

# J T I M B

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## JURNAL TERAPAN ILMU MANAJEMEN DAN BISNIS

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Penerbit: Fakultas Ekonomi dan LPPM Universitas Advent Indonesia

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**PENGARUH *DIGITAL MARKETING*, *WORD OF MOUTH* DAN *BRAND AWARENESS* TERHADAP *PURCHASE DECISION* PRODUK *LIVIN' BY MANDIRI* PADA PT. BANK MANDIRI (PERSERO) TBK DI KANTOR CABANG SUMBAWA**

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***Abstract***

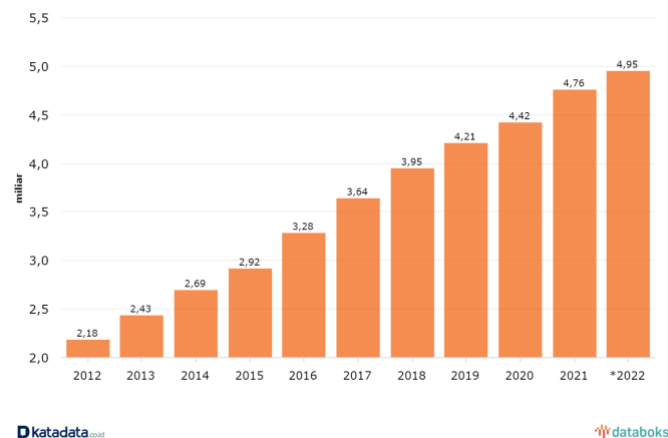
*This research aims to examine the effect of digital marketing, word of mouth and brand awareness on purchase decisions for livin' by mandiri products at PT. Bank Mandiri (Persero) Tbk at the Sumbawa Branch Office. This research uses a quantitative method with an associative approach. Determination of the sample in this research using the Paul Leddy's formula through non-probability sampling technique with purposive sampling method and obtained a total of 96 research samples. The sampling method was obtained through a non-probability sampling technique with a purposive sampling method. The data analysis technique in this research used multiple linear regression analysis and the analysis tool used was the Statistical Program for Social Science (SPSS) 25 for windows application. The results of the analysis in this research indicate that digital marketing, word of mouth and brand awareness partially have a positive and significant effect on purchase decisions.*

***Keywords: Digital Marketing, Word of Mouth, Brand***

## PENDAHULUAN

Saat ini masyarakat dimudahkan oleh perangkat mobile yang semakin canggih karena teknologi yang berkembang semakin pesat (Santoso & Rachmawati, 2021). Pertumbuhan teknologi beriringan dengan bertambahnya jumlah pengguna internet, seperti gambar berikut:

Gambar 1. Pengguna Internet di Dunia



Sumber: Data Reportal, 2022

Jumlah pengguna internet pada Januari 2022 di dunia sebanyak 4.95 miliar. Di Indonesia, pengguna internet telah menembus 204,7 juta orang per Januari 2022 dengan angka penetrasi sebesar 73,7% dari total populasi Indonesia (DataReportal, 2022). Bertumbuhnya jumlah pengguna internet menciptakan peluang-peluang baru dalam berbagai aspek kehidupan, termasuk bisnis.

Kemajuan teknologi digital membawa tantangan kompleksitas yang meningkat, perubahan yang cepat dan preferensi pelanggan yang kompleks. Adaptasi perusahaan dalam teknologi disebut digitalisasi, yang merubah segala unsur bisnis dari bentuk fisik menjadi digital (Asaniyah, 2017).

Tidak hanya perusahaan, perbankan juga melakukan digitalisasi. Perbankan beradaptasi dengan meluncurkan *mobile banking (m-banking)*. *M-banking* memudahkan

nasabah dalam melakukan transaksi perbankan dimanapun dan kapanpun (Lederman, 2018). Pandemi covid-19 membatasi aktivitas masyarakat, sehingga *m-banking* diperlukan.

Berbagai perbankan seperti Bank Central Asia (BCA), Bank Nasional Indonesia (BNI) dan Bank Rakyat Indonesia (BRI) juga meluncurkan *mobile banking*, termasuk Bank Mandiri yang bernama *livin' by mandiri*. Keunggulan *livin' by mandiri* secara aplikasi lebih unggul, namun dari jumlah penggunaanya cukup tertinggal, seperti pada tabel dibawah:

Tabel 1. Urutan Pemakaian Mobile Baking

Merek	TBI 2020	TBI 2021
<i>M-BCA</i>	45.5%	47.5%
<i>BRI Mobile</i>	20.5%	17.0%
<i>BNI Mobile</i>	13.8%	14.0%
<i>Livin' by Mandiri</i>	11.3%	12.9%

Sumber: Top Brand Award Kategori E-Channel (2020, 2021)

Urutan *m-banking* pada tahun 2020 dan 2021 menunjukkan *M-BCA* berada di posisi pertama sebagai *Top Brand Award Kategori E-Channel (2020-2021)* dengan angka persentase 45,5% dan 47,5%. Sedangkan *livin' by mandiri* dengan angka 11,3% dan 12,9%. Minat masyarakat terhadap *livin' by mandiri* tidak cukup besar. Walaupun suasana pada kantor Bank Mandiri di Sumbawa cukup padat dan ramai setiap harinya. Dibuktikan dengan kantor cabang yang masih tradisional masih dominan, dibanding *smart branch office*.

*Livin' by mandiri* melakukan pemasaran melalui digital, terutama sosial media. Tidak hanya itu, ia juga memasarkannya melalui dibangunnya *café* yang meningkatkan *brand awareness* Bank Mandiri. Melalui hal itu, masyarakat mulai membicarakan *livin' by mandiri* yang berdampak pada kenaikan penggunaanya. *Livin' by mandiri* melakukan



pemasaran cukup baik, terutama dalam hal *digital marketing*, *word of mouth* dan *brand awareness*.

Maka, berdasarkan uraian di atas maka dilakukanlah penelitian dengan judul **"Pengaruh *Digital Marketing*, *Word of Mouth* dan *Brand Awareness* terhadap *Purchase Decision* Produk *Livin' by Mandiri* pada PT. Bank Mandiri (Persero) Tbk di Kantor Cabang Sumbawa"**.

## TINJAUAN PUSTAKA DAN HIPOTESIS

### *Digital Marketing*

Bentuk pemasaran yang mendapatkan konsumen dengan cara personal, relevan dan *cross-effective* melalui *digital channel* (Satyo, 2009). *digital marketing* dipengaruhi oleh beberapa faktor, yaitu (Goel. Et al, 2017):

1. Sasaran Pasar
2. Teknologi
3. Konten
4. Anggaran
5. Media Sosial

Indikator-indikator *Digital Marketing*, yaitu (Nasdini, 2012):

1. Aksesibilitas
2. Interaktivitas
3. Hiburan
4. Kepercayaan
5. Informastif

### *Word of Mouth*

Dikenal dengan pemasaran dari mulut ke mulut. Pemasaran yang mengandalkan pengalaman atau keuntungan pelanggannya melalui lisan, tertulis, ataupun media yang lain yang berkaitan dengan pembelian atau pemakaian suatu barang dan jasa (Kotler & Keller, 2012). Elemen-elemen yang dibutuhkan, yaitu (Sernovirtz, 2009):

1. *Talkers*

2. *Topics*
3. *Tools*
4. *Taking Parts*
5. *Tracking*

*Word of Mouth* memiliki 3 indikator, yaitu (Ali, 2020):

1. Membicarakan kualitas produk item dengan pengalaman yang dialami
2. Merekomendasikan item kepada teman, keluarga dan kerabat
3. Mendorong teman, keluarga dan kerabat untuk menggunakan atau mengonsumsi item

#### ***Brand Awareness***

Sering dianggap salah satu dimensi dasar ekuitas merek, biasanya menjadi alasan utama dalam membuat keputusan pembelian, karena menjadi unsur utama dalam pertimbangan pada konsumen (Ovioudou, 2009). Indikator adalah sebagai berikut (Gima & Emmanuel, 2017):

1. *Brand Recall*
2. *Brand Recognition*
3. *Strong Optional*
4. *Consumption*

#### ***Purchase Decision***

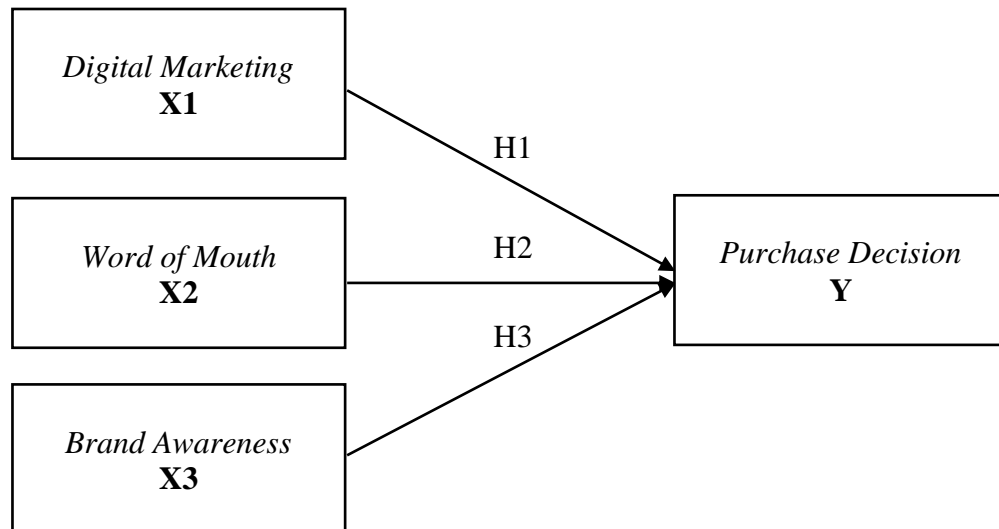
Termasuk daripada *problem solving proses*, didalamnya mengenali atau menganalisa keinginan dan kebutuhan, informasi, sumber-sumber alternatif pembelian, keputusan, dan perilaku. Indikatornya sebagai berikut (Kotler & Keller, 2012):

1. Kemantapan pada sebuah produk
2. Kebiasaan dalam membeli produk
3. Memberikan rekomendasi kepada orang lain
4. Melakukan pembelian ulang

## Kerangka Berfikir

Adapun kerangka berpikir dari penelitian ini adalah sebagai berikut:

Gambar 2. Kerangka Berfikir



Sumber: Penulis

## Hipotesis Penelitian

**H1:** *Digital Marketing* memiliki pengaruh positif dan signifikan terhadap *Purchase Decision*

**H2:** *Word of Mouth* memiliki pengaruh positif dan signifikan terhadap *Purchase Decision*

**H3:** *Brand Awareness* memiliki pengaruh positif dan signifikan terhadap *Purchase Decision*

## METODOLOGI

### Rancangan Penelitian

Penelitian ini mengenai pengaruh *digital marketing*, *word of mouth* dan *brand awareness* terhadap *purchase decision* produk *livin' by mandiri* pada PT. Bank Mandiri (Persero) Tbk di Kantor Cabang Sumbawa yang menggunakan metode penelitian kuantitatif dengan pendekatan asosiatif. Teknik analisis yang digunakan adalah analisis regresi linier berganda yang akan diolah melalui program *Statistical Program for Social Science* (SPSS) yang bertujuan untuk menguji pengaruh *digital marketing*, *word of mouth*

dan *brand awareness* terhadap *purchase decision* produk *livin' by mandiri* pada PT. Bank Mandiri (Persero) Tbk di Kantor Cabang Sumbawa.

### Sumber Data

Data primer secara khusus di lakukan untuk menjawab pertanyaan penelitian. Penulis mengumpulkan data primer dengan menyebarkan kuesioner.

### Jenis Data

Data yang digunakan didalam penelitian ini yaitu data kuantitatif. Data kuantitatif merupakan data atau informasi yang di dapatkan dalam bentuk angka.

### Populasi

Populasi yang digunakan dalam penelitian yaitu Masyarakat Kecamatan Sumbawa yang memiliki akun rekening *mobile banking* Bank Mandiri Cabang Sumbawa.

### Sampel

Rumus yang digunakan untuk menentukan jumlah sampel yaitu dengan menggunakan rumus *Paul Leedy* (Arikunto, 2018) sebagai berikut:

$$N = \left(\frac{z}{e}\right)^2 (P)(1 - P)$$

Keterangan:

N = ukuran sampel

P = jumlah populasi

e = *sampling error* (10%)

z = standar untuk kesalahan yang dipilih

Dikarenakan jumlah anggota populasi dalam penelitian tidak diketahui, maka nilai P maksimal adalah 0,5. Dengan menggunakan *confidence level* 95% dengan tingkat kesalahan yang digunakan 10% maka:

$$N = \left(\frac{1,96}{0,1}\right)^2 (0,5) \left(1 - \frac{1}{0,5}\right) = 96,4$$

Sehingga, jumlah sampel dalam penelitian penulis adalah 96 responden.

### Teknik Sampling

Dikarenakan ukuran populasi tidak diketahui maka digunakan metode *nonprobability sampling*. Untuk penentuan sampelnya menggunakan teknik *purposive sampling* yaitu pengambilan sampel dengan kriteria tertentu yang telah ditetapkan oleh peneliti (Sugiyono, 2019). Sampel yang digunakan dalam penelitian ini yaitu berupa kuesioner. Kriteria sampel yang terdapat didalam penelitian ini yaitu:

1. Masyarakat yang telah mendaftar akun *livin' by mandiri*
2. Masyarakat yang mendaftarkan akun *livin' by mandiri* berasal dari iklan atau orang lain.

### Metode Pengumpulan Data

Metode yang digunakan dalam penelitian ini adalah metode survei dengan melakukan pengamatan melalui penyebaran kuesioner. Berikut kriteria penilaian skor yang diberikan setiap indikator pada kuesioner dalam pengukuran variabel dengan menggunakan skala yaitu:

Tabel 2. Bobot Nilai Jawaban Responden

Kategori	Skor
Sangat Tidak Setuju (STS)	1
Tidak Setuju (TS)	2
Setuju (S)	3
Sangat Setuju (SS)	4

Sumber: Penulis

## HASIL DAN PEMBAHASAN

### Uji Asumsi Klasik

1. Uji Normalitas

Tabel 5. Uji Normalitas

Unstandardized Residual	Hasil	Keterangan
Asymp. Sig. (2-tailed)	0,063 > 0,050	Berdistribusi normal

Sumber: Penulis

## 2. Uji Multikolinearitas

Tabel 6. Uji Multikolinearitas

Variabel	Tolerance	VIF	Keterangan
<i>Digital Marketing</i> (X <sub>1</sub> )	0,391 > 0,100	2,555 < 10	Tidak terjadi multikolinearitas
<i>Word of Mouth</i> (X <sub>2</sub> )	0,394 > 0,100	2,538 < 10	
<i>Brand Awareness</i> (X <sub>3</sub> )	0,444 > 0,100	2,554 < 10	

Sumber: Penulis

## 3. Uji Heteroskedastisitas

Tabel 7. Uji Heteroskedastisitas

Variabel	Sig.	Keterangan
<i>Digital Marketing</i> (X <sub>1</sub> )	0,187 > 0,050	Tidak terjadi heteroskedastisitas
<i>Word of Mouth</i> (X <sub>2</sub> )	0,391 > 0,050	
<i>Brand Awareness</i> (X <sub>3</sub> )	0,406 > 0,050	

Sumber: Penulis

## Analisis Regresi Linear Berganda

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + e$$

Keterangan:

$Y$  = *Purchase Decision* (Variabel Dependen)

$X_1$  = *Digital Marketing*

$B$  = Beta

$X_2$  = *Word of Mouth*

$a$  = Konstanta

$$X_3 = \text{Brand Awareness} \qquad e = \text{error}$$

Tabel 8. Analisis Regresi Linear Berganda

<i>Model</i>		<i>Unstandardized Coefficients</i>	
		<i>B</i>	<i>Std. Error</i>
1	(Constant)	-1,034	2,229
	<i>Digital Marketing (X<sub>1</sub>)</i>	0,146	0,071
	<i>Word of Mouth (X<sub>2</sub>)</i>	0,327	0,100
	<i>Brand Awareness (X<sub>3</sub>)</i>	0,576	0,079
Dependent Variable: <i>Purchase Decision (Y)</i>			

Sumber: Penulis

Berdasarkan hasil analisis regresi diatas maka dapat diketahui persamaan regresi sebagai berikut:

$$Y = -1,034 + 0,146X_1 + 0,327X_2 + 0,576X_3 + e$$

Hasil persamaan regresi linear berganda diatas dapat memberikan pengertian sebagai berikut:

1. Nilai konstanta sebesar -1,034 menunjukkan bahwa ketika variabel independen yaitu variabel *Digital Marketing (X<sub>1</sub>)*, *Word of Mouth (X<sub>2</sub>)*, *Brand Awareness (X<sub>3</sub>)* diasumsikan tetap/konstan, maka nilai variabel *Purchase Decision (Y)* sebesar -1,034.
2. Nilai koefisien regresi variabel *Digital Marketing (X<sub>1</sub>)* bernilai positif yaitu 0,146. Hal ini menunjukkan bahwa *Digital Marketing* memiliki hubungan yang searah dengan *Purchase Decision (Y)*. Artinya, setiap kenaikan *Digital Marketing* satu satuan maka variabel *Purchase Decision* akan naik sebesar 0,146 dengan asumsi variabel independen lainnya konstan atau tidak berubah.
3. Nilai koefisien regresi variabel *Word of Mouth (X<sub>2</sub>)* bernilai positif yaitu 0,327. Hal ini menunjukkan bahwa *Word of Mouth* memiliki hubungan yang searah dengan *Purchase Decision (Y)*. Artinya, setiap kenaikan *Word of Mouth* satu

satuan maka variabel *Purchase Decision* akan naik sebesar 0,327 dengan asumsi variabel independen lainnya konstan atau tidak berubah.

4. Nilai koefisien regresi variabel *Brand Awareness* ( $X_3$ ) bernilai positif yaitu 0,576. Hal ini menunjukkan bahwa *Brand Awareness* memiliki hubungan yang searah dengan *Purchase Decision* ( $Y$ ). Artinya, setiap kenaikan *Brand Awareness* satu satuan maka variabel *Purchase Decision* akan naik sebesar 0,576 dengan asumsi variabel independen lainnya konstan atau tidak berubah.

### Uji Hipotesis

1. Uji Statistik (Uji t Parsial)

Tabel 9. Uji t (Parsial)

Variabel	t <sub>hitung</sub>	Signifikasi
<i>Digital Marketing</i> ( $X_1$ )	2,051	0,043
<i>Word of Mouth</i> ( $X_2$ )	3,269	0,020
<i>Brand Awareness</i> ( $X_3$ )	7,249	0,000

Sumber: Penulis

2. Uji Koefisien Determinasi (*R-Square*)

Tabel 4. 1 Uji Koefisien Determinasi (R-Square)

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>
1	0,878	0,771	0,764

Sumber: Penulis

Hasil Uji Koefisien Determinasi (*R-Square*) menghasilkan bahwa nilai koefisien determinasi (*Adjusted R Square*) dalam penelitian ini sebesar 76,4%. Hal ini menunjukkan bahwa nilai *Adjusted R Square* mendekati 1. Maka dapat disimpulkan variabel-variabel independent memberi hampir semua informasi yang dibutuhkan oleh variabel dependen.



## Pembahasan

### 1. Pengaruh *Digital Marketing* terhadap *Purchase Decision*

Berdasarkan pengujian yang disajikan pada tabel 9 yang menunjukkan bahwa *Digital Marketing* ( $X_1$ ) memiliki nilai  $t_{hitung} (2,051) > t_{tabel} (1,986)$  dengan nilai signifikan sebesar  $0,043 < 0,050$ , artinya *Digital Marketing* berpengaruh positif dan signifikan terhadap *Purchase Decision* produk *livin' by mandiri* pada Nasabah Bank Mandiri di Kecamatan Sumbawa. Hal ini mendukung hipotesis pertama bahwa *Digital Marketing* ( $X_1$ ) mempengaruhi *Purchase Decision* ( $Y$ ), sehingga  $H_1$  diterima dan  $H_0$  ditolak. Perlu diperhatikan kembali bahwa instrumen *Digital Marketing* memberikan dampak yang signifikan terhadap peningkatan *Purchase Decision* produk *livin' by mandiri* pada Nasabah Bank Mandiri di Kecamatan Sumbawa. Apabila *livin' by mandiri* dipasarkan dengan baik melalui *Digital Marketing* oleh karyawan Bank Mandiri di Kecamatan Sumbawa, maka berpeluang meningkatnya *Purchase Decision* produk *livin' by mandiri* oleh nasabah yang belum mendaftarkannya. Hal ini juga menjadikan Kantor Bank Mandiri Cabang Sumbawa akan diperhatikan oleh Bank Mandiri Area/Pusat untuk di-*upgrade* atau diperbaharui menjadi *Smart Branch*, disebabkan syarat dilakukannya transformasi kantor cabang tradisional menjadi *smart branch* ialah meningkatnya akuisisi (pendaftaran akun) *livin' by mandiri* oleh nasabah. Sehingga, hal ini juga akan berpengaruh dan memberikan dampak positif terhadap edukasi ekonomi digital pada masyarakat di Kecamatan Sumbawa. Maka, hal ini juga sejalan dengan penelitian yang telah dilakukan oleh Anwar (2021) yang menyatakan bahwa *Digital Marketing* berpengaruh positif dan signifikan terhadap *Purchase Decision*, begitu juga yang diteliti oleh Werry (2022) yang telah menyatakan bahwa *Digital Marketing* berpengaruh positif dan signifikan terhadap *Purchase Decision*.

## 2. Pengaruh *Word of Mouth* terhadap *Purchase Decision*

Berdasarkan pengujian yang disajikan pada tabel 9 yang menunjukkan bahwa *Word of Mouth* ( $X_2$ ) memiliki nilai  $t_{hitung}$  (3,269) >  $t_{tabel}$  (1,986) dengan nilai signifikan sebesar  $0,020 < 0,050$ , artinya *Word of Mouth* berpengaruh positif dan signifikan terhadap *Purchase Decision* produk *livin' by mandiri* pada Nasabah Bank Mandiri di Kecamatan Sumbawa. Hal ini mendukung hipotesis kedua bahwa *Word of Mouth* ( $X_2$ ) mempengaruhi *Purchase Decision* ( $Y$ ), sehingga  $H_1$  diterima dan  $H_0$  ditolak. Pada kala ini, *Word of Mouth* memang salah satu cara pemasaran terbaik. Beberapa bentuk *Word of Mouth* tercipta yang berasal dari inovasi dan kreatifitas pemasaran. Seperti testimoni, *endorsment*, *reviews*, *comment feed*, dsb. adalah salah satu bentuk *Word of Mouth* dalam mediasi digital yang dapat dilihat dan dibaca secara umum. Maka, terjadilah *Word of Mouth* yang memberikan *insight* baru bagi konsumen lain. Begitu pula di Kecamatan Sumbawa, masyarakat lebih percaya oleh sesama keluarga atau teman terdekatnya, bukan dari iklan atau pemasaran digital. Sehingga, terciptanya *Organic Word of Mouth* antar keluarga konsumen atau nasabah yang berasal dari kualitas, kenyamanan dan kemudahan yang diberikan oleh Bank Mandiri, termasuk akses transaksi digital pada produk *livin' by mandiri*. Hasil ini sejalan dengan penelitian yang dilakukan oleh Indah (2021) yang menyatakan bahwa *Word of Mouth* berpengaruh positif dan signifikan terhadap *Purchase Decision*.

## 3. Pengaruh *Brand Awareness* terhadap *Purchase Decision*

Berdasarkan pengujian yang disajikan pada tabel 9 yang menunjukkan bahwa *Brand Awareness* ( $X_3$ ) memiliki nilai  $t_{hitung}$  (7,249) >  $t_{tabel}$  (1,986) dengan nilai signifikan sebesar  $0,000 < 0,050$ , artinya *Brand Awareness* berpengaruh positif dan signifikan terhadap *Purchase Decision* produk *livin' by mandiri* pada Nasabah Bank Mandiri di Kecamatan Sumbawa. Hal ini mendukung hipotesis pertama bahwa *Brand Awareness* ( $X_2$ ) mempengaruhi *Purchase Decision* ( $Y$ ), sehingga  $H_1$  diterima dan  $H_0$  ditolak. Meningkatkan *Brand Awareness* pada masyarakat ataupun nasabah memiliki banyak cara. Melakukan kerja sama dengan

toko yang sedang terkenal di Kecamatan Sumbawa termasuk salah satu cara dalam meningkatkan *Brand Awareness* Bank Mandiri, yang mana hal tersebut dapat meluaskan target pasar dan *marketing*. Apapun bentuk kegiatan atau *event branding* Bank Mandiri akan meningkatkan *Brand Awareness* masyarakat. Ketika, *brand* Bank Mandiri menjadi *Top of Mind* masyarakat di Kecamatan Sumbawa. Maka, masyarakat akan tertarik untuk melakukan *Purchase Decision* pada produk Bank Mandiri, termasuk *livin' by mandiri*. Hasil ini selaras dengan penelitian yang telah dilakukan oleh Andriani (2019) yang menyatakan bahwa *Brand Awareness* memiliki pengaruh yang positif dan signifikan terhadap *Purchase Decision*. Sejalan dengan penelitian yang dilakukan juga oleh Wianti, Superno & Putri (2019), menyatakan bahwa *Brand Awareness* berpengaruh positif dan signifikan terhadap *Purchase Decision*.

#### KESIMPULAN

1. Variabel *digital marketing* memiliki pengaruh positif dan signifikan terhadap *purchase decision*
2. Variabel *word of mouth* memiliki pengaruh positif dan signifikan terhadap *purchase decision*.
3. Variabel *brand awareness* memiliki pengaruh positif dan signifikan terhadap *purchase decision*.

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## USAHA KULINER OLAHAN DAGING AYAM TASUU KATSU DI KOTA SEMARANG

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### ***Abstract***

*Masyarakat Indoineisia dapat dikatakan masyarakat dengan tingkat konsumtifnya terbilang cukup tinggi. Hal ini dapat dibuktikan dengan tingginya minat konsumsi para masyarakat Indonesia, mulai makanan hingga pakaian. Semarang merupakan salah satu kota besar yang menjadi lahan tumbuhnya kuliner, khususnya di wilayah Tembalang yang menjadi kawasan padat mahasiswa. Tingginya permintaan kuliner ditandai dengan meningkatnya mahasiswa dan kurangnya ketersediaan warung makan yang murah. Munculnya peluang pasar yang ada saat ini, dapat menjadi peluang usaha. Penelitian ini menggunakan pendekatan penelitian kualitatif dengan fokus penelitian untuk melihat analisis lingkungan usaha, kelayakan usaha, serta strategi pengelolaan dan pengembangan usaha melalui desain bussiness plan pada usaha Tasuu Katsu. Pengumpulan data primer dan sekunder dilakukan dengan wawancara, observasi, dan dokumentasi. Teknik analisis data yang digunakan adalah reduksi data, penyajian data, dan penarikan kesimpulan. Hasil dari penelitian ini adalah analisis lingkungan usaha yang dilihat dari segi lingkungan internal maupun segi lingkungan eksternal. Dari segi analisis kelayakan usaha didapatkan hasil bahwa keseluruhan perhitungan BEP dan Payback Period hasilnya bernilai positif sehingga usaha ini dinilai layak untuk dijalankan. Selain itu, Tasuu Katsu telah melakukan strategi pengelolaan dan pengembangan usaha melalui desain business plan.*

***Keywords: Lingkungan Usaha, Kelayakan Usaha, Desain Busines.***

## **PENDAHULUAN**

Masyarakat Indonesia dapat dikatakan masyarakat dengan tingkat konsumtifnya terbilang cukup tinggi. Hal ini dapat dibuktikan dengan tingginya minat konsumsi para masyarakat Indonesia, mulai makanan hingga pakaian. Pada bidang kuliner, Indonesia terbukti memiliki banyak varian makanan khas ataupun daerah dan banyak pula varian makanan seperti jajanan kaki lima. Dapat dikatakan membangun usaha kuliner itu tidak ada matinya. Dikarenakan setiap orang pasti selalu membutuhkan makanan di setiap harinya. Selama pelaku usaha tersebut, dapat terus menggunakan kreativitas dan inovasinya dalam membuat produk makanan tersebut untuk terus bertahan di pasar itu sendiri. Bisnis kuliner juga mampu memenuhi seluruh kebutuhan target pasar yang berbeda-beda. Target pasarnya tidak hanya konsumen dari kalangan atas namun dapat dilihat dari berbagai kalangan sampai pelajar pun suka untuk mencoba produk makanan atau minuman baru yang inovatif atau yang tampak membuat mereka tertarik. Oleh karena itu, maka tidaklah heran jika berbisnis di bidang kuliner saat ini kian marak digeluti oleh para pengusaha. Dalam usaha yang akan dijalankan kedepannya selain melihat aspek analisis lingkungan usaha dan aspek kelayakan bisnis, harus diperhatikan juga dari sisi strategi pengembangan usaha melalui sosial media yang sedang naik daun. Dikarenakan marketing atau pemasaran melalui media sosial saat ini menjadi salah satu hal yang penting. Kebanyakan orang saat ini mengetahui makanan di sekitarnya melalui sosial media yang ada. Untuk mempromosikan usaha yang akan berjalan dibutuhkan juga media sosial yang memungkinkan diakses atau dilihat oleh masyarakat sekitar. Dengan meningkatnya daya konsumtif masyarakat Indonesia mengenai makanan-makanan Jepang. Serta populernya usaha inovasi mengenai makanan yang bercita rasa Jepang namun tetap lidah masyarakat orang Indonesia.

## TINJAUAN PUSTAKA DAN HIPOTESIS

### **Business Plan**

Delmar dan Shane (2003) merangkum efek positif dari rencana bisnis. Berfokus pada, kecepatan pengambilan keputusan, prediksi kerentanan dalam informasi yang diterima, sumber daya manajemen, analisis kelayakan bisnis dan komunikasi internal dan eksternal perusahaan.

### **Studi Kelayakan Bisnis**

Studi Kelayakan bisnis adalah suatu kegiatan yang mempelajari secara mendalam tentang kegiatan atau usaha atau bisnis yang akan dijalankan, dalam rangka menentukan layak atau tidak usaha tersebut dijalankan, Kasmir dan Jakfar (2003), objek yang diteliti tidak hanya pada bisnis atau usaha yang besar saja, tapi pada bisnis atau usaha yang sederhana bisa juga diterapkan.

### **Aspek-Aspek Kelayakan Bisnis**

Aspek hukum berkaitan dengan legalitas industri yang mencakup wujud tubuh usaha serta perizinan yang wajib dipadati oleh industri. Analisis aspek hukum dicoba buat mengenali keahlian pelakon bisnis dalam penuhi syarat hukum serta perizinan yang dibutuhkan dalam melaksanakan bisnis di daerah tertentu (Suliyanto, 2010).

Aspek lingkungan mengamati lingkungan dekat (baik area dekat, area jauh maupun lingkungan operasional) dengan suatu ide bisnis yang hendak dibesarkan. Sesuatu ide bisnis dinyatakan layak salah satunya bersumber pada aspek lingkungan, bila keadaan lingkungan cocok dengan kebutuhan ilde bisnis serta ide bisnis tersebut sanggup membagikan khasiat yang lebih baik dibanding akibat negatifnya.

Aspek Pasar salah satu aspek yang merupakan inti dari penyusunan rencana bisnis adalah aspek pasar, karena untuk menyediakan produk atau jasa dibutuhkan adanya permintaan pasar. Mengetahui seberapa banyak permintaan terhadap produk yang akan di pasarkan sehingga bisnis dapat menguntungkan perusahaan merupakan tujuan mengenai adanya penyusunan aspek pasar. Mengklasifikasikan customer sesuai kebutuhan dan

keinginan yang hasilnya dikelompokkan dalam beberapa segmentasi, seperti demografis, geografis, dan perilaku. Hal ini nantinya akan menjadi pandangan dalam target market yang dibidik. Menurut Indrasari (2017) aspek pasar digunakan untuk meninjau seberapa besar peluang pasar yang ada untuk produk yang ditawarkan dan seberapa besar market share yang akan dikuasai.

Aspek teknis merupakan untuk memperhitungkan kematangan sesuatu wirausaha dalam melakukan kegiatannya untuk melaksanakan bisnis dengan memperhitungkan ketepatan posisi, jarak, luas produksi, layout, mesin dan teknologi. Analisis aspek teknis menjadi sebuah kewajiban agar terhindar dari kegagalan bisnis pada masa yang hendak tiba, selaku akibat sebab terdapatnya permasalahan teknis.

Aspek finansial ataupun keuangan sangat berfungsi dalam memastikan perencanaan investasi ataupun penanaman modal dalam suatu riset kelayakan bisnis dengan memperhitungkan biaya- biaya serta khasiat yang mau diperoleh atas perbandingan dari pendapatan dengan pengeluaran meliputi tersedianya sebuah dana, adanya biaya modal, mampu tidaknya sebuah proyek membar kembali dalam tempo waktu yang telah ditentukan, dan melakukan penilaian apakah proyek yang telah dilaksanakan akan dapat terus berkembang (Shinji et al, 2020).

### **Analisis Kelayakan Usaha**

Analisis sensitivitas dapat diartikan sebagai kegiatan menganalisis kembali pada suatu proyek guna dapat melihat kondisi proyek apabila dalam pelaksanaannya berjalan tidak sesuai dengan yang telah direncanakan dan membuat terjadinya kemunduran proyek yang berjalan karena faktor ketidakpastian sehingga akan berpengaruh terhadap biaya dan penerimaan (Sari et al., 2018).

### **METODOLOGI**

Penelitian ini merupakan penelitian deskriptif dengan pendekatan kualitatif. Sugiyono (2021) metode deskriptif kualitatif adalah metode penelitian yang berdasarkan pada filsafat postpositivisme digunakan untuk meneliti pada kondisi objek yang alamiah,



dimana peneliti adalah sebagai instrumen kunci teknik, pengumpulan data dilakukan secara gabungan, analisis data bersifat induktif dan hasil penelitian lebih menekankan makna daripada generalisasi.

## **HASIL DAN PEMBAHASAN**

Tasuu Katsu merupakan usaha kuliner di bidang makanan. Produk Tasuu Katsu terbuat dari daging ayam pilihan yang di olah dengan bumbu dan tepung dengan resep khusus. Produk yang dihasilkan dari Tasuu Katsu merupakan olahan makanan berbahan dasar ayam. Daging dada ayam dibumbui, lalu dibalur dengan tepung roti. Salah satu kunci untuk membuat hidangan ini adalah ketebalan irisan dada ayam dan marinasi bumbunya. Setelah proses marinasi bumbu, lalu digoreng dengan tehnik deep-frying.

Perkembangan kuliner yang dahulu, dimana orang mencari dan memilih makan cukup terbatas. Peranan kebutuhan makan sangat penting mengingat kebutuhan primer masyarakat terkait makan dan minum yang harus dipenuhi secara real-time. Yang mana membutuhkan makanan setiap harinya. Terlebih bagi mahasiswa yang lebih suka jajan atau beli makanan di luar. Hal tersebut menjadi pacuan Tasuu Katsu ingin, memberikan pelayanan terbaik untuk memenuhi kebutuhan tersebut. Jaman dahulu, mahasiswa-mahasiswa susah mencari makan dan biasanya hanya ada beberapa opsi saja yang bisa dibeli. Adanya tasuu katsu ingin menjadi terobosan baru untuk mahasiswa kalau makan katsu tidak harus mahal dan bisa dimakan setiap saat.

Berdasarkan hasil analisis kelayakan usaha, dapat disimpulkan sebagai berikut:

1. Aspek pasar, terdapat peluang segmentasi pasar yang bagus dengan disertai strategi pasar yang terencana.
2. Aspek sumber daya manusia, agar kegiatan berjalan secara efektif dan efisien diperlukan melakukan penambahan jumlah karyawan, pembagian tugas dan alur koordinasi yang jelas.
3. Aspek operasional, kegiatan operasional Tasuu Katsu berjalan dengan baik. Namun, dalam pelayanannya perlu ditingkatkan lagi.

4. Aspek keuangan melalui beberapa metode secara keseluruhan bernilai positif, sehingga keuangan usaha ini layak untuk dijalankan.
5. Aspek lingkungan, tidak menimbulkan dampak buruk untuk lingkungan sekitar Tasuu Katsu.

Dari indikator kelayakan tersebut, maka dapat disimpulkan bahwa usaha Tasuu Katsu merupakan usaha kuliner yang layak untuk dijalankan. Adapun format gambar, sebagaimana ditunjukkan pada Gambar 1 berikut dengan keterangan gambar berada di bawah gambar.

Gambar 1. Menu Katsu



Sumber : Penulis, 2023

## KESIMPULAN

1. Analisis lingkungan usaha, peluang bisnis usaha yang ada diyakini sangat potensial mengingat jangkauan pasar yang cukup luas dan tingginya minat konsumen. Analisis lingkungan yang dilakukan oleh Tasuu Katsu yaitu aspek pasar, analisis pesaing dan analisis SWOT usaha. Dari ketiga aspek tersebut, menunjukkan bahwa bisnis layak dikarenakan unsur peluang pasar yang cukup menjanjikan.
2. Analisis kelayakan usaha pada usaha kuliner Tasuu Katsu meliputi beberapa seperti aspek pasar, aspek sumber daya manusia, aspek operasional, aspek lingkungan dan aspek keuangan. Dari indikator kelayakan tersebut, maka dapat

disimpulkan bahwa usaha Tasuu Katsu merupakan usaha kuliner yang layak untuk dijalankan.

3. Strategi pengelolaan dan pengembangan usaha melalui *Business Plan* Tasuu Katsu yang meliputi strategi pemasaran melalui *marketing plan*, *organizational plan* dan *financial plan*.

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**AUDIT COMMITTEE SIZE AND AUDIT COMMITTEE ACTIVITY  
ON FINANCIAL PERFORMANCE  
(An Empirical Study on IDX30)**

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***Abstract***

*The audit committee plays a vital role in financial performance. This study aims to determine the effect of audit committee size and audit committee activity on the financial performance of IDX30 index companies. This research was conducted on companies in the IDX30 index, which were listed on the Indonesia Stock Exchange in 2016–2018. This study used the annual report of the IDX30 company from 2016 until 2018. The sampling method is purposive sampling. Based on this method, 18 companies are acquired as a sample, with a 3-year observation period, resulting in 54 firm-year observations. Multiple regression was applied in processing the data. The data were analyzed using descriptive statistical analysis, correlation, and regression analysis. The results of the study showed that audit committee size did not have a significant effect on firm financial performance. Meanwhile, audit committee activity had a significant negative effect on firm financial performance. Simultaneously, audit committee size and audit committee activity have a significant negative effect on financial performance. The result implies that the audit committee size does not guarantee a good return on assets, while audit committee activity if done moderately it gives a good impact on the financial performance of the company.*

***Keywords: Audit Committe Size, Audit Committee Activity, Financial Performance, IDX30***

## INTRODUCTION

The high level of economic development in Indonesia encourages businesses to be able to compete with other businesses. To continue to exist and compete, every firm must have an acceptable and good corporate financial strategy for the future to ensure the company's sustainability. Designing financial plans is done for firm operational activities and by designing appropriate plans to improve a company's financial performance. Financial performance is critical for businesses to understand and evaluate their level of achievement based on economic operations carried out.

A company's operational actions will be influenced by its financial performance. Companies with strong financial performance show the results of effective management performance in managing their assets so that operational operations run smoothly and profitably. Meanwhile, bad financial performance will significantly impede the company's operating activity. The company's financial manager is accountable for the company's good or bad financial performance. Analyzing the company's financial data can help identify financial performance. Each company's financial report period has ratios that can impact stakeholders' decision-making. Financial performance is measured using profit and loss reports (profitability), liquidity reports, and balance sheet assets. Proper governance is needed to maintain a sustainable financial performance. Corporate governance is a word that is frequently used to describe the processes and structures that a corporation uses to direct and manage its business activities to increase the wealth of its shareholders (Mazlina Mustapha & Ayoib Che Ahmad, 2011). One of the good governance practices is to establish an audit committee. The audit committee fosters better disclosure and provides corporations with the tools they need to deliver credible and comprehensive financial statements. (Haldar & Raithatha, 2017).

The audit committee consists of at least three members, at least two-thirds of whom are independent parties with no ties to the company. Because of its significant role and responsibilities, determining the number of audit committee member reveals that the audit committee is an inseparable and critical component of a company. The audit committee is in charge of overseeing corporate governance and improving management performance

to ensure the company's success. Because the audit committee is a subcommittee of the function of the board of commissioners, it is required to hold meetings to discuss matters related to its role as a monitor for mechanisms to improve the quality of financial report information for stakeholders and investors, as well as a liaison to avoid information asymmetry between owners and the manager. Audit committee activity is defined as the number of meetings attended by audit committee members in a given year. This meeting will look at audit issues in general and undertake extensive management performance appraisals.

This research aims to explore the influence of audit committee size and audit committee activity on financial performance.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Agency Theory**

Agency theory, introduced by Jensen and Meckling (1976), examines the functioning relationship between the principle, or the party granting power, and the agent, or the party receiving authority. The subject of agency theory is the behavioral interaction between the owners (principals) and those people (agents) who are engaged by the owners to perform obligations on behalf of the principal where the agent is given some decision-making authority. (Kisanyanya & Omagwa, 2018). According to Jensen and Meckling (1976), agency cost is a fee payable to the principal for controlling the actions of an agent or manager that is classified into three types: bonding costs, monitoring costs, and residual loss. (Simanjuntak & Sinaga, 2021). Principals hire agents to carry out duties in their best interests, such as delegating decision-making authority from principals to agents (Yustrida Bernawati, 2020). The existence of this theory helps improve the governance of business entities if used properly.

### **Audit Committee**

The Audit Committee's purpose is to assist the Board of Commissioner's supervisory function in overseeing the integrity of the company's financial statements, the External

Auditor's qualifications and independence, and the performance of the company's internal audit function and External Auditor on the one hand, and to prepare the report that OJK rules require to be included in the company's annual proxy statement on the other. (International Finance Corporation, 2014). The primary goal of a firm's audit committee is to protect financial reporting accuracy, audit methods, internal controls, and compliance with regulations and principles. (Arens, 2014). The audit committee's presence must result in high-quality, impartial reports. (Yustrida Bernawati, 2020). Audit committees play a vital role in enhancing corporate governance as a critical component of board governance. Audit committees are often charged with supervising the internal audit system and its implementation, reviewing corporate financial information and disclosures, and reviewing the company's internal control systems (Cheng et al., 2022). The audit committee is a portion of a corporation that is interested in demonstrating the company's good and healthy condition to users of financial statements (Yustrida Bernawati, 2020). Under any circumstances, an audit committee plays a vital role in improving a company's governance.

### **Audit Committee Size**

The size of the audit committee is the number of members on the audit committee. Members of the Audit Committee must be financially literate. The head of the Audit Committee shall be the Independent Commissioner. Further, the members of the Audit Committee shall consist of 2 Independent Commissioner or any other external party (International Finance Corporation, 2014). There are at least three (3) members of the audit committee. Both non-listed and listed companies must have an audit committee to oversee managerial tasks. This is the committee that is considered very important from the shareholders' perspective. The composition of the Audit Committee shall be such that it can accommodate the complexity of the company by taking into account the effectiveness in decision-making.



### **Audit Committee Activity**

The audit committee's activity is seen as a key aspect influencing corporate transparency. The audit committee is the greatest venue for directors to examine financial reporting issues, find solutions, and implement corrective actions (Khlif & Samaha, 2016). Before the Board of Commissioners meets, the Audit Committee should meet. This meeting should take place far enough in advance of the Board of Commissioners meeting to allow the Audit Committee to transmit its findings and the Board of Commissioners to thoroughly evaluate them. The Audit Committee should meet at least once every three months (International Finance Corporation, 2014). Regular audit committee meetings would ensure that audit committee members' responsibilities in terms of internal control, effective and smooth running of the internal and external auditing process, minimization of information risk, management fraud, and mitigation of any agency problems were carried out properly (Kamaludin et al., 2023). In carrying out its tasks and obligations, the audit committee should meet frequently and document its conclusions.

### **Financial Performance**

A firm's financial performance can be measured and assessed for a certain period. Financial performance is the result of activities from the company's economic operations in a period (Kariyoto 2017). Financial performance indicates how well a company uses its resources to generate profits. It had been measured using exploitation accounting profit measures (Riyadh et al., 2020). Financial performance can be described as the accomplishments of the organization during a specific period (Wijayanti & Suryandari, 2020). Financial performance is usually proxied by return on assets (ROA), return on equity, and return on sales.

Out of these measures, ROA is found to be a better measure as it captures the performance of the management and is not contaminated by the differential degree of leverage present in firms (Mishra & Mohanty, 2014). Return on assets, calculated as operating income divided by total assets. Companies who aim to be profitable can see their Return On Assets, ROA can demonstrate the entity's potential to generate net income

before taxes from total assets, and ROA can quantify how the entity uses its assets to generate profits. (Budiono & Dura, 2021). Return on assets is calculated by dividing net income by average assets. Return on assets is a commonly used profitability measure that relates to a company's profits during a fiscal year about its assets (Chowdhury et al., 2019).

### **Audit Committee Size On Financial Performance**

From the previous studies, it is known that audit committee size is significantly positively linked with firm performance (Al-ahdal & Hashim, 2022). AC size is positively associated with the quality firm's financial disclosure (Salehi & Shirazi, 2016). The number of decision-makers (audit committee) affects financial performance. As De Vlaminc & Sarens, (2015) stated that there is a positive and substantial relationship between the fraction of audit committee members' financial statement quality. However, some studies report no effect of AC size on reporting quality (Xie et al., 2003; Abbott, 2004), while other studies document the positive effect of large AC on financial reporting quality (Halder & Raithatha, 2017). The findings indicated a positive direction but insignificant relationship between audit committee size and return on assets (Zraiq & Fadzil, 2018). Based on the previous statements, the following hypothesis is developed:  
H<sub>1</sub>: Audit committee size has significant influence on financial performance.

### **Audit Committee Activity on Financial Performance**

The audit committee activity is represented by audit committee meetings. The audit committee's number of meetings has a positive and significant effect on the performance of firms (Al-ahdal & Hashim, 2022). Audit committee meetings exhibit positive and significant effects on financial performance (EPS) (Okoroyinbo & Nwokeji, 2021). AC meetings held during the fiscal year are negatively associated with the quality of corporate disclosure (Salehi & Shirazi, 2016). However, researchers from Australia found no significant evidence of an association between the frequency of meetings and earnings management (Kamolsakulchai, 2015). Based on the previous statements, the following hypothesis is developed:

H<sub>2</sub> : Audit committee activity has significant influence on financial performance.

### **Audit Committee Size And Audit Committee Activity On Financial Performance**

The audit committee (size and meetings) has a positive and significant effect on financial performance (Aprianingsih, 2016). An audit committee with more members and more regular meetings may also improve the quality of reporting (Haldar & Raithatha, 2017). Audit committee characteristics affect the profitability of the entity (Ioana & Mariana, 2014). According to empirical research, there is an inverse link between the number of audit committee meetings, attendance at audit committee meetings, and business performance (Kamaludin et al., 2023). On the contrary, audit committee size and audit committee meetings have an insignificant positive influence on ROE (Al-ahdal & Hashim, 2022). In addition, the audit committee does not affect the company's financial performance (Azis & Hartono, 2017). However, audit committee efficacy will likely suffer if the committee grows too large. Because a large committee may result in additional losses, procedure, and workload allocation is excessive. Based on the previous statements, the following hypothesis is developed:

H<sub>3</sub> : Audit committee size and audit committee activity have significant influence on financial performance.

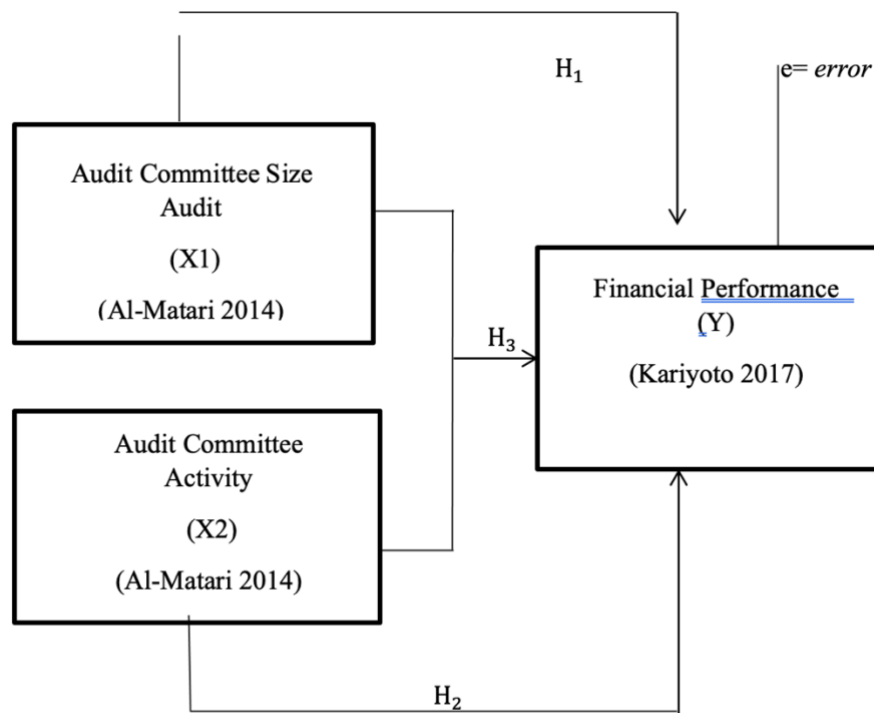


Figure 1 - Research Framework

## METODOLOGI

In this research, the type of research used is comparative causal research, namely research that determines the causal relationship between two or more variables. The research method used in this research is descriptive, namely regarding the size of the audit committee (ACSIZE) and audit committee activities (ACMEET) on the company's financial performance (ROA). In this research, the author used companies listed on IDX 30 2016-2018 as the research population and purposive sampling technique based on the following criteria or considerations: 1. Companies that were consecutively listed in IDX 30 during the research period, namely 2016, 2017 and 2018; 2. The company includes the number of members and audit committee meetings in its annual report during the observation year.

**Table 1**  
**List of Population and Sample**

Description	Sample Criteria	N
Population	30 companies included in IDX 30 for a period of 2016-2018.	90
Excluded samples	12 companies that are <i>not</i> listed consecutively IDX 30 for the period of 2016-2018.	(36)
Valid samples	Companies that are consecutively listed IDX 30 for a period of 2016-2018.	54

**Table 2**  
**Valid sample used in this research**

No	Code	Company Name
1	ADRO	Adaro Energy Tbk
2	ASII	Astra International Tbk
3	BBCA	Bank Central Asia Tbk
4	BBNI	Bank Negara Indonesia (Persero) Tbk
5	BBRI	Bank Rakyat Indonesia (Persero) Tbk
6	BMRI	Bank Mandiri (Persero) Tbk
7	BSDE	Bumi Serpong Damai Tbk
8	GGRM	Gudang Garam Tbk
9	ICBP	Indofood CBP Sukses Makmur Tbk
10	INDF	Indofood Sukses Makmur Tbk

11	INTP	Indocement Tunggal Prakarsa Tbk
12	KLBF	Kalbe Farma Tbk
13	LPFF	Matahari Department Store Tbk
14	PGAS	Perusahaan Gas Negara (Persero) Tbk
15	SMGR	Semen Indonesia (Persero) Tbk
16	TLKM	Telekomunikasi Indonesia (Persero) Tbk
17	UNTR	Unites Tractors Tbk
18	UNVR	Unilever Indonesia Tbk

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Audit committee size (ACSIZE) is computed based on the number of audit committee members; audit committee activity (ACMEET) is based on the number of meetings held every year (Al-Matari 2014); and return on asset (ROA) is computed as (Earning after Tax)/(Total Asset) 100%. Annual reports were gathered from each listed companies. Data gathered were tabulated, processed and analyzed.

## **RESULTS AND DISCUSSION**

### **Descriptive results for audit committee size, audit committee meeting, and return on assets.**

This section assessed and described the audit committee size, audit committee meeting, and return on assets using minimum values, maximum values, average values, and standard deviations. The audit committee will act as a supervisor in the implementation of the duties of the directors and board of commissioners over the financial reporting process, minimize company risks, and carry out independent supervision over a company's governance process. Many things need to be considered in assessing an audit committee, one of which is through activities that are measured by the number of meetings. The audit committee holds meetings to discuss activities related to the implementation of the duties

of the board of commissioners. Companies listed on the IDX 30 as a whole, hold meetings with varying frequencies from one company to another.

The return on assets ratio is a comprehensive financial performance measurement, all of which influence the financial statements as reflected in this ratio. The data required regarding the calculation of the Return On Asset ratio is taken from the annual report. The financial performance of a company will describe how good and good a company is. Apart from that, financial performance is reported through financial reports which describe the real situation regarding the outcomes that the company has achieved in a certain period. Financial performance is also one of the most important things that prospective investors will consider before determining which company is a suitable place to invest because it contains the results of activities from the company's economic operations. The financial performance of all the companies in the sample can be said to be good because on average they have met the good ROA standard, namely  $>1\%$ . The ROA value in each company is of course different and the condition of the ROA value in the sample companies always changes from each period. Changes occur in the form of increasing ROA values and decreasing ROA values.

**Table 3**  
**Descriptive Statistics**

Variables	N	Min	Max	Mean	Std. Deviation
ACSIZE	54	3	6	3.76	1.115
ACMEET	54	4	44	13.65	10.580
ROA	54	1.41	46.70	10.7230	10.50606

Table III above shows that there are 54 valid data. The minimum size of the audit committee is 3 people, namely in the companies Adaro Energy Tbk, Bank Central Asia Tbk, Bumi Serpong Damai Tbk, Gudang Garam Tbk, Indofood Sukses Makmur Tbk,

Indocement Tunggal Prakarsa Tbk, Kalbe Farma Tbk, Matahari Department Store Tbk, United Tractors Tbk, Unilever Indonesia Tb in the 2016-2018 research period. The maximum size of the audit committee is 6 people in the companies Bank Rakyat Indonesia (Persero) Tbk and Bank Mandiri (Persero) Tbk throughout the 2016-2018 research period. A standard deviation that is lower than the average value, explains that the distribution of the data is relatively low and also explains that all the data in this study is normally distributed with information that is 1.115 from the average which is 3.76. The average is considered to be 4 because the size of the audit committee measured is in the form of the number of people who are members of the audit committee in a company, which means that all companies sampled in this study meet the standards set by PJOK No. 55 of 2015, namely the minimum number of audit committee members in an agency or company is 3 people.

While audit committee meetings, the minimum number of audit committee meetings is 4 times, namely at the companies Indocement Tunggal Prakarsa Tbk, Kalbe Farma Tbk, Matahari Department Store Tbk, United Tractors Tbk, Unilever Indonesia Tbk. The maximum size of the audit committee is 44 times in the company Semen Indonesia (Persero) Tbk in 2018. The standard deviation which is lower than the average value, explains that the spread of data is relatively low and also explains that all the data in This study had a normal distribution with information within 10.580 from the average of 13.65. The average is considered to be 14 because the audit committee activity measured is in the form of the number of meetings held by the audit committee in a company, which means that all companies sampled in this study have met the standards according to PJOK No. 55 of 2015, namely the minimum number of audit committee meetings is 4 times a year.

For return on assets (ROA), the minimum value of return on assets is 1.41%, namely at Bank Mandiri (Persero) Tbk. The maximum value of Return on Assets is 46.70% in the company Unilever Indonesia Tbk. The table above, through a standard deviation that is higher than the average, explains that the spread of data is relatively high and all data in



this study is normally distributed with information that is 10.50606 from the average which is 10.7230.

### **Influence of Audit Committee Size and Audit Committee Activity on Financial Performance**

This section described the influence of audit committee size on financial performance.

**Table IV**  
**Correlations**

	ROA	ACSIZE	ACMEET
ROA	1	-.293*	-4.22**
ACSIZE	-.293*	1	
ACMEET	-.422**		1

\*. Correlation is significant at the 0.05 level (2-tailed)

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Based on Table IV above, it is stated that the size of the audit committee has a correlation coefficient value which is between 0.200 – 0.399, namely -0.293 and is negative, indicated by a minus sign on the correlation coefficient value, meaning that there is a weak correlation between the size of the audit committee and financial performance and there is a negative relationship. between the two, which means that the larger the size of the audit committee, the smaller its financial performance will be and vice versa. This means that when there are additional members on the audit committee, there will be a decline in financial performance. This could happen because when there are additional members on the audit committee, the salary costs that must be paid by the agency or company become higher, causing company expenses to increase which has an impact on the company's financial performance.

It is also stated that there is a correlation between audit committee activities and financial performance which can be seen through the correlation coefficient value which is between 0.40 – 0.599, namely -0.422, this shows that there is a correlation between the number of audit committee meetings and financial performance at the level moderate or sufficient. The correlation coefficient above is negative, indicated by the minus sign in the correlation coefficient value, which means that the higher the frequency of audit

committee meetings, the lower the financial performance and vice versa. This could happen for the same reason as the increase in the number of audit committee members, so when there is an increase in the frequency of the number of audit committee meetings, the company's expenses will also increase in terms of salaries and other costs related to the meetings held. The existence of a significant correlation between the number of audit committee meetings and financial performance is also indicated by an asterisk in the correlation coefficient value.

**Table V**  
**Correlations**

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.600 <sup>a</sup>	.360	.334	.30545

*a. Predictors: (Constant), ACMEET, ACSIZE*

*b. Dependent Variable: ROA*

Based on Table V above, it shows that the correlation ( $r$ ) is 0.600, and it falls under the category of strong correlation among the variables. This indicates that there is a direct and strong relationship among ACSIZE, ACMEET and ROA. As ACSIZE increases ROA increases as well, and the same is through with ACMEET. The R Square resulted to 0.360 or 36%, this indicates that 36% percent of ACSIZE and ACMEET explains the controbution on the influence to ROA.

**Table VI**

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	19.025	4.745		4.010	.000
	ACSIZE	-.866	1.416	-.092	-.612	.543
	ACMEET	-.370	.149	-.372	-2.478	.017

*a. Dependent Variable: ROA*

Table VI shows the result of multiple regression. Based on the result, ACSIZE showed that it has a negative and insignificant influence on ROA. This means that the size of the audit committee in IDX 30 does not affect financial performance. The result of the study is aligned with the study made by Haldar & Raithatha, (2017) & Zraiq & Fadzil (2018). On the other hand, ACMEET showed a negative and significant influence on ROA. The negative, indicated by the minus sign means that the higher the frequency of audit committee meetings, the lower the financial performance and vice versa. This could happen for the same reason as the increase in the number of audit committee members, so when there is an increase in the frequency of the number of audit committee meetings, the company's expenses will also increase in terms of salaries and other costs related to the meetings held. The lesser the meeting the less cost thus lessening expenses which in turn will add to profit, thus ROA increases. The result is in line with but positive (Al-ahdal & Hashim, 2022) & (Okoroyinbo & Nwokeji, 2021). Thus the regression is as follows:

$$ROA = 19,025 + (-0,866) ACSIZE + (-0,370) ACMEET + error$$

**Table VII**  
**Significance test**

**ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1Regression	1076.512	2	538.256	5.751	.006 <sup>a</sup>
Residual	4773.487	51	93.598		
Total	5849.999	53			

a. Predictors: (Constant), ACSIZE, ACMEET

b. Dependent Variable: ROA

From the F test results above, it shows that the Fsig value of 0.006 is smaller than 0.05. This proves that the size of the audit committee and audit committee activities simultaneously influence the company's financial performance. This is in line with the research done by Aprianingsih, (2016); Haldar & Raithatha (2017) & Ioana & Mariana

(2014). This is an indication that audit committee members had carried out their duties to strictly monitor the activities of the company they are connected with.

## **KESIMPULAN**

An audit committee exists due to the demand for good corporate governance. Profit maximization is always the core of the business. This research aims to examine how much influence the size of the audit committee and audit committee activities have on the company's financial performance. 18 companies listed on the IDX 30 index for 3-year periods. These listed companies had fulfilled the requirement of the law that at least 3 members comprise the audit committee. It was also found that the audit committee meetings were held at least four (4) times a year. The financial performance is measured by the return on assets (ROA), all companies had succeeded in surpassing the least which is 1%. Most of the companies perform well even when a company reaches 46.70% ROA. The size of the audit committee does not have a significant and negative effect on the company's financial performance which can be caused by. The results of this research indicate that the understanding of the functions, duties, and responsibilities of the audit committee is still varied, thus triggering the audit committee to become ineffective in carrying out its duties which in the end can result in the quality of the company's financial performance not being realized and there are still many companies whose audit committees are not only working for one company but instead working for several companies, communication between the commissioners and the audit committee does not run harmoniously and there is a lack of monitoring by government institutions regarding the professional standards of the audit committee, resulting in the audit committee not being able to work efficiently and effectively.

Audit committee activities have a negative and significant effect on financial performance, indicated by a significance value of less than 0.05, namely 0.001. According to researchers, the number of meetings held by the audit committee does not mean that the audit committee can carry out its duties well but instead can increase the problems faced. Holding a meeting means having to bring together the thoughts of several people and at

the highest level, the existing problems instead of being resolved become even more complicated. How many or few meetings are held can affect the company's financial performance. Not all meetings held by the audit committee discuss problems faced by management. In agency theory, the audit committee should be able to resolve existing problems, but in reality, the meetings held are ineffective and even increase agency costs. Not all members were able to attend the meeting, because they had other activities outside of being on the company's audit committee. This makes it difficult to overcome problems that require quick decision-making, or problems that must be resolved immediately, which will have an impact on decreasing financial performance.

Simultaneously or concurrently and as a whole when tested with the F test, it can be concluded through this research that the size of the audit committee and the activities of the audit committee have a significant effect on the company's financial performance. This is proven through the F test which shows a significance value of less than 0,05 which is 0.006.

The researcher would like to recommend that companies are advised to pay more attention to matters related to the size of the audit committee and audit committee activities. It is recommended that companies do not need to have an audit committee size and the number of audit committee meetings that exceed the company's needs. For further studies, it is advised to carry out similar research by focusing their research more on one business sector so that the research results can be more focused and can be more useful for the business sector being studied. And lastly, consider different indicators in determining financial performance. Another recommended model is Tobin's Q because this ratio concerns all financial entities, namely assets, liabilities, and equity.

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## **The Depth of Employee Engagement Toward Emotional Intelligence: Self-Efficacy and Job Stress as Moderator**

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### ***Abstract***

*This study tries explore to the elements influencing employee engagement optimization. This study aimed to investigate how employee engagement influences emotional intelligence mediated by self-efficacy and job stress. An explanatory causal approach was used to test hypotheses on 320 employees, where data were analyzed using PLS-SEM. The main findings show that employee engagement and job stress are significantly influenced by emotional intelligence through self-efficacy. Emotional intelligence and self-efficacy proven to have a strong connection with minimizing job stress. Additionally, self-efficacy is highly influenced in optimizing employee engagement. This study contributes to organizational behavior, human resources, and psychology field by investigating employee emotional intelligence, workplace attitudes, and stress that needs to be anticipated to engage employees. This is one of the few studies on how self-efficacy and job stress affect emotional intelligence and employee engagement. It provides an opportunity to improve and develop human resources by optimizing employee engagement through emotional intelligence, fostering self-efficacy, and reducing workplace stress factors.*

***Keywords: Emotional Intelligence, Job Stress, Self-Efficacy, WIFI Employee Engagement***

## INTRODUCTION

In the 20th century, human beings were the primary and most valuable resource for companies to deal with other businesses and achieve organizational objectives. The success of companies is directly proportional to the number of highly engaged human resources. Employee engagement is the most important factor because it contributes to the company's capability to function its business efficiently and effectively (Rizwan, 2014). This is supported by Human Resources Insight on behalf of the Corporate Leadership Council (CLC). According to the study, 70% of business leaders polled believe that employee engagement is critical to meeting business objectives (ADP Research Institute, 2011).

Many businesses face challenges that cause the disengagement of their manpower. Gallup polled, Approximately, 13% of personnel are actively engaged in their jobs, indicating 87% are disconnected (Harter, 2022). This indicates that many employees are not deeply involved in their jobs. In addition to this, the United States has a disengaged workforce that accounts for 68% of the total workforce (Thomson, 2019). At the beginning of the second decade of the 21st century, 85 percent of workers around the world were either not completely engaged in their jobs or were actively disengaged (Inglethorpe, 2022).

The variables that contribute to disengagement on the part of workers have been the subject of investigation in a number of studies that have been carried out in recent years. A lack of emotional intelligence (Davis & Nichols, 2016), a lack of self-efficacy (Raeder et al., 2019), and work stress were the contributing reasons (Sawir et al., 2021). That is why having excellent emotional intelligence, positive self-efficacy, and stress management skills will boost employee engagement.

Emotional intelligence is the driving force behind psychological safety, which ultimately results in employee engagement. In this particular scenario, a lack of emotional intelligence has a negative impact on employee engagement (Xiao & Watson, 2019). According to Consiglio et al., (2016) a lack of self-efficacy is another factor that

contributes to disengagement. Self-efficacy and employee engagement are closely connected, and this connection is a powerfully good one. According to the findings of this study, disengaged workers are more likely to have low self-efficacy. In addition, employees' disengagement from their firm is a direct result of the stress they experience on the job. Rogala et al., (2016) noted that a greater level of weariness and stress are related to a considerable fall in self-efficacy and a higher level of disengagement. Consequently, emotional intelligence, a sense of self-efficacy, and the amount of stress brought on by work all serve as predictors of employee engagement.

Employees in the tourism sector are expected to have attitudes or behaviors relevant and capable of supporting the achievement of goals, areas of duty, and the development of tourism potential (Ningsih, 2021; Setiawan, 2016) Studies have shown that the tourism industry serves a crucial role in the Indonesian economy because the two have a mutually supportive and strong relationship. It intended to provide insight for company employees in general and tourism employees in particular (Ningsih, 2021). Taman Impian Jaya Ancol (TIJA) is one of Indonesia's most popular tourist destinations operating recreational parks and resorts, stores, hotels and convention centers, and property management. The 552-acre property is close to the seaside, with easy access to public transportation. It has a large workforce that needs good management to provide excellent services (Ancol Korporat, 2020).

The purpose of this research was to determine the association between emotional intelligence and employee engagement through self-efficacy and job stress at tourism company. The problem question was: Is there a relationship between 1) emotional intelligence and employee engagement? 2) emotional intelligence and employee engagement through self-efficacy? 3) emotional intelligence and employee engagement through job stress? 4) emotional intelligence and self-efficacy? 4) emotional intelligence and job stress? 5) self-efficacy and job stress? 6) self-efficacy and job stress through employee engagement? 7) self-efficacy and employee engagement? 8) job stress and employee engagement?

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Employee Engagement – The WIFI Model

Employee engagement implies a positive attitude toward the company (Schiemann, 2011). According to Kahn, (1990) an employee is someone who is responsible for bringing other members of an organization into their work-related activities. When we talk about people being "engaged" in their roles, we mean that they use all aspects of themselves, including their minds, their bodies, and their emotions, in order to fulfill their responsibilities. The two definitions show the importance of building employee engagement. This is why employee engagement is becoming one of the company's successes factors.

CEO Paul Lester stated that developing employee engagement is crucial to the company's success in reaching its strategic objectives (Kahn, 1990). Establishing mutual respect in the workplace for what people are capable of doing and being is advantageous to employees individually and as companies and organizations (Macleod & Clarke, 2009). Simple behavior could be embodied by employees' energy and excitement, feeling compelled to give their full attention to the company to meet users' needs (Cook, 2008). This condition occurs only when the engagement development strategy is applied correctly. Cook provided an employee engagement strategy based on a WIFI model. The WIFI engagement model comprises a few basic but extremely powerful components, including well-being, information, fairness, and involvement (Cook, 2008).

Well-being relates to employees having a positive attitude toward the organization as it cares for them, making it a fundamental aspect of the engagement. It is connected to having a healthy balance between work and personal life, a well-defined job design and structure, and adequate amounts of challenging work and resources to do a job well. Other related aspects are equality and diversity policies that transcend compliance with anti-discrimination legislation (Cook, 2008). Subsequently, information is about employees having a clear vision of the organization and its objective and effectively communicating this vision. Many studies show that having clarity about organizational goals is critical in

helping employees understand their goals. Information consistency and relevance are key drivers of engagement (Cook, 2008). Fairness should be represented in the employment process, candidate selection, performance management, and making sure that the right individuals are chosen for the correct jobs. One of the most important aspects of fairness is ensuring that workers understand what is expected of them in their jobs and providing regular and timely feedback on their motivation and development (Cook, 2008). Additionally, involvement indicates how teamwork is actively promoted and encouraged and how communication is a two-way process. It entails engaging employees in conversation and recognizing that there should be a two-way flow of information (Cook, 2008).

### **Emotional Intelligence**

Emotional intelligence is people's capacity to comprehend their feelings and control their emotions and those of others (Goleman, 1995). It is frequently linked to people's work psychological, social, and behavioral characteristics (Cobb & Mayer, 2000). This remark highlights how important it is for employers to invest in the emotional intelligence development of their workforce. A high emotional intelligence has been shown to influence a variety of things, including decision-making, as stated by Caruso and Salovey (2004). The ability to perceive and manage a range of emotions, including self-control, enthusiasm, and persistence, is an important component of emotional intelligence. It is the ability to motivate oneself at work, socially interact with coworkers, and communicate across lines. These are the most important factors in becoming a successful employee (Schermerhorn et al., 2010). According to Schermerhorn et al. (2010), the criteria for success at work are evolving, as staff are now evaluated by new measures of success, not just how smart they are or by their training and expertise. Employees are evaluated by how well they structure their emotional intelligence to handle themselves and others. In this case, their emotional intelligence is strongly influenced by perseverance, self-control, and interpersonal skills.

Employees must improve their emotional intelligence (Schermerhorn et al., 2010). Emotional intelligence is defined by a set of core values that include being open to change while also being able to drive that change, having fun while also being open to new experiences, inventive, and open-minded. It also requires cultivating a positive team and family spirit, being passionate and determined, and seeking growth and learning opportunities. Relationships can be built that are open and honest when open and honest communication is practiced (Basile & Mackenzie, 2012). These principles are developed from four different models of emotional intelligence, each of which consists of four different components of emotional intelligence: consciousness, social consciousness, self-management, and relationship building. Each dimension comprises emotional competencies that individuals should obtain to achieve a certain dimension of emotional intelligence (Schermerhorn et al., 2010).

Schermerhorn et al. (2010) mentioned about each dimension of emotional intelligence. It can be characterized as follows, a person's level of self-awareness can be measured by how well they comprehend their own feelings, as well as their strengths, shortcomings, values, and motives. In this setting, self-aware individuals pay attention to their emotional responses to certain circumstances and make use of this awareness as conscious information. Additionally, one's ability to control or channel their inner states, urges, and resources is reflected in their level of self-management. It entails controlling destructive emotions, showing truthfulness and integrity, and adapting to change. Self-management is also seen in maintaining the drive to perform well, seize opportunities, and remain optimistic even after failure (Schermerhorn et al., 2010). Empathy, understanding, and sensitivity to other people's feelings, opinions, and circumstances are all examples of social awareness. Understanding other people's circumstances, feeling their feelings, and being aware of their needs—even those that go unspoken—are all examples of this (Schermerhorn et al., 2010). Relationship management is also connected to motivating others and swaying their thoughts and emotions. It also requires fostering connections, encouraging teamwork and collaboration, managing change, enhancing the abilities of others, and resolving disagreements (Schermerhorn et al., 2010).

### **Self-Efficacy**

Self-efficacy theory focuses on how individuals recognize themselves as proficient, worthy, and confident when adjusting to their work environment and improving engagement (Locke, 2009). Being competent, worthy, and confident arises from self-belief (Abdel-Khalek, 2016). This indicates that self-efficacy theory recognizes the diversity of human capabilities by establishing self-beliefs linked to distinct domains of functioning (Badura, 1997). In line with this, Schermerhorn defined self-efficacy as the belief that individuals have the confidence to engage in work behaviors to achieve the desired results for the company. It is individual beliefs about the likelihood of completing tasks (Schermerhorn et al., 2010). What people believe they could do with their skill sets under specific circumstances is referred to as self-efficacy. It is more concerned with coordinating and arranging talents and abilities in dynamic and difficult settings than it is with beliefs about one's capacity for doing specific and minor motor activities (Badura, 1997). Self-efficacy closely relates to self-belief (Badura, 1997), implying efficacy beliefs are used to assess self-efficacy theory. Efficacy beliefs should be analyzed based on particular abilities that may vary with activities and situational circumstances (Badura, 1997).

According to Badura, self-efficacy has four dimensions. First, mastery experiences refer to gaining self-confidence through positive experiences. Second, vicarious modelling is the process of gaining self-confidence by observing others. Third, verbal persuasion refers to gaining self-confidence through encouragement from others. Fourth, emotional arousal is the process of gaining self-confidence (Badura, 1997).

### **Job Stress**

Stress is a mental disorder that affects millions of individuals and is often unavoidable, including at work. According to Hughes, (2012), it is an occupational nervous tension or stress that individuals experience due to their jobs. Job stress is also associated with a psychological disorder that causes an individual to behave



dysfunctionally. It creates an imbalance between the demands of the job and the ability to meet them (Lomas, 2000).

Job stress can be caused by a number of reasons, including pressure, role overload or overlap, role conflict with other roles, work - life conflict, and total working hours per week (Kavosi et al., 2018), job and social demands, and individual differences (Carr et al., 2011). These factors negatively impact thinking, reasoning, and physical, emotional, and behavioral symptoms. The impact of job stress is the inability to focus, negative attitude, abdominal pain, increased heart rate, frequent colds, and mood swings or quick temper. Other effects are feeling overloaded, wanting to eat more or less, and putting off or ignoring responsibilities (Carr et al., 2011).

This study was framed with the job stress dimension to examine how stress impacts employees. Job stress comes from environmental factors, including society, the economy, money, culture, families, and technology. It is also caused by organizational stressors, including mission statements, policies, programs, corporate structure, avenues for reporting and communicating diverse systems and processes, and adequate circumstances. Additionally, job stress comes from individual pressures, such as job security, relocation, and changes in life structure and behavior (Kondalkar, 2007).

### **Emotional Intelligence Toward Employee Engagement**

There have only been a few of studies that have identified a connection between emotional intelligence and employee engagement (Caruso & Salovey, 2004). de Clercq et al., (2014) found that emotional intelligence moderates the positive relationship between work engagement and energy. An increase in emotional intelligence makes work engagement more energizing. Shukla, (2015) also discovered a substantial correlation between emotional intelligence and employee engagement.

Emotional intelligence and employee engagement between managers and their direct employees have also been studied. Quang et al., (2015) studied the connection between emotional intelligence and employee engagement. According to the studies, emotional intelligence also helps to maintain and enhance engagement. Furthermore, a 2019 study

by George et al. discovered a direct and significant association between emotional intelligence and engagement. Emotional intelligence and job engagement are also favorably connected, according to George et al., (2021).

Previous research has found a favorable and statistically significant link between emotional intelligence and employee engagement. The research did not look at whether self-efficacy and job stress acted as mediators in the relationship between emotional intelligence and employee engagement. As a result, the goal of this study was to see if there is a link between emotional intelligence and employee engagement. Several previous research have found a favorable and significant correlation between the two. Furthermore, the study sought to investigate the relationship between emotional intelligence and employee engagement as mediated by job stress and self-efficacy. The following theories were put to the test:

H1: There is a substantial correlation between Emotional Intelligence and Employee Engagement

H2: Self-efficacy moderates Emotional Intelligence and Employee Engagement.

H3: Job Stress moderates Emotional Intelligence and Employee Engagement

### **Emotional Intelligence Toward Self-Efficacy**

Emotional intelligence is important in developing self-efficacy (Kazmi et al., 2021b). Many recent studies have investigated the relationship between emotional intelligence and self-efficacy. According to Bandura's book (Robbins & Judge, 2018), self-efficacy is boosted by intelligence, as well as emotional arousal and stability (Kazmi et al., 2021a; Schermerhorn et al., 2010).

A number of studies have been conducted, the most of which have focused on the impact of emotional intelligence on an individual's personal sense of self-efficacy in a variety of situations, including those of instructors, teachers, and leaders. Rastegar, Memrpour, and Wu conducted study on the relationships between students and teachers. According to the study's findings, there is a link between emotional intelligence and professional peers' perceptions of one's own talents. Educators with higher levels of emotional intelligence

have higher levels of self-efficacy (Masoumparast, 2016). There is a link between emotional intelligence and self-efficacy among Chinese secondary school teachers (Wu et al., 2019). Similarly, Ramchunder & Martns, (2014) discovered a significant link between emotional intelligence and self-efficacy in leaders.

There is a strong correlation between emotional intelligence and self-efficacy among students, instructors, and leaders; however, there has been no research undertaken on the characteristics in tourist employees. As a consequence of this, the primary focus of this research was put on analyzing the relationship between emotional intelligence and self-efficacy in the workplace, with the objective of discovering the theories that best explain optimal employee engagement:

H4: There is a substantial correlation between a person's level of emotional intelligence and Self-Efficacy.

### **Emotional Intelligence Toward Job Stress**

Emotional intelligence could operate as a shield against job stress and help mitigate potentially negative impacts by focusing on factors directly impacting employee performance. People with high emotional intelligence should respond to stressful events more adaptively than those with poor emotional intelligence. Reduced reactivity or less mood degradation, physical reactions, and a speedier ability to recover should all be part of this reaction (Lea et al., 2019).

Amstrong, (2008) discovered a correlation between emotional intelligence and the ability to cope with stress. Employees who scored higher on the emotional intelligence scale tended to be more sensitive and spontaneous (Mc. Shane, S.L, & Glinow, 2008). There is a correlation between adaptive emotional qualities, talents, and abilities and positive life outcomes such as psychological well-being, educational accomplishment, and job-related success. People who have higher levels of emotional intelligence also have superior psychological well-being, educational success, and stress resistance, according to the findings of (Lea et al., 2019). In addition, emotional intelligence helps one become more aware of the feelings and stresses experienced by others in the workplace such as

fear, anger, sadness, or disgust (Valiyeva, 2022). Emotionally intelligent individuals are conscious of their feelings as well as the emotions of others. They are polite, adaptive, and cheerful (Valiyeva, 2022).

Previous studies found that emotional intelligence closely relates to job stress. Therefore, this study hypothesized that high emotional intelligence reduces environmental, individual, and organizational stressors.

H5: There is a substantial correlation between a person's level of emotional intelligence and Job Stress

### **Self-Efficacy Toward Job Stress**

There has been a significant gap between the findings of international surveys on job stress and other global studies. Perrewe, P.L., & Ganster, (2010) examined the connections between self-efficacy and burnout in the Japan, Fiji, USA, Germany, Brazil, China, Hong Kong, Israel, and France. The study discovered that a lack of self-efficacy was adversely associated with burnout across all areas. Another study found that job pressures could cause stress and low self-efficacy in various organizations (Robbins, S.P., 2018). It's possible that self-efficacy can govern the stressor perception process adequately. People who have low levels of self-efficacy, for instance, are more likely to feel overwhelmed by the demands of their jobs. Research has shown that a person's perception of their own abilities is a significant factor in determining the level of stress they experience on the job (Gibson et al., 2012). This finding stands in contrast to what was found in earlier studies, which found that principal self-efficacy was inversely related to stress. (Federici & Skaalvik, 2012). A little stress boosts self-efficacy (Garcia & Mirraless, 2016).

Some studies assume that self-efficacy relates to job stress, while others do not. Also, some studies assume that a little stress is good for an employee. This study aimed to examine how self-efficacy influences individual, environmental, and organizational stressors.

H6: There is a substantial correlation between Self-Efficacy and Job Stress

H7: Employee Engagement moderates Self-Efficacy and Job Stress

### **Self-Efficacy Toward Employee Engagement**

Employee engagement and self-efficacy are related in the workplace. Self-efficacy refers to people's appraisal of their capacity to plan and hold out the actions needed to achieve specific performance (R Wapaño, 2021). Work engagement signifies a positive work experience and influence in organizational life, resulting in top performers.

There have only been a few of research that have looked into the link between self-efficacy and employee engagement. According to Albrecht, (2010), individual characteristics such as self-efficacy have an effect on job engagement, which in turn contributes to performance both within and outside of one's employment. Furthermore, optimistic attitudes and a belief in one's ability affect participation (Halbesleben, 2010). Luthans & Peterson, (2002) stated, that self-efficacy is critical in forming engagement. Mc. Shane & Glinow (2008) also found that self-efficacy significantly impacted employee engagement. Conversely, low efficacy relates to decreased work engagement, resulting in a downward spiral of disengagement (González-Romá et al., 2006). It indicates that efficacy is an essential psychological process for creating positive employee engagement.

Hence, this present study proposed that efficacy, enactive mastery, vicarious modelling, verbal persuasion, and emotional arousal contribute to The WIFI employee engagement model.

H8: There is a substantial correlation between Self-Efficacy and Employee Engagement

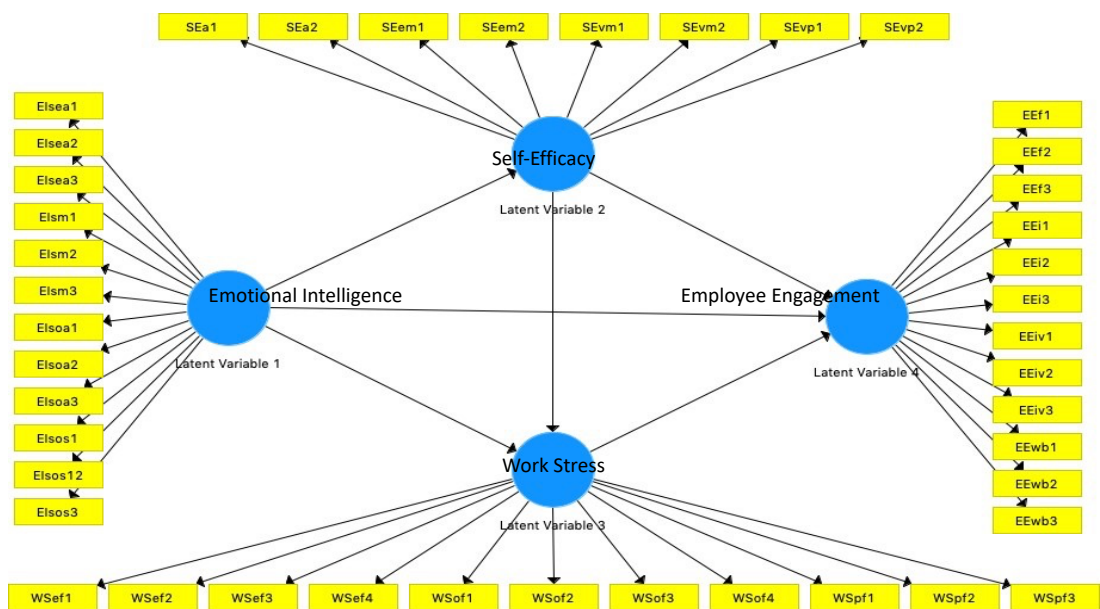
### **Job Stress Toward Employee Engagement**

Sparrow et al., (2012) stated that stress is related to lower engagement. Amstrong (2008) described a technique for enhancing employee engagement by creating a positive culture with stress. According to Sharma & Sharma, (2014), job role stress impacts burnout and engagement, supporting Simon & Amarakoon (2015). The study stated that producing optimal employee engagement requires good stress regulation. However, the results have been inconclusive and contradictory, with some studies finding that job stress

does not affect work engagement (Sawir et al., 2021). This study proposed a relationship between job stress and employee engagement.

H9: There is a significant relationship between Job Stress and Employee Engagement

Nine hypotheses were constructed in order to prove the model that is depicted in Figure 1. These hypotheses were developed based on the deconstruction of the interactions that exist between emotional intelligence, self-efficacy, work stress, and employee engagement.



**Figure 1. Research Model**

## METHODOLOGY

### Approach, Participants, and Sample

This quantitative study used a survey method for data collection, while the analysis unit comprised employees at PT Taman Impian Jaya Ancol, the most successful tourism firm in Indonesia. A total of 320 questionnaires were distributed to workers as a convenience sampling, and 300 surveys were returned with valid responses. The study acquired permission from the respondents before distributing the questionnaire to collect data.

According to the demographic information, there were 59 females (58.4%) and 42 males (42%). The ages ranged from 18 to 60, with the average being 34.

### **Measurement and Statistical Analysis**

In order to determine the nature of the cause-and-effect correlations that exist between the variables, an explanatory causal methodology known as SEM PLS was utilized. Outer and inner models, weight relations, and models are the components that make up smart PLS. The outer models were examined using Cronbach's alpha to determine convergent validity, the average variance extracted (AVE), discriminant validity, and composite reliability. During the course of the research, the apparent magnitude of the structural path coefficients for the inner model, as well as the impact of exogenous and endogenous variables, were figured out. In the questionnaire statement (Sudarmanto et al., 2021), a Likert scale with five points was employed, where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = completely agree, with positive and negative forms.

The term "emotional intelligence" refers to an individual's ability to comprehend not just their own perceptions but also those of others, in addition to the ideas and impressions that emotions express in relation to interpersonal connections. This study used a 12-item emotional intelligence assessment based on the four dimensions of emotional intelligence, including emotional self-control, self-awareness, organizational awareness, and relationship management (Mc. Shane & Glinow, 2008). It was used to help leaders better understand the emotional intelligence of each potential employee. These dimensions are indicated in the conceptual theories presented earlier. "I can dive into other people's emotional feelings" is an example of a statement that could be included.

Self-Efficacy relates to employees that work with confidence, competence, and ability under pressure while maintaining self-control and managing their environment. The four dimensions of self-efficacy are enactive mastery, vicarious modelling, verbal persuasion, and emotional arousal (Schermerhorn et al., 2010), characterized by eight statements.

Job Stress, also known as occupational nervous tension, is the stress experienced due to workplace demands. There 11-item from the three dimensions of job stress factors, including environmental factors, as well as organizational and individual stressors (Kondalkar, 2007). Therefore, work stress could be minimized or eliminated using the 11 items. (Krantz et al., 1985). An example is: “Lack of support from coworkers makes me stressful.”

Employee Engagement -The WIFI Model. Employee engagement implies developing a favorable attitude toward the company through engagement. It is driven by the 12-item list of the four essential aspects of well-being, information, fairness, and involvement (Cook, 2008). These items support leaders in developing their employees' perceptions of their organization. An example item is: “I become engaged with the company if the work design is clear.”

## RESULTS AND DISCUSSION

### Results

In this study, a preliminary analysis was carried out based on the indication, and the hypothesis was tested using SEM. The method makes use of a variety of representations to illustrate the connections between the observed variables. Testing a theoretical model that was predicted to have both indirect and direct interactions between variables was the purpose of this endeavor (Singh, 2006).

### Outer Model (Indicator Testing)

The validation and reliability results are as follows: Cronbach's alpha values for composite reliability are EI 0.856, SE 0.948, JS 0.983, and EE 0.91, implying that all variables are good models. The confirmatory purposes should be equal to or exceed 0.70. (Henseler et al., 2009).

**Table 1. Fornell-Larcken Criterion**

Variables	EI	SE	WS	EE
EI	0.822			



<b>SE WS</b>	0.873	<b>0.857</b>		
<b>EE</b>	0.763	0.787	<b>0.923</b>	
	<b>0.714</b>	<b>0.769</b>	<b>0.631</b>	<b>0.908</b>

A good model should have an AVE greater than 0.5. The AVE values were EI 0.676, SE 0.735, JS 0.852, and EE 0.824, indicating the average commonality for each latent factor was represented by all variables in a reflective model. As can be shown in Table 1, the discriminant validity calculated using the Fornell-Larcker discriminant validity criterion has a correlation that is higher than that of another latent variable (Garson, 2016).

### **Inner Model (Hypothesis Testing)**

After the outer model's results met the requirements, the inner model was used to run the analysis. Figure 2 shows the total impacts of variables and loading factors, with each indicator representing its variable. Four of the associations had a significant effect on the variables.

The first most determined outcome (Kd. 89%) is indicated by the relationship of EI to SE  $R^2 = 0.892$ . The SE variable "If I get excited while doing a specific task, the performance results are better" (SEvp2) with a loading factor of 0.916 is the most accurate in creating EI. The relationship of JS to EE demonstrated the most delicate effect,  $R^2 = 0.034$  (Kd 0.34%). With  $R^2 = (0.605)$ , signifying that EI negatively affects EE. Figure 2 shows the relationship between the other variables.

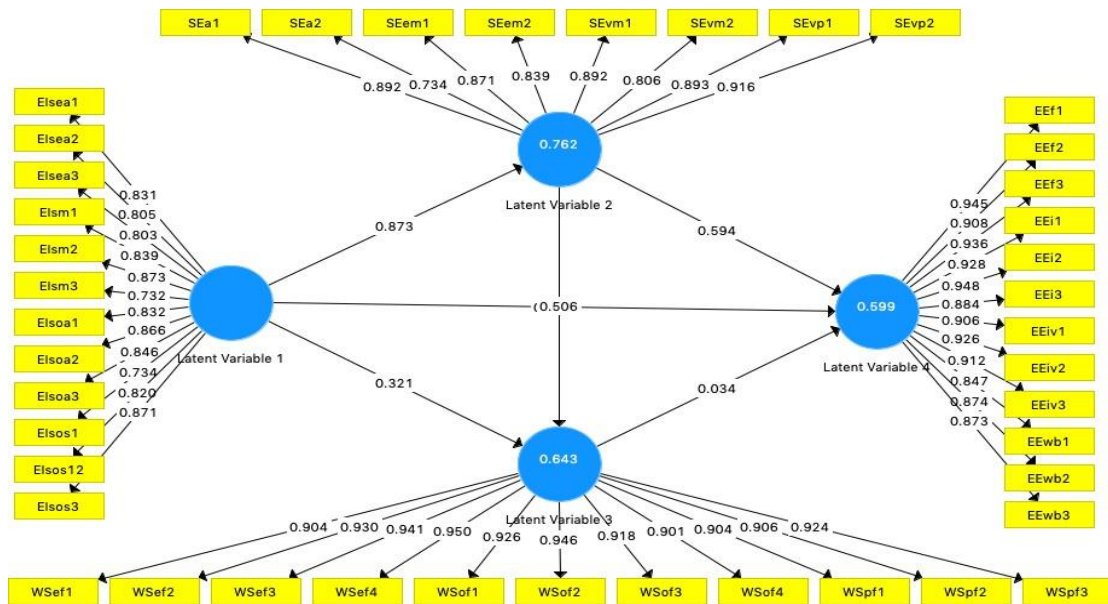


Figure 2. PLS Algorithm Result

Table 2 shows that the moderating variable SE positively and significantly affects JS and EE from EI. This implies that employees with greater EI are more stressed at work but highly engaged with the organization.

*Table 2 Indirect Effects*

Variables	Specific Indirect Effects
<b>EI -&gt; SE -&gt; JS</b>	<b>0.534</b>
<b>EI -&gt; SE-</b>	<b>0.706</b>
<b>&gt; EE EI -</b>	<b>-0.007</b>
<b>&gt;JS -&gt; EE</b>	<b>-0.015</b>
<b>SE-&gt; JS-&gt;</b>	<b>-0.014</b>
<b>EE</b>	
<b>EI-&gt; SE-&gt; JS-&gt; EE</b>	

Table 3 summarizes the outcomes of the bootstrapping analysis outcomes. Six hypotheses were rejected, indicating that each independent variable significantly influenced the dependent variable. Also, five hypotheses were accepted, implying each independent variable did not significantly influence the dependent variable.

**Table 3. Bootstrapping Result**

<b>Variable Relationship</b>	<b>Original Sample (O)</b>	<b>P Values</b>	<b>Hypothesis</b>	<b>Descriptio n</b>
<b>EI -&gt; EE</b>	0.169	0.428	Hipotesis 01	Approved
<b>EI -&gt; SE -&gt; EE</b>	0.706	0.045	Hipotesis 02	Declined
<b>EI -&gt; JS -&gt; EE</b>	-0.007	0.894	Hipotesis 03	Approved
<b>EI -&gt; SE -&gt; JS</b>	0.534	0.015	Hipotesis 04	Declined
<b>EI -&gt; SE -&gt; JS-&gt; EE</b>	-0.014	0.856	Hipotesis 05	Approved
<b>EI -&gt; SE</b>	0.873	0.000	Hipotesis 06	Declined
<b>EI-&gt; JS</b>	0.321	0.012	Hipotesis 07	Declined
<b>SE-&gt; JS</b>	0.506	0.000	Hipotesis 08	Declined
<b>SE -&gt; JS-&gt; EE</b>	-0.015	0.853	Hipotesis 09	Approved
<b>SE-&gt; EE</b>	0.594	0.001	Hipotesis 10	Declined
<b>JS -&gt; EE</b>	0.034	0.732	Hipotesis 11	Approved

## Discussion

There were surprising findings from this study. First, emotional intelligence does not significantly influence employee engagement, contradicting Caruso & Salovey (2004), de Clercq et al. (2014), Quang et al. (2015), and George et al., (2022) stated that emotional intelligence was inadequate to boost employee engagement with the company. This may occur in the tourism sector because 58.4% of the employees that filled out the questionnaire were women. According to Caruso & Salovey (2004), women may be more

emotionally intelligent than men but are devalued when they engage in certain work behaviors.

No study has investigated the relationship between emotional intelligence and employee engagement with job stress as a moderating variable, though the relationship is explained in theory. According to Sharma & Sharma (2014), leaders that control their feelings have the ability to change their actions to meet the emotional requirements of their followers to acquire respect. High emotional intelligence leaders may promote joy and optimism in a stressful environment. Leaders that regulate their emotions and express positive moods engage in creative and inventive thinking and doing and encourage this thinking in their followers.

This observation puts more of an emphasis on managers and executives, but it is also applicable to employees in the same way. The data did not support the hypothesis that there is a connection between emotional intelligence and the degree to which employees are engaged in their work despite the presence of job-related stress. Through self-efficacy, emotional intelligence does not have a major influence on the amount of job stress experienced. This finding is in line with the research that was conducted by Wapaño, (2021), which investigated the connection between emotional intelligence, occupational stress, and self-efficacy. According to the findings of the study, stress acts as a moderator in the connection between emotional intelligence and self-efficacy. There is no substantial link between emotional intelligence and self-efficacy as a result of work stress. When compared to earlier studies, this model presents worker respondents in a different position than what was found in those studies.

Emotional intelligence does not significantly influence self-efficacy, contradicting Kazmi et al. (2021), Robbins, & Judge (2018), Masoumparast (2016), Wu et al. (2019), and Ramchunder & Martns (2014). The respondents stated that emotional intelligence could not form their self-efficacy. This finding supports Kazmi et al. (2021b) that there is no correlation between people's emotional intelligence and sense of self-efficacy based on gender. This condition relates to the descriptive data, in which more women than men filled out questionnaires, implying the two genders have different thinking patterns.

Therefore, workplace social support and career aspiration influence women's self-efficacy and not their emotional intelligence.

There is not a substantial relationship between self-efficacy and employee engagement in the face of job stress. The theory explained the relationship between the three variables, but no study has been conducted to examine them. Badura, (1997) came to the conclusion that perceived self-efficacy may be quantified in greater detail and differed across domains and contexts of performance. He also discovered that the same skills can be utilized in different circumstances. When evaluating a person's capability of effectively meeting the demands of a task, it is necessary to take into account both their cognitive and behavioral skills. They also need to examine their capabilities in the management of motivation and stress in the face of challenges and dangers. The social cognitive theory contributes to engagement because it explains where efficacy beliefs come from, the mechanisms by which they work, and the diverse consequences they have. Because this link has not been the subject of any previous research, the findings provide significant insights that firms may employ to maximize engagement.

Job stress does not significantly influence employee engagement, contradicting Sparrow et al. (2012), Amstrong (2008), Sharma & Sharma (2014), (and Simon & Amarakoon, 2015). These findings are consistent with Sawir et al. (2021). The respondents stated that minimizing job stress has no impact on engagement. Hypothesis results showed a significant relationship between the variables. Emotional intelligence is significantly related to employee engagement, self-efficacy, and job stress. Moreover, self-efficacy is significantly related to employee engagement. These findings support the preliminary studies that it must be for every relationship to develop. The implementation section describes the confirmation of the results.

Managerial implementation, the findings indicated that TIJA has several significant advantages. First, emotional intelligence and self-efficacy were the keys to the company's success in increasing employee engagement (H02, H06, H10).

Companies should select individuals that exhibit emotional intelligence competencies and behaviors. TIJA engages this momentum to recruit individuals with

high emotional intelligence. First, the recruitment process is based on education, skills, experience, and emotional intelligence tests rather than the interviewer's hunch. The primary objective of an emotional intelligence test is to identify employees with positivity.

Emotional intelligence competencies are the important factors between typical and outstanding performers and work engagement (Schiemann, 2011). Emotional intelligence tests are used to place employees in the appropriate position based on the job competency requirements. When people's capabilities match the job requirements, job performance and satisfaction increase significantly. In line with this, Kharbanda & Sapramadan (2015) stated that employee intelligence motivates managers to select the best candidate for the job. Managers also thoroughly differentiate candidates based on their abilities before hiring them.

TIJA develops new educational opportunities, self-help programs, and training in achievement motivation, all of which it then works to improve. After taking part in this exercise, the objective is to raise the employee's sense of their own efficacy as well as their potential. Because of this, Boyatzis stressed the potential for cognitive behavior therapy, training programs, and education to assist individuals in altering their behaviors, moods, and images of themselves. The combination calls for a strong match between the individual's skills or abilities, values, interests, willingness to go the extra mile, the job needs, and the environment in which the organization operates (Boyatzis, 1982).

TIJA's leaders encourage their employees' professional growth by establishing a mentoring program. Structured corporate programs could quicken learning paths, accelerate organizational progress, and engage the next leadership generation (Schiemann, 2011). Today, mentoring is a popular trend in business. Being mentored is among the most beneficial things people could do to advance their careers. Therefore, hundreds of thousands of informal relationships exist between employees and managers (Schiemann, 2011).

TIJA employees assert the option to select a manager-level coach as a mentor whom they admire. The mentor sets an example, provides guidance and advice, builds trust and molds engagement in all departments. The most observable outcomes are seen

during the rotation process. The employees rotated from one department to another do not experience anxiety or tension. They respond happily and accept change well, even when not competing in the new department. Employee behavior reaction when transferred is another indicator of high engagement.

There were surprising findings from this study. First, emotional intelligence does not significantly influence employee engagement, contradicting Caruso & Salovey (2004), de Clercq et al. (2014), Quang et al. (2015), and George et al., (2022) stated that emotional intelligence was inadequate to boost employee engagement with the company. This may occur in the tourism sector because 58.4% of the employees that filled out the questionnaire were women. According to Caruso & Salovey (2004), women may be more emotionally intelligent than men but are devalued when they engage in certain work behaviors.

No study has investigated the relationship between emotional intelligence and employee engagement with job stress as a moderating variable, though the relationship is explained in theory. According to Sharma & Sharma (2014), leaders that control their feelings have the ability to change their actions to meet the emotional requirements of their followers to acquire respect. High emotional intelligence leaders may promote joy and optimism in a stressful environment. Leaders that regulate their emotions and express positive moods engage in creative and inventive thinking and doing and encourage this thinking in their followers.

This observation puts more of an emphasis on managers and executives, but it is also applicable to employees in the same way. The data did not support the hypothesis that there is a connection between emotional intelligence and the degree to which employees are engaged in their work despite the presence of job-related stress. Through self-efficacy, emotional intelligence does not have a major influence on the amount of job stress experienced. This finding is in line with the research that was conducted by Wapaño, (2021), which investigated the connection between emotional intelligence, occupational stress, and self-efficacy. According to the findings of the study, stress acts as a moderator in the connection between emotional intelligence and self-efficacy. There is no substantial

link between emotional intelligence and self-efficacy as a result of work stress. When compared to earlier studies, this model presents worker respondents in a different position than what was found in those studies.

Emotional intelligence does not significantly influence self-efficacy, contradicting Kazmi et al. (2021), Robbins, & Judge (2018), Masoumparast (2016), Wu et al. (2019), and Ramchunder & Martns (2014). The respondents stated that emotional intelligence could not form their self-efficacy. This finding supports Kazmi et al. (2021b) that there is no correlation between people's emotional intelligence and sense of self-efficacy based on gender. This condition relates to the descriptive data, in which more women than men filled out questionnaires, implying the two genders have different thinking patterns. Therefore, workplace social support and career aspiration influence women's self-efficacy and not their emotional intelligence.

There is not a substantial relationship between self-efficacy and employee engagement in the face of job stress. The theory explained the relationship between the three variables, but no study has been conducted to examine them. Badura, (1997) came to the conclusion that perceived self-efficacy may be quantified in greater detail and differed across domains and contexts of performance. He also discovered that the same skills can be utilized in different circumstances. When evaluating a person's capability of effectively meeting the demands of a task, it is necessary to take into account both their cognitive and behavioral skills. They also need to examine their capabilities in the management of motivation and stress in the face of challenges and dangers. The social cognitive theory contributes to engagement because it explains where efficacy beliefs come from, the mechanisms by which they work, and the diverse consequences they have. Because this link has not been the subject of any previous research, the findings provide significant insights that firms may employ to maximize engagement.

Job stress does not significantly influence employee engagement, contradicting Sparrow et al. (2012), Amstrong (2008), Sharma & Sharma (2014), (and Simon & Amarakoon, 2015). These findings are consistent with Sawir et al. (2021). The respondents stated that minimizing job stress has no impact on engagement. Hypothesis results showed a



significant relationship between the variables. Emotional intelligence is significantly related to employee engagement, self-efficacy, and job stress. Moreover, self-efficacy is significantly related to employee engagement. These findings support the preliminary studies that it must be for every relationship to develop. The implementation section describes the confirmation of the results.

Managerial implementation, the findings indicated that TIJA has several significant advantages. First, emotional intelligence and self-efficacy were the keys to the company's success in increasing employee engagement (H02, H06, H10).

Companies should select individuals that exhibit emotional intelligence competencies and behaviors. TIJA engages this momentum to recruit individuals with high emotional intelligence. First, the recruitment process is based on education, skills, experience, and emotional intelligence tests rather than the interviewer's hunch. The primary objective of an emotional intelligence test is to identify employees with positivity. Emotional intelligence competencies are the important factors between typical and outstanding performers and work engagement (Schiemann, 2011). Emotional intelligence tests are used to place employees in the appropriate position based on the job competency requirements. When people's capabilities match the job requirements, job performance and satisfaction increase significantly. In line with this, Kharbanda & Sapramadan (2015) stated that employee intelligence motivates managers to select the best candidate for the job. Managers also thoroughly differentiate candidates based on their abilities before hiring them.

TIJA develops new educational opportunities, self-help programs, and training in achievement motivation, all of which it then works to improve. After taking part in this exercise, the objective is to raise the employee's sense of their own efficacy as well as their potential. Because of this, Boyatzis stressed the potential for cognitive behavior therapy, training programs, and education to assist individuals in altering their behaviors, moods, and images of themselves. The combination calls for a strong match between the individual's skills or abilities, values, interests, willingness to go the extra mile, the job needs, and the environment in which the organization operates (Boyatzis, 1982).

TIJA's leaders encourage their employees' professional growth by establishing a mentoring program. Structured corporate programs could quicken learning paths, accelerate organizational progress, and engage the next leadership generation (Schiemann, 2011). Today, mentoring is a popular trend in business. Being mentored is among the most beneficial things people could do to advance their careers. Therefore, hundreds of thousands of informal relationships exist between employees and managers (Schiemann, 2011).

TIJA employees assert the option to select a manager-level coach as a mentor whom they admire. The mentor sets an example, provides guidance and advice, builds trust and molds engagement in all departments. The most observable outcomes are seen during the rotation process. The employees rotated from one department to another do not experience anxiety or tension. They respond happily and accept change well, even when not competing in the new department. Employee behavior reaction when transferred is another indicator of high engagement.

The effective implementation of emotional intelligence and self-efficacy were the keys to minimizing job stress at TIJA (H04, H07, H08). Employees in the tourism business face various challenges due to the industry's unique characteristics, such as long working hours, labor-intensive, pay rates, and seasonal work. Mover, they cope with the pressure of dealing with individuals expect to be pleased through customer experience (Pelit et al., 2019). These employees' stress levels rise due to the pressures they face, causing them to become quiet and tired. Such conditions cause employees to work inefficiently, become uncomfortable, and quit. This supports Haar that a significant burnout risk among employees implies a 47% chance of increased turnover intention. A high burnout risk among managers implies a 51% chance of increased turnover intention (Haar, 2022). The situation described did not happen among TIJA employees because job stress is addressed by increasing emotional intelligence and self-efficacy.

Most TIJA employees have been with the company for years in conventional and manual ways, causing a lapse in digital work. These generations should adjust to shifting working conditions. They would experience moderate stress for a short period but return

to their normal routine after becoming accustomed to new technology. Returning to their normal routine demonstrates stability in their emotional intelligence and self-efficacy (Shanab & Shanab, 2022). TIJA is concerned with its employees' well-being through programs such as providing employees with cards to access attraction and recreation areas. Employees are given one card and allowed to bring up to 15 family members in a year to enjoy attractions and facilities freely. Furthermore, those at the management level receive an ambassador card, allowing them to bring more than 15 people (in a year into TIJA for free. Every employee working overtime obtains five-star dining facilities and stays in a five-star hotel.

## **CONCLUSIONS**

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The findings represent state-of-the-art in four important areas of social science, including employee engagement, emotional intelligence, self-efficacy, and job stress. First, employee engagement and job stress are significantly influenced by emotional intelligence via self-efficacy. Second, emotional intelligence and self-efficacy are strongly connected with minimizing job stress. Third, self-efficacy is highly influenced in optimizing employee engagement. This offers a chance to improve and develop company identity regarding integration into employee engagement. It facilitates amalgamating employee emotional intelligence and self-efficacy without altering people's personalities. The results are reduced stress without diminishing employee performance and increased employee engagement without compromising well-being.

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**Revolutionizing Investment Strategy:  
A Holistic Approach to Firm Valuation Using a Dividend Discount  
Model**

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***Abstract***

*This paper studied the investment decision references by comparing the market price and the firm's intrinsic value in the PEFINDO index from 2018-2021. The market value of the firms measured firm valuation, and intrinsic value was measured by the DDM model. The results showed that over 2018-2021, only three companies were consistently listed in the PEFINDO index, and all samples showed undervalued stocks. This indicated that investors could have gained more by buying stocks from the sample firms.*

***Keywords: Dividend discount model, firm valuation, investment decision, financial management***

## INTRODUCTION

Investors tend to find better investment strategies from time to time. There is a need to revolutionize investment strategy, which means a significant shift or change in how investors approach investing, resulting in significant improvements in investment decision-making and performance. This can be driven by a variety of factors, including changes in economic conditions or market trends, the development of new technologies, the emergence of new investment approaches or methodologies, or a combination of these factors. Different approaches can be used, such as incorporating new forms of data analysis, adopting new investment philosophies or strategies, or leveraging technology to automate investment decisions. The goal is to achieve better investment results than traditional methods by identifying new opportunities, improving accuracy and efficiency, and better managing risk.

A holistic approach is looking at a situation or problem as a whole rather than focusing on individual parts or aspects in isolation. It involves considering all relevant factors, including those that may not be immediately apparent or obvious, and taking a comprehensive and integrated view of the situation. In this approach, the different parts of a system are seen as interconnected and interdependent, and changes in one part of the system can affect the entire system. This approach recognizes that complex systems are more than the sum of their parts and that a complete understanding of a system requires considering its various components in relation to one another. In the context of investment strategy, a holistic approach might involve considering various factors, such as company financials, market trends, macroeconomic conditions, and social and environmental factors, to make more informed and comprehensive investment decisions.

Company financials play a significant role in determining firm valuation, and investors should carefully evaluate these metrics when making investment decisions. By taking a holistic approach to firm valuation that considers all relevant financial factors, investors can understand a company's value and make more informed investment decisions.

Firm valuation is figuring out how much a company or business is worth from an economic point of view (Penman, 1998; Pinto, 2020). Some financial factors that might impact its valuation are (1) Revenue, a key financial metric indicating a company's ability to generate income from its core operations. A company with strong revenue growth may be valued higher than a company with stagnant or declining revenue. (2) Profitability is another important factor in determining a company's valuation. A company with high-profit margins is typically seen as more valuable than a company with low-profit margins. (3) Debt: A company's debt level can impact its valuation. A company with high debt levels may be viewed as a higher-risk investment and valued lower than a company with lower debt levels. (4) Assets: A company's assets, such as property, equipment, and inventory, can also impact its valuation. Companies with a high level of assets may be valued higher than those with low levels of assets. (5) Growth potential: A company's growth potential is a critical factor in its valuation. A company with strong growth prospects may be valued higher than a company with limited growth potential.

In practice, investors and analysts will typically use a combination of these factors and other non-financial factors such as market trends and competition to determine a company's valuation. By taking a holistic approach to evaluating a company's financials and growth potential, investors can gain a more comprehensive understanding of the company's value and make more informed investment decisions.

For example, understanding a company's assets is an important aspect of evaluating its financial health and performance. Assets are resources that a company owns or controls and have economic value that can be converted into cash. This can be done for a variety of reasons, including mergers and acquisitions (Grove & Lockhart, 2019), selling or buying a business (Ivanoski, Ivanovskaa, & Narasanov, 2015), raising capital (Ovechkin, Boldyreva, & Davydenko, 2021), or to understand the value of a company's assets (Jezcova, Rowland, Machova, & Hejda, 2020; Moro Visconti & Moro-Visconti, 2021).

A firm's valuation is based on various factors, including financial performance (Javed, Rashid, Hussain & Ali, 2020), assets and liabilities, market conditions, and other

qualitative factors. Valuing a firm with its assets and liabilities involves using different financial metrics to determine the company's overall value, such as determining the firm's book value, calculating the firm's market value, using the price-to-book-ratio, or using the price-to-earnings ratio. Commonly used methods for valuing a firm include discounted cash flow analysis, comparable company analysis, precedent transaction analysis, and asset-based approaches.

The growing interest among retail investors in dividend-paying stocks (d'Amico & De Blasis, 2020) can be calculated using the DDM model. In recent years, many people who want to make money from their investments have turned to stocks with high dividend yields. Investors often look for companies that pay dividends because dividends provide a regular source of income and a potential signal of financial stability. Investors who rely on income from their investments may prefer companies that pay dividends because they provide a regular source of income. This is particularly important for retired investors who rely on their investments for their living expenses. Then, companies that pay dividends may be seen as financially stable and well-managed. Further, companies that pay dividends may also have the growth potential. Moreover, Companies that pay dividends may be less volatile than those that do not. When a company pays a dividend, it distributes a portion of its earnings to its shareholders. This can have several implications for the company's stock price and volatility. First, companies that pay dividends are often more established and have a more predictable revenue stream than companies that do not pay dividends. This can make them less volatile because investors are more confident in the company's ability to generate stable earnings and continue paying dividends in the future. Second, companies that pay dividends tend to attract more long-term investors who are interested in the steady income stream provided by dividends. These investors are often less likely to sell their shares during periods of market volatility, which can help to stabilize the company's stock price. Third, investors may view companies that pay dividends more favorably, particularly those who prioritize income generation and risk management. This can lead to higher demand for the company's stock and a more stable stock price.

Though, paying dividends does not guarantee stability or immunity from volatility. Companies can still experience significant fluctuations in their stock price due to changes in market conditions or unexpected events. However, on average, companies that pay dividends tend to exhibit lower volatility than companies that do not pay dividends. Because of this, there has been a growing need for reliable ways to determine how much dividend-paying stocks are worth. The DDM model has become one of the most popular ways to do this. Researchers have done much work to improve the DDM model and make it more accurate to determine how much a company is worth based on its expected future dividend payments.

The growing use of the DDM model in corporate finance is another thing that shows how important it is to study how firms are valued using the DDM model. Firms use the DDM model to look at investment opportunities, determine their cost of capital, and determine how much their equity is worth. Calculating firm valuation using the dividend discount model (DDM) is an important tool for investors and analysts because it provides a way to estimate a company's intrinsic value based on its expected future cash flows in the form of dividends. The DDM focuses on estimating the future cash flows that a company will generate in the form of dividends. This makes it a forward-looking valuation method that takes into account a company's expected future performance rather than just its past performance. The DDM takes into account the time value of money by discounting future cash flows back to their present value. This means that the DDM considers the fact that a dollar received in the future is worth less than a dollar received today. The DDM is particularly useful for companies that pay dividends consistently and have a predictable dividend policy. By relying on dividends, the DDM provides a way to estimate a company's intrinsic value based on its expected future cash flows.

Researchers have conducted studies to explore the limitations of the DDM model and to develop alternative models that can provide a more comprehensive view of a company's value (Ong'ele, 2018; Sutjipto, Setiawan, & Ghozali, 2020). For example, some researchers have developed dividend growth models that incorporate the impact of earnings growth and changes in the payout ratio on a company's future dividends. The

DDM can be used to compare a company's intrinsic value with its market price. If the market price is lower than the estimated intrinsic value, the company may be undervalued, providing a potential investment opportunity.

A comparative analysis of different valuation methods, including the DDM, discounted cash flow (DCF), and relative valuation, could provide valuable insights into the strengths and limitations of each method and help investors make more informed investment decisions (Mavlutova et al., 2021). Overall, research on firm valuation using the DDM model has become increasingly important in recent years as investors and firms (Mugoša & Popović, 2015) seek more reliable methods for estimating the value of companies based on their expected future cash flows. As a result, there is likely to be continued interest in this area of research in the future as investors and firms seek to improve their understanding of the factors that influence a company's value. The DDM takes into account the risk associated with a company's future cash flows by using a discount rate that reflects the required rate of return of the investor. This means that the DDM considers the risk associated with a company's future cash flows and provides a way to estimate its intrinsic value accordingly.

Ultimately, firm valuation is essential for investors, buyers, and sellers because it estimates the company's worth, which can be used to make informed decisions about investment or acquisition opportunities. It is important to note that firm valuation is not an exact science, and different valuation methods can lead to different results. So, to get a more accurate estimate of a firm's value, it is important to take a comprehensive approach and think about more than one method of valuation.

The literature on the dividend discount model has contributed to our understanding of the factors that influence firm valuation and dividend policy. By exploring the assumptions and limitations of the DDM and comparing it to other valuation methods, researchers have provided insights into the strengths and weaknesses of the model. This research has implications for investors and analysts who use the DDM to value companies and make investment decisions for the firms listed in the Pefindo Index.



## LITERATURE REVIEW

### Firm Valuation

The past literature has mentioned many factors affecting firm valuation. Khasharmeh & Mohd-Nor (2019) found a positive relationship between corporate governance and firm performance and a positive relationship between firm performance and firm valuation. Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. Good corporate governance is characterized by transparency, accountability, and effective oversight by the board of directors. Firm performance refers to a company's ability to generate profits and create value for its shareholders. Good corporate governance can help to improve firm performance by promoting efficient and effective management, encouraging strategic planning and risk management, and promoting ethical behavior. Firm valuation refers to the market value of a company's equity, which reflects the present value of its expected future cash flows. The positive relationship between corporate governance and firm performance can contribute to the positive relationship between firm performance and firm valuation. Companies with good corporate governance tend to perform better, which can lead to higher valuations.

The study by Kumar and Shukla (2019) reviewed the literature on the relationship between dividend policy and firm valuation, and the results show that there is a positive relationship between dividend policy and firm valuation, but the strength of this relationship depends on factors such as the company's life cycle, growth opportunities, and financial constraints. Dividend policy refers to the decision by a company's management to distribute a portion of its profits to shareholders in the form of dividends. The amount and frequency of dividends can affect how investors perceive the company's financial health and growth potential. Studies have found that companies that pay dividends tend to have higher valuations than those that do not. This is because dividends clearly signal to investors that the company has a stable cash flow and that its management is confident about its future prospects. Moreover, dividends can attract investors who are seeking a regular income stream. Companies in different stages of their life cycle may

have different dividend policies. For example, young, growing companies may reinvest all their profits into growth opportunities and may wait to pay dividends. As a result, the relationship between dividend policy and firm valuation may need to be stronger for these companies. Companies that have high growth opportunities may choose to retain their earnings rather than pay dividends to finance their growth. In such cases, the relationship between dividend policy and firm valuation may be weaker. Companies that have limited financial resources may choose to retain their earnings rather than pay dividends to finance their operations or investments. In such cases, the relationship between dividend policy and firm valuation may be weaker.

Another study that needs firm valuation is an M&A transaction. Cross-border mergers and acquisitions (M&A) involve companies from different countries and cultures, and the success of these deals can be affected by differences in national cultures. National culture can affect how investors perceive the value of a company and how well companies can work together post-merger. Different cultures have different communication styles, and this can lead to misunderstandings and misinterpretations during negotiations. This can affect the valuation of the companies involved in the deal and the success of the post-merger integration. Different countries have different legal and regulatory environments, and this can affect the valuation of companies involved in cross-border M&A. Investors may perceive a company as riskier or less valuable if it operates in a country with a less favorable legal and regulatory environment. Different countries have different accounting standards, which can affect the valuation of companies involved in cross-border M&A. Investors may need help comparing financial statements from different countries, which can affect their perception of the value of the companies involved in the deal. Hennart & Slangen (2019) explored the role of culture in the valuation of cross-border mergers and acquisitions and found that differences in national cultures can affect the valuation of companies involved in cross-border M&A, as well as the success of these deals.

Differences in national cultures can affect the valuation of companies involved in cross-border M&A, as well as the success of these deals. Companies need to be aware of these cultural differences and take them into account when negotiating deals and

integrating post-merger. By doing so, they can increase the chances of a successful cross-border M&A deal. A previous study by Gao & Gao (2019) examined the relationship between social media sentiment and firm valuation and found a positive relationship between social media sentiment and firm valuation. This relationship is stronger for firms with higher levels of media coverage. Social media sentiment refers to the collective attitudes, opinions, and emotions expressed on social media platforms towards a particular company or its products and services. Social media sentiment can affect how investors perceive a company's reputation and future prospects. If a company is perceived positively on social media, it can generate positive buzz, increase brand awareness, and attract investors. This positive perception can lead to an increase in the company's valuation. Social media can be a useful tool for engaging with customers and addressing their concerns. By responding to customer feedback on social media, companies can demonstrate their commitment to customer satisfaction, which can improve customer loyalty and increase sales. This increased engagement can also lead to a higher valuation for the company. The relationship between social media sentiment and firm valuation is stronger for firms with higher levels of media coverage. This is because social media sentiment can amplify the effects of media coverage, both positive and negative. If a company is featured prominently in the media and has positive sentiment on social media, it can lead to a higher valuation.

Tay, Tan, & Tse (2020) examined the literature on the relationship between corporate social responsibility (CSR), firm value, and financial performance. The results show a positive relationship between CSR and firm value, and this relationship is more robust in countries with more vital legal institutions. Corporate social responsibility (CSR) refers to a company's voluntary actions to improve its social and environmental impact. CSR activities can enhance a company's reputation and build trust with stakeholders. By investing in social and environmental initiatives, companies can demonstrate their commitment to the well-being of society and the environment. This positive perception can lead to increased customer loyalty, improved employee morale, and greater investor confidence, which can increase the company's value. CSR activities can also help

companies manage environmental, social, and governance risks. By proactively addressing these risks, companies can avoid negative impacts on their reputation, legal liabilities, and financial performance. This risk management can lead to an increase in the company's value. CSR activities can also drive innovation and efficiency, increasing competitiveness and financial performance. By investing in sustainable practices, companies can reduce waste, increase energy efficiency, and improve their supply chain management. These innovations can lead to cost savings, increased revenues, and a higher value for the company.

The research on how to value a company from the past five years shows how important things like corporate governance, dividend policy, culture, social media sentiment, and corporate social responsibility are. These results can help investors, managers, and policymakers make better decisions about how much a company is worth. This paper investigates the use of DDM to measure the firm's intrinsic value and compare it to the market price to determine whether the firm is overvalued or undervalued.

### **Dividend Discount Model**

The dividend discount model (DDM) is a common approach to firm valuation. It estimates the present value of a company's future dividends to determine its current value (Sorensen & Williamson, 1985; Cornell & Gerger, 2022). The model assumes that the value of a firm is equal to the sum of the discounted value of all future dividends paid by the company. DDM assumes that the value of a company is based on the cash flows that it will generate for shareholders in the form of dividends. DDM works by estimating the future cash flows that a company will generate and then discounting those cash flows back to their present value using a discount rate.

To estimate future dividends, analysts will typically consider a range of factors, including the company's historical dividend payments, financial performance, and growth prospects. They will also consider external factors that may impact the company's ability to pay dividends, such as regulatory environment changes or market demand shifts.

Once future dividends are estimated, the model uses a discount rate to determine their present value. The discount rate is typically based on the cost of capital, which reflects the risk associated with investing in the company's stock. A higher discount rate will result in a lower present value of future dividends, while a lower discount rate will result in a higher present value.

The DDM has its limitations and is best suited for companies with a history of paying dividends and are expected to continue doing so. Additionally, the model assumes that all future cash flows will be paid out in dividends, which may differ for some companies. Nonetheless, the DDM can be useful for investors looking to value dividend-paying companies and make informed investment decisions.

In this sense, the DDM provides a simple framework to estimate a firm's value based on its expected future cash flows (Agosto, Mainini, & Moretto, 2019). Knowing the firm valuation using the DDM is essential for several reasons:

1. Investment decisions: Investors can use the DDM to determine whether a stock is overvalued or undervalued relative to its expected dividend payments (Sim & Wright, 2017). By comparing a company's current stock price to its estimated value based on the DDM, investors can decide whether to buy, hold, or sell a stock.
2. Capital budgeting: Firms can use the DDM to evaluate investment opportunities and determine whether a project is expected to generate returns that exceed the cost of capital (Mubashar & Tariq, 2019). By discounting a project's expected future cash flows, firms can estimate its net present value (NPV) and determine whether it is worth pursuing.
3. Mergers and acquisitions: The DDM can estimate a company's value for mergers and acquisitions (Singh, 2017). By estimating the present value of a company's future dividends, acquirers can determine a fair price for the company.

The DDM provides a simple but powerful framework to estimate the value of a company based on its expected future cash flows. By using the model, investors, firms, and acquirers can make informed decisions about investment opportunities and evaluate the potential value of a company.

The basic DDM framework involves estimating the next dividend payment, estimating the long-term growth rate of the company's dividends, determining the required rate of return, and then using these values to calculate the present value of the future dividends.

The basic DDM framework involves the following steps (Galves, 2022):

1. Forecast future dividends: The first step is to estimate the expected future dividends of the company based on its historical dividend payments and earnings forecasts. This involves making assumptions about the growth rate of dividends over time.
2. Determine the required rate of return: The next step is to determine the required rate of return for the investor, which considers the risk of investing in the company. This rate is typically estimated using the capital asset pricing model (CAPM) or similar models.
3. Calculate the present value of dividends: Using the expected future dividends and the required rate of return, the present value of each dividend payment can be calculated. This involves discounting each dividend payment back to its present value using the required rate of return.
4. Calculate the intrinsic value of the company: Finally, the company's intrinsic value can be calculated by summing up the present value of all future dividends.

By using this basic framework, investors can estimate the intrinsic value of a company's stock based on its expected future dividend payments. If the estimated intrinsic value is higher than the current market price, the stock may be considered undervalued and a potential investment opportunity. Conversely, if the estimated intrinsic value is lower than the current market price, the stock may be considered overvalued and not a good investment opportunity. This basic framework can be modified and extended in various ways to incorporate different assumptions and factors, such as different growth rates for dividends or changes in the required rate of return over time. However, the basic steps of forecasting future dividends, determining the required rate of return, and

discounting future dividends to calculate their present value remain the core components of the DDM framework.

## METHODOLOGY

In this paper, I use a quantitative research method to analyze financial data from firms listed in the PEFINDO indexes from 2018 to 2021. Quantitative research is a research method that involves collecting and analyzing numerical data to test hypotheses and answer research questions. This method is often used in financial research to analyze trends and patterns in financial data and to identify relationships between variables.

The data used in this research includes historical financial statements, stock prices, dividend payments, and market capitalizations taken from the IDX and firm websites. Financial statements provide information about a company's financial performance, including its revenues, expenses, profits, and losses. Stock prices, dividend payments, and market capitalizations are important indicators of a company's value and performance in the stock market. By analyzing these data points, the author can gain insights into the financial performance and value of the companies included in the PEFINDO indexes.

I use the dividend discount model (DDM) to estimate the value of each firm based on their financial data. The DDM is a commonly used valuation method that estimates the intrinsic value of a stock based on its expected future dividend payments. The model takes into account several variables, including the expected dividend payments, the discount rate used to calculate the present value of these payments, and the growth rate of the company's earnings.

By using the DDM model to estimate the value of each firm, the author can compare the estimated values to the actual stock prices of the firms. This comparison can help the author identify undervalued or overvalued stocks and make investment recommendations based on this analysis.

The quantitative research method used in this paper allows me to analyze financial data from firms listed in the PEFINDO indexes and gain insights into their financial performance and value. By using the DDM model to estimate the value of each firm and

comparing these estimates to actual stock prices, the author can make informed investment recommendations based on this analysis.

Table 1. Purposive Sampling

Criteria	Number of Firms
Firms listed in PEFINDO 25	25
Period of research	4
Total number of firms	100
Firm that stays in the Index from 2018-2021	3

The PEFINDO 25 Index is a stock market index that is designed to reflect the stock prices of 25 issuers that have been carefully selected based on several criteria. These criteria include total company assets, return on equity (ROE), public accountants' opinions, liquidity, and the number of shares owned by the public. By taking these factors into account, the PEFINDO 25 Index aims to provide investors with a comprehensive picture of the stocks of small and medium-sized companies (SME/UKM) listed on the Indonesia Stock Exchange.

The PEFINDO 25 Index is a collaboration between the Indonesia Stock Exchange and the rating agency PT PEFINDO. The purpose of this collaboration is to provide investors with more information about the stocks of small and medium-sized companies and to help them make more informed investment decisions. The PEFINDO 25 Index is updated twice a year to ensure that it remains relevant and up-to-date. This means that the index always reflects the most current information about the stocks of the companies included in the index.

To conduct a study on the PEFINDO 25 Index, I use purposive sampling to select firms that were continuously listed on the index from 2018 to 2021. Purposive sampling is a type of non-probability sampling that is used when the researcher wants to select specific participants for a study based on predetermined criteria. In this case, the criteria were that the firms had to be listed on the PEFINDO 25 Index continuously for the four-year period from 2018 to 2021. The PEFINDO 25 Index is a valuable tool for investors who are interested in investing in small and medium-sized companies listed on the Indonesia Stock Exchange. The index provides investors with a comprehensive picture of the stock prices of these companies, and it is updated regularly to



ensure that it remains relevant and up-to-date. The use of purposive sampling in the study of the PEFINDO 25 Index helps to ensure that the results of the study are representative of the companies listed on the index over the four-year period.

Table 2 is a list of variables used in the DDM, along with how to measure these variables. For example, some common variables in the DDM include Expected Earning Growth Rate (g), Expected Dividend Estimate, Expected return value (k).

Panel A in the table presents a list of variables that can be used to analyze the financial conditions of a company. These variables include Earnings Per Share (EPS), Dividend Per Share (DPS), and Return on Equity (ROE). EPS is a financial metric that calculates the earnings generated by a company per share of outstanding stock. It is calculated by dividing the net income of the company by the total number of outstanding shares. EPS is an important metric for investors as it can be used to evaluate a company's profitability and growth potential. DPS is a financial metric that calculates the amount of dividends paid to shareholders per share of outstanding stock. It is calculated by dividing the total amount of dividends paid by the company by the total number of outstanding shares. DPS is an important metric for investors who are interested in generating income from their investments. ROE is a financial metric that measures the profitability of a company by calculating the return generated on the shareholder's equity. It is calculated by dividing the net income of the company by the shareholder's equity. ROE is an important metric for investors as it provides insight into the efficiency of a company in generating profits with the money invested by its shareholders.

Table 2. Variable Definition

Panel A. Analyze Financial Conditions

Variables	Formulas
Earning Per Share (EPS)	Net Income/ Outstanding Shares
Dividend Per Share (DPS)	Dividen/ Outstanding Shares
Return on Equity (ROE)	Net Income/ Shareholder's Equity

Panel B. Calculate Dividend Discount Model

Variables	Formulas
Expected Earning Growth Rate (g)	$g = ROE \times b$ $g = ROE \times (1 - DPR)$
Expected Dividend Estimate	$D1 = D0 \times (1 + g)$
Expected return value (k)	$k = (D1/P) + g$
Intrinsic value with DDM Method of constant growth	$P0 = D1 / (k - g)$

Panel C. Measurement of Firm Valuation

Variables	Formulas
Market to Book Value	Number of Outstanding Stocks x Closed Price

Panel B in the table presents a list of variables and formulas that can be used to calculate the Dividend Discount Model (DDM) for a company. The DDM is a valuation method used to estimate the intrinsic value of a company's stock based on its expected future dividend payments. The first variable in Panel B is the expected earnings growth rate (g). This variable can be calculated using two different formulas, depending on whether the company has a dividend payout ratio (DPR) or not. The first formula is  $g = ROE \times b$ , where b is the plowback ratio (1-DPR). The second formula is  $g = ROE \times (1 - DPR)$ .

The next variable is the expected dividend estimate (D1), which is the estimated amount of the company's dividend payment in the next period. This variable is calculated by multiplying the previous dividend payment (D0) by (1 + g).

The expected return value (k) is then calculated using the formula  $k = (D1/P) + g$ . This formula takes into account the expected dividend payment and the expected earnings growth rate to estimate the expected return on investment for the company's stock.

Finally, the intrinsic value with the DDM method of constant growth ( $P_0$ ) is calculated using the formula  $P_0 = D_1 / (k-g)$ . This formula estimates the intrinsic value of the company's stock based on the expected future dividend payments and the expected return on investment.

By using these variables and formulas, I can estimate the intrinsic value of a company's stock and compare it to the current market price to make informed investment decisions. These formulas are applied to each of the 3 samples for a specific company. By analyzing these financial conditions, investors can gain a deeper understanding of a company's financial health, and use this information to make informed investment decisions.

To calculate the expected dividend payments, I used information such as the company's historical dividend payments, earnings growth rate, and payout ratio. The earnings growth rate refers to the expected rate at which the company's earnings per share will grow over time. The payout ratio is the percentage of earnings that the company pays out as dividends. The discount rate used in the DDM reflects the risk associated with investing in the company's stock. The discount rate may be based on the risk-free rate of return (such as the yield on a government bond) and the company's beta, which measures the volatility of the stock's returns compared to the overall market. By using the formulas in Table 2 to calculate the DDM for the companies included in the PEFINDO 25 Index, the author can estimate the intrinsic value of these stocks and compare them to their current market prices. This analysis can help investors make more informed investment decisions and identify opportunities for undervalued stocks.

Table 3. Investment References

Information	Stock Condition	Investment Decision
Intrinsic Value > Market Price	Undervalued	Buying Stocks
Intrinsic Value < Market Price	Overvalued	Selling Stocks
Intrinsic Value = Market Price	Fair valued	Hold Stocks

Table 3 contains information references as well as the investment decisions that the author recommends based on a comparison of the intrinsic value and market price of each stock. This information can be helpful to investors who are trying to decide whether to buy, hold, or sell a particular stock.

The intrinsic value of a stock is the estimated true value of the stock based on factors such as its future earnings potential, dividend payments, and the risk associated with investing in the stock. The market price of a stock, on the other hand, is the price at which the stock is currently trading in the market. If the intrinsic value of a stock is greater than its market price, this suggests that the stock may be undervalued and could be a good investment opportunity.

Based on the comparison of the intrinsic value and market price of each stock, I may recommend different investment decisions. For example, if the intrinsic value of a stock is significantly higher than its market price, the author may recommend buying the stock, as it may be undervalued and likely to increase in value over time. On the other hand, if the market price of a stock is significantly higher than its intrinsic value, the author may recommend selling the stock or avoiding it altogether, as it may be overvalued and likely to decrease in value over time.

## RESULTS AND DISCUSSION

Table 4 is a comparative analysis of the market and intrinsic values for three firms in the sample.

Table 4. Comparison Market Price vs Intrinsic Value

Panel A. Firm 1

Year	Market Price	Intrinsic Value
2018	459	310
2019	453	334
2020	455	387
2021	444	421

Panel B. Firm 2

Year	Market Price	Instristic Value
2018	27	195
2019	40	205
2020	236	108
2021	239	115

Panel C. Firm 3

Year	Market Price	Instristic Value
2018	390	388
2019	397	428
2020	394	434
2021	391	496

The table provides a side-by-side comparison of the the firms form the sample for the period of 2018-2021. Table 4 Panel A shows the comparison from firm 1. Table 4 Panel B shows the comparison with firm 2, and Table 4 Panel C shows the comparison with firm 3.

The dividend discount model (DDM) is a common way to determine a company's worth based on how much it pays out in dividends. It is based on the idea that a company's value equals the present value of its expected future dividends, which a specific rate has reduced. This method is based on the idea that the value of a stock is the sum of its future cash flows, and dividends are one of the most tangible and predictable cash flows a company makes.

The application of the DDM to firm valuation is straightforward. The first step is to estimate the firm's future dividends, typically based on historical dividend payments and expected future earnings growth. The second step is to select an appropriate discount rate, which reflects the risk associated with the firm's future cash flows. Finally, the present value of the expected future dividends is calculated by discounting them back to the present using the chosen discount rate.

One of the advantages of using the DDM is that it is relatively simple and easy to use compared to other valuation methods, such as discounted cash flow or market multiples. Additionally, the DDM can provide a valuable benchmark for comparing the market value of a firm with its intrinsic value based on its expected future dividends.

However, the DDM also has some limitations. Accurately predicting future dividends is one of the biggest challenges because it may depend on changes in the company's earnings, capital expenditures, and dividend policy (Agosto & Moretto, 2015). Additionally, the choice of discount rate is subjective and may depend on assumptions about the firm's risk and expected returns.

Even with these problems, the DDM is still an excellent way to figure out how much a company is worth, especially for companies that have paid dividends for a long time and have a stable dividend policy. It can also give investors valuable information about what drives the value of a company and help them make better investment decisions.

In conclusion, the DDM is a well-established and widely used method for firm valuation. While it has some limitations, it remains a valuable tool for investors and analysts to estimate the intrinsic value of a firm based on its expected future dividends.

Table 5. Investment Reference Result

Panel A. Firm 1

Information	Stock Condition	Investment Decision
2018	Overvalued	Selling Stocks
2019	Overvalued	Selling Stocks
2020	Overvalued	Selling Stocks
2021	Overvalued	Selling Stocks

The stock conditions listed in Table 5 may also provide additional information that can help investors make informed investment decisions. For example, the conditions may include information on the company's financial performance, growth prospects, industry trends, and competitive landscape. By considering these factors alongside the intrinsic value and market price of each stock, investors can make more informed investment decisions that align with their investment goals and risk tolerance.

Panel B. Firm 2

Information	Stock Condition	Investment Decision
2018	Undervalued	Buying Stocks
2019	Undervalued	Buying Stocks
2020	Overvalued	Selling Stocks
2021	Overvalued	Selling Stocks

Panel C. Firm 3

Information	Stock Condition	Investment Decision
2018	Overvalued	Buying Stocks
2019	Undervalued	Buying Stocks
2020	Undervalued	Selling Stocks
2021	Undervalued	Selling Stocks

Based on the information reference in Table 3 and the calculation result of the intrinsic value in Table 4, the three firms of the sample have a different investment decision on the four years of sample period. Firm 2 have an interesting change. On the first two years of 2018 and 2019, the stocks were undervalued and on the year 2020 and 2021 when the pandemic were, the stocks were overvalued. This firm is in the health sub sector and this shows the different point of view from investors before and during pandemic situation.

The information provided in Table 5 can be a valuable tool for investors who are trying to make investment decisions based on the intrinsic value and market price of the stocks included in the PEFINDO 25 Index. By considering the investment recommendations and stock conditions listed in the table, investors can make more informed decisions that align with their investment goals and risk tolerance.

## **CONCLUSIONS**

In this study, I used the dividend discount model (DDM) to determine how much each company on the PEFINDO Index Indonesia is worth. The DDM is a popular and helpful way to determine how much a company is worth. It is based on the idea that a company's value is the present value of its future dividends. The study's goal was to find out if the stocks in the PEFINDO Index were overvalued, undervalued, or priced right by comparing their market price to their intrinsic value, which was calculated using the DDM.

According to the results, some stocks in the PEFINDO Index were undervalued, while others were overvalued or priced about right. This means there may be investment opportunities in the undervalued stocks, while investors may want to sell the overvalued ones. Also, our research showed that the DDM can be a helpful tool for finding stocks that are overpriced and making investment decisions.

The results of this study are valuable for investors, financial analysts, and fund managers interested in investing in the PEFINDO Index Indonesia. By providing insights into the intrinsic value of index stocks, this study can help investors make informed investment decisions and optimize their portfolio performance.



However, it is essential to remember that the DDM has some limits, and using it means making assumptions about future dividends and choosing the correct discount rate. So, investors should use the DDM along with other valuation methods and think about industry trends, the state of the economy, and risks specific to a company when making investment decisions. This study shows how important it is to use reliable valuation methods, like the DDM, to determine how much a stock is worth and make intelligent investment decisions.

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