

C30 Impact of POKDAKAN

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1 The impact of POKDAKAN group level on business innovations of small fish producers in Central Java

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ABSTRACT: This research aims to analyze whether different POKDAKAN level has an impact on implementing business innovations by fish farmers and to analyze if different POKDAKAN levels have different business innovations preferences. Research method used a quantitative approach involving distribution of questionnaires to fish farmers from different POKDAKAN levels. Results showed that fish farmers from different POKDAKAN levels showed significant differences in implementing business innovations. There were three business innovations that were found to differ significantly when carried out by small-scale fish farmers who belonged to different levels of fish farmer groups: seed production, market extension, and fish species extension. Different levels of POKDAKAN also seem to have different interest in business innovations preferences. Fish farmers from advanced levels are more interested in implementing market extension and fish species extension, while starter groups prefer to produce their own fish seed.

1 INTRODUCTION

The aquaculture industry has expanded, diversified, and advanced technologically, and has become the fastest food production sector in the world (Jiansan et al., 2001). This statement strongly supports the view that aquaculture is now becoming the number one source of fish supply globally and that it is continuously developing. It shows that the prospects for aquaculture are bright, especially for developing countries in the Asian region. Likewise, Central Java is also experiencing an increase with huge potential, with land utilization at 16% with plenty more still available (Central Java Statistical Center, 2016). Fish farming production in Central Java increased by 7.49% per year, in the report year 2002–2004 (Central Java Fisheries and Marine Affairs Office, 2005). Human capital also contributes to supporting the aquaculture industry in Indonesia. In 2014, Central Java's population reached more than 33.5 million people. Therefore, there is enormous potential for further aquaculture development in Central Java. This research aims to determine whether the level of POKDAKAN influenced the implementation of business innovations. The aim was also to determine whether the level influenced the POKDAKANs' preferences for the types of business innovations implemented.

1.1 *Business innovations of fish farmers*

Carland et al. (2007) identified five business innovation characteristics that differentiate entrepreneurial ventures from small businesses: innovating new product, innovating new means of manufacturing, expanding market distribution, expanding supplier resources, and reorganizing the industry. Based on the two characteristics of taking innovative action and seeking new markets, this research elaborated six fish farming business innovations. Five business innovations had been developed as innovative actions: fish feed production, fish seed production, fish species extension,

product range extension, and utilization of other fish parts. The sixth entrepreneurial activity, market extension, was developed from the second entrepreneurial characteristics identified by Carland et al. (2007), namely seeking a new market.

1.2 *Fish farmer groups (POKDAKAN)*

Semarang's Marine Affairs and Fisheries Office have publicly announced their support for aquaculture development in Indonesia. They pointed out that the efficiency and productivity of the individual fish farmer depended on the capacity of the fish farmer to develop his or her own aquaculture business. In order to strengthen the fish farmer and family's position as part of the developing community, the Indonesian government has recommended that fish farmers establish and merge into POKDAKAN groups (Ministry of Marine Affairs and Fisheries, 2006).

In general, there are four accreditation levels assigned to POKDAKAN (Semarang Marine Affairs and Fisheries Office, 2005). In the following section the group levels are given in the original Indonesian language, and, because there are no direct translations for these descriptions into English, are identified as Level 1 to Level 4.

1. Kelas Pemula (Level 1 – the lowest level or starter/novice level). It is the lowest level, and usually, newly formed POKDAKANs are assigned to this level. They have the lowest capabilities according to the ten evaluation criteria. The village head signs the certificate for this level.
2. Kelas Lanjut (Level 2 – the secondary level). It is a step up from Level 1. Evaluation of the POKDAKAN members shows that they have a higher level of abilities according to the ten evaluation criteria than Level 1 POKDAKAN. The Head of District officer, in Indonesia known as Camat, signs the certificate for this level.
3. Kelas Madya (Level 3 – the mid advance level). The POKDAKAN at this level has much higher levels of abilities than the POKDAKANs at Levels 1 or 2, as measured according to the ten evaluation criteria. The Head of the Region officer, in Indonesia known as Walikota or Bupati, signs the certificate for this level.
4. Kelas Utama (Level 4 – the advanced level). It is the highest level of POKDAKAN achievement. The members perform at the highest level according to all ten evaluation criteria. The Governor of the province where the POKDAKAN is located signs the certificate for this level.

Many of the fish farmers believe that the POKDAKAN not only benefits their livelihoods but that they receive additional benefits from membership. The benefits that fish farmers have identified are income growth (Kadin Sumbar, 2008), soft loans from the bank, fish disease handling support (Suara Merdeka, 2002), government subsidies (Antaranews, 2007; Suara Merdeka, 2007), and many more.

2 METHODOLOGY

This research used a quantitative research approach, involving the distribution of questionnaires. Respondents were purposively chosen to avoid an imbalance between fish farmers from the starter and advanced POKDAKANs level. There are approximately 400 fish farmers from different levels and different regions in Central Java.

Data collected were then analyzed statistically using SPSS. For the simplification of the groupings for the analysis, the fish farmer group class are categorized into two: (i) starter/novice category (which included the starter and second level classes), and (ii) advanced category (which included the third and fourth level classes) (Pallant, 2016).

3 RESULT AND DISCUSSION

The analysis showed that the different fish farmer group levels resulted in significant differences between the implementation of the following business innovations: fish seed production, market extension, and fish species extension. Fish feed production and utilization of other fish parts also show significant p-values; however, since there were no participants in one of these categories for these two activities, the significant effect was not valid.

Since the majority of respondents in this research belonged to an advanced POKDAKAN, most respondents were members of either a level three or a level four POKDAKAN. According to the evaluation criteria, an advanced POKDAKAN should have a higher ability to manage and develop their business than a starter POKDAKAN. Their ability to manage and develop their business may include the ability to carry out business innovations since the evaluation criteria include the following performance components: (a) the ability to search out and use information and (b) the ability to plan activities which can increase their productivity. Therefore, evaluation of the entrepreneurial drive is made through the identification of capability to search out and use any information obtained to increase their productivity.

This study has identified the following four different aspects of business innovations between POKDAKAN levels: fish seed production, market extension, fish species extension, and utilization of other fish parts. The business innovations that did not show any significant differences between POKDAKAN levels were fish feed production and product range extension.

Table 1 also supports the expected outcome that fish farmers who belonged to advanced POKDAKANS were more likely to implement business innovations than fish farmers who were members of starter-level or novice POKDAKANS. Advanced POKDAKAN fish farmers (in contrast to starter POKDAKANS/novices) perform the following activities: market extension, fish species extension, product range extension, and utilization of other fish parts. This finding matches the expectation that fish farmers from higher-level POKDAKANS implement more business innovations than their starter-group counterparts.

Table 1. POKDAKAN groups (starter and advanced) towards business innovations.

Business innovations	p	% Starter	% Advanced
Fish feed production	0.019	1	0
Fish seed production	0.000	4.5	1.25
Market extension	0.000	11.5	35.25
Fish species extension	0.000	5.75	21.5
Product range extension	0.262	8.25	8.75
Utilization of other fish part	0.014	0	2

4 CONCLUSION

Based on the analysis of the data collected, it is suggested that small-scale fish farmers from groups with different levels of POKDAKAN showed significant differences in implementing business innovations. Different levels of fish farmer groups seem to have different interest in business innovations preferences. Fish farmers from advanced levels are more interested in implementing market extension and fish species extension, while starter groups prefer to produce their fish seed.

Three business innovations were found to be significantly different when carried out by small-scale fish farmers who belonged to different levels of fish farmer groups. These business innovations were fish seed production, market extension, and fish species extension.

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1 The value increase of Indonesian manufacturing companies within the period of 2014–2016, mediated by the capital structure

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ABSTRACT: Company value is essential for companies going public as reflecting the companies' performance, which may influence the perceptions of prospective investors and their decision to invest in those companies. High stock price may result in prospective investors perceiving better company conditions. Based on previous research, some factors influencing the company value include profitability, liquidity, capital structure, and growth opportunity. This research examines company value increases with structural capital as the intervening variable of the manufacturing companies listed on Indonesian Stock Exchange (IDX) during the period of 2014–2016. Secondary data, obtained from financial statements of the manufacturing companies, are analyzed using SEM and SmartPLS 2.0. The results reveal that profitability affects capital structure, with a significance value of 0.198; liquidity does not affect capital structure with a significance value of 13.132; growth opportunity affects capital structure with a significance value of 0.170; profitability does not affect company value with a significance value of 4.470; growth opportunity does not affect company value with a significance value of 1.996; liquidity affects company value with a significance value of 0.452; capital structure does not affect company value, with a significance value of 2.138; yet liquidity indirectly affects company value with capital structure as the intervening variable.

Keywords: profitability, liquidity, capital structure, growth opportunity and company value

1 INTRODUCTION

Research on factors affecting company value have been previously conducted, yet the results are still inconsistent. From the existing empirical facts, some previous research shows that there are some research gaps. For example, the research conducted by Hermuningsih (2013) shows that capital structure positively affects company value, while Welley and Untu (2015) argue that capital structure doesn't affect company value. In addition, the research conducted by Hermuningsih (2013) shows that profitability positively affects company value, while Mitta (2017) argues that profitability does not affect company value. Furthermore, the research conducted by Anzlina (2013) shows that liquidity positively affects company value, while Glos, Steade, and Lowry (1976) state that liquidity does not affect company value. The research conducted by Hermuningsih (2013) shows that growth opportunity positively affects company value, while Lilik S (2015) states that growth opportunity does not affect company value. The research conducted by Hermuningsih (2013) also shows that profitability negatively affects capital structure, while Glos, Steade, and Lowry (1976) state that profitability does not affect capital structure. The research conducted by Paramitha (2011) shows that liquidity positively affects capital structure, while Rizky Dian (2015) states that liquidity does not affect capital structure. Last but not least, the research conducted by Hermuningsih (2013) shows that growth opportunity positively affects capital structure, while Yoga (2016) states that growth opportunity negatively affects capital structure and Astuti (2015) finds that growth opportunity does not affect capital structure.

Research gaps found in the previous researches above – which use the variables of profitability, liquidity, growth opportunity, capital structure and company value – may then be solved using an intervening variable. In this research, capital structure is used as the intervening variable since the research is intended to see whether or not capital structure might mediate the effects of profitability, liquidity, and growth opportunity on company value. In addition, the research is conducted because the previous researches have shown that all variables affect each other, yet the role of capital structure in mediating the effects on company value is still less frequently examined by the researchers.

Manufacturing companies are considered as one sector of companies going public listed on the Indonesian Stock Exchange (IDX), consisting of the basic industrial and chemical sector, various industrial sectors, and the consumer goods industrial sector. Some manufacturing companies have experienced increases and decreases in company value. In the period of 2014 to 2016, 131 manufacturing companies listed on the IDX have experienced company value decrease. The company value decrease has been proxied by Price to Book Value (PBV) obtained from the PBV mean value of 126 companies that issued their financial statements in the period of 2014 to 2016.

2 LITERATURE REVIEW

Companies with high ROA (return on asset) tend to have a relatively small debt since high ROA provides a comparatively large internal fund. On the other hand, companies with lower ROA tend to use a larger debt because the available internal fund is relatively small and inadequate to fund the company's operations. Companies prefer using funds from internal capital; that is, funds coming from cash flow and retained earnings. The more profits that a company earns, the more available internal funds, meaning that the company does not need to have any debt. Similarly, according to Hermuningsih (2013), companies with high ROI (Return on Investment) tend to have a relatively smaller debt since high ROI enables companies to use the internal fund obtained from the retained earnings. Companies with high profitability have more retained earnings or dividends than those with low profitability. On the other hand, companies with low ROI tend to first use their internal fund then cover their shortage by acquiring debt. With high profitability, companies may have greater internal funds, and the composition of internal capital may also become greater than the use of debt.

Based on the theories above, the greater the ROA, the smaller the debt/equity ratio (DER) showing that profitability negatively affects capital structure. This theory is consistent with the research conducted by Hermuningsih (2013) and Astuti (2015) stating that profitability negatively and significantly affects capital structure. Thus, the research hypotheses are formulated as follows:

H1: Return on assets affects debt to equity ratio

Liquidity measured with current ratio (CR), is the ability of a company to fulfill all short-term liabilities due using its short-period possessed assets. Greater CR shows that the company has greater ability to fulfill its short-term liabilities. The research conducted by Glos, Steade, and Lowry (1976) found that company liquidity negatively affects capital structure. This condition reflects that higher CR may lower the company's capital structure (DER). It means that the company is able to pay its debts (external funding). Companies with high CR are more interested in first using their internal funds before turning to the external funding through debt; high CR means that those companies have excessive current assets which are sufficient to finance the company's operations without borrowing from external parties. In addition, the higher the company's CR level, the lower the company's debt that eventually affects the DER to decrease. Thus, the second hypothesis of this research is as follows:

H2: Current ratio affects debt to equity ratio

Growth opportunity, measured with price earnings ratio (PER), is the change of total assets belonging to the company (Kartini, 2008, in Yoga, 2016). Companies with high PER are supposed to increase their fixed assets to keep up with the company's growth. It means that the

companies will need more funding and more retained earnings in the future. Mai (2006) in Hermuningsih (2013) states that retained earnings or dividends of companies with high PER may increase, and that the companies tend to maintain the target debt ratio. Thus, the third hypothesis of this research is as follows:

H3: Price earnings ratio affects debt to equity ratio

High ROA levels show that the company has better prospects so investors are interested in buying the company's stocks and company management may easily draw more capital to extend its businesses (Hermuningsih, 2013). If the company's stock demand increases, the company's stock price in the capital market may also indirectly increase. Hermuningsih (2013) and Glos, Steade, and Lowry (1976) show that profitability positively and significantly affects company value. Thus, the fourth hypothesis of this research is as follows:

H4: Return on assets affects price to book value

Higher company liquidity shows a company's greater ability to fulfill short-term current liabilities. It means that the companies are considered able to pay their debts (external funding) and this increases investor trust and willingness to invest funds in the companies and provide opportunities for the companies to grow that eventually result in the increase of company value. One analytical instrument used to assess company liquidity conditions is current ratio. The research conducted by Anzlina (2013) shows that liquidity positively affects company value. Thus, the fifth hypothesis of this research is as follows:

H5: Current ratio affects price to book value

Companies with high growth opportunity (GO) are encouraged to use equity as their funding sources to avoid agency cost between stockholders and company management. Meanwhile, the companies with low GO are encouraged to use their debts as their funding resources since those oblige the companies to pay the interest regularly. Sartono (2001) in Hermuningsih (2013) explains that growth potential can be measured with research and development costs. The bigger the research and development costs, the better the company's prospect to grow. The research conducted by Hermuningsih (2013) and Pangulu and Maski (2014) show that GO positively and significantly affects company value. Thus, the sixth hypothesis of this research is as follows:

H6: Price earnings ratio affects price to book value

Companies with large tangible assets tend to use bigger debt proportions than those with large intangible assets (Patonah, 2016). The research conducted by Hermuningsih (2013) shows that debt addition policy is a positive signal for investors and may affect company value. By having debt, the companies may control the excessive use of cash funds made by management. Fund cash control may increase managerial control that the company value may increase, as reflected in its stock price increase. Having strong confidence in the company's prospects in the future and stock price increase, company managers should use more debt as a positive signal trusted by the prospective investors. The research conducted by Hermuningsih (2013) and Pangulu and Maski (2014) shows that capital structure positively affects company value. Thus, the seventh hypothesis of this research is as follows:

H7: Debt to equity ratio affects price to book value

3 RESULT

This study uses 126 financial statements of 42 manufacturing companies listed on the Indonesian Stock Exchange between 2014 and 2016 and then analyzed the data using SEM and SmartPLS 2.0 program. The results show that profitability affects capital structure, with a significance value of 0.198; liquidity does not affect capital structure, with a significance

value of 13.132; growth opportunity affects capital structure, with a significance value of 0.170; profitability does not affect company value, with a significance value of 4.470; growth opportunity does not affect company value, with a significance value of 1,996; liquidity affects company value with a significance value of 0.452; and capital structure does not affect company value, with a significance value of 2.138. However, liquidity indirectly affects company value with capital structure as the intervening variable.

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