

# **17th International Symposium on Management (INSYMA 2020)**

## **Industrial Revolution 4.0 – Opportunities and Challenges in the Digital Business**

Advances in Economics, Business and Management Research  
Volume 115

Vung Tau City, Vietnam  
19 – 21 February 2020

### **Editors:**

**Werner R. Murhadi**  
**Dudi Anandya**  
**Arif Herlambang**

ISBN: 978-1-7138-0694-3

**Printed from e-media with permission by:**

Curran Associates, Inc.  
57 Morehouse Lane  
Red Hook, NY 12571



**Some format issues inherent in the e-media version may also appear in this print version.**

Copyright© (2020) by Atlantis Press  
All rights reserved.  
Copyright for individual electronic papers remains with the authors.

For permission requests, please contact the publisher:

Atlantis Press  
Amsterdam / Paris

Email: [contact@atlantis-press.com](mailto:contact@atlantis-press.com)

Conference Website: <http://www.atlantis-press.com/php/pub.php?publication=insyma-20>

Printed with permission by Curran Associates, Inc. (2020)

**Additional copies of this publication are available from:**

Curran Associates, Inc.  
57 Morehouse Lane  
Red Hook, NY 12571 USA  
Phone: 845-758-0400  
Fax: 845-758-2633  
Email: [curran@proceedings.com](mailto:curran@proceedings.com)  
Web: [www.proceedings.com](http://www.proceedings.com)

# TABLE OF CONTENTS

## **SESSION: FINANCIAL MANAGEMENT**

INVESTOR BEHAVIORAL BIAS BASED ON DEMOGRAPHIC CHARACTERISTICS .....	1
<i>J. Elizabeth, W. R. Murhadi, B. S. Sutejo</i>	
ANALYSIS OF THE EFFECT OF INFORMATION ASYMMETRY ON DIVIDENDS.....	8
<i>L. Ernestin, W. R. Murhadi, B. S. Sutejo</i>	
CORPORATE GOVERNANCE: A KEY DRIVER OF INTELLECTUAL CAPITAL PERFORMANCE .....	12
<i>D. A. Arifah, A. Chariri, Pujiharto</i>	
STOCK RETURN MOVEMENT IN INDONESIA MINING COMPANIES.....	18
<i>M. Indriastuti, N. Najihah</i>	
THE ROLE OF CSR ON SHAREHOLDERS WEALTH THROUGH INTELLECTUAL CAPITAL.....	22
<i>S. Sumiati, R. Y. Sueztianingrum</i>	
FRAUD PENTAGON AS A MEASUREMENT TOOL FOR DETECTING FINANCIAL STATEMENTS FRAUD.....	27
<i>K. Fuad, A. B. Lestari, R. T. Handayani</i>	
IS THE STOCK OPTION EFFECTIVE TO MAINTAIN KEY MANAGEMENT? EVIDENCE FROM INDONESIA LISTED COMPANIES .....	31
<i>Y. K. Feliana, F. Lianggono</i>	
FACTORS AFFECTING THE FINANCIAL PERFORMANCE OF COMPANIES BASED ON AGENCY THEORY .....	37
<i>A. Herlambang, W. R. Murhadi, T. Andriani</i>	
INTEGRATED FINANCIAL TECHNOLOGY MODEL ON FINANCING DECISION FOR SMALL MEDIUM ENTERPRISES DEVELOPMENT.....	42
<i>Mutamimah, Hendar</i>	
FINANCIAL TECHNOLOGY OPTIMIZATION IN THE DEVELOPMENT OF MSMES WITH SPOTLIGHT PHENOMENOLOGY .....	47
<i>Suhartono, M. Suwandi, A. Y. M. Bayan, A. L. K. Taufiq</i>	
FACTORS INFLUENCING CARBON EMISSION DISCLOSURE IN MINING COMPANIES OF INDONESIA .....	50
<i>Winarsih, D. A. Supandi</i>	
THE INFLUENCE OF MANAGEMENT CONTROL SYSTEM, ENCOURAGEMENT OF ENVIRONMENTAL MANAGEMENT, AND PROACTIVE ENVIRONMENTAL MANAGEMENT ON CARBON EMISSION EFFICIENCY .....	55
<i>M. J. Shodiq, H. Fauzi, I. Ghozali</i>	
THE IMPROVEMENT STRATEGY OF TAX COMPLIANCE FROM MSME SECTOR IN INDONESIA .....	60
<i>P. Wijayanti, N. Saraswati, I. Kartika, Mutoharoh</i>	

MEASURING ECONOMIC GROWTH THROUGH NATIONAL INCOME ELASTICITY .....	65
<i>M. S. Sundari, M. Ariani</i>	
FACTORS THAT AFFECT THE DEBT RATIO OF INTERNATIONALIZED NONFINANCIAL FIRMS .....	69
<i>Y. N. Handjaja, B. S. Sutejo, D. Marciano</i>	
ABNORMAL RETURN TESTING BEFORE AND AFTER THE EARNINGS ANNOUNCEMENT .....	73
<i>B. S. Sutejo, M. Utami</i>	
MEMO AS WISH FULFILLMENT FOR ME AND OUR SAVIOR: A CASE STUDY ON SOES IN INDONESIA .....	77
<i>R. E. Wijaya, E. Andajani</i>	
DIVERSIFICATION, BANK RISK, AND EFFICIENCY ON SHARIA BANKING IN INDONESIA .....	83
<i>Anggraeni, Basuki, R. Setiawan</i>	
HOW DO EXPORTS AND IMPORTS DISTRESS FOREIGN EXCHANGE RESERVES IN INDONESIA? A VECTOR AUTO-REGRESSION APPROACH.....	87
<i>S. Hariadi, A. Z. Tayibnapis, N. Irawati</i>	
THE ECONOMIC IMPACT OF CORPORATE SOCIAL RESPONSIBILITY .....	92
<i>R. Eriandani</i>	
THE EFFECT OF ILLIQUIDITY ON STOCK RETURN ON THE INDONESIA STOCK EXCHANGE .....	97
<i>E. Ernawati, A. Herlambang</i>	
OWNERSHIP STRUCTURE, GOOD CORPORATE GOVERNANCE, AND FIRM PERFORMANCE IN THE INDONESIAN CAPITAL MARKET.....	102
<i>L. I. Wijaya, Welson, W. R. Murhadi</i>	
ANALYSIS OF FACTORS INFLUENCING THE UNDERSTANDING OF INTERNATIONAL FINANCIAL REPORTING STANDARD OF ACCOUNTING STUDENTS IN STATE UNIVERSITIES IN MAKASSAR.....	107
<i>Suhartono, J. Majid, Yusdin, M. Iqbal, Firman</i>	
SLOW MOVING AND DEAD STOCK: SOME ALTERNATIVE SOLUTIONS .....	112
<i>N. K. Sugiono, R. S. Alimbudiono</i>	
THE EFFECT OF FINANCIAL RATIOS AND MACROECONOMIC VARIABLES TO FINANCIAL DISTRESS OF AGRICULTURE INDUSTRY LISTED IN THE INDONESIA STOCK EXCHANGE FROM 2013 TO 2018.....	118
<i>E. J. Arilyn</i>	
REVISITING THE ROLE OF INTELLECTUAL CAPITAL ON FIRMS' PERFORMANCE: INDONESIAN EVIDENCE.....	121
<i>F. Nancy, D. Sulistiawan, F. A. Rudiawarni</i>	
MOTIVATION, TAX, AND FIRM'S CONDITION EFFECT ON EARNINGS MANAGEMENT.....	127
<i>R. Pramana, F. Firnanti</i>	
FACTORS AFFECTING MUDARABA DEPOSIT IN ISLAMIC COMMERCIAL BANK IN INDONESIA .....	133
<i>Sutrisno</i>	

THE EFFECT OF CORPORATE GOVERNANCE AND CORPORATE STRATEGY TOWARD FAMILY FIRM PERFORMANCE IN INDONESIA.....	137
<i>D. A. Harjito, A. R. Christian Santoso</i>	
EARNINGS MANAGEMENT, BUSINESS STRATEGY, AND BUSINESS COMPLEXITY.....	141
<i>G. J. Romadhon, Suyanto, N. Ahmar</i>	
INTERDEPENDENCE RELATIONSHIP OF INTERNATIONALIZATION—PERFORMANCE IN MANUFACTURING FIRMS LISTED IN INDONESIA STOCK EXCHANGE AND CHINESE STOCK EXCHANGES.....	146
<i>L. Huang, D. Marciano</i>	
SOFTWARE DEVELOPMENT FOR MICRO, SMALL, AND MEDIUM ENTERPRISES FOR PEOPLE’S BUSINESS CREDIT.....	152
<i>F. Ismiyanti, P. A. Mahadwartha</i>	
THE EFFECT OF GENDER DIVERSITY ON COMPANY FINANCIAL PERFORMANCE.....	156
<i>Y. Satria, P. A. Mahadwartha, E. Ernawati</i>	
PT KALBE FARMA AND WEAKENING OF RUPIAH.....	162
<i>S. L. Swandono, K. Raesita, P. A. Mahadwartha</i>	
SUPERSTITIONS AND PRICE CLUSTERING IN THE TAIWAN STOCK EXCHANGE.....	165
<i>K. Raesita, P. A. Mahadwartha</i>	
CORPORATE SOCIAL RESPONSIBILITY AND FULL DISCLOSURE: RELATIONSHIP TO FINANCIAL PERFORMANCE OF COMMERCIAL BANK.....	171
<i>R. F. Dimaala</i>	

### **SESSION: MARKETING MANAGEMENT**

A STUDY OF THE REALITY AND PROPOSING SOLUTIONS TO STRENGTHEN THE APPLICATION OF INFORMATION TECHNOLOGY IN SMALL AND MEDIUM LOGISTICS ENTERPRISES IN SOUTHERN VIETNAM.....	177
<i>N. D. Duong, P. L. N. Thuy</i>	
HYPERLOCAL JOURNALISM AS A STRATEGY IN FACING DIGITAL DISRUPTION: A CASE STUDY OF JAWA POS NEWSPAPER.....	182
<i>D. Anandya, F. Mutiara, A. Priyonggo</i>	
A STUDY INTO OPPORTUNITIES AND CHALLENGES OF BLOCKCHAIN ADOPTION FOR SUSTAINABLE NONFINANCIAL SECTOR MICRO, SMALL, MEDIUM ENTERPRISES—CASE STUDIES IN INDONESIA.....	186
<i>A. P. Tedjakusuma, B. N. Yahya</i>	
YOUNG CONSUMER’S PURCHASE INTENTION TOWARD ENVIRONMENTALLY FRIENDLY PRODUCTS IN INDONESIA: EXPANDING THE THEORY OF PLANNED BEHAVIOR.....	192
<i>V. Sutikno, Indarini, S. Margaretha</i>	
ACCOUNTING STUDENTS’ PERCEPTIONS OF ELECTRONIC LEARNING IN INDUSTRIAL REVOLUTION 4.0.....	197
<i>I. Natalia</i>	

THE FORMATION OF CUSTOMER SATISFACTION IN SOCIAL MEDIA, THE ROLE OF FREQUENCY, AND DURATION OF USE .....	204
<i>D. Anandya, Indarini, A. T. Septiani</i>	
EFFECT OF USE OF MOBILE BANKING ON THE STUDENT’S SATISFACTION AND LOYALTY .....	209
<i>J. D. Trisnawati</i>	
THE EFFECT OF PRODUCT PLACEMENT ON CUSTOMER INTERESTS IN MEDIATION BY BRAND AWARENESS .....	215
<i>E. Pancaningrum, T. Ulani</i>	
THE EFFECT OF CELEBRITY ENDORSERS ON PURCHASE DECISIONS ON THE FAIT HIJAB ONLINE SHOP ON INSTAGRAM .....	221
<i>A. D. Aprilia, N. Hidayati</i>	
GREEN CONCEPT: CUSTOMER SATISFACTION IN THE SERVICE BUSINESS .....	226
<i>H. P. Dewi</i>	
THE EFFECT OF E-WOM ON TRAVEL INTENTION, TRAVEL DECISION, CITY IMAGE, AND ATTITUDE TO VISIT A TOURISM CITY .....	233
<i>J. Gosal, E. Andajani, S. Rahayu</i>	
THE EFFECT OF AIRQUAL ON CUSTOMER SATISFACTION AND WORD OF MOUTH AT GARUDA INDONESIA AIRLINE .....	238
<i>A. Fananiar, F. N. Widjaja, A. P. Tedjakusuma</i>	
THE EFFECT OF SOCIAL NETWORK MARKETING, ATTITUDES TOWARD SOCIAL NETWORK MARKETING AND CONSUMER ENGAGEMENT ON CONSUMER PURCHASE INTENTION ON BATIK.....	243
<i>A. Syaifullah A, C. R. Honantha</i>	
DOES RELIGIOUS ORIENTATION MATTER? REASSESSING THE ROLE OF BRAND CREDIBILITY AND CUSTOMER LOYALTY ON THE CONTROVERSIAL BRAND IN EMERGING MARKET .....	248
<i>A. Setyawan, R. Sutanto So, C. R. Honantha</i>	
THE EFFECT OF CONSUMER-BASED BRAND EQUITY ON CUSTOMER SATISFACTION AND BRAND LOYALTY IN THE COFFEE BEAN & TEA LEAF OR MAXX COFFEE .....	253
<i>D. Saputra, Indarini, S. Margaretha</i>	
ANALYZING THE EFFECT OF ELECTRONIC WORD OF MOUTH (E-WOM) ON ATTITUDES TOWARD CITY, CITY IMAGE, AND INTENTION TO VISIT YOGYAKARTA.....	259
<i>S. Muzdalifah, S. Rahayu, E. Andajani</i>	
INFLUENCE OF THE UPSCALE CAFÉ SERVICESCAPE ON SATISFACTION AND LOYALTY INTENTION.....	263
<i>Marso, Rafiq Idris, Lydia Ari Widyarini</i>	
SOCIAL MEDIA MARKETING AND MARKETING PERFORMANCE ON NEW SME: A MODERATING CONSUMER INNOVATIVENESS.....	267
<i>A. B. Krisnanto, Surachman, Sunaryo, Rofiaty</i>	
THE IMPACT OF CUSTOMER TRUST ON BRAND LOYALTY IN PUBLIC TRANSPORTATION .....	270
<i>V. Briliana, I. Sari</i>	

ANTECEDENTS OF ONLINE INFORMATION ADOPTION BEHAVIOR: AN EMPIRICAL STUDY IN TOURISM USING ONLINE TRAVEL AGENT SERVICES .....	274
<i>H. A. Rafi, R. Roostika</i>	
PERCEIVED COOLNESS IN THE HERITAGE TOURISM: A CASE STUDY IN PT. TAMAN WISATA CANDI.....	281
<i>M. H. F. Ridhani, R. Roostika</i>	
AN ANALYSIS OF LOCAL PRODUCT AUTHENTICITY AND CUSTOMER ATTACHMENTS .....	288
<i>R. Roostika</i>	
THE ROLE OF TECHNOLOGY IN DEVELOPING LOCAL WISDOM BASED TOURIST DESTINATION IN BEIJONG VILLAGE.....	294
<i>V. Megawati, H. Hananto, N. Benarkah, N. Juniati</i>	

### **SESSION: HUMAN RESOURCE MANAGEMENT**

THE IMPORTANCE OF POSITIVE ORGANIZATION IN THE INDUSTRIAL ERA 4.0.....	298
<i>A. Z. Tayibnapis, L. E. Wuryaningsih, R. G. Tayibnapis</i>	
THE EFFECT OF SELF-EFFICACY, COMPETENCE, AND EMOTIONAL QUOTIENT ON EMPLOYEE PERFORMANCE THROUGH CAREER DEVELOPMENT AS AN INTERVENING VARIABLE ON COMPANIES .....	302
<i>S. Mujanah</i>	
VALUE-BASED SOCIAL CAPITAL: AN OVERVIEW OF SOCIAL EXCHANGE THEORY.....	307
<i>A. T. Wikaningrum, B. F. Mas'Ud</i>	
THE INFLUENCE OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR, CONTINUANCE COMMITMENT, EMOTIONAL INTELLIGENCE, AND SPIRITUALITY ON PERFORMANCE.....	313
<i>A. Hakim, A. Y. Pristika</i>	
THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP, ORGANIZATIONAL CLIMATE, AND JOB STRESS ON COMPETENCE, WORK MOTIVATION, AND PERFORMANCE .....	318
<i>A. Kusmaningtyas</i>	
THE ROLE OF KNOWLEDGE MANAGEMENT CAPABILITY AND DIGITAL ECOSYSTEM TO ENHANCE DIGITAL TRANSFORMATION FOR SMES.....	323
<i>Nurhidayati</i>	
ENHANCING THE INNOVATION CAPABILITY THROUGH KNOWLEDGE MANAGEMENT CAPABILITY AND NETWORKING .....	327
<i>H. Sulisty</i>	
PRODUCING MILLENNIAL GENERATION LEADERS IN ADDRESSING CHANGE AND MEETING THE CHALLENGES OF THE INDUSTRIAL REVOLUTION 4.0 .....	333
<i>M. E. L. K. Widjaja</i>	
BUSINESS MODEL INNOVATION IN THE DIGITAL NETWORK ERA AND ITS IMPACT ON HUMAN RESOURCE EMPOWERMENT .....	339
<i>M. E. L. K. Widjaja</i>	

GAINING LEADER–EMPLOYEE COMMITMENT: LINKING TO ORGANIZATION PERFORMANCE IN WOMEN COOPERATIVE SETIA BHAKTI WANITA SURABAYA .....	344
<i>J. Rusdiyanto</i>	
THE EFFECT OF EMPLOYEE TRAINING SERVICE QUALITY: THE MEDIATING ROLE OF THE TEAM ORGANIZATIONAL COMMITMENT .....	347
<i>F. Kusumohardjo, J. L. E. Nugroho</i>	
TIERED SMALL MEDIUM ENTERPRISE TRAINING MODEL: ACHIEVING SME’S COMPETITIVE ADVANTAGE IN INDUSTRIAL REVOLUTION 4.0 ERA .....	351
<i>N. K. Darmasetiawan, H. Winarto, F. Mutiara, D. A. Christy</i>	
CONFIGURATION OF EMPLOYMENT TRAINING TO IMPROVING WORK COMPETENCIES TOWARD COMPETITIVENESS .....	356
<i>N. Badriyah, A. Muhtarom</i>	
CSR AFFECTING BUSINESS PERFORMANCE THROUGH THE MEDIATION OF EMPLOYEE COMMITMENT: A CASE STUDY OF BANKS IN HO CHI MINH CITY .....	360
<i>D. K. Tran</i>	
DOES MUHAMMADIYAH LEADERSHIP STYLE EXIST? AN EMPIRICAL EXAMINATION ABOUT WHAT AND HOW TO MEASURE IT .....	365
<i>U. Bidayati, A. Thoyib, S. Aisjah, M. Rahayu</i>	
SIGNIFICANCE OF HIGH HUMAN SKILLS IN THE SUCCESS OF AN ORGANIZATION .....	369
<i>A. U. Gallardo</i>	
 <b><u>SESSION: OPERATION MANAGEMENT</u></b>	
DYNAMIC CAPABILITIES FOR SME’S: READY TO CHANGE AND CLOUD SERVICE ROLE TOWARD DIGITAL BUSINESS .....	375
<i>C. Suhendi, M. Nugroho, H. B. Yahya, A. S. M. Zahari</i>	
LAST-MILE LOGISTICS IN VIETNAM IN INDUSTRIAL REVOLUTION 4.0: OPPORTUNITIES AND CHALLENGES.....	380
<i>D. T. Phuong</i>	
COOPERATIVE MANAGEMENT THROUGH STANDARD OPERATIONAL MANAGEMENT AND STANDARD OPERATING PROCEDURES TO IMPROVE THE PERFORMANCE .....	385
<i>E. Wuryani, H. Harti</i>	
THE IMPACT OF MULTICHANNEL’S SINGLE PHASE QUEUE AND E-KTP PROCESS SERVICE ON COMMUNITY SATISFACTION IN LAMONGAN REGENCY .....	389
<i>Titin, A. Ghofur</i>	
CORPORATE SOCIAL RESPONSIBILITY IN HIGHER EDUCATION: A STUDY OF SOME PRIVATE UNIVERSITIES IN VIETNAM.....	394
<i>T. L. Si, H. H. Van</i>	
DISRUPTIVE INNOVATION IN FOOD COMMODITIES: EFFORTS TO SOLVE THE PROBLEMS OF FOOD PRICE STABILIZATION IN INDONESIA .....	399
<i>N. Istifadah, H. Tjaraka</i>	
HIGH COST OF LOGISTICS AND SOLUTIONS .....	404
<i>F. A. Barata</i>	



## **SESSION: OTHER RELEVANT TOPICS**

CSR REPORTING: PERSPECTIVE OF FEMALE AUDIT COMMITTEE HAVING FINANCIAL EXPERTISE.....	408
<i>P. A. Widyasari, N. F. Ayunda</i>	
FUTURE OF JOB MARKET IN THE FOURTH INDUSTRIAL REVOLUTION .....	412
<i>P. N. Hoang, B. T. T. Trang</i>	
DEA AS AN ALTERNATIVE INSTRUMENT OF PERFORMANCE MEASUREMENT: A CASE STUDY OF FIVE SIDOARJO SMALL-SIZED ENTERPRISES ON DECEMBER 2018 .....	417
<i>B. Budiarto, F. R. Djumadi</i>	
IMPROVING LEARNING QUALITY OF THU DAU MOT UNIVERSITY STUDENTS IN THE 4.0 TECHNOLOGY PERIOD .....	421
<i>Ngoan Nguyen Thi Kim</i>	
IMPROVE THE GROWTH QUALITY OF THE SOUTHERN KEY ECONOMIC REGION OF VIETNAM FROM A SOCIAL PERSPECTIVE .....	425
<i>K. Ngoc Pham</i>	
A STUDY OF HOW POLITICAL BEHAVIORS INFLUENCE ORGANIZATIONAL EFFECTIVENESS .....	433
<i>W. Kulachai, A. P. Tedjakusuma</i>	
MODELS OF GREEN PARKS OF SEVERAL DEVELOPED CITIES IN THE WORLD: VISIONARY RECOMMENDATIONS FOR HO CHI MINH CITY .....	438
<i>P. T. H. Xuan</i>	
DEVELOPING ARTIFICIAL INTELLIGENCE IN FIGHTING, PREVENTING AND COMBATING THE DIGITAL BUSINESS CRIMES.....	445
<i>N. X. Thuy, N. D. Hieu</i>	

## **SESSION: STRATEGIC MANAGEMENT**

INDONESIAN FIRMS IN FACING GLOBALIZATION: DO FOREIGN OWNERSHIP AND EXPORT MATTER? .....	449
<i>S. Suyanto, Y. Sugiarti</i>	
SUPPLY CHAIN MANAGEMENT PRACTICE IN CREATIVE INDUSTRIES.....	454
<i>L. Kartikasari, Hendar</i>	
GLOBALIZATION AND ENTERTAINMENT OF URBAN FAMILIES IN HO CHI MINH CITY .....	458
<i>V. T. Tuyen, P. T. H. Xuan</i>	
SPIRITUALITY AND BUSINESS IN HARMONY: CASE STUDY OF SAINTS MOVEMENT COMMUNITY CHURCH .....	466
<i>F. R. Fulongga</i>	
CERTIFICATION IS NOT EVERYTHING: QUALITY STANDARDS IN IMPLEMENTING GOOD CORPORATE GOVERNANCE .....	473
<i>M. E. Hastuti, S. P. Tumuju</i>	

**SESSION: ENTREPRENEURSHIP**

ENTREPRENEURIAL INTENTION AMONG MILLENNIAL GENERATION: PERSONAL ATTITUDE, EDUCATIONAL SUPPORT, AND SOCIAL MEDIA ..... 477

*P. A. Kusumawardhany, I. M. B. Dwiarta*

RELATIONSHIP NETWORK AND BUSINESS MODEL INNOVATION OF START-UP COMPANIES IN THE CONTEXT OF INDUSTRIAL REVOLUTION 4.0: AN EVIDENCE FROM VIETNAM ..... 483

*T. N. Ghi, N. T. P. Anh, N. Q. Thu., N. Q. Huan*

ENTREPRENEURIAL VALUES OF INDONESIAN CHINESE AND JAVANESE ON MICRO AND SMALL ENTERPRISES ..... 488

*E. Tandelilin*

DEVELOPMENT STRATEGY OF STARTUPRENEUR FOR CREATIVE ECONOMIC BUSINESS ACTIVITIES TO IMPROVE LOCAL TOURISM ..... 493

*J. Susyanti*

**Author Index**

# The Improvement Strategy of Tax Compliance from MSME Sector in Indonesia

P. Wijayanti, N. Saraswati, I. Kartika, & Mutoharoh  
*Sultan Agung Islamic University, Semarang, Indonesia*

**ABSTRACT:** According to the Organization for Economic Co-operation and Development (OECD), the Indonesia Tax ratio in 2017 was the lowest compared to other countries in Asia-Pacific. Meanwhile, the tax ratio in 2018 was 11.6% lower than the middle-income country for 17.7%. This indicates that the level of tax compliance in Indonesia is still low and needs improvement. One of the tax compliance sectors is MSME taxpayers that hold a portion up to 65 % from business actors, but from the number of active taxpayers, it only reached 1.8 million MSMEs. This research aims to analyze the improvement strategy of tax compliance from the taxpayer as MSMEs actors in Semarang, Indonesia. The results showed the awareness of paying tax, the knowledge, and understanding of tax regulation and the effectiveness of the taxation system have a significant positive influence on tax compliance.

*Keywords:* tax ratio, tax compliance, taxpayer

## 1 INTRODUCTION

The government financial report in the last four years showed that the realization of tax revenue was only 83.29% in 2015, 83.48% (2016), 91.23% (2017), and 93.86% (2018). The taxation issue in Indonesia has been observed by OECD (Organization for Economic Co-operation and Development). They revealed that the tax ratio towards GDP (Gross Domestic Product) in Indonesia is low. The low tax ratio from various sectors in Indonesia forces the government to dig up tax revenues from other potential sectors. One of the sectors is the MSME sector, as the number of MSMEs in Indonesia is growing, it can be a significant potential for tax revenues. According to Indonesia Statistics in 2015, the actors of MSME in Indonesia are 3.4 million from various industries. The MSMEs' economic activity can contribute about 60% to GDP in Indonesia. This number can be utilized maximally by the Tax Directorate General of the Republic of Indonesia to obtain tax revenues.

Tax is the dues of society to the state treasury based on the law (which can be imposed) by not receiving any direct reciprocity and is

used for the public interest (Mardiasmo, 2009). This condition makes tax plays an essential role for country development. In the process of collecting tax revenues, it needs the effort to motivate the taxpayers to pay tax. One of the efforts carried out by the Tax Directorate general to maximize tax revenue is through tax census. Tax revolution from the official assessment system into the self-assessment system which aims to give full trust to the taxpayer to self-calculate its tax.

This step is conducted to foster the awareness and/or willingness of taxpayers to pay their tax. The willingness of taxpayers is to pay the tax regularly and never cheating on its taxation activities (Maulida, 2011). Collecting tax is not an easy job. It does not only need an active role from the tax officers but also a willingness from the taxpayer itself. There are some reasons for the lack of willingness to tax payment. One of the reasons is that the result of tax payment is not directly manifested for the public interest. It happens because the public never knows the concrete form of the money incurred to pay tax. On the other hand, the threat, punishment, or sanction of the law are clear about the taxpayers who ignore the tax obligations. The implemen-

tation of the Self Assessment System leads to tax payment that depends on the honesty of the taxpayer in reporting their tax liability.

Information obtained from the Tax Office, the number of entrepreneurs gives an effect on the tax revenue. When the number of entrepreneurs decreased, the country income in the form of tax revenue of some cities such as Semarang in 2015-2017 also decreased. The decrease in the tax revenue was 21.12%. Research by Hardiningsih & Yulianawati (2011) proved that tax awareness and service quality have a significant impact on tax payment willingness. Whereas, tax knowledge, tax regulations understanding, and the perception of an effective taxation system do not give any impact on tax willingness. Ilkham & Haryanto (2017) proved that tax knowledge, tax regulations understanding, and the perception of an effective taxation system affect tax willingness.

Rachmawati & Aprilana (2017) stated that education and MSME actors' understanding have a positive and significant influence on tax compliance. Meanwhile, age, business circulation, and duration of business do not give any impact on tax compliance of MSME actors. This phenomenon is interesting to be observed related to the factors of tax compliance as the strategy to increase the tax ratio in Indonesia through MSMEs actors in Semarang.

The theory of interest pays attention to the tax burden of people. This tax burden is divided based on the people's interest in the government duties (which is beneficial for the people), including the protection of his soul and possessions. As such, it is normal if the expenses incurred by the country for the people are charged to them in the form of tax payment (Brotodihardjo, 2003). The higher the interest of a person towards the country, the higher the chance of tax is paid. This theory emphasizes that the division of tax burden must be based on the interests of each individual.

Donald J. Boague stated that demography is a science that studies statistics and mathematics about the composition and distribution of population and change. In this study, demographic variables are divided into four factors; they are gender, age, education, and effort.

Gender is one of the factors, which also related to tax payment willingness. Some research results showed that women would comply with tax payment because of their conscience. They also tend to have a guilty feeling if they do not pay the tax in accordance with the amount.

Meanwhile, men are more likely to emphasize the fear of the sanctions imposed (Debbianita and Carolina, 2013).

Not only gender, but age also becomes one of the factors that influence tax payment willingness (Widodo, 2010). A person with higher mental age will also have more mature behavior than others. Based on research by Kohlberg (1984) in Maftuh and Maftuhin (2006), age influences moral development as the age-added will make a person have better values and more likely to obey the rules.

The other demographic factor is the level of education. The level of education influences a person's attitudes and behaviors. A person with a higher level of education will absorb information easier and implement it in everyday behaviors and lifestyles. A person with a higher level of education will also think broader; therefore, he will know the indirect benefits of paying tax for state financing.

The longer the person tries to change his characteristics, the higher the behavior control, and a new outlook of something will be formed. The length of a business can influence the level of income. The length of a business actor in pursuing his business will influence the productivity (skills/expertise), so that it can increase efficiency and ability to make the cost of production smaller than the results of the sale. The longer the person pursues his business, the higher the person knows the taste or behavior of consumers. A research conducted by Dewinta and Syafrudin (2012) stated that the length of business has a positive impact on tax compliance.

H1a : Gender influences tax payment willingness

H1b : Age influences tax payment willingness

H1c : Level of education influences tax payment willingness

H1d : The length of a business influences tax payment willingness

Tax payment awareness will increase when there is a positive perception of tax in society. The low tax compliance can be seen by the very small number of those who have a taxpayer identification number (NPWP) and those who report their annual notification letter (SPT). The lower the awareness of society in paying tax, the lower the willingness to pay tax.

Based on the research results of Pramusintha (2015), it is suggested that the increasing awareness of tax payment will influence the willingness to pay tax. The result is in line with

the research by (Ilkham & Haryanto, 2017), who expressed that the awareness of tax payment has a positive influence on the willingness to pay tax.

H2: Tax payment awareness influence the tax payment willingness

Tax knowledge is the process of attitude changing and a taxpayer or taxpayer group through public tax regulation through formal and non-formal education will positively affect the willingness to pay tax.

According to Mulya (2012), tax knowledge is tax information that can be used by taxpayers as a basis to act, make decisions, and pursue specific directions or strategies in its rights and obligations of tax. A research by (Ilkham & Haryanto, 2017) showed that when a person has a broad knowledge and understanding about the importance of tax used by the state to finance his household and for public investment, thus there will be a great motivation of a person to pay taxes.

H3: Knowledge and understanding of tax regulations influence the tax payment willingness

Perception can be expressed as an organizing process, interpreting toward stimulus by the organization or individual so that it becomes a meaningful and integrated activity for the individual. Meanwhile, effectiveness means a measurement that states how far the target (quality, quantity, and time) has been achieved. The good perception of taxpayers on the taxation system's effectiveness will give trust to the public to be willing to pay tax.

The research results Ilkham & Haryanto (2017) stated that the perception of taxation system effectiveness with the online system provides the convenience of taxpayers to pay tax. It has a positive impact on tax payment willingness. The existence of the E-SPT system will be able to recover and accelerate tax reporting; so that any SPT can be done at any time and anywhere, and therefore the tax payment willingness will increase.

H4: The perception of taxation system effectiveness influences the tax payment willingness.

## 2. RESEARCH METHODS

The type of research used in this research was explanatory research. The data collection used primary data by spreading questionnaires. The population in this research were taxpayers of MSME in Semarang. The sampling method was

performed using Convenience sampling.

The equation of multiple regression analysis is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots(1)$$

Note:

Y : Tax payment willingness

X1 : Tax payment awareness

X2 : Knowledge and Understanding about Taxation regulations

X3 : Taxation system effectiveness

E : error term

## 3. RESULT AND DISCUSSION

The results of data processing by using SPSS about the influence of tax payment awareness; knowledge and understanding of tax regulations; and the effectiveness of taxation systems on tax payment willingness are as follows:

Table 1: Dummy Regression Test Results

Model	Unstd. Coeff. $\beta$	Std. Coeff. $\beta$	T	Sig.
(Constant)	10.510		1.677	.097
Female	-.905	-.066	-.750	.456
U < 20 yo	-.711	-.013	-.153	.879
21-35 yo	1.210	-.107	1.099	.275
> 50 yo	1.252	.073	.737	.463
High School	3.461	-.306	-.744	.459
Diploma 3	4.146	-.272	-.867	.388
Undergraduate	3.375	-.287	-.718	.475
Postgraduate	2.417	-.074	-.457	.649
Others	3.452	-.121	-.677	.500
< 1 yo	-.374	-.020	-.242	.809
5-10 yo	.172	.012	.137	.892
> 10 yo	.742	.040	.383	.703
X1	.571	.224	2.177	.032
X2	.261	.170	1.652	.102
X3	.657	.383	3.221	.002

Source processed primary data

Based on table 1, the regression equity can be elaborated as follows :

$$Y = 10,510 + 0,571X_1 + 0,261X_2 + 0,657X_3 + \varepsilon$$

The results in table 1 show that the value of the regression coefficient for the demographic factor variable (gender) is -0.905, and the significance value is 0.456. This result indicates that gender does not influence tax payment willingness. Gender differences do not influence people to pay off tax debts.

The next demographic factor is age. The test results in table 1 obtained a coefficient value

for -0.711 and significance values for 0.879 for ages less than 20 years old, -1.210 and sig of 0.275 for ages 21-35 years old, and 1.252 and sig 0.463 for ages over 50 years old. These results indicate that age cannot significantly influence the tax payment willingness. This is because, regardless the age, taxpayers will not pay the tax if they have no awareness, and tax payment is not their priority (Rachmawati & Aprilana, 2017). However, younger people usually know more about taxation as they get tax education from school, so that they will tend to be more obedient to fulfill tax obligations.

The education level is the next demographic variable. Table 1 shows the coefficient value for -3.461 and the significance value for 0.456 in senior High School, -4.146 Sig 0, 388 for Diploma 3, -3.375 sig of 0.475 for undergraduate level, and -2.417 and Sig 0.649 for post-graduate. This indicates that the hypothesis 1c is rejected. Yuanita (2015) stated that partially, education level does not influence taxpayers. This is because someone with a higher educational background knows not only about tax regulations and fiscal policies, but also how to avoid tax and smuggle tax. Therefore a taxpayer with higher education level is not necessarily more willing to pay tax.

The last demographic factor is the length of the business. The results in Table 1 show a coefficient of -0.374 and a significance value of 0.809 for less than 1 year, 0.172 and sig value of 0.892 for 5-10 years of business, and 0.742 and Sig value of 0.703 for more than 10 years of business. So it can be concluded that the length of the business variable does not significantly influence the tax payment willingness. This is because there are many types of businesses that have long been established but do not want to comply the tax because they have the assumption that the existence of tax will be incriminating (Rachmawati & Aprilana, 2017).

The results in table 1 show that the value of the regression coefficient for the tax payment awareness variable is 0.571, and the significance value of  $0.032 < 0.05$ . This signifies that the tax awareness variable has a significant impact on tax payment willingness. In other words, the level of respondents' perception about tax payment awareness significantly influences the tax payment willingness; thus, hypothesis 1 is accepted.

Tax payment awareness influences tax payment willingness. It indicates that the tax payment awareness will increase when a positive perception

of tax in society emerges. The low tax compliance can be seen from the minimal number of people who have a taxpayer identification number (NPWP) and those who report their annual notification letter (SPT). The lower public awareness in tax payment, the lower the tax payment willingness will be.

The results in Table 1 show that the regression coefficient value is 0.261, and the significance value is  $0.102 > 0.05$ . This signifies that the knowledge variable and the tax regulation understanding have no significant effect on tax payment willingness/hypothesis 2 is then rejected. Knowledge and understanding of tax regulations do not influence the tax payment willingness. It indicates that knowledge of taxation regulations in the new taxation system has not been able to raise the taxpayer's motivation to pay the tax debt.

According to Table 1, the value of the regression coefficient for the taxation system effectiveness variable is 0.657 and the significance value is  $0.002 < 0.05$ . This signifies that the taxation system effectiveness variable significantly affects the tax payment willingness, meaning hypothesis 4 is accepted.

The taxation system's effectiveness influences tax payment willingness. It indicates that effectiveness can be defined as a measurement that states how far the target (quality, quantity, and time) has been achieved. The good perception of taxpayers on the taxation system's effectiveness will give trust to the public to pay taxes.

These results support research by (Ilkham & Haryanto, 2017) that stated that the taxation system's effectiveness with the online system provides the convenience of taxpayers to pay tax. It has a positive impact on tax payment willingness. The existence of the E-SPT system will be able to recover and accelerate tax reporting so that any SPT can be done at any time and anywhere; therefore, the tax payment willingness will increase.

#### 4. CONCLUSION

Based on the research results explained above, it can be concluded that tax payment awareness and taxation system effectiveness influenced the tax payment willingness. Knowledge and understanding of tax regulations did not influence the tax payment willing-

ness. Based on the research results, the suggestions for future research are; first, the future research can observe about tax compliance in MSMEs. Second, the government also needs to socialize the benefits and the challenges of tax to MSME. Last, it needs an application for the taxation system in order to increase the taxation system's effectiveness. One of the ways is by giving easiness to fill or access their tax data.

## REFERENCES

- Brotodihardjo, S. (2003). *Pengantar Ilmu Hukum Pajak*. Bandung: PT Refika Aditama.
- Debbianita & Carolina, Verani (2013), *Analisis pengaruh tingkat tax knowledge dan gender terhadap tax compliance: studi kasus pada wajib pajak orang pribadi di Bandung*, project report jurusan akuntansi universitas Kristen Maranatha, Bandung
- Hardiningsih, P., & Yulianawati, N. (2011). The Factors That Influence The Willingness To Pay The Tax. *Dinamika Keuangan Dan Perbankan*, 3(1), 126–143.
- Ilkham, M., & Haryanto. (2017). FAKTOR-FAKTOR YANG MEMPENGARUHI KEMAUAN MEMBAYAR PAJAK WAJIB PAJAK ORANG PRIBADI YANG MELAKUKAN PEKERJAAN BEBAS. *Diponegoro Journal of Accounting*, 6, 1–9.
- Mardiasmo. (2009). *Perpajakan*. Yogyakarta: Penerbit Andi.
- Maftuh, B & Maftuhin, R., 2006. Hubungan antara umur dan pendidikan formal dengan perkembangan pertimbangan moral: studi perkembangan secara Cross-sectional pada sampel Indonesia. *Jurnal pendidikan dan kebudayaan (online)*, no 059 tahun 12.
- Maulida, AN. (2011). Pengaruh Penyuluhan, Tingkat
- Pemahaman dan Penggunaan Uang Pajak oleh Pemerintah Terhadap Motivasi Wajib Pajak dalam Melaksanakan Kewajiban Pajak Penghasilan (Studi Empiris Pada Wajib Pajak Orang Pribadi di Wilayah Jakarta Timur). *Jurnal Akuntansi UIN Jakarta*.
- Mulya, 2012, Analisis relevansi laba akuntansi, nilai bukuekuitas, dan arus kas operasi dengan harga saham (studi empirik pada perusahaan manufaktur yang terdaftar di bursa efek Indonesia periode 2004-2008), *Jurnal riset akuntansi keuangan*, vol 1(12), universitas budi luhur, Jakarta.
- Rachmawati, Anastasia & Aprilina, Vita, (2017), Pengaruh latar belakang pendidikan, usia, peredaran usaha, dan pemahaman UMKM terhadap tingkat pemenuhan kewajiban perpajakan, *Jurnal Riset Akuntansi & Komputerisasi Akuntansi*, vol 8 (2) : 132 – 152.
- Widodo, Widi Dr. 2010. *Moralitas, Budaya dan Kepatuhan Wajib Pajak*. Bandung : Alfabeta
- Yuanita, Evalin, (2015), Pengaruh sanksi, motivasi, dan tingkat pendidikan terhadap kepatuhan wajib pajak orang pribadi (studi kasus KPP Pratama Manado). *Journal Accountability*, vol 4(1):1-11