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2nd i-CoME
INTERNATIONAL CONFERENCE ON
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Proceedings

CULTIVATING THE SPIRIT OF SUSTAINABILITY,
INNOVATION, AND GOVERNANCE IN BUSINESSES
AROUND THE WORLD

Yogyakarta, 26th - 28th July 2018

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PREFACE

The year 2018 is marked by many business scholars as the disruptive era, in which the future cannot be solely based on either the historical pattern or conventional wisdom. In other words, the historical performance can no longer serve as the guidance to make the future decision. The drastic increase in online business transactions and the shift in consumer spending are some examples to mark the disruptive era. Innovation and sustainability are becoming the driving engines for many corporations to strive in this more complex globalized market. As businesses are moving across national and cultural borders, good corporate governance is also playing an important role to guarantee the sustainability of the business.

With this current condition, The Business Management Program of Petra Christian University conducts the second international conference on management and entrepreneurship (2nd i-CoME) to address the issues on innovation, sustainability, and governance. This conference is made possible with the support of *Jurnal Manajemen dan Kewirausahaan (Journal of Management & Entrepreneurship)*, a nationally accredited scientific journal, and several other nationally and internationally accredited journals. The conference will present seven keynote speakers from six different countries; Indonesia, Malaysia, Taiwan, France, Mexico, and Singapore.

This conference is also calling for research articles and papers from scholars, researchers, and students from all over the world. There are six sub-themes with various topics covering on management and entrepreneurship that are ready to explore and discuss. The conference will be a forum where fellow academics share experience, exchange knowledge, work hand-in-hand, utilize a new technology, and find managerial solutions for a better business world.

Indonesia, July 26–28, 2018

The Editor in Chief

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PSYCHO-ECONOMIC PHENOMENON, OPPORTUNISTIC BEHAVIOR AND THEIR IMPACT ON ENTREPRENEURIAL FAILURE

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ABSTRACT

This paper investigates and discusses individuals' internal circumstances that caused entrepreneurial failure which consists of psycho-economic phenomenon and opportunistic behavior of individuals. The study is a quantitative study and it operates causal analysis that relates the existing arguments regarding psycho-economic phenomenon to entrepreneurial failure. The study further adds and analyze the construct of opportunistic behavior as another possible factor that may cause entrepreneurial failure. Sample of the study is 1541 young entrepreneurs in West Sumatra Province, Indonesia, who have experienced failures in their business. Analysis was undertaken by using multiple and partial regression analysis in which the statistical protocol was operated. It is found that psycho-economic factors together with opportunistic behavior of individuals in a lesser to a bigger degree have caused entrepreneurial failure to the context of the study. The study also implies and argues that opportunistic behavior may not only be viewed as a source of entrepreneurial success, as it also contributes to entrepreneurial failure. This finding clearly demonstrates the originality and value of this study since it argues that opportunistic behavior can also be viewed as a factor - apart from the other existing psycho-economic factors (deterministic, voluntaristic and emotive) - that can cause entrepreneurial failure.

Keywords: Deterministic-voluntaristic-emotive factors, entrepreneurial failure, psycho-economic factors, opportunistic behavior.

INTRODUCTION

The most important entrepreneurial learning that can be absorbed by entrepreneurs supposes to be sourced from their experience regarding failures. Almost all entrepreneurs have experienced failure when they undertook their business. In a study about the anatomy of entrepreneurs, Wadhwa, Aggarwal, Holly, and Salkever (2009) came out with the finding that a successful entrepreneur has averagely experienced two until three times failures in every new venture that they previously established before he/she reached success. This situation and the condition of failure have triggered entrepreneurs to become tougher, more resilient, and the most important thing, are able to learn from failures. Threfore, analyzing failure as a part of entrepreneurial journey would be necessar, since entrepreneurs cannot avoid it during thie entrepreneurial journay to achieve success. The existence of failure as an event in entrepreneurs' entrepreneurial journey – which is followed by mental and learning processes and an experiential process has raised a particular concept in entrepreneurship, which is introduced as the concept of serial entrepreneurship.

Lafontaine and Shaw (2014) mentioned that the serial entrepreneurship can be understood as an entrepreneurial process which happens to an entrepreneur in achieving success of new ventures after he/she experienced failures, in which the following element exists: [a] the learning process from the failure, [b] the process of change in entrepreneurial behavior after the failure, and [c] the experience in managing the business. There is no uniform arguments and opinions from scholars to state number of venture failures that need to be happened and experienced by entrepreneurs before he/she reaches entrepreneurial success. It is believed that the number of venture failure before achieving entrepreneurial success is situationally, conditionally and contextually related to an entrepreneur as a person. This means that the most entrepreneurs will experience entrepreneurial failure – and the number of failures varies among them. However, one common argument raised and approved by the scholars; the entrepreneurial success is very seldom to be achieved only in one single venture creation/establishment.

Studies and research to reveal the determinants of entrepreneurial success factor have clearly identified that the entrepreneurial success is influenced by: [a] internal and external environments of the entrepreneur, [b] psychological condition and situation of the entrepreneur, and [c] sociological situation of the entrepreneur. Each factor has its own specific determinants, in which opportunism is considered as one psychological determinant that can lead to entrepreneurial success (see, for example, the studies of Herath, 2014; Wasdani & Matthew, 2014; Chang, Liu, & Chiang 2014).

An interesting question therefore is: what would be the other sensible psycho-economic construct apart from the existing deterministic, voluntaristic and emotive factors that may cause entrepreneurial failure? Further, is there any

determinant in entrepreneurial success factors that can play intersection roles with the determinant of entrepreneurial failure? Based on that overview, part of this study and paper tries to investigate and further, to examine and discuss the possibility of opportunistic behavior to be identified and introduced as a possible determinant that may not only be viewed as the determinant in entrepreneurial success but also influences entrepreneurial failure.

Taking nascent entrepreneurs in West Sumatra – Indonesia as the unit of analysis and context of study, it tries to reveal the psycho-economic phenomenon experienced by nascent entrepreneurs that has led to entrepreneurial failure. In detail this study reveals entrepreneurial failure within nascent entrepreneurs in West Sumatra which was caused as the result of psycho-economic phenomenon together with opportunistic behavior. This study was undertaken quantitatively with 1541 nascent entrepreneurs in West Sumatra, who have experienced entrepreneurial failure. Our earlier investigation through the pilot study found that the number of entrepreneurial failure experienced by the West Sumatran nascent entrepreneurs averagely reaches three to four times until they can settle the business. This situation of course, is a challenging one – as people normally undertake necessary steps and efforts to reduce the failure rate. Therefore, this study is interesting and valuable as it tries to reveal the entrepreneurial failure phenomenon experienced by nascent entrepreneurs which can be used as the reliable source and foundation to state and support government policies regarding nascent entrepreneurs.

LITERATURE REVIEW AND HYPOTHESIS

In general, entrepreneurial failure can be understood as the cessation of entrepreneurial process undertaken by entrepreneurs as a result of failures that occurred during the preparation, implementation and management of the venture. One main possible sign of this failure can be seen in the inability of the entrepreneur to manage the financial matters, which has further resulted the cessation of business operation, and worst – bankruptcy. However, even though the inability to manage the financial matters is closely linked to the bankruptcy, it cannot be viewed as the one and only reason in entrepreneurial failure. Instead of inability in managing the financial matters of the venture, entrepreneurial failure is mainly viewed as a result of the combination and interaction between psychological and economic factors of an entrepreneur. It is viewed that psychological factors of individuals will lead them to decide and further, to undertake error actions – which will further result entrepreneurial failure. As Smida and Khelil (2010), entrepreneurial failure is a psycho-economic phenomenon which will lead entrepreneurs to undertake error actions to allocate resources and will result further consequence, in terms of psychological situation in the form of disappointment. However, entrepreneurial failure can be concluded as the situation in which the psycho-economic phenomenon relates to:

[a] individual situation and condition (in particular behavior and personality),
[b] organization as a business entity), where an entrepreneur undertakes entrepreneurial process
[c] social environment which is directly and/or indirectly relates to individuals
[d] entrepreneurial process happened to individuals.

However, such four factors individually cannot influence entrepreneurial failure as it does not have sufficient power that lead to a failure. There should be a combination and an interaction between factors and elements which will impact failure to the business run by entrepreneurs.

Knowledge and observation regarding entrepreneurial failure is considered important as one of main concerns in entrepreneurship is to minimize the failure rate of new businesses. Even though entrepreneurs are described as individuals who can tackle risks (including business risks), we view that the information and knowledge regarding failures can also be used as a guidance by nascent entrepreneurs in preparing their business. The information and knowledge regarding failures can also be used to reduce the rate of serial entrepreneurship process that happened to entrepreneurs. Apart from those, failures will also be a learning event and experience from post-mortem assessment to analyze the reasons of entrepreneurial failure. One of this post-mortem assessment is in the form of cognitive structural analysis that can be used by entrepreneurs to analyze the type of failure and re-motivate themselves to be back in the business, getting experiences from cases, new ability to face and tackle failures and the most important, to determine the transformation process of failures into opportunities.

Study and research regarding new venture failure are normally emphasized to the analysis in the following topics: [a] what and why a new venture fails? (Artinger & Powell, 2015) and, [b] what is the consequence that needs to be borne by entrepreneurs as the result of their failure? (Singh *et al*, 2015; Yamakawa & Cardon, 2015; Jenkins, Wiklund, & Brundin, 2014; Ucbasaran, Westhead, Wright, & Flores, 2010). Contextually, studies and research that

have been completed mostly analyzed the consequence of failure to the business belongs to the entrepreneur – which means that the analysis has mainly been done to the business as an entity. Considering this, research contexts were mostly cantered in the question 'why can be a business fail?' Wennberg, Wiklund, DeTienne, and Cardon (2010) concluded that a business mainly fails because of the following reasons: [a] low business performance, [b] the problem of resources, and [c] un-achievable positive goals and growth of the business. In a more broaden scale, Wennberg and DeTienne (2014) and Hammer (2012) further identified the existence of three conditions that can lead to a failure in business, which is: [a] business environment, [b] the business itself – mainly inappropriate resources and competence, and [c] the entrepreneur as an individual/personal – mainly less commitment from entrepreneurs in managing the business.

If we objectively observed, business failure, in particular new ventures failure is closely related to the analysis on those who is operating the business. This means that the entrepreneur as a person is considered as an individual who is having prominent roles to determine whether a business can be success, or, in reverse, fail. Therefore, the unit analysis of the research cannot always be focused on to the business as an entity. It is why we put emphasis of our focus and analysis merely to the entrepreneur as an individual. According to Smida and Khelil (2010), the concept of business and organizational failure can be viewed from the entrepreneur as an individual, and it is sourced from: [a] deterministic factors, and [b] voluntaristic factors. Deterministic factor is defined as the failure of new ventures which is sourced from entrepreneur's environment, which its existence cannot minimally controlled by the entrepreneur. As Cardon, Stevens, and Potter (2011) mentioned, the deterministic factor of business failure comes from entrepreneur's environment which cannot be avoided by entrepreneurs in their business operation. In reverse, Mellahi and Wilkinson (2010) mentioned that voluntaristic factors are related to the business failure which is sourced from errors done by entrepreneurs in making decisions and conducting actions. It can be inferred from Mellahi and Wilkinson (2010) that deterministic factors are not the only one factors that resulted business failure – but it rather is voluntaristic factors.

Cardon *et al.* (2011) further stated that business failure is not a result/consequence of uncontrollable situation and condition by the entrepreneur, such as the environment factor. One possible source of the business failure rather comes from a stigma that is embedded inside of entrepreneurs which makes them try as hard as they can to avoid it – but unfortunately, they ended up with making false decisions and wrong actions and as the result of these, their business got failed (Singh *et al.*, 2015). Khelil (2016) further mentioned that apart from deterministic and voluntaristic factors, as Cardon *et al.* (2011) - there is also an emotive factor inside of entrepreneurs which is a decisive factor in entrepreneurial failure. Emotive factors as meant by Khelil (2016) is described as a factor that can show interaction and combination between business performances achieved by entrepreneurs (in terms of failure) and the disappointment to that unachieved business performance. In relation to this, the finding of Hammer (2014) also showed us the indication of goal setting bias in entrepreneurs as a major source of the business failure. Goal setting bias happens because of the unlatch situation between expectation and real business performance experienced by entrepreneurs. This emotive factor as Khelil (2016) is an interaction and a combination between deterministic and voluntaristic factors in entrepreneurial failure. Therefore, failure is not only sourced from uncontrollable/difficult-to-control environment but it is also sourced from errors in decision making and wrong-doing actions done by the entrepreneur in managing his/her business.

In previous studies, Khelil (2012) mentioned that failure in new venture mostly happened because of the following patterns and types that are embedded in entrepreneurs as an individual: [a] gambler – ones who would like to start a business without resources and without any clear orientation, [b] supported at arm's length – ones who have limited resources, [c] bankrupt – ones who have limited competencies, [d] megalomaniac – ones who have too much self-confident, and [d] dissatisfied with lord – ones who do not fully rely on God's will. We further can categorize those reasons into 3 (three) categories: [a] individual personality as a source of failure [consists of gambler, megalomaniac, dissatisfied with lord], [b] environmental situation as a source of failure [consists of supported at arm's length and bankrupt]. Meanwhile, Hammer and Khelil (2014) strengthened the analysis about entrepreneurial failure by saying that based on the consideration of input, process and output in the new venture creation process in individual and enterprise levels. They further draw this in a figure which show the model of entrepreneurial failure that would experience by entrepreneurs. This figure is shown in Figure 1.

It can be seen from the Figure 1 that the entrepreneurial failure in the form of exit decision from the business is drawn as the result of: [a] individual level which has competency and security as its dimensions and, [b] firm level

which has support and business model as its dimensions. The existence of both factors will lead entrepreneurs to a decision to stop their business – and therefore, the business fails. Further impact of this exit decision can lead entrepreneurs to try to find other jobs, restarting a new venture, or selling their business with the hope that they will get some profits or worst, bankrupt.
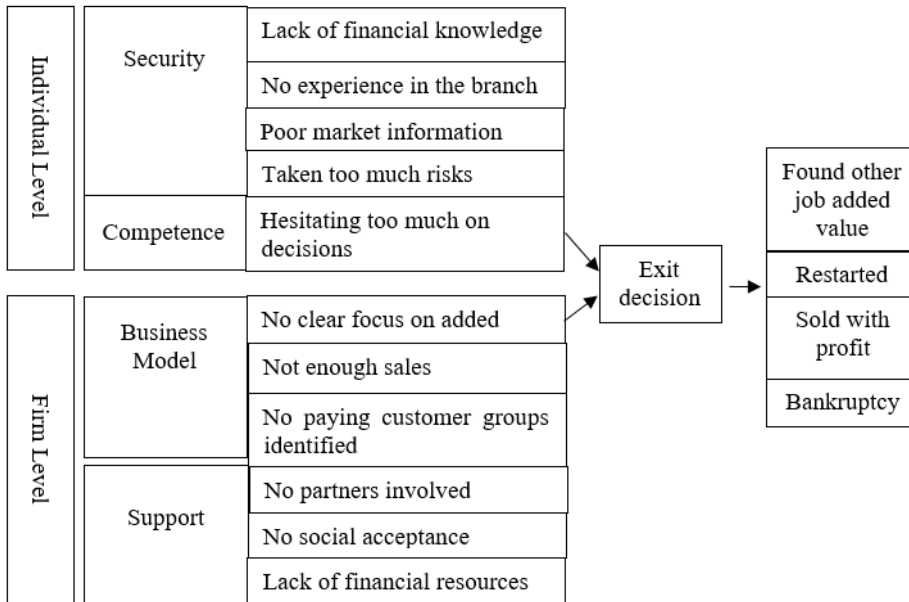
Individual Level	Security	Lack of financial knowledge
		No experience in the branch
		Poor market information
		Taken too much risks
	Competence	Hesitating too much on decisions

Firm Level	Business Model	No clear focus on added
		Not enough sales
		No paying customer groups identified
	Support	No partners involved
		No social acceptance
		Lack of financial resources

Exit decision → Found other job added value / Restarted / Sold with profit / Bankruptcy

Figure 1. The model of entrepreneurial failure
Source: Adopted from Hammer and Khelil, 2014.

Concept and studies regarding opportunism mostly related to the opportunistic behavior of individuals and it mentioned that this opportunistic behavior is a hidden will of an individual which can bring negative impact to the business and it is shown by efforts to achieve that hidden will (Cordes, Richerson, McElreath, & Strimling, 2010). Andrunik and Svetlakov (2013) and Cordes et al., (2010) have further revealed that the existence of opportunistic behavior is closely related to the transaction cost concept and will create conflicts and bargain situations in which individuals need to choose one most appropriate choice from many alternative decisions. Those both concepts are clearly related to the topic of this paper and study – and they demonstrate an indication that an entrepreneur will prefer a situation which brings more benefits to him/herself personally. This situation can be in terms of an alternative to secure for a better job compared with career in entrepreneurship, or the desire to start other new businesses but in the condition that the earlier business is still unstable/immature. This situation will put entrepreneurs in a conflict or a bargaining position which require them to make their own decision – securing and entering the job, or to start another new venture or maintaining the earlier venture to reach its maturity. Sometimes the decision is a good and powerful decision but it can also be a wrong decision which will lead them to a failure in the earlier venture. We can see here that entrepreneurs can be trapped in an individual level (as Hammer and Khelil, 2014) psychological situation where they are demanded to secure their future life which is possibility related to possible future career that they need to possess.

In the study of impacts and consequences of entrepreneurial failure, Mantere, Aula, Schildt, and Vaara (2013) mentioned that entrepreneurial failure is a social construction where the process of individual psychology in terms of [a] the existence of emotional processes and [b] cognitive process to justify every action, exists. We can conclude from this opinion that entrepreneurial failure brings psychological impacts to the failed entrepreneurs – and as the results, they are trying to do their best to maintain their self-esteem and to avoid of losing their own business. Psychological impacts can also be seen in efforts to reduce, and moreover, to eliminate stigma that arises from the failure, Singh *et al.*, (2015). An interesting phenomenon regarding the existence of stigma lies to the fact that it can also be a source of the next failure. As Singh *et al.*, (2015) the fear of failure and efforts to stay away from the stigma of failure have contradictively resulted negative situations to an entrepreneur – as he/she will probably make a wrong decision and doing a wrong action in the business. As the result, this will make entrepreneurs sink into failure (again). Therefore, the stigma of failure can be seen as a psychological reason and impact on why an entrepreneur fails in the business.

Following the study and opinion from Mellahi and Wilkinson (2010), Fatoki (2014), and Arasti (2011) regarding entrepreneurial failure, there is a clear indication that deterministic factor can be viewed as one of major reasons that cause entrpreneurial failure. We use this as our foundation to state the initial hypothesis in this study. Combining it with the opinion from Khelil (2012) and Hammer and Khelil (2014), we further formulate our first hypothesis as follow:

H_1: Deterministic factor in terms of [a] the existence of support to entrepreneurs, [b] social situation and social environment, [c] competition in the industry, and [d] the high operation cost of the business has brought positive and significant influence to the creation of entrepreneurial failure within nascent entrepreneurs in West Sumatra.

In a study about economic situation and its influence to the success and failure factor of a business Devece, Peris-Ortiz, and Rueda-Armengot (2016) mentioned that individual characteristics of an entrepreneur in a certain economic situation will influence success or failure of business start-up. Based on this study and opinion as well as Khelil (2012), we further stated our second hypothesis in our study.

H_2: Voluntaristic factor in the form of [a] individual competencies, [b] individual orientation and, [c] entrepreneurial behavior towards customers will bring positive and significant influence to the creation of entrepreneurial failure by nascent entrepreneurs in West Sumatra.

In relation to the emotive factor, Khelil (2016) and previously, Mellahi and Sminia (2009) argued that this factor has a close relationship with motivation, committment and aspiration of an entrepreneur when they undertake the business. We further put this emotive factor as a psychological construct inside an entrepreneur as an individual which will determine success of failure in his/her business. From Khelil (2016), we view that this psychological condition will let the creation of pressure inside the nascent entrepreneur and his/her social environment to get a job soon. We consider this situation as a necessity based situation where individuals have limited employment opportunities, failed to get a job and failed during the test for a job. As this is the main motivation, there will be a significant impact to the creation of failure in business. We further formulated our third hypothesis as below.

H_3: Emotive factor in the form of [a] psychological pressure to get income and, [b] indication of necessity base motive in entrepreneurship have brought positive and significant influence to entrepreneurial failure exprienced by nascent entrepreneurs in West Sumatra.

As the context of developing countries (such as Indonesia) which still has a very limited employment opportunities and the existence of negative culture and perception regarding entrepreneurship, this study viewed that there is a tendency of pattern and opportunistic behavior exist within nascent entrepreneurs in Indonesia. As Yakovleva, Grigoryeva, and Grigoryeva (2016) mentioned, opportunistic behavior can be seen as behavior manipulations of individuals and the nature of exogenous opportunistic manifestations as a society and economic phenomenon. This opportunistic behavior will lead nascent entrepreneurs to leave their business once they get a job offer or an opportunity to get a job (either in public or private institution). In the context of corporate management, Andrunik and Svetlakov (2013) mentioned that the moral hazard has become an acute problem in corporate management as the results of the transformation of social relations, change of the status of company employees and managers, development of stock markets, increasing complexity of products. It is viewed that the opportunistic behavior is the mode of action of the economic entity, not limited by moral considerations, accompanied by the acts of deception, contradicting to the interests of other agents and characterized by a tendency to implement only proper interests

Apart form that overview, this study also considers aggressivity inside individuals as a construct of opportunistic behavior which belongs to nascent entrepreneurs. Aggressivity will lead nascent entrepreneurs to neglect their initial business since they have an uncontrollable passion to create and establish other businesses. In relation to the consideration regarding aggressivity, this study added one concept regarding opportunistic behavior as an additional construct that can cause entrepreneurial failure. Therefore, this study formulates its fourth hypotheses as in the following statement.

H_4: Opportunistic behavior which is related to an opportunity to get a job, get higher income, future security and aggressivity in starting businesses will positively and significantly influence entrepreneurial failure within nascent entrepreneurs in West Sumatra.

H_5: Furthermore, this study also formulated the next hypotheses by saying that [a] deterministic [b] emotive, [c] voluntaristic, and [d] oopportunistic behavior will simultaneously influence entrepreneurial failure experienced by nascent entrepreneurs in West Sumatra.

Based on those five hypotheses, this study has further developed its framework and research method.

RESEARCH METHOD

The study is an explanatory study and it operates quantitative methodology as its research approach. Causal analysis is used to investigate the simultaneous relationship and the influence of psycho-economic factors and opportunistic behavior as variables of the research to the entrepreneurial failure. Cross-sectional cohort data and information were collected by using questionnaire as the research instrument.

The study uses 1541 young entrepreneurs in West Sumatra, Indonesia as sample of the research. Samples are chosen based on certain criteria, which are: [a] age, [b] the minimum level of formal education, and [c] the experience of failure in business. The study considers its samples as gender neutral which means that gender is not considered as the sampling criteria. Furthermore, the study does not consider a certain business branch as the background of the samples. Operation of the variables in the research uses the following guidelines.

Table 1
Operation of Variables

Variables	Dimension	Indicators	Measurement
Entrepreneurial failure	a. Failure to allocate resources b. Failure in decision making c. Failure in actions	a. Infectivity and inefficiency in allocating resources b. Decision making is not based on data, information and facts c. Actions do not fit with what supposed to be done	Likert scale 1–5 nine questions
Deterministic factors	a. The availability of supports b. Social environment of entrepreneurs c. Competition d. High operational cost of the business	a. The existence of social support from the nearest social environment b. Response of social environment to the choice of becoming an entrepreneur c. Degree of competition d. Level of operational cost	Likert scale 1–5 11 questions
Voluntaristic factors	a. Competencies b. Individual orientation c. Behavior related to customers	a. Level of knowledge, skills, motivation and personal characteristics b. Personal orientation of the entrepreneurs c. Response to customers' complaints and needs	Likert scale 1–5 14 questions
Emotive factors	a. Psychological pressures to get income b. Necessity motives	a. Level of psychological pressure to get income b. Necessity based motives in entrepreneurship	Likert scale 1–5 eight questions
Opportunistic behavior	a. The possibility to get a better job b. Job security in a longer period c. Desire and much passion to start other businesses	a. Level of income that would be received continuously b. High level of social status c. Opportunity to get a better career d. Level of intention to start other businesses	Likert scale 1–5 eight questions

Source: Mellahi and Wilkinson, 2010; Khelil, 2012; Hammer and Khelil, 2014; Devece *et al.*, 2016; Cordes *et al.*, 2010; and Yakovleva *et al.*, 2016.

As shown on Table 1, opportunistic behavior is measured based on the conceptual foundation that there will be transactional circumstances that appear to individuals regarding the choice of their future life. In this study, it is reflected with the possibility of a person: [a] to choose a better job rather than entrepreneurship, [b] to choose to secure a job in a longer period, and [c] the possibility of a person to follow his/her desire to immediately establish other new ventures but in the condition that the earlier business is still unstable or immature. Both these possibilities are then connected to the possibility of failure in the earlier business that an entrepreneur has. For this purpose, findings and results of the study were analyzed by using multiple regression analysis and supported by the use of SPSS as the statistical tool. Design of the research framework in this study uses the Figure 2.
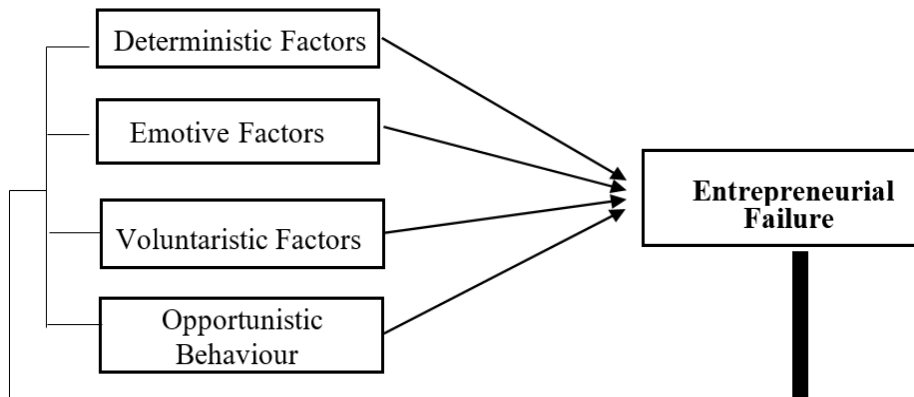

Figure 2. Research framework

Based on the research framework developed in Figure 2, we further arrange it in the following statistical equation that will be used as the multiple regression model of the study.

$$Y_{ef} = a + b_1 X_v + b_2 X_d + b_3 X_e + b_4 X_o + e$$

remarks:
Y_{ef} = entrepreneurial failure
X_v = voluntaristic factors
X_d = deterministic factors
X_e = emotive factors
X_o = opportunistic behavior
e = error
a = constant

The statistical model which is developed for this study is used as the basis to measure the simultaneous influence of: [a] voluntaristic, [b] deterministic, [c] emotive, and [d] opportunistic behavior to entrepreneurial failure. As the concept of entrepreneurial failure and nature of the data analyzed in the study, we use the F-test statistic to test this model. To measure the influence of each independent variable to entrepreneurial failure as the dependent variable, we operate t-test statistic.

FINDINGS
Our first task in this study is to investigate and further, to reveal profiles of our sample, which is divided into two categories: [a] personal profile, and [b] business profile which belongs to the sample. Our major intention is to prove that descriptively, our samples fit with the sampling criteria previously stated in the methodology part of this paper. The personal profile of our sample is shown in one integrated table as in the Table 2.

Despite showing gender profile of our sample in Table 2, we consider our sample as gender neutral. This means that we do not consider and do not concentrate our study on gender perspective of our samples as we believe that both (either male or female) may experience the same business failure. We are more interested to discuss our sample profiles from the perspectives of age, level of education and the age when they are first starting a business because we think those profiles are more related to the exposition and the elaboration on why entrepreneurs fail in their business.

Table 2. Sample Profile of the Study (Personal Profile)

Category	Characteristic	Number of Sample	Percentage (%)	Valid Percent
Gender	Male	840	54.50	54.51
	Female	701	45.49	100.00
Level of Education	Elementary & Junior High School	147	9.60	9.60
	Senior High School	724	47.00	56.60
	Undergraduate	669	43.40	100.00
Age (years)	18–20	62	4.23	4.23
	21–25	716	46.46	50.69
	26–30	763	49.51	100.00
Age when first starting a business (years)	18–20	491	31.86	31.86
	21–23	726	47.11	78.97
	24–26	252	16.35	95.32
	27–30	72	4.68	100.00

We can see from Table 2 that the majority of our sample is male respondent and is dominated by individuals who are in the age of 26–30 years, have attended the higher education institution and were mostly in the age of 21–23 years when first started the business. The demographic characteristics of our samples are viewed to bring influence to entrepreneurial failure experienced by them considering their ability to absorb new knowledge and skills in business. As the justification for using the demographic characteristics in our study, we consider the opinion from Talas, Celik, and Oral (2013) who previously argued that gender, age, education and the type of school previously attended by individuals are the demographic factors that can influence entrepreneurship.

Meanwhile, the profile of the business belongs to our sample is shown in the Table 3. Table 3 suggests that our samples had business which previously experienced failures. The most of our samples' current businesses are the second business, which means that the previous one has failed. Our sample also revealed that they mostly (1101 samples) experienced business failure once. If we look at Table 2 closely, there is an indication of the process of serial entrepreneurship happened to our sample. Our samples still have courage in the business (either in the same business as the previous one or starting a completely new one with the different business branch). As Lafontaine and Shaw (2014) previously argued, the serial entrepreneurship is a journey of an entrepreneur by experiencing failures in order to achieve success, in which the processes of [a] learning from the failure, [b] change in entrepreneurial behavior after the failure, and [c] experience in managing the business, are taking place during the failure. Processes and experiences during business operation which result failures will further bring impact to the creation of entrepreneurrial resilience. Entrepreneurs can take benefits from this process by improving their personal capacity to make realistic business plans, have self-confidence and a positive self-mage, possess communication skills, and have the capacity to manage strong feelings and impulses (American Psychological Association [APA], 2010). Those will be further used as the main sources of entrepreneurial learning. As Jenkins *et al.* (2014) and Wadhwa *et al.* (2009) argued, learning from failure is an important characteristic of entrepreneurs – and once an entrepreneur learns from failures they experienced with, then there are more possibilities to rebuild the business and to achieve success in the business.

Our second task in the study is to measure whether questions in our research instrument (questionnaire) are valid and reliable. For this purpose, we use *r-table* with the value of 0.1308 as the basis for the validity analysis. Our validity measurement shows that the value of Corrected Item-Total Correlation for deterministic, voluntaristic, emotive and opportunism factors are bigger than the value of *r-table* (0.1308). We then conclude that questions in our research instrument are valid. The measurement of reliability in our study uses the reliability statistics table – in which the rule says that variables are reliable if they have the value of Cronbach's Alpha more than 0.7. The measurement of reliability statistics from our research instrument shows the following results.

Table 3
Sample Profile of the Study (Business Profile)

Category	Characteristic	Amount of Sample	Percentage (%)	Valid Percent
Current business is the…	2nd	990	64.24	64.24
	3rd	426	27.64	91.89
	4th	84	5.45	97.34
	5th	13	0.84	98.18
	>5th	28	1.82	100.00
Number of experiencing failure	1	1101	71.45	71.45
	2	353	22.91	94.35
	3	57	3.70	98.05
	4	16	1.04	99.09
	5	1	0.06	99.16
	>5	13	0.84	100.00

Table 4
Reliability Statistics of the Variables

Variables	Cronbach's Alpha
Entrepreneurial Failure [EF]	0.843
Deterministic Factors [DEF]	0.783
Voluntaristic Factors [VEF]	0.828
Emotive factors [EEF]	0.823
Opportunistic Behavior [OEF]	0.766

As we can see from Table 4, our reliability measurement shows that the value of Cronbach's alpha for the variables of entrepreneurial failures [EF], deterministic [DEF], voluntaristic [VEF], emotive [EEF] and opportunistic behavior [OEF] factors are bigger than 0.7 – which means that all points in our questionnaire are reliable.

After we found that the validity and reliability measurements of our questionnaire are satisfactory, we then measured the simultaneous influence of the variables DEF, VEF, EEF and OEF to entrepreneurial failure. Using the multiple regression analysis, our finding shows the following result.

It can be seen from the result of multiple regression analysis undertaken in this study that the value of F is 217.249 with the Sig. 0.000. As this value is less than $\alpha = 5\%$, we can summarize that the regression model of this study can be used to predict the entrepreneurial failure. Our finding indicates that the four independent variables in this study namely deterministic [DEF], voluntaristic [VEF], emotive [EEF] and opportunistic behavior [OEF] are simultaneously and significantly influencing entrepreneurial failure.

The final task in our study is measuring the result of t-test in order to get insights regarding the possible relationship between each independent variable which is deterministic [DEF], voluntaristic [VEF], emotive [EEF] and opportunistic behavior [OEF] to entrepreneurial failure [EF]. T-test in the study allows us to analyze the partial relationship between each of the independent variables to dependent variable. The result of partial relationship between independent variables and dependent variable in our study is shown in the Table 6.

Table 5
The Result of Multiple Regression Analysis (F-Test) to Measure the Simultaneous Influence of DEF, VEF, EEF and OEF to Entrepreneurial Failure

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.720.010	4	7.680.003	217.249	.000[a]
Residual	106.795.989	3.021	35.351		
Total	137.515.999	3025			

[1.] Predictors: (Constant), DEF, VEF, EEF, OEF

[2.] Dependent Variable: EF

Table 6
The Result of Partial Regression Analysis (*t-test*) to Measure the Influence of DEF, VEF, EEF and OEF to Entrepreneurial Failure

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	*B*	*t*	
(Constant)	7.393	1.049		7.045	0
EF_DEF	0.068	0.019	0.062	3.47	0.001
EF_VEF	0.126	0.017	0.126	7.396	0
EF_EEF	0.323	0.02	0.3	16.168	0
EF_OEF	0.195	0.021	0.167	9.236	0

Predictors: (Constant), DEF, VEF, EEF, OEF
Dependent Variable: EF

The partial regression analysis using t-test measures the relationship between: [a] EF and DEF, [b] EF and VEF, [c] EF and EEF and [d] EF and OEF. The *t-test* of each relationship between dependent and independent variable shows the values 3.470 (for EF and DEF), 7.396 (for EF and VEF), 16.168 (for EF and EEF) and 9.236 (for EF and OEF). We also found that the Sig. values for all relationship is in between 0.000 and 0.001. Since all the Sig. value are less than $\alpha = 5\%$, we can summarize that the partial regression model from each of the variable DEF, VEF, EEF and OEF are having significant relationship with entrepreneurial failure.

We specifically put our attention to the construct of opportunistic behavior (OEF) and its relationship to entrepreneurial failure. From partial regression model above, it has the *t-value* of 9.236 with Sig. 0.000 – which means that there is a significant relationship between opportunistic behavior as a construct that can cause entrepreneurial failure. Using our understanding to this model and its relationship, we further argue that opportunistic behavior can be predicted as another factor (apart from the deterministic, voluntaristic and emotive factors) that can cause entrepreneurial failure experienced by nascent entrepreneurs.

DISCUSSION

Our study proved that psycho-economic phenomenon of individuals which consists of: [a] voluntaristic factor, [b] emotive factor and, [c] deterministic factor is influencing entrepreneurial failure experienced by the West Sumatran nascent entrepreneurs. If we look at the descriptive results gathered from our sample, the most deterministic factor that causes failure is the inability of our respondents to meet the most efficient operational cost in their business. In emotive factors, most of our respondents revealed that the pressure to fill-up their personal and family needs have stressed them and have contributed to their failure in business. In the descriptive analysis to the construct of opportunistic behavior, we found that most of our sample think and view that getting into entrepreneurship is only a way to wait for a formal job – and once that opportunity comes, they will simply cease and leave their business. The main findings of the study which are related to psycho-economic phenomenon of individuals empirically support and confirm the opinion of Smida and Khelil (2010) and Hammer and Khelil (2014) about organizational failure which is sourced from those three factors (deterministic, voluntaristic and emotive). Similar to Mellahi and Wilkinson (2010) and as the main result of our finding, we also argue that the interaction and combination of psychological and economic circumstances of individuals in terms of deterministic, voluntaristic and emotive factors have caused and contributed to business and organizational failure.

Further, our study also shows argues that proxies of [a] choosing a better job rather than entrepreneurship, [b] choosing to secure a job in a longer period, and [c] the possibility of individuals to follow their desire to immediately establish other new ventures but in the condition that the earlier business is still unstable or immature are representing the construct of opportunistic behavior. We argue that when an opportunistic behavior of individuals simultaneously combined with their psycho-economic circumstance as an entrepreneur, then it will cause and positively contribute to entrepreneurial failure experienced by them. As in the partial regression analysis, we also found that opportunistic behavior of individuals could partially cause entrepreneurial failure. In this essence, the correlation between the opportunistic behavior of our sample and entrepreneurial failure is explained as the following.

Firstly, our sample who has already had a business but then has an opportunity to enter into the formal job market tends to leave his/her business and will concentrate on working in the job as an employee. Our further investigation

clarifies the fact about the reason of our sample to concentrate on the job rather than on the business. It is mostly related to the motive and interest for securing the future life. If we consider the culture of Indonesian people in general, one particular cultural dimension and value of Indonesian people is the high uncertainty avoidance, Hofstede (2017) and Mangundjaya (2010). This culture and value have made Indonesian people prefer to choose a stable situation in their life – and in their mind-set, this stability can only be achieved when they are having a formal job where they can get regular monthly salary and get a pension in the future. Although the cultural perspective of Indonesian people shows this, but psychologically we can understand why our sample prefer to have a job rather than to maintain themselves to stay in the business. The feeling of insecurity regarding the future life as the impact of [a] limited chances and severe competition in the job market and, [b] insecure business environment, which includes severe business competition, inconsistent government rules, regulation and laws about business environments (especially which are related to small and medium scale enterprises) as well as insecure sustainable business operation have psychologically influenced our sample to choose to have a job once the opportunity appears. This psychological circumstance has made our sample leaves his/her business and as a consequence, their attention to their business vanished and further, their business fails. Our finding is also relevant with the opinion from Hammer and Khelil (2014) who argued that the exit decision from entrepreneurs can be in the form of finding the other job. Our empirical study has proven the mechanism why this happens to the context of our study.

This situation is also relevant to the condition of opportunistic behavior of individuals as previously described by Andrunik and Svetlakov (2013) and Cordes *et al.* (2011) who revealed that there will be a creation of conflicts and bargain situations in which individuals tend to choose one most appropriate choice from many alternative decisions. In case of our sample, this is shown by their preference to choose the formal job rather than staying in the business that they have started. We consider and are viewing this psychological circumstance as the sign of opportunistic behavior which impacts and causes entrepreneurial failure.

Secondly, our study also found that some of our samples have an uncontrollable passion in business that led them to be very aggressive in terms of creating new ventures. They do believe that business is always about catching up opportunities only – but they forget that they also need to concentrate on the existing business that has been started earlier. This uncontrollable passion has made some of our sample tend to follow their desire to immediately establish other new ventures in the condition that their previous/ earlier business is still unstable or immature. We also view this as a psychological circumstance sourced from opportunistic behavior. This circumstance leads individuals to choose their passion and desire (which could be uncontrollable) to get success soon (i.e. by immediately starting other new ventures) rather than being patience until their initial business reaches maturity stage.

In this essence, we carefully put our attention to the construct of opportunistic behavior by considering the maturity of the initial and earlier business as an event that can or cannot raise the opportunistic behavior. If an entrepreneur follows his/her desire and has (uncontrollable) passion in creating new ventures in the situation that his/her earlier business is not yet reaching the maturity stage, then we view this circumstance as an opportunistic behavior. In contrast, if an entrepreneur creates a new venture after his/her earlier business has reached the maturity stage, we view this as a consequence to develop and improve the business scale. Entrepreneurs always want to improve their business scale, which one of the strategies is through business diversification, acquisition or merger. Therefore, in this particular case and circumstance, we would not say that entrepreneurs as having an opportunistic behavior.

Following the finding of our study and a deeper elaboration, we argue that the construct of opportunistic behavior should not only be considered as a psychological factor that can influence entrepreneurial and firm success Unlike most of the scholars who argued that opportunistic behavior is considered as an entrepreneurial success factor, we rather believe that this construct may have two positions: [1] as a factor for entrepreneurial success, and [2] in the same time, as a factor in entrepreneurial failure. Findings of our empirical study regarding opportunistic behavior of individuals which are proxied by the opportunity to choose a much better alternative for their future life and the existence of much (uncontrolled) passion/desire inside a human being have clearly shown and can be used as the basic foundation of our theory. This is the reason why we believe that opportunistic behavior should also be considered and counted as a factor that can cause entrepreneurial failure.

CONCLUSION

We have found that simultaneously, the deterministic, voluntaristic and emotive factors together with the construct of opportunistic behavior have contributed to the cause of entrepreneurial failure experienced by nascent entrepre-

neurs in the context of study. We further believe and argue that the opportunism which is reflected by opportunistic behavior of individuals, should be both considered as an entrepreneurial success factor and as an entrepreneurial failure factor. We stress this and put our main attention to this issue as the originality and value of our study.

Our study implies that the creation of resilient entrepreneurs should follow entrepreneurial processes and one of the processes could be the failure process where nascent entrepreneurs will learn from mistakes they have made. Thus, government intervention to strengthen entrepreneurial personality and to focus on psychological aspects regarding nascent entrepreneurs would be a sensible and reasonable policy alternative to be chosen. This can be undertaken by arranging capacity building schemes and programs for nascent entrepreneurs in order to strengthen their psychological aspects that are related to motives, maturity, logical consideration to choose alternatives, decision making processes, dealing with social pressures etc. Other capacity building scheme can be related to the improvement business knowledge where nascent entrepreneurs can learn to manage their business in more effective and efficient ways.

However, we also realize that our study has particular limitation and it still needs further exploration to broader contexts. As our study only discussed one particular context (nascent entrepreneurs in one province in Indonesia), it would be worth to expand topics of this study into a comparative study regarding entrepreneurial failure of nascent entrepreneurs (between cities or regions) and to consider causes of entrepreneurial failure in certain business branches. We also think that it is worth to relate the content of study in entrepreneurial failure with the study of entrepreneurial resilience and serial entrepreneurship. We believe that those three particular fields with the mediation effect of learning process are interrelated between one to each other – and this could be one of the research directions related to this topic.

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EMPOWERING WOMEN ON FINANCIAL SUCCESS: HOW FINANCIAL LITERACY WORKS ON SMES?

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ABSTRACT

Today women are very important in the business world. The empowering women can play a role as a leader or an owner in a business. It is because the role of women's characteristics and her financial literacy is very crucial to the financial success. The specialty about women characteristics is they are able to monitor the financial performance of the business very well, very careful with the financial calculation, and very patient to reach the business's financial goal. Thus, this research aims to investigate the effect of several types of women's financial literacy toward financial success on Small Medium Enterprises at Surabaya. There are 300 women as the respondents in this study. The research's results show that financial literacy on financial technology, funding decisions, and risk management significantly affect the financial condition of women entrepreneur in more than 40 years old classification. The financial condition also affects the financial success of the business for all women entrepreneur classification.

Keywords: Empowering women, financial success, financial literacy.

INTRODUCTION

Women entrepreneurs have a significant role in economic growth. Women also can address societal challenges. Female-led enterprises can improve their quality of life and their children's needs. It shows that the empowering women in the small medium enterprises are important (Hung, Yoong, & Brown, 2012). Furthermore, women can help their husband to make more income, to lead greater personal autonomy, and to create the entrepreneurship becomes a wide-open career path. Those advantages cause a way out of poverty that is faced by women with few job opportunities. Being female entrepreneurs will cite more flexible working hours and then it will control their schedules as the motive for being entrepreneurs.

On the other hand, there is still an issue about the discrimination and inequality about the role of women entrepreneurship in the several countries (Kevane & Wydick, 2001). The previous researchers declare that the main barrier to female entrepreneurship is the lack of financial literacy to support the entrepreneurship success, especially for reaching the financial goal (Thebaud, 2010). This problem causes the number of enterprises that led by women still remains relatively low. Moreover, the traditional social norms may also affect the women to do more in exposure to the outside world. It restricts her mobility in entrepreneurship and it makes the women more dependent on men to support their lack of entrepreneur knowledge, especially to reach the financial success. It is due to the entrepreneurship is considered to be a masculine activity.

The challenges for being women entrepreneur is quite huge. Yet, women need the financial literacy to support their role in this matter. For this less financial literacy, women will have difficulty to access the funds and another resource (Campbell, 2006; Lusardi & Tufano, 2009). Female entrepreneurs may have not only the lack of awareness in financial law schemes but also the less information to analyze the business condition and the less practical experience to use technology. Therefore, the entrepreneur is still considering as a riskier option for women and they are very concerned about "the foolhardy risks". According to the more nuanced view of risk, women challenge the financial risk management for her business as well.

In the emerging market, especially Indonesia, the local government is very concerned with the women's ability to run a business. For reaching the goal of empowering of women, the local government creates Balai Latihan Kerja Berau (BLK) as the training center to hold a lot of training for improving women's financial literacy, especially in the entrepreneurship finance context. Indonesia's local government has 19 training centers in the state capital of Indonesia and 262 training centers in the district area. Based on the statement of the Minister of Labor, Muhammad Hanif Dhakiri, the women's participation to lead entrepreneurship is increasing from 48,87% in the year 2016 to 55,04% in the year 2017 (Rahayu, 2017). The number of women entrepreneur in Indonesia has increased significantly from 12.7 million to 14.3 million. In addition to the number of business actors, the participation rate of women in the field of employment has also increased from 2016. It indicates that the local government gives more

supports and encourages for Indonesian women to play an active role in the development of business community among the women to continue growing. Women have a role as the strategic contributor to building the nation. Moreover, women can be the key of success for a nation in the field of national development by strengthening of its economy and strengthening of diversity, thus through this contribution, women will improve the welfare of Indonesia people.

By doing these efforts to increase financial literacy, women can improve the business through the increasing of financial success. There are several measurements to indicate the financial success such as the increasing of financial satisfaction, financially survive, and financial reputation. It is due to, the financial literacy increases the women ability and confidence to manage the financial decision in the company (Hung *et al.*, 2012). Women will have more confidence because they have more knowledge to underlie all her decisions. This causes women to be less dependent on others for having understood matters related to their business and they will make the business grows stronger and wider.

According to the phenomenon above, the researcher wants to analyze the impact of financial literacy towards financial success through empowering women in the entrepreneurship. This research used women entrepreneur in Surabaya which Mayor of Surabaya is very concerned about the empowering women through financial literacy training in entrepreneurship context. Rismaharini as the Mayor of Surabaya wants to increase the welfare of Surabaya's community especially by raising a topic about the decreasing of women discrimination on Small Medium Enterprises.

This research's contribution is threefold. First, to increase the reference about financial success, this research examines the impact of financial literacy on financial success through the increasing of financial condition in the business with women entrepreneurs in the emerging country such as Indonesia. Second, the researcher using Surabaya city as the place to do research, because the local government is very concerned about the growth of empowering women in entrepreneurship knowledge, especially in finance. Third, the researcher empirically investigated how financial literacy on financial technology, risk management, and funding decision may affect the financial condition and then make financial success in the context of emerging market.

This study is structured in the following manners. There are five sections in this research. The literature review and hypothesis are introduced in Section 2. The methodology of the study is reviewed in Section 3. Both the findings and discussions also the conclusion is explained in Section 4 and in Section 5 respectively.

LITERATURE REVIEW AND HYPOTHESIS
Financial Literacy
Surabaya is one of entrepreneur city and it is usually a small enterprise which runs by the individual as the key driver of Surabaya people's economy especially women entrepreneur. Like the rest of the world, women entrepreneur in Surabaya faced numerous challenges while running their business. Lack of financial information, poor financial decision management, and less using technology to increase financial position are the main causes of the failure of entrepreneurship (Longenecker, Moore, Petty, Palich, & McKinney, 2006; Memarista, 2016). Therefore, the women entrepreneur has to increase their financial literacy on several entrepreneurship matters.

Financial literacy shows the ability of entrepreneurs to use their knowledge and skill to manage the financial source in entrepreneurship context (Carswell, 2009). Financial literacy is measured in several ways (Memarista, 2016), such as the financial information through using technology (Tijani & Mohammed, 2013), the literacy on business risk management (Porter & Garman, 1993), and the skill to access the source of funding decision for the business (Lusardi & Tufano, 2009). In this study, the financial literacy is measured by the understanding of women entrepreneur in the financial technology, risk management, and funding decisions.

Financial Condition
Every business has its financial condition. According to the Bruhn and Zia (2011), the business's financial condition will be good if there is a good financial literacy on its owner. Better financial literacy leads the owner to make a financial statement and analyze them. Through this analyzing of financial condition, the entrepreneur can conclude the condition and then they take a decision to act the business well. A good financial condition in a business will show higher profitability and the higher growth of sales. On another hand, when the women entrepreneur has bad

financial literacy, the financial condition must be affected by the bad financial literacy. The financial performance must be going wrong and have higher opportunity to go bankrupt (Memarista, 2016).

Financial Literacy on Technology towards Financial Condition
The increasing of dynamic competitiveness in the market leaders the entrepreneur should have the advancement of technology. Thus the enterprise whose has a competitive edge will survive by using advanced technology. The women entrepreneurs usually do not understand the technology, they only apply the manual way to record all financial transactions. According to Memarista (2016), women entrepreneur is rarely using technology, because they do not have a good financial accounting knowledge when doing bookkeeping by way of the accounting system in utilizing the computer. Thus, when women entrepreneur has good information about financial technology in their business the financial condition must be better because there will be a computerized system to do recording financial statement and all financial matters.
H_1: Financial literacy on financial technology affects significantly the financial condition

Financial Literacy on Risk Management towards Financial Condition
Women entrepreneurs must have an ability to manage their business risk. As we know that risk is dangerous for the business, so the entrepreneur must transfer this risk to another party. The financial literacy on risk management will minimize the losses of the business because the risk is reduced and covered. One of the ways to reduce risk is by using insurance (Naqvi, 2011). By knowing risk management in business, the financial performance will be less risky. Thus, the entrepreneur will have lower financial anxiety. They do believe that with good risk management, the business will run very well and reach more profit and will have the better financial condition.
H_2: Financial literacy on risk management affects significantly the financial condition

Financial Literacy on Funding Decision towards Financial Condition
The easiness way to access the funding for the business will boost the business's financial condition. Generally, the entrepreneur has different funding sources at each level of stage business. In the first stage, the women entrepreneur usually use her own equity and do not separate their business transaction with the family financial transaction. The higher level of the business stage will make women think more about funding decision such as debt (Campbell, 2006; Lusardi & Tufano, 2009). When women have a way to access funding, the business capital must be higher and make the operational easier, then the business performance will create higher sales. Thus, financial literacy in getting funding decision will make a better financial condition.
H_3: Financial literacy on funding decision affects significantly the financial condition

Financial Condition towards Financial Success
The better financial condition will lead financial success. It shows that the business has higher profit (Memarista, 2016). By having this increasing profit, the women entrepreneur can make the business wider. The entrepreneur will open another shop, recruit another employee, and increase their inventory. The good financial condition indicates the good signal of business performance. This signal will be followed by the loyal customer to make them consistent buying the product. It causes the company's brand image embedded in the heart of stakeholders, so they will support the business to have good performance even more. So that, women entrepreneur must have the ability to increase the financial condition and then generate another financial success in their life cycle of business (Van Leeuwen, 2003; Lee, 2004).
H_4: Financial condition affects significantly the financial success.

Based on the previous researcher and the hypotheses above, the following figure shows the research framework in this study:
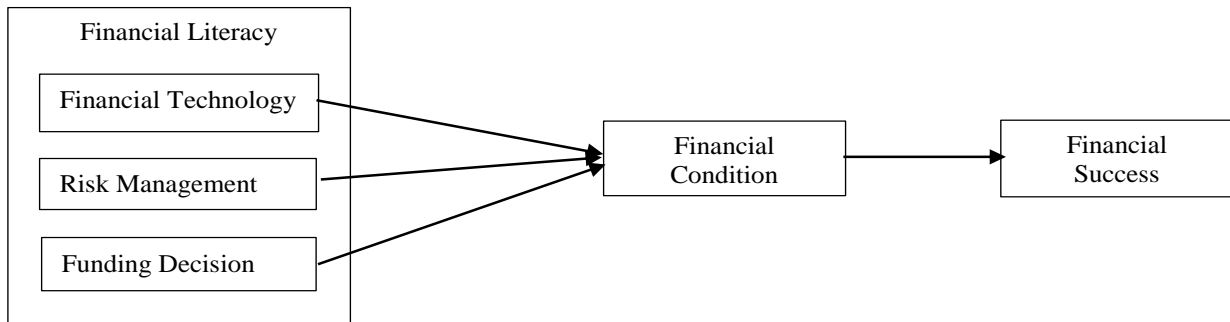
Figure 1. Research framework

RESEARCH METHOD

This research will investigate the effect of financial literacy towards financial success with the financial condition as the moderating. The researcher will use Structural Equation Modelling through Smart PLS software to solve this research problem. The collected data will be done by distributing questionnaires through the women entrepreneur in Surabaya. All variables will be measured by five Likert scales about the level of agreement from strongly disagree until strongly agree. In this study, there will be three kinds of the sample to test the research framework. The researcher splits the women entrepreneur based on their age, such as 18 until less than 25years old, 25 until 40 years old, and more than 40 years old to know the characteristic for each age, because the women entrepreneur risk tolerance will tend to increase with their age.

Dependent Variable

The dependent variable in this study is financial success. The financial success shows the achievement of the business. This variable will be measured by three indicators such as having good business's financial survival (FS1), having good business owner's financial satisfaction (FS2), and having good business's financial reputation (FS3).

Independent Variables

In this research have three independent variables that grouped in financial literacy for the business such as the knowledge of financial technology, risk management, and funding decision. All independent variables will be measured by five Likert scales about the level of agreement. First, the financial technology shows the understanding of entrepreneur to use technology for financial transactions such as having good capability using software to record financial transaction (TF1), having good literacy to use tools for supporting payment in their business such as using EDC (Electronic Data Capture) Machine (TF2), having good capability to reach financial information for business through google or another search engine (TF3), and having good implication to use online system for financial transactions (TF4). Second, risk management shows the women entrepreneurs understanding about financial risk management when doing business (RM1), such as the respondents having good knowledge about the financial risk (RM2), having good risk management in their business (RM3), and having good literacy to choose insurance for caring their business (RM4). Third, funding decision shows the understanding the way to access capital structure for the business. It can be measured by having good understanding to find the source of funding (FD1), having good knowledge about the term of funding (FD2), having good understanding about bank account ownership (FD3), having good knowledge to access credit cards utilization (FD4), and having good knowledge to access soft loans for business (FD5).

Moderating Variable

This study also uses a moderating variable that is a financial condition. Financial condition will indicate the financial information of the business compared with the previous year. This variable is measured by six indicators such as the statement of respondent about their business's financial performance indicator, for example there is higher growth of assets (FC1), sales (FC2), profit (FC3), the number of employees (FC4), the number of stores (FC5), and reach the economics of scale (FC6) compared with the previous year.

FINDINGS

The questionnaire is distributed in several shopping centers and several Small Medium Enterprises center in the Surabaya. There are 309 questionnaires that were distributed, but there is only 300 for the eligible respondents. It is due to nine women entrepreneurs did not qualify to fill the questionnaire because they are not the first decision maker in

their business. Thus, if these nine women fill the questionnaire, it will be feared to disrupt the research's results. There are 300 women entrepreneurs as the sample in the research that splits to be 100 respondents for each in the three categories such as 18 until less than 25years old, 25 until 40 years old, and more than 40 years old.

The data from the questionnaires has tested by several goodness of fit measurements in the three research models[1]. First, the Convergent Validity Test through the Loading Factors value. The value of Loading Factors for each indicator is more than 0.5. Second, the Discriminant Validity through the Cross Loading value. The value of Cross Loading for each block indicators is valid because the constructed variable is predominantly higher than the value of each indicator in measuring another construct variable. Third, the value of Average Variance Extracted (AVE) to measure the discriminant validity and convergent validity is good because the value of AVE is more than 0.5 for each variable. Fourth, the Composite Reliability is also good because the value of Composite Reliability is more than 0.6. Based on those four measurements of goodness fit results for those three research model are very satisfied. Furthermore, this following figure will show the diagram path for each research model:
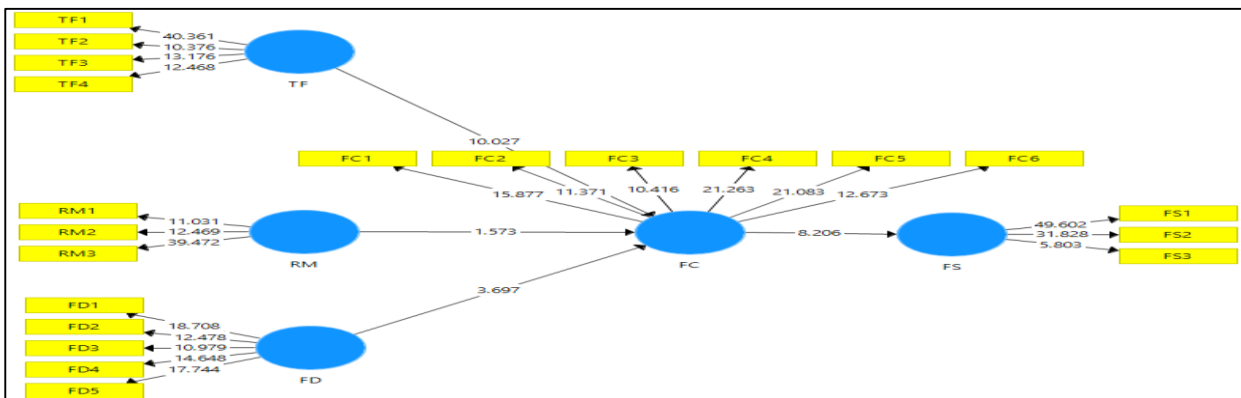

Figure 2. Diagram path for the first research model
Note:
Figure 2 shows the diagram path for the first research model. It is categorized to the women entrepreneur for 18 until less than 25 years old.
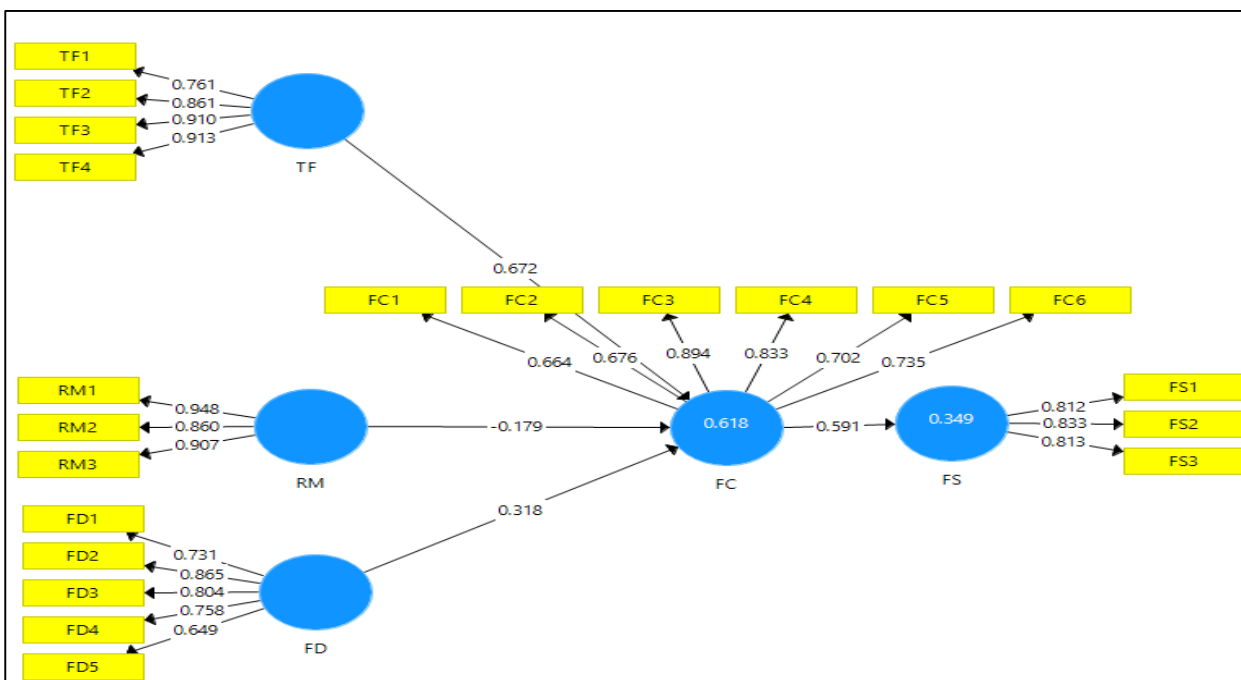

Figure 3. Diagram path for the second research model

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[1] The results of goodness of fit is based on request due to the page limitations

Note:
Figure 3 shows the diagram path for the second research model. It is categorized to the women entrepreneur for 25 until 40 years old.
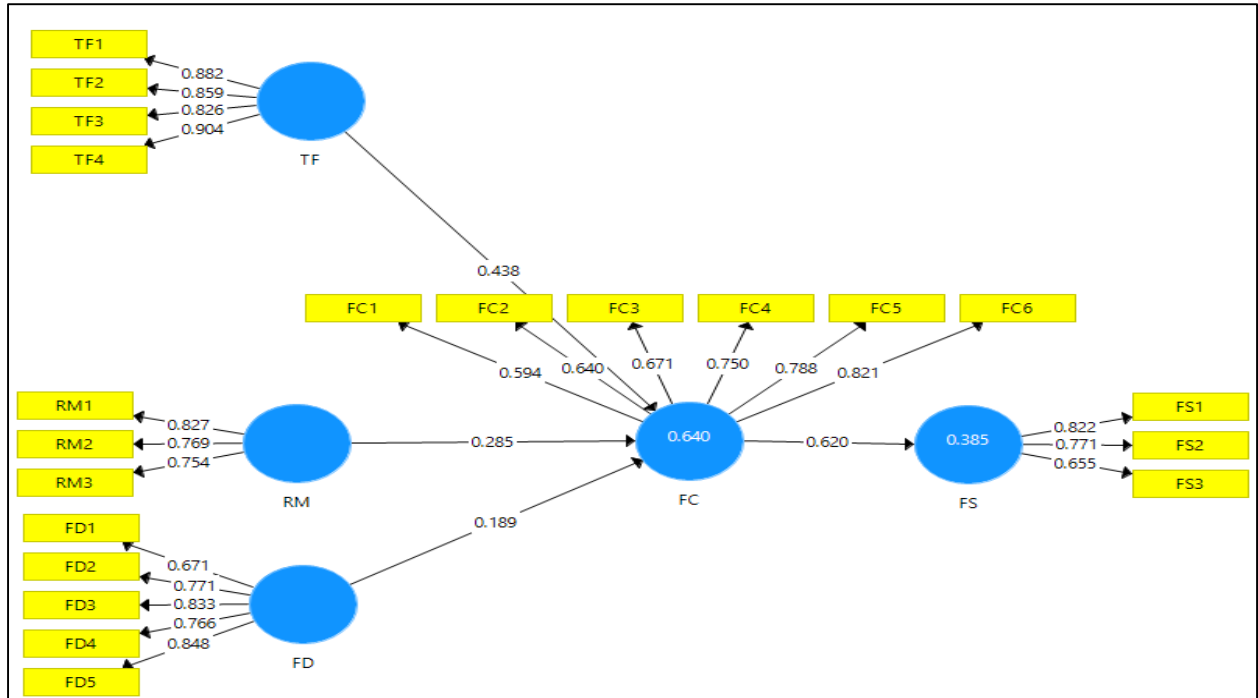
Figure 4. Diagram path for the third research model

Figure 4 shows the diagram path for the third research model. It is categorized to the women entrepreneur for more than 40 years old.

Table 1 shows the research results in this study. According to the methodology, this research has three research models. The first model and the second model generate that the understanding financial literacy on financial technology and funding decision significantly affects the financial condition, but the financial literacy on risk management does not affect the financial condition significantly. Furthermore, the third model shows that financial condition is determined by the understanding financial literacy on financial technology, risk management, and funding decision. The value of Adj. R-Square for the model 1, model 2, and model 3 is 73.3%, 60.6%, and 62.9% respectively. It means that there are another independent variables that can be described more clearly about the financial condition.

Table 1
Structural Equation Model Results

Dependent Variable: Financial Condition						
Women Classifications	Model 1 18–<25 y.o		Model 2 25–40 y.o		Model 3 >40 y.o	
Independent Variables	Coeff	T-Stat	Coeff	T-Stat	Coeff	T-Stat
Financial Technology	0.730	10.027***	0.672	6.643***	0.438	4.704***
Risk Management	-0.144	1.573	-0.179	1.445	0.285	2.647***
Funding Decision	0.319	3.697***	0.318	2.640***	0.189	1.843*
R Square		0.741		0.618		0.640
R Square Adjusted		0.733		0.606		0.629

Dependent Variable: Financial Success						
Women Classifications	Model 1 18–<25 y.o		Model 2 25–40 y.o		Model 3 >40 y.o	

Independent Variables	Coeff	T-Stat	Coeff	T-Stat	Coeff	T-Stat
Financial Condition	0.576	8.206***	0.591	9.594***	0.620	9.842***
R Square	0.332		0.349		0.385	
R Square Adjusted		0.325		0.343		0.379
Q Square		0.827		0.751		0.779

Note : *, **, and *** indicate the statistical p value level at 10%, 5%, and 1%

In addition, the table 1 also shows that financial condition affects the financial success for all research model. Hereinafter, the value of Adj. R-Square for the model 1, model 2, and model 3 is 32.5%, 34.3%, and 37.9%. This value of Adj. R-Square is very low due to the research equation only use 1 independent variable that has a function as the moderating variable. Next, as the Structural Equation Model, this research has the value of Q-Square such as 82.7%, 75.1%, and 77.9 for each research model. It shows that the value is good enough to explain the impact of financial literacy on financial technology, risk management, and funding decision toward financial success through the financial condition as the moderating variable.

DISCUSSION

First, this study shows that financial literacy on financial technology has positive and significant effect toward financial condition for all research model. It means the women entrepreneur with the sophisticated technology mastership will make their business's financial condition better. The business will have more efficiently operational when the women use technology correctly. Generally, digitizing financial documents will be easy to customize. Furthermore, the owner gets the instant communication by using email during the price negotiation. The using of software also improve the ability of financial bookkeeping because it records everything from stakeholders such as client information to follow up the unpaid account receivables, billing system, buying history, tracking customer service, and cooperating with the supplier (Memarista, 2016). The information security is also one key to financial benefit for using technology. Sometimes, hackers interrupt the business operation and cause the companies fall under public scrutiny. Through those benefits, the women entrepreneur will have efficiency in expenses and will faster the revenue when the unpaid account receivable paid off, thus the financial condition getting better.

Second, the result of this research evidences that financial literacy on risk management has positive and significant effect toward financial condition, but only on the third research model. The sample in the third research model is women entrepreneur with categorized more than 40 years old. Usually, the older women entrepreneur tends to have lower financial risk tolerance, thus they have better risk management. While the younger women entrepreneur do not have it. It is due to the younger consider that risk management is unnecessary in their young age because they still feel safe in this age (Naqvi, 2011). Yet, having financial literacy on risk management will give some advantages such as protect their business and keep the financial condition good. Whatever of our business type, the accident may happen. Moreover, the cost of this accident can be covered by insurance, if the women entrepreneur has good financial literacy on risk management and apply for the insurance. There is no amount of money however, can truly compensate the serious loss and customers arising out from the business activities. Sometimes, even if there is no accident, the insurance compensation is still available with investment concept in the insurance company. By having the right financial literacy on risk management, the business will have continuity planning, safety, and healthy business process, thus the financial condition will be better because of the avoiding of incidents and minimize the impact of negative business activities.

Third, Table 1 shows that financial literacy on funding decision has positive affect towards financial condition for all research model. For sure, every business will need a certain amount of funding to start the operational. When the women entrepreneur starts the new business, they have to decide about where and how they will get the access to funding. Generally, the first company which they think is a bank, in order to get funding after the owner equity and credit card do not sufficient anymore. On the other hand, the reality is the occurrence of difficulties to get a bank loan. Some entrepreneurs do manage to fulfill all the pre-requisites and get the loan, but there are still many get rejected because of the lack of financial literacy on funding decision and they do not match with the pre-requisites (Campbell, 2006; Lusardi & Tufano, 2009). Through better financial literacy will encourage the ability of the company to get the better financial condition. Therefore, some though banking regulations linked to bank loan are changing to be easier, due to realizing the phenomenal potential of SMEs, for example in Indonesia, there is Bank special for SMEs named Bank UMKM.

Fourth, the financial condition has positive and significant effect towards financial success for all research model. For almost SMEs companies, doing financial statement analysis is rare. It may seem overwhelming based on their lower financial literacy. Therefore, the women entrepreneur as the business owner tend to outsource for making the financial statement and for analyzing it (Memarista, 2016). At least, a financial statement will be analyzed once a year to know the financial condition. By having good financial condition indicates a good signal of the business performance, such as having higher growth on assets, sales, profit, the number of employees, the number of stores, and reaching the economies of scale than the prior period. Those good financial conditions can be used as the financial strategy to lead higher financial success. When the company has financial success, it will indicate that the business survives, has a good financial reputation, and the business owner has its own financial satisfaction.

CONCLUSION

According to this study results, there is three research model that is characterized by women entrepreneur age. It will representative their financial risk tolerance in business. The results show that financial literacy on financial technology has positive and significant affect toward financial condition for all research model. Furthermore, financial literacy on risk management has positive and significant affect toward financial condition, but only on the third research model. Next, financial literacy on funding decision has positive affect towards financial condition for all research model. The last one, financial condition has positive and significant affect towards financial success for all research model.

This research result can contribute to entrepreneurial finance that financial literacy affects the financial success through the financial condition. Since the women entrepreneur is one of the key success of the business, thus women will play important role in economic growth. Therefore, the government needs to encourage the empowering women in the business especially for SMEs (Hung *et al.*, 2012). Not only the government, bank as the one of funding organization can make the pre-requisites easier to increase the funding sources.

For all research model, the values of Q-Square do not reach 100%. It means there are more variables that can explain the financial success. So, the further researchers can add more factors which influence the business's financial success such as the government role and the bank's role. Moreover, the sample can use only male entrepreneur to know the other characteristics of gender in leading the business through the masculinity out of Surabaya city.

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HOW DO WE PERCEIVE FAILURE? INTRODUCING THE INTEGRATIVE MODEL OF ENTREPRENEURIAL FAILURE

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ABSTRACT

This paper introduces and discusses an integrative model of entrepreneurial failure experienced by nascent entrepreneurs by elaborating its process, the possible consequence and follow up of that failure as well as to figure out its relationship to the concept of serial entrepreneurship. The study is a qualitative study and uses exploration of a possible integrative model that can figure the process of entrepreneurial failure experienced by nascent entrepreneurs. The model is developed based on previous quantitative study with 1541 nascent entrepreneurs in West Sumatra, Indonesia who have experienced entrepreneurial failure. The model introduces entrepreneurial failure as series of process which is sourced from individuals' internalities and externalities. As a process, it has also brought consequences and follow-up of that failure to nascent entrepreneurs. The introduction of this integrative model of entrepreneurial failure demonstrates the originality and value of this study. As other models of entrepreneurial failure concentrate their elaboration on the sources and reasons of failure, this paper concentrates more on entrepreneurial failure as a process, in which consequences and follow-up of failure would also be elaborated as part of the process.

Keywords: Entrepreneurial failure, individuals' internalities, individuals' externalities, integrative model.

INTRODUCTION

Nascent entrepreneurs are parties who are very fragile to experience entrepreneurial failure. As they have limited experience, networks, skills and knowledge, access to finance etc. failure always haunts them. No wonder if we found many facts about business failure that hit nascent entrepreneurs. Some people think and view that failure is a negative condition and as a consequence, they have no interest to have businesses anymore. However, some people will see failure as a positive event, which they can take benefits and advantages from it. For them, failure is the most important entrepreneurial learning that can be absorbed in business so that they can use it as part of the preparations to restart a new business and to achieve entrepreneurial success.

In a study about the anatomy of entrepreneurs, Wadhwa, Aggarwal, Holly, and Salkever (2009) came out with the finding that a successful entrepreneur has averagely experienced two until three times failures in every new venture that they previously established before he/she reached success. This situation and the condition of failure have triggered entrepreneurs to become tougher, more resilient, and the most important thing, are able to learn from failures. The existence of failure as an event in entrepreneurs' entrepreneurial journey – which is followed by mental and learning processes and an experiential process has raised a particular concept in entrepreneurship, which is introduced as the concept of serial entrepreneurship.

Lafontaine and Shaw (2014) mentioned that the serial entrepreneurship can be understood as an entrepreneurial process which happens to an entrepreneur in achieving success of new ventures after he/she experienced failures, in which the following element exists: [a] the learning process from the failure, [b] the process of change in entrepreneurial behavior after the failure, and [c] the experience in managing the business. There is no uniform arguments and opinions from scholars to state number of venture failures that need to be happened and experienced by entrepreneurs before he/she reaches entrepreneurial success. It is believed that the number of venture failure before achieving entrepreneurial success is situationally, conditionally and contextually related to an entrepreneur as a person. This means that the most entrepreneurs will experience entrepreneurial failure – and the number of failure varies among them. However, one common argument raised and approved by the scholars; the entrepreneurial success is very seldom to be achieved only in one single venture creation/establishment.

Studies and research to reveal the determinants of entrepreneurial success factor have clearly identified that the entrepreneurial success is influenced by: [a] internal and external environments of the entrepreneur, [b] psychological condition and situation of the entrepreneur, and [c] sociological situation of the entrepreneur, Rahman and Day (2014). Each factor has its own specific determinants, in which opportunism is considered as one psychological determinant that can lead to entrepreneurial success (see, for example, the studies of Herath, 2014; Wasdani &

Matthew, 2014: Chang, Liu, & Chiang, 2014).

An interesting question therefore is: how can we figure the process of entrepreneurial that could be happened and experienced by nascent entrepreneurs? How do we understand and perceive failure experienced by nascent entrepreneurs? Most of studies and research in entrepreneurial failure only considered failure as an 'event' in entrepreneurial process and journey of entrepreneurs. In fact, entrepreneurial failure should be broader considered because it has many events that could cause it and can be its consequences. Analyzing entrepreneurial failure from a smaller part of this process could raise our misunderstanding about it. This situation of course, is a challenging one – as people normally undertake necessary steps and efforts to reduce the failure rate. Therefore, our paper tries to fill the gap in the topic entrepreneurial failure i.e. by offering an integrative model that could figure and explain the process of entrepreneurial failure experienced by entrepreneurs.

We believe and view this study is interesting and valuable as it tries to reveal the process of entrepreneurial failure experienced by nascent entrepreneurs which can be used as the reliable resource and foundation to set up government policies regarding nascent entrepreneurs.

LITERATURE REVIEW AND HYPOTHESIS
In general, entrepreneurial failure can be understood as the cessation of entrepreneurial process undertaken by entrepreneurs as a result of failures that occurred during the preparation, implementation and management of the venture. One main possible sign of this failure can be seen in the inability of the entrepreneur to manage the financial matters, which has further resulted the cessation of business operation, and worst – bankruptcy. However, even though the inability to manage the financial matters is closely linked to the bankruptcy, it cannot be viewed as the one and only reason in entrepreneurial failure. Instead of inability in managing the financial matters of the venture, entrepreneurial failure is mainly viewed as a result of the combination and interaction between psychological and economic factors of an entrepreneur. It is viewed that psychological factors of individuals will lead them to decide and further, to undertake error actions – which will further result entrepreneurial failure.

As Smida and Khelil (2010), entrepreneurial failure is a psycho-economic phenomenon which will lead entrepreneurs to undertake error actions to allocate resources and will result further consequence, in terms of psychological situation in the form of disappointment. However, entrepreneurial failure can be concluded as the situation in which the psycho-economic phenomenon relates to:
[a] individual situation and condition (in particular behavior and personality),
[b] organization as a business entity), where an entrepreneur undertakes entrepreneurial process
[c] social environment which is directly and/or indirectly relates to individuals
[d] entrepreneurial process happened to individuals.

However, such four factors individually cannot influence entrepreneurial failure as it does not have sufficient power that lead to a failure. There should be a combination and an interaction between factors and elements which will impact failure to the business run by entrepreneurs.

Knowledge and observation regarding entrepreneurial failure is considered important as one of main concerns in entrepreneurship is to minimize the failure rate of new businesses. Even though entrepreneurs are described as individuals who can tackle risks (including business risks), we view that the information and knowledge regarding failures can also be used as a guidance by nascent entrepreneurs in preparing their business. The information and knowledge regarding failures can also be used to reduce the rate of serial entrepreneurship process that happened to entrepreneurs. Apart from those, failures will also be a learning event and experience from post-mortem assessment to analyze the reasons of entrepreneurial failure. One of this post-mortem assessment is in the form of cognitive structural analysis that can be used by entrepreneurs to analyze the type of failure and re-motivate themselves to be back in the business, getting experiences from cases, new ability to face and tackle failures and the most important, to determine the transformation process of failures into opportunities.

Study and research regarding new venture failure are normally emphasized to the analysis in the following topics: [a] what and why a new venture fails? (Artinger & Powell, 2015) and, [b] what is the consequence that needs to be borne by entrepreneurs as the result of their failure? (Singh, Corner, & Pavlovich, 2015; Yamakawa & Cardon, 2015; Jenkins, Wiklund, & Brundin, 2014; Ucbasaran, Westhead, Wright, & Flores 2010). Contextually, studies

and research that have been completed mostly analyzed the consequence of failure to the business belongs to the entrepreneur – which means that the analysis has mainly been done to the business as an entity. Considering this, research contexts were mostly cantered in the question 'why can be a business fail?' Wennberg, Wiklund, DeTienne, and Cardon (2010) concluded that a business mainly fails because of the following reasons: [a] low business performance, [b] the problem of resources, and [c] un-achievable positive goals and growth of the business. In a more broaden scale, Wennberg and DeTienne (2014) and Hammer (2012) further identified the existence of three conditions that can lead to a failure in business, which is: [a] business environment, [b] the business itself – mainly inappropriate resources and competence, and [c] the entrepreneur as an individual/personal – mainly less commitment from entrepreneurs in managing the business.

If we objectively observed, business failure, in particular new ventures failure is closely related to the analysis on those who is operating the business. This means that the entrepreneur as a person is considered as an individual who is having prominent roles to determine whether a business can be success, or, in reverse, fail. Therefore, the unit analysis of the research cannot always be focused on to the business as an entity. It is why we cantered our focus and analysis merely to the entrepreneur as an individual. According to Mellahi and Wilkinson (2010) the concept of business and organizational failure can be viewed from the entrepreneur as an individual, and it is sourced from: [a] deterministic factors, and [b] voluntaristic factors. Deterministic factor is defined as the failure of new ventures which is sourced from entrepreneur's environment, which its existence cannot minimally controlled by the entrepreneur. As Cardon, Stevens, and Potter (2011) mentioned, the deterministic factor of business failure comes from entrepreneur's environment which cannot be avoided by entrepreneurs in their business operation. In reverse, Mellahi and Wilkinson (2010) mentioned that voluntaristic factors are related to the business failure which is sourced from errors done by entrepreneurs in making decisions and conducting actions. It can be inferred from Mellahi and Wilkinson (2010) that deterministic factors are not the only one factors that resulted business failure – but it rather is voluntaristic factors.

Cardon *et al*. (2011) further stated that business failure is not a result/consequence of uncontrollable situation and condition by the entrepreneur, such as the environment factor. One possible source of the business failure rather comes from a stigma that is embedded inside of entrepreneurs which makes them try as hard as they can to avoid it – but unfortunately, they ended up with making false decisions and wrong actions and as the result of these, their business got failed. (Singh *et al*., 2015). Khelil (2016) further mentioned that apart from deterministic and voluntaristic factors, as Mellahi and Wilkinson (2010) and Cardon *et al*. (2011) - there is also an emotive factor inside of entrepreneurs which is a decisive factor in entrepreneurial failure. Emotive factors as meant by Khelil (2016) is described as a factor that can show interaction and combination between business performance achieved by entrepreneurs (in terms of failure) and the disappointment to that unachieved business performance. In relation to this, the finding of Hammer (2012) also showed us the indication of goal setting bias in entrepreneurs as a major source of the business failure. Goal setting bias happens because of the unmatched situation between expectation and real business performance experienced by entrepreneurs. This emotive factor as Khelil (2016) is an interaction and a combination between deterministic and voluntaristic factors in entrepreneurial failure. Therefore, failure is not only sourced from uncontrollable/difficult-to-control environment but it is also sourced from errors in decision making and wrong-doing actions done by the entrepreneur in managing his/her business.

In previous studies, Khelil (2012) mentioned that failure in new venture mostly happened because of the following patterns and types that are embedded in entrepreneurs as an individual: [a] gambler – ones who would like to start a business without resources and without any clear orientation, [b] supported at arm's length – ones who have limited resources, [c] bankrupt – ones who have limited competencies, [d] megalomaniac – ones who have too much self-confident, and [d] dissatisfied with lord – ones who do not fully rely on God's will. We further can categorize those reasons into 3 (three) categories: [a] individual personality as a source of failure [consists of gambler, megalomaniac, dissatisfied with lord], [b] environmental situation as a source of failure [consists of supported at arm's length and bankrupt]. Meanwhile, Hammer and Khelil (2014) strengthened the analysis about entrepreneurial failure by saying that based on the consideration of input, process and output in the new venture creation process in individual and enterprise levels, the model of entrepreneurial failure can be shown in the Figure 1.
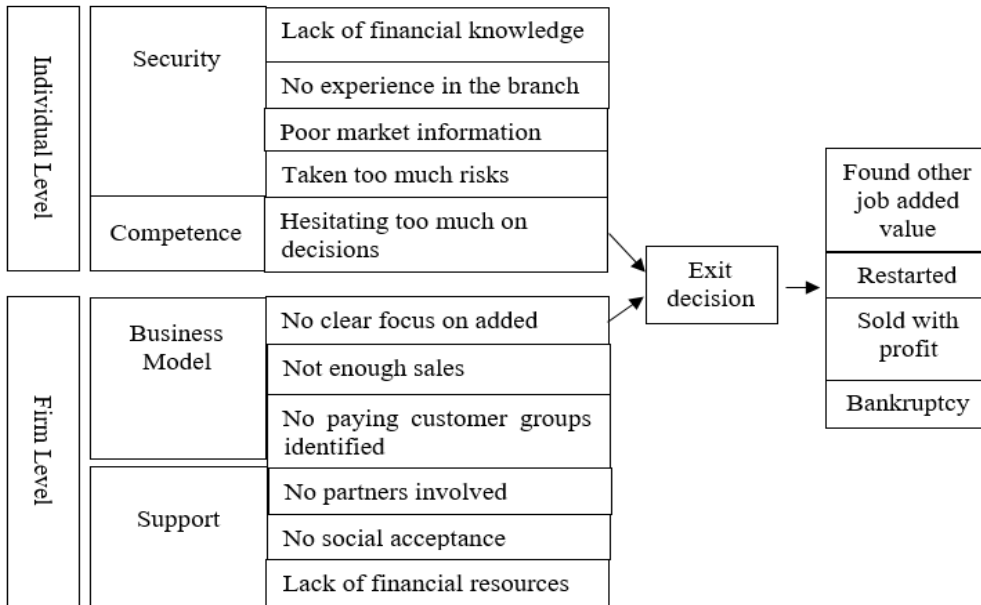
Figure 1. The model of entrepreneurial failure
Source: Adopted from Hammer and Khelil, 2014.

It can be seen from Figure 1 that the entrepreneurial failure in the form of exit decision from the business is drawn as the result of: [a] individual level which has competency and security as its dimensions and, [b] firm level which has support and business model as its dimensions. The existence of both factors will lead entrepreneurs to a decision to stop their business – and therefore, the business fails. Further impact of this exit decision can lead entrepreneurs to try to find other jobs, restarting a new venture, or selling their business with the hope that they will get some profits or worst, bankrupt.

Concept and studies regarding opportunism mostly related to the opportunistic behavior of individuals and it mentioned that this opportunistic behavior is a hidden will of an individual which can bring negative impact to the business and it is shown by efforts to achieve that hidden will (Cordes, Richerson, McElreath, & Strimling, 2010). Cordes *et al*. (2010) have also revealed that the existence of opportunistic behaviour is closely related to the transaction cost concept and will create conflicts and bargain situations in which individuals need to choose one most appropriate choice from many alternative decisions. Those both concepts are clearly related to the topic of this paper and study – and they demonstrate an indication that an entrepreneur will prefer a situation which brings more benefits to him/herself personally. This situation can be in terms of an alternative to secure for a better job compared with career in entrepreneurship, or the desire to start other new businesses but in the condition that the earlier business is still unstable/immature. This situation will put entrepreneurs in a conflict or a bargaining position which require them to make their own decision – securing and entering the job, or to start another new venture or maintaining the earlier venture to reach its maturity. Sometimes the decision is a good and powerful decision but it can also be a wrong decision which will lead them to a failure in the earlier venture. We can see here that entrepreneurs can be trapped in an individual level (as Hammer and Khelil, 2014) psychological situation where they are demanded to secure their future life which is possibility related to possible future career that they need to possess.

In the study of impacts and consequences of entrepreneurial failure, Mantere, Aula, Schildt, and Vaara (2013) mentioned that entrepreneurial failure is a social construction where the process of individual psychology in terms of [a] the existence of emotional processes and [b] cognitive process to justify every action, exists. We can conclude from this opinion that entrepreneurial failure brings psychological impacts to the failed entrepreneurs – and as the results, they are trying to do their best to maintain their self-esteem and to avoid of losing their own business. Psychological impacts can also be seen in efforts to reduce, and moreover, to eliminate stigma that arises from the failure, Singh *et al*. (2015). An interesting phenomenon regarding the existence of stigma lies to the fact that it can also be a source of the next failure. As Singh *et al*. (2015) the fear of failure and efforts to stay away from the stigma of failure have contradictive resulted negative situations to an entrepreneur – as he/she will probably make a wrong decision and doing a wrong action in the business. As the result, this will make entrepreneurs sink into failure (again). Therefore, the stigma of failure can be seen as a psychological reason and impact in entrepreneurial failure.

We further use the above mentioned overviews and opinions from scholars and combine them with the results and findings during our previous quantitative study as the basis and foundations to formulate the proposition of the study. The main proposition of this study is:

"Entrepreneurial failure is a part of entrepreneurial process which consists of several processes: [a] factors that cause it, [b] constructs that creates failure, [c] pressures that ignite failure, [d] the existence of failure, and [e] the possible consequences and follow-up of failure."

Our study further identifies the possible relationship between the process of entrepreneurial failure and the concept of serial entrepreneurship – in which we argue that there is the construction of learning process that mediates entrepreneurial failure process to serial entreprneurship and entrepreneurial success. We treat this as the second proposition of our study.

RESEARCH METHOD

The study is an exploratory study which aims at reveal the integrative model on how the process of entrepreneurial failure together with its possible consequences and follow-up of the failure take place within nascent entrepreneurs. Therefore, it uses qualitative methodology which is developed based on previous quantitative study, undertaken by the authors to 1541 nascent entrepreneurs who have experienced entrepreneurial failure in West Sumatra, Indonesia. The previous quantitative study was mainly investigated the internal individual reasons of why entrepreneurs fail in their business. It came up with the results that the most possible reasons that caused entrepreneurial failure are psycho-economic factors and opportunistic behavior of individuals. Results of the previous quantitative study is then developed into a model of entrepreneurial failure – and it is further added with the possible consequences and follow-up taken by entrepreneurs after they have experienced failure.

FINDINGS

We began our task by drawing and introducing the figure of our model, which we call as the Integrative Model of Entrepreneurial Failure. In principle, the emphasis of the model should show the process of entrepreneurial failure experienced by individuals, together with the consequence, follow-up of that failure and the creation of a process of serial entrepreneurship. As there is a possibility of serial entrepreneurship circumstance within this process, there could be two chances occur on nascent entrepreneurs, which are [a] the possibility to fail again and restarting the business, and [b] the possibility to achieve entrepreneurial success. We further introduce our model as in the Figure 2.
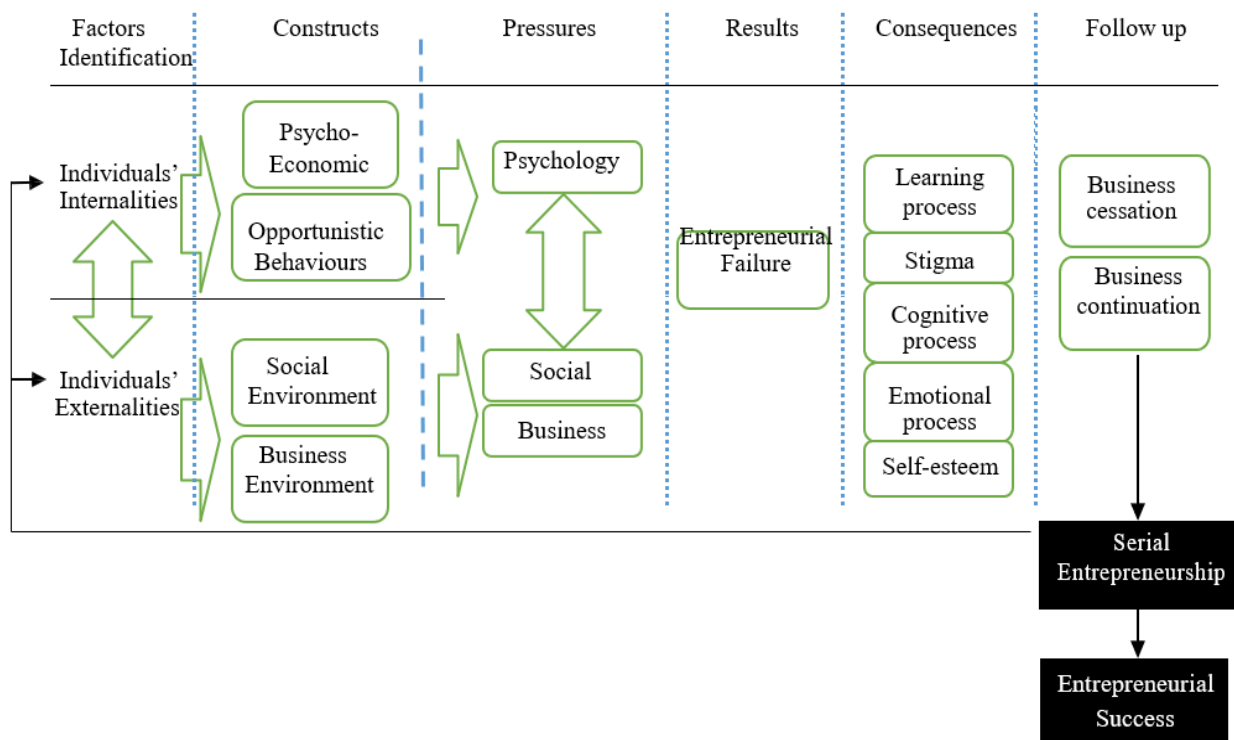

Figure 2. The integrative model of entrepreneurial failure

Factors Identification and Constructs

One major element of our model is to identify the main factors and constructs that cause entrepreneurial failure. In general, we argue that there are two major factors within individuals that can cause entrepreneurial failure, namely [a] individuals' internalities and, [b] individuals' externalities. Each of those factors is elaborated below.

Individual Internalities

We define individuals' internalities as every construct or circumstance within the individuals that raises psychological pressures on them and would push them to make wrong decisions, which at the end, result failures in business. As the basis and foundation of our understanding, we view individuals' internalities as the form of psycho-economic circumstances and the level of opportunistic behavior belong to individuals.

We have elaborated this through in our previous empirical study with 1541 nascent entrepreneurs and found that voluntaristic, deterministic and emotive factors are the most possible psycho-economic circumstances that caused entrepreneurial failure. If we look at the descriptive results gathered from our previous study, the most deterministic factor that causes failure is the inability of nascent entrepreneurs to meet the most efficient operational cost in their business. In emotive factors, the majority of nascent entrepreneurs revealed the pressure to fill-up their personal and family needs have stressed them and have contributed to their failure in business. The results of our empirical study support the argument and opinion from Mellahi and Wilkinson (2010) who said that voluntaristic, deterministic and emotive factors are the psycho-economic phenomenon of individuals that can cause entrepreneurial failures.

We understand the construct of opportunistic behavior in entrepreneurial failure as a psychological circumstance where individuals lead by their uncontrollable passion and desire to reach ambitions for the interest of their future life but leave the logical consideration. Individuals tend to choose a decision that will pleased them or their social environment and fits with their ambitions. Thus, individuals will always consider alternatives which could be the answer of their passion and desire at the most – rather than thinking about logical alternatives. This psychological construction will lead them to become an opportunist and this can be seen in the opportunistic decision that is chosen by them. The construct of opportunistic behavior (in the context of nascent entrepreneurs) during our previous empirical study showed that an individual tends and prefers to [a] enter into a formal job (once the opportunity comes) rather than maintaining themselves to stay in the business, [b] choose to secure a job by keeping it in a longer period, and [c] follow his/her desire to immediately establish other new ventures but in the condition that the earlier business is still unstable or immature. This is confirmed by the result of descriptive analysis during our previous study which showed the majority of nascent entrepreneurs think and view that getting into entrepreneurship is only a way to wait for a formal job. Once that opportunity comes, they will simply cease and leave their business.

Our further investigation clarifies the fact about the reason of individuals to concentrate on the job rather than on the business. It is mostly related to the motive and interest for securing the future life. If we consider the culture of Indonesian people in general, one particular cultural dimension and value of Indonesian people is the high uncertainty avoidance, Hofstede (2017) and Mangundjaya (2010). This culture and value have made Indonesian people prefer to choose a stable situation in their life – and in their mindset, this stability can only be achieved when they have a formal job where they can get regular monthly salary and get a pension in the future. Although the cultural perspective of Indonesian people shows this, but psychologically we can understand why individuals prefer to have a job rather than to maintain themselves to stay in the business (Rahman, 2016). The feeling of insecurity regarding the future life as the impact of [a] limited chances and severe competition in the job market and, [b] insecure business environment, which includes severe business competition, inconsistent government rules, regulation and laws about business environments (especially which are related to small and medium scale enterprises) as well as insecure sustainable business operation have psychologically influenced individuals to choose to have a job once the opportunity appears.

We found this individual phenomenon as stated by Andrunik and Svetlakov (2013) and Cordes *et al.* (2010) who revealed that the existence of opportunistic behavior will create conflicts and bargain situations in which individuals need to choose one most appropriate choice from many alternative decisions. Individuals, in fact, tend and prefer to choose the most appropriate alternative in accordance with their personal situation/condition – and this becomes the basis of opportunistic behavior raised within individuals.

Individual Externalities

We understand individual externalities as every construct and/or circumstance surrounding individuals that relies from social and business environments and could cause pressures on them to choose wrong decision from many alternatives in their daily activities. We view individual externalities as having a direct and/or reciprocal relationship with individual internalities as the foundation of our understanding regarding failure. We then consider business and social environments of individuals as the constructs of individual externalities that will be further elaborated as the cause of failure.

Business environment as one construct in individual externalities can be understood as the challenging business climate and various actors that will create pressures to entrepreneurs. This can be in the form of, for example, a severe business competition, un-supporting business climate/business surroundings, unclear business rule and regulation, weak access to finance, weak access to market, etc. These have brought a particular pressure to nascent entrepreneurs since they cannot meet the most efficient cost for the operation of their business – which is one of the major complaints from nascent entrepreneurs and directly associated with the deterministic factor in entrepreneurial failure. Un-supporting business environment has created business pressures to nascent entrepreneurs where they find many barriers starting from the day one of their business and onward. Some scholars used the terminology of "barriers to entry" (either strategic or structural entry barriers) to show this situation (see the studies of Lutz, Kemp, & Dijkstra, 2010; Bartlett, Popa, & Popovski, 2013; and Afraz, Hussain, & Khan, 2014)

The second construct in individual externalities is social environment. We view social environment is mostly related to the perception of individuals' social environment regarding entrepreneurship that affect the creation of pressure to nascent entrepreneurs. It can be in the form of, for example, the level of entrepreneurial/business culture of a society, social view and perception regarding entrepreneurship as a choice of career, future life and a kind of job, local culture and value, demand and needs from the nearest social environment, etc. The existence of social environment as a construct of individual externalities impacts the creation of social pressure to nascent entrepreneurs. The fact during previous empirical study reveals that nascent entrepreneurs who have experienced entrepreneurial failure, previously experienced social pressure when they operated their business. The majority of nascent entrepreneurs revealed that social pressure in terms of filling-up personal and family needs as a major social pressure that they received from their social environment. This finding is closely associated with the fact that the emotive factor in terms of efforts fill-up the personal and family needs have stressed nascent entrepreneurs in undertaking their business and it further contributed to their failure in business. The finding in our empirical study also shows a reciprocal relationship between individual externalities and internalities as well as their constructs as the causes of entrepreneurial failure. We view that each factor and construct cannot stand by its own – but will be associated between one and another. Thus, we consider individual internalities and externalities (with all their constructs) as having a direct and/or indirect relationship and association as the foundation that causes entrepreneurial failure.

Individual Pressure on Nascent Entrepreneurs

As we previously argued, the mixture between individual internalities and externalities together with their constructs will significantly raise pressures on nascent entrepreneurs. We simply defined pressure in this occasion as a situation surrounding individuals whether they voluntarily admit it or not, creates a pressurized circumstance that make them need efforts to solve that circumstance. These individual pressures can be in terms of: [a] psychological pressure, [b] business pressure, and [c] social pressure.

Psychological Pressure

In terms of entrepreneurial failure, we viewed psychological pressure as a pressure which comes from inside of an individual as a result of his/her psycho-economic condition and his/her uncontrolled desire and passion to get something of his/her interest. Psychological pressure will lead nascent entrepreneurs to use illogical considerations when they need to make decisions and to undertake actions in business. As a consequence of this illogical consideration, many decisions and actions that have been made are considerably wrong or not suitable for their business. This will be the source of failure and if it goes more and more in a longer term regularly, it will result entrepreneurial failure.

Business Pressure

Business pressure is a form of pressure that is created (by design or not) by the business environment in which it may be mistakenly responded by nascent entrepreneurs. It can be for example, in the form of competition, barriers,

exclusion, discrimination, fraudulence, blockage, alignments, difficulties, access to finance, distortion of information, the unbalance of power etc. that are created and done by business partners and stakeholders of nascent entrepreneurs. Business pressure can also unconsciously created and carried out by the government through its rules, regulation and other legal issues that can hamper existing businesses that are being run by nascent entrepreneurs. Rules and regulation regarding taxes, access to finance, certification, issues to administer the business, interest rate, foreign currency rate, competition, export-import policies etc. are just some examples of how government may unconsciously hampers the development and empowerment of nascent entrepreneurs.

The existence of an unfriendly business environment will directly and/or indirectly bring pressure to nascent entrepreneurs. Since nascent entrepreneurs are relatively new entrepreneurs in the business, then they will be more fragile once they get this experience. It makes them more vulnerable rather than the more experienced entrepreneurs. The ability to respond to challenges and pressures will determine whether they can survive in a longer period of time or not.

Social Pressure
Social pressure experienced by nascent entrepreneurs is mainly related to the perception of their social environment or their community regarding entrepreneurship as a choice for future career, as a source of income, personal and social demands and needs, etc. Our empirical study has found a fact that the demand to fill-up personal and family daily needs is the main pressure felt by nascent entrepreneurs from their nearest social environment. This creates a particular pressure for them to immediately run the business and make it profitable. In one side, this would be a good sign that entrepreneurs must work harder to make their business profitable in a short time. However, in other side, this will also put more pressure on them when running the business with the bigger possibility to make wrong decision and wrongdoing in the business.

Social pressure is also related with regular income that would be earned by individuals. In many social environments and communities, individuals are requested to earn a regular income (mostly monthly income) to fund their daily needs and because of that, they will get more respect from the people around. This is a contradictory circumstance if individuals choose to become an entrepreneur. Nascent entrepreneurs are those who are still new in the business – so there is no guarantee for them to earn a stable regular income. As a consequence, there is a cynical perception regarding the job as an entrepreneur and the ability of nascent entrepreneurs to earn money. This circumstance will put nascent entrepreneurs on a particular pressure and will allow them to make wrong decisions and actions in undertaking their business.

Entrepreneurial Failure as a Result
Our understanding regarding the factors, constructs and pressure experienced by nascent entrepreneurs have led us to understand entrepreneurial failure as a result of the process in entrepreneurial journey. The process of entrepreneurial journey is not yet a successfully guaranteed process in which nascent entrepreneurs will receive a satisfying result from their efforts in business and gain benefits from it. There is more possibility of failure rather than success during an entrepreneurial journey of an entrepreneur. As Wadhwa *et al.* (2009) mentioned a successful entrepreneur has averagely experienced two until three times failures during their entrepreneurial journey before he/she reached success. This means there is only a little guarantee that nascent entrepreneurs will be succeed in only one-time new venture establishment.

Thus, we believe and argue that attention and emphasize should actually been given to the way of how to avoid failure rather than to disseminate/spread success stories of an entrepreneur. Dissemination about the way of avoiding failure will increase awareness and alertness of individuals to choose alternatives, to make decisions and to take actions. Disseminating entrepreneurial failure will also stimulate preventive efforts and preparedness of individuals to face their psychological burdens, social and business environments that may cause failure. Individuals can also allow a learning process that takes place inside themselves as a positive respond to previous failure which will be useful to avoid the next failures. We build our argument on this overview by saying that entrepreneurial failure should not only be seen from a negative point of view – but it should also be equally considered from the positive point of view which will bring benefits to nascent entrepreneurs.

The Consequence of Entrepreneurial Failure
We view that every event brings its own consequence to every individual who have experienced with. This also happens to entrepreneurial failure in which some possible consequences would be felt by nascent entrepreneurs. The

consequence of entrepreneurial failure could be positively and/or negatively impacted nascent entrepreneurs. Using previous studies and research from Singh *et al.* (2015); Yamakawa and Cardon (2011); Jenkins *et al.* (2014); Mantere *et al.* (2013); Ucbasaran *et al.* (2010), as the foundation of our overview, we derived several possible consequences of entrepreneurial failure on nascent entrepreneurs, namely:

[a] learning process
[b] stigma
[c] cognitive process
[d] emotional process
[e] self-esteem

Learning process is the most possible consequence received from entrepreneurial failure. Nascent entrepreneurs who have experienced failure usually gain advantages and learning from failures that they have done. Some possible positive outcomes from this learning process are in terms of awareness of failures, prudentiality, logical considera-tion and calculation, selection of partners and branch of industry, financial management and accounting, business planning etc. The process of learning will make nascent entrepreneurs to be tougher, more resilient, having more experiences, know more about branch of business and their partners and able to cope with uncertain circumstances. These advantages and benefits of course would be useful if they would like to re-start their business in the future.

As Singh *et al.* (2015), the positive psychological impact from entrepreneurial failure can also be seen in efforts undertaken by nascent entrepreneurs to reduce, and moreover, to eliminate stigma that arises from failures. Some individuals have a tendency about negative stigma that cannot be easily erased from their memories and feeling. In reverse, entrepreneurial failure would be a way to tackle, reduce and to eliminate that negative stigma. There would be a psychological mechanism arises where nascent entrepreneur are willing to prove that they are tough individuals by eliminating that negative stigma. Efforts to eliminate the negative stigma regarding entrepreneurship also relate to self-esteem of nascent entrepreneurs. They are trying to do their best to maintain their self-esteem by avoiding to lose their own business. The feeling of self-esteem and claim as the business owner would be an extra energy for nascent entrepreneurs to avoid mistakes in the future. Thus, the outcome of failure could be in the form of impro-ving individuals' self-esteem as the business owners which could improve the feeling of self- belonging to the busi-ness.

Emotional process can also be seen as a positive outcome of entrepreneurial failure. Nascent entrepreneurs will be more patience in facing and tackling bad situations that hamper their business. The event of failure is a perfect way to train and to examine the level of patience of nascent entrepreneurs. There is also a possibility of using more logi-cal considerations rather than illogical concerns in business, such as passion, desires, hasty, recklessness etc. Thus, in this essence, failures will give particular benefit to nascent entrepreneurs in reducing their own psychological bad side/nature and switch it into a better one.

One consequence that can be received by nascent entrepreneurs through failure is related to the cognitive process as a respond to the failure. We believe that nobody could accept failure voluntarily. If individuals experienced failure as a result from their previous decisions and actions, then there is a little possibility for them to repeat the same failure in the future. There will be a cognitive process in terms of avoiding the same failure to be happened again. This situation will stimulate consciousness and logical thought of nascent entrepreneurs to be more aware, preven-tive and anticipative to every circumstance and person in the future. The cognitive process is closely associated with the ability of nascent entrepreneurs to learn from failures – and this will be useful to anticipate the next failures which could possibly happen in the future.

The Follow-Up of Entrepreneurial Failure
The consequence happened after the failure has led to the possible follow-up that could be taken by nascent entrepreneurs. We argue that there are two possibilities of follow-up after the failure that can be taken by nascent en-trepreneurs, namely: [a] the possibility of business cessation, and [b] the possibility of business continuation.

Business cessation is a simple decision that would be made by nascent entrepreneurs after they experienced failure in their previous business. They simply ceased the opportunity and possibility of restarting the business in future and would find other chances for their future life, which can have several alternatives, but mainly to find a job. Business cessation could be as a result of bankruptcy, very low and slow business progress and expansion, very small busi-

ness scale, inability to maintain the core customers, inability to adapt with business dynamics, unable to respond to harsh competition etc. Apart from the above mentioned reasons, business cessation can also be a result of other opportunity, such as job offering.

There are also nascent entrepreneurs who are still willing to continue their business after they experienced failure. We found in our empirical study, that this type of entrepreneurs normally choose to continue and stay in business in two possible forms: [a] restarting a new business within the same business branch as the previous one which failed, and [b] totally restarting a brand new business which is totally different compared with the previous one. Our previous empirical study showed that the majority of nascent entrepreneurs who stay in business are those who are totally restarting new business which is totally different compared with the previous one. Although debatable, we argue this as having disadvantage for them. We believe and view that the more nascent entrepreneurs involve in a brand new unrelated business compared with the previous one, then the more likely for them to get fail again.

We argue that if nascent entrepreneurs start a brand new unrelated business from their previous business, then they will always be categorized as a "newbie" – who potentially fail again. As newbie, they need to totally learn a new thing and this has made the advantages of learning process gained from previous failures are minimum. In other words, we believe that maximum benefits of the learning process from failures will only be received by nascent entrepreneurs if they restart their new business in the same business branch or industry with the one which failed. However, since our study did not concentrate on the possibility or the success rate of the new business from the failed nascent entrepreneurs, we cannot guarantee that the new business will be successful. We just argued that advantages taken from learning processes from entrepreneurial failure will be maximum if nascent entrepreneurs restart their new business in the same business branch/industry with the previous one.

Since there is no guarantee of success or the quantitative figure regarding the success rate of new businesses by nascent entrepreneurs after the failure, our model further figured that there will be a process of serial entrepreneurship taken place within this situation. This means that there are two more possibilities that may be happened to nascent entrepreneurs who choose to continue and stay in business, which is: [a] the process of failure again, and [b] entrepreneurial success.

CONCLUSION

Our paper summarizes the possible integrative model to show the process of entrepreneurial failure experienced by nascent entrepreneurs. The model draws that entrepreneurial failure needs to be viewed integratively, starting from factors that cause failure, constructs that create failure, pressures to individuals that resulted entrepreneurial failure, consequences and possible follow-up taken by individuals after the failure. The model also relates the process of entrepreneurial failure with the possibility of entrepreneurs to undertake serial entrepreneurship journey, where there will be possibilities of success and fail again.

Our model implies that studying and researching entrepreneurial failure should be undertaken integratively. We believe that we need an integrative way of thinking if we wanted to fully understand entrepreneurial failure. Thus, we cannot completely elaborate entrepreneurial failure as an event in entrepreneurial journey only – but it should rather be considered as a process where there are factors, constructs, the elements of pressure, consequences and follow-up of that failure. Our understanding in regards of entrepreneurial failure as a process will make us understand that there is a possible link and match between entrepreneurial failure and the process of serial entrepreneurship.

Our model also implies that there is a close association between entrepreneurial failure, learning process and serial entrepreneurship in the journey of entrepreneurship experienced by nascent entrepreneurs. We view and believe that the creation of tough and succeed entrepreneurs can only be achieved if nascent entrepreneurs can learn from failure – and for this objective, they need to understand that failure is a process in entrepreneurial journey. Failures need the construction of psychological preparation, rearrangement of business and social perception and overview regarding entrepreneurship as responses to tackle that failures. We believe that government interventions should be also more emphasized on those issues (preparation for tackling entrepreneurial failure) rather than just concentrate on the issue of the creation of new entrepreneurs.

As this paper is a conceptual paper which is based on an empirical study of entrepreneurial failure experienced by

nascent entrepreneurs as well as some arguments and opinions from scholars regarding entrepreneurial failure, then there will be an opportunity to test this model in a broader empirical study, which involve all of the stages in entrepreneurial failure process. Apart from the limitation of this paper, that will also be a possible future research agenda regarding this topic that can be pursued by other scholars.

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THE IMPACT OF SOCIAL ENTREPRENEURIAL PERSONALITY TO THE INCOME OF JAVANESE ENTREPRENEURS IN SURABAYA, INDONESIA

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ABSTRACT

Entrepreneurs are expected to step in by creating job opportunities to reduce the rate of unemployment and poverty. For the Javanese society, the entrepreneurial personality, which stresses on an individual profit-making orientation, seems contradicting with the social norms and attitudes which regard shared togetherness and communal prosperity as the life philosophy. Therefore, the social entrepreneurial model may fit in this society, as it balances between the traditional entrepreneurial mindset and the social responsibility. This research is to investigate the impact of the social entrepreneurial personality to the profitability of the Javanese owned business entities as seen in the ability of the entrepreneurs to make profits. This is a quantitative research. Data are collected from 100 Javanese entrepreneurs in Surabaya through questionnaires, and then they are analyzed using multiple regression. The results show that risk taking propensity has a negative impact to profitability. The need for independence and empathy has positive but insignificant impact on profitability. While innovativeness, need for achievement, pro-activeness and sense of social responsibility have positive and significant impacts on profitability.

Keywords: Javanese social entrepreneurial personality, profitability, entrepreneurial personality, prosocial personality, small businesses.

INTRODUCTION

Gemah ripah loh jinawi is a saying to describe a very fertile area with abundant natural resources. That saying comes from the Javanese community who depict the island of Java as such a land to live. Based on the data from Indonesian population census in 2010, the Javanese ethnic is the largest society, with 40.05% of the total Indonesian population (Badan Pusat Statistik, 2015). The Javanese ethnic is known as the society that regards highly socio-cultural norms and value, as it can be observed through the communication system which consists of three different languages, the politest, polite, and common language (Purwadi, 2011). The Javanese has to know the social norms and context to whom they are interacting. The Javanese culture is considered as the *budaya adiluhung* or noble culture that holds a lot of very noble values ranging from ethics and courtesy in the house to the public sphere (Sartini, 2009). This culture is one of the basic elements in the social life and has important roles in shaping the mindset and interaction of the society (Christiana, 2005). Therefore, the culture has indirectly influenced the formation of one's personality (Endraswara, 2018).

The Javanese society has some traits that consider the communal virtue and togetherness highly. The essence of togetherness can be seen in the concept of *gotong royong* or mutual cooperation to reach common prosperity (Herawati, 2012). The education in the Javanese family stresses on this togetherness by teaching family members how to live in harmony, peace, and tolerence (Endraswara, 2018). Therefore, the Javanese society considers the world of business as *pekerjaan kasar* or rough jobs because businessmen are chasing profits only (Pitoyo, 2008).

Because of this background, many Javanese have less interest in business, no business mindsets, negative perspective on business, and tend to avoid the world of business (Wibowo & Nulhaqim, 2015). The value in the business world, the profit-orientation, is regarded as the opposite to the virtue of Javanese culture, which expects no compensation or rewards after soing some deeds (*tidak mengharapkan pamrih*) and tries to maintain the harmony of life based on the attitude of peace and refrainment (Pitoyo, 2008). Recently, there is a shift in the life orientation of the Javanese society, especially those living in the cities Since the community is moving from the agrarian society to the industrial society, the *adem ayem* (peaceful) lifestyle, which always holds the philosophy of *nrimo lan pasrah* (accepting and surrendering to the fate), has turned into a life that chases material riches daily to improve the level of economic life (Christiana, 2005).

The entrepreneurship seems to be contradicting with the Javanese culture, because they are always thinking about obtaining individual monetary benefits while the Javanese community considers highly the collective welfare (Pitoyo, 2008). Although there is a shift in the Javanese community on the business perceptions, the entrepreneur-

ship model based on the conventional paradigms needs to be adjusted to suit the Javanese community. The business paradigm that only explores the potential of commercial business and only the pursuit of profit should be changed, and entrepreneurs should have insight and concern for the problems or social problems around them (Mengubah paradigma, 2011). One suitable model is the social entrepreneurship, which proposes the entrepreneurial mindset to solve some socio-economic problems, such as poverty and unemployment (Coker, Flight, & Valle, 2017).

LITERATURE REVIEW AND HYPOTHESES
Social Entrepreneurship
In defining the social entrepreneur, Gregory Dees looks into the roots of the term "entrepreneur", which comes from the French word meaning someone undertaking a special project or activity (Volkmann, Tokarski, & Ernst, 2012). Quoting Jean Baptiste Say, the 19th century French economist, the entrepreneur shifts the economic resources out of an area of lower and into an area of higher productivity and greater yield. In the early 20th century, John Schumpeter depicts entrepreneurs as the innovators who drive the "creative-destructive" process of capitalism and who reform the pattern of production by "exploiting an invention or an untried technological possibility for producing a new commodity or producing an old one in a new way" (Dees, 2011). Peter Drucker says, "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity" (Drucker, 1985). Howard Stevenson, a leading theorist of entrepreneurship at Harvard Business School, adds an element of resourcefulness to the opportunity-oriented definition. In addition, social entrepreneurs are one species in the genus entrepreneur, as they are entrepreneurs with a social mission (Dees, 2011).

In this sense, social entrepreneurship as a form of entrepreneurial activity can be considered beneficial to society as a whole (Volkmann *et al*., 2012). Additionally, social entrepreneurship fills in the gap to social needs unmet by other business organizations or government. According to Seelos and Mair (2005), social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society by offering insights to stimulate ideas for more socially acceptable and sustainable business strategies and organizational forms. In contrary to social entrepreneurship, the traditional entrepreneurship is depicted as the ability and willingness to venture the business with any of its risks to make profit (Drucker, 1985).

Social Entrepreneurial Personality
According to Ernst (2012), the social entrepreneurial personality is a blend of two kinds of personality, the entrepreneurial personality and the social oriented personality. Further, the entrepreneurial personality is described as the personality containing such elements as risk taking propensity, innovativeness, need for achievement, need for independence, and pro-activeness. If the business entrepreneurs strive for profits, the social entrepreneurs focus on the social issues, which are considered as the sign of pro-social behavior and suggests the existence of the pro-social personality (Guclu, Dees, & Anderson, 2002). Pro-social personality is defined as "an enduring tendency to think about the welfare and rights of others, to feel concern and empathy for them, and to set in a way that benefits them" (Penner & Finkelstein, 1998). Adopting Hans-Werner Bierhoff's concept, Ernst (2012) includes the elements of empathy and social responsibility in the pro-social personality.

Business is often depicted as high risk and uncertainty, therefore, risk taking propensity refers to a tendency to take the risk or to avoid the risk when facing an uncertainty situation (Gurol & Atsan 2006). Risk taking propensity can be conceptualized as one's orientation when making decisions to jump into the opportunity in any business situation (Landqvist & Stalhandske, 2011). As the element of innovativeness, Drucker (1985) considers it as the core of entrepreneurial activity. Innovativeness can be defined as the exploitation of new successful ideas as a result of the creative process of generating and implementing new products, services, procedures, and processes (Lebedeva & Grigoryan, 2013).

Some researchers state the need for achievement as a person's need to strive hard to attain success (Cromie, 2000; Volkman *et al*., 2012, and Karabulut, 2016). Dees (2011) also mentions that social entrepreneurs relentlessly pursue new opportunities, which is often related to the need for achievement. Some studies conclude that entrepreneurs are also reluctant to work within boundaries and rules; therefore, this situation is associated with a need for independence or autonomy (Cromie, 2000). According to Morales-Gualdrón, Gutiérrez-Gracia, and Dobón (2009) the need for independence is the feature of an entrepreneurial personality which refers to one's desire to plan his own works and make his own decision. For pro-activeness, it is described as the effort to seek opportunities, to search the less competitive market to introduce new products or services, and to anticipate future demands by

coping the changes and shaping the environment (Rauch, Wiklund, Frese, & Lumpkin, 2000). According to Chow (2006), pro-activeness is the tendency to take initiative to compete aggressively in order to outperform the competitors.

Empathy and social responsiveness are two additional elements that differentiate the social entrepreneurs from the business entrepreneurs. Empathy means recognizing the feelings of others, recognizing the cause of those feelings, and being able to participate in the emotional experiences of others without being a part of what is happening (Keen, 2007). According to Ioannidou and Konstantikaki (2008), empathy is further described as the process of understanding a person's subjective experience by sharing that experience while maintaining an observant attitude. As the last element of social entrepreneurial personality, sense of social responsibility is the trait which causes a sense of obligation to assist those in distress (Ernst, 2012). Wu and Yi (2014) reveal that the sense of social responsibility is the attitude or emotional experience that a person has when positively carrying out social responsibility.

Javanese Perception in Doing Business
It is hard to find the values of Javanese wisdom that provide direct basic guidelines for doing business. The Javanese values generally describe the ideal guidance to succeed in life or the ideal ethos in work. Mostly, they stress on the harmonious life with others within the rigid social structure (Purwadi, 2011). Pitoyo (2008) writes that one Javanese wisdom, *tuna satak bathi sanak* (meaning lose a bit to gain relatives) seems contradicting with the business intention of making profits. However, he relates the idea of *sanak* or relatives with the concept of a Javanese big family, which includes other societal members and also stresses on the harmony of an extended family togetherness by helping those in needs. Therefore, in conducting their business, the Javanese businessmen may sacrifice a little bit of the profit to gain new family members. This concept of doing business is also reaffirmed by Mangkunegaran IV, the King of one Javanese kingdom and a successful entrepreneur during his reign, through his writing of *Serat Darmawasita*, in which he describes eight guidances, or *asta gina,* to become a successful entrepreneur (Birsyada, Wasino, Suyahmo, Joebagio, 2016). Those guidances, among others, are *rigen* or smart in accessing the situation, *gemi* or frugal in managing and organizing resources, and *nastiti* or accurate in collecting data for business decision making (Drayono, 2007).

Hypotheses Development
Considering the nature of business, entrepreneurs are seeking innovative ways to maximize the profit. The Javanese society, however, is bound to the social norms and values over generations. These wisdoms seem to hinder the Javanese society to conduct regular businesses. For this society, doing business is not only seeking monetary profits, but also talking about those norms, such as communal prosperity by living in harmony and respect without harming others. So the proposed hypotheses in this research are as follows:
H_1: Risk taking propensity has no significant impact on profitability.
H_2: Innovativeness has no significant impact on profitability.
H_3: Need for achievement has no significant impact on profitability.
H_4: Need for independence has no significant impact on profitability.
H_5: Pro-activeness has no significant impact on profitability.
H_6: Empathy has no significant impact on profitability.
H_7: Sense of social responsibility has no significant impact on profitability.

RESEARCH METHOD
This quantitative research is to identify the extent and nature of the cause and effect relationship among variables, so the research is designed for the causal research or explanatory research (Cooper & Schindler, 2014). As this is a nonprobability research, the purposive sampling technique in which the respondents are chosen to match certain criteria is used (Ferdinand, 2014). The data are collected through questionnaires that are distributed to 100 respondents who are the Javanese entrepreneurs in Surabaya. The items in the questionnaire are measured the Likert scale of 1 to 5. Then, the data are processed with SPSS to conduct some tests on validity and reliability. Classical assumption tests are conducted to examine the normality of the data, the multicollinearity, and the heteroscedasticity. Finally, the *t* test and the *F* test are conducted to examine the hypothesis.

FINDINGS
The questionnaires were distributed to 100 Javanese entrepreneurs. Most respondents are 67 male and 33 female entrepreneurs, with the majority age ranging from 31 to 40 years old (37% of the respondents) and the level of education is mostly high school graduates (58%). The profiles of their business vary from retailing shops (47%),

home industries (12%), and services (14%). The size of the business based on their revenue can be classified as micro (51%), small (45%), and medium (4%) enterprises. The data also depict the measurement for each social entrepreneurial personality as shown in Table 1.

Table 1
The Descriptive Data for The Social Entrepreneurial Personality

Variables	Mean	Category
Risk taking propensity	2.96	High
Innovativeness	2.83	High
Need for achievement	3.12	High
Need for independence	2.88	High
Pro-activeness	3.07	High
Empathy	3.12	High
Sense of social responsibility	3.14	High

In order to get valid data, the instrument for collecting data is tested its validity and reliability. All independent and dependent variables are valid as their significance is lower than 0.050. In addition, their values od Cronbach Alpha is also higher than 0.600. So the research instruments are reliable.

Proceeding to the next tests, a series of classical assumption tests are conducted. The normality test is to prove whether the independent and dependent variables are normally distributed. Based on the test with the Kolmogorov-Smirnov to residual regression, the significance value obtained is 0.200, which is higher than 0.050, as shown in Table 2. It can be concluded that the residual regression is normally distributed and qualifies the normality assumption.

Table 2
The Result of Normality Test with Kolmogorov-Smirnov

		Unstandardized residual
N		100
Normal Parameter[a,b]	Mean	0.0000000
	Std. Deviation	1.93517079
Most Extreme Differences	Absolute	0.043
	Positive	0.036
	Negative	-0.043
Test statistic		0.043
Asym. Sig. (2-tailed)		0.200[c,d]

a. Test distribution is normal
b. Calculated from data
c. Lilliefors Significance Correction
d. This is a lower bound of the true significance

The next test is the multicollinearity test, which is to examine the similarities between independent variables. The multicollinearity is observed from the value of VIF (Variance Inflation Factor) and the value of tolerance. A good regression model will not have multicollinearity if the VIP is < 10, and the tolerance > 0.100. The results of the test can be observed in Table 3. As all values of VIP < 10 and tolerance > 0.100, it can be concluded that this regression model does not have any multicollinearity.

The last classical assumption test is the heteroscedasticity test which is to examine the presence of heteroscedasticity, or variant differences from one observed residual to another, in the regression model. The absence of heteroscedasticity can be seen from the result of the scatterplot graph in Figure 1, which does not depict a certain pattern, and the data are scattered randomly. Therefore, this regression model does not contain any heteroscedasticity problems.

Table 3
The Result of Multicollinearity Test

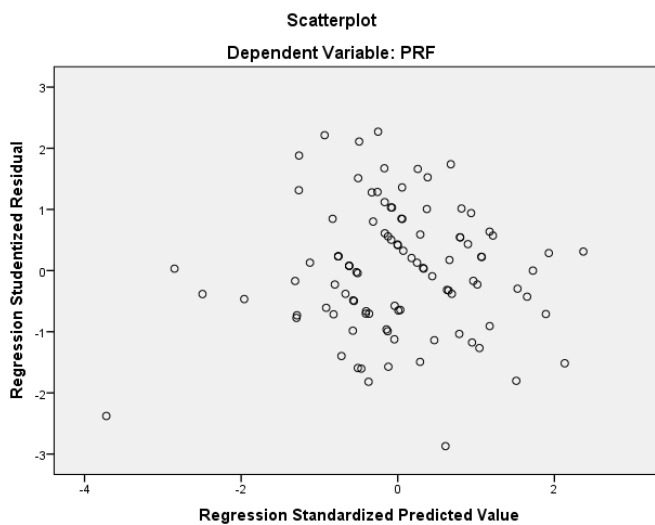| Model	Collinearity Statistics	
	Tolerance	VIP
(Constant)		
Risk taking propensity	0.584	1.713
Innovativeness	0.615	1.625
Need for achievement	0.631	1.584
Need for independence	0.654	1.528
Proactiveness	0.453	2.206
Empathy	0.650	1.537
Sense of social responsibility	0.608	1.644

Figure 1. Heteroscedasticity test or scatterplot graph

A good multi regression model must be Best Linear Unbiased Estimator (BLUE), which means the data normally distributed, no multicollinearity, and no heteroscedasticity. In this research, all data comply with the requirements, so the multi linear regression analysis can be conducted, and the results can be observed in Table 4.

Table 4
The Results of Multi Linear Regression Analysis

Model	Unstandardized coefficients		Significance
	B	Std. Error	
(Constant)	4.539	2.102	0.033
Risk taking propensity	-0.175	0.083	0.037
Innovativeness	0.258	0.109	0.021
Need for achievement	0.341	0.119	0.005
Need for independence	0.073	0.112	0.514
Proactiveness	0.278	0.116	0.018
Empathy	0.041	0.066	0.534
Sense of social responsibility	0.307	0.079	0.000

Based on Table 4. the multi linear regression model for this research is constructed as following:
$$Y = 4.539 - 0.175X_1 + 0.258X_2 + 0.341X_3 + 0.073X_4 + 0.278X_5 + 0.041X_6 + 0.307X_7 + \varepsilon$$

Table 4 shows the following results:
1. Risk taking propensity has negative ($B = -0.175$) but significant impact (sig. $0.037 < 0.050$) on profitability.
2. Innovativeness has positive ($B = 0.258$) and significant impact (sig. $0,021 < 0.050$) on profitability.

3. Need for achievement has positive ($B = 0.341$) and significant impact (sig.$0.005 < 0.050$) on profitability.
4. Need for independence has positive ($B = 0.073$) but insignificant impact (sig. $0.514 > 0.050$) on profitability.
5. Proactiveness has positive ($B = 0.278$) and significant impact ($0.018 < 0.050$) on profitability.
6. Empathy has positive ($B = 0.041$) but insignificant impact (sig. $0.534 > 0.050$) on profitability.
7. Sense of social responsibility has positive ($B = 0.037$) and significant impact (sig. 0.000) on profitability.

Furthermore, the result of F test (16.940) is higher than F table (2.110) with significant value of 0.000. So, the regression model has fulfilled the goodness fit of model. In addition, the correlation coefficient is 0.750 which closes to 1.00, so the correlation between independent variables and dependent variable is positive. Meanwhile, the coefficient of determination (Adjusted $R^2 = 0.530$) meaning that the impact of independent variables on dependent variable is 53 %. The rest 47% is influenced by other variables that are not included in this research.

DISCUSSION
The social entrepreneurial personality consists of two sides, which are the entrepreneurial traits and social or prosocial traits. The entrepreneurial traits are measured by several variables, such as the risk-taking propensity, innovativeness, need for achievement, need for independence, and proactiveness. The prosocial traits are measured by such variables as empathy and sense of social responsibility. For the Javanese society, the social and cultural bindings are strong as reflected in the life philosophy of *mangan ora mangan waton kumpul* (literal translation: eating or not, stay together) (Haryanto, 2012). As a result, the social binding of the Javanese entrepreneurs is strong as well. It is proven by the calculation of the means which reflects the personality tendency of the Javanese entrepreneurs higher in the prosocial personality (mean: 3.130) than the entrepreneurial personality (mean: 2.972).

From the results, it is known that the five independent variables have influenced the dependent variable as much as 53%, whereas the rest of 47% is influenced by other variables that are not included in this research. The results also show that risk taking propensity has a negative significant impact to profitability. The need for independence and the empathy have no significant impacts to profitability. According to Salleh and Ibrahim (2011), the tendency to take risk generally is defined as the tendency of an entrepreneur to assume a certain level of risk related to the business, especially in making decision. In this research, the risk-taking propensity has a significant impact to profitability in the negative way. It means that the higher the scale of the risk-taking propensity personality, the lower the ability of the Javanese entrepreneurs in obtaining profits. This finding contradicts with a research by Azlin, Rasli, Arshad, and Zain (2014) saying that the risk-taking propensity has a positive significant impact to profitability of 150 small medium enterprises.

According to Serrat (2017), innovativeness is the exploitation of new successful idea as a result of a creative process, involving new product generation, new services, new procedures, and new feasibly desired process. The impact of the innovativeness to profitability is in accordance to the research of Baker and Sinkula (2009) and Azlin *et al.* (2014). All research findings state that the innovativeness has a positive significant impact to profitability.

The need for achievement can be understood as one's effort to reach success (Volkmann *et al.*, 2012). In this research, the need for achievement brings a positive significant impact to profitability of Javanese entrepreneurs. This impact shows that the higher the personality scale for the need for achievement, the higher the ability to obtain profit as well. This finding is similar to the finding of a research by Azlin *et al.* (2014), which states the need for achievement influences profitability in 150 small medium enterprises.

According to Chow (2006), the proactiveness is a tendency to make an initiative to aggressively compete in order to outperform business competitors. The proactiveness of the Javanese entrepreneurs brings a positive significant impact to profitability, which means the higher the proactiveness personality, the better the ability to obtain profits. The finding of this research is similar to the finding of Azlin *et al.* (2014), which states the proactiveness as one of the most influential factors for profitability among 150 small medium enterprises.

According to Volkmann *et al.* (2012), the sense of social responsibility is the trait that causes the obligation feeling to help those in difficulties. In this research, the sense of social responsibility has a positive significant impact to profitability of the Javanese entrepreneurs. This impact shows that the higher the sense of social responsibility personality, the bigger the ability to make profit for the Javanese entrepreneurs. The result of this research is in accordance

with the research by Mahbuba & Farzana (2013) and Khan, Majid, Yasir, and Arshad (2013), which explain a positive significant influence between the social responsibility and profitability.

The need for independence is described as a personality aspect that pushes someone to act solely than to work in a team (Fuduric, 2008). In this research, the need for independence does not bring any significant impact to profitability of Javanese entrepreneurs. This research is supported by a research by Azlin *et al.* (2014) which reveals no significant impact from the need for independence to profitability of the 150 surveyed small and medium enterprises. The empathy is described as the ability to understand others' positions or point of views (Volkmann *et al.*, 2012). In this research, the empathy does not bring any significant impact to profitability of the Javanese entrepreneurs. This research contradicts with the research by Lywood, Stone, and Ekinci (2009) which proves the empathy having a significant impact to profitability of the 28 surveyed companies.

CONCLUSIONS

The life philosophy of the Javanese society seems contradicting with the nature of entrepreneurial personality which stresses the risk-taking propensity, innovativeness, need for achievement, and need for independence, proactiveness. For the society which puts plenty social norms on togetherness and communal prosperity, the social entrepreneurship can become a model for Javanese entrepreneurs to build their businesses by gaining profits, at the same time, to solve some social problems, such as unemployment and poverty.

The social entrepreneurial personality consists of the entrepreneurial personality and the prosocial personality. The Javanese entrepreneurs tend to be stronger in their prosocial personality than their entrepreneurial personality, as reflected from the calculation of each personality mean. Out of all hypotheses, there are two rejected hypotheses; they are the need for independence and the empathy, that have no significant impacts to profitability. The risk-taking propensity has a negative significant impact to profitability. Finally, the innovativeness, the need for achievement, the proactiveness, and the sense of social responsibility have positive significant impacts to profitability of the Javanese entrepreneurs. Overall, the Javanese social entrepreneurial personality brings significant impacts to generate profits for their business. The statistical test suggests that the ability of the independent variables to bring significant impact to the dependent variable is 53%, meanwhile there are 47% other variables not included in this research that may affect profitability of the Javanese entrepreneurs.

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THE SEGMENTATION OF VISITOR WORLD HERITAGE TOURIST ATTRACTION OF JATILUWIH BALI

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ABSTRACT

Jatiluwih is listed as World Cultural Heritage by UNESCO on June 29, 2012. To increase the contribution of Jatiluwih as tourism attraction to local people, the research is needed to descript visitor profile, visitor purpose, and visitor's expectation after visiting Jatiluwih Tourism Attraction. These findings can be considered for local communities to conduct small businesses such as the recreational services, culinary, agribusiness, and business-related tourism services. This research is quantitative descriptive method which sample is chosen based on purposive sampling technique, foreign and also domestic tourists who visit at time total 107 respondents. The results show more female visitors than men, age groups between 21 to 30 years old, students or college students and dominant are educated undergraduate degree. Tourists who visit Jatiluwih dominant are domestic, followed by number of Australia, UK, and other countries. Tourists are motivated by the natural beauty of Jatiluwih, they are dominant repeaters, gather information from various sources of information, most of them spend time between one to two hours, they buy entry ticket directly at the counter, the amount of money spent between 50 thousand to 100 thousand rupiah, and the spending power of tourists between 500 thousand to one million rupiah per day.

Keywords: World cultural heritage, visitor, purpose, expectation.

INTRODUCTION

Tourism attraction of Jatiluwih is located in Penebel County, Tabanan Regency, Bali Indonesia. It's wellknown of *Subak* (irrigation system) which is not only to water the rice paddy, but the *Subak* is crowned as World Heritage where it's considered as tourist attraction from the view, likes terracing farm (Budiarto, 2015). Jatiluwih village is a perfect place for tourist who would like to refresh or escape themselves from their routines because of lush farming that neatly leveled and gives panoramic view. Jatiluwih located on the valley of Batukaru Mountain, which attract foreign and domestic tourist (Susanto, 2011). Based on it topographic, the Attraction of Jatiluwih is located on 700 meter above sea level with nice breeze on lush farm area, neatly, leveled, and next to the mountain.

The expectation of Jatiluwih chosen as World Cultural Heritage by UNESCO will increase its contribution to the community. To increase its contribution to local community, therefore: research of visitor profile, the purpose of visit, and expectation of visitors offer visiting Jatiluwih Tourist Attraction (JTA) are needed. The findings can be used for local community to open a small business, such as: recreational service, culinary, agribusiness, and others related to tourism (Utama, 2014 & 2015; Report, 2015, 2016, 2017, 2018a, 2018b, 2018c, 2018d, 2018e).

Based on the introduction, the main problem of this paper is who and how is Jatiluwih Tourism Attraction (JTA) with sub problems as follows: (1) The profile of respondent maybe based on demography, geography, and psychograph variables. (2) Is there correlation between variable of demography with tourist's visit motivation? (3) Is there correlation between variable of geography with tourist's motivation? (4) Is there correlation between variable of psychograph with tourist's motivation?

LITERATURE REVIEW AND HYPOTHESIS

Market has been divided into segment, is called market segment. Market segment is a group of consumers that has the need of the same product and service (Keller, 2009). Also, market segment is big group that is identified in a market, where the identification process is generally done based on variable of geographic, demographic, psychographic, and consumer behavior. Market segment is also a part of market in general. For each company, market in general is a person and or an organization that need their product and has the ability to purchase them. Market segment consist of potential customers that fit into the same criteria. Those criteria could be demographic, psychographic, and consumer behavior factor (Carlson, 2008).

Market segment is process where market divided into customers with same need and characteristics to respond on supply of product or service on specific strategic marketing program in the same way however, (Keller, 2009) gives boundaries on market segment as: "Market segmentation is sub diving if the market into distinct subsets of costu-

mer, where any subject may conceivably be selected as a target market to be reaches in a distinct marketing mix". He says, market segmentation is dividing market into group strictly and each of group is selected and stated as market target by using marketing mix strategy. Market segment that is normally used by marketer is geographic segmentation: segmenting based on geography through dividing market based on place or area of a city, or country, where needs and wants variety based on their residential, therefore, a company will add local variety on their decision who operates a business within its geographical area.

Demographic segmentation: segmenting based on demographic variable which is the most basic on how to distinguish customer, it being said due to the needs, preference and customer usage rank often is correlated with demographic variable. Psychographic segmentation: segmenting based on dividing customers based on group profile, psychographic differentiate on each of them. Social group mainly divided into income based (high income and low income), but lifestyle often used as their reason for choosing accommodation facilities that is fit unto their class or positions in charge. The lifestyle segment gives the opportunity to marketer to plan their target accurately and plan the expected facilities. This segment is divided into two types based on lifestyle and personality: Behavior segmentation is the segment that divide groups based on their knowledge, attitude on consume or respond to specific product (Utama, 2017).

Geographic variable is tourist identifications visit to JTA based on geographic factors such as area variable of a country, shows the origin country of visitor. Demographic variable is based on demographic factors such as age, gender, number of family member and their marital status. Psychographic variable is based on psychographic variable such as motivation that motivates guests of doing transaction in a hotel. Customer behavior variable is identification of tourist to visit JTA based on their behavior to response on product offer by tourist destination, such as benefits variable they look for, describing reasons of customers chose the destination with its alternative, like location, facility, price, service or hospitality (Utama, 2017)

The above concept and theories are confirmed within this research to determine the market segment of JTA visitors that is expected to give clear picture of potential small businesses created by local community to increase the contribution of JTA to the local community economy development in Jatiluwih Village, Penebel County, Tabanan Regency, Bali Province. Based on the literature review and problem statements, the hipothesis can be formulated as follows:
(1) There is correlation between variable of demography with tourist's visit motivation to visit JTA.
(2) There is correlation between variable of geography with tourist's motivation to visit JTA.
(3) There is correlation between variable of psychograph with tourist's motivation to visit JTA.

RESEARCH METHOD
Research instrument in this study use questionnaire method. The given questionnaires questions asked by researchers to get answers related to visitor profile of JTA. This research is quantitative descriptive research. The sample chosen based on purposive sampling technique specified carefully by researcher based on certain criteria. Criteria of respondents were determined by the purposive technique, foreign and domestic tourists who are in the area of Jatiluwih. The number of samples determined at least as many as 100 respondents. To answer the issues raised, the following analysis techniques are used e.g. the technique of frequency distribution analysis is used to determine the number and percentage of demography, geography, psychography and consumer behavior of the tourists who stay and use the hotel services, so that the result of each variable through the tables made based on the result of SPSS program (Parametric Statistic). After knowing the results of the frequency distribution, then it performs the technique of tabulation analysis (Utama & Mahadewi, 2012a)

Cross tabulation technique: If the above frequency distribution only breaks through each variable separately then the cross tabulation will discuss two or more variables that have a descriptive relationship and then explained in detail so will obtain clearer picture of tourists characteristics who stay based on demography, geography, and psychography variables in relation with consumer behavior variables, which is the expected benefits (Utama, 2017). Chi-square analysis technique: Chi-square analysis is used to know the significance or presence of relation between demography, geography and psychograph variable, with consumer behavior variable that is expected by the tourists who stay with descriptive analysis of chi-square statistic with confidence level 95 %, 5% error rate and degrees of freedom (*df*) from 1 to 30 (Utama & Mahadewi, 2012b).

FINDINGS

The research on market segmentation of JTA was conducted at the beginning of September until the end of October 2017. The data was collected by field survey involving 10 field staff. Respondent's characteristic is seen from demography which consists of age, gender, marital status, occupation, income, family and education of respondent who visited JTA. The results of the analysis that has been done with the help of computer program produce the overall picture of the tourists based on the demography will be described as follows:

Profile of Respondents Based on Demography, Geography, and Psychograph

Profile of respondents (Table 1) is seen from gender, more women than men in comparison (69.2%: 30.8%). This proportion can illustrate that the type of business that can be provided at JTA is more related to the preference of female visitors compared of male visitors.

Table 1
Respondent Profile

Variable	Indicator	Frequency	Percent
Gender	Man	33	30.8
	Woman	74	69.2
Aging group	15–20 year	27	25.2
	21–30 year	57	53.3
	31–40 year	10	9.3
	41–50 year	12	11.2
	Older than 50 year	1	0.9
Occupation	Entrepreneur	7	6.5
	Other	5	4.7
	Staff	22	20.6
	Student	73	68.2
Education level	Graduate	58	54.2
	High school	49	45.8
Country	Indonesia	29	27.1
	Australia	14	13.1
	UK	13	12.1
	Netherlands	8	7.5
	Germany	7	6.5
	USA	6	5.6
	South Korea	6	5.6
	Portugal	5	4.7
	Philippines	3	2.8
	Brazil	3	2.8
	Switzerland	2	1.9
	Singapore	2	1.9
	Japan	2	1.9
	Timor Leste	1	0.9
	Norway	1	0.9
	Malaysia	1	0.9
	Italy	1	0.9
	France	1	0.9
	China	1	0.9
	Belgium	1	0.9
Purpose visit	Interested in the product	5	4.7
	Its nature of beauty	78	72.9
	To know the production process	24	22.4
Have Visited Before	No	14	13.1
	Yes	93	86.9

Variable	Indicator	Frequency	Percent
Information Resources	Brochure/Advertisement	2	1.9
	Guidebook	42	39.3
	Information from others	56	52.3
	Social media	7	6.5
Transportation Type	Personal vehicles (bike/car)	10	9.3
	Personal vehicles (bike)	45	42.1
	Personal vehicles (car)	3	2.8
	Rented car (with driver)	49	45.8
Duration of Visit	1–2 hours	98	91.6
	30 minutes	8	7.5
	More than 2 hours	1	0.9
Tickets	Bought in the locket	64	59.8
	Through Internet	2	1.9
	Tour package	41	38.3
Spent Money	Below than IDR. 50,000	8	7.5
	More than IDR. 200,000	4	3.7
	IDR. 100,000 – 200,000	46	43
	IDR. 50,000 – 100,000	49	45.8
Expenses	Below than IDR. 500,000/day/Pax	39	36.4
	IDR. 1,000,000 – 2 000,000 /day	23	21.5
	IDR. 2,000,000 – 3,000,000 /day	2	1.9
	IDR. 500,000 – IDR. 1 000,000/day	43	40.2
Total Respondents		107	100

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

Profile of respondents from the age group of visitors visit JTA dominant age group from 21 years up to 30 years is 53.3%. The second group of 15 to 20 years is 25.2%. The third age group 41 to 50-year age group is 12%. The fourth age group 31 to 40-year age group, and the lowest group is the age group over 50 years. This proportion can illustrate that the type of business can be provided at JTA is more related to visitor preference in the age group (21–30 years), and age group (15–20 years).

Profile of respondent from occupation shows that visitors who visit JTA is dominant student or equal to 68.2%. Visitors who work as employees in various fields, ranks second which is 20.6%. While visitors who work as entrepreneurs are only 6.5% and other occupation s is 4.7%. This profile illustrates that business opportunity or potential business that can be opened is a type of business more related to student's preferences. In addition to the segment of students, the employee segment is also quite important to be utilized as the target market of potential business products.

Profile of respondents from respondent's level of education who visit JTA dominant is educated (including active students) bachelor degree, 54.2%. While the high school level is 45.8%. This profile indicates that the visitor segment of the student is higher than the high school visitor segment; this may indicate that a high-educated visitor is a potential target market for products may be produced by local entrepreneurs in JTA.

Characteristics of respondents based on geography shows that domestic tourists are 27.1% at most, then Australia is 13.1%, England is 12.1%. This profile indicates that the domestic visitor segment is higher than the foreign visitor segment, this also indicate that domestic visitor is a potential target market for the products produced by local entrepreneurs in JTA. The results of observations researchers noted that agribusiness products in the form of brown rice, fruits, and vegetables are in accordance with the target of domestic market.

Several shops or stalls that already exist or may be opened soon by local residents can customize the product so that in accordance with the target market of foreign visitors, especially related to culinary for foreign tourists such as the tastes of Australian, British, and Dutch tourists.

Characteristics of respondents based on psychograph from the purpose of visit to JTA can be explained that tourist visit is dominant because of the natural beauty answered by 72.9%, then to know the production process of agribusiness products by 22.4%, and the intended to buy agribusiness products are only 4.7%. If viewed from this profile, it looks a little contrary to the purpose of this study, which aims to see business opportunities that can be done by the local community, whereas the arrival of tourists mostly just to see the beauty of the JTA scenery.

When respondents were asked about their visits, whether they have been to JTA before, most respondents said they have visited by 86.9%, and only 13.1% on their first-time visit. This profile can illustrate that JTA has tremendous appeal so it can affect the visitors to come back. When compared with the purpose of respondents coming to JTA is dominantly influenced by its natural beauty, therefore the natural beauty JTA must be maintained. Local business enterprises should not interfere with the JTA as it does not make tourism accommodation or tourism supporters on a large scale that can potentially destroy the beauty of Jatiluwih Scenic and Tour.

Characteristics of respondents based on consumer behavior from the source of information about JTA can be explained that, the dominant tourists get information from various sources of information, answered by 52.3%, and second from the travel guide book by 39.3%, from travel package brochure only 1.9%, and from social media are still low at only 6.5%. This profile illustrates that the market segmentation of JTA is more dominantly known through WoM (Word of Mouth) and from tourist guide books.

Profile of respondents from the type of transportation used by respondents to visit JTA is dominant by a rental car with a driver by 45.8%, then using a motorcycle by 42.1%. The rest are respondents who use motorcycles and rental cars driven by respondents themselves. This segment can illustrate that the parties who need to be cooperated with the Jatiluwih Tour Organizator is the car rental businesses, as they are the biggest market segment for JTA.

Profile of respondents from the duration tourists spent in JTA mostly one to two hours by 91.6%. Those who spent more than two hours were only 0.9%, and the rest just a stopover no more than 30 minutes by 7.5%. Profile of respondents from the way they purchased entrance ticket to JTA mostly through the entrance locket directly, answered by 59.8%. Those who purchase tickets were included in their Bali tour package is 38.3%. This condition can illustrate that JTA promises through the distribution channel of travel agency is still quite important because 38.3% of respondents visit JTA already included in tour package sold by the travel agents.

Profile of respondents from the amount of money spent during visit JTA is dominant between 50 thousand to 100 thousand Rupiah by 45.8%. Second is they shop between 100 thousand to 200 thousand Rupiah by 43%. This profile shows that local entrepreneurs can package their products for between 50 thousand and 20 thousand Rupiah only.

Profile of respondents from the amount of money spent each day, the dominant respondents shop between 500 thousand to one million Rupiah by 40.2%, and the second less than 500 thousand Rupiah by 36.4%, the third between one million up to 2 million of 21.5%, and shopping between two million to 3 million Rupiah only amounted to 1.9%. This profile indicates that the visitor market segment of JTA has purchasing power between one and two million rupiah.

DISCUSSION
This section is a discussion of the results of statistical analysis related to the literature review, problem statement, and hypothesis that have been tested using Pearson Chi-Square analysis.

The Correlation between Demographic Variables with the Motivation of Visits to JTA.
The Age Group and the Purpose of Visit to JTA: The age of tourists describes the level of maturity of a person who also affects the loyalty of a person to a product (Utama, 2017). Based on respondents' age to the benefits that they are looking for, answered by 107 respondents which shown in Table 2. The correlation between demographic variables with consumer behavior variables associated with the purpose of a visit to JTA. Table 2 shows that most of the intention of visit to JTA because of its natural beauty of 57 people, followed by respondents who want to know the production process of agribusiness products by 27 people, then want to purchase agribusiness products by total of five people. When grouped their choice based on the age of 107 respondents, aged 15 to 20 years tend to choose natural beauty factor as their main consideration of visit, whereas respondents with age group between 21 to 30 years also tend to choose natural beauty factor.

Table 2
The Correlation between Age Group and the Purpose of Visit to JTA

		Purpose of Visit			Total
		Interested in the Product	Its Nature of Beauty	To Know the Production Process	
Age	15–20 year	2	20	5	27
	21–30 year	0	43	14	57
	31–40 year	0	9	1	10
	41–50 year	2	6	4	12
	Older than 50 year	1	0	0	1
Total Respondents		5	78	24	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .000					

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

Based on chi-square tests (Pearson Chi-Square) shows the correlation between the variables of the tourist age group toward the purpose of visit to JTA has significant affect, as evidenced by the chi-square test is at a significant level of 0.000 <0.05 which means that the purpose of visit JTA is influenced by their age group.

Tourist Occupation and motivation of visits to JTA: Their occupation reflects their socioeconomic status and their family, performing the type of work a person can be described how their social status in society, which also influence the selection type of products and services (Utama, 2017). The results showed that visitors who are students, either high school students or bachelor, also employees who visit JTA is motivated by its natural beauty factor.

Table 3
The Correlation between Tourist Occupation and Purpose of Visit to JTA

		Purpose of Visit			Total
		Interested in the Product	Its Nature of Beauty	To Know the Production Process	
Occupation	Entrepreneur	2	2	3	7
	Other	0	4	1	5
	Staff	2	16	4	22
	Student	1	56	16	73
Total Respondents		5	78	24	107
Chi-Square Tests (Pearson Chi-Square). Asymp. Sig. (2-sided)= .020					

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The relationship between the variables of tourists' occupation to the purpose of visit JTA Chi-Square Tests (Pearson Chi-Square) has a significant affect, as evidenced by the chi-square test is at a significant level of 0.020 <0.05 which means that the motivation to visit JTA is influenced by their type of occupation.

Tourist Education and Purpose of Visit to JTA: Respondents' education reveals the level of education being taken can illustrate how the level of education plays role in determining the choice of products and services desired (Utama, 2017). The results of the study showed that the students who graduated from bachelor degree education are more dominant visit JTA motivated by the factor of its natural beauty compared to those with high school education (Table 4).

The correlation between the variable of education level on the motivation to visit JTA Chi-Square Tests (Pearson Chi-Square) has significant effect, proved by the chi-square test is at the level of 0.004 <0.05 meaning that the motivation to visit JTA is influenced by their education level.

Visit Experience and Purpose of Visit to JTA: The results of research related to the visiting experience shows that visitors who ever visit the site is more dominant because motivated by natural beauty factor when compared with their first-time visit (Table 5).

Table 4
The Correlation between Tourist Education and Purpose of Visit to JTA

		Purpose of Visit			Total
		Interested in the Product	Its Nature of Beauty	To Know the Production Process	
Education	Graduate	4	48	6	58
	High school	1	30	18	49
Total Respondents		5	78	24	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .004					

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

Table 5
The Correlation between Visit Experience and Purpose of Visit to JTA

		Purpose of Visit			Total
		Interested in the Product	Its Nature of Beauty	To Know the Production Process	
Been Visit	No	0	14	0	14
	Yes	5	64	24	93
Total Respondents		5	78	24	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .050					

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The correlation between the experience of visiting variable to the motivation to visit JTA Chi-Square Test (Pearson Chi-Square) has no significant affect, as evidenced by the chi-square test is at a significant level of 0.05 = 0.05 which means that the motivation to visit JTA is not influenced by their experience visit to JTA.

Visit Experience and the Amount of Money Spent at JTA: The results of research related to the money spent during Jatiluwih show that visitors who either has visit or have not visit yet dominant spend their money between 50 thousand to 200 thousand rupiah in JTA (Table 6).

Table 6
The Correlation between Visit Experience and the Amount of Money Spent at JTA

		Money Spent				Total
		Below than IDR. 50,000	More than IDR. 200,000	IDR. 100,000 - 200,000	IDR. 50,000 - 100,000	
Been Visit	No	0	0	0	14	14
	Yes	8	4	46	35	93
Total Respondents		8	4	46	49	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .000						

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The correlation between experiential variables visiting JTA Chi-Square Tests (Pearson Chi-Square) has an effect on the amount of money spent during visit at JTA, as evidenced by the chi-square test at a significant level of 0.000 <0.05 which means that the amount of money spent in JTA is affected by their experience of visiting JTA.

The Correlation between Geographic Variables and Motivational Variables Visits JTA
The results of research related to the tourist's origin country indicate that they have different motivations to visit JTA (Table 7). Respondents from Indonesia and the UK are dominantly influenced by the natural beauty factor of JTA.

The correlation between the variables of tourist's country origin Chi-Square Tests (Pearson Chi-Square), influences their motivation to visit Jatiluwih Tourism Attraction, as evidenced by the chi-square test is at a significant level of 0.000 <0.05 which means that, the motivation to visit Jatiluwih Attraction is influenced by the origin country of tourists.

Table 7
The Correlation between Nationalities and Purpose of Visit to JTA

		Purpose of Visit			Total
		Interested in the Product	Its Nature of Beauty	To Know the Production Process	
Country	Australia	0	6	8	14
	Belgium	0	0	1	1
	Brazil	0	3	0	3
	China	0	1	0	1
	France	0	1	0	1
	Germany	0	6	1	7
	Indonesia	1	22	6	29
	Italy	0	1	0	1
	Japan	0	1	1	2
	Malaysia	0	1	0	1
	Netherlands	0	7	1	8
	Norway	0	1	0	1
	Philippines	0	3	0	3
	Portugal	0	5	0	5
	Singapore	0	2	0	2
	South Korea	0	4	2	6
	Switzerland	0	1	1	2
	Timor Leste	0	0	1	1
	UK	0	12	1	13
	USA	4	1	1	6
Total Respondents		5	78	24	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .000					

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The Correlation between Variable of Psychograph and Consumer Behavior

Each tourist is having different motivation of traveling; some want to spend their holiday, meeting, business, or other reasons (Utama, 2017). Correlation between Age and the Amount of Money Spent at JTA: The correlation between age group to the amount of money spent at JTA (Table 8) shows that respondent's age group 21 to 30 years spend more at JTA compared to the other groups.

Table 8
Correlation between Age and the Amount of Money Spent at JTA

		Money Spent				Total
		Below than IDR. 50,000	More than IDR. 200,000	IDR. 100,000 - 200,000	IDR. 50,000 - 100,000	
Age	15–20 year	1	1	9	16	27
	21–30 year	5	2	22	28	57
	31–40 year	1	1	6	2	10
	41–50 year	1	0	8	3	12
	> 50 year	0	0	1	0	1
Total Respondents		8	4	46	49	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .577						

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The correlation between variable of age group Chi-Square Tests (Pearson Chi-Square) does not affect to the amount of money spent during their visit to JTA, it proved through *chi-square test* has significant level 0.577>0.05, means the amount of spent during visit to Jatiluwih does not affected by the age differences.

Correlation between tourist's origin countries to the amount of money spent at JTA: The correlation between the tourist's origin countries to the total amount of money spent at JTA (Table 9) shows that Indonesian respondents spend more money at JTA compared to other tourist's origin country.

Table 9
The Correlation between Tourist's Origin Country to the Amount of Money Spent at JTA

		Money spent				Total
		< IDR. 50,000	> IDR. 200,000	IDR. 100,000 - 200,000	IDR. 50,000 - 100,000	
Country	Australia	2	1	1	10	14
	Belgium	0	0	1	0	1
	Brazil	0	0	1	2	3
	China	0	0	0	1	1
	France	0	0	1	0	1
	Germany	1	0	3	3	7
	Indonesia	1	1	12	15	29
	Italy	0	0	0	1	1
	Japan	0	0	2	0	2
	Malaysia	0	0	1	0	1
	Netherlands	1	1	5	1	8
	Norway	0	0	1	0	1
	Philippines	1	0	1	1	3
	Portugal	0	0	3	2	5
	Singapore	0	0	2	0	2
	South Korea	1	0	1	4	6
	Switzerland	0	0	2	0	2
	Timor Leste	0	1	0	0	1
	UK	1	0	4	8	13
	USA	0	0	5	1	6
Total Respondents		8	4	46	49	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .156						

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

The correlation between variable of Tourist's Origin Country Chi-Square Tests (Pearson Chi-Square) does not affect the amount of money spent during their visit to JTA, it proved by *chi-square test* significant level on 0.156>0.05, means that the amount of money spent during their visit to JTA does not affected by tourist's origin country.

The correlation between occupation and the amount of money spent at JTA: The correlation between types of occupation to the amount of money spent at JTA (Table 10) shows that students and workers spend more their money at Jatiluwih tourist destination compared to other occupation.

The correlation between variable of occupation Chi-Square Test (Pearson Chi-Square) does not affect the amount of money spent during their visit to JTA, it's proved by *chi-square test* significant level on 0.214>0.05, means that the amount of money spent during their visit to JTA does not effected by their occupation.

The correlation between education levels to the amount spent at JTA: The correlation between education levels to the amount of money spent at JTA (Table 11) shows that respondents on bachelor level spend more compared to those high school graduates.

The correlation between variable of education level Chi-Square Tests (Pearson Chi-Square) does affect the amount of money spent during visit to JTA, it's proved by *chi-square test* significant level on 0.018<0.05. Means that the amount of money spent at JTA is affected by their education level.

Table 10
The Correlation between Occupation and the Amount of Money Spent at JTA

		Money Spent				Total
		Below than IDR. 50,000	More than IDR. 200,000	IDR. 100,000 – 200,000	IDR. 50,000 – 100,000	
Occupation	Entrepreneur	0	0	4	3	7
	Other	1	0	1	3	5
	Staff	0	2	14	6	22
	Student	7	2	27	37	73
Total Respondents		8	4	46	49	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .214						

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

Table 11
The Correlation between Education Levels to The Amount Spent at JTA.

		Money Spent				Total
		< IDR. 50,000	> IDR. 200,000	IDR. 100,000 – 200,000	IDR. 50,000 – 100,000	
Education	Graduate	2	4	30	22	58
	High school	6	0	16	27	49
Total Respondents		8	4	46	49	107
Chi-Square Tests (Pearson Chi-Square), Asymp. Sig. (2-sided)= .018						

Source: Primary Data Analyzed (Utama & Suyasa, 2017)

CONCLUSION

Respondent profile based on variable for demography, geography, and psychograph:

Survey based on demography variable shows that the number of female visitor are more compared to male, dominantly by age group from 21 to 30 years old and most of them are students, and respondents educational level visit to JTA are dominantly bachelor graduates. Based on geography variable shows that tourists visit to JTA dominantly by domestics, followed by Australia, British, and other countries. From the variable of psychograph shows that tourist visit JTA mostly is repeater guest, received information from many sources.

Survey on psychograph variable, shows that dominant tourist visit because of the scenic view offered by Jatiluwih and mostly are repeater guests, received information from many sources. From their visit duration mostly between one to two hours, mostly they purchase their tickets at the entrance locket, and the total amount of money spent between fifty thousand to one hundred thousand Rupiah, also the total amount of money spent during their visit is dominantly between five hundred to one million Rupiah per day.

The correlation between demography variable with motivation of visit to JTA:

The correlation between the age group to the motivation of visiting JJTA has significant effect; it means that visit motivation is affected by the group age. The correlation between variable of occupation to the visit motivation to visit JTA has significant effect, it means visit motivation is affected by their occupation. The correlation between visitor education levels to the visit motivation has significant effect; means motivation to visit is affected by the level of education. Correlation between variable of visiting experience to visit motivation to JTA does not have significant effect, means motivation to visit JTA is not affected by their visit experiences.

Correlation between variable of vehicles selection used for transportation to visit Jatiluwih does not have significant effect due to visit experiences, means that vehicles selection does not affected by their visit experiences. Correlation between variable of tourist's experience visit does not affect to the length of visit, means that the length of stay does not affected by visit experiences. Correlation between variable of visit experiences to JTA is affecting the amount of money spent during visit, means that the amount of money spent is affected by tourist experiences.

The correlation between the variable of geography and motivation of visit to JTA: The correlation between variable of tourist's origin country affect their motivation of visit to JTA, means that motivation of visit is affected by the

origin country of tourist. The correlation between the variable of psychograph and consumer behavior at JTA: The amount of money spent during visit to Jatiluwih is not affected by gender, the age differences, tourist's origin country, and their occupation. The amount of money spent during visit is only affected by their education level.

Suggestions and Recommendations

Through the respondents' profile based on variable of demography, geography, and psychograph, the suggestions as follow: Demography focus by Promote JTA based on demography variable may be directed to the segment of group age between 21 to 30 years old, students, and Bachelor educational level. Based on variable geography, may be focused on domestic tourist, and followed by Australian, British, and other nationalities.

Management focus by management and preservation JTA observed from psychograph variable may be directed to preserve the natural beauty, give services to repeater guests, provide as many as information resources, provide quick service menu between one to two hours of services, provide service at the ticket locket entrance gate, and produce packaged product with price range from fifty thousand Rupiah to one hundred thousand Rupiah.

Potential target focus by target market of JTA may be directed to the real affect segment, such as: age group, occupation, education level, tourist's experience. Geography focus maybe better and effective promotional effort is catching the attention of domestic tourists, and for foreign tourist may be targeted more on Australian and British. Psychograph focus by packaged product best distinguished based on gender product, especially focus more on female preferences. The age range between 21 years to 30 years old, domestic preference product especially for student's market, and prioritize for tourist on bachelor education level.

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CONSUMER BEHAVIOR ON MADE-IN-INDONESIA SMARTPHONE BRAND

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ABSTRACT

The purpose of this study is to explain consumer behavior on made in Indonesia smartphone brand which focus on the relationship between country of origin image and brand loyalty through brand awareness, perceived quality as the intervening variables. The object of the study is made-in-Indonesia smartphone brand users in Surabaya, with 230 respondents participated as the samples. This study uses quantitative method with judgment sampling as sampling method. The analysis techniques used are descriptive analysis and structural equation modeling (SEM) using SmartPLS. The outcome of this study proves that country-of-origin image really has impacts on made-in-Indonesia smartphone brand loyalty directly and indirectly through the mediating effect of perceived quality, while brand awareness doesn't have any influence to brand loyalty since many users do not aware of the origin of the smartphones they use. In conclusion, to increase made-in-Indonesia smartphone brand loyalty, producers should apply international standard in the production process, educate the market to enhance consumer's knowledge about the country-of-origin of made-in-Indonesia smartphone brand, and do rebranding to create consumer's perception about the reliability of made-in-Indonesia smartphone brand.

Keywords: Country-of-origin image, brand loyalty, brand awareness, perceived quality, smartphone, Indonesia.

INTRODUCTION

Today, local companies face their toughest competition ever driven by globalization, network information technology, and the other trends that present significant challenge but also opportunities for local them. They must defend their position against global company, while can no longer rely only on the governments' supports (Czinkota & Ronkainen, 2013). In order to win the competition, marketing strategies, such as creating and maintaining brand loyalty, must be developed. Having loyal customers are much more profitable to the firm than mere repeat purchasers and occasional buyers (Hawkins & Mothersbaugh, 2013).

Mobile phone industry is one of the fast-growing industries in Indonesia. Nowadays, mobile phones have evolved into smartphones equipped with many features and applications such as internet, GPS, etc. In 2011, around 11.7 million people in Indonesia used a smartphone. This number reached 55.4 million in 2015 and predicted in 2019, there are 92 million smartphone users in Indonesia (Statista, 2016).

Data from International Data Corporation (2016), show that in 2015, South Korea-based Samsung is market leader in Indonesia's smartphone market controlling 24.8% share, followed by Taiwan-based Asus (15.9% share). While Indonesia local smartphone vendor in top-five position is only Advan with 9.6% share. Survey result from Top Brand Awards (2015) also show that the top-three smartphone brand in Indonesia are Samsung (29.7% TBI), Blackberry (24.7% TBI), and Nokia (16.7% TBI), all are global brand. While TBI for Indonesia local smartphone vendor is only 3,0% for Cross, 2.9% for Advan, and 2.5% for Mito. It can be seen that majority of Indonesian people prefer global brand than local brand. As Pappu, Quester, and Cooksey (2006) argued that consumer may prefer a brand based on its country-of-origin. The country-of-origin of a product has a considerable influence on the quality perception of a product (Czinkota & Ronkainen, 2013).

Since country-of-origin could be one of the influencing factors in determining consumers' preference, the purpose of this study is to explore the effects of brand's country-of-origin image on brand loyalty, either directly or indirectly, through the mediating effect of brand awareness and perceived quality on made-in-Indonesia smartphone brand.

LITERATURE REVIEW AND HYPOTHESIS
Country-of-Origin Image

Purchase decision can be influenced by the country-of-origin of the products or services. Country-of-origin images are the mental associations and beliefs triggered by a country. These images can be an attribute in decision making or influence other attributes in the process (Kotler & Keller, 2012). Country-of-origin has been partitioned into cues such as "country-of-manufacture", "country-of-design", "country-of-brand", and "country-of-assembly" (Pappu *et al.*, 2006).

Martin and Eroglu (1993) defined country-of-origin images as the total of all descriptive, inferential, and informational beliefs one has about a particular country. This image can develop as a result of a direct experience with the country, such as travelling to the country. Also, it can be influenced by outside source of information, such as advertising or word-of-mouth communications. Last, it could be affected by inferences based on past experience, such as opinions gained from using products originating in that particular country.

In this study, researchers define country-of-origin image as smartphone users' impression about made -in-Indonesia smartphone brand. Based on Lin and Chen (2006) refer to Nagashima (1970), four dimensions are used to measure country-of-origin image, which are advanced technology, prestige, workmanship, and economy. Advanced technology, which associated with technology applied on production process, was measured by technology developing level. Prestige, which associated with prestige in using a product, was measured by self-confident level for owning this product. Workmanship, which associated with workmanship of a product, was measured by product quality and product reliability. Economy, which associated with national economy of product's country-of-origin, was measured by economics development level, political and democratic level, industrialization level, and living standard.

Brand Awareness
Brand awareness is defined by American Marketing Association (n.d) as the percentage of potential customers or consumers who recognize a given brand. While Rangkuti (2002) define brand awareness as the ability of potential customers to recognize or recall a given brand as part of a product category. Brand awareness is often taken for granted, but it can be a key strategic asset (Aaker, 2001). According to Rangkuti (2002), brand awareness has four levels. The first level is unaware of brand, the lowest level of brand awareness where costumer is unaware of the brand. The second level is brand recognition, the minimum level of brand awareness which is very important for customer when choosing a brand. The third level is brand recall, the level where customer can recall a brand of particular product category without any help to bring out the brand. The highest level is top of mind, the level where a brand is the first to come in customer's mind among the other brands when asked about a product category.

In this study, researchers define brand awareness as smartphone users' ability to recognize or recall made-in-Indonesia smartphone brand. Based on Yoo, Donthu, and Lee (2000) and Pinar, Trapp, Girard, and Boyt (2014), brand awareness is measured using three items, i.e. consumer aware of the brand, consumer can recall the logo of the brand, and the brand is the first to come in mind among other competing brands when consumer think about products in a category.

Brand Loyalty
Rangkuti (2002) defines brand loyalty as proportion of consumers' loyalty towards a brand. A customer orientation will lead to a concern for existing customers and programs to generate brand loyalty. An existing base of loyal customers provides enormous sustainable competitive advantages i.e. reduces the marketing cost of doing business since existing customers usually are relatively easy to hold, the loyalty of existing customers represents a substantial entry barrier to competitors, and satisfied customer base provides an image of a brand as an accepted, successful, and enduring product (Aaker, 2001).

In this study, researchers define brand loyalty as smartphone users' loyalty towards made-in-Indonesia smartphone brand. According to Hawkins & Mothersbaugh (2013), there are four items to measure consumers' brand loyalty. First, commitment level towards a brand. Brand-loyal consumers don't buy the brand neither out of habit or because it is readily available at shop, or because it has the lowest price, or another superficial reasons. Second, emotional attachment level towards a brand. Brand-loyal consumers like the brand in a manner somewhat similar to friendship. They trust and like the brand. Third, brand switching level to other competing brand. Brand-loyal consumers are unlikely to consider additional information when making a purchase. They are resisten to competitors' marketing effort. Even when loyal consumers buy a different brand to take advantage of a promotional deal, they generally return to their original brand for their next purchase. They are more receptive to line extensions and other new products offered by the same firm. They are also more likely to forgive an occasional product or service failure. Fourth, brand-loyal consumers are likely to do positive word-of-mouth communications that can increase the probability of the recipient's both becoming a customer and sharing the positive comments with other people.

Perceived Quality
Kotler and Keller (2012) define quality as totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Then, perceived quality is defined by Rangkuti (2002) as customers'

perception of the overall product or service's quality or advantage related to their expectation. Perceived quality is dynamic and can change, thereby affecting the success of a strategy (Aaker, 2001).

In this study, researchers define perceived quality as smartphone users' perception of the overall quality or advantage of made-in-Indonesia smartphone brand. Based on Baldauf, Cravens, Diamantopoulos, & Zeugner-Roth (2009), perceived quality is measured using four items i.e. performance, features, reliability, and durability. Performance is levels at which the primary characteristics of the product operate (low, medium, high, or very high). Features are secondary elements of a product that complement the primary characteristics. Reliability is consistency of performance over time and from purchase to purchase. Durability is expected economic life of the product.

The Relationship Between Variables
All the relationships between variables of this study are shown in Figure 1 and will be explained in depth in the following sections.
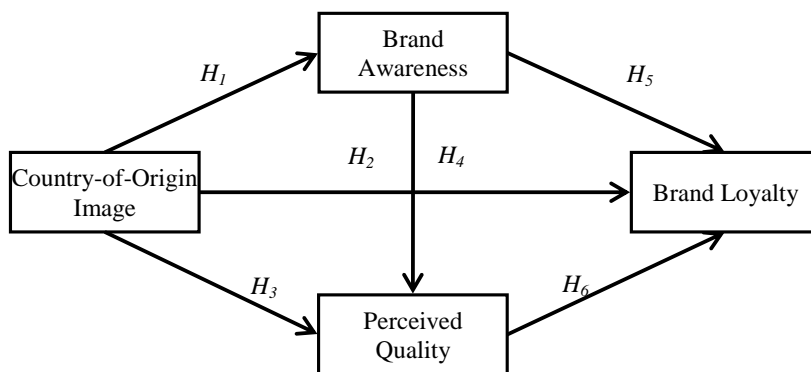

Figure 1. Conseptual model

Sanyal and Datta (2011), in their study titled "The Effect of Country-of-Origin on Brand Equity: an Empirical Study on Generic Drugs", support the relationship between country-of-origin and brand awareness with a high degree of positive influence. Their study indicates that the brands originated from a country maintaining a high level of quality are already in the awareness levels of the physicians because physicians perceive brands that originate from countries with image of rich research and development are reliable. In other words, country-of-origin image is the factor influencing the physicians' brand awareness. According to Yasin, Noor, and Mohamad (2007) in their study titled "Does Image of Country-of-Origin Matter to Brand Equity?", country-of-origin image of a brand has positive and significant effect towards brand awareness since countries with good image are often familiar to the consumers and often perceived as producers of quality brands. Jung, Lee, Kim, and Yang (2014) also state that country-of-origin image has positive influence on brand awareness through their study titled "Impacts of Country Images on Luxury Fashion Brand: Facilitating with the Brand Resonance Model". From this study, Jung *et al.* found that country-of-origin images are considered as one of the most trustworthy types of product information when luxury fashion brand consumers perceive brand awareness and associate themselves with the luxury fashion brand. Therefore, the following hypoteses is proposed:
H_1: Country-of-origin image have influence on brand awareness.

Yasin *et al.* (2007), in their study about household equipments' brand equity in Malaysian market, state that good image of the country-of-origin leads to a high degree of customer loyalty. They explain that consumers' perception towards country-of-origin is often transferred to the brands originate from that country. These consumers feel that brands from countries with good image are reliable so they prefer and often chosen these brands during purchase decision-making. If repeat purchases occurs, eventually consumers may develop loyalty towards these brands. Guercini and Ranfagni (2013) in their study highlights how in china the results produced by integration of country image and product brand image in the rebranding process, are represented by a growth of performance, of brand awareness and brand loyalty, but especially by a greater autonomy distribution and in particular a greater control over the distribution channels. Pappu *et al.* (2006) also support that country-of-origin influences brand loyalty based on their study titled "Consumer-Based Brand Equity and Country-of-Origin Relationships: Some Empirical Evidence". Consumers may prefer a brand based partly on its country-of-origin because consumers have experienced, or are convinced about, either the features or attributes or benefits offered by the brand originating from the particu-

lar country. Moreover, country-of-origin effects in one product category could be transferred to new product categories offered from the same country and exhibit country loyalty.Therefore, the following hypoteses is proposed:
H_2: Country-of-origin image have influence on brand loyalty.

Pappu *et al.* (2006) in their study titled "Consumer-Based Brand Equity and Country-of-Origin Relationships: Some Empirical Evidence" confirm country-of-origin influence towards Australian customers' perception on quality of the product category car and television. They also found that the influence by country-of-origin were the largest for perceived quality. Moradi and Zarei (2012) investigate the influence of country-of-origin sub-components i.e. country-of-brand and country-of-manufacture on brand equity of product category laptops and mobile phone in Iran. The results of their study titled "Creating Consumer-Based Brand Equity for Young Iranian Consumers via Country-of-Origin Sub-Components Effects" indicate that brand's country image gives impact on consumers' perceived quality significantly and positively. Although consumers encounter lots of brands in market with similar performance and profile perception, but image about the brand's country adds more value and give more advantages compare with the other competitors. D'Astous and Ahmed (1999) in their study titled "The Importance of Country Images in the Formation of Consumer Product Perceptions" state that country-of-origin significantly influences and have the greatest impact on perceived quality of both consumers and salesmen. When information about country-of-origin is available at the time of product evaluation, consumers will consider it. Therefore, the following hypoteses is proposed:
H_3: Country-of-origin image have influence on perceived quality.

Nguyen, Barrett, and Miller (2011) in their study in two emerging market Thailand and Vietnam reveal significant relationship between brand awareness dan perceived quality. They state that a brand that receives high attention from customers will have competitive advantage, so they suggest that managers should create high brand awareness for their brand. Dib and Alhaddad (2014) also find that brand awareness has significant positive effects on perceived quality in mobile phone market. Brand awareness is important in helping customer to choose particular mobile phone brand. In other words, brand awareness mostly influences the cognitive component. In their study titled "Impacts of Country Images on Luxury Fashion Brand: Facilitating with the Brand Resonance Model" in 2014, Jung *et al.* tested whether luxury fashion brand awareness influenced consumers' perceived quality. As a result, the effect of brand awareness on perceived quality was significant. Brand awareness is an antecedent in encouraging positive consumers' perception of brand quality. Therefore, brand awareness is a crucial brand stimulus for establishing a strong superiority in consumers' minds. Therefore, the following hypoteses is proposed:
H_4: Brand awareness have influence on perceived quality.

Gil, Andres, and Salinas (2007) argued that brand awareness could be a determining factor of the consumer's brand choice that lead to brand loyalty on convenienve products throught their study titled "Family as a Source of Consumer-Based Brand Equity". Atilgan, Aksoy, and Akinci (2005) also argued that brand awareness builds the familiarity-liking sight about a brand and is a signal of commitment towards that brand. As a result, through their study titled "Determinants of the Brand Equity: A Verification Approach in the Beverage Industry in Turkey", they suggest that managers should not undervalue the effects of brand awareness in building brand loyalty. Keller (1993) states that brand awareness plays an importal role in consumer decision making. Fundamentally, high levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer loyalty and decrease vulnerability to competitive marketing actions. When consumer do repeat buying, then brand loyalty has occured. Therefore, the following hypoteses is proposed:
H_5: Brand awareness have influence on brand loyalty.

Nguyen *et al.* (2011) found significant relationship between perceived quality and brand loyalty on international brand shampoo through their study titled "Brand Loyalty in Emerging Markets". When consumers perceive that the brand has high quality compared to other competitors, they are likely to put a high value on the brand, driving their purchase and repurchase decisions. Torres, Augusto, and Lisboa (2015) in their study titled "Determining the Causal Relationships That Affect Consumer-Based Brand Equity: The Mediating Effect of Brand Loyalty" also found that perceived quality is the main driver of brand loyalty in Portuguese beer category. Thus, managers should pay special attention to perceived quality, as it is the factor with the strongest impact on brand loyalty, at least in this product category. Gürbüz (2008) through a study titled "*Retail Store Branding in Turkey: Its Effect on Perceived Quality, Satisfaction and Loyalty*" stated that consumers who are generally positive towards a store brand name and who perceive its service quality favorably will tend to develop loyalty to the store and its brand as a consequence. They will also form expectations, which will influence future evaluations of service quality and hence of the store brand. Therefore, the following hypoteses is proposed:
H_6: Perceived quality have influence on brand loyalty

RESEARCH METHOD
Sample Selection and Data Collection
The data used to test the research hypotheses were obtained through a survey among made-in-Indonesia smartphone users in Surabaya. To collect the data, respondents were asked to complete a standardized questionnaire. The selection method was judgement sampling from non-probability sampling. Requirement for respondents participated as sample are above 17 years old, live in Surabaya, and currently using made-in-Indonesia smartphone brand (i.e. Nexian, Evercoss, Mito, Advan, or Polytron). Using Lemeshow formula with confidence level of 95% and margin of error of 7%, the minimum value for sample size was 227 people. Of all questionnaires distributed, 230 were returned completely and usable for data analysis. All items in the questionnaire were measured through five-point Likert scales ranging from 1 (strongly disagree) to 5 (strongly agree).

Respondents' Profile
From 230 respondens, 40.87% were age intervals 17–24, 34.35% were age intervals 25–35, 20.43% were age intervals 36–50, 2.17% were age intervals 51–60, and 2.17% were above 60 years old. This distribution shows that made-in-Indonesia smartphone brands are acceptable among age intervals 17–50 with young adults aged 17–24 years as the most users. Mostly of the respondents were women (75.65%) since women were easier to be found when researchers conducted the survey. Approximately three quarter the respondents had monthly income below three million rupiah (75.22%), whereas 16.52% had monthly income between 3–5 million rupiah, 5.22% had monthly income between 5–10 million rupiah, and the rest (3.04%) had monthly income above 10 million rupiah. This distribution shows that most of the made-in-Indonesia smartphone brand users are middle low class. The price of made-in-Indonesia smartphone brand is suitable for their financial condition (the most expensive is two million rupiah).

For made-in-Indonesia smartphone brands used, high percentages of respondents were using Evercoss brand (39.57%) and Advan brand (32.17%), and low percentages of respondents were using Mito (14.78%), Polytron (7.39%), and Nexian (6.09%). Percentages of respondents who were willing to use Evercoss smartphone in the future decrease to 31.30%, while Advan smartphone decrease to 30.00%, Mito smartphone decrease to 11.30%, Polytron smartphone increase to 13.04%, Nexian smartphone decrease to 3.04%, and the rest were not willing to use these brands again in the future.

Of all the respondents, only 16.52% knew that Nexian, Evercoss, Mito, Advan, Polytron are made-in-Indonesia smartphone brands. Of the respondents who didn't know about the brands' country-of-origin, most of them thought that China is the country-of-origin (69.57%), while 3.91% thought that South Korea is the country-of-origin, 3.04% thought that Japan is the country-of-origin, 2.17% thought that USA is the country-of-origin, and the rest thought other countries. This situation proves that Indonesian people are lack of brand awareness towards made-in-Indonesia smartphone.

When asked about desire to buy made-in-Indonesia smartphone brand, 67.39% of the respondents were willing to buy made-in-Indonesia smartphone brand and of course they want to buy if the quality of that smartphone is better than foreign brand's smartphone. This is because of their nationalism and perception that made-in-Indonesia product is cheaper than foreign product with same quality. Meanwhile, 4.35% of the respondents were willing to buy made-in-Indonesia smartphone brand but would not buy even though the quality of that smartphone is better than foreign brand's smartphone. This is because of the perception that no Indonesian product is good quality.

Moreover, 16.96% of the respondents weren't willing to buy made-in-Indonesia smartphone brand buy they want to buy if the quality of that smartphone is better than foreign brand's smartphone because they were curious about made-in-Indonesia product and would buy product based on quality. Meanwhile, 11.30% of the respondents weren't willing to buy made-in-Indonesia smartphone brand and still wouldn't buy even though the quality of that smartphone is better than foreign brand's smartphone because they couldn't trust the quality of made-in-Indonesia product.

FINDINGS
Descriptive Statistics Analysis
The respondents' answer was examined by descriptive statistics analysis. Table 1 presents the data analysis results based on the box plots and mean of each measurement. Average mean of country-of-origin image (3.43) indicate that smartphone users' impression about made-in-Indonesia smartphone brand is not so good. Less contribution given by measurement COO4, COO7, COO8, COO9, and COO10, lead to conclusion that low impression about self-image when using made-in-Indonesia smartphone, Indonesian economic condition, politic and democratic system,

smartphone industry, and living standard of the people were the causes of overall low impression about made-in-Indonesia smartphone brand.

Average mean of brand awareness (3.11) indicate that smartphone users were not able to recognize or recall made-in-Indonesia smartphone brand. The cause was because, as discussed in the previous section, most of the respondents didn't know that the smartphone they were using is made-in-Indonesia brand. Average mean of perceived quality (3.12) indicate that smartphone users' perception of the overall quality or advantage of made-in-Indonesia smartphone brand is not so good. Less contribution given by measurement PQ4 lead to conclusion that low perception towards the durability of made-in-Indonesia smartphone brand was the cause of overall low perception towards the quality or advantage of made-in-Indonesia smartphone brand. Average mean of brand loyalty adalah (3.31) indicate that smartphone users' loyalty towards made-in-Indonesia smartphone brand is low. As BL1 and BL4 were the least contributed measurements, researchers conclude that the causes of the low loyalty were because made-in-Indonesia smartphone brand was not users' main preference when considering products in smartphone category and because the users were not loyal to made-in-Indonesia smartphone brand compared to foreign brand.

Table 1
Measurements and Result of Descriptive Statistics Analysis ($n = 230$)

Codes	Measurements	BTB (%)	TTB (%)	Mean
Country-of-Origin Image				
COO1	Made-in-Indonesia smartphones are produced by modern technology	13.04	66.52	3.63
COO2	Made-in-Indonesia smartphones are developed by innovative technology	18.26	60.43	3.50
COO3	Using made-in-Indonesia smartphones inflict special pride	22.61	60.43	3.59
COO4	Using made-in-Indonesia smartphones increase my self-image	25.22	46.96	3.32
COO5	Made-in-Indonesia smartphones are made by good raw material	17.39	54.78	3.47
COO6	Made-in-Indonesia smartphones are made by international standard process	13.48	60.43	3.63
COO7	Indonesia has good economic condition	23.48	49.13	3.35
COO8	Indonesia has good politic and democratic system	26.52	45.65	3.22
COO9	Indonesia has sophisticated smartphone industry	24.35	45.65	3.30
COO10	Indonesian people have high standard of living	25.65	46.52	3.32
	Average mean			3.43
Brand Awareness				
BA1	I can recognize made-in-Indonesia smartphone brand-name	30.87	37.39	3.06
BA2	I can recall made-in-Indonesia smartphone brand-logo	31.74	35.65	3.04
BA3	Nexian/Evercoss/Mito/Advan/Polytron brand is the first to come in mind among other competing brands when I think about products in smartphone category	25.22	48.26	3.24
	Average mean			3.11
Perceived Quality				
PQ1	Made-in-Indonesia smartphone brand has very high performance	26.52	35.22	3.12
PQ2	Made-in-Indonesia smartphone brand has complete features	18.70	43.91	3.30
PQ3	Made-in-Indonesia smartphone brand is reliable	26.52	38.26	3.14
PQ4	Made-in-Indonesia smartphone brand is durable	38.70	28.26	2.92
	Average mean			3.12
Brand Loyalty				
BL1	Made-in-Indonesia smartphone brand is always my main preference when I consider about products in smartphone category	26.52	40.43	3.18
BL2	I like made-in-Indonesia smartphone brand	17.39	49.57	3.44
BL3	I trust made-in-Indonesia smartphone brand	16.52	49.57	3.42
BL4	I consider myself to be loyal to made-in-Indonesia smartphone brand compared to foreign brand	30.00	36.96	3.13
BL5	I would recommend made-in-Indonesia smartphone brand to others	20.87	47.83	3.37
	Average mean			3.31

Structural Equation Modeling (SEM) Analysis

Structural equation modeling (SEM) was used to test the reliability, convergent validity, and discriminant validity of the construct, and also to examine the hypotheses. The conceptual model is presented in Figure 1. Convergent validity was assessed by examining the factor loading of each measurement presented in Table 2 and average variance extracted (AVE) of each construct presented in Table 3. The criteria of factor loading > 0.5 and AVE > 0.5 are recommended (Jogiyanto & Abdillah, 2009). As shown in Table 2, factor loading of each measurement are larger than 0.5. Also, AVE of each construct shown in Table 3 are larger than 0.5. Therefore, the convergent validity is acceptable.

Discriminant validity for the constructs is achieved if both of the cross loading of latent variable's measurement is larger than cross loading of other variable's measurement and AVE root square of each variable is larger than their latent variable correlation (Jogiyanto & Abdillah, 2009). As shown in Table 2, all the cross loading of latent variable's measurement is larger than cross loading of other variable's measurement. Also, as shown in Table 3, AVE root square of all variables is larger than their latent variable correlation. Therefore, the discriminant validity is acceptable.

The reliability estimates for the constructs were acceptable, as all composite reliabilities (see Table 3) met the recommended level of 0.7 (Jogiyanto & Abdillah, 2009).

Table 2
Factor Loading and Cross Loading ($n = 230$)

Measurement	Factor Loading[a]	Cross Loading[b]			
		COO	BA	PQ	BL
Country-of-Origin Image (COO)					
COO1	0.749	0.749*	0.299	0.331	0.354
COO2	0.800	0.800*	0.370	0.432	0.443
COO3	0.739	0.739*	0.342	0.521	0.542
COO4	0.706	0.706*	0.311	0.490	0.513
COO5	0.766	0.766*	0.358	0.490	0.443
COO6	0.838	0.838*	0.349	0.460	0.418
COO7	0.711	0.711*	0.336	0.431	0.341
COO8	0.708	0.708*	0.443	0.465	0.440
COO9	0.756	0.756*	0.429	0.537	0.531
COO10	0.567	0.567*	0.377	0.414	0.288
Brand Awareness (BA)					
BA1	0.888	0.386	0.888*	0.506	0.453
BA2	0.861	0.312	0.861*	0.482	0.428
BA3	0.787	0.506	0.787*	0.622	0.580
Perceived Quality (PQ)					
PQ1	0.845	0.583	0.600	0.845*	0.642
PQ2	0.823	0.437	0.419	0.823*	0.568
PQ3	0.880	0.559	0.578	0.880*	0.706
PQ4	0.801	0.418	0.499	0.801*	0.633
Brand Loyalty (BL)					
BL1	0.844	0.523	0.537	0.688	0.844*
BL2	0.853	0.431	0.397	0.563	0.853*
BL3	0.863	0.419	0.414	0.610	0.863*
BL4	0.861	0.445	0.513	0.631	0.861*
BL5	0.782	0.460	0.419	0.541	0.782*

Notes: *latent variable's measurement
[a] All of the factor loadings are significant (>0.5)
[b] Each cross loading of latent variabel's measurement is larger than cross loading of the other variabel's measurement

Based on Table 2, the largest factor loading of country-of-origin image variable is on measurement COO6 (0.838). It means, COO6 is the best at describing country-of-origin image. Thus, to improve image about Indonesia as coun-

try-of-origin, smartphone users' impression about application of international standard process on the production process of made-in-Indonesia smartphone brand need to be improved.

Measurement BA1 has the largest factor loading of brand awareness variable (0.888) which means it is the best at describing brand awareness. So, smartphone users' ability to recognize made-in-Indonesia smartphone brand name should be enhanced to improve smartphone users' brand awareness. It is also needed to improve smartphone users' perception about the realibility of made-in-Indonesia smartphone brand since measurement PQ3 is the largest factor loading of perceived quality variable (0.880) and best at describing perceived quality.

Meanwhile, to improve brand loyalty of made-in-Indonesia smartphone brand, what needed the most is improving smartphone users' trust towards made-in-Indonesia smartphone brand because measurement BL3 has the largest factor loading of brand loyalty variable (0.863).

Table 3
Composite Reliability, *R-square*, Average Variance Extracted, and Latent Variable Correlation (*n* = 230)

Variable	CR	R^2	AVE	AVE Sq Root	Latent Variable Correlation			
					COO	BA	PQ	BL
Country-of-Origin Image (COO)	0,922	—	0,543	0,737	1,000	—	—	—
Brand Awareness (BA)	0,883	0,230	0,716	0,846	0,479	1,000	—	—
Perceived Quality (PQ)	0,904	0,560	0,702	0,838	0,628	0,658	1,000	—
Brand Loyalty (BL)	0,923	0,613	0,707	0,841	0,560	0,562	0,775	1,000

Notes: CR = composite reliability; AVE = average variance extracted

The R^2 shown in Table 3 is a measure of the model's predictive accuracy (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). It means that the effect of country-of-origin image, brand awareness, and perceived quality to brand loyalty are 61.3%. The rest are influenced by other variables outside this study. The presumptions are brand associations and hedonic emotions.

The Q^2 is a means for assessing the inner model's predictive relevance. The Q^2 is:
$$Q^2 = 1 - [(1 - 0.230)(1 - 0.560)(1 - 0.613)]$$
$$= 1 - [0.131]$$
$$= 0.869$$
The Q^2 is larger than zero indicates that this research model has predictive relevance (Hair Jr. *et al.*, 2014).

As reliability and validity are supported, we proceed to examine the hypotheses. Statistical significance in hypotheses testing is shown by *T-statistic* value (see Table 4). Jogiyanto and Abdillah (2009) suggest that for two tailed hypotheses with significance level 95% ($\alpha = 5\%$), the *T-statistic* must be greater than 1.96. The *T-statistics* are significant, except H_5. Therefore, H_1, H_2, H_3, H_4, and H_6 are supported, which implies that country-of-origin image have influence on brand loyalty directly and indirectly through the mediating effect of perceived quality, while brand awareness could not mediate the effect of country-of-origin image to brand loyalty.

Table 4
Path Coefficient, *T-statistics*, and Hypotheses Finding (*n* = 2 30)

Hypothesis	Paths	Path Coefficient	*T-statistics*	Findings
H_1	Country-of-origin image $\rightarrow$ Brand awareness	0.479	8.661	Support
H_2	Country-of-origin image $\rightarrow$ Brand loyalty	0.405	6.279	Support
H_3	Country-of-origin image $\rightarrow$ Perceived quality	0.464	7.031	Support
H_4	Brand awareness $\rightarrow$ Perceived quality	0.113	2.027	Support
H_5	Brand awareness $\rightarrow$ Brand loyalty	0.078	1.126*	Reject
H_6	Perceived quality $\rightarrow$ Brand loyalty	0.652	9.917	Support

Note: *not accepted

The relationship between variables are shown in Figure 2. The path coefficient of perceived quality to brand loyalty (0.652) prove that this variable is the most influencing variable to brand loyalty. Therefore, to enhance made-in-Indonesia smartphone user brand loyalty, perceived quality need to be improved at most. It is also found that the indirect effect of country-of-origin image to brand loyalty through the mediating effect of perceived quality is greater than the direct effect (0.405 x 0.652 = 0.264 > 0.113). It proves that perceived quality is needed as mediator between country-of-origin image and brand loyalty indeed. This indicates that image that made-in-Indonesia smartphones are made by international standard process influencing users to perceive that made-in-Indonesia smartphones are reliable, resulted in their trust to made-in-Indonesia smartphones.

DISCUSSION

This study examines the influences of country of origin images on made-in-Indonesia smartphone brand loyalty both directly and indirectly through the mediating effect of brand awareness and perceived quality. The results show that only H_5 is not supported, while the other hypotheses are supported.

According to the result, smartphone user's impression about international standard process and modern technology that applied in production process of made-in-Indonesia smartphones have influence in making Indonesian brand become top of mind in smartphone category. Unfortunately, that impression is not so good. Many Indonesian smartphone user thought Indonesian brand smartphone were not made by international standard process and modern technology. This impression cause Indonesian brand smartphone to not become top of user's mind and affect the whole users' brand awareness towards Indonesian brand smartphone. This finding support the previous study by Jung *et al.* (2014), Yasin *et al.* (2007), and Sanyal and Datta (2011) that argued that country-of-origin is a factor influencing brand awareness.

Smartphone user's impression about international standard process and modern technology that applied in production process of made-in-Indonesia smartphones also have influence in making smartphone users like made-in-Indonesia smartphones. But since that impression is not so good, many smartphone users don't like made-in-Indonesia smartphones. This finding is consistent with the previous study by Yasin *et al.* (2007), Pappu *et al.* (2006), and Bruwer, Buller, Saliba, & Li (2014) that support the relationship between country-of-origin image and brand loyalty.

The result also show that smartphone user's impression about international standard process and modern technology that applied in production process of made-in-Indonesia smartphones also have influence in smartphone users' perception about completeness of made-in-Indonesia smartphones' features. The poor impression about application of international standard process and modern technology in production process of made-in-Indonesia smartphones cause smartphone users perceive made-in-Indonesia smartphones' features are not complete. This finding support the previous study by Pappu *et al.* (2007) and Bilkey and Nes (1982) that argued that perceived quality could be influenced by country-of-origin image.

According to the result, smartphone users' ability to make made-in-Indonesia smartphones brand as top-of-mind brand have influence to make them perceive that made-in-Indonesia smartphones have complete features. Unfortunately, made-in-Indonesia smartphone brands are not users' top-of-mind brand and lead to negative perception about feature completeness. This finding is consistent with the previous study by Jung *et al.* (2014), Nguyen *et al.* (2011), and Dib & Alhaddad (2014) that argued that brand awareness is a factor influencing perceived quality.

In this study, brand awareness have no influence on brand loyalty because of smartphone users' lack of knowledge about the country-of-origin of their smartphones. According to the previous section, only 16.52% made-in-Indonesia smartphone users who know that their smartphone are Indonesian brand whereas smartphone users' ability to recognize made-in-Indonesia smartphone brand name is the best at enhancing brand awareness. Also, the presence of 67.39% respondents who are willing to buy made-in-Indonesia smartphone brand and want to buy if the quality of that smartphone is better than foreign brand's smartphone prove that their willingness to buy Indonesian product if they aware about the country-of-origin. This finding is not consistent with the previous study by Gil *et al.* (2007), Atilgan *et al.* (2005), and Nguyen *et al.* (2011) that found that brand awareness has influence on brand loyalty. But, it is consistent with Kayaman and Arasli (2007) that argued that brand awareness couldn't influence brand loyalty in their study about hotel industry in Siprus. It is because having a brand name alone is not a guarantee of success within the hotel industry. Moreover, Dib and Alhaddad (2014) argued that consumers tend to develop positive quality value to brands with greater awareness and this perceived quality is the main antecedent of brand loyalty.
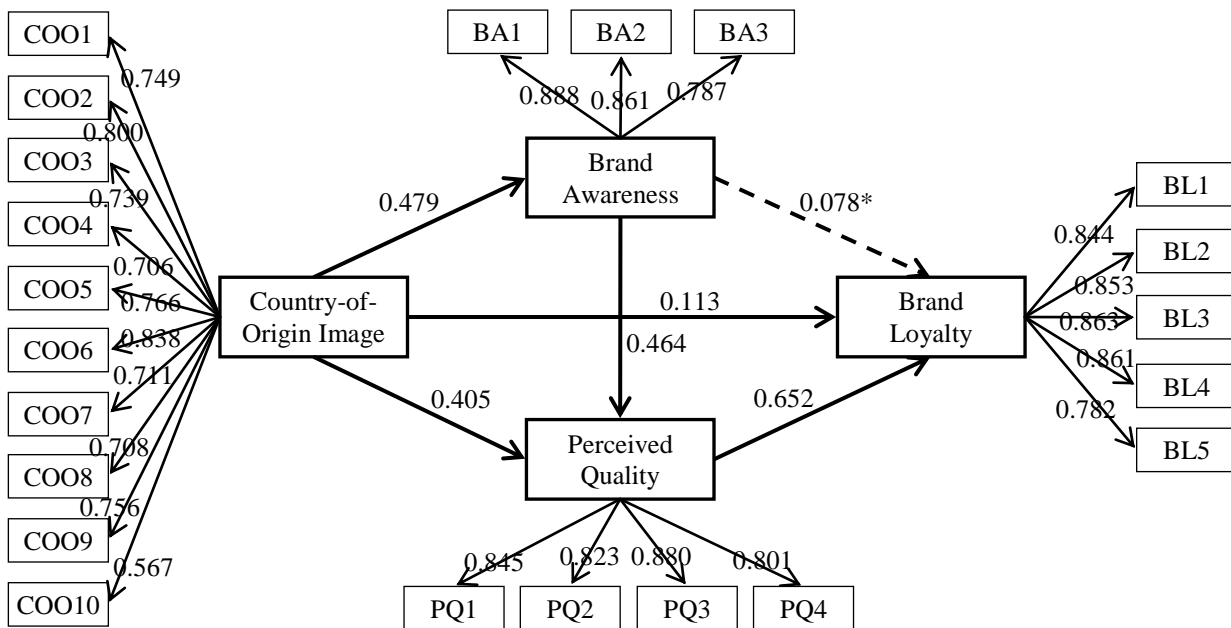
Figure 2. Path coefficient of the model

The result shows that smartphone users' perception about the feature completeness of made-in-Indonesia smartphone brands cause them to like made-in-Indonesia smartphones. This study found that smartphone users perceive made-in-Indonesia smartphones as not having complete features and this cause smartphone users to not like made-in-Indonesia smartphones. This finding support the previous study by Nguyen *et al.* (2011), Torres *et al.* (2015), and Gürbüz (2008) that argued that perceived quality has positive and significant influence to brand loyalty.

CONCLUSION

The results of this study support these findings. First, country-of-origin image have influence on brand awareness. Smartphone users' impression about international standard process applied in production process of made-in-Indonesia smartphones is the factor influencing smartphone users' ability to recognize made-in-Indonesia smartphones brand name the most. Second, country-of-origin image have influence on brand loyalty. Smartphone users' impression about international standard process applied in production process of made-in-Indonesia smartphones can enhance smartphone users' trust towards made-in-Indonesia smartphones brand. Third, country-of-origin image have influence on perceived quality. Smartphone users' impression about international standard process applied in production process of made-in-Indonesia smartphones can influence smartphone users' perception about the reliability of made-in-Indonesia smartphones. Fourth, brand awareness have influence on perceived quality. Smartphone users' ability to recognize made-in-Indonesia smartphones brand name can influence smartphone users' perception about the reliability of made-in-Indonesia smartphones. Fifth, brand awareness don't have influence on brand loyalty. Smartphone users have less knowledge about the country-of-origin of smartphone they are using. This condition affect their trust towards made-in-Indonesia smartphones. Sixth, perceived quality has influence on brand loyalty. Smartphone users' perception about the reliability of made-in-Indonesia smartphones impact in smartphone users' trust towards made-in-Indonesia smartphones brand.

RECOMMENDATION

Based on previous sections, researchers suggest some recommendations. First, smartphone users' impressions about application of international standard process on the production process of made-in-Indonesia smartphone brand need to be improved to enhance country-of-origin image so that it could have more influences to brand loyalty. Thus, made-in-Indonesia smartphone manufacturer could apply international standard such as ISO. Moreover, this standard should be put in every marketing activities so that smartphone users could capture the impression that this international standard has been applied in the production process of made-in-Indonesia smartphone.

Second, most of made-in-Indonesia smartphone users didn't know that their smartphones are Indonesian brand. This causes their ability to recognize made-in-Indonesia smartphone brand name became low and impact the whole brand awareness of made-in-Indonesia smartphone brand. Thus, manufacturers should do market education about this brand's country-of-origin in order to enhance made-in-Indonesia smartphone brand awareness.

Third, perceived quality is the most influencing variable to brand loyalty. Therefore, to enhance brand loyalty, perceived quality should be enhanced the most. To optimize users' perceived quality, manufacturer should improve users' perception about reliability of made-in-Indonesia smartphone by doing re-branding or co-branding in order to create new perception in users mind that made-in-Indonesia smartphones are reliabel products.

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SETTING UP ECONOMIC VALUE IN COMMUNITY-BASED TOURISM: INSIGHTS FROM POLICY MAKERS & INDIGENOUS PEOPLE

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ABSTRACT

Community-based tourism (CBT) in rural areas is one of the products and services that can be developed in a tourism destination. However, there is still insufficient research about the importance of product development that can be cultivated from CBT. The aim of this study is to examine the perceptions and attitudes of the interrelationship between indigenous people and policy makers in rural tourism development areas based on CBT. A qualitative research method as deployed using an entrepreneurial alertness model framework to identify the opportunity recognition in that area. We conducted a focus group and semi-structured interviews with six indigenous people and three policy makers in a village named Urat in Lake Toba, Indonesia. This article highlights the complexity of setting up a CBT that can bring more economic income to the village. The reliance and dependence of the indigenous people on the local government depends on how the local government can prepare the indigenous people to establish a CBT. The result also reveals that a homestay using a traditional house *(Rumah Adat)* is one solution for sustaining an ethnic culture in the rural area.

Keywords: Community-based tourism, homestay, rural tourism, entrepreneurship model, tourism policy, Indonesia.

INTRODUCTION

Community-based tourism (CBT) is presented as a platform to expand local rural tourism, which is arguably very different from urban tourism (Bosworth, 2015; Nair & Hamzah, 2015; Chin, Thian & Lo, 2017). However, most tourism studies have widely discussed managing sustainable tourism (Kennett-Hensel, Sneath, & Hensel, 2010; Ajagunna & Crick, 2014; Lange & Dodds, 2017). Currently, there is insufficient research on the dynamic development of CBT (Jaafar, Kayat, Tangit & Yacob, 2013; Mohamad & Hamzah, 2013; Lekaota, 2015; Simons & Groot, 2015). For instance, these three studies focus on the development of rural communities to impact the economy (Jaafar *et al*., 2013; Mohamad & Hamzah, 2013; Lekaota, 2015). Thus, CBT studies are still much to be desired (Bosworth & Farell, 2011; Bravi & Gasca, 2014; Bosworth, 2015).

CBT refers to a tourism planned, coached, inherent, and handled by the local indigenous people for the local indigenous people, guided by collective decision-making, responsibility, access, partnership, and benefits (Tasci, Semrad, & Yilmaz, 2013). CBT is usually discussed in relation to undeveloped and under-developed places, particularly in reference to bringing a better economic situation to that specific place or area (Tasci, Croes, & Villanueva, 2014). Therefore, it is not surprising that CBT is built starting from the rural area communities, where most of the economy trade would be driven by the indigenous people. According to Bosworth and Farrel (2011), the development of a local economy depends on the how advanced the improvement of the local entrepreneurs is in increasing their trade to bring more income distribution. The focus of rural tourism studies has been directed to the various relationships between tourists and indigenous people (Jaafar *et al*., 2013; Sánchez-Cañizares & Castillo-Canalejo, 2014; Ajagunna & Crick, 2014). Only Lekaota (2015) with a focus on multiple policy makers. However, they have overlooked the interrelationship between the indigenous people and the policy makers. We argue that the development of rural tourism, which is based on CBT, would be optimal without the involvement of the policy makers in establishing better regulation in the rural tourism areas. Thus, the aim of the study is to examine the views and mindsets of the interrelationship between indigenous people and policy makers in rural areas in relation to CBT.

Tourism in Indonesia has seen substantial development within the region (Purwormarwanto & Ramachandran, 2015). Tourism is expected to continuously contribute to Indonesia' economy in the future as well. The Indonesian government, which is represented in this capacity by the Ministry of Tourism, has focused on tourism development for ten destinations, which are known as "the new Bali 10 (ten)". These are: Lake Toba (North Sumatera), Labuan Bajo (Flores), Tanjung Kelayang (Bangka Belitung), Tanjung Lesung (Banten), Borobudur (Central Java), Bromo/Tengger/Semeru (East Java), Morotai (North Molucca), Pulau Seribu/Kota Tua (DKI Jakarta), Mandalika (Lombok), and Wakatobi (Southeast Sulawesi). We chose Urat as our research subject because it is one of the villages in Lake Toba to be developed by the Ministry of Tourism. In addition, Urat has resemblances with other

villages in other places of Indonesia. These villages have insufficient access to education (e.g., limited number of schools and teachers), similar social-demographic situation (e.g., social status, number of population), limited infrastructures (e.g., public sanitation, poor road condition), and poor social-welfare.

For this reason, CBT is needed to mold rural tourism as a destination and bring a better economic value to the indigenous people in conjunction with the members of local governments who participate in the decision making process and benefit equally from rural tourism. The connection between indigenous people and policy makers is very complicated. They rely on each other heavily, especially in efforts to develop their village, which is pivotal to the success of the CBT itself. The indigenous people and policy makers would like to create Urat as one of the destinations in Samosir Island, North Sumatera so the number of tourists who come to Urat or Samosir Island can be increased significantly. However, the infrastructures in the area is not sufficient enough to support the indigenous people and policy makers' idea. Much better infrastructure is required to bring more tourists, for example, decent public roads, public accommodations, public restaurants, and public toilets. We argue that policy makers and indigenous people should have a better relationship for how these requirements can be developed. Our results show that the complicated relationship between policy makers and indigenous people can bring better results from CBT in working toward developing their infrastructure, especially in preparing better places for tourists to stay. Therefore, the main research question asked to the participants was, "How much entrepreneurial contribution from CBT would the policy makers like to establish and develop in order to bring a better economy to the people of Urat Village, Samosir?"

Based on the background above, our study aims to find deeper insights regarding the interrelationship between indigenous people and policy makers in rural tourism development areas based on CBT. Therefore, we conduct a qualitative research based on semi-structured interviews with six indigenous people and three policy makers. We argue that perceptions and attitudes are built based on the two-way relation between indigenous people and policy makers in setting-up a solid CBT. We use Ardichvili, Cardozo and Ray (2003) model to examine the development of small or medium businesses (Ardichvili *et al.*, 2003; Nikraftar & Husseini, 2016). This model could be used by the business to identify and recognize possibilities (McLeod & Vaughan, 2015). We explored and evaluated past experiences in the interrelationship between indigenous people and policy makers in developing a CBT and concluded that there is still much disharmony in their relationship when working on the potential of Urat Village.

LITERATURE REVIEW and hypothesis
Economic Value in the Tourism Industry
Tourism has been seen as a very valuable economic activity to reduce the poverty of the most disadvantaged countries, and today this sector is increasingly important in government policy agendas around the world. The tourism sector, if developed and managed properly, will be able to contribute significantly to the local economy. The potential for income generation with high tourism exposure to local communities may be highly impactful in some areas but quite small in other areas (Ajagunna & Crick, 2014). In Indonesia, this sector contributes foreign exchange and reduces unemployment, while income distribution to local communities (Blapp & Mitas, 2017) connects remote areas with tourism to develop the tourism industry (Tolkach & King, 2015). Urat (a village) in Samosir Island, North Sumatra, Indonesia is one of the most remote areas included in the Indonesian government program for New Bali 10.

Figure 1. Lake Toba location
Source: North Sumatera Map, 2018; Lake Toba, 2018

Lake Toba is One of the New Bali 10

Urat (a village) is located on the island of Samosir, which is located in the middle of Lake Toba, as seen in Figure 1. Lake Toba is the second largest volcanic lake in the world (Toba Lake, 2017). The position of villages on Samosir Island provide scenic views either of Lake Toba or the highlands area in Sumatra Island. The area of Samosir Island has about a population of 100,000 and is a reserve area for the ethnic Batak cultural heritage of North Sumatra.

Rural Tourism and Entrepreneurship

A village's position on the island of Samosir that provides a beautiful view of the countryside and the traditional experience of the Batak indigenous people's way of life is the right asset to serve as rural tourism. As Morrison (2013) and Fatimah (2015) said, rural tourism is linked to activities and interests of nature or rural places. The Organization for Economic Cooperation and Development (OECD) defines this tourism as "rural tourism" (OECD, 1994), with special features related to the rural world, small-scale enterprises, open spaces, and sustainability (Fatimah, 2015; Lange & Dodds, 2017). Even a minimum of a one night stay at a place in rural areas that aims to participate in addition to urban activities can be said to be rural tourism with the largest customer being the household (Pesonen, Komppula, Kronenberg, & Peters, 2011).

There are still many traditional farmers living in the Urat area, and the unique natural beauty of the area offers a rural tourism attraction that can be developed for Indonesia's tourism plan. As Morrison (2013), and Fatimah (2015) noted, rural tourism is a place for travellers seeking peace, natural beauty, and uniqueness. The development of rural tourism can stimulate economic growth in the region by creating a combination of existing natural resources to develop products and also by serving new customers and markets (Peng & Lin, 2016; Lange & Dodds, 2017). Encouraging entrepreneurial activity will have an impact on tourism development, where the presence of small and medium enterprises provides space for entrepreneurial activities. Small business activity is one way of maximizing the effects of tourism multipliers where small businesses tend to use other small business services (Von der Weppen & Cochrane, 2012; Ajagunna, 2012). As stated by Nikraftar and Husseini (2016) and Lange and Dodds (2017), entrepreneurs are very influential on the evolution of tourist destinations. The opportunity to develop small scale enterprise in the Urat (a village) area will grow the rural tourism in that area, which is far behind that of the surrounding area. Rural tourism development will be introduced gradually to indigenous peoples so that they will recognize the importance of building new businesses in their area.

The concept of looking at opportunities to build small-scale enterprises can use the entrepreneurial alertness model by Ardichvili *et al.* (2003), shown in Figure 2. Ardichvili *et al.* (2003) and Nikraftar and Hosseini (2016) stated that in order to process an opportunity development plan, a business plan needs to recognize and identify factors that influence opportunities, such as prior knowledge, social networks, and personality, including creativity and self-efficacy.
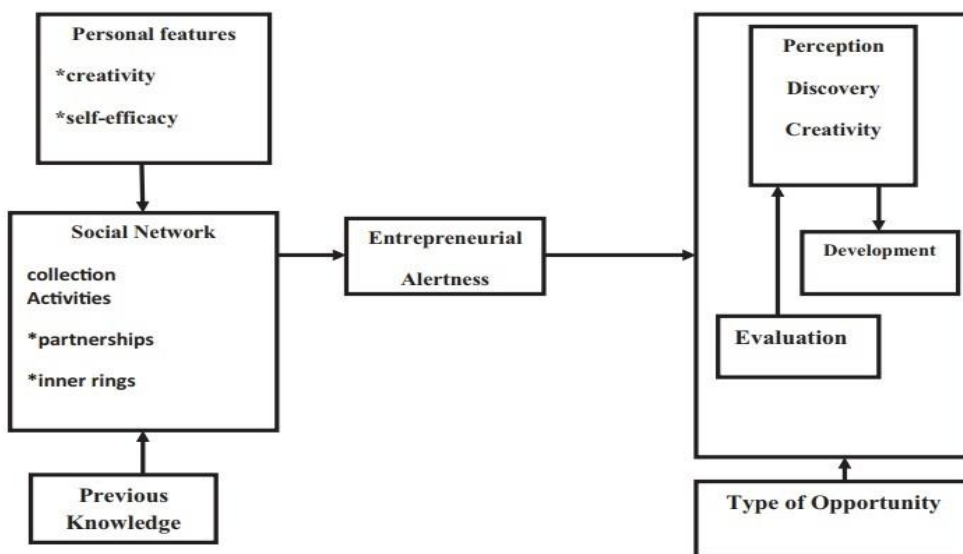

Figure 2. Conceptual framework of research
Source: Ardichvili *et al.,* 2003; Nikraftar and Hosseini, 2016

Based on this model, entrepreneurial alertness is driven by a set of intuitive and psychological skills that address the process of opportunity identification. Ardichvili *et al.* (2003) said that personality traits, social networks, and prior knowledge are antecedents of entrepreneurial alertness. Personality traits and access to information (Sakhdari & Jafarnejad, 2012), such as positive social networks (Nikraftar & Hosseini, 2016), influence people to become entrepreneurs in the tourism industry. Likewise, as Shane (2012) stated, prior knowledge is vital in starting a small-scale enterprise for a given area, such as new markets, customer types, and competitive products. Then, local authorities as enablers will guide local people (indigenous) for the development of rural tourism projects that generate local economies and entrepreneurial opportunities (Nikraftar & Hosseini, 2016). By involving local people to contribute to the development of entrepreneurial tourism, CBT (Hall, 2009) is built where locals can interact directly with visitors (Cioce Sampaio, Bona Carvalho, & Ribiero de Almeida, 2007; Blapp & Mitas, 2017).

Community-Based Tourism (CBT)
The concept of CBT was first introduced by Murphy (1985), whose model was later illustrated by Gunn and Var (2002). Then, in 2014, the Asia Pacific Economic Cooperation (APEC) Forum's Tourism Charter (APEC 2014) began to endorse the role of CBT as a means to generate business opportunities for SMEs. CBT is also considered important as a tool to distribute economic benefits to local communities as well as catalyzing collaboration between the government, the public, and the private sector (Moscardo, 2008; Goodwin & Santilli, 2009; Johnson, 2010; Von der Weppen & Cochrane, 2012; Tolkach, King, & Pearlman, 2013; Wattanacharoensil & Sakdiyakorn, 2015). The main objective of CBT is to integrate tourism services as a complement and link it with other systems within the community (Cioce Sampaio *et al.*, 2007; Nair & Hamzah, 2015; Blapp & Mitas, 2017). CBT as an alternative source of income for local communities can diversify the local economy to preserve the culture and environment and provide educational opportunities for them. As Inostroza (2008) said, a well-run CBT project will generate a substantial flow of visitors to provide reasonable income for the local community. Therefore, tourism planning needs to be assembled in CBT with community involvement and consensus to ensure that local communities benefit from tourism activities (Tolkach *et al.*, 2013; Blapp & Mitas, 2017).

In addition, CBT is an appropriate tool for the development of rural communities to manage tourism resources while ensuring the participation of local communities (Responsible Travel, 2009; Tolkach *et al.*, 2013). Through this concept, the local communities will provide good environmental conditions for tourists, mainly by serving and supplying accommodation, information, transportation, facilities, and other services (Goodwin & Santilli, 2009). However, as stated by Blapp and Mitas (2017), they must organize themselves to play a more effective role in development and interact with local authorities at all levels. Many provincial and local authorities have a limited understanding of the process through which local communities must embrace tourism as a tool for economic, social, and psychological empowerment (Nadkarni, 2008; Nair & Hamzah, 2015). Therefore, it is necessary to establish partnerships with key stakeholders, i.e., NGOs (Jones & EplerWood, 2008) and universities (public sector), government agencies (local authorities), and the tourism industry (private sector).

RESEARCH METHOD
A qualitative research method was chosen for this study because it allows the researchers to provide elaborate interpretations of the experiences and knowledge from the participants. We want to understand the phenomenon more than measure them (Silverman, 2013). Two methods of data collection are used for this study, in-depth interview and focus group discussion. These methods give us better access than using the quantitative method. Interviews are seen as a valid and reliable means to gather data and are more appropriate for answers to certain types of identified research questions and objectives (Creswell, 2013). We administered semi-structured interviews with three policy makers for an hour and a half on average each, with almost two hours of focus group discussions with six indigenous people. Through the use of the inductive approach with smaller groups of people, we will be in a better position to explore the 'why' and 'how' of the perceptions and attitudes of the indigenous people and policy makers in regards to their interrelationship in developing rural tourism area based on CBT.

This study is located in Urat (a village) on Samosir Island (the island in the middle of Lake Toba), North Sumatera, Indonesia. The collection of data was conducted in August 2017. We chose indigenous people and policy makers as our participants using purposive sampling so they can share their best insights for this research based on each participant's experience and knowledge (Creswell, 2013). These participants were chosen because they can add more information about the interrelationship among indigenous people and policy makers about their CBT. Indigenous people also can contribute some direct, sensitive, and constructive information represented among the general popu-

lation within the area. Similarly, policy makers are expected to share their knowledge of how they planned the Samosir Island in building CBT to develop rural tourism. The original idea was to meet all the participants (policy makers and indigenous people) in Urat at Samosir Island, North Sumatera. We selected three policy makers who have different education backgrounds and tenure at their jobs. One is a full-time lecturer at a tourism higher education institution and was previously positioned at the Lake Toba Tourism Authority; the second person is the head of the village (*Kepala desa*); and the third person is one of the directors of the Lake Toba Tourism Authority. Two of the policy makers have a graduate degree and one has a high school diploma. Due to participants' varied employment locations, data collection was conducted in two separate places, in Urat, Samosir Island and the city of Jakarta.

We conducted the in-depth interview and focus group discussion in Urat. The in-depth interview with the head of the village took about an hour and half. Initially, the focus group was originally prepared for seven participants, but only six persons were available. For the six participants, we had different varieties of tenure positions and situations: two were construction workers, two were retirees, one person was an elementary school teacher, one was a civil servant, and the rest were part-time farmers. Most of the group participants had a high school education and at least one of them had studied higher education. Along the same lines, the other two appointments with the policy makers were administered in Jakarta. They were interviewed in two different times, one was face-to-face interviews and the other one with a video call. All participants' ages were between 40–75, and all were males. The varieties of the participants' qualifications were arranged differently to enrich the insights and experiences of the development of Urat in terms of its progress in the past years.

We asked questions to both sides of participants in the Indonesian language. The questions were discussed around the following issues:
(1) How much would you analyze the involvement of government in inspiring the local community to bring better economy to the village?
(2) How do policy makers stimulate the creative entrepreneurship among indigenous people?
(3) How do policy makers and indigenous people describe the challenges they face to create a CBT in Urat?

Data analysis started by listening to the recordings and then transcribing them in a reasonable time. In-depth interviews and focus group discussions were recorded digitally. To manage the study data, Nvivo, a qualitative data analysis program software, was used. To analyze the data, we used thematic analysis to investigate the information from the participants following the tools given by Ardichvili *et al*. (2003), by exploring their entrepreneurship model in tourism.

FINDINGS
Some findings were compiled in the regards to the participants' insights on entrepreneurship alertness by using in-depth interviews and focus group discussions to understand the interrelationship among stakeholders about CBT in Urat. The communication between these two actors leaves much to be desired in terms of establishing a better connection between them. Therefore, the aim for this study was to set an entrepreneurship alertness for the local community to generate better economy for their families and its society. In terms of bringing better economic condition, local government and local community realized that they have a potential tourism destination. Few main destinations have been suggested and built in the Urat area (i.e., monument heritages). Unfortunately, there are still other things that need to be developed, for instance: public roads, public toilets, and accommodations. Public roads and public toilets are being constructed when we conduct the data collection. However, public accommodation such as motels or hotels is still lacking. Therefore, the Ministry of Tourism focuses on developing the existing destinations rather than creating a new one. One of the expansions which started being introduced to the community of indigenous people is to introduce to the homestay development. The significant numbers of homestay are desired to answer the request for handling the future in regards to the increased number of foreign tourists that come to Urat, Samosir Island. At the moment, local government targeted building 100 houses in Samosir Island. One of the policy makers mentioned in regards to the priority of homestays development:
> *"because of the outcome of the new Bali "10".....(refer to Lake toba), government decide to promote public houses to become a homestay for tourist...either foreign or domestic..approximately around one hundred houses has been considered"*

Despite renovations to the existing houses, there are some plans from the government to renew some of traditional houses *(Rumah Adat)* to become another type of accommodation. Thus, these traditional houses will be managed

commercially by *BUMdes (Badan Usaha Milik Desa)* or (Community-Owned Enterprise). However, insight from the one of participants from the focus group discussion mentioned that this plan to use traditional houses to become homestays actually have been around for quite some time, but the realization is taking a very long time:

> *"if we are talking about the Batak's traditional houses (Rumah Adat Batak) to turn into a type of public accommodation…..(paused)…the local government have been suggesting the indigenous people to conduct an inventory about how many of the traditional houses which can be renew and become sustain since i am not sure…been a while for sure…..unfortunately, until now….the renovation is not happening!"*

The insight above establishes the condition of the interrelationship between indigenous people and the local government. The perceptions and attitude from these two groups of actors showed that they depend on each other a lot. The local government relies upon the indigenous people to list the possible traditional houses to be refurbished. In the meantime, the indigenous people are waiting for the funds and direction to conduct the inventory for what they will need. In the end, there is a gap between the two groups because of a lack of guidance or communication. As a result, all of them depend on each other more than they are supposed to. For instance, one insight comes from the policy maker:

> *"If local government and indigenous people do not have good communication between them…..their plans just won't work……especially when they depend to each other too much, for example: when main government (ministry of tourism) appointed local government to allocate their budget to build a tourism product such homestay …surprisingly, instead of building homestays, the indigenous people rather to build a monument heritage because the local community feel that monument heritage is more important."*

The statement above pictures the inadequate direction or guidance from the policy maker to the indigenous people, which can result a miscommunications. Due to the ethnic culture, indigenous people also have been suggested to create other start-up business to push the economic condition in the area, specifically businesses using the traditional cloth of Batak, which is called *Ulos*. This is also has something to do with the suggestion from the policy makers to increase local products, such as: handicrafts, t-shirts, syals, etc. This is also similar to the opinion from one of the participants at the focus group discussion:

> *"Actually, we would like to open a start-up such as a home industry business…I believe many indigenous people would be interest to open that kind of businesses, but we always struggle to find capital…this home industry is hopeful to produce souvenirs for visitors, for example: Tarombo (genealogy) on handicraft, t-shirt etc….hopefully this business can bring better economic value to our tourism products"*

DISCUSSION

The findings of this study suggest that the perceptions and attitudes of the interrelationship between indigenous people and policy makers in rural tourism development areas based on CBT leave much to be desired, especially in Urat, Samosir Island. On the other hand, an entrepreneurial alertness model framework by Ardichvili *et al.* (2003) and Nikraftar and Hosseini (2016) were explored to examine the opportunity to establish a start-up business in that area (Ardichvili *et al.*, 2013; Nikraftar & Hosseini, 2016). The findings in this study were in line with those previous studies, which state how important the partnership is between two actors to build CBT (Nair & Hamzah, 2015). This partnership would lead to creativity from both sides to ensure that the tourist destination can be established (Nikraftar & Hosseini, 2016). In addition, this study highlights the complexity of establishing a CBT, which can bring more economic value to the village as illustrated in Figure 3.

The interrelationship between indigenous people and policy makers is considered to be pivotal for the development of rural areas. Communication in regards to planning a CBT within the Urat village needs to be much better. The poor development of the infrastructure is something that needs to be worked on, and improvements are needed if the local government wants to bring more tourists to the village (Tasci *et al.*, 2013; Tasci *et al.*, 2014). The on-going physical structure of expansions, such as public roads, public toilets, and accommodations, are needed to push the indigenous people to realize that the Urat village is as important as the other rural areas in Indonesia. Due to limitations of accommodations for welcoming tourists, the local government introduced homestays to the indigenous people. This homestay concept is hoped to help the village to overcome its limitations. The development of Lake Toba should bring more foreign tourists to the area. After the declaration from the Indonesian government to create a "new Bali 10" for prioritizing the tourism destination, Lake Toba was the first area to start. Likewise, the Urat area is one of the villages located in Samosir Island, which has its own community-based tourism, which can bring enrichment to the tourism destination by exploring what products or services they can contribute. Many of these

potential destinations in Urat area include Pasir putih Palipi, Monument Heritage of Situmorang and Sidihoni Lake, and they are remotely positioned quite far from the urban area in Samosir Island (i.e., city of Panguriuran or Tomok). This location can give a slight benefit for the tourists who are most interested in exclusive areas, especially for tourists who are looking for a quiet place and far from the crowd. Nevertheless, Urat is still very poorly developed, and the area development in the island leaves much to be desired. The economic condition is still inadequate and weak. Most of the indigenous people work as farmers, fishermen, and building constructors. The response from policy makers is crucial for the indigenous people. In order the CBT worked effectively, counselling and training are wanted by the indigenous people. These two activities will help build an effective CBT in the Urat village.
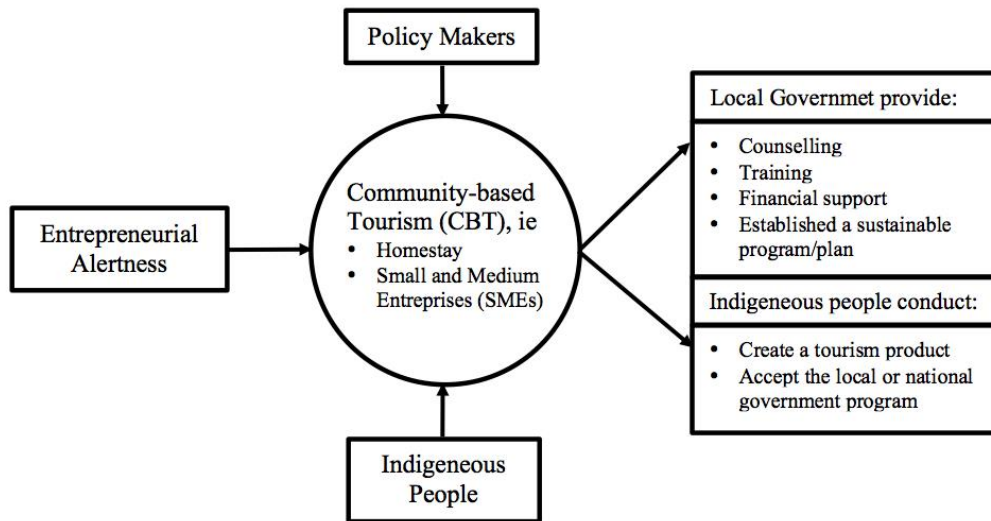

Figure 3. The CBT' collaboration (indigenous people and policy makers) framework

CONCLUSION

The aim of this study was to examine the perceptions and attitude of the interrelationship between indigenous people and policy makers in rural tourism development areas based on CBT. The insights gained from the data collection mentioned that there are still many disentangled ideas between the indigenous people and policy makers, which needs work. To build a CBT, both actors have to work side-by-side to put their ideas together and combine them as a new process to develop a new rural destination for the people of Urat. Here is a practical implication from the study.

Practical Implication

CBT is mandatory for rural tourism development in Urat, Samosir Island, Indonesia. The approach to establishing a tourist destination has to go through a host community, which is not only the relationship among the indigenous people in the CBT only, but it aims to sustain a partnership between the indigenous people and the policy makers (Nair & Hamzah, 2015). The coordination between the main government (Ministry of Tourism), local government, and indigenous people has to be conducted professionally and needs to work continually in order to sustain tourism in Urat. The development of the CBT is not only the responsibility of the community who lives there, but also the policy makers (main and local government). The policy makers have the same weight for how to push education in the community. Counselling about being an entrepreneur needs to be taught in Urat to help develop businesses. Inadequate information of how to set up a new business based on CBT is pivotal. Understanding how organize a CBT to increase income would be a start. The reason the indigenous people have difficulty with CBT as a basis for a business may result from how ineffective the approach from the policy makers has been. One of the recommendations for this study is therefore adjusting the approach to building a CBT in Urat. The different approach may be needed to understand the way of life of the indigenous people in Urat. CBT may not be clear on the science approach using project management or other modern architecture approach, so what they need may be just simply a low profile approach that can easily explain how important the CBT is to building a good tourism destination in rural areas. Especially, if the development of Urat has something to do with the effect from the acceleration of new "Bali 10", then the CBT development in Urat need to be reviewed again.

Limitations and Future Research

This study found limitations from the location itself, which is Urat, Samosir Island. Empirical studies could be carried out for other areas in Samosir Island, but due to the limitation of direct access to the local government, further investigations were just conducted in Urat. However, we acknowledge that there is a problem from the relationship between policy makers and indigenous people in supplying products and services in rural tourism areas. Having said that, we recognize that CBT in other areas in Indonesia need to be explored more in improving rural tourism, especially demographically, as most rural villages in Indonesia have the same characteristics as Urat.

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WHY DO INDIVIDUALS CHOOSE TO BECOME CREDIT UNION MEMBERS? AN EXPLORATORY STUDY OF FIVE CREDIT UNIONS IN YOGYAKARTA, INDONESIA

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ABSTRACT

This study explores the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions and analyses the reasons why individuals decided to join (or not join) credit unions. Using structured interviews, the authors collected data from members and non-members of credit unions in Yogyakarta, Indonesia. While economic benefits (accesses to loans and deposits, simpler procedures of loans, higher interest rates of deposits and lower interest rates of loans) were dominant, findings show the existence of non-economic benefits (the value of credit unions' social purpose and financial education and training) that also became the drivers of membership. Interestingly, the majority of respondents joined credit unions because they were invited by their friends, family members, and community leaders, showing the importance of recruitment efforts by recruiting agents known by potential members. This study suggests that credit unions need to deliberately promote their non-economic benefits (i.e. credit unions as organization pursuing social goals, facilitating member to help others and acquire financial education, training, and organizational experiences) through both, conventional media promotions and informal networks such as friends, family, and local communities. Moreover, credit unions need to create strategies for recruitment that structurally involve existing members as recruit agents.

Keywords: Credit union, membership, economic and non-economic benefits, recruitment efforts.

INTRODUCTION

Credit unions are member-based social enterprises pursuing valuable financial and social services. These organizations have become increasingly important within the financial service sector (Martinez-Campillo & Fernandez-Santos, 2017; McKillop & Wilson, 2011). In 2016 the credit union movement comprised over 68,882 credit unions across 109 countries with more than 235 million members and approximately US$1.7 trillion in assets (WOCCU, 2016). In the Indonesian context, credit unions have become one of the most developed and sustainable financial cooperatives, owned by and serving middle-to-low income earners (Irnawan, 2010; Kusumajati & Nopirin, 2012). In 2016, credit unions in Indonesia comprised 887 institutions, with 2.8 million members, and an asset base of IDR27.7 trillion (US$2.063 billion) (Inkopdit, 2017).

The literature on credit unions and financial co-operatives usually focus on performance comparison with commercial banks (Glass & McKillop, 2006; Goddard, McKillop, & Wilson, 2008; McKillop & Wilson, 2015), while analysis of membership has remained under-explored (Jones, Jussila, & Kalmi, 2016), despite its importance. Gijselinckx and Bussels (2014), for example, argue investigating why people would join a co-operative is important since "no members, no co-operative in the first place." Research on what motivates individual to join credit unions is particularly urgent for Indonesian context since by 2006 the rate of membership growth of credit unions has been declining, despite their increase of individual members and assets.

The financial and institutional sustainability of a credit union depends on the growth in membership among other things. However, the ability of a credit union to recruit and retain its members is determined by its capacity to create and offer benefits expected by its members and potential members. Accordingly, this study explores the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions. Then, it analyzes the reasons why individuals decided to join (or not join) credit unions.

Employing structured interviews, we collected data from 90 respondents who were the members of five credit unions in Yogyakarta, Indonesia, and 41 respondents who were not members but had some information about credit unions. We explored respondents' perceptions regarding economic and non-economic benefits of being members of credit unions. Guided by individualistic and collectivist motivations as well as participation chain model derived from mutual incentives theory, this study seeks to explore economic and non-economic reasons that motivate members to join credit unions and non-members not to do so. Additionally, this study investigates the process of being credit union members.

Findings of this study show that both members and non-members perceived economic and non-economic benefits of being members of credit unions. Regarding economic benefits, members benefited access to loans and deposits, simpler procedures of loans, higher interest rates of deposits and facilities to enhance business, among other things. Opportunities for widening networks, acquiring financial education, training, and organizational experiences as well as chances to help others were the non-economic benefits of credit union membership. Findings also show that economic benefits are overriding non-economic benefits, and members of credit unions valued those benefits more than non-members. Regarding the process of being credit union members, findings revealed the importance of recruitment efforts done by friends, family members, or management. Based on the findings, this study suggests what credit unions can and should do in their marketing strategies in order to increase members' loyalty and attract new members.

The following section describes theoretical frameworks and previous empirical studies, addressing the question of why individuals decide to join cooperatives. Economic and non-economic approaches utilized by related previous studies are presented firstly, followed by two theoretical frameworks to analyze individuals' choice to join cooperatives, namely individualistic and collectivist motivation model and participation chain model. After the literature review, we explain our research method, continued by findings and discussion. Before concluding our paper, we suggest some practical implications based on the findings.

LITERATURE REVIEW

Economists have traditionally given little attention to the question what motivates people to join economic organizations, specifically cooperatives (Jones *et al.*, 2016). To the limited literature on this topic, there are at least three approaches to address that question, namely economic approach, economic and non-economic approach, and individualistic and communalistic approach.

Economic Approach

Ashenfelter and Pencavel (1969) are among the first scholars who investigate the determinants on union membership using a rational choice framework. Ashenfelter and Pencavel (1969) offer a model and empirical findings that show how potential union members compare the benefit of unionization to its cost and join the union when the former exceeds the latter. Ropke (1989) applies this rational choice framework in the context of cooperatives, providing extensive discussions on the problem of cooperatives in developing countries with special reference of Indonesia. While Ashenfelter and Pencavel (1969) and Ropke (1989) emphasis on subjective assessment of (potential) members regarding the benefits they get from the organizations, Emmons and Schmid (1999) investigate environmental (or 'objective') factors. They find that types of common bounds, the number of potential members, and market competitions influence the growth of membership of the US credit unions. Specifically, they discover that a larger potential credit union membership relates to lower credit union participation rates, while credit unions with multiple common bonds and operate in more concentrated banking market have higher participation rates. Similarly, drawing from literature about benefits of joining cooperatives (i.e. market access, improved bargaining power and reduced transaction costs), Alho (2015) shows that a stable market channel is the most important benefit for 682 Finnish agricultural producers in livestock producers. This benefit is valuable particularly to farmers who are investing in farm expansion. Despite their different focuses (i.e. subjective versus objective factors), those studies share a similar approach: investigating economic factors that may influence the attractiveness of organizations (i.e. cooperatives or credit unions) to members and potential members. This approach provides some valuable explanations. However, it is limited since the non-economic aspects are overlooked.

Economic and Non-Economic Approaches

There have been studies that investigate both economic and non-economic factors that influence individuals to join cooperatives (Bakucs, Fertő, & Szabó, 2012; Möllers, Traikova, Bîrhală, & Wolz, 2018; Zeweld Nugusse, Van Huylenbroeck, & Buysse, 2013). However, they tend to bring together various factors, rather than organizing them within parsimonious constructs that may help to better understand the problem. Additionally, the unique characteristic of these organizations such as their cooperative nature and social purpose of these organizations remains unconsidered.

Jones *et al.* (2016) are one among few empirical studies that systematically investigate both economic and non-economic incentives of cooperative members and how those incentives influence the membership growth of cooperative banks. Acknowledging economic motivations (i.e. "monetary incentives") as one reason for individuals to

join a cooperative, they also investigate the role of non-monetary motivations such as social identity and community building as amongst the reasons to join. Using the data of Finnish cooperative banks, Jones *et al.* (2016) find evidence that monetary incentives are important reasons to join, but non-economic incentives also play a role. They operationalize non-economic incentives using the size of the communities (as a proxy for proximity) from which members are recruited.

Departing from the hypothesis that "a consumer co-operative holds a competitive advantage on the market over investor-owned firms by virtue of its being a co-operative," Altman (2016) argues that the cooperative advantage is situated in buyers deriving a non-material benefit by purchasing from a consumer co-operative. This, in turn, increases the consumer's level of well-being or utility. This non-material benefit can take many forms, such as sympathy and empathy or support for a particular organization form like a co-operative. Altman (2016) does not specify this non-material benefit offered by cooperatives but only labels it as a "warm glow effect," meaning "a feeling better that enhances the level of wellbeing coming from psychological ownership, identity, and a sense of community such as solidarity and social cohesion." The findings of Altman (2016) experimental research support a core assumption that economic variables are of fundamental importance to individual's choice decisions. However, they also show the importance of non-economic variables. Significantly, individuals are willing to pay higher prices for co-operative products even if they are not-cooperative members. Based on the findings, Altman (2016) suggests that cooperatives' competitive advantage lies in their ability to invest in both economic and non-economic determinants of consumer demand.

Individualistic and Collectivistic Approaches

Instead of focusing on economic or/and non-economic approaches, other scholars depart from a fundamental question whether people are inherently individualistic or cooperative. Based on the individual and collective motives model of cooperative participation, Birchall and Simmons (2004) propose mutual incentive theory. Assuming that people are motivated by individual rewards and punishments, and provides a set of generalizations about how they interact, the *individualistic approach* outlines two oppositional incentives: positive and negative incentives. Positive incentives (i.e. benefits and habit) encourage people to participate in cooperatives, while negative incentives (i.e. cost, opportunity cost, and satiation) discourage people from participating. Drawn from theories of social co-operation, the *collective approach,* on the other hand, assumes that participation can be motivated by three variables: share goals (i.e. people express mutual needs that translate into common goals; share values (i.e. people feel a sense of duty to participate as an expression of common values); sense of community (i.e. people identify with and care about other people who either live in the same area or are like them in some respects). According to the collectivistic approach, the more each of these three variables is present, the more likely people will be to participate (Birchall & Simmons, 2004).

While mutual incentive theory is beneficial, Birchall and Simmons (2004) argue that this theory not be sufficient to explain what makes people participate. In the "participation chain', they link personal resources and dynamics of mobilization to individualistic and collective motivations. The model has three levels or links in the chain. The first level takes in the prior *resources* and capacities of potential participants, including time, money, skills and confidence. To the question "why do people participate?" resource-based theories explain how "[participatory] activities vary in their resource requirements and individual vary in their resource endowments (Birchall & Simmons, 2004) Further, it is suggested that "resource constraints are an important factor in determining who becomes active in what way" (Birchall & Simmons, 2004).

The next level of participation chain observes the *mobilization* of participants. Regarding this level, Birchall and Simmons (2004) propose three important factors to be considered. First, some participants are more strongly engaged by certain 'catalysis *issues'* than non-participants. These issues might include a negative relationship with the organization, a sense of relative deprivation, and a desire for change. Second, the creation and promotion of *opportunities* have been put forward as an important factor in mobilization (attractiveness, timeliness and relevance). Finally, *recruitment efforts* are also critical. While some individuals seek out participation opportunities themselves, 'being asked' may be an important factor in mobilizing participants. This is particularly the case where the recruitment agent is known to the participant through his/her existing social networks.

Although the three levels are linked, Birchall and Simmons (2004) remind that the chain model is not-sequential. Hence, factors on each of the three levels work independently to affect the likelihood of members' participation. The

three levels are susceptible to change, making that link in the chain either weaker or stronger. This means that positive steps can be taken to enhance the likelihood that members will participate, through strategies to ensure there are no 'weak links' in the chain.

RESEARCH METHOD

The research question of this study is why do individuals decide to join (or not to join) credit unions? This question is particularly urgent for Indonesian context since by 2006 the rate of membership growth of credit unions has been declining, despite their continual increase of individual members and assets (Inkopdit, 2017).

To address our research question, following Jones *et al.* (2016) and Altman (2016), we investigated both economic and non-economic benefits of being members of credit unions. Additionally, we also applied individualistic and collectivistic approaches exemplified by Birchall and Simmons (2004). Finally, we investigated the participation chain in the process of credit union membership.

Our study differs from those previous works in three respects. Firstly, in contrast with Jones *et al.* (2016) who investigates the economic and non-economic determinants of membership using panel data of Finnish cooperative bank, this study gathered individual-level data from 90 members of five credit unions operating in the Special Province of Yogyakarta, Indonesia, and 41 non-members who had information about those five credit unions. The five participating credit unions were Bererod Gratia, Sandya Swadaya, Cindelaras Tumangkar, Sapu Lidi, and Sehati. Secondly, while Altman (2016) tests how both economic and non-economic variable on individual's demand on cooperative products by conducting economic experiments to students from two universities The Province of Saskatchewan, Canada, where consumer cooperatives and credit unions are pervasive and well known, this study surveyed actual members of credit unions and non-members as a control group. Thirdly, contrasting to Birchall and Simmons (2004) who apply mutual incentive theory and participation chain for quantitative research in two cooperatives in the UK (Co-operative College and Oxford, Swindon and Gloucester Co-operative Society (OSG)), this study used this framework to guide an exploratory study applying a qualitative approach. Additionally, this study differs from Birchall and Simmons (2004) because it focuses on what makes individual decide to join or not join a credit union, while Birchall and Simmons (2004) investigate what makes members of cooperative participate in the government of their cooperatives. Given what motivates individual to join credit unions is still under-explored, an exploratory approach was chosen, allowing emergent findings.

Data were collected using structural interviews with an overarching question of what motivates individuals to decide joining (and continuing as) members of credit unions as well as what motivates individuals to decide not joining a credit union. This overarching question was detailed in some sub-questions. Members of credit unions were asked questions such as what made he/she decided to join; what benefits he/she got for being a member of a credit union regarding both economic and non-economic aspects? Non-members of credit union were asked questions such as what benefits members of credit unions could get regarding both economic and non-economic aspects and why they did not become members of credit unions. To investigate the participation chain, we asked some questions regarding the process of joining credit unions (who invited or provided information and how?).

FINDINGS AND DISCUSSION

This study seeks to explore why individuals choose to become members of credit unions or not. In the analyzes, motivations were grouped into economic and non-economic motivations as well as individual and collective motivations. Our findings show that both members and non-members of credit unions recognized the economic and non-economic benefits of being members of credit unions (see Table 1). Although economic benefits were dominant, the non-economic benefits were evident, which might be not the case for the decisions of individuals to be customers of other financial services such as banks. Additionally, members mentioned more items of both economic and non-economic benefits than non-members. Mean values of the number of items regarding economic and non-economic benefits reported by members were 2.99 and 1.18, respectively. They were higher than those mentioned by non-members, which were 2.34 for economic benefits and 0.80 for non-economic benefits. The total number of items of benefits enjoyed by credit union members mentioned by the member participants are 4.17, higher than that of mentioned by non-member participants (3.15).

Table 1
The Average Numbers of Benefits of Being Members of Credit Unions

	N	Economic Benefits				Non-Economic Benefits				Total Benefits			
		Min	Max	Mean	Std. Dev	Min	Max	Mean	Std. Dev	Min	Max	Mean	Std. Dev
Members	90	1	6	2.99	1.15	0	4	1.18	0.88	2	8	4.17	1.38
Non-members	41	1	5	2.34	1.28	0	3	0.80	1.28	1	6	3.15	1.28

Our findings are consistent with Altman (2016) and Jones *et al*. (2016). Altman (2016) shows that non-economic variables positively influence individual's choice decision to purchase products sold by co-operative. In his survey experiment, Altman (2016) investigated the determining effect of non-economic variables using the concept of "warm glow" (i.e. "psychological ownership, identity, and a sense of community such as solidarity and social cohesion"). Additionally, our findings also support Altman's (2016) conclusion that economic variables are overriding the non-economic variables. Likewise, our findings concur with Jones *et al.* (2016) who show the influence of non-economic factors (e.g. the size of community and proximity) on individuals' decisions to join credit unions, despite the dominance of monetary incentives.

Economic Benefits
Figure 1 shows that access to loans and access to savings were the economic benefits seen by the majority of both members and non-members. In general, there were more credit union members mentioned those benefits than non-members with the average difference of 12.2%. For example, 77.4% members mentioned the benefits of access to loans compared to 63.4% that of non-member respondents. Other benefits, namely access to savings, higher deposits interest rate, lower loans interest rate, and facilities to improve business, follow the similar pattern. Although this study did not investigate statistically how those economic incentives relate to members growth, these findings correspond with Jones *et al.* (2016) who find evidence that the membership of Finnish cooperative banks increases in banks with lower loan interest rates and where loans per customers increase.
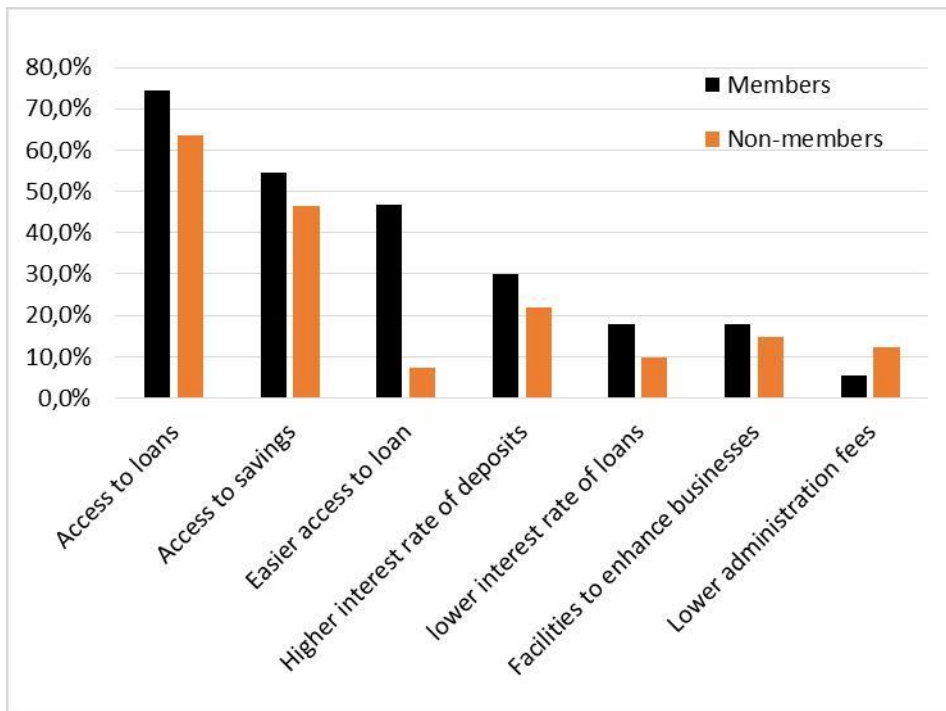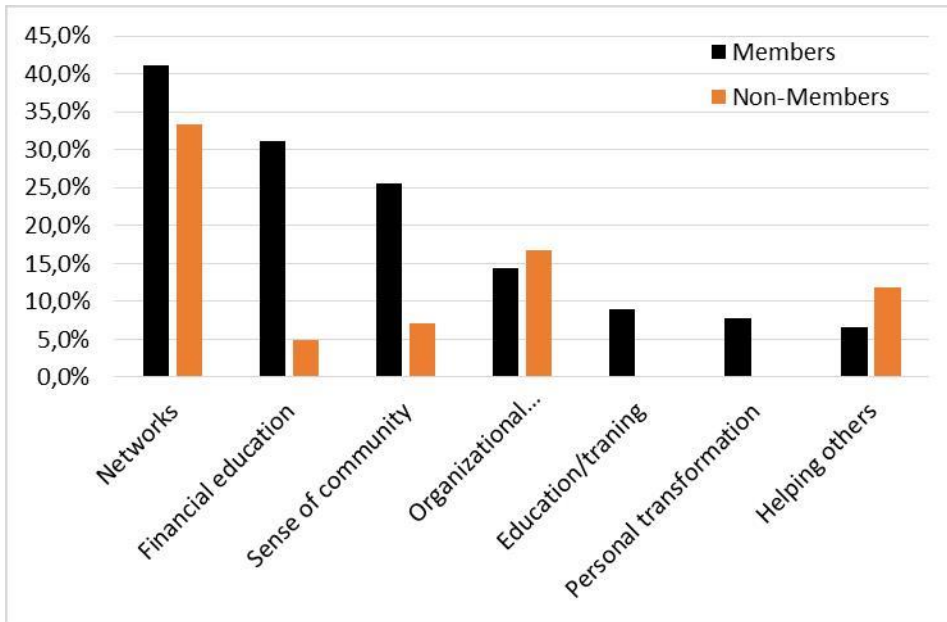

Figure 1. Economic benefits

Figure 2. Non-economic benefits

Interestingly, regarding the benefits of easier access to loans, there were wider gaps in answers between the two groups of respondents. 46.7% of members mentioned the benefit of easier access to loans compared to only 7.3% that of non-member respondents, making the difference between these two groups was 39.3%. This difference may merely signify that members valued this benefit more than non-members, so they saw this benefit more clearly. Alternatively, although appreciating this benefit, non-members did not recognize it due to lack of information. To decide which of this alternative is right, further investigation is needed.

Surprisingly, members who mentioned lower administrative cost benefits were fewer (6.6%) than non-members (12.2%). However, it is possible that members actually knew that the administrative costs within credit unions were lower than that of other financial institutions, but they valued it less than other benefits.

Categorizing those findings based on *individual* or *communal benefits*, we found that all the economic benefits mentioned by both members and non-members were individual benefits. Thus, the individualistic approach (assuming that people are motivated by rewards and self-interest) is fundamental for explaining economic drivers for the decision to join cooperatives (Ashenfelter & Pencavel, 1969; Birchall & Simmons, 2004).

Non-Economic Benefits
Similar to the economic benefits, there are more non-economic benefits mentioned by members than that of non-members (See Figure 2). Among all non-economic benefits, opportunities for widening relationships or networks were recognized by the most respondents, both members (41.1%) and non-members (33.3%), differing only 7.8%. These findings concur with Byrne and McCarthy (2014) who, using the context of Irish credit unions, discover that the majority of members prefer a relational than technical value proposition.

Substantial differences occurred in the benefits of *financial education* and *sense of community* with differences of 25.2% and 18.4%, respectively. 31.1% of members mentioned the benefit of financial education compared to 4.9% that of non-members and 25.6% of members mentioned the benefit of a sense of community compared to only 7.1% that of non-members. These differences need to be explored further. That non-members did not recognize that credit unions provide financial education to their members may indicate credit unions did not publicize their financial education or there were no significant changes in members regarding their financial literacy that could be observed by non-members. Considering Indonesian people, particularly the Javanese, who value sense of community, the discrepancy between members' and non-members' perception on the benefit of sense of community may indicate either that members appreciated this value more than non-members, or that non-members did not know that credit unions provide this benefit. Whatever the answer, it seems that people who appreciate more sense of family will be more likely interested in joining credit union than those who do not appreciate this value.

Two non-financial benefits were mentioned by members but unrecognized by non-members, namely the *benefits of training* and *personal transformation*. Similar to the benefit of financial education, the reasons why non-members did not see these benefits need to be explored.

Surprisingly, regarding the benefits of *organizational experience* and *helping others*, more non-members mentioned these benefits than members. 16.7% of non-members talked about the benefit of organizational experience compared to 14.4% of members, and 11.9% of non-members mentioned the benefit of helping others compared to 6.7% of members. Although the gaps were not wide, they show that these two benefits were considered important by some non-members. On the other hand, it is also possible that these two benefits were also considered valuable by members, but they were less important than other benefits.

All the findings concerning the social aspects of credit unions concur with previous studies underlining that credit unions are not merely financial institutions pursuing financial goals, but social enterprises having both financial and social goals (Martinez-Campillo & Fernandez-Santos, 2017; McKillop & Wilson, 2011). Given the non-members saw the social goal of credit unions, this social goal can be utilized in the marketing to recruit new members.

It is rather difficult to strictly separate non-economic benefits mentioned by respondents into *individual or communal benefits* as exemplified by Birchall and Simmons (2004). Attaining education/training and personal transformation may be categorized as individual benefits because the benefits are enjoyed primarily by individuals, while helping others may be categorized into communal benefits. However, it not impossible that those benefits of education/training and personal transformation positively affect others as well, while helping others may also make individuals satisfied. In contrast, the benefit of the networks requires a relationship with others or involvement within a community, but in turn, networking will benefit individuals as well. In our interviews, some members confided their aspirations that through the network of their credit unions, they could expand their markets for their products and create join-enterprises. The benefit of expanding network, in turn, results in individual benefits. The benefits of organizational experience and sense of community are similar. To gain these benefits, individuals have to be involved in a community, then their involvements in the community, in turn, make them find meaning in their life. Thus, regarding non-economic benefits, the distinction between individual and communal benefits is rather problematic and less helpful. However, it can be concluded that non-economic benefits tend to be closer communal incentives rather than individual, while economic benefits are closer to individual incentives based on self-interest.

Comparing Economic and Non-Economic Motivations with Economic and Non-Economic Benefits
While the individuals' perception of benefits of being members of credit unions likely influence the decision to join credit unions, this study also asked more straight questions concerning the motivations. The first question was directed to members: What makes you decided to join the credit union? The second question was directed to non-members: What makes you decided not to join a credit union although you know a certain credit union?
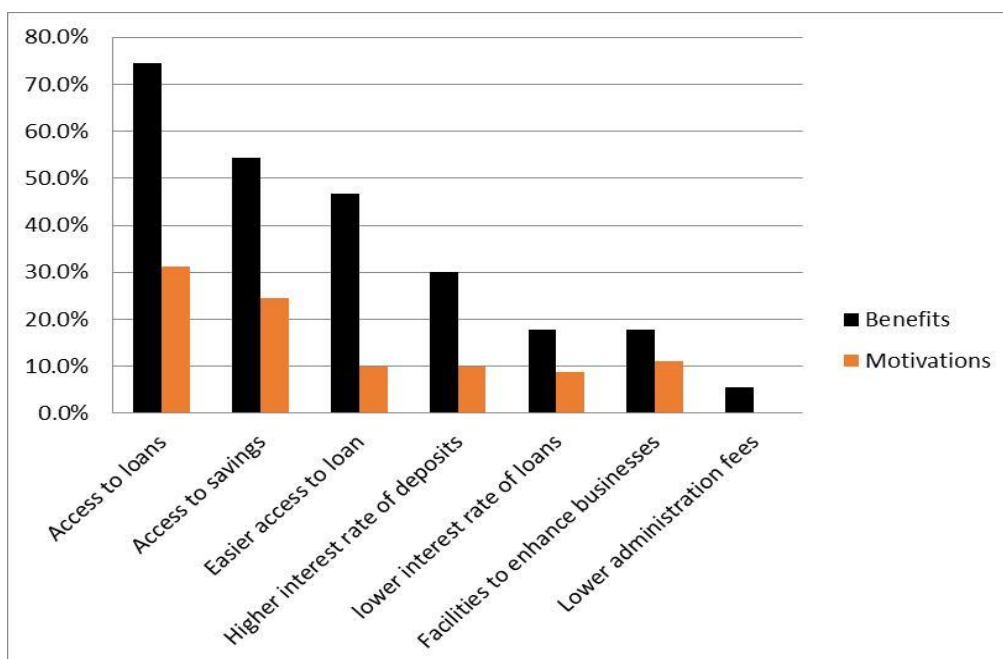

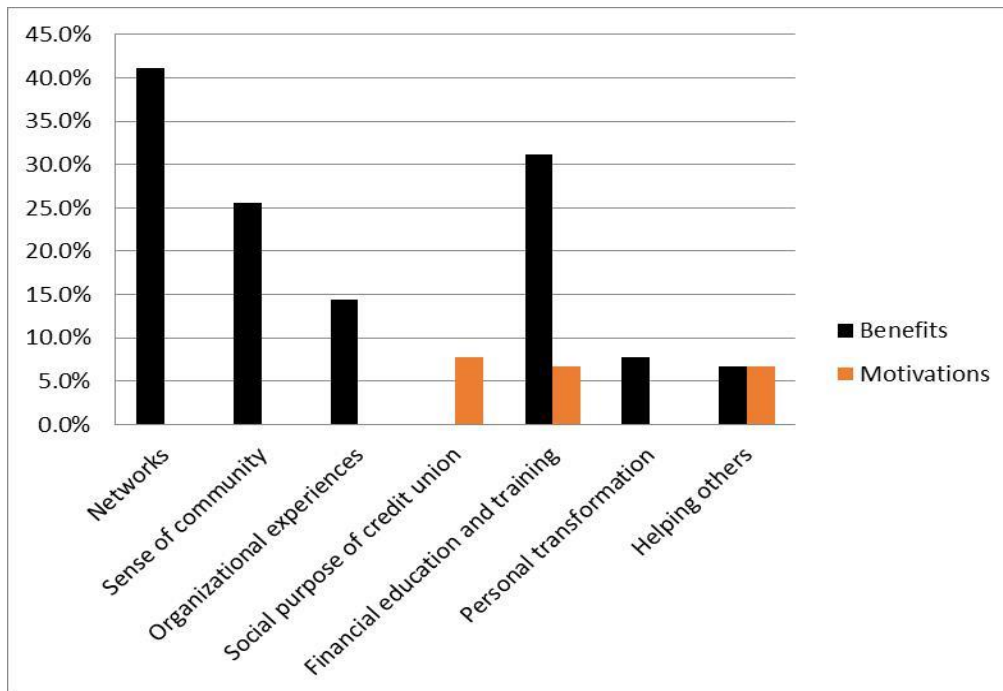**Figure 3. Economic benefits and motivations**

Figure 4. Non-economic benefits and motivations

Figure 3 and 4 illustrate that *economic motivations* were higher than *non-economic motivations*. Nevertheless, it is also clear that individuals decide to join credit unions were not only driven solely by economic motivations. These findings, again, consistent with consistent with Altman (2016) and Jones *et al.* (2016). Figure 3 shows that almost the *economic benefits* items mentioned by the members also drove them to decide to join credit unions, showing the dominance of economic incentives. The two economic benefits mentioned by the majority of members (access to loans 74.4% and savings 54.4%) also appeared as the two items mentioned by members as the main reasons for their decisions to join credit unions (access to loans 31.1% and deposits 24.4%).

For other economic motivations, the orders of their importance are slightly different from that of benefits. Members reported that they decided to join credit unions due to their desire for enhancing their business 11.1% and higher interest rates of deposits 10% and easier or simpler procedures of loans 10% and lower interest rates of loans 8.9%.

The differences are more evident between *non-economic* benefits and incentives. While members mentioned having new friends (widening networks), sense of community, organizational experience, and self-transformation as non-economic benefits of credit union membership, they were not mentioned them as the reasons for their decisions to join credit unions. In contrast, the social purpose of credit unions was revealed as the non-economic reason for joining credit unions that were mentioned by most members 7.8%. Meanwhile, opportunities for financial education and training and helping others were both mentioned as drivers for the decision to join credit unions (each item was mentioned by 6.7% of members).

The findings indicate that opportunities for having new friends, sense of family, organizational experience and self-transformation were not the main drivers that encouraged individual to join credit unions. Instead, maybe they were experienced by members after their membership. In contrast, the *social purpose of social credit unions*, *education/ training provided* by the credit unions, and the *opportunity to help others* became the non-economic drivers that motivated respondents to join credit unions.

What about non-member answers to question: "What makes you decided not to join a credit union although you know a certain credit union?" Figure 5 shows the *main reason why respondents did not join credit unions:* they did not need credit union services. This reason was revealed by phrases such as "I do not need credit union services" (24.4%), "I am not interested" (9.8%) or because their needs have been answered by other financial services (i.e. banks or other cooperatives) (29.3%). These findings indicate that credit unions competed with other financial providers and this influenced individuals' decisions to join credit unions as showed by previous research (Altman, 2016; Emmons & Schmid, 1999; Jones *et al.*, 2016). While some scholars suggest that cooperatives have a compe-

titive advantage relative to profit-maximizing firms (Altman, 2016; Jones *et al.*, 2016; Ropke, 1989), that non-member respondents chose other financial services providers showed that the credit unions in Yogyakarta lost the competition, at least to the group of potential customers participating in this study. However, from this data, we cannot conclude that those credit unions were less efficient or offer less economic benefits than other providers, given respondents also reported that credit unions offer higher interest rates of deposits and lower interest rate for loans. It is possible that the reasons for this group of respondent not choosing to join credit unions were not purely economic reasons.
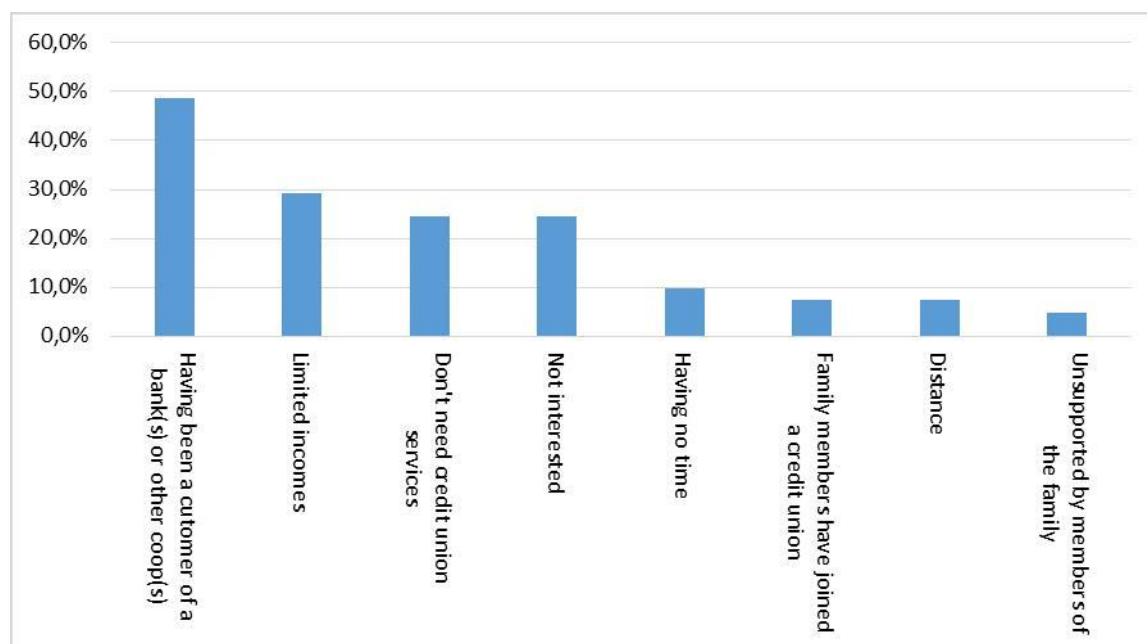

Figure 5. Reason for not joining a credit union

On the other hand, respondents said they did not join credit unions because their *incomes were limited* (24.4% of respondents) or their family members had already been members of credit unions (7.3% of respondents). That there were individuals decided not joining credit unions due to limited income is surprising, given credit unions are commonly considered specializing their services to middle-low income groups (Davis & Brockie, 2001; Myers, Cato, & Jones, 2012). Possibly, these groups of respondents were not informed about this credit unions' characteristic due to limited promotion. However, these findings show the fact of resource constrained and how this condition influences the decision to participate (Birchall & Simmons, 2004).

The rest of the groups (19.5%) reported that they did not join credit unions due to limited time and long distances, or they were not supported by other family members. Using the terminologies provided by Birchall and Simmons (2004), for these group the opportunity cost or/and direct cost of credit unions membership are higher than that of their benefits, resulting in their decisions not to join these institutions.

The Process of Membership

Birchall and Simmons (2004) suggest the importance of mobilization in explaining participation. They propose three important factors that mobilize participants, namely catalyzing issues, the creation and promotion of opportunities, and recruitment efforts. Accordingly, this study explored how individuals were mobilized to join credit unions by asking the question of "How is your process a member of the credit union?" The findings clearly show the importance of recruitment efforts and relationships with communities on the individuals' decision to become members of credit unions (Figure 6).

Figure 6 illustrates that 85% of the respondents joined credit unions because they were invited or encouraged by someone (i.e. friends 37.8%, family members 15.6%, community leaders 15.6% or credit union management 15.6%). It is only 15% of members who did not mention the role of others in their process of being members. These findings correspond with Birchall and Simmons (2004) that show the effectiveness of face-to-face recruitment by the recruitment agent that was known by to the participant through existing social networks. That there were more

members recruited by their friends who had joined credit unions than those who were recruited by credit union also concurs with Sumarwan and Taruk (2016) who find a similar phenomenon in the context of Toraja, South Sulawesi.
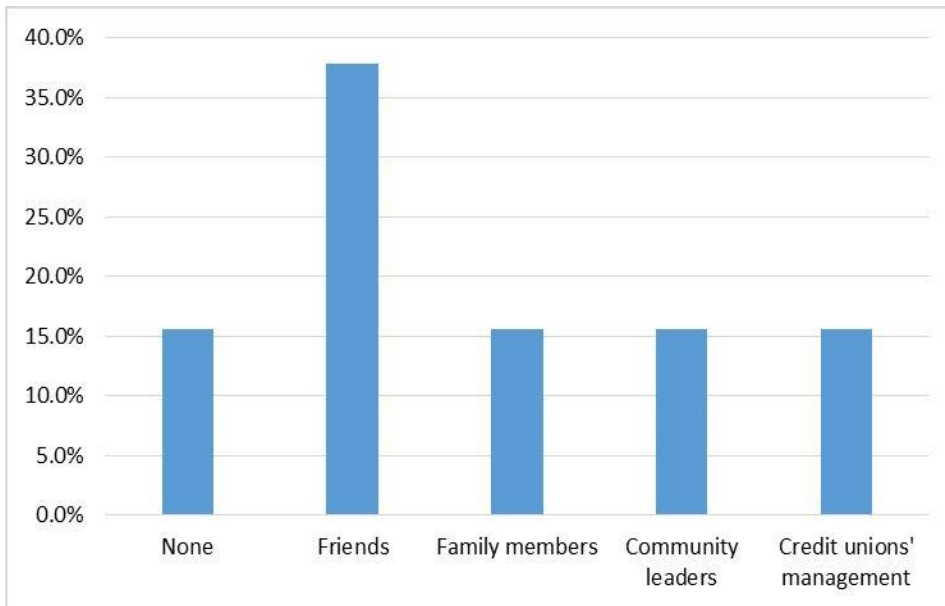

Figure 6. Who encouraged participants to join credit union?

Recruiting new members is important. However, maintaining and increasing the loyalty of existing members is also essential, easier and cheaper. Therefore, this study also asked members this question: "What will make you exit from your credit union?" Figure 7 shows that 24.4% of members declared having no reason to exit from credit union membership, while 34.4% members did not answer this question. Whether this is a sign of members' loyalty to their credit unions or not, further investigation is still needed. From the rest of members, it was revealed that 28.9% of the respondents conceded that they would exit due to organizational issues (their credit unions were liquidated 11.1%, mismanaged 5.6%, not transparent 3.3%, or unfaithful to their purpose 2.2%) and operational issues (being unsatisfied by credit unions' services 4.4% and un-competitive products offered by their credit unions 2.2%). Interestingly, the organizational issues 26.7% that may be classified as non-economic reasons were overriding the operational issues 5.6% which may be classified as economic reasons. These non-economic reasons may also explain why individuals do not join credit unions. To retain their members as well as to attract new members, credit unions need to address those issues. Other reasons for exit were personal 12% of members such as moving to other place 3.2%, joining another credit union 2.2%, the decrease of income 2.2%, having no loans 2.2%, busyness 1.1% and being expelled by their credit unions 1.1%.
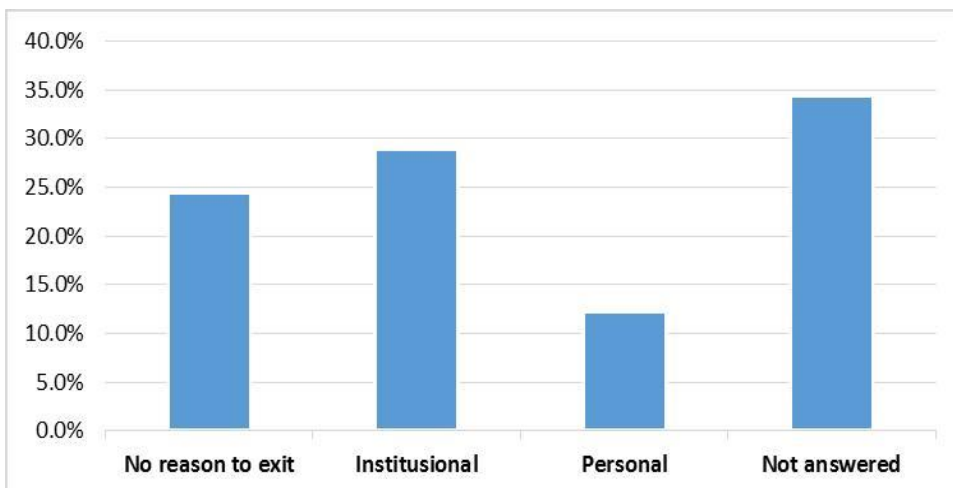

Figure 7. Reasons to exit

PRACTICAL IMPLICATIONS

Based on the analyzes of members' and non-members' perceptions of the economic and non-economic benefits of being members of the credit unions as well as what motivate individuals to join credit unions, we propose some suggestions concerning what credit unions should do to maintain and develops in their operations and marketing strategies.

Table 2
The Economic and Non-Economic Benefits of Joining Credit Unions

Economic benefits	Non-economic benefits
Access to loans	The social purpose of credit unions
Access to deposits	Facilitating members to help others
Facilities for enhancing business	Financial education and other training*
Higher interest rates of deposits	Extending networks
Easier access to loans (simpler procedures)*	The sense of community*
Lower interest rate of loans	Opportunities for organizational experiences

* There are wider gaps in perceptions between members and non-members.

First, credit unions should increase the benefits they provide to their members both regarding the economic and non-economic benefits (see Table 2). Special attentions should be given to the benefits whose perception gaps between members and non-member are wide.

Regarding *economic benefits*, credit unions have advantages that both members and non-members have known the benefits of being members of credit unions (i.e. access to loans, access to deposits, facilities for enhancing business, higher interest rates of deposits, and lower interest rates of loans). It is credit unions' task to ensure that all those benefits remain available. However, given the higher interest rates of deposits means higher financial cost and lower interest rates of loans means higher opportunity cost, credit unions unnecessarily set interest rates too high for deposits and too low for loans. Altman (2016) provides evidence that individuals tend to choose cooperatives when cooperatives and non-cooperatives offer products with the same price. Further, cooperatives members also are willing to pay a higher price for cooperative products, indicating that their choice decisions are not driven merely by economic reasons. However, it should be noted that Altman (2016) uses the Canadian context where people appreciate cooperatives. In other context where cooperatives do not gain good reputations, individuals' behavior may differ, requiring cooperatives to offer lower price compared to their competitors or provide non-economic benefits that are given by their competitors.

Given the percentage of members who mentioned easier access to loans or the simpler procedures of loans as benefits are six-fold than that of non-members, credit unions should promote more clearly to non-members that they offer simpler procedures of loans. Knowing those benefits may encourage non-members to decide to join credit unions.

Regarding *non-economic benefits*, both members and non-member have known that credit unions help members to extend their network, providing a sense of community, organizational experiences and opportunities to help others. Even, the percentage of non-members who mentioned organizational experiences and opportunities to help others as benefits of being members of credit unions is higher than that of members. Thus, credit unions should maintain those benefits and make them more apparent, given they show the uniqueness of credit union compared to other financial institutions. As financial institution owned by members, credit unions should encourage members to participate in maintaining and developing their organization. By attending annual members' meeting, scrutinizing annual reports, providing feedback and suggestions, choosing members of the board and supervisory committee, among other things, members exercise democracy within their organizations. By participating in the organizational activities, credit union members may be likely becoming more educated and responsible citizens. Likewise, given some respondents explicitly stated that they decided to join credit unions mainly due to their desire to help others, credit unions should ensure and show the realization of their promise to be financial institutions pursuing social purpose. Seeing the realization on the promise of this social purpose, non-member is more likely interested to join a credit union, even if they do not get economic benefits.

Recalling that there are only a few non-members who recognized the benefits of the financial education, other training, and the benefit of the sense of community, credit unions also need to make those benefit more apparent, particularly to non-members.

Second, credit unions should incorporate both economic and non-economic benefits in their marketing strategies to both members and non-members. Special emphasis should be given to the benefits that are not recognized by non-members (i.e. easier access to loans, the financial education and training, and sense of community). In particular, non-economic benefits such as the social purpose of social credit unions, financial education and other training provided by the credit unions, and the opportunity to help others should be emphasized, given some members revealed that they joined credit unions due to those reasons and that those are credit unions' added values that are difficult to be copied by their competitors. By exposing those benefits to non-members, credit unions may encourage non-members to join credit unions. Likewise, showing those benefits to members, credit unions increase members' awareness on the benefit of their membership, encouraging them to utilize more credit union services. Thus, members will profit more benefits, thereby becoming more loyal. More loyal a member, more likely he or she becomes an effective agent for recruiting new members.

Third, regarding recruitment efforts, credit unions should more systematically involve existing members to recruit new members. It is not uncommon that existing members invite others to join credit unions. However, they are more motivated by aspirations to help their friends or family members enjoying the benefits of memberships that they have experienced than that they are encouraged by credit unions to do so (Sumarwan & Taruk, 2016). Thus, a more comprehensive recruitment strategy that involves existing members may be useful. This strategy includes explaining to members the characteristics of individuals or groups that are more likely to be recruited, specifying marketing targets, identifying needs, values and benefits appropriate to certain target group as well as provide training of effective marketing techniques for members, such as involving face to face contact and recruiting in groups done by recruitment agents known by potential members (Birchall & Simmons, 2004).

Fourth, credit unions should protect existing members to exit by increasing organizational accountability, making it well-managed, more transparent, and faithful to their social purpose, thereby sustainable. They also need to improve their efficiency and to be more competitive.

CONCLUSION

This study aims to explore the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions and analyze the reasons why individuals might decide to join (or not join) credit unions. Guided by economic and non-economic approaches as well as individualistic and communalistic approaches, this study examined the benefit of being members of credit unions and what motivated individuals to join credit unions.

Findings reveal that members and non-members perceived some economic and non-economic benefits of joining credit unions. Access to loans and deposits, simpler procedures of loans, higher interest rates of deposits, lower interest rates of loans, facilities for enhancing businesses, and lower administration fees were considered as economic benefits and motivations; while opportunities for expanding networks and experiencing the sense of community, facilities for acquiring organizational experiences, education and training, personal transformation, and opportunity to help others and the value of credit unions' social purpose were considered as non-economic benefits and motivations. Although economic benefits tend to dominate non-economic ones, some social benefits (i.e. education and training and opportunities to help others) clearly played roles as the drivers of members' decisions to credit unions. Regarding the main reasons why non-members did not join credit union, the findings showed that the non-members did not need credit union services as their needs had been fulfilled by other financial institutions. Further, members' decisions to exit their credit unions would be driven by more institutional rather than personal factors, such as the liquidation of the credit unions, mismanagement, the problem of transparency, and mission drift. It was also found that the majority of respondents joined credit unions because they were invited or encouraged by their friends, family members, or community leaders.

Considering that both financial and social values motivate an individual to join credit unions, this study suggested that credit unions need to maintain their economic and non-economic benefits. Specifically, credit unions need to regularly review their loan-savings interest rate and procedure, administrative fees, while maintaining their good organizational-operational capability and accountability. It is also important for credit unions to promote not only economic but also non-economic benefits of membership, such as exposing credit unions as means to help others, providers of education (specifically financial education), and also personal transformation and organizational learning. Moreover, regarding recruitment efforts, credit unions should more systematically involve existing members to recruit new members.

This research provided some strategies and suggestions for credit unions to enhance their capacity to attract members. However, this study is limited since it did not control the research process with the demographic characteristic of the respondents (i.e. characteristic of living area, profession, education, and gender) that may become interacting factors which influence individuals' decision in joining or not joining credit unions. This issue needs to be addressed in the future research.

Given there are wide gaps between members' and non-members' perceptions regarding some benefits of credit union membership, future research needs to investigate those gaps. Similarly, explaining why there are gaps between benefits of memberships and motivations of being members, particularly concerning non-economic benefits and motivations, will provide valuable information for credit unions to improve their marketing strategies. Moreover, the future research that provides the basis for the formulation of marketing strategies that effectively promote economic as well as social values perceived by potential members, as discussed in this study, will also contribute to credit union development.

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GENERATION-Z CONSUMER CLASSIFICATION USING CLUSTER ANALYSIS METHOD

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ABSTRACT

The Generation-Z is the collective term for people born since 1995 and the first to have Internet technology so readily available at a very young age. They are turning into adult and the future of customer experience will be inspired by Generation-Z. Businesses have to take action and make investment plans of technology for the future and put their priorities on Generation-Z's expectation as future customers. In the case of Indonesian, with the growth of the internet at the time and demographic bonus, the number of Generation-Z is growing rapidly. Previous studies have indicated that Generation-Z has distinct buying behavior compared to earlier generations. The aim of this research is to identify whether there are different groups of buyers among Generation-Z. This research was quantitative by using a survey instrument for its data collection. Two-step cluster analysis was conducted to 2027 Generation-Z respondents and additional 222 Generation-Y respondents that fulfilled the criteria in order to identify availability of these groups. Clustering is a widely applied method in grouping people into market segments and describe their characteristics. The output of cluster analysis shows that there are four types or clusters of Generation-Z that has distinct characteristics. By analyzing additional data of Generation-Y, it is found that the Generation-Y was a different cluster than any of four clusters of Generation-Z. As sources state that by 2020 Generation-Z will command nearly 40% of all consumer shopping then a new business strategy is needed to reach them as they are completely different with earlier generations.

Keywords: Business strategy, generation-z, buying behavior, cluster analysis.

INTRODUCTION

The internet makes time and distance lost. Anyone can find almost anything on the website. The existence of increasingly sophisticated smart devices also make the social environment move into a world equipped internet. This raise a new human generation. The human generation can be determined by the simple facts of the age group that live in the same period of time, with the same social, cultural, technological, and environmental similarities. They have relatively similar behavior in dealing with situations and experiences of their lives (Hidvégi & Kelemen-Erdos, 2016). Generation-Z is a term used for those born since 1995; those who already enjoy Internet technology that is readily available (Bassiouni & Hackley, 2014; Berkup, 2014). They are generally comfortable in using technology and can even be addicted to technology. This dependency makes their socialization and association much use internet and social media (Maryoto, 2018).

Generation-Z can be called a tech addict because they have a level of understanding about internet technology, often stay online 7/24, get information from the internet and continue to share something, can play games, socialize in the cloud on the internet environment. This generation accesses all kinds of information on the Internet that they need. Generation-Z thinks about technology as a normal part of life, but not innovation or comfort that needs to be conditioned (Berkup, 2014). Gen-Z has a very different habit with the previous generation. At a young age they have been instrumental in purchasing decisions within the family. This is a good opportunity for businesses to grow their business network by understanding their behavior and consumption habits (Lubis, 2016).

Future shopping experiences are believed to be inspired by Generation-Z. The Retailer must therefore be able to prepare an action plan and initiate the necessary technology investments. This plan of changes gets top priority because Generation-Z will become the main customer in the future. The main things that Gen-Z's expectations of making purchases must be identified. Previous study by Hetu (2017) identified their expectations of an easy shopping experience, flexible in use and easily shared with others.

In Indonesia, Generation-Z is more appropriately defined as those born after the year 2000. This is due before 2000, the growth of the internet in Indonesia is still very low. Generation-Z are those who are born when the internet has been commonly known and growing rapidly. Lubis (2016) said that Indonesian children who was born after the year 2000 are generally have a digital footprint. Since childhood they have used social media and accustomed to working on several activities together. Other characteristics of Gen-Z is that they have the mindset of more pluralistic and more receptive to difference. Results of the survey showed 81 percent of Gen-Z have friends of a different background (Maryoto, 2018).

The Generation-Z has traits of doing some work at the same time. They want to solve problems with quick decisions. Their expertise in using the internet as a source of information helps them to make decisions (Husni & Fatulloh, 2016). Although research on the Generation-Z has begun to be widely publicized, it is often found criticism and pro-cons. The empirical basis is still considered insufficient to provide an accurate picture (Margaryan, Littlejohn, & Vojt, 2011).

The purpose of this work is to make an empirical contribution to build a more accurate picture of the Generation-Z in terms of classifying them into groups and explore the differences between these groups. Two hypotheses are tested. First, the characteristics and behavior would vary by different groups of Generation-Z. Secondly, these groups also present different traits compared with Generation-Y, especially younger Generation-Y.

LITERATURE REVIEW

Generation-Z is growing up to become an adult. They are experiencing growth where the world also changes much as they grow. There are so many changes in terms of politic, social, technology and economic. Generation-Z is believed to be a great power of consumers in the future. According to Netzer (2017), Perlstein (2017), and Pickard (2017), Generation-Z will take up nearly 40 percent of all consumers by 2020. Erwina (2013) also reported about 93% of parents saying their household purchases are influenced by their children. New businesses are trying to make sales to these Gen Z customers as they already have purchasing power of $ 44 billion. They need to know who they are, what they want and how they want it (Merriman, 2015). Villa & Dorsey (2017) in their research found male generation-z spending more on products (e.g. food or electronic products) than women who spend more money on experiences like going to a restaurant or watching a movie.

Regarding this study, the researcher refers to this new generation as Generation-Z, as presented in the study of WJSchroer (2004). WJSchroer (2004) divided generations of consumers into groups as described in Table 1 below. Another researcher, Berkup (2014), also suggested the same grouping.

Table 1
Types of Consumer Generations

Generation Names	Birth	Adulthood	Important Events
Boomers I or Baby Boomers	1946–1954	1963–1972	Vietnam War, civil rights movement, murders of Kennedy and Martin Luther King Jr
Boomers II or Generation Jones	1955–1965	1973–1983	Economic downturn including the oil embargo in 1979
Generation X	1966–1976	1988–1994	Known as the lost generation, many cases of divorce and the development of day care. The lowest participation rate in elections
Generation-Y or the Millenniums	1977–1994	1998–2006	The Internet has led this group to have same communication behavior. Gen Y was born in dual-income families or single parent families. Start to use credit cards since young age
Generation-Z	1995–2012	2013–2020	A very diverse environment will initiate the emergence of new types of education. Higher technology level makes significant inroads in the learning environment and accelerate student achievement opportunities

Source: Adapted from WJSchroer (2004)

Based on WJSchroer's (2004) classification, the researcher then reviewed the literature and previous studies to identify characteristics of each generation. The result is presented in Table 2.

Table 2
Characteristics of Consumers for Each Generation

Gen	Characteristics	References
Gen Y	Purchases to maintain their status, observe and compare their things with other people's, and more male respondents purchase products or services online than the overall female respondents.	Lissitsa and Kol (2016)
	Rely on teamwork, the first generation to use technology and experience globalization, live with technology and is considered as, "most technological generation", highly adaptable, are impatient and hate waiting, believing in the importance of learning without age restrictions, expect to be promoted quickly, prefer to change to another job when there is no job promotion, life is the main priority and work is second, start often using social media for communication and entertainment, good at multitasking, high-priced spending, and high self-confidence in ownership.	Berkup (2014)
Gen Z	Want to get everything easily and quickly, addicted to technology and speed, a big difference between generation-z and generation x, i.e. Their parents, in terms of the use of technology, addicted to social media, socialize through the internet. Stay online 24/7, get information from the internet and consistently share the information online, good at multitasking and efficient in the use of technology, individualistic, and does not like to work in a team.	Berkup (2014)
	An increasing trend of shopping online, clothing and food are the most popular purchase category, time efficiency becomes the key factor for shopping online, and perceive online shopping as cheaper and easier.	Simangunsong (2016)

Generation-Z is a future customer. Netzer (2017) mentions that they will command nearly 40 percent of all consumer shopping on 2020. Other article (Perlstein, 2017) also confirmed the truth of the statement. So, it's important for industry players to understand their behavior and habits. An understanding of their behavior and habits in consuming media will open up opportunities for brand owners and marketers to build long-term relationships with them. This is a rare phenomenon, where the world is much changed in their brief lifetimes. There are so many changes in terms of politic, social, technology and economic. Generation-Z is widely known as the next consumer powerhouse.

RESEARCH METHOD
This research used quantitative approach by using survey instruments for its data collection. Quantitative approach was chosen because it was commonly used in past researches which became the reference for this research. Recent studies were reviewed to examine the extend use of this research design and the provision of research context relevant with our research objectives. The quantitative approach has been popularly used in previous studies. For example, studies to identify usage of digital technologies for learning and socializing among young people (Margaryan *et al.*, 2011), leadership preference across different generations (Hall, 2012), factors affecting online purchasing (Dhanapal, Vashu, & Subramaniam, 2015), and Online Purchasing Decisions of Generation-Z (Hidvégi & Kelemen -Erdos, 2016). A recent methodology review by (Baethge, Klier, & Klier, 2016) also suggest suitability of quantitative research method in this context of study.

This research was conducted in several stages. The initial stage is to determine the scope of the study followed by a literature review to find out the state-of-the-art research to be the target of research purposes. The next stage is data collection using internet-based questionnaires. The questionnaire consists of questions that identify the nature of the generation of respondents. The questionnaire data is inputted into the SPSS statistical analysis software. There are two analysis method used here. First is descriptive analysis method to explain the profile of respondent like age, gender, level of education, and average of spending per month. Next, explained in score of frequency and percentage which is founded in sentences to get conclusion from said data of respondent profile. The second analysis method is twostep cluster which is used in order to decide typicality or characteristic of generation-z and generation-y which are being respondent in this research. SPSS Software was used as helping tool to analyze the data. The last step is to write findings in a report.

The data source comes from 18 question items in the questionnaire. The population in this study are those living in Jakarta and its surroundings (Jabodetabek) which is the Generation-Z-and Y-generation. Generation-Y, especially young group, is also included for further deepening result. The sample is selected using multistage random sampling. Multistage random sampling is defined as creating a sample frame by grouping based on the data source provided.

Clustering method is efficient in grouping multiple data sets. Clusters can be derived from continuous or categorical variables (Trpkova & Tevdovski, 2009). Dolnicar (2003) argued that clustering remains the most popular and most widely applied method in grouping individuals into market segments on the basis of multivariate survey information, despite the wide variety of techniques available cluster analysis. Cluster analysis consists of methods of classifying variables into clusters. Technically, the variables in a cluster highly correlate with one another but lowly correlate with variables from another clusters. The basic objective of cluster analysis is to determine how many mutually and exhaustive groups or clusters, based on the similarities of profiles among entities, really exist in the population and then to state the composition of such groups (Kothari, 2004).

SPSS has developed a two steps procedure compatible with analyzing hierarchal groups. It is called twostep cluster analysis, which is a better clustering method compared to hierarchical and k -means clustering that do not scale efficiently when n is very large (Garson, 2009). This analysis is applicable both for categorical and continuous variables, plus has its application when there are categorical variables with three or more categories. Even if the normality assumption is not met, the twostep cluster analysis can still give good results. Another assumption of this analysis is that the sample is large (> 200). Not only a very efficient clustering method in classification of large data sets, this method also has the ability to create groups using categorical and continuous variables and provided with automatic selection of number of clusters. Compared to the traditional clustering methods, these are all advantages of twostep analysis (Trpkova & Tevdovski, 2009).

FINDINGS AND DISCUSSION

The collection of data was conducted by giving out questionnaires to respondents who fulfilled the criteria of Generation-Z and Generation-Y. Respondents for Generation-Z fulfilled the following criteria: maximum age of 22 in 2016 and attending the same private university in Tangerang Selatan at the time of the survey. Table 3 below illustrates the profile of the respondents. The data collection was conducted from July to October 2016 and questionnaires were either given out manually or sent online. 2027 Generation-Z respondents and additional 222 Generation-Y respondents returned the questionnaires.

Table 3
Age of the Respondents

Generation-Z			Generation-Y		
Age	Frequency	Percent	Age	Frequency	Percent
16	3	0.15%	23–24	52	23%
17	125	6.17%	25–26	15	7%
18	532	26.25%	27–28	14	6%
19	397	19.59%	29–30	20	9%
20	417	20.57%	31–32	16	7%
21	344	16.97%	33–34	30	14%
22	209	10.31%	35–36	35	16%
			37–38	25	11%
			39–40	15	7%
	2027	100.00%		222	100%

Table 4 shows gender of respondents. It was moderately distributed between male and female. Education were mostly undergraduate or below; this representing Generation-Z age.

Table 4
Gender and Education of the Respondents

Gender	Frequency	Percent
Male	1254	56%
Female	995	44%
Total	2249	100.0
EDUCATION		
Senior High School or lower	1595	71%
Diploma	34	2%
Undergraduate	587	26%
Graduate or higher	33	1%
Total	2249	100.0

Table 5 shows monthly spending. It shows most respondents have an average spending of more than Rp 1.5 million. This information suggests that people, even at young age, has a considerable spending power. Because most of the respondents are Generation-z, it becomes critical to understand whether their spending characteristics is uniform or different.

Table 5
Monthly Spending of the Respondents

Spending Category	Frequency	Percent
< Rp 1 million	191	8%
Rp 1.0–1.5 million	400	18%
Rp 1.5–2.0 million	535	24%
Rp 2.0–3.0 million	576	26%
> Rp 3.0 million	547	24%
Total	2249	100%

Classification is one of the fundamentals of virtually all scientific research. Statistical techniques concerned with classification are essentially of two types (Everitt & Dunn, 2001). The first is aimed to reveal groups of observations from initially unclassified data. The second classification processes data that is already classified into groups to derive rules for classifying new (and as yet unclassified) individuals on the basis of their observed variable values. This is called discriminant function analysis (Landau & Everitt, 2004). Data clustering is a method for forming classes of data that have similar characteristics. Clustering is different from classification. In classification, data is grouped into predefined classes, whereas in clustering, grouping must be followed by the definition of the class as well.

Grouping techniques are used when we expect data to be grouped together naturally in different categories. Clusters are category items with many of the same features, e.g., customers, events, etc. TwoStep Cluster is the tool in SPSS used for clustering analysis. TwoStep method is primarily designed and implemented in SPSS. The TwoStep method can create cluster models based on persistent and category variables.

In order to reveal the categories of the Generation-Z dan Generation-Y, twostep cluster analysis is applied using the 18 variables identified in the literature (likert scale 1 to 7) as follows:
X_1-prioritize value of money when shopping
X_2-pessimistic on new things
X_3-like to work hard
X_4-love shopping online
X_5-rely on social media and internet

X_6-worry about the use of credit cards for online shopping
X_7-careful in considering options before making a decision
X_8-prefer to work individually
X_9-easily influenced by others' opinions and social status when purchasing products
X_{10}-prefer to have complete information before purchasing products
X_{11}-dislike direct sales by salesmen
X_{12}-purchase products which are in trend
X_{13}-pay attention to the food they purchase and its impact on their health
X_{14}-prefer to socialize online than face-to-face interaction
X_{15}-prefer things which are instant and do not like to waste time
X_{16}-enjoy multitasking when working
X_{17}-like technology and follow its development
X_{18}-like to shop in places with a variety of products

Based on two step clustering analysis, we found five clusters from our unit of analysis of 2249 respondents. Cluster 1 consisting of 455 respondents or 20.0%, Cluster 2 consisting of 689 respondents or 34.0%, Cluster 3 consisting of 242 respondents or 25.2%, Cluster 4 consisting of 283 respondents or 97.7%, and Cluster 5 consisting of 422 respondents (20.8% Generation-Z and 2.3% Generation-Y). The result of analysis using cluster method is presented in Table 6.

It is interesting to note that Generation-Y respondents are almost exclusively different than Generation-Z clusters. Only 2.3% of Generation-Y falls in to the same cluster, i.e., Cluster 5 with Generation-Z. Further analysis shows that these are younger age of Generation-Y, thus explains similarity with Generation-Z.

Table 6
Cluster Distribution

Cluster	Generation-Z		Generation-Y	
	Frequency	Percent	Frequency	Percent
1	405	20.0%	0	.0%
2	689	34.0%	0	.0%
3	511	25.2%	0	.0%
4	0	0%	217	97.7%
5	422	20.8%	5	2.3%
Combined	2027	100.0%	222	100.0%

A more detailed explanation of the characteristics and components of each group can be seen in the Table 7. One out of five people in Generation-Z belongs to Cluster 1. Cluster 1 is a group of people who are pessimistic on new things, e.g., technology, but enjoy online shopping. They like to shop in places with a variety of products. They are social media lover who don't understand technology; they don't concern themselves with price in shopping. Cluster 1 is also the people who can be easily influenced by others' opinions and social status; they like to purchase product which are in trend and choose to eat healthy food. They prefer things which are instant and they don't like to waste time. They enjoy multitasking in work and prefer to socialize online than to meet in person. They rely on social media and internet, careful in considering options when making decision.

One out of three people in Generation-Z belongs to Cluster 2. Cluster 2 is a group of people who care about money when shopping – in contrast to Cluster 1, prefer to have complete information before purchasing, and rely on social media and internet when making decision. They also like technology and follow its development. They like to shop online in places with a variety of products and love to search for discount information online). When shopping online, they can be easily influenced by others' opinions and social status. They like to purchase product which are in trend. They enjoy multitasking in work.

Table 7
Cluster Distribution

Characteristics	Cluster				
	1	2	3	4	5
Optimistic on new things	👎	👍		👍	👎
Enjoy online shopping	👍	👍	👎		👎
Shop in places with a variety of products	👍	👍		👍	👎
Rely on social media and internet	👍	👍	👎	👎	👎
Like technology and follow its development	👎	👍			👎
Prefer interact face-to-face than socialize online			👍		
Concern with price in shopping	👎	👍	👎	👍	👎
Easily influenced by others' opinions and social status	👍	👍	👎	👎	
Like to purchase product which are in trend	👍		👎	👎	
Need complete information before purchasing	👎	👍		👍	👎
Eat healthy food	👍		👎		👎
Prefer things which are instant	👍		👎		👎
Don't like to waste time	👍				
Prefer to socialize online than to meet in person	👍		👎		
Enjoy multitasking in work	👍	👍	👎		👎
Prefer work in group			👍	👍	
Like to work hard				👍	👎

👍 : clearly yes, 👎 : clearly no, empty cell : not clear

One out of 4 people in Generation-Z belongs to Cluster 3. Cluster 3 is a group of people who dislike shopping and don't rely on social media and internet. This contrasts to Cluster 1 and Cluster 2 characteristics. In deciding purchase, they are not easily influenced by others' opinions and social status. They don't purchase trendy product and like direct sales or face-to-face meeting with salesmen. They rather interact face-to-face than socialize online. They don't prefer instant things, and value process which takes time. They prefer to work in groups and do not enjoy multitasking when working. They are not pessimistic on new things. They don't really care about eating healthy food. They are those who don't concern themselves with internet and social media, they still like the traditional ways, they seldom use social media in communication, they value face to face meeting, they prefer to work in groups and not easily influenced by others in buying, they don't instantly make decisions and they value process in decision making, but they are not value for money type. They can trust sellers if meeting in person rather than online.

No one in Generation-Z respondents belongs to Cluster 4 and almost all Generation-Y respondents belongs to cluster 4. Cluster 4 is a group of people which are optimistic on new things, they like to work hard and careful in considering options when making decision. They care about value of money when shopping. They don't rely on social media and internet. They prefer to work in groups. In deciding purchase, they are not easily influenced by others' opinions and social status. They prefer to have complete information before purchasing. They don't purchase trendy product. They choose to eat healthy food. They rather interact face-to-face than socialize online. They like to shop in places with a variety of products. These are a group of people which are innovative, hard worker, understand technology, they are careful in making a purchase. Compare with study by Stiady (2011), this findings about gen-y has similarities that they are careful in making decisions. and also differences the paper of Stiady writes that Generation-Y need social media but our research found that They don't rely on social media and internet. The difference is that Stiady's study defines Generation-Y, also known as Millennium generation, as a term to describe demographic groups born between 1980 and 2000. Despite different characteristics by region, this is usually characterized by familiarity with communications, media, and digital technology which means several generations of Z, considered the Millennium in research.

One out 5 in Generation-Z belongs to Cluster 5. Cluster 5 is a group of people usually called pampered kid types or spoiled generation. They don't really care about money when shopping and dislike shopping in places with a variety of products. They dislike to work hard and they aren't careful in considering options before making a decision, they don't need complete information about product before purchasing, they don't really care about eating healthy food,

they don't enjoy multitasking when working, dislike technology and don't actually follow its development. They don't prefer instant things, and value process which takes time. They don't love shopping online. They don't rely on social media and internet.

CONCLUSION

The result of this study shows that there are four clusters of Generation-Z. Each cluster has distinct characteristics and often contrasting each other. Generation-Y, on the other hand, mostly group in a distinct cluster (Cluster 5) which were different with the four clusters of Generation-Z. Only a small number of Generation-Y, the younger age, fall into Cluster 4 of Generation-Z.

The result of this study explains what the challenges of business (consumer goods) in general in the future. The results of this study can help provide an answer, at least some of the challenges. For example, Generation-Z are way different from past generation like Generation-Y. This means retailers and businesses that are still using conventional ways for transactions will loss competition with online shops. A new business tactics is needed to reach them as they are completely different with previous generations.

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THE MOBILE LEGENDS' FASHION WEEK: HOW STAYING "IN-STYLE" WOULD IMPROVE CUSTOMER VALUE IN THE VIRTUAL GAMING WORLD

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ABSTRACT

This research is conducted by distributing a set of questionnaire on Google Forms. Respondents are purposively chosen to meet some criteria, for example we only choose players who are still actively playing and have used hero skin beforehand. We also screened out few respondents who are below 15 years old as we assume they haven't reached the stage where they are qualified to fill our questionnaire. Links to the questionnaire are spread among Facebook Groups in which massive community of local Mobile Legends players are pooled. We chose five big cities to represent Indonesia as following; Jakarta, Bandung, Surabaya, Medan, and Makassar. We contacted the groups' administrators and coordinate to distribute questionnaires among active players. Among all correlations we have also found that self-fashion congruity contributes to character choice and its connection between them are strong and inseparable. This proves that even though for each battle players may choose different heroes and different skins from time to time, we can conclude that self-fashion congruity is considered an important factor in opting choices. We can also see how players in Indonesia thinks of visual representation from game interfaces to hero appearances highly, therefore updates and configurations to better provide higher quality visual are very much needed from time to time.

Keywords: Mobile Legends, customer value, virtual game.

INTRODUCTION

As mobility rises, these days, people just can't sit at one place for a particular duration off time. In spending their leisure time, people had also shifted from looking entertainment to console games to mobile games in their mobile gadgets. This fact had also been proven by recent data from Statista per year 2017, mobile gaming model has accounted for about 42% of the world's total gaming industry revenue. This figure is quite significant compared to other gaming models such as console gaming (gaming with enhancements such as joysticks, gaming consoles such as Playstation and Wii) and PC gaming (gaming in personal computer devices) left with 31% and 29% respectively. In Indonesia itself, the highest grossing mobile games is Mobile Legends: Bang Bang, Lineage2 Revolution, Dragon Nest M – SEA, Lords Mobile and Rules of Survival consecutively. This fact had shown us the fact that mobile gaming had also shifted from a mere source of entertainment while sitting in a waiting room to a promising field in the entertainment industry.

Nevertheless, what made this industry keep on flourishing despite the lag in world economic sector? For the entertainment industry, it is important to indulge users to fulfill their happiness and enjoyment. Therefore, it is crucial to spoil consumers with high quality experience. While not all senses may be fondled, we have noticed that these days people are more visual-oriented. From scrolling Instagram posts to seeing YouTube videos, people are pickier and more selective in regards of what their eyes consume. The aesthetically pleasing and the good-looking will always captivate more hearts and gain instant attraction while the usual and so-looking visuals are getting ignored. It applies the same way in the gaming industry where the better graphic one game may provide, the better gaming experience players will get to get. Hence it is very foundational for visualize characters and game as well as possible.

As mentioned before, In Indonesia, one of the most growing and currently the highest grossing mobile games is Mobile Legends: Bang Bang. MLBB is a multiplayer online battle arena (MOBA) mobile application game developed by Moonton. Ever since its launch on July 2016, Mobile Legends has continued to mark its existence in the mobile gaming industry. As per January 2018, it had been downloaded more than 50 million times in Google Play Store. Its popularity had also taken its toll in Indonesia, as more than seven million Indonesian players are connected each month (Wang, 2017 as cited on Dimas, 2017). Even a smartphone developer had also recently released an exclusive limited-edition Mobile Legends smartphone in Indonesia. As the game grows more sensational as ever before, fashion of the characters in the game had also captured hearts. Moonton put a special attention to the characters' fashion carefully thus also offers some seasonal and thematic fashion for the characters. Recently, Moonton had launched a sensational collection of Christmas-themed "Skins" (term used to imply character's fashion) in December 2017. In March 2018 Moonton had also released Easter-themed skins in celebration of the merry occasion. This phenomenon proved that users are usually idealizing themselves by the avatars/ characters they choose, therefore updates in character's fashion are as essential as the seasonal fashion week. Sirgy (1985) had also previously stated

that one's self-concept influenced how one picture themselves. Therefore, in both avatar/character selection and character's fashion opting, self-congruity may play a deep-rooted role. Nevertheless, in the virtual side, though characters' fashion may sometimes be as costly, users often are willing to pay more despite the fact that they don't actually own the product as a tangible thing. Researchers had found the phenomenon interesting, therefore designed this study.

LITERATURE REVIEW AND HYPHOTESIS
Self-Congruity
The studies of self-image, self-concept, and self-congruity has been a topic of interest since the 1960s (Jacobson & Kossoff, 1963; Sommers, 1964; Birdwell, 1968; Dolich, 1969; Delozier, 1971; French & Glaschner, 1971; Sanchez, O'Brien, & Summers, 1975) and many had proven that consumers are tend to like brands with congruent characteristics as them more than the brands who doesn't (Landon Jr., 1974; Malhotra, 1988; Sirgy, 1982). The main idea of self-congruity is the matching between brand's image and consumer's self-image. Sirgy (1979) had developed four dimensions of self-images and compiled them in a unified form of self- concept. These dimensions include actual self-image, ideal self-image, actual social self- image, and ideal social self-image. The harmony between these images and product image offered by the brand is called self-congruity. In terms of self-congruity, the better compliment a product may offer to one's self concept may also cause more intense purchasing behavior (Usakli & Baloglu, 2011). In opting their decisions, consumers nowadays are also proven to shopping not only for functional values, but rather symbolic aspects which the product offered as well (Park & Yang, 2010; Heine, 2010). Hence, making brand evaluations even more complex than ever. In this study, we wanted to see how self-congruity in terms of fashion (self-fashion congruity) play crucial role in opting hero skins. Though each hero may have several skins available, each skin is to contribute the same level of functional values in the game, therefore making the analysis more objecttive since there are no difference between one skin style and the others.
H₁: Self-fashion congruity influences character choice.

Character Choice
In the process of determining one's decision, one must screen the vast variations of options down to several most preferred choices. In this evaluation process where products are being narrowed, we cannot deny how product appearance influences consumer product choices. Many studies had proven the fact (Bloch, 1995; Garber, 1995; Garber, Burke, & Morgan, 2000; Veryzer Jr., 1993; Veryzer Jr., 1995) and many also had broken down the functional components, especially in design literatures (Löbach, 1976; Pilditch, 1976; Schürer, 1971). Though functional terms from one author may differ from another, authors may had implied the same idea of components. For example, communication of ease of use by Bloch (1995) may be similar to the idea of aesthetic function by Löbach (1976) and Veryzer Jr. (1995) communicative function of a product appearance. Creusen and Schoormans (2005) had compiled the ideas from previous studies and constructed six roles of product appearance for consumer choice, including; communication of aesthetic, symbolic, functional, ergonomic product information, attention drawing, and categorization. Practically for this study, we have considered several dimensions that may be similar to our other variables. For example, symbolic features may be similar to the idea of self-congruity and ergonomic information may be similar to the idea of perceived ease of use. Lastly, we also had eliminated the role of functional information because in this case of opting between one hero skin and another, there are no differences on its functional aspects. Hence, narrowing down the roles to three mains; categorization, communication of aesthetic, and attention drawing. The categorization aspect would be described on how physical appearances may aid consumers on identifying a product category (Loken & Ward, 1990; Bloch, 1995; Veryzer Jr., 1995). In this particular study, we want to know how physical appearances influences players on identifying hero categorizations (assassin, marksman, tank, mage, etc.). The communication of aesthetic would stand on how far players take pleasure on seeing their product without considering its utility (Holbrook, 1980). This aspect would measure how physical appearance may add rewarding and satisfying values to the players even without extra functional value. Though this aspect may be very subjective and personal, one cannot shake off the fact on how this aspect highly influences consumer choice. Lastly, the attention drawing component speaks for how consumer may pay extra attention to a stand out product. Engel, Blackwell, and Miniard (1995) defines attention as the allocation of information processing capacity to a stimulus. Therefore, the more outstanding the product appear to the customer, the more likely customer would take notice. These aspects on how appearance plays a major role in choice would be nonsense if it adds no extra value for the customer. Hence in the end, we wanted to measure how customer choice influences customer value and customer happiness.
H₂: Character choice influences customer value.
H₃: Character choice influences customer happiness.

Customer Value

Customer value is defined as "consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" by Zeithaml (1988). Therefore, customer value may can also be called as the pure benefits from which customer's trade off. In the mobile apps industry. Xu, Peak, and Prybutok (2015) had also conducted a research on customer value on which they imply that customer value in mobile apps may offer consumers utilitarian and hedonic values. Utilitarian benefits in mobile apps covers the aspects of app utility and app quality and hedonic benefits would cover customer's enjoyment and app aesthetics.

In our case, since our subject of study is a gaming app, then app utility aspect would measure how the app provide enough entertainment for the player. Second, app quality would cover the app performance and issues, such as whether the app can run well on various devices and platforms. Third, enjoyment measures the degree on which players are set on a specific mood by playing the game. Last, app aesthetics stands for how far the app interface had brought a satisfying experience to the player.

Customer Happiness

Happiness is described as one's psychological well-being in life (Argyle, 2001) and could be very subjective and personal for each and every person (Powdthavee, 2009). Powdthavee (2009) further defined happiness as the degree of how far one perceives one's life, in a whole or for some particular parts of it, as favorable. Nevertheless, in this study, we wanted to see in a particular part of one's life, how may a Mobile Online Battle Arena (MOBA) game improves one's psychological well-being in life.

Derived from Aristotle's (1969) theory in which he suggested that happiness is a combination of life satisfaction and a summary of positive and negative emotions. Boniwell (2013) sums a mathematical formula to happiness: life satisfaction + affect. Ong (2015) created six dimensional scale to measure website-related happiness, derived from the previous studies in which website satisfaction and qualities are measured (Hills & Argyle, 1998; Joseph, Linley, Harwood, Lewis, & McCollam, 2004; Aladwani & Palvia, 2002; Grigoroudis, Litos, Moustakis, Politis, Tsironis, 2008; Headey & Wearing, 1992). Based on Ong's (2015) research, these six dimensions includes: informative support, website service reliability, connection, self-growth, website satisfaction, and emotional relaxation. All six dimensions were applied to this study with considerable adjustments.

Informative	The degree to which a website helps users provide information and support each other.
Support	In this particular study, we measure how Mobile Legends: Bang Bang serves as a medium for players to share information and support each other as fellow players.
Website Service Reliability	The user-perceived reliability of a website's service provision.
	In this particular study, we measure how the help center of Mobile Legends: Bang Bang had handled player's complaints and reports efficiently and effectively.
Connection	The degree to which a website helps users to connect with other people.
	In this particular study, we measure how Mobile Legends: Bang Bang serves as a place to connect with fellow players of the game.
Self-growth	The degree to which a website helps users to broaden their knowledge, to develop their abilities, or to practice their skills.
	In this particular study, we measure how Mobile Legends: Bang Bang helped players to improve their skills, then to make them have a sense of accomplishment by achieving things in the game.
Website	The degree to which a website satisfies users.
	In this particular study, we measure how Mobile Legends: Bang Bang had fulfilled players expectations in a way that the players are satisfied with the game.
Satisfaction	
Emotional	The degree to which a website provides a buffer and helps users relax from negative emotions.
Relaxation	In this particular study, we measure how Mobile Legends: Bang Bang had helped players to take a quick escape from reality and boosts players' mood.

Perceived Trust

In this particular study where our focus relies on how staying "in-style" improves customer value and happiness, we also considered another factor in which may contribute a critical factor while obtaining the "fashion items". In Mobile Legends: Bang Bang, obtaining skins may be risky as skins can be only obtained by exchanging player's resources. Free trials are usually available and given to players in random, but obtaining and keeping the "items" is a whole different story. Hero skins cost players' diamonds—which players have to pay real money for, or skin fragments—which players have to collect as they play. Furthermore, trust is a fundamental issue as in transactions where the buyers don't have any power and authority over the vendor (Roca, García, & de la Vega, 2009). Therefore, as it cost players' hard-worked resources, we conclude that perceived trust plays an irreplaceable role. In achieving buyer's trust, one must combat the buyer's fear and convince the buyer that one is able and fully willing to do what the buyer wants. Therefore, one should create a situation in which buyers feels secure, hence making them comfortable in deciding to trust oneself. In a transactional business especially in online commercials, positive regards and good feedback reports from previous buyers are crucial in shaping buyer's trust (Jarvenpaa, Tractinsky, Saarinen, & Vitale, 1999; Jarvenpaa, Tractinsky, & Vitale, 2000). Trust is the key strategy to dealing with uncertainty and fear, believing in the other party's capabilities and competencies (Hoffman, Novak, & Peralta, 1999; Jarvenpaa, *et al.*, 1999, 2000; Fukuyama, 1995; Keen, Balance, Chan, & Schrump, 1999; Morgan & Hunt 1994). More than just securities, studies also proved that trust is beyond secureness but also affects intention to use the program itself (Tsiakis & Sthephanides, 2005; Mallat, 2007; Rouibah, 2016). Wu and Liu (2007) gave three possible reasons why trust is also not a key factor in transactional area, but also in gaming. First, as one registers themselves in the game, one should provide their personal information. Personal information provided by the player is completely vulnerable to hijacks, therefore needing the player to trust the system to use their information accordingly. Second, for games that charged payments, players need to provide personal payment methods. Lastly, some games that may play role to assets saving should really consider how trustworthy and competent they are in protecting player's assets. For example, Station.Sony.com which allows players to change virtual currency to real money. Hence making virtual game accounts as important as real bank accounts as they both hold player's assets. Therefore, Roca *et al.* (2009), developed a trust scale in which we apply in this study to measure how far in which players trusted the game system.

H₄: Perceived trust influences perceived enjoyment.

Perceived Ease of Use

Speaking of ease, this section covers the need for the system to provide an effortless gaming experience. We have adopted this variable from the Technology Acceptance Model (TAM) by Davis, Bagozzi, and Warshaw (1989) to decide whether people can adapt to the gameplay and use it well. Radner and Rothschild (1975) defined effort as the allocation of resources given by a person to something he/she is responsible to. Therefore, perceived ease of use is the degree of which a person perceive they are free of effort (Davis *et al.*, 1989). To this context, the less effort given, the more ease and convenience it would be for the gamer since they don't have to spend more time and energy to control and handle the game. Further that is because other things being equal, the easier a technology is to use, the more useful it can be (Venkatesh & Davis, 2000). Venkatesh and Davis (2000) had also previously remarked that perceived ease of use is expected to reflect certain attributes of perceived enjoyment as it relates to the connection between user and the system. Therefore, consumers who experience pleasure with less burden are more likely to spend more effort on it (Agarwal & Karahanna, 2000; Deci & Ryan, 1985). In terms of hero skins, evidence also suggests that IT systems that are visually attractive are more likely to be perceived as enjoyable and at the same time considered easy to use (Tractinsky, Katz, & Ikar, 2000).

H₅: Perceived ease of use influences perceived enjoyment.

Perceived Enjoyment

Perceived enjoyment refers to an extrinsic motivation in which extent of using technology is perceived be personally enjoyable (Davis, Bagozzi, & Warshaw, 1992; Webster & Martochhio, 1992 cited in Brahmana & Brahmana, 2013). Previous researches had proven that perceived enjoyment influences behavioral intention and perceived usefulness (Davis *et al.*, 1992; Igbaria, Guimaraes, & Davis, 1995; Venkatesh & Davis, 2000). But deeper than that, we wanted to know what exactly do people think useful—does it add more value or happiness to them? While broadly defined, value is the results or benefits customers receive in relation to total costs (as cited on McDougall & Levesque, 2000), we assume that benefits are social benefits, psychological benefits, economic benefits, and customization benefits based on Gwinner, Gremler & Bitner's (1998) research for service industries. By these set of benefit, we have assumed two simpler categorizations, first is perceived value (for utility and economic benefits) and second is happiness (for psychological benefits). Unfortunately, we have to eliminate customization because it is not possible to customize a hero skin in the game, therefore making the indicator irrelevant. Therefore, we generated a simpler set of hypotheses as stated below.

H₆: Perceived enjoyment influences customer value.
H₇: Perceived enjoyment influences customer happiness.

RESEARCH METHOD

This research is conducted by distributing a set of questionnaire on Google Forms. Respondents are purposively chosen to meet some criteria, for example we only choose players who are still actively playing and have used hero skin beforehand. We also screened out few respondents who are below 15 years old as we assume they haven't reached the stage where they are qualified to fill our questionnaire. Links to the questionnaire are spread among Facebook Groups in which massive community of local Mobile Legends players are pooled. We chose five big cities to represent Indonesia as following; Jakarta, Bandung, Surabaya, Medan, and Makassar. We contacted the groups' administrators and coordinate to distribute questionnaires among active players. A total of 100 valid answers are collected and the rest of the answers are automatically eliminated from further calculations.

FINDINGS AND DISCUSSION

Respondents were from five major cities in Indonesia, in which Mobile Legends communities are predominant. These cities include Medan (17%), Bandung (16%), Jakarta (19%), Surabaya (30%) and Makassar (18%). There were 87% male respondents and 13% female respondents involved in this research.

Residence		
Jakarta		19%
Bandung		16%
Surabaya		30%
Medan		17%
Makassar		18%
	TOTAL	100%

Gender		
Male		87
Female		13
	TOTAL	100

This also indicates a phenomenon where mobile online battle arena (MOBA) game has more dominant over males than females. Nevertheless, the 13% female percentage also indicates a growing interest from the female market who play intensively (over six hours per week). Another interesting fact from the female market is that we have found that their favorite heroes are mostly also females. These heroes chosen by the respondents are also heroes with various types of skins (more than three types). In contrast to the female market, the male market is more flexible in choosing their heroes and they tend to not bother heroes' gender. Though in both sides, appearances are proven to play a crucial role in shaping their choice.

Age Range	
< 15 years old	ELIMINATED
15–19 years old	31
20–24 years old	62
25–29 years old	5
30–34 years old	2
> 35 years old	ELIMINATED
TOTAL	100

Occupation	
Student	68
Housewife	0
Entrepreneur	9
Private Office Worker	13
Domestic Civil Servants	2
Professional (Lecturer, Lawyer, etc.)	0
Unemployed	8
TOTAL	100

As shown on tables above, most of our respondents came from students ranging from high school to college stu-

dents from age 15–19 years old and 20–24 years old. We screened out respondents above 35 years old since we are more concerned in highlighting the playing patterns for the millennial and post-millennial generation. We also eliminated respondents from below 15 years old because we are concerned that they have not entered a stage where they had perfectly shaped their preferences and personal identities, related to the variables we have intended to observe.

Playing Intensity in a Week	
1 time log in	0
2–3 times log in	0
4–6 times log in	20
> 6 times log in	80
TOTAL	100

Average Playing Duration	
< 1 hour	0
1–3 hours	56
4–6 hours	23
> 6 hours	21
TOTAL	100

In this research, we also had found that most of the players play the game more than six times per week. Also, though for a single battle a player only took around 15–30 minutes to end, our research had also found that players usually are online from 1–3 hours. This means that once online, they play more than one battle. 21% of our respondents even play for more than six hours in a day, which means they fight for at least 10 battles in one day.

Money Spending on Data Plan	
< Rp 100,000.00	51
Rp 100,000.00 – Rp 250,000.00	42
Rp 250,000.00 – Rp 500,000.00	6
Rp 500,000.00 – Rp 1,000,000.00	7
> Rp 1,000,000.00	0
TOTAL	100

Another fact revealed in this research is that our respondents usually spent amount on data plan of less than Rp 100,000.00. While the game itself doesn't cost players a lot of data usage, service providers in Indonesia also offers a relatively affordable and varying monthly data plan. Since the data plan is affordable and the amount of data spent per game are quite low, this phenomenon supporting players to play more because it doesn't cost them much to play.

Based on our findings, we have made sure that every variable observed in this research is reliable and it is shown by the calculation of the Cronbach's Alpha values which exceeds 0.700. Our variables had also scored well in Composite Reliability calculations as they exceed 0.700 for each variable. The numbers of AVE had also shown us favorable results, so we concluded our variables fully reliable.

On the other hand, we also tested if each indicator of our variables are reliable. The Outer Loading calculations (as seen on table below) shown us desirable results as they all scored above 0.700 except for indicator $Z_{2.1}$, $Z_{2.2}$, and $Z_{2.11}$. Nevertheless, these indicators scored around 0.666 to 0.692 which are close to 0.700 and considered well. The rest of the indicators resulted in numbers above 0.700 therefore we can assure that every indicator is reliable to this research.

Based on these results we can also conclude that among all four dimensions of self- congruity, the actual social-self dimension contributes strongly in shaping one's self-fashion congruity. Indicator $X_{1.6}$, which question asks "The style of the hero skin I use in the game matches the style I wear to the public. For example, feminine, masculine, polished, polite, graceful, etc." scored the highest among all indicators, 0.919. Perceived Trust, on the other hand, reflects how users perceive security systems of the game. In this section, we have found that players trusted the

whole system undoubtedly. Especially for transactional issues, players admitted that they trust Mobile Legends' official merchant to handle their personal banking accounts and believe that they would not hand their personal data to any third parties. Perceived Ease of Use had also resulted favorably where all indicators showcased numbers exceeding 0.800. But the most dominant indicator for perceived ease of use is indicator $X_{3.2}$, which question remarked the ease to control and figure out each features of the game, for example where to shop, where to find achievements, how to add friend, etc. This indicates that the game itself has a good interface so the players can comprehend its utilities easily and conveniently.

	O	M	STD	T Statistics	P Values
Self-fashion Congruity → Character Choice	0.467	0.478	0.073	6.385	0.000
Perceived Trust → Perceived Enjoyment	0.419	0.419	0.115	3.638	0.000
Perceived Ease of Use → Perceived Enjoyment	0.305	0.311	0.115	2.654	0.008
Character Choice → Customer Value	0.222	0.233	0.078	2.856	0.004
Character Choice → Customer Happiness	0.407	0.419	0.080	5.103	0.000
Perceived Enjoyment → Customer Value	0.529	0.521	0.085	6.216	0.000
Perceived Enjoyment → Customer Happiness	0.476	0.472	0.083	5.733	0.000

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Self-fashion Congruity	0.937	0.941	0.948	0.698
Perceived Trust	0.896	0.900	0.928	0.762
Perceived Ease of Use	0.896	0.908	0.927	0.762
Character Choice	0.905	0.911	0.925	0.637
Perceived Enjoyment	0.813	0.822	0.890	0.731
Customer Value	0.853	0.879	0.900	0.694
Customer Happiness	0.941	0.945	0.949	0.611

Outer Loading					
Self-fashion Congruity	$X_{1.1}$	0.736	Character Choice	$Y_{1.6}$	0.815
	$X_{1.2}$	0.879		$Y_{1.7}$	0.832
	$X_{1.3}$	0.850	Perceived Enjoyment	$Y_{2.1}$	0.782
	$X_{1.4}$	0.733		$Y_{2.2}$	0.926
	$X_{1.5}$	0.872		$Y_{2.3}$	0.852
	$X_{1.6}$	0.919	Customer Value	$Z_{1.1}$	0.797
	$X_{1.7}$	0.837		$Z_{1.2}$	0.865
	$X_{1.8}$	0.840		$Z_{1.3}$	0.718
Perceived Trust	$X_{2.1}$	0.881		$Z_{1.4}$	0.937
	$X_{2.2}$	0.886		$Z_{2.1}$	0.685
	$X_{2.3}$	0.904		$Z_{2.2}$	0.666
	$X_{2.4}$	0.819		$Z_{2.3}$	0.812
Perceived Ease of Use	$X_{3.1}$	0.866		$Z_{2.4}$	0.792
	$X_{3.2}$	0.906		$Z_{2.5}$	0.864
	$X_{3.3}$	0.885	Customer Happiness	$Z_{2.6}$	0.836
	$X_{3.4}$	0.833		$Z_{2.7}$	0.879
Character Choice	$Y_{1.1}$	0.743		$Z_{2.8}$	0.852
	$Y_{1.2}$	0.754		$Z_{2.9}$	0.764
	$Y_{1.3}$	0.789		$Z_{2.10}$	0.779
	$Y_{1.4}$	0.827		$Z_{2.11}$	0.692
	$Y_{1.5}$	0.822		$Z_{2.12}$	0.726

On character choice, the most dominant indicator was $Y_{1.7}$, which indicates that Attention Drawingness of a hero skin plays a major role in appealing to the players. This proves the fact that players consider attractiveness and originality in order to stand out from the rest of the crowd. This made a perfect sense since even though one's battle may only be held for about 15–30 minutes, they think of their heroes as a representation of themselves (self-congruity), therefore wanting to be special and different from the rest of the players. Next, perceived enjoyment also scored pretty well and proves that players enjoy every types of games offered (classic, ranked, brawl, etc.).

On customer value, players had also showed a great appreciation for Mobile Legends' interface as the indicator for interface's visual and utility scored high on 0.937. This proved the previously discussed on perceived ease of use, where players consider convenience in using features and visually pleasing interface is important and Mobile Legends: Bang Bang had executed it well. Lastly, on customer happiness, players had evaluated support center/help center of Mobile Legends: Bang Bang had handled reports well and the game of Mobile Legends: Bang Bang itself had already had a great overall content and service.

We have also tested the correlations between each variable and have found that all our hypotheses are accepted. First, that self-fashion congruity influences character choice. For this hypothesis, *T statistics* scored 6.385 with a *P value* of 0.000. We can conclude that our hypothesis is accepted because out *T statistics* scored above 1.96 with a *P value* below 0.050. Second, that character choice influences customer value. For this hypothesis, *T statistics* scored 2.856 with a *P value* of 0.000. Hence, this hypothesis is verified. Third, that character choice influences customer happiness. For this hypothesis, *T statistics* scored 5.103 with a *P value* of 0.000. Hence, this hypothesis is accepted. Fourth, that perceived trust influences perceived enjoyment. For this hypothesis, *T statistics* scored 3.638 with a *P value* of 0.000. Therefore, this hypothesis is again accepted. Fifth, that perceived trust influences perceived enjoyment. For this hypothesis, *T statistics* scored 3.638 with a *P value* of 0.000. Again, this hypothesis is accepted. Sixth, that perceived enjoyment influences customer value. For this hypothesis, *T statistics* scored 6.216 with a *P value* of 0.000. Therefore, this hypothesis is accepted. Lastly, that perceived enjoyment influences customer happiness. For this hypothesis, *T statistics* scored 5.733 with a *P value* of 0.000. Hence this hypothesis is also verified.

CONCLUSION

Among all correlations we have also found that self-fashion congruity contributes to character choice and its connection between them are strong and inseparable. This proves that even though for each battle players may choose different heroes and different skins from time to time, we can conclude that self-fashion congruity is considered an important factor in opting choices. We can also see how players in Indonesia thinks of visual representation from game interfaces to hero appearances highly, therefore updates and configurations to better provide higher quality visual are very much needed from time to time.

For further research, it is suggested to consider social-cultural factors, for instance, like whether religion beliefs and ethnicity play an important role in decision makings. Cultures in which one was raised in also may play role in shaping one's self-congruity, therefore may contribute to different results. Speaking of the environment in which one grew up on, it is also recommended to do deeper qualitative observation on how social class and family ideologies may influence how one's taste to what is good and bad is shaped. It also about perceived enjoyment, further research in deciding whether one's playing a game because it's fun (greatness of content) or because it's aesthetically pleasing and it's satisfying to watch (greatness of visuals). Nevertheless, we hope that this research may provide new insights for both gamers and game developers to be wiser and to better their works in the future.

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SPIRITUAL LEADERSHIP IN BLIMBINGSARI VILLAGE JEMBRANA BALI

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ABSTRACT

A spiritual leader can appear in any situation. It cannot be just a genetic theory that allows a person to be a spiritual leader, but is supported by social theory and ecological theory. In addition to the above theory, there is one more the most fundamental theory of the emergence of a spiritual leader of Divine theory. The formulated research problems are 1). What is Spiritual Leadership in Blimbingsari Village? 2). what is the Principle of Spiritual Leadership in Blimbingsari Village? 3)what does the spiritual Leader do to the economic transformation of Blimbingsari village? The methodology used is qualitative with data collection techniques are participant observation or participatory nature of direct involvement, interview, literature review, case study, and documentation. Village leaders Blimbingsari always increase leadership capacity (Kottler, John P. 1996) through the intervention of the factors of spiritual values, work ethics, social capital and entrepreneurial factors. These factors are growing in the middle of the village of Blimbingsari understood as a pattern of beliefs, values, and behaviors and leaders as agents of change do the role and relationship with the community intensive, because it is influenced by historical trends, social attitudes, and socioeconomic factors.

Keywords: Leadership, spiritual leader, transformation, economy, village.

INTRODUCTION

Increasingly strong globalization needs to be balanced with the realization that market mechanisms are not always able to solve the problem of resource inequality. Development policies should give attention to the need to reorganize the foundation's assets management system in rural areas (Junaedi & Utama, 2016). The economy has also changed, which previously had no business now that the population has a business of cows, coconuts and grocery stores. Therefore the role of spiritual leader is very meaningful for economic transformation. In understanding precisely and correctly about spiritual leadership, firstly know what is meant by leadership.

Indeed, the term leadership has been widely known so far. Given his extensive, the notion of leadership will not be discussed in this paper. In addition to taking a very long time, this understanding will continue to change in the context of a leader's work. Therefore, the notion of the leader in this paper is limited to the notion of leadership in general and its relation to spiritual leadership. The role of the village leader and spiritual leader role affect change in rural communities. Unless society becomes secular then formal and informal leadership roles are not important in the upcoming changes.

Based on the introduction, the main problem of this paper is interested in spiritual leadership, then the formulation of research is 1) what is Spiritual Leadership in Blimbingsari Village? 2)what is the principle of Spiritual Leadership in Blimbingsari Village? 3)what does the spiritual Leader do to the economic transformation of Blimbingsari village?

LITERATURE REVIEW

Tjokroamidjojo (2018), see development as a process or social change efforts (social change). It can mean also a business change and development of the state and condition of the people who are poor become well. Every economic development is expected to stimulate economic growth is described by an increase in national income or per capita income (Todaro & Smith, 2012).

Rostow's theory (quoted by Jacobs, 2018) on growth is essentially a theory of modernization and development, where this theory believe that the human factor became the main focus. Rostow saw social change that calls the journey of development as a process of evolution from traditional to modern. This reasoning is explained in detail by Rostow in the five-stage scheme. In theory it is said that the first stage is a traditional society, then develop into preconditions for take-off, followed by community takeoff, then maturation community growth, and ultimately achieve a modern society aspired, namely industrial society as society consumerism or high mass consumption.

From the above understanding explains that a leader has power in managing an institution or company, including the people in it. There are principles for controlling others, but others build institutions or organizations they lead.

All power that is in him run in accordance with masterplan leadership. Are any policies in compliance with applicable laws, rules, norms and religions? To answer that, would be the responsibility of the leader concerned. In the leadership structure there are always three important aspects that affect each other, namely: (a) The leader is the person who carries the leadership role, (b) Followers are everyone who becomes a member of the leader, (c) Leaders and followers must have interaction and communication in order to achieve the common goals or goals of the leader himself.

While the term spiritual comes from the basic word of English is a spirit that has a range of meaning i.e. soul, spirit, ghost, morals, and the purpose or the essential meaning. Whereas in Arabic, the spiritual term is associated with the spiritual and ma'nawi of all things. Of these two terms, spiritual means talking about the good, praiseworthy conscience, morals, and good behavior of a person. Humans from birth are not automatically acting good or bad, then the spiritual concept is attached to a person who is affected by his physical growth. To get a good character, then someone needs a long process and formed through the environment.

RESEARCH METHOD

The method used in this study is mix method in which is a quantitative and a qualitative research. This mix method research process involves a significant effort, such as the numbers of the data from the village like the number of people, sex, work, type of entrepreneurship, also asking questions and procedures, analyze the data inductively from the specific themes to common themes and interpret the meaning of the data (Utama, 2016).

This research area in the village Blimbingsari, Jembarana Regency with the following considerations. First, that from the beginning of this village is the village for disposal (*meselong*) poor hopeless, until now the village Blimbingsari selected and prosperous tourist village in Jembrana, which received funding from the Province of Bali. Second, village located in the district Blimbingsari, Melaya, Jembrana, Bali, with a predominantly Protestant, although being in the midst of the majority Hindu community. This means that this village has its own uniqueness that is famous for Christian Village. Third, land area of about 400 (four hundred) acres, with a population of around 230 (two hundred Thirty, heads of households provided with "free" by the Dutch government in 1931 succeeded in building a village economy with incredible Blimbingsari. Fourth, Blimbingsari Residents have many successful entrepreneurs in the field of cattle, chickens, pigs and catfish and plantation products such as coffee, cocoa and coconut. Fifth, the village is willing to apply the values of local wisdom in support of local development for rural tourism (Utama, 2014).

A technique of data collection is done by interviews, gathering documents and triangulation (Utama, 2016). Interviews were conducted to the informant consist of citizens or residents either the head of the village, spiritual leaders, community elders Blimbingsari village, some *diaspora* communities Blimbingsari village, and the village board, head of district, head of BlimbingsariVillage and servant of the Church at Peniel Church Blimbingsari. Documentation method used is stored records, books, newspapers. Direct observation techniques through observation and recording of phenomena that appear on the process of economic transformation in Blimbingsari.

FINDINGS AND DISCUSSIONS
Spiritual Leadership in Blimbingsari Village, Jembrana, Bali

Leaders in Blimbingsari Village from generation to generation always start their activities using the values of spirituality and other social capital. By holding the principle of spiritual leadership it turns out their wishes succeed. It's all because it has a humble leadership and a strong will to achieve a better change. They are ambitiously extraordinary to achieve a mutual success. In entering the era of globalization and the ASEAN Economic Community (MEA), of course we need spiritual leaders who are spiritually able to make positive changes in all aspects of life of the community. Every leader must think strategically, long-term oriented, broad-minded, and focused on achieving maximum results during his/her leadership. This leadership principle which has been applied in Blimbingsari Village since its establishment in1939 until today.

Leadership I Made Rungu in the second period around the year 1940 until 1969 experienced a big buzz. Early Christian generations encouraged and influenced the mindset and actions of their contemporaries to work together in building their village. They have the principle of togetherness to get out of poverty, suffering, and stupidity quickly. A change does not go smoothly, but it takes a long process and patience from the leaders and members of the community. Its leaders are continually motivating, praying, and convincing members of the community to keep the spirit.

The style of leadership shown by I Made Rungu certainly cannot be separated from the characters and background that shaped him as a Christian. The teaching of love he received from the Lord Jesus continues to shape his compassionate, patient, diligent, and wise personality and style of leadership. With a style of spiritual leadership and a spirit of abstinence, eventually the community out of the bondage of poverty and suffering. People's economy is getting better and improving constantly.

With strong faith and spirituality, I Made Rungu became an exemplary leader by other leaders at that time. Before becoming a Christian he was a Hindu. Conversion that he experienced became a Christian as a first step to tread life different from before. As Christians must be able to obey all the provisions contained in the Bible. With his devotion and sincerity, he was ordained to be the first pastor of the Protestant Christian Church in Bali at both the Church and the Synodal level. His position as leader of the people made him a way to apply the true understanding of Christianity from Jesus Christ

In order to apply the laws of God consistently and consistently, then Rev. I Made Rungu did not hesitate to give severe punishment to the people of his congregation. This theology of holiness is applied at the Synod and GKPB level of the Pniel Blimbingsari Church. The strict application of church law makes this community exclusive. They see themselves as saints, while others outside of Christianity are seen as sinners. This exclusiveness also sometimes makes church citizens prejudice against non-Christian and non-Christian communities. Such prejudices make the Protestant Christian Church in Bali (GKPB) citizen of Pniel Blimbingsari church rarely associate with society or government. Of course exclusionary attitude is no longer relevant to apply at this time. In addition, every leader must build a foundation of togetherness, direct society, and be a living example for community members. This leadership principle becomes capital in realizing entrepreneurship and economic transformation in rural areas. This principle should be applied consistently. This is in line with the situational leadership theory in Leadership books written by Dubrin (2007), among others: Fiedler's Contingency Theory; Path-Goal Theory; The Situational Leadership Model II; The Normative Decision Model; Crisis Leadership.

The leadership style used by I Made Rungu is to use Path-Goal Theory (Robert House). This style of leadership shows that a leader must try to explain to the people he leads what is the goal and how to achieve that goal. A leader will surely choose one of the leadership styles that best suits his character. Unwittingly this style is applied to the Blimbingsari Village community to participate in prosperous and prosperous village development. This style of leadership is by establishing the lower middle leader (working group) and establishing an advisor who has field experience in the implementation of village development, both for new land clearing and in agriculture. Direction (directing) is done along with supportive aspects, supported by the mental strength of the community, then produced a reliable product, as well as the demands of the work of each group can be achieved effectively.

In the application of leadership style Theory Path-Goal Leadership Theory contains 4 (four) elements as presented by Robbins (1994), among others: (1) Directive Style is a leader always gives a clear direction and great emphasis on formal activities in planning, managing, and overseeing the achievements that exist. With a clear direction will definitely improve the spirit and accuracy of the community in work. (2) Supportive Style. A leader always gives support to his followers, creates a warm relationship, and provides continuous motivation to those around him. (3) Participative Style. A leader who actively facilitates and hears the insights or constructive ideas of his followers. (4) Achievement Oriented Style. An achievement-oriented leader tends to prioritize the goals he wants to achieve, communicate his goals, and can build his followers.

Thus, any leader cannot stand on his own, as it necessitates others and tries to learn the various characters that can support his leadership. Therefore, the leader in Blimbingsari Village has at least a strong character of integrity and motivation. This character of integrity is a person who has honesty, faithfulness, discipline, and trustworthiness. While the character of a strong motivation that every leader does not easily give up and stop before his wishes and members reached.

The Spiritual Leaders Do the Economic Transformation of Blimbingsari Village
Management of innovation, and creative development is the task of leadership in order to encourage all members of the village community Blimbingsari to working toward a goal, namely to improve their welfare. Obviously human resources Blimbingsari village is the village's main assets are supported by leadership that can encourage community members to cultivate the mentality of entrepreneurs in the field of animal husbandry, agriculture and plantations. Leadership must be able to act as a thinker, planner, and control villages in carrying out development activities with an entrepreneurial spirit.

Leadership is subject to the implementation of development. Leadership that directs the behavior of others towards the achievement of a particular goal, in this case the development goals to achieve better conditions. Leadership directing and causing others to act in a certain way or follow a certain direction, which is of course to the charge and the value of entrepreneurship to further improve the performance and optimal results in agriculture, livestock and plantations. Leadership based entrepreneurship has advantages where performance leadership possesses the more freely. Entrepreneurial-based leadership is more likely to facilitate members of the public with a set of capabilities to improve their quality of life by optimizing the existing resources in the village Blimbingsari in the fields provided in the village, among other fields of animal husbandry, agriculture and plantations.

When examined, the dimensions of innovation greatly affect the outcome of the performance of members of the community in improving productivity. Innovation is supported by the dimensions of creativity which ultimately leads to increased economic resources as a logical consequence of increased productivity. Environment of rural communities in carrying out their activities in the development of agriculture, livestock and plantations increasingly become dynamic and competitive. Blimbingsari Village Community will be more excited to develop and market new products and services potentially in the village, which would be marketed in the centers of the market, both across sub-districts, counties, and even across the province. One of the responsibilities of leadership is most important and the most difficult is to guide and facilitate the process of making a major change in the community. Leaders from various generations Blimbingsari village started its activities by using the value of spirituality and social capital so that they work together and have an unwavering determination (doing what must be done). It turned out that the village community leaders Blimbingsari succeed. It was all because it has a humble leadership and have the will. This leadership has no ego or personal interest. These leaders are ambitious incredible, but the first and most important ambition is to his village, not for their own.

These factors are growing in the middle of the village of Blimbingsari influenced by historical trends, social attitudes, and socioeconomic factors. Blimbingsari village leaders have continually understand the four main elements of the (spiritual values, work ethic, working capital and entrepreneurial value) has grown in the village of Blimbingsari, so that the values that make a positive contribution to the productivity of the community to improve the living standards in the field of economics and other aspects as well which support it, such as the spiritual value to continue always to love, such as teaching and the value obtained from the Gospel or the Bible.

Blimbingsari village leaders as change agents trying to make a direct and dynamic changes, because it makes four (4) main values that interact through transformative leadership variable boost in the form of order, stability and the ability to perform a systematic and planned changes. And this requires a real change in the socio-economic behavior as a pre-requisite to understanding the development of the Village Blimbingsari such as gardens, where plants and trees grow and develop according to his character. And from the beginning of the formation and development Blimbingsari village, it has been passed in a frame of institutional evolution and tortuous history. Actor leader sharpened understanding of the ecology and the history that goes along with the people who initially came under pressure, but it can get out of the process with a resounding victory by the power of the Christian faith that is owned, so as to bring significant changes in the economic sector. This is all due to the good leadership that is able to make a breakthrough and change for the people of the village Blimbingsari and development undertaken.

Perspective transformative leader Blimbingsari village represented by Ps. I. Made Rungu representing spiritual leader and continued through the leadership of Mr. Jacob Julian of laity who became head of the village, likened planters refers to the premise that it is impossible to describe the spiritual values and the community based on the estimated mean values and rational design simple. That's because the history of the village of Blimbingsari full of challenges and shocks, which otherwise could through this process well, then it is happening is the destruction of the village Blimbingsari. But with strong leadership factor and continue to improve rural economic sectors, the enlightenment and change better than the original state can take place effectively.

Discussion on Spiritual Leadership in Blimbingsari Village

Spiritual leadership According Tobroni (2010) is a leadership that brings the dimension of worldliness to the dimension of divinity. God is the true leader who inspires, influences, serves, and moves the conscience of every human being very wisely through ethical and exemplary approaches. Thus, spiritual leadership is a leadership system based on religious ethics, spiritual intelligence, faith, and conscience. Spiritual leadership is a leadership that is able to inspire, awaken, influence, and move others and oneself to be wiser in deciding everything. The concept of spiritual

leadership not only refers to religious leaders, but applies to all leaders working in an institution, organization, or company. Religious leaders may not necessarily have the character of a spiritual leader, otherwise non-religious leaders also do not necessarily have spiritual leadership qualities.

Therefore, spiritual leadership can be interpreted as follows: (a) Spiritual leadership is not a religious leader, but a wise and conscientious leadership attitude, (b) Spiritual leadership means having a deep spiritual sensitivity to everything that exists around it such as its members, society, and environment, (c) Spiritual leadership means to be able to perform the various tasks and responsibilities given to him without having to think about how much salary will be received, (d) Spiritual leadership has the soul of an absolute servant or devotion to the good of others. Thus, spiritual leaders are not leading to religious leaders, but every human being must have the principles and character of a spiritual leader. Everyone should be able to lead himself by the spiritual principle. Self-leadership is the first step in recognizing and understanding the importance of spiritual leadership. Successful self-leadership provides an opportunity to lead others. Never ambition to lead others before being able to lead yourself. Thus, spiritual leadership must be owned by all human beings and in particular any person who will or is leading other people, institutions, organizations, companies, and so on

Blimbingsari Village Learns from the Spiritual Master
A spiritual leader and quality is very difficult to find in today's complex age. This leadership crisis also makes younger generation difficult to find exemplary in leading an institution or company. If leaders want to show their true spiritual leadership and do something different from other leaders, then learn to bring the leadership of the Lord Jesus to every institution he leads. In various corners of the world this is very much the demand of the leader. Who would have thought if the disciples of Jesus had a fight for wanting to be the greatest leader amongst the other disciples? It is these things that make the Lord Jesus so concerned about the lives of his disciples who do not understand what the true meaning and duties of a leader are. Every leader is not just a position and a power, but must be willing to sacrifice and serve wholeheartedly in every aspect of his ministry.

Based on the reality that has happened so far, then should the style and type of leadership begin to return to the leadership of the Lord Jesus or a model of spiritual leadership. From some research results show that spirituality is very influential on the pattern of leadership. Spirituality helps build character in a person, so as to influence the pattern of leadership that run and have a positive impact on the institution he leads. Recognizing the enormous influence of spiritual leadership in various areas of life, the ultimate choice in leading an institution or company is required of a leader who has spiritual values as the Lord Jesus leads mankind in this world.

Blimbingsari Village as the Emergence of Spiritual Leaders
The emergence of a leader can be seen in the theory described by Lay (quoted by Gummesson & Grönroos, 2012) in his book "Service Management". There are several theories emerges of a leader, namely: (1) Genetic theory (heredity), i.e. leaders who have talent since in the womb or before birth (leaders are born and not made). (2) Social theory, which is the leader is prepared or formed by parents and other parties who want it as a leader (leaders are made and not born). (3) Ecological (synthetic) theory, a leader arises through the talents that existed from birth, then prepared through experience, environment, and formal education.

The above theory is still very relevant when applied to every spiritual leader. A spiritual leader can appear in any situation. All three support each other. It cannot be just a genetic theory that allows a person to be a spiritual leader, but is supported by social theory and ecological theory. In addition to the above theory, there is one more the most fundamental theory of the emergence of a spiritual leader of Divine theory. The emergence of a leader because it has been prepared by God at times and places that are not known by humans, including the person of the leader. According to the author's opinion that this theory is the earliest and main in the course of human life, including in the person of a spiritual leader. As religious people must acknowledge everything that happens to man and the whole world is in the knowledge and providence of God. So, every spiritual leader is first prepared by God, so have good leadership integrity in every field of service duty

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Principles of Spiritual Leadership
What is the difference between spiritual leaders and leaders in general? When viewed from the form of the task there is no significant difference. However, when viewed from the system, model, and quality of leadership must be very much different. The leaders we often see are mostly leaders who have greedy, corrupt, authoritarian, powerful,

lazy, and so on. Then, what are the advantages and differences with the spiritual leader? Spiritual leaders are more professional, humble, selfish, honest, fair, loving, willing to sacrifice, serve, faithful, wise, and live God-fearing.

There are generally two models of spiritual leadership: substantive spiritual leadership and instrumental spirituality. First, substantive spiritual leadership, the spiritual leadership born of the spiritual devotion of the leader and the proximity of the leader to God. The emergence of this model of spiritual leadership starts from one's self, then united in personality and behavior every day to become a habit Second, the instrumental spiritual leadership, the spiritual leadership learned and then the model of leadership. The emergence of this spiritual leadership model because of external demands that become a tool or media to effectively leadership behavior in an institution. The instrumental spiritual leadership model is not immutable and is subject to change in context and where it leads.

This leadership model can serve to overcome problems, both internal and external problems of the leader. Humans are basically as individual beings, social beings, and at the same time as spiritual beings. Man is different from other beings in this world. Humans are equipped with advantages of the mind and mind, so that humans are able to distinguish between right and wrong. In passing humans have the freedom to live their lives according to their own desires. God-given freedom to humans is not infrequently abused. Various arguments are spoken to justify his actions and freedom. To control the freedom of a person then needed a system that regulate life and human life so as not to get out of the rule that has been set. Man has actually been given remote control by God, in order to be able to control himself and not harm others.

To be able to achieve a quality human life, personality, and good character then needed help from others. Without anyone guiding and leading it, human life must be a mess and continue to live in sin. Given that humans have a tendency to sin and violate existing rules. Although people are religious (Christian, Catholic, Muslim, Hindu, Buddhist, and Kong Hu Chu). Man does not escape to sin, whether intentional or unintentional sin. Therefore, humans need a spiritual leader who constantly reminds and teaches them to obey God. Those who are obedient to God must be a blessing to others and the Indonesian state (Junaedi &Waruwu, 2016)

All aspects of human life, be it personally, family, society, organization, and state, deserve a spiritual leader. It's just that these days there are often events that reflect the failure of a leader. They generalize the style or model in leading an institution. Whereas the type and style of leadership in each aspect that is certainly different. People who do not understand the concept of leadership properly in the context and where they lead, then it is certain that leadership has failed and the destruction of the institution. Leading a household is certainly different from leading an institution or organization, leading a different society by leading a country or nation. A person who already has an understanding of the spiritual leadership model, must be able to carry out his duties and responsibilities wisely.

The leadership model that has been widely applied in Indonesia for many years is a false leadership model. The most perceived event to date is the increasing number of leaders who commit acts of corruption, collusion and nepotism in every government agency, private institution, or other organizations. Many cases were brought to justice but not resolved as expected by the people and applicable laws. The model of leadership applied so far in Indonesia is mostly not a model of spiritual leadership. This proves the lack of commitment from a leader in carrying out his duties honestly, with integrity and wisdom. This commitment will actually strengthen people's trust in their leaders. There are many examples of leaders who fail to lead an institution or organization. If it fails to lead an organization, it must be difficult to produce qualified leaders in the future

Spiritual leadership style is not only suitable applied to nonprofit social institutions such as schools, hospitals, religious institutions, NGOs, mass organizations, and so forth. This model is also very suitable applied to business institutions or companies. In some writings found that the spiritual aspect to be the biggest contributor to one's success in life, including in leading an institution, organization, company, and others.

All leaders should have the character and nature of spiritual leadership. In fact, lately it is very difficult to find such a leader character. In fact, most leaders use the power given to them as powerful weapons to weaken even "kill" their opponents until they cannot rise again. They look for the advantages behind the power and position they have. Almost all leaders today have lost their integrity. This fact can be seen based on the history of this nation's journey up to now. Further explored that religious and non-religious institutions have not applied the principles of spiritual

leadership. It can be said that where there are institutions led by a person, then there thrive the power to hegemonies each other and seek his personal gain.

Spiritual leadership is a person who runs his leadership according to the rules and pleases the Lord. They must have the skills and personality that should be exemplified by all members or the surrounding community. The success of a leader lies not in the level of knowledge of mere leadership concepts and theories, but more importantly in concrete actions through the love, justice, peace and prosperity of all. A person who is called by God to lead an institution or a company is not only in charge of leading the institution, but its presence must be a blessing to the people around it and accountable for its work to God. Spiritual leaders have a great responsibility for the development of all humanity in this world.

Blimbingsari Village Applies Personality of Spiritual Leaders
The spiritual leader is a servant of God and society. Spiritual leaders are not only religious leaders, but all fields of work must apply the principles of spiritual leadership. In other words, the spiritual leader is a servant of God who devotes himself to serving his community or members. The servant of the Lord is in charge of delivering all the messages from God to His people. This message is either a prohibition, advice, advice, how to work, try, and so forth. The message conveyed must be in accordance with the scriptural content of each leader.

The mention of God's servant actually applies to all religious people in the world. Identity as a servant of God applies to Pastors, Shepherds, Hajj, Ustad, Pedanda, Pemangku, Pastor, Father, Monk, and community members. Every human being is a servant of God. Servant means all aspects of his life must be submitted to God to be formed and guided according to His plan and will. Many people are unaware of themselves as servants or belonging to God, so the attitude during his leadership does not reflect the principles of leadership as God wants the spiritual leadership.

The personality of a good and true leader is actually visible from his attitude, words, and deeds. The attitude of a leader is very big influence on the person he leads. Leaders who are corrupt, collusion, nepotism, arrogant, jealous, crazy, and authoritarian, will someday fail. If his personality is bad or ugly, then the fate of the person he leads becomes ugly so as not to be a blessing for others. However, the personality of a good leader and has a loving, fair, honest, willing to sacrifice, discipline, and so forth, then his leadership will succeed.

No matter how great a person's power is in leading an institution or organization, it should not violate the various rules, laws and religions prevailing in society. According to Junaedi and Waruwu (2016) that power can function positively if it is in accordance with God's purposes, otherwise the power for self-interest and control of others must have a negative impact.

In achieving a success the leader is not justified any means to achieve it. The leader shall not use the powers granted to him for his own benefit or torture others. A spiritual leader must have strategies in leading an institution or company without violating the rules applicable in the institution or country. Most of the success that a leader has achieved so far has violated the prevailing rules and regulations. Generally they are more authoritarian because they have the power, pay the employees not in accordance with the provisions of the Act, not paying taxes honestly, and various other violations are often done. Therefore, new breakthroughs are needed in order to create quality leadership. A leader must have spiritual values during his/ her leadership.

The fragility of a person's leadership can affect the moral decline of its members and even the entire human race that surrounds it. A spiritual leader must be able to function as a carrier of truth, justice and honesty in all of his life. A leader must show a good image wherever he is. The personality of a leader is like a fish in the aquarium, so it can be observed, assessed, and imitated by everyone around him from different points of view. Have we shown our personality as wise spiritual leaders all this time?

Every religious institution, corporate body, or institution in the world of education is indispensable to the personalities of a reliable, good, and God-fearing leader. The personality of a leader like that is needed in the era of globalization and a very complex era today. Without a good personality, goodness, and fear of God, then Indonesia in particular and the world in general must have been destroyed. The leadership crisis is the beginning of the destructtion of a nation. Similarly, the destruction of an institution or company is caused by an unwise attitude of a leader.

To avoid that destruction, Junaedi and Waruwu (2016) asserted that a leader must have a divine character in carrying out every task of his leadership

The influence of a leader is very important for the nation and the people around him. It's just that most of the current leaders have poor integrity. Leaders of a nation, government agencies, private institutions, and other social institutions, in general they arise because of the influence of power and money it has. It is no longer chosen by the community or the members to judge it. They emphasize the influence of power and economic ability. They tend to offer themselves to be leaders, though they do not yet understand the principles of spiritual leadership that the Lord Jesus wants them to be.

CONCLUSIONS
Spiritual Leadership in Blimbingsari Village
Spiritual Leadership be applied with strong faith and spirituality. Leader should become an exemplary leader by other leaders. Leader as Christians must be able to obey all the provisions contained in the Bible. His/her position has to lead their people made a way to apply the true understanding of Christianity from Jesus Christ.

The Principle of Spiritual Leadership in Blimbingsari Village
Village leaders of Blimbingsari always increase leadership capacity through the intervention of the factor of spiritual values, work ethics, social capital and entrepreneurial factors. These factors are growing in the middle of the village of Blimbingsari understood as a pattern of beliefs, values, and behaviors and leaders as agents of change do the role and relationship with the community intensive, because it is influenced by historical trends, social attitudes, and socioeconomic factors. Leaders give a positive value through the process of socio-economic transformation in the community has Blimbingsari village actualize. Blimbingsari village leaders have continually understand the four main elements of the spiritual values, work ethic, working capital and entrepreneurial value has grown in the village of Blimbingsari, so that the values that make a positive contribution to the productivity of the community to improve the living standards in the field of economics and other aspects as well which support it, such as the spiritual value to continue always to love, such as teaching and the value obtained from the Gospel or the Bible.

The Spiritual Leaders Do to the Economic Transformation of Blimbingsari village
The village leader of Blimbingsari as a change agent trying to make a direct and dynamic changes, because it makes four main values that interact through transformative leadership variable boost in the form of order, stability and the ability to perform a systematic and planned changes, e.g. First, reform from poor hopeless into Blimbingsari Village selected and prosperous tourist village in Jembrana. Second, keep the uniqueness with a predominantly Protestant, although being in the midst of the majority Hindu community. Thirty, succeeded in building a village economy with incredible Blimbingsari. Fourth, Blimbingsari Residents have many successful entrepreneurs in the field of cattle, chickens, pigs and catfish and plantation products such as coffee, cocoa and coconut.

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THE INFLUENCE OF BRAND AWARENESS AND BRAND IMAGE OF PETRA CHRISTIAN UNIVERSITY TO THE HIGH SCHOOL STUDENTS' DECISION TO ENROLL IN BUSINESS MANAGEMENT PROGRAM

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ABSTRACT

Many companies create brands to win the competition in the global market. Brands become the assets of the company to generate sales, strategies, and profits. As a non-profit organization, universities are putting their names as the brand to attract students. Petra Christian University (PCU) is a private university in Surabaya, Indonesia, with a strong market image, that experiences a decline in student enrollment. This research is investigating the influences of brand awareness and brand image to the purchase decision, in this case the decision to enroll to Business Management Program. The research method follows the quantitative method to collect data. The data were obtained by questionnaires that were distributed to high school students in Surabaya. For processing the data, SPSS for Windows was used. A set of classical assumption tests were conducted before the multiple linear regression model was constructed. The result of the t_{test} suggest that H_1 is rejected while H_2 is accepted. The brand awareness of PCU has no significance and a negative influence to the high school students' decision to enroll in Business Management Program. However, the brand image of PCU has a positive significant influence to the enrollment in Business Management Program.

Keywords*: Brand awareness, brand image, purchase decision, petra christian university, business management program.

INTRODUCTION

As globalization and free markets strike all sectors of business, many companies are facing stiff competitions, therefore, they create brands for their products and services that will stay longer in the mind of their customers. According to American Marketing Association (AMA), a brand is a name, term, sign, symbol, design, or a combination of these elements, intended to identify a product or service of a company and to differentiate them from those of competition (Kotler & Keller, 2016). To survive the competition battles, many companies are communicating their brands, or branding, their products and services as their competitive advantage, so that the customers have special bonds with the brands and choose them over other brands (Keller, 2013). In order to create strong bonds, the brands have to be able to create long lasting impressions in the minds of the customers (Keller, 2013). Nowadays, many brands have become the valuable assets of the company which contribute directly to the sales, strategies, and profits (Aaker, 2014).

Observing the dynamic development of the higher education world, many Indonesian universities have established their marketing department to promote their institutions, which are merely announcements to informs new student recruitments. To survive the stiff competition, the universities have to rebuild their marketing focus, especially in branding their university name as the university brand identity. This university branding effort is similar to shaping the corporate identity in the mind of the customers (Abratt & Kleyn, 2012). There are many important aspects about brand, but this research focuses on brand awareness and brand image, which enable high school students in making decisions to enroll to a certain university and a certain program.

Petra Christian University (PCU) is a private university located in Surabaya and offers many undergraduate and graduate programs under several faculties. One prominent program is the Management Program under the Faculty of Economics. With the highest student body, the Management Program offers six different concentrations or interests, and one of them is the Business Management Program. The vision of this program is to create family business leaders who have integrity, caring, and global based on the Christianity value (Universitas Kristen Petra, 2016). The enrolling students come from various high schools that have collaborate with PCU. Noted in the 2017 registration, there has been a significant decline in the student enrollment since 2014 to 2017 for the Business Management Program. Therefore, this research is examining the role of brand awareness and brand image of PCU to the high school students' decision to enroll in the Business Management Program.

LITERATURE REVIEW AND HYPOTHESIS

Brand awareness refers to the strength of a brand's presence in the customer's mind (Aaker, 2014). The customer can recognize and recall a certain brand through an association of a certain attribute with a product. The aim of building awareness is to communicate the attributes, benefits, and services in the customer's mind, so that the customer can relate them to the brand or the product (Wang & Yang, 2010). According to Aaker, the brand awareness is tested according to the customer's different ways in remembering a certain brand, such as through brand recognition, brand recall, and top of mind (Yati, 2016). Brand recognition is questioning the customer's earlier exposure to the brand of a certain product. Brand recall is asking about the brands of the product class that the customers can recall. Top of mind is questioning the first brand recalled when the customer is asked such a question of a certain product.

Brand image is the customer's perception and preference about a brand, as reflected through the brand association which pops up in the customer's mind (Keller, 2013). Biel explains several components that construct the brand image; they are company image, user image, and product image (Musay, 2013). The company image is the company description in the customers' perception based on their knowledge, encounter, response, and experiences with the company (Heriyati & Septi, 2012). The user image is the characteristics of the collective consumers who are related with a certain type of a brand (Musay, 2013). Product image is the product description in the consumers' perception based on their knowledge, response, and experience while consuming a certain product (Heriyati & Septi, 2012).

Decision to purchase products or services relies on the consumers' needs and wants, in which the brand image plays an important role in shaping their decision. Purchase decision is a cognitive process, which unites memories, thoughts, information processes, and evaluative judgments, before deciding to buy a certain product (Pickett-Baker & Ozaki, 2008). The purchase decision in this research is based on the cognitive view, which considers the consumers as the thinking problem solvers and enables them seeking goods and services to satisfy their needs (Schiffman & Kanuk, 2010). The indicators used to measure the purchase decision are the consumer's reception on a certain product or service, the consumer's active search for information, the consumer's fulfillment of the needs, and the consumer's life enrichment. In this research, the decision to purchase is translated into the decision to enroll a program in PCU.

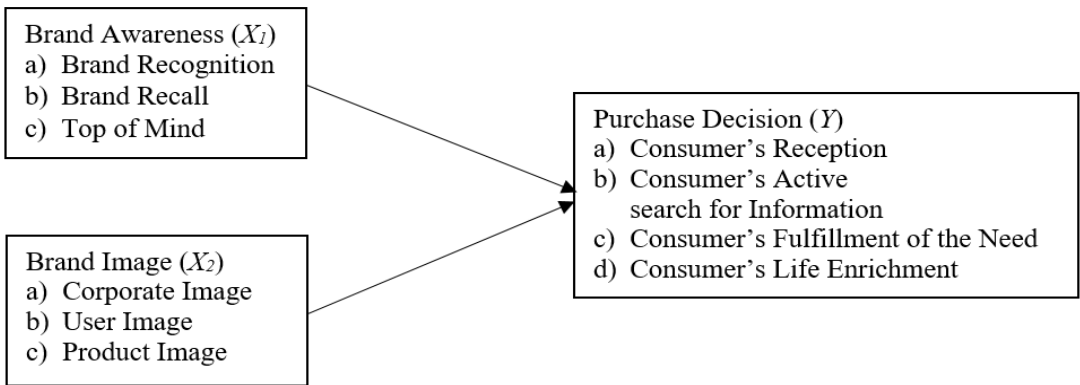From the literature review, here is the research framework:

Figure 1. Research framework
Source: Aaker in Yati, 2016; Biel in Musay, 2013; Schiffman and Kanuk, 2010

This research is investigating whether the brand awareness and brand image of Petra Christian University influence the high school students to enroll in Business Management Program. Therefore, the hypothesis are as following:
H_1: Brand awareness is suspected to influence partially the purchase decision.
H_2: Brand image is suspected to influence partially the purchase decision.

RESEARCH METHOD

Since this research is testing the influences among variables, it falls into the quantitative research method. The aim of this research is to examine a certain population or its sample through some data collection by a mean of questionnaires, and then, to conduct some statistical tests to prove the hypothesis based on the collected data (Sugiyono,

2013). The population of this research is the final year high students from all schools that have collaborated with PCU. The research samples have been selected from 10 high schools that have contributed directly and mostly to the student enrollment of Business Management Program. The total number of respondents is 51 students, which is based on the approach of Isac Michael (Siregar, 2017). The sampling method is the purposive sampling, because the data are needed from the respondents who have purchased, in this case enrolled, their higher education in Business Management Program of PCU.

The questionnaire for this research is constructed using the Likert scale, from strongly disagree (1) to strongly agree (5), because it measures the attitudes, opinions, and perceptions of the respondents about social phenomena (Sugiyono, 2013). For the data analysis, SPSS for windows 23.0 is used. Since this is to examine the influences of several variables, it follows the procedures of some statistical tests. The data are tested for their validity and reliability, and then, are tested with the classical assumption test, which consists of the test of normality, heteroscedasticity, and multicollinearity. After that, the multiple linear regression is constructed. Finally, the hypotheses are tested using t_{test}.

RESULTS AND DISCUSSION

Table 1 shows the result of the validity test. From Table 1, it can be observed that all items are valid for further tests, because the significance value of all items are below 0.050.

Table 1
Validity Test

Variable	Indicator	Significance	Remark
Brand Awareness	$X_{1.1}$	0.000	Valid
	$X_{1.2}$	0.000	Valid
	$X_{1.3}$	0.000	Valid
	$X_{1.4}$	0.000	Valid
	$X_{1.5}$	0.000	Valid
	$X_{1.6}$	0.000	Valid
	$X_{1.7}$	0.000	Valid
Brand Image	$X_{2.1}$	0.000	Valid
	$X_{2.2}$	0.000	Valid
	$X_{2.3}$	0.000	Valid
	$X_{2.4}$	0.000	Valid
	$X_{2.5}$	0.000	Valid
	$X_{2.6}$	0.000	Valid
	$X_{2.7}$	0.000	Valid
	$X_{2.8}$	0.000	Valid
	$X_{2.9}$	0.000	Valid
Purchase Decision	Y_1	0.000	Valid
	Y_2	0.003	Valid
	Y_3	0.001	Valid
	Y_4	0.000	Valid
	Y_5	0.000	Valid
	Y_6	0.000	Valid
	Y_7	0.000	Valid

Table 2
Reliability Test

Variable	Cronbach's Alpha	Remark
Brand Awareness	0.788	Reliable
Brand Image	0.785	Reliable
Purchase Decision	0.754	Reliable

Based on Table 2, all three variables have the value of Cronbach's Alpha higher than 0.6, therefore, all statements are reliable to measure the variables.

Table 3. describes the descriptive answers from the respondents. There is a conversion from the Likert scale of disagree-agree to the category of low-medium-high. Low can be interpreted as poor, medium to good, and high to excellent. The results of the descriptive answers from the respondents are summarized and can be observed in Table 3.

Table 3
Descriptive Answers from the Respondents

Variable	Item	*Mean*	Std. Deviation	Category
Brand Awareness	$X_{1.1}$	3.76	1.088	High
	$X_{1.2}$	3.62	1.163	Medium
	$X_{1.3}$	3.71	1.197	High
	$X_{1.4}$	3.45	1.068	Medium
	$X_{1.5}$	3.58	1.013	Medium
	$X_{1.6}$	3.64	1.207	Medium
	$X_{1.7}$	3.51	1.215	Medium
	Total	3.615		Medium
Brand Image	$X_{2.1}$	3.89	0.896	High
	$X_{2.2}$	3.62	0.892	Medium
	$X_{2.3}$	3.75	0.907	High
	$X_{2.4}$	3.02	0.952	Medium
	$X_{2.5}$	3.31	0.879	Medium
	$X_{2.6}$	3.67	0.963	Medium
	$X_{2.7}$	3.62	0.913	Medium
	$X_{2.8}$	3.62	1.027	Medium
	$X_{2.9}$	3.76	1.122	High
	Total	3.584		Medium
Purchase Decision	Y_1	2.31	1.289	Low
	Y_2	2.47	1.359	Medium
	Y_3	3.36	1.112	Medium
	Y_4	3.47	1.120	Medium
	Y_5	3.85	1.129	High
	Y_6	4.02	1.080	High
	Y_7	4.04	1.053	High
	Total	3.36		Medium

From Table 3 it can be inferred that the total mean on Brand Awareness is 3.615, which means medium. This shows that the brand awareness of Petra Christian University is good in the mind of the high school students. The highest score for the brand awareness is on the item of "knowing PCU as the best private campus in Indonesia", with the score of 3.76. The lowest score for the brand awareness is on the item of "no difficulty to imagine PCU logo in the high school students' mind", with the score of 3.45.

For the variable of Brand Image, the total mean from all respondents is 3.584. This shows that the brand image of PCU is good also in the mind of the respondents. The highest score is 3.89, on the item of "PCU has a long good reputation", while the lowest score is 3.02, on the item of "attending a class in PCU similar to study abroad."

For the last variable, Purchase Decision, the total mean from the respondents is 3.36. This indicates that the purchase decision, or the enrollment decision, to PCU is good in the reception of the high school students. The highest score belongs to the item of "studying in Business Management Program can broaden the business horizon or career opportunity", with the score of 4.04. The lowest score is on the item of "studying in Business Management Program is the parent's ambition", with the score of 2.31.

After the description of the respondents' answers, a set of classical assumption tests is conducted, and the results are displayed in Figure 2 and Figure 3.
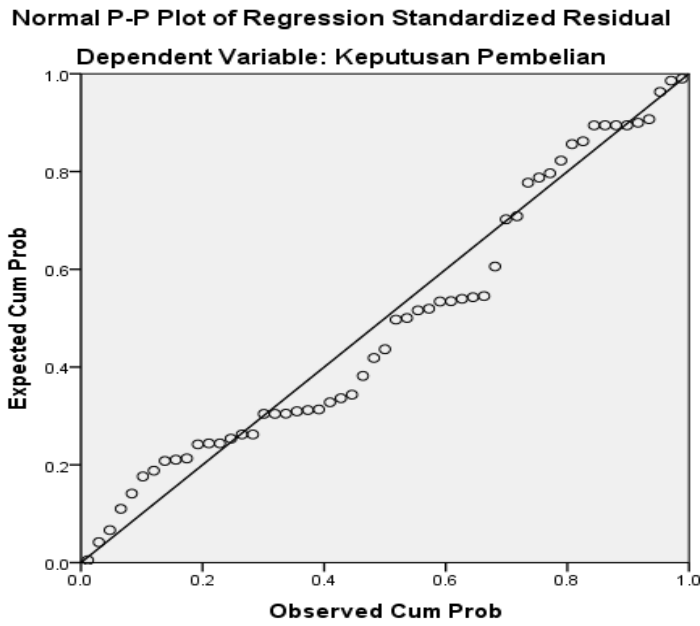
Figure 2. The normality test

As depicted in Figure 2, the result of the normality test using the normal probability plot shows the dots gathering around the diagonal straight line. It indicates that the residual for the regression model is normally distributed. Meanwhile, Table 3 depicts the descriptive statistic from the scatterplot, which shows the dots not forming a certain obvious pattern, and the dots scattered above and below zero in axis Y. It means there is no heteroscedasticity in the regression model, so the model is viable. To strengthen the result of the scatterplot, the heteroscedasticity test using Spearman Correlation is conducted to test the independent variables with their residual values, and the results are shown in Table 4. The significance value of the Spearman Correlation from all independent variables are higher than 0.050, meaning no heteroscedasticity in the regression model.
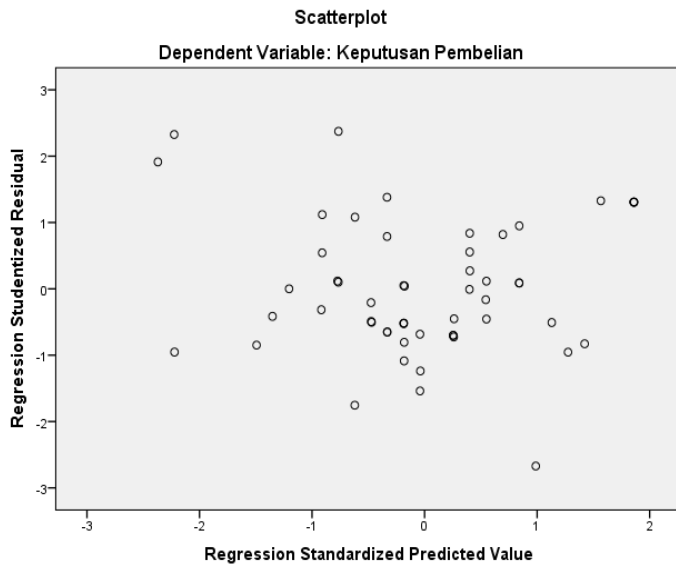

Figure 3. Heteroscedasticity test

Table 4
Heteroscedasticity Test with Spearman Correlation

Variable	Sig.
Brand awareness (X_1)	0.698
Brand image (X_2)	0.763

After conducting the normality and heteroscedasticity tests, thee next test is the multicollinearity test. The result from the multicollinearity test can be observed in Table 5 showing the values of tolerance and VIF for the variables of brand awareness and brand image are 0.421 and 2.377 respectively. This indicates that the regression model contains no multicollinearity as the value of tolerance is higher than 0.1 and VIF lower than 10.

Table 5
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	***VIF***
1 (Constant)		
Brand Awareness	0.421	2.377
Brand Image	0.421	2.377

The multiple linear regression analysis is conducted to know whether the independent variable of brand awareness (X_1) and brand image (X_2) have some influences on the purchase decision (Y) of the high school students. Table 9 shows the regression coefficients.

Table 6
Regression Coefficients

Model	Unstandardized Coefficients	
	B	**Std. Error**
1 (Constant)	5.827	2.375
Brand Awareness	-0.003	0.122
Brand Image	0.551	0.109

The multiple regression model comes as following:

$Y = 5,827 - 0,003X_1 + 0,551X_2$

- $\beta_0 = $ constant $= 5.827$

  It shows the value of purchase decision (Y) without the influence of brand awareness (X_1) and brand image (X_2). If brand awareness (X_1) and brand image (X_2) = 0, purchase decision (Y) will become 5.827. This shows other factors that can influence the purchase decision of high school students besides brand awareness and brand image.

- $\beta_1 = $ regression coefficient for $X_1 = -0.003$

  It shows a negative influence of brand awareness (X_1) to purchase decision (Y) of high school students. If brand awareness goes up or higher one point, purchase decision will drop 0.003 under the condition of unchanged or constant brand image.

- $\beta_2 = $ regression coefficient for $X_2 = 0.551$

  It shows a positive influence of brand image (X_2) to purchase decision (Y) of high school students. If brand image goes up or higher one point, purchase decision will go up 0.551 under the condition of unchanged or constant brand awareness.

The next statistical test is the determinant coefficient or R^2. The result of the R^2 is shown in Table 7. The value of the determinant coefficient (R^2), as seen in the adjusted R Square, is 0.517. This means that the ability of the variables of brand awareness (X_1) and brand image (X_2) in explaining their influences on the variable of purchase decision (Y) is 0.517 or 51.7%. The rest 48.3% influences are from other independent variables that are not covered in this research.

Table 7
Determinant Coefficient

Model	*R*	*R Square*	Adjusted *R Square*	Std. Error of the Estimate
1	0.731	0.535	0.517	3.576

To prove the hypothesis, t_{test} is conducted. The t_{test} is used to examine the influence of one independent variable to its dependent variable. The result of the t_{test} is stated in Table 8.

Table 8
The t test

Model	t	*Sig.*
(Constant)	2.454	0.018
Brand Awareness	-0.022	0.982
Brand Image	5.032	0.000

Based on Table 8, the analysis of the results come as following:

The significance value of brand awareness (X_1) is 0.982, which is higher than $\alpha = 0.05$. Therefore, H_0 is accepted and H_a is rejected. Brand awareness has a negative influence and no significance to purchase decision. It can be concluded that the brand awareness of Petra Christian University has no significant and negative influence on the high school students' decision to enroll in Business Management Program.

The significance value of brand image (X_2) is 0.0000, which is lower than $\alpha = 0.05$. Therefore, H_0 is rejected and H_a is accepted. Brand image (X_2) has a positive and significant influence to purchase decision (Y). It can be concluded that the brand image of Petra Christian University has a positive significant influence to the high school students' decision to enroll in Business Management Program.

CONCLUSION

Brand awareness and brand image are very important to the purchase decision. The results from the data analysis reveals that

1. The brand awareness of Petra Christian University has no significant and negative influence to the high school students' purchase decision. It means the brand awareness does not influence the students to choose and enroll to Business Management Program.
2. The brand image of Petra Christian University has a positive and significant influence to the high school students' purchase decision. It means the brand image affects the students to choose and enroll to Business Management Program.

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WEAK FORM MARKET EFFICIENCY ANALYSIS IN THE CRYPTOCURRENCY MARKET

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ABSTRACT

Research on the efficiency of financial markets is mostly done in the context of the capital market, though the financial market has grown so rapidly. One of the fast-growing results of financial innovation is the virtual currency/cryptocurrency pioneered by Bitcoin. Bitcoin market is growing rapidly even exceeds the capital market capitalization of a country, currently. This study, therefore, examines the efficiency of the Bitcoin market. The data in this study is the daily closing data of Bitcoin. This data is obtained from Yahoo Finance, while the research period used is the period July 17, 2010, to February 7, 2018, so as many as 2762 days of observation. Data analysis is done by Run Test. The results of this study indicate that Bitcoin markets do not run randomly, so it is inefficient in weak form. These findings suggest that technical analysis can be used in the Bitcoin market.

Keywords: Virtual currency, cryptocurrency, bitcoin, market efficiency, run test.

INTRODUCTION

Research on market efficiency (which began in the capital market) began to rise after the introduction of the Efficient Market Hypothesis. There are three forms of market efficiency, namely: the weak form efficiency, the semi-strong form efficiency, and the strong form efficiency (Pulungan, Wahyudi, & Suharnomo, 2018). Each of these efficiencies is closely related to information that may affect the price of a securities/financial instruments. The weak forms efficiency is only related to historical prices; semi-strong form efficiency associated with published information; while the strong form efficiency associated with all information both published and unpublished (Khajar, 2010; Robiyanto, 2015; Robiyanto, Hersugondo, & Puryandani, 2015).

Several studies related to weak forms capital market efficiency have been done by Jain, Vyas, and Roy (2013); Robiyanto *et al*. (2015); Robiyanto and Puryandani (2015); Utomo and Fuad (2008). Most of these studies conducted studies on seasonal patterns and random walk testing. Semi-strong market efficiency testing has been done by Haryanto (2011); Herdinata (2012); Khajar (2010); Luhur (2010); Makaryanawati (2012); Sunarjanto and Adisastra (2008). These studies mostly use a variety of events that are deemed to affect stock price movements such as issuers' corporate action information. While research about the testing of the strong form efficiency been done by Khan and Ikram (2011) by using mutual funds and investment managers performance. While research on the efficiency of markets in other financial markets been done by Pulungan *et al*. (2018) in the commodity market; and Robiyanto (2017a) in the bond market.

By 2010 there was a financial instrument called virtual currency that was originally used for peer-to-peer payments among online video gamers (ICBA, 2015) and online gamblers via Satoshi Dice (Badev & Chen, 2014). The instrument was created by a programmer (Turpin, 2014) and was named Bitcoin by Satoshi Nakamoto, the inventor (Nakamoto, 2008; Seetharaman, Saravanan, Patwa, & Mehta, 2017). Bitcoin as the first cryptocurrency in the world, until 2017 has a market capitalization of USD 5.9 billion and is still growing (Seetharaman *et al*., 2017). Bitcoin, in 2010 only worth USD 0.04, but never reached a record high of USD 19345.49 in December 2017. Bitcoin market even threaten other major currencies in the world. Bitcoin has been considered a legal payment tool in some countries such as the United States, Canada, Australia and the European Union. Although there are still many countries that reject the legality of Bitcoin payment instruments such as Iceland, Indonesia, and many other countries. However, with an online trading system, Bitcoin trading can be easily done both in both the real Bitcoin market and the Bitcoin futures market in any country.

Unfortunately, this study of cryptocurrency is still rare (Farell, 2015), even the study of market efficiency, especially on the weak form in the cryptocurrency market has never been found. And by knowing the market efficiency of this weak form, it can be seen whether the cryptocurrency market is random walk or not. Therefore, this study conducts a study about market efficiency in weak form in the cryptocurrencies market namely Bitcoin. The purpose of this research is to scrutinize whether Bitcoin market is a random walk market (efficient in weak form) so that it cannot

be predicted, or does not walking randomly, so the technical analysis can be used to predict price movement in the future.

LITERATURE REVIEW AND HYPOTHESIS
Cryptocurrency Market
Cryptocurrency was created by programming experts, whose original purpose was to determine the exchange rate that could be stimulated with limited resources (Turpin, 2014). Its value is determined by the trust of its users and is protected by its nature and cryptography to identify and maintain its authenticity. Cryptocurrency market begins with the introduction of Bitcoin by Satoshi Nakamoto (Nakamoto, 2008). In general, Bitcoin is a scheme created to facilitate the transfer of value on both sides (Badev & Chen, 2014). Under the Bitcoin protocol, all transactions at a given time are collected into blocks. This block is then disseminated at all points connected to the Bitcoin network (Farell, 2015). Bitcoin uses the Hashcash PoW mechanism. In its journey, the number of cryptocurrency is increasing to more than 550 cryptocurrency (Farell, 2015).

Efficient Market Hypothesis, Weak Form Market Efficiency, and Hypothesis Development
The concept of market efficiency originally appeared in the capital market, so it is not surprising that this concept is often known as capital market efficiency. The concept of capital market efficiency suggests that the market price of traded securities on a regular basis can reflect all existing information and quickly make full adjustments to new information (Emery, Finnerty, & Stowe, 2008; Supramono, Widhiastuti, & Utami, 2017). The embryo of the concept of capital market efficiency is related to random-walk securities prices in the capital market (Jain *et al*., 2013). There are three forms of capital market efficiency based on the three forms of information (past information, published information and private information (unpublished), i.e., weak form efficiency, semi-strong form efficiency, and strong form efficiency (Onwukwe & Ali, 2018; Robiyanto, 2015, 2017a; Taungke & Supramono, 2015).

About the weak form efficiency, Khajar (2010) argues that the weak form efficiency has the meaning that the price of securities is fully reflect the past information. This weak form capital market efficiency is closely related to random walk theory. Within the framework of weak form capital market efficiency, the price of a security reflects all past price information, thus implying that the price of a security cannot predicted by using the past information (Khajar, 2010; Robiyanto, 2017a). In reality, the price of securities can be analyzed using technical analysis that heavily relies on past information. The existence of patterns in the capital market also shows that securities in the capital market can be predicted using the past information. These patterns have also been documented in various studies such as Hersugondo, Robiyanto, Wahyudi, and Rini (2016); Robiyanto (2017a). The same can also happen in cryptocurrency markets (in this study is Bitcoin). Cryptocurrency market, as well as capital markets, tend not to walk randomly so it can be predicted. Based on the above, the hypothesis is formulated as follows:
H_1: The cryptocurrency market (Bitcoin) does not run randomly

RESEARCH METHODS
The data used in this research is daily closing data of Bitcoin trade. The period used in this study is the period July 17, 2010, until February 7, 2018, so as many as 2762 days of observation. This data is obtained from Yahoo Finance site. Meanwhile, the analytical tool used for testing the cryptocurrency market efficiency in this research is Run Test. Hypothesis 1 in this study will be accepted if the resulting *Z statistic* has a significance level below 5%.

FINDINGS
Descriptive Statistics of Cryptocurrency Market
Descriptive statistics of Bitcoin's price and return can be seen in Table 1. The maximum price of Bitcoin during the research period is USD 19345.490 which occurred on Dec 16, 2017. Bitcoin minimum price is USD 0.049 occurred on July 16, 2010. While the average value and standard deviation for Bitcoin price is USD 900.537 and USD 2363.428. Regarding return, Bitcoin's highest return was 3,368 or 3368%, which occurred on Feb 26, 2014, while the largest decrease of Bitcoin was 0.572 which occurred on Feb 20, 2014. The average value of Bitcoin return and standard deviation return of Bitcoin during the research period was 0.007 and 0.093. This shows that during the research period Bitcoin price tends to increase and every day able to generate return of 0.007. Unfortunately, the risk of Bitcoin is very large as indicated by standard deviation of 0.093.

Table 1
Descriptive Statistics of Bitcoin Price and Return

	Bitcoin Price (USD)	Bitcoin Return
Minimum	0.049	-0.572
Maximum	19345.490	3.368
Standard Deviation	2364.428	0.093
Average	900.537	0.007

Source: Yahoo Finance, processed.

Run Test Result

Based on the results of the analysis by using Run Test, the results obtained as can be seen in Table 2.

Table 2
Run Test

	Bitcoin
Test Value	.0072
Cases < Test Value	1634
Cases >= Test Value	1128
Total Cases	2762
Number of Runs	1252
Z	-3.295
Asymp. Sig. (2-tailed)	.001

Source: Yahoo Finance, processed.

Run Test results yield *Z value* of -3.295 which is significant at 5% significance level. Based on this the H_1 stating that the cryptocurrency market (Bitcoin) does not run randomly, is accepted.

DISCUSSION

Based on the results of the analysis, the conclusion is that the cryptocurrency market does not run randomly. This is similar to studies in other financial markets such as capital markets, bond markets, currency markets and even derivative markets that have been done by Hersugondo *et al*. (2016); Jain *et al.* (2013); Robiyanto (2017a, 2017b); Robiyanto and Puryandani (2015). This suggests that technical analysis that prioritizes past information can be applied to the cryptocurrency market. Cryptocurrency is less likely to have an underlying asset, the price of cryptocurrency is entirely determined by the confidence of investors affecting demand and supply (Turpin, 2014).

Because of this nature, cryptocurrency is seen as a speculative instrument and a tools of speculation by traders (Bolt & van Oordt, 2016), so that short-term oriented analytical techniques play a significant role in cryptocurrency trading. This is also supported by the very large findings of standard deviation cryptocurrency values which indicate that the risks are very high, especially since the cryptocurrency market does not have a price restriction mechanism as it applies in the capital market supported by the time of cryptocurrency market trading that runs 24 hours a day and seven days per week.

The current rise of the cryptocurrency market needs to be addressed with caution given the absence of the underlying intrinsic value. This can be a financial bubble that is even worse than the Tulipmania that occurred in the seventeenth century.

CONCLUSION

The results of this study indicate that the cryptocurrency market (Bitcoin) does not walk randomly so it can be concluded that the Bitcoin market is inefficient in weak form. Since this cryptocurrency market does not walk randomly, then the use of technical analysis to predict the price of Bitcoin can be done. Therefore investors or speculators in the Bitcoin market can use technical analysis in their trading activities to gain short-term gains.

The findings in this study also indicate that the risks in the cryptocurrency market studied (Bitcoin) are so high that investors should be cautious in trading, especially since cryptocurrency has no intrinsic value like Tulip that spurred Tulipmania which is a financial bubble in Europe in the seventeenth century. Since this research focuses on Bitcoin products which are the instruments with the largest capitalization. Future research on cryptocurrency markets can be done using other cryptocurrency products and involves cryptocurrency futures markets.

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EFFECT OF POLITICAL RISK ON PROFITABILITY MEDIATED BY CAPITAL STRUCTURE IN REAL ESTATE DEVELOPMENT COMPANIES OF ASEAN-5

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ABSTRACT

The aim of this study is to investigate the effect of political risk on profitability with capital structure as mediator in real estate development companies of ASEAN-5 that is 268 companies total in population. The type of research is quantitative and the datas are collected from companies' financial statements period 2012–2016. The analysis is conducted on partial least square. The result of partial least square shows that capital structure is not significant as mediator. However, political risk to profitability is significant. This proves that politics also determine the survivability of real estate development companies in the scope of finance. Afterwards, the outcomes may guide investors while considerating to invest in own country or in other ASEAN-5 countries which have different characteristics including political risk.

Keywords: Political risk, capital structure, profitability, real estate development companies, ASEAN-5.

INTRODUCTION

Southeast Asian nations attracted foreign interest relatively low because of the lack of transparency and also government restrictions (Hughes, 2015). Investors tend to associate Southeast Asia with political and economic volatility (Bhalla, Harris, Khanna, Wu, & Dolya, 2012). While the current economic problems dominate the mind-set of investors, political risk also remains as an important consideration (World Bank Group, 2013). In the scope of the country can be seen that countries in Southeast Asia have different performance. Specifically, in this study within the scope of ASEAN-5 namely Indonesia, Malaysia, Philippines, Singapore and Thailand because among all ASEAN member countries in Southeast Asia, these five countries are the most prominent (Tan & Tang, 2016). Based on 12 pillars measured by the Global Competitiveness Index, Singapore has the highest competitiveness in ASEAN-5 followed by Malaysia, Thailand, Indonesia and Philippines respectively (World Economic Forum, 2015)

In terms of sector, Ling and Archer (2013) wrote that real estate plays a key role in shaping the economic conditions of individuals, families, and companies. Real estate has been estimated to represent about half of the world's total economic wealth. In addition, real estate is an industry that has a high level of volatility. Historically, real estate development is volatile because of the prices and real estate costs tend to be unstable. In addition, real estate is associated with very large and very competitive market share (Brueggeman & Fisher, 2011). Next, when considering a cross-country project, there are some steps that followed by developers. One of the most important is financing. The company's financing decision involves various policy issues. One of the policies is the capital structure policy. The capital structure consists of debt and equity or personal capital.

Furthermore, based on previous studies, capital structure negatively affects profitability (Chen, Chen, Liao, & Chen, 2009; Hussain, 2015). This implies that the company has a higher profit rate when the equity ratio increases or the ratio of reserves to liabilities or debt decreases. Since, if the debt increases aggressively, it will has negative impact on profitability (Chisti, Ali, & Sangmi, 2013). On the other hand, still there is positive relationship of capital structure to profitability (Gill, Biger, & Mathur, 2011; Semuel & Widjojo, 2016). The results of the study suggest that the debate continues in the company's financial theory of the optimal capital structure, which is how companies choose and adapt the most strategic securities mix. The relationship between capital structure and profitability cannot be ignored because increased profitability is required for long-term survival (Gill *et al*., 2011). To sum up, profitability is the most important goal in business dealings (Hagel III, Brown, & Davison, 2010).

LITERATURE REVIEW AND HYPOTHESIS
Political Risk

Political risk refers to the risk that government policy will negatively impact the cash flows of companies that make international investments (Bekaert, Harvey, Lundblad, & Siegel, 2015). Political risk for a particular country is the actions or authorities of the government from the executive, legislative, or judicial branch of the country that negatively affecting the value of investments in that country. The company has expressed greater concern about macro-

economic instability as an obstacle to foreign investment plans rather than political risk. However, the company continues to recognize the importance of political risk not only in investment intentions but also its impact on business that is likely to suffer financial loss (World Bank *Group*, 2013).

To measure political risk, the International Country Risk Guide (ICRG) by PRS Group is used (Bekaert, Harvey, Lundblad, & Siegel, 2014; Bekaert *et al.*, 2015; Kesternich & Schnitzer, 2010). The ICRG's political risk indicators are designed to assess the political stability of the covered countries, combining information from twelve subcomponents including government stability measures, socioeconomic conditions, investment profiles, internal conflicts, external conflicts, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and bureaucratic quality (Bekaert *et al.*, 2015). If the subcomponents are grouped then the first three subcomponents concern about the quality of institutions in a country which is law and order, bureaucratic quality, and corruption. The next group that has the label "conflict" includes four subcomponents that measure the existence or risk of political turmoil that is internal conflict, external conflict (which includes economic disputes such as trade embargoes), tensions, and ethnic tensions. The next group of democratic tendencies that measure a country's democratic tendencies includes two subcomponents of military in politics and democratic accountability. The latter group is called government action that includes government stability and socioeconomic conditions in which this last subcomponent attempts to measure public satisfaction or dissatisfaction with government economic policy. This grouping also includes potential and highly relevant subcomponents of investment profile. This component includes the risk of expropriation or contractility, taxation, and repatriation. It is therefore highly relevant for multinational corporations (Bekaert *et al.*, 2014).

The ICRG indicator is the best choice for three reasons: First, it considers the various dimensions of political risk such as corruption, bureaucratic quality, and ethnic and religious tensions as well as socioeconomic conditions. Second, while many indicators provide only information about selective country samples, ICRG indicators cover more than 140 countries. Third, the ICRG indicators vary over time and provide information for all the years required in the study (Kesternich & Schnitzer, 2010).

Capital Structure

The term capital structure of an enterprise is actually a combination of equity shares, preferred stock and long-term debt (Al-Najjar & Taylor, 2012). Debt is sometimes associated as something to avoid when running a business but debt is not bad at all. On the other hand, analysts and investors want companies to use debt smarter to finance their businesses (Gallo, 2018). The company may issue several bonds and use the funds to repurchase some shares, thus increasing the debt-equity ratio. Alternatively, a company can issue shares and use the money to pay off some debts, thereby reducing the debt to equity ratio.

Capital structure decisions can have important implications for company value and capital costs. An important element of capital structure decisions is easily recognizable, but the exact size of these elements cannot generally be obtained. As a result, it can only provide incomplete answers to questions about the best capital structure for a particular company at any given time (Ross, Westerfield, & Jordan, 2008). This causes the debt to equity ratio to be important. This ratio is a simple measure of how much debt is used to run a business. DER (debt to equity ratio) is called leverage ratio which allows to see how and how large the company uses debt. As a joint note, each company has debt to equity ratio and any company that wishes to borrow money or interact with investors should pay attention to it (Gallo, 2018).

In its history, there are several theories of capital structure as the development progresses as follows. First, the Modigliani-Miller (MM) theory suggests that in a tax less world, the value of the levered company is equal to the value of an unlevered company. In other words, the choice of debt to equity ratio is not important here. MM theory also suggests that in a world with taxes, the value of a company increases with leverage, which implies that the company must bear as much debt as possible. But these results leave a number of questions such as whether this is perfect and whether financial managers really set a debt-to-company ratio of close to 100 percent while many companies are using lower debt (Wester, Westerfield, & Jaffe, 2013). Second, trade-off theory is the optimal debt ratio of companies seen from the exchange between the cost and the profitability of the loan. Third, pecking-order theory is an alternative theory of trade-offs. A key element in pecking-order theory is when a company prefers to use internal financing whenever possible. If a company is very profitable, it probably will not require external financing so it will end up with little or no debt (Das Mohapatra, 1999).

Profitability
Profitability is benchmark of the company's overall financial system (Semuel & Widjojo, 2016). Most analysts and investors on Wall Street tend to focus on return on equity (ROE) as a key measure of company performance. Many executives are very focused on this measure by realizing that ROE is one of the biggest concerns of the investor community. This is because ROE focuses on returns to shareholders of the company. From the standpoint of share-holders themselves, ROE is a fast and easy to understand (Hagel III *et al*., 2010). ROE provides information on how much percentage of profit is generated for each dollar of equity invested in a company. This is an important ratio regardless of what industry it belongs to, and more relevant than return on assets (ROA) for some businesses. For example, the bank gets its maximum savings and then lends it with a higher return. In general, the return on assets is so small and does not really relate to how to make money but basically every company has equity. ROE is calcu-lated by net profit after tax divided by total shareholders' equity (Gallo, 2016).
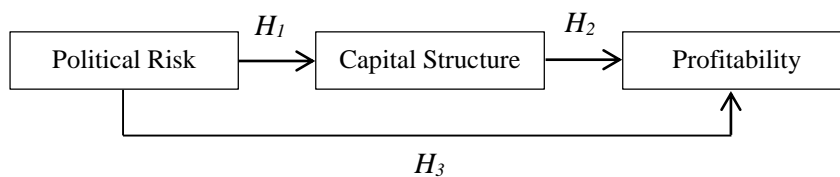
Hypothesis

Figure 1. Research model

H_1: Political risk significantly affects capital structure in real estate development companies of ASEAN-5
H_2: Capital structure significantly affects profitability in real estate development companies of ASEAN-5
H_3: Political risk significantly affects profitability in real estate development companies of ASEAN-5

RESEARCH METHOD
Type of Research
This research is quantitative research. Quantitative research is a research that uses mathematical methods and data processing must be in numerical form (Alversia, 2011). This research uses secondary data that is the issued financial statements by the sample companies.

Population and Sample
The population in this study is companies in the property owners & developer sector that listed in Indonesia Stock Exchange (IDX) totaling 42 companies, listed in Philippines Stock Exchange (PSE) totaling 42 companies, listed in Bursa Malaysia (BM) totaling 42 companies, listed in The Stock Exchange of Thailand (SET) totaling 49 compa-nies, and listed in Singapore Exchange (SGX) totaling 58 companies. Thus, the total population is 268 companies.

In this study non-probability or non-random sampling technique is used. This technique is a sampling technique that is not based on random mechanism or random. In this research, purposive sampling technique that based on certain intention and criterion is also used. The criteria of the companies that will be sampled in this study include compa-nies that have issued reports and financial data required during 2012 to 2016, the company did not experience delis-ting and did not merge with other companies during the study period.

Variables
Here is the operational definition of each variable in this study. The International Country Risk Guide (ICRG) Indicators by PRS Group to measure political risk (POL), DER (Debt to Equity Ratio) to measure capital structure (CAPS), and ROE (Return on Equity) to measure profitability (PROF).

Political Risk (POL)
The political risk rating of the International Country Risk Guide (ICRG) is designed to reflect only political risk because the ICRG has separate ratings on economic and financial risks. The political risk rating of the ICRG represents a significant difference in the probability of realizing future political risk. The overall ICRG political risk indicator is an information center on various aspects of political risk and some components that may be more pre-dictive of future risks than others. In summary, there is evidence that the deterioration in the political risk rating of

the ICRG has predictive power for political risk insurance claims as well as political risk events as measured by news coverage (Bekaert *et al*., 2014).

The ICRG's political risk indicators are designed to assess the political stability of the countries covered, combining information from twelve subcomponents including government stability measures, socioeconomic conditions, investment profiles, internal conflicts, external conflicts, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and bureaucratic quality (Bekaert *et al*., 2015). Of the many subcomponents grouped by the PRS Group up to six components and for inclusion in the data analysis, the six components can be searched the average so the output will be a number that represents one country within the period of study as applied by Kesternich and Schnitzer (2010). The frequency of determining political risk is every month since 1984 and is shown in scores per year. Then, in the ICRG's political risk indicators if the political risk rating of 0.0% to 49.9% indicates Very High Risk; 50.0% to 59.9% High Risk; 60.0% to 69.9% Medium Risk; 70.0% to 79.9% Low Risk; and 80.0% or more Very Low Risk (ICRG, 2016).

Debt to Equity Ratio (DER)

This ratio is called leverage ratio which allows to see how and how large the company uses debt. As a joint note, each company has a debt-to-equity ratio and any company that wishes to borrow money or interact with investors should pay attention to it. DER is then calculated by dividing the total debt of the company against total equity. Then the equation is Total Debt / Total Equity (Gallo, 2018).

Return on Equity (ROE)

The usefulness of the ROE is to measure the company's successful rate of return on its equity. If the company has a high profitability then this ROE variable will also show a high number (Semuel & Widjojo, 2016). ROE is measured by dividing net income by total equity. Then the equation is Net Income/ Total Equity (Wester *et al*., 2013).

Data Collection Technic

The data of the simple companies is in the form of published annual financial statements such as income statement, cash flow statement, balance sheet and political risk data for the period 2012–2016. These secondary data related to population and research sample are obtained from Indonesia Stock Exchange (BEI) website www.idx.co.id, Philippines Stock Exchange www.pse.com.ph, Bursa Malaysia (BM) www.bursamalaysia.com, Singapore Exchange (SGX) www.sgx.com, The Stock Exchange of Thailand (SET) www.set.or.th, and/or the Petra Christian University Bloomberg laboratory for the financial statements of the company. Political risk data is obtained from International Country Risk Guide (ICRG) through the PRS Group in collaboration with the World Bank https://info.worldbank.org/governance/wgi/pdf/prs.xlsx.

Data Analysis Technic

This research uses the PLS (partial least square) technique with SmartPLS software. Partial least squares have flexibility that makes it possible to be used in situations where the use of conventional multivariate methods is very limited, as when there are fewer observations than predictor variables. Furthermore, partial least square regression can be used as an exploratory analysis tool to select the appropriate predictor variables and to identify the segregation before analyzing the linear regression (de Jong, 1993; Statsoft, 2018).

FINDINGS
Descriptive Analysis

The sample unit in this study is real estate development companies in ASEAN-5, which originated from Indonesia, Philippines, Malaysia, Singapore, and Thailand. The initial sample is 286 companies, with 42 companies from Indonesia, 42 from Philippines, 77 from Malaysia, 58 from Singapore, and 49 from Thailand.

The result of data collection shows there are some companies whose data are not available completely, so researchers done the filtering by only include a sample unit of the company whose value of each variable is available completely. The result of the screening shows 21 companies (7.8%) whose data variables are not available completely, while the remaining 247 companies (92.2%) data of each variable is complete. Thus the sample in this study is as many as 247 companies, with details as follows.

Table 1
Number of Research Sample

Country	Targeted Company in Number	%
Indonesia	40	16,2
philippine	32	13,0
Malaysia	73	29,6
Singapore	56	22,7
Thailand	46	18,6
Total	247	100,0

This shows that the real estate development companies in ASEAN-5 which is sampled in this research is mostly from Malaysia, which is 73 companies or 29.6%. The least sample is from the Philippines that is 32 companies or 13.0%. The sample of real estate development companies originating from Indonesia amounted to 40 companies or 16.2%.

Outer Model Evaluation
Convergent Validity
The first evaluation of the outer model is convergent validity. Convergent validity is measured by looking at the outer loading value of each indicator. An indicator is said to meet convergent validity if it has an outer loading value of ≥ 0.50. Here is the value of outer loading of each indicator on the research variables.

Table 2
Outer Loading Value

Indicators	Political Risk	Capital Structure	Profitability
POL	1.00		
DER		1.00	
ROA			1.00

Based on the outer loading value, it is known that the outer loading value for each indicator on the variable of political risk, capital structure, and profitability all have value more than 0.50. This means that the POL, DER, and ROA indicators used to measure each variable of political risk, capital structure, and profitability have met convergent validity.

Discriminant Validity
A second evaluation of the outer model is discriminant validity. Discriminant validity is measured using cross loading. An indicator is said to meet the discriminant validity if the value of cross loading indicator to the variable is the largest compared to other variables. The value of cross loading in this study is presented in the table below.

Table 3
Cross Loading Value

Indicators	Political Risk	Capital Structure	Profitability
POL	1.000	0.006	-0.137
DER	0.006	1.000	-0.158
ROE	-0.137	-0.158	1.000

Based on the value of cross loading, it can be seen that all the indicators that make up each variable of political risk, capital structure, and profitability have met the discriminant validity because it has the largest outer loading value for the variables it formed but small on other variables. Thus all indicators of variable political risk, capital structure, and profitability have met the discriminant validity. Another method that can be used to determine discriminant validity is to compare the value of the AVE root (average variance extracted) of each variable with a correlation involving the corresponding variable with the other variable in the model. If the value of the AVE root is greater than the correlations that occur then the variable, then it can be said variables meet the discriminant validity. Here is the discriminant validity test using a comparison between AVE root and the correlation between variables.

Table 4
Discriminant Validity Test Results

Variable	AVE	Square Root of AVE	Correlation between Variables			
				POL	DER	ROE
(POL)	1.000	1.000	POL	1		
(DER)	1.000	1.000	DER	0.006	1	
(ROE)	1.000	1.000	ROE	-0.137	-0.158	1

Based on the discriminant validity test result it is known that the AVE root value for each variable is of greater value when compared to the correlation value between the variables themselves and the other variables in the model, so it can be concluded that the variable of political risk, capital structure, and profitability have good discriminant validity.

Composite Reliability
The last evaluation of the outer model is composite reliability. Composite reliability tests the consistency of indicators in measuring a construct. A construct or variable is said to meet composite reliability if it has composite reliability value of ≥ 0.70. Here is the value of composite reliability of each variable of political risk, capital structure, and profitability.

Table 5
Composite Reliability

Variabel	Composite Reliability
Political Risk	1.000
Capital Structure	1.000
Profitability	1.000

Composite reliability test results show that the value of composite reliability of each research variable has a value greater than 0.70. Thus it can be concluded that each variable of political risk, capital structure, and profitability have met the composite reliability.

Inner Model Evaluation
R-Square
The first evaluation of the inner model is seen from the value of R-Square or coefficient of determination. Based on data processing with PLS, *R-Square* value is generated as follows.

Table 6
R-Square **Value**

Variabel	R- Square
Political Risk	-
Capital Structure	0.000038
Profitability	0.043381

The R-Square value for capital structure is 0.000038, meaning that the percentage of political risk effect to capital structure is 0.0038%, while the rest is 99.9962% explained by other variables. While the value of R-Square for profitability is 0.043381, meaning that the percentage of magnitude of political risk and capital structure to profitability is 4.3381%, while the rest is 95.6619% explained by other variables.

In the PLS model, the assessment of goodness of fit is known from the value of *Q2*. The value of *Q2* has the same meaning as the coefficient of determination (*R-Square*) on regression analysis, where the higher *R-Square*, then the model can be said more fit with the data. From above results then the value of *Q2* is generated as follows: $Q^2 = 1 - (1 - 0.000038) \times (1 - 0.043381) = 0.043417$

Q^2 means the amount of diversity of research data which can be explained by structural model developed in this research is equal to 4.3417%. Based on these results indicate there are many other variables that also affect the profitability.

Hypothesis Testing with Inner Weight
Testing of research hypothesis by using PLS analysis done by using inner weight table. The research hypothesis can be accepted if *t count* (*t-statistic*) ≥ *t table* at the error rate (*α*) 5% is 1.96. Here is the value of the path coefficient (original sample estimate) and t value (*t-statistic*) on the inner model.

Table 7
Hypothesis Test Results

Hyp.	Scheme of Effect	Direction	Path Coefficient	T-stat	Explanation
H_1	Political Risk→Capital Structure	+	0.006169	0.078301	Not significant
H_2	Capital Structure → Profitability	-	-0.157268	1.134288	Not significant
H_3	Political Risk → Profitability	-	-0.135590	2.009609	Significant

The value of path coefficient of political risk to capital structure is 0.006169 with *T-stat* equal to 0.078301 (smaller than *t table* value of 1.96), it shows no significant effect of political risk to capital structure. Based on this result, the research hypothesis which suspects there is effect of political risk on capital structure at real estate development companies in ASEAN-5, is unacceptable (H_1 is rejected).

The value of path coefficient of capital structure to profitability is equal to -0.157268 with *T-stat* equal to 1.134288 (smaller than *t table* value of 1.96), this shows there is no significant effect of capital structure to profitability. Based on this result, the research hypothesis which suspects there is effect of capital structure on profitability at real estate development companies in ASEAN-5, is unacceptable (H_2 is rejected).

The value of path coefficient of political risk to profitability is -0.135590 with T-stat equal to 2.009609 (bigger than *t table value* of 1.96), it shows there is significant effect of political risk to profitability. The direction of effect between political risk and profitability is negative, indicating the lower the political risk the profitability will tend to decrease. Based on this result, the research hypothesis which suspect there is effect of political risk to profitability at real estate development companies in ASEAN-5, is acceptable (H_3 is accepted).

DISCUSSION
The results show that political risk has no significant effect on capital structure on real estate development companies in ASEAN-5. This result is consistent with the results of Rurangangabo (2013) study which found that political risk has no significant effect on the size of capital or the ability to mobilize capital for the project as well as the capital structure. Because, from the perspective of debt, leverage of ASEAN companies is still very low, not only compared to China but to the whole world. The average corporate debt for the six largest ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) is almost 100% in total debt to equity when 177% in China and 176% globally. The debt structure is also more sustainable, with only 56% of total debt classified as short-term debt (maturing in one year), compared to 68% in China.

At the same time, ASEAN economies are substantially affected by foreign conditions such as trade, given the openness in ASEAN for both trade and financial flows. Impacts on sector and country level also depend on exposure to external factors such as external demand for goods, commodity prices and US federal policies. In addition to external factors, ASEAN economy also depends also on varying domestic demand based on the strengths of each economic cycle and the real credit of ASEAN countries themselves (Herrero, 2017).

The results also show insignificant capital structure on profitability in real estate development companies of ASEAN-5. This is in line with Nduku (2015) study which found that the influence of capital structure on the profitability of real estate companies in insignificant. Thus the profitability of these companies is a function of other factors than the choice between equity and debt financing. This result will tend to support the pecking order theory which holds that there is no optimal leverage for the company. Recommendations for managers are they do not need to

focus on maintaining certain leverage ratios but they must let the actual capital structure be determined by the business needs (Mwangi & Birundu, 2015).

The results then show that political risk has no significant effect on capital structure and capital structure to profitability on real estate development companies in ASEAN-5. It can be concluded that capital structure does not give significant influence as mediator.

On the other hand, the results of the study show that political risk has significant effect on profitability in real estate development companies in ASEAN-5. Because basically, politics create uncertainty about future policy, which in turn affects the level of economic activity (growth) and expected profitability through its impact on investment, taxes, consumer and business confidence, and the price and availability of credit (Eurasia Group & Nikko Asset Management, 2015).

If paying attention at the direction, the higher the political risk of a country, the higher the profitability of the company. According to Cashman, Harrison, & Zinc (2015), higher observed earnings rates may be the result of investing in risky businesses that demand a higher rate of return. In addition, investors with good on-the-ground knowledge can often enjoy above-normal returns compared to highly transparent markets (Liang, 2015). So it can be concluded, political risks are able to provide high profit opportunities while others avoid such risks.

CONCLUSION

Political risk has insignificant effect on capital structure of the real estate development companies in ASEAN-5. For the proportion of debt ASEAN companies are still very low. In addition, the capital structure is also influenced by foreign conditions such as global free trade because of the openness of ASEAN to investors.

The capital structure has insignificant effect on profitability of the real estate development companies in ASEAN-5. Thus the profitability of real estate developers is influenced by factors other than the choice between equity and debt financing. This has an impact on the company's capital structure policy that managers do not need to focus on maintaining certain compositions to achieve expected profitability because the actual capital structure is determined by the needs of each business.

The higher the political risk the higher the profitability. This caused by 4 out of 5 countries in ASEAN-5 are developing countries and political risk in developing countries tend to be higher than developed countries but regardless of the risk, some investors are aware of the risks and seize the opportunity to gain profit while others avoid it.

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