
CONTEMPORARY
EXPLORATION OF
SOCIAL SCIENCES
INQUIRIES
WITH NEW
APPROACHES IN THE
POST-PANDEMIC ERA
2

Editors

Dr. Md Ruhul Amin Sardar

Dr. Bahrullah Safi

Dr. Sarit J Levy



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Contemporary Exploration of Social Sciences Inquiries with New Approaches in the Post-Pandemic Era 2

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Dr. Sarit J Levy

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CONTACT

Phone: +90 554 888 1471
e-mail: ceocongress.info@gmail.com
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CONTENTS

Chapter	Title and Author	Page
Chapter 1	Aesthetic Design of Malay Riau Songket S.Ds., M.Ds. AKKAPURLAURA S.Ds., M.Ds. LAYLA NURINA KARTIKA ISKANDAR S.Sn., M.Ds. EKANANDA HARIYADI S.Sn., M.Ds. VIRGINIA SURYANI SETIADI	4
Chapter 2	Analysis of Regional Financial Performance During the COVID-19 Pandemic in East Java Province Agustina Suparyati Tri Kunawangsih Nurhayati Khristina Curry	20
Chapter 3	The Development of handicraft potential in the tourism village of Kamasan in Klungkung Regency, Bali Dr.,M.Ds. Sangayu Ketut Laksemi Nilotama Dr.,MPd. Menul Teguh Riyanti Dipl,Ing.,ST. Erick Teguh Leksono M.Ds. Tommy H.Prihartanto	30
Chapter 4	Strategies to Overcome Business Transformation After Pandemic Covid-19 Diena Putri Ramadhani Kurniawati Yolanda Masnita B. Medina Nilasari	40
Chapter 5	The Effect of Financial Ratio on Fraudulent Financial Reporting During The Covid-19 Pandemic Tyas Widyanti Nurhastuty Kesumo Wardhani Khomsiyah Titik Aryati	53
Chapter 6	Determinants that Composite Price Index in Indonesia during Pandemi Covid-19 Tri Kunawangsih Agustina Suparyati Evander Slamet Aditya Prayoga	64

Chapter 7	The Influence of Economic and Social Aspects on The Tax Ratio in Indonesia Agustina Suparyati Tri Kunawangsih Nurhayati Khristina Curry	75
	<i>Editor's Biographies</i> Dr. Md Ruhul Amin Sardar Dr. Bahrullah Safi Dr. Sarit J Levy <i>NCM Publishing House Certificate</i>	85 88

CHAPTER 1

Aesthetic Design of Malay Riau Songket

S.Ds., M.Ds. AKKAPURLAURA

Faculty of Art and Desain, Universitas Trisakti
akkapurlaura@trisakti.ac.id

S.Ds., M.Ds. LAYLA NURINA KARTIKA ISKANDAR

Faculty of Art and Desain, Universitas Trisakti
laylanurina@trisakti.ac.id

S.Sn., M.Ds. EKANANDA HARIYADI

Faculty of Art and Desain, Universitas Trisakti
ekananda@trisakti.ac.id

S.Sn., M.Ds. VIRGINIA SURYANI SETIADI

Faculty of Art and Desain, Universitas Trisakti
virginia_setiadi@trisakti.ac.id

ABSTRACT

Riau Malay Songket handicrafts have been known since ancient times, but as time goes by, many young people do not know Songket and how to make Songket clothes. This Songket cloth was previously only used during traditional ceremonies, until now it has been used for many official events both in government and in the private sector. Songket has given birth to various types of motifs, which contain certain meanings and philosophies. Motives that are usually derived from plants or animals (a small part) are preserved into variations that are full of symbols that reflect the basic values of Malay beliefs and culture. Furthermore, there are also some local customs governing the placement and use of these motifs, and anyone has the right to use them. Its value refers to the original properties of every object or creature that is used as a motif that is combined with the noble values of the Islamic religion. The research results can be used as a means of diagnosis in finding the cause of failure or a problem encountered in the implementation of a project so that efforts can be found to overcome it. Aesthetically, there is an increase in the patterns used and modified from those that existed before. However, Riau Songket is rarely heard in the country due to a lack of promotion. Malay Songket cloth needs to be popularized not only domestically but abroad. This research method begins with data collection, followed by qualitative methods through interviews, artifact studies, and documentation of Malay Riau Songket.

Keywords: Songket, Riau, Malay

INTRODUCTION

Indonesia is rich in cultures. One of the cultures in Indonesia is the Malay culture. In the same way that the Malaysian nation has a Malay race, Indonesia also has a Malay race, most of whom are on the islands of Sumatra and Kalimantan, so there is a lot of Malay cultural heritage that deserves to be preserved in Indonesia. One of them is Malay in Riau, Bumi Riau has various treasures of Malay cultural and historical heritage. Traces and customs that are still alive in the community can be found. Can be found until now interesting literary works from the Malay region starting in terms of Malay literary works, local customs, traditional musical instruments, typical Malay culinary found in Riau, famous folklore/legends, beautiful clothes made of handicrafts and machines in the form of songket cloth, Tabir batik cloth and traditional house buildings which have different motifs as well. All of that is the culture found in Riau Malay, which is very unique and must be known and preserved. Because at this time, various cultural relics are simply stored without any care, lost, and even sold to other nations whose concern is bigger to preserve this priceless cultural heritage.

In the beginning, the weaving that was taught was the later weaving of the pillars change using a tool called kik. The resulting fabric is called with Siak woven cloth. At first, the Siak woven fabric was limited to circles only nobles, especially the Sultan and his family and dignitaries Siak royal palace. Kik is a simple loom, made of wood and sized 1 x 2 meters. The resulting fabric is according to size. Because of its size not enough to make 1 sarong, then this cloth is spliced into two then referred to as camp cloth. Thus to get a piece of cloth, the weaving process must be done twice and then the result connected for the top and bottom, which of course takes a long time in the manufacturing process. It takes about 3-4 weeks to make a piece of cloth. Apart from the Siak woven cloth, Indragiri songket cloth is also known existed since tens of years ago in the Indragiri Kingdom. The origin of woven fabrics in Indragiri was brought by people who traded and settled in the city of Rengat. These immigrant communities were then given a place by the Indragiri Young Masters who until now it still survives and is named Kampung Dagang. From this place the beginning of the development of Indragiri weaving with silk thread as raw material. On During its heyday, the Indragiri Kingdom was known as a rubber producer marketed to Singapore by Chinese traders in the city of Rengat. To It is this Chinese merchant who trades Indragiri weaving by ordering silk first from Singapore. Over time because of the difficulty to get thread silk, then the raw material was replaced with cotton combined with golden thread. Until now, Siak weavings still uses gold thread Indragiri weaves use threads like silver. Indragri used to use tools woven fulcrum which later changed o kik or called ATBM (Tool Weaving Not Machine) which is now more often used by craftsman. Riau Songket is currently divided into 4 parts although all are rooted in Siak Sri Indrapura, become:

- Songket Siak
- Songket Bengkalis
- Songket Bukit Batu
- Songket Pekanbaru

Basically, these four types of songket are the same, but what makes them different is a material that is difficult to find so there are differences between the four motifs the. For the Bukit Batu songket, the material is very hard to come by some motifs are very few or only use simple motifs. Pekanbaru songket is an adaptation of the Siak songket. So from the four songket, although different areas but still have similarities with others. The obstacle in singing is to

weave one of woven cloth takes a long time so the problems faced by the craftsmen not only the processing time but the lack of insight knowledge about patterns and the number of artisans who are currently starting to decrease. Marketing issues, materials the required raw materials and capital are often the main factors of paralysis artisans, besides that the fabrics produced by the factory also cause craftsmen to be unable to compete. Coaching efforts in the form of training, technical improvement and transfer of raw materials has been done, but this still does not meet expectations. Patterns which has been developed and arranged with a new design, although it has been tried many times, has not yet been able to win over the market, so this effort has also failed well developed and has not yet spread throughout Riau. Group craftsmen have not been able to carry out management properly. Many business groups eventually foundered. If the crafted objects are not can develop, then the features will be buried and disappear into oblivion person. Most artisans now do not understand the meaning and philosophy of contained in the Riau Malay style. Some craftsmen are only able to make crafts with existing patterns, but unable to explain the meaning and his philosophy. So far, the government's efforts to develop and preserve cloth songket among the people is to make a rule that every Friday all civil servants, BUMN, Kindergarten-High School, and within the scope of the city government such as civil servants and rural employees are required to wear Cekak clothes Weasel by using a side cloth made of songket cloth for men, while for women wear Muslim clothes with a pair of skirts using songket cloth.

Some of the most famous motifs there are shoots of bamboo shoots, shoots Bamboo shoots vary greatly in shape up to hundreds of types, shoots of bamboo shoots are motifs the most dominant and frequently used. The main feature of the Shoots Rebung motif is a triangular shape taken from the shape of bamboo shoots. Bamboo shoots motif found on the head of the cloth, the bottom and the end of the sheath. Bamboo shoots motif containing symbolizes good hope because bamboo is a tree that does not easily overturned by strong winds though. However, the meaning of and the use of this motif is only known by certain people, especially in Sumatra region which is known to be thick with the influence of Malay culture. If studied more deeply, this motif has the potential to be developed further, and applied to other motifs (combination of motifs) to make it look futuristic but still has a philosophy like an existing motive. Here are some examples Shoots Rebung motif that has existed since ancient times.

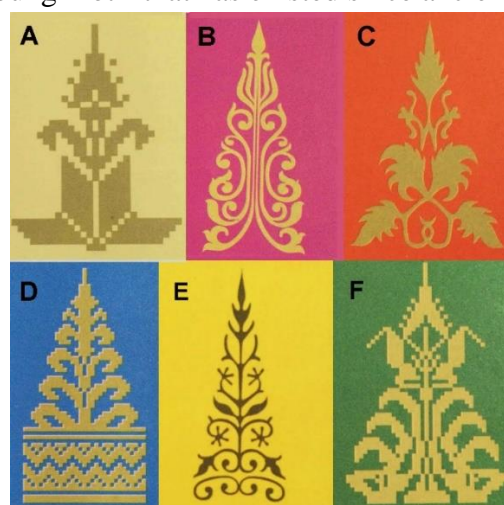


Figure 1 Motif of Pucuk Rebung

SONGKET OF MALAY RIAU

Riau is a province in Indonesia which is located in the central part of the east coast of the island of Sumatra. Its coastal area borders the Malacca Strait. Riau has several islands known as the Riau Islands, which are a large group of small islands (the main islands include Batam Island and Bintan Island) located east of Sumatra and south of Singapore. This archipelago was split into a separate province in July 2004. The capital and largest city in Riau province is Pekanbaru, and another big city after Pekanbaru is the city of Dumai. Based on the results of the Riau Central Bureau of Statistics in 2022, the population of Riau province is 6,493,603 people, with a population density of 75 people/km². Riau region includes: Bengkalis Regency, Indragiri Hilir Regency, Indragiri Hulu Regency, Kampar Regency, Meranti Islands Regency, Kuantan Singingi Regency, Pelalawan Regency, Rokan Hilir Regency, Rokan Hulu Regency, Siak Regency, Dumai City, Pekanbaru City. Each region has the same rules in songket. what distinguishes it is the combination of threads and some craftsmen adding additional motifs from a single patented motif.



Figure 2 The Map of Riau

Judging from the motifs, there are designs that have stylized forms of humans, animals, birds, reptiles, and flora. The same design as the Dayak tribe, Kenyah from Kalimantan. Among the rows of regions that have additional feed designs, there is a small group whose design method is called additional warp. This area is mainly Sumba and Bali. On Sumba it is made from a women's sarong called lau and on Bali it is made from lamak cloth, which is a cloth that is hung in temples used to complete the Galungan ceremony. The types of fabrics made of cotton, as recorded by the histories, are types of fabrics that are exported to China (woven fabrics that are not made in their country) in return, China sends silk thread. In the history of Chinese records in 518 BC it is stated that the king from the northern part of Sumatra wore silk clothes. It is estimated that silk cloth is an imported item because silk has not yet been woven in Sumatra

and Java until the emergence of the Sriwijaya kingdom around the tenth century AD. For the Chinese, cotton was something of interest, so there was a cooperative relationship of exchanging cloth for silk around the seventh and fifteenth centuries.



Figure 3 Riau Malay Songket Fabric Crafts

Then there are many areas that produce songket weaving with gold and silver threads without having a weft tie design. In Indonesian history, it is noted that decorations with silk thread have expanded since trade relations existed, but according to Langewis and Wagner, silk thread was also produced domestically. Since the fifteenth century, mulberry trees have been planted in Palembang and domesticated silkworms. The use of silk thread is generally given a lighter coloring such as red, green, blue, purple and so on. While the use of additional gold and silver threads accentuates the gold and silver threads on the surface of the woven fabric, the designs that decorate it are geometric motifs and floral stylizations. Songket or songket cloth is also the result of weaving threads to produce cloth. The cloth from this weaving is called songket. Starting from the word mengungkit which means to embroider with gold thread in the Big Indonesian Dictionary. Songket is a very beautiful art. Songket is a type of traditional woven cloth owned by the Riau Malay, Palembang and Minangkabau tribes, Bali and almost throughout the archipelago, not only in Indonesia, outside the country it is also famous for its songket, namely Malaysia and Brunei. Classified in the woven brocade family, songket is woven by hand, using gold or silver thread and is generally worn on formal occasions. In Riau, West Sumatra and Palembang, they use the same term from the term songket, namely sungkit or tipping threads. Lustrous threads woven against the back of the fabric create a brilliant sheen effect. Songket has traditional motifs that are characteristic of the culture of the region that produces this craft. Riau Malay songket is no less beautiful than songket in other regions. Usually songket woven is the most sought-after woven, because this songket can be used in official events in the regions. The various types of songket that are commonly used include: songket flower motifs, cloud motifs, single motifs, single leaf motifs, star veil motifs, arrowhead motifs, bamboo shoot motifs, elbow kaluang motifs, and flower bud motifs. Songket cloth in Riau is a typical Malay cloth which must be preserved. Generally it is widely used in the traditional clothing of the Riau Malay people. Malay songket woven fabric has its own characteristics and uniqueness which is an added selling point and is one of the typical handicrafts in the province of Riau which is rich in beauty and aesthetics as a cultural manifestation of the Province of Riau which symbolizes the style, thoughts, and views of the

Malay people. This Songket business also has economic value, so this business in the Pekanbaru area itself has started to mushroom. Unfortunately, this business has not been exposed domestically so in other areas, there are still many who do not know about handicrafts that are considered to have potential in business. In making this business, skills, and understanding of the values of each motif are needed, usually, existing motifs are developed into new motifs even though the basic motives use previous motifs. Within this frame of mind, the researcher will try to discuss the problems raised by the researcher. The discussion will be explained using related concepts and theories to help answer the research problem. The problem in this research is about what makes the Riau songket not very well known in Indonesia, by promoting the aesthetics contained in the Pekanbaru Riau Malay songket in this scientific work, so that it is described in this scientific writing later. By interviewing trusted sources, it is hoped that this research can be completed and acknowledged. The various types of songket that are commonly used include: songket with floral motifs, cloud motif, single motif, single leaf motif, star veil motif, arrowhead motif, bamboo shoots motif, elbow kaluang motif, and flower buds motif. songket in Riau is a typical fabric of the Malay land which must be preserved. Generally it is widely used in the traditional clothing of the Riau Malay people. Woven fabric Malay songket has its own characteristics and uniqueness which is a selling point more and become one of the typical handicrafts in the rich province of Riau of beauty and aesthetics as a form of culture in Riau Province symbolizes the style, thoughts and views of the Malay community. Making songket takes a long time when you are still using a loom traditional so that they are known for ATBM machines from the island of Java introducing the ATMB machine so that it makes it easier to ask woven fabrics, more production than before but since received employees in 1996-1997 until now at least it has reached 50- a person who learns Siak weaving at his weaving house. But only a few do survive and still live life as a weaver and start to open a business Alone. The rest is just a list of names of people who failed as weavers just. Not long ago, at least around 15 people who wanted to work failed in the middle the road and return to their respective villages without bringing any results. In accordance with the theory of technology, the emergence of technology is caused by humans seeks to carry out his livelihood, organize society, express a sense of beauty in producing the results of his art. In making Songket Malay Riau also has similarities with the state Malaysia because at that time the Sriwijaya kingdom once colonized Malaysia, Sriwijaya planted mulberry trees for caterpillar food produce silk. From silk, cloth is made, but in history Siak Sri Indrapura songket cloth is permitted by the Malaysian state. This Songket business also has economic value, so this business is in the area Pekanbaru itself has started mushrooming. Unfortunately, this effort has not been exposed in the country so that for other areas, there are still many who do not know crafts that are considered potential in business. In making this effort requires skill and understanding of the values of each motive contained, usually existing motifs are developed into new motifs even though motifs basically using the previous motif. Currently found problems in the ethics of songket weaving, have experienced change. The songket cloth should have parts such as the edge of the cloth, the feet of the cloth, cloth body, cloth head. Many are not wearing the edge of the cloth and feet cloth so that ethics in manufacturing can be said to be not what it used to be.

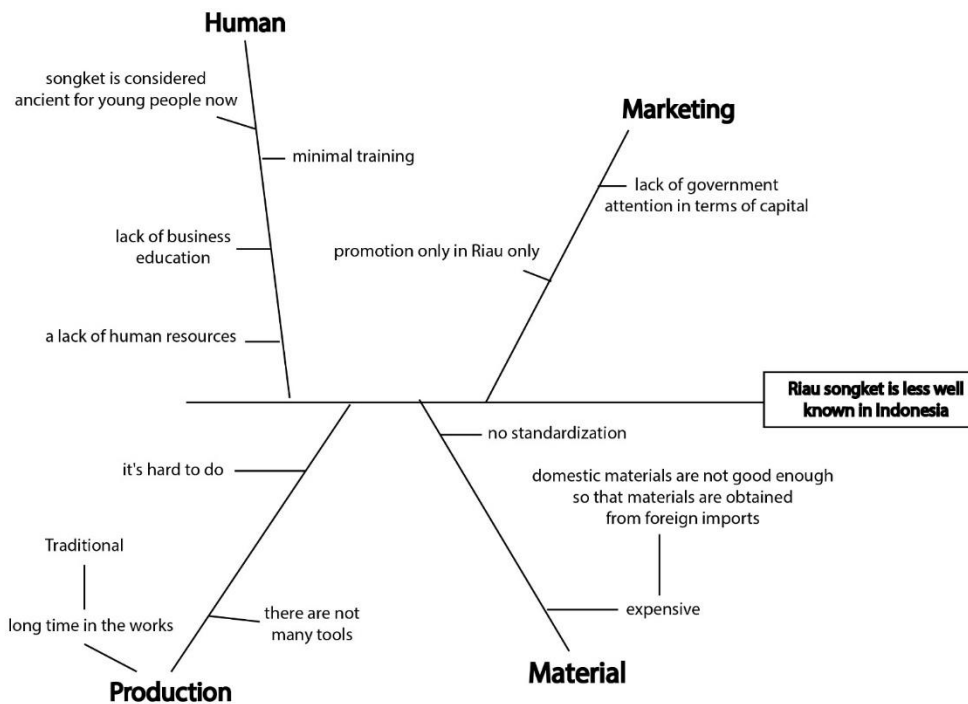


Diagram 1

- The planning stage, namely the stage where research is prepared. All matters related to research are prepared at this stage. Selection of the title of the Pekanbaru Riau Malay Songket Aesthetic Study and making a research proposal.
- The implementation stage is a stage where research has been carried out. Data collection, data analysis, and drawing conclusions. Starting from collecting data from books, and interviews and drawing conclusions about the aesthetic topic of this Pekanbaru Riau Malay songket.
- The writing stage is the stage where research has been completed.

In general, the urgency of the research method according to Sutrisno Hadi (2001: 10) is to discover new knowledge, develop knowledge and test truth of knowledge. Research methodology is a way that must be taken by researchers in order to obtain broad and relevant knowledge. benefits of research? The benefits of a researc can be described as follows: 1. The results of the research can be used as an overview of the situation and capabilities existing resources, as well as for the possibility of development as well as the obstacles faced by a project. 2. Research results can be used as a means of diagnosis in finding causes failure or a problem encountered in the implementation of a project, so that efforts can be found to overcome them. 3. Research results can be used as a means to formulate policies or develop a project development strategy.4. The results of the research can describe capabilities in the field of financing, equipment, supplies, labor both quantitatively and qualitatively very important for the successful implementation of a project. Views on research? According to Fellin, Tripodi & Meyer (1996).

LITERATURE REVIEW

- The study was carried out based on previous journals and literature studies which examined what parts were contained in the songket and the motifs associated with it so that it could be said to have aesthetics. A study from Bella Eka Pratiwi (2021) titled *Is The Motif Of Pucuk Rebung On Songket Woven Fabric*, This study aims to determine the various motifs of bamboo shoots. To know the patterns contained in the bamboo shoots motif, this research is located at Bandar Village, Pekanbaru. Sources of research data obtained through techniques field observations, interviews, and documentation. The data obtained is in analysis with a qualitative descriptive method, qualitative descriptive data, describes how many types of bamboo shoots motifs and analyzes the shape of the bamboo shoots pattern on Riau Malay songket woven fabrics.
- Thesis from Sulastrri (2014) titled *Analysis Of Siak Malay Songket Fabric Reviewed of Ornaments, Colors, And Meaning symbol*. This study aims to find out about the shape of the ornament, color, and meaning of the symbol of Siak Malay culture which is applied to songket cloth weaving which is a characteristic typical of Siak Malay culture in Riau. The population taken in this study is the Malay songket weaving craft Siak which is in the city of Pekanbaru. The samples in this study were as many as 15 songket cloth which represents several songket cloths in the city of Pekanbaru has ornament, color, and symbolic meaning. Samples were taken with a purposive technique sample, namely a sample that is adjusted to criteria that are considered important in the study.
- Information is According to Davis quoted by Abdul Kadir (2003: 28) Information is data that has been processed into a form that is meaningful to the recipient and useful for current or future decision-making Information is a collection of data that is processed into a form that is more useful and more meaningful for those who receive (Andri Kristanto, 2008: 6) Information is very diverse, both in type, level, and form. The benefits of information for each person are different. As for the benefits of information according to Edhy Sutanta (2003: 11) is:
 - a. Increasing knowledge of information will increase knowledge for recipients that can be used as material for consideration that supports the process of decision-making.
 - b. Reducing the uncertainty of users of information, information will reduce uncertainty because what will happen can be known in advance, so the possibility of avoiding doubts at the time of decision making.
 - c. Reducing the risk of failure having the information will reduce the risk of failure because what will happen can be anticipated well, so it's a possibility. The occurrence of failure will be reduced by making the right decision.
 - d. Reducing unnecessary diversity reduces diversity that is not needed and will result in more focused decisions.
 - e. Provide standards, rules, measures, and decisions to determine achievements, goals, and objectives.

- Fabric is a woven product. Richard James Wilkinson (1932) divided it into several groups as follows: First, cloth for clothing is made of various materials: the fabric is the material made of cotton is called cotton cloth, cloth made of silk is called cloth silk, a cloth made of three-stranded silk is called a mastuli cloth, a cloth that is made of gold thread silk (silk and gold thread) is called a coal cloth or cloth Macau thread or gold thread cloth, Tekarun (Temperun, Terenggarun) cloth, Yang cloth made of silk and cotton called cloth behind the machete. Second, locally dyed fabrics with different processes: fabrics that are not dyed is called calico cloth, raw cloth, or muri cloth, cloth which is dyed with the tie and dye processes are called cindai cloth, tie cloth, lime cloth, rainbow cloth, or cloth petola, cloth that is dyed with the batik process is called batik cloth, patterned cloth the pattern is stamped with stamp blocks made of wood called stamped batik cloth and cloth Kedah batik, and telepuk cloth, cloth decorated with gold tinsel is called cloth dried, cloth with embroidery is called embroidered cloth, decorated cloth, or cloth determined, cloth with patterns sewn on cloth of other color is called a cloth with a capacity to hold it, a cloth with a golden ribbon is called a pendent cloth, a cloth with gold thread called songket cloth, bugis cloth, and gerus cloth. Third, batik-type fabrics imported from abroad such as whetstones, cloth blue and red bakak, chintz, velvet fabric (velvet, velvet cloth) or cloth jong, the Chinese crepe silk cloth is called Lokcuan cloth, the types of satin are called antelas, a rare type of cloth called gauze or repertoire, silk cloth Siamese black flowery so-called cloth perai, a type of broadcloth, namely woven.
- In the book, Evi Meiroza (2005) titled *Songket dan Budaya Melayu* said that Humans need clothing (clothing) to meet the basic needs of life daily basis in addition to the need for shelter (board) and food (food). Clothing can provide beauty, protection from disease, comfort, and so forth. Without clothes/clothes can cause someone to be said Crazy. Etiquette in Dress:
 - a. Covering the Aurat of the Body Parts Currently, we encounter many girls and women who do not cover their genitals properly in clothes, it can bring stimulation to men who see it. There are many choices of clothing that is close and polite that can be used without reducing the beauty of women. The government should provide rebuke and punishment for those who indulge in his body.
 - b. In Accordance with Purpose, Situation, and Environmental Conditions
If you want to go to school, wear a school uniform, not clothes for sleeping (pajamas), swimming, work, and others. When the temperature outside is very cold, use a thick jacket, not wearing thin clothes.
 - c. It looks neat, clean, and healthy, and the size is just right
The clothes you wear should be clean, ironed, and clean if worn neither too big nor too small. Dirty clothes are the nest's disease for ourselves and for others around us.
 - d. Don't Disturb Others
Wear clothes that are mediocre and don't interfere with activities or activities the convenience of others. For example, using a woman's dress with dozens of tail meters is very inappropriate if we use them in places such as on public buses.
 - e. Not Violating State Laws and Religious Laws

Before wearing clothes, it is better to remember the law inside and outside overseas. Avoid wearing clothes that are contrary to customs, laws culture that prevails in that place. Where the earth is taxed, there is the sky upheld.

- Humar Sahman (1993) in the book titled *Mengenali Dunia Seni Rupa* said Throughout history, humans cannot be separated from art. Because art is one culture that contains beautiful (aesthetic) values, and every human being love beauty. Art always contains ideas expressed in activity or form as a symbol. Some definitions and concepts regarding art as skills and abilities: According to Denis Huisman, in his book entitled *Esthetica* (1996:5-6) speaks about art can be done philosophically, psychologically, and sociologically. First, targeting basic temperament, benchmarks, and artistic value (work of art), Second taking the target of living and creating activities and art studies, the third highlighting issues related to the public, the social role of art, and the environment around. From this quote, we can see that at least art can be matched with artistic activities (creative activities in a broad sense). In the book *At the same time*, we find additional information explaining that art can be conceptualized, among others, as activities imitating nature, activities playing around with art form. Apart from being an activity or deed, art is also equated with work methods or methods, and craftsmanship techniques.

METHODOLOGY

The research procedure is the steps used as a tool to collect data and answer the questions formulated in the research problem. In this research procedure, the authors discuss the methods and techniques of data collection, research population, and samples, preparation of data collection tools, data collection steps, and data processing procedures.

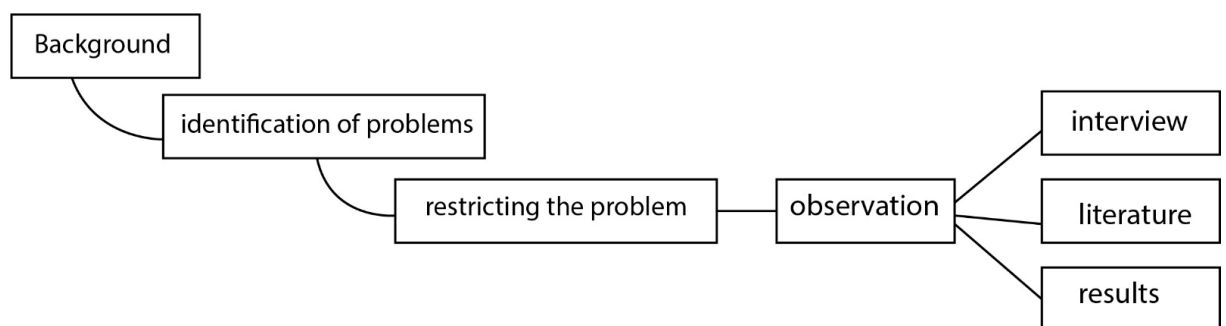


Diagram 2

Research Procedures

The more detailed research stages are as follows:

- Define and formulate the problem.
- Doing a literature study. A literature study is carried out by referring to the prevailing theories that can be found in textbooks or to the results of other people's research, whether they have been published or not.

- Formulate hypotheses whose purpose is to guide the minds of researchers in order to achieve research results.
- Determine the Research Design. The research design is a research framework, in which data will be collected, measured, and analyzed so that the questions in the research can be answered.
- Collect Data. Data collection as information raw material is carried out with appropriate techniques.
- Processing and presenting information. After the data is collected, the data is processed so that it is easier to interpret and analyze further.
- Analyze and interpret. The results of processed data are then analyzed further with analytical tools that are in accordance with the research objectives so as to produce sharp, in-depth, and broad activities.
- Gather conclusions and generalizations. After carrying out the analysis and interpretation, the researcher draws conclusions according to the hypothesis proposed. He also generalized his findings based on existing research boundaries.
- Make reports and interpret them.

RESULT AND DISCUSSION

According to sources from Tengku Nasyaruddin Effendy or better known by the name Tenas Effendy in the 2011 interview before he died had once interviewed, said that as a Malay humanist and writer, He feels that the Riau Malay songket is progressing aesthetically, judging by the threads and motifs used have begun to vary and are combined so that produce colors and motifs on fabrics that are very beautiful, but in terms of appearance ethics, decreased. In the manufacture of cloth today, the edge of the cloth at the top of the songket is removed. So that the Malay songket no longer looks like a whole ready. For this reason, people who do not know will have to be informed of the existence of the true original Malay songket cloth. This research can make a medium of information for readers to get to know more about the Malay Riau songket cloth.



Figure 4 Riau Malay Songket Fabric Crafts

Currently found problems in the ethics of songket weaving, have experienced change. The songket cloth should have 4 parts such as number 1 is the edge of the cloth, number 2 is the feet of the cloth, number 3 is the cloth head, and number 4 is cloth body. Many are not wearing the edge of the cloth and feet cloth so ethics in manufacturing can be said to be not what it used to be.

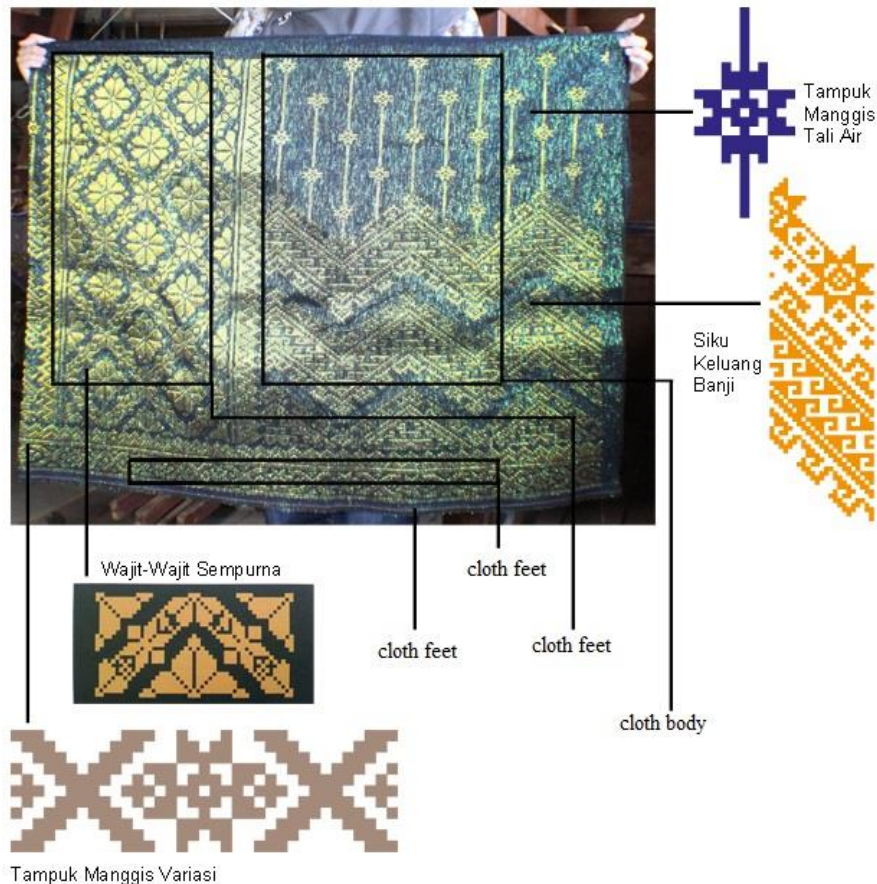


Figure 5 the complete songket

In making Songket Malay Riau also has similarities with the state Malaysia because at that time the Sriwijaya kingdom once colonized Malaysia, Sriwijaya planted mulberry trees for caterpillar food will produce silk. From silk, a cloth is made, but deep history of Siak Sri Indrapura songket cloth allowed by the Malaysian state. The motives analyzed are the motives that are very popular with the community since past until now, namely Elbow Keluang, Elbow Clouds and Shoots Rebung. Elbow out used by the king because the king did not want to be equated with other people so usually the Keluang elbow is sungkit using yellow. Elbow pattern Excess Banji and Elbow A cloud that looks like a real cloud also has the same category, namely as a corner motif that is screwed on cloth leg or cloth body

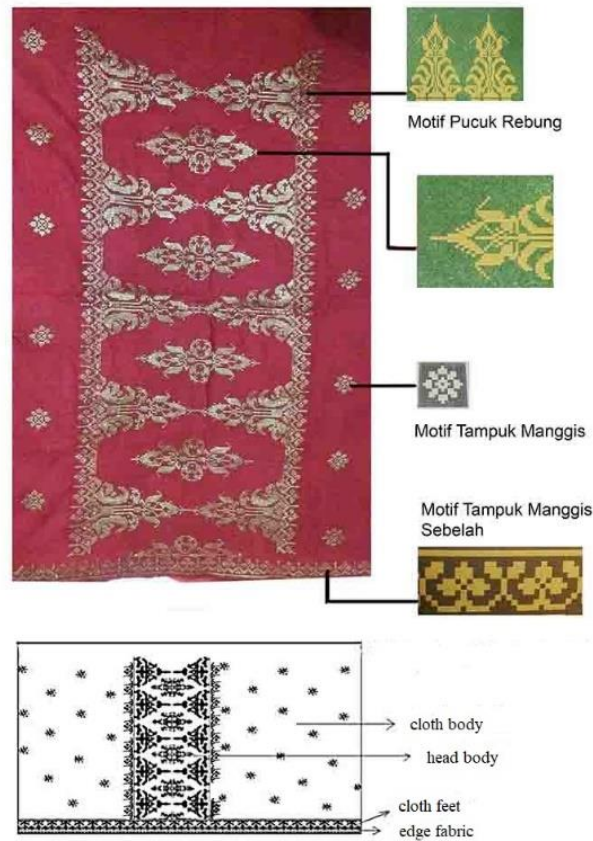


Figure 6 the complete songket

The above analysis shows that there are no fabric edges and fabric bodies on the fabric. This songket, a songket cloth with the above shoots of bamboo shoots pattern, is about 26 years old. So the ethics of songket cloth have long been lost due to artisans who do not know the ethics of singing. When interviewed, Encik Hasnah confirmed that in addition to saving costs and time for making songket, if continuing to use the motif on the feet of the cloth will cause the songket wearer to end up feeling itchy. To anticipate this, remove the motif on the foot of the cloth or wear cloth. The middle motif is varied by taking half part of the Shoots Rebung motif so that a new motif is formed. This is fine. This is done if you want to make the fabric aesthetically appealing. For example, the motive Shoots of bamboo shoots may be placed on the head of the cloth or on the foot of the cloth and some parts of the motif may be removed so as to create a new decoration.

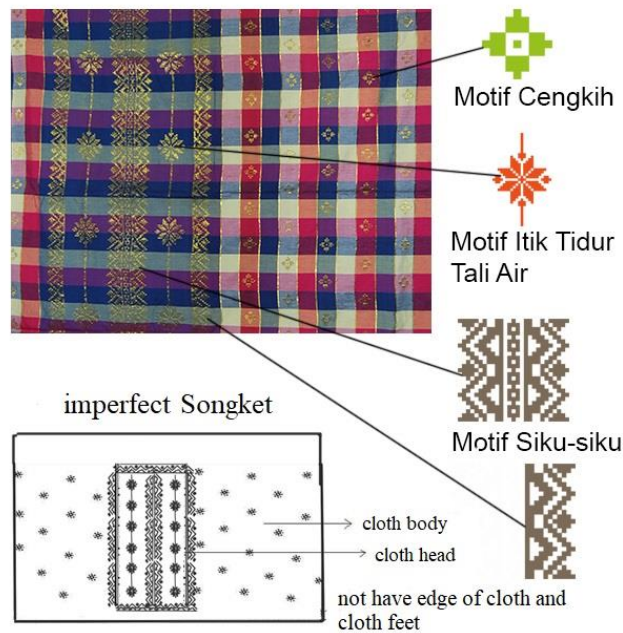


Figure 7 the complete songket

In 2012, songket cloth was found that had been circulating but was contrived Originally or imperfectly, this cloth is very concerning because it is not has cloth edges and cloth feet on both sides (top and bottom) so it is very lack of motive and unpleasant when viewed when a buyer understands ethics of making songket. The cloth has only cloth body and cloth head, if illustrated as above, it is like a human being who does not have wholeness in his organs. But there are still those who buy and wear them although this songket seems unfit for use by the community. On one the general characteristics of objects are considered beautiful and then equate the characteristics or qualities essentials with the notion of beauty.

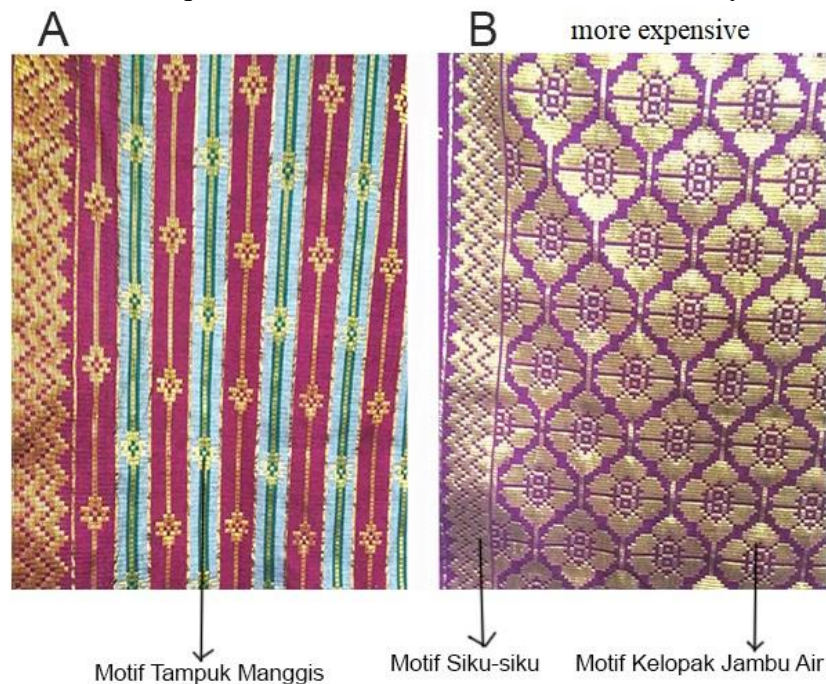


Figure 8 the complete songket

CONCLUSION AND RECOMMENDATIONS

The findings in the study show that the motifs in the city of Pekanbaru originate from the descendants of the Trengganu Kingdom and then stylized by Pekanbaru craftsmen, which are now their rights and property. Each motif has a symbolic meaning that provides teachings related to the belief principles of the Siak Malay culture. Songket weaving in the city of Pekanbaru is growing very rapidly aesthetically but is declining ethically, only traditional leaders still understand the rules (rules) for making songket cloth, the meaning of the motif and color symbols. In designing the concept, it is necessary to describe the results of the thinking as follows, sequentially applying the conceptual framework to the visual design framework.

There are many ways to make this cloth last forever. Apart from the need to develop other motifs for craftsmen to make cloth more attractive to young people, it is also necessary to release several Instagram artists or viral public figures who often use this cloth in some of their content. the hope is that the cloth can be promoted through online media. because currently online media is one way to expand the promotional network abroad.

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CHAPTER 2

Analysis of Regional Financial Performance During the COVID-19 Pandemic in East Java Province

Agustina Suparyati¹, Tri Kunawangsih^{2*}, Nurhayati³, Khristina Curry⁴,

^{1,2,4}**Applied Finance Undergraduate Study Program**

Faculty of Economics and Business Universitas Trisakti, Jakarta, Indonesia

³**Development Economics Study Program, Faculty of Economics and Business
Universitas Trisakti, Jakarta, Indonesia**

*Corresponding author: trikunawangsih@trisakti.ac.id

ABSTRACT

This paper analyzes the main determinants of fiscal decentralization in 38 regencies/cities in East Java, Indonesia during the 2020-2022 pandemic period. The method used is panel data regression with the parameter estimation method, namely Generalized Least Square (GLS). The results obtained are the appropriate estimation model is the REM model. The variables that significantly affect districts/cities the degree of fiscal decentralization in East Java are The Gender Empowerment Index (IDG) and average length of schooling (RLS) have a positive and significant effect on fiscal degrees in the districts/cities of East Java province . Economic growth (GROWTH), inequality in income distribution

as measured by the gini ratio (GR) and the Labor Force Participation Rate (TPAK) do not significantly affect the degree of fiscal decentralization in the districts/cities of East Java province.

Keywords: Degree Of Fiscal Decentralization, Economic Growth, Gini Ratio, Labor Force Participation, Gender Empowerment Index

1. INTRODUCTION

The purpose of granting regional autonomy in Indonesia is to reduce the dependence of local governments on the central government. Regions must be more independent, one of the indicators is an increase in the contribution of Regional Original Revenue (PAD) in regional financing, especially at the city/district government level. Implementation of regional autonomy Based on Law No. 32 of 2004 concerning Regional Government, and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments. These two laws regulate the main points of transferring authority to regional governments and funding for the implementation of this authority. In addition, there is also Law Number 28 of 2009 concerning Regional Taxes and Regional Levies which regulates matters concerning the authority of the Regional Government in collecting local communities in order to obtain funding sources for regional development.

The delegation of an authority originating from the center to the regions includes the distribution of authority of the central government in the form of deconcentration which is interpreted as decentralization (Richard M & Vaillancourt, 2000). The implementation of the regional autonomy policy requires regional governments to optimize the potential that exists in the regions to develop and develop their regions. Therefore local governments must be careful in managing regional finances and budgets. The degree of regional Fiscal Decentralization (DDF) is one of the government's policy instruments, which is intended as regional aspirations concerning the sources of state finance in fulfilling the ongoing process of regional development to meet the goals for the welfare of society. DDF is measured by the comparison between total regional income and total regional income. The higher the DDF value indicates the greater the ability to manage fiscal.

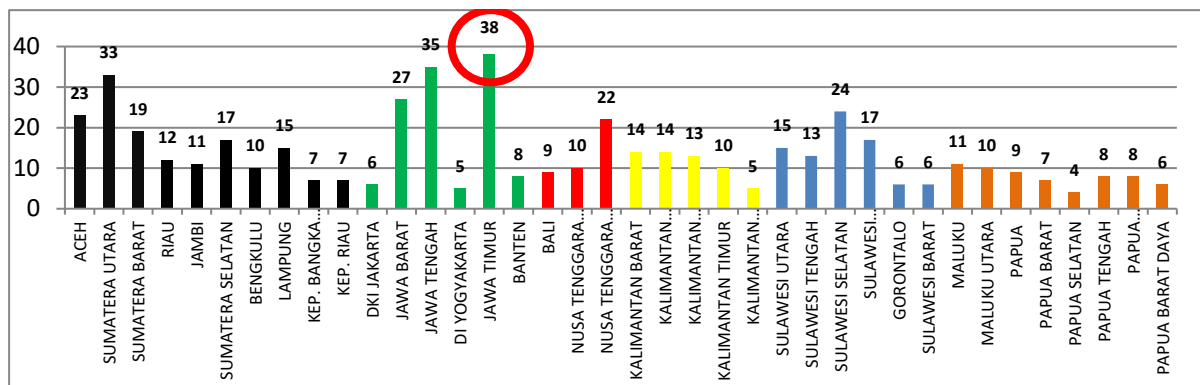


Figure 1. Number of cities/regencies in 38 Indonesian Provinces

Indonesia has 38 provinces with 514 cities/regencies and East Java Province is the province with the most number of cities/regencies, namely 38 consisting of 9 cities and 29 regencies, so it is not easy for the East Java provincial government to manage finances. The covid 19 pandemic that hit the world has had an impact on health, education, the economy including affecting the performance of regional governments.

Several studies explain the many factors that affect the degree of decentralization, including population, income growth, education, gini ratio, quality of democracy, country size, and geographical fragmentation and ethnic diversity (Arzaghi and Henderson, 2005), (Jametti and Joanis (2010), Panizza (1999)) and Canavire- Bacarreza, et al., (2017) and (Antonio Nicolás

Bojanic,2020).

The principal objective of this study was to analyze the factors that affect the degree of fiscal decentralization including economic growth, inequality of income distribution, gender empowerment index, number of workers and education in 38 cities/districts in East Java province during the Covid 19 pandemic period 2020 -2022.

2. LITERATURE REVIEW

The traditional theory of public finance has made a strong case for a major role for fiscal decentralization. This case is based on an improved allocation of resources in the public sector. And it has four basic elements. First, regional or local governments are in a position to adapt outputs of public services to the preferences and particular circumstances of their constituencies, as compared to a central solution which presumes that one size fits all. Second, in a setting of mobile households, individuals can seek out jurisdictions that provide outputs well suited to their tastes, thereby increasing the potential gains from the decentralized provision of public services (Tiebout, 1956). Third, in contrast to the monopolist position of the central government, decentralized levels of government face competition from their neighbors; such competition constrains budgetary growth and provides pressures for the efficient provision of public services. And fourth, decentralization may encourage experimentation and innovation as individual jurisdictions are free to adopt new approaches to public policy; in this way, decentralization can provide a valuable “laboratory” for fiscal experiments.

Existing literature on the role of subnational (regional or local) governments is vast, and includes seminal works on the optimal division of powers between central and subnational governments (Musgrave 1959, 1969); the positive welfare effects of interjurisdictional competition (Tiebout, 1956); the meaning and measurement of decentralization (Rodden, 2004); assessments of how the decentralization of government functions influences the size of countries in equilibrium (Alesina & Spolaore, 2003); and Oates' (1972) decentralization theorem, which states that in the absence of spillovers, a decentralized system is preferred because decisions made 'closer to people' allow for a better fit of local preferences. Later, Oates (1999, 2007) expands on his earlier work by analyzing the welfare gains of fiscal decentralization, the utilization of fiscal instruments, and the process of fiscal decentralization in developing and transitional economies. He also questions whether fiscal decentralization is always the preferred option of government, through an analysis of destructive forces that can undermine the economic performance of a relatively decentralized public sector.

Determinants of the degree of fiscal decentralization include population size, quality of democracy, per capita income, and country size (Arzaghi and Henderson, 2005) Variables that drive DDF include income growth, and population growth. Jametti and Joanis (2010). Panizza (1999) and Arzaghi & Henderson (2005), Canavire-Bacarreza, et al., (2017) developed a model that explicitly includes geographical fragmentation and ethnic diversity within a decentralized framework. The most consistent variable influencing fiscal decentralization is the size of a country: as land size increases, the degree of fiscal decentralization also increases. Countries with higher income equality, gini ratio, educated populations, more democratic, more urbanized and open to trade also tend to be more

decentralized (Antonio Nicolás Bojanic,2020)

Other studies that use different angles to understand fiscal decentralization include those by Letelier (2005) and Treisman (2006), which test various decentralization hypotheses; Cai & Treisman (2006), which analyzes the role of decentralization in China's growth in recent decades; and those by Stegarescu (2009), Bodman & Hodge (2010), and Jílek & Milan (2015), which analyze fiscal decentralization in OECD countries.

3. METHODOLOGY

This study analyzes the factors that determine the degree of decentralization in 38 regencies/cities in East Java Province during the Covid-19 pandemic using data for 2020-2022. The independent variables considered to influence the degree of fiscal decentralization in this study are economic growth, inequality of income distribution, Labor Force Participation Rate (TPAK), Gender Empowerment Index (IDG) and Average Length Of Schooling (RLS). The analysis tool used is Panel Data Regression which is a collaboration between time series data (t = 2020-2022) and a cross session consisting of 38 cities/districts (i) in East Java Province.

The first step in this research is to measure the degree of fiscal decentralization (DDF) for 38 regencies/cities in East Java province during 2020-2022 by using the formula: The DDF ratio will be interpreted based on the scale as in Table 1.

Table 1. Scale Ratio of Fiscal Decentralization Degree

Degree of Fiscal Desentralization (DDF) (%)	Regional Financial Capability
00,00 – 10,00	Very Less
10,01 – 20,00	Less
20,01 – 30,00	Enough
30,01 – 40,00	Middle
40,01 – 50,00	Good
➤ 50,00	Very Good

Source : BPS

The next step is to hypothesize the effect of the independent variables on the DDF. The independent variable used in this study is economic growth (GROWTH) as measured by per capita income growth, Labor Force Participation Rate (TPAK) which is defined as Calculated as the labor force divided by the total working-age population, Gini Ratio (GR) a measure of statical dispersion is intended to represent the income inequality, the Gender Empowerment Index (IDG) a measure of gender equality developed by the United Nations Development Program (UNDP). It assesses gender gaps in three areas: political representation, economic activity, and education and the average length of schooling (RLS) to describe the level of achievement in school activities of each citizen in a given area. The higher the number of years of schooling, the higher the population's level of education, hence this indicator is critical since it can reveal the quality of a region's human resources. The hypothesis for all independent variables has a positive effect on DDF, except for the Gini Ratio (GR) which is suspected to have a negative effect on DDF, which means that the more equitable the distribution of income, the higher the regional fiscal capacity.

The Panel Data Regression Equation used:

$$DDF_{it} = \alpha + \beta1.GROWTH_{it} + \beta2.TPAK_{it} + \beta3.GR_{it} + \beta4.IDG_{it} + \beta5.RLS_{it} + \varepsilon_{it} [1]$$

DDF is a measure of fiscal [income-based] decentralization in percentage terms; GROTH, TPAK, GR, IDG and RLS represent conventional independent variables, and; ε is the standard error term. The main feature of the two periods of the dependent variable is used to avoid endogeneity problems: the value of the explanatory variable in time t cannot be affected by the value of the dependent variable two years into the future.

4. RESULT AND DISCUSSION

The degree of decentralization illustrates the size of the regional financial capacity in financing its activities as measured by compare the amount of Local Original Revenue (PAD) with Total Regional Revenue (TPD). Regional financial performance by degree fiscal decentralization for 38 cities/regencies in East Java province consisting of 9 cities namely Kota Surabaya, Kota Blitar, Kota Kediri, Kota Madiun, Kota Malang, Kota Batu, Kota Mojokerto, Kota Pasuruan, dan Kota Probolinggo and 29 districts namely Kabupaten Banyuwangi, Kabupaten Bangkalan, Kabupaten Bojonegoro, Kabupaten Blitar, Kabupaten Gresik, Kabupaten Bondowoso, Kabupaten Jombang, Kabupaten Jember, Kabupaten Lamongan, Kabupaten Lumajang, Kabupaten Kediri, Kabupaten Malang, Kabupaten Madiun, Kabupaten Magetan, Kabupaten Mojokerto, Kabupaten Ngajuk, Kabupaten Ngawi, Kabupaten Pamekasan, Kabupaten Pacitan, Kabupaten Pasuruan, Kabupaten Ponorogo, Kabupaten Probolinggo, Kabupaten Sampang, Kabupaten Sumenep, Kabupaten Sidoarjo, Kabupaten Situbondo, Kabupaten Trenggalek, Kabupaten Tuban, and Kabupaten Tulungagung in 2022 can be seen in figure 2.

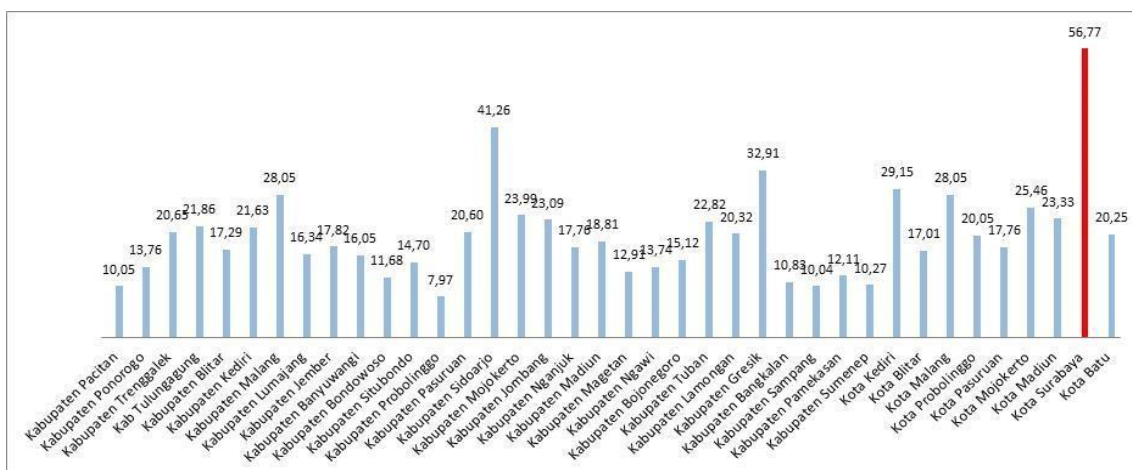


Figure 2. The Degree of Fiscal Decentralization of 38 districts/cities in East Java Province in 2022

Based on Figure 2, it can be seen that the financial capacity of cities/regencies in the province of East Java during the Covid 19 pandemic in financing their activities based on aspects of the degree of fiscal decentralization from 2022 varies. Surabaya City is the only region that has a degree of fiscal decentralization at a very good level with a percentage of 56.77%,

Sidoarjo Regency and Gresik Regency each at a good level. Another 15 cities/regencies or 40 percent of the regions have the Enough level, 19 cities/regencies or 50% of the regions have the Less level and one region, namely Probolinggo Regency, has a degree of fiscal decentralization which has a very less level with a DDF percentage of 7.97%. The degree of fiscal decentralization has an average of 20.06 which indicates that the ability of city/regency fiscal management in East Java Province, although it is at a sufficient level, tends to be less.

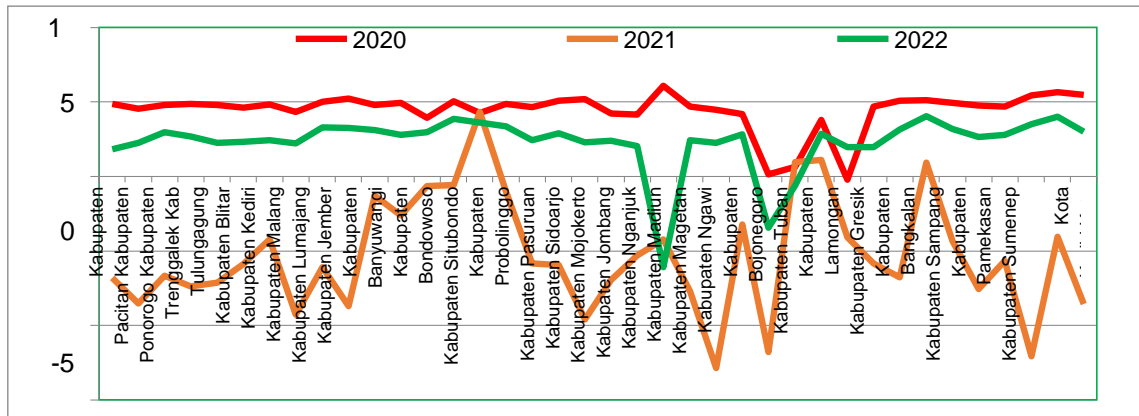


Figure 3. Regency/city economic growth in East Java in 2020-2022

The condition of economic growth in cities/regencies in the province of East Java during the pandemic experienced a significant decline. Some regions have negative per capita income growth. The area that has the worst economic growth is Lamongan district with an economic growth of -12.86% in 2021. Almost all cities/regencies during the pandemic experienced negative economic growth, except for 2 areas which during 2020-2022 continued to have positive growth, namely Kota Malang and Sidoarjo districts. The two regions still have high regional financial performance because they are contributed by the industry and property sectors as well as the increasing contribution of MSMEs in community empowerment efforts during the pandemic through e-commerce trading.

In line with the increase in the number of labor force, the Labor Force Participation Rate (TPAK) in East Java has also increased. In 2020 was recorded at 70.33 percent, an increase of 0.72 percentage points compared to 2019. However, in 2021 it decreased to 61.75 and increased again to 71.23. This condition shows that the increase in TPAK gives an indication of an increase in economic potential from the supply side of labor. The Gender Empowerment Index (IDG) is an indicator that shows whether women can play an active role in economic and political life. During the 2020-2022 pandemic, the average city/district IDG score in East Java province increased, in 2020 it had an index of 67.46, in 2021 it increased to 68.47 and in 2022 it increased to 68.58. The increase in IDG shows the increasing contribution of women in economic and political life, so that this condition will increase the fiscal capacity of the region.

In 2020, the level of income inequality in East Java as measured by the Gini Ratio was recorded at 0.366. Then in 2021 it increased to 0.374. In 2022 the level of income inequality as measured by the gini ratio is 0.371, a decrease of 0.003 points compared to the previous year. The area with the highest Gini ratio is kota Malang with a Gini ratio of 0.421, while the

area with the lowest Gini ratio is kabupaten Sumenep with a Gini ratio of 0.266. The lower the Gini Ratio indicates a more even distribution of income so that it will have a positive impact on the regional fiscal capacity.

Based on data from Badan Pusat Statistik (BPS), the average schooling (RLS) population of East Java in 2021 is 7.88 years and will increase in 2022 to 8.03. The school average (RLS) is used to measure human capital owned in that area.

4.1. Selection of the Best Panel Data Regression Model

The first step in conducting panel data regression the Degree of Fiscal Decentralization Modeling on districts/cities' in East Java Province is selecting the appropriate panel data regression model. Panel data regression models in general that can be chosen are the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). In this study, the parameter estimation method used is Generalized Least Square (GLS). Selection of the appropriate model is made by performing the Chow test, Hausman test, and Lagrange Multiplier (L.M.) test.

Chow Test

Chow Test Chow test is used to compare the CEM and FEM models. If the Chow test hypothesis is rejected, then the Degree of Fiscal Decentralization modeling of districts/cities in East Java Province uses the CEM model.

Table 1. Chow Test Results of District / City the Degree of Fiscal Decentralization Modeling in East Java

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.559955	(32,90)	0.0000
Cross-section Chi-square	157.6848	32	0.0000

Calculation of the Chow test to have a p-value = 0.00 which is less than $\alpha = 0.05$ then the decision is concluded that there are individual effects on the DDF equation model so that the appropriate model is FEM.

Hausman test

The Hausman test is used to determine whether the FEM model is more suitable than the REM model. If the Hausman test results result in a decision to reject the hypothesis, then the REM model is ideal for panel data modeling.

Table 2. Hausman Test Results of District / City the Degree of Fiscal Decentralization Modeling in East Java

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.821471	5	0.1164

Hausman test results show the value of Prob. chi-square is more than 0.05, it can be concluded that the regression estimation used is the estimation of the Random effect model (REM).

Lagrange Multiplier Test

The L.M. test is used to compare the REM and CEM models. The Hausman test results show that the REM model is more suitable so that the L.M. test is not carried out because the CEM

model is the same as ordinary linear regression, while the data used in this study is panel data, so the REM model is used.

Modeling of District / City the Degree of Fiscal Decentralization in East Java Province Using the REM Model

Panel data regression model estimates using the REM model are as follows:

Tabel 3. REM Model Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.522272	0.421336	3.612961	0.0005
TPAK	-0.005398	0.003300	-1.635800	0.1048
GROWTH	-0.002206	0.000929	-2.373441	0.0194
IDG	0.005414	0.001051	5.152360	0.0000
GR	-0.241636	0.613386	-0.393939	0.6944
RLS	0.179455	0.012948	13.85928	0.0000

Based on the table above, the estimation of the REM model for the Degree of Fiscal Decentralization in East Java is obtained as follows:

$$DDF = 1.522272 - 0.005398.TPAKit - 0.005398. GROWTHit + 0.005414. IDGit - 0.241636. GRit + 0.179455. RLSit..... [2]$$

The t-test results show that the independent variables that are significant and have a positive direction according to the hypothesis are the Gender Empowerment Index (IDG), which is an indicator of women's role in the economy, political and education and variable of the average length of schooling (RLS), which is an indicator of human capital. These results indicate that these two variables are able to encourage the formation of the level of fiscal financial capacity for regencies/cities in East Java province. Economic growth (GROWTH) and Labor Force Participation Rate (TPAK) have a negative direction that is not in accordance with the hypothesis and the variable that is not significant is the inequality of income distribution as measured by the gini ratio (GR).

Tabel 4. Statistics of REM Model Meaningfulness Test

R-squared	0.406137	Mean dependent var	0.830475
Adjusted R-squared	0.378643	S.D. dependent var	0.149172
S.E. of regression	0.117586	Sum squared resid	1.493264
F-statistic	14.77203	Durbin-Watson stat	2.141492
Prob(F-statistic)	0.000000		

The coefficient of determination test (R^2) shows a figure of 0.3786 which means that the contribution of the independent variables jointly to the dependent variable is only 37.86% and another 63.14% is influenced by other variables outside the model

The F test has an F-Stat < 0.05, so all independent/free variables have a significant influence on the dependent/dependent variable.

5. CONCLUSION

Based on the results of data analysis, it is concluded that the best model in modeling the Degree of Fiscal Decentralization of districts/cities in East Java is the REM model. In the

REM model :

1. The degree of city/regency fiscal decentralization in East Java Province has an average level of sufficient but tends to be less
2. Economic growth (GROWTH), inequality in income distribution as measured by the gini ratio (GR) and the Labor Force Participation Rate (TPAK) do not significantly affect the degree of fiscal decentralization in the districts/cities of East Java province
3. The Gender Empowerment Index (IDG) and average length of schooling (RLS) have a positive and significant effect on fiscal degrees in the districts/cities of East Java province

6. Recommendations

1. The degree of fiscal decentralization in regencies/cities in East Java province needs to be further increased by taking into account the factors that support it, including the element of education and the role of women in various fields.
2. Strengthening the economy by exploring potential regional resources that have not been utilized potentially
3. Based on the results of the low determinant coefficient (R^2), it indicates that there are still many other variables outside the model that have not been explored in this study, such as the tax ratio, inflation, human development index and others.

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CHAPTER 3

The Development of handicraft potential in the tourism village of Kamasan in Klungkung Regency, Bali

Dr.,M.Ds. Sangayu Ketut Laksemi Nilotama

Master Design Program, Faculty of Art and Design, Universitas Trisakti
sangayu@trisakti.ac.id

Dr.,MPd. Menul Teguh Riyanti

Visual Communication Program, Faculty of Art and Design, Universitas Trisakti
menulteguh@trisakti.ac.id

Dipl,Ing.,ST. Erick Teguh Leksono

Interior Design Program, Faculty of Art and Design, Universitas Trisakti
Erick.teguh@trisakti.ac.id

M.Ds. Tommy H.Prihartanto

Visual Communication Program, Faculty of Art and Design, Universitas Trisakti
tommy.hp@trisakti.ac.id

ABSTRACT

The Indonesian government has a Tourism Village program that aims to improve the regional economy. Klungkung Bali Regency as the smallest district on the island of Bali has 19 attractive and exotic leading tourist villages. One of the villages that became the research area is Kamasan village which is unique in wayang/ puppet painting as a characteristic of Balinese local identity. The uniqueness of wayang painting is applied to handicraft products which are the main attraction. To support the tourism village program from the Ministry of Tourism and Creative Economy, one of which is the availability of souvenirs based on local wisdom. The problem is whether the handicraft products from this village have experienced development. The purpose of this study is to obtain data on any products that have undergone development from functional, material and form factors so that information on these changes is obtained based on any considerations. This study uses a qualitative descriptive method with a purposive sampling approach taking into account the large number of handicrafts produced in this village such as wooden fans, paintings, bags, statues, gamelan. So that researchers limit handicraft products that use the puppet theme in each product by painting and sculpting. The results of this study obtained data that the development of handicraft products in the Kamasan tourism village was good in terms of quality, diversity of forms, materials and functions, creativity and innovation occurred by using Instagram social media to promote handicraft products.

Keywords: Kamasan Tourism Village, the theme of wayang, handicrafts.

INTRODUCTION

Indonesia is currently working on improving tourism through the tourism village program currently being developed by the Indonesian Ministry of Tourism and Creative Economy (Kemenparekraf). Based on data from the Ministry of Tourism and Creative Economy <https://kemenparekraf.go.id/ragam-pariwisata/anugerah-desa-wisata-indonesia-2023-kembali-digelar>. The 2023 Indonesian Tourism Village Award (ADWI) was attended by 4000 tourist villages from 34 provinces in Indonesia with the theme "World Class Tourism for Indonesia to Rise (World Class Tourism)". There are five criteria for assessing ADWI 2023 tourist villages. The first assessment, must have a unique and authentic tourist attraction, in the form of nature, man-made as well as art and culture. The second assessment is to increase the quality standards of homestay services by preserving local culture, including toilets and convenience infrastructure when tourists visit. The third assessment is the ability to accelerate digital transformation acceleration, as well as create creative content as a means of digital village promotion. The fourth assessment, from the availability of souvenirs, culinary, fashion and crafts based on local wisdom. The fifth assessment category, namely tourism villages must be legal entities, managed in a sustainable manner, have risk management, apply CHSE (cleanliness, Health, Safety and Environment Sustainability) which is of national standard.

The Covid-19 pandemic experienced by the whole world in 2019-2022 has had an impact on tourism and the creative economy, many tourist destinations in Indonesia have suffered from a decline in tourist visits, decreased income, closure of tourist attractions, also impacting the industrial sector, and the role of tourism as cultural and social preservation is threatened with its sustainability. Rules for maintaining distance (physical and social distancing), must comply with health protocols resulting in limiting visitor capacity and facilities, which also exacerbate the number of tourist visits. This also has an impact on the rules where visits are diverted to wide open spaces and natural environments so that tourists feel safe. The potential for developing open nature tourism was conceptualized by the Ministry of Tourism and Creative Economy which later became a trend. Indonesia as an archipelagic country offers various kinds of natural tourist attractions such as beach tourism, island tourism, national parks/forests, mountains, waterfalls, lakes, and tourist villages. This trend is increasing the interest of tourists to travel in the open. Tourism villages are one of the solutions, to feel the experience of traveling in the midst of rural community life.

The Indonesian government has made efforts to develop tourism in collaboration with local communities, such as local governments, indigenous peoples, businesses, associations and the media. One of the important roles in supporting tourism is the availability of handicrafts or souvenirs from a country or tourist area. The typical handicrafts of a country are not only a memento to take home, but can become a cultural identity, cultural uniqueness, promotion and boost the regional economy. The problem is whether the handicraft products in the Kamasan tourism village have received attention and have the designs been developed? The problem that you want to know is how the local government of Klungkung invests.

The purpose of this study was to obtain data on the development of handicraft design products in the Kamasan tourist village as superior souvenirs that show uniqueness factors and local cultural identity in the Kamasan village area.

1. The tourism village

In accordance with the vision and mission of the Ministry of Tourism and Creative Economy to realize world-class, globally competitive and sustainable tourism to create tourism awareness from various business actors and the creative economy tourism industry. One of the five tourism village assessment categories is souvenirs; how to explore the potential for creativity and the work of tourist villages with the availability of culinary, fashion and crafts based on local wisdom.

The existence of the Tourism Village program is indispensable for several reasons, namely: first, the cultural diversity that exists in Indonesia has the potential to develop the village itself, visitors have the opportunity to get to know and experience local culture, unique traditions and customs. An authentic travel experience will enable thought for cultural preservation. Second, empowering the local economy with the existence of a Wisara village provides an opportunity to promote the village as a tourist destination, the community can sell local handicrafts/souvenir products, traditional food which of course will increase employment opportunities at the local level. Third, the decentralization of tourism, can develop villages that are remote and rarely visited which can result in economic disparities. Fourth, government infrastructure development and the private sector can invest in developing roads, sanitation, clean water and improving tourist accessibility. Sixth, education and cultural exchange, tourists can learn the daily life of local people, traditions, customs which are certainly expected to lead to an understanding of cross-cultural tolerance.

1.1 Kamasan the tourism village

Of the 34 provinces in Indonesia, this research will discuss the province of Bali, especially in Klungkung regency. In 2023 the island of Bali has 238 tourist villages, and based on Regent Regulation no. 8 of 2021 (PERBUP) Klungkung Regency has 19 superior tourist villages. The 19 villages are: Tihingan village, Timuhun village, Bakas village, Kamasan village, Tegak village, Gelgel village, Besan village, Pesinggahan village, Paksewali village, Jungut Batu village, Lembongan village, Ped village, Batukandik village, Tanglad village, Pejukutan, Batununggul village, Kelumpu village, Suana village and Selat village. Each of the 19 tourist villages has its uniqueness, such as nature tourism, agro-tourism, painting culture, handicrafts, gamelan crafts, culinary arts, dance and so on. The area of Kamasan village is very small, around 248 hectares, with a population of around 3,400 people, consisting of 10 customary administrations and 4 government hamlets.

In this study, only one village will be discussed, namely the village of Kamasan. Kamasan village is well known for its uniqueness as the origin of wayang/puppet painting. Wayang/puppet painting is the art most favored by the Balinese Hindu community from the past until now.

The Kamasan tourist village is the focus of research because it has an important history related to the regional government. Kamasan Village is famous because it is a village that gave birth to many classical painters. Especially for Kamasan village, it has a uniqueness that is different from other tourist villages.

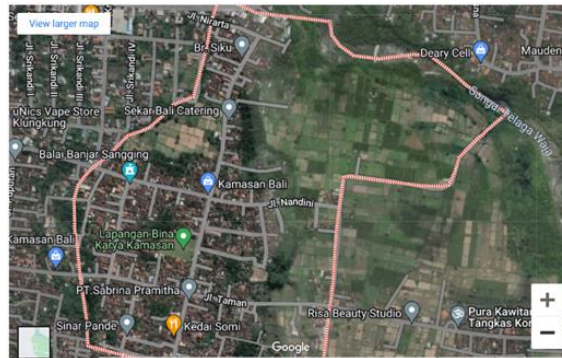


Image 1 : Location of Kamasan Tourism Village

The art of wayang painting that developed in Kamasan is estimated to be around the 14th century when the king of the Majapahit kingdom, Sri Waturenggong, ruled in Bali. Kamasan painting uses painting techniques with bright colors, firm lines and symmetrical compositions, done manually and tends to be individual and uses natural raw materials. Wayang painting art is usually offered, made for the needs of religious ceremonies. Wayang painting has a story theme originating from Hindu literature, such as the epics Ramayana, Mahabarata and Sutasoma and depicting the beauty of nature. Another distinctive feature of this painting is that there are Balinese script or Balinese script that narrates the scenes in the painting. Based on these characteristics, it becomes a unique identity, so it is known as Kamasan Style painting. It was during the Waturenggong era that this style of painting using canvas cloth developed, then developed into carving techniques on wood, silver, copper and gold, ceramics and glass painting. The uniqueness and distinctive characteristics of this wayang remain in every developing craft product. maintaining the character of the theme of the paintings and carvings, namely depicting wayang figures. <https://ihategreenjello.com/destinasti-keindahan-wisata-desa/>



Image 2: Kamasan Style Wayang/Puppet Painting

According to Diana (2017) handicrafts as part of the creative industry that produces industrial products are always displayed with distinctive characteristics and display their own uniqueness

so as to create the image of a city and attract tourists. Handicraft as part of the word *kriya* or '*krya*' in Sanskrit which means doing. This refers to craft art as a result of human work done by hand, not machine.

2. Research methods

This study uses a qualitative descriptive methodology to obtain field data by visiting artisans, traditional village communities, observing and conducting participatory observations of their daily lives, documentation studies and in-depth interviews. According to Basrowi and Suwandi (2008: 2, in Muhammah Rijal Fadli p.34) collecting data from various relevant sources such as craftsmen, community leaders, tourists and other related parties. To determine the case studies of handicraft products to be examined, the authors use a purposive sampling procedure, namely by deliberately selecting handicraft products as samples (Creswell, 2005; in Sumartono, 2017 page 99). The selection was made using a purposeful sampling method because demographically the research location had been determined, namely the Kamasan tourism village, determining the boundaries of handicraft products to be studied. In this study, only handicrafts that apply the theme of wayang painting will be discussed by painting and carving on handicraft products.

The aim is to be able to understand in depth the phenomena of the daily activities of craftsmen in Kamasan village (natural setting) and provide an overview of the characteristics of handicraft products, the manufacturing process and the factors that are visible in the development, especially the handicraft factor. The process of data analysis is done by identifying the relationship of inductive data or raw data, then grouping them. To get an overview of the development of handicrafts, observations were made through social media Instagram using the identity of handicrafts from Kamasan village. The results of this analysis are linked back to the concept of a tourist village Anugerah Desa Wisata Indonesia (ADWI) to produce "World Class Tourism for Indonesia to Rise (World Class Tourism)".







Image 3: Field observation with Kamasan painting artisans Painting Handicrafts

Result and Discussion

The results of the field survey obtained information that the first handicraft products produced were paintings on sheets of cloth, paintings on sandalwood fans, paintings on coconut shells, kepeng/coins (Image 3). In its development, it has been found that there are several different products in terms of function, material and form factors.

From the survey results, several handicraft products were found, in an effort by the local community to develop handicrafts inspired by the wayang painting style (Table 1). The resulting craft products show a change from the media factor which originally used canvas cloth media with a 2D impression, wayang art painting developing was painted on glass, woven bamboo, paintings on wood media and developed functionally as coasters, paper storage folders, jars glass, women's bags, and besek containers, keben. Penerapan tema lukisan wayang tetap terlihat pada semua produk dengan fungsinya yang berbeda.

Table 1: The results of a field research survey on handicraft development products in Kamasan village.

New Products	Functions	Media
	As bookmarks for books, folders, coasters, plates, key chain.	Painted on canvas. Terdapat lukisan wayang pada bagian depan dan belakang produk.
	Food storage area.	Painted on glass. Terdapat lukisan wayang pada bagian depan .
	Woman's bag, Storage	Combination of woven bamboo and canvas.
	A place to store goods Besek.	Painted on Woven Bamboo, And painted on wood.

Source: Field data, Kamasan village. (Mei,2023)

For table 2 the results of the design development of the wayang paintings have been carried out by the community while still applying the wayang theme to the media of copper, wood, coins, used bullets with the carving technique. Most of these artworks are containers for religious ritual activities for local residents only. These containers include bowls, dulang, incense holders, holy water containers and other ceremonial equipment.

Table 2 : The results of a field research survey, handicraft products from other materials

Craft Products	Functions	Material
	Religious ritual equipment.	Engraving techniques on silver.
	Accessories, vases.	Engraving techniques on cartridges, copper and gold plated.
	Religious ritual equipment (dulang).	Engraving techniques on silver.
	Religious ritual equipment, A place to store religious objects. Bokor and place of holy water.	Engraving techniques on silver.
	Crate / box as a storage area.	Moldings and engravings of silver, aluminum. With various sizes.
	Decorative element of traditional Balinese uang kepeng / coins	A mix of 5 metal elements: silver, brass, copper, iron and gold.

Source : Field data, Kamasan village (Mei, 2023)










Based on observations obtained from social media (instagram), the development of Kamasan tourism village promotion can be seen from the existence of several Instagram accounts such as IG. Galeri.kamasan, IG Kamasanbali, IG Madekamasan (Table 3). It can be seen that the owner of the Instagram account uses social media productively in introducing the characteristics of the village of Kamasan. You can also see the interaction between the account owner and the customer by providing additional information, so that they can build a closer

Contemporary Exploration of Social Sciences Inquiries with New Approaches in the Post-Pandemic Era 2

relationship with the customer/tourist who wants to buy the product. There are craftsmen's efforts to build branding and awareness effectively and efficiently.

It can be seen that the owner of the Instagram account creates interesting and unique content that has the potential to go viral on social media and get attention. Consumer interest is evident from the many likes, comments and reposts by other users. Social media is a tool and feature for measuring and analyzing product performance. So that craftsmen can see the appearance and interaction, responses from customers or tourists from the results of their posts. By using social media, craftsmen can evaluate their promotion strategy, understand customer interests, customer preferences and can make necessary adjustments for further product development.

Table 3: The results of a digital product development survey of Kamasan wayang painting obtained from Instagram Social Media.

IG madekamasan	IG Galeri.kamasan	IG. kamasanbali
 <p>tas selempang/ sling bag</p>	 <p>Tas Gendek Kamasan/ Gendek Bag</p>	 <p>Uang kepeng/ coin Bali as accessories</p>
 <p>cards with narrative stories of wayang characters</p>	 <p>Keben Kamasan, a container with wayang paintings.</p>	 <p>'Gegaluh' decorative decoration made of kepeng/ coin money</p>
 <p>Folder with modern theme</p>	 <p>Tote bag Kamasan</p>	 <p>The theme of the wayang painting on Balinese kepeng/coins.</p>

Source: IG madekamasan, IG Galeri.kamasan, IG kamasanbali. (Juni, 2023)

CONCLUSION

Based on the description above, it was found that the development of handicrafts in Kamasan village was very good. This is also due to the desire of the local community to improve their economy with the concept of the creative economy from the Ministry of Tourism and Creative Economy, with the concept of a Tourism Village. Based on the 5 guideline assessment criteria, it helps local governments to monitor the availability of service facilities for tourists.

The development of handicrafts in Kamasan village, especially wayang painting, has actually been good, from the development of material factors, form, color, and even function. There is already an awareness among artists to try to make new products while still applying the Wayang theme characters in every form and function. From the material factor, it has used the potential of local raw materials such as silver, copper, gold, canvas, wood and other materials, maintaining product quality and paying attention to details in the manufacture. From the form factor, the development of classical wayang painting has seen the designs of modern wayang characters using softer colors, a variety of character traits but still trying to maintain the theme of the epic stories of the Ramayana and Mahabharata.

Development of functional factors that have not been maximized so that youngtourists/younger generations, foreign tourists are interested in buying. For example, handicrafts made of silver which are very beautiful, luxurious and full of intricate carvings are functionally seen for the needs of Balinese Hindu religious rituals such as bowls, holy water containers, dulang. Handicrafts like this are only in demand by a limited circle and the price is quite expensive.

The art of painting wayang on canvas has developed into fashion products using silk, cotton and other materials, as well as for other products with the theme of wayang on ceramics. Changes in values, previously wayang painting was made for the needs of religious rituals that were sacred, or could only be used but could be maintained properly, such as by certain strata of society, now they can own these profane works of art.

Recommendation

This research is still wide open and still ongoing so that it opens opportunities for other researchers to provide suggestions. Proposals for the development of handicrafts in Kamasan village include: there should be more modern technical training and education in collaboration with industry, educational institutions, local communities or handicraft training centers. Empowerment of the local community to create innovative new designs while maintaining the local identity of Kamasan village.

Local government attention to the protection of intellectual property rights, protection of designs, motifs, trademarks and everything related to these handicrafts. The local government of Klungkung must be able to facilitate cross-sectoral collaboration with the private sector and the world of education (triple helix) in an effort to preserve Balinese culture and develop creative industries in the Kamasan tourism village. The private/industrial sector is involved in the management of production, processing, marketing and distribution

The development of handicrafts in the Kamasan tourist village requires commitment, cooperation and ongoing attention, so that this tourism village activity program can improve the regional economy and the preservation of local cultural wealth can continue to grow.

Recommendations that are also very important are product display systems and handicraft packaging designs so that they look neat, clean and modern. Taking into account the display

system will show the beauty and value of the product optimally. The right lighting arrangement, the different arrangement of each product can attract the attention of buyers. There needs to be input into packaging designs that are contemporary and environmentally friendly. Alternative souvenir designs for children, the younger generation and also pay attention to market trends.

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CHAPTER 4

Strategies to Overcome Business Transformation After Pandemic Covid-19

Prof. Willy Arafah

Universitas Trisakti
willy.arafah@trisakti.ac.id

Dr. Wahyuningsih Santosa

Universitas Trisakti
wahyuningsih@trisakti.ac.id

Dr. Tiarpuspa

Universitas Trisakti
tiara.puspa@trisakti.ac.id

Jennifer Victoria Astari Haryanto

Universitas Trisakti
jennivictoria88@gmail.com

Anfat Nilainan

Prince of Songkla University
6320610099@psu.ac.th

ABSTRACT

Background/Problems: The decline in company performance productivity due to Covid-19 has caused every company to think about a strategic pattern to win market competition. This study uses a qualitative approach using interview techniques with 5 business people who have experienced business transformation due to the Covid-19 pandemic.

Objective(s): This research aims to provide strategic guidance for companies to overcome business transformation after the Covid-19 era.

Results and Discussion: The results of this study indicate that digitization, supply chain strengthening, innovation, customer involvement, flexibility, safety and health, employee involvement are the main strategies that must be considered to deal with the situation after the Covid-19 pandemic.

Conclusions: This research makes an important contribution to companies in facing post-Covid-19 business transformation, as well as providing appropriate and relevant strategic guidance to overcome these challenges. Further research needs to group companies according to their respective industries, for example companies engaged in the manufacturing industry will experience different challenges from companies engaged in the service industry.

Keywords: Business Transformation, Strategies, Case Study, Covid-19, Performance

INTRODUCTION

Business strategies are important for businessmen to know because they help in the following ways: (1) Identify trends and opportunities in the future: A strategy can examine the broader changes in the market such as political, social, or technological changes and identify trends and opportunities in the future (Ambreen et al., 2018), (2) planning: A business strategy helps identify the key steps to take to reach business goals. It helps in planning the journey from the very beginning and ensures that the businessman knows where they are going (Cindy Mc Cauley, n.d.) (3) Focus efforts in the right direction: By applying strategic management from the start, the businessman can focus their efforts on the right direction. With the help of a strategic management process, they can make their business survive and thrive (Kolb et al., 1986), (4) Competitive advantage: By identifying a clear plan for how they will reach their goals, the businessman can focus on capitalizing on their strengths, using them as a competitive advantage that makes their company unique in the marketplace, (5) Long-term sustainability: The importance of business strategy cannot be ignored as it ensures the long-term sustainability of the organization (Güllich & Emrich, 2014). As the business environment today is becoming increasingly competitive, the importance of business strategy cannot be underplayed. In summary, a business strategy is important because it helps in identifying trends and opportunities, planning, focusing efforts in the right direction, understanding strengths and weaknesses, control, competitive advantage, and long-term sustainability.

External factors can have a significant impact on a business process (Akpoviro & Sabitu, 2018). Here are some external factors that can affect a business: (1) Economic factors: Changes in the economy, such as recessions or inflation, can have a significant impact on a business's performance (Directorate-General for Economic and Financial Affairs, 2009), (2) Political and legal factors: Changes in laws and regulations can affect a business's operations and profitability (Department for Business, Strategy, 2015), (3) Technological factors: Advances in technology can create new opportunities for businesses, but can also render existing products or services obsolete (Cascio & Montealegre, 2016), (4) Social factors: Changes in societal attitudes and behaviors can affect a business's reputation and demand for its products or services, (5) Environmental factors: Climate change and other environmental issues can affect a business's operations and supply chain (Smith, 2013), (6) Competitive factors: The actions of competitors can affect a business's market share and profitability (Hutzschenreuter et al., 2021). It's important for businesses to monitor these external factors and adjust their strategies accordingly. While internal factors such as staff, company culture, processes, and finances are within a business's control, external factors are uncontrollable and can have a significant impact on a business's performance.

The COVID-19 pandemic has had a significant impact on businesses worldwide (Parsoya & Parwej, 2021). Here are some of the changes that have been observed before and after the pandemic:

Table-1: Changes between Before and After Covid-19 Pandemic

Before COVID-19:	After COVID-19:
<ul style="list-style-type: none"> • Work-from-home was not as common as it is now 	<ul style="list-style-type: none"> • Airline revenues dropped by 60% in 2020, and air travel and tourism are not expected to return to 2019 levels

<ul style="list-style-type: none"> • Restaurants and other businesses were open for in-person dining 	<ul style="list-style-type: none"> • Many small businesses experienced financial fragility due to the pandemic
<ul style="list-style-type: none"> • Supply chains were more stable 	<ul style="list-style-type: none"> • The economic impact of COVID-19 is dominating companies' risk perceptions
<ul style="list-style-type: none"> • Business registration was not as affected by lockdowns 	<ul style="list-style-type: none"> • Work-from-home has become more common
	<ul style="list-style-type: none"> • Supply chains have been interrupted, and demand for goods and services has fluctuated
	<ul style="list-style-type: none"> • Business registration has been impacted by lockdowns and other restrictions

Source: Authors' observation

Overall, the pandemic has caused significant changes in the way businesses operate, with many companies having to adapt to new circumstances to survive. Then, choosing the right strategies are important to overcome business transformation after the pandemic COVID-19 because the pandemic has brought about years of change in the way companies do business. The pandemic has radically changed demand patterns for products and services across sectors, while exposing points of fragility in global supply chains and service networks. Therefore, companies need to adapt to these changes and transform their business models to survive and thrive in the post-pandemic world (Saputra & Fauzi, 2022). Here are some reasons why strategies are important: (1) Accelerate digital transformation: COVID-19 has sped up digital transformation and technologies by several years, therefore, companies need to develop digital strategies that take digital into account and align them with their corporate strategies (Kutnjak, 2021), (2) Recover revenue: Companies need to focus on recovering revenue by adapting to the new demand patterns for products and services across sectors (Katare et al., 2021). This may involve developing new products or services that meet the needs of customers in the post pandemic world, (3) Rebuild operations: Companies need to rebuild their operations to make them more agile and productive (Perkin & Abraham, 2017). This may involve adopting new technologies or processes that enable them to respond more quickly to changes in the market, (4) Rethink the organization: Companies need to rethink their organization to make it more

resilient and adaptable to change (O'Brien et al., 2009). This may involve changing the organizational structure or culture to enable employees to work more effectively in the post pandemic world. (5) Review marketing efforts: Companies need to put in place a solid marketing plan and review their marketing efforts periodically to adapt to the changing market conditions (Nasir, 2015). They may want to take advantage of social media to drive customer engagement, build brand awareness, deliver customer service, and market their products, (6) Build long-term strategic advantage: Companies that recognize the need for speed and are willing to set new standards and upend old paradigms will build long-term strategic advantage (Zhang & Hartley, 2018). They need to be willing to take risks and innovate to stay ahead of the competition, (7) Develop a new consciousness for social responsibility: Companies need to develop a new consciousness for their social responsibility with a human-centered focus to build an effective and healthy workforce for a sustainable digital future (Shayan et al., 2022). They need to focus on the well-being of their employees and customers to build trust and loyalty in the post-pandemic world.

1. THEORITICAL BACKGROUND

A strategy refers to an organization's long-term goals and how it plans to reach them called consulerce (Nickols, 2015). In other words, it shows the path to achieve the defined vision. A tactic refers to the specific actions taken to reach the set goals in line with the strategy (Casadesus-Masanell & Ricart, 2010). It is important for a company to analyze both internal and external factors throughout the strategic planning process, as these factors are inputs to the planning process and can significantly affect the decisions a firm makes (Abd Ghani et al., 2010). By examining both positive and negative effects within and outside the company, a company can produce suitable strategies to handle any predicted situation (Abd Ghani et al., 2010). Managers often keep track of these external environment factors so they can recognize and resolve the issues they cause and make appropriate changes to their management strategy. Understanding these environmental factors is essential for businesses to develop a clear strategy, set meaningful goals and objectives, and prepare viable financial forecasts. The COVID-19 pandemic has had a significant impact on business strategy. Here are some of the ways that the pandemic has affected management strategy, according to the former studies:

1. Supply chain disruptions: COVID-19 has caused supply chains to be disrupted on a global scale, which has led to a need for building supply chain resilience (Fu et al., 2022).
2. Uncertainty and resilience: Organizations need to focus on strategies to balance the immediate needs of their customers, employees, and communities, with a return to long-term competitiveness (Bartuseviciene et al., 2022). Resilience is made in times of uncertainty, and organizations that outmaneuver uncertainty create a resilience they can count on, no matter the changes that come.
3. Remote work: The pandemic has brought many lasting changes to working life, including a shift to remote work (Savić, 2020). This has led to the need for operations to be reinvented to increase efficiency and productivity.
4. Privacy concerns: One of the challenges for organizations will be to balance the essential need to measure much more than before (e.g. contact tracing, facilities usage, operational efficiency) but without imposing on employee's privacy or

affecting their motivation (Bhagwat & Sharma, 2007).

5. Crisis management: The COVID-19 pandemic has required managers to adopt multiple and unique methods for crisis management (Alves et al., 2020). Some of the most important crisis management strategies include forming crisis management teams, workforce management, management of resources and essential supplies, designation of COVID-19 referral hospitals, screening and isolating patients and staff, learning from pandemic-stricken provinces, benefiting from donors and charities, recruiting volunteer personnel, use of cyberspace capabilities, and learning from prior steps (Djalante et al., 2020).
6. Portfolio-synergistic strategy: Companies should consider implementing a portfolio-synergistic strategy in which planning is top-down, a major business challenge requiring a coordinated response across the organization (Hemmatizadeh & Mohammadi, 2019).

Overall, the COVID-19 pandemic has required organizations to be more adaptable and resilient in their management strategies. Companies have had to find ways to balance the immediate needs of their stakeholders with long-term competitiveness, while also navigating supply chain disruptions and privacy concerns. Crisis management has also been a key focus for many organizations during the pandemic.

The research examines both short-term and medium-to-long-term impacts of the pandemic and outlines strategies to reduce the potential consequences of those impacts. The study proposes several strategies that managers in this sector can adopt to improve resiliency in the changing environment during and after the COVID-19 era. Another example is the NIH Wide COVID-19 Strategic Plan, which outlines NIH's plans to address the most recent challenges of COVID-19, such as Post-Acute Sequelae of SARS-CoV-2 Infection (PASC), or Long COVID, and SARS-CoV-2 variants. They suggest that businesses should focus on three phases: respond, recover, and thrive. During the respond phase, businesses should focus on crisis management and employee safety. During the recover phase, businesses should focus on stabilizing operations and building resilience. Finally, during the thrive phase, businesses should focus on growth and innovation (Giancotti & Mauro, 2020).

Here are some disruption in the services industry because of COVID-19: 1. The White House explains how the pandemic has disrupted supply chains, including entire industries such as the hotel and restaurant sectors that are now trying to reopen. Automakers, for example, underestimated demand for their products after the start of the pandemic, causing acute problems in motor vehicles.

2. McKinsey discusses the challenges faced by service organizations that rely heavily on in-person interaction, such as banking, insurance, hospitality, telecommunications, and industrial services. Physical distancing, reduction of nonessential operations, and limited contact are fundamental in protecting human health and raise fundamental challenges about how these organizations can continue to reach customers and meet their expectations.
3. An article on the National Center for Biotechnology Information (NCBI) website discusses the impact of COVID-19 on supply chain management. The article reviews the strategies employed by various organizations to manage the impact of

the COVID-19 disruption and provides managerial insights that can be helpful in addressing catastrophic supply chain disruptions that may occur in the future.

4. A paper published in the Proceedings of the National Academy of Sciences (PNAS) draws on a survey of more than 5,800 small businesses to provide insight into the economic impact of COVID-19 on small businesses.
5. EY discusses how COVID-19 has impacted supply chains and what comes next. The pandemic accelerated preexisting issues in the supply chain and brought priorities such as visibility, resilience, and digitization to the fore. While some sectors were hit hard by disruption, there were some winners, notably life sciences.
6. The OECD takes an in-depth look at the territorial impact of the COVID-19 crisis in its different dimensions: health, economic, social, and fiscal. The article provides examples of responses by national and subnational governments to help mitigate the territorial effects of the crisis and offers ten takeaways on managing COVID-19's territorial impact.

The COVID-19 pandemic has caused significant disruptions in the manufacturing industry, leading to production and supply chain disruptions (Moosavi et al., 2022). The disruptions have been especially difficult for businesses with complex supply chains, as their production is vulnerable to disruption due to the pandemic. The disruptions have been caused by several factors, including the underestimation of demand for products, cancellation of orders of semiconductors, and fragmentation of the auto supply chain across many countries and firms (Frieske & Stieler, 2022). The disruptions have led to global shortages of many goods, reflecting the disruption of the pandemic combined with decades of companies limiting their inventories. Despite the disruptions, there is evidence indicating that the current disruptions are likely to be mostly transitory. The Administration has established a Supply Chain Disruptions Task Force to monitor and address short-term supply issues. Companies are also reassessing their supply chains and production strategies to address the vulnerabilities exposed by the pandemic (Free & Hecimovic, 2021).

In summary, the COVID-19 pandemic has caused significant disruptions in the manufacturing industry, leading to production and supply chain disruptions. The disruptions have been caused by several factors, including the underestimation of demand for products, cancellation of orders of semiconductors, and fragmentation of the auto supply chain across many countries and firms. However, there is evidence indicating that the current disruptions are likely to be mostly transitory, and companies are reassessing their supply chains and production strategies to address the vulnerabilities exposed by the pandemic.

2. RESEARCH METHODOLOGY

This research is a qualitative study analyzed based on case studies. The unit of analysis used in this study is the individual. The technique used in this study was a semi-structured interview with questions through a questionnaire. Respondents in this study were entrepreneurs engaged in the service industry and manufacturing as many as 5 people. Respondent criteria are people who have experience in dealing with Covid-19 in their organization. Respondents' answers will then be analyzed by categorizing and comparing the results of the interviews. Data analysis

used is descriptive statistics. Respondents in this study on average have been in the service sector for more than 5 years. The average respondent is a man and one woman. The ages of the respondents varied, namely there were two respondents aged under 30 years and 3 people over 30 years.

3. RESULTS AND DISCUSSION

What are the main strategies that businesses can implement to adapt effectively to the changing market dynamics post-COVID-19?

Post-COVID-19, there are several key strategies that can be implemented for businesses to adapt effectively to changing market dynamics. Here are some strategies to consider: (1) Increased online presence: Adoption of digital technology and increased online presence are key to adapting to a changing market. Businesses need or strengthen their online platforms, such as responsive websites, mobile apps, and an active presence on social media. This will allow businesses to stay connected with customers, offer products or services online, and run digital marketing campaigns, (2) Diversify products and services: Businesses need to see new opportunities in the market and consider diversifying their products or services. The advantages of emerging trends and new needs post-COVID-19 can help businesses adapt their portfolios. For example, a restaurant business may consider providing ready-to-eat meals or delivery services, while a clothing business may expand its product line to include face masks or sportswear suitable for home activities, (3) Increased operational flexibility: Operational flexibility is a key imperative in facing market changes. Businesses need to be able to adapt their operational models quickly. This could include implementing working from home, maintaining social distancing at work, or adjusting hours of operation. Good flexibility also includes the ability to change supply chains and manage inventory more efficiently to avoid unnecessary disruption, (4) Focus on safety and health: Post-COVID-19, the safety and health of customers and employees has become an even greater priority. Businesses must implement strict hygiene measures, such as enhanced sanitation protocols, provision of personal protective equipment (PPE), and safe physical space arrangements. Communicating these actions to customers can build trust and comfort, (5) Strengthen customer relationships: Building and maintaining relationships with customers is more important than ever. Businesses need to adopt marketing strategies that focus on building customer engagement, such as loyalty programs, sending relevant emails or providing useful content through blogs or social media. Listening to customer feedback and adapting based on their needs will also help strengthen relationships, (6) Optimizing data usage: Data has a key role in effective decision-making post-COVID-19. Businesses must optimize the use of the data they have to understand market trends, customer behavior and predict future changes. Careful data analysis can provide valuable insights for better strategic business nine. Effectively adopting these strategies will help businesses adapt to market changes brought about by the COVID-19 pandemic and stay competitive in the future.

How can businesses leverage digital technology to drive transformation efforts after the pandemic?

The use of digital technology can be the key to driving business transformation efforts after the pandemic. Here are some ways businesses can leverage digital technology to achieve their transformation goals: (1) Use of e-commerce: E-commerce has become even more important during the pandemic and will continue to grow in the future. Businesses can take advantage of e-commerce platforms to sell their products or services online. It involves building or improving a responsive, secure and easy-to-use e-commerce website. In addition, you may consider integrating with established online marketplaces or building your own e-commerce platform. Digital marketing strategies can also be implemented to expand reach and increase business visibility, (2) Adoption of cloud solutions: Cloud computing provides the flexibility, scalability and accessibility needed for business transformation. Adopting a cloud solution enables businesses to efficiently manage data, applications and infrastructure. Businesses can move their systems to the cloud or use cloud services for hosting, data storage or developing innovative applications. Thus, they can reduce IT infrastructure costs and improve performance and security (3) Data analytics and artificial intelligence: Businesses can leverage data analytics and artificial intelligence to gain valuable insights into customer behavior, market trends and business performance. By intelligently collecting and analyzing data, businesses can identify new opportunities, optimize their operations, and make decisions based on stronger evidence. Sophisticated analytical tools and machine learning techniques can assist in processing and interpreting complex data, (4) Automation of business processes: Digital technology enables more efficient automation of business processes. Businesses can adopt software or automation systems that help automate routine tasks, reduce the need for human intervention, and increase productivity. Examples of the use of automation technology are in production processes, supply chain management, or customer service, (5) Customer engagement via social media: Social media has become a powerful platform for interacting with customers. Businesses can leverage social media to build brands, increase awareness and engage with customers directly. Content marketing strategies, advertising campaigns and customer service through social media can help create stronger relationships with customers, (6) Artificial intelligence and chatbots: Implementation of chatbots with artificial intelligence can help improve customer service and reduce response time. Chatbots can provide 24/7 customer support, answer frequently asked questions, and provide product recommendations. This helps save time and human resources that can be used on more complex tasks. Utilizing digital technology effectively can help businesses in post-pandemic transformation efforts. This can increase operational efficiency, create a superior customer experience, and open up new opportunities for business growth.

What steps can companies take to ensure a smooth transition and successful implementation of business transformation initiatives after COVID-19?

To ensure a smooth transition and successful implementation of business transformation initiatives after COVID-19, companies can take the following steps: (1) Establishing a transformation vision and strategy: Companies must have a clear vision of the desired direction of transformation. This involves defining long-term goals, identifying business priorities, and designing concrete transformation strategies. This vision and strategy must be clearly communicated throughout the organization, (2) Strong transformation leader: The company needs to appoint a transformation leader who is responsible for planning, executing, and

supervising transformation initiatives. This leader must have relevant experience, understand the necessary changes, and have the ability to influence and move others in dealing with change, (3) Engagement and strong communication: Transparency and effective communication are very important in facilitating a smooth transition. Companies must regularly communicate with employees about the reasons for the transformation, its goals and benefits. Holding meetings, question and answer sessions, and providing open channels of communication can help resolve any concerns and confusion that may arise, (4) Employee engagement: Employee engagement and support is critical to a successful transformation. Companies must involve employees from the start, listen to their input, and provide the necessary training and mentoring. Establishing an inclusive transformation team and providing opportunities for employees to contribute to transformation initiatives will strengthen adoption and support, (5) Detailed action plans: Companies must develop detailed action plans for each transformation initiative. The plan should include clear objectives, timelines, required resources, and responsibilities. Having detailed guidelines will help in efficient implementation and monitoring of transformation progress, (6) Measurement and monitoring of progress: It is important to regularly measure and monitor transformation progress. Companies must identify relevant performance metrics and measure the successful implementation of transformation initiatives. Having an effective reporting and monitoring system will enable companies to identify emerging constraints or problems and take appropriate action, (7) Flexibility and adaptability: Businesses need to have the flexibility to adapt their transformation strategies and tactics as market needs and dynamics change. Companies must be able to overcome obstacles or challenges that arise quickly, incorporate lessons learned during the transition, and make the necessary changes to achieve transformation goals. By following these steps, companies can increase their chances of success and achieve a smooth transition in implementing post-COVID-19 business transformation initiatives.

How do organizations ensure alignment of their workforce with new business transformation strategies after the pandemic?

To ensure workforce alignment with the new business transformation strategy after the pandemic, organizations can take the following steps: (1) Skills and competence mapping: Organizations need to map the skills and competencies possessed by the current workforce. This will assist in identifying gaps between existing skills and those required to support the new transformation strategy. Using tools such as skill gap analysis or individual skills assessment can provide the necessary insights, (2) Renewal of skills requirements: Based on the new transformation strategy, the organization should identify new or updated skills requirements. This involves understanding the roles and responsibilities required in the context of the transformation. In some cases, digital skills, analytical skills, or adaptability skills may be important. Renewal of skills needs must be in accordance with the changing direction of business, (3) Training and development: Organizations need to provide appropriate training and development for employees so that they can develop the necessary skills. This could involve internal training, external training, or using online learning resources. Career development and

mentoring programs can also assist in preparing employees for new roles and responsibilities that arise as a result of business transformation, (4) Selection and placement of the right: In some cases, the organization may need to recruit new employees who have skills that match the transformation strategy. The right selection and placement is very important to ensure that the workforce has the relevant skills and competencies to support this transformation. Drawing up a good selection plan and involving the HR team in this process can help select the most suitable employees, (5) Employee communication and engagement: Organizations must actively communicate with employees about the transformation strategy, objectives and their role in the change. Employee involvement through question and answer sessions, meetings, or discussion forums can help them understand and feel involved in business transformation. Accommodating employee input and considering their perspectives can also increase alignment and participation, (6) Monitoring and evaluation: It is important to continuously monitor and evaluate the alignment of the workforce with the business transformation strategy. This involves monitoring employees' progress in developing required skills, evaluating the results of the business transformation, and re-strategic adjustments where necessary. Involving employees in the evaluation process and providing feedback can help improve workforce alignment. By taking these steps, organizations can ensure that their workforce is ready and aligned with new business transformation strategies after the pandemic.

How can companies cultivate a culture of agility and adaptability to address the uncertainties and challenges associated with business transformation after COVID-19? To foster a culture of agility and adaptability in the face of the uncertainties and challenges of business transformation after COVID-19, companies can take the following steps: (1) Supportive leadership: A culture of agility and adaptability starts from the top. Company leaders need to demonstrate and encourage attitudes and behaviors that emphasize the importance of agility and adaptability. They must set a good example of responding to change, sharing information transparently, and taking the necessary risks. Through supportive leadership, employees will feel encouraged to adapt quickly and proactively, (2) Flexibility in organizational structure: Companies need to have an organizational structure that is flexible and adaptable. This can mean minimizing bureaucracy, promoting communication across teams, and creating faster and more responsive decision-making channels. Flexibility in the organizational structure allows companies to adapt quickly to changes and implement transformation initiatives more smoothly, (3) Continuous learning and innovation: A culture of agility and adaptability is driven by continuous learning and innovation. Companies need to create an environment that encourages employees to learn actively, try new things, and share knowledge and ideas. Through activities such as training, seminars or discussion forums, employees are encouraged to develop new skills and maintain their curiosity about market and technological developments, (4) Open and transparent communication: Open and transparent communication is essential in building a culture of agility and adaptability. Companies need to provide clear information about the upcoming changes, the reasons behind the business transformation, and how employees can contribute. In addition, establishing an open channel of communication between management and employees enables the exchange of ideas, feedback, and effective collaboration in dealing with transformational challenges, (5) Rewards

and recognition: Recognizing and acknowledging the efforts and contributions of employees in facing transformational challenges is an important step to building a culture of agility and adaptability. Companies can provide awards, praise or incentives to employees who show attitudes and actions that support business transformation. This will motivate other employees to adapt and contribute optimally, (6) Employee involvement: Involving employees in the business transformation process can provide a greater sense of ownership and responsibility for the changes that occur. Organizations can hold collaborative sessions, brainstorming, or cross functional workgroups to solve problems or design innovative solutions. Employee involvement in decision making and planning can provide diverse perspectives and produce better solutions. By adopting this approach, companies can build a strong culture of agility and adaptability, which will help them deal more successfully with the uncertainties and challenges associated with post-COVID-19 business transformation.

CONCLUSION - CAPITAL LETTERS, BOLD AND DO NOT HAVE CHAPTER NUMBER

Several strategies that can be implemented in businesses to adapt after the Covid-19 pandemic, namely: Increasing online presence, Diversifying products and services, Increasing operational flexibility, Focusing on security and health, Strengthening customer relationships, Optimizing data usage. Digital technology can be utilized to become the key to driving business transformation after the pandemic. There are several steps that companies can take, namely: Setting a vision and transformation strategy, Strong transformation leaders, Engagement and strong communication, Employee engagement, Detailed action plans, Measuring and monitoring progress, Flexibility and adaptability. The workforce and strategies used for post-pandemic transformation can be pursued by following steps: Mapping skills and competencies, Updating skills needs, Training and development, Selection and placement of the right employees, Communication and involvement, Monitoring and evaluation. In addition, the culture of dexterity and adaptability also needs to be improved.

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Contemporary Exploration of Social Sciences Inquiries with New Approaches in the Post-Pandemic Era 2

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CHAPTER 5

The Effect of Financial Ratio on Fraudulent Financial Reporting During The Covid-19 Pandemic

Tyas Widyanti¹, Nurhastuty Kesumo Wardhani^{2*}, Khomsiyah³, Titik Aryati⁴,

^{1,2,4}Master of Accounting, Universitas Trisakti, Jakarta, Indonesia

³PhD Program in Economics, Universitas Trisakti, Jakarta, 11440, Indonesia

*Corresponding author: nurhastuti@trisakti.ac.id

ABSTRACT

Background/Problems: Financial ratios are a factor that influences the occurrence of fraudulent financial statements (Chakroun et al., 2021). A financial crisis is the financial condition of a company that experiences difficulties in fulfilling its obligations, which can eventually lead to bankruptcy of the company (Younas et al., 2021). A company is said to be in financial trouble if it cannot or has difficulty fulfilling financial obligations and generates negative profits (Mariano et al., 2021). To predict whether a company will experience financial difficulties, in general financial ratios and non-financial information obtained in the income statement can be used; report of financial position; statement of cash flows and disclosure in the financial statements.

Objective(s): The aim of this research is to look at the effect of financial ratios on fraudulent financial reporting during the Covid-19 pandemic. This study contributes theoretically to the results of research showing that it is important to know how the impact of financial ratios on fraudulent financial reporting. This research is expected to be able to analyze the impact of financial ratios on fraudulent financial reporting which varies significantly.

Results and Discussion : Liquidity has a negative effect on fraudulent financial reporting. The results of this study have the same results as the research conducted by Zainudin & Hashim (2008) which states that Liquidity has a significant effect on fraudulent financial reporting.

Conclusions: This study has seen a negative effect of profitability and a negative effect of liquidity on fraudulent financial reporting. Profitability is measured by proxy net profit to revenue is rejected so that profitability has no effect on fraudulent financial reporting. It's different with liquidity, this variable with working capital to total assets as a proxy has acceptable results so it can be concluded that liquidity has an influence on fraudulent financial reporting.

Keywords: Financial Reporting Fraud, Financial Ratios, and Covid-19

1. INTRODUCTION

Financial statement fraud is a problem for the external auditor because of the inability to detect misstatements in the financial statements, but it also affects the reputation of the external auditor due to the fact that public dissatisfaction is obvious. Financial statement fraud is often in the form of falsifying financial statements for the purpose of profit (Nia, 2015a). There are many examples and schemes of financial statement fraud such as improper disclosure, conceal liabilities and so on.

Financial ratios are factors that influence the occurrence of fraudulent financial statements (Chakroun et al., 2021). A financial crisis is a financial condition of a company that is experiencing difficulties in fulfilling its obligations, which can eventually lead to bankruptcy of the company (Younas et al., 2021). A company is said to be in financial trouble if it cannot or experiences difficulties in fulfilling financial obligations and generates negative profits (Mariano et al., 2021). To predict whether a company will experience financial difficulties, in general financial ratios and non-financial information obtained in the income statement can be used; report of financial position; statement of cash flows and disclosure in the financial statements.

For example, in Indonesia, PT Kimia Farma's financial reports were found to be anomaly, resulting in over-reporting of net profit in 2001. In addition, one case of fraud was found at Petral, a subsidiary of Pertamina, in 2015, which cost Pertamina an increase in import prices, fuel and crude oil (Reuters, 2015). The huge amount cases of fraud suggest that more research is needed to find effective methods that detect potential fraud in companies (Dalnial, Kamaluddin, Sanusi, & Khairuddin, 2014). Several methods can be used to detect fraudulent financial reporting, one of which is through the use of financial ratios.

Formulation of the research problem :

1. Is there a negative effect on *profitability* on *fraudulent financial reporting* during the Covid-19 pandemic ?
2. Is there a negative influence *liquidity* for *fraudulent financial reporting* during the Covid-19 pandemic ?

Based on the formulation of the problem , this study aims at:

1. Analyzing negative influences *profitability* towards *fraudulent financial reporting* during the Covid-19 pandemic .
2. Analyzing negative influences *liquidity* on *fraudulent financial reporting* during the Covid-19 pandemic.

This study contributes theoretically to the results of research on fraud showing that it is important to know how the impact of financial ratios on fraudulent financial reporting. This research is expected to be able to analyze the impact of financial ratios on *fraudulent financial reporting* which varies significantly and to provide empirical evidence during pandemic.

2. LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Agency theory is an agent contract with the principal performs certain services with the aim of the interests of certain parties (Jensen & Meckling, 1976). There are two parties involved in agency theory, namely agents and principals. Principals minimize the possibility of deviation from their own interests through way of incentivizing agents, there are costs incurred in monitoring the failure of the principal to do the right thing, distorting the interests of the

principal. The agency relationship theory can also be fulfilled by the relationship that occurs between shareholders and company managers.

2.1 Literature Review

Agency theory has the objective in determining the most efficient contract between the principal and the principal (Eisenhardt, 2007). There are three assumptions on agency theory: (1) personal interests of principals and agents; (2) differences in interests between principals and agents; (3) Information obtained from outsiders. These agency costs occur when agents and principals act for their own benefit. Agency theory can occur in any business. There are different interests principals and agents create agency problems that can affect the financial statements prepared company. With the agency cost theory, agents must be able to generate good profits for the company. With the principal as the watchdog of the agent, businesses can avoid fraudulent financial reporting.

2.2 Hypothesis Development

Financial ratios and *fraudulent financial reporting*

One form of management fraud is fraudulent financial reporting. Fraudulent financial reporting is a fraudulent practice management that deliberately harms investors and creditors by providing inaccurate financial reports in order to mislead the users (Kuang & Lee, 2017). According to (Beasley, 1996) fraudulent financial reports prepared intentionally or negligently as a result of concealed or inaccurate information that leads to material misstatement in the financial statements. Financial statement fraud can come from efforts to hide fraudulent practices within the company or it can increase the value of the company deliberately (Hasnan et al., 2020).

The occurrence of fraudulent financial reporting has unlimited potential and can be seen to be increasingly important in the eyes of the public and global regulators as it has been harmful for public interest (Dalnial et al., 2014b). Many believe that the motivation in fraud is due to the external pressure of corporate interests to meet or exceed analyst expectations. Pressure to meet or exceed analysts' expectations both internal and external parties has led many companies to commit fraudulent financial reporting (Cox & Weirich, 2002). The negative impact of fraudulent corporate financial reporting certainly does not only affect management and shareholders, but also creates a negative reaction such as fear in the capital market in general.

Profitability is one indicator to measure a company's ability to generate profits from its resources (Zainudin & Hashim, 2016). Profitability is an assessment of a company's performance in generating profit levels (Badu, 2013). According to (Yazdanfar, 2013) business profitability is considered as an important initial condition for business survival and long term success. In the competitive market is getting tougher on the upgrade side efficiency and price pressures; the company experienced difficulties in achieving profitability. Profitability can measure a company's ability to profit from its resources. Companies that are successful in their industry are due to their ability to access various kinds of resources so as to gain a competitive advantage (Safdar, 2018).

The research results (Zainudin & Hashim, 2016) prove that *profitability* can detect *fraudulent financial reporting* as it signals the outsiders. So that this research contradicts the research conducted (Nia, 2015b) that profitability has no significant effect in detecting fraudulent financial reporting, in line with the results of research from (Dalnial et al., 2014b). (Kaminski et al., 2004) states that *profitability* has limitations so that it is considered insignificant in detecting *fraudulent financial reporting*.

Liquidity can measure the company's ability (Zainudin & Hashim, 2016) to pay short-term debt. Liquidity is the company's ability to fulfill all of its short-term obligations when they fall due date (Rubio & Carrasco-Gallego, 2016). According to (Adrian & Shin, 2010), liquidity is used as a general indicator relating to conditions in financial markets. Based on research (Goel et al., 2015), there are three main approaches to liquidity management, namely aggressive, moderate and conservative. An aggressive approach is taken by keeping current assets low and current liabilities high. Meanwhile, a conservative approach is adopted by keeping current assets high and current liabilities low. The moderate approach lies between the aggressive approach and the conservative approach.

Liquidity has a significant impact on financial statement fraud (Zainudin & Hashim, 2016). This is different from the results of research (Nia, 2015b) that reveal liquidity have influence which is not significant to fraudulent financial reporting. The insignificant was revealed by the research (Kaminski et al., 2004) that revealed it liquidity has limitations so it is considered insignificant in detecting fraudulent financial reporting .

H1: There is a negative influence profitability towards fraudulent financial reporting during the Covid-19 pandemic.

H2: There is a negative influence liquidity on fraudulent financial reporting during the Covid-19 pandemic.

2.2.1 Conceptual Framework

From prior studies to the research limitations that have been stated, the conceptual framework of the research is as follows:

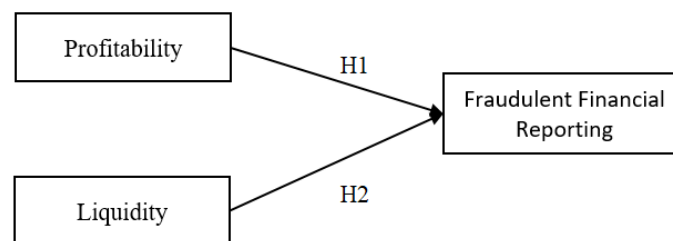


Figure 1. Conceptual Framework

2.2.2 Research Methodology and Economic Model

Research design

The purpose of this research is to test the hypothesis of the influence of the significance of the independent variables on the dependent variable. The time dimension of the research is *data pooling* , Where data processing tool used is SPSS .

Dependent variable

Dependent variable: *fraudulent financial reporting*. The *fraudulent financial reporting* variable will be measured by comparing the P-Score (Pustylnick, 2011) and Z-Score (Altman, 1968). Fraud in financial statements can be measured by the Z-Score (Altman, 1968). The data to be generated by the Z-Score formula is a *dummy* variable . The formula to be used is as follows:

Determination of Fraud and Non-Fraud:

$$\Delta P \geq \Delta Z \rightarrow 1 \text{ (Fraud)}$$

$$\Delta P < \Delta Z \rightarrow 0 \text{ (Non-Fraud)}$$

Rate of Change of P-Score:

$$\Delta P = (P_t - P_{t-1}) / |P_{t-1}|$$

$$\Delta Z = (Z_t - Z_{t-1}) / |Z_{t-1}|$$

$$P = 1.2 X_1 + 1.4 X_2 + 3.3 X_3 + 0.6 X_4 + 1.0 X_5 \dots\dots\dots(1)$$

Where:

$$X_1 = \frac{\text{Shareholders Equity}}{\text{Total Assets}}$$

$$X_2 = \frac{\text{Retained Earnings}}{\text{Total Assets}}$$

$$X_3 = \frac{\text{EBIT}}{\text{Total Assets}}$$

$$X_4 = \frac{\text{Market Value of Equity}}{\text{Book Value of Total Debt}}$$

$$X_5 = \frac{\text{Revenue}}{\text{Total Assets}}$$

$$Z = 1.2 X_1 + 1.4 X_2 + 3.3 X_3 + 0.6 X_4 + 1.0 X_5 \dots\dots\dots(2)$$

Where:

$$X_1 = \frac{\text{Working Capital}}{\text{Total Assets}}$$

$$X_2 = \frac{\text{Retained Earnings}}{\text{Total Assets}}$$

$$X_3 = \frac{\text{EBIT}}{\text{Total Assets}}$$

$$X_4 = \frac{\text{Market Value of Equity}}{\text{Book Value of Total Debt}}$$

$$X_5 = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Independent variable

The independent variables are profitability and liquidity. Profitability is a tool used to measure a company's power in generating profits from its resources (Zainudin & Hashim, 2016). Profitability is the value of the company's performance in generating certain profits (Badu, 2013). Low margins allow management to overstate revenues and understate costs. The profitability variable is measured by making a comparison between net profit and income.

$$\text{Profitability (PROF)} = \frac{\text{Net Profit}}{\text{Revenue}}$$

Liquidity used for the ability to repay the company's short-term debt (Zainudin & Hashim, 2016). Meanwhile, according to (Rubio & Carrasco-Gallego, 2016), liquidity is the ability to fulfill all short-term obligations that are due in a timely manner by the company. Liquidity can be known by comparing the working capital and total assets.

$$\text{Liquidity (LIQ)} = \frac{\text{Working Capital}}{\text{Total Assets}}$$

The research model in hypothesis testing is:

$$\text{Logit (p)} = \alpha + \beta_2 \text{PROF} + \beta_2 \text{LIQ} + \epsilon \dots\dots\dots(3)$$

Where:

P = Possible Y = 1 = Fraudulent financial reporting

α = Constant

PROF = Net Profit / Revenue

$$LIQ = \text{Working Capital} / \text{Total Assets}$$

$$\varepsilon = \text{error}$$

Unit of analysis, data type and sampling method

Research population is a company listed on the IDX for 2019 to 2021 of the manufacturing industry in the consumer goods sector. The data collection technique from this population uses data *pooling*, namely by combining purposive sampling and cross-sectional. The criteria that become the decision in taking company data:

1. Quarterly financial reports three for the periods 2019, 2020, and 2021 from the manufacturing industry in the consumer goods sector.
2. Company listed its shares on the IDX (became an IPO) in 2019, 2020, and 2021 from the manufacturing industry in the consumer goods sector.
3. The company publishes financial reports that have complete data information and can be used to analyze each variable proxy for *fraudulent financial reporting*.
4. The company publishes financial reports using the rupiah currency.

3. RESULTS AND DISCUSSION

The secondary data used in this research is registered on the IDX from 2019 to 2021. The sample selection is a purposive sampling method.

Table 1: Sampling Criteria

No	Criteria	Amount
1	company financial reports for 2019, 2020 and 2021 from the manufacturing industry in the consumer goods sector.	53
2	Companies that do not publish third quarter financial reports respectively from the manufacturing industry to the consumer goods sector.	(10)
3	The sample is a company that publishes quarterly reports ending on September 30 during the study period.	43
4	The sample publishes financial reports with complete information that can be used to analyze each variable proxy for <i>fraudulent financial reporting</i> .	43
Total Observations of 43 Companies x 3 years (2019-2021)		129

Descriptive statistics

Table 2: Statistical Descriptive Test

		FFR				
		frequency	%	valid %	cum %	
Valid	Non Fraud	48	37,2	37,2	37,2	
	Fraud	81	62,8	62,8	100.0	
	Total	129	100.0	100.0		
		N	Min	Max	Means	std. Dev
PROF	129	-17.1775	5.9407	-,044869	1.6178744	
LIQ	129	-,7823	,8696	,249981	,2713138	
Valid N	129					

(listwise)

This study has tested that 48 samples (37.2 %) of the total population belong to companies that do not carry out fraudulent financial reporting while the other 81 samples (62.8 %) are companies that carry out fraudulent financial reporting.

Model feasibility test

Table 3: Hosmer and Lemeshow test

step	Chi-square	df	Sig.
1	10.182	8	0.252 _

Table 4.3 test results, the logistic regression model meets the feasibility of the data. Judging from the *Hosmer and Lemeshow* significance value , the Chi-square value is 10.182 with a significance value of 0.252. A significance value greater than 5% alpha means that Ho is accepted. In other words, testing analysis can be carried out because the data analyzed in the logistic regression model fulfills the eligibility.

Test the feasibility of the entire model

Table 4: Overall Fit Model Test

		Iteration History ^{a,b,c,d}				
		-2 log likelihoods	Constant	Coeff PROF	LIQ	
Iterations	Step 1	1	165,980	,822	-.071	-1.253
		2	165,903	,888	-.087	-1.395
		3	165,903	,889	-.088	-1.398
		4	165,903	,889	-.088	-1.398

a. Method: Enter

b . Constant is included in the model.

c. Initial -2 Log Likelihood: 170,296

d. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001 .

In this logistic regression model, the initial value of -2LL, the effect between profitability and liquidity on fraudulent financial reporting is 170.296. Then, the value of -2LL decreased to 165.903 after including the independent variables. Based on the results of the -2LL impairment

of the logistic regression model, the regression model is considered good or the model is hypothesized to be fit with the data.

Logistic regression analysis

Table 5: Logistic Regression Analysis

Dependent Variable			
Var	FFR Koef	Prob	Conclusion
C	0.889	0.001	
PROF	-0.088	0.538	H1 Rejected
LIQ	-1.398	0.051	H2 Accepted
Nigelkerke R ²		0.046	
Cox & Snell R ²		0.033	
Omnibus Chi Square		4,393	
Sig.		0.111	

As seen in table 4.5, the value of *the Nagelkerke R Square* logistic regression model is made to show a value of 0.046. It means that the variable capability of *profitability* and *liquidity* for *fraudulent financial reporting* is 4.6 %. The remaining value is 96.4 % (100% - 4.6 %) indicates that there are other variables that influence *fraudulent financial reporting* .

The results of the data processing above show that the Chi Square value is 4,393 and a sig of 0,111 > 0.05 , which means Ho is accepted. One of the two independent variables has Ho rejected, namely *profitability*. In contrast, *liquidity* has a significant influence on *fraudulent financial reporting*.

t test (partial)

Seen in the hypothesis test table, the interpretation of the regression model is obtained:

1. The negative effect of *profitability* on *fraudulent financial reporting* during the Covid-19 period.

Profitability has a negative effect on *fraudulent financial reporting* as stated in the regression coefficient value of -0.088 and this result is in accordance with the proposed hypothesis. Based on the results of the t-statistical test, the significance value of t is 0.915 > 0.05 (alpha 5%) so that the null hypothesis is accepted, which means that there is no *profitability* effect on *fraudulent financial reporting*.

The results of the research are not in accordance with the results of previous studies by Zainudin and Hashim (2016) and Kreutzfeldt and Wallace (1996) which confirmed that there is an effect of *profitability* on *fraudulent financial reporting*. Opinion Kreutzfeldt and Wallace (1996), companies that have *profitability* problems are likely to make higher errors in communicating financial statements than companies that do not have *profitability* problems.

2. The negative effect of *liquidity* on *fraudulent financial reporting* during the Covid-19 period.

Liquidity has a negative effect on *fraudulent financial reporting* according to the table which shows the regression coefficient value of -1.398. These results are in accordance with the proposed hypothesis. Based on the results of the t-statistical test, the significant value of t is 0.051 < 0.10 (alpha 10%) so that the null hypothesis is rejected which also means that there is an effect of *liquidity* on *fraudulent financial reporting*.

The research results are not in accordance with the results of previous research by Nia (2015) and Kaminski et al., (2004) that liquidity has no effect on fraudulent financial reporting. However, the results of this study have the same results as the research conducted by Zainudin & Hashim (2008) which states that *Liquidity* has a significant effect on *fraudulent financial reporting*.

4. CONCLUSION

This study has seen a negative effect of *profitability* and a negative effect of *liquidity* on fraudulent financial reporting. Profitability is measured by proxy *net profit to revenue* is rejected so that profitability has no effect on fraudulent financial reporting. In contrast to liquidity, this variable with working capital to total assets as a proxy has acceptable results so it can be concluded that *liquidity* has an influence on fraudulent financial reporting.

Limitations

Research limitations:

1. The research uses a time period limited to three years, namely from 2019 to 2021 where the resulting research results can describe short-term conditions.
2. The companies used only include companies from the consumer goods sector manufacturing industry, besides that the sample that can represent this research is only 43 companies.
3. The variables used for measurement in this study only use financial ratios.

Implications

The results of this research can be used as further theoretical development or application in current business practices. Implications of research:

1. Theory Implications
The research is able to explain the previous theory regarding fraudulent financial reporting, profitability, and liquidity. This can be done for a review or for further development.
2. Practical Implications
Research will be a contribution to the government and/or companies to reveal the potential for fraud in financial reporting as well as an external mechanism to encourage companies not to commit fraud in financial reporting, especially through tightening regulations regarding the preparation of financial reports to produce good results.

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Contemporary Exploration of Social Sciences Inquiries with New Approaches in the Post-Pandemic Era 2

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CHAPTER 6

Determinants that Composite Price Index in Indonesia during Pandemi Covid-19

Tri Kunawangsih, ^{1,a)}*, **Agustina Suparyati^{1,b)}**,
Evander Slamet ^{1,c)}, **Aditya Prayoga^{1,d)}**

^{1a,1b, 1c,1d}, Applied Finance Undergraduate, Economics and Business, Universitas Trisakti, Jakarta, Indonesia

^aCorresponding author: trikunawangsih@trisakti.ac.id

^bElectronic mail : - Agustina_suparyati@trisakti.ac.id

ABSTRACT

This study aims to analyze the effect the number of positive casse of Covid-19 in Indonesia, Bitcoin, gold, Indonesian Central Bank interest rate and USD/IDR exchange rate on the Composite Stock Price Index during the Covid-19 pandemic. This study uses the Auto Regressive Distributed Lag Model (ARDL) approach with a research period of 6 March 2020 until 29 April 2022. Based on the results of the study, it shows that Bitcoin has a positive effect on the CPI and the USD/IDR exchange rate has a negative effect on the CPI during the Covid- 19 pandemic, while the number of positive cases of Covid-19 in Indonesia, world gold and Indonesian Central Bank interest rates have no significant effect on the CPI.

Keywords: Covid-19, Bitcoin, gold, Indonesian central bank rate, USD/IDR exchange rate

1. INTRODUCTION

Investors in investing activities will consider the level of risk and return of the investment to be made. Each investor will have a different risk profile. The risk profile of an investor will greatly influence investment decision-making, especially allocating investment funds (Aeknarajandawat, 2020). Investors with a high risk profile will be more interested in investment instruments with a high level of risk that have a high return potential, while investors with a low risk profile will prefer to invest in instruments with a low level of risk even though the potential for returns is low. Global and national economic conditions affect the risk level of investment instruments. When economic conditions are bad, investment risk increases, while in good economic conditions, risks tend to be lower. The COVID-19 pandemic that occurred in 2020 had an adverse impact on the global economy. On January 30, 2020, WHO declared a global health emergency due to the high spread of COVID-19 in China. COVID-19 has a high transmission rate and has spread to many countries in a short time. The peak of the pandemic occurred in March 2020, with countries implementing lockdowns, social distancing, and self-quarantine to break the chain of transmission. This policy had a negative impact on the world economy due to a slowdown in economic activity, including stalled or reduced exports and imports.

The world economy, which has slowed due to COVID-19, has had a negative impact on the Indonesian economy. One of the economic indicators, namely the Composite Stock Price Index (IHSG), has experienced a significant weakening. The decline in the JCI indicates a sluggish stock market condition, so stock instruments become an investment that is less attractive to investors because the returns generated are low. Investors need to reorganize their portfolios to maximize the returns on their investments so that there will be a transfer of funds from the stock instrument to other investment instruments.

Stocks are investment instruments that are of interest because of their relatively high rate of return and medium level of risk. Stock price movements are influenced by economic factors. The return on shares comes from capital gains (the difference between buying and selling prices) and dividends (part of the company's profits). Another investment instrument of interest in 2020 is Bitcoin. Bitcoin offers high returns in a short timeframe and trading flexibility. However, the risk of Bitcoin is also high because its price movement is unlimited. Bitcoin is a virtual currency that is not guaranteed by the Central Bank, and its value is determined by supply and demand.

With increasing uncertainty in economic conditions due to the pandemic, gold is considered a safe haven that is not affected by uncertain economic conditions due to the pandemic. Even though the return from gold is smaller than stocks and bitcoin, the price of gold tends to increase in the long term. The advantages of gold include freedom from taxes, universal value, and high levels of liquidity. Financial products with interest returns, such as bank deposits and savings, are also alternative investments with low risk. The interest rate set by Bank Indonesia affects the yield on interest-based financial products. Currency exchange rates also play an important role in the movement of stock prices in the Indonesian capital market due to share ownership by foreign investors. Exchange rates can be used as a means to obtain capital gains because their values are always changing.

1.1 Research Problem and Research Question

This study develops several research questions which are as follows:

1. Does the number of positive cases of COVID-19 affect the Composite Stock price Index during the COVID-19 pandemic?
2. Does the bitcoin price affect the Composite Stock Price Index during the COVID-19 pandemic?
3. Does the gold price affect the Composite Stock Price Index during the COVID-19 pandemic?
4. Does the interest rate affect the Composite Stock Price Index during the COVID-19 pandemic?
5. Does the exchange rate affect the Composite Stock Price Index during the COVID-19 pandemic?

2. LITERATUR REVIEW

2.1 Literatur Review from each variable

2.1.1 Pandemic Covid-19

COVID-19 is a virus that works to attack the respiratory system and has common symptoms such as fever, cough, sore throat, headache, fatigue, and shortness of breath. At the end of the first week, the disease can develop to cause pneumonia, respiratory failure, or death (Harapan et al., 2020).

2.1.2 Composite Stock Price Index

The Composite Stock Price Index (IHSG) is an index of all issuer shares in Indonesia listed on the Indonesia Stock Exchange (IDX), which is made in the form of an index that provides an overview of stock market conditions in the form of historical data on stock price movements in the form of an index (Sunariyah, 2006). Composite Stock Price Index can be used by investors to analyze the stock market. Composite Stock Price Index is useful to see the condition of the stock market as a whole. When the Composite Price Index is strengthening, most stocks are experiencing a strengthening in price, whereas if the Composite Price Index is weakening, most of the stocks are experiencing a weakening in price.

2.1.3 Bitcoin

Bitcoin is a digital currency designed for efficient and fast transactions. It was created by Satoshi Nakamoto in 2009 and aims to facilitate transactions with lower costs. Bitcoin operates on an open market system, with fiat currencies used as a currency. The Central Bank manages the fiat currency, while Bitcoin's demand and supply are determined by the market.

2.1.4 Gold

Gold is an investment that tends to be risk-free or has a relatively small risk. The value of gold tends to be stable and continues to increase. Gold can also be used to protect asset values from inflation, which occurs every year (Sunariyah, 2006).

2.1.5 Interest Rate

Interest is the commission paid by the borrower for the loan received, as well as the reward for the lender (Glenn, 2005). The rewards given for loans are in the form of a percentage of the total funds lent.

2.1.6 Exchange Rates

The exchange rate is the value that shows how much of a country's currency is needed to obtain one unit of another country's currency (Sukirno, 2003).

2.2 Previous Research

In previous research, there were several empirical studies that tested the factors that influenced the Composite Stock Price Index. Empirical study of the covid pandemic gold prices and interest rates on the composite price index. There are also various studies to study macro factors that can influence the composite stock price index such as interest rates and exchange rates or exchange rates.

2.3 Hypothesis Development

We develop hypotheses to provide clarification of the problem statement or research questions:

H1 : The rate of positive cases of Covid-19 has a negative effect on the CPI

H2 : The price of Bitcoin has a negative effect on the CPI.

H3 : The world gold price has a negative effect on the CPI.

H4 : Interest rate has a negative effect on the CPI

H5 : Exchange rate has a negative effect on the CPI..

2.4 Research Framework

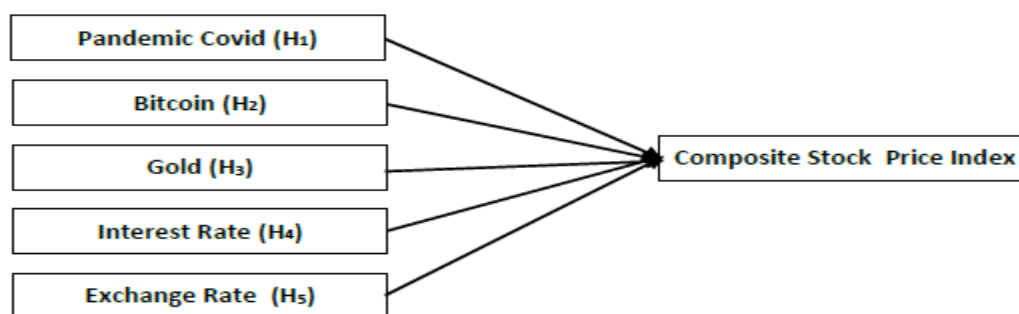


Figure 2.1 Research Framework

Figure 1 shows the research framework. For the independent variables, we used number positive case covid-19 (X1), bitcoin (X2), gold (X3). In terms of external factors, we use the underwriter's interest rate variable (X4) and exchange rates (X5). For the dependent variable, this study used CPI (Composite Stock Price Index).

3. Research Method

3.1 Data Collection

All data in this study is secondary data which is collected annually from various sources. the research used is time series research. The data collected from this study were obtained from the websites of the Statistics Indonesia (BPS), the Indonesian Stock Exchange (IDX) and Bank Indonesia.

3.2 Econometric Model and Variables

The analytical tool used in this research is regression with the Auto Regressive Distributed Lag (ARDL) method with weekly time series data with a research period of March 6, 2020, to April 29, 2022..

$$CPI = \alpha + \beta_1 CVDt + \beta_2 BTC)t + \beta_3 (GLD)t + \beta_4 (BIR)t + \beta_5 (KRS)t + \varepsilon$$

Information :

CPI : Composite Stock Price Index (CPI)

α : Constant
 $\beta_1, \beta_2, \beta_3$: Coefficient Regression
 CVD : Number of Positive Covid-19 in Indonesia
 BTC : Bitcoin Price
 GLD : Gold Price
 BIR : Interest Rates
 KRS : Exchange Rates
 ε : error

4. RESULT AND DISCUSSION

Table 4.1 Descriptive Statistical Results

	IHSG	CVD	BTC	GLD	BIR	KRS
Mean	5894.377	2143121.	472.3894	1817.343	3.772124	14471.60
Median	6041.366	1523179.	536.0000	1810.890	3.500000	14382.00
Maximum	7235.532	6046467.	919.0000	2034.620	4.750000	16441.26
Minimum	4194.944	8.000000	85.00000	1497.640	3.500000	13854.86
Std. Dev.	759.5287	2016180.	264.5100	92.66216	0.369842	436.7823
Observations	113	113	113	113	113	113

Source : Eviews12

4.1 Stasionarity Test

Based on the results of the study, it can be seen that of the 6 variables, there are 2 that are stationary at the level, namely CPI and CVD, while the remaining 4 variables, namely BTC, GLD, BIR, and KRS, are stationary at the first difference. From stationary testing, it can be concluded that the model used in this research is a dynamic model.

Table 4.2 Output Stasionarity Test

Variabel	Level		1 Difference	Stasioneritas
	Trend	Trend and Intercept	None	
CPI	0.8784	0.0120	0.0000	Level
CVD	0.0127	0.3133	0.0021	Level
BTC	0.5868	0.9611	0.0000	1 st difference
GLD	0.0948	0.2541	0.0000	1 st difference
BIR	0.0948	0.2541	0.0000	1 st difference
KRS	0.0953	0.2080	0.0000	1 st difference

Source : Eviews12

4.2 Optimal Interval Determination

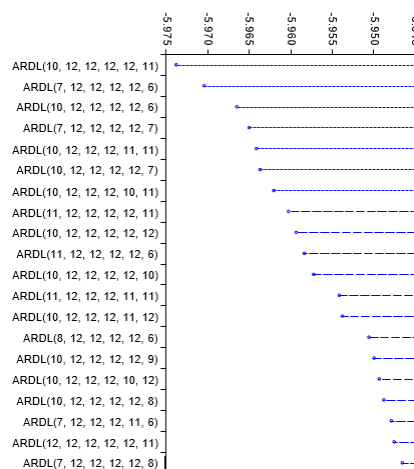


Figure 4.1 Optimal Interval Determination

Based on the graph, it can be seen that the 20 best models are based on the value of the Akaike

Information Criteria (AIC). The most optimal intervals are (10, 12, 12, 12, 12, 12, 11). Hoses with a length of 10 are for CPI variables; hoses with a length of 12 are for CVD, BTC, GLD, and BIR variables; and hoses with a length of 11 are for KRS.

4.3 Stability Test

The stability test on the research model was carried out using the CUSUM test by looking at the resulting CUSUM line. Based on the test results with the CUSUM test, the line from CUSUM did not cross the 5% significance line, so it can be concluded that the model used is stable.

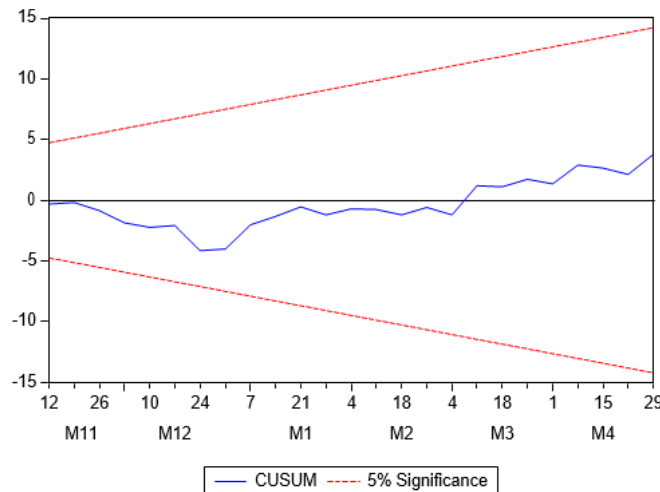


Figure 4.2 Output Stability Test

4.3 Classic Assumption

The classical assumption test is carried out to ensure that the results of the regression are not skewed. A good model is one that meets the Best Linear Unbias Estimator (BLUE) criteria. The following is the result of testing the classic assumptions in Eviews.

Table 4.3 Output classic assumption

Testing	Parameter	Value
Normalitas	P-value	0.185121
Autokorelasi	Prob. Chi-Square	0.7514
Heterokesdasitas	Prob. Chi-Square	0.6209

Source: Data Processed

The test results show several decisions related to normality tests, autocorrelation, and data heteroscedasticity. First, the data normality test was performed using the histogram normality test. The p-value is $0.185121 > 0.05$, which indicates that the errors are normally distributed. Second, the autocorrelation test was performed using the Breusch Pagan Serial Correlation LM Test. The Chi-Square probability value is $0.7514 > 0.05$, so it can be concluded that there is no autocorrelation in the data. Finally, the heteroscedasticity test was performed using Breusch and Pagan Godfrey. The Chi-Square probability value is 0.6209 , which indicates that there is no heteroscedasticity in the data. Thus, based on the test results, it can be concluded that the errors are normally distributed, there is no autocorrelation, and there is no heteroscedasticity in the data used.

4.4 Research Hypothesis Testing Results

Table 4.4 shows the results of the regression. The results of testing the fit model produce an adjusted R square value of 0.591650, which means that variations from the independent variables, namely pandemic covid, bitcoin price, gold price, interest rate and exchange rates are able to explain the variation of the dependent variable, namely Composite Stock Price Index, of 59.16%, while the rest, namely 41%, is the variation of other independent variables that affect Composite Stock Price Index but are not included in the model. The simultaneously test results yield p-value of $0.001 < 0.05$, which means that H_0 is rejected and H_a is accepted, so it can be concluded that there is at least one independent variable that has a significant effect on the dependent variable.

Table 4.4 Output t-Test (Partial Test)

Variable	Sig.	Decision
CVD	0.1524	Not Supported
BTC	0.0052	Supported
GLD	0.0593	Supported
BIR	0.1967	Not Supported
KRS	0.0291	Supported
Adjusted R-Squared	0.591650	
Prob(F-Statistic)	0.001784	

4.3 Result Analysis and Discussions

1. Variable Number positive Covid-19 Affect CPI

Based on the paragraph, the CVD variable has a probability of 0.1524, which indicates that the variable is not significant. The number of positive cases of COVID-19 has no impact on changes in the value of the Composite Stock Price Index (CPI/IHSG). The results of this study contradict the hypothesis, which states that the number of positive cases has a negative effect on the CPI. However, previous studies also obtained similar results, where COVID-19 did not have a significant impact on the CPI. One of the factors that supports the strengthening of the CPI is society's adaptation to technology due to the pandemic. Technological adaptation makes the dissemination of information about stocks faster, and this can provide quick benefits for society. Along with that, there has been an increase in the number of registered Single Investor IDs (SID), indicating an increase in public interest in investing. Data from the Indonesian Central Securities Depository (KSEI) shows that the number of SIDs in December 2021 increased by 92.99% compared to December 2020. The increase in the number of SIDs was one of the factors driving the JCI to strengthen during the pandemic.

2. Variable Bitcoin Affect CPI

Based on that paragraph, the BTC variable has a probability of 0.0052 and a coefficient of 0.193582, so it can be concluded that this variable has a significantly positive effect. A 1% increase in the bitcoin price will have an impact on an increase in the value of the CPI of 19%. The results of this study contradict the hypothesis, which states that bitcoin prices have a negative effect on the CPI. There are differences in the results of this study with previous studies, where previous studies have shown that bitcoin has a negative effect on the CPI. Investment in bitcoin has seen an increase in the number of investors in 2020 and 2021. Bitcoin offers higher returns compared to stocks due to a different trading mechanism. Bitcoin is not bound by price restrictions like stocks, so bitcoin price movements can be bigger. In addition,

investing in bitcoin also offers more flexible trading hours with 24-hour trading, in contrast to the stock market, which has limited trading hours.

3. Variable Gold Affect CPI

Based on the paragraph, the GLD variable has a probability of 0.0593, so it can be concluded that this variable is not significant. The ups and downs of world gold prices have no effect on the value of the CPI. The results of this study contradict previous studies, which stated that gold has a negative effect on the CPI. However, there are other studies with similar results to this one, namely that the price of gold has no effect on the CPI. In investment activities, diversification is a practice to minimize risks and losses by dividing capital into different types of investments. Gold is a type of investment that does not require constant monitoring, like stocks. Gold generally has a higher value in the long term and tends to exceed the rate of inflation. Although gold has the potential to decrease in value, its value generally increases over time. In conclusion, gold does not have a direct effect on the CPI value because investors may have divided their capital into various types of investments.

4. Variable Interest Rate Affect CPI

Based on that paragraph, the BIR variable has a probability of 0.1067, so it can be concluded that this variable is not significant. Rising and falling BI interest rates will not have an impact on the CPI value. The results of this study contradict the proposed hypothesis, namely that the BI interest rate has a negative effect on the CPI. In addition, the results of this study are also contrary to previous studies, which state that gold prices have a negative effect on the CPI. Banking investment instruments have properties similar to gold; that is, they do not need to be monitored continuously because the assets and return on assets are already guaranteed by the bank. The possibility of a reduction in the value of investment assets in banking instruments is very small, so investors generally do not use banking investment instruments as an alternative but as investment diversification. Thus, it can be concluded that BI interest rates and investment banking instruments do not have a significant effect on the CPI value based on the results of this study.

5. Variable Exchange Rate (KRS) Affect CPI

Based on that paragraph, the KRS variable has a probability of 0.0291 and a coefficient of -0.677954, so it can be concluded that the variable is negatively significant. A 1% increase in world gold prices will have an impact on a 67% decrease in the value of the CPI. The results of this study are in line with the proposed hypothesis, namely that the exchange rate has a negative effect on the CPI. Similar findings were also found in research by Halwa Annisa Khoiri and Emylia Arghawaty in 2020. In contrast to gold and investment banking instruments, investing in currencies has almost the same characteristics as investing in stocks and bitcoins. In currency investing, in-depth analysis is required due to the higher level of risk. Investment in foreign exchange can be an alternative for investors who are looking for high returns. Investing in exchanges also allows the use of short investment timeframes, similar to stocks and bitcoins, to make a profit. Thus, it can be concluded that the exchange rate has a significant negative effect on the JCI value based on the results of this study.

CONCLUSION

Based on the research that has been done, it can be concluded that during the COVID-19 pandemic, there were several factors that influenced the value of the CPI in Indonesia. The

number of positive cases of COVID-19, bitcoin prices, world gold prices, and BI interest rates have no significant effect on the CPI. However, the USD/IDR exchange rate has a significant negative effect on the CPI. The results of this study provide an important understanding of the factors influencing CPI movement during the COVID-19 pandemic, and changes in the USD/IDR exchange rate need to be considered in making investment decisions.

RECOMMENDATIONS FOR FURTHER RESEARCH

This study provides several suggestions for readers and future researchers. First, it is suggested to extend the research period in order to obtain a more comprehensive understanding, bearing in mind that the COVID-19 pandemic is still ongoing and cannot be said to have ended at the time this research was conducted. In addition, the addition of variables related to COVID-19, such as the death rate from the virus, can strengthen the analysis of the impact of the pandemic on the JCI. Adding the research period before the pandemic period is also important as a comparison to see the difference in impact before and after the pandemic.

However, this study has a weakness in the difference in the model used with previous research, which is used as a reference. Static models are used more in references, while this study uses dynamic models. Therefore, it is advisable to look for references with the same model so that hypothesis testing can be done more easily. By implementing these suggestions, future research can provide more comprehensive.

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CHAPTER 7

The Influence of Economic and Social Aspects on The Tax Ratio in Indonesia

Agustina Suparyati ¹, Tri Kunawangsih ^{2*}, Nurhayati ³, Khristina Curry ⁴,

^{1,2,4}Applied Finance Undergraduate Study Program

Faculty of Economics and Business Universitas Trisakti, Jakarta, Indonesia

³Development Economics Study Program, Faculty of Economics and Business
Universitas Trisakti, Jakarta, Indonesia

*Corresponding author: trikunawangsih@trisakti.ac.id

ABSTRACT

The purpose of this study was to analyze the effect of economic and social aspects on tax ratios in Indonesia. The economic aspect consists of percapita income growth, inflation rate, consumption expenditure while the social aspect consists of income inequality, poverty rate, and unemployment. The object of this research consists of 34 provinces in Indonesia during pandemic covid 19 the period 2020-2022 with data obtained from the Central Bureau of Statistics (BPS). This study uses panel data regression analysis which is a combination of time series data and cross section. The results of this study show that per capita income growth has a positive and significant effect on the tax ratio, inflation has no effect on the tax ratio, inequality of income distribution has a positive and significant effect on the tax ratio, unemployment rate does not significantly affect the tax ratio, poverty rate has a negative and significant effect on the tax ratio and consumption expenditure has a positive and significant effect on the tax ratio.

Keywords: Tax Ratio, income growth, inflation, consumption expenditure, poverty, income inequality

1. INTRODUCTION

Development in all fields requires a budget as the main support. Components in the budget as the main support. The components in the budget are calculated from tax revenues, not taxes and grants. Sources of state revenue from taxes include domestic taxes and taxes from international trade. Domestic taxes include value added tax (VAT), income tax (IT), sales tax on luxury goods, land and property tax (LPT), land and building rights acquisition fee, VAT is the second largest source of tax revenue after income Tax by contributing around 30% of tax revenue. VAT is a consumption tax aimed at the imposition of taxable goods and services within the customs area. Taxes imposed on any identifiable value in circulation from producer to consumer. Consumption activities for developing countries such as Indonesia are one of the main activities carried out, therefore increasing public consumption activities means that it will affect the amount of VAT revenue.

Taxes cannot stand alone. The performance of the tax authority can be measured based on other economic determinants that affect tax performance. An economic policy will definitely affect the performance of taxation, and vice versa. One example is the increase in Non-Taxable Income (NTI) from IDR 36 million to IDR 54 million a year, starting in 2016. A policy dilemma that the government must take. On the one hand, this increase aims to encourage public consumption and provide relief for people in the low-middle class income category. There are two main functions of increasing public consumption, namely increasing the potential for Value Added Tax (VAT) from the taxation side and encouraging economic growth from a macroeconomic perspective. However, on the other hand, the increase in PTKP eliminates the potential for concrete taxes which results in more difficulty pursuing the tax ratio. There is one measure of tax performance that is still used throughout the world, namely the tax revenue to GDP ratio, or often known as the tax ratio. The tax ratio is a formula for measuring tax performance by comparing tax revenues and Gross Domestic Product (GDP) in a certain period of time, generally one year. A simple illustration like this, GDP is the total value of all goods and services produced in a country within one year. Tax is only a fiscal instrument that is used to attract and transfer part of this value to become state revenue which is regulated by law.

The tax ratio itself is divided into two, namely in a broad and narrow sense. In a broad sense, the tax ratio includes tax revenues along with natural resources and mineral and coal revenues, while in a narrow sense, the tax ratio only measures tax revenues, both central taxes and customs and excise. In Indonesia, a measure that is fair to use is the tax ratio in a narrow sense. From 2015 to 2017, Indonesia's tax ratio only stuck at 10 percent where the 2017 tax ratio was at the level of 10.8 percent with a total nominal GDP of IDR 13,588.8 trillion and economic growth of 5.07 percent (Official BPS News number 16 dated 5 February 2018). Moreover, in 2018, the target tax ratio is only 10.9 percent. This means that even breaking through the 11 percent level is still difficult amidst the high tax ratio of other countries. If spending needs are around 15-16 percent of total GDP, ideally the tax ratio should be close to that number to encourage fiscal sustainability and ensure that the deficit remains under control. During the Covid-19 Pandemic, the government had to work hard to keep the economy running amid limited mobility. Economic activity, which was not fully operational, caused tax revenues to fall during the pandemic. Even before the pandemic, Indonesia was still unable to achieve the maximum tax revenue target, even though various government policies and facilities were claimed to have been improved. In the midst of the current Covid-19 pandemic, which cannot be as certain

when it will end, it certainly affects the realization of tax revenue. This has been proven to have occurred throughout 2020 when the Covid-19 pandemic began to enter Indonesia causing tax revenues in 2020 to decline sharply. Total 2020 tax revenue was recorded at IDR 1,070 trillion. This figure is 89.3% of the target set in Presidential Regulation No 72/2020 of IDR 1,198.8 trillion. Compared to the 2019 realization, there was a 19.7% decrease.(BPS).

There are four causes of contraction in tax revenue in Semester I-2020. First, the pressure on business activity due to social restrictions during the Covid-19 pandemic has had an impact on contracting tax revenues. Second, the impact of the economic slowdown and the use of tax incentives was seen in negative growth in almost all types of tax revenues. Third, the contraction was also seen in tax payments from the main sectors of the economy as a result of the economic slowdown and falling commodity prices and fourth, the Covid-19 fiscal incentives within the framework of the National Economic Recovery (PEN) program which have begun to be utilized and also accelerated tax refunds have contributed to the low tax revenues in semester I-2020.

Taxes are not only an important source of revenue for the state budget but are also related to economic growth, equity, overcoming poverty and social stability so that it is a concern for economists to conduct research on the determinants of tax revenues such as Castro and Camarillo, (2014), as Imam and Jacobs, (2014) and Castaneda Rodriguez (2018) Using various methods, researchers have conducted studies on different countries and regions and identified factors that affect tax revenue. Their results depend on the characteristics of a country or region, the study period, and analytical method. However, these studies did not reach a consensus.

Castro and Camarillo, (2014) investigated the factors that influence tax revenue in 34 member countries in the Organization for Economic Cooperation and Development (OECD) from 2001 to 2011. They indicate that GDP per capita and manufacturing have a positive influence on tax revenue, but the rate of foreign direct investment (FDI), agriculture, civil liberties indexes, and life expectancy have a negative impact on tax revenue. Imam and Jacobs, (2014) investigated the factors that influence tax revenue in 12 Middle Eastern countries from 1990 to 2003. According to the study, inflation has a positive influence on tax income, whereas GDP per capita has a negative effect. Castaneda Rodriguez (2018) examines an unbalanced panel dataset with a large sample of developed and developing countries over a 40-year period (1976–2015), in order to discover which long-term variables (economic, social, political, and cultural aspects) affect taxes and explain disparities in tax performance. The results show that taxation follows a path dependent process based on the importance of the lags, taking into consideration the total tax burden and revenue from consumption and income taxes, as well as a progressiveness index. The findings imply that taxes are heavily influenced by both historical and structural variables, such as the economic climate and the dynamics in other public income sources (e.g., inflation). Based on the description above, this study aims to analyze the effect of economic and social factors on the tax ratio in Indonesia during the Covid 19 pandemic in 2020-2022 using data from 34 provinces. Indicators of economic factors used the variables of economic growth, inflation and the ratio of consumption spending to Gross Regional Domestic Product (GDP), while social indicators used the variables of income distribution inequality, poverty rate and unemployment rate. The data analysis method used in this study is Panel Data Regression.

LITERATURE REVIEW

Three main theories are used to study tax revenue: the cost of service theory, the benefit theory, and the social-political theories on taxation (Ojong et al., 2016). The theory of service costs states that the costs paid by the government for delivering certain services to people must

be shared by the people who are the final recipients of the service (Jhingan, 2004). According to this view, tax rates are comparable to prices. So, if someone does not use state services, he should not be taxed. This theory is subject to several critiques. The cost of service theory, according to Jhingan (2004), imposes some constraints on government services. The goal of government is to offer assistance to the needy. According to this notion, the state does not engage in welfare activities, such as medical treatment, education, and social services (Ojong et al., 2016). In addition, calculating the cost per head of the many services offered by the state is extremely difficult; once again, the theory has broken the right definition and fundamentals of taxes; and lastly, the theory's base of taxation is deceptive. Because of the constraints inherent in the cost of service theory, it has been modernized. This change gave rise to the benefit theory of taxation (Ojong et al., 2016). According to this view, people should be required to pay taxes in proportion to the benefits they receive from government services. This notion posits that taxpayers and the government have an exchange relationship. The government provides certain benefits to taxpayers by providing social goods for which taxpayers pay in the form of taxes (Ojong et al., 2016). Because it is impossible to quantify the benefits obtained by someone from government services, the theory is no longer valid (Ahuja, 2012). According to the sociopolitical philosophy of taxation, the primary considerations in taxing should be social and political purposes (Ojong et al., 2016). This argument holds that a tax system should not be designed to benefit individuals but, rather, to address the ills of society as a whole.

The primary goal of taxation is to generate income to cover government expenditures as well as to redistribute wealth and control economic activities (Jhingan, 2004). According to Nzotta (2007), taxes play a role in allocation, distribution, and stabilization. The allocation function of taxes consists of determining the pattern of production, the items that should be produced, who produces them, the connection between the private and public sectors, and the social balance between the two sectors (Ojong et al., 2016). The distribution function of taxes refers to how the effective demand for economic products is distributed across people in society. The stabilization function of taxes tries to achieve a high level of employment, a tolerable degree of price stability, and an adequate pace of economic growth, while accounting for trade and balance-of-payments consequences (Ojong et al., 2016). According to Nwezeaku (2005), the extent of these tasks is determined by the people's political and economic orientation, their wants and ambitions, and their willingness to pay taxes. Therefore, the amount to which a government can carry out its responsibilities is mainly determined by its capacity to establish and administer a tax system, as well as the desire and patriotism of the governed.

The Relationship between Tax Ratio and Per Capita Income Growth

A higher level of income usually triggers a greater demand for public goods and services and increases the ability to pay overall, so that higher tax payments and collections are expected because higher levels of development generally indicate a greater capacity to mobilize tax revenues due to increased tax collection capabilities, technological functions and tax administration systems, thus, it is expected that GDP per capita will have a positive effect on the tax ratio. (Sookram and Saridakis, 2008)

Relationship between Tax Ratio and Inflation

This inflation causes the prices of other goods to rise and causes a decrease in the purchasing power of people who have a fixed income because with a relatively fixed income,

people cannot adjust their income to price increases caused by inflation so that it will affect tax revenues, especially income taxes which make the largest contribution to tax revenues, so that inflation has a negative relationship with the tax ratio (Syafudin, 2010).

Relationship between Tax Ratio and Inequality of Income Distribution

A widely-used measure of income inequality is the Gini index. The index has a value of zero when income is distributed equally across all income groups and a value of one when the highest income group receives all the income. Inequality in the distribution of income that is getting bigger will cause tax revenue to decrease.

Relationship between Tax Ratio and Unemployment Rate

The economy is said to experience growth when the production of goods and services increases from before. conversely a country can have a negative impact on the economy due to high unemployment rates. Unemployment will cause national income derived from the tax sector to decrease. This occurs because high unemployment will cause economic activity to decline so that people's income will also decrease.

Relationship between Tax Ratio and Poverty Rate

From a theoretical perspective, the effect of poverty on tax revenue performance is straight forward and could take place through several channels. First, a rise in poverty rate in a country would induce lower consumption, including domestic consumption and imports. Lower domestic consumption would translate into lower indirect tax revenue for the government, including through lower value added tax (VAT) revenue and excise tax revenue. Second, a rise in poverty rate likely reflects a fall in individual income, which would be associated with a fall in individual tax revenue. Both the decline in individual tax revenue and in corporate tax revenue due to high poverty levels would lead to lower direct tax revenue. Summing up, higher poverty rate would be associated with a fall in indirect tax revenue, direct tax revenue and trade tax revenue, and ultimately lower total tax revenue share of GDP. In addition to all these direct channels through which poverty could affect tax revenue performance, poverty could also influence tax revenue performance indirectly through economic growth. (e.g., Carina & Jonsson, 2016; Chen & Ravallion, 2013; Nakabashi, 2018; Ravallion, 2012).

Relationship between Tax Ratio and Consumption Expenditure

The biggest contributor to GDP comes from consumption spending which is used to fulfill goods and services so that it will have an impact on increasing sales tax revenue which will ultimately increase the tax ratio.

METHODOLOGY

Method Of Collecting Data

The data in this study is secondary data obtained from Agency publications Center for Statistics (BPS) and Ministry of Finance. Data used in this study is annual data from 2020 to 2022 for 34 provinces in Indonesia with variable definitions and measurements details as follows:

Table 1. Variable Definition and Measurement

Variable	Definition	Unit
Tax Ratio (TR)	The tax ratio or tax ratio is the comparison or percentage of tax revenue to gross regional domestic product (GRDP).	Percentage
Pertumbuhan Pendapatan Perkapita (GROWTH)	The growth of per capita income of a country is calculated by dividing the country's national income by the number of inhabitants.	Percentage
Inflasi (INF)	Inflation is an increase in the price of goods and services in general and continuously within a certain period of time	Percentage
Ketimpangan Distribusi Pendapatan (GR)	Inequality of income distribution is the disparity that occurs in the distribution of income as measured by the Gini Ratio	Percentage
Tingkat Kemiskinan (POV)	The percentage or number of people living below the poverty line	Percentage
Pengeluaran Konsumsi Masyarakat (CONS)	The ratio of public consumption expenditure to gross domestic regional income	Percentage

Selection of the Best Panel Data Regression Model

The first step in conducting panel data regression the tax ratio Modeling on 34 Province is selecting the appropriate panel data regression model. Panel data regression models in general that can be chosen are the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). In this study, the parameter estimation method used is Generalized Least Square (GLS). Selection of the appropriate model is made by performing the Chow test, Hausman test, and Lagrange Multiplier (L.M.) test.

Estimation of the effect of six independent variables in the tax ratio model is carried out using the panel data regression model as follows:

$$TR_{it} = \alpha + \beta_1.GROWTH_{it} + \beta_2.INF_{it} + \beta_3.GR_{it} + \beta_4.UNEMPL_{it} + \beta_5.POV_{it} + \beta_6.CONSt_{it} + \varepsilon_{it} \dots \dots \dots [1]$$

Where TR is the tax ratio, Growth is the growth of per capita income, INF is inflation, GR denotes the Gini Ratio, UNEMPL represents the unemployment rate, POV denotes the percentage of expenditure and the ratio between consumption spending to GRDP, α and β are parameters while i and t are province and year.

Chow Test

Chow Test Chow test is used to compare the CEM and FEM models. If the Chow test hypothesis is rejected, then the Tax Ratio modeling of Province in Indonesia uses the CEM model.

Table 2. Chow Test Results of Tax Ratio Modeling in Indonesia

Effects Test	Statistic	d.f.	Prob.
Cross-section F	17.499564	(33,62)	0.0000
Cross-section Chi-square	238.02003	33	0.0000

Calculation of the Chow test to have a p-value = 0.00 which is less than $\alpha = 0.05$ then the decision is concluded that there are individual effects on the DDF equation model so that the appropriate model is FEM.

Hausman test

The Hausman test is used to determine whether the FEM model is more suitable than the REM model. If the Hausman test results result in a decision to reject the hypothesis, then the REM model is ideal for panel data modeling.

Table 3. Hausman Test Results of Tax Ratio Modeling in Indonesia

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.157400	6	0.2268

Hausman test results show the value of Prob. chi-square is more than 0.05, it can be concluded that the regression estimation used is the estimation of the Random effect model (REM).

Lagrange Multiplier Test

The L.M. test is used to compare the REM and CEM models. The Hausman test results show that the REM model is more suitable so that the L.M. test is not carried out because the CEM model is the same as ordinary linear regression, while the data used in this study is panel data, so the REM model is used.

Modeling of Tax Ratio in Indonesia Using the REM Model

Panel data regression model estimates using the REM model are as follows:

Table 4. REM Model Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.288674	0.516602	-0.558793	0.5776
GROWTH	0.009520	0.004532	2.100649	0.0383
INF	0.004048	0.004075	0.993485	0.3230

GR	2.040800	0.556616	3.666438	0.0004
UNEMPL	0.002632	0.021321	0.123454	0.9020
POV	-0.040103	0.009659	-4.151687	0.0001
CONS	0.021199	0.009436	2.246578	0.0270

Based on the table above, the estimation of the REM model for the Tax Ratio in Indonesia is obtained as follows:

$$TR_{it} = -0.288674 + 0.009520.GROWTH_{it} + 0.004048.INF_{it} + \mathbf{2.040800.GR_{it}} + 0.002632.UNEMPL_{it} - \mathbf{0.040103.POV_{it}} + \mathbf{0.021199.CONS_{it}} \dots\dots\dots [2]$$

Based on the results of the t test, it shows that there are 4 independent variables that significantly affect the tax ratio, namely Growth, Gini Ratio, Poverty and Consumption Expenditures, while inflation and the unemployment rate do not significantly affect the tax ratio in Indonesia during the Covid 19 pandemic. An increase in per capita income growth of 1% will increase the tax ratio by 0.009520%, this result is in accordance with the research of Sookram and Saridakis, (2008) which states that A higher level of income usually triggers a greater demand for public goods and services and increases the ability to pay overall, so that higher tax payments and collections are expected because higher levels of development generally indicate a greater capacity to mobilize tax revenues.

During the pandemic, Indonesia's inflation was relatively under control compared to several countries which continued to experience increasing inflation due to supply-demand imbalances because in controlling inflation Indonesia had a monetary framework, namely the Inflation targeting framework so that Indonesia's inflation rate remained under control during the Pandemic, but during the pandemic, restrictions economic activity causes a decrease in income thereby causing a decrease in people's purchasing power which results in a decrease in tax revenues. However, the results of the t test show that inflation does not significantly affect the tax ratio.

Based on the results of the t test, it shows that the Gini ratio as an indicator of income distribution inequality has a positive and significant influence on the Tax Ratio. This condition indicates that the higher the Gini Ratio in Indonesia, the higher the level of inequality in spending in society, or simply put, the gap between the rich and the poor is widening, especially in urban areas. In 2022 the gini ratio in rural areas is 0.314 while in urban areas it is 0.403 so that the increasing role of the rich in the economy will cause the tax ratio to increase.

During the pandemic the unemployment rate increased sharply due to the large number of people who were unable to work due to social distancing regulations to prevent the spread of covid which caused many residents to lose their livelihoods. Based on the results of the t test, it shows that the unemployment rate has no significant effect on the tax ratio, presumably because the unemployed population during the pandemic are mostly people who work in the informal sector or residents with an income of less than IDR 54 million who are not taxed so that the increase in the unemployment rate has no impact on the tax ratio.

The percentage or number of people living below the poverty line during the pandemic it has increased, because many people have been affected by the termination of employment, which has resulted in a decrease in income. This condition causes people to be unable to pay taxes, causing the tax ratio to decrease. Based on the results of the t test, it shows that poverty has a negative and significant effect on the tax rate, which means that the higher the percentage of poor people, the lower the tax ratio.

The last independent variable whose effect on the tax ratio is analyzed is public consumption expenditure. In many countries, consumption spending contributes significantly to GDP. For example, in the United States, it accounts for about 60% of GDP as well as in the UK. Meanwhile, in Indonesia, it contributes around 55% of GDP. Because of its significant contribution, governments often focus on spending-side policies to stimulate economic growth. Consumption expenditure for the purchase of goods and services has a positive relationship with tax revenues, especially value added tax which will ultimately increase the tax ratio because the largest share of tax revenues comes from value added tax. Based on the results of the t test, information is obtained that consumption expenditure has a positive and significant effect on the tax ratio where an increase in consumption expenditure of 1% will increase the tax ratio by 0.021199%.

Table 5. Statistics of REM Model Meaningfulness Test

R-squared	0.265626	Mean dependent var	0.257521
Adjusted R-squared	0.219244	S.D. dependent var	0.145616
S.E. of regression	0.128667	Sum squared resid	1.572739
F-statistic	5.726968	Durbin-Watson stat	1.793124
Prob(F-statistic)	0.000041		

The coefficient of determination test (R^2) shows a figure of 0.219244 which means that the contribution of the independent variables jointly to the dependent variable is only 21,9244% and another 78,0756% is influenced by other variables outside the model

The F test has an F-Stat < 0.05, so all independent/free variables have a significant influence on the dependent/dependent variable.

CONCLUSION

Based on the results of data analysis, it is concluded that the best model in modeling the Tax Rate in Indonesia is the REM model with the following conclusions:

1. Per capita income growth has a positive and significant effect on the tax ratio
2. Inflation has no effect on the tax ratio
3. Inequality of income distribution has a positive and significant effect on the tax ratio
4. The unemployment rate does not significantly affect the tax ratio
5. The poverty rate has a negative and significant effect on the tax ratio
6. Consumption expenditure has a positive and significant effect on the tax ratio

Recommendations

1. Efforts to increase the tax ratio can be pursued through exploring potential, expanding the tax base, increasing taxpayer compliance, optimizing asset management, and service innovation.
2. Strengthening the economy by exploring potential regional resources that have not been utilized potentially
3. Based on the results of the low determinant coefficient (R^2), it indicates that there are still many other variables outside the model that have not been explored in this study, such as the education, population, human development index and others.

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EDITORS' BIOGRAPHIES

Dr. Md Ruhul Amin SARDAR



Dr.Md Ruhul Amin Sardar (DBA, Doctorate of Business Administration)

Doctorate of Business Administration (DBA), MBA in International Business (IB),BA HONS in Accounting and Finance Management (AFM), Higher National Diploma in Business Management (HND)

London, United Kingdom

Dr. Md Ruhul Amin Sardar joined Arabian Oud as a Head of Operations and stock controller in 2023, later as, a Senior operational coordinator at Bushell Investment Group in August 2020 in United Kingdom.

He works as a Strategic marketing officer in Alpha Gamma Solutions London, UK in 2020.
HR executive at Nova Marketing limited 2020, London United Kingdom.

He is also coauthor/ Editor of books (i) “Introduction to Sociology; (ii) “Accounting Inquiries with New Approaches in the Post-Pandemic Era Volume I ” ; (iii) “Accounting Inquiries with New Approaches in the Post-Pandemic Era Volume I I ” ; (iv) “ Abstract E-Book” 5th International CEO Social Sciences Congress (CEOSSC 2022)”. He is also external examiner of research paper.

He has published his research papers in few journals and platforms.

Recently, he has been working on book writing and editing. This book you are reading is one of the fruits of this work.

Dr. Bahrullah Safi



Dr. Bahrullah Safi is Vice President International, Research and Enterprise at Acacia University, Arizona, USA. He is Visiting Research Fellow at the University of South Wales, UK and Academic Business Consultant at Myracle, Berlin, Germany. Dr. Safi is a member of the Editorial and Advisory Board of various International Journals and of different organizations including International Journal of Social Sciences and Education, Turkey, International Journal of Management and Technical Research, India, ETCOR Educational and Research Centre, Philippines, Bangladesh Business Research Foundation, International Institute of Influencers, Oman, and Global Ambassadors of Sustainability, UAE.

Dr. Safi has worked as a Broadcaster with External Services Division of All India Radio, New Delhi, India, and a Chancellor of Mirwais Neeka University.

Dr. Safi has earned his Ph.D. in Management, authored several books, and published several research papers in national and international Journals.

Dr. Bahrullah Safi is the recipient of different awards, like Best Young Director of the Year Award, Outstanding Educators and Research Award, Excellence in Academic Award and many more and his areas of expertise include Academic Governance, EdTech Policies, Accreditation Framework, Research and Development, Public-Private Partnerships, Organizational Change Management, Mergers and Acquisitions, Digital Transformation, Business Development and Human Capital Management.

Dr. Sarit J Levy, Chief Learning and Revenue Officer



As a seasoned c-suite executive, Dr. Sarit J. Levy has developed and transformed multi-industry organizations to reach scalability and or acquisition. Dr. Levy has excelled in both the virtual and hyper-localized environments in business as an academic, an entrepreneur, and professional. She currently acts as the **Chief Learning Officer** for Zschool, a world-wide university partnership organization. In 2022 alone, Dr. levy has procured millions in revenue through client attainment in new business increasing Zschool's net position by approximately 50%.

Developing the first quantitative scale globally that measures firms' entrepreneurial success and innovative contributions collectively. Dr. Levy has pioneered the collaborative scale to predict the best-performing firms to date world-wide. Dr. Levy has utilized the methodology in her own organizations and has assisted firms in Jamaica, Surname, Croatia, Latin America, and Central Europe.

Dr. Levy has served as an acting CMO, CSO, COO and Advisory Board member for several organizations. She has also pioneered patents and remains an **Equity Partner** for an **Artificial Intelligence** software firm. An academic scholar and former faculty member for universities such as New York University (NYU), and University of Miami, Dr. Levy has forged the path of building extensive educational business programs around the globe. Her academic presence and research pursuits have been welcomed in countries such as China, Denmark, and Sweden. Multi-lingual in Hebrew and English with a fundamental understanding of Spanish, and Arabic Dr. Levy is able to converse in diverse business environments. Dr. Levy has also been recognized as an **SME** in leadership, knowledge spillover, new product development, sustainability, entrepreneurship, innovation, marketing in virtual and localized alliances, an in expert international negotiations. Dr. Levy is published in several double-blind peer reviewed journals around the world and has served clients on shows like **Shark Tank**.

Dr. Levy holds a Doctorate in Business Administration as well as a Master of Science in Computer Science and Management Engineering. She also has attended law school with a special concentration on business contracts and intellectual property. Dr. Levy has been a part of many successful university accreditation processes, curriculum development, and is an influencer in business leadership and pursuit. From patent acquisition to business and marketing plan writing, Dr. Levy continually seeks to deploy successful foundations and practices for each organization she encounters.

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Vali a.
İl Müdürü

e-İmzalıdır

