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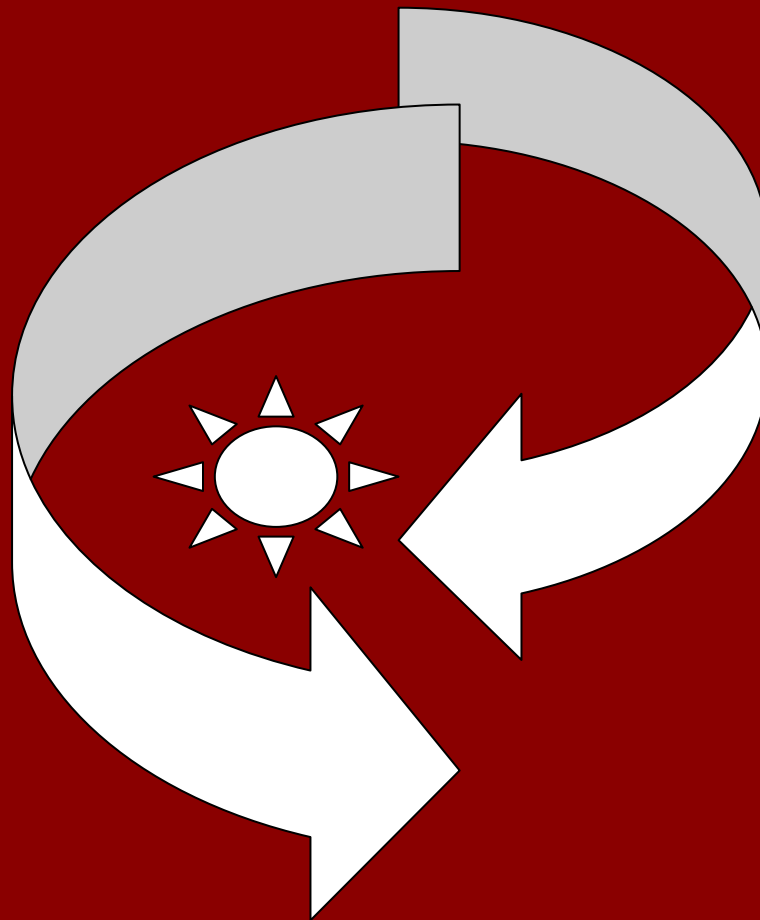
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Jurnal Perspektif Pembiayaan dan Pembangunan Daerah (Journal of Perspectives of Financing and Regional Development)

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Editor's Note

Dear readers,

Welcome to Volume 10, Issue 4 of the Jurnal Perspektif Pembiayaan dan Pembangunan Daerah (JPPD). This issue brings together various fascinating research, exploring various business, entrepreneurship, and economic development topics.

The issue starts with an intriguing investigation by Iskandar et al., who devised a model for firm value from the perspective of firm profitability and dividend-paying behavior. Their work, importantly, places dividend payout in the mediator's role and provides insights to companies and investors alike about the influence of dividend decisions on firm value.

This edition's second paper by Mukoffi et al. presents an empirical assessment of corporate governance components and their impact on profitability. By focusing specifically on listed banks in Indonesia, their study contributes to an enhanced understanding of how governance structures can influence financial performance.

Dahmiri et al.'s paper provides timely insights into business management governance's role in improving small and medium industries (SMIs) performance during the COVID-19 pandemic. This crucial work underscores the importance of governance in managing the adverse impacts of a global health crisis on the business sector.

Setiawati et al. explore entrepreneurial interest in start-up businesses in a landscape increasingly dominated by start-ups. Their study emphasizes entrepreneurial and digital literacy, providing insights into how these elements can inspire and drive business initiatives.

Finally, we conclude this issue with a performance analysis by Musnaini et al. of local brand organic cosmetics marketing to develop the Jambi regional economy. This paper highlights the potential of locally-produced products and the role of effective marketing strategies in fostering economic development.

These papers enrich our understanding of the complex dynamics within the business, entrepreneurial, and economic sectors. We trust that the insights they provide will be beneficial for researchers, practitioners, and policymakers alike.

As always, we extend our sincerest thanks to our authors, reviewers, and readers who make the continued publication of this journal possible.

Sincerely,

Dr. Junaidi, S.E., M.Si
Editor-in-Chief.

Firm value model from the perspective of firm profitability and dividend-paying behavior with dividend payout as a mediator

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Abstract

This study aims to analyze and explain the firm value model from the perspective of a firm's profitability and dividend-paying behavior with dividend payout as a mediator. The population used is the stock in the LQ45 Index for the 2017-2019 period. The sample was determined using the judgment sampling type purposive sampling method to obtain 26 companies. The analytical method used is Partial Least Square (PLS). The study results show that a firm's profitability can increase dividend payout, but firm's profitability is not able to increase the firm's value. Dividend-paying behavior does not affect dividend payout, but the behavior of paying dividends can increase the company's value. Dividend payout can increase the value of the company. On the other hand, dividend payout cannot mediate firm's profitability to firm value, but on the contrary, dividend payout can mediate the behavior of dividend payout to firm value.

Keywords: *Dividend payout, Dividend paying behavior, Firm value, Firm's profitability, Indonesia Stock Exchange*

JEL Classification: G10, G11, G12

INTRODUCTION

The company's value can be viewed from various perspectives, including stock prices, internal and external performance, Good Corporate Governance (GCG) performance, and Corporate Social Responsibility (CSR) performance (Hidayah, 2014, Sugianto et al., 2020; Subanidja et al., 2016; Ding et al., 2016). Efforts to increase the company's value are the company's main goal.

An increase in the company's value will increase the owner's welfare, which is illustrated by an increase in dividends received by investors. According to Sheikh & Banafa (2014), in the practical world, the behavior of dividend distribution is a policy that must consider two interests, namely, the interests of managers and investors. For companies, distributing dividends reduces the source of funds for operational and

investment activities. On the other hand, Lintner (1962), Gordon (1963), and Bhattacharya (1979) concluded that investors prefer high dividend income. For investors, an increase in dividend payout will increase the share price, which will also impact the company's value. This condition is known as Relevant Theory.

The company's value gets a positive sentiment from firm's profitability and dividend payout, so the stock price will increase because the company shows a positive signal to pay dividends. It is confirmed by research by Indriyani (2017), Sabrin et al. (2016), Sucuahi & Cambarihan (2016), and Suwardika & Mustanda (2017), which state that profitability affects firm value.

For companies, the dividend payout amount depends on the profit obtained by the company. Studies by Alexander et al. (2018), Cheng et al. (2016), Michiels et al. (2017), and Thakur et al. (2021) found that firm's profitability is a determining factor of dividend payout. In addition, the dividend payout amount is also determined by the behavior of the dividend payout (Sarwar et al. 2018).

Table 1. Dividend payout of companies in the LQ-45 Index for the 2017-2019 period

No	Code	2017	2018	2019
1	ADRO	3,096,945,584,000	3,943,786,900,000	4,074,309,081,360
2	AKRA	600,021,341,000	937.340.820.000	722,645,086,000
3	ANTM	0	47,777,374,000	306,048,761,000
4	ASII	116,947,824,000	11.235,000,000,000	11.235,000,000,000
5	BSDE	224,314,742,232	67,813,057,500	110.113.140.796
6	EXCL	0	0	0
7	GGRM	5,048,701,000,000	5,015,990,000,000	5,015,990,000,000
8	HMSP	12,527,457,000,000	12,480,930,000,000	13,632,478,000,000
9	ICBP	1,942,822,000,000	2,689,873,000,000	1,682,890,000,000
10	INCO	0	0	0
11	INDF	2,734,794,000,000	3,484,931,000,000	1,974,386,000,000
12	INTP	3,419,864,000,000	2,576,862,000,000	2,024,677,000,000
13	JSMR	566,813,266,000	440.064.862.000	330,452,000,000
14	KLBF	1,047,790,983,485	1,190,617,265,850	1,252,864,180,779
15	LPPF	1,414,023,000,000	1,334,948,000,000	933,600,000,000
16	MNCN	592,053,000,000	209,235,000,000	214.141 million
17	PGAS	1,861,578,485,184	791.028.082.660	1,352,210,484,479
18	PTBA	611,822,000,000	3,391,860,000,000	3,841,441,000,000
19	PTPP	307.010.840.936	350,885,493,053	76,669,370,428
20	SCMA	848,039,309,000	804,175,207,000	822,043,986,000
21	SMGR	1,824,270,760,000	827,110,000,000	1,244,948,000,000
22	SRIL	56,201,687,536	173.665.376.220	58,839.563,338
23	UNTR	2,544,232,000,000	3,883,845,000,000	4,900,419,000,000
24	UNVR	6,638,100,000,000	6,981,450,000,000	9,191,962,000,000
25	WIKA	344,653,064,000	344,653,064,000	512,997,641,000
26	WSKT	640,933,687,315	776,342,383,468	990,709,507,966
	Average	1,884,976,522,103	2,460.776.303.298	2,557,762,877,044

Source: Indonesia Stock Exchange

These data show that the dividend distribution of each stock in LQ45 for the 2017-2019 period varies. The variation in the distribution of dividends shows that it could be influenced by firm's profitability factors, dividend-paying behavior, etc.

The theoretical gap is to identify the distribution of dividends by companies with the highest liquidity (LQ-45) in Indonesia, which can give a positive or negative signal for firm value. This research aims to examine the firm value model's effect from the perspective of firm's profitability and dividend-paying behavior with dividend policy as

a mediation variable in companies listed on LQ45 on the Indonesia Stock Exchange for the 2017-2019 period.

The novelty of this research stated that companies with high liquidity (companies in LQ-45) firm's profitability is not able to increase firm value, and dividend payout is not able to mediate firm profitability to firm value. Dividend-paying behavior does not affect dividend payout. Thus, this confirms that investors ignore the company's profitability and dividend-paying behavior. However, on the contrary, investors focus more on the consistency of companies with high liquidity (companies in LQ-45) in paying dividends.

METHODS

The relationship between variables in this study was built from several studies on firm value in relation to dividends. Denis and Osobov (2008) explore the determinants of dividend policy data from six countries (Germany, the UK, the US, Japan, France, and Canada). The study results show that the company's growth, size, and profitability mainly influence dividend policy decisions. On the other hand, research by Sucuahi & Cambarihan (2016) using indicators of common shares, market price, and liquidating value of the preferred stock, states that the profitability variable can affect the projected firm's value using Tobin's Q. This means that increasing company performance can create value for the company. The results indicate that a good firm's value attracts investors and other parties interested in taking part in the company. Meanwhile, Avani (2019), in his research on the Indian Bombay Stock Exchange, stated that there is a relationship between dividend-paying behavior and stock prices on company growth and dividend payout.

Meanwhile, investors in the capital market expect a return in the form of dividends. This is in line with the theory of Lintner (1962), Gordon (1963), and Bhattacharya (1979) explained that investors prefer high dividend income. For investors, income in the form of dividends received is analogous to that of a bird in the hand being better than a bird in the bush. Finally, Husna & Satria (2019) states that dividend policy through the dividend payout ratio indicator has a positive and significant effect on firm value through the price book value indicator and Tobin's Q. From this study, it can be concluded that the company's performance and operations will be more valuable if the proportion of shareholders in receiving dividends is greater.

The population in this study are companies listed in LQ45, which are listed on the Indonesia Stock Exchange from 2017 to 2019. The sample in this study was determined using a judgment sampling type purposive sampling method with the criteria of consecutive companies from 2017 to 2019. 2019 is in the LQ45 Index. With these criteria, the research sample obtained is 26 companies.

Data analysis in this study uses inferential statistical analysis in the form of component-based or variance-based SEM (Structural Equation Modeling) causality analysis known as Partial Least Square (PLS).

The following shows the operational variables of this research:

Table 2. Operational research variables

Variable	Formula
Firm Profitability (FP)	$ROA = \frac{NetIncome_t}{TotalAssets_t}$
	$EPS = \frac{Profit - Preferred Dividens}{Weighted Average Common Shared}$
	EBITDA = Operasional Profit + Amortization cost + Cost
Dividend Paying Behaviour (DPB)	LnTA= Natural Log of Total Asset
	$TX = \frac{Income Tax}{Total Assets Ratio}$
	$LV = \frac{Total Debt}{Total Assets Ratio}$
	RE = Net income – Dividen Payout
	$MR = \frac{(Recent Stock Price - IPO Price)}{IPO Price}$
Dividend Payout (DP)	$DS = \frac{Dividen}{Sales}$
	$DA = \frac{Dividen}{Assets}$
	$DM = \frac{Deviden}{MVE}$
	$CF = \frac{EBIT+Depresiasi}{Total Aset}$
	$RR = \sqrt{\frac{\sum_{i=1}^n \{R_{ij} - E(R_i)\}^2}{N}}$
	$SR = \frac{Stock Price t - Stock Price t-1}{Stock Price t-1}$
Firm Value (FV)	$PBV = \frac{Stock Price}{Book Value}$
	$PER = \frac{Stock Price}{EPS}$
	$TBQ = \frac{Total Market Value + Total Book Value}{Total Book Value of Asset}$
	VSP = Standard Deviation of Stock Price

One of the performances of a company can be seen from the company's ability to obtain profitability (profit). The company's profits will usually be used as capital for reinvestment and as dividends to be distributed.

The dividend is the distribution of profits to shareholders or investors based on the number of shares owned, annual income, or company sales. This dividend distribution will certainly reduce retained earnings and cash available to the company. Still, distributing these profits to investors is an obligation and the company's main goal.

The dividend ratio payment is the amount the company must pay to investors or shareholders. Li (2017), related to growth options, dividend payment ratio, and stock returns stated that cashflows, risk, and stock returns could measure dividend payment

ratio. According to Alexander et al. (2018), dividend payout is dividends per sales, asset per asset, and MVE.

Dividends are part of the main purpose of these companies; in this case, the payment of dividends as profit earned and must be distributed to investors has determining factors that affect the dividend payout. One of them is the firm's profitability variable; according to Michiels et al. (2017) that the projected profitability of firms with Earnings Before Interest Tax Depreciation and Amortization (EBITDA) or commonly known as earnings before interest, and taxes, or operating income, and EBITDA divided with the total of assets is a determining factor of Dividend payout. Yu (2013) found that the determinant of a firm's profitability is one of the determining factors and positively affects dividend payout. Cheng et al. (2016) stated that a firm's profitability is projected with EBITDA and EPS as determinants that positively affect it. So, firm's profitability is one of the determinants of dividend payout.

Furthermore, in this study, another determining factor that affects dividend payout is dividend-paying behavior as a proportion of the behavior of company managers, which can be measured empirically. As found by (Sarwar et al., 2018) suggests that Dividend paying behavior can be projected with the proportion of financial experts on board, LnTA, Tax, Leverage, RE (retained earnings), and MBV (Market to Book Value). Market Return is a determining factor and positively relates to Dividend payout.

Then, the Dividend Ratio Payment is an indicator that can be used to see the company's value (Husna & Satria, 2019). They stated that the dividend policy reflected through the DPR has a positive and significant influence on the company's value, which is reflected through Price Book Value and Tobin's Q. The greater the proportion of shareholders to receive dividends, the better the company's performance and operations will make the company more profitable.

Therefore, these factors will later affect the dividends that will be paid to investors. By using a sample of companies listed on the LQ45 Index on the Indonesia Stock Exchange during the period 2013-2015, the research will look at the influence of the determining factors in the form of firm's profitability and dividend-paying behavior on dividend payout, then look at the effect of dividend payout on firm value. The picture of the research framework is as follows.

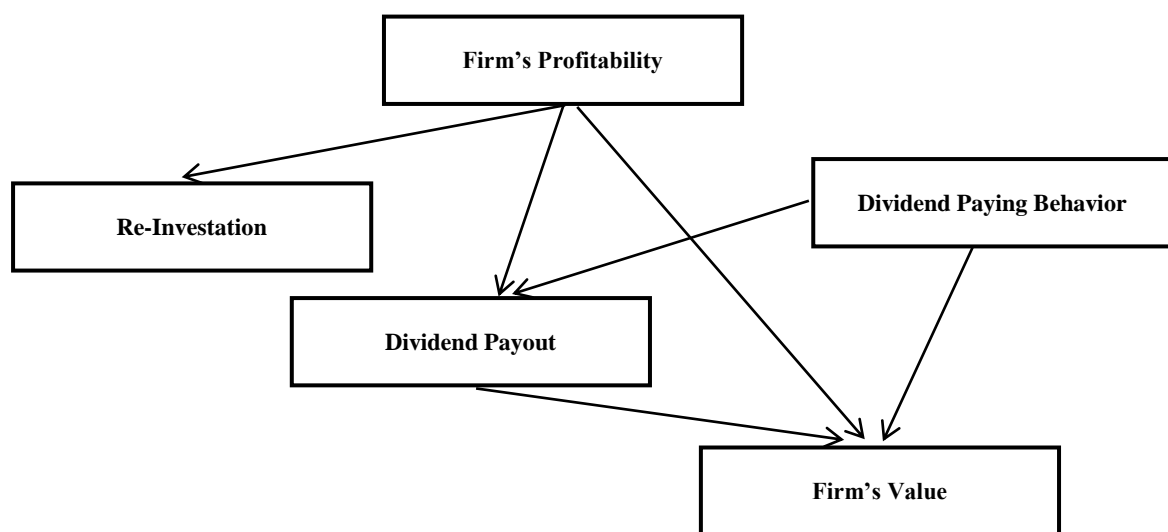


Figure 1. Research Framework

RESULTS AND DISCUSSION

The following shows the average indicators of each variable for LQ45 companies from 2017 to 2019. The source of this average value is obtained from the calculation of each company's financial statements that is part of LQ45 from 2017 to 2019.

Table 3. Indicator average growth table

Variable	Indicator	2017	2018	2019
Firm's Profitability (FP)	ROA	0,114	0,107	0,094
	EPS	390,691	530,789	497,118
	EBITDA	9.759.829.599.449,380	11.109.935.437.217,400	11.408.521.620.488,600
Dividend Paying Behavior (DPB)	LV	0,466	0,457	0,517
	LnTA	31,208	31,358	31,406
	TX	0,077	0,03639	0,032
	RE	2.325.934.317.836,120	3.114.841.321.278	1.975.482.528.492
	MR	0,479	1,611	1,373
Dividend Payout (DP)	DS	0,060	0,058	0,057
	DA	0,068	0,067	0,064
	DM	0,050	0,031	0,033
	CF	0,295	0,275	0,270
	SR	-0,336	0,697	0,017
	RR	0,000	0,799	0,652
Firm Value (FV)	PBV	2,166	4,318	4,330
	PER	12375,673	18,662	293,288
	TBQ	1,942	2,724	2,386
	VSP	0,000	3087,065	2444,619

Based on Table 3, it can be said that in the firm's profitability variable, the average EBITDA indicator has increased in value from the period 2017 to 2019. Meanwhile, the ROA and EPS indicators have an average value that fluctuates up and down. This means that the profitability indicators of companies in LQ45 are dominantly down. In the dividend-paying behavior variable, the LnTA indicator has increased, while the LV, TX, RE, and MR indicators fluctuated up and down from 2017 to 2019. This shows that the indicator of dividend-paying behavior is dominantly down. On the average value of the dividend payout indicator, the DS, DA, and CF indicators decreased.

On the other hand, the DM, SR, and RR indicators have fluctuating average values from 2017 to 2019. This shows that the dividend payout indicator is relatively the same. Finally, the average value of the PBV indicator has increased for the firm value variable, while the PER, TBQ, and VSP indicators fluctuated up and down in the 2017 to 2019 period. This shows that the firm value indicator is fluctuating. Overall, this condition shows that companies in LQ45 have varying performance volatility.

Inferential statistical analysis results

In this study, the indicators of each variable have reflective indicators. The following are the results of the initial model construction:

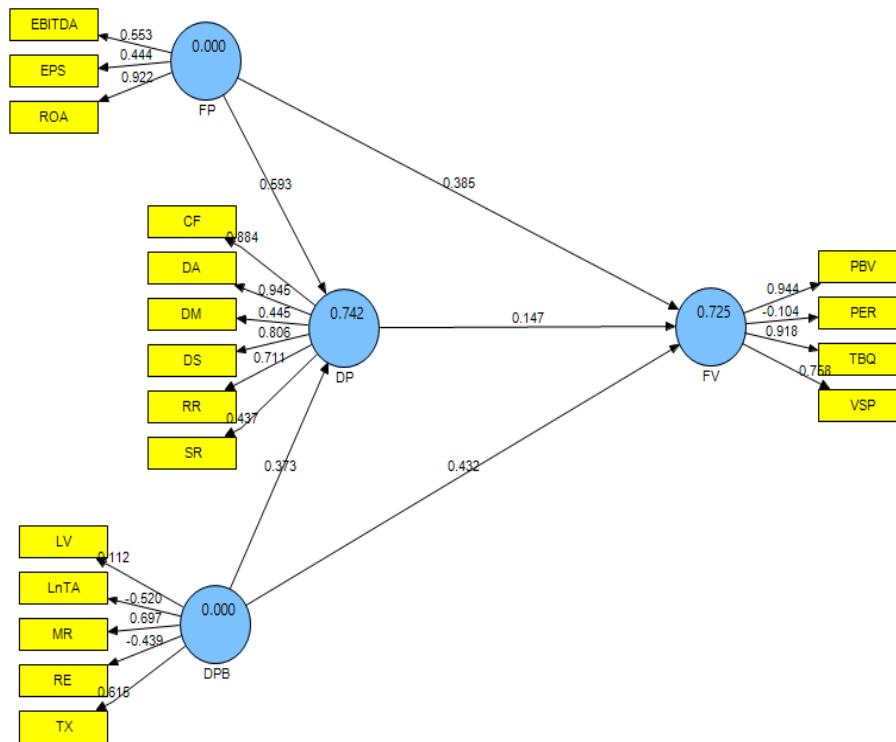


Figure 2. Initial model result

This research is developing, so the loading factor scale used is 0.5. The analysis of this research begins with building a model and performing calculations on the model. In the calculation of the initial model, several indicators have a loading factor below 0.5. So that these indicators are removed from the model, a second model is built, which contains indicators with a loading factor above 0.5. The selection of the 0.5 standards was made because the relationship between variables and the built indicators was new.

Based on this explanation, in Figure 2, the firm's profitability variable (FP) indicator with a loading factor value below 0.5 is 0.443578. Meanwhile, on the dividend-paying behavior variable (DPB) 3 indicators have a loading factor value below 0.5, namely the Leverage (LV) indicator of 0.112051, the Ln Of Total Asset (LnTA) indicator of -0.519531 and the Retained Earning (RE) indicator of -0.519531. Furthermore, in the Dividend Payment (DP) variable, there are 2 indicators, namely Dividend of MVE (DM) and Stock Return (SR) which have an outer loading value below 0.5, which are 0.445029 and 0.436840, respectively. Then, in the Firm Value variable, there is 1 indicator with an outer loading value below 0.5, the Price Earning Share (PES) indicator of -0.104159.

Based on these results, indicators that have an outer loading value below 0.5 are excluded from the study. Furthermore, the calculation of the second model is carried out, and the results can be seen in Figure 3.

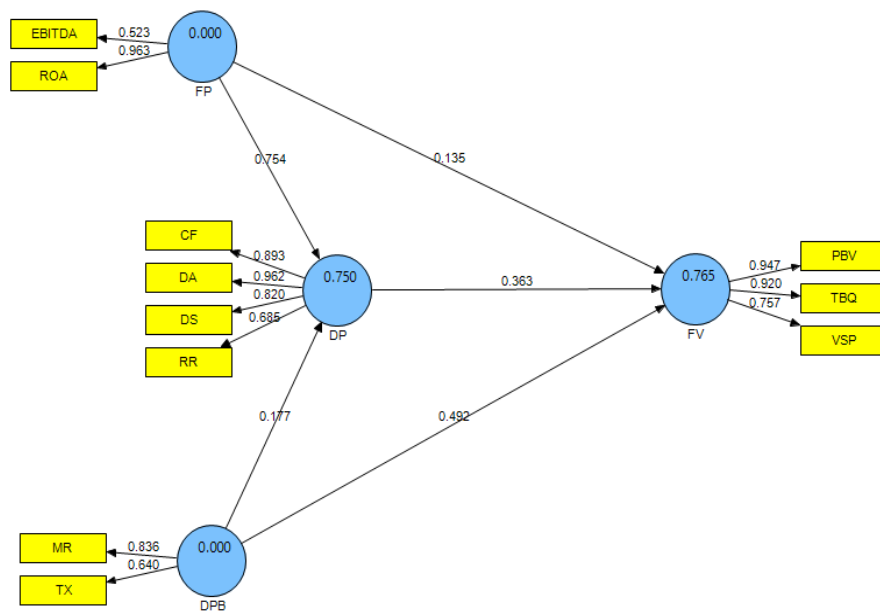


Figure 3. Final model calculation results

Table 4. shows the Average Variance Extracted and Composite Reliability. Based on Table 4, it can be concluded that the indicators of each variable are reliable and valid, reflecting their respective variables.

Table 4. AVE and Composite Reliability

	AVE	Composite Reliability	Information
DP	0.715811	0.908486	Meet the criteria
DPB	0.554150	0.709541	Meet the criteria
FP	0.600093	0.733974	Meet the criteria
FV	0.772438	0.909831	Meet the criteria

The stages of testing the structural model (inner model) are seen through the R-square value, which results from the goodness-fit model test. The R-square value can be seen in the R-square table from the results of the running calculated model. The predictive relevance (Q2) value is used in testing the goodness of fit structural model against the inner model. According to Solimun & Rinaldo (2009), the magnitude of Q2 has a value range of $0 < Q2 < 1$. The closer to 1 means the better the model. The following table shows R Square from this research.

Table 5. R-Square

	R Square
DP	0.749841
FV	0.764705

The known R-Square value of each variable is then calculated and formulated to determine the predictive-relevance value as follows:

$$Q2 = 1 - (1 - R12) (1 - R22)$$

$$Q2 = 1 - (1 - 0.7498412) (1 - 0.7647052)$$

$$Q2 = 1 - 0.05886 = 0.94113$$

The calculation of the predictive-relevance value of 0.941 or 94.1% shows that the data diversity that the model can explain is 94.1%. The remaining 5.9% is explained by other variables that have not been contained in the model and errors. These results can be interpreted that this research model is feasible because it has relevant predictive value, so it can be used for hypothesis testing. This means that all indicators and variables in the research model are appropriate models for predicting the model.

Table 6. Total Effects (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
DP -> FV	0.362543	0.324042	0.154667	0.154667	2.344025
DPB -> DP	0.176627	0.250433	0.149747	0.149747	1.179502
DPB -> FV	0.556495	0.621650	0.219424	0.219424	2.536166
FP -> DP	0.754079	0.677527	0.142207	0.142207	5.302695
FP -> FV	0.407970	0.293071	0.242377	0.242377	1.683201

Based on Table 6, the influence between variables and the level of significance of each can be seen through the original sample estimate column and the t statistics column. The t-stat value which is above the value of 1.96, shows a significant influence on each of Ghozali's (2006) hypotheses. The description is explained as follows:

Firm’s profitability has an effect on dividend payout

Firm’s profitability projected by Earning Before Interest, Tax, Depreciation And Amortization (EBITDA) and Return On Assets (ROA) has a positive and significant effect of 0.754079 at 5.302695 on dividend payout which is reflected by Cashflow (CF), Dividend Assets (DA), Dividend Sales (DS) and Risk Of Return (RR). This means that firm’s profitability in the form of an increase in the company's gross profit and returns on assets will increase the dividend payout projected by cash flows, asset dividends, sales dividends, and return risk. This study supports the theory that dividends are a function of profitability. So companies that earn stable profits should pay dividends.

This study also narrows the research gap between dividend payout and firm profitability. This also shows that the higher the profitability obtained by companies in the LQ-45 group, the higher the chances of increasing the number and dividend payout. This confirms that companies with high liquidity in emerging markets demand an increase in profitability so that there will be an increase in the amount and dividend payout. The findings of this study support the research of Amidu & Abor (2006) and Denis & Osobov (2008) but are contrary to the analysis of Ahmed & Javid (2012).

Firm’s profitability does not affect firm’s value

Firm’s profitability projected by Earning Before Interest, Tax, Depreciation And Amortization (EBITDA), and Return On Assets (ROA) do not have a significant effect on firm value as described by Price Book Value (PBV), Tobins'Q (TBQ), and Volatility Stock Price (VSP). This indicates that the increase in firm’s profitability in the form of gross profit and return on assets does not affect the value of the company in the form of the ratio of price to book value, Tobins'Q (combination value of tangible assets and intangible assets), and stock price volatility (up or down movement of a stock).

These findings mean that the increase in profitability obtained by companies in the LQ-45 group cannot signal the company's value positively. This study resulted in a widening research gap between firm’s profitability and firm value. This finding indicates that investors in emerging markets view the value of the company in the LQ-45 group, not from the profitability obtained by the company. However, investors view

the value of the company through a side other than profitability. The findings of this study contradict the research of Sabrin et al. (2016) and Sucuahi & Cambarian (2016) as well as Suwardika & Mustanda (2017).

Dividend-paying behavior does not affect dividend payout

Dividend-paying behavior, as reflected by Market Return (MR) and Tax Ratio (TX) has no significant effect on dividend payout, which is described by Cashflow (CF), Dividend Asset (DA), Dividend Sales (DS), and Risk Of Return (RR). This means that the increase in dividend-paying behavior in the form of market returns and the ratio of tax revenue to total assets does not affect the dividend payout projected by cash flows, asset dividends, sales dividends, and risk of return. This indicates that investors in emerging markets do not pay attention to the behavior of companies in the LQ-45 group in paying dividends. On the other hand, investors are more focused on the consistency of companies with high liquidity (blue chips) in paying dividends.

This finding underscores that investors *emerging markets* pay more attention to the consistency of dividend payout and an increase in the number of dividends paid. This finding provides new findings in the scope of dividend payout as it widens the research gap. This study supports the findings by Khan & Shamim (2017). However, contrary to research conducted by Avani (2019)

Dividend paying behavior affects firm value

Dividend-paying behavior as reflected by Market Return (MR) and Tax Ratio (TX) has a positive effect of 0.556495 and is significant at 2.536166 on Firm Value as reflected by Price Book Value, Tobins'Q and Volatility Stock Price. This indicates that an increase in dividend-paying behavior in the form of Market Returns and the Ratio of Tax Income to Total Assets is able to increase firm value in the form of price-to-book value ratios, Tobins'Q, and Stock Price Volatility. The findings of this study indicate that in emerging markets, dividend-paying behavior will increase firm value.

This signals that companies with high liquidity are competing to improve their dividend-paying behavior to increase the company's value in the eyes of investors. Therefore, this finding narrows the research gap that appears between dividend-paying behavior and firm value. These findings support the theory put forward by Gordon (1963), namely the theory of certainty/ time value of money, which states that investors prefer to obtain dividends at this time rather than waiting for capital gains in the future whose value is uncertain.

Dividend payout affects firm's value

Dividend Payout which is represented by *Cashflow* (CF), Dividend Asset (DA), Dividend Sales (DS), and Risk Of Return (RR), has a positive effect of 0.362543 and is significant at 2.344025 on firm value as reflected by Price Book Value (PBV), Tobins'Q (TBQ) and Volatility Stock Price (VSP). This means that the increase in dividend payout projected by cash flows, asset dividends, sales dividends, and risk of return can increase firm value by the price to book value, Tobins'Q, and Stock Price Volatility ratio. These findings strengthen the dividend relevance theory, which states that the higher the dividends distributed, the more interested investors will be in investing. This study narrows the research gap that appears between the effect of dividend payout and firm value.

In addition, high dividends can indicate that companies in the LQ-45 group still pay attention to the interests of investors to increase their value. The findings of this study also confirm the theory that birds in the hand are better than birds in the bush. The findings of this study support the research conducted by Kim et al. (2020) and (Rehman

(2016). However, contrary to research conducted by Lumapow & Tumiwa (2017).

Meanwhile, based on the results of the mediation test of firm’s profitability on firm value and behavior of dividend payout through dividend payout using Sobel test analysis, the t-count, t-table, and p-value values can be shown in Table 7.

Table 7. Mediation test of firm’s profitability against firm’s value through dividend payout

Variable	t-count	t-table	p-value	Information
Firm’s Profitability (FP)	1.374	1.99	0.169	Rejected
Dividend Paying Behavior	2,167	1.99	0.03	Received

The firm’s profitability does not affect firm’s value through dividend payout

Based on table 7. it can be seen that firm’s profitability has a p-value of 0.169 and is greater than 0.05. Thus it can be concluded that dividend payout cannot mediate firm’s profitability on the company's value. The effect of increasing firm’s profitability as indicated by EBITDA and ROA on the increase in firm value described by PBV, Tobins' Q and VSP cannot be mediated by an increase in dividend payout described by CF, DA, DS and RR.

Dividend-paying behavior affects firm’s value through dividend payout

On the other hand, dividend-paying behavior has a p-value of 0,03 and is smaller than 5%. Thus, it can be concluded that dividend payout can mediate the behavior of dividend payout on firm value. Thus, the effect of an increase in dividend paying behavior caused by an increase in MR and TX on the increase in firm value described by PBV, Tobins' Q and VSP was able to mediate by an increase in dividend payout described by CF, DA, DS and RR.

Furthermore, the following is a test of the mediation type of the influence of dividend-paying behavior on a firm’s value mediated by dividend payout, as shown in Figure 4.

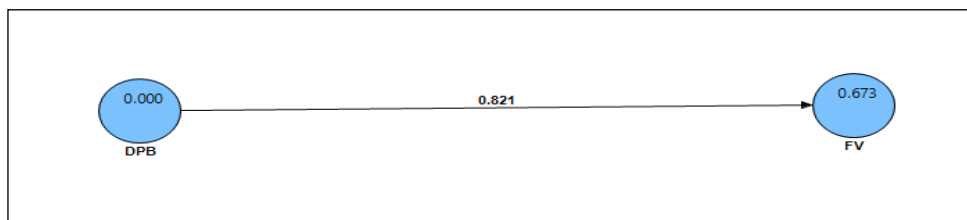


Figure 4. Result of calculate effect of DPB to FV direct effect

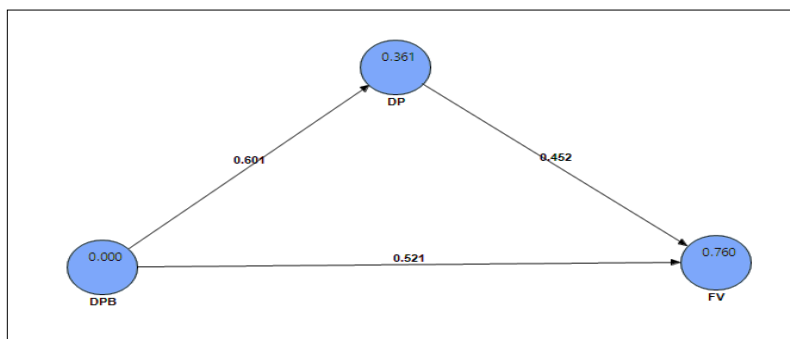


Figure 5. Calculation results of DP mediation on the effect of DPB on FV indirect effect

Meanwhile, to find out the type of mediation that occurred for the second mediation can be seen in Table 6. namely the value of the direct and indirect influence

of DPB on FV with DP mediation. The behavior of dividend payout on firm value has a direct effect of 0.821, while the behavior of dividend payout on firm value has an indirect (mediated) effect of 0.521. This means that there is a decrease in the influence of conditions after mediation, with a significant t-statistic value; thus, it can be concluded that the effect of dividend-paying behavior on firm's value mediated by dividend payout occurs in partial mediation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The firm's profitability can increase dividend payout, but firm's profitability is not able to increase the firm's value. The finding of firm's profitability has a significant positive effect on dividend payout, indicating that dividend payout can be obtained from firm's profitability with gross profit and return on assets. Thus, efforts to increase dividend payout can be made by increasing the firm's profitability by increasing gross profit and returns on assets.

Dividend-paying behavior does not affect dividend payout, but dividend-paying behavior can increase firm value. The finding of dividend-paying behavior that has a positive and significant effect on firm value implies that dividend-paying behavior gives a positive signal to firm value. Thus, one of the efforts to increase firm value in LQ-45 Company can use dividend-paying behavior.

Dividend payout can increase the value of the company. On the other hand, dividend payouts cannot mediate the firm's profitability to firm value. Still, on the contrary, dividend payouts can mediate the behavior of dividend payout to firm value. The research findings that dividend payout has a positive and significant effect on firm value in LQ-45 companies confirm that dividend payout provides a positive signal on firm value in LQ-45 companies. Thus, one of the efforts to increase firm value in LQ-45 Company can use a dividend payout policy.

Recommendations

The government can maintain economic stability to create conducive conditions for capital market players. Such a conducive situation includes the creation of state security stability, regulations that do not burden business actors and investors, and tax stimulus that stimulates investment which will move the business world to obtain profitability, increasing dividend payout and firm's value.

The research findings show that the behavior of dividend payout and dividend payout positively affects firm value. Therefore, companies in LQ-45 can improve their dividend-paying behavior through market returns and tax ratios. Companies can also increase dividend payout in the form of cash flow, dividend distribution per asset, dividend distribution per sale, and risk of return.

This study provides an opportunity for further research to emerge. Opportunities for further research are: first, to enrich the theoretical framework. Second, future research can classify the industry of the companies listed in LQ-45. Second, the next research can examine other variables related to investment in the capital market, including investment environment variables, investment behavior, or investment impact.

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An empirical assessment of corporate governance components and their impact on profitability: evidence of listed banks in Indonesia

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Abstract

This study aims to determine the effect of business size, capital structure, audit committee, board of directors, and board of commissioners on company profitability in banking companies listed on the Indonesia Stock Exchange from 2018 to 2021. A total of 42 banking companies are the study sample. A purposive sampling technique was used to get 10 sample companies for 4 years with 40 observations. The research data comes from a sample of companies from the Indonesian Stock Exchange website. Multiple regression analysis and descriptive statistical analysis are the data analysis methods used. The research findings show that company size affects profitability, but the board of directors, board of commissioners, audit committee, and capital structure do not affect company profitability.

Keywords: Capital structure, Company size, Good corporate governance, Profitability

JEL Classification: H41, L25, H54, D61

INTRODUCTION

A unique draw for investors is profitability because it represents the gains that are their legal entitlements and is the outcome of managing the money they invested (Hapsoro & Falih, 2020). Companies that have gone public typically aim to do so in order to boost the wealth of their owners or shareholders by raising the company's worth (Salvatore, 2005). A high corporate value will lead to a high level of shareholder wealth; hence firm value is essential (Brigham & Houston, 2010). Knowing a company's value is crucial since it may be used as a benchmark for evaluating a company because it represents corporate performance and affects investors' perceptions of its performance (Al-Matari et al., 2014). According to Istighfarin et al. (2005), the higher the profitability of a business entity, the more guaranteed the company's ability to maintain its survival will be. Profitability, or the ability to earn a profit, is a percentage measure used to assess the extent to which a company can generate profits at an acceptable level (Asadi et al., 2021). Profitability ratios will provide an overview of the extent to which the effectiveness of company management (Nurmayanti & Lovita, 2020; Purbawangsa & Suana, 2019; Aprianingsih & Yushita, 2016). Information about profits helps companies to predict how much profit can be generated for future periods;

the size of profits also describes how the performance of companies run by management in generating profits to pay investors, creditor interest, and government taxes (Agasva & Budiantoro, 2014)

Weak corporate governance systems create loopholes for conflicts of interest regarding the evaluation process (Doidge et al., 2007). Anjani & Yadnya (2017) found that Good Corporate Governance (GCG) positively and significantly affects company profitability. GCG is necessary to realize good company operations. Durgut & Gashi (2022) said that the financial industry must establish a CG agency and strictly enforce legal directives. Corporate governance is the process used through legal, regulatory, contractual, and market-based processes to significantly increase shareholder value while safeguarding the interests of other shareholders (Risnangsih et al., 2020). A corporation is founded to maximize profit in order to ensure that its operations are always guaranteed, along with an improvement in the company's value both qualitatively and quantitatively (Triyani et al., 2018; Ekasari & Noegroho, 2020). Corporate governance that adheres to the values of openness, responsibility, accountability, independence, and fairness is called GCG (Zarkasy, 2008). Financial success is the primary signal that investors use to make decisions, according to the signaling theory from Lintner (1956). Companies with strong financial performance can give potential investors a good reason to buy shares of the business. A number of variables can be used to gauge business performance. Based on GCG, one of them is evaluated. A GCG system, according to Sutedi (2012), is a procedure and framework used by corporate organs (shareholders/capital owners, commissioners/ supervisory boards of directors) in order to improve the success of corporate accountability initiatives in order to realize shareholder value over the long term by taking into account the interests of other stakeholders.

The agency theory put forth by Jensen & Meckling (1976) states that the total number of investment shares held by shareholders or investors constitutes share ownership and that those managing our managers (agents), whose duty it is to maximize the rate of return or can be said to be profit from the shares, are held by investors. Corporate governance plays an important role in determining the company's capital structure. The board oversees and influences management decisions to maintain shareholder value. All decisions taken from management will seek approval from the previous board so that the board of directors greatly influences the decisions to be taken (Widijaya & Peny, 2020). In this study, the elements of GCG used are the board of commissioners (Nurmayanti & Lovita, 2020).

The principles of GCG are expected to improve the quality of financial reports because the timeliness of financial reporting is an important factor in presenting relevant information (Clatworthy & Peel, 2013). Submission of financial reports that take a long time will be associated with lower information quality because information availability delays cause the information to have a lower value (Kusumayani et al., 2019). Implementing GCG can increase the timeliness of disclosure of financial information, prevent fraud and increase transparency in reporting so that non-compliance becomes the responsibility of top company officials (Adinegara & Sukamulya, 2021). The main components of GCG that are recognized to influence funding decisions are board size, board independence, executive compensation, and executive camp. Implementing GCG can prevent decision-making mistakes that automatically increase the company's value, which is reflected in profitability (Durguti & Kryeziu, 2021). Research conducted by Anjani & Yadnya (2017) found that GCG positively and significantly affects company

profitability. So that a hypothesis can be developed regarding the capital structure on firm value as follows: GCG has a positive effect on bank profitability.

Company size is a scale that classifies companies according to their size based on factors including total assets, sales, share value, and other factors (Rachmawati, 2015). The scale of the company's measurement is related to the size of the firm, and the larger the scale of the company can be converted into the higher the performance. The bigger the company, the greater the chance to create profits or higher performance (Dang et al., 2018; Surjandari & Minarni, 2019). Greater corporations guarantee performance (Ananda, 2016). Earnings management includes information on financial reports to deceive stakeholders interested in learning about the performance and state of the organization (Hendra et al., 2018). Although large businesses have more financial resources to assist performance, they also experience more agency issues (Nurcahya et al., 2014; Panjaitan & Muslih, 2019). A high company size indicates that the business is growing, which will appeal to investors and raise the company's worth. Audina (2016) discovered that company size has a favorable and significant impact on firm value. So that the following hypothesis can be set up in relation to the ratio of the company's size to its value: Profitability of banks is positively impacted by firm size.

In addition, company performance can also be measured through the capital structure that can be used to determine the company's financial performance. According to research by Kartika (2021), capital structure significantly and favorably affects bank profitability. The capital structure shows the relationship between owned capital, which is derived from long-term debt (long-term liabilities), and own capital (shareholders' equity), which serves as a source of funding for a long-term organization (Nurmayanti & Lovita, 2020). Financing decisions greatly impact the company's business expansion and competition between competitors (Widijaya & Peny, 2020). Financing decisions are directly related to risk and approach, so companies must choose the right financing for the company's capital structure. An optimal capital structure can increase company value and competitiveness, but a capital structure that is not optimal will impact high capital costs. Put forward the theory that companies can carry out optimal capital structure composition to make tax savings and avoid bankruptcy risk (Raharjaputra, 2009; Widijaya & Peny, 2020; Modigliani & Miller, 1963). Chirinko & Singha (2000) revealed that in this theory, companies try to balance the advantages of debt. The advantages and disadvantages of debt include tax reduction because interest expenses can reduce income so that companies will pay less tax. However, according to the capital structure theory, the company's finance strategy will adhere to a hierarchy of funding operations (Donaldson, 1961). It was discovered that the company's condition influenced its funding choice policy in addition to the quickly expanding business development (Ross, 1977). But when the trade-off theory, pecking order theory, and free cash flow theory are tested, none of them can adequately explain how businesses support themselves as a whole because every business weighs the costs and benefits when determining its funding approach (Myers, 2001). The long-term financial structure of the organization includes a capital structure that blends debt and equity. Because a firm's capital structure directly affects its financial situation, which affects its value, capital structure is a crucial issue for businesses. Capital structure is measured by the leverage ratio, which compares total debt to total assets. Because each business will weigh the costs and benefits in determining its funding approach, neither the pecking order theory nor the free cash flow theory can adequately explain how companies generally behave regarding funding (Brigham & Houston, 2010 and Myers, 2001). There are various benefits to using debt in the capital structure. According to the

Exchange Theory, using debt results in investors receiving a larger portion of the company's operating profit. As a result, the value and price of corporations' shares rise the more debt they employ (Febriana et al., 2016). Research conducted by Kartika (2021) found that capital structure positively and significantly affects bank profitability. So that a hypothesis can be formulated regarding the capital structure on firm value as follows: Capital structure has a positive effect on bank profitability.

This study aims to ascertain the impact of the audit committee, business size, board of directors, board of commissioners, and capital structure on company profitability in Indonesian bank banking companies. Novelty provides a profitability model measured based on the company's GCG components (proxied through the board of directors, board of commissioners, and audit committee) and company size and capital structure simultaneously.

METHODS

Research design

Associative research is the term used to describe the methodology used in this study. This research adopted a quantitative methodology. Secondary data was the data source for this study. Based on the secondary data employed in this study, which were acquired through online research and the documentation approach.

Population and research sample

The population of this study consists of 42 conventional banking companies listed on the Indonesia Stock Exchange for the years 2018 through 2021. Purposive sampling is the method of sampling used in this investigation. The 10 samples of banking businesses listed on the Indonesia Stock Exchange (IDX) in the years 2018 through 2021 match the criteria for this study.

Variable identification

The board of directors is the number of members of the board of directors in a company (Hendra et al., 2018). The existence of a board of directors serves as the main internal control mechanism to monitor company managers.

The board of commissioners will help decide whether an investment can be provided efficiently (Chen, 2013; Saputra & Wardhani, 2017). The number of members of the board of commissioners measures the size of the board of commissioners.

The audit committee is a small committee of the board of directors, independent and outside the directors (Anas, 2021). The size of the audit committee is measured by the number of audit committee members

Company size, measured by company assets, shows the company's assets (Nugraha et al., 2021). Company size is measured by natural logs (Ln) total assets

The capital structure combines debt and equity in the company's long-term financial structure. Capital structure is an important issue for companies because the good or bad capital structure will directly affect the company's financial position, ultimately affecting company value (Brigham & Houston, 2010). To measure capital structure is the leverage ratio, namely total debt to total asset.

Profitability is the most appropriate indicator to measure bank performance (Ananda, 2016). The profitability in this study uses return on equity (ROE).

Data and data collection methods

The data used in this research is cross-sectional data. The data needed are audited financial report data at the end of the year from banking sector companies during the research period, namely 2018-2021, while for GCG indicators obtained from the corporate governance list of banking company annual reports for 2018-2021, all data obtained from the Indonesia Stock Exchange (www.idx.co.id). The data collection method in this study is the documentation method. Data analysis techniques in this study were carried out using multiple regression analysis techniques.

Data analysis technique

In this study, data analysis techniques were performed using multiple regression analysis techniques.

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Description:

- Y = Profitability
- α = Constant coefficient
- X₁ = Good corporate governance
- X₂ = Company size
- X₃ = Capital structure
- $\beta_1 - \beta_3$ = Regression coefficients
- e = Error

Hypothesis test

This study examines the effect of GCG, company size, and capital structure on profitability. There are 3 independent variables, namely GCG, company size, and structure, with one dependent variable, profitability. Multiple regression tests do testing. Hypothesis testing in this study used a simultaneous test (F-test) and a partial test (t-test).

RESULTS AND DISCUSSION

Descriptive statistical test results

Descriptive analysis descriptive statistical analysis aims to provide an overview or description of data seen from the minimum, maximum, average (mean), and standard deviation values of each research variable. One dependent variable and three independent variables were utilized as the variables in this study. The study's dependent variable is banking profitability, assessed by return on equity (ROE). GCG, as determined by three indicators, including the number of boards of directors, members of the board of commissioners, and audit committees, as well as company size as determined by Ln company assets and capital structure as determined by the debt to equity ratio, serves as the study's independent variable (DER).

Table 1. Descriptive statistics test output results

	N	Minimum	Maximum	Means	std. Deviation
Board of Directors	40	4	14	9.67	2,411
Board of Commissioners	40	2	12	7.23	2,496
Audit Committee	40	3	10	4.53	1,569
Company Size	40	18.24	23.60	19.7800	1.17474
Capital Structure	40	.03	.16	.0590	.03070
Profitability	40	010	.234	.12963	.053197
Valid N (listwise)	40				

Classic assumption test

Normality test

The normality test aims to determine whether the residuals, confounding factors, or regression model have a normal distribution. A regression model is good when all the data are normally distributed or very close to it. By examining the normal probability plot graph and utilizing one-sample Kolmogorov-Smirnov non-parametric statistical analysis, this study was able to identify the normal distribution.

Table 2. One sample of Kolmogorov-Smirnov test results

N		40
Normal Parameters, b	Means	.0000000
	Std. Deviation	.04701339
Most Extreme Differences	Absolute	.114
	Positive	.082
	Negative	-.114
Test Statistics		.114
Asymp. Sig. (2-tailed)		.200c,d

a. Test distribution is Normal; b. Calculated from data; c. Lilliefors Significance Correction; d. This is a lower bound of the true significance

Table 2 shows that the Asymp. Sig. (2-tailed) of $0.200 > 0.05$. Therefore, it can be stated that the regression model in this study satisfies the assumption of normality because these results show that the data in this study are regularly distributed.

Multicollinearity test

In order to determine whether the regression model identified a correlation between independent (independent) variables, the multicollinearity test is used. Independent (independent) variables shouldn't correlate with a suitable regression model. The tolerance value and the opposing variance inflation factor (VIF) can be used to determine whether multicollinearity is present. Comparing the values of the tolerance and variance inflation factors will reveal multicollinearity (VIF). Multicollinearity occurs when the tolerance value is > 0.10 , and the VIF value is < 10 .

Table 3. Multicollinearity test results

Model	Collinearity Statistics	
	Tolerance	VIF
Board of Directors	.203	4,917
Board of Commissioners	.256	3,910
Audit Committee	.294	3,406
Company Size	.237	4,226
Capital Structure	.793	1,262

Table 3 demonstrates that the capital structure, company size, audit committee, and board of directors independent variables have tolerance values > 0.10 and VIF values of 10. Therefore, it may be said that the regression models are not multicollinear.

Heteroscedasticity test

Heteroscedasticity testing aims to test whether, in regression, the variance of the residuals is not the same from one observation to another. The criteria for deciding on the heteroscedasticity test are carried out if the data distribution (points) is located around the value 0 of the X and Y axes and does not form a pattern.

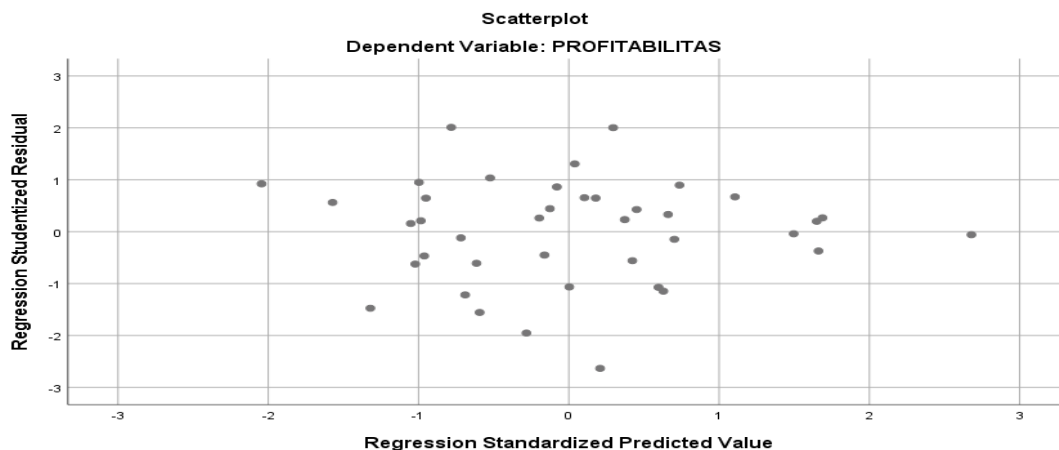


Figure 1. Output results of the heteroscedasticity test

The scatterplot graph based on Figure 1 reveals that the dots are randomly distributed above and below the 0 on the Y axis. It can be said that the regression model does not have heteroscedasticity.

Multiple regression analysis

Simultaneous test (F test)

The F test is used to determine whether there is a simultaneous (simultaneous) effect of the independent (free) variables on the dependent (bound) variable.

Table 5. Simultaneous test (F-test)

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.024	5	.005	1.906	.119b
	residual	.086	34	.003		
	Total	.110	39			

a. *Dependent Variable: Profitability*

b. *Predictors: (Constant), Capital Structure, Audit Committee, Company Size, Board of Commissioners, Board of Directors*

The results of the F test obtained the value of F count > F table, namely 1.906 > 2.494 with a significance level of 0.119 > 0.05, which means that the board of directors, board of commissioners, audit committee, company size, and capital structure simultaneously have no significant effect on profitability company.

The determination coefficient (R²)

The coefficient of determination is a value (proportion value) that measures the ability of the independent variables used in the regression equation to explain the variation of the dependent variable.

Table 6. The coefficient of determination (R2)

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	.502a	.252	.142	.049661

Based on Table 6, the SPSS output results show that R Square (R²) is 0.142 or 14.2%. This means that the independent variables of the board of directors, board of commissioners, audit committee, capital structure, and company size contribute 14.2% to financial performance, which is the dependent variable of this study. While the remaining (100% - 14.2%) 86.8% can be influenced by other variables outside this study.

Partial test (t-test)

The t-test is used to determine the effect of each independent variable, namely the board of directors, board of commissioners, audit committee, company size, and capital structure on company profitability

Table 4. Partial test (t-test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	-.447	.218		-2,052	.048
Board of Directors	-.010	.007	-.444	-1,322	.195
Board of Commissioners	-.004	.006	-.188	-.627	.535
Audit Committee	-.008	.009	-.230	-.824	.416
Company Size	.037	.014	.826	2,651	.012
Capital Structure	-.075	.295	-.043	-.254	.801

Discussion of research results

Influence of the board of directors on company profitability

This study indicates that the board of directors variable partially has no significant effect on the profitability of banking companies. As a result, it can be said that H1 in this study cannot be accepted because the size of the board of directors has no bearing on profitability. The findings of this study are consistent with those of Bukhori's (2012) investigation, which found that the board of directors' decisions have no bearing on the metrics used to gauge corporate performance.

Influence of the board of commissioners on company profitability

This study indicates that the board of commissioners' variable partially has no significant effect on the profitability of banking companies. Therefore it is concluded that H1 in this study is rejected because the proportion of the board of commissioners does not affect profitability.

It follows research conducted by (Dwiputra & Suryanawa, 2016), namely, the more commissioners, the higher the negative relationship between profitability and the number of commissioners. With a large number of commissioners, various decisions will be made.

The influence of the audit committee on company profitability

This study indicates that the Audit Committee variable partially has no significant effect on the profitability of banking companies. As a result, it may be said that H1 in this study cannot be accepted because the profitability is unaffected by the proportion of the audit committee. Research by Dalton et al. (1999) found that audit committees with many members tended to lose focus and were less participatory than those with smaller sizes, which lends validity to this claim. The more members of the audit committee, sometimes it becomes even more difficult agreement on decisions in carrying out their performance which affects the decline in company profitability. In addition, this occurs because there is a possibility that the formation of audit committees within companies is only based on regulations, where each company must form an audit committee. The existence of an audit committee cannot guarantee the financial quality, the supervisory and controlling functions of company management so that it does not affect profitability

Effect of company size on company profitability

The regression coefficient value between firm size and profitability (Y) is positive. This study's results align with research conducted by Audina (2016) and Damayanti et al. (2021); company size positively affects profitability. This indicates

that large companies will have a larger credit limit than small companies. In addition, large companies also have more access to the capital market and banking than small companies. In other words, large companies have great access to funding sources, both the capital market and banking, to finance their investments to increase company profits. Therefore, the larger a company, the higher its profitability

Effect of capital structure on company profitability.

It can be said that a company's profitability variable is unaffected by its capital structure. Research by Audina (2016), which found that the debt-to-equity ratio (DER) variable did not affect profitability, supports the study's findings. The trade-off hypothesis indicates that any increase in debt will improve the company's value and vice versa if the capital structure is below the optimal point. The board of directors, board of commissioners, and audit committee's concurrent research findings indicate that company size and capital structure have no appreciable impact on a company's profitability. These conclusions suggest improving performance through profitability.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The proportion of the board of directors has no positive and insignificant effect on company profitability. It happens because the number of different members of the board of directors can affect the different characteristics of the company, so the effectiveness of the board of directors in managing the performance of resource management is less than optimal, which causes the company's profitability to decrease.

The size of the board of commissioners has no positive and insignificant effect on company profitability. It happens because the more commissioners, the higher the negative relationship between profitability and the number of commissioners. With a large number of commissioners, various decisions will be made. That will disrupt the company's performance, impacting unstable company profitability.

Audit committee size has no positive and insignificant effect on company profitability. It is because audit committees with many members tend to lose focus and are less participatory than those with a smaller size. The more members of the audit committee sometimes make it difficult to agree on decisions in carrying out their performance which affects the decrease in company profitability.

Company size has a significant positive effect on company profitability (ROE). It happens because if the size of the company gets bigger. Good management will enable the company to increase its profits that performance will increase its profits.

Capital structure has no positive and insignificant effect on company profitability (ROE). This happens because the higher the Debt to Equity Ratio (DER) indicates, the greater the obligation or debt burden borne by the company to outsiders so that it can reduce the amount of profit received by the company.

Recommendation

Future researchers should not only use dimensions in terms of return on equity only, but also from other ratios such as return on assets, NPM, GPM, and others so that we can compare which is better between the percentage level of profitability when measured by return on equity or other ratios. The addition of indicators of good corporate governance, such as the activities of the board of commissioners, the board of directors, the remuneration committee, etc., would improve the ability of the research findings to forecast the impact of GCG on business profitability. Future research can use more corporate sectors. It is intended that the research results can be more useful for other companies in Indonesia.

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Business management governance: Its effect on improving the performance of small and medium industries (SMIs) during the COVID-19 pandemic

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Abstract

This research aims to analyze the effect of business management governance, which includes financial, human resources, operational and financial aspects, on improving the performance of SMIs in Jambi Province during the COVID-19 pandemic. The data collection tool is a closed questionnaire delivered online and offline. Data analysis was carried out using a qualitative approach and a quantitative approach using multiple linear regression analysis and SWOT analysis. This research concluded that financial, human resource, operational, and marketing management significantly affected the performance of SMIs in Jambi Province during COVID-19. The small and medium industries in Jambi Province during the COVID-19 pandemic were in quadrant I, meaning that the small and medium industries in Jambi Province already have strengths and opportunities to compete. Therefore SMIs in Jambi Province during the COVID-19 pandemic must carry out aggressive strategies.

Keywords: Finance, Human resources, Marketing, SMIs

JEL Classification: M21, M31, M54

INTRODUCTION

Small and medium enterprises in Indonesia play a very strategic role, which can be seen in Indonesia's Gross Domestic Product (GDP) which continues to increase every year from the contribution of small and medium industries (SMIs). Based on the survey results and calculations of the Central Statistics Agency (BPS), the contribution of SMIs to GDP in 2017 was recorded at 61.41, with the number of SMIs reaching 60 million units.

Law No. 20/2008 on micro, small, and medium enterprises is the foundation of government policy to encourage small and medium enterprises. SMEs include small and medium industries. In reality, most SMIs are very difficult to develop, and most can only survive. There has been a lot of research conducted on government and corporate governance (Mulbert, 2010; Crowther & Seifi, 2010 and Setiawan et al., 2006), but this research is the first to examine COVID-19 the governance of business performance improvement in SMIs in Jambi Province in terms of financial, human resource, operational and marketing management.

The COVID-19 outbreak has greatly affected the development of almost all types

of SMIs, both globally and nationally. The preliminary survey results found that the decline in performance and difficulties in developing SMIs include financial, human resource, operational, and marketing aspects.

Nationally, the existence of SMIs, in terms of their contribution to the national economy, is still in the small category (Syuhada & Gambetta, 2013; Kim & Ko, 2012). Before the COVID-19 pandemic, the growth in the number of SMIs in Jambi Province was quite a lot, both in the number and variety of business types. However, when the COVID-19 outbreak hit the world, the impact also affected SMIs globally, particularly in Jambi Province. During the COVID-19 pandemic, the number of SMIs declined dramatically due to the pandemic. Even the surviving SMIs are also experiencing problems in finance, human resources, operations, and marketing. In the financial aspect, it is increasingly difficult for SMIs to obtain financial loans; the number of strong human resources is decreasing, the operation of SMIs is weakening, and marketing is decreasing.

The empirical study found various gap phenomena related to the performance problems of SMIs in Jambi Province during the COVID-19 pandemic. One interesting phenomenon to study is the reduction in the number of SMIs, the number of workers, and the production value every year. This can be proven by the number of small industries in 2019 of 34,564, while a decline occurred to 28,159 in 2020 and 26,058 in 2021. The number of small industry workers also decreased by 69,671 people in 2019, 49,241 people in 2020, and 48,059 people in 2021. Based on the value of production, there was also a decline, which amounted to IDR 4,554,986,405,000 in 2019, while it decreased to IDR 2,770,138,127,000 in 2021 (BPS, 2020; BPS, 2021 and BPS, 2022). This phenomenon is interesting to investigate further, namely whether it has to do with business management which includes financial, HR, operational, and marketing aspects, or for other reasons.

From the results of the search for literature reviews and theoretical studies related to previous research, it can be stated that many factors affect business performance, such as the results of research by Anggadwita & Mustafid (2014), Samir & Larso (2002), Purwaningsih & Kusuma (2015) and Subroto et al. (2016). However, this research examines the financial, HR, operational, and marketing variables because few studies still study them. The level of originality of this research is high because there are discrepancies with previous research in terms of variables used, research subjects (SMI performance), research objects (SMIs in Jambi Province), and the aspect of the approach used (quantitative research approach).

This research aims to find solutions by examining the governance of the financial, HR, operational, and marketing aspects of SMIs to improve performance during the COVID-19 pandemic and post-pandemic. The research results will also serve as guidelines or references for SMIs and other parties involved in improving the performance of SMIs in Jambi Province in finance, human resources (HR), operations, and marketing.

METHODS

Research design

Collecting data from respondents is carried out by a survey method using a questionnaire. In this research, statistical and hypothesis tests will be carried out, so it can be stated that the research method is quantitative. The research population is all SMI business actors in Jambi Province, totaling 19,726. The researcher determines qualified population members to be the sample, namely the SMI owners established for at least 3

years and willing to be sampled. Sampling using the Slovin formula amounted to 400 people. The distribution of samples in this research came from 11 cities and regencies throughout Jambi Province in a proportional manner.

Variables operational

Indicators are determined through a list of questions using a Likert scale (1-5) to measure each variable. The financial management variable (X1) indicators consist of capital sources, amount of capital, operating costs, assets, and financial records. HR management variable (X2) indicators consist of HR plans, compensation, and labor. Operational management variable (X3) indicators consist of production capacity, location determination, business layout, and workflow. Marketing management variable (X4) indicators consist of product, price, promotion, and distribution.

Data analysis method

The analytical tool used to test the hypothesis in this study is Multiple Linear Regression. Data testing is done with validity and reliability tests. Descriptive analysis is used to describe the characteristics of respondents from variables by compiling a frequency distribution table to see whether the level of acquisition of the value(score) of the variable under study is in the category of very bad, bad, fairly good, good, and very good.

Independent variables are financial management (X1), human resource management (X2), operational management (X3), and marketing management (X4), while the dependent variable is the performance of SMIs (Y). The multiple linear regression equation is:

$$\text{Formula: } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$$

SWOT analysis

SWOT analysis with a qualitative approach uses internal factors and external factors. Internal factors are entered into the IFAS (Internal Strategic Factor Analysis Summary) factor matrix. External factors are entered into the external factor matrix or EFAS (External Strategic Factor Analysis Summary). After the internal and external strategic factor matrices are completed, the results are entered into a qualitative model, namely the SWOT matrix, to formulate the company's competitive strategy. Internal (IFAS) and external (EFAS) strategic factor matrices.

RESULTS AND DISCUSSION

Respondent characteristics

The results of respondents' answers to the questionnaire where the majority of SMI business actors are women, namely as many as 210 people or 52.5%, which illustrates that women have more desire and ability in entrepreneurship compared to men. The age of respondents with the largest number of 36-45 years, namely 140 people or 35%, illustrates that SMI business owners are those who fall into the productive age category. The amount of monthly turnover shows that the most is between IDR 10,000,001 - 20,000,000, which is as many as 167 SMIs or as much as 42%, which illustrates that the income of the majority of SMI actors is still included in the category of small businesses (Law No. 20/2008).

Descriptive analysis

Respondents' responses to the financial management variable (X1) obtained an average value of 5 indicators of 3.73, illustrating that the financial management of SMIs

is good. Respondents' responses to the HR management variable (X_2) obtained an average value of 3 indicators of 3.36, illustrating that SMIs' HR Management is quite good. Respondents' responses to the operational management variable (X_3) obtained an average value of 4 indicators of 3.75, illustrating that the Operational Management of SMIs is good. Respondents' responses to the marketing management variable (X_4) obtained an average value of 4 indicators of 3.43, illustrating that SMIs' marketing management is good.

Data analysis

The validity results are met because each questionnaire item produces a Pearson correlation greater than the critical r of 0.3, so the instrumentation items of each construct can be said to have good validity and are acceptable. The instruments of all variables are in the good/reliable category, which is greater than 0.800 (Arikunto, S., 2016; Sugiyono, D., 2013).

Multiple regression analysis

ANOVA (*F Test*) simultaneous test

Table 1 reveals that F_{count} is 42.412 with a significance level of 0.000. It shows that the effect of independent variables (X_1 = financial management, X_2 = human resource management, X_3 = operational management, and X_4 = marketing management) simultaneously is significant to Y (performance of SMIs). Therefore, simultaneously $F_{count} > F_{table}$, then H_0 is rejected and accepts H_a , meaning that each independent variable (X) together has a significant effect on the dependent variable (Y).

Table 1. Simultaneous Test (ANOVA) and coefficient determination (R Square)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	128.911	4	33.482	42.412	.000 ^a
	Residuals	82.305	396	.825		
	Total	217.232	400			
R = .834		R Square = .742		Adj.R Square = .721		S.E.E. = .86244

An adjusted R square of 0.742 means that 74.2% of SMI performance variables can be explained by financial, human resource, operational, and marketing management, while 25.8% can be explained by other variables not examined by this research

Partial test

To test whether the proposed hypothesis is accepted or rejected, the t statistic (t -test) is used. Table 2 provides the estimation and partial test results of each regression coefficient in the model.

Table 2. Regression coefficient and a partial test

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.420	.625		1.724	.055
	X1	.220	.043	.430	4.423	.000
	X2	.415	.054	.565	3.954	.000
	X3	.443	.066	.620	5.666	.000
	X4	.254	.056	.481	3.875	.000

Financial management variable (X_1) has a positive and significant effect on the performance of SMIs (Y), which can be seen from the significant value of 0.000,

meaning that if the increase in financial management variable (X_1) by one unit, then the performance of SMIs (Y) will increase by 0.220 unit.

HR management variable (X_2) has a positive and significant effect on the performance of SMIs (Y), which can be seen from the significant value of 0.000, meaning that if the increase in HR management variable (X_2) by one unit, then the performance of SMIs (Y) will increase by 0.415 unit.

Operational management variable (X_3) has a positive and significant effect on the performance of SMIs (Y), which can be seen from the significant value of 0.000, meaning that if the increase in operational management variable (X_3) by one unit, then the performance of SMIs (Y) will increase by 0.443unit.

The marketing management variable (X_4) has a positive and significant effect on the performance of SMIs (Y), which can be seen from the significant value of 0.000, meaning that if the marketing management variable (X_4) is increased by one unit, the performance of SMIs (Y) will increase by 0.254 unit.

SWOT analysis

Based on the condition of internal factors and external factors, it can be seen that the current position of the Small and Medium Industries (Figure 1).

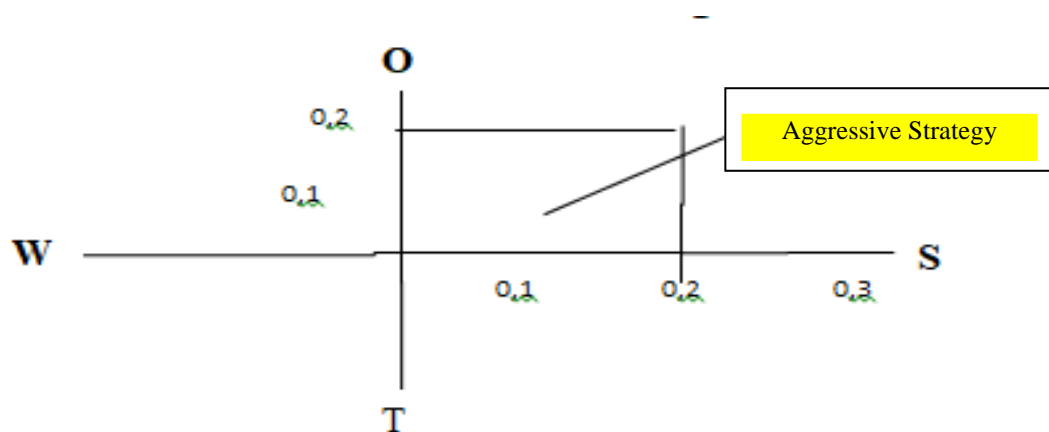


Figure 1. SWOT diagram of development strategy for small and medium industry

From the calculation results, it can be seen on the SWOT diagram that the current position of the small and medium industries is in quadrant I, meaning that the SMIs in Jambi Province already have the strengths and opportunities to compete, so the right strategy to win the current competition is an aggressive strategy.

Based on the SWOT analysis results in Figure 1, the position of SMIs in Jambi Province is in quadrant I, meaning that SMIs have advantages in terms of strengths and can be used to obtain opportunities. Therefore, SMIs must carry out an aggressive strategy. The government and other stakeholders must intensively strive to continuously encourage the creativity of SMIs through knowledge transfer and technology transfer, strengthening their position by creating a conducive business climate. Thereby, an aggressive strategy through analysis of internal factors that generate strengths and analysis of external factors that generate opportunities and threats can be formulated in Table 3.

Table 3. Internal and external factors

Internal External	Strengths (S) 1. Availability of labor 2. Raw Materials Availability 3. HR Self-Potential 4. SMIs encourage creativity 5. Business Capital Availability	Weaknesses (W) 1. Low SME capability 2. Weak knowledge of SMIs 3. Ability to master technology 4. Ability to cooperate 5. IKM product standards
Threats (T) 1. Competitor's technology is more superior 2. Competitor product diversity 3. No Product standard yet 4. Competitor's product price 5. Competitor product quality	ST Strategies 1. Conduct SMI capability tests to map healthy and sick SMI groups. 2. Government attention should be increased in terms of coaching and other support. 3. SMIs mapped based on capability are given training with knowledge transfer and technology transfer.	WT Strategies 1. Improving industrial capabilities through the transfer of technology and knowledge in anticipation of science and technology advances 2. Establish a Product Certification Organization 3. The government, through the relevant local government agencies cooperates with all stakeholders related to SMIs
Opportunities (O) 1. New market available 2. Amount of government assistance 3. Easy access to technology 4. Conducive business climate 5. Business capital assistance 6. Cooperation in marketing	SO Strategies 1. Developing local potential, such as developing the function of raw materials, through research so as to be able to find something new and have added value. 2. Government collaborate with universities and businesses to implement research results.	WO Strategies 1. Structuring and improving the overall training system by market needs lead to creativity, critical thinking skills, and communication skills. 2. Establish associations in each industry sector to obtain information on market developments, knowledge, and technology.

Discussion

Based on the analysis results, financial management has a significant effect on the performance of SMIs in Jambi Province during the COVID-19 pandemic, which means that the better the financial management of the business, the more it will improve its business performance. The results of this study are in line with the research of Abanis et al. (2013), McMahan (2001), Muneer et al. (2017), Alfrian & Pitaloka (2020), Pakpahan (2020), Sugiri (2020) and Yurianto (2020), which concluded that financial management affects business performance. Weak capital will affect the performance of MSME businesses, so the quality of goods sold is also low. Good financial management will improve business performance. Recording incoming and outgoing finances in the business will improve business performance. Business money will be well controlled, avoiding deviations in business financial management and mixing business finances with family finances. Good financial management will make it easier for SMIs to allocate and plan the use of finances and avoid mistakes in allocating business capital.

Human resources are an important factor for every business, including SMIs. The success of SMIs in facing imported products is determined by the ability of these business actors to develop their business products, so they can continue to exist. The main weaknesses of small and medium enterprise development in Jambi Province are due to the lack of human resource skills and the management used so far is still relatively traditional. Therefore, in the governance of SMI business management and business development, it is necessary to increase training for business actors both in aspects of entrepreneurship, administration, and knowledge and skills in business development. Human resource quality is improved through various means such as education and

training, seminars and workshops, on-the-job training, apprenticeships, and business cooperation. Another thing that can be done is to allow SMIs to apply the results of training in the field to practice theory through the development of pilot partnerships. The results of this research concluded that human resource management affects business performance, in line with the research of Gerhart (2005), Singh (2004), Wright et al. (2003), Hafsa (2004), Damuri et al. (2020), Nizar (2018) and Pramaishella, (2017).

The better the operational management, the better the performance of the SMIs. The results of this research found that operational management affects business performance, in line with previous research, including research by Raymond (2005), Chowdhury et al. (2019), Cagliano et al. (2001), Setiawan et al. (2006), Fitriyani et al. (2020), Santosa (2020) and Sabrinna & Adiwibowo (2010), that extensive production and distribution activities will support corporate performance. These activities must be supported by determining the right workflow. This means that the more capable business owners or cakecrafters manage their workflow, the higher their performance level will be, as reflected by increased business income. Good operational management will also prevent entrepreneurs from business inefficiency because all workflows have been arranged in such a way and have established work standards, so they will avoid work errors that can ultimately harm the business. The existence of the COVID-19 pandemic requires SMIs to adapt to the management of SMI operations to survive and develop.

Marketing management has a significant effect on the performance of SMI businesses. This indicates that the better the marketing management of the SMIs, the more it will improve the performance of SMIs in Jambi Province during the Covid-19 pandemic. In the marketing system, apart from the business network, the marketing network is also one factor that determines business performance. Therefore, an entrepreneur must pay attention to good marketing management. There are four mixes in marketing that must be a concern, namely product, price, distribution, and promotion. The results found that marketing management affects business performance, in line with research by Jaakkola et al. (2010), Matsuno et al. (2002), Udriyah et al. (2019), Suindari & Juniariani (2020), Amanah (2015) and Setiawan. (2003).

SWOT Analysis

Strategies that SMIs can carry out in Jambi Province to improve business performance can be determined by a combination of internal and external factors (Fatimah, 2016). The combination of the two factors is as follows:

SO (Strength-Opportunity) Strategies

These strategies combine internal factors (Strength) and external factors (Opportunity), which are based on utilizing all strengths to seize and take advantage of maximum opportunities. The SO strategies taken by SMIs are:

1. Developing local potential, such as developing the function of raw materials, through research so as to be able to find something new and have added value.
2. Government works with universities and businesses to apply research results.

ST (Strength-Threat) Strategies

These strategies combine internal factors (Strength) and external factors (Threats), which use the strengths of SMIs to overcome all external threats. The ST strategies pursued by the SMIs are:

1. Conducting SMI capability tests to map healthy and sick SMI groups.
2. Government attention should be increased on coaching and other support.
3. SMIs mapped based on capability are given training with knowledge transfer and technology transfer.

WO (Weakness-Opportunity) Strategies

These strategies are the combination of internal factors (*Weakness*) and external factors (*Opportunity*), which strategies are applied based on the utilization of existing

opportunities by reducing the weaknesses owned by the company. WO strategies applied by SMIs are:

1. Structuring and improving the overall training system in accordance with market needs that lead to creativity, critical thinking, and communication skills.
2. Establishing associations in each industry sector to obtain information on market developments, knowledge, and technology.

WT (Weakness-Threat) Strategies.

These strategies combine internal factors (Weakness) and external factors (Threat), which are based on defensive activities and try to avoid possible threats from outside to reduce the company's weaknesses. The WO strategies pursued by SMIs in Jambi Province are:

1. Improving industrial capabilities through technology and knowledge transfer in anticipation of advances in science and technology.
2. Establishing a Product Certification Organization (LSPRO).
3. The government, through the relevant local government agencies, cooperates with all stakeholders related to SMIs

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Financial, human resource, operational, and marketing management has a significant effect on the performance of SMIs in Jambi Province during the COVID-19 pandemic, which means that the better the financial, human resource, operational, and marketing management of the business, the more it will improve its business performance.

Small and Medium Industries in Jambi Province during the COVID-19 pandemic are in quadrant I, meaning that the Small and Medium Industries in Jambi Province already have the strengths and opportunities to compete; therefore, SMIs in Jambi Province during the COVID-19 pandemic must carry out an aggressive strategy.

Recommendation

SMIs business actors in Jambi Province should always pay attention to and improve financial management, HR management, operational management, and marketing management to improve business performance, especially during the COVID-19 pandemic.

The Regional Government is expected to continue to increase attention and guidance to SMIs in Jambi Province, especially during the COVID-19 pandemic, so that SMIs can survive and grow. SMIs are expected to apply the SWOT analysis results, namely aggressive strategies by their strengths and opportunities.

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Entrepreneurial interest in startup business based on entrepreneurial literacy and digital literacy

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Abstract

It is the first empirical research that initiates a model for a growing interest in entrepreneurship among the younger generation based on the two most important literacy in the industrial era 4.0, namely digital literacy and entrepreneurial literacy. Specifically, the purpose of this research is to fill the research gap of the lack of research that examines the interest in entrepreneurship in startups based on digital literacy and entrepreneurial literacy as well as solving problems for the low interest in entrepreneurship in startup businesses among the younger generation. The sample of this research was 406 students of the Faculty of Economics and Business, Universitas Jambi. It was collecting data using a questionnaire. The data analysis technique used Partial least square. The study results showed high entrepreneurial and digital literacy levels and student interest in entrepreneurship. Entrepreneurial and digital literacy has a positive and significant effect on the entrepreneurial interest of students. To foster entrepreneurial interest in startup businesses, it is necessary to provide entrepreneurial literacy to the younger generation, both formally and informally. It is also necessary to increase digital literacy with an education relevant to startup businesses among the younger generation.

Keywords: *Digital literacy, Entrepreneurial interest, Entrepreneurial literacy, Startup business*

JEL Classification: I23, O33, M21

INTRODUCTION

Unemployment is a major problem faced by every developing country, including Indonesia. One way to overcome the unemployment problem is with an

entrepreneurship program, which can create many new entrepreneurs and create jobs, thereby reducing unemployment and positively affecting the economy. (Hasanah & Setiaji, 2019)

Indonesia, based on the population census (2018), has a population of 265 million people. The entrepreneurial ratio is only 3.4% of the total population of Indonesia. This ratio is quite lagging when compared to other ASEAN countries such as Thailand (4.2%), Malaysia (4.7%), and Singapore (8.7%). Indonesia needs about 10% or 26.5 million new entrepreneurs to catch up and can be classified as a developed country.

One way to accelerate and increase new entrepreneurs is through growing entrepreneurial interest. Based on data from the World Economic Forum (2022), Indonesia ranks at the top compared to other ASEAN countries in the interest in becoming entrepreneurs among the younger generation (35.5%), following Thailand (31.9%), Vietnam (25.7%), Malaysia (22.9%), Philippines (18.7) and Singapore (16.9)%. However, interest in a career in a startup business is the last choice for the young Indonesian generation (5.2%) compared to other entrepreneurial career choices such as family business (16.5%), big local company (8.8%), and SME (7.1. %).

It is ironic, considering that in the industrial era 4.0 and society 5.0, the world of business and industry has been in such a way related to information and communication technology (ICT) and therefore has grown a new form of business called a startup business (Pateli & Giaglis, 2005). In many developed countries, startup businesses have grown into companies that are changing traditional business models and markets to virtual business models and marketplaces, where inventory is replaced by information and digital products replace physical goods.

The startup business in the world has become a trend that has led many new businesses to grow to reach high capitalization, such as Uber (transport), Snapchat (photo), Prezi (internet-based presentation software), and Paypal (payment app). All of these startup businesses are based in America and have succeeded in making their owners become billionaires in the world. This phenomenon also occurs in Indonesia, where many startups such as Go-Jek, Tokopedia, Bukalapak, Traveloka, and Ruangguru have become unicorns, with a valuation above US \$ 1 billion, and have given birth to young millionaires. The growth of startups has created a multiplier effect for many Micro, Small, and Medium Enterprises (MSMEs). It has positively impacted domestic economic growth, such as the emergence of e-commerce, online transportation, and even social crowdfunding.

Based on the report of the Indonesian Creative Economy Agency (Zaky et al. 2018), Indonesia is the country with the 4th most internet users in the world, with internet penetration of 73.7 percent of the total population (202.6 million users), becoming one of the countries with the largest digital market in the world at the moment. If the young generation, who are digital natives, does not take advantage of this potential, Indonesia will become a digital consumer in its own country.

One of the important factors in fostering entrepreneurial interest among the younger generation in the digital era is entrepreneurial literacy (Kuntowicaksono, 2012). Entrepreneurial interest focuses on entrepreneurship because of a sense of love and a desire to learn, know and prove more about entrepreneurship. Entrepreneurial interest

arises because of the knowledge and information about entrepreneurship, which is then continued to participate directly to seek experience. Finally, a desire arises to pay attention to the experience obtained. Entrepreneurial Interest Indicators consist of: 1) Cognition, which includes entrepreneurial knowledge of interest in entrepreneurship; 2) Emotion, which includes feelings of pleasure, interest, and attention to interest in entrepreneurship; 3) Conation, which includes desire, effort, and belief in interest in entrepreneurship. The measurement of entrepreneurial interest in wanting to start an independent business, from 'quite interested' to 'very interested' (Wilson et al., 2007).

Entrepreneurial interest in a startup business is an interest in being involved in a newly established business that is still in the development and research (R&D) stage to find market potential and use information technology as a supporting instrument in processes, systems, products produced, and the parties involved. (Hidayat et al., 2020; Bekraf, 2018).

One of the entrepreneurial interests in the startup sector is shaped by entrepreneurial literacy (Firman et al., 2020; Hasan et al., 2020; Sutedjo et al., 2020). Entrepreneurial literacy is an intellectual obtained and owned by a person through entrepreneurship education that can help that person to innovate and become an entrepreneur (Hendrawan & Sirine, 2017). Entrepreneurial literacy is a person's understanding of entrepreneurship with positive, creative, and innovative characteristics in taking profitable business opportunities for himself and society (Kuntowicaksono, 2012). Entrepreneurial literacy is the knowledge possessed by someone indispensable, especially in producing new products or services, generating new added value, starting new businesses, and developing new organizations (Alfionita et al., 2020)

Based on the definition stated, it is concluded that entrepreneurial literacy is a person's ability to produce something new through creative thinking and innovative actions to create ideas or business opportunities that can be utilized by oneself and others. Indicators of entrepreneurial literacy refer to Purwanto et al. (2022). These indicators are: a) Basic knowledge of entrepreneurship and interest in entrepreneurship needs to be realized by the existence of information to find or create business opportunities to help realize their business; b) Knowledge of business ideas and opportunities, forming an entrepreneurial interest in producing a business requires structured thoughts or things; c) Knowledge of business aspects and existing information will create a process through various obstacles and risks that will be passed to realize their business.

Entrepreneurial interest is also influenced by the level of knowledge and understanding of a person using digital devices to communicate in various aspects of daily life, called digital literacy (Hasanah & Setiaji, 2019). Information technology observer first raised the term digital literacy from the United States, Paul Gilster, in his book digital literacy (1997). In its development, UNESCO has strengthened digital literacy as everything related to life skills involving technology, including learning, thinking critically, creatively, and innovatively to produce digital competencies. Digital literacy refers to increasing an individual's ability to read, analyze, and use digital information. Digital literacy also refers to knowledge, skills, and understanding in utilizing digital technology (Ghufron, 2018). According to UNESCO (2019), life skills

involve using technology, information, communication, socializing, learning, and thinking critically, creatively, and innovatively for digital competence. Digital literacy refers to increasing an individual's ability to read, analyze, and use digital information. Digital literacy also refers to knowledge, skills, and understanding in utilizing digital technology (Ghufron, 2018). Digital literacy is measured into five indicators: a) the ability to find, interpret, evaluate, manage, and share information through social media accounts; b) the ability to use information from digital media as data reference; c) the ability to adopt, adapt and use digital devices, both applications, and services; d) the ability to manage online identity and e) Ability to filter information circulating in various media (Stefany et al., 2017)

This literacy allows a person to produce something new through creative thinking and innovative actions to create ideas or business opportunities that benefit him and the wider community. Many studies have found that entrepreneurial literacy positively affects interest in entrepreneurship (Firman et al., 2020; Hasan et al., 2020; Sutedjo et al., 2020), but several studies have also found the opposite (Iswandari, 2017 and Agusmiati & Wahyudin, 2019). It creates a research gap for further research related to entrepreneurial literacy.

Entrepreneurial interest is also influenced by digital literacy (Tahir et al., 2021). This literacy fosters high adaptability so that a person can take advantage of technical skills and navigate various information online. This literacy, forms a person to be ready for the present and the future, whatever the form of technology that will exist later (Summey, 2013).

Based on a literature survey, empirical research on digital literacy related to entrepreneurial interest in startups is still difficult to find. Little research has examined the relationship between digital literacy and entrepreneurial intention (Hasanah & Setiaji, 2019 and Khoiriyah et al., 2022). This also creates research gaps to enrich empirical research related to digital literacy as an effort to foster entrepreneurial interest in startups.

Several studies examining youth/student entrepreneurial interest used determinants of entrepreneurial literacy along with other variables such as financial literacy (Sutedjo et al., 2020 and Hasan et al., 2020), personal attitude (Akinwale et al., 2019 and Rana et al., 2021); entrepreneurial education (Olokundun et al., 2018 and Luis-Rico et al., 2020) and the campus environment (Firman et al., 2020 and Akinwale et al., 2019). These studies have used internal variables such as entrepreneurial knowledge and attitudes as well as external environments such as entrepreneurship education and the campus environment to see their effect on entrepreneurial interest in general, not specifically on entrepreneurial interest in startup businesses. So, the research model does not include relevant variables such as digital literacy.

Meanwhile, research that has examined digital literacy related to entrepreneurial interests is still difficult to find. Two studies have studied students' entrepreneurial intention but not their interest in entrepreneurship (Khoiriyah et al., 2022; Hasanah & Setiaji, 2019). Under the AIDA Model (attention, interest, desire, and action) in the marketing concept, a person experiences cognitive stages in buying a product or service. Similarly, the decision to become an entrepreneur is preceded by awareness, interest,

intention, and then taking action. In this context, to become an entrepreneur, it is necessary first to have an interest in it to stimulate the emergence of entrepreneurial intentions.

Thus, previous research studies have used entrepreneurial literacy and digital literacy separately as a determinant of entrepreneurial interest in their research model. At the same time, these two literacy are simultaneously needed for youth/students who are digital natives to exist in the era of revolution 4.0 and society 5.0.

Furthermore, generally, the research used the dependent variable of entrepreneurial interest in a general sense. Only a few studies used entrepreneurial interests in online business (e-business). This refers to using media as a business tool rather than being the founder of a startup business. Thus, it can be stated that no research examines the entrepreneurial interest of students/youth in startup businesses using the two important literacy skills needed to support 21st-century skills

Based on the previous description, this research is strategic, considering empirically: first, the low choice of young Indonesians for a career as entrepreneurs in startup businesses; secondly, based on National Socio-Economic Survey (2020), the number of digital natives in Indonesia is around 33.25% and a large number of internet users in Indonesia; third, the great desire and effort of the government and the industrial world to achieve the number of entrepreneurs as much as 12% for significant economic growth in the digital era. Conceptually, this research initiated a research model to foster entrepreneurial interest among the younger generation by accommodating two literacies that support 21st-century skills, which in previous research had never been studied.

This research was conducted on the younger generation, especially the student group, with the consideration that they are digital natives, namely people who were born in the era of digital computer technology and its applications such as the internet, video games, short messages, e-mail, and the like (Prensky, 2001). This generation's knowledge of the digital world is inherent, even though it is not formally learned.

. This research was conducted on students of the Faculty of Economics and Business because they have received knowledge about entrepreneurship through a set of entrepreneurship courses in the initial semester (introduction to business and entrepreneurship), the middle semester (Entrepreneurial practice I and II), and the final semester through the Freedom to Learn-Independent Campus Program. The research location was conducted at Universitas Jambi because research on the interest in entrepreneurship in the Start-up business had never been done before.

METHODS.

This study was explanatory research in accordance with the research objective to explain the effect of independent variables, in this case, the entrepreneurial literacy variable, and digital literacy, on entrepreneurial interest in the startup field through testing the formulated hypotheses.

Population and sample

The population of this research was the Faculty of Economics and Business undergraduate students, as many as 2,831. This group of students was chosen as the object of research because of the vision and mission of the Faculty of Economics and Business, Universitas Jambi, to produce graduates as new entrepreneurs. In addition, this faculty has two study programs, entrepreneurship, and digital business, which are very relevant to this research.

Furthermore, undergraduate students were chosen because this group, after graduation, will fill the labor market and have a great opportunity to become entrepreneurs. The research sample was determined purposively: students from management and digital business study programs active in 2022. The Management and Digital Business Study Program was chosen because the number of relevant courses for building new entrepreneurship in startup businesses is the largest compared to other study programs. The research sample was 406 students.

Data collection techniques and instruments.

Data collection used a questionnaire via a google form. The questionnaire used a Likert scale which is modified into four answer choices: Very interested/ Strongly agree =4, Interested/ Agree =3, quite interested / Disagree =2, Not interested/ strongly Disagree=1. The modification of the Likert scale is intended to eliminate the weaknesses in the five-level scale, eliminate the middle answer category, and see the tendency of respondents' opinions towards agreeing or disagreeing

Data analysis techniques

Data analysis techniques in this study were descriptive analysis and statistical analysis. Descriptive analysis aims to analyze data based on the results of respondents' answers obtained on the measurement indicators of each variable

Descriptive analysis using a classification method based on the value of the scale range with the formula: $i = (X_n - X_1) / k$. Where i = class intervals, X_n = the highest data value, X_1 = the lowest data value, and k = number of classes

Determination of the lowest and highest score ranges by multiplying the number of samples with the lowest score weight and the highest score weight on the measurement scale. Lowest score range = $n \times$ lowest score = $406 \times 1 = 406$. Highest score range = $n \times$ highest score = $406 \times 4 = 1.624$. So it is obtained that: $i = (1624-406)/4 = 304.5$

Table 1. The classification category for the variables

Rating Range	Classification
406 – 710.5	Low
710.6 – 1,015.1	Moderate
1,015.2 – 1,319.8	High
1,319.9 – 1,624.4	Very High

At the same time, statistical analysis is used to test the hypothesis proposed using Structural Equation Modeling (SEM) based on Variance or partial least squares (PLS). Considering that the data scale is ordinal, predictive models, types of latent variables, and indicators of reflective research variables, PLS is used as an analytical tool (Abdillah and Jogiyanto, (2015). The Structural Equation Model is given in Fig. 1.

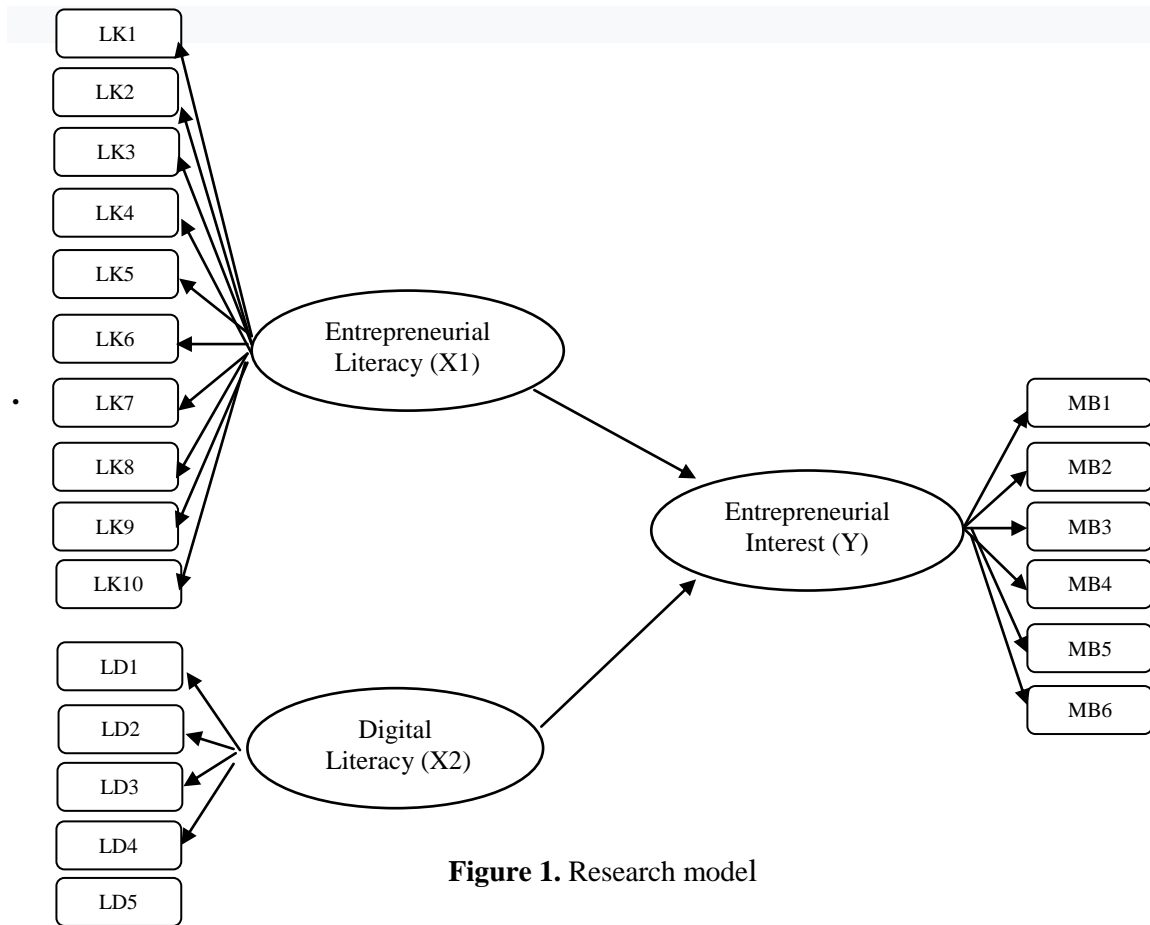


Figure 1. Research model

RESULTS AND DISCUSSION

Characteristic of respondent

Respondents who filled out the questionnaire were students of the Universitas Jambi, Faculty of Economics and Business, majoring in management, with a concentration in entrepreneurship and Digital Business, totaling 406 students. The characteristics of the respondents are given in Table 2.

Table 2. Characteristic of respondent

Criteria	Frequency	Percentages
Gender		
Male	113	27.83
Female	293	72.17
Semester		
1 - 3	157	38.67
4 - 6	144	35.47
7 - 9	32	7.88
10 above	73	17.98
Location		
Village	183	45.07
City	223	54.93

The majority of respondents are female. This shows that most students with a concentration in Entrepreneurship, majoring in Management and Digital Business Faculty of Economics and Business, Universitas Jambi, are female. Then, most of the respondents were students of the 1st- 3rd semester and 4th -6th semester because many of the students who are 7th semester above rarely go to campus because lecture activities in class no longer exist, and most of them already graduated. Most students live in the city of Jambi, and the rest come from various districts in Jambi province, such as Tebo, Muaro Jambi, Kuala Tungkal, Batang Hari, Kerinci, and Sarolangun Regencies

Descriptive analysis

The average score of respondents' responses is based on the dimensions and indicators of the variables used in the study.

Table 3. Respondents' responses about entrepreneurial literacy

No.	Statement	Total Score	Information
1	I gained knowledge about how to start a business	1,168	High
2	I gained knowledge about business management	1,146	High
3	I have the knowledge to do business innovation	1,100	High
4	I know to see entrepreneurial opportunities in the startup field.	1,022	High
5	I know creative thinking	1,163	High
6	I know about building business ideas that will be undertaken in the startup field	1,043	High
7	I gained knowledge about the production aspects of entrepreneurship	1,101	High
8	I gained knowledge about the human resources aspect of entrepreneurship	1,135	High
9	I gain knowledge about the marketing aspects of entrepreneurship	1,147	High
10	I gained knowledge about the financial aspects of entrepreneurship	1,157	High
Average		1,118	High

Based on Table 3., statement number 1 "I got knowledge about how to start a business," got the highest score with a total score of 1.168. While the lowest score is statement number 4 "I know to see entrepreneurial opportunities in the startup sector," with a total score of 1,022. All indicators of entrepreneurial literacy variables obtain an average score of 1,118.2. This value is included in the range 1,015.2 – 1,319.8, so it can be said that the entrepreneurial literacy of students of the Faculty of Economics and Business, Universitas Jambi, is included in the high category range.

Table 4 . Respondents' responses about digital literacy

No.	Statement	Total Score	Description
1	I can interpret info that comes from social media	1,312	High
2	I can create a profile on WhatsApp or Instagram media	1,263	High
3	I can distinguish hoax news/information from the truth on social media	1,340	Very High
4	I can adopt digital devices, applications, and services	1,208	High
5	I can use social media in commercial activities such as promoting products or selling products	1,362	Very High
Average		1,297	High

Based on Table 4, of the 5 statement items, statement number 3 "I can distinguish hoax news/information from true information on social media," received the highest score with a total score of 1,340. While the lowest score is statement number 4 "I can adopt digital devices both applications and services," with a total score of 1,208. All indicators of entrepreneurial literacy variables obtain an average score of 1,297. This value is included in the range 1,015.2 – 1,319.8, so it can be said that the Digital Literacy of students at the Faculty of Economics and Business, University of Jambi, is included in the high category range

Table 5. Respondents' responses about entrepreneurial interest

No.	Statement	Total Score	Description
1	I always pay attention to matters related to developments in the field of entrepreneurship to increase my interest in entrepreneurship	1,192	High
2	I believe that entrepreneurship in the startup field will be able to change my life	1,234	High
3	I feel happy if I become an entrepreneur in the startup field because entrepreneurship can improve the economy	1,288	High
4	I am interested in becoming an entrepreneur because entrepreneurship can increase aspects of independence	1,347	Very High
5	I believe that being a startup can drive success	1,296	High
6	I have the desire to become an entrepreneur in the startup sector	1,261	High
Average		1,269.7	High

Based on Table 5, of the 6 item statements, statement number 4 "I am interested in becoming an entrepreneur because entrepreneurship can increase aspects of independence" got the highest score with a total score of 1,347. While the lowest score was statement number 1 "I always pay attention to matters related to developments in the field of entrepreneurship to increase my interest in entrepreneurship with a total score of 1,192. All indicators of entrepreneurial literacy variables obtain an average score of 1,269.7. This value is included in the range 1,015.2 – 1,319.8, so it can be said that the interest in entrepreneurship for students of the Faculty of Economics and Business, University of Jambi, is included in the high category range.

Statistical analysis

Statistical analysis used partial least squares through two steps: the measurement model and the structural model. The measurement model aims to test the validity and reliability. Validity testing used convergent validity and discriminant validity. Convergent validity was tested using loading factor and Average Variance Extracted (AVE). The results of the initial calculations are presented in Fig. 2.

Based on Figure 2, there are loading factor values of the indicator < 0.70, namely the indicators (LK5), (LD2) (LD3). So it needs to be dropped from the model and retested.

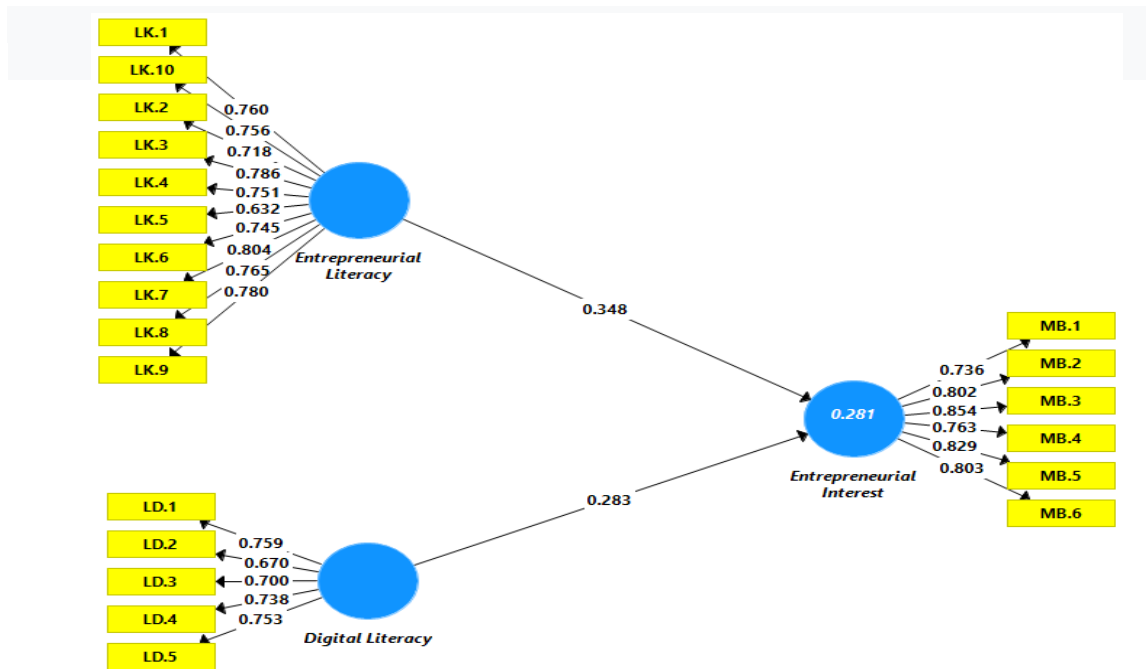


Figure 2. Loading factor of indicators

Retest results show that all indicators are valid with loading factor values > 0.7. In addition, it can be seen that the path coefficient of entrepreneurial literacy and digital literacy on entrepreneurial interest in startup businesses is 0.348 and 0.283, respectively. This shows a positive relationship. This means that the better the entrepreneurial literacy and digital literacy of students of Universitas Jambi, the better the entrepreneurial interest of students in startup businesses.

Table 6. Outer loading value in the second test

Indicator	Outer Loading	Description
Entrepreneurial Literacy		
LK1	0.768	Valid
LK2	0.764	Valid
LK3	0.732	Valid
LK4	0.782	Valid
LK6	0.741	Valid
LK7	0.732	Valid
LK8	0.815	Valid
LK9	0.777	Valid
LK10	0.788	Valid
Digital I Literacy		
LD1	0.795	Valid
LD4	0.760	Valid
LD5	0.785	Valid
Entrepreneurial Interest in Start-up		
MB1	0.732	Valid
MB2	0.804	Valid
MB3	0.854	Valid
MB4	0.762	Valid
MB5	0.803	Valid

Table 7. Reliability test

Variable	Cronbach’s Alpha	Composite Reliability
Entrepreneurship Literacy	0.913	0.928
Digital Literacy	0.679	0.823
Interest in Entrepreneurship	0.886	0.913

Based on the reliability test in Table 6, it can be concluded that all constructs are reliable. It is indicated by Cronbach's alpha value > 0.70. and the value of composite reliability > 0.70 (Table 7).

After confirming that all the constructs and variables are valid and reliable, the Inner Model or Structural Model Testing is carried out to see the relationship between the construct, significance value, and R-Square of the research model.

Coefficient determination (R-Square) is used to see how many endogenous variables are influenced by other variables. Chin (in Abdillah & Jogiyanto, 2009) states that the R-square result of 0.67 is in a good category, 0.33 - 0.67 is in the moderate category, and 0.19 - 0.33 is in the weak category.

Table 8. R-Square and Adjusted R Square

Variable	R-Square
Entrepreneurial Interest	0.560

Based on Table 8, it can be stated that the influence of entrepreneurial literacy and digital literacy on entrepreneurial interest in a startup is 56,0%. Other variables outside the research model influence the remaining 36%. R-square of 56% indicates that the research model of this study is in the moderate category.

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight. Table 9 provides the output of structural model testing.

Table 9. Result for inner weights

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic	P Values
Entrepreneurial Literacy - > Entrepreneurial interest	0.344	0.344	0.040	8.611	0.000
Digital Literacy -> Entrepreneurial interest	0.301	0.304	0.046	6.505	0.000

Testing the hypothesis of the influence of entrepreneurial literacy on students' entrepreneurial interest in startups shows a path coefficient of 0.344 with a P-Value of 0.000 <0.025 (two-tailed test). Thus, hypothesis 1 can be accepted, where entrepreneurial literacy significantly positively affects entrepreneurial interest.

The results of this study are in line with the respondents' responses to the indicator of the entrepreneurial literacy variable, which obtained a total average score of 1,118.2 which, when viewed from the range of the classification scale for the variable, the value is in the high category and with the most answers in the first

indicator, I get knowledge about how to start a business. In a sense, the better the entrepreneurial literacy of students, the more interested they will be in becoming startup entrepreneurs.

The descriptive analysis shows entrepreneurship students' entrepreneurial literacy is in the "high" category. This is because students of economic and business faculty from semester 1 to semester 6 focus on forming hard and soft skills to support the formation of an entrepreneurial profile. Students get a set of entrepreneurship courses to provide entrepreneurial knowledge and attitudes, such as an introduction to business, management, and entrepreneurship. So that students know about exploring business ideas, making business plans, taking advantage of opportunities and starting a business, and dealing with risks in business management. Entrepreneurial students can also practice the knowledge gained on campus directly through the Freedom to Learn-Independent Campus Program (MBKM) through internships/industrial practices, independent projects, or entrepreneurial projects.

Entrepreneurial students also actively participate in various entrepreneurship competitions, such as the Business Model Canvas Competition, the Student Entrepreneurship Program (PMW), the Student Creativity Program (PKM), and various other entrepreneurship competitions at the university and national levels. All of these activities encourage and arouse students' interest in startup businesses. This result is in line with research (Sutedjo et al., 2020; Hasan et al., 2020; Firman et al., 2020)

Testing the hypothesis of the influence of the Digital Literacy variable on the Entrepreneurial Interest of students at startups resulted in a path coefficient of 0.1301 with a P-Value of $0.000 > 0.025$ (two-tailed test). Thus, hypothesis 2 can be accepted, where Digital Literacy significantly positively affects student entrepreneurial interests. The results of this study are in line with respondents' responses which indicate that the Digital Literacy indicator obtains a total average score of 1,297, which, when viewed from the range of the variable classification scale, is included in the high category.

Then, hypothesis 2 states that digital literacy positively affects entrepreneurial interest. This can be explained by the fact that students are digital natives, so even though there are no specific courses that teach digital literacy, these students already have digital knowledge and skills. Students can easily obtain independent learning resources through the digital world and digital communities. This is also supported by the results of the descriptive analysis where the digital literacy of economics and business faculty students is in the "high" category. All students have accounts on social media and are actively involved in social media. They can create profiles, share statuses, or post news/advertisements on social media accounts. Students can interpret information that comes from social media. They can also adopt digital devices, applications, and services. Even students can use social media to interact and exchange commercial information with potential consumers in the digital world, such as promoting or selling products.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This is the first empirical research to build a model of entrepreneurial interest for students using entrepreneurial literacy and digital literacy. It will be developed to develop a model that can grow students' interest in startup businesses. Entrepreneurial interest in startup business of students from the Faculty of Economics and Business at Universitas Jambi are in a high category, as well as their entrepreneurial literacy and digital literacy.

Entrepreneurial literacy can foster students' interest in entrepreneurship in startup businesses because, as students of the Faculty of Economics, especially the concentration on entrepreneurship and digital business, they have been directed since semester 1 to become entrepreneurs through curriculum design that supports the formation of entrepreneurial profiles. Likewise, digital literacy can foster student interest in entrepreneurship in startup businesses. Even though they don't receive special education on how to build a startup business on campus, digital natives can easily learn independently through the digital world and digital communities.

Recommendations

To foster entrepreneurial interest in startup businesses, it is necessary to provide entrepreneurial literacy to the younger generation, both formally and informally. It is also necessary to increase digital literacy with an education relevant to the startup business among the younger generation.

This research used an internal determinant, namely literacy, while internal and external factors influence entrepreneurial interest. In the future, to build a comprehensive research model for fostering entrepreneurial interest in startup businesses, it is necessary to include other internal variables, such as financial literacy and attitude variables, as well as external factors, such as parental support, campus environment, and social environment.

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Performance analysis of local brand organic cosmetics marketing as an effort to develop the Jambi regional economy

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Abstract

This study aims to explain regional economic growth from the perspective of the mediating role of the brand image between brand trust and marketing performance of local organic-based cosmetic products as a sustainable new business model for strengthening Jambi regional economic growth. A regional economic growth model based on marketing performance with brand image and mediated by brand trust in startup businesses. The test evidence shows that: (1) directly brand trust has a positive and significant effect on brand image and marketing performance (2) the direct effect of brand trust on brand image is greater than the effect on marketing performance. (3) The indirect effect shows that brand trust in marketing performance through brand image is significantly positive. (4) brand image partially mediates between brand trust and marketing performance for new local product businesses as a strengthening of sustainable regional economic growth.

Keywords: *Brand image, Brand trust, Marketing performance, Sustainable economic growth*

JEL Classification: L66, M31, O33

INTRODUCTION

The rise in the output of innovations by local entrepreneurs indicates the sustainability of people's economic development in an area. Local-based businesses must continue to invent new products, establish new markets, or engage in new business activities emerging from their creativity in improving the economic ecosystem of a local community. It should be focused on entrepreneurship as the primary driver of economic growth through the creative destruction theory of entrepreneurship, also known as Micro Small Medium Enterprises (MSMEs). MSMEs have a strategic role in reducing unemployment, distributing income, and enhancing people's well-being by creating new jobs. They have shown resilience in the face of economic downturns and bankruptcy.

This is demonstrated by the contribution of MSMEs to Indonesia’s GDP, which has risen to roughly 60% during the pre-pandemic period. Furthermore, MSME employment is quite strong and continues to expand, reaching 96.99%-97.22%, with 62 million MSME actors accounting for around 98% of all national business actors. The significant contribution MSMEs make to the national economy reflects their importance in fulfilling the SDGs (Sustainable Development Goals) for all regions in Indonesia.

Entrepreneurial activity may help countries overcome economic crises by generating economic growth. Supporting the growth of MSMEs may produce jobs and innovation, enhance output, and diversify sources of economic revenue (Ogunlana, 2018). In order to anticipate the annual rise of the new working-age population, it is necessary to encourage Indonesian entrepreneurship development. In light of several studies showing a favorable link between entrepreneurship and economic growth, the relationship between entrepreneurship, economic growth, and employment is becoming increasingly important. The growth of new MSMEs in regions across Indonesia is one of the strategic issues that must be brought to the attention of various parties to ensure the development of policies supporting sustainable national economic growth.

An intriguing phenomenon associated with the expansion of MSMEs in Indonesia’s organic cosmetics industry during the pandemic has transformed people’s mindset toward using organic products, with implications for organic market growth of roughly 15-20% (AOI, 2021). Indonesia’s **organic** cosmetic products have considerable potential to compete in the global market. This is shown by the rising demand for Indonesian organic products in the global consumer market. However, Indonesia’s market share can only reach 0.2%, which is lower than China’s 0.3%, India’s 0.7%, and Germany’s 6.5% (Hadyan, 2021).

Figure 1 shows the growth of the export market for Indonesian cosmetic products.

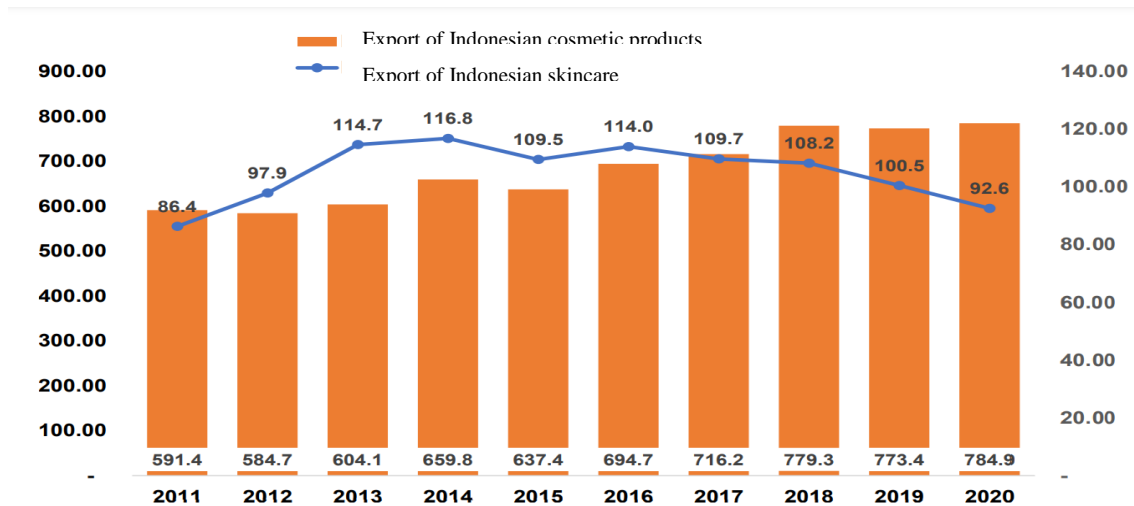


Figure 1. Growth of the export market for Indonesian cosmetic products
 Source: Trademap (Processed data, 2021)

Figure 2 shows the skincare clients' preferences regarding the product packaging's desired features.



Figure 2. Desired features on the product packaging

Source: *Global Consumer Beauty Survey, Euromonitor International (2016)*

Most Indonesian skincare products continue to target ASEAN countries in terms of export destination countries. Its biggest markets are Thailand, Malaysia, and Singapore. The three countries accounted for 63.2% of Indonesia’s total skincare exports, with 2020 export values of USD 26.5 million, USD 22.2 million, and USD 9.7 million, respectively. It is still concentrated in the ASEAN region given various factors: the similar skin types in tropical climates, the raw materials used in skincare products are perceived to be better known and more widely used in ASEAN countries, and halal certification. Meanwhile, Japan remains the 27th export destination country, accounting for 0.3% of overall Indonesian skincare exports. Because up to 95% of Indonesia’s cosmetic industry is now occupied by major enterprises rather than by MSMEs, the vast market potential is both an opportunity and a challenge for Indonesia.

According to the research of CBI (2020), the global cosmetics industry will continue to develop rapidly and hold the top spot for the foreseeable future. In addition to the European market, it is undeniable that markets in Asia and Latin America have experienced tremendous development, having a favorable economic impact on developing countries, particularly Indonesia. According to (Murargo, 2021), it was triggered by a market shift in consumer perception toward using natural rather than synthetic ingredients in cosmetics. This phenomenon is worth investigating, particularly concerning the development of MSMEs in the organic cosmetics industry in Indonesia during the pandemic, a shift in consumer attitudes toward organic products, and potential implications for organic market growth of between 15%-20% (AOI, 2021). Organic cosmetic products have great potential to compete in the global market. This is shown by the rising demand for Indonesian organic products in the global consumer market. However, Indonesia’s market share can only reach 0.2%, which is lower than China’s 0.3%, India’s 0.7%, and Germany’s 6.5% (Hadyan, 2021).

Figure 3 shows how product demand is becoming more diverse and increasing.

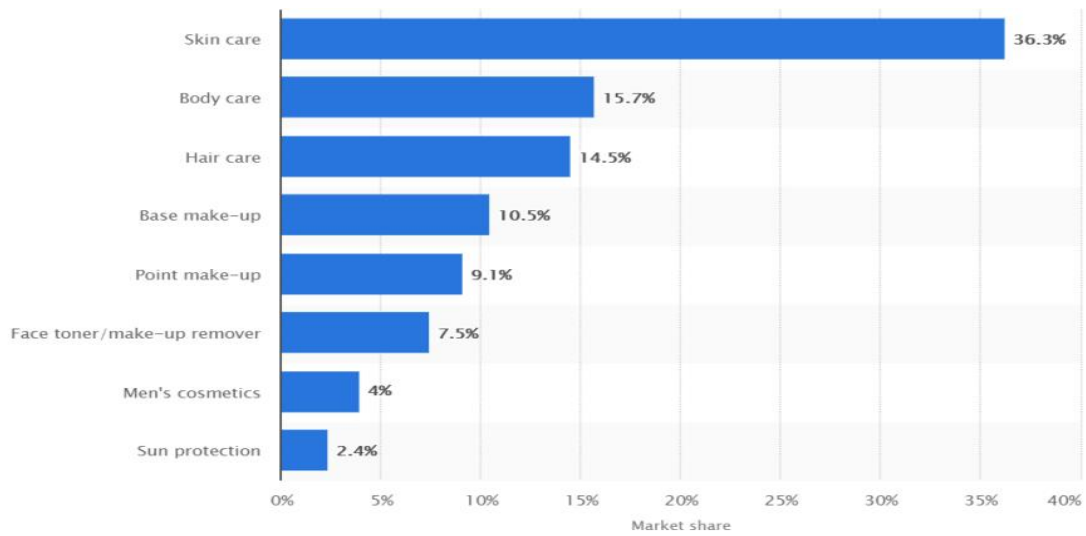


Figure 3. Demands for skincare products

Source: Murargo, 2021

Based on the information in graphs 1 and 2 on market growth and Indonesia's potential as a producer or supplier of raw materials for natural-based cosmetic goods, there is a great opportunity for regions in Indonesia to enhance the growth of MSMEs in creating organic cosmetic products. Jambi Province is a region with market potential and is a growth zone for the MSMEs in the natural ingredients-based cosmetics sector. Jambi Province is responding to this challenge by encouraging the innovation of organic-based cosmetic products, especially those based on palm oil. The Jambi regional government's efforts through the Cooperatives and UMKM services provide capital to encourage continuous innovation. The business capital takes advantage of capital grants from the Ministry of Cooperatives and SMEs of around IDR 123.46 trillion in the National Economic Recovery (PEN) program and Presidential Assistance (Banpres) Productive Micro Enterprises (BPUM) of IDR 11.76 trillion until the end of July 2022. (<https://kemenkopukm.go.id/2022>).

There are numerous market prospects in Jambi for organic cosmetic products in Jambi. Still, relatively few SMEs use them despite the strong demand for local organic cosmetic products and abundant raw materials. Therefore, the government strives to collaborate with entrepreneurs to establish new markets and products based on local wisdom. Jambi entrepreneurs are creating innovative cosmetic products utilizing palm kernel shells. The two local organic cosmetic brands from Jambi, Arkawa, and Vilchic have competed in local and national markets (Suryani et al., 2021; Lestari et al., 2021).

The small local cosmetics industry is increasingly productive and innovative (Lestari et al., 2021), as seen by the ground-breaking Arkawa Black Soap produced from oil kernel shells. Arkawa Black Soap is an organic cleaning product composed of natural active charcoal derived from palm kernel shells to maintain facial cleanliness. Because it is manufactured from 100% organic natural materials, it may be used on all skin types and age groups as it corresponds to skin pH (4-6.5). The absorption capacity of the product against dirt, oil, sweat, dust, and toxins is twice as efficient as commercial cleaning products made from active charcoal. Arkawa Black Soap serves the following purposes: 1) eliminates dirt and dust on the face, 2) absorbs excess oil on the face, 3) brightens the skin, 4) moisturizes the skin, 5) shrinks the pores on the face, 6) smooths the skin, 7) removes dead skin, 8) absorbs toxins, 9) prevents premature

aging, and 10) prevents acne on acne-prone skin.

According to research by Lestari (2022), Arkawa Black Beauty Skincare is a local brand from Jambi Province that produces cosmetics goods using local raw ingredients from oil palm plantations. The brand has become one of the superior regional products in Jambi Province because the province is rich in palm kernel shell waste, and a local enterprise produces the brand itself. During the research period, the company has created 8 organic cleaning cosmetic products, including body scrubs, peel-off gel masks, deodorant sticks and powders, soap bars, liquid soaps, shampoos, toothpaste, and facial wash gels.

Besides Arkawa Black Beauty Skincare products, there are other local organic cosmetic products from another brand, Vilchic. This company is a newcomer in the skincare and cosmetics industries. However, it has dominated the local and national markets and has evolved into a millennial brand and a productive MSME from Jambi. (Suryani et al., 2021) Vilchic offered numerous skin and facial products that officially have BPOM (Indonesian FDA) registration numbers for the millennial market segment in Jambi City. This brand offers three best-seller products: (1) Peel-off jelly mask (in 4 variants: Wassabi, Bakuchi, Hawthorn, Witch Hazel) inspired by medicinal plants from 4 countries. It has sold 60 thousand pieces quarterly. (2) Blackhead mask, with 4 variants (Blackforest, Red Velvet, Matcha, Vanilla) inspired by the smell of favorite millennial cakes. This line has sold 1 million pieces in one year. (3) Petal mask, with 5 variants (Saffron, Chamomile, Calendula, Rose, Plumeria) inspired by flowers in Jambi. Based on the brand's sales, Vilchic's marketing performance is improving significantly, but more work is needed to boost marketing performance.

The major raw material for palm oil waste in Jambi is accessible and affordable palm shells, which benefits MSMEs. Numerous palm shells have recently been shipped to other countries for use as a source of bioenergy to provide the energy demands of the cement and textile industries (Lestari et al. 2018). Additionally, Jambi's natural resources are rich in various flowers that may be used as raw material for masks under the Vilchic brand. As a result, local Jambi product brands have the chance to control the market share for natural cosmetics in the province of Jambi and the entire country.

MSMEs in Jambi benefit from plentiful and low-cost palm kernel shells as the primary material of palm oil waste. Palm kernel shells have recently been exported abroad solely as alternative energy to meet the energy demands of the cement and textile sectors (Lestari et al., 2018). Furthermore, Jambi's natural resources are abundant in providing various flowers as raw materials for Vilchic masks. It indicates that Jambi-based companies have the potential to dominate the natural-based cosmetic market not just in Jambi Province but also in the national market share. However, the problem that will arise is the sustainability of the new Jambi-based MSMEs in the national and global cosmetics industry market.

Numerous aspects are taken into account and impact marketing performance. Product innovation and government aid are important, and so are consumer behavior characteristics that are critical to a business's ability to improve marketing performance. According to Almaidah (2019), products or services will not be able to boost the growth of MSMEs if consumers do not recognize their brand. MSMEs can create products or make innovations, but few can survive long in this very competitive and large market. Similarly, for cosmetic products based on natural and local raw materials in Jambi Province, creativity and innovation must be carried out to win regional, national, or

global economic competition, and MSMEs or new businesses must also be able to formulate marketing performance strategies.

According to several research findings, business actors must coordinate their efforts to increase marketing performance through trust and brand image (Hartanty & Ratnawati, 2013; Mani, 2018; Amron, 2018; Wydyanto & Ilhamalimy, 2021). It is important to have trust and brand image because the sharing economy phenomenon and the use of Artificial Intelligence (AI), the Internet of Things, and Human-Machine Interface are disrupting the traditional model of MSME entrepreneurship in the consumer market (Almaidah, 2019).

According to Hartanty & Ratnawati (2013), marketing performance is a measure of success attained by optimally adopting the proper strategy to manage the business and realize sustained competitive advantage. According to Amron (2018), the key driver of organic cosmetic product marketing performance is greater consumer knowledge of natural cosmetics, which has relevance for the performance of the enterprises. Marketing performance may be established specifically with brand image and consumer trust (Haudi et al., 2022; Amron, 2018; Almaidah, 2019). It suggests that marketing performance is the gateway to a company's success in selling goods or services.

Maharani (2010) showed the significant impact of brand trust on marketing performance. Consumers believed that the company has dependability, honesty, care, and credibility, so it increased consumer trust. As a significant variable, the company still manages brand trust directly (Mani, 2018). Meanwhile, Miswanto et al. (2019) stated that marketing performance may survive in the consumer market by building brand trust and brand image. There are four indicators to measure consumer trust: consumer trust in goods and/or services, consumer trust in services, consumer trust in sellers, and consumer trust in the company. However, Trisnawati et al. (2020) demonstrated that trust did not significantly influence purchase decisions, so it did not contribute to marketing performance. In other words, to boost marketing performance, a company/business must constantly increase its consumer trust in its brand.

Based on the research by Amron (2018), the brand image may impact good or service marketing performance directly or indirectly. Consumers are growing more critical in choosing the product they need by having a better quality product among existing similar products. The brand image will change society's mindset and impact customer purchasing behavior (Mani, 2018; Miswanto et al., 2019). Purchases demonstrate marketing performance. Products will sell well in the market if their brand is well-known, trustworthy, and has a positive image. This is why every brand should always work to improve its image among consumers (Lim et al., 2020).

Hidayah & Apriliani (2019) discovered that brand image strongly impacted marketing performance. A product's brand image can provide a distinctive feature from other products with similar functions. Consumers will likely remember a brand with a better image and differentiation strategy in marketing its goods. According to (Fakaubun, 2019), there are five indicators of brand image: 1) the product gives a positive impression, 2) it possesses product characteristics, 3) brands that are easy to remember and pronounce, 4) high-tech products, and 5) an intriguing product.

In other words, the main marketing performance benchmarks are brand image and trust for businesses to succeed in a dynamic consumer market. Understanding the role of brand image and trust in maintaining long-term marketing performance and the key to success is critical. Maintaining it is difficult as there are always competitors in the

consumer market, and the rising number of competitors gives market saturation. Many prior researchers have studied the brand image, including Wydyanto & Ilhamalimy (2021), Fakaubun (2019), Mani (2018), and Havidz et al. (2020).

Most prior research employed brand image and trust as explanatory antecedents to measure a product's or service's marketing success in existing or new consumer marketplaces, particularly for specific market groups. However, empirical findings indicate a research gap in marketing performance by assessing trust and brand image. According to Haudi et al. (2022) and Ratana (2018), brand image and trust influence marketing performance. While the research of Haudi et al. (2021) and Ekasari (2014) showed that brand image and trust were difficult to build, they did not significantly impact

So it is necessary to study to explain the important role of brand image, brand trust, and marketing performance in a holistic research model. So that the explanation of the relationship between brand trust, brand image, and marketing performance has not been explained in general. Thus, this study develops a research model using the basic theory of entrepreneurial marketing. Entrepreneurial marketing theory is considered capable of generalizing market dynamics because this theory combines entrepreneurship theory and marketing theoretical schemes. Wydyanto & Ilhamalimy (2021) said entrepreneurial marketing could be applied in all good combinations in profit and non-profit organizations in both micro and macro businesses. Therefore, studying the important role of brand image, brand trust, and marketing performance in a holistic research model is necessary. A general explanation of the relationship between brand trust, brand image, and marketing performance has not been provided. This study develops a research model based on the fundamental theory of entrepreneurial marketing. It is considered capable of generalizing market dynamics because it combines entrepreneurship theory and marketing theoretical schemes. Wydyanto & Ilhamalimy (2021) stated that entrepreneurial marketing could be applied in all combinations of profit and non-profit organizations or micro and macro enterprises. Entrepreneurial marketing theory is employed individually at the micro level. In contrast, at a macro level, it is carried out by a succession of companies that establish value-added chains, industrial groupings, and possibly strategic alliances comprised of industries.

Understanding entrepreneurial marketing includes opportunity creation, customer intimacy-based innovative products, resource enhancement, and legitimacy. Entrepreneurial marketing is creating, communicating, and delivering value to customers, managing customer relationships in ways that benefit the organization and its stakeholders, characterized by innovation, risk-taking, proactiveness, and the ability to operate without a controlled current source. Mort et al. (2012). Kraus et al. (2010)

Entrepreneurship is creating a new organization (Gartner, 1988), carrying out new combinations (activities) (Schumpeter, 1934), exploring various opportunities (Kirzner, 1979), facing uncertainty (Knight, 1921), and getting together all factors of production (Say, 1803). Based on the various definitions of entrepreneurship, an entrepreneur is an individual who has the confidence to take risks to begin a business on various occasions, is mentally independent, and dares to start a business. Business owners or entrepreneurs focus on company growth, gaining advantages from a larger market, and more competitive competition by developing innovations in uncertain times. Entrepreneurship as an innovator is the essential key to economic development

(Schumpeter, 1934).

The core of entrepreneurship is the capacity to create something new and distinct via creative thinking and innovative action to generate opportunities to face life's challenges. Entrepreneurship is the nature, qualities, and character of an individual who desires to implement unique ideas in the real world creatively. Stel & Thurik (2005) stated that entrepreneurship is a manifestation of individual ability and willingness, whether alone, in a team, inside or outside the organization, to create new opportunities and introduce their ideas to the market to deal with uncertainty and limitations, through the decisions of locations, form and use of resources, and institutions.

Entrepreneurship can compete in the consumer market if it has strong marketing performance. According to Philip et al. (2017), marketing performance is accomplishments in marketing goods or services in line with plans. The foundation of marketing performance is the commitment to measure the indicators demonstrating the evolution of marketing performance and the degree of marketing profit. Although the notion of performance marketing stresses the need for measurement, both internal and external factors, it is equally critical that the business expand and make profits. Indicators for marketing performance used are: market growth, competitive price, relative product quality, and customer satisfaction (Ibrahim & Primiana., 2015; Wibowo, 2016).

Conceptually, marketing performance is a theory to explain a company's success in marketing products or services in the market (Almaidah, 2019; Ekasari, 2014; Wibowo, 2016). Marketing performance theory is seen from the sales growth and the number of customers (Trisnawati et al. 2020). The indicators used are (1) selling value, indicated by the amount of money or units of product sold; (2) sales growth, indicated by an increase in sales of the same product compared to a specific time unit; and (3) market share, indicated by-product contribution in controlling the product market compared to competitors, which ultimately leads to company profits. Indicators used for assessing marketing performance are: (1) sales volume or the number of product sales of the company, (2) customer growth or the level of the number of customer growth, and (3) profitability or company's product sales profits.

Marketing performance is a measure of success gained from a company's comprehensive marketing activity process, presented by sales value, sales growth, and market share. Marketing performance has a broader definition that includes the results of marketing efforts and the process leading up to the results. According to Hartanty & Ratnawati (2013) and Kotler (2016), the general antecedents influencing marketing performance include brand image and trust. Brand image identifies a product or service with a name, term, sign, symbol, or a combination of all those marks. It works as an identifier or differentiator from competitors (Miswanto et al., 2019). According to Philip et al. (2017), "brand image is perception and beliefs held by the consumer, as reflected in the associations held in consumer memory".

According to Kotler (2016), the concept of brand image is the perceptions and beliefs held by consumers, which are reflected in the associations that occur in consumers' memories. Brand image is a product that can provide an additional dimension that uniquely differentiates it from other products designed to meet similar needs. The better the brand image of a product, the higher customer satisfaction. By implementing a unique or differentiation strategy in marketing the product, it will be easier for the brand to stick in the minds of consumers.

According to Kotler (2016), brand image is the consumers' perception and belief and is reflected in the association with their memories. A brand image is a product that may give an extra dimension distinguishing it from similar products. Customer satisfaction increases when a product's brand image improves. It will be easier for the brand to stay in customers' minds if it implements a unique or differentiation strategy in marketing the products. Meanwhile, according to Aaker & Biel (2009), brand image has three indicators: (1) Corporate Image or a set of associations that consumers have with companies that provide goods or services. It includes popularity, credibility, company network, and users. (2) Product Image or a set of consumer associations for a good or service. It includes product attributes, benefits for consumers, and guarantees. (3) User Image or a set of consumer associations with users utilizing a product or service. It includes the users and their social status.

In addition to brand image, the brand trust may be used to explain marketing performance. Brand or customer trust is a business foundation to get costumers and keep them in the brand (Amron, 2018). A discussion on brand becomes an essential issue in competition because trust in a brand is vital. It allows customers to simplify selecting a brand and lessen uncertain purchases. Well-known brands give consumers information, knowledge, and a sense of trust (Trisnawati et al., 2020). Amron (2018) and Fakaubun (2019) defined brand trust as customer trust to use the brand as a basis for addressing risks with positive expectations. Lim et al. (2020) defined brand trust as a brand with a trust value for its consumers, whereas Haudi et al. (2022) stated that trust is a symbol and consumers' expectation to show one's self-image through the brand. There are five indicators of brand image: 1) the product gives a positive impression, 2) it possesses product characteristics, 3) brands that are easy to remember and pronounce, 4) high-tech products, and 5) an intriguing product.

As defined by the Food and Drug Administration (FDA), organic cosmetics must include specific organic ingredients. Organic cosmetics are natural cosmetics manufactured directly from fresh or dried components, fruits, and plants (Tranggon & Latifah, 2007). They are free of chemicals manufactured from herbs and plants grown without pesticides, chemical fertilizers, and others (Widianti, 2019). Based on the description above, the research problems in this study are (1) how is the direct effect of brand trust on brand image and marketing performance, and (2) how is the mediating role of brand image on brand trust and marketing performance.

METHOD

The quantitative approach is used in the research design. The Slovin method was used to determine the number of samples, which yielded 125 responses from a total population of 606,200 women aged 25-65 in Jambi City (BPS, 2021). Purposive sampling was utilized to choose respondents who were (1) aged 35-47 years old, (2) recognized Jambi-origin organic cosmetic products, (3) had used, and (4) had recommended local Jambi organic cosmetic brands to others.

Data collection used a questionnaire. The questionnaire used a Likert scale into five answer choices: 1 = strongly disagree, 2= disagree, 3 = neutral, 4 = agree, 5 = strongly agree. Data analysis techniques were descriptive analysis and statistical analysis. Descriptive analysis aims to analyze data based on the results of respondents' answers obtained on the measurement indicators of each variable. The descriptive analysis uses a classification method based on the range of average scores as follows: 1

- 1.79 (very low), 1.80 – 2.59 (low), 2.60 – 3.39 (sufficient), 3.40 – 4.19 (high), 4.20 – 5.00 (very high).

Statistical analysis is used to test the hypothesis proposed using Structural Equation Modeling (SEM) based on Variance or partial least squares (PLS). This study proposed a research model with the direct effect of brand trust on marketing performance and the indirect effect that explained the effect of brand trust on marketing performance through brand image.

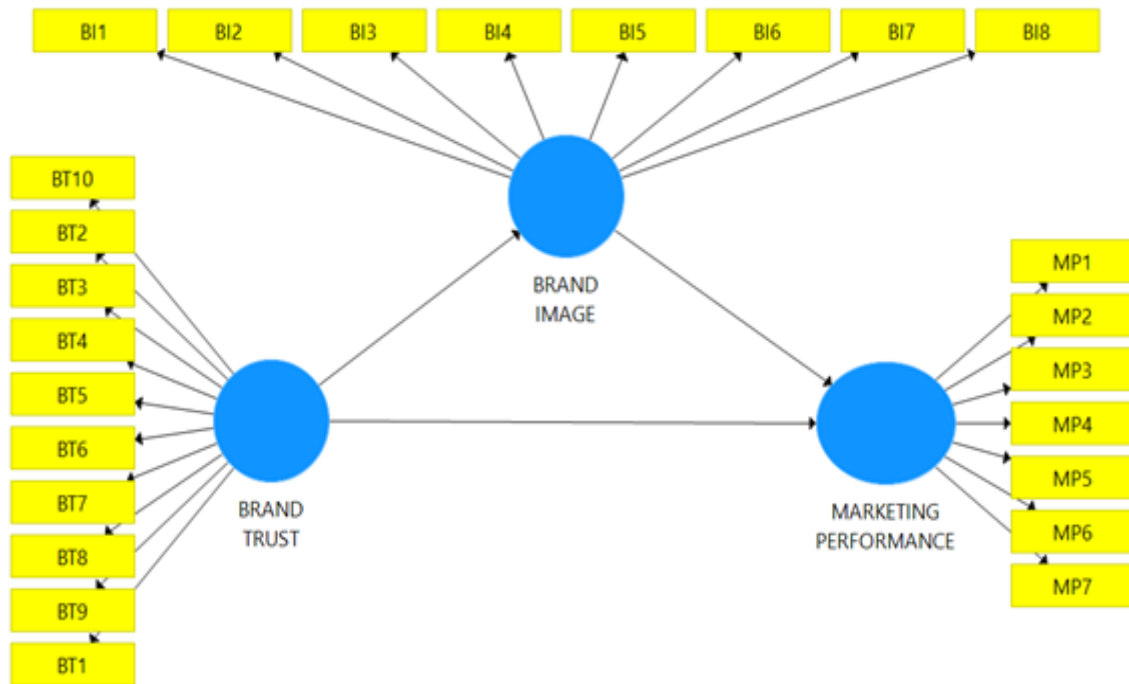


Figure 1: Research conceptual framework

Measurement of each variable using reflective indicators. The brand trust variable is measured using indicators (1) brand reputation, (2) brand predictability, (3) brand competence, (4) trust in the company, (5) company reputation, (6) perceived motives of the company, (7) company integrity, (8) brand liking, brand experience, (9) consumer's self-concept, (10) Peer support. Brand image variables are measured using indicators (1) superiority of brand associations, (2) strength of brand associations, (3) uniqueness of brand associations, (4) corporate image, (5) consumer image, (6) product image, (7) brand identity (8) brand personality. Marketing performance variables are measured using indicators (1) customer acquisition cost, (2) marketing campaigns, (3) return on investment, (4) company effectiveness, (5) sales growth, (6) relative profit, and (7) product value.

RESULTS AND DISCUSSION

Characteristic of respondent

This study analyzes primary data sourced from filling out questionnaires by 125 respondents to provide statements regarding the influence of brand trust, brand image, and marketing performance. The results of the demographic description analysis are presented in Table 1.

Table 1. Respondents' characteristic

No	Category	Person	Percentage
1	Age group		
	25-35 years old	104	83.20
	36-46 years old	21	16.80
2	Sex		
	Male	49	39.20
	Female	76	60.80
3	Freq. of usage		
	1 time	30	24.00
	2 times	42	33.60
	< 3 times	53	42.40
4	Domicile		
	Jambi City	95	76.00
	Outside Jambi City	30	24.00

Based on the results in Table 1, respondents were dominated by women aged 25-35 who lived in Jambi City and had used organic/natural cosmetic products more than three times in the recent year.

Descriptive analysis

The average score of respondents' responses is based on the dimensions and indicators of the variables used in the study

Table 2. The average score of the variable indicators

Indicator	Description	Average score	Categories
BT1	The organic cosmetic brand has lived up to my expectations.	3.640	high
BT2	Organic cosmetic brands are quality product brands.	3.704	high
BT3	Organic cosmetic brands are brands that never disappoint consumers.	3.664	high
BT4	Organic cosmetic brands are brands that can guarantee satisfaction to consumers.	3.808	high
BT5	Organic cosmetic brands are brands that can best meet consumer needs.	3.768	high
BT6	Organic cosmetic brands are brands that can solve consumer problems.	3.704	high
BT7	Organic cosmetic brands can prioritize consumers' interests when problems in product consumption arise unexpectedly.	3.976	high
BT8	This brand can be felt physically.	3.968	high
BT9	The brand shows honesty and sincerity in dealing with my concerns.	3.776	high
BT10	This organic cosmetic brand is to solve beauty problems.	3.760	high
BI1	Organic cosmetic brands have the advantage of good quality.	3.840	high
BI2	Organic cosmetic brands are well-known among the people of Indonesia.	3.848	high

Table 2. The average score of the variable indicators (cont.)

Indicator	Description	Average score	Categories
BI3	Organic cosmetic brands have a uniqueness that differentiates them from other brands.	3.600	high
BI4	Sales and distribution Organic cosmetic brands are easy to find.	3.496	high
BI5	Using organic cosmetic brands can make you more confident.	3.752	high
BI6	The brand image of organic cosmetics is good.	3.688	high
BI7	Organic cosmetic brand identity can differentiate it from other similar products.	3.736	high
BI8	The personality of organic cosmetics brands suits me.	3.768	high
MP1	Organic cosmetic brand company customers have increased from year to year	3.216	sufficient
MP2	Organic cosmetic brands have strategies used to deal with competitors.	3.368	sufficient
MP3	Sales proceeds of organic cosmetic brands can provide net profit to the organic cosmetics business.	3.336	sufficient
MP4	Organic cosmetic brands can monitor competitors' prices and price changes.	3.320	sufficient
MP5	The number of sales of organic cosmetic brands has increased from year to year.	3.480	high
MP6	Increasing profit from time to time.	3.408	high
MP7	Organic cosmetic brands can innovate in creating new products and provide value for consumers and companies.	3.544	high

Based on Table 2. it can be seen that all indicators of brand trust and brand image are in the high category. This shows that consumer trust and image towards cosmetic brands are relatively good. Nevertheless, in marketing performance, four indicators still need to be improved (categorized as sufficient): the company's ability to add customers, strategy to deal with competitors, ability to generate profits, and ability to monitor competitors' prices and price changes.

Marketing performance model for local organic cosmetics brands

Marketing performance analysis for local organic cosmetics brands uses the Structural Equation Modelling (SEM) – Partial Least Square (PLS) model. There are two stages of SEM-PLS analysis: testing the measurement model (outer model) and the structural model (inner model). The measurement model aims to test the validity. The validity test uses the convergent validity test of the indicators. The convergent validity test is based on the item's and construct scores' correlation. The indicator is convergently valid if the correlation (loading value) is ≥ 0.5 .

Figure 2 shows the correlation (factor loading) of all construct indicators.

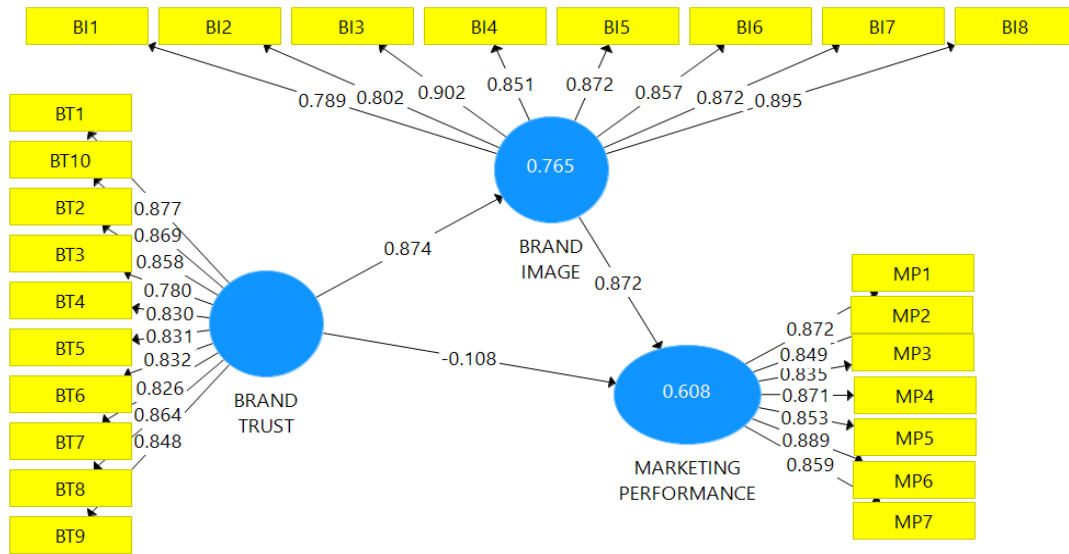


Figure 2. Loading factor of construct indicators

Figure 2 shows that all construct indicators' correlation (factor loading) is already above 0.5. In other words, all indicators in the model are valid.

After confirming that all the constructs and variables are valid, the inner model or structural model testing is carried out to see the relationship between the construct. Table 3 provides the output of structural model testing

Table 3. Testing the hypothesis relationship between model variables.

Path Coefficients	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	
Brand Image -> Marketing Performance	0.872	0.863	0.128	6.835	0.000	Significant Partial mediation
Brand Trust -> Brand Image	0.874	0.873	0.032	27.407	0.000	Significant Partial mediation
Brand Trust -> Marketing Performance	-0.108	-0.099	0.124	0.866	0.387	No significant
Brand Trust -> Brand Image -> Marketing Performance	0.763	0.754	0.121	6.307	0.000	Significant

Table 3 demonstrates the model's construction, illustrating that there are direct and indirect effects on marketing performance. These results show a direct partial mediation relationship between brand image on marketing performance and brand trust in brand image. For the role of mediation, the brand image shows a full mediation relationship. This means that brand trust is not significant if it is not through brand image. In other words, brand trust is less meaningful to marketing performance without the mediation of brand image.

Discussion

The direct effect of brand trust on marketing performance

The findings of inferential statistics demonstrated that brand trust has no direct impact on marketing performance (Y). Consumer trust in local brands had little effect on the marketing success of organic or natural cosmetic products in Jambi city. Local brands have not been included in the main considerations for using natural cosmetics

products. It is because MSMEs in organic cosmetics had yet to build trust to persuade customers that local cosmetic items are trustworthy brands.

The findings of this study contradicted Miswanto et al. (2019)'s finding, which showed that customer brand trust in the brand's products influenced marketing performance. Therefore, brand trust cannot be used to evaluate the marketing performance of local herbal cosmetic brands in Jambi City. Brands that lack customer trust will have a negative impact on their marketing performance because a brand serves an essential conceptual role as the name and product character. The brand, intended to reflect the consumers' character (caring about the green environment, herbal products, safe products to use over time without chemical side effects), had not been able to convince customers to purchase and to have an impact on marketing performance.

Brand trust was created by the companies to strengthen the brand's position in the consumer market and to differentiate their product from the competitors' similar products, but negative memories would be formed if consumers didn't trust the brand. Because of this lack of customer trust in organic cosmetic products, they have failed to become the consumer's choice. A brand trust strategy is required to survive MSMEs in herbal cosmetics because trust in local Jambi cosmetic brands remains low in the consumer market. Local cosmetic companies (MSMEs) in Jambi still have fewer opportunities to be positioned than national brands or large industries.

Consumer trust in local brands will have an indirect influence on market demand. Marketing performance demonstrates large-scale marketing accomplishments in both local and national markets. The larger the market is controlled, the greater the company's capacity to sell its products. Therefore, it will impact sales and profits, eventually benefiting the company. Aside from that, marketing performance might demonstrate that the community will be empowered in an independent business.

The direct effect of brand trust on brand image

This study demonstrated the significance of brand trust in influencing brand image. The considerable and favorable results suggested that brand trust is crucial and contributes positively to the brand image of local herbal cosmetics in Jambi City. Consumers give their trust in a brand with a strong image. A positive brand image is formed when the company establishes brand trust. Brand trust and brand image will boost the brand in the minds of consumers. As a result, more people are becoming aware of the product's existence. Not only that, but with customer trust in the company's brand, it may also track consumer interest through insights about the value of products or services.

The findings of this study are consistent with prior research (Amron, 2018) and found that brand trust had a positive or significant influence on the brand image of Vilchic masks in Jambi. Local cosmetic product brands are trusted by Jambi city residents to be of high quality and to provide more value in the long term. The more trust, the better the marketing performance marketers or companies see. When customer trust is embedded in consumer memory, the product's brand images very good and becomes the consumer's choice in the future (Amron, 2018). There is a chance that the consumer may purchase due to the good impression or brand image. MSMEs or local cosmetic businesses, particularly organic cosmetic companies, need to pay attention to that fact if they want to maintain their marketing performance. They must continue to increase brand trust and image, keep up with the trends, use technology, and look out for their competitors' performance.

Consumers believed in local brand products because they felt they were high-quality and safe for women. The brand image of cosmetic products from Jambi is very

good in the local cosmetic market as the consumers feel that the products are safe, halal, and herbal. As a result, the brand enjoyed a highly positive reputation in the Jambi City consumer market.

Effect of brand image on marketing performance

It has been demonstrated that brand image (Z) impacted company marketing performance (Y). The findings of the brand image test showed an original sample estimate value of 0.874 with a t-statistic value of 6.858. The prior study by Amron (2018) is relevant and consistent with this research. According to the findings of this study, the brand image had a significant positive influence on marketing performance. Brand image is regarded as the most important factor in attaining marketing performance. The stronger the brand image associated with customers, the more consumers will be interested in and aware of the product (Miswanto et al., 2019; Aaker & Biel, 2009). This indicated that consumers in Jambi have a favorable opinion of the Vilchic brand. Herbal masks from the Vilchic are said to be good quality herbal products for the beauty of Jambi women. Vilchic's brand image is quite positive in the cosmetic business because consumers believe the mask is safe, halal, and herbal. The Vilchic brand has a highly positive image in the Jambi consumer market. As a result, the brand image of this product directly contributed significantly to its marketing performance.

Marketing performance can depend on a strong brand image (Haudi et al., 2021). It is extremely difficult for businesses to acquire new customers and keep existing ones without a strong and good brand image. A good brand image can offer consumers the impression that the product will deliver a more secure feeling when they buy it (Haudi et al., 2022; Philip et al., 2017). Therefore, the stronger the brand image associated with the products, the more interested people are in purchasing the product.

The combination of antecedents, trust, and strong brand image will affect the marketing performance of local branded cosmetic products, particularly in the MSME industry. This will help promote local products in the consumer market.

Effect of brand trust on marketing performance with the brand image as mediating variable

Based on the results of the analysis and t-test using SmartPLS professional software, brand trust (X) had a significant and positive effect on marketing performance (Y) when mediated by brand image (Z). The findings of the direct and indirect effect test comparisons showed that the test results have not changed and are still significant. According to Haudi et al. (2022), partial mediated occurs when the influence of the mediating variable on the dependent variable is significant, and the independent variable's effect on the mediating variable is also significant. According to the findings of this study, brand image played an important role in mediating the impact of one's trust on the marketing performance of Jambi local cosmetic brands.

Based on the findings, the fourth hypothesis is consistent with past research. According to Lim et al. (2020)'s findings, brand image has a key role in mediating the relationship between the effect of trust on marketing performance. This suggests that trust affects marketing performance through brand image. Furthermore, according to a study by Amron, (2018), brand trust and image had successfully mediated the influence of the relationship between social media use and marketing performance. This study demonstrated the importance of brand image on marketing performance and brand trust. The brand image was a significant mediator between brand trust and marketing performance. This is consistent with the conception that rational customers will choose

products of high quality at reasonable rates that are easy to get and safe for health in the long run. Consumers demand products that can meet their needs and provide safety for themselves to feel secure when using those products. Based on the findings, brand image is important to build since customers have trust and perceptions of the brand.

Indirectly, the findings of this study showed that customers were influenced by brand trust and good brand image in relation to product quality and value. A reasonable customer will select things that are of high quality, reasonably priced, and easily available. Consumers demand products that can meet their needs and provide safety for themselves to feel secure when using those products. Similarly, customers believed and had good opinions about product quality and local brand value, which boosted the marketing performance of local brand cosmetics in Jambi City. As a result, local products are considered trusted customers of excellent quality and safe for Jambi women to use. Through an excellent image of the local cosmetic brand in the market in the future, consumer perceptions of these mask products are going to be better. Therefore, it will positively impact the marketing performance of this brand.

Government aids in branding are required to help local cosmetic items dominate local and national markets, specifically to increase trust and local organic cosmetics brand image. Regulations and implementation for organic cosmetics must be synchronized and coordinated. MSMEs and central and regional governments must be continuously improved so that the MSME ecosystem receives optimal support through the one-gate policy and that MSME empowerment is truly integrated into determining priority sectors, strategic steps, and financing designs. Furthermore, marketers must consider factors other than customer purchase intentions. Looking at the competition in the organic cosmetics or skin care industry, they must consider trust and the image of the cosmetic brand itself. Enabling marketers to introduce their products to customers with the brand image can influence someone to accept, consider, and purchase them.

The findings of this study back with Amron's (2018) findings that marketing performance was influenced by purchasing decisions and that brand image played an essential role in mediating the relationship between brand trust and marketing performance. Building synergy in mapping entrepreneurial potential, creating an entrepreneurial climate, growing entrepreneurship, entrepreneurial incubation, and marketing assistance are all used to strengthen MSME entrepreneurship. Strategic partnerships between Micro, Small, and Medium Enterprises (MSMEs) and corporations must be developed in all regions of Indonesia, relying on superior local products and paying attention to the diversity of existing potentials in order to improve the quality of MSME entrepreneurship and increase the competitiveness of MSMEs in the global market.

In terms of capital, several government agencies have established an allocation of monetary aid for MSMEs of around IDR123.46 trillion. It is hoped that MSME-based entrepreneurship may be upgraded; the next step is to activate go digital to boost the competitiveness of MSMEs but no longer only a market for foreign products in the middle of the digital economy's inexorable speed.

The findings of this study contribute to the transformation of the entrepreneurial spirit in the local-based Jambi populist economy. Organic cosmetics created from local raw materials, particularly palm kernel shells, are produced by local MSMEs. These kernel shells are debris from palm oil factories in Jambi Province. MSMEs in the organic cosmetics business is expected to be able to increase their competitiveness in domestic and global markets so that they can be integrated with Global Value Chains (GVC), and more and more MSMEs are scaling up. It is marked by increased business

volume, export growth, and the growth of the MSME workforce. It is also inextricably linked to the role of brand image and consumer confidence in the products offered in the market by new MSMEs. New business actors must be able to make their products as *prima donna* between other local and regional superior products.

This study proved that the consumer market responded positively to cosmetic products from local brands like Vilchic or Arkawa Black Beauty Skincare. Those companies have become one of Jambi's superior products by using natural and local raw materials such as palm kernel shell waste converted into charcoal powder. Henceforth, brand trust and image for MSME products will become increasingly crucial for their marketing performance. Cosmetic items manufactured from local and natural materials may be used by anybody, making this industry accessible to newcomers. Furthermore, organic cosmetics face intense market rivalry because many organic items on the market are created not only by MSMEs but also by huge national and international companies marketed in Jambi. However, with trust and a positive brand image, MSMEs may play a significant and strategic role in the national economy. This circumstance is quite likely since MSMEs are prevalent in the Indonesia's economy.

This is evident from MSMEs in the local cosmetics sector in Jambi City. The number of MSMEs in Jambi City has increased yearly since the economic crisis. This also demonstrated that these MSMEs might endure amid an economic downturn. They have also been shown to absorb a greater workforce in the economy of Jambi. The MSME sector can raise the income of the people of Jambi Province. Thus the companies in the cosmetics industry based on local raw materials may be considered to play a crucial role in reducing unemployment and poverty in Jambi. The government must continue to strengthen MSMEs that manufacture safe items made from natural raw materials so that these enterprises may be used as pillars in expanding the economy of Jambi Province and the nation.

CONCLUSION AND RECOMMENDATION

Conclusions

Brand trust and image are important determinants in increasing the marketing performance of local MSMEs selling organic cosmetic products. Brand trust is a decisive factor in enhancing brand image.

Brand image is an indirect factor that can contribute fully or mediate the relationship between brand trust and the marketing performance of local cosmetic brands in Jambi. Marketing Performance is the strength of organic cosmetic products of local MSMEs to increase their competitiveness in local and national markets.

RECOMMENDATION

To improve marketing performance, SME actors can carry out initiatives to build brand image and consumer trust in local brand cosmetics. For consumers, local organic cosmetics are the best choice for long-term use. The government, particularly Jambi Province, is expected to continue to accompany and promote local cosmetic products by creating trust and brand image. Future researchers should add digital marketing antecedents better to promote local cosmetic products to the consumer market, strengthening customer trust and brand image.

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