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Editorial

Journal of Social and Development Sciences (JSDS) is a scholarly journal deals with the disciplines of social and development sciences. JSDS publishes research work that meaningfully contributes towards theoretical bases of contemporary developments in society, business and related disciplines. The work submitted for publication consideration in JSDS should address empirical and theoretical contributions in the subjects related to scope of the journal in particular and allied theories and practices in general. Scope of JSDS includes: sociology, psychology, anthropology, economics, political science, international relations, linguistics, history, public relations, hospitality & tourism and project management. Author(s) should declare that work submitted to the journal is original, not under consideration for publication by another journal, and that all listed authors approve its submission to JSDS. It is JSDS policy to welcome submissions for consideration, which are original, and not under consideration for publication by another journal at the same time. Author (s) can submit: Research Paper, Conceptual Paper, Case Studies and Book Review. The current issue of JSDS consists of papers of scholars from Indonesia, Thailand, Pakistan and Taiwan. Effect of calculation of cost of production on selling price, the thick black and white ocean among buddhist pilgrimage tourist operators, effectiveness and contributions analysis of regional income, effectiveness of health sector special autonomy funds management program, study of the potential sharing of the electricity subsidy by regional government, democracy establishment on regional head election and HR practices & organizational innovation are some of the major practices and concepts examined in these studies. Journal received research submission related to all aspects of major themes and tracks. All the submitted papers were first assessed by the editorial team for relevance and originality of the work and blindly peer reviewed by the external reviewers depending on the subject matter of the paper. After the rigorous peer-review process, the submitted papers were selected based on originality, significance, and clarity of the purpose. Current issue will therefore be a unique offer, where scholars will be able to appreciate the latest results in their field of expertise, and to acquire additional knowledge in other relevant fields.

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PAPERS

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Effect of Calculation of Cost of Production on Selling Price of Products Manufacturing Companies in Papua (Case Study CV. Sagita Grafika)

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Abstract: This study aims to determine how the effect of calculating the cost of an order made by the company and the method of calculation of full costing of the product selling price fixing mold. The data used is primary data, order data produced in the period from January 2013 to December 2013, the secondary data obtained from interviews and literature. From these results it can be seen that CV. Sagita Grafika calculate the cost of the product by using the order cost method that produces cost price and the selling price that is incompatible with existing theory, in which the charging of indirect labor and overhead costs shared equally on all types of orders in the amount of Rp. 11.78825 million for indirect labor costs and Rp. 3.1243 million for overhead costs so that volume orders will bear fewer overhead costs equal to the volume of orders more. By using a full costing analysis generated calculation method that the volume of orders that more will earn imposition overhead costs more, because in this calculation loading overhead costs charged by direct labor hours incurred for each order. So that orders with a total volume that many will use a lot of labor hours and vice versa. So in this study that most large orders received charging overhead is the order BS-02 Rp. 31,115,590.92 and most orders received little overhead loading is KK-01 orders in the amount of Rp. 2,208,622.32. Results of a comparison between the cost of the company with the full costing is the total cost of less Rp. 27,499,540.57, the selling price of Rp. 5,866,543.90, while the larger profit generated by using the full costing method that is Rp. 21,632,996.67

Keyword: *Cost of the order, full costing, product selling prices*

1. Introduction

The company's success depends on the ability of management in making decisions for the management of a business, whether it is a company with a large-scale, medium and small needed a good management, so that operations can be run effectively and efficiently. In order for a company's operations can run well, then management requires reliable information as a basis for decision making. According to Mulyadi (2001) to increase the profit, a company can do it three ways, the first way to increase the sales volume, this way is not at risk, but it is not easy to do, because of competition with other companies that producing similar goods. The second way to increase the selling price, this action can indeed increase profits, but in the conditions of competition today, the company is not easy to raise prices because it may because consumers run into competitors' products that have lower prices with the same quality product. The third way is to reduce the cost of production in an efficient and control components of the costs, so the production cost can be minimized. Uncontrolled production costs will cause the cost is too high, which in turn will reduce the competitiveness of products and ultimately may reduce earnings. As in other areas in Indonesia, Papua also competition is getting tight, although still in the developing stages, when compared with other major cities in Indonesia. Therefore, one of the strategies that must be done by entrepreneurs, especially a company engaged in the processing of raw materials into finished goods in order to obtain competition is to reduce the cost of production followed by a decrease in selling prices in the market.

According to Mulyadi (2005) cost is a sacrifice that must be issued by the company to manufacture or produce goods and services. These costs are referred to as cost of production. So that management can use cost-efficient, it requires reliable cost information. Determining the cost of production is very important to remember the benefits of the cost of production information are to determine the selling price of products that will be presented in the balance sheet. Issues regarding the cost of production are generally rooted in the lack of good or even the absence of a proper accounting recording process carried out by the company. Determining the cost of production becomes a problem that must be made by the company to provide the proper determination of the selling price so as to produce the optimal profit. Cost of production is crucial company's income. Thus, if the company or any less thorough in determining the cost of production, resulting

in an error in determining the income obtained by the company. Given the importance of the cost of production that requires precision and accuracy, especially in the face of current competition are spurring companies that compete with one another, to produce similar or substitute products. According to Mulyadi (2004) the function of the cost of production in the company based on order and mass production, is to determine the selling price, to monitor the realization of the production costs, calculate profit / loss gross particular period and determine the cost of inventories of finished products and products in process are presented in the balance sheet. In determining the cost of production, information is needed by the company is information on raw material costs, labor costs, and factory overhead costs.

2. Literature Review

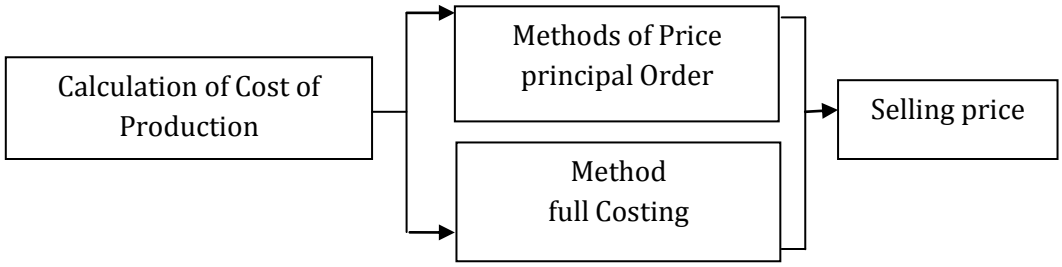
According to Hansen and Mowen (2006), Cost of production is the amount of cost of goods that were completed during the period. Costs are only charged to the items resolved is the cost of production of direct materials, direct labor and overhead costs. According to Mulyadi (2007: 10) the cost of production or the so-called cost of goods is pengobanan economic resources is measured in units of money that has occurred or is likely to occur to generate income. Order cost method, the production cost of collection methods applied to companies that produce products on the basis of orders (Mardiasmo, 1994: 27). Process cost method is a method of collecting the cost of production through the production department or the center of liability costs, which are generally applied to companies that produce products in mass (Mardiasmo, 1994: 90). Selling price is the amount of money or goods needed to get some goods or services. The company has always set the price of their products with the hope that the products sold well and earn maximum profit. According to Hansen and Mowen (2003) which been translated by the selling price is the monetary amount charged by a business unit to the buyer or customer for goods or services sold or delivered. According to Mulyadi (2001) Selling Price in principle should be able to cover the full cost plus a reasonable profit, or sales price equal to the cost of production plus a mark-up. According to Supriyono (2001), the selling price is the monetary amount charged by a business unit to the buyer or customer for goods or services sold or delivered. From the above definition can be concluded that the sale price is the amount of expenses incurred by the company to produce a good or service plus a percentage of the desired profit company, because it is to achieve the desired profit by the company one of the ways in which to attract customers is by way of determining the right price for the products sold. The right price is the price in accordance with the product quality of goods, and the price can give satisfaction to the consumer.

3. Methodology

Kerangka Konseptual: Adapun kerangka pemikiran dalam penelitian ini adalah sebagai berikut :

Gambar: Conceptual Framework, The framework in this study are as follows:

Figure 1: **Conceptual Framework**



Data source: Reasoning Authors, 2014

The analysis of the data used to answer the above problems is the method of order cost upfront (Job Order Method) is the method of determining the cost of products where the production costs are collected (accumulated) for a particular product, and the cost of production per unit is calculated by dividing the total cost of production for these orders by the number of product units in respective orders (Witjaksono, 2006: 37).

4. Results and Discussion

Comparison between the Cost Method Order Company with Full Costing Method: From the calculation above shows that there are differences between the calculation of the cost of an order made by the company with the full costing method calculation. In the calculation of the distribution company overhead costs are not consistent with the theory that there is to divide equally to each order, regardless of volume pesanan.hal much or at least this would be detrimental to the volume of orders sedikt and profitable for the buyer that the volume of orders in large quantities. While the full costing method of calculating overhead charges imposed by direct labor hours so that it can be seen that the orders to spend hours of direct labor are more than loading overhead will also be more and vice versa. Here is a comparison table of cost price and the selling price generated by calculating the cost of an order made by the company with the results of calculations using the full costing method:

Table 1: Comparison Between Methods of Calculation of Cost of Company Orders Calculation Method with Full Costing

No	Type Order		No Order	Vol Order	Harga Pokok Pesanan Perusahaan		Full Costing		Selisih	
					Cost of the Unit (Rp.)	Selling price Of The Unit (Rp.)	Cost Of The Unit (Rp.)	Selling Price of the unit (Rp.)	Cost of The Unit (Rp.)	Selling Price of the unit (Rp.)
1.	**Book**									
	a.	*Profile* color	B – 01	1.120	25.334,86	34.202,06	31.569,56	45.777,16	(6.234,70)	(11.575,10)
	b.	Bulletin color	B – 02	2.000	14.504,52	19.581,10	16.883,92	24.144,00	(2.379,40)	(4.562,90)
	c.	Text book	B – 03	3.000	14.191,51	19.158,54	13.551,75	18.836,94	639,76	321,60
2.	**NCR Receipt:**									
	a.	Receipt, 1/3 folio	K – 01	850	26.534,76	35.821,93	13.016,11	18.104,10	13.518,65	17.717,83
	b.	Receipt ½ folio	K – 02	1.200	25.314,62	34.174,74	18.025,27	24.874,87	7.289,35	9.299,87
3.	**Letterhead :**									
	a.	Letterhead one color	KP – 01	550	77.862,81	105.114,80	75.276,86	104.634,83.	2.585,95	479,97
			KP – 02	680	80.444,92	108.602,63	82.867,69	115.186,08	(2.422,77)	(6.583,45)
	b.	Letterhead color	KP – 03	850	119.397,70	161.186,90	133.333,65	184.000,44	(13.935,95)	(22.813,48)
	c.	Folder								
4.	**Name Card :**									
	a.	Name Card color	KN – 01	500	40.023,10	54.031,18	19.530,64	27.538,20	20.492,46	26.492,98
5.	**certificate** :									
	a.	Certificate color	S – 01	12.000	1.872,21	2.527,48	1.259,58	1.788,60	612,63	738,88
6.	**Invitation :**									
	a.	Invitation c olor	U – 01	10.000	3.107,05	4.194,52	3.490,62	4.956,69	(383,57)	(762,17)
7.	**Card :**									
	a.	Eid Card	KK – 01	2.000	8.720,77	11.773,04	2.528,12	3.564,65	6.192,65	8.208,39
	b.	ChrismasCard	KK – 02	3.000	6.128,85	8.273,94	2.247,50	3.168,97	3.881,35	5.104,97
8.	**Brochure :**									
	a.	Brochure black white	BS – 01	40.000	570,83	770,63	518,30	741,17	52,53	29,46
			BS – 02	22.500	1.923,62	2.596,89	2.799,41	3.975,17	(875,79)	(1.378,28)
	b.	Brochure color								
9.	**Calender :**									
	a.	Calender Hanging color	KL – 01	25.000	6.622,14	8.939,89	6.743,12	9.170,65	(120,98)	(230,76)
	Foster :									
10.	a.	Foster	F – 01	3.000	7.163,51	9.670,74	3.166,25	4.369,42	3.997,26	5.301,32
Total										

Source: Secondary Data that have been processed, 2014

From the table above shows that the calculation with the full costing method to order B-01, B-02, KP-02, KP-03, U-01, BS-02 and KL-01 cost price and the selling price resulting higher so visible datable difference minus the comparison result. To reserve B-01 difference (Rp. 6234.70) and (11575.10) Order B-02 difference (Rp. 2379.40) and (Rp. 4562.90), KP-02 order difference (Rp. 2,422, 77) and Rp 6583.45), KP-03 order difference (Rp. 13935.95) and (Rp. 22813.4), U-01 order difference (Rp.383,57) and (Rp. 762.17) , order BS-02 difference (Rp.875,79) and (Rp. 1378.28) and KL-01 order difference (Rp.120,98) and (Rp. 230.76). For this

type of order B-03, K-01, K-02, KP-01, KN-01, S-01, KK-01 KK-02, BS-01 and F-01 shows that the positive results means that the calculation of price the subject of an order made by larger firms compared with calculations using the full costing method. To reserve B-03 difference of Rp. 639.76 and USD. 321.60, orders K-01 difference Rp.13.518,65 and Rp. 17717.83, K-02 order difference of Rp. 7289.35 and USD. 9299.87, KP-01selisih order Rp. 2585.95 and 479.97, orders KN-01selisih 20492.46 and 26492.9, orders S-01 difference Rp.612,63 and Rp. 738.88, orders KK-01selisih Rp. 6192.65 and USD. 8208.39, KK-02 order difference of Rp. 3881.35 and 5104.97, BS-01 order difference of Rp. 52.53 and 29.46 and the last F-01selisih order 3997.26 and 5301.32. From the analysis that the calculation method of the order cost the company a total cost of Rp. 714 442 850, - the total selling price of Rp. 962,348,792.50 and the total profit of Rp. 247,905,942.50. While calculating the total number of full costing method a cost of Rp. 686,943,309.43, the total selling price of Rp. 956,482,248.60 and the total profit of Rp. 269,538,939.17. From the above data it was clear that the method of calculation of the cost of an order made by larger companies Rp. 27,499,540.57, the total selling price is also greater Rp. 5,866,543.90 but the result of greater profits by using the full costing method for Rp.21.632.996,67.

5. Conclusion

After the authors conducted an analysis of the costs related to the pricing of goods on the CV. SAGITA GRAFIKA, it can be concluded that:

- In the case of the expenses of direct material and direct labor costs, the Company CV. SAGITA GRAFIKA already calculate in accordance with the existing theory, which is based on the needs required in doing any kind of order. However, to calculate the cost of production of the company has not calculated in accordance with the existing theory, since the company split the cost of indirect labor and overhead costs equally for each order is done during the period January 2014 to December 2014, which amounted to Rp. 11.78825 million and Rp. 3.1243 million for each order, which resulted in orders with the least amount shall bear the same load with a lot of orders, so the cost of goods produced does not reflect the actual cost price. Results of the calculation method of the company for the amount of the cost is Rp. 714 442 850, -, Selling Price Rp. 962,348,792.50 and the profit made by the company Rp. 247,905,942.50
- Calculation using the full costing method is more effective than the calculation of the cost of an order made by the company. Because in this calculation shows that the orders are of little use direct labor will bear little overhead costs, and vice versa. And apart from the volume of orders difficulty level of orders also influential, then the results of the calculation method of full costing shows there are 7 (seven) orders are orders B-01, B-02, KP-02, KP-03, U-01, BS-02 and KL-01, the calculation of cost price and the selling price is greater than the calculation of the company. However, there are 10 (ten) orders that the calculation of cost price and the selling price is less than the calculation method of the order cost companies that order B-03, K-01, K-02, KP-01, KN-01, S-01, KK -01, KK-02, BS-01, and F-01. The results of the full costing method of calculation for the amount of the cost of Rp. 686,943,309.43, -, Selling Price Rp. 956,482,248.60 and the profit made by the company Rp. 269,538,939.17.
- Comparison of the sale price between the method of calculation of the order cost the company with the full costing method of calculation as shown above that the amount of goods more efficient with the method of calculation of full costing Rp. 27,499,540.57, the selling price of Rp. 5866543.9 and generated greater profit of Rp. 21,632,996.67

Recommendations: After conducting research and analyzing the data the authors obtained from the company, the following are suggestions that should be considered by the leadership CV.SAGITA GRAFIKA in terms of cost price calculation. To avoid loading the overhead that does not conform to the orders received, the authors suggest:

- Based on the analysis of the calculation of the order cost CV.SAGITA GRAFIKA, it has been known that the cost of goods produced does not reflect the actual cost price. From these results do with management in making decisions setting the selling price of products mold.
- Based on the analysis of cost price calculation CV.SAGITA GRAFIKA, then the company should change their methods of calculation, the calculation of cost of the order into the calculation of the full costing method, because the amount of goods produced by the calculation method is more efficient full

costing Rp. 27,499,540.57 from the calculation of the company, the selling price is more efficient Rp. 5866543.9 and corporate profits to be gained greater of Rp. 21,632,996.67.

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The Thick Black and White Ocean among Buddhist Pilgrimage Tourist Operators in Thailand

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Abstract: The White Ocean strategy proposed by Thai scholar Danai Chanchaochai addresses management based on Buddhist philosophy, and emphasizes the society first before looking to oneself. At the same time, there is also the concept of Black Ocean, or Hòuhēixué (厚黑學) which translates to Thick Black Theory, proposed by Li Zongwu (李宗吾). Theoretically, an understanding of both white and black can lead the businessman to adjust his plans for better performance. Therefore, this research examines both Black and White concepts in the context of religious tourism, by collecting business data from tour operators that offer pilgrimage packages to Buddhists. It was found that the Buddhist aspect of the religious tour businesses puts "Blackness" profiteering goals in the background by building a "White" image of charity and donations, thus suggesting that the Black and White co-exists and are inseparable, similar to the middle path or yin-yang balance in nature.

Keywords: *White Ocean Strategy, Black Ocean Strategy, religious tour operators*

1. Introduction

The development of strategy literature in the West continues in the East. The well-known Blue Ocean strategy (BOS) developed at INSEAD, France, by Professors W. Chan Kim and Renée Mauborgne(Kim & Mauborgne, 2005)have struck a chord in the Asian holistic mindset, resulting in further development of colors along the yin-yang concept, into Black and White Ocean theories. In particular, this paper examines the applicability of the Black and White Ocean theories on East Asian business management practice – tourism by East Asians (Chinese) in South East Asian host country (Thailand). Chinese tourist spends almost 1.2 trillion yuan (around USD 183 billion) and bought 46 percent of all luxury goods sold globally in the year 2015 (Jing Daily, 2016). There is no doubt about Chinese tourist purchasing power, however the way tourist company treats Chinese tourist is still questionable. "Forced shopping tour" is common tours through China and for Chinese tourist globally. The inexpensive tour price has been set to attract tourist to join the program by expecting them to spend money on designated shopping places like a jewelry place. However, many people in the tour group may not want to shop for most of the product is overpriced. In that case, the tour guide will come and encourage them to purchase more. In October 2015, a Chinese tourist has died in Hong Kong a day after being beaten up by tour leader who forced him to purchase at a souvenir shop (BBC, 2015). The "force shopping tour" is another kind of business model that trap customer with supercheap product followed by unfair treatment.

In the risk - return spectrum the more return sought, the more risk that must be undertaken. In short, we may have called "High Risk, High Return". Literature has suggested several strategies to reduce the risk and increase the return. Strategic literature has suggested using vision to utilize resources and capabilities to win the competitors while Kim and Renee suggested "Blue Ocean Strategy" which focused on the new marketing frontier as another way to increase the return. The "force shopping tour" does not consider Blue Ocean Strategy, in the other hand it must be considered as super "Red Ocean Strategy" where all the player in the market try to compete aggressively in the existing market space. On the other perspective of strategy, the researcher is focused more on the moral level of the company. Just a few years after the blue ocean strategy has been published, Danai has explained in his book "White Ocean Strategy" that it is better to return to the society first before return to yourself. This is related to corporate social responsibility (CSR) and the recent work of Kotler "Marketing 3.0" that suggested that consumer is moving toward the human spirit rather than a product benefit or consumer advantages (Kotler, Kartajaya, & Setiawan, 2010). The "force shopping tour" is

considered a low level of moral or in short very poor in White Ocean Strategy, and very strong in Black Ocean Strategy. So what is Black Ocean Strategy?

2. Literature Review

Conceptualizing Black Ocean Strategy: The blue ocean strategy, first promoted in the *Harvard Business Review* of October 2004 (Kim & Mauborgne, Blue Ocean Strategy, 2005), has had better days. "Blue Ocean" refers to untapped markets, which provide little competition for anyone diving in. The phrase "Red Ocean", on the other hand, refers to a saturated market. Most oceans today, unfortunately for investors, remain as red as a red carpet; and business scholars in desperate need for a concept that better encompasses innovation and creates more value for future markets. We want to put an end, in this paper, to this anxiety by giving the black ocean strategy a long awaited twist: simply stated, any product you make, any decision you take, any employee you forsake ("every breath you take", as Sting would have it) must be seen *somehow* in black. Our revolutionary proposition is rooted in three main influences, although we are more daring in our approach and thus reach far beyond their conclusions.

The first is Murnighan's (2012) *Do Nothing!* thesis that tells leaders to stop worrying and start thinking. Too many managers fail to acknowledge that thinking is a form of doing. Instead, they interfere with everyone and everything and deteriorate their own organization's performance. What facilitates navigation in turbulent waters? How can successful companies sneak their ways through aggressively competitive markets? It is certainly not a nervous captain aboard an old ship that will fight the strongest winds and overcome the highest waves. The opposite is true: the captain himself should be old and serene (by "old", we mean experienced) while maintaining the ship so that it endures the test of time and reemerges constantly victorious out of the roughest tempests. The ship never gets old (the company always innovates) and the captain only gets wiser from his challenges (the leader supervises others, but no longer handles the tools himself). The notion of maintenance was discussed in *Zen and the Art of Motorcycle Maintenance* (Pirsing, 1974), a silly classic in our opinion, but which at least asks the questions management science is most concerned with: in what conditions should I leave to others what I might be able to do myself? Murnighan's(2012)is fair enough –trust others and don't do anything that could compromise this trust. In this respect, his account and others such as *Who Moved My Cheese?* (Johnson, 1998) are much more convincing than the motorcyclesque, hippie-go-lucky, road-movie pedantry cited above. If as a manager you try too hard and too often, if you are too present, then you will struggle inefficiently on a cruise-ship with staff that is reluctant to work, complaining customers and the gigantic waves of competition looming all around. Such is the "blue ocean strategy" that works in the short term, whereas the markets are bound to turn red in the long term, threatening to drown you, along with your team who already lost any hope of satisfying irritated tourists. If on the contrary you decide to do nothing, then you will sit confidently on a rowing boat at night, gently trailing the dark, peaceful waters, and watching faithful employees guide your company amidst the relaxing drones of innocuous dragonflies. This latter "Black Ocean Strategy" is how we picture it: a rowing-boat rather than a cruise-ship; a lake at night rather than a daytime ocean; a sizeable team rather than strangers left to themselves and "managed" by an angry captain who knows nothing about them. The Black Ocean Strategy is *this romantic lake under the moonlight.*

The second influence originates from the history of the black color, which consolidates the argument that stubbornness pays off, that great leaders actually *disengage* themselves from their own business, that they take *instinctive* decisions without studying the market, without even trying to understand what would make customers happy (customers themselves do not know what they want). In business, black became more prevalent from the Protestant Reformation's aversion to vivid colors. By the sixteenth century, red, yellow, and green were considered immodest –as opposed to the more dignified black-gray-white axis. Such values still held sway in the second half of the nineteenth century with the Industrial Revolution in Europe and the rise of mass consumption in America. Most products fell within a narrow chromatic range where white, black, gray, and brown dominated. This was one of the enduring effects of the Protestant ethic (which Weber famously associated to the development of capitalism). Thus, even though it was technically possible to produce any color, the first telephones, cameras, pens, cars and clothes fell within the range of white to black between 1860 and 1920. The most notorious example of this black-and-white focus was that of Henry Ford. Despite public expectations, despite the two-tone and three-tone vehicles offered by his competitors, despite

the growing place for colors in daily life, he refused for moral reasons to sell any but black cars up until the end of his life. The famous Model T produced from 1908 to 1927, the company's trademark, epitomizes this rejection of color (Pastoureau, 2008, p. 76). In this way, gSreat leaders simply happen to *do what they want*, independently of internal gossips and external public opinion. The Black Ocean Strategy consists in other words in *taking wild guesses in the dark*.

Lastly, the most powerful influence for us has been Aithal and Suresh Kumar's (2015)discussion of the Black Ocean Strategy, which begins with an incisive, life-changing observation on the way most businesses *should* operate. At the time of writing, top-level executive managers, corporate masters, management gurus and Nobel-Prize thinkers choose from a variety of colors that boost organizational development and sustainability. The red ocean strategy, the blue ocean strategy, the green ocean strategy and the purple ocean strategy all bring undeniable benefits to strategic decision making, intelligent management, and monitoring of competition. However, developing countries *must* overcome their problems and find quick, short-term relief. Loose strategic planning is always akin, to the best of our knowledge (and as business scholars we are extremely knowledgeable), to some sort of business diarrhea. It takes a lot of capital to feed the monster –say, a multinational company –but in the end it is painfully digested and leaves an embarrassing smell fouling the air even *after* everything has been flushed down. To avoid facing the ignominy of business disaster and subsequently losing face, trust us: only the black ocean strategy is worth following. Indeed, the most successful firms opt for the black ocean strategy nowadays, because it offers flawless decisions for sustainability through an easily applicable investment-perceived risk matrix. In another groundbreaking piece of work, Aithal, Shailashree and Suresh Kumar (2015) analyze features of the black ocean strategy using the superb ABCD technique. This technique impeccably identifies advantages, benefits, constraints, and disadvantages under various organizational circumstances. They clearly demonstrate that the ABCD technique *should* become the norm in business science, since it allows managers to evaluate *any* system and *any* concept. Combined to the relevant frameworks, the Black Ocean Strategy is this *unbeatable plan for the company's prosperous future.*

Corporate Social Responsibility: The goal of corporate social responsibility (CSR) is to encourage a positive impact through its activities on the environment, consumers, employees, communities, future generations, shareholders and other stakeholders. It concerns a corporate's strategy, operations, and governance structure that creates environmental and social values by monitoring and ensuring compliance with the spirit of the law, ethical standards, and international norms. In short, CSR means doing good, but it goes by many names, including social responsibility, corporate social responsibility, corporate citizenship, corporate philanthropy, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship, and corporate societal marketing (Kotler & Lee, 2005). CSR has been first discussing in 1950s by Howard Bowen, still numerous modern literature still discusses about CSR. Cheng et al. (2015) has summarize the positive impact of CSR as providing better access to valuable resources (Cochran & Wood, 1984; Waddock & Graves, 1997), attracting and retaining higher quality employees (Turban & Greening, 1997; Greening & Turban, 2000), allowing for better marketing of products and services (Moskowitz, 1972; Fombrun, 1996), and creating unforeseen opportunities (Frombrun, et al., 2000). The recent research showing that CSR resulted in higher stock returns sensitivity to earnings surprises and higher trading volumes for firms with higher CSR activities (Bartov & Yan, 2015).

Literature also argues about benefit of CSR. Visser has argued that CSR has failed as a business governance and ethics system (Visser, 2010). We could not denial that primary institution in today society, overshadowing the state in controlling the direction of individual lives and influencing social development. Sad but true they have been frequently accused of being irresponsible or ignorant against the growing societal and environmental problems (Deetz, 1992). According to Carroll most obvious corporate social responsibility for corporate is economic responsibility where corporate must be focus on profit (Carroll, 1996). Literature also argues that corporate may not enjoy the CSR competitive advantages if they do not a proper CSR communication instrument (Vytautas & Vytautas, 2008). In fact, most company perceive CSR as another public relations and marketing tools to build up corporate image, goodwill, insulating the firm from the negative impacts rather than being nice to society (Anticsr.com, 2015; Janssen, et al., 2015). Also the awareness of CSR toward customers and employees is considered low. The current research showing that less than half of consumer knows the meaning of the term CSR and only 11% say they have heard

communication about CSR from any company in the past year. Also only 22% of employees are aware that their companies have CSR practices. (Penn Schoen Berland , 2010)

Black Ocean Strategy: Danai has suggested that instead of looking through the competition, corporate better offer a new moral attitude, an attitude of responsibility not only to employees but towards humanity and the environment. It is about time for a change. It is the passion for corporate to balance the important of people, planet, and profit. He proposed that underneath the Blue and Red Ocean lies the pure White Ocean for sustainable business development (Chanchaochai, 2009). Black Ocean Strategy follows the work of Li Zongwu (李宗吾) (1879-1943) the writer of Think Black theory (厚黑學) and found that the last Ocean strategy is Black Ocean which is the opposite vertical of White Ocean. The theory is original written by Chinese scholar name Li Zong Wu (李宗吾: Li ZōngWú) in the year 1911. Chin Ning Chu the president of Asian Marketing Consultants, Inc., international lecturer, corporate trainer, consultant, and author of Thick Face Black Heart has explained that Thick Black theory describes the secret law of nature that governs successful behaviour in every aspect of life (Chu, 1992). It is the nature's truth and about developing the outlook on life to succeed. The core discussion of Thick Black theory is how to improve effectiveness of people (Zhao, 2011) rather than being cruel. Thick Black theory is the wisdom that can be applied to any nationality, race, and occupation. It is how to protect yourself from dealing with society and in turn it is the instrument to battle with society. Thick Black discusses how to gain power (Zhao, 2011). The power of Thick Black theory is in your inner strength and the natural state of your true self, where perfect joy, clarity, courage, and compassion, are an inseparable part of you (Chu, 1992).

Thick Black theory discusses how to identify what is your main objective of your true self, and how to achieve your main goal without obstruction by social moral and condition (Chu, 1992). It is not destiny but a series of decision making (Zhao, 2011). The more practice of Thick Black theory will increase the skill, as well as improve the benefit gained by the Thick Black theory. In the big picture, Thick Black theory discusses about the ability to conceal the actual sentiment in order to shape the attitude of opponents to the way the executer wishes for, and the ability to make the right choice devoid of apprehension to other injury (Suwannakitti, 2007). According to the name of Thick Black Theory (厚黑学: Hòuhēixué) there are two main elements to it, which is "Thick" (厚) or "Thick Face", and "Black" (黑) or "Black Heart". Li Zong Wu said, "When you conceal your will from others, that is "Thick" and when you impose your will on others that is "Black". Booth Thick and Black is the human weapon to deal with the social moral and condition. Thick is a *shield* to protect and Black is the *spear* to battle (Li, 2009). Thick or thick face is a shield with the ability to protect oneself from the criticism and the negative opinions of others. It is the ability to put self-doubt aside, and refusing to accept the limitations that others have tried to impose, and the ability to carry on to achieve the target or goal (Chu, 1992). Black or Black Heart is a spear with the ability to do battle with others and one regard to how the consequences will affect others. It is cruel but not necessarily evil (Chu, 1992). The Black Heart person is above short sighted compassion. He focuses his attention on his goals and ignores the cost.

Trust: Trust, n.: In American politics, a large corporation composed in greater part of thrifty working men, widows of small means, orphans in the care of guardians and the courts, with many similar malefactors and public enemies. Ambrose Bierce, The Devil's Dictionary (Bierce, 1993). Trust is one of the most frequently examined in today's literature (Bunker, Alban & Lewicki, 2004). It is considered to be the central feature of a business alliance (Mohr & Speakman, 1994). It is wisdom that can influence people to do things according to organization interests. It is the glue that holds everything together, creates healthy communities and successful businesses (Schwab & Malleret, 2003). Stephen M. R. Covey son of Stephen Covey, author of the "7 Habits" books mentioned that trust could help reduce cost and increase the speed of outcome (Stephen & Merrill, 2006). He concludes that trust can build or destroy every human relationship. In international level, it can amplify economic growth (Knack & Keefer, 1997; La Porta, Lopez-de-Silanes, Shleifer &Vishny, 1997; Zak & Knack, 2001), in micro level it is the key success factory of business alliance (Kanter, 1994). It can increase supply chain performance (Zaheer, McEvily & Perrone, 1998; Sako, 2000; Dyer & Chu, 2003), reduce cost, increase the speed of outcome (Dyer & Chu, 2003; Stephen & Merrill, 2006) and has a positive on just in time and continuous improvement process of the firm (Sako, 2000).

In term of inter organizational trust is collectively held trust orientation toward the partner firm (Serva, Fuller, & Mayer, 2005; Zaheer, McEvily, &Perrone, 1998). It is a very complex construct, with multiple levels, different bases, and determinants (Rousseau, Stikin, Burt & Camerer, 1998). Trust is also considered a key factor in effective supply chain management and, while it does not lend itself easily to measurement, the value of trust can be measured in terms of lower costs, added value and the encouragement of resource sharing (Landry, 1998). Anderson and Narus (1990) suggest that once trust is established, organizations learn that joint efforts will lead to outcomes that exceed what the organization would achieve had they acted solely in its own best interests. Additionally, business alliances that exhibit trust will survive greater stress, display greater adaptability, and survive for longer periods of time. Finally, Barney and Hansen (1994) supported that business alliances characterized by strong-form trustworthiness may have a competitive advantage over other business alliances due to the potential to decrease governance and agency costs. Trust has been challenged by other academics such as literature suggested that easy to trust manner cause opportunistic risk and unable to protect strategic resources (Zand, 1972; Mayer, Davis & Schoorman, 1995; Williams, 2001; Bönte, 2008). The higher the social class the less significant in easy to trust behaviour (Piff, Kraus, Côté, Cheng, & Keltner, 2010). In addition, deliberate cheats commonly use trust as a tool to deceive, while opportunistic partners take advantage when they become trusted (Nithisathian, Rattanakomut, & Walsh, Empirical investigation of the proficiency of selecting partners in the Thai fine gold jewellery industry, 2011). The trust trap created by deliberate cheat and opportunistic is very hazardous since it can create a false memory, which has a long term effect (Zhu, Chen, Loftus, Lin & Dong, 2010).

3. Methodology

This paper is using empirical study as a main tool which includes literature survey and industrial survey and some current statistics. Nonetheless, there might have some limitations incurring from the industrial survey due to time and number of respondents.

Black Ocean Strategy Concept: Black Ocean strategy discuss about the ability to pay the firm first before paying other which is totally opposite from White Ocean strategy. It works directly with opportunity. The organization must know where the opportunity is and try to find the way to access to that opportunity as well as try to find the way to block other competitors to penetrate the same opportunity. Black Ocean strategy is deal directly with trust where literatures both qualitative and quantitative research revealed a significant of trust as the wisdom to influence people to do things according to organization interests.
Black Ocean Strategy operates in 2 parts:

- Ways to create opportunities
- Ways to maintain and obtain benefits from opportunities

Ways to create opportunities: First of all, the company has to envisage business opportunities that are interesting for the company, whereby Black Ocean is different from White Ocean in that White Ocean puts social benefits first, while Black Ocean puts the company's benefits first. Therefore, the motives in finding opportunities are concerned with the company as the main priority, not with impact to people nor society. Following that, the company then seeks ways to obtain opportunities, which might be general means, or other means, such as bribery (reward), making competitors/customers feel that they would lose out if they do not cooperate with the company (punishment), and strives to side with the side that would help to realize the opportunities, regardless of whether that action is right or immoral. Ways to maintain and obtain benefits from opportunities: Secondly, the company will use psychological /emotional contract as well as documented contracts, in order to secure the company's ownership of that opportunity in the long term. At the same time, the company will try to make the most of the opportunities as much as possible.

Black Ocean Strategy the case of multi-level marketing Buddhist pilgrimage tourist operators: Buddhist pilgrimage tourist is a great opportunity business. It has the potential to attract the large Buddhist population in Thailand and from nearby Asian countries. It also creates developing local supply chains and income generating opportunities through tourism. However, business tourist operators find an opportunity to make more money from this business. Recently Chinese tourist operators start to make contract, or concession with temple in Phuket to manage the property inside the temple (นนทฤทธิ์, 2016). We can analyze the operational methods of Chinese tour companies according to the Black Ocean Strategy as follows:

Ways to create opportunities: Chinese tour operators look for temples that are suitable for tourism, and offer several benefits for the temples, such as offering concrete floor for parking lots, renovating the toilets, building garbage storage facilities, and paying utility bills (water and electricity) for the temple, including building a shrine of the four-faced Buddha at the front entrance of the temple for free, which is popularly worshiped by Chinese tourists. (In fact, it is about landscape improvement so that Chinese tourists would want to visit more, i.e. bringing more benefits back to the Chinese tour operators.) In all, what this research is points out is that in order to create business opportunities, Chinese tour operators aim to rent Buddhist shrine and sanctuaries and turn them into tourist destinations that Chinese tourists have to come and worship as much as possible. This goes against Thai people's social norms, as temples are viewed as national treasures, but it has inadvertently resulted in ways for foreigners (Chinese businesses) to come and reap benefits from.

Ways to maintain and obtain benefits from opportunities: When the Chinese tour operator is able to make use of the abbot's sanctuary, they sign a 3 year concession contract, in order to prevent others from intervening in the benefits of the Chinese tours. This closes the opportunity for other competitors, and from then on, the Chinese tour operators can also start selling the Buddhist amulets of the temple. The cost price of each amulet is unlikely to exceed 10 baht each, but can be priced at 500-1000 baht, making a profit of 50 to 100 times. With the buying power of the huge mass of tourists who desire these amulets, this can be considered a highly successful business.

4. Analysis and Discussion

Black Ocean Strategy is another effective tool for organization. If organization knows how to use Black Ocean Strategy, it will create a good opportunity for organisation. Organization can enjoy large profit from monopoly existing market which is much better than uncontested market space. However, Black Ocean Strategy may not be the ethical tool for public. It may seem to be cruel and create bad effect to other people. For temple or firm that has been treated by Black Ocean strategy it is better to study the real attention of their partner. It is better to have cautious relationship with other (Nithisathian, et al., 2012).

5. Conclusion

Black Ocean strategy is another strategy that organization has been applied for long. It may be the first strategy that organization has been used. It talking about pay the organization first before paying other. It does not mean ruthless but it is how to make organization best use its resource to pay itself. Black Ocean strategy can be both ethical and unethical activities. It is about the ability to execute all the activities to make organization success as well as the ability to manage the attitude of publicity. For example, attitude of employee toward implementing the strategy, customers toward accepting the strategy, and public audience toward appreciate the strategy. The key activities of Black Ocean strategy are not ending up at winning the opportunity, but also how to lock the opportunity and avoid other competitors to get into organization frontier. Since Black Ocean strategy can be both ethical and unethical. It has been suggested that firm must be caution to the activities of another firm. Since trust will lose their guard which in turn effect the performance at the end. This research looked at the Black Ocean strategy in practice that of tourism by East Asians (Chinese) in South East Asian host country (Thailand).

However, the applicability of the Black Ocean needs to be studied in several other contexts, not only in Asia but also in the West, not only service industries but also in production industries. It is likely that the manifestation of Black Ocean strategy would be influenced strongly by socio-cultural environment. Future comparative and cross-cultural research can help to enrich the Black Ocean strategy, and shed further insights, such as comparing the likelihood and the time span of success, depending on the intensity of blackness (or whiteness) of this theory. Surely, there are also cases of failures in the Black Ocean strategy, given that the value behind this theory is that of immorality and evilness. Furthermore, a longitudinal study of the Black Ocean strategy in operation might likely produce interesting findings. Would the Black Ocean eventually develop into gradations of Grey, or even White Ocean or Blue Ocean? Given the concept of sustainability, what could be the other social and market forces that would come into play to exert influences on unconscionable business practices? By nature, the invisible hand would act to create equilibrium, bringing

about more fairness as time passes. Truly, the relatively new theory of Black Ocean strategy still needs to be tested rigorously.

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Effectiveness and Contributions Analysis of PT. Bank Papua Owned Enterprises (BUMD) toward Regional Income (PAD) in Papua Province

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Abstract: Government of Papua Province by placing the regional enterprises as the one of the assets that will be used to provide a real contribution to the local economy, many steps and efforts put enterprises as an institution that has a chance to be an advance contributor to contribute to the economy and income for the region through the placement funds by the government in business institutions established under Regional Regulation. The placement of these funds will take a role in stimulating economic growth, which may create additional value, employment, and foreign exchange. This research is purposed to determine the effectiveness of the financial capacity of the PT.Bank Papua Owned Enterprises (Ind: BUMD) toward the income target of PT.Bank Papua profit and find out how much the contribution of the Regional Owned Enterprises (Ind: BUMD) on PT.Bank Papua income of Papua Province. The method used is the analysis of the effectiveness and contribution analysis. The results shows that PT.Bank Papua profit is very effective based on the financial balance sheets and PT.Bank Papua income (loss), PT. Bank Papua Deposits have very effective category, PT.Bank Papua postal giro has effective category. PT. Bank Papua financial ratio analysis, liquidation analysis or LDR PT.Bank Papua has a category of highly effective, the analysis of acceptance or BOPO PT.Bank Papua has effective category. Bank of Papua contribution to regional income of Papua Province was the highest in 2010, reaching Rp.23.339.102.363 or 6.00%. Suggestion findings show that Bank of Papua in the growth and development of enterprises needs to be fostered and implemented, especially on the motivation to improve the regional company's operating profit reception for regional income. The efforts can be done through increasing the expertise and the professionalism of its staff and their directors in running the company as a purely commercial business that promotes/prioritize the efficiency considerations. PT.Bank Papua Directors and staff (enterprises) in achieving the profit should be continued to improve the development of the soul and spirit of entrepreneurship.

Keywords: Effectiveness of Financial Capability, Contributions, *Papua*

1. Introduction

Enterprises ideally (BUMD) is one source income of local government. BUMD is a manifestation of the role of local government in local economic development. In the effort to carry out the principal functions and duties for the population in Papua province, Papua provincial government set up several regional-owned enterprises (BUMD) with the aims to provide services to the public, but on the other hand Regional Owned Enterprises (BUMD) is also expected to contribute to regional income. Papua Provincial Government's expectations by placing the regional enterprises as the one of the assets that will be used to provide a real contribution to the local economy, many steps and efforts put enterprises as an institution that has a chance to be an advance contributor to contribute to the economy and income for the region through the placement funds by the government in business institutions established under Regional Regulation. The placement of these funds will take a role in stimulating economic growth, which may create additional value, employment, and foreign exchange. However, in its development, enterprises became one of the region's financial problems. Not only failed to become a source of income, enterprises could burden the local finances. Research conducted by Setyawan and Riyardi, providing interesting findings related to the performance of enterprises. Enterprises in several cities in Central Java was not efficient in their operational. Their contributions to the regional government budget are not comparable with the assets owned. The average contribution of enterprises in Indonesia toward regional income is less than 1% (percent).

Papua provincial government has the enterprises, they are Bank of Papua enterprises engaged in finance and banking are expected to contribute to an increase in the income as well as the regional economy. Bank of Papua is the largest contributor in 2012 which amounted Rp.13.258.603.425,00 or decreased by Rp.10.080.498.938,00 and Development Fund of Development Bank of Rp.6.629.301.712,00 or decreased by

Rp.372.428.997,00 compared in 2011. In its development, the enterprises of Papua Provincial government has not been able to increase the role and functions as the main locomotive as a major contributor in the formation PAD Papua Province. Another problem that is not inability of local governments to manage enterprises professionally as a private company, and yet at the same potential and the identification of sources of local revenue. The problems that exist for this is information related to the performance of the Regional Owned Enterprises (BUMD) in Papua province is still very limited, therefore it is necessary to conduct the performance evaluation of regional-owned enterprises (enterprises) in Papua Province as a whole both financial performance and non-financial performance in providing services to the public (social function).

Performance is one of the important factors that demonstrate the effectiveness and efficiency of an organization in order to achieve its objectives. Performance of Regional Owned Enterprises (BUMD) is important to analyze because it is used as a material consideration in decision making in all management aspects. If enterprises have poor performance, then it must be addressed immediately to prevent enterprises from bankruptcy. This is certainly to be anticipated in a way to study the effectiveness of public enterprises to the economic empowerment of Papua and increase the contribution of regional income in Papua Province. Based on this background, the author would like to know how is the effectiveness of the Financial Capability of PT.Bank Papua Owned Enterprises (BUMD) toward the income target of PT.Bank Papua profit. How big Contributions of Regional Owned Enterprises (enterprises) to the PT.Bank Papua income of Papua Province.

2. Literature Review

The description of effectiveness according to Hidayat (1986) is explained below: "Effectiveness is a measure that states how far the target (quantity, quality and timing) that has been reached. The greater the percentage of targets achieved, the higher its effectiveness ". And the effectiveness according to Budi Prasetyo Saksono (1984): "Effectiveness is the extent of attachment of output achieved with expected output of a number of inputs". Notions of effectiveness can be concluded that the effectiveness is a measure that states how far the target (quantity, quality and timing) that has been achieved by the management, in which the target has been determined in advance. According Mardiasono (2002: 132), the original income constitutes acceptance area tax sector, retribution, the results of which are separated wealth management area, the results of companies belonging to the region, and other legitimate income. According Setyawan and Riyardi (2000), the performance of enterprises in several cities in Central Java was not efficient in their operation. Their contributions to the budget are not comparable with the assets owned. The average contribution of enterprises in Indonesia toward regional income is less than 1% (percent).

3. Methodology

The study was conducted in PT.Bank Papua of Jayapura representing Papua Province. The type of data used are primary data. The data collected through direct survey of the respondents (the chairman and directors of PT.Bank Papua) Secondary data is historical data or documents gathered or obtained primarily from the PT.Bank Papua which is related and considered relevant. The data analysis method uses the analysis of the effectiveness and contribution. Measuring the performance evaluation of enterprises to regional income of Papua Province.This research uses several analytical tools as follows in order to determine the relationship effectiveness between actual incomes derived from income profit component of enterprises toward the income target of profit enterprises:

$$\text{Effectiveness} = \frac{\text{Profit realization of enterprises (BUMD)}}{\text{Profit target enterprises (BUMD)}} \times 100\% \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

If the results of the effectiveness calculation of the instrument profit enterprises generate numbers/percentages close to 100%, the profit of enterprises is more effective instrument, and to see its effectiveness by comparing the effectiveness of the years concerned with the effectiveness of the previous year. Department of Home Affairs with Ministry of Home Affairs No.690.900-327, 1996 categorize the ability

of financial autonomous region effectiveness into five levels of effectiveness as shown in the following Table 1:

Table 1: Financial effectiveness of Autonomous Region

Effectiveness of Financial Capability	Independence Ratio (%)
Very Effective	> 100
Effective	> 90-100
Quite Effective	> 80-90
Less effective	> 60-80
Ineffective	≤60

Source: Department of Home Affairs, 1996

The contributions that can be donated from the profit of Regional Owned Enterprises to regional income.

$$Pn = \frac{\text{Income of BUMD profit}}{\text{Regional income}} \times 100\% \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \ldots (2)$$

Description:
Pn = regional income component contributions to Regional Government Budget (Rp)
QY = Total Component of profit enterprises (Rp)
QX = Total of regional income (Rupiah)
n = specified year (period)

4. Findings and Discussion

Financial report of PT.Bank Papua in 2013 can be used as a reference of how the use and funds management which is spent during the last three years to assess the achievement of financial performance achievement in PT.Bank Papua, which will then be used as a rationale for the planning and determining the policy strategy in decision making for the interested parties. Here we will show the results of the financial statements made by PT.Bank Papua.

Table 2: Financial Report of PT.Bank Papua in 2013

DESCRIPTION	31-Dec-13 Quart-IV 'in 2013	31-Dec-12 Quart-IV '2012	31-Dec-11 Quart-IV '2011
ASSET	17,805,185	14,865,514	13,707,654
CREDIT	11,378,388	8,198,759	5,220,031
TOTAL DPK	13,468,916	11,443,267	10,895,253
TOTAL DPK (Beyond the Local Government Fund)	9,275,200	8,023,764	6,841,843
GIRO	6,951,249	6,131,956	6,498,021
GOVERNMENT GIRO	4,193,716	3,419,503	4,053,410
SAVINGS	4,621,902	4,331,911	3,634,745
DEPOSIT	1,895,766	979.401	762.487
TOTAL INCOME	2,380,692	2,034,205	1,917,035
TOTAL COST	1,812,371	1,606,349	1,522,343
PROFIT AND LOSS	568.321	427.856	394.692
FINANCIAL RATIOS			
ROA	3:19%	2.88%	2.88%
BOPO	68.10%	70.80%	69.18%
NPL Gross	1:14%	0.69%	0.71%
LDR	84.78%	71.76%	48.01%

Effectiveness Analysis: Based on the results of the effectiveness calculation of the of the instrument profit PT.Bank Papua generate numbers/percentage of the average per year is greater than 100%, it shows the instrument profit PT.Bank Papua very effective, and to look at its effectiveness by comparing the effectiveness of the years concerned with the effectiveness of the previous year.

Table 3: Effectiveness of Financial PT.Bank Papua

DESCRIPTION	Effectiveness			Financial Capabilities	
	2013-2014	2012-2013	2011-2012	Average	
ASSET	93.90%	119.78%	108.45%	107 372	Very Effective
CREDIT	103.44%	138.78%	157.06%	133 095	Very Effective
TOTAL DPK	85.96%	117.70%	105.03%	102 897	Very Effective
GIRO	66.62%	113.36%	94.37%	91 451	Effective
SAVINGS	119.72%	106.69%	119.18%	115 199	Very Effective
DEPOSIT	137.91%	193.56%	128.45%	153 307	Very Effective
TOTAL INCOME	105.80%	117.03%	106.11%	109 647	Very Effective
TOTAL COST	101.41%	112.83%	105.52%	106 930	Very Effective
PROFIT AND LOSS	122.72%	132.83%	108.40%	121 318	Very Effective
FINANCIAL RATIOS					
ROA	115.09%	110.90%	99.96%	108 649	Very Effective
BOPO	93.82%	96.18%	102.34%	97 449	Effective
NPL Gross	49.58%	164.89%	97.82%	104 096	Very Effective
LDR	120.68%	118.14%	149.46%	129 426	Very Effective

The financial report of the balance sheet and profit (loss) of PT.Bank Papua, PT.Bank Papua Post Deposits have the highest level of effectiveness in the amount of 153 307, with the category of very effective, PT.Bank Papua postal giro has the lowest level of effectiveness that is equal to 91 451 with an effective category. A financial ratio analisys of PT.Bank Papua, PT.Bank Papua LDR analysis of liquidation or have the highest level of effectiveness in the amount of 129 426, with a category of highly effective, the analysis of income or BOPO PT.Bank Papua has the lowest level of effectiveness that is equal to 97 449 with an effective category.

Analysis of Bank of Papua Contributions towards Regional Income of Papua Province: Contribution analysis is an analysis instrument that is used to determine the contribution profit that can be donated from Regional Owned Enterprises (BUMD) to the income of PT.Bank Papua. PT.Bank Papua carry out their duties and functions as a financial institution that guarantees the stability of money circulation and local economic development in Papua, Bank of Papua is also the enterprises that must be able to contribute to regional Government income of Papua Province. In 2013 and 2012 the contribution of Bank of Papua is very effective because it fits with the target. While the Bank of Papua in 2011 contributed to the PAD less effective.

Table 4: Target development and realization of Bank of Papua Contributions toward Regional Income of Papua Province

YEAR	TARGET	REALIZATION	PERCENT (%)	CATEGORY
2013	17.704962 billion	17,704,962,366	100.00	Very Effective
2012	15,819,247,890	15,819,247,890	100.00	Very Effective
2011	24,339,102,363	13,528,603,425	55.58	Less Effective
2010	23,340,282,764	23,339,102,363	99.99	Very Effective
2009	23,340,282,764	22,251,246,013	95.33	Very Effective
AVERAGE	20,908,775,556	18,528,632,411	90.18	Very Effective

PT. Bank Papua contribution to regional income of Papua province was the highest in 2010, reaching Rp.23.339.102.363, or 6.00%, but the percentage is still low compared to the year of 2009. After that continued to fall until it reaches Rp.17.704.962.366 or 2.79% in 2013.

Table 5: PT.Bank Papua contributions toward regional income Papua Province in 2009 to 2013

Year	Regional Income	Bank of Papua Contribution	Percent %
2013	633 726 316 291	17,704,962,366	2,79
2012	591 927 500 335	15,819,247,890	2.67
2011	363 100 749 954	13,528,603,425	3.73
2010	388 840 404 256	23,339,102,363	6.00
2009	369 727 113 036	22,251,246,013	6.02

It clearly shows that the contribution of PT.Bank Papua income of Papua Province continued to decline both in the percentage and rupiah. These findings coincide with research conducted by Setyawan and Riyardi, providing interesting findings related to the performance of enterprises. Enterprises in several cities in Central Java was not efficient in their operation. Their contributions to the regional budget are not comparable with the assets owned. The average contribution of enterprises in Indonesia toward the regional income less than 1% (percent).

5. Conclusion

PT.Bank Papua is very effective based on PT.Bank Papua financial balance sheets and profit (loss), PT.Bank Papua Post Deposits have the highest level of effectiveness in the amount of 153.307, with the category of very effective, PT.Bank Papua Postal giro has the lowest level of effectiveness that is equal to 91 451 with an effective category. For PT.Bank Papua financial ratio analysis, liquidation analysis or LDR PT.Bank Papua has the highest level of effectiveness in the amount of 129.426, with the category of highly effective, the analysis of acceptance or BOPO PT.Bank Papua has the lowest level of effectiveness that is equal to 97.449 with an effective category. Bank of Papua contribution towards to the regional income in 2009, 2011, 2012 and 2013 was very effective, except in 2010 was less effective. Bank of Papua contribution to regional income of Papua Province was highest in 2010, reaching Rp.23.339.102.363, or 6.00%.

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Effectiveness of Health Sector Special Autonomy Funds Management Program Supiori Regency, Papua

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Abstract: Under the Special Autonomy Law, indigenous Papuans receive special attention and are the main subject of development. The existence of the central government, provincial government, district/city governments, as well as subordinate institutions, are all geared to provide the best service to the indigenous people of Papua, in order that improvedsocial welfare can be realized, so that the lives of indigenous people of Papua can be in line with that of the rest of the population in Indonesia. There are four very important service sectors within the strategic mandate of the Special Autonomy Law to be implemented by the government in relation to the welfare of indigenous Papuans, namely: education, health and nutrition, village infrastructure, and economic empowerment. Supiori local government has yet to determine the performance indicators pertaining to implemented programs and activities funded by Special Autonomy. These conditions make the assessment of performance against the use of Special Autonomy funds difficult because indicators of achievement of the program/ activity are not available.Types of data collected in this study include both secondary and primary data. The data collection techniques used in this study are:Questionnaires and Distributed Questionnaires, In-Depth Interviews, Library Research, and Focus Group Discussions.Supiori Autonomy health sector funding of the programs and activities of the Department of Health in 2012 has been quite effective and beneficial for the Health Services Unit, which includes hospitals, health centers and Puskesmas Pembantu health center. In addition, medical personnel (nurses), Posyandu cadres, pregnant and nursing mothers, infants and toddlers, children and the community district also enjoy greater health benefits.There needs to be involvement and participation in the Health Services Unit Autonomy fund management, in areas ranging from planning to follow-up. Participation can be done through discussions about Health Services Unit needs, as well as the needs foundin the planning and budgeting of Special Autonomy funds in the Supiori health field.

Keywords: *Special Autonomy, Health, Effectiveness*

1. Introduction

Since the time of decentralization (Special Autonomy), the approach of government relying always on economic growth has changed. Growth-centered development has shifted toward human-centered development, due to a growing realization that economic growth created during that earlier period actually led to widening development gaps, and made the foundation of the economy fragile.The central government idea to change policy course has given considerable benefits to the province of Papua. Moreover, when the Province of Papua Special Autonomy, based on Law No. 21 of 2001, took effect, this became a very important moment in the history of Papua, with respect to Papuans thinking about and seeking for themselves ways to improve the lives of the indigenous people of Papua.Under the Special Autonomy Law, indigenous Papuans receive special attention and are the main subject of development. Special Autonomy provisions pertaining to the central government, provincial government, district/city governments, as well as subordinate institutions, are all geared to provide the best service to the indigenous people of Papua, in order that improved social welfare can be realized, so that the lives of indigenous people of Papua can be in line with that of the rest of the population in Indonesia. There are four very important service sectors within the strategic mandate of the Special Autonomy Law to be implemented by the government in relation to the welfare of indigenous Papuans, namely: education, health and nutrition, village infrastructure, and economic empowerment.

Supiori local government has yet to determine the performance indicators pertaining to implemented programs and activities funded by Special Autonomy.These conditions make the assessment of performance against the use of Special Autonomy funds is difficult because indicators of achievement of the program or activity is not available.Despite more than a decade of Special Autonomy policy development and implementation by the Supiori Government, problems in Special Autonomy fund management continue. As a

result, the conditions of the indigenous people of Papua lag far behind those of nonnative Papuans, and so the purpose of granting Special Autonomy to achieve equality and balance with other areashas not yet fully materialized.When explored more deeply in terms of various macro socioeconomic trends related to the welfare of the people of Papua during the Special Autonomy period, comments and statements of public opinion concerningthe policy of Special Autonomy disclose several problems which give an indication of why the policy implementation of the Special Autonomy in Papua has not been successful in improving the welfare of the indigenous people of Papua so far.Based on the description above, the issueto be addressed in this study is: How may the effectiveness of the management of programs and activities in education and health financed under the Special Autonomy and Autonomy be measured by Key Performance Indicators (KPI-Autonomy)?

2. Literature Review

Djojosoekarto et al (2009), for one example, concluded that Autonomy's performance during the five years of implementation (2002-2007) has not yet reached the expected performance. Special-Autonomy in Papua is still widely understood as a Special-Automoney. This weakness has also been notedinofficial statements bylocal government officials on various occasions.Fairyo (2010) states that the ten-year Autonomy (2001-2010) was accompanied by funds of one trillion rupiah.But the Papuan peopleshouted that Autonomy failed, because Autonomy was misplaced. Autonomy was off target, and Timbulah indigenous Papuans rejected autonomy.Some more extreme statements were also made by a number of parties. Suppose Lokobal (2011), asserts that the main agents are the failure of Special Autonomy governments (central and regional) themselves. There are also those who say that the Special Autonomy in Papua did not bring people in Indonesia's easternmost region more prosperity, and the welfare of the people of Papua has dropped to zero. Other assessments mention that 80% of the implementation of the Special Autonomy Law by the Government has failed (Alue 2010; Apomfires, 2013).As a form of participation in development, it is the right of people to give an assessment of the results of the implementation of public policies by the government. Therefore it behooves the government to listen to and accommodate a variety of criticisms of the society as constructive feedback in order to improve the outcome of the Special Autonomy policy in the future.In assessing the effectiveness of the programs and activities of the Supiori District Health Office, the fourteen activities of six programs financed by the Special Autonomy fund source, may be put into three health sector main categories in the as shown in the following table.

Table 1: Health Sector main Categories

Health Status	Health Efforts	Health Resources
Service Improvement and Prevention of Health Problems / KB	Poor health services in PHC Network	Improving Health Manpower Education
Fogging and Spraying Home	Training Management Information System Health Center	Procurement of Drugs and Medical Supplies
BIAS (Childhood Immunization Month in School)	Regular Visits For Toddlers	
Eradication of Malaria	Strengthening the IHC Cadre	
Increased Immunization Coverage for Toddlers	Routine Care for Pregnant Women	
Provision of Food Supplements and Vitamins	Training for the Voluntary Counseling Test	

Effectiveness here means successful or appropriate. Effendy (1989) defines effectiveness as follows: "a process of communication to achieve the goals planned in accordance with budgeted costs, time period set, and the number of personnel specified" (Effendy, 1989: 14).

Table2: Categories of Assessment Effectiveness

Value Range	Category
1 - 24,99	Ineffective
25 - 49,99	Less Effective
50 - 74,99	Sufficiently Effective
75 – 100	Fully Effective

3. Methodology

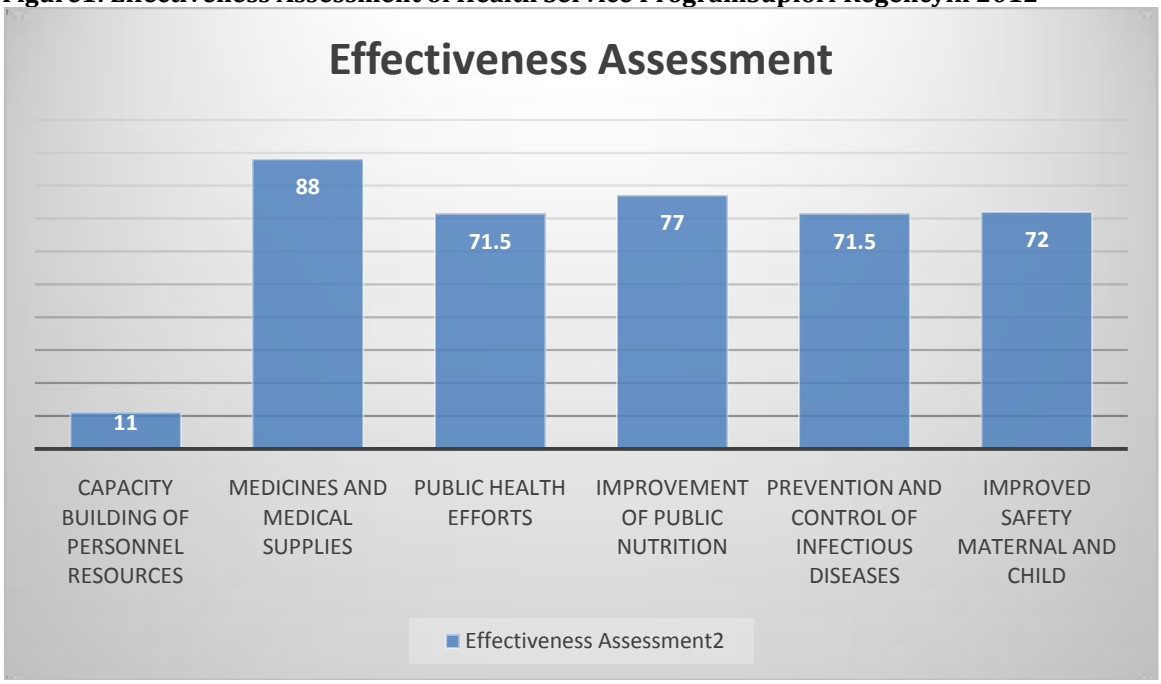
Types of data collected in this study include secondary and primary data. Secondary data are a set of data obtainedand collected from various reports that have been published by an institution previously. The primary data consists of raw or basic data collected through direct observation or through other specific data collection techniques.The other specific data collection techniques used in this study are:

- Questionnaires and Distributed Questionnaires
- In-Depth Interviews
- Library Research
- Focus Group Discussions

4. Results

In assessing the overall program of the autonomy funding sources for Public Health Service, the year 2012 is considered the most indicative in understanding the development and improvement of health services in Supiori. To increase the capacity of personnel resources judged to be effective, there is a need toimprove the capacity building of personnel resources in terms of tuition assistance, which hasheretofore been insufficient because the cost of practice is considerable.

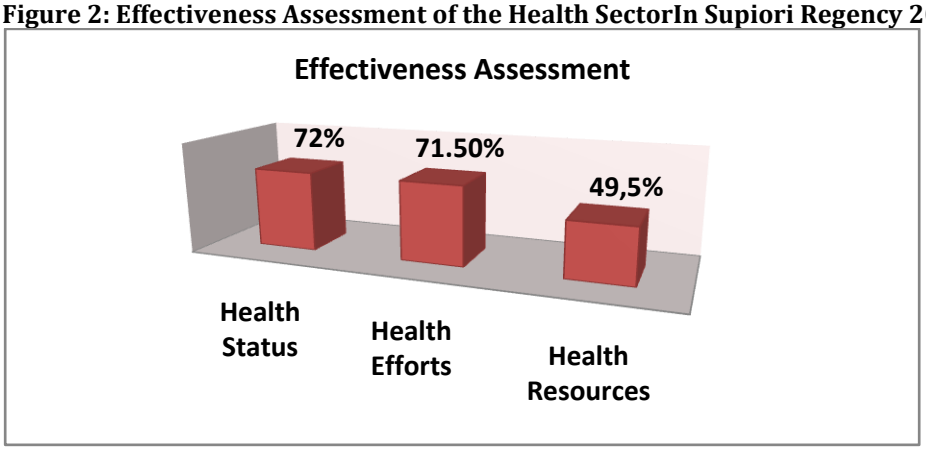
Figure1: Effectiveness Assessment of Health Service ProgramSupiori Regencyin 2012



Based on the results of data analysis, program and activities of the District Health Office Supiori In 2012 as a whole in terms of aspects Health Status, Health Services and the Health Resources are assessed as Sufficiently Effective with the value of effectiveness at 72 percent for Access Health Status, 71.5 percent for Health Efforts, and 50 percent for Health Resources.This shows that the programs and activities of Autonomy Health funding

sources have been successful and helpful to beneficiaries such as health centers, Puskesmas Pembantu (health center), pregnant women, infants, toddlers, school children, health care workers, Integrated Service Postcadres, and society in general.However, programs and activities in every aspect of the health sector need to be reviewed and assessed for effectiveness. For the assessment of each program and activities under the aspect of Health Status, Health Services and the Health Resources will be presented in further discussion.

Figure 2: Effectiveness Assessment of the Health SectorIn Supiori Regency 2012



Thus it can be said that the government's efforts to improveSupiori public health status efforts arequite successful, with the results of the assessment category at 71.5 percent, sufficiently effective. As for health resources assessment, the results are categorized as less effective, at 49.5. Results of assessing the effectiveness of activities to increase the number of people receiving health education in general shows that this activity was ineffective because the assistance is insufficient to be used as intended for the payment of the semester's tuition and also the materi2 exam KTI.The desired outcome of these activities is to increase the number of health professionals. However the funding ofRp. 5.4 million per student per semester does not positively affect the service to the public or the performance of health personnel,because the increase in health education aid is sufficient only for the completion of KTI.

5. Conclusion

- The 2012 Supiori health sector Autonomy fund management, as seen in the programs and activities of the Department of Health, has been quite effective and beneficial for the Health Services Unit for hospitals, health centers and Puskesmas Pembantuhealth center. In addition, the same benefits are also seen by recipients of health benefits such as medical personnel (nurses), Posyandu cadres, pregnant and nursing mothers, infants and toddlers, children and parents as well as theentire societyliving in the Regency.
- Autonomy fund management performance in education and health that involves the Institute of Education, Health Services Unit as well as society as a whole in Supioriis already operating under *Good Enough* guidelines.

Recommendations

- There should be engagement and participation in the Health Services Unit Autonomy fund management areas ranging from planning to follow-up. Participation can be accomplished through discussions about Health Services Unit needs, as well as the needs found in the planning and budgeting of Special Autonomy funds in the Supiori health field.
- There is a need for transparency for the health center, health center (sub) and the public about the amount of funds and resources given and used in any activity that uses Special Autonomyhealth field funds. Transparency can be accomplished through direct delivery of information or through an official letter to the parties concerned about the Special Autonomy funds.

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Study of the Potential Sharing of the Electricity Subsidy by Regional Government

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Abstract*:* The electricity sector has a very important role as a source of energy that is vital for everyday life, industrial activities and other commercial activities. To keep electricity prices remain affordable to the public, government allocated electricity subsidy in the APBN. Unfortunately, every year electricity subsidy is more swollen. Therefore needs to consider funding the electricity subsidy sharing mechanism with regional governments. To support these mechanisms, necessary to study and trying to see the readiness level of funding in regional government and the division of authority. By using the methodology of mapping analysis, it can be concluded that the judicial authority of the electricity sector although it has been submitted to the region, but still the absolute authority of the Central Government. Based on the Regional Fiscal Capacity analysis, Jakarta Province, East Kalimantan Province, Papua Province of West and North Borneo are areas that deserve to be a top priority. By using the analysis of the development of regional economic growth from 2008 to 2012, the recommended area is the province of West Papua with an average economic growth, approximately 23.28% compared to Jakarta by 7.75% and by 5.08% in East Kalimantan.

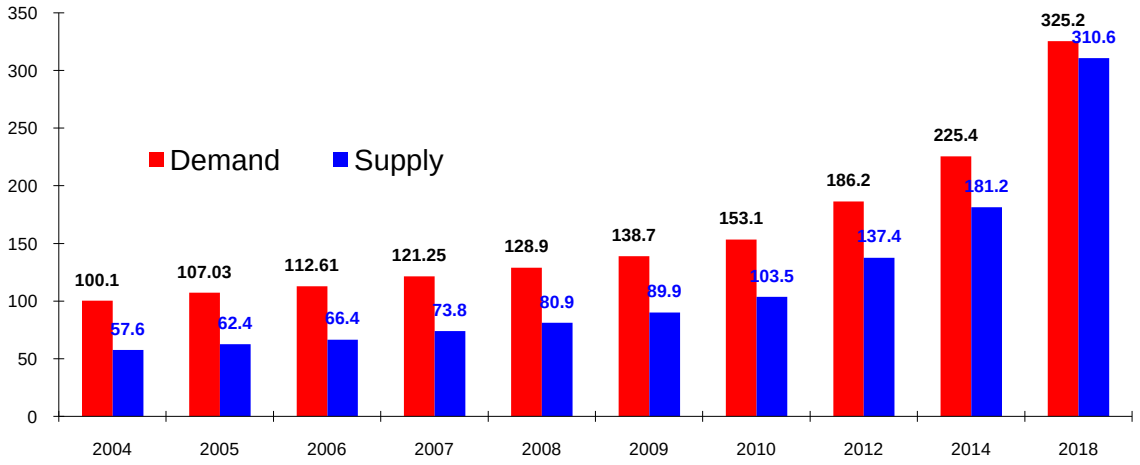
Keywords*: Electricity subsidy, APBN, Local government, Local fiscal capacity*

1. Introduction

Based on the research Bappenas (2011), it stated that the electricity sector has a very important role in the process of development to enhance the society welfare. This need is inherent in all levels of society, especially the need for lighting for the fulfilment of daily activities need. Therefore the electric power has become a source of energy that is vital for the daily household life, industrial activities, especially small and medium enterprises (SMEs) as well as other commercial activities (Hadi, 2015). In other case, according to (Ahlborg, 2015) electricity is a unique energy carrier that is purposefully applied in almost all aspect of daily life among the richest segment of the world's population. It is also essential for the modern communications, industrial development and the build-up of public services such as streetlights, improved education and health care. And the most important thing from those aspect, the existing and future applications of electricity and other modern energy carriers will be instrumental to achieving many of the Sustainable Development Goals (SDGs) adopted in September 2015 by the member states of the United Nations. Unfortunately, most of the electricity generation activities are heavily dependent to the supply of fossil-based fuel. Even though, fossil-based fuel is categorized as non-renewable source of energy and its availability is keep decreasing over time. Therefore, the dependency over fossil-based fuel as the supply of electricity generation should be minimized to the optimal level, either from the demand side or from the development of alternative of power supply that has renewable characteristic (BKF, 2011).

The fulfilment of energy needs that depends on the fossil-based fuel basis is often disrupting the national energy supply, moreover if there is fossil-based fuel price hike in the international market. This condition is could decrease the power supply then as a result the electricity subsidy is increasing. It is worth to note that the crude oil reserve in this country nowadays is only last about 1.2% compare to the world's crude oil reserve (BKF, 2008). The high pressure of electricity fulfilment is often causing a problem, especially if there is power scarcity due to the high demand, which overwhelmed the actual power supply or the increasing fossil-based fuel prices in the international market, causing the actual power supply decreasing. If this condition recurring more frequently, the event of power scarcity or energy crisis will be more often encountered in Indonesia (Haryanto & Wahyu, 2014). In the chart below, we can see historical data of the progress of demand and supply of electricity in Indonesia:

Figure 1: The Progress of Electricity Demand and Supply in Indonesia (TWh)



Source: PLN, 2014

Based on Figure 1, it can be analysed that from 2004 to 2018, the energy crisis has actually occurred when the actual electricity offer cannot follow the actual growth in electricity demand in Indonesia. It is reasonable, if we compare the high demand of electricity consumption that is proportional to the magnitude of the economic growth, In addition, the increase of the usage is happen in almost all sectors, whether industrial, household, or public and business sectors. In order to reduce the burden of the electricity deficit, some of the efforts that must be done are to look for alternative energy sources as a substitute for fossil-based fuels (BBM) or reduce the demand for electricity consumption. For the Government itself, renewable fossil-based fuel development program is deemed worthy to be developed and welcomed by foreign countries, especially the developed countries. However, the conversion of supply of non-fossil energy is quite controversial for the Indonesian society. Some of the reasons are it becomes the threat for food resilience and threat to environment (Yoesgiantoro, 2000). When the efforts to develop alternative energy sources is constrained, the steps should be taken by the Government to keep electricity prices affordable for society is allocating electricity subsidies in the state budget every year, especially for class households of R1-900 VA and R1-450 VA. The consequence that arises then is the Government faces to increasing electricity subsidies that becomes a burden for the state budget each year (BKF, 2012). Based on the agreement of the Government and Parliament, in Budget 2016 the amount of the subsidy allocation for electricity has been Rp38, 4 trillion, after reaching a peak in 2012 of Rp103, 3 trillion.

The progress of the electricity subsidy is influenced by several variables, including the exchange rate, ICP, electricity sales growth, shrinkage of the network, the business's operating margin, Base Supply Price (BPP) and the Electricity Rates (TTL). The government will continue to budgeting the electricity subsidy as long as the TTL sets is persistently lower than the electricity BPP plus business operating margin (BKF, 2011). Associated with the efforts to increase the national electrification ratio itself, based on the recommendation of BKF in 2011, it is indicate if in the year 2009, the electrification ratio remained at 64.8%, then in 2014 it is expected to increase up to 80.3% with the funding needs of Rp506 trillion. Total funding needs are expected to be met by PT PLN Persero sharing mechanism with the Government amounting to Rp322 trillion and IPP / PPP amounting to Rp184 trillion. By this humongous amount of electricity subsidy, added by the Government's obligation to provide a variety of special subsidies related to the world economic turmoil, which has affected Indonesia, the subsidy burden borne by the Government is hugely inflating. These various subsidy policies are done by considering the level of quality public services (Public Service Obligation / PSO) to the public. Therefore, the thought to begin reducing the subsidy burden is worth to be observed, in particular to the electricity subsidies issues related to the interest of the society (Kadir, 1997).

One discourse worth to consider in order reducing the subsidy burden is market deregulation. According (Ritschel & Smestad, 2003), mentioned that all over the world, governments are deregulating their electricity

market to increase competition, lower cost and promote innovation. A states also have to introduced competition in the supply and delivery of electricity, most have elected to continue "public benefits" programs that have traditionally been administered or funded by regulated electric utilities in the areas of energy efficiency, renewable energy and low income assistance (Bolinger, 2001). Government also can implement to divide the burden to the regions, including through the establishment of regional electricity basic tariff. This is deemed as considerable as the participation of regional government in managing the electricity in each region is expected to further increase in future. As the authorities closest to the public, regional governments probably more knowledgeable on the quantity of electricity needs in each region, so it can determine the various electrical policy measures, suitable to the character of respective regions. Related to the regulation in the electricity sector, the Government itself has issued Act No. 30 of 2009 on Electricity. Related to the division of authority, the Government has also enacted Act No. 23 Year 2014 on Regional Government. Based on this regulation of electricity, it is mentioned that the electric power supply is controlled by the state, that its implementation is manage by the Government and the regional government based on the principle of regional autonomy. That means opportunities for independent management of electricity in the region.

Meanwhile based on Act No 23 year 2014 about the Regional Government, electricity has been one of the matters that its authority has been delegated to the regions. It also stated that the Regional Government has authority to set the regional tariff through the regional regulation (Perda). Moreover, the authorities mandatory to be done are composing the regulation to minimize investment cost in the electricity sector, as well as composing regulation for the utilization of energy in an integrated manner. An implication for the electricity authority that has been delegated to the regions is it is mandatory upon the regions to conduct electricity services. However, considering the condition of the regions that has not been possible to organize electricity services independently in all regions. In order to assess the possibility of sharing the burden of the electricity subsidy allocation of central and regional Government further, it is necessary to do a "Study of Potential Electricity Subsidy Sharing by Regional Governments". A few main research questions in this study are including:

- How is the portrait of the division of authority for the electricity management between the central government and regional governments?
- How is the level of readiness of the regional government in the implementation of the electricity subsidy sharing by the regional government, by taking into account its regional financial capability?

As a starting point, in this study the problem constrain and analysis is set already, especially to the readiness of Regional Government by only considering the aspect of APBD funding side and regional economic growth development. The other fundamental aspect such as bureaucracy administration, simple procedure for investment and its permit has not been the main focus. The constrain is also set for the research focus that in the meantime only focused in the merely Regional Government Level. Based on In BKF 2011 subsidy is define as payments made by the government to companies or households to achieve certain goals that make them able to produce or consume a product in larger quantities or at a cheaper price. Economic purpose of subsidies is to reduce prices or increase the output (output). According to (Eng, 2014) a subsidy is a form of government spending that also can be interpreted as a negative tax that will increase their income to receive subsidies or an increase in real incomes if they consume or buy goods that are subsidized by the government with cheap selling prices. Following (Basri & Munandar, 2009), distinguish two forms of subsidies, whereas subsidies in the form of money (cash transfer) and subsidies in form of goods (in-kind subsidy). The subsidy is a policy aimed at helping specific groups of consumers in order to pay for the products or services received at a rate below the market price, or can also be a policy aimed at helping producers to earn an income above the price paid by the consumer, by providing financing assistance, either directly or indirectly.

In the context of electricity in Indonesia, the electricity subsidy is the amount of funds paid by the Government to PT. PLN Persero calculated based on the difference between the cost of goods sold for low voltage with TDL of year 2001 multiplied by the number of kWh consumed by customers a maximum of 30 kWh per month. With this subsidy, the expectation is that the availability of electricity can be met, a continuous supply of electricity is stable, as well as providing an opportunity to disadvantaged or poor customers and the community out of reach of service of PT. PLN Persero to be able to enjoy electricity. Electricity subsidies generally have a negative impact, namely the emergence of distortions in the selection of

alternative energy use. TTL paid by customers are generally below the cost of production (HPP). If the subsidies are removed, the power industry is unattractive to private investors. Therefore, to run the subsidies effectively, the management of the subsidy should consider the following functions:

a) Transparency;
b) Can be formally justified;
c) Focused (the target is clear and direct);
d) It is part of a thorough reform;
e) Timely;
f) Can be rapidly applied; and
g) Non-by passable (no target exemption)

The subsidy itself is generally derived from government. However, in practice, the subsidy can also be derived from the power company, customer, or other party. Subsidies from the government may come from the central government, provincial government, or regency / municipal government. The subsidy comes from the electric company in general is in form of subsidy from the government-owned electricity company to the privately owned electricity company, in order to attract private companies to be willing to invest in the power industry. Subsidies from customers generally in the form of cross-subsidies between customer groups, for instance from industrial customers to residential customers. Meanwhile, subsidies from the other party can be donations, grants, or grants awarded to companies producing electrical energy. When viewed from the side of the user, the subsidy can basically be given to consumers and may also be given to the producers. Subsidies for electricity consumers can be given to disadvantage / poor consumers, for example, consumers with an installed capacity of less than R1-450 VA, where the electricity consumption below the minimum power requirement. Subsidies to consumers may also be given to people in underdeveloped or isolated areas so that they can have electricity. Subsidies to the producers can be granted to private companies willing to build power plants in rural areas, or investment subsidy to the rural electricity network expansion. Subsidies to producers may also be realized in the form of cross-subsidy between the producers, an agreement to buy electricity generated private producers PPA (purchase power agreement), or the ease of investment, such as ease of licensing, import duty exemption for capital goods, as well as tax relief (BKF, 2012).

Funds for the electricity subsidy can be obtained from several sources, including the central government, provincial government, regency / city governments, as well as customers who use excessive power. Funds obtained from customers using excessive power is suitable to cover the subsidies need of the family of power consumers who are economically disadvantaged (Cross-subsidies between customer groups). Regency / city governments concerned for the welfare of its citizens, especially poor people. One effort that can be taken is to help people who are out of reach of electricity network to have affordable electricity network facilities. Therefore, the regency / city governments are appropriately allocate some funds to subsidize the investment in expanding electricity networks in the region. If the financial capacity of the regency / city is not possible to provide subsidy fund investment, the regency / city government can apply for assistance or direction from the provincial government or the central government. Subsidies for the supply of electrical power for the operation of remote areas should be provided by the regency / city, because it is basically regency / municipal governments are oblige to provide facilities needed by the communities, including power facilities. In Table 1, overviews of the types of subsidies that are needed as well as the source of financing of subsidies are given.

Table 1: Consumer Group, Type Subsidies, and Funding Subsidies

Consumer Groups	Appropriate subsidies to give	Source of Financing of Subsidy
Household without electricity supply	Investment Subsidy	the regency / city governments the provincial government the central government
Household without electricity supply	Operation Subsidy	the regency / city governments
Disadvantage household	Focused Subsidy	Excessive household
Disadvantage household	No Subsidy	-

Excessive household	No Subsidy	-

Source: Handoko & Patriadi (2006)

2. Methodology

In general, the type of research used in this study is the kind of explanatory research that aims to answer whether a particular social phenomenon associated with other social phenomena or a variable is related to other variables. In this case the social phenomena or variables to be analysed is a social phenomenon of the persistently arising electricity subsidy due to higher demand for electricity actual that associated with the potential for sharing electricity subsidies by Regional Governments. In this method of analysis, this study will use qualitative descriptive approach through the analysis of the division of authorities of electricity sector between the central government, provincial and regency / city, analysis of potential funding Budgets of Regional Government at the provincial level that is manifested from the indicators of Fiscal Capacity of Regions, as well as indicators of economic growth development in the region that are presented in tables, pictures and graphics. In order to have a comprehensive analysis. To get the data and information required in this study it used secondary data obtained through the collection of data / information such as documents, reports and the results of other studies that have been published by some of the authorized agencies including the Directorate General of Fiscal Balance, Ministry of Finance, PT. PLN Persero and also BPS (Statistic Agency).

3. Result and Discussion

The Juridical Analysis: In accordance with the Act No. 23 Year 2014 regarding Regional Government, government affairs division consists of absolute government affairs, concurrent government affairs ,and public government affairs . Absolute government affairs are the government functions that are still fully under the authority of the Central Government. Functions which still lies within the competence of the Central Government including defence and security affairs, military, judicial, religious, fiscal, and monetary and foreign policy. Meanwhile the concurrent government affairs are the government affairs that are shared between the central government and the province and regencies / cities. Concurrent administration affairs are submitted to the Region later became the basis of the implementation of the principle of regional autonomy. The general government affairs are the government affairs under the authority of the President as head of government. The Regulation also regulates the issue of distribution of governmental affairs remain as authority of the Central Government as well as functions that has been delegated to the provincial government, regency and city. Furthermore, the division of government functions that fully become an authority of Government and government functions that are shared between level and / or structure of government is divided as obligatory or optional matter. The type of obligatory matter shall mean the regional government through funding from the budget shall conduct these functions, considering its characteristic that is a basic services and government matter unrelated with basic services.

Some types of obligatory functions related to basic services as referred earlier are including education, health, public works and spatial planning, housing and residential areas, peace, public order, and community and social protection. While the obligatory government functions that is not related to basic services are including: employment, empowerment of women and protection of children, food, land, environment, population administration and civil registration, community and village empowerment, population control and family planning, transportation, communications and informatics, cooperatives, small businesses, and medium enterprises, investment, youth and sports, statistics, coding, culture, libraries and archives. In the other side, the optional functions implies that this functions are the selection at each regions that hold it, and has nothing to do with the function of basic public services. The Government optional functions that based on Act Number 23 Year 2014 are including marine and fisheries, tourism, agriculture, forestry, energy and mineral resources, trade, industry and transmigration. In these functions of energy and mineral resources are subdivided into the functions of geology, mineral and coal, oil and gas, renewable energy and electricity. Thus, it can be seen that the electricity sector is an optional functions in the region, inside of the category of function of energy and mineral resources. By classifying into the optional functions, thus the electricity sector is still become the main authority of the central government for its generation. Meanwhile the regions help in accordance to their fiscal capacity. However, the electricity matters division of authority between the central

government, provincial government and regency / city is based on Act Number 23 Year 2014 on Regional Government are as follows:

Table 2: Division of Authority of Sub Electricity

Central Government	Provincial Government
The determination of business area of electricity generation and trade permit of electricity across countries	The issuance of electricity generation business of non-SOE and selling of electricity or leasing of distribution network to electricity provider within the province.
The issuance of business permits of electricity generation across province, SOEs and selling of electricity or leasing of distribution network to electricity provider across the province or SOEs.	The issuance of permit of operation that the installation facility is located within the province.
The issuance of permit of operation that its installation facility is covering the area across province, or within the area above 12 Miles of sea	The electricity tariff determination for consumer and issuance of usage permit of telecommunication network, multimedia, and informatics from the permit holders determined by the Provincial Government.
The electricity tariff determination for consumer and issuance of usage permit of telecommunication network, multimedia, and informatics from the permit holders determined by the Central Government.	The agreement of electricity selling price and network rent, electricity generation business planning, selling of excessive electricity from the permit holder determined by the Provincial Government.
The agreement of electricity selling price and network rent, electricity generation business planning, selling of excessive electricity from the permit holder determined by the Central Government.	The issuance of business permits of electricity supporting service for the regional enterprise/majority of shares hold by the regional investor.
The issuance of business permit of electricity supporting service for the foreign investor /majority of shares hold by the foreign investor.	Provision of funds for the underprivileged groups, development of power supply facilities underdeveloped, remote areas and rural areas.
Provision of funds for the underprivileged groups, development of power supply facilities underdeveloped, remote areas and rural areas.	

Source: Law Number 23 Year 2014

Based on Table 2 regarding the division of authority of sub electricity matters then it can be analysed that the role of central government and Provincial Government is more dominant and quite central, regarding the issuance of permit of electricity development business in the central or regional levels. However, based in this regulation the regency or cities government is not having enough authority in the undertaking of electricity business. This is based on the consideration that electricity sector is having an impact that has across territorial, thus the coordination under provincial Government control is needed. This finding is supporting the initial hypothesis of selection of province as a sample on this study of potential of electricity subsidy sharing at the region itself. The next juridical basis to be analysed is the Act No. 30 Year 2009 on Electricity. In this Act, stated that the implementation of electricity generation business by the Central Government and Regional Government is conducted by the state owned enterprise (BUMN) and regional state owned enterprise (BUMD). Under Act No. 30 of 2009, the central government authority in the electricity sector include: a) determining the national electricity policy; b) the determination of the legislation in the electricity sector; c) establishment of guidelines, standards and criteria in the field of electricity; d) establishment of guidelines for the determination of electricity tariff for consumers; e) determination of the general plan of the

national electricity; f) determination of the business area; g) the determination of electricity trading cross-country; h) determination of the electricity generation business license for the enterprise that its business area are across the province, conducted by the state-owned enterprises and selling of electricity and / or leasing of electric power network to the license holder of electricity generation business established by the Government.

Moreover, the Central Government is also in charge in the matter of operational permit determination that its installation facility is covering across provinces area, determination of electricity tariff for the consumers of the holder of electricity generation business established by the Government, the determination of the approval of the selling price of electricity and rents of electric power networks of license holders of electricity generation set by the Government, the determination of the approval of the sale of excess electricity from the holder of an operating license set by the Government, issue permits of electricity supporting business services conducted by state-owned enterprises or foreign investors / which its shares are owned by foreign investors in majority. It is also including that the Central Government is still obliged to establish permit utilization of the electric power grid for the benefit of telecommunications, multimedia, and information on the network belonging to the holder of electricity generation business or operations set by the Government, guidance and supervision to business entities in the electricity sector whose licenses are set by the government, the appointment of electricity inspectors, guidance to electricity inspector functional to all levels of government and the establishment of administrative sanctions to entities whose licenses are set by the government.

In compliance with Act No. 23 of 2014 on Regional Government, Act No. 30 Year 2009 on Electricity also governs the authority of the Provincial Government including: the establishment of provincial regulations in the electricity sector, the establishment of the general plan of electrification of the provinces, issue permits electricity generation business for enterprises with cross-regency/city business area, determination of operation permits which its installation facilities are covering cross-regency/city and the determination of electricity tariff for consumers of license holders of electricity generation set by the provincial government. In the other side, the Provincial Government also stipulates the approval of electricity selling price and rent of electricity network for business entities that sell electricity and or lease the electricity network to entities whose licenses are set by the provincial government, the establishment of the approval of the sale of excess electricity from holders of operating licenses set by provincial governments, issue permits utilization of the electric power grid for the benefit of telecommunications, multimedia, information on the networks of license holders electricity generation or permit of the operation set by the provincial government, guidance and supervision to business entities in the electricity sector whose licenses are set by the provincial government, appointment of inspectors electricity for the province as well as the determination of administrative sanctions to entities whose licenses are set by the provincial government.

The interest thing on the Act No.30 Year 2009 is it is also regulating the issue of authority of sub electricity matter in the area of regency/city Governments. Several things that become the authority of the regency/city government are including the establishment of a general plan electricity area of regency and city, issue permits of electricity generation business to a business entity which its business area are in the regency / city, establishment operating permit installation facilities in the regency / city, determination of electricity tariff to consumers from license holders of electricity generation business set by the regency / city government. In addition they also stipulate the approval electricity selling price and rental of electricity network for business entities that sell electricity and / or lease electricity network to entities whose licenses are set by the regency / city, the establishment of a business license supporting service electric power for enterprises whose majority owned by domestic investors, the establishment approval from the sale of excess electricity from operating license holders whose licenses are set by the regency / city government. The distinction of Act No. 23 of 2014 is the regulation on the authority of the Government of Regency / City in the management of the electricity sector. Some of these are the determination of permits of utilization of electric power network for the benefit of telecommunications, multimedia, and informatics in the networks of license holders electricity generation or license of operation sets by the regency / city government, guidance and supervision to business entities in the electricity sector whose license is granted by the regency / city government, the appointment of inspectors electricity to the regency / city as well as the determination of administrative sanctions to entities whose license is granted by regency / city government.

On the regulation of Act No. 30 of 2009 is reinforced by a Government Regulation (PP) No. 14 of 2012 on Electricity Generation Business activities particularly related to licensing of electricity generation business and tariffs. In article 10, paragraph 2 states that permit of electricity generation business given by the Minister for enterprises that its business are covering area across the provinces, conducted by state-owned enterprise and selling electricity and / or leasing of electric power network to the license holder of electricity generation business for whose license is granted by the Minister. Meanwhile the governor grant a business license approval for business entities that its business area are across regency / cities and sell electricity and / or lease electric power network to the license holder of electricity generation business which its permit is granted by the Governor. For the Regent / Mayor can give approval to the license to a business entity that its business area in the regency / city and sell electricity and / or lease electric power network to the license holder of electricity generation business whose license is granted by the regent / mayor.

In chapter 41 also mentioned that the electricity tariff for consumers determined by the Minister after obtaining the approval of the House of Representatives (DPR), in terms of electric power supplied by the electricity generation business whose licenses are set by the Minister. For the governor, after obtaining the approval of the Regional Representatives Council (DPRD), in terms of electric power supplied by the electricity generation business whose license is granted by the governor and regent / mayor after obtaining the approval of Parliament, in terms of electric power supplied by the electricity supply generation whose license is granted by the regent / mayor. From some of these explanations, it can be concluded that the authority of the electricity sector has been delegated to the regions through the division of affairs between the central government, provincial government and regency / city especially in the issuance of business licenses and tariffs. This is strong supports for the electrical subsidy plan of fund sharing between the Central Government and the Regions. However, to think that electricity is still an optional function for the regions, thus the central government funding remains a major driving force with the support of the regional budget (APBD) based on fiscal capacity of each region.

Regional Financial Analysis: Based on the analysis of juridical factors, it is known that electricity is categorized as optional function for the regions. Therefore, there is no obligation for the region to allocate the regional budget plan to manage the electricity matter in respective region. In the other side, this condition is requiring an obligation of central Government to allocate a portion in State Budget Plan (APBN) in the guidance and supervision of electricity in the region. However, Due to the characteristic of electricity that is basic needs and inter-territorial and considering the huge burden borne by the state budget (APBN) each year, thus the role of region is highly expected to accelerate the development. Obviously, by adjusting it with the financial condition of regional budget in each region. The readiness of each region budget then calculated based on Regional Fiscal Capacity Indicator. The Government itself each year is having a counting mechanism of Regional Fiscal Capacity, which is ratified through Regulation of Finance Minister (PMK). Based on PMK No. 33/PMK 07/2015 regarding Regional Fiscal Capacity Mapping, the meaning of Regional Fiscal Capacity that afterward called Fiscal Capacity is a representation of financial strength of each region, that reflected through the general income of Regional Budget (APBD) (excluding special allocation fund, emergency fund, and long term loan fund, and other income which its usage is focused only for funding specific expenditure) to fund the government duty after reduced by personnel expenditure and associated with the number of the poor.

The Regional Fiscal capacity then is enable for proposing the Regional Government as a recipient of grant, the valuation of proposal of regional loan, the determination of supporting fund amount, if required and/or other thing that regulated specifically on the provision of the law. The Regional Fiscal Capacity is consist of Provincial Fiscal Capacity Map and Regency/City Fiscal Capacity Map. In this study, for the initial analysis of Regional Fiscal Capacity used is Provincial Region Fiscal Capacity. Based on Table 3, it shows that several regions have Regional Fiscal Capacity classified as very high category, which are DKI Jakarta Province, East Kalimantan Province, West Papua Province, and North Kalimantan Province. If in the future the Central Government willing to share the electricity subsidy burden with several regions, these regions are appropriate to be the main priority. Interestingly, the regions that included in the very high Regional Fiscal Capacity status are having different characteristics. DKI Jakarta as the state capital is known as a rich region as the basis of tax revenues and levies. Meanwhile, the province of East Kalimantan, Papua, West and North Kalimantan is known as a region rich in natural resources (SDA). If the probability wants to be broaden,

several regions that include in the high category of Regional Fiscal Capacity that are worth to recommend are NAD Province, Central and South Kalimantan, Bali, North Maluku and Riau Archipelago. Coincidentally, these high category status' regions are regions with abundance of natural resource (SDA), that later potentially be used as alternative electricity generation, either non-renewable fossil-based fuel (BBM) basis or the renewable one.

Table 3: Provincial Region Fiscal Policy

No	Region	Fiscal Capacity Index	Category
1	NAD	1,15	High
2	North Sumatra	0,37	Low
3	West Sumatra	0,49	Low
4	Riau	0,99	Medium
5	Jambi	0,65	Medium
6	South Sumatra	0,34	Low
7	Bengkulu	0,37	Low
8	Lampung	0,24	Low
9	DKI Jakarta	8,69	Very High
10	West Java	0,27	Low
11	Central Java	0,12	Low
12	DIY	0,26	Low
13	East Java	0,20	Low
14	West Kalimantan	0,42	Low
15	Central Kalimantan	1,35	High
16	South Kalimantan	1,50	High
17	East Kalimantan	3,66	Very High
18	North Sulawesi	0,66	Medium
19	Central Sulawesi	0,34	Low
20	South Sulawesi	0,32	Low
21	Southeast Sulawesi	0,35	Low
22	Bali	1,49	High
23	NTB	0,15	Low
24	NTT	0,12	Low
25	Maluku	0,30	Low
26	Papua	0,95	Medium
27	North Maluku	1,15	High
28	Banten	0,58	Medium
29	Babel	1,27	High
30	Gorontalo	0,33	Low
31	Kepri	1,68	High
32	Papua Barat	2,45	Very High
33	East Sulawesi	0,47	Low
34	North Kalimantan	3,66	Very High

Source; MOF Regulation No. 33 Year 2015

Regional Economic Analysis: In the economic growth analysis, the data used is the data of economic growth progress from the year of 2008 until year of 2012. This regional economic is very important to be used as one of consideration aspects of selection of priority region that has potential of electricity subsidy sharing in the region, considering the main role of electricity to boost the economic growth. The regions having appropriateness of electricity level surely will become the favorite regions for various incoming investments, which in turn will grow the invested region economy. In contrary, regions with insufficient appropriateness for electricity level definitely will become the main hindrance of incoming investment in the region. Whenever the regional investment has grown vastly, along with its economic growth, the electricity enhancement effort is also not a difficult task to do. The private sector of electricity development will race against each other to invest their capital, if only the modality has happened, without forgoing several supporting factor such as certainty of law, bureaucratic administration and licensing facilities in addition to regional policies regarding labor. Based on Table 4, regarding the development of regional economic growth from 2008 to 2012, there are some interesting findings when compared with the analysis related to Table 3 of Regional Fiscal Capacity. If we refer to Table 3, then some of the priority areas of potential sharing of electricity subsidies by the regional government are DKI Jakarta, East Kalimantan, West Papua and North Kalimantan Province. When analysed by looking at the development of regional economic growth in Table 4, the area that has the most rapid economic growth from 2008 to 2012 is West Papua province with an average economic growth of around 23.28% compared to Jakarta by 7.75% and East Kalimantan by 5.08%. While North Kalimantan province have not been included in the calculation of the BPS as a new province of the results of regional expansion.

Table 4: Development of Regional Eco. Growth

Region	2008	2009	2010	2011	2012
NAD	-5,24	-5,51	2,74	5,09	5,21
North Sumatra	6,39	5,07	6,42	6,63	6,22
East Sumatra	6,88	4,28	5,94	6,25	6,35
Riau	5,65	2,97	4,21	5,04	3,55
Jambi	7,17	6,39	7,35	8,54	7,44
South Sumatra	5,07	4,11	5,63	6,50	6,01
Bengkulu	5,75	5,62	6,11	6,45	6,60
Lampung	5,53	5,26	5,89	6,43	6,48
DKI Jakarta	6,23	5,02	6,50	6,73	6,53
West Java	6,21	4,19	6,20	6,48	6,21
Central Java	5,61	5,14	5,84	6,03	6,34
DIY	5,03	4,43	4,88	5,17	5,32
East Java	6,16	5,01	6,68	7,22	7,27
West Kalimantan	4,49	4,80	5,47	5,96	5,84
Central Kalimantan	6,17	5,57	6,50	6,76	6,68
South Kalimantan	6,45	5,29	5,59	6,12	5,73
East Kalimantan	4,90	2,28	5,10	4,08	3,98
North Sulawesi	10,86	7,85	7,15	7,39	7,86
Central Sulawesi	7,77	9,89	8,74	9,15	9,26
South Sulawesi	7,78	6,23	8,19	7,62	8,37
Southeast Sulawesi	7,28	7,57	8,22	8,96	10,41
Bali	5,98	9,60	5,83	6,50	6,65
NTB	2,83	12,13	6,35	-3,15	-1,13
NTT	4,84	4,30	5,25	5,63	5,43

Maluku	4,23	5,44	6,46	6,07	7,81
Papua	-1,40	22,22	-3,19	-5,32	1,08
North Maluku	5,99	6,07	7,97	6,39	6,66
Banten	5,77	21,29	6,11	6,39	6,15
Babel	4,60	3,74	5,99	6,46	5,72
Gorontalo	7,77	7,54	7,60	7,68	7,74
Kepri	6,63	3,52	7,19	6,66	8,21
Papua Barat	7,85	13,86	28,46	27,08	15,85
West Sulawesi	12,09	6,00	11,91	10,31	9,00

Source: BPS, 2014

If the analysis is extended to regions with high category of fiscal it is consisting of NAD, Central and South Kalimantan, Bali, North Maluku and Riau Archipelagos, thus the recommended regions are only the North Maluku province with an average economic growth rate of 8.27% of in 2008 and 2012, and the Riau Archipelagos Province with an average economic growth rate of 8.05%. The interesting thing can be seen in the case of the NAD province. Based on Table 4, NAD Province had contracted economic growth to minus 5.24% and 5.51% in 2008 and 2009. These conditions would obviously not be a positive thing in supporting economic development in the area, unless it was caused by external events such as natural disasters or other force majeure. NAD province itself had been affected by the tsunami in 2004. Other regions experiencing economic growth, which is quite attractive, are the province of North Sulawesi with economic growth on average by 10.28%, the province of Central Sulawesi of 11.20%, the Province of Southeast Sulawesi 10.61%, Province of West Sulawesi with an average growth of 12.3%, and 11.43% growth of Banten Province.

4. Conclusion

As a final note, based on the result of study of potential sharing of electricity subsidy by the Regional Government, we can conclude that electricity sector has a very important role in the process of development for the society welfare enhancement. Therefore, the electric power has become a source of energy that is vital for the daily household life, industrial activities, especially small and medium enterprises (SMEs) as well as other commercial activities. Unfortunately, most of the electricity generation activities are heavily dependent to the supply of fossil-based fuel. Therefore, the dependency over fossil-based fuel as the supply of electricity generation should be minimized to the optimal level, either from the demand side or from the development of alternative of power supply, which has renewable characteristic. When the efforts to develop alternative energy sources is constrained, the steps should be taken by the Government to keep electricity prices affordable for society is allocating electricity subsidies in the state budget every year, especially for class households of R1-900 VA and R1-450 VA. The consequences that arises is the Government faces to increasing electricity subsidies that becomes a burden for the state budget each year, that is why the Government shall thinking about availability of an alternative of sharing the electricity subsidy funding with the Regional Government.

By using the juridical analysis, it can be concluded that the authority of the electricity sector has been delegated to the regions through the division of affairs between the central government, provincial government and regency / city especially in the issuance of business licenses and tariffs. This is strong supports for the electrical subsidy plan of fund sharing between the Central Government and the Regions. However, to think that electricity is still an optional function for the regions, thus the central government funding remains a major driving force with the support of the regional budget (APBD) based on fiscal capacity of each region. Based on the analysis of Regional Fiscal Capacity, DKI Jakarta Province, East Kalimantan Province, West Papua Province and North Kalimantan Province are the regions that deserve to be a top priority. Some areas that included into the category of high Regional Fiscal Capacity also deserve to be recommended are NAD, Central and South Kalimantan, Bali, North Maluku and Riau Archipelagos. In contrary, if the analysis of the development of regional economic growth is used, the area that has the most rapid economic growth from 2008 to 2012 is West Papua province with an average economic growth of

around 23.28% compared to Jakarta by 7.75% and East Kalimantan by 5.08%. The other recommended regions are the province of North Sulawesi with economic growth on average by 10.28%, the province of Central Sulawesi of 11.20%, the Province of Southeast Sulawesi 10.61%, Province of West Sulawesi with an average growth of 12.3%, and 11.43% growth of Banten Province

The policy recommendation result from this study is the acknowledgement of the need of fund allocation for electricity development by the Central Government either through the State Budget (APBN) or through other funding scheme, considering the fact that the authority of electricity characteristic in the region is still classifies as optional functions. However, the plan for having sharing of funding of electricity subsidies is worth to be implemented, especially for several regions that has Regional Fiscal Capacity categorized as high and very high. If the plan of sharing of funding implemented, the Central Government shall promptly prepares all of the regulation and supporting mechanism, to implement the policy optimally. For several regions classified as appropriate criteria to perform the sharing of funding of electricity subsidies should mandatorily obtain a reward for its performance through grant of compensation of obtaining priority for infrastructure development either the one directly related with electricity or development of other sectors of economy. This thing onward could create positive boost for the other regions, to compete for enhancing their Regional Fiscal Capacity, to perform their electricity mechanism independently.

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Democracy Establishment on Regional Head Election Observed from the Constitutional Law Perspective in Indonesia

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Abstract: The amendment of the 1945 Constitution had opened space for democratic realization process at local level. In Article 18 paragraph (4) mentioned that governors, regents and mayors respectively as the heads of provincial, regency and municipal elected democratically. The local elections were carried out simultaneously by the people show democratic electoral system embodiment. To analyze the phenomena, this study uses a qualitative method, which the data source derived from primary and secondary data. Primary data is data obtained from observations in field, while secondary data obtained from literature or news about the regional head elections. The results showed that in a democratic election, a guarantee of freedom is an absolute and normative requirement. However the normative requirements sometimes ignored either by contestants or supporters. Therefore, the presence of the Constitutional Court is very important for democracy and constitutionality of local elections. In the local elections, the Constitutional Court has the authority to resolve the election results dispute. Although the existence of the Constitutional Court is important, but to resolve the dispute over local elections, researchers assume about the necessary establishment judicial elections at any stage or process level.

Keywords: *1945 Constitution, Local Election, Democracy, Constitutional Court*

1. Introduction

Political changes in Indonesian constitutional develop fundamentally since the reform movement rolling in 1998, which depose President Soeharto as President of Indonesia. The reform movement become so monumental stake for doing a very fundamental changes, both in politics or constitutional system. One of the important changes is in terms of regional governance and a democratic political system implementation at local level. A changes in constitutional system happens when demands of the 1945 Constitution changes idea, which in the New Order was very sacred, finally responded by People's Consultative Assembly. People's Consultative Assembly that still serves as the highest state institutions, and that an institution which often referred as sovereign folk and the Indonesian people embodiment eventually really realize the people demands in reform movement, namely amending the 1945 Constitution. Amendment which done by People's Consultative Assembly to the 1945 Constitution carried out four times, namely in 1999, 2000, 2001, and 2002. In political changes context at the local level, the 1945 Constitution amendment has opened space for democratic process realization at local level. This can be seen in Article 18 paragraph (4), which states that the Governor, Regents and Mayors as the respective heads of provincial, regency and municipal elected democratically. The emergence of these provisions have made changes which is fundamentally to the system and constitutional norms, because previously regional head elections are not regulated in the 1945 Constitution.

Prior to changes or amendments to the 1945 Constitution, rules against elections translated according to political interests of the regime. No wonder if at that time, President Soeharto has greater authority to elect regional heads from candidates nominated by the Regional Representatives Council. In other words, the central government in the New Order Era has a very strong power dominance over local government. Soeharto regime have full control of the regional heads at all levels, in accordance to Law No. 5 of 1974 on the Regional Government Principles. The regional head appointed by the President, which the election mechanism in Parliament also controlled by the President. Unanimous shifting the New Order Era to reform, and amending of the 1945m Constitution, elections era which not democratic has shifted towards more democratic. Today, both governors, regents, and mayors should be elected democratically. Surelly the regional head elections mechanisms changes does not happen immediately when the new order fell in 1998, because the setting of regional head elections which democratic set at the second 1945 Constitution amendment, which in 2000. At early reform era (1998-1999), the setting of regional head elections regulated in Law No. 22 of 1999 on Regional Government. The existence of this law represents a milestone in the

governance reforms field in areas with a strong decentralization principle, including Parliament position which also strengthened. On Law No. 22 of 1999, although governors, regents and mayors are still elected by Parliament, but this law is considered more democratic than the previous, namely Law No. 5 1974. The reason in Law No. 22, 1999 there is no President authority to intervene in regional head elections, due to be submitted to the electoral process in a democratic parliament. However, a regional head election system by Parliament instead have no weaknesses. In practice this system is contrary to democracy essence, because in fact appears money politics in rallying support in parliament so that a person can internally elected to be head area.

The regional head election by parliament when it also often rated as an election which leaving the people aspirations, because people do not have an important position in selecting candidate process for the leader. Candidacy or the election process is fully the political parties authority which have representatives in Parliament, so that it can be ascertained that parties which hold the majority vote in Parliament has the legitimacy and power to nominate its cadres and opportunities these cadres to elect is a very large, though the cadre qualified and have the ability to lead or not. Now regional head election re-entered a new era since Law No. 22 of 1999 amended by Law No. 32 of 2004. In Law No. 32 of 2004 regional head elected directly by the people. In terms of who is entitled to nominate, regional head candidates nominated by a political party, or a political parties coalition and individual candidates *(independent).* Provision of independent candidates occur after the Constitutional Court allow for independent candidates through a Judicial Review on Law No. 32 of 2004 and the House of Representative Law No. 32 of 2004 into Law No. 12 of 2008. The implementation of local elections is considered compatible with the Indonesia democracy system, because people given broad authority to directly elect regional head candidates whom they wish (Prihatmoko, 2005). The direct election system by the people, although not a perfect system, but this system is still considered better than the system whichever applies previously. Direct election systems by the people indeed still leaves some issues, among others costly and still more likely to put forth corrupt regional head. The huge costs incurred in elections, generally a motive which encourages elected regional head to return expenses capital incurred during the nomination.[1] Therefore needed strict regulation to resolve the issues.

In addition, the implementation of direct/local elections in some areas also generates conflicts between supporters of prospective head region (Nas, 2015; and Fattah, 2008; and Alihar, 2012). In general, these conflicts arise because of the dissatisfaction of the results of the counting. Therefore, the existence of the constitutional court deems important, because based on the amendment 1945 Constitution, the purpose of the establishment of the Constitutional Court one of which is to resolve election disputes. In other words, that the duties and functions of the Constitutional Court have been stipulated in the Constitution, also have benefits in building a democracy that is based on law. Trully the study of the elections related to democracy and legal aspects been done by some researchers. As with Tjiptabudy (2014) were also raised about the elections, but the research is evaluated the election law and election rearrangement enforcement, which previously been considered not ideal. Likewise with Lay (2007) whose study is only limited to the impact of direct elections aspects for democracy deepening and not go into the legal aspects. The other researcher, namely Hakim (2011) only give democracy description which hold through the election mechanism. in other words, from a few studies that have been reviewed, that researchs has not investigated yer about democracy enforcement in the regional head election seen from the constitutional law perspective in Indonesia.

2. Literature Review

Amendment to the 1945 Constitution, particularly with arrange about regional head elections democratically, is in accordance with the Hardiman (2009: 139) that the constitutional guarantee for public spaces or autonomous civil society is inherent in democratic constitutional state law. In other words, a democratic constitution, in this case the constitution, giving the space and freedom for people to choose the compatible

[1] See "Evolution of Regional Head Election System in Indonesia". Source: http://politik.news.viva.co.id/news/read/542375-evolusi-sistem-pemilihan-kepala-daerah-di-indonesia [Accessed: January 30, 2016].

regional head beliefs. The direct regional head elections by the people is very important in a democracy political system, because literally democracy by Sartori (1987: 5) is the "Government of, by, and for the people. Democracy is a government form where the rights to make political decisions are used directly by any citizen who actualized through the procedure of majority rule, commonly known as direct democracy. " Normatively regional heads elected from the majority vote of people will have a sense of responsibility towards the people, including in decision-making. Majority context in a democracy by some experts (Mayo, 1960: 70; and Strong 1973: 12) intended for political decision-making or policy that is based on a majority of people's representatives are selected and monitored effectively by the people and accountable to the people. A democratic system by Sartori (1987: 5) characterized by: (1) broad political participation, (2) healthy political competition, (3) the power circulation which is maintained, managed, and periodically, through the electoral process, (4) effective power supervision, (5) the majority will recognition, and (6) the existence of a political manners agreed in society. Perceived a variety of these characteristics, the government power is limited and not right to act arbitrarily against its citizens, these restrictions listed in the constitution.

Meanwhile Dahl (1978: 7), suggests that the democracy identity is the government responsiveness continuously to preferences or citizens desires in the country. As some of the conditions that must be fulfilled among others : (1) freedom to form and join organizations, (2) freedom of expression, (3) the right to vote in elections, the right to hold public office, (4) the leaders right to compete for support and vote, (5) the alternative sources availability of information, (6) elections which free and fair, and (7) the existence of escrow that public policy depend on election vote and ways of others preferences delivering. Changes in regional head elections mechanism, which previously by Parliament and then be by the people, is a consequence of democratization happening in Indonesia. Democratization itself according to some experts (Beetham, 1993: 55) is defined as a regime changes process from authoritarian or dictator who does not provide opportunities for participation and freedom to the government that gives the higher degree of chance participation and freedom. Thus the citizens' participation in political activities is one of provision of the democratization realization in a country, including how citizens or civil society groups are involved in the political process of policy making, including the National Security Draft Bill. Democratization is a practice or democracy principles in any political activities of the state. The democratization goal is characterized by the democratic political life formation. Winarno (2007: 97) argues that democratization refers to the changes process towards a democratic government system. The government's openness and the public engagement in political process is a democratic government identity. As a central theme, democratization has become the studies object which has very broad discussion. Democratization by Tilly (2000: 16) is a regime changes, this view appeared because he saw that the *"increase in state capacity is not sufficient for democracy to obtain because capacity can be used to oppress citizens rather than to protect them.* "that's why later he revealed that the *decreasing autonomy of major power centers* is one of the requirements of the democratic transition. This view of *"decreasing autonomy"* itself supported by Demetriou (2009: 440), which revealed that *"Decreasing autonomy can be regarded as a real mechanism (multiply realizable, of course) of Democratization."*

3. Methodology

This study uses a qualitative method. The data source is divided into two types of data sources, namely primary and secondar. Primary data is a data obtained directly through interview and observation in the field. Secondary data were obtained through documentation relevant to this study, literature or news about the democracy enforcement in election. Interviews were conducted with informants who are experts on politics, namely Yusa Djuyandi from Padjadjaran University. The selection of informants was based on purposive technique, where the informant deemed to know about the dynamics that occur in local elections. Observations carried out research object namely activities in the election form in Indonesia. While the documentation analysis made to various documents relating to the democracy enforcement in election. Furthermore, the collecting data process in this study be adapted to the research type. The data collected in this study, namely in the form of words, actions, documents, situations, and events that can be observed. The validity data test in this study is done through *Triangulation* which is a data validity testing technique which is done by checking correctness of the data obtained by researchers in other parties who can be trusted. To maintain the validity of the data or research, efforts that based on the triangulation principles. In this study triangulation conducted to data sources, as well using a variety of supporting

reference to prove the data which has been found in research such as: recording, photographs or other documents that support.

4. Discussion and Analysis

Election and Democratic Political System: A democratic political system characteristic lies in democratic order that underlies authorities so the democracy elements not only become state norm but empirically work in accordance with democracy corridors. A democratic political system eventually be an option though requires a number of preconditions and prerequisites are not easy to fulfilled because of some factors such as citizens education level, people's education and political awareness level, the power organizers commitment to create a democratic political system, until the existence law regulation factor that can be an instrument for democratic political system implementation. Theoretically, Diamond, Juan and Seymour (1990: 6-7) defines democracy as a government system that has three (3) requirements, namely:

- There should be competition between individuals and organized groups for all government positions. This should take place through regular and fair elections.
- Political participation in the selection of leaders and policies should include, in principle, all adults.
- Some basic civil and political liberties, such as freedom of expression and freedom to form and join organisation, should be respected.

From three (3) conditions, if regional head election intended to establish a democratic government, so the contestant must be open to all citizens who are eligible regulated through legislation. The contestants (election participants) strive in a fair and sportive. The contestants also prohibited from using force ways or violence to force a person to vote on a particular contestant. Law No. 32 of 2004 on regional governance as amended into Law Number 12 of 2008 about local government, citizens who have the right to vote should also involved given their vote in electoral process. Citizen participation in electoral expected to be high so as the election result has strong legitimacy. However, the citizens participation in vote have to stay within the political and civil freedom corridors, without affraid of intimidation, still have a sense of security. The election contestants/ participants or fellow citizens have to respect the political and civil freedom to fellow contestants nor against fellow citizens. As long as there is no guarantee against this freedom, then the election will far from democratic. However, the normative requirement sometimes overlooked by the contestants as well as by its proponents so that a variety of fraud elections marked, and this certainly is a threat to democracy. Regional Head Election be told democratic if it fulfilled several requirements, including requirements as well apply to the legislative elections in general, namely:

- The presence of universal rights recognition. All the citizens who has the right to choose, not allowed discriminated against on the ideology and political basis
- The existence of voters citizen aspiration pylurality so that citizen have political aspirations channel alternative choices.
- Democratic political recruitment mechanisms availability
- The existence of voters freedom of to vote their choice
- The existence of an independent voters committee
- The existance contestants discretion to healthy compete
- An honest counting votes
- Bureaucratic neutrality

(Goodwin-Gill, 1999: xxii-xxvii)

In democracy, all parties should uphold the values of honesty, respecting others, and obeying rules. In regional head elections certainly no candidates who want to lose, all want to win, but like the game, in the end there will be only one pair of candidates who will be the winner. Of course, winning should not be arbitrary, the loser can not be angry with a variety act. If you feel unfairly treated and have enough evidence that there was fraud arising from the dispute, then submitted to the Indonesian Constitutional Court.

Uphold The Democracy and Regional head election Constitutionality: Informant said that "Election is the people sovereignty implementation, as a form of democracy implementation consistency, so that the state establish an institution or committee that organizes the elections, including regional head elections." There is

one thing higly vulnerable during the election implementation namely election results dispute. High state institutions as well as Article 24 C of the 1945 Constitution which authorized to settle the election result dispute is the Constitutional Court. The Constitutional Court put forth not only to maintain and uphold the constitution, but also to uphold democracy. In the regional head elections, the Court has authority to resolve election results dispute, it is stated in Article 24 C of paragraph (1) The 1945 Constitution, namely: "The Constitutional Court has authority to adjudicate on first level and lastly which has final decision to verify legislation under the Constitution, to determine the state institutions authority dispute whose authorities granted by the Constitution, to determine political parties dissolution, and to decide disputes the general election results. "In terms of determine the regional head elections dispute, legally the Constitutional Court authority, also mentioned in Article 236 C of Law No. 12 of 2008 on second amendment of Law No. 32 of 2004 about Regional Government, namely that the election dispute authorities given to Constitution Court. basically in every regional, both provinces, districts and cities according to the 1945 Constitution only has "Regional Head" namely 'governor' for the provinces, 'Regent' for the district, and the 'mayor' for the city. In regional head recruitment perspective on article 18 paragraph (4) The 1945 Constitution only done democratically and not using direct principle.

As regional head elections implementation (governors, regents, mayors) which mandated in Law No. 8 2015, as amendment from Law No. 1 of 2015, that the regional head election effectiveness carried simultaneously at the first time dated December 9, 2015 in Indonesia. Despite a pro and contra about the readiness of simultaneously the Regional Head Election Implementation, but the General Election Commission, the Election Trustee and the Honorary Board of Election have demonstrated the readiness of the democracy implementation in Indonesia. Thus the constitutionally or legal regulations state has set and commissioned a number of institutions or the state commission to hold elections and regional head election, starting from the preparation stage to the post-events stage, such as the possibility of a lawsuit over the regional head elections results. Regional head election can not be avoid from democracy transition situation, because regional head election directly began only after the amendment to the 1945 Constitution. The regional head elections were originally selected by the representation principle, namely through Parliament, and change become direct election is a drastic changes, because the people are directly faced with the decision to vote. Quantum of change in the regional head election, certainly will bring positive and negative impacts. The positive impact, in fact efforts on maturing society in a democracy, both in choosing their leaders, as well as determining policy leaders direction within the framework of realizing common prosperity. This process if escorted by compatible instrument, independent and integrated organizer, will put forth the leader and policies that fulfilled the principles of *"legal, legitimate, and competence".*

Dispute Resolution: Implementation of the local elections sometimes do not always run smoothly, according to the informant this was due to the dissatisfaction of certain candidates and their supporters on the result of vote counting. Some sense of dissatisfaction occasionally acted in a fit of anger, which then often triggers horizontal and vertical conflicts. Emergence of uncontrolled regional head elections violation, and even can not be resolved at any stage regional head elections implementation process, raises idea to established the regional head election in every area. Regional head election justice intended as a solution or problem solving of disputes on every stage of regional head election process, so that every stage has legal certainty. According to informant "Judicial for the elections is also believed can minimize the occurrence of violence, because the local election dispute is resolved through legal channels which are independent." Over time occured argument struggled when appeared the idea to establish a special electoral court. This idea reap the pro and contra among practitioners and academicians. Several fundamental reasons about the idea to establish the Special Tribunal Electoral expressed by Elections Trustee, Bambang Eka Cahya Widodo namely many election violations cases which administratively and contains criminal element and Constitutional Court position as if like a "wastebasket" because all the issues electoral dispute disembogue to it. This is implication of ineffectiveness electoral violations handling cases mechanism at stage before rolling to the Court.[2]

[2]http://www.kompasiana.com/rizahakiki/tanggapan-terhadap-ide-peradilan-khusus-pemilu_551fbb90a333119941b65b64 [accessed on February 13, 2016]

The fact that happened on field shows that every stage of the electoral process is still vulnerable to be sued to the judiciary, because things which decided by the authority institutions, such as the General Election Commission, the Election Trustee and the Honorary Board of Election, on that stage considered not provide assurance. In other words, provisions on election results by these institutions vulnerable to be sued by the losing candidates. Therefore, other Constitutional Court granted by the 1945 Constitution to resolve the election results according to article 24 c, it is suggested that there is also the judiciary which can solve disputes or violations on stage regional head election process. Proposed that the Constitutional Court since early 2014 should nevermore to solve regional head elections dispute, that matter must returned to the Supreme Court in order to resolve the dispute of the results governors, regents, mayor elections result as regional head. The mechanism of electoral dispute resolution can be done in two ways: through formal and informal lane. EDR can be a prosedural lane, namely through the courts or some sort of special formation committe which handle elections issues and / or through negotiation. In law enforcement settlement general election dispute must be done in five (5) ways:

- Examination by the general election commision (proposed in honorary
- board of elections and / The elections trustee).
- Need to establish special courts and / special judges to handle objections of election disputes.
- The election issues completion submitted to the constitutional court.
- Issues completion by the Supreme Court for governor, regents/mayors election dispute, and
- Completion of legislation elections dispute/ the president&vice president by the Indonesian Constitutional court.

The idea of the judicial elections establishment, which will handle election violations at every stage of process, considered necessary and relevant when confronted with political reality which shows many election violations that can not be solved by existing institutions. But the establishment of this court also still need to maintain the Constitutional Court as an institution of justice that resolve disputed election results for the House of Representatives, Regional Representative Council, Regional People's Representative Assembly, and the Election of the President / Vice President. The judiciary importance to determined and resolve elections dispute become important when many violations that can not be resolved by the General election Commision. In a political perspective, the idea to establish judicial elections at any stage or level of process, considered rational and realistic. But in a juridical terms this idea will remain faced with Article 24 C paragraph (1) of the 1945 Constitution, which stated the authority to determine elections result dispute is on The Constitutional Court. These conditions later showed question whether it is still possible to establish another judicial commision which given the special authority to determine election violations? that potential general elections issues could classified into 3 groups as an electoral administration, criminal acts and election results disputes violations. Topo Santoso confirms that a dispute in organizing an election is an election administration violations or dissatisfaction case over the election organizers decisions "this matter the Honorary Boards of Elections Authorities (DKPP).[3] Therefore the term controversies about the elections results dispute for the Parliament, Regional Representative Council, Regional People's Representative Assembly and the President / Vice President, in the 1945 article 24 c paragraph 1, is a part that should resolved by the Constitutional Court. According to writer opinion that the regional head elections results dispute completion (Governor, Regent / mayor as the head of the region), since the enactment of Law No. 12 of 2008, article 236 c, should be returned to the Supreme Court, and no longer the court authority.

5. Conclusion

The regional head elections implementation, since elected by Parliament or chosen by people directly, has weakness and advantages. The advantages of direct regional head election are:

- Direct democracy will be able to run better, so that the meaning of people sovereignty will seem real;

[3] Topo Santoso, a paper titled controversies results of the elections presented at a roundtable discussion on the Constitutional Court on 24 March 2011.

- Through direct regional head election, people vote to be very valuable. Thus the people interests gained greater attention because of the direct regional head election implementation and democratic;
- The democratic processes development in civil society enforcement in social life and regional governments will increase, because direct regional head election by the people will take effect in a transparent and responsible, so that will have an impact to the society political education improvement;

The weakness of direct regional head election:

- Requires a high cost because the candidates must campaign to face the electorate directly, both physically (door to door) and through the mass media;
- Regional head figure elected directly by the people in running the goverment can be received strong support from the people and the Parliament which people refresentative.

In order to resolve the election results dispute appear the idea to establish the electoral court, will handle the election violations at every stage of the process. This court is necessary and relevant when confronted with political reality which shows many election violations that can not be solved by existing institutions. However, although there is a judicial institution election but the existence of the Constitutional Court is still needed, as the judicial institution resolve election results disputed for the House of Representatives, Regional Representative Council (Senate), and the Election of the President / Vice President (Election). For the development of science, is expected in the future there will be another study that analyzes the effectiveness of judicial elections, as seen from the viewpoint of law and politics.

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HR Practices and Organizational Innovation: The Mediating Role of Knowledge Management Effectiveness

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Abstract: Organizational innovation has been recognized as an important instrument for organizations to compete in the competitive environment. Pakistan telecom sector strive to transform their business model from labour-intensive to knowledge-intensive, which intend to thrust themselves in higher value added activities such as, developing new products, processes, and services, to continual sustain the competitiveness. One of the means to increase the organizational innovation is through effective human resource management practices and effective knowledge management. This study examined the direct association between human resource management practices (performance appraisal, career management, training, reward system, recruitment and employee recognition) and organizational innovation. Moreover, it also observed the mediating role of knowledge management effectiveness on the direct relationship. Data was collected from a sample of 290 personnel of telecom sector of Pakistan. The regression results showed that human resource management practices generally had a positive impact on organizational innovation. Particularly, the results signify that training and employee recognition were positively related to three dimensions of organizational innovation. Performance appraisal also established to have a positive impact on administrative innovation. Additionally, this study also demonstrates that training, performance appraisal, and employee recognition were positively associated to knowledge management effectiveness.

Keywords: *Human resource management practices, organizational innovation, knowledge management effectiveness*

1. Introduction

Theoretical Background: Organizations adopt new technology for attaining the desired goals, which normally referred as a source of firm's innovation and creation. This improvement has urged several firms to learn the latest techniques, innovative ideas, research based outcomes and reliable innovative solutions. These activities refine existing products, methods, approaches, and structures for future survival. Because of these efforts, the essential drivers influence the firm's capabilities to create the competitive environment in services or products. The main strategically target of organization is to live in that specific business market. Effective and reliable human resource practices (HRP) create the specific job attitudes amongst the employees towards the firm's innovation (Tan & Nasurdin, 2010). HR Practices enhance awareness, employee inspiration, cooperation and obligation amongst the employees (Harter, Schmidt & Hayes, 2002). Finally, a continual and regular effort helps in business development and creates the better environment for the business activities. Therefore, various researchers such as Morrow and McElroy (2003) discussed that a weak connection and relation between HRM practices and firm activities badly affects the organizational goals.

The research results of human resource management show that creativity and innovation is big and strong function, which increases the values, maintain competitive business gains and help the employees to adopt quickly varying atmosphere (Zoghi, Mohr & Meyer, 2010). Navarro et al. (2010), and AL-Hakim and Hassan (2011) stated that innovational process and plans always depends on employees creative skills, knowledge, proficiency and dedication are the main instruments for value creation procedure. Those organizations are receiving the good and better results, which adopted the innovational and creative environment in the organization. These organizations succeeded to promoting the capable employees for better organizational performance.

Primary purpose of human resource practices is that firms set the direction of skills, behavior of individual employee and attitudes for doing their assignments to achieve firms already selected goals. When an innovational process starts in the organization, it is helpful in enhancing the capable, creative and skillful

employees for producing the valuable products and services. Therefore, this expertise helped the organizational human capital for achieving the desired goals. These practices help and motivate the employees to do their duties and assignments effectively. Firms identify and sort out the set of strategic HR practices, which examine the HR practices effect on the employees for achieving the organizational goals through innovational activities (Ullah & Yasmin, 2013). According to Weisberg (2006), conducting and implementing the strategic HR practices increase the innovational activities, because strategic HR practices support these activities for achieving the desired goals of the organization. However, knowledge and awareness cannot be easily transferred in to any individual employee in the firm, although human capital is the key asset of an organization. When an organization has enough access to the knowledge, expertise of existing employees and skills, so that firm manage and use the knowledge management instruments for attaining the organizational goals through innovational activities. Effectively managing the knowledge is a technique that maintains a balance between the organizational expertise and individual minds (Tan & Nasurdin, 2010).

Knowledge management helps the organization for achieving their goals that already selected by the management of the organization. For increasing the knowledge and new technology, services providing firms are using the knowledge management systems and practices with efficiently for maintaining the competitive environment (Yazhou & Jian, 2013). The translation of knowledge management is that first recognize the challenge and manage the activities through applying the informational instrument. Knowledge management implies a series of policies and guidelines means creating, diffusing and institutionalizing of knowledge to achieve the firm's objectives and goals. Although information technology-driven perspectives have traditionally dominated the field of knowledge management through use of knowledge and employee recognition, which enhance the employee performance and 'people perspective' concept in the organizations (Feng-Chuan Liu et al., 2012).

Problem Identification: Research shows that developed countries are going fast in organizational innovational activities like USA and European Union, but developing countries are slow to adopting the innovational activities like Pakistan (Ismail, 2005; Wan Jusoh, 2000; Yazhou & Jian, 2013). Main impact of innovation is to create the competitive environment in business market. Numerous scholars explain and find out the related processes of innovative activities like employee characteristic, behavior and motivation towards the innovation activities in the organization (Mesmer-Magnus & Dechurch, 2009). Researchers like Miller and Friesen (1982), Damanpour, Szabat and Evan (1989) have analyzed the relationship between innovation and environmental factors, and they found a strong association with each other. Organizational innovation and organizational structure have also relationship with each other. Researcher's point of view, there is a research gap; further reliable research can enhance the innovative activities through better use of HR practices in the organization (Tan & Nasurdin, 2010). Dobni (2006) stated that better use of knowledge enhances the firm's innovational activities through sharing of existing knowledge and information. In the study of Ling & Nasurdin (2010), it was exclaimed that knowledge management effectiveness is the missing link in the relationship of HR practices and organizational innovation. This research gap motivates the scholars for further study in this particular area. The purpose of this study is to intricate the best use of knowledge management role as a mediation and the link among human resource management practices (employee performance appraisal, employee career management, employee training, reward system of organization, employee recruitment and employee recognition) and firm innovation (products innovation, processes innovation and administrative innovation) within the Pakistani telecom industry.

Problem Statement: Previous research show that HRM practices have a dominant effect on firm's innovational activities, policies, procedures and processes. When appropriately manage and rearrange, then these practices support knowledge and innovational activities in the organization. It helps the organization to achieve the goals and creating the competitive advantage in the business economy. The purpose of this study is to investigate the impact of HRM practices on organizational innovation and mediating role of knowledge management.

Objective of the Study: The main purpose of the study is

- Analyzing and investigating the role of HRM practices for achieving the organizational goals and improvement of work effectiveness.
- Analyzing and exploring the role of HRM practices for finding and removing existing obstacles for employees and providing them professional guidance.
- Signify the link among HRM practices, organizational innovation and knowledge management effectiveness in business.

Rationale of the Study: Researchers believe that effective knowledge is a basic mode of wealth creation and prosperity. Knowledge is one of the most significant strength for the success of an organization (Alshekaili & Boerhannoeddin, 2011; Wang, Noe & Wang, 2014). Knowledge management (KM) has progressively become an interesting issue for the development of companies. The researchers believe that knowledge management is the management of organizational knowledge. This school of thought pays more consideration on file management, knowledge base, data warehouse, data mining, concept and emphasis on the establishment of organizational knowledge management system (Amidon, 2006; Yazhou & Jian, 2013).

Wang and Noe (2010) stated that knowledge is effectively planed and prepared data, which supports for sustainable competitive business advantage in business markets. Main objective of the knowledge management is effective use of knowledge and facilitate the access of knowledge among all employees of the organization. Therefore, the focus is to transfer the knowledge as an asset of organization in to fresh and existing employees. Taking the actions and initiatives are helpful for achieving the main objectives of the firm. Based on these reasons, it is essential to examine the influencing factors, which motivate the employees and knowledge sharing process inside the organization. Important thing is that "scope of knowledge inside the organizational departments through sharing the innovative and professional knowledge management." Previous research results showed that there is a positive relation between knowledge sharing and firm innovation, so this relationship increased firm productivity and improved employee performance. The main advantages of knowledge is to influence the management that they promote and encourage the knowledge sharing activities through different ways like money, employee training, rewards and flexible environment through knowledge management projects. Mostly knowledge management projects failed due to weak interest of organizational management (Wang & Noe, 2010).

Research Contribution: The proposed model is evaluating the impact of HRM Practices on organizational innovation and mediating role of knowledge management. The design of this research is to fill the research gap by introducing new constructs with positive results. The key variables are HR practices, knowledge management effectiveness and organizational innovation (Shipton et al., 2005; Chen & Huang, 2009; Tan & Nasurdin, 2011). This study focused on new construct employee recognition that is going to be studied in the umbrella of human resource management practices. The reason behind is that as the past studies have focused on few or different constructs with their impact on organizational innovation. This study investigates each variable with number of items from previous adapted scales. The findings of this research are definitely valuable for the HR practitioners to understand the knowledge management towards the organizational innovation.

2. Literature Review and Research Model

Organizational Innovation: Now a day, organizational innovative activities are necessary for development of the organization with positive behavior and effective use of knowledge management (Damanpour & Gopalakrishnan, 2001). The ways and techniques of firm's innovation are tremendously multifaceted. It can be analyze in main two parts: one is breadth of innovation, which contains rules, structures, managerial procedures, existing products and services. Another thing is deepness of innovation and creativity that is more important, defining the inspiration level of the employees, outcome on long run productivity and services by (Chuang, 2005). Tan and Nasurdin (2010) stated that literature showed, there are main two types of firm's innovation, one is advance technological innovations and second is administrational innovations. The technological innovation is secondary dimensions that are products innovations and processes innovations, although administrational innovations significantly differ from the second innovation. Research results explain that firm innovation categorized into main three scopes, which are

products innovations, processes innovations and administrative innovations. According to Tan and Nasurdin (2010) and Chuang (2005) have distributed the firm innovation and creativity into the main three types first products innovations, second is processes innovations and third is administrational innovations. According to Cooper (1998), products innovations, processes innovations and administrative innovations are the main precursors for engineering organizations and these increase worth of the organization. These activities resolve problems, enhance value creation and make the reasonable business advantages. For increasing industrial organizational growth, it depends on products innovations, processes innovations and administrative innovations. Therefore, the organizational innovation is operating for multi categorized containing of these main three kinds of firms innovation: product innovation, process innovation and administrative innovation.

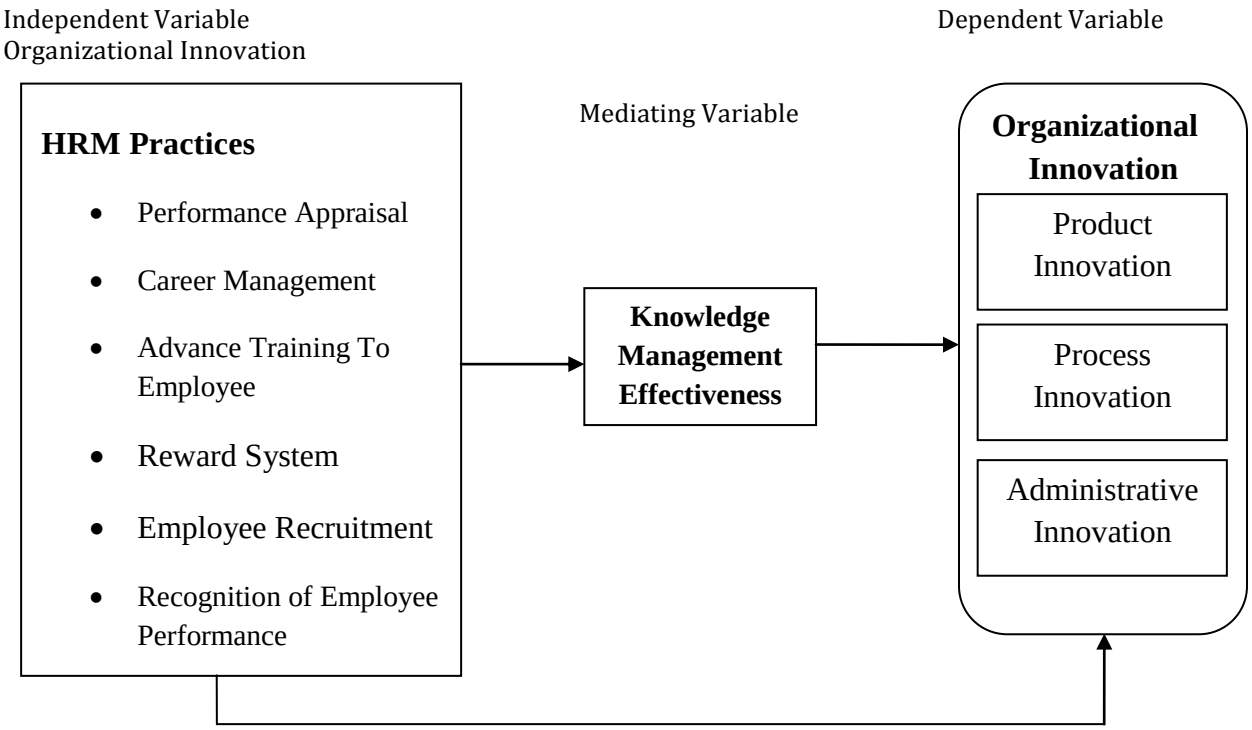
Human Resource Practices: Shipton et al. (2005) stated that HR practices is a set of practices that uses by the firm for management of HR practices through enabling the progressive capabilities like creative multifaceted public relationship, creative knowledge and collection of firm knowledge for maintaining competitiveness advantage. An earlier research shown, that a set of HR practices mostly associated on unique or good practicable method for enhancing the firm innovation. Analyses of the different researchers explain the main six general practices, which are regularly relates with firm innovation. Those general practices are employee performance appraisal, management of employee future growth, compensation system, advance training and selection & employee recognition (Jiménez-Jiménez & Sanz-Valle, 2005). In contradiction of these weaknesses, the author included the HR practices relating to particular practices, formal rules and beliefs. These practices have special shape to appeal, improve, inspire and retain workers that certify the actual running and survival of the firm. Therefore, these HR practices can be general or superlative experienced methodology (Delery & Doty, 1996); strategic HR practices method (Huselid, 1995); contingency methodology (Wright & McMahan, 1992) and configuration methodology (Schuler, 1989).

Knowledge Management Effectiveness: When an organization maintains the learning environment and provides the facilities to employees for this purpose, then organization maintains the effective knowledge management system. This effective knowledge enhances the innovational activities, which are helpful for achieving the organizational goals. The employee learning behavior enhances the storage of knowledge that offered to the firm for accomplishment of innovational activities. According to Darroch and McNaughton (2002) stated that when a firm explains capability in management of knowledge, so it explains deliberation as possessing the vision of knowledge management. Effective knowledge management means that a set of organized actions to increase the storage of knowledge for the organizational development and innovation from inside and outside the organization. Darroch and McNaughton (2002) stated that efforts to enhancing the knowledge management involve the formation of knowledge based tasks, flow of the knowledge management inside the firm and utilization of knowledge in a real and efficient way for the long term benefits of the firm. Gold, Malhotra and Segars (2001) argued that KM is a procedural viewpoint, which helps in achieving the organizational goals. Knowledge management is considered as a procedure to improve creative knowledge and apply for attaining firms' innovation and development. Those firms that are efficiently managing their knowledge in their creative and talent employees are becoming more innovative and creative.

Human Resource Practices and Organizational Innovation: According to Paauwe and Boselie (2005) argued that human resources point of view a theory, which is a popular theory in all theories which applied in the studies of human resource. That connects human resource management and progress that is ability, motivation and opportunity. RBV stated that human resource is an essential resource of the all resources of organization. HR supports the organization to attaining the business competitive advantage, which leads to seniors for durable procedure? Therefore, employees will achieve organizational goals effectively, when employees are inspire and motivated (Paauwe & Boselie, 2005). HR practices perform the significant role in inspiring employees to show satisfactory in the shape of sets that supports and applicable the firms to maintain the competitive approach for the survival of an organization. Innovative organizational deal through HR practices as the firms approach to inspire teamwork, increase firm philosophy and create client relationships through sharing and authorization the authorities in subordinates (Wang & Noe, 2010). According to Gupta and Singhal (1993) stated that innovational activities help the firm to make new

products and provide unique services for the customers and consumers.

Figurer 1: Theoretical Model



According to Chen and Huang (2009) stated that an organization produce and announce a new product, new procedure, new administrational practices, organization requires advance innovative employees, those are adjustable with the task, risk taker and forbearing of hesitation and uncertainty. Therefore, these employees are greatly important and necessary in IT industries. These employees participate for achieving the organizational objectives through market awareness, products and procedural innovation. Numerous researchers explained that supportive HR practices of organization helpful for employee inspiration and encourage to employees for becoming the innovative and creative (Jiménez-Jiménez & Sanz-Valle, 2005; Laursen & Foss, 2003; Shipton et al., 2005; Ullah &Yasmin, 2013). HR practices positively connected to organizational advance innovational process and system. For example, performance appraisal enhances commitment of employee and satisfies before employees have providing opportunities to debate about their job performance. Based on the literature review, study model is in Figure 1.

Therefore, the result will guide the organization to complete and create innovational actions and activities for achieving the goals of the organization. Career growing management guides workers to achieve their career growth aims and purposes. When an employee feels satisfaction with career growth opportunities, then it causes to encouraging and inspiring to act for advance innovational actions (Delery & Doty, 1996; Ullah et al., 2012). Advance training of employees improve the knowledge, skillfulness and capability of employees to accomplish efficiently assigned innovative targets. According to Schuler, (1989) stated that advance training of employee supports employee for desirable advance knowledge with their skills and capabilities. When employee involve in advance innovational activities, so production procedures and human resource practices works efficiently for achieving the organizational goals.

Compensation system offers economic return; career growth opportunities and employee recognition purpose are to encourage employees to participate in risky opportunities and introduce new products/services and create advance concepts for the organizational competitive advantage (Guptal & Singhal, 1993). Compensation system inspires employee's motivation, so it enhances employee contribution through creation of advance innovational concepts and leading to the firm advance innovation.

Schuler (1989) argued that recruitment and selection contains engaging, attaining suitable and capable applicants through outside sources. Recruitment and selection system fairly involved to appropriate between the candidate and organizational values. When organization involve the recruitment procedure for hiring of extra ordinary employees for creational activities and maintain the innovational environment for getting the advantages of organization from the market, so this is the suitable way for organization to earns a lot profit . After studying the literature, thus key hypotheses are raising and mention below:

H_1: The levels of HR practices (employee performance appraisal, employee career growth management opportunities, advance employee training, employee compensation system and recruitment / selection and employee recognition) are positively related to the firm advance innovations (products innovations, processes innovations and administrational innovations).
H_{1a}: The levels of HR practices (employee performance appraisal, employee career growth management opportunities, advance employee training, employee compensation system, and recruitment / selection and employee recognition) are positively related to the products innovation.
H_{1b}: The levels of HR practices (employee performance appraisal, employee career growth management opportunities, advance employee training, employee compensation system and recruitment / selection and employee recognition) are positively related to the processes innovation.
H_{1c}: The levels of HR practices (employee performance appraisal, employee career growth management opportunities, advance employee training, employee compensation system and recruitment / selection and employee recognition) are positively related to the administrative innovation.

Knowledge Management as a Mediator: Previous literature and researchers like Hislop (2003), Morrow and McElroy (2003) and Moynihan et al., (2001) discovered the gap among HRM practices and organizational outcomes that is the organizational innovation. Knowledge management is known as the significant act for attaining, increasing and supporting rational resources in firms. It is one mediating instrument from successive organizational innovation, that is knowledge management and it mediates among firm's factors and firms outcomes. According to Alshekaili & Boerhannoeddin, 2011), the affiliation among human resources and advance innovational growth through mediating effect of knowledge management. Tung (2004) showed the knowledge management as a mediator and knowledge management mediates the link among firm beliefs, organizational value and organizational structure. It is necessary according to research point of view to observe the indirect association among firm advance innovation and HR practices through knowledge management. Fundamental the association among HR practices and firm advance innovation that were misplace in earlier researches. Therefore, HR practices concluded a decision-making procedure that permits the organization to manage efficiently to development of organizational advance innovation, so it is main hub of data traveling unit in the organization (Shipton et al., 2005; Usman et al., 2012). Thus, assumed and hypothesized that:

H_2: Knowledge management mediates the association among HR practices (performance appraisal, career growth management, advance employee training, compensation system, recruitment and employee recognition) and firm advance innovation (products innovation, processes innovation and administrative innovation).
H_{2a}: Knowledge management mediates the association among HR practices (performance appraisal, career growth management, advance employee training, compensation system, recruitment and employee recognition) and products innovation.
H_{2b}: Knowledge management mediates the association among HR practices (performance appraisal, career growth management, advance employee training, compensation system, recruitment and employee recognition) and processes innovation.
H_{2c}: Knowledge management mediates the association among HR practices (performance appraisal, career growth management, advance employee training, compensation system, recruitment and employee recognition) and administrative innovation.

. Methodology

This research tends to assess the influence of human resource practices on knowledge management effectiveness and organizational innovation. This study depends on the hypothetical deductive method.

Based on this approach, it divided the research design in the systematic parts and research design begins from enough literature review. Finding the research gap to be targeted for this specific research area. According to Sekaran (2006), this approach starts from conceptual background and modeling, enough literature review, developing hypothesis and generating authentic results from the research. Point out the valid and reliable reasons that why this research is significant to fulfill the specific literature gap from research point of view. So on these reasons preparation of problem statement and preparation of research questions based on problem statement, which developed by the researcher. Selecting and preparation of objectives of the research helps the researchers for taking and collecting the right answers of research questions and conducting the study and developing of conceptual framework is the next step. There are main two parts of data collection (1) instrument development, population, sampling, reliability and validity (2) analysis of identify the unit and conduct fieldwork. For empirical testing, the questionnaire method adopted and selected from the selected sample (collected data).

Instrument: The questionnaires were distributed among different managers in Islamabad and Rawalpindi and it had two parts. The first part included the demographics and second part included the different independent variables, which are related with each other and also mediating variables with the dependent variables. All of these questions were measured on the five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

Table 1: Summary of Measuring Instrument

Construct	No of Items	Reference
Performance Appraisal	6	Singh et al. (2004)
Career Management	3	
Advance Training to Employees	5	Rogg et al. (2001)
Reward System	6	Singh et al. (2004)
Employee Recruitment	4	Singh et al. (2004)
Recognition of Employee Performance	4	
Knowledge Management	16	Wang et al. (2008)
Product Innovation	3	Jimenez-Jimenez and Sanz-Valle (2008)
Process Innovation	4	(Popadiuk and Choo, 2006)
Administration Innovation	4	Jimenez-Jimenez and Sanz-Valle (2008)

Variable Measurement

Human Resource Management Practices: Table 1 shows the instrument summary. According to table, 28 items that included career management (three items), performance appraisal (six items), reward system (six items), recruitment (four items), training (five items) and employee recognition (four items) measured the HRM practices. The items of reward system, performance appraisal and employee recruitment were taken from Singh et al (2004). The scale was used to measure career management and employee recognition was measured by a questionnaire instrument that had 4 items. Completing required tasks and employee also received feedback from managers regarding his or her progress on job and this credit goes to employee and supervisor through appreciation.

Knowledge Management Effectiveness (KME): Effective Knowledge management was comprised of 16 items. The items were taken from previous study of Wang et al. (2008). The response format was based on a five-point Likert scale ranging from (one) 'strongly disagree' to (five) 'strongly agree'.

Organizational Innovation: Organizational advance innovation was measured using 10 items that included processes innovations (3 items), products innovations (3 items) and administrational innovations (4 items). Products innovations and administrational innovations items were taken from Jimenez-Jimenez and Sanz-Valle (2008). Technical innovations items were taken from Popadiuk and Choo (2006).

Population and Sampling: A quantitative research methodology was used and for finalizing the research instruments, the descriptive and causal research used to conduct the survey. In Pakistan, the Telecom Sector is growing fastly for many years. The telecom industry of Pakistan includes cellular operators, long

distance international (LDI) operators, fixed local loop (FLL) operators and wireless local loop (WLL) operators. The famous organizations included in this sector like (Zong, Telenor, PTCL, Mobilink, Warid Telecom, Ufone, which are located in twin cities of Pakistan; Islamabad and Rawalpindi. The target people for this study were managerial level employees of telecom sector. A sample from Telecom Sector includes the companies like Mobilink, PTCL, Ufone, Warid, Telenor and Zong. Three of them PTCL, Ufone and Mobilink are national and other three (Telenor, Warid and Zong) are multinational. Why choosing these managerial level employees? Because they have experience, knowledge and better understanding regarding various aspects of HR practices, knowledge management and organizational innovation. Moreover, these organizations follow the same regulations, products of all the organizations are almost same and cultures are identical. Population of telecom sector is very large so convenient sampling technique was used for collection of data. 400 questionnaires were distributed among managerial level employees who were working in telecom sectors of Pakistan.

Assessing Reliability: For measuring, the internal consistencies of the statements, the Cronbach's alpha are used which covers the particular factor and it measures reliability of statements to the specific construct. Therefore, in this study researcher used Cronbach's alpha to measure the reliability of statements. Cronbach's Alpha coefficient is a value for reliability having values from zero to one. Its higher value indicates greater reliability. Generally, scholars use 0.6 as a minimum level (Jolibert & Jourdan, 2006).

Table 2: Reliability of Measurement Instrument

Research Concept	No. of Items	Chronbach alpha
Performance Appraisal	6	0.77
Career Management	3	0.80
Employee Training	5	0.72
Reward System	6	0.82
Employee Recruitment	4	0.67
Employee Recognition	4	0.84
Knowledge Management Effectiveness	16	0.67
Product Innovation	3	0.73
Process Innovation	3	0.76
Administration Innovation	4	0.87

Table 2 demonstrates the results of reliability analysis for every construct. The results show that Chronbach's alpha varied from 0.67 to 0.87. It was distinguished that all of the alpha values were above than 0.6. These data expose that reliability of study constructs is good.

Confirmatory Factor Analysis: Confirmatory factor analysis was practiced, as an analysis of variables validity to expose that hypothetical intimating of a variable was empirically acquisitioned by its indicators. According to Hair et al. (2006), implementing this method researcher was able to confirm about how good all the manifest variables of the same construct relate with each other. Table 3 shows the estimates of the variables of the study, which were significant and considered well for further analysis.

Table 3: Estimates of Constructs of the Study

Constructs		Items	Estimates
Performance Appraisal	PA1	Performance Appraisal	.614
	PA 2	Performance Appraisal	.710
	PA 3	Performance Appraisal	.725
	PA 4	Performance Appraisal	.776
	PA 5	Performance Appraisal	.779
	PA 6	Performance Appraisal	.708
Career Management	CM1	Career Management	.850
	CM 2	Career Management	.750
	CM 3	Career Management	.894
Employee Training	ET1	Employee Training	..6898

	ET 2	Employee Training	.571
	ET 3	Employee Training	.768
	ET 4	Employee Training	.849
	ET 5	Employee Training	.689
Reward System	RS1	Reward System	.802
	RS 2	Reward System	.759
	RS 3	Reward System	.760
	RS 4	Reward System	.908
	RS 5	Reward System	.860
	RS 6	Reward System	.647
Employee Recruitment	ER1	Employee Recruitment	.682
	ER 2	Employee Recruitment	.908
	ER 3	Employee Recruitment	.837
	ER 4	Employee Recruitment	.689
Knowledge Management Effectiveness	KME1	Knowledge Management Effectiveness	.657
	KME2	Knowledge Management Effectiveness	.567
	KME 3	Knowledge Management Effectiveness	.680
	KME 4	Knowledge Management Effectiveness	.745
	KME 5	Knowledge Management Effectiveness	.802
	KME 6	Knowledge Management Effectiveness	.801
	KME 7	Knowledge Management Effectiveness	.730
	KME 8	Knowledge Management Effectiveness	.825
	KME 9	Knowledge Management Effectiveness	.765
	KME 10	Knowledge Management Effectiveness	.804
	KME 11	Knowledge Management Effectiveness	.790
	KME 12	Knowledge Management Effectiveness	.732
	KME 13	Knowledge Management Effectiveness	.841
	KME 14	Knowledge Management Effectiveness	.698
	KME 15	Knowledge Management Effectiveness	.847
	KME 16	Knowledge Management Effectiveness	.687
Product Innovation	PI1	Product Innovation	.828
	PI 2	Product Innovation	.789
	PI 3	Product Innovation	.689
Process Innovation	PII1	Process Innovation	.654
	PII 2	Process Innovation	.780
	PII 3	Process Innovation	.905
Administration Innovation	AI1	Administration Innovation	.904
	AI2	Administration Innovation	.804
	AI 3	Administration Innovation	.687

AI 4	Administration Innovation	.807

Through confirmatory factor approach of assessing measurement model, the maximum likelihood (ML) estimation method was employed (Hooper et al., 2008; Hair et al., 2006).

4. Results

Analysis of Demographics: The sample of target respondents for this study was 290 who were rendering their services in different departments at different sites in the telecommunication sector of Pakistan. Table 4 demonstrates the composition of all the respondents of the study. According to the table 4, there were 290 respondents, 203 were male, 87 were female, and sample consists of 30% of female and 70% of male employees. In distribution of age the table shows that most of employees were in age bracket of 31-40, 42.8 % of employees and 15.9% were in age bracket of 21-30. In the age bracket of 41-50, there were 41.4% respondents. Married and unmarried both employees were considered into this sample. Married and unmarried status of employees is shown in this table. The table demonstrates that 56.9% employees were married and 43.1% were unmarried. Respondents were requested to

Table 4: Frequency Distribution of Demographic Profile of the Respondents

Demographic	Category	Frequency	Percent
Gender	Male	203	70.0
	Female	87	30.0
Age	21-30	46	15.9
	31-40	124	42.8
	41-50	120	41.4
Marital Status	Married	165	56.9
	Unmarried	125	43.1
Qualification	Graduate	141	48.6
	Master	89	30.7
	MS/M. Phil	55	19.0
	PhD	5	1.7
Service Period	1-2	64	22.1
	3-5	51	17.6
	6-10	76	26.2
	More than ten years	99	34.1
Total		290	100

Note. N=290.

Indicate their highest educational qualification. Qualification data shows that that most respondents are graduated from the selected sample. Data shows that 48.6% employees were Graduated, 30.7% were Master, 19% were MS/M, Phil and 1.7% were Ph. Ds. Qualification data shows that mostly respondents had more than ten year experience in the existent organization where there are working. Therefore, the percentage is 34.5 % had more than ten years experience in current organization and 26.2% had 6 to 10 years experience in current organization.

Hypothesis Testing: A regression analysis was conducted to test hypothesis H1 and sub - hypotheses H1a, H1b and H1c. Six variables of human resource management practices (employee performance appraisal, employee career management, employee training, reward system, recruitment, and employee recognition) were penetrated. Regression analysis among human resource management practices and organizational innovation outcomes are publicized in Table 5.

Table 5: Results of Regression Test Showing the Impact of HR Practices on Organizational Innovation

Predictors	Product Innovation Std. ß	Process Innovation Std. ß	Administrative Innovation Std. ß
HRM Practices:			
Performance appraisal	0.11	0.07	0.21*
Career management	0.11	0.18	0.15
Training	0.36**	0.29**	0.30**
Reward system	0.09	0.03	0.03
Recruitment	0.04	0.24**	0.07
Employee Recognition	0.34 **	0.27 **	0.28**
R^2	0.20	0.19	0.31
Adjusted R^2	0.16	0.15	0.28
R^2 △	0.18	0.18	0.30
F-value	5.72**	5.32**	10.37**
F-value △	7.12**	6.93**	14.26**

Note: **p<0.01, *p<0.05.

As shown in table, the R^2 of products innovation is 0.20% represents that the six elements of human resource management practices donated 20.0% to the variance in products innovation. Conversely, the R^2 of process innovation is 0.19% showing that the six dimensions of human resource management practices donated 19.0% to the variance in processes innovation. The R^2 of administrative innovation shows a sudden boost to 0.31% viewing that the six dimensions of human resource management practices donated 31.0% to the variance in administrative innovation. The F - change of products innovation (7.12%), processes innovation (6.93%) as well as administrative innovation (14.26), was significant ($p < 0.01$). Out of six human resource management practices, only training and employee recognition were observed to be positively and significantly associated to organizational innovation. The result further reveals that training influences product innovation as (ß = 0.36, $p < 0.01$), process innovation (ß = 0.29, $p < 0.01$) and administrative innovation (ß = 0.30, $p < 0.01$). The employee recognition has influence on products innovation as (ß = 0.34, $p < 0.01$), processes innovation (ß = 0.27, $p < 0.01$) and administrative innovation (ß = 0.28, $p < 0.01$). Performance appraisal was also demonstrated to be positively and significantly linked to administrative innovation (ß = 0.21, $p < 0.05$). Career management, reward system, recruitment and employee recognition did not depict any association with products innovations, processes innovations and administrational innovations. The results showed partially support for hypothesis H1a, H1b and H1c.

Baron and Kenny (1986) and Kenny (2003) followed the four-step process suggested to ensure the mediating role of knowledge management effectiveness as a hypothesis H2. Previous and initial outcomes of hierarchical regression on the relationship among human resource management practices and firm innovations (products innovation, processes innovation and administrative innovation) (Table 5). Thus further analysis on the relationship among human resource management practices and knowledge management effectiveness (ß = 0.34, $p < 0.01$) revealed that employee performance appraisal and employee training cover the mediation effect. Table 5, 6 and 7 indicated the results of the mediation effects of knowledge management effectiveness on the association among human resource management practices and firm innovations (products innovations, processes innovations and administrational innovations).

Table 6: Mediation Analysis of Knowledge Management Effectiveness on the Association among HR Practices and Products Innovation

Predictors	Criterion Variables		
	Product Innovation (Without KME) Std. ß	**Knowledge Management Effectiveness (KME) Std. ß**	**Product Innovation (With KME) Std. ß**
Training	0.39**	0.36**	0.23*
Recognition	0.37**	0.34**	0.21*
KME	-	-	0.34**
R^2	0.76	0.20	0.25
Adjusted R^2	0.75	0.16	0.21
R^2 △	0.76	0.18	0.23
F-value	70.32**	5.72**	6.68**
F-value	98.21**	7.12**	8.12**

*Note: **p<0.01, *p<0.05. KME indicates knowledge management effectiveness.*

According to Table 6, the effect of employee training and employee recognition on products innovations were observed important without knowledge management effectiveness (ß = 0.36, p < 0.01; ß = 0.34, p < 0.01) and with knowledge management effectiveness (ß = 0.23, p < 0.01; ß = 0.21, p < 0.01). From other side the beta value decreased in the presence of knowledge management effectiveness; result designated the partial mediation. Employee training and employee recognition have indirect influence on products innovation through knowledge management effectiveness. So as a result, sub-hypothesis H2a is accepted.

Table 7: Mediation Analysis of Knowledge Management Effectiveness on the Relationship between HR Practices and Process Innovation

Predictors	Criterion Variables		
	Process Innovation (Without KME) Std. ß	**Knowledge Management Effectiveness (KME) Std. ß**	**Process Innovation (With KME) Std. ß**
Training	0.39**	0.29**	0.04
Recognition	0.37**	0.27**	0.08
KME	-	-	0.54**
R^2	0.76	0.19	0.29
Adjusted R^2	0.75	0.15	0.26
R^2 △	0.76	0.18	0.28
F-value	70.32**	5.32**	8.28**
F-value	98.21**	6.93**	10.62**

*Note: **p<0.01, *p<0.05. KME refers knowledge management effectiveness.*

Table 7, the results of mediation effect of knowledge management effectiveness on the association among human resource management practices and process innovation are shown. Employee training have impact on processes innovation (ß = 0.29, p < 0.01) turned out to be insignificant in the presence of knowledge management effectiveness (ß = 0.04, p > 0.05), the impact of employee recognition turned out to be significant (ß = 0.27, p < 0.01) and insignificant in the presence of knowledge management effectiveness (ß = 0.08, p < 0.05), so entailing high mediation. It may be inferred that training and employee recognition have indirect influence on processes innovations through knowledge management effectiveness. Therefore, the hypothesis H2b is supported.

Table 8: Mediation Analysis of Knowledge Management effectiveness on the Association between HRM Practices and Administration Innovation

	Criterion Variables		
Predictors	**Knowledge Management Effectiveness (KME) Std. ß**	**Administrative Innovation (Without KME) Std. ß**	**Administrative Innovation (With KME) Std. ß**
Performance appraisal	0.16**	0.21*	0.12
Training	0.39**	0.30**	0.10
Recognition	0.37**	0.28**	0.12
KME	-	-	0.52**
R^2	0.76	0.31	0.43
Adjusted R^2	0.75	0.28	0.40
R^2 △	0.76	0.30	0.43
F-value	70.32**	10.37**	15.29**
F-value△	98.21**	14.26**	20.14**

*Note: **p<0.01, *p<0.05. KME refers to knowledge management effectiveness.*

As shown in Table 8, the performance appraisal influence (ß = 0.21, p < 0.01) was insignificant in the presence of knowledge management effectiveness (ß = 0.12, p > 0.05), thus including high mediation. Similarly, the impact of employee training (ß = 0.30, p > 0.01) on administrative innovation was insignificant in the presence of knowledge management effectiveness (ß = 0.10, p > 0.05). Although, the impact of employee recognition (ß = 0.28, p > 0.01) on administrational innovation is insignificant (ß = 0.12, p > 0.05) in the presence of knowledge management effectiveness and shows high mediation. The related significant of results showed that performance appraisal; employee training and employee recognition have indirect impact on administrational innovations through knowledge management effectiveness. So hypotheses H2c are accepted and overall hypothesis 2 is partially accepted.

Discussion: The purpose of this research was to examine the indirect relationship among organizational innovation and human resource management practices and direct association among organizational innovation and human resource management practices via knowledge management effectiveness. Arithmetical consequences attained in the research demonstrated that HM practices have a significant impact on firm innovation. The mediation effect of effective knowledge management on association among firm innovation and human resource management practices. However, mainly two of six human resource practices that are employee training and employee recognition were established to have mutually indirect and direct effect on all the facets of firm innovation. This consequence exposed that when organization has higher execution stage of employee training, it enhances advance growth of individual's obligatory expertise and their motivation to learn. Individuals are capable to create latest ideas and innovative dreams. These innovative ideas and dreams are helpful for firm innovational process. Consequently, challenges taken for development of knowledge management effectiveness in the telecommunication sector of Pakistan are helpful in enhancing the firm innovational process. This research outcome elaborated many proposes to mix of (product and services) and especially to services sectors of Pakistan. Therefore, these outcomes helped the management for deciding and implementing the required training and development programs. Individuals accept the training programs as projected to employ the knowledge obtained on the work. In other words, the high level of execution of training and employee recognition, the supplementary transmit of information and knowledge that will enhance organizational knowledge and encourage innovative thoughts, guiding to products innovation, processes innovation and administrative innovation (Anvari & Amin, 2011; Delise et al., 2010; Ullah & Rehman, 2015).

Employee training increase declarative knowledge of individual's employees concerning their entity or group abilities, considering them excel and ace up their relationship and trend of helping in achieving the diverse responsibilities and attaining the challenge (Ullah & Yasmin, 2013). Therefore, sharing of knowledge may be pointed out between employees via creating the learning and accommodating environment in the organization. It is important in the shape of construction of global and dedicated work

deeds between them. So collectively, employees share their capabilities to include their ideas and rising everyday jobs requirements. Performance appraisal conversely was established to have twice effects like indirect and direct on administrational innovations, although products innovation and processes received no indirect or direct effect. Administrative innovation generally made within a shorter period as administrative process and system may be accustomed according to the desires of the company because, it is one of the promising clarifications. Normally feedback from performance appraisal actions, generally performed at least one time yearly may facilitate the firm for further improvement of administrative practices of innovation. Conversely, products innovation and processes innovation acquire a long-term period and possibility for many years to give up outcomes due to technicality restraints, which come on front during actualization of processes and products. Therefore, there is no impact on products innovation and processes innovational process according to feedback of performance appraisal. It showed that the individual's motivational levels towards their everyday activities of jobs based on the fair and better execution system of performance appraisal. Positive motivation of individual employees facilitates and enhances the innovative ideas and thinking in order to enhance administrative innovation (Marescaux, Winnie & Sels, 2010; Tan & Nasurdin, 2011; Prasetya & Kato, 2011).

Amazingly, a number of human resource practices (reward system, selection, employee career management and recruitment) were examined to be not related to firm innovational system (processes innovations, products innovations and administrational innovation). Divergent to anticipation, both recruitment and compensation process were significantly associated to products innovations and processes innovations. According to Chew (2000), telecom firms have diverse patterns while recruiting individuals. Usually, some organizations are hostile and have obvious selection criterion and their recruitment assessment depend on joint effort between human resource managers and directors. In disparity, some organizations fundamentally do not have obvious criterion for recruitment, and the recruitment assessments depend greatly on manager or director's personal opinion. In attempt to achieve competitive benefits, the firms have under strain to decrease operational and administrative expenses. According to Schuler (1989), organizations are more probable to exercise reduce overhead, strict control and trail economics of scale. Moreover, tight control can guide to most of the organizations very cost-sensitive. Therefore, regarding rewards might have accounted for the no significant association between all the three facets of firm innovations (products innovations, processes innovations and administrational innovations) by Tan and Nasurdin (2010).

The individuals learn best, when employee received the respect, and this respect is right of every employee in the organization. If we look at the quality of experience that employees undergo during their education, we will arrive at the conclusion that is filled with feelings of fear, insecurity, rejection, embarrassment, humiliation and guilt (Tourangeau & Cranley, 2006). Recognizing people is to accept and acknowledge for what they are. People may not be recognized conditionally on the basis of gender, race etc because they must be recognized wholly on the behalf of human beings. Individuals show phenomenal development, when they are accepted along with their individual learning styles and pace. Employees must be recognized for what they do instead of what they not done (Hausknecht, Rodda & Howard, 2009).

5. Conclusion

It is clear from the results that human resource practices have a considerable constructive influence on the innovation. The results also showed mediation effect of KME on association among organizational innovation and human resource practices. However, it was found that only training had direct as well as indirect impact on the constructs of organizational innovation. Performance appraisal has mutually direct as well as indirect impact on administrative innovation. However, it had no impact on products innovation and processes innovation. Conversely, processes innovation and products innovation acquire a long-term period, possibly numerous years to give up outcomes because of technological restraints confronted in products and processes realization. Therefore, the response from performance appraisal movement cannot have an impact on processes and products innovation. It denotes the high intensity of execution of reasonable performance appraisal, the high intensity of individuals' inspiration to the everyday jobs of individuals. Elevated inspiration will facilitate to enhance individuals' motivation to produce innovative

thinking in order to enhance administrative innovation. So reward system, employee career management, recruitment and selection were noted not to be related to firm innovation.

Recommendations: This research renders a number of recommendations. Each and every employee should be responsive with significance job behavior and innovative thoughts among any business group and if their recognition of this wisdom does not come up to dead heart and deaf ears then stage of their skill and ability can be enhanced through appropriate management reaction by recognition. The top management of the organization should provide the atmosphere of knowledge, collaboration among employees, dedicated administration, suitable satisfying employee training requirements, job security, admiration on admirable performance, proficient and successful planning for their professional activities to its workforce for attaining the objectives of the organization. Better and desired career planning has impact on better performance of employees. Views and discussion of management and incorporation as a source for improvement of employee attitude and behavior towards achieving the organizational goals. It is recommended that human resource managers should recognize the significance of Career planning particularly for employees' job improvement for achieving their tasks, which were settled by the management of the organization. Recognize and accept the employee positive efforts for enhancing the motivational level. The individuals learn best when they are respected and this respect is every individuals' right. People may not be recognized conditionally on the basis of gender, race, culture, behavior, attitude etc. they must be recognized wholly because they are human beings and the great and important assets of the organization. Employees must be recognized for what they do instead of what they not done because it is a tip to improve the employee performance through positive way.

Research Limitations and Direction for Future Research: The present research has several limitations. The firs limitation is about data collection because the data was cross-sectional that restrains our skill to build causal assumptions. Particularly, definite human resource practices for example career management, organizational reward system, employee selection and recruitment might not have instant impact on innovation. Therefore, a very famous and reasonable approach would be to perform a longitudinal study and another limitation of study is specific targeted area for research. The present research is restricted to telecom sector sited in Rawalpindi and Islamabad, Pakistan. The results of this study cannot be generalized for other samples on other fields or places, so further research should be replicated with another sample from different areas within the same industry that will enhance and advance the generalization of the outcomes. Lastly, this study was restricted only in telecom sector of Pakistan. Future study should be extended to other services providers sectors for example health, education and banking sector.

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