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The Sixth International Conference on
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Proceeding

The Role of **Entrepreneurship** and **Business Management** in Shaping **Collaborative** **Economy**

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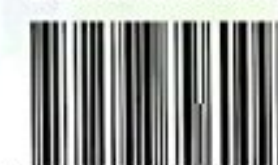


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REPORT FROM THE COMMITTEE CHAIR OF ICEBM 2017

ICEBM, The International Conference on Entrepreneurship and Business Management, is an international conference in the field of entrepreneurship and business management, which could become a forum for both academics and practitioners to share ideas, research results and current entrepreneurial practice. This forum could also be useful for both academics and practitioners as media to build networks, which contribution is expected to develop entrepreneurship in the level of practice and academic.

Universitas Tarumanagara (UNTAR) as both initiator and organizer of ICEBM, at first was conducting the ICEBM in the year of 2011 in Jakarta, Indonesia. The conference was smoothly and successfully established by presenting speakers and presenters from various regions such as Asia specially ASEAN, Australia, America, Europe and Africa. Similarly, on the 2nd ICEBM in Sanur, Bali, Indonesia; the 3rd ICEBM in Penang, Malaysia, the 4th ICEBM in Bangkok, Thailand and the 5th ICEBM in Tainan, Taiwan. From the first ICEBM until the last one, there was around 100 presenters and participants attending the conference. This year, ICEBM is held in Hanoi, Vietnam in collaboration with Foreign Trade University (FTU), Universitas Pembangunan Jaya (UPJ), Universitas Multimedia Nusantara (UMN), Kun Shan University (KSU) and Sekolah Tinggi Ilmu Ekonomi Indonesia (STEI).

The main theme of the Sixth ICEBM is “The Role of Entrepreneurship and Business Management in Shaping Collaborative Economy”. As we know companies based on a conventional business model have been facing a challenging competition from online application basis companies which apply a collaborative economic business model. Most of the conventional companies have controlled all the resources needed to propel their business activities in order to win the competition. In the other hand, the ‘collaborative economy’ business model is a model that applying an information technology which enables people to get what they need from other parties. Ownership and access to resources can be shared among people, business startups and corporations. The presence of a collaborative economy model provides a strong impact on conventional business model. For conventional companies, it is a threat to the company's income because customers could buy and share products between them. On the other side, the collaborative economy offers opportunities for companies to grow, compete and collaborate.

There were 139 abstract received from the participants and 114 full papers were reviewed by scientific committee. A total of 111 papers have been accepted. These papers were received from six different countries: Indonesia, Vietnam, Malaysia, Taiwan, Australia and Finland. Reviewing process in this year is similar to last year where we applied a double blind peer-review process. Scientific committee reviewed not just the abstracts received but also the full papers.

Finally, we wish to acknowledge the support of the collaborating institutions, sponsors, scientific committee, and organizing committee. We would also like to thank all the contributing authors for their valuable work in supporting The Sixth ICEBM. Have a great conference. Thank you very much.

Franky Slamet

DO REALLY SOCIAL COMMERCE CREATING FOR COMPETITIVE ADVANTAGE ON SMALL MEDIUM ENTERPRISES (SMEs) BUSINESS PERFORMANCE?: EVIDENCE FROM JAMBI, INDONESIA	1
<i>Syahmardi Yacob, Ade Octavia, Mayrina, Handri Hasan</i>	
THE EFFECT OF DEBT TOWARD BALANCE SHEET EFFECT ON THE MINING INDUSTRY IN INDONESIA	8
<i>Hendro Lukman, Marcella Cindy Hermawan</i>	
TEACHING ENTREPRENEURSHIP EDUCATION IN MALAYSIAN UNIVERSITIES	14
<i>Ainon Jauhariah Abu Samah, Asst. Prof. Dr. Azura Omar, Assoc. Prof. Dr. Suhaimi Mhd Sarif</i>	
CASE STUDY OF SALES FUNNEL MANAGEMENT ON ENGINEERING MACHINERY INDUSTRY IN TAIWAN	20
<i>Yi-Chang Chen, Chih-Hung Chiu, Chang-Jiang Lee, Chin-Chiuan Lin</i>	
CASE STUDY OF THE MODERATING EFFECT OF NATIONAL CULTURE ON THE LEADER-MEMBER EXCHANGE (LMX) AND JOB SATISFACTION	27
<i>Yi-Chang Chen, Ya-Shan Chuang</i>	
CORPORATE GOVERNANCE AND AUDIT TO FRAUD IN MATHEMATICS PERSPECTIVE	33
<i>Ardiansyah Rasyid</i>	
ENTREPRENEURIAL ORIENTATION AND ENTREPRENEURSHIP TRAINING: A STRATEGY IN INCREASING MARKET ORIENTATION OF CULTURE AND BUSINESS PERFORMANCE OF SMES BATIK JAMBI	39
<i>Ade Octavia</i>	
CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT FROM EMPLOYEES AND EMPLOYERS PERSPECTIVES THE CASE STUDY IN FLC GROUP	47
<i>Author: Dao Thi Thu Giang, Tran Tu Uyen</i>	
EFFECT OF DER, ROE AND PERCENTAGE OFFERING OF SHARES TO INITIAL RETURN IN ITS COMPANIES DOING IPO IN INDONESIA STOCK EXCHANGE (EMPIRICAL STUDY ON NON-FINANCIAL COMPANIES LISTED ON BEI)	57
<i>Lorina Siregar Sudjiman, Paul Eduard Sudjiman</i>	

AN EXPLORATORY STUDY ON INTRINSIC MOTIVATION AND WORK ETHOS OF BATIK JAMBI CRAFTSWOMEN	63
<i>Shofia Amin, Muazza</i>	
ANTECEDENTS TO LOCAL STORE LOYALTY: INFLUENCE OF CULTURE, COSMOPOLITANISM, LOCAL STORE IMAGE AND PRICE A STUDY CASE IN MAYESTIK MARKET JAKARTA	70
<i>Vita Briliana, Anisah Vahira</i>	
GAPS IN PERCEPTIONS ON SOCIAL MEDIA USE IN CRISIS COMMUNICATION BETWEEN VIETNAMESE ORGANIZATIONS AND STAKEHOLDERS	78
<i>Tuong-Minh Ly-Le</i>	
WHAT FACILITATES AND HINDERS THE USE OF SOCIAL MEDIA IN CRISIS COMMUNICATION IN VIETNAMESE ORGANIZATIONS	84
<i>Tuong-Minh Ly-Le</i>	
IS IMPULSE BUYING COULD BE MANAGED: LESSON FROM AFAMART INDONESIA	90
<i>Johannes Wawan Novianto Syahmardi Yacob</i>	
KARANG BAJO AND LEADERSHIP	95
<i>Wulan Purnama Sari</i>	
SUPPORTING HOUSEHOLD'S ECONOMY: SASAK WOMEN IN MARGINAL POSITION	99
<i>Suzy Azeharie</i>	
ANALYSIS ON THE INFLUENCE OF WORK DISCIPLINE, COMPENSATION, MOTIVATION, AND COMMUNICATION TOWARDS EMPLOYEE PERFORMANCE IN PT. ARGANET MULTICITRA SIBERKOM (DETIK.COM)	105
<i>Waseso Segoro, Jefri Bisgo Kurniawan</i>	
IDENTIFYING THE ORIENTATIONS OF GROWTH ENTREPRENEURS IN FINLAND	109
<i>Pia Hautamäki Tiina Brandt and Vesa Routamaa</i>	
TRANSFORMATIONAL LEADERSHIP AND GROWTH ENTREPRENEURS	113
<i>Tiina Brandt, Pia Hautamäki</i>	
LOCAL MARKETING COMMUNICATION OF NOODLE TRADERS IN PETAK SEMBILAN	117
<i>Sinta Paramita</i>	

THE CASE STUDY OF TAIWANESE BUSINESS IN VIETNAM: CHALLENGES AND OPPORTUNITIES—AFTER THE EVENT OF 2014 ANTI-CHINA PROTEST	122
<i>Cheng-Lung Li</i>	
HUMAN RESOURCE PRACTICES IMPLEMENTED IN VIETNAM: AN EMPIRICAL RESEARCH IN SMES	127
<i>Vu ThiHuong Giang, Duong ThiHoai Nhung</i>	
RELATIONSHIP BETWEEN LEADERSHIP STYLES,EMPLOYEE CREATIVITY AND ORGANISATIONAL INNOVATION: A PROPOSED FRAMEWORK	135
<i>Nguyen Nhat Tan, Hooi Lai Wan</i>	
EMPIRICAL EVIDENCE ON FINANCIAL DISTRESS IN INDONESIAN MANUFACTURING COMPANIES	144
<i>James Kendar, Maria Stefani Osesoga</i>	
IMPACT OF TRADE FACILITATION ON BILATERAL TRADE FLOWS BETWEEN VIETNAM AND ASEAN COUNTRIES	150
<i>TRINH Thi Thu Huong, NGUYEN Hoang Khanh Linh</i>	
A REVIEW OF WOMEN’S ENTREPRENEURSHIP IN VIETNAM TAKING INTO ACCOUNT SOCIO-CULTURAL NORMS AND THE INSTITUTIONAL ECOSYSTEM	158
<i>Nguyen Hoang Anh, Hoang Truong Giang, Du Vu Hoang Tuan, Hoang Bao Tram</i>	
HIGH PERFORMANCE WORK SYSTEM AND ORGANIZATIONAL CITIZENSHIP BEHAVIOR IN MULTINATIONAL COMPANIES IN VIETNAM: THE MEDIATION EFFECT OF CAREER SUCCESS	169
<i>Nguyen Tuan Duong, Vu Thi Huong Giang</i>	
TAX INCENTIVES TO FOREIGN DIRECT INVESTMENT: EXPERIENCES FROM SOME AEC MEMBERSAND POLICY IMPLICATION FOR VIETNAM	177
<i>Hoang Phu Ly</i>	
THE EFFECT OF NON PERFORMING LOAN, CAPITAL ADEQUACY RATIO, OPERATING EXPENSES TO OPERATING INCOMES, AND THIRD PARTY FUNDS TOWARDS BANK PROFITABILITY	185
<i>Stefanie Yasadipura, Febryanti Simon</i>	

LEVERAGE, BANKRUPTCY PREDICTION, AUDIT TENURE AND PRIOR AUDIT OPINION IN RELATIONSHIP WITH ACCEPTANCE PROBABILITY OF GOING CONCERN OPINION (STUDY OF INDONESIAN MANUFACTURE COMPANY 2012 - 2015)	191
<i>Adrianus SiswoWicaksono, Patricia Diana</i>	
THE IMPACT OF PROFITABILITY, LIQUIDITY, LEVERAGE, FIRM SIZE, AND BOND MATURITY TOWARDS BOND RATING	196
<i>Aina Claudia, Chermian Eforis</i>	
THE IMPACT OF TECHNOLOGICAL CONVERGENCE ON POST – DELIVERY INDUSTRY	201
<i>Tran Thi Thap</i>	
DETERMINANTS OF ZOMBIE FIRMS’ SURVIVAL IN VIETNAMESE ECONOMY: AN EMPIRICAL APPROACH	207
<i>Nguyen Thi Tuong Anh , Doan Quang Hung</i>	
THE IMPACT OF PERSONAL MOTIVATION AND ORGANIZATIONAL CLIMATE ON KNOWLEDGE SHARING: THE MODERATOR EFFECT OF SERVANT LEADERSHIP	215
<i>Linda Lin-Chin Lin, Nhung T.H. Nguyen, Tsai Wan-Chin</i>	
TAIWAN ELDERS AND A COLLABORATIVE HOUSEWORK SERVICE: A NEW RELATIONSHIP	223
<i>Shieunt-Han Tsai</i>	
THE RELATIONSHIP BETWEEN THE DIFFERENTIAL LEADERSHIP AND ORGANIZATIONAL COMMITMENT: THE MODERATING EFFECT OF AUTHENTIC LEADERSHIP	228
<i>Linda Lin-Chin Lin, Chih-Ying Hu, Pei-Hsien Lin</i>	
THE EFFECT OF MANAGERIAL OWNERSHIP, INSTITUTIONAL OWNERSHIP, FREE CASH FLOW, GROWTH, LIQUIDITY, AND PROFITABILITY TOWARDS DEBT POLICY (Empirical Studies on Manufacturing Sector Companies listed in Indonesia Stock Exchange period 2012-2015)	241
<i>Edwin Salim, Rosita Suryaningsih</i>	
DOES STICKY COST AFFECT THE PROBABILITY OF THE LISTED COMPANIES VIETNAM ?	246
<i>Dang ThiHuyenHuong, Chu Thi Mai Phuong, Nguyen ThiThanhHuyen</i>	

THE ASSESSMENT OF MINDSET MODEL IN THE NOMOLOGICAL NETWORK OF ENTREPRENEURIAL INTENTIONS: A COMPARISON STUDY BETWEEN PUBLIC AND PRIVATE UNIVERSITIES IN VIETNAM	254
<i>Viet Quoc Cao, Tien Thi Thanh Ngo, Tam Thi Gia Pham</i>	
THE ROLE OF GENERATION Z IN RESHAPING ENTREPRENEURSHIP SPIRIT THROUGH COLLABORATIVE ECONOMY	267
<i>Felix Wijaya Indra Putra, Ivana Hendrika, Amelia Setiawan</i>	
THE DETERMINANTS OF FIRM VALUE ON MANUFACTURING COMPANIES LISTED IN THE INDONESIA STOCK EXCHANGE	273
<i>Karin Tedja, Merry Susanti</i>	
ANALYSIS OF HESITATION FACTORS TO BUY PIRATED PRODUCTS AMONG INDONESIAN YOUTH AS END CONSUMERS	281
<i>Sri Rejeki Ekasasi, Siti Mahdaria, Anas Hidayat, Guruh Ghifar Zalzalalah</i>	
THE INFLUNCE OF LAW-ABIDING ATTITUDE, RESPECT FOR PIRATED PRODUCT LEGALITY, AND RELIGIOUS OBSERVANCE ON PURCHASE INTENTION AND FEELING AFTER BUYING DIGITAL PIRACY PRODUCT IN INDONESIA	285
<i>Anas Hidayat, Alldila Nadhira Ayu Setyaning, Sri Rejeki Esasasi, Fany Faeruzza Nabila</i>	
THE IMPACT OF THE USAGE OF COMPUTER ASSISTED AUDIT TECHNIQUES (CAAT), PROFESSIONALISM, AND ROLE OF CONFLICT ON AUDITOR PERFORMANCE	289
<i>Michelle Kristian, S.E., M.M., Ak., CA., CPA</i>	
ANALYSIS OF COUNTRY-OF-ORIGIN'S IMPACT ON PERCEIVED QUALITY AND PURCHASE INTENTION OF ETUDE HOUSE SOUTH KOREAN COSMETICS	295
<i>Yosua Kurniawan Wibowo, Yunita Budi Rahayu Silintowe dan Annie Susanto</i>	
CORPORATE GOVERNANCE MECHANISM, PROFITABILITY, FINANCIAL LEVERAGE, AND FIRM SIZE EFFECT ON EARNINGS MANAGEMENT	303
<i>Eric, Linda Wimelda</i>	
LEGAL ISSUES OF CROWDFUNDING: INTERNATIONAL PRACTICES AND RECOMMENDATIONS FOR VIETNAM	308
<i>Nguyen Thuy Anh</i>	

MANAGING THE DEVELOPMENT OF BORDER ECONOMIC ZONE-EXPERIMENTAL STUDY IN CAO BANG PROVINCE	315
<i>Hoang Tuan Anh, Do Anh Tai</i>	
GREEN SUPPLY CHAIN - SOLUTIONS TO IMPROVE THE COMPETITIVENESS OF THAINGUYEN TEA	326
<i>Pham Thi Minh Khuyen, Pham Thi Mai Yen</i>	
DEVELOPING CREATIVE ECONOMY ENTREPRENEURSHIP BASED ON JAVANESE CULTURE IN YOGYAKARTA	335
<i>Nurchahyaningtyas Subandi, Elisabet Dita Septiari</i>	
THE MILLENIALS PERCEPTION ON SERVICE QUALITY TOWARDS INDONESIA'S TRADITIONAL MARKETS	341
<i>ElisabetDita Septiari, Nadia Nila Sari</i>	
CHALLENGES FACING WOMEN ENTREPRENEURS IN VIETNAM	346
<i>Nguyen Thuy Anh, Hoang ThiThuy Duong</i>	
INCREASING THE CREATIVE ECONOMY TOURISM OF PANTAI AIR MANIS PADANG	354
<i>Whyosi Septrizola, SE, MM.</i>	
SOCIAL CAPITAL AND INSTITUTIONAL PERSPECTIVES ON INNOVATION ORIENTATION OF SMALL EXPORTING FIRMS	359
<i>Hernan 'Banjo' Roxas</i>	
THE EFFECTIVENESS OF SOFT SKILL DEVELOPMENT PROGRAMIN AN ENTERPRISE TELECOMMUNICATION AND INFORMATION TECHNOLOGY SOLUTION COMPANY	364
<i>Gerald Pasolang</i>	
EFFECT MODERATING OF SALESPERSONS ON CO-CREATION VALUE	369
<i>R.A Marlien, Alimuddin RR, Euis Soliha</i>	
THE INFLUENCE OF THE SERVICE QUALITY ON CUSTOMER SATISFACTION: A CASE OF VIETNAM AIRLINES	375
<i>Nguyen Thi Khanh Chi</i>	
SMALL-MEDIUM ENTERPRISES (SMEs) HARMONY CULTURE IN INDONESIA	381
<i>Syanti Dewi, Ishak Ramli, Winanto</i>	

IDENTIFYING THE ROLE OF TOUR GUIDE IN INCREASING TOURIST SATISFACTION IN A PACKAGE TOUR	387
<i>Nguyen Hoang Le</i>	
THE INFLUENCE OF GOOD CORPORATE GOVERNANCE MECHANISM TO BANK'S PERFORMACE IN INDONESIAN	398
<i>Reschiwati, Arum Indrasari, Irma Damayanti</i>	
THE IMPACT OF BOARD SIZE, BOARD INDEPENDENCYAND INVESTMENT OPPORTUNITY ON DEBT POLICY OF MANUFACTURING FIRMS LISTED ON INDONESIA STOCK EXCHANGE	404
<i>Zainal Abidin Sahabuddin, Bram Hadiano</i>	
THE INFLUENCE OF COMPETENCE AND JOB CHARACTERISTICS ON PERFORMANCE WITH MOTIVATION AS MEDIATING VARIABLE AT REGIONAL FINANCE AGENCY OF TEGAL CITY	412
<i>Tristiana Rijanti, Bambang Suko Priyono, Heri Prasetyo Nugroho</i>	
THE ROLE OF EXPLORATIVE LEARNING IN IMPROVING BUSINESS PERFORMANCE	420
<i>Endang Tjahjaningsih, Ali Maskur</i>	
MODERATION EFFECTS OF PERSONALITY TRAITS, ORGANIZATIONAL COMMITMENT ON THE RELATIONSHIP BETWEEN JOB STRESS AND DYSFUNCTIONAL AUDIT BEHAVIOR	425
<i>Ietje Nazaruddin, Windasari Citra Kesuma, Sri Budhi Rezki</i>	
FOSTERING ENTREPRENEURIAL AND COLLABORATIVE SKILLS IN BUSINESS MANAGEMENT STUDENTS IN VIETNAM	431
<i>John Andre, Ray Webster</i>	
THE EFFECT OF SURPLUS FREE CASH FLOW ON THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND EARNINGS QUALITY	442
<i>Elsa Imelda, Gerald Chistiano Solihin</i>	
RUPIAH EXCHANGE RATE FLUCTUATION AND CURRENT ACCOUNT	448
<i>Agus Budi Santosa, Agung Nusantara, Sri Nawatmi</i>	
FOSTERING JAMU PEDDLERS' QUALITY SYSTEM: LINKING WOMEN EMPOWERMENT AND CULTURAL PRESERVATION	453
<i>Kartika Nuringsih, Rodhiah</i>	

**FORECASTING DEMAND FOR MOSLEM FASHION PRODUCTS
AT DG COMPANY IN SOUTH TANGERANG, INDONESIA** **459**

Khairina Natsir, Mimi SA

**MODEL DIVIDEND POLICY ON FINANCIAL RATIO AND IMPLICATION
OF STOCK PRICE ON MANUFACTURED COMPANIES LISTED ON
INDONESIAN STOCK EXCHANGE** **465**

Dr. Tita Deitiana, MM

**EXPLORING THE RELATIONSHIP BETWEEN BRAND-CENTERED
HR MANAGEMENT AND BRAND CITIZENSHIP BEHAVIOR:
THE MEDIATION OF BRAND PSYCHOLOGICAL OWNERSHIP AND BRAND
COMMITMENT** **472**

Ben-Roy Do, Usuluddin

**LINKAGES TO GLOBAL PRODUCTION NETWORK FOR VIETNAM:
EVIDENCE FROM DETERMINANTS IN FIRM'S EXPORT** **479**

Nguyen Thi Tuong Anh, Pham Thi My Hanh, Nguyen Thi Minh Thu

**AN EXPERIMENTAL APPROACH TO CHANGING TAXPAYERS'
POSTURE MOTIVATION TOWARDS COMPLIANCE VIA MICROSITE** **485**

Elen Puspitasari, Yeye Susilowati, Wahyu Meiranto

**THE EFFECTS OF SELF EFFICACY AND SELF LEADERSHIP
ON PERFORMANCE OF SMALL AND MEDIUM SCALE INDUSTRIES
IN SURABAYA, INDONESIA** **491**

Siti Mujanah

**THE INFLUENCE OF MOTIVATION AND EMOTIONAL INTELLIGENCE TO
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES
ON GRESIK DISTRICT, INDONESIA** **496**

Sumiati

**THE IMPROVEMENT OF PRODUCTION QUANTITIES BY APPLYING
APPROPRIATE TECHNOLOGY ON SMALL AND MIDDLE ENTERPRISE
BATIK "TEYENG" IN SURABAYA, INDONESIA** **501**

Sri Andayani, Endang Indartuti

**THE INFLUENCE OF LIQUIDITY AND INTELLECTUAL CAPITAL ON
THE PERFORMANCE OF SHARIA BANK WHICH IS GO PUBLIC
IN INDONESIA** **505**

Hendri Andi Mesta, Muthia Roza Linda, Yolanda Fitri Zulvia

INWARD FOREIGN DIRECT INVESTMENT AND PRODUCTIVITY SPILLOVERS: A CRITICAL LITERATURE SURVEY	509
<i>Pham Thi My Hanh</i>	
THE INFLUENCE OF PERCEIVED ORGANIZATIONAL SUPPORT AND JOB SATISFACTION ON EMPLOYEES' COMMITMENT	514
<i>Rini Sarianti, Yuki Fitria, Rahmiati</i>	
THE INFLUENCE OF MODERNIZATION OF TAX ADMINISTRATION TO TAXPAYER COMPLIANCE (CASE STUDY KPP PRATAMA REGION PROVINCE YOGYAKARTA)	520
<i>Fran Sayekti, Lilis E Wijayanti, Ida Ernawati, Prasoj</i>	
THE INFLUENCE OF PERCEPTION OF EASE AND USEFULNESS ON THE ACCEPTANCE OF INFORMATION SYSTEM BETWEEN SENIOR AND JUNIOR EMPLOYEE (A CASE STUDY ON THE USERS OF SIPKD)	527
<i>Fran Sayekti, Lilis E Wijayanti, Bahagia Tarigan</i>	
MODELS FOR COMPLIANCE TESTING ON INTERNAL CONTROL (STUDY IN GOVERNMENT INSTITUTION)	534
<i>Yunus Indra Purnama, Lilis E Wijayanti, Fran Sayekti</i>	
AN ANALYSIS OF FACTORS AFFECTING THE INTENTION TO USE MOBILE PAYMENT SERVICE IN THE CONTEXT OF THE FOURTH INDUSTRIAL REVOLUTION	541
<i>Binh HOANG Xuan, Hang DANG Minh</i>	
EMERGING TRENDS IN CHINESE EXPORTS: AN EXPLORATORY ANALYSIS OF THE ROLE OF FOREIGN INVESTMENT AND VERTICAL SPECIALIZATION	546
<i>Kishor Sharma and Wang Wei</i>	
THE INFLUENCE OF INSTITUTIONAL OWNERSHIP, INDEPENDENT COMMISSIONER, AUDIT COMMITTEE, FIRM SIZE AND LEVERAGE TO INTEGRITY OF FINANCIAL STATEMENT ON MANUFACTURERS LISTED IN INDONESIAN STOCK EXCHANGE	550
<i>Yeye Susilowati, Elen Puspitasari, Anton Yuseno</i>	
AN ANALYSIS FOR MEDIATING VARIABLE USING SOBEL TEST CASE STUDY: CUSTOMER SATISFACTION AND WORD OF MOUTH	555
<i>Andi Azhar, Massoud Moslehpour, Chun-Wei Lin</i>	

A STUDY OF FASHION-ORIENTED IMPULSE BUYING: THE MEDIATING ROLE OF FASHION INVOLVEMENT	561
<i>Nguyen Ngoc Duy Phuong, Nguyen Thanh Thao</i>	
THE ROLE OF WORK SATISFACTION AS INTERVENING VARIABLE IN THE INFLUENCE OF EMPLOYEE ENGAGEMENT AND COMPETENCY TO PERFORMANCE	569
<i>Bambang Suko Priyono, Lilik Lestari, Lieliana</i>	
FINANCIAL REPORTING QUALITY, AUDIT QUALITY, AND INVESTMENT EFFICIENCY: EVIDENCE FROM INDONESIA	575
<i>Sylvia Veronica Siregar, Siti Nuryanah</i>	
THE IMPACT OF THE INFLUENCE OF DER AND TATO ON ROA	581
<i>Paul Eduard Sudjiman Lorina Siregar Sudjiman</i>	
FACTORS AFFECTING IFRS ADOPTION	587
<i>Elizabeth S. Dermawan, Djeni Widjaja</i>	
FINANCIAL DISTRESS, AUDIT QUALITY AND DIVIDEND POLICY ON EARNINGS MANAGEMENT	593
<i>Friska Firnanti</i>	
DO THE MARKET CONCENTRATION IMPACT ON THE AUDIT QUALITY?	599
<i>Mutiara Clarina Chandra and Fitriany</i>	
DO CONSUMERS LIKE ALTRUISTIC MESSAGE IN GREEN ADVERTISING?	605
<i>Dwinita Laksmidewi</i>	
LESSON LEARNT FROM THE LOSS OF BRAND ENGAGEMENT TOYS "R" US WITH ITS CONSUMERS	611
<i>Diah Ayu Candraningrum</i>	
BEYOND ARTIFACTS: SWITCHING FROM CONVENTIONAL TO SHARIA FINANCIAL PRODUCT IN URBAN CONTEXT	616
<i>Dion Dewa Barata</i>	
MANAGEMENT TURNOVER, QUALIFIED OPINION, AUDIT DELAY, FINANCIAL DISTRESS, AND AUDITOR SWITCHING	625
<i>Yulius Kurnia Susanto</i>	

THE INFLUENCE OF GOOD CORPORATE GOVERNANCE MECHANISM TO BANK'S PERFORMANCE IN INDONESIAN

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Abstract

The aim of this study is to examine empirically the influence of corporate governance mechanisms as employed by institutional ownership (INST), board of commissioner activity (MEET), board of director (DIR), proportion of independent commissioner board (INDEP) and audit committee (AUD) on bank's performance in Indonesia as case research from 2012 until 2016. Financial performance of these banks is measured by ROA. The research finds that audit committee (AUD) has significantly influence on bank's performance, while the board of director size (DIR), the proportion of independent commissioner (INDEP), the ownership (INST) and the board of commissioner activity (MEET) shows insignificantly influence on bank's performance. Finally, the research reveales that good corporate governance has indirect relationship to the performance as well as put corporate governance in place to enable success management of a bank in Indonesia in order to improve good performance.

Keywords: *Institutional ownership, board of commissioner activity, board of director, proportion of independent commissioner board and audit committee, ROA.*

Introduction

Macey and O' Hara (2003) argued that banking financial institution has specific business nature that differentiate from non-financial institutions. The nature of the bank encouraged research topics about the issue of corporate governance in banking industry, especially after some of the Asian countries hit by the financial crisis (as cited in Sam'ani, 2008).

Arun and Turner (2003) finds that corporate governance practice in banking sector in developing country as well as in post-war financial crisis in Indonesia is became increasingly important, given some things. First, the bank occupied dominant position in economic system, especially as the engine of economic growth. Second, this country characterized by under developed capital markets, so bank hold role as main source of company's finance. Third, bank play role as principal agency in deposit mobilization. Fourth, the liberalization of banking system whether through privatization or deregulation of the economy caused bank managers have more leeway in running the operations of the bank (as cited in Sam'ani, 2008).

Some regulations related to the implementation of good corporate governance including Bank Indonesia regulation number 8/4/PBI/2006 regarding the implementation of Good Corporate Governance for commercial banks as well as circular letter No. 9/12/DPNP dated 30 May 2007 on the implementation of good corporate governance for commercial banks. Bank is obliged to implement the principles of good corporate governance in all its business activities on all levels or level of organization. Moreover, the decision of the Minister of State-owned enterprises number 117/2002 already required the same for state-owned enterprises about the existence of independent commissioners and the audit committee for all public companies. Good corporate governance had become very important since corporate governance practice needed achieve transparency and accountability requirements. Banks listed in capital markets was tended to have better corporate governance practices because they were closely monitored by outside investors who demand the banks should increase their transparency and disclosure as well as their performance (Lukas and Basuki, 2015).

According to Shungu and Ngirande (2014) world has seen that transparency, financial disclosure, independency, board size, board composition, board committees, board diversity in organization is became

the cornerstone of good governance practices. Therefore, some important indicator namely institutional ownership, board of commissioner activity, board of director, independent commissioner and audit committee are considered as main mechanism indicator of good corporate governance which has influence on bank's performance.

Material and Methods

Agency theory developed by Jensen, M.C., and W.H. Meckling (1976) established relationship as an agreement between two parties involved principals and agents. Principals as fund provider employs agents to (managers) to perform the company based on their behalf. Managers as "agents" had tendency to act with full awareness for its own interests, not as a party that act wisely and fair to principals. However according to Sundaramuthy (1996) as cited in Samson and Tarila (2014), agency problem arose because managers were generally had selfish interests and opportunist. Managers (agent) who are put in control of organization might not always consider best interest of owners and company and may pursue their self-activities and benefits by sacrificed the welfare of principals.

Agency theory also stated that conflict of interest between agent and principal can be reduced with the supervisory mechanism which can harmonize the various interests that exist within the company (Ibrahim, 2007). Supervisory mechanism referred to good corporate governance implemented within company. Good corporate governance is expected to provide confidence of management in managing the wealth of the owners (shareholders) by regulating and controlling the company is as to minimize conflicts of interest and minimizing the cost of the agency. Herawaty (2008), also stated that good corporate governance produced variety of mechanisms that aim to ensure management actions aligned with shareholder interests (mainly minority interest).

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- H₃ : Good corporate governance as measured by board of director significantly influence to bank's performance as measured by CFROA.
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- H₅ : Good corporate governance as measured by audit committee significantly influence to bank's performance as measured by CFROA.
- H₆ : There is significant influence of good corporate governance as measured by institutional ownership, board of commissioner activity, board of director size, proportion of independent commissioner and the audit committee simultaneously significantly influence to bank's performance as measured by CFROA.

The Research Method

The data in this research was analyzed by using multiple linear regression models with panel data (combination of time series and cross section) using eviews 9.0. The sampling technique in this research is purposive sampling with the aim to obtain representative sample in accordance with the criteria specified.

After conducted the selection based on predefined criteria, only 20 banks are used as a sample.

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From six variables have been tested prove that variable number of audit committee (AUD) has influence significantly to company performance (ROA) because the coefficient is positive and a probability value < 0.05. While institutional ownership (INST), board of commissioner activity (MEET), independent commissioner (INDEP), and Directors (DIR) do not have significant influence on performance of companies (ROA), because they have probability value > 0.05.

For the first hypothesis, the result of this research supports the result of the previous research of Rini and Ghazali (2012) which states that even though the higher value of institutional ownership does not guarantee the profitability of a company will be higher. It is because the degree of institutional does not have direct authority to influence and monitoring company so it will increase profitability indirectly. For the second hypothesis, this research doesn't support research by Sam'ani (2008) which stated the board of commissioner activity has positive significant influence to company's performance. Board meeting frequency is used as formality and doesn't discuss about company's continuity and management's performance to increase profitability degree of the company. So, the higher frequency of board meetings doesn't guarantee any single increase within the company's performance. For the third research, this research supports research by Lukas and Basuki (2014) which stated positive significant relationship result may indicate that as long as the number of directors in the company is equitable, it will help the company to get better financial performance. For the fourth hypothesis, this research supported research by Rini and Ghazali (2012) states that independent commissioner influence to ROA positively and significantly which means the higher independent commissioner, the higher company's profitability will be. Board of commissioner has important role in the implementation of good corporate governance, because board of commissioner as the core of corporate governance which is commissioned to ensure company's strategy implementation, supervise the management to run the company, and obligate the implementation of accountability. So, higher commissioner board's percentage, higher company's performance and profit will be. While the result of research conducted by Ridho and Aditya (2013) stated that independent commission has no significant influence to ROA. This might happen because independent commissioners which is involved in making decision process had less votes compared to other board commissioners so the quality of supervising function within the company is difficult to be improved and will interfere the increase of company's financial performance.

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Author 2

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Author 3

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THE INFLUENCE OF GOOD CORPORATE GOVERNANCE

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22

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Abstract

The aim of this study is to examine empirically the influence of corporate governance mechanisms as employed by institutional ownership (INST), board of commissioner activity (MEET), board of director (DIR), proportion of independent commissioner board (INDEP) and audit committee (AUD) on bank's performance in Indonesia as case research from 2012 until 2016. Financial performance of these banks is measured by ROA. The research finds that audit committee (AUD) has significantly influence on bank's performance, while the board of director size (DIR), the proportion of independent commissioner (INDEP), the ownership (INST) and the board of commissioner activity (MEET) shows insignificantly influence on bank's performance. Finally, the research reveals that good corporate governance has indirect relationship to the performance as well as put corporate governance in place to enable success management of a bank in Indonesia in order to improve good performance.

30

Keywords: Institutional ownership, board of commissioner activity, board of director, proportion of independent commissioner board and audit committee, ROA.

Introduction

Macey and O' Hara (2003) argued that banking financial institution has specific business nature that differentiate from non-financial institutions. The nature of the bank encouraged research topics about the issue of corporate governance in banking industry, especially after some of the Asian countries hit by the financial crisis (as cited in Sam'ani, 2008).

Arun and Turner (2003) finds that corporate governance practice in banking sector in developing country as well as in post-war financial crisis in Indonesia is became increasingly important, given some things. First, the bank occupied dominant position in economic system, especially as the engine of economic growth. Second, this country characterized by under developed capital markets, so bank hold role as main source of company's finance. Third, bank play role as principal agency in deposit mobilization. Fourth, the liberalization of banking system whether through privatization or deregulation of the economy caused bank managers have more leeway in running the operations of the bank (as cited in Sam'ani, 2008).

Some regulations related to the implementation of good corporate governance including Bank Indonesia regulation number 8/4/PBI/2006 regarding the implementation of Good Corporate Governance for commercial banks as well as circular letter No. 9/12/DPNP dated 30 May 2007 on the implementation of good corporate governance for commercial banks. Bank is obliged to implement the principles of good corporate governance in all its business activities on all levels or level of organization. Moreover, the decision of the Minister of State-owned enterprises number 117/2002 already required the same for state-owned enterprises about the existence of independent commissioners and the audit committee for all public companies. Good corporate governance had become very important since corporate governance practice needed achieve transparency and accountability requirements. Banks listed in capital markets was tended to have better corporate governance practices because they were closely monitored by outside investors who demand the banks should increase their transparency and disclosure as well as their performance (Lukas and Basuki, 2015).

14

According to Shungu and Ngirande (2014) world has seen that transparency, financial disclosure, independency, board size, board composition, board committees, board diversity in organization is became

the cornerstone of good governance practices. Therefore, some important indicator namely institutional ownership, board of commissioner activity, board of director, independent commissioner and audit committee are considered as main mechanism indicator of good corporate governance which has influence on bank's performance.

Material and Methods

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