Tbk

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Abstract

This study aims to analyze the effect of earnings per Share (EPS), Price to Book Value (PBV), and Price Earning Ratio (PER) on the share price of PT Express Transindo Utama Tbk listed on the Indonesia Stock Exchange during the period 2012-2022. PT Express Transindo Utama Tbk is one of the leading transportation companies in Indonesia and has shares traded on the stock exchange. This study uses historical data of EPS, PBV, PER, and stock price of PT Express Transindo Utama Tbk during the specified research period. These data were then analyzed using multiple linear regression methods to identify the relationships between these variables. However, the study also revealed that external factors such as stock market conditions, macroeconomic situation, and government policies can also affect the share price of PT Express Transindo Utama Tbk during the study period. Fluctuations in crude oil prices and the global COVID-19 pandemic are some examples of external factors that affected the company's share price during the study period.

Keywords: Financial statement analysis, Financial Ratio Analysis, Share Price, EPS, PBV, PER.

How to Cite:

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1. Introduction

In recent years, the stock market has become a major focus for investors and shareholders looking for profitable investment avenues. A company's share price that goes public or is listed on the stock exchange can change due to various things, such as financial performance. Thus, it is very important to understand the components that affect a company's stock price. One of the companies listed on the Indonesia Stock Exchange is PT Express Transindo Utama Tbk, known as "Express Transindo". As a subsidiary of Rajawali Corpora (Rajawali Group), PT Express Transindo Utama has operated in land transportation since 1989. Express Group receives strong support from the Rajawali Group, a regional investment company, including establishing the first private GSM provider (XL) and the first free-to-air television provider (RCTI).

Entering its thirty-third year, Express Group has recorded significant growth and remarkable achievements. With its resources, innovative business strategies, and technology applications, Express Group is one of the largest taxi operators in Indonesia. For more than twenty years, Express Group has become one of Indonesia's leading land transportation companies. Express Group commenced commercial operations in April 1989, and as one of the largest taxi operators in Indonesia, it provides taxi services and value-added transportation (VAT) services. With more than 8,000 licensed taxi fleets and more than 18,000 experienced drivers, it is ready to provide high-quality services to customers.

At this time, other land transportation companies in Indonesia compete with PT Express Transindo Utama Tbk, which also makes a fleet that functions like the fleet made by PT Express Transindo Utama Tbk. However, PT Express Transindo Utama Tbk faces obstacles due to the stock price, which continues to decline during business operations. The condition of the share price of PT Express Transindo Utama Tbk for the period 2012 to 2022 is shown in Figure 1

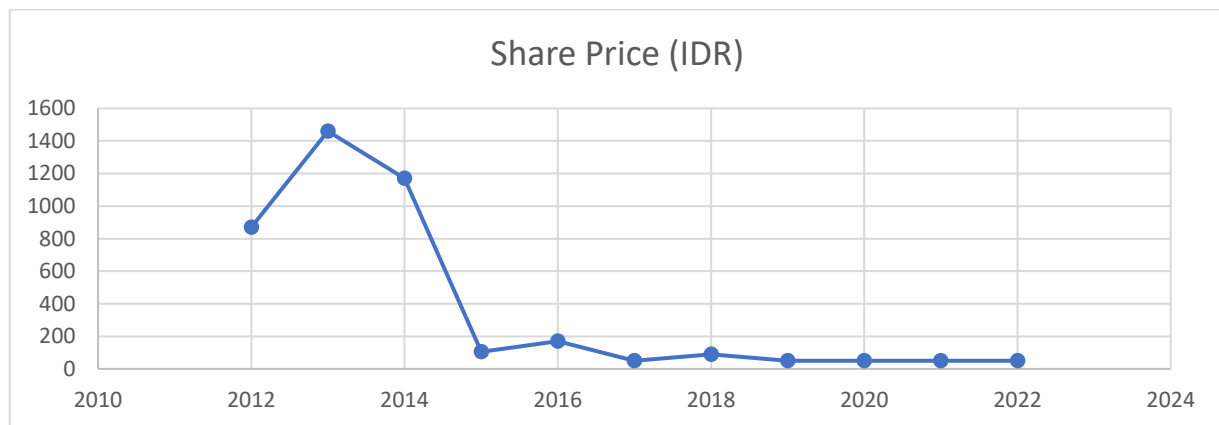


Figure 1. Share Price Chart of PT Express Transindo Utama Tbk for the period 2012 to 2022

Source: www.expressgroup.co.id (Data processed, 2023)

Based on Figure 1, PT Express Transindo Utama Tbk's share price during 2012-2022 experienced fluctuations and tended to decline. In 2015, there was a very drastic decline. Although there was an increase in 2016 to 170 rupiahs from 2019 until 2022, the movement was stagnant and even decreased to touch 50 rupiahs in 2022, which was the lowest achievement during 2012-2022.

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This indicates that the company is not performing well. The business will experience decreased profits or losses when the stock value declines. This will hinder business growth and reduce investment. A company's performance is represented by its stock price. In the short term, stock prices are highly volatile. As a result, the closing price is an appropriate reference for comparing and analyzing stock prices at the end of the period. According to Tandelilin (2017: 34) the price of a share in the capital market always differs from its nominal value from time to time trading.

Of the several factors that affect the stock price, three factors are thought to be the most dominant in influencing the stock price: Earnings Per Share (EPS) and Price to Book.

Value (PBV) and Price Earning Ratio (PER) shown in Figure 1.

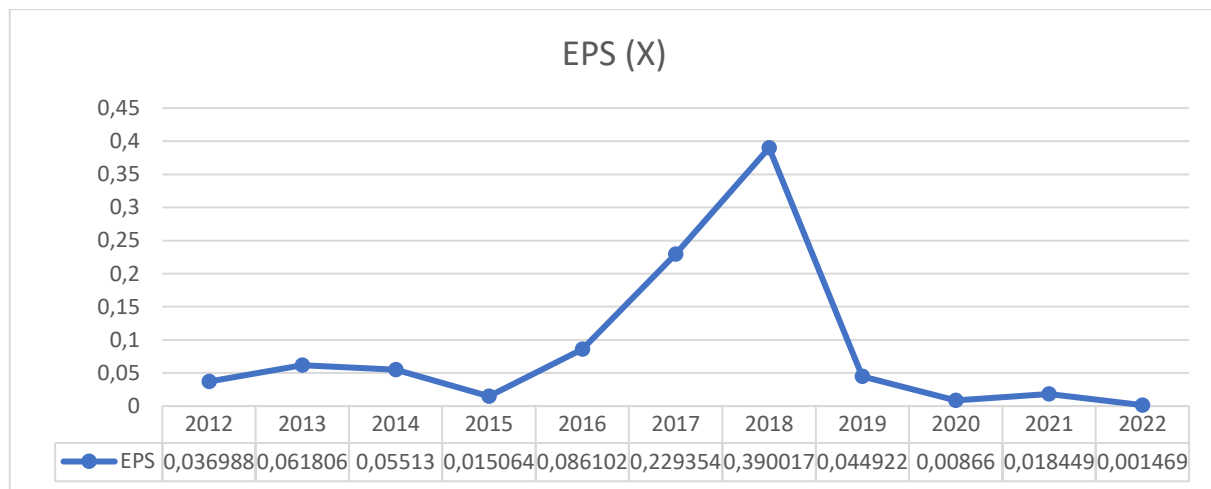


Figure 1. Graph of Earnings Per Share (EPS) Value at PT Express Transindo Utama Tbk for the period 2012 to 2022

Source: www.expressgroup.co.id (Data processed, 2023)

Based on Figure 1.2, it is known that earnings per Share (EPS) at PT Express Transindo Utama Tbk experiences fluctuations that tend to decrease. There was an increase in a period of 3 (three) years, namely 2016-2018, but it decreased again from 2019 to 2020. Although in 2021 there was a slight increase to 0.019 times or 1.9%, in 2022 it decreased again to 0.0015 or 1.5%. This condition is below the Earning Per Share (EPS) standard of 20%.

According to Gitman (2015: 130), earnings per Share (EPS) is the profit earned from each outstanding share. The higher the Earning Per Share (EPS) value, the more attractive it will be to investors and potential investors. The condition of Earning Per Share (EPS), which is below average, indicates that the company's EPS is not in good condition.

The second factor that affects the Stock Price is Price To Book Value (PBV) shown in Figure 3

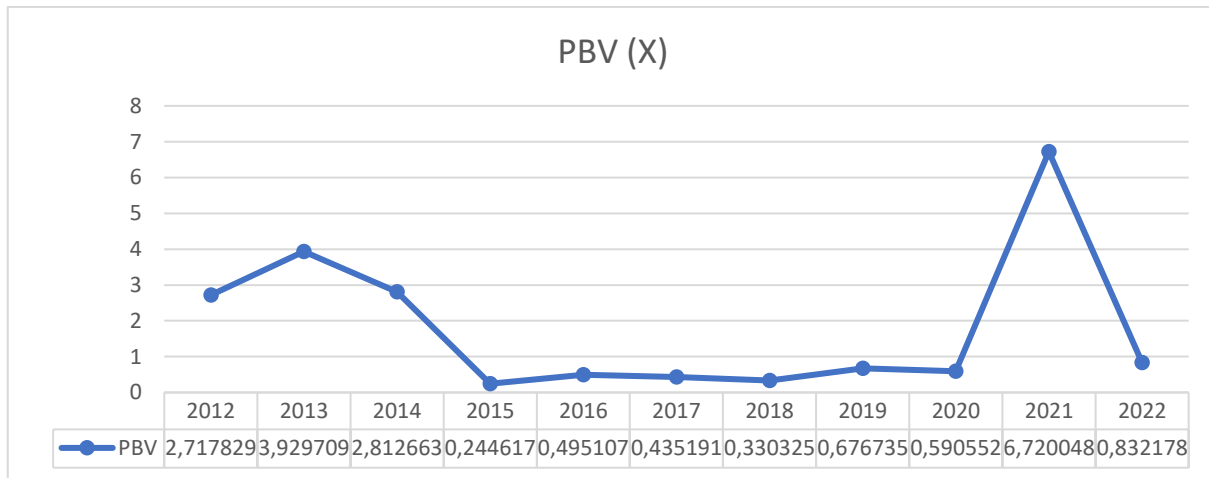


Figure 2. Graph of Price To Book Value (PBV) at PT Express Transindo Utama Tbk for the period 2012 to 2022

Source : www.expressgroup.co.id (Data processed, 2023)

Based on Figure 3, the Price to Book Value (PBV) at PT Express Transindo Utama Tbk for the period 2012-2022 experienced fluctuations that tended to decline; there was a decrease in 2015, then relatively stagnant for a period of 5 (five) years until it touched 0.59 in 2020. There was a drastic increase in 2021 to 6.72 but decreased drastically in 2022 to 0.83. The overall majority of Price-to-Book Value (PBV) conditions are below the standard Price-to-Book Value (PBV) ratio <1 , which means that the company's working ability is not good. According to Herry (2018: 145), Price to Book Value (PBV) is a ratio that compares the market price per share and the book value per share.

The third factor that affects the share price is the price-earnings ratio.(PER) is shown in Figure 4

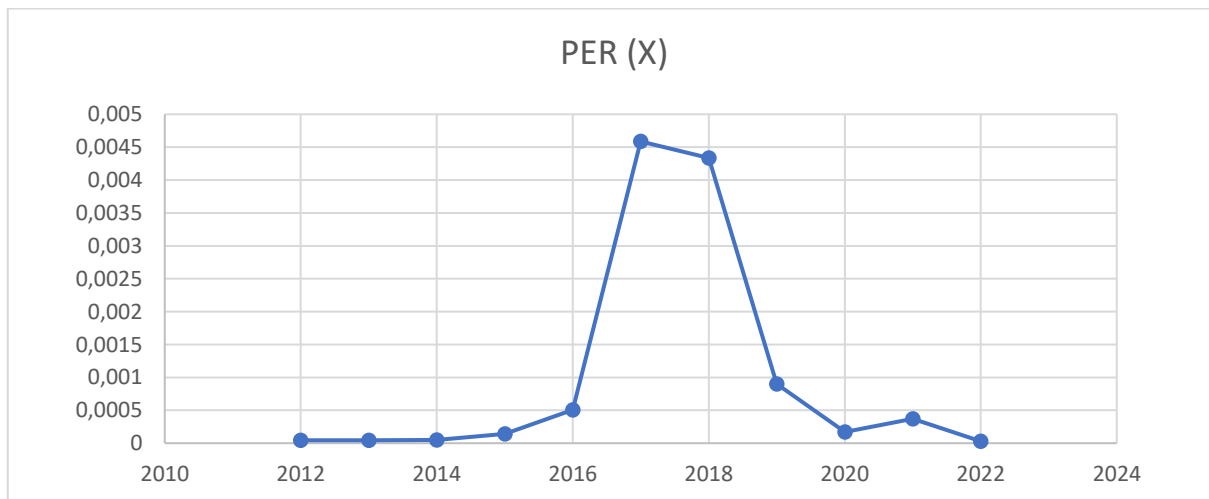


Figure 3. Graph of Price Earning Ratio (PER) Value at PT Express Transindo Utama Tbk for the period 2012 to 2022

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Source : www.expressgroup.co.id (Data processed, 2023)

Based on Figure 4, Price Earning Ratio (PER) at PT Express Transindo Utama Tbk for 2012-2022 experienced fluctuations tending to decline. There was a very drastic increase in 2017 to the amount of 0,004. However, it decreased again in 2018, 2019 and 2020. An increase again in 2021 but followed by an extreme decline in 2022 to 0.0002 is the lowest achievement with overall conditions never exceeding the Price Earning Ratio (PER) industry ratio standard of 10-15 for the size of the Indonesia Stock Exchange and 15-20 for exchanges with larger capitalization values. According to Tandeilin (2017: 387), the Price Earning Ratio (PER) is the number of dollars of profit that investors are currently willing to pay for their shares. Price Earning Ratio (PER) is the price for each rupiah of profit. The higher the PER, the higher the company value. This shows that the Price Earning Ratio (PER) of PT Express Transindo Utama Tbk is considered not good growth.

Based on the description of the background, the author is interested in conducting research on "The Effect of Earnings Per Share (EPS), Price to Book Value (PBV) and Price Earning Ratio (PER) on the Share Price of PT Express Transindo Utama Tbk 2012-2022."

2. Literature Review

2.1. Management

Management is a process of planning, directing and supervising resources to achieve predetermined goals in a company. According to Sujarweni (2018: 9) "to achieve its goals, the company must be able to control and control operational activities in the company by utilizing the parties within the company who have authority, duties and responsibilities in this achievement". To achieve this goal, various management roles are required, including planning, directing, and controlling. Financial managers are responsible for the company's investment, financing and dividend policies.

2.2. Financial Management

Financial management is an activity carried out by efforts to obtain funds at a cost that is set to a minimum and manage these funds effectively to achieve company goals (Sujarweni, 2018: 9). According to Harmono (2018: 2) "financial management as an activity in obtaining and also processing funds effectively aims to maximize company value and increase shareholder welfare as measured by the company's stock price which is used as a level in a measurement". A financial manager must determine the goals before making the right financial decisions to increase company value. Business value is the value agreed upon by potential buyers when a business is sold. To achieve its goals, the company must be able to control and control operational activities by utilizing the parties within the company who have the authority, duties and responsibilities in this achievement (Sujarweni 2018: 9).

2.3. Financial Statement Analysis

Financial statement analysis is a series of actions that involve reviewing, collecting, and understanding the information contained in an organization's financial statements. According to Sujarweni (2017: 6), financial statement analysis analyzes and evaluates the company's financial condition due to past and future operations. The main purpose of financial statement analysis is

better to understand the organization's financial performance, spot trends, assess the organization's financial health, and make informed decisions based on the information gathered.

2.4. Financial Ratio Analysis

Financial Ratios, according to Hery (2018: 138), is a ratio calculation that uses financial statements as a tool to assess financial condition and performance. These figures are obtained by comparing relevant and important parts of the financial statements. Financial ratios are analytical tools that describe how various elements in the financial statements interact and are used to measure and evaluate a company's financial performance. Financial ratios provide insight into profitability, liquidity, solvency, operational efficiency, and growth.

2.5. Share Price

According to Tandilil (2017: 34) the price of a share in the capital market is always different from its nominal value from time to time trading. The share price is the price set by the issuer or company for the company's share ownership letter. This price affects the Composite Stock Price Index (JCI). The more investors who buy the more expensive the stock, the more expensive it is. The price at which a stock is traded and invested is the price that refers to the current price at which the stock is traded.

2.6. Earning Per Share (EPS)

According to Hantono (2018: 12), Earning Per Share (EPS) is a financial ratio used to calculate management's success in achieving profits for shareholders. Based on this understanding, it can be concluded that Earning Per Share (EPS) is a financial ratio used by investors to measure how successful the company is in generating profits from each outstanding share. The value of EPS is determined by the welfare of investors: the greater the EPS value, the better the welfare of investors.

2.7. Price To Book Value (PBV)

Price To Book Value according to Herry (2018: 145), Price To Book Value (PBV) is a ratio that shows the results of the comparison between the market price per share and the book value per share. This ratio can show whether the stock price is too expensive or too low. It can be concluded that Price To Book Value (PBV) is a market ratio that compares the share price to the book value of the shares. It can be used to measure the performance of the stock market price on book value, which can show how successful a company is in creating value for its shareholders.

2.8. Price Earning Ratio (PER)

According to Tandilil (2017: 387) Price Earning Ratio (PER) is the number of dollars of profit that investors are currently willing to pay for their shares. Price Earning Ratio (PER) is the price for each rupiah of profit. It can be concluded that PER is a financial ratio that can be used to calculate the fair price of a company's shares; the company's ability to generate income is measured by comparing the market share price with earnings per share.

3. Research Methods

The research method is designed through research stages, starting with variable activity,

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identification of data types and sources, data collection methods, technical analysis, and hypothesis testing. According to Sujarweni (2015: 10) states "Research methodology is a scientific method (rational, empirical and systematic) used by actors of a discipline to conduct research." The research method used in this research is a quantitative method, with descriptive and verification approaches. The definition of quantitative research methods, according to Sugiyono (2019: 16-17) is "a research method based on empirical philosophy, researching certain populations or samples, using research tools to collect data, and analyzing data quantitatively or statistically to show hypotheses, and testing." The verification method according to Sugiyono (2019: 36) is "a research method that uses statistical calculations to hypothesize descriptive research results, which show that the hypothesis is rejected or accepted." The purpose of the verification method is to determine the effect of Earning Per Share (EPS), Price to Book Value (PBV) and Price Earning Ratio (PER) on the Share Price of PT Express Transindo Utama Tbk 2012-2022.

3.1. Hypothesis Development

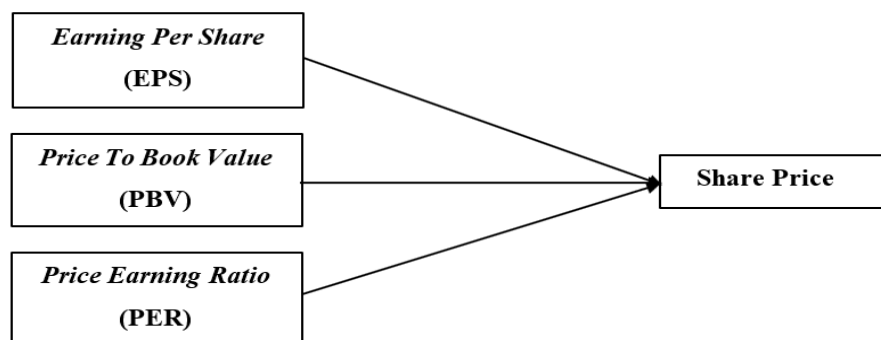


Figure 5. Research Model

Based on theory from problem research, so researcher will develop framework study. As for the hypothesis Research as follows:

H₁ = There is an effect of Earning Per Share (EPS) on Share Price

H₂ = There is an effect of Price to Book Value (PBV) on Share Price

H₃ = There is an effect of Price Earning Ratio (PER) on Stock Price

H₄ = There is an effect of Earning Per Share (EPS), Price to Book Value (PBV), and Price Earning Ratio (PER) on Stock Price

4. Results And Discussion

4.1. Results Analysis Regression Linear Multiple

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5. Table 1 Multiple Linear Regression Analysis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	192.618	264.445		.728	.000
	EPS	43.500	34.698	.977	1.254	.002
	PBV	82.906	82.651	.323	1.003	.004
	PER	-3540.026	2452.726	-1.144	-1.443	.019

Based on Table 1, it can be seen that the multiple regression equation is as follows:

$$Y = 192,618 + 43,500 x_1 + 82,906 x_2 + (-3540,726) x_3$$

1. The constant value (α) of 192.618 with a positive sign states that if the variables Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER) are constant, the value of Stock Price (Y) is 192.618.
2. The regression coefficient value of the Earning Per Share (EPS) variable (X1) of 43,500 with a positive sign states that if the Earning Per Share (EPS) increases by one unit, assuming other independent variables are constant, the stock price will increase by 43,500 units.
3. The regression coefficient value of the Price To Book Value (PBV) variable (X2) of 82.906 with a positive sign states that if the Price To Book Value (PBV) increases by one unit with the assumption that the other independent variables are constant, the stock price will increase by 82.906 units.
4. The regression coefficient value of the Price Earning Ratio (PER) variable (X3) of -3540.726 with a positive sign states that if the Price Earning Ratio (PER) increases by one unit, assuming other independent variables are constant, the stock price will increase by -3540.726 units.

4.1.. Hypothesis Testing Results

4.1.1. Results t test (partial)

The t-test is used to partially test the independent variables that affect the dependent variable, namely Earning Per Share (EPS), Price to Book Value (PBV), and Price Earning Ratio (PER) on Stock Price. (Y) At PT Express Transindo Utama Tbk Period 2012-2022. With a significance of less than 0.05 or 5%, H_a is accepted, and vice versa. Before testing the hypothesis, first formulate a statistical hypothesis as follows

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Tabel 2. Results Significance of t Values

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	192.618	264.445		.728	.000
	EPS	43.500	34.698	.977	1.254	.002
	PBV	82.906	82.651	.323	1.003	.004
	PER	-3540.026	2452.726	-1.144	-1.443	.019

Earning Per Share (EPS) (X_1)

The t_{count} value for Earning Per Share (EPS) (X_1) is 1.254 because $t_{\text{count}} > t_{\text{table}}$, namely $1.254 > 2.2622$, and the variable significance value is $0.025 < 0.05$, so H_0 is accepted and H_a is rejected, meaning that Earning Per Share (EPS) (X_1) has a significant effect on Share Price (Y).

Price to Book Value (PBV) (X_2)

The t-count value for *Price To Book Value* (PBV) (x_2) is 1.003 because $t_{\text{count}} > t_{\text{table}}$, namely $1.003 > 2.2622$ and the variable significance value is $0.034 < 0.05$, so H_0 is rejected and H_a is accepted, meaning that *Price To Book Value* (PBV) (X_2) has a significant effect on Share Price (Y).

Price Earning Ratio (PER) (X_3)

The t-count value for *Price Earning Ratio* (PER) (x_3) is -1.443 because $t_{\text{count}} > t_{\text{table}}$, namely $-1.443 > 2.2622$ and the variable significance value is $0.192 > 0.05$, so H_0 is rejected, and H_a is accepted, meaning that *Price Earning Ratio* (PER) (X_3) has a significant effect on Share Price (Y).

4.1.2. Results Test F (Simultaneous)

The F test is used to determine the simultaneous influence of the Independent Variable on the Dependent Variable, namely Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER) on Stock Price (Y) at PT Express Transindo Utama Tbk for the period 2012-2022. If the probability level is smaller than 0.05, it can be said that all independent variables together affect the dependent variable and vice versa. Then, simultaneous hypothesis testing (F test) with the significance level of $\alpha = 0.05$ obtained F table value = 4.737.

Before conducting hypothesis testing, first formulate the following statistical hypothesis:

$H_0 : \beta_1 = \beta_2 = \beta_3 = 0$: There is no effect of Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER) on Stock Price.

$H_a : \beta_1 = \beta_2 = \beta_3 \neq 0$: There is an effect of Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER) on Stock Price

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Table 3. Simultaneous Test Results (F Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1039518.991	3	346506.330	1.376	.000b
	Residuals	1763203.736	7	251886.248		
	Total	2802722.727	10			

4.2. Discussion

4.2.1. The Effect of Earning Per Share (EPS) on Share Price

The results showed that Earning Per Share (EPS) has a significant effect on Stock Price. Proven by the results of the t test, $t_{count} > t_{table}$, namely $1.254 > 2.2622$ and the variable significance value of $0.002 < 0.05$, so H_0 is rejected and H_a is accepted, meaning that Earning Per Share (EPS) (X1) has a significant effect on Stock Price (Y). The t test results are reinforced by the results of the correlation coefficient of -0.180 which indicates a strong relationship. Then the regression correlation coefficient is 43,500 a positive value which identifies the higher the Earning Per Share (EPS) value the higher the stock price. The contribution of Earning Per Share (EPS) (X1) to Stock Price (Y) is 3.24%.

The results of this study are in line with research (Elan and Suharti 2019) Earning Per Share (EPS) has a significant effect on stock prices. Pudji, et al (2018) state that partially EPS has an effect on stock prices and simultaneously shows that EPS has a very significant effect on stock prices. Based on theory and previous research findings, it can be concluded that Earning Per Share (EPS) affects stock prices; if the Earning Per Share (EPS) value of a company increases, its stock price also increases. This shows that the company maximizes its income for each share and is efficient in earning net income.

4.2.2. The Effect of Price To Book Value (PBV) on Share Price

The results showed that Price To Book Value (PBV) has a significant effect on Stock Price. Evidenced by the results of the t test, $t_{count} > t_{table}$, namely $-1.003 > 2.2622$ and the variable significance value of $0.004 < 0.05$, then H_0 is rejected and H_a accepted, meaning that *Price To Book Value* (PBV) (x_2) has a significant effect on Stock Price (Y). The t test results are reinforced by the results of the correlation coefficient of 0.426 which indicates a strong relationship. Then for the regression coefficient, which is 82.906, a positive value which identifies the higher the *Price To Book Value* (PBV) value, the higher the company's Stock Price. The contribution of *Price To Book Value* (PBV) (x_2) to Stock Price (Y) is 18.15%.

There are previous studies that explain the relationship between *Price To Book Value* (PBV) and stock prices. According to Elan and Suharti (2019) *Price To Book Value* (PBV) has a significant effect on stock prices. Pudji, et al (2018) state that partially PBV has a very significant effect on stock prices.

4.2.3. Effect of Price Earning Ratio (PER) on Share Price

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The results showed that Price Earning Ratio (PER) significantly affects Stock Price. Proven by the results of the t test, $t_{count} > t_{table}$, namely $-1.443 > 2.2622$ and the significance value of the variable is $0.019 < 0.05$, so H_0 is rejected and H_a is accepted, meaning that the Price Earning Ratio (PER) (X_3) has a significant effect on Stock Price (Y). The results of the t-test calculation are reinforced by the correlation coefficient of -0.538 , which indicates a strong relationship between the Price Earning Ratio (PER) and the Stock Price. Then for the regression coefficient of -3540.026 a negative value which identifies the lower the Price Earning Ratio (PER) value, the lower the company's Stock Price. The contribution of Price Earning Ratio (PER) (X_3) to Stock Price (Y) is 12.82%.

This is supported by previous research that explains the relationship between the price-earnings ratio (PER) and stock prices. According to Elan and Suharti (2019) Price Earning Ratio (PER) significantly affects stock prices. Pudji et al. (2018) state that SPER does not affect stock prices.

4.2.4. Effect of Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER)

Earning Per Share (EPS), Price To Book Value (PBV), Price Earning Ratio (PER) simultaneously have a significant effect on Stock Prices based on the results of simultaneous hypothesis testing; the calculated F value is 1.376 with an F table value of 4,737, meaning that $F_{count} > F_{table}$ ($1.376 > 4,737$), and a significance value of $0.000 < 0.005$, then H_0 is rejected and H_a is accepted. The results of the coefficient of determination of the variable Earning Per Share (EPS), Price To Book Value (PBV), and Price Earning Ratio (PER) affect the stock price with a contribution of 93.7%.

5. Conclusion

The following conclusions can be drawn based on the research and discussion results. The average value of the Share Price at PT Express Transindo Utama Tbk 2012-2022 is 370.4545. The average value of earnings per Share (EPS) at PT Express Transindo Utama Tbk 2012-2022 is 8.613; earnings per Share (EPS) (x_1) has a significant effect on Stock Price (Y), with a contribution of 3.24%. The average price to book value (PBV) at PT Express Transindo Utama Tbk 2012-2022 is 1.794. Price To Book Value (PBV) (x_2) has a significant effect on Stock Price (Y), with a contribution of 18.15%. The average value of the Price Earning Ratio (PER) at PT Express Transindo Utama Tbk 2012-2022 is 0.0976; price Earning Ratio (PER) (x_3) has a significant effect on Stock Price (Y), with a contribution of 12.82%. In the findings of the F test (simultaneous test) Earning Per Share (EPS) (X_1), Price To Book Value (PBV) (X_2), Price Earning Ratio (PER) (X_3) have a significant effect on Share Price (Y).

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DEMATEL Method in Implementing Green Business Process Management (BPM) in Micro, Small and Medium Enterprises in Kendari City

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Abstract

MSMEs are often considered the biggest contributors to environmental damage and produce more waste than other businesses. This is because MSMEs, in general, are still focused on achieving economic performance. Research sampling was carried out using the Slovin formula. The number of samples in this study was 96.68 or 100 UMK as samples. The collected data was analyzed using the DEMATEL method, which is used to analyze cause-and-effect relationships between a set of factors that influence a decision-making process. Based on the results of this research, "green attitude" has the highest interaction and the strongest impact. Improving the behavior of individuals, including managers, customers, and employees of the organization, is a top priority. Environmentally conscious behavior influences environmentally friendly organizational strategies and governance. Environmental knowledge and awareness influence environmentally conscious behavior; this shows that with increasing environmental knowledge and awareness in organizations, environmentally friendly behavior also increases.

Keywords: DEMATEL, Green BPM, Green Economy, UMKM

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1. Introduction

Environmental pollution is a serious problem in today's business world. The IPCC report states that greenhouse gas emissions have reached the highest levels in human history. This phenomenon emphasizes the importance of balancing economic, social, and environmental performance. Economic performance is no longer measured by increasing output but is also needed to help solve society's social and environmental problems. Micro, small, and medium

enterprises (MSMEs) play an important role in a country's economy. In Germany and 16 other regions, SMEs are the backbone of the economy. In one region, SMEs accounted for 99.5% of business units and created an added value of 42% in 2017.

In Indonesia, the total population of MSMEs in 2021 will reach 65.4 million business units, with the number of workers absorbed reaching 97% of the Indonesian workforce. However, with this significant contribution, MSMEs are often considered the biggest contributors to environmental damage and produce more waste than other businesses. Many MSMEs do not fully understand environmentally friendly production processes, which leads to the use of resources and technology that are not environmentally friendly and wasteful and inefficient waste disposal. Globally, MSMEs in the European Union contribute to 56.4% of pollution by producing more than half of greenhouse gas emissions. Indeed, MSMEs, in general, are still focused on achieving economic efficiency, resulting in a lack of awareness of environmental issues.

Economic growth will not be sustainable without considering the pollution, waste, and risks that economic activities, production techniques, and consumer patents pose to the environment and, ultimately, to society. In running a company's business and operations, environmental issues must remain a concern. Companies must, therefore, look for solutions that take environmental factors into account by ensuring the ecological safety of products and production processes while maintaining economic efficiency. As a consequence, companies must be increasingly involved in pro-ecological readiness by including the concept of sustainable development in their development strategies

By overcoming these environmental problems, business actors can monitor their business processes, identify and evaluate performance against various environmental indicators, as well as design and implement environmentally friendly business processes within the company and its environment. Environmentally friendly business process management (Green BPM) is a management action taken to monitor and minimize environmental impacts at each production stage. In other words, Green Business Process Management (Green BPM) is the sum of all management activities supported by information systems that help monitor and reduce the environmental impact of business processes in the design, improvement, implementation, or operational stages. Green BPM emphasizes the importance of resource utilization processes for business sustainability, so the aim of Green BPM itself is to optimize business processes while still respecting sustainability aspects.

Determining the standards that influence the implementation of Green BPM in this situation is very important. These criteria will be used as a basis to measure the extent to which a company has adopted sustainable business practices. However, determining these criteria is not an easy task because many interrelated variables need to be considered. Currently, the sustainability of MSMEs no longer relies on increasing production, which is the only measure of company success, but also on increasing results that accompany environmentally based business processes. The Trial and Evaluation Laboratory of Decision-Making (DEMATEL) method is an analytical tool that is able to find and measure the relationship between variables that influence a system. In this research, DEMATEL can be used to understand the complexity of the relationships between criteria that influence the implementation of GBPM, thereby helping organizations develop sustainable business processes. Therefore, this research aims to

determine the criteria that influence the implementation of green BPM in small and medium enterprises in the city of Kendari.

2. Literature Review

Green BPM is a process management approach that adds sustainability to traditional performance measures such as time, cost, quality and flexibility. The sustainability of a business depends on how the business processes are implemented to produce products and services directly (Sohn et al., 2023).

The Green Business Process Management concept involves incorporating sustainability into the conventional performance metrics of time, money, quality, and flexibility. The methods used in business operations to generate goods and services have a direct impact on sustainable business practices (Van Der Aalst et al., 2023)

Several researchers have carried out several studies related to green BPM, but each has its own characteristics. Both in terms of research methods, research stages, obstacles that must be overcome, and research subjects. However, issues related to the readiness of MSMEs to implement green BPM have not been widely discussed in previous research.

The study by Mortaz Hejri et al. (2022) entitled Factors Affecting Green Business Process Management Readiness in the Iranian Banking Industry examines how business process management can be implemented in an environmentally friendly manner in the banking sector. By using the fuzzy DEMATEL method, the results obtained show that the green perception factor is the factor that has the most influence on the readiness to implement green BPM in Iran's banking sector.

Research by Marie Sohn et al. (2023) entitled Environmentally Friendly Business Process Management for Sustainable Business: A Case Study of Manufacturing Small and Medium Enterprises (SMEs) in Germany shows that SME sustainability is based on six green BPM factors, namely environmentally friendly attitudes, strategy, management values, models, monitoring and optimization. Then, identify related interests, pressures, and constraints that can encourage or hinder environmentally friendly BPM activities. Use targeted sampling to select SMEs and conduct interviews with them.

According to research by Wysocki, J (2021). In his research entitled Green Innovation Initiatives in the Manufacturing SME Sector in Poland, he obtained the following results: based on empirical research on a sample of 342 manufacturing companies, green initiatives have been able to provide measurable benefits for companies while maintaining economic and environmental goals. Meanwhile, this research focuses more on examining the criteria that have the greatest influence on implementing green BPM in MSMEs using the DEMATEL method.

Of the many reviews mentioned, no one has discussed the factors that influence the implementation of green BPM in MSMEs using the DEMATEL method. Thus, it can be concluded that the research carried out is still relatively new and there is still little research carried out before. In developing this research, six Green BPM Readiness Factors were used, namely Green Attitude, Green Strategy, Green Governance, Green Awareness, Green Monitoring, Green Technology (Opitz et al, 2014; Mortaz Hejri et al., 2022)

Green attitude is related to the company's philosophy in implementing green BPM in the long term. In this philosophy, the company is committed to comprehensively reducing negative impacts in every business process. (Opitz et al. 2014). This variable emphasizes assessing the attitude of individuals and companies toward sustainability.

Green strategy is related to planning, processing, and controlling business processes for sustainable goals (sustainability goals). All employees are directed to work based on this strategy to achieve this goal. (Opitz et al. 2014). The development of sustainable business strategies and the integration of business and environment are emphasized in this variable.

Furthermore, green governance is a governance model created based on a predetermined strategy. Governance is a management structure that contains each employee's main duties and functions in carrying out business processes. (Opitz et al. 2014). The development of organizational sustainability policies and procedures is a dimension of this variable.

Green awareness is related to MSME owners' understanding of environmental issues. Have MSME owners ever received information or education about the sustainability process? (Mortaz Hejri et al.,2022). Efforts to increase organizational awareness of social and environmental responsibility.

Green monitoring is monitoring each business process to determine whether an environmental impact is produced in each company's business process (Opitz et.al.,2014). The development of an environmental performance monitoring system and corrective actions are emphasized in this variable.

Green technology is related to technology that makes the best use of available energy and provides special equipment for operation (Mortaz Hejri et al.,2022). Development and integration of green technologies is the focus of this variable.

3. Research Methods

The theoretical framework of this research is based on a valid literature review and literature study. Finally, various books, journals and articles are used to review theoretical concepts of the problem under study. This research is applied research whose aim is to identify the criteria that most influence the implementation of environmentally friendly business process management in the MSME sector, and the results and insights of this research can help MSMEs in managing environmentally friendly business processes in the MSME sector. To reduce negative impacts on the environment and reduce costs.

The questionnaire was used to find out the opinions of MSMEs regarding the main criteria that influence their decision to implement green business process management in their business processes. Questionnaires were distributed to 100 MSMEs that had been obtained from interviews. Next, the data based on the results of this filling will be processed using the DEMATEL method.

A sample of interest for the study was chosen from a hundred SMEs from Kendari City by using purposive sampling. Research sampling was carried out using the Slovin formula. In the Kendari City Small and Medium Industry Profile for 2020, released by the Kendari City Central Statistics Agency (BPS), the number of IMK businesses/companies in Kendari City operating commercially was recorded at 2,919 businesses/companies so that using the Slovin formula the number of samples in this study was 96 .68 or 100 IMK as a sample. The collected data was

analyzed using the DEMATEL method which is used to analyze cause-and-effect relationships between a set of factors that influence a decision-making process,

The main steps in the DEMATEL method include:

1. Identify the factors that will be used in decision-making.
2. Assess dependency between factors by collecting data on the causal relationship between factors
3. Build a cause-and-effect map that represents the relationship between factors
4. Identify key factors
5. Summing up the results.

In summary, the DEMATEL method is concluded as follows:

Step 1: calculate the average matrix. In this stage, respondents are asked to determine their assessment scale to find out how much impact and effectiveness each criterion influences each other using a 0-4 Likert scale, which represents no influence, some influence, moderate influence, and strong influence.

Calculating the average matrix can be done using the following equation:

$$A = a_{ij} = 1/H \sum_{k=1}^H x_{ij}^k \quad (1)$$

The notation x_{ij} represents the respondent's confidence level that factor i affects factor j . if $i=j$, it indicates that the diagonal component is equal to zero. The notation k represents the number of respondents, and then $X^1, X^2, X^3, \dots, X^H$ is the matrix of respondents H so that the average matrix equation A can be constructed as above.

Step 2: normalize. The a_{ij} matrix is obtained from normalizing the direct matrix D with the equation:

$$S = \frac{1}{\max \sum_{j=1}^n a_{ij}} \quad (2)$$

Determine the initial direct-relations matrix that has been normalized. Initial direct-relations matrix D should be normalized by:

$$D = A \times S \quad (3)$$

Step 3: Calculate the total influence matrix. The total influence matrix T is symbolized as $T = D(I - D)^{-1}$ where I is symbolized as the identity matrix.

Define r and c to be $n \times 1$ and $1 \times n$ vectors representing the number of rows and number of columns of the total relation matrix T , respectively. Let r_i be the number of rows i in matrix T , then r_i summarizes the direct influence and indirect influence given by factor i to the other factors. If c_j shows the number of the j th column in the T matrix, then c_j shows the direct or indirect influence by factor j of other factors. If $j = i$, the sum $(r_i + c_j)$ shows the total influence

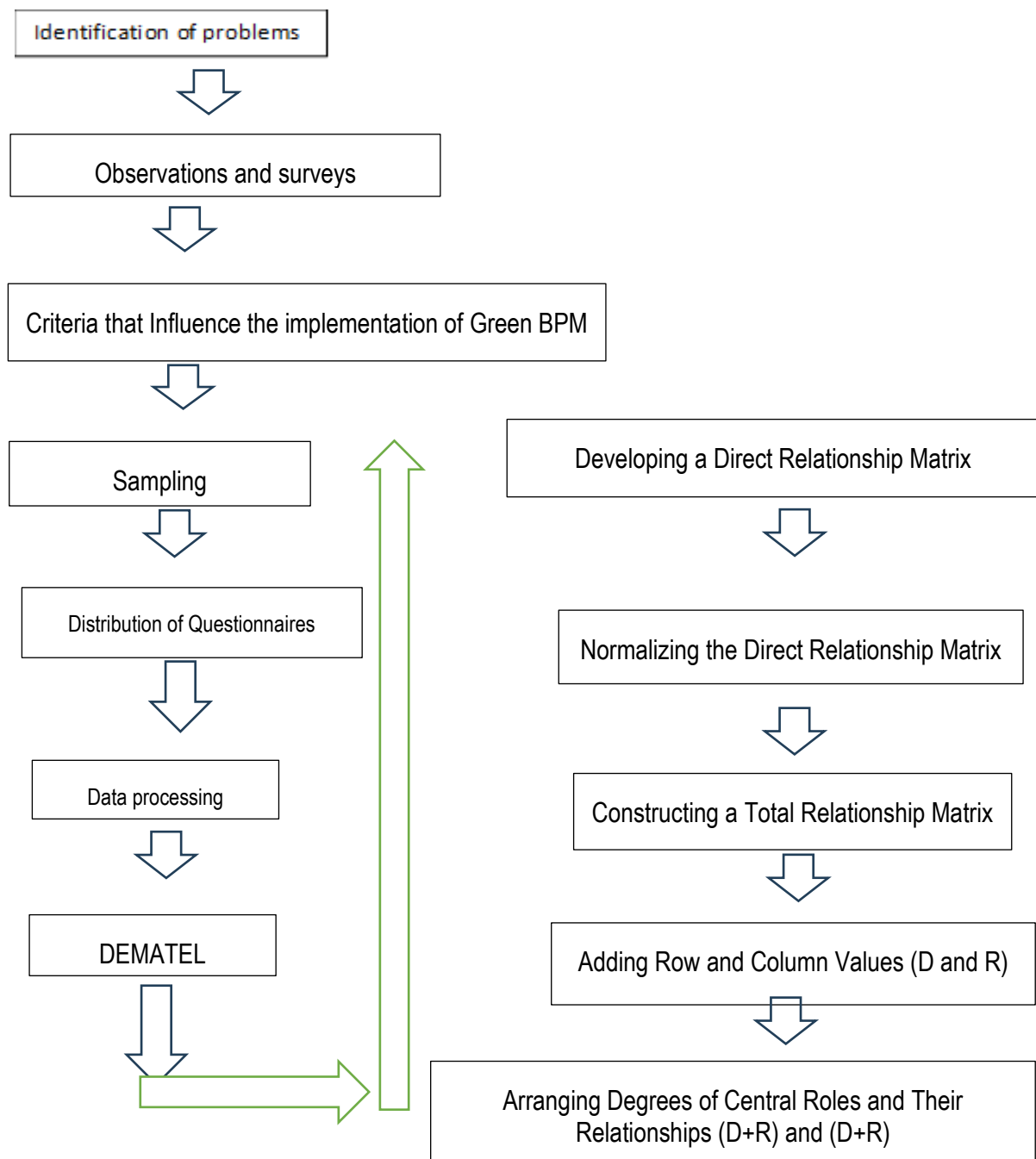
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of factor i . If the result $(r_i + c_j)$ is positive, then factor/criterion, i influence the other factors/criteria. Conversely, if factor/criterion i is negative, it indicates that factor/criterion other factors/criteria influence me.

Step 4: Determine the threshold value

The next step is to determine the threshold value first. Only values greater than the threshold value are selected. The threshold value is obtained by calculating the average of the elements in the T matrix.

The research steps can be seen in full in the diagram below:



4. Results And Discussion

4.1. Results

4.1.1. Determination of criteria

In developing this research, six Green BPM Readiness Factors were used, namely Green Attitude, Green Strategy, Green Governance, Green Awareness, Green Monitoring, Green Technology. In this research, the criteria used to determine the criteria that most influence the implementation of green BPM in MSMEs are as follows:

Table 1 List of Criteria

A	<i>Green Attitude</i>
B	<i>Green Strategy</i>
C	<i>Green Governance</i>
D	<i>Green Awareness</i>
E	<i>Green Monitoring</i>
F	<i>Green Technology</i>

4.1.2. Data Processing Using the DEMATEL Method

Data processing from the questionnaire results to determine the most influential criteria using the DEMATEL method is carried out in the following stages:

The first step is to find the average of the matrix.

The average matrix A is obtained based on equation (1) so it is obtained as follows:

Table 2 average matrix equations

A =	0,00	1,63	2,15	1,97	2,30	2,04
	1,58	0,00	2,06	2,32	2,39	2,08
	1,89	1,93	0,00	2,04	2,42	2,47
	1,34	2,10	2,05	0,00	2,18	2,18
	1,90	2,00	2,16	1,76	0,00	2,19
	2,10	1,91	2,14	1,90	2,20	0,00

The next step is to calculate the normalization of direct matrix A by adding up all the row and column elements to obtain the highest value. Then all row and column elements are divided by the highest value to obtain the following results:

Table 3 normalization of direct matrix A

$$D = A \times \frac{1}{\max \sum_{j=1}^n a_{ij}}$$

0	0,14186	0,187119	0,171453	0,20017	0,177546
0,13751	0	0,179286	0,201915	0,20801	0,181027
0,16449	0,16797	0	0,177546	0,21062	0,21497
0,11662	0,18277	0,178416	0	0,18973	0,18973
0,16536	0,17406	0,18799	0,153177	0	0,190601
0,18277	0,16623	0,186249	0,165361	0,19147	0

The next step is to calculate the T matrix with the following equation:

Table 4. T Matrix Calculation

$$T = D(I-D)^{-1} =$$

1,07371	1,2748	1,405169	1,331065	1,50455	1,440332
1,2243	1,18348	1,434526	1,387174	1,5478	1,479218
1,27451	1,35773	1,3165	1,401208	1,5858	1,538153
1,15843	1,28338	1,374596	1,162708	1,47139	1,424277
1,21	1,29208	1,399113	1,312372	1,3309	1,442766
1,24314	1,30845	1,421923	1,34375	1,51724	1,307386

Based on Table 5, it can be concluded that the importance of the six criteria is prioritized as $E > C > F > B > D > A$ based on the value $(r + c)$, where monitoring is the most important criterion with a value of 16.94492, while the attitude or behavior of MSME actors is supportive. implementation of green economy-based production is the least important criterion with a value of 15.21372. In contrast to importance, (A) green attitude, (B) green strategy, and (C) green governance are causes, while (D) green awareness, (E) green monitoring, and (F) green technology are recipients based on value $(r - c)$.

Table 6 The sum of influence given and received among these six criteria on dimensions.

Variable	Ri	Ci	Ri+Ci	Ri-Ci	Identify
A (green attitude)	8,02963	7,18409	15,21372	0,845535	cause
B (green strategy)	8,2565	7,69993	15,95643	0,556568	cause
C (green governance)	8,47391	8,35183	16,82573	0,122079	cause
D (green awareness)	7,87479	7,93828	15,81307	-0,06349	effect
E (green monitoring)	7,98723	8,95769	16,94492	-0,97045	effect
F (green technology)	8,14189	8,63213	16,77402	-0,49024	effect

Based on the values $(Ri + Ci)$ and $(Ri-Ci)$ that have been obtained, a casual diagram is created with the value $(Ri+Ci)$ as the horizontal axis and the value $(Ri-Ci)$ as the vertical axis. By using Microsoft Excel, the following casual diagram is obtained:

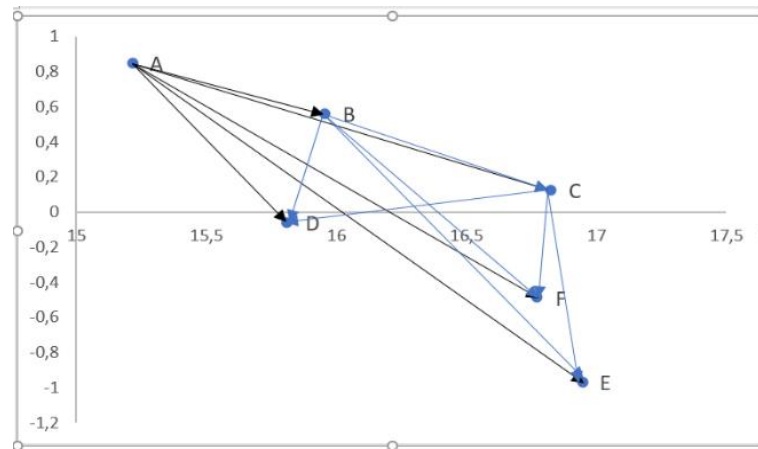


Fig.1. The digraph of showing causal relations among these six criteria

In short, MSMEs in Kendari City must pay more attention to the four influences (A, B, and C) than to those affected (D, E, and F). Attitude (A) is the main criterion because it is not only the most influential but also not influenced by other criteria.

Analysis of the relationship between criteria can be determined from the calculation results ($R_i - C_i$). If $(R_i - C_i) > 0$ or positive, then criterion x is part of the casual group, which means that this criterion has more influence than receiving influence from other criteria. Meanwhile, if $(R_i - C_i) < 0$, then this criterion is an affected criterion. Based on table 3 above, it is found that the criteria for attitude (A), strategy (B) and governance (C) are positive, therefore these criteria have an influence on the other criteria. Meanwhile, the criteria for awareness (D), monitoring (E) and technology (F) have negative values, which means they receive more influence from other criteria.

4.2. Discussion

To assist SMEs in determining their Green BPM maturity levels and providing guidance for them to increase their maturity, we created a Green BPM maturity model in this study. Next, we developed a thorough understanding of the manufacturing SMEs' Green BPM maturity state in Kendari. Through six, we were able to learn more about their Green BPM procedures, fundamental elements of Green BPM and highlighted the advantages, challenges, and obstacles they encounter with Green BPM.

Currently, businesses face a significant challenge in reconciling ecological and economic factors. Consumers are starting to consider sustainability more and more when making final purchases. Due to the aforementioned complexity, companies find it difficult to assess whether their operations are environmentally friendly.

The results of our study have various managerial ramifications for SMEs looking to implement Green BPM practices. SMEs' green mindset offers fertile ground for developing a specific green strategy that complements their business plan.

We developed our classes, "Green Attitude," "Green Strategy," "Green Governance," "Green Awareness," "Green Monitoring," and "Green Technology," which add the "green" element to the fundamental business processes.

The interviews have demonstrated that managers need outside incentives, ideas, knowledge, and expertise to move their company to the next higher level of Green BPM. Like any research report, there are limitations to the current study that must be noted. One of their inherent limitations is the inability of case studies' conclusions to be applied to different contexts.

Though no prior account has yet integrated the research on sustainability in SMEs and Green BPM, the overall goal of this study is not the generalizability of findings but rather the creation of first impressions of the level of Green BPM in SMEs. Another drawback is that SMEs were not randomly chosen for the interviews. Rather, the SMEs were chosen according to what they did for the environment. Nevertheless, the authors took the required steps and noted that the sampled SMEs fairly depict the distribution of SMEs in Kendari City. In the future it is necessary to sample SMEs according to their occupational characteristics.

5. Conclusion

Based on the results of this research, "green attitude" has the highest interaction and also the strongest impact. Improving the behavior of individuals, including managers, customers, and employees of the organization, is a top priority. Environmentally conscious behavior influences environmentally friendly organizational strategies and governance. Environmental knowledge and awareness influence environmentally conscious behavior; this shows that with increasing environmental knowledge and awareness in organizations, environmentally friendly behavior also increases.

MSME owners who care about the environment play an important role in encouraging employees to participate in environmental programs. As owners become more aware of environmental issues, their commitment to environmentally friendly behavior increases, and employees are increasingly required to comply with environmental laws and regulations. How MSME owners and employees view the environment is also influenced by how they behave.

Studies show that changing behavior into habits makes people behave environmentally friendly. Organizational culture depends on policies and activities; if employees know these things, they will behave in an environmentally friendly manner. Individual factors, such as attitude or motivation, are crucial for sustainable business procedures. Behaviors and attitudes related to business process management are shaped and identified by cultural values and collective beliefs. Therefore, organizations should inform managers and employees about the importance and impact of their behavior on the environment, and they should also provide annual reports on reducing environmental impacts. Apart from providing training, companies can create motivated strategies to encourage their employees to behave environmentally friendly. This can be done with the help of new technologies such as media and social networks.

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Analysis of the Implementation of Good Corporate Governance (GCG) Principles to Improve Service Quality at Bumiputera Syariah Life Insurance Company

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Abstract

In the case of PT AJB Bumiputera 1912, special restrictions are needed because insurance is different from a business established as a PT. This is where the difference is clear: in a PT, this is not always the case, but in a joint venture, the policy will inevitably also seek company investors. This feature involves legal risks, requiring each investor to accept liability for the company's losses. As a result, AJB Bumiputera's policyholders are responsible for any business activities that contain the risk of loss and are entitled to a portion of the company's income. The implementation of good corporate governance (GCG) at AJB Bumiputera is the subject of this research. The research method used in this study is qualitative. The findings of this study show that although AJB Bumiputera has tried to implement GCG principles (such as accountability, openness, and fairness), AJB Bumiputera has not implemented it optimally, in other words, the implementation has not been effective.

Keywords: Insurance, Good Corporate Government, Implementation

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1. Introduction

Islamic insurance providers must choose the most practical and efficient strategies to improve their service quality in a globalized era with rapidly evolving services, increasing community needs, and fierce competition. The goal of service quality is to satisfy clients' wants and demands while ensuring that the delivery is appropriate enough to meet their standards. Insurance companies in terms of efforts to fulfill needs can be accepted by consumers.

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This is because insurance is one of the foundations of the Indonesian economy in addition to raising funds from the public in the form of premiums which of course can be invested in a variety of industries and economic sectors through capital market institutions, insurance is also able to protect financial risks that have the potential to lose money that takes place in economic transactions either directly or indirectly experienced by the community. Companies in Indonesia must integrate good corporate governance into their operations to maintain a high standard of service to the community (Febri Nur Rahmawati, Hindun Asmarani, 2023)

To create support so that insurance continues to run in the midst of the harsh financial climate competition, insurance companies must run their business by applying Good Corporate Governance. The application of Good Corporate Governance to the maximum, the company management will work reasonably because to maintain the stability of all parties involved in it so that no one is harmed, especially investors. Company administrators will not work to prioritize their own needs even though they have the opportunity to do so, but they still prioritize the needs of investors. The main cause of the vulnerability of companies in Indonesia, especially in the economic sector, is related to the weak application of Good Corporate Governance which includes four pillars, namely justice, transparency, accountability and responsibility (Handayani, 2023).

There are various results of the assessment of Good Corporate Governance which have shown less than optimal results and need improvisation while being comprehensive (Juliana Hasibuan, 2022). Of course, the impact of this on insurance companies can create an economic crisis for the company so that it is vulnerable to default on policyholder insurance claims. Some visible evidence is in several cases of insurance companies in Indonesia, starting from Asabri, Jiwasraya and AJB Bumiputera 1912 (Puspadini, 2023). GCG is a tool used by Bumiputera Syariah Life Insurance Company to improve the quality of services offered.

The implementation of duties by the company as a legal entity, directors, and commissioners as administrators with shareholders is known as good corporate governance (Aulia et al., 2023). When observed from several cases of default in several previous insurance companies, of course it is not far from the application of corporate governance. One of the things that affects the default of the Jiwasraya Insurance company is the investment instruments that are managed but override the principles of Good Corporate Governance as well as indications of corrupt behavior that caused state losses of up to 16 trillion. Legally, of course the rules regarding good corporate governance are already included in the OJK rules on (Keuangan, 2016) POJK No. 73 / POJK.05 / 2016 concerning corporate governance in the field of insurance in conjunction with Law Number 40 of 2007 (Sudana, 2015).

In the case of PT AJB Bumiputera 1912, special regulations are required based on the idea that insurance has different characteristics from companies incorporated as PT (Puspita, 2023). The drastic difference that appears here is that when the business is joint, the policy will certainly participate in finding available company investors while in PT it is not necessarily. This characteristic has legal risks because each investor is obliged to be responsible for companies that lose money. So that AJB Bumiputera policyholders in addition to having the right to the profits achieved by the company also participate in holding the dependents of all business activities that have the potential to experience losses.

This will certainly be a problem that is not in good financial condition, especially the level of

solvency which is also minus. The meaning here is that the overall liability is certainly heavier than the total wealth or assets owned. The rights owned by customers are certainly very many that have not been able to be received from the company because this is very crucial for policyholders and also OJK as the party that has the authority to restructure AJB Bumiputera so that it survives and is able to complete its obligations (Rambe & Sekarayu, 2022). Through the implementation of Good Corporate Governance, it is expected to function as a check on the authority to run a business. Another important thing that Bumiputera can do to increase company value and help expert business management is to build solid corporate governance.

Imam Bukhari and Muslim (Hafil, 2020) narrated a hadith that states, "All of you are leaders, and all leaders will be held accountable for what they lead." Muslim's HR 4828 and Bukhari's HR 2751 state that the imam is the leader and will be accountable to his followers. In relation to the idea of good governance, the dedication of a leader and government trustee will have a significant impact on the bureaucratic reform process that results in good governance (Kelvianto et al., 2018).

Through the implementation of Good Corporate Governance principles, it is expected to serve as a check on the authority in running the business. In addition, the implementation of efficient corporate governance is one of the most important things Bumiputera can do to optimize business value and help expert business management with the best service (Handayani, 2023). Judging from the previous examination, a gap was found from Dewi Dahlan's research which showed a significant influence between PT Bank BTPN TBK Padang Branch implementing the concept of good corporate governance (GCG) in order to improve service quality (Juliana Hasibuan, 2022).

This is also supported by research on the Urgency of Implementing Good Corporate Governance in Insurance Companies in Indonesia by Juliana Hasibuan and her colleagues, where the results of her research are that the application to deal with risks and issues on a national and world scale, good corporate governance is very important. Its implementation must consider five important factors: independence, fairness, accountability, openness, and responsibility (Dewi et al., 2021)

Furthermore, according to Nurjannah and Handayani's research, "Implementation of the Principles of Good Corporate Governance (GCG) in Improving Company Performance at PT Angkasa Pura II (Case Study on the Airport Learning Center Division)," good corporate governance consists of the following principles: equality, accountability, responsibility, transparency, and independence; at PT Angkasa, accountability, responsibility, and equality or fairness are the principles that are most often applied (Handayani, 2023). Which in this study only emphasizes the principles of accountability, responsibility and also equality or fairness, which means that these are still 3 principles that are determined among the 5 principles of Good Corporate Governance (GCG) that exist (Yudokusumo, 2014).

However, this will be a new finding of this research, where previous research only relied on 3 principles of Good Corporate Governance (GCG), namely the principles of accountability, responsibility and justice. While the principles that will be studied by researchers include 5 principles, namely among the core concepts of good corporate governance (GCG) are equality or fairness, independence (or independence), transparency, accountability, and responsibility. Of course, this will serve as a measuring tool for businesses to assess the effectiveness of the

management group. However, measures relating to service officer competence, authority and responsibility, work discipline, and initiative are used to assess the quality of services provided. The purpose of researchers conducting this research is to find out the implementation of the principles of good corporate governance (GCG) to improve service quality in the Bumiputera Islamic life insurance company. In addition, it is also to find out the strategy in improving the quality of services carried out using SWOT analysis. This research uses SWOT analysis to see the plans of the Bumiputera Islamic life insurance company in using good corporate governance (GCG) to improve service quality.

2. Literature Review

2.1 Good Corporate Governance

The Indonesian Institute for Corporate Governance (IICG) defines effective corporate governance as a set of policies and procedures that a company uses to ensure that its operations meet the expectations of its stakeholders. According to Brigham and Daves, corporate governance is a set of laws, regulations and policies that influence the way a company is run and the choices made by its leaders. Company performance can be improved by applying the principles of good corporate governance, which will ultimately result in long-term financial benefits for investors and stakeholders (Nurlaila, 2022).

The Qur'ān provides guidance on the proper structure of government and corporate governance. The use of good corporate governance in public administration is not mentioned in the Qur'ān. In fact, the Qur'ānic idea of good corporate governance should be adopted by every organization and aspect of our daily lives, not just governments. The Qur'an contains extensive descriptions of justice, equality, accountability and openness.

(Wahidahwati, 2023) Good Corporate Governance is interpreted as a mechanism that manages a company so that it brings added value to stakeholders. Corporate governance is simply interpreted as a mechanism created to guide and manage companies so that good and transparent relationships can be formed between various parties who have an interest in the company (Muhammad Zauki Hafiezh, 2023).

Fairness, responsibility, accountability, transparency and independence are the five pillars of good corporate governance. This is in accordance with the 2006 General Guidelines for the Implementation of Good Corporate Governance from the National Committee on Governance Policy (KNKG), which requires all companies to ensure that good corporate governance concepts are applied in all aspects of their operations and at all levels of the organization. The principles of effective corporate governance, transparency, accountability, responsibility, independence, fairness and equality must be adhered to in order to ensure that the company's operations are sustainable while taking into account its stakeholders.

2.2. Islamic Life Insurance

Sharia life insurance can be defined as a form of sharia insurance that primarily provides services, protection, and assistance in dealing with death and personal accident with premium payments through contracts that are in accordance with sharia principles. In sharia life insurance, participants are committed to donating their contribution funds to be donated as tabarru' funds to help fellow participants who are affected by disasters. So that through sharia life insurance, humans should try to manage their finances so that all needs can be met. And

humans are expected to manage the risks that may occur due to disasters in the future by protecting themselves (souls) and their property caused by these disasters (Muhammad Iqbal, 2017).

The definition of sharia life insurance is risk management based on sharia principles in order to help and protect each other by providing payments based on the death or life of participants, or other payments to participants or other entitled parties at a certain time regulated in the agreement, the amount of which has been determined and based on the results of fund management (Ajib, 2019). Sharia life insurance is an effort to protect and help each other among a number of people/parties through investment in the form of assets and or tabbaru' which provides a pattern of return to face certain risks through contracts (agreements) in accordance with sharia (Sri Ramadhani, 2019).

3. Research Method

This research is a qualitative method, by examining how problems occur. The research was conducted at PT AJB Bumiputera Medan Branch located at Jalan Sultan Iskandar Muda No. 138 Medan, North Sumatra 20153. The source of data in this study by conducting interviews with 4 resource persons (interview, August 15, 2023) in a structured manner, namely through questions and answers conducted formally and systematically to the 4 resource persons, namely:

1. Interview 1 :Administration and General Section
2. Interview 2 : Legal Section
3. Interview 3 : Portfolio and Claims Section
4. Interview 4 : Leaders at PT AJB Bumiputera.

While secondary data is obtained from the internet, books, journals, SOPs and company brochures (Fadli, 2021). The object being analyzed is how the regulation and application of the principles of Good Corporate Governance in the joint insurance business to improve service quality at AJB Bumiputera, through data collection based on interviews, observations and documentation. Then analyze the data with data reduction, namely by summarizing the main points, presenting the data then concluding and verifying the data using triangulation of sources and techniques. This research uses SWOT analysis to investigate the tactics used by Bumiputera Syariah Life Insurance Company to improve service quality through the implementation of good corporate governance (GCG). Furthermore, determining the rating and weight based on the number of respondents in the assessment given by the researcher, then the results are obtained according to the indicators in each IFE and EFE matrix.

4. Findings and Discussions

The following results and discussion will explain how Bumiputera Syariah Life Insurance Company has improved service quality through the use of good corporate governance (GCG) principles.

4.1 Measurement of Good Corporate Governance (GCG)

Several tools are used, including business policies, articles of association, and company bylaws,

to implement GCG (Henik Haris Astuti, 2018) Internal company rules include:

1. Directors' work instructions and commissioners' work instructions
2. Company ethical standards
3. Key performance indicators
4. Internal control system
5. Audit committee guidelines
6. Risk management
7. Information management system guidelines
8. Notification management policy.

Among the several points described above, the implementation of GCG principles at AJB Bumiputera has been outlined in the 2018 Annual Report after completing the Status Manager task. For example, many concepts are used and utilized. Integrated management tools include risk management rules, risk management units, internal audit and compliance departments, and commitment to risk management, whose existence is a manifestation of the principle of accountability. However, by applying the principle of transparency, the annual report shows that AJB Bumiputera has applied the principle of information disclosure in such a way that information about the company is available to interested parties, albeit insufficiently. In general, many aspects that are not explained in more detail in the report are still unclear.

4.2 Principles of Good Corporate Governance (GCG) in Improving Service Quality in Insurance Companies

The Decree of the Minister of State/Head of Investment and Development of State-Owned Enterprises (SOEs) in 300, specifically H, contains the GCG law for Indonesia. The application of sound business principles to the administration of a company to optimize its interests is known as good corporate governance. Companies in Indonesia adhere to the GCG principles, which were created by the Organization for Economic Cooperation and Development (OECD) and stand for transparency, fairness, accountability and responsibility. The 2006 KNKG23 outlines the principles of GCG, which include responsibility, accountability, openness, independence and fairness. The following is a statement of GCG principles:

1. Transparency (openness) requires that for all interested parties, the organization offers quick, easy, and reliable access to relevant information. This report includes non-financial information regarding the company's activities, organization, and conflicts of interest, in addition to information related to financing.
2. Accountability Making the roles, responsibilities, and organizational structure of corporate institutions transparent is the process of accountability, which enables effective business administration. The principle of responsibility, the clarity of the activities of corporate institutions in fulfilling their responsibilities so that the company's operations can be carried out in a successful, fair, open, and efficient manner.
3. Responsibility Accountability, compliance with relevant legal requirements, and the application of moral business conduct in the management of the company. The principle of responsibility is compliance with laws and regulations on corporate governance and ethical values, policies and practices consistent with sound insurance operations.
4. Independence The principle that the business should be managed skillfully, free from outside influence or conflict of interest, and in accordance with all relevant laws, regulations, and corporate ethical standards.

5. Fairness is exercising the rights that have been granted to the parties based on agreements, laws and regulations. In simple terms, justice or fairness is equal and fair treatment of all interested parties in enjoying their rights derived from agreements and applicable laws and regulations.

OJK Regulation No. 73/POJK.05/2016 on Good Corporate Governance of Insurance Companies (Keuangan, 2016) reads:

- 1) Transparency. Namely in the selection of decisions and in providing easy access to interested parties to information relating to insurance providers.
- 2) Accountability. To ensure open, fair, successful, and efficient business operations, insurance companies must fulfill their institutional obligations and keep their business procedures clear.
- 3) Liability, namely the suitability of the management of insurance companies with the conditions and ethical values of the insurance industry laws and regulations as well as the standards, principles, and practices of healthy insurance operations.
- 4) Independence, the state of an insurance company that is operated independently, ethically, and free from external pressure to violate any laws, rules, or regulations relating to insurance. standards, guidelines, best practices, and recommendations for carrying out health insurance operations.
- 5) Fairness is the impartial, equal, and fair application of the law to all parties involved, as defined by insurance industry laws and regulations, contracts, moral principles, best practices, and standards.

4.3 *Implementation of Good Corporate Governance (GCG) Principles in Improving Service Quality at Bumiputera Joint Life Insurance Company*

The theory of the principles of good corporate governance, the GCG Principles contained in the KNKG 200623 , and component data regarding good corporate governance from OJK Regulation No. 73/POJK.05/2016 concerning Governance of Insurance Companies (Keuangan, 2016) are specifically used by researchers to create five indicators that are appropriate for use in this study:

1. Transparency Principle

Although so far AJB Bumiputera has implemented the concept of transparency, in its application this has not been maximized or in other words, it has not been up-to-date by the company, this of course can be seen from the company's digital information (website) that there are annual, quarterly and monthly financial reports published on the AJB Bumiputera website, but the application of the principle of transparency is not fully maximized, because the published financial statements are only contained in the financial statements in 2022 only while in previous years they were not announced. In this case it can be concluded that the application and implementation of GCG on the principle of transparency has not been fully implemented by the management of AJB Bumiputera.

2. Principle of Accountability

The application or implementation of the principle of accountability in the AJB Bumiputera company so far has been carried out well, this is certainly evident from the existence of those

who regulate and are responsible for resources and management and implementation of activities in the company so that company activities continue to run conducive. In accordance with the working bodies of the AJB Bumiputera company and their respective responsibilities, namely:

- a) The highest negotiating body that sets policy and oversees operations in general is the Member Representative Body (BPA). Bumiputera members are elected by the BPA membership committee. If their insurance policy is still valid, they are appointed at least two years before the election, and their contract with the insurance company does not expire within the next five years, Bumiputera 1912 members are also eligible to be elected as BPA members. Members are native Indonesians who have personal life insurance coverage under contract with AJB Bumiputera.
- b) Directors (managers) who are responsible for the day-to-day management of AJB Bumiputera. The BPA appoints and dismisses the CEO for a set period of time. The board also sets guidelines that outline the amount of work to be done by each member. The board may consist of three or five members. At the BPA meeting, one of them is appointed as the CEO. Then, to rise to the position of leader, one must fulfill certain criteria. This is regulated in AJB Bumiputera's Articles of Association, especially for extraordinary workers and Indonesian residents who have reached the age of 60 years or more, have the spirit of Pancasila, and have no family relationship with the incumbent commissioner or commissioners. Or, directing downward or sideways up to two degrees.
- c) A board of commissioners consisting of three or five people, one of whom serves as president director. Members of the Board of Directors are appointed by and dismissed by the BPA. After an initial five-year term, the position is renewable, whereby board members are not entitled to report to the managing director at the same time.

It can be seen that AJB Bumiputera has implemented the principle of accountability so that its management can function effectively. The clarity of the company's institutions and their roles and responsibilities can be seen. Such as BPA which holds a meeting called the Annual Meeting every year, which discusses management reports related to company operations, determination of the new year's profit and loss statement and other matters relating to AJB Bumiputera.

3. Principle of Responsibility (Obligation)

The application of this principle of responsibility in the AJB Bumiputera company is by adjusting the management of the company in accordance with legal requirements, ethical standards, and healthy insurance industry best practices that have been regulated by the OJK and legislation specifically or in general. Its application in the AJB Bumiputera company is that the principle of responsibility has not been applied effectively and optimally, this can be seen from the many cases of default on claims by the company, and has not been able to cover the case of default on claims experienced by customers or insurance policyholders, but so far the AJB Bumiputera company continues to maximize efforts to cover the default case slowly.

4. Principle of Independence

The application and implementation of the principle in the company AJB Bumiputera has not been fully implemented properly and is also not fully effective. This is because the AJB Bumiputera business, which is a type of joint business organization, is owned by policyholders. The purpose of good corporate governance is to keep the owners and management of the company clearly separated. However, the company must be handled expertly and independently, free from pressure, influence, and outside interests, in accordance with the principle of independence. This is because there are no specific regulations governing Good Corporate Governance in joint ventures such as insurance companies.

5. Principle of Justice

The application of the principle of justice has not been fully applied and implemented in the AJB Bumiputera company, the application of this principle can be seen that there are many policyholders who still have not received their rights, namely related to the situation when policyholders experience default on claims, but in this case the AJB Bumiputera company also does not remain silent and forgets its obligations but the company is still trying to improve the quality of the company to normalize the company's financial condition and policyholders can get the same justice as other policyholders, namely getting claims that policyholders should get. And in this case related to the case of delayed claim payments caused by poor GCG factors. Currently the AJB Bumiputera company itself is still under the supervision of the OJK, in an effort to rescue and restructure the company's finances, a PNM program (decrease in the value of benefits) has been approved by the OJK, where pending claims are cut by a maximum of 50% to reduce liabilities or liabilities.

Based on the conclusions from the results of the explanation described above, the application and implementation of Good Corporate Governance in the AJB Bumiputera company has been carried out by the company but has not been fully optimized or in other words, its implementation has not been effective, such as the principles of transparency, principles of responsibility and principles of justice. Even though these three principles are one of the important principles in the implementation of GCG to improve the quality of service in the AJB Bumiputera company itself. Which of course with good and optimal service quality provided by the AJB Bumiputera company to policyholders or to prospective customers will be able to improve the quality of the company and can optimize the company's performance.

In this case to improve the quality of service at the AJB Bumiputera company, namely:

1) Principle of Transparency

Judging from the current condition of the AJB Bumiputera company, where the company is still not too up-to-date regarding the transparency of the company such as financial reports, this can be seen from the company's website. In this case the company must be more updated and based on the results of interviews with the leadership of AJB Bumiputera that the company is still in an effort to continue to improve the principle of transparency in order to improve the quality of service at the AJB Bumiputera company because with good service quality, of course, it is also an attraction for policyholders (customers) or for prospective customers.

2) Principle of Accountability

Regarding this principle, the company has implemented it, it can be seen from the existence of

a working body and the AJB Bumiputera company and their respective responsibilities. And the company still continues to improve the principle to improve the quality of service in the AJB Bumiputera company.

3) Principle of Responsibility

The principle of responsibility itself is still not well implemented in the AJB Bumiputera company, which can be seen from the fact that there are still many policyholders who still have not received their rights, namely in the form of insurance claims which until now have not been given by AJB Bumiputera to some policyholders. This of course also has an impact on the quality of service in the AJB Bumiputera company, because the good quality of service from a company is also seen from the principle of responsibility. However, until now AJB Bumiputera is still struggling and is committed to resolving claim arrears in 2020, namely 365,000 policyholders throughout Indonesia. (Accessed on CNBC, September 12, 2023)

4) Principle of Independence

The company AJB Bumiputera has not been fully implemented properly and also not fully effective because AJB Bumiputera is a special type of joint venture where policyholders run the business; good corporate governance emphasizes the division of ownership and management. This is because there are no special regulations governing Good Corporate Governance in joint ventures such as insurance companies.

5) Principle of Justice

The AJB Bumiputera company still does not apply this principle properly and effectively, even though this principle is very influential on the quality of service in the company, this can be seen from the case of default experienced by some policyholders, where they still have not received their rights and in contrast to some policyholders who have received claims for their insurance policies, but in this case the company is still trying to provide justice to all policyholders. Where this can be seen on March 06, 2023 then AJB Bumiputera has paid 7,805 claims to policyholders (Anggraeni, 2023).

4.4 AJB Bumiputera Company Strategy in Maintaining Good Governance to Improve Service Quality

In the absence of a mutual insurance law, AJB Bumiputera is only subject to the provisions in its articles of association, as explained earlier. Moreover, compared to incorporated companies or cooperatives, its articles of association are not so extensive. A State Council document titled Government Regulation No. 87/2019 on Joint Venture Insurance Companies (Indonesia, 2019) offers a more thorough examination of the administration of joint venture insurance companies. Later, the Constitutional Court declared this provision unlawful in its decision No. 87.32/PUU XVIII/2020. In addition, it is evident that GCG is at the core of POJK No. 73 of 2016 on good corporate governance of insurance companies (Keuangan, 2016). Although it has similarities with the GMS, the BPA (Member Representative Body) of mutual insurance company AJB Bumiputera is different. The BPA is not a standard shareholder company as it is an association of collaborators rather than a capital organization. Thus, it can be said that, in relation to POJK No. 73 of 2016, AJB Bumiputera has currently violated good governance standards.

An important role in the overall corporate governance structure is played by management and in-house legal counsel (the secretary of the insurance company). The role of in-house legal

counsel is to ensure proper implementation of regulations by management and supervisory bodies, assist the chairman of the Board of Directors or the Managing or Supervisory body in organizing meetings and be responsible for relations with shareholders. Managers participate in the day-to-day running of the insurance company in accordance with the company's strategy and the decisions made by management and supervisors. These people are usually placed in appropriately defined areas of the insurance company's business and need to have the necessary education, experience and knowledge to carry out their assigned responsibilities. Specific to the corporate structure of insurance companies, unlike other companies, it is mandatory to introduce control functions that undoubtedly improve corporate governance.

First of all, the Law on Insurance Supervision has more closely defined these functions, with a view to the stable and safe operation of insurance companies and the insurance sector in general. It is essential for insurance companies to understand well the risks involved in their operations and the liabilities they entail. This involves a good knowledge of the source of risks, types of risks, characteristics, internal relationships and potential business impacts, as well as the laws and regulations applicable to the insurance company and the employees involved in such risks. That is why it is important for insurance companies to have:

1. A good and efficient mechanism for identifying, evaluating, measuring, risk control, mitigation and monitoring;
2. Strategy, it is important to implement appropriate policies, procedures and guidelines to ensure compliance with internal strategies and policies, and applicable laws and regulations;
3. Adequate internal controls to ensure regulatory compliance and minimize the risk of regulatory compliance, and
4. The internal audit function can audit and evaluate the adequacy and effectiveness of regulatory compliance, internal controls, and policies and procedures. Control functions in insurance companies should be performed by persons who have integrity, competence, experience and appropriate qualifications. These persons should be able to demonstrate an appropriate level of knowledge and expertise in this area and to meet professional standards. The independence of control function holders is also a key issue and insurance companies can provide for this in various ways, such as direct reporting to supervisory authorities by control function holders and the like. According to the legislation of the Republic of North Macedonia, as well as the insurance outstanding internal corporate governance procedures, the following are control functions: internal audit function, actuarial function, risk management function, and regulatory compliance function.

Here, the author tries to explain some conclusions from the SWOT analysis related to the results of performance observations at the Bumiputera Syariah Life Insurance company and the results of interviews both inside and outside the analysis.

Strengths (S)

The main asset of Asuransi Jiwa Syariah Bumiputeras Peru is their capacity and competence to implement sustainable development with superior and competitive features. Strengths come from favorable human, financial, and material resources (land, buildings, past glories, etc.).

Weakness (W)

In insurance companies, especially Bumiputera Islamic life insurance companies, where one of the successes of Islamic insurance companies depends on the effective application of GCG

principles and transparency. In this case, Bumiputera Islamic Life Insurance needs to continue to increase transparency, especially transparency regarding existing financial reports, and in this case the company can continue to do and improve financial report updates on the company's website. In addition to the transparency factor of the company's financial statements, another weakness is that people who help human resources (HR) do not have knowledge of sharia business because there is currently a shortage of skilled HR staff. The entry of Islamic insurance companies into the market is a good thing for company expansion. But if human resources (HR) are not available to compensate, then this becomes ineffective.

Opportunities (O)

In this case, the future opportunities of the Bumiputera Islamic life insurance company are as we know that increasing awareness of the importance of the role of insurance for each individual. Not only that, where technological developments make it easier for distant AJB Syariah participants through online services and the company's website has all the relevant information.

Threats (T)

One of the threats to the Bumiputera Islamic life insurance company is that as we all know that there are more and more Islamic insurance providers with good business strategies. and also aggressive, this is certainly also a threat to the Bumiputera Islamic life insurance company to continue to gain its existence in the community amid the onslaught of the insurance business that continues to increase. In addition, technological developments have resulted in older participants not being able to keep up with company developments.

SO strategy

This approach is based on the company's mindset, which is to take opportunities and use all its resources. Prioritizing customer focus, consumer protection, and digital experience will help the life insurance industry produce the best goods and services as the digital transition accelerates to improve quality and growth.

WO Strategy

To maximize the possibilities that currently exist, the WO approach reduces current risks. Annual reports and financial statements serve as key communication tools between the company and its stakeholders. Therefore, the sensitive role played by the audit committee in ensuring that the financial statements fairly portray the company's operating conditions cannot be overstated. Companies need to mobilize to attract this important group of investors.

ST Strategy

By leveraging the company's assets, the ST strategy reduces risk. A company's perceived level of corporate governance implementation and its future performance and compliance are positively correlated, according to the corporate governance index. Theoretically, strong corporate governance can lower the likelihood of conflicts of interest, increase investor confidence in investment, and improve business performance. Each of these outcomes is favorable to the success of the company.

WT Strategy

A strategy that has an emphasis on thwarting threats, minimizing vulnerabilities, and adopting preventive measures. The creation of more effective and efficient company policies is a WT method that can be used by the Bumiputera Islamic Life Insurance Company in this situation. Not only that, the Bumiputera Islamic life insurance company must also pay more attention to the quality of service to AJB Syariah participants.

Table 1 Calculation of Weight and Rating Value of IFE Matrix

No	Dominant Internal Factors	Rating	Weighting (%)	Weight X Rating
	Strength			
1	Provides an important role through the benefits obtained by AJB Syariah participants	4	0,52	2,08
2	The company's strength is starting to return	3,75	0,48	1,8
No	Weaknesses	Rating	Weighting (%)	Weight X Rating
1	The transparency system is still lacking in terms of regular publication of annual reports.	3,75	0,39	1,46
2	Inadequate human resources (HR) with high capabilities	3,25	0,34	1,1
3	Performance measurement and evaluation is not done every month to get good HR.	2,5	0,26	0,65
Total			1,00	1,42

The explanation of the table above that the Internal Factor Evaluation (IFE) is: Strengths: The ability of the business to significantly increase the benefits received by AJB Syariah members and the fact that the business is recovering are its strongest points. Weaknesses: Frequent release of annual reports, insufficient highly skilled human resources (HR), and the absence of weekly appraisals and reviews of HR performance are some of the ongoing issues with the transparency system. For weaknesses, the overall Weight x Rating is 1.42, while for strengths it is 3.88.

Table 2 Calculation of Weight and Rating Value of EFE Matrix

No	Dominant External Factors	Rating	Weighting (%)	Weight X Rating
	Opportunity			
1	Increased awareness of the importance of the role of insurance for each individual	4	0,5	2
2	The development of technology makes it	4	0,5	2

	easier for AJB Syariah participants who are far away through online services and the data needed is available on the company's website.			
No	Threats	Rating	Weighting (%)	Weight X Rating
1	More and more Islamic insurance providers are using effective and robust strategies.	2,75	0,55	1,51
2	Technological developments mean that older participants are unable to keep up with company developments	2,25	0,45	1,03
Total			0,5	1,63

Based on the table above, it is known that the External Factor Evaluation (EFE) is:

Prospects: The company can benefit from increasing public awareness of the need for insurance for everyone and also from technological developments that make it easier for AJB Syariah customers to use online services. Risks: There may be an increase in the number of Islamic insurance companies that use strong and aggressive strategies, and technological developments can make it difficult for established companies to keep up with industry developments. Opportunities have an overall Weight x Rating of 4, while threats have a Weight x Rating of 1.63.

Table 3 SWOT Analysis Of Company Performance

	Strenght/S 1. Provides an important role through the benefits obtained by AJB Syariah participants 2. The strength of the company is starting to recover	Weakness/W 1. The transparency system is still lacking in terms of regular publication of annual reports. 2. Low competent human resources (HR) 3. Performance measurement and evaluation that is not carried out every month to get good human resources.
Oppertunities/O 1. Increased awareness of the importance of the role of insurance for each individual	Strategi SO 1. Maintain service and quality	Strategi WO 1. Add trained employees 2. Improve the quality of existing human resources

2. The development of technology makes it easier for distant AJB Syariah participants through online services and the required data is available on the company's website.	2. Improve services through applications or company websites 3. Maintain and improve the quality of the company's marketing	3. Always update the latest financial reports on the company website.
Threats/T 1. Increase the number of healthy Islamic insurance companies strategically and proactively. 2. Technological developments have resulted in older participants not being able to keep up with the development of the company	ST Strategy 1. Improve the quality of business performance 2. Improve the quality and quality of insurance benefits offered	WT Strategy 1. Establish more effective and efficient company policies 2. Pay more attention to the quality of service to AJB Syariah participants

Based on the SWOT Analysis table, that :

- SO Strategy (Optimizing Strengths to Realize Opportunities): The business can continue to provide excellent services while improving them through better websites, apps, and marketing.
- WO Strategy: Utilizing Strengths to Seize Opportunities Increase the number of workers undergoing training, improve the quality of human resources, and update financial information on the business website regularly.
- As a component of the ST strategy (Optimizing Strengths to Counter Threats), improve co-insurance benefits and company performance standards.
- WT Method: Overcoming Weaknesses to Counter Threats Create more effective and efficient organizational policies, and pay more attention to participants' satisfaction with AJB Syariah.
- By implementing this plan, the company will be able to capitalize on its advantages and capabilities while avoiding risks and difficulties.

5. Conclusion

The application of GCG to the maximum, the company management will work reasonably because it is to maintain the stability of all parties involved in it so that no one is harmed, especially investors. The company management will not work to prioritize their own needs even though they have the opportunity to do so, but they still prioritize the needs of investors. The main cause of the vulnerability of companies in Indonesia, especially in the economic sector, is related to the weak application of GCG which includes 5 principles, namely transparency, accountability, responsibility, independence and justice. There are several results of the

assessment of GCG, including insurance companies in Indonesia, which have shown less than optimal results and need improvisation while being comprehensive. The implementation of Good Corporate Governance in the AJB Bumiputera company has been carried out by the company, but it has not been fully optimized or in other words, the implementation has not been effective, such as the principle of transparency, the principle of responsibility and the principle of justice. Even though these three principles are one of the important principles in implementing GCG to improve the quality of service at the AJB Bumiputera company itself. Which of course with good and optimal service quality provided by the AJB Bumiputera company to policyholders or to prospective customers will be able to improve the quality of the company and can optimize the company's performance.

In addition, examining the internal and external components of the company with SWOT analysis is a methodology that can be used methodically to find many things in setting business strategies. By considering various competitive factors such as strengths, weaknesses, opportunities, and threats that exist in the company's business environment, new strategies are developed to anticipate competitive conditions. This is proven through the application of SWOT analysis. As a result, the Bumiputera Syariah Life Insurance company is able to create strategies to be applied in its business endeavors.

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Can Profitability Moderate the Impact of Green Investment, Corporate Social Responsibility, and Good Corporate Governance on Company Value on the SRI-KEHATI Index?

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Abstract

The Sri-Kehati Index shares, which offer shares of environmentally friendly companies, are of great interest to investors who care about the environment. This research aims to determine the determinant factors of company value in Sri-Kehati Index companies, with profitability as a moderating variable. The determinant factors used in modeling are green investment, corporate social responsibility, and good corporate governance. ROA proxied profitability, and company value is proxied by price book value. The research uses a quantitative approach with descriptive-verification methods. The research population is companies that are members of the Sri-Kehati Index 2016-2021; the sample is determined using a purposive sampling technique—data analysis techniques using panel data regression and Moderated Regression Analysis (MRA). The research results show that partially green investment and good corporate governance have a positive effect, but corporate social responsibility does not affect company value. Profitability can moderate the relationship between good corporate governance and firm value. Besides that, green investment, corporate social responsibility, and good corporate governance simultaneously influence the company value of companies that are members of the Sri-Kehati Index stock group. The results of this research can be a basis for consideration by investors who care about the environment in investment decisions and can be a reference for further research. It is hoped that the results of this research will encourage many companies to implement green investments to help overcome environmental problems.

Keywords: Green-Investment, Corporate-Social-Responsibility, Good-Corporate-Governance, Firm-Value

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1. Introduction*1.1. Environmental Issues*

Global warming, which impacts climate change, is a fundamental problem that poses a severe threat to the ecosystem of human life, which can threaten sustainable development and poverty alleviation. In the 2015 Paris Agreement contained in the UN Framework Convention on Climate (COP21), countries have agreed to strengthen the global response to the threat of climate change by preventing global temperature increases in this century. According to the WMO State of the Global Climate 202 report, there has been a drastic rise in sea levels in the last seven years due to global warming problems (World Meteorological Organization, 2021).

This condition significantly impacts climate change and the reduction of non-renewable resources, threatening the continuity of life on planet Earth. Responding to this problem, the government and the business world have begun to develop sustainable, environmentally friendly business models in line with increasing public awareness of their role in overcoming the problem of climate change.

1.2. Environmentally Friendly Investment

Environmentally friendly investment (green investment) focuses on implementing environmentally friendly business models proven to improve company performance. Several countries rank environmentally friendly companies and publish them to the public. This policy encourages companies to fulfil environmentally friendly indicators in their business practices to gain a positive image from stakeholders, which will support the company's long-term sustainability. Lee et al. (2016) and Popescu et al. (2019). The Ministry of Environment and Forestry in the Public Disclosure Program for Environmental Compliance (PROPER) performs the performance ranking of environmentally friendly companies in Indonesia.

1.3. Determinant Factors of Environmentally Friendly Company Value

Research in various countries proves that companies that implement environmentally friendly investments (green investment) can improve their financial performance, thereby supporting long-term business sustainability as research by Nakamura (2011) in Japan, Popescu et al. (2019) in Romania, Luan et al. (2016) in Taiwan, Siedschlag & Yan, (2023) in Ireland, and Yao et al. (2021) and Chen et al. (2021) in China. As reflected in their share prices, companies with good financial performance will increase their value. Several research results show the influence of green investment on company value. The research results of Yatie & Tandika (2019) show that the Green Investment Index influences financial performance and stock prices. Meanwhile, research by Putriani (2019) and Chen et al. (2021) proves the influence of Green Investment and Good Corporate Governance (GCG) on the value of banking companies.

The development of the research above proves that Green Investment and Good Corporate Governance (GCG) influence company value, while profitability can act as a mediator variable. Tanasya & Handayani (2020), Asni & Agustia (2022). On the other hand, companies that consistently set aside a portion of their profits to support Corporate Social Responsibility (CSR) programs receive positive assessments from the public, thereby supporting the company's long-term sustainability. This shows that CSR programs can influence company value, as research results by Gregory et al. (2014) and Fatemi et al. (2018) show.

Likewise, business activities that operate by paying attention to environmental, social, and governance (ESG) issues will impact increasing financial performance and company value. As long as good corporate governance (GCG) pays attention to social values and environmental sustainability, the company will gain legitimacy and support from stakeholders. Several studies show that companies implementing good corporate governance (GCG) will get a positive response from the public, increasing company value. Ganda et al. (2015); Kumarasiri & Jubb (2016) and Indriastuti & Chariri (2021).

Santis et al. (2016) stated that investors are willing to pay more for companies that adopt CSR policies, have transparent management, and implement Good Corporate Governance (GCG) well. GCG can help shareholders trust and ensure that all stakeholders are treated well. A sound system will provide adequate protection for shareholders to recover their investments moderately, appropriately, and efficiently and ensure that management acts in the company's interests (Mahrani & Soewarno, 2018).

The results of the empirical study above prove that Green Investment, Corporate Social Responsibility (CSR), and Good Corporate Governance (GCG) are independent variables that can influence company value. Meanwhile, research by Oktaviani (2019) and Panggau & Septiani (2017) shows that profitability can moderate the relationship between environmental performance and company value.

2. Literature Review

2.1. Green Investments

The increasing awareness of society to play a role in overcoming the problem of global warming has resulted in more and more investors who are only willing to invest in environmentally friendly companies. They refuse to invest in companies that do not meet ethical standards and boycott environmentally polluting companies. They will consider green investments as socially responsible investments, in line with the concept of ecological civilisation (Han et al., 2020)

Green Investment is an investment in clean manufacturing technology (clean production) to support environmentally friendly company activities. Green investment is a sustainable investment that aims to improve the economy by preserving the environment to maintain life on Earth long-term (Huang & Lei, 2021).

Green Investment refers to the total investment made by a company to reduce the negative impact of the company's activities. Green Investment (GI) in this research is measured by the PROPER rating published by the Ministry of Environment and Forestry (Indriastuti & Chariri, 2021). Company ranking based on PROPER criteria, divided into:

a. Gold (score = 5)

The company has carried out more environmental management than required and made sustainable community development efforts. For businesses and activities that have successfully implemented efforts to control pollution or environmental damage.

b. Green (score = 4)

Companies that have carried out environmental management in excess of what is required have: 1) biodiversity; 2) Environmental Management System; 3) Reduce, Reuse, Recycle (3R) Solid Waste; 4) Reduce, Reuse, Recycle (3R) B3 Waste; 5) Conservation to reduce the burden of water pollution; 6) Reducing Emissions; 7) Energy Efficiency

c. Blue (score = 3)

The company has carried out the required environmental management efforts in accordance with applicable provisions or regulations (has fulfilled all aspects required by the Ministry of Environment). Minimum scores that companies must achieve in the areas of: 1) Water Governance Assessment; 2) Land Damage Assessment; 3) Control of Marine Pollution; 4) B3 Waste Management; 5) Air Pollution Control; 6) Water Pollution Control; 7) Implementation of Environmental Impact Analysis (AMDAL)

d. Red (score = 2)

The company has made environmental management efforts, but only partially achieved results in accordance with the requirements as regulated in statutory regulations in the fields of: 1) Water Management Assessment; 2) Land Damage Assessment; 3) Control of Marine Pollution; 4) B3 Waste Management; 5) Air Pollution Control; 6) Water Pollution Control; 7) Implementation of Environmental Impact Analysis (AMDAL)

e. Black (score = 1)

The lowest rank in managing the environment, has not made efforts in managing the environment as required so that it has the potential to pollute the environment, and is at risk of having its business license closed by the Ministry of Environment in the fields of: 1) Water Management Assessment; 2) Land Damage Assessment; 3) Control of Marine Pollution; 4) B3 Waste Management; 5) Air Pollution Control; 6) Water Pollution Control; 7) Implementation of Environmental Impact Analysis (AMDAL)

Khan et al. (2019) stated that Green Investment can improve a company's reputation and competitive advantage in the long term. Green Investment refers to the total investment made by a company to reduce the negative impact of the company's activities. Meanwhile, research by Khalid et al. (2023) shows the importance of encouraging companies to make environmentally friendly investments, which are proven to increase company profits in the long term. These conditions trigger companies to consider sustainable business models to gain economic benefits by paying attention to social responsibility to achieve competitive advantage (Popescu et al., 2019).

2.2. Agency Theory

Implementing green investment requires many funds and often causes conflict between management and stakeholders (Ameer & Othman, 2012). Agency theory explains that managers

with the authority to manage a company sometimes make detrimental decisions to shareholders and stakeholders. Thus, agency theory discusses the differences in interests between management shareholders and other stakeholders. Panda & Leepsa (2017); Tanasya & Handayani (2020). This triggers companies to align company values with social values and applicable norms, culture, and regulations to gain legitimacy from stakeholders. (Fernando & Lawrence (2018); Indriastuti & Chariri (2021)).

2.3. Legitimacy Theory

Legitimacy theory is a company management system oriented towards taking sides with society, government, individuals, and community groups (Archel et al., 2009). Legitimacy theory illustrates a difference between the values according to the company and the values that exist in society. Therefore, a company could be in a threatened position if it has this difference, which is known as a legitimacy gap.

Legitimacy theory explains that company activities must pay attention to applicable boundaries and norms to gain acceptance and recognition from stakeholders. One strategy to gain company legitimacy is by implementing green investment.

2.4. Signaling Theory

Signalling theory is a theory that assumes that the information held by managers and external investors is not the same (asymmetric information) because, in fact, managers often have better information than external investors (Brigham & Houston, 2012). To overcome information asymmetry, managers must provide information to interested parties by publishing annual reports, including financial and company sustainability reports.

Signal theory was developed by Ross (1977) based on the existence of asymmetric information between information originating from management (well-informed) and information originating from interested parties or shareholders (poorly-informed). This theory assumes that management will provide information to investors or shareholders when they get good information related to the company, such as increasing company value. However, shareholders do not trust the information provided because management is considered to have their interests.

2.5. Green Investment and Company Value

Green investments in this research use the PROPER rating issued by the Ministry of Environment and Forestry, Republic of Indonesia. PROPER has the following measurement scale: a score of five (5) for a Gold rating (excellent), a score of four (4) for a Green rating, a score of three (3) for a Blue rating, a score of two (2) for a Red rating, and a score of one (1) for Black ratings (abysmal) (Chariri et al., 2018; Indriastuti & Chariri, 2021).

Company value is investors' perception of the company's level of success (Indriastuti & Chariri, 2021). The company value in this research uses Price to Book Value (PBV).

$$\text{Price to Book Value} = \frac{\text{Price to Share.}}{\text{Book Value per Share}}$$

Managing environmental issues can ultimately increase company value (Rokhmawati et al., 2015); Xie et al., 2016). Several studies supported this by a positive relationship between green investments and company value (Tanasya & Handayani, 2020; Chariri et al., 2018; Indriastuti

& Chariri, 2021). So, the first research hypothesis (H1) : Green Investment Positively Affects Company Value.

2.6. Corporate Social Responsibility (CSR) and Company Values

On the other hand, company legitimacy can also be obtained by implementing a Corporate Social Responsibility (CSR) program. Legitimacy theory believes organizations look at investors' rights and pay attention to the general public's rights. Companies that do not care about the surrounding environment will reduce the value of their social legitimacy (Hafiz et al., 2016)

Corporate Social Responsibility (CSR) is a commitment to act ethically, operate legally, and contribute to improving the quality of life of employees and their families, local communities, and the wider community. The CSR concept involves responsible partnerships between government, companies, and local communities that are active and dynamic. (Nayenggita et al., 2019; Marnelly, 2012)

Corporate Social Responsibility (CSR) is closely related to social responsibility in achieving sustainable economic activity as a form of corporate accountability towards society, the nation, and the international world. CSR can strengthen a company's financial performance by increasing the company's value (Rahayu & Paramita, 2023).

Corporate Social Responsibility (CSR) is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) by looking at six performance indicators consisting of 91 items based on the GRI G4 Guidelines, which focus on three main aspects: Economic, Environmental, and Social. The six performance indicators contained in the Global Reporting Initiative (GRI) include Economy (AEC) with nine items, Environment (AEN) with 34 items, Labor (ALA) with 16 items, Human Rights (AHR) with 12 items, Social and Community (ASO) with 11 items, and Responsibility (APR) with nine items (GRI, 2020). CSR disclosure can be calculated using the following formula:

$$CSR_{ij} = \frac{\sum X_{ij}}{n_j}$$

Information:

CSR_{ij} = Total number of CSR disclosures by the company.

$\sum X_{ij}$ = Number of items disclosed by company j

n_j = Total number of company items j, (maximum score 91).

X_{ij} = Dummy variable, if the item is disclosed it has a value of 1 and if the item is not disclosed it has a value of 0

Previous research conducted by Fauzi et. all (2016), Depari & Wahyudi (2016), Indriastuti & Chariri (2021) proves that Corporate Social Responsibility has a positive effect on company value. Thus, the second research hypothesis (H2) :Corporate Social Responsibility (CSR) Positively Affects Company Value.

2.7 Good Corporate Governance (GCG) and Company Values

On the other hand, the corporate governance theory of Good Corporate Governance (GCG) was developed based on stewardship and agency theories, which were present first. Stewardship theory explains that managers will prioritize the interests of shareholders in carrying out company operations transparently. This theory encourages realising good corporate governance to support owner satisfaction (Jefri, 2018).

Freeman (2015) explains that good corporate governance (GCG) is a system that directs and controls a company and aims to achieve a balance between the company and its stakeholders. This relates to the regulatory authority of owners, directors, managers, shareholders, etc. Companies that implement good governance have the potential to achieve sustainable profits, thereby increasing company value. The implementation of GCG aims to reduce institutional competition and ensure that reports submitted to stakeholders help increase the company's value in the eyes of investors.

In reality, the implementation of GCG in each country is different, so there are several versions of GCG principles. Good Corporate Governance (GCG) in this research uses measurements of 1) independent commissioner; 2) managerial ownership; 3) institutional ownership; and 4) audit committee size; by research conducted by Anik et al. (2021), Indriastuti & Chariri (2021), Suhadak (2019).

$$\text{Independent commissioner} = \frac{\text{Number of independent commissioners}}{\text{Number of members of the board of commissioners}}$$

$$\text{Managerial ownership} = \frac{\text{Number of shares owned by management}}{\text{Number of shares outstanding}}$$

$$\text{Institutional Ownership} = \frac{\text{Number of institutional shares}}{\text{Number of shares outstanding}}$$

$$\text{Audit Committee Size} = \text{Number of audit committee members}$$

Thus, the third research hypothesis (H3) : Good Corporate Governance Positively Affects Company Value.

2.8 Profitability as a Moderator of The Relationship Between Green Investment and Company Value

Profitability measurement uses Return on Assets (ROA) to measure a company's ability to generate net profits based on the total assets it owns.

$$\text{Return on Assets (ROA)} = \frac{\text{EAT}}{\text{Total Assets}} \times 100\%$$

This ratio can determine whether a company has used its assets efficiently in its business activities. Companies that invest by paying attention to environmental problems can increase company value. The company's ability to generate profits will further strengthen the influence

of green investment on company value. Companies that comply with environmental regulations in investing or companies that implement green investment will receive positive assessments from the public. They will buy the company's products so that it will increase company profits which ultimately has an impact on increasing company value. This is in accordance with the research results of Tanasya & Handayani (2020) and Asni & Agustia (2022) which show that ROA is proven to strengthen the influence of green investment on company value. Thus, the fourth research hypothesis (H4): Profitability Can Moderate the Relationship between Green Investment and Company Value.

2.9 Profitability Moderates The Relationship Between Corporate Social Responsibility And Company Value.

Companies that implement CSR will operate ethically and be responsible for the environment. This will receive a positive assessment from the public, thereby supporting the achievement of profit targets. Part of the company's profits is used to fund CSR programs so that the company's ability to earn profits will strengthen the relationship between CSR and company value. This is by the research results of Mukhtaruddin et al. (2019), which show that financial performance can strengthen the relationship between CSR and company value. Thus, the sixth research hypothesis, Profitability, can moderate the relationship between Corporate Social Responsibility and company value.

2.10 Profitability as a Moderator of the Relationship between Good Corporate Governance and Company Value

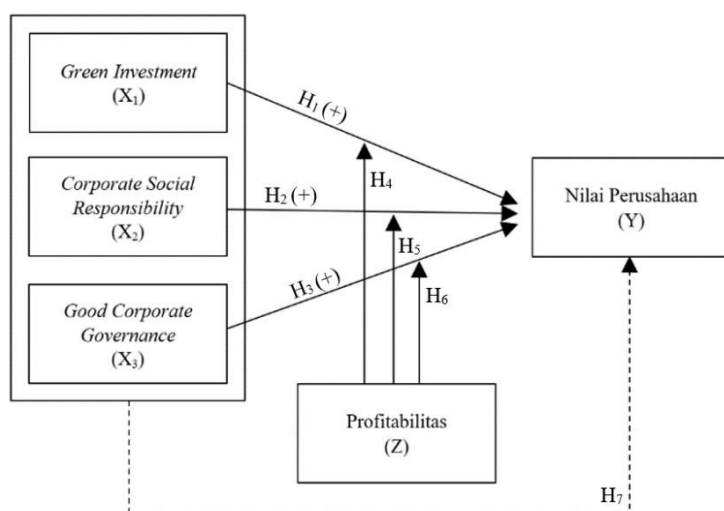
The implementation of GCG guarantees good company management to stakeholders, including shareholders, lenders, employees, executives, government, customers, and other stakeholders (Widigdo, 2013). Better corporate governance will have a more positive impact on the company's image in the eyes of the public and have the potential to increase company profits. Many researchers have found a positive relationship between GCG and profitability, such as research by Suhadak et al. (2019) and Anik et al. (2021). The results of their research show that companies that implement GCG have succeeded in increasing profitability significantly. The research results of Tanasya & Handayani (2020) show that GCG positively affects company value, while the ROA variable can strengthen the relationship between GCG and company value. Thus, the seventh research hypothesis, Profitability, can moderate the relationship between Good Corporate Governance and company value.

3. Research Method

The objects of this research are green investment, corporate social responsibilities, good corporate governance as an exogenous variable, company value as an endogenous variable, and return on assets as a moderating variable. The research uses quantitative methods with descriptive-causality analysis, which will explain the relationship between variables based on the results of statistical tests.

The research population is 32 companies in the Sri-Kehati index for 2016 - 2021. Based on the purposive sampling technique, the number of research samples was six companies, namely PT Japfa Comfeed Indonesia Tbk. (JPFA), Kalbe Farma Tbk. (KLBF), Perusahaan Gas Negara Tbk. (PGAS), Semen Indonesia (Persero) Tbk. (SMGR), United Tractors Tbk. (UNTR) and Unilever Indonesia Tbk. (UNVR).

The data type used is panel data, a combination of time series and cross-sectional data. Secondary data sources were obtained from annual sustainability reports in the form of the Global Reporting Initiative (GRI) and PROPER. The data analysis technique uses panel data regression and *Moderated Regression Analysis* (MRA) with a research paradigm as follows :



4. Findings and Discussions

4.1. Conditions of Green Investment (GI), Corporate Social Responsibility (GCG), Good Corporate Governance (GCG), Profitability and Company Value.

Companies that are members of the Sri-Kehati Index have an average Green Investment value of 3.5454. This shows that most companies in the Sri-Kehati index have made environmental management efforts by applicable regulations. The company meets the "Blue" classification referring to the PROPER assessment determined by the Ministry of Environment and Forestry of the Republic of Indonesia. The maximum value of the GI is 4.636199 - 5; namely, the Gold rating is given to companies that have carried out environmental management more than required and have made 3R (Reuse, Recycle, Recovery) efforts, implemented a sustainable environmental management system, made efforts which are helpful for the long-term interests of society. This ranking was achieved by PT Semen Indonesia Tbk for four consecutive years from 2016 to 2019 and PT. Kalbe Farma Tbk for three consecutive years from 2018 to 2020.

The average CSR value of companies in the Sri-Kehati Index is 32.42%. This shows that the company fulfils 32.42% of the 91 items based on the G4-Guidelines Global Reporting Index, which focuses on three main aspects: economic, environmental, and social. The maximum CSR value of 69.23% was achieved by PT Perusahaan Gas Negara Tbk in 2020, while PT Kalbe Farma Tbk obtained the minimum value of 15.38% in 2016 and 2017.

The average GCG value of companies listed on the Sri-Kehati Index is 1.16. This GCG value is the average value of Independent Commissioners, Managerial Ownership, Institutional Ownership, and Audit Committee Size. PT Gas Negara Tbk owned the maximum GCG value of 1.48 in 2019 and 2020, while the minimum GCG value was 0.99, obtained by PT Kalbe Farma Tbk.

The average ROA value of companies in the Sri-Kehati Index is 12.72%. The maximum ROA value was 44.67% at PT Kalbe Farma Tbk in 2016 and 2017, while the minimum ROA value was 0.0092 at PT Gas Negara Tbk in 2017.

4.2. Panel Data Regression Estimation Model

This research uses panel data analysis techniques with a Common Effect, Fixed Effect, and Random Effect model approach. Based on the Chow Test, the Fixed Effect model is chosen. The next test was based on the Hausman Test; the Random Effect model was selected. At the Lagrange Multiplier Test stage, the Random Effect model was selected. The results of panel data regression with the Random Effect model can be seen in Table 1.

Table 1: Panel Data Regression Results with Random Effect Model

Variable	Coefficient	p-value	Decision
GI	0.389017	0.0117	Positive influence
CSR	-1.901782	0.0692	No effect
GCG	1.421555	0.0458	Positive influence

Source: Data processing results, 2022

Referring to Table 1 above, the resulting regression equation is as follows:

$$YPBV = 5,879 + 0,389 \text{ GI} - 1,90 \text{ CSR} + 1,422 \text{ GCG}$$

According to Gujarati & Porter (2009), equations that meet classical assumptions use the Generalized Least Square (GLS) method. In contrast, those that meet the GLS method are random effect models (REM). Meanwhile, the fixed effect model (FEM) and standard effect model (CEM) use Ordinary Least squares (OLS). Because the model chosen in this research is a random effect model, there is no need to test classical assumptions.

4.3. Partial and Simultaneous Test Results

The results of panel data regression with the Random Effect Model produce a summary of the results of the t-test and F-test in Table 2 below:

Table 2: Results of the T-test and F-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GI	0.389017	0.142963	2.721102	0.0117
CSR	-1.901782	1.001704	-1.898547	0.0692
GCG	1.421555	4.682345	0.303599	0.0458
C	5.879242	5.433907	1.081955	0.2896

R-squared	0.337273	Mean dependent var	0.265110
Adjusted R-squared	0.231237	S.D. dependent var	0.497673
S.E. of regression	0.436355	Sum squared resid	4.760141
F-statistic	3.180735	Durbin-Watson stat	2.049506
Prob(F-statistic)	0.030480		

d F-test

Source: Data processing results, 2022

Paying attention to Table 2 above, the Green Investment (GI) variable positively affects Company Value because the $\square$ -value is $0.0117 < 0.05$, and the regression coefficient value is 0.389. This shows the acceptance of hypothesis 1: Green Investment positively affects company value. The Green Investment (GI) variable positively affects the Company Value of 0.389. If GI increases by 1 unit, the Company Value will increase by 0.389 units, assuming other variables remain constant.

However, the Corporate Social Responsibility (CSR) variable does not affect company value because the $\square$ -value is $0.0692 > 0.05$ with a regression coefficient of -1.902. This means that hypothesis 2 is rejected.

Furthermore, the Good Corporate Governance (GCG) variable is proven to be able to influence Company Value because the $\square$ -value is $0.0457 < 0.05$. This shows the acceptance of hypothesis 3: Good Corporate Responsibility positively affects company value. The Good Corporate Responsibility (GCG) variable positively affects the Company Values of 1.422. If GCG increases by 1 unit, then the Company Value increases by 1.42 units, assuming other variables remain constant.

The results of the simultaneous test (F-Test) show that the variables Green Investment (GI), Good Corporate Responsibility (GCG), and Corporate Social Responsibility (CSR) simultaneously influence Company Value. This can be seen from the prob (f-statistic) value of $0.030480 < 0.05$. Thus, hypothesis 4 is accepted: Green Investment, Corporate Social Responsibility, and Good Corporate Governance simultaneously influence Company Value. The determinant coefficient value based on the adjusted R-square value is 0.231237, indicating that Green Investment (GI), Good Corporate Responsibility (GCG), and Corporate Social Responsibility (CSR) are simultaneously able to influence Company Value by 23.12%, while 76.88 % influenced by other variables not examined in this study.

4.4 Moderated Regression Analysis (MRA) Test Results

In the next stage, this research tests the ability of profitability proxied by ROA to moderate the relationship between Green Investment (GI), Good Corporate Responsibility (GCG), and Corporate Social Responsibility (CSR) on Company Value. Testing uses moderate regression analysis (MRA), with test results in Tables 3, 4, and 5.

Table 3 displays the results of the MRA test to determine the ability of profitability to moderate the relationship between GI and Company Value. Based on Table 3, the probability value (M1) is $0.4468 > 0.05$. This shows that profitability cannot moderate the relationship between GI and Company Value. Thus, hypothesis 5 is rejected.

Table 3: MRA test results: ROA as a moderator of the relationship between GI and company value

<u>Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>t-Statistic</u>	<u>Prob.</u>
GI	-0.443828	0.242957	-1.826778	0.0792
ROA	1.126802	4.798565	0.234821	0.8162
M1	0.968853	1.254353	0.772392	0.4468
C	3.469496	0.966444	3.589962	0.0013

Source: Data processing results, 2022

Table 4 shows the test results to prove the role of profitability as a moderator of the relationship between CSR and Company Value. The profitability value (M2) is $0.1988 > 0.05$. This shows that profitability cannot moderate the CSR and Company Value relationship. Thus, hypothesis 6 is rejected.

Table 4: MRA test results: ROA as a moderator of the relationship between CSR and company value

<u>Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>t-Statistic</u>	<u>Prob.</u>
CSR	-0.631511	1.242113	-0.508417	0.6154
ROA	6.531441	4.410867	1.480761	0.1507
M2	-14.76589	11.19717	-1.318717	0.1988
C	2.367437	0.828299	2.858192	0.0083

Source: Data processing results, 2022

The test results in Table 5 show that profitability can moderate the relationship between GCG and Company Value. This is indicated by the probability value (M3) of $0.0313 < 0.05$. Thus, hypothesis 7 is rejected.

Table 5: MRA test results: ROA as a moderator of the relationship between GCG and company value

<u>Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>t-Statistic</u>	<u>Prob.</u>
GCG	0.180018	2.755577	0.065329	0.9484
ROA	81.95051	34.42261	2.380718	0.0249
M3	-65.36006	28.71890	-2.275855	0.0313
C	1.340897	3.384880	0.396143	0.6952

Source: Data processing results, 2022

4.4 Discussions

4.4.1 Effect of Green Investment (GI) on Company Value

The results of hypothesis testing show that Green Investment positively affects company value (PBV). The results of this research support the legitimacy theory. When a company aligns its business activities with social values and norms, it will gain community recognition, increasing its value. Companies that are members of the Sri-Kehati Index gain legitimacy because they responsibly make environmentally friendly investments (green investments) by complying with environmental ethics. These companies reduce carbon emissions and use green energy and green technology. The results of this study align with the research of Chariri et al. (2018) and Li et al. (2018).

Companies that are members of the Sri-Kehati Index tend to have good financial performance because they pay attention to environmental issues to improve their image and maintain legitimacy. This has an impact on increasing the company's reputation and competitive advantage. This research proves that company value or financial performance will increase when implementing environmentally friendly investment policies (green investment) (Chariri et al., 2018; Li et al., 2018).

In addition, ESG disclosure (including green investment) can also increase company value through good transparency, accountability, and stakeholder trust (Li et al., 2018).

4.4.2 The Influence of Corporate Social Responsibility (CSR) on Company Value

The results of hypothesis testing also show that corporate social responsibility (CSR) does not affect company value (PBV). This research results differ from legitimacy theory, which states that company value will increase if the company makes legitimacy efforts, such as aligning company values with social values and norms. This is supported by the research results of Fatemi et al. (2018) and Junius et al. (2020), who found that company CSR activities significantly reduce company value.

This finding may occur because of the public's perspective that sustainable development will not provide additional value to the company and will not influence their decision to purchase a product or service. This result contradicts the signalling theory, which states that the general public will perceive information regarding a company's sustainable development as a signal of positive activities. Meanwhile, in reality, it does not produce any returns for the company (Junius et al. (2020)

4.4.3. The Influence of Good Corporate Governance (GCG) on Company Value

Further hypothesis testing shows that good corporate governance positively affects company value. The results of this research support agency theory, which states that company value will increase if good corporate governance policies are implemented in the company. This can limit conflicts between shareholders or principals and managers or agents delegated to manage company operations. This theory states that if companies provide incentives in the form of monitoring costs and bonding costs designed to mitigate or reduce the possibility of deviant agent activity, companies can achieve their primary objective, namely to maximise company value (Brigham & Houston, 2012; Jensen & Meckling, 1976).

The results of this research are also supported by (Abdi et al. (2022), who found that the governance dimension in ESG significantly positively influences company value. This is because of the real benefits that underlie good corporate governance policies, such as implementing responsible leadership and independent supervision to ensure maximum shareholder benefits and implementing sustainable reporting strategies.

4.4.4 The Simultaneous Influence of Green Investment, Corporate Social Responsibility, and Good Corporate Governance on Company Value

The results of simultaneous hypothesis testing show that green investment (GI), corporate social responsibility (CSR), and good corporate governance (GCG) simultaneously influence company value as proxied by price book value (PBV). Price book value is influenced by green investment (GI), corporate social responsibility (CSR), and good corporate governance (GCG)

by 23.12%, and the remaining 76.88% is explained by other variables not examined in this research.

The results of this study are in line with the findings of Nekhili et al. (2017), which state that environmental, social, and governmental (ESG) performance together influences market value or company value. A possible explanation is that the ESG pillars implemented by the company can form an alliance between managers and shareholders that balances the power of shareholders. In addition, high ESG performance indicates high corporate spending in CSR activities that can generate greater profits for employees at the expense of shareholders.

4.4.5 The Effect of Green Investment (GI) on Company Value with Profitability as a Moderating Variable

The results of hypothesis testing using Moderated Regression Analysis (MRA) show that profitability cannot moderate the relationship between green investment and company value (PBV). This indicates that profitability cannot strengthen the influence of green investment on company value.

Thus, this shows that profitability as a moderating variable is classified as a potential moderating variable where the moderating and interaction variables do not significantly influence. Moderating variables have the potential to become moderating variables that influence the strength of the relationship between the predictor variable and the dependent variable. This variable does not interact with the predictor variables or have a significant relationship with the dependent variable.

4.4.6 The Influence of Corporate Social Responsibility (CSR) on Company Value with Profitability as a Moderating Variable

The Moderated Regression Analysis (MRA) test results show that the interaction of corporate social responsibility and profitability does not affect company value (PBV). This means that profitability cannot moderate the relationship between corporate social responsibility and company value (PBV). This research shows that profitability as a moderating variable in the relationship between corporate social responsibility and company value is classified as a potential moderating variable where the moderating variable and interaction variable do not significantly influence. Moderating variables have the potential to become moderating variables that influence the strength of the relationship between the predictor variable and the dependent variable. This variable does not interact with the predictor variables or have a significant relationship with the dependent variable.

4.4.7 The Influence of Good Corporate Governance (GCG) on Company Value with Profitability as a Moderating Variable

On the other hand, the results of the Moderated Regression Analysis (MRA) test show that the interaction of good corporate governance and profitability affects company value (PBV). This means profitability can moderate the relationship between good corporate governance and company value (PBV). Meanwhile, the coefficient value of the interaction of good corporate governance and profitability (M1) on company value (PBV) is -65.36006. This figure has a negative value, which means that for every 1% increase in the interaction of good corporate governance and profitability as proxied by ROA, the company value decreases by 65.36% and vice versa. Thus, this study's sixth hypothesis (H6) can be accepted.

This research shows that profitability as a moderating variable in the relationship between good corporate governance and company value is classified as a pseudo or quasi-moderating variable where the moderating variable and interaction variable have a significant influence. A quasi-moderator is a variable that moderates the relationship between a predictor variable and a dependent variable, where the quasi-moderating variable interacts with the predictor variable while also becoming a predictor variable.

5. Conclusion

This research shows that green investment and suitable corporate governance variables have a positive effect, and the corporate social responsibility variable has no effect. The profitability variable can moderate the relationship between good corporate governance and company value. However, it cannot moderate the relationship between green investment and company value and the relationship between corporate social responsibility and company value in companies included in the SRI-KEHATI Index stock group for the 2016-2020 period.

Simultaneous testing in this research shows that the variables green investment, corporate social responsibility, and good corporate governance jointly influence the company value of companies that are members of the SRI- KEHATI Index stock group for the 2016-2020 period.

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The Effect of Service Quality and Excellence in Islamic Insurance Products on Community Preferences in Choosing an Islamic Insurance Company in Sikara Kara 1 Village, Natal Kab. Madina

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Abstract

This study aims to determine the effect of service quality and excellence in Islamic insurance products on preferences in choosing Islamic insurance companies in Sikara Kara 1 village, Natal kab. Madina, this research uses a quantitative approach with the concept of causal relationship research. The data collection technique used in this study was distributing research questionnaires through Google Forms using a Likert scale. Data analysis techniques and testing in research are validity and reliability tests, classical assumption tests, multiple linear regression analysis, significance tests, and determinant coefficient tests (R^2). This study uses purposive sampling, a sampling technique with certain considerations. The population of this study is the Sikara Kara 1 village community totaling 1564. Because the population in this study was very large, which exceeded 1000, the researchers took a sample using the Slovin formula. Then, the sample obtained was 94 people. The results showed that the quality of service has a relevant effect on community preferences. Through the results of the calculations that have been carried out, it is obtained that t count with a value greater than t table with a significant value smaller than and the second advantage of the product has a relevant effect on community preferences with a t value greater than t table with a significant value smaller than. So it is known that the quality of service and excellence in products positively and significantly affect people's preferences in choosing an insurance company in Sikara Kara 1 Village, Natal Kab. Madina.

Keywords: Service Quality, Product Excellence, and Community Preferences

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1. Introduction

In human life, of course, we will always be faced with events and risks that cannot be predicted and can cause various kinds of losses. In Indonesia, there is an institution that can help guarantee and or protect the risks incurred namely insurance. The development of insurance is growing rapidly in several countries in the world and even in most countries where the majority of the population is Muslim. The development of non-bank financial institutions with Sharia principles is now expanding to various regions and remote areas of the country. However, the public is still not very familiar with Sharia insurance.

Furthermore, many scholars and scientists have described and explained the conditions and risk-management techniques society uses using social and electronic media. Furthermore, many media sites have emphasized past occurrences and coping strategies from people who are more likely to handle these risks by maintaining specific customs they acquired from their forefathers.

Each individual has preferences in determining various choices for their needs. (Simamora, 2004) reveals that preferences can be formed through the mindset of consumers (individuals), which is based on 2 things that can be used as indicators, namely experience gained and trust downhill. Meanwhile, according to (Epstein, 2006), preferences are formed from social situations, such as beliefs, tastes, norms, values, opinions, and spontaneous thoughts.

People's inclination to use financial institutions is influenced by their knowledge of the financial services they provide. Understanding the level of public understanding or preference for financial products, financial institutions have a strong opportunity to design the products offered to be more market-driven. The structure of knowledge and understanding of the community has been built for a very long time; of course, it is not easy to be directed to a financial system that is increasingly developing with the course of economic development and the development of financial traffic needs (Pratomo, 2015).

The claim that only rural tribes, like Sikara Kara 1 village, undertake unique rituals has to be supported by pertinent and trustworthy facts since it creates the possibility that the community does not now know about insurance. The hamlet Sikara Kara 1 is located in the Mandailing Natal district (Madina), Natal sub-district in the Indonesian province of North Sumatra. Dating back to 1564, the Sikara Kara I clan is a well-established Muslim community.

Previous studies, including the one conducted by (Silviyanti, 2020) (sig value of $0.004 < 0.05$), showed that premiums significantly affected customer satisfaction. The sig value of $0.000 < 0.05$ and the coefficient of determination adjust square of 0.591 clearly show that service quality has a substantial effect on customer satisfaction. This implies that exceptional features and services may be responsible for 59.1% of total consumer happiness. Nevertheless, factors not covered by this variable have an impact on the remaining 40.9%. The results of the first study are supported by the second inquiry (Santi Piramita, 2021). It suggests that the caliber of services offered has a favorable, large, and overwhelming impact on people's decisions on Islamic insurance providers. This implies that the likelihood of the general public purchasing a service increases with its level of quality and compliance with public expectations. The third study (Nadila Alya Ayunani, 2023) presents the findings of investigations on the relationships between customer happiness and the standard of the products, services, and costs provided. Three widely accepted theories are listed by Burjo Titik Kumpul: (1) price has a significant influence on customer satisfaction; (2) product quality affects customer satisfaction; and (3)

service quality encourages customer happiness. The f test unequivocally demonstrates how the cost, product, and service quality factors interact to affect the customer satisfaction variable. Furthermore, according to the determination test, all independent factors account for 69.6% of the explanation of the dependent variable, with variables outside of this model accounting for the remaining 30.4%. Drawing on the current study, the following recommendations are made: The administration must: 1) continue to raise the standard of services rendered; and 2) focus more on the quality of the product, particularly on enhancing its appeal and better understanding the requirements and preferences of burjo titik kumpul clients. The goal of this is to increase customer satisfaction. 3) Future studies should incorporate other variables that are hypothesized to affect satisfaction in order to provide thorough findings. 4) Information gathering for future research is the aim of this study.

The researcher discovered that many residents in Sikara Kara 1 village still do not have insurance based on the findings of her investigation. There are still many people who have no knowledge about insurance or insurance companies. Kara 1 interviewed Sikara Village residents as part of her investigation. The study's findings showed that individuals are still wary of falling for con artists and selecting the incorrect insurance plans and suppliers. According to this study, there may be problems with consumers' expectations for excellent insurance services and products. Thus, it is necessary to carry out a more thorough examination of the ways in which the community's choices for Islamic insurance companies in Sikara Kara I Village, Natal District, Madina Regency, are influenced by the excellence and perfection of services provided by Islamic insurance products.

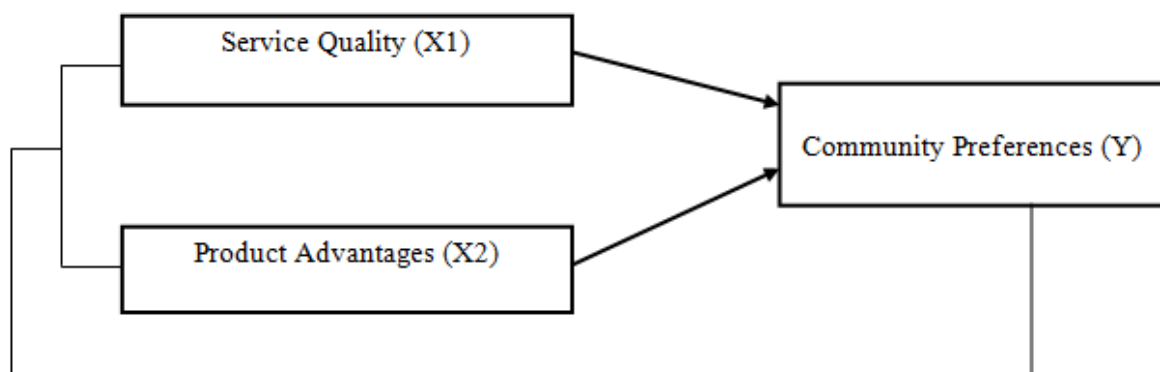


Figure 1 Conceptual framework

H1 : Service quality on products has a significant effect on people's preferences in choosing Islamic insurance companies.

H2 : Excellence in products has a significant effect on people's preferences in choosing Islamic insurance companies

H3 : Service quality and product excellence have a significant influence on people's preferences in choosing Islamic insurance companies.

2. Literature Review

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2.1 Sharia Insurance

Islamic insurance is defined as a means of coping with life's catastrophes since people are constantly susceptible to calamities that might result in financial losses or reductions for them or their enterprises due to illness, old age, death, or accidents (Suhardi, 2021). Sharia insurance is an endeavor to safeguard and assist multiple parties through asset investments and tabarru', a sharia-compliant contract that provides a framework for handling specific risks or hazards, according to National Sharia Council No.21/DSNMUI/X/2001 (MUI, 2001). Tawhid, fairness, reciprocal aid, collaboration, trust, willingness, truth, and the prohibitions against usury, gambling (maisir), and gharar are the nine fundamental tenets of sharia insurance (Suhardi, 2021).

An agreement signed by the insurer and the insured is known as sharia insurance. The premium is sent to the insurer as a risk transfer and placed into the tabarru' fund, which serves as a mutual aid fund for all members, in the case that the insured individual is injured and savings funds which will later be invested by the insurer through sharia-compliant investments. So this is what makes the fundamental difference between sharia insurance and conventional insurance (Ajib, 2019).

In Islamic insurance, quality services are needed that can increase policyholder satisfaction and loyalty (Kotler, 1997). A situation like this can mean that Islamic insurance can not only survive and use an approach to keep customers who are already by utilizing emotional sentiments for religious reasons (Aulia Monica, 2023).

2.2 Service Quality

Good service quality will lead to satisfaction because perceived satisfaction is a manifestation of consumer expectations of the company's services. Services that are considered superior to consumers (ie in terms of performance) can generate satisfaction because perceived satisfaction is a manifestation of consumer expectations of company services. (A Hamdani, 2006) contend that service quality illustrates the discrepancy between what is expected and what is provided. The level of satisfaction attained is a direct result of providing top-notch services, and it represents what clients anticipate from the services provided by the business. According to (Oktari et al., 2021), customer satisfaction levels are a reflection of what people expect from a company's services, thus services that perform up to or beyond their expectations can increase customer satisfaction.

Outstanding services satisfy the needs and desires of the customer. As a result, perceived and anticipated service are the two main factors that determine service quality. The quality of the offering reflects the discrepancy between the company's level of service and what customers expect. (Tjiptono, 2017) asserts that offering customers high-quality service entails meeting or surpassing their needs and desires while keeping balance. Peculpable, empathic, confident, responsive, and trustworthy are the five characteristics that are used as indications that are most strongly correlated with 22 factors, according to research by (Parasuraman, 1993).

2.3 Product Advantages

Product excellence is defined by Henard and Szimanski as superiority or greater uniqueness over competing enterprises' goods. When assessing the company's unique selling proposition, advantages, and value all elements of an exceptional product from the perspective of the

customers, subjective preferences (likes and dislikes) and objective desires and wishes should be taken into consideration (Wijaya et al., 2020).

Product market performance, or the degree of financial and competitive outcomes in the market as demonstrated by profit, return on investment, and market share, may positively correlate with product excellence. When a product's advantages outweigh its disadvantages, buyers frequently develop a positive opinion of it and decide to buy it based on their real purchasing behaviors and preferences. Product development empirical research has demonstrated that a product's benefits lead to enhanced performance (Rachman, 2006).

The following traits of a high-quality product were identified by (Maskan et al., 2014) as indicators of product excellence: (1) Performance, or the salient characteristics of the obtained main product. (2). Extra features, also referred to as supporting or supplementary attributes. (3) dependability, which is not likely to get damaged or cease to function. (4) Conformance to specifications: This gauges how closely operational and design elements adhere to recognized norms. Five: longevity, or the amount of time an item may be utilized before deteriorating (Indah Sri Utami Zebua, 2023).

In the competitive business world, product excellence is a very important factor. By having a unique advantage, you can attract more consumers, build a strong brand image, and increase your business success. Remember that maintaining product value is an ongoing challenge, but with a good understanding of the market, constant innovation, and a focus on customer satisfaction, you can create unrivaled products and build a strong reputation in the market. In this way, you will become a leader in the market and achieve sustainable success (Malihah, 2023).

2.4 Preferences

(Kotler, 1997) asserts that consumer preferences represent what the consumer desires from the range of already offered services. Everything that is deemed superior is selected based on want or inclination (Poerwadarminta, 2006). Preferences can also include a person's likes and dislikes for a good or service that they have tried. The tendency of an individual to choose a product based on their requirements, interests, and preferences is what defines their preference. The consumer must be able to name every product he sees in these circumstances and indicate which ones he prefers. Since customer decisions are subjective, various customers will have different tastes. This mismatch results from different interests caused by several factors.

It is crucial to keep in mind that spending money calls for caution and that the primary objective should be to make decisions (preferences) that maintain *maslahah* (benefit and compassion), according to (Navis, 2015) examination of preferences in Islam. in order for material possessions or riches to improve someone's quality of life.

Furthermore, the concepts of choice and taste are used in social science, especially in economics. A choice between options will probably be made, either in theory or in reality. These choices may be assessed using metrics like utility, fulfillment, satisfaction, and enjoyment. It might be viewed as an all-purpose inspiration source. In cognitive science, individualized preferences enable the selection of goals. (Minerva Maharani Azzahra, 2023).

3. Research Method

A quantitative methodology this study employs (Hardani, Helmina Andriani, Jumari Ustiawaty,

2020). Quantitative Research which involves the use of statistics to analyze data. Research that focuses more on objectively assessing social processes is referred to as quantitative research. Different number symbols are given for each specified variable depending on the type of information associated with that variable when measuring it (Rahmani, 2016). The information acquired is considered primary data because the research questionnaires were distributed using Google Forms as the data collection approach in this study. Books, journals, and other literature-related publications supply the secondary data for this study in the interim. The measuring tool used to assess the respondents' answers is a Likert scale. In the Natal District of the Mandailing Natal Regency, in the hamlet of Sikara-Kara 1, resided fourteen hundred and sixty-four research participants.

Because the population in this study was very large exceeding 1000, the researchers took a sample using the *Slovin formula*.
$$n = \frac{N}{1+n(e)^2}$$

Which is known:

n = Sample Size

N = Total Population, which is 1564

Sikara Kara Village Community 1

e = Tolerance *error* or percentage allowance of 10% (0.1)

$$n = \frac{1564}{1 + 1564(0,1)^2}$$

$$n = 93,990$$

This research uses purposive sampling, which is a sampling technique with certain considerations in sampling (Sugiyono, 2017). Thus, the sample that was determined above using the Slovin formula consisted of 94 individuals.

Among the tests run in this inquiry were the significance, validity, and reliability tests, multiple linear regression analysis, the coefficient of determination (R²) test, and tests for validity and reliability.

4. Findings and Discussions

4.1 Validity and Reliability Test

Table 1. Validity Test Results

Variable	Item Statement	r count	r table	Information
Sevise Quality (X1)	Statement X1.1	1	0,200	Valid
	Statement X1.2	0,519	0,200	Valid
	Statement X1.3	0,538	0,200	Valid
	Statement X1.4	0,693	0,200	Valid
	Statement X1.5	0,315	0,200	Valid
Product Advantage (X2)	Statement X2.1	0,526	0,200	Valid
	Statement X2.2	0,582	0,200	Valid
	Statement X2.3	0,296	0,200	Valid

	Statement X2.4	0,545	0,200	Valid
	Statement X2.5	0,514	0,200	Valid
Community Preference (Y)	Statement Y1	0,394	0,200	Valid
	Statement Y2	0,508	0,200	Valid
	Statement Y3	0,689	0,200	Valid
	Statement Y4	0,649	0,200	Valid
	Statement Y5	0,558	0,200	Valid

Source: Analysis results from primary data

The validity test results in table 1 above demonstrate that the computed r points exceed the r table points of 0.200. This means that any instrument statement used to assess the variables for service quality (X1), product excellence (X2), and community preference (Y) is considered legitimate.

An instrument is deemed dependable if its *Cronbach's Alpha* value exceeds the 0.600 reliable requirement value.

Table 2. Reliability Test Results

Variable	Number of Statements	<i>Cronbach's Alpha</i>	Information
Sevise Quality (X1)	5	0,851	Reliable
Product Advantage (X2)	5	0,856	Reliable
Community Preference (Y)	5	0,875	Reliable

Source: Analysis results from primary data

The results of the reliability test, which are shown in table 2 above, clearly show that the Cronbach's alpha value is more than the required reliable value of 0.600. As a result, it is discovered that every instrument statement that was used to evaluate variables X1, X2, and Y is dependable.

4.2 Classical Assumption Test

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test				
		TOTAL X1	TOTAL X2	TOTAL Y
N		94	94	94
Normal Parameters ^{a,b}	Mean	15.55	15.24	15.22
	Std. Deviation	5.436	5.427	5.682
Most Extreme Differences	Absolute	.101	.099	.093
	Positive	.076	.084	.073
	Negative	-.101	-.099	-.093
Test Statistic		.101	.099	.093
Asymp. Sig. (2-tailed)		.022 ^c	.024 ^c	.046 ^c
Exact Sig. (2-tailed)		.289	.295	.375

Point Probability	.000	.000	.000
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- Test distribution is Normal.
- Calculated from data.
- Lilliefors Significance Correction.

Source: Analysis results from primary data

The purpose of the normality test is to ascertain whether or not the data distribution under study is normally distributed in the variables. The complete Y variable is 0.375, the entire X1 variable is 0.289, and the entire X2 variable is 0.295, as seen in Table 3 above. These are the exact significant values for each variable. This number is more than the 0.05 threshold of significance. As a result, it is evident that the distribution of the data being examined is normal.

Table 4. Hasil Uji Multikolinearitas

		Coefficients^a	
		Collinearity Statistics	
Model		Tolerance	VIF
1	TOTAL_X1	.382	2.619
	TOTAL_X2	.382	2.619

a. Dependent Variable: TOTAL_Y

Source: Analysis results from primary data

Table 4 above shows that the tolerance values for variables X1 and X2 are, respectively, 0.382 and 0.382 based on the test findings. Both variables have values greater than 0.05. Furthermore, it is evident that neither variable has multicollinearity because the VIF values of variables X1 and X2 are less than 10.00—2.619 and 2.619, respectively.

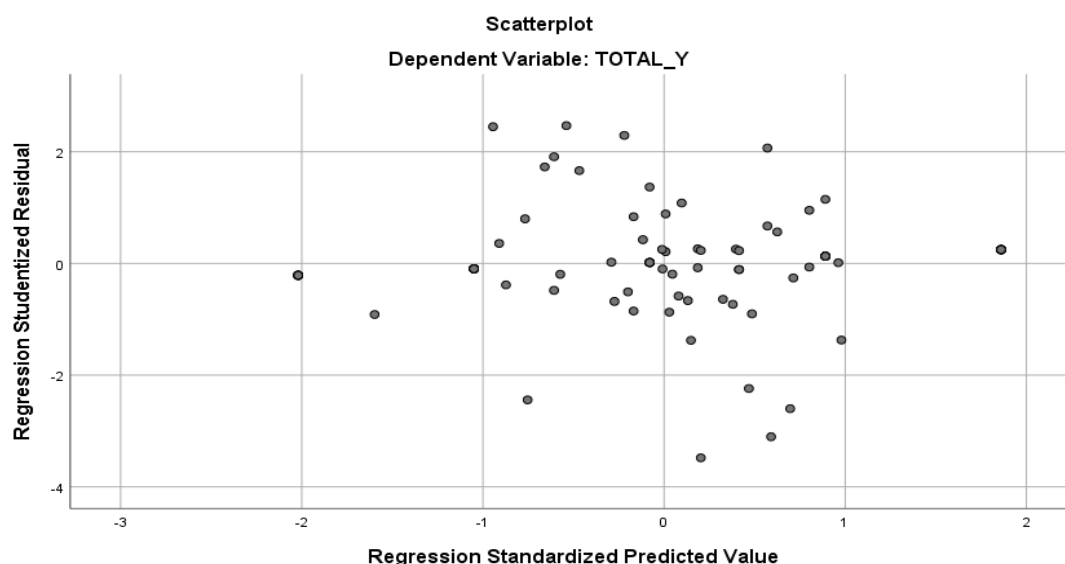


Figure 2 Heteroscedasticity Test

The heteroscedasticity test findings indicate that the dots do not form any kind of pattern. It is clear that there is a dispersion of points on the Y temperature, both above and below 0 (zero). Heteroscedasticity is therefore said to be missing from the regression model.

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Tabel 5. Hasil Analisis Regresi Linear Berganda

Model		Coefficients ^a		t	Sig.
		Unstandardized Coefficients	Standardized Coefficients		
		B	Std. Error		
1	(Constant)	.948	.996	.953	.343
	TOTAL_X1	.426	.093	.415	.000
	TOTAL_X2	.508	.094	.488	.000

a. Dependent Variable: TOTAL_Y

Source: Analysis result from primary data

The test results are shown in Table 5 above, and they show that the Constant value of 0.948 denotes a situation in which variables X1 and X2 have no effect on variable Y. A typically positive effect on variable Y is shown by the 0.426 X1 coefficient value. The coefficient value of variable X2, which is 0.508, suggests that variable X2 influences variable Y positively.

Significance Test

Table 6. Results of Simultaneous Effect Significance Test (F Test)

		ANOVA ^a				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2059.826	2	1029.913	116.039	.000 ^b
	Residual	772.174	87	8.876		
	Total	2832.000	89			

a. Dependent Variable: TOTAL_Y

b. Predictors: (Constant), TOTAL_X2, TOTAL_X1

Source: Analyze results from primary data

A F count value of 116.039 is revealed by the test results, according to Table 7's data, which is greater than the F table value of 3.940. Compared to 0.05, a value of 0.000 is less significant. This demonstrates the substantial influence that the X1 and X2 variables have on the Y variable.

4.3 Determinant Coefficient Test (R²)

Table 7 Results of the Determinant Coefficient Test (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853 ^a	.727	.721	2.979

a. Predictors: (Constant), TOTAL_X2, TOTAL_X1

Source: Results of analysis of primary data

The test results, which show that the R Square coefficient value is 72.7%, are shown in Table 8 above. In conclusion, variable Y has a correlation of 0.727 (72.7%) with the quantities of variables X1 and X2.

5. Conclusion

The researcher has concluded that the quality of the waiter has a relevant effect on community preference based on the findings and discussion of research on the effects of Service Quality (X1) and Excellence in Products (X2) on Community Preference (Y) in Islamic insurance companies in Sikara-Kara Village 1 Kec. Natal Kab. Mandailing Natal. In view of the challenges faced and the concepts previously suggested being tested, these results have been given and modified. With a t value of 1.696 more than the t table 1.661 and a significant value of 0.004 less than 0.05, the computations' findings demonstrate that the product's second advantage has a substantial impact on community preferences. 0.000 less than 0.05 is a significant number, meaning that the t count of 4.629 is more than the t table of 1.661.

The findings show that the community's choice of sharia insurance company has a major impact on the caliber of services and superiority in sharia insurance products in Sikara Kara 1 village.

In order to gain a more diversified and abundant set of data, researchers should be able to enlarge the research sample and add more specific factors in their advise to future researchers.

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