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Resource Evaluation of Indonesia Non-Bank Financial Institutions

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Company resources have an influential role in supporting the achievement of company performance. The financial companies are no exception, especially with the increasing trend of competition today. Therefore, this research paper focuses on evaluating existing resources within the company as well as any company activities that significantly affect the company's revenue targets through secondary data analysis. Resource-Based Theory (RBT) and Dynamic Capability Theory (DCT) are the central theories that have been used in this paper. The results of this study concluded that human resources through recruitment contributed the most significant support to the company's performance, especially on non-bank financial institutions listed on the stock exchange. This analysis is one of the critical indicators for leaders, especially with extraordinary changes due to the presence of digital financial technology and applications.

Key words: *Resource-Based Theory, Competition, Non-Bank Financial, Resource Development, Performance.*

Introduction

Meade (2011) conveys the importance of understanding management efforts to maintain sustainability performance even though it is considered quite pragmatic given the current highly dynamic competition, and considerable effort is required to align with company strategy to grow and its operations. Since 1959, researcher Edith Penrose sees the importance of the continuous growth of the company. In general, the company is determined by the value of products or servicesthis the company's resources. Management is responsible for actively growing business by eliminating waste and inefficiency and making procedures more straightforward, so the costs will fall and consistently improve bottom-line performance. These statements are in line with the concept of Resource-based View of the Firm. Warnefelt (1984)

pointed out the importance of management to understand its economic resources in the company and measure it over time to enable company leaders to determine the direction of their policies, in the present, or subsequent periods. Schumpeter, in Hess (2010), sees that the world's economy is built from a complex and ever-changing production chain following the current situation. Macher & Mowery (2009) suggested that research in developing the company capability in achieving competitive advantage in a dynamic environment is still required more exploitation. It involves many aspects of the operation. It has a wide variety of cases, and in some cases, must be observed insufficient time. Hess (2010), said that long-term success occurs when superior performance occurs in short periods and accumulates over time. This concept will give us the idea that a short period of observation could be used to identify the company's source of competitive advantage.

Within this framework, the measurements related to internal assessments and development must be acknowledged and standardised to help the management to identify the company's strategic resources and exploit it, to keep the company growing. David & David (2015) suggested that one of the most appropriate measures to measure the company's performance in achieving its long-term strategy is through its financial statement data. Therefore, this research would like to present a concept of company performance measurement related to the theory of the resource-based view, which encourages dynamic capability to achieve the company's sustainability performance. In this research, a case study of Indonesia listed non-bank finance companies has been used as a research object.

Literature Review

Firms can be considered as a set of resources. This statement was introduced by Penrose (1959). Warnefelt (1984) introduced the resource-based view (RBV) of the firm that the company has a valuable corporate resource component in achieving the company's profitability. The resources include brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, the capital. If the resource has been taking care of and managed correctly, it will encourage the company to achieve its growth target. In 1991, Barney developed a resource-based theory (RBT) that became the fundamental theory of dynamic capability Teece et al. (1997). Affirmed by Barney that the human resources and competitive advantages of the company are closely linked. However, there are four main things that Barney concerns. Those are value, rareness, imitability, and substitutability. Value and rare-ness attach to human resources because of knowledge, educational background, tacit knowledge, or skill. The shape, quality, and size of operations, uniqueness, difficulty to imitate, or replaced also become a critical point.

Teece, Pisano, and Shuen in 1997 introduced the "time" dimension that became very crucial in the very tight market competition. The strategy of fighting against the ever-moving dynamic

competitors became the basis for the development of this theory, Dynamic Capability Theory (DCT). This capability is defined as the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Besides its breakthrough concept, nevertheless, the complex behaviour of competitors and markets has caused this theory to continue to grow and face the challenge of the world's business complexity. Eisenhard & Martin (2000), suggested that Dynamic capabilities are a necessary thing for the company. However, it is not enough to explain all the conditions and solve all the problems of the company in achieving its competitive advantage. The primary target is how to win the competition in successive and related periods.

Ireland et al., 2003, sees the need for an integration of resources from companies, including human capital, social capital, organisational learning, and creative cognition, in a synergy of business activities. This necessity will further increase the likelihood of management performing a resource orchestration that flexibly shapes, directs, rearranges all available resources following market needs. Macher and Mowery (2009), in his research, emphasised that dynamic capabilities start from the abilities of the company to reconfigure a firm's resources. This capability is essential and should be measured over time because companies that are unable to do this will find it challenging to adapt to market needs. With current technological advances, Yang (2011) explains that Dynamic capabilities require a form of information technology invested by companies to drive the need for a remarkable increase in productivity and knowledge sharing. The world that is now facing the industrial revolution, 4.0, should prepare itself by improving the quality of its resources or increasing its system capacity so that it becomes faster and more active or independent.

Performance evaluation and measurement historically and periodically become management tools to make decisions into behaviours that must be implemented. However, there are still many companies still focusing on physical capital to drive its profitability, while it is the human capital that plays an important role, Ikapel (2016). Asta and Teece (2016) also pointed out the importance of the organisational ability to continue to grow, evolve, and change as needed because every process of innovations going forward is needed. Recent developments, Voldovoz, and May (2017) researched the dynamic capabilities and business model connections. Voldovoz and May research database is still using data from the data collection of questionnaires, not using financial data or company data. It is encouraged by CIMA's thinking in 2011, where CIMA reports that not many companies have made continuous performance measurements for strategic objectives and nor short-term evaluations. The integration between financial and sustainability management systems provided a new opportunity in the field of research to further exploit and inspired this paper.

Methodology

This research is trying to develop a new concept of data analysis that combined financial analysis with the basic concepts or principal of RBV, RBT that developed to DCT. The variables that have been studied are five variables. The first variable is the quality of human resources that are characterised by the level of education (RECRUIT). Second, it is the access to the financial capital funds (FINANCE) required by the company to run its operations. Third, the training activities that have been implemented (TC = training cost) by the company in improving the quality of its resources, and 4. the amount of investment in capital and equipment (IONA = investment on new asset) in order to pursue the market demand for facilities and feature on technology implementation. All of these variables are evaluated, whether they have an impact on the revenue (REVENUE) of the company. The selected industry is the financial industry, particularly the listed companies of non-bank in the financial sector in the Indonesia Stock Exchange. Data is downloaded from the Indonesia Stock Exchange and Company Website. The sampling used is purposive sampling which is taken the consideration of the number of employees that has bachelors, master and doctor degree and the total number of them are above 300 people. This selection is intended to identify the size of the company that has quite large operations and capital funds to be used to run the development of the company and quite successful in this industry.

The availability of secondary data on each company to be sampled must be detail, and it is critical for this research. Out of 17 companies of non-bank financial institutions, there are only eight companies have complete data. Those are 1. PT Adira Dinamika Multi Finance Tbk, 2. PT BFI Finance Indonesia Tbk, 3. PT Clipan Finance Indonesia Tbk, 4. PT Wahana Ottomitra Multiartha Tbk, 5. PT Buana Finance Tbk, 6. PT Radana Bhaskara Finance Tbk, 7. PT Batavia Prosperindo Finance Tbk, 8. PT Mandala Multifinance Tbk. The research was initiated in early January 2018, so the period of data is between 2011-2016. Total data collected are 8 Companies in 6 years period or 48 data for the five variables. Some data companies cannot be used because of newly listed on the exchanges over the year 2011, or training data and employee data is not complete.

Based on Kar (2013) and Tenenhaus et al. (2005), the fulfilment of classical test data should be met. Those tests are the normality test, multicollinearity test, autocorrelation test. The same research procedure is also carried out by Tan et al. (2007). SPSS 24 is used to test data normality, autocorrelation, and multicollinearity. PLS software will provide an empirical approach to existing data such as path coefficient, error rate, level of significance, or total effect on the research model (Tenenhaus et al., 2005). WarpPLS version 6.0 is used to calculate the research model.

Result

The variables Finance, Recruit, Tc, Iona, and Revenue, has been tested. Based on the Kolmogorov & Smirnov Test using SPSS ver 24, we found that all the 48 series data are distributed normally. It has been seen that the values of significance are greater than 0.05 (REVENUE= 0.200; RECRUIT = 0.060; IONA = 0.200; FINANCE = 0.089; TC = 0.200). Detail of the normality test can be seen in the table below.

Table 1: Normality Test

One-Sample Kolmogorov-Smirnov Test						
		REVENUE	RECRUIT	IONA	FINANCE	TC
N		48	48	48	48	48
Normal Parameters[a,b]	Mean	12.0275	3.2294	10.3802	3.0550	9.3563
	Std. Deviation	.46627	.54737	.42783	.16550	.74406
Most Extreme Differences	Absolute	.099	.124	.098	.119	.074
	Positive	.099	.124	.098	.119	.074
	Negative	-.062	-.102	-.066	-.092	-.066
Test Statistic		.099	.124	.098	.119	.074
Asymp. Sig. (2-tailed)		.200[c,d]	.060[c]	.200[c,d]	.089[c]	.200[c,d]

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

Using SPSS ver 24, we proceed with the autocorrelation test. As a result, the data does not have autocorrelation with each other. The Durbin-Watson value is between 1 and 3 (1.373). The detail is in table 2 below.

Table 2: Autocorrelation Test

Model Summary[b]										
				Std. Error of the Estimate	Change Statistics					
Model	R	R Square	Adjusted R Square		R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.952[a]	.907	.899	.14846	.907	105.148	4	43	.000	1.373

a. Predictors: (Constant), TC, Finance, IONA, Recruit
b. Dependent Variable: Revenue

The following test is the multicollinearity test. Based on the testing result from SPSS, all variance inflation factor (VIF) from all independent variables data are less than 10 (VIF RECRUIT= 5,369; VIF IONA= 1.907; VIF FINANCE = 1.699 and VIF TC = 6.678). So all independent variables are not having multicollinearity one with the other. The details are in table 3 below.

Table 3: Multicollinearity Test

Coefficients[a]								
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.848	.618		11.083	.000		
	RECRUIT	.459	.092	.539	5.005	.000	.186	5.369
	IONA	-.019	.070	-.017	-.268	.790	.525	1.907
	FINANCE	.694	.171	.246	4.069	.000	.589	1.699
	TC	.189	.075	.302	2.519	.016	.150	6.678

a. Dependent Variable: Revenue

Based on those three preliminary statistical tests above, the next step is evaluating all variables, and the research model using WarpPLS. In the structural model, the coefficient determination R2 (REVENUE) is 0,87. It means the variable Funding (FINANCE), Employee (RECRUIT), Training Cost (TC), and Investment on New Asset (IONA) could explain the diversity of REVENUE variables by 87.0%, and other factors outside the model explain the remaining 13%. In other words, this set up could describe the contribution of FINANCE, RECRUIT, TC, and IONA toward REVENUE performance. The detail of the model is in Figure 1 below.

Figure 1. Research Model and Final Analysis

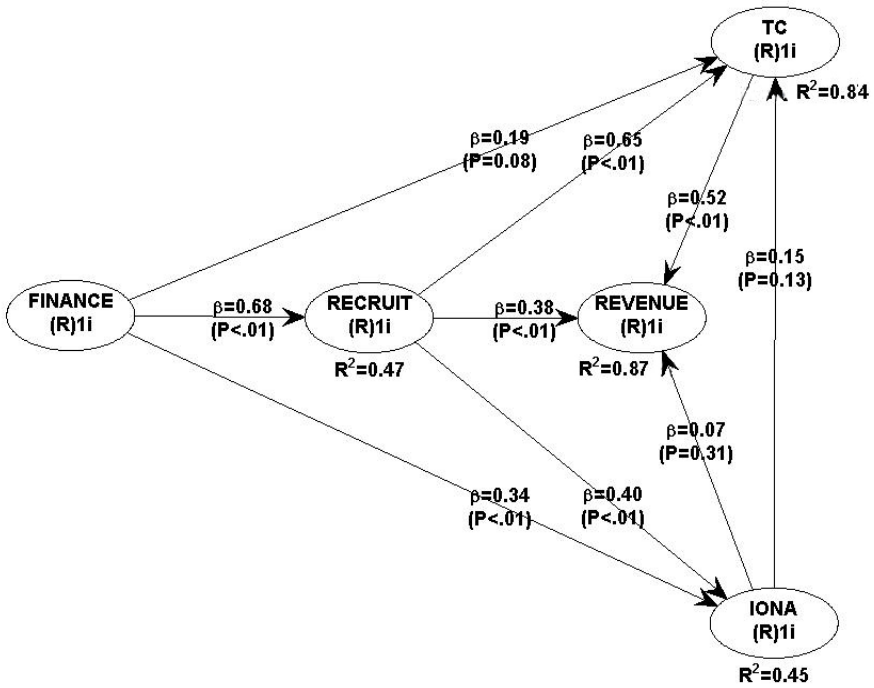


Table 4: Effect Size and P-Value

Effect Size for Path Coefficient

	FINANCE	RECRUIT	REVENUE	TC	IONA
FINANCE					
RECRUIT	0.468				
REVENUE		0.345		0.478	0.052
TC	0.139	0.584			0.118
IONA	0.202	0.252			

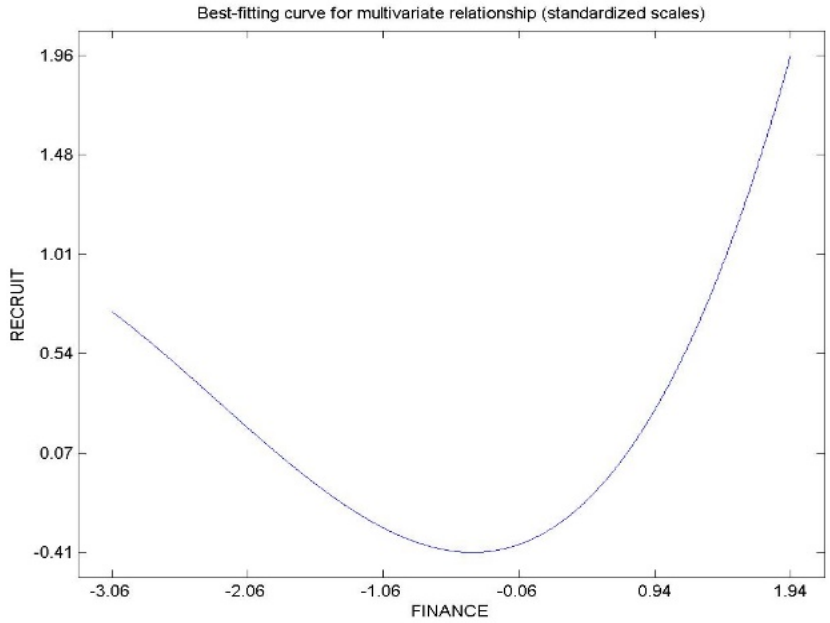
P-Value

	FINANCE	RECRUIT	REVENUE	TC	IONA
FINANCE					
RECRUIT	<0.001				
REVENUE		0.002		<0.001	0.314
TC	0.079	<0.001			0.13
IONA	0.005	<0.001			

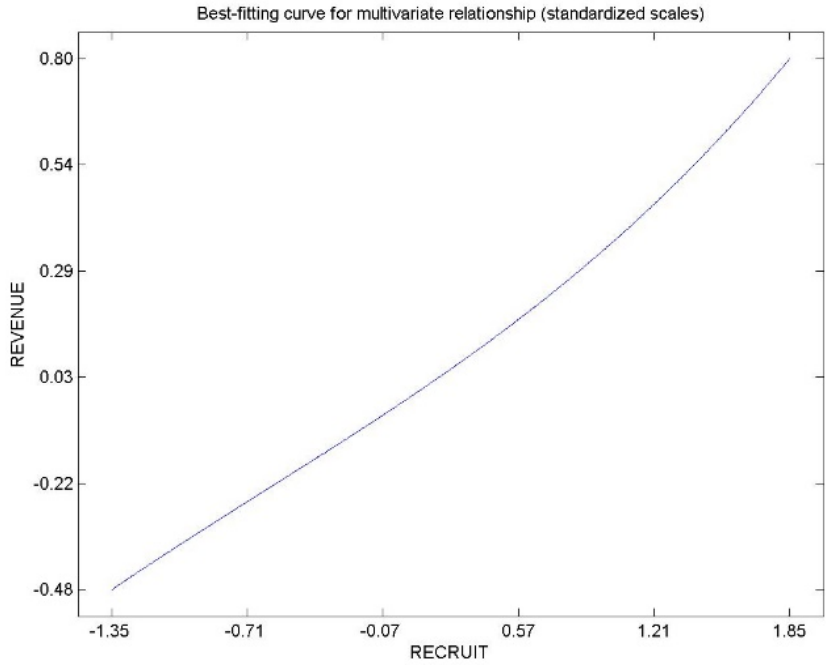
Based on the effect of the path coefficient between RECRUIT to TC (0.584) and TC to REVENUE (0.478) show that the values are higher than 0.35. So the effects indicated by path coefficients are large or strong. This condition, also in line with R2 (REVENUE), is 0,87. If we evaluate the P-value, then six paths have a significant impact since it close to zero. The process of funding (FINANCE) has a significant influence on the employee (RECRUIT) with the coefficient (β = 0.68). The RECRUIT also has a significant impact on REVENUE with the coefficient (β = 0.38), but it could be higher if the path links to TC with the coefficient (β = 0.65) and back to REVENUE with the coefficient (β = 0.52). One exciting finding is IONA. Although the FINANCE and RECRUIT have a significant impact on IONA with the coefficient (β = 0.34) for FINANCE and the coefficient (β = 0.40) fo RECRUIT, the impact to REVENUE is not significant (P-value = 0.31 is higher than 0.05). So it can be concluded that the recruitment of human resources with the support of finance and improved by training activities play an essential role in developing revenue and performance of the company. While investmentin a new asset does not have a significant impact on revenue. Below, we could see the best-fitting curve for the multivariate relationship between two dominant paths:

1. FINANCE to RECRUIT, 2 RECRUIT to REVENUE, 3. RECRUIT to TC and 4. TC to REVENUE.

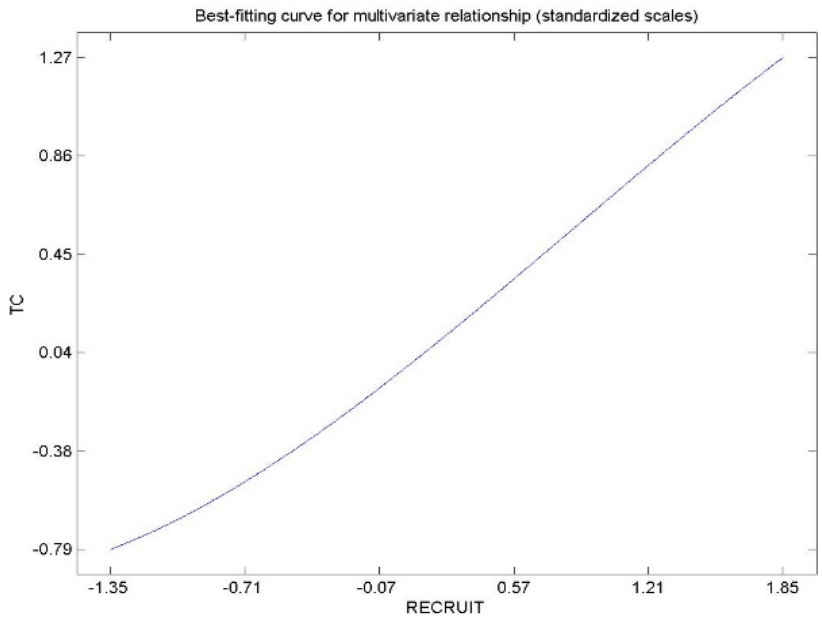
1. Finance to Recruit



2. Recruit to Revenue



3. Recruit to TC



4. TC to Revenue.

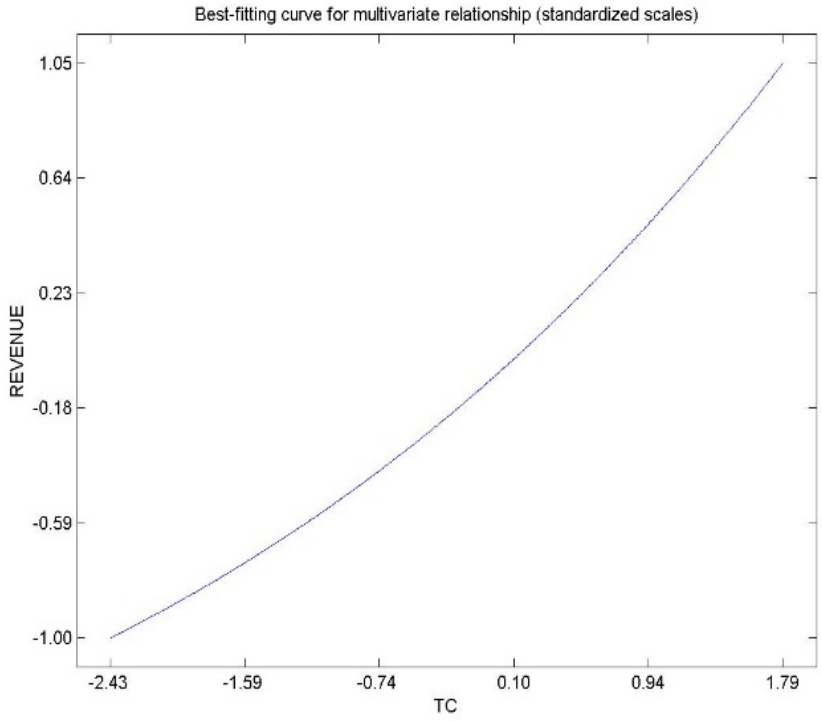


Figure 2 Best Fitting Curve

If we refer to Figure 2 above, the relationship between variable FINANCE and RECRUIT is nonlinear. The trend of finance is going to the left since finance will seek the opportunity to lower the cost, but the number of people will go down until the balance of payment is reached. The relationship between the rest of three variables: RECRUIT to REVENUE, RECRUIT to TC, and TC to REVENUE, most of them have a linear relationship. When the RECRUIT is increased, it is expected the REVENUE also increases. The same condition with RECRUIT to TC. The higher number of RECRUIT will increase the potential cost of TC. The higher of TC, it is expected that the knowledge and skill will also increase and have a significant impact on company performance. Increasing revenue becomes the result of the whole sequence. To company performance and increasing revenue become the result of the whole sequence.

Conclusions and Recommendations

This research suggests that two theories, RBT and DCT, will have a high impact on the company, especially the accessibility to research, attention to trends, the trained employee, training, new investment of equipment, and software performance. In the company of Non-Bank financial institutions in the Indonesia Stock Exchange, the existence of employees with excellent qualifications and competence becomes the determinant of the company's success.

Training becomes an influential mediating variable to provide the sustainability conditions required by the company in maintaining and improving its performance.

In a research conducted by Dostie (2014), Dostie (2018) stated that the company's training activities could encourage the process, productivity, and innovation, especially if it is also encouraged by on-the-job training as well as training in the classroom. In today's business world, where technology exerts a powerful influence on business continuity and business opportunity development, training becomes an essential option for catching up or updating the capabilities of company employees, enabling employees to open up potential opportunities (Porter (1980).If this process regularly applies then, Dynamic Capability will be established in the company (Teece et al. (19917), and more importantly, the company can achieve it at a low cost.

Meade (2011) adds that such an initiative will enable the company to achieve sustainable business where superior achievements can periodically be converted into short-term profits that can ultimately achieve long-term benefits. Long-term benefits not only from the economic side but also on tangible asset awards such as brand and reputation.
Faced with a dynamic competition in the non-bank financial industry, particularly concerning multipurpose financing in Indonesia, based on data from 2011-2016 in 8 leading companies in the industry, it seems that resource development is still central to corporate activities. Innovation development should be done according to customer needs through customer surveys. Technological developments, of course, still are addressed wisely and always must be monitored from time to time. With today's technology, the leader must also consider the implications of technology to customers and, ultimately, to the business.

This research is still in it is the initial stages. Of course, it still requires further analysis with different methods and different research models. The variables studied are also limited. In the company's financial statements and company activities, many other data can be identified as a variable, and this demands a careful selection and adaptation to the industry or the company business model. The study, Voldovoz, and May (2017) that combines DC and business models, plus the results of this research, are expected to provide new challenges for researchers.

Future Research

In the next research adding new variables, increasing the number of research evaluation periods, and increasing the number of companies is essential to be considered. As the more data can be processed, the stronger predictions will be generated. The development of research to different industries can also be noted as a research alternative so that new models can be developed; the compatibility can be achieved to meet industrial needs and characteristics.

In the business journey, of course, there is a positive and detrimental trend. The economy plays an essential role in this situation. Adding external variables, such as the economy, could become an important control variable in strengthening the business and research model. In the uptrend of the economy, it may help to boost company performance. So the ability of components and resources of the company could be influenced by this trend and vice versa. Finding the right model so that we can evaluate the performance of resources over time will be a challenge for the researcher. The next point is the measurement of technology in affecting the business, industry, and also the consumer preference. Finding the best measurement can help the company in sensing seizing and transforming the opportunity of the company. Can the company translate these three components into a specific measurement that can be monitored and evaluated? It is also essential to be accurate, understandable, and executable because, with this data, the management can decide its policy and its strategy. So, there are still many stages to be developed by researchers in the areas of RBT and DCT, as already revealed by Arend and Bromiley (2009), Giudici, and Reinmoeller (2012).

The philosophies of this research also seeking a company performance analysis, especially with time-series data. Various methods of company performance analysis have been around for many years. Conventional techniques that are often used are using DuPont analysis (by calculating financial ratios), EVA Margin, ROIC, DCF, or Long-term Growth. However, a method of analysing a company as well as an industry by evaluating its resource components and business model might be an alternative in analysing the company's or industry's business. This research is just the beginning. However, if it is successfully carried out in all business models and is carried out in a comparison between countries, regions, and continents, the results of this analysis can help corporations or entrepreneurs in Asia to develop their business patterns through comparative studies with another side of the globe. Gathering more researchers to evaluate this method and improve is something that should be done, mainly by looking more component that is critical, and comparable across industry and countries.

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