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## Customer Intention to Quantify the Feasibility of BUMD during The Modern Economic Era: Case Study of BUMD in Kampar Regency

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### **Abstract:**

*In the modern economic era, success business sector should give attention to how global policies, as well as regional policies, certainly affects the intensity and direction of business policies. Customer intention was to play the priority of the company to create and gain the market. Where the customer intention will be reflecting the customer's behaviour and view against the product or the business unit. This study was to determine the customer intention to quantify the feasibility of BUMD during the modern Economic Era. This study was limited to regency-owned BUMD and the BUMD was established more than 15 years. This study was conducted on customers from Bank BPR Sarimadu. The Slovin formula technique was chosen in this study where the number of samples in this study is as many as 100 people from 300 customers, with an error rate of 10%. the result was defined that the Customer Intention of BUMD is explained by Professionalism (X1), Marketing Quality (X2), and Service Quality (X3) variables by 69.5%, while 34.5% is explained by other variables not examined in this study. This study also mentions that its major contribution to customer intention was influenced by these factors. Based on this study, professionalism, marketing quality along with service quality is the main parameters for increasing the interest of the customer to become BUMD loyal members. Thus, professionalism becoming a top priority for enhancing the BUMD image or company image. By improving the quality of management, marketing quality, and service quality of the company, BUMD customers will feel more confident when using chosen of BUMDs products and services.*

**Keywords:** BUMD; Customer Intention; Service Quality, Professionalism, Marketing Quality.

### **1. Introduction**

Business is a system that is simply a circumstance where all needs meet the supply. The total complexity that occurs in numerous od sales such as commerce, goods, and industry, which include basic industry, manufacturing industry, and processing, along with networks, distribution, transportation, insurance, banking, and other sectors then serve and enter as a total (that serves and interpenetrate) the business world as a whole system.

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Nowadays, the successful business sector should give attention to how global policies, as well as regional policies, certainly affect the intensity and direction of business policies.

Occasionally, the economical system was changed due to development of the technologies and global citizen cultures (Laksana 2021). The implementation of technology and digital were continued into the internet of things era, where internet Internet has been widely used in various business fields and changed the conventional markets. The success or the existence of a brand or business unit is largely determined by market voices in the publication zone on online media.

The presence of Regional-Owned Enterprises where (BUMD) called in Indonesia has the same background as the existence of State-Owned Entperesie (SOEs) which called BUMN in Indonesia, namely related to the nationalization of Dutch-owned companies in Indonesia. Regional companies are established by the Regional Government on the basis that they do not prioritize profit-seeking, but are at realizing the social function of the company towards the Regions. As an example, The BUMD was established to form the acceleration of production and distribution of goods and services goes to lower class society and also the creation of jobs.

Encourage public welfare through the role of entrepreneurs and also the contribution of the regional government is undertaken by the Central Government together with the Local Government through the concept of regional autonomy under Law Number 32 of 2004 on Regional Government which is then amended by Law Number 23 of 2014 on Regional Government (Law on Local Government). Based on the law, the local governments which are Province, cities, or Region/states have an opportunity to manage, develop, and build their regions following the needs and potentials of each region (Kamal, 2010).

According to the study by Hasan (2020), Increasing regional income and improving the social life of the community are the main goals of establishing a BUMD at the regional level. In this condition, the regional government was given the independence to produce a business entity that has value to manage its regional products and assets. Then to fulfill the objective, the BUMD should move and act like a professional company, although the investor was the government . But, on the public market, the BUMD will fight against all competitors, even other BUMD or private companies.

Customer intention was to play the priority of the company to create and gain the market. Where the customer intention will be reflecting the customer's behavior and view against the product or the business unit.

The purpose of the Regional Owned Enterprise establishment is to carry out regional development through services to the community, the implementation of public benefits, and increasing regional income.

The positioning of BUMD is very important and thus its innovation, especially during the recent global Covid-19 pandemic. It takes a high level of professionalism to do this. Coupled with the increasing number of strategic and strategic BUMDs, there is a need for legal certainty and it is also important to give trust to other professional parties (Purba 2020).

BUMD as well as the private company should consider the customer intention as a basic parameter during product investment or regulation development. According to the study by Hasan (2022) and Kotler (2012), the customer intention toward BUMD company image was focused on the major categories which are Management and Professionalism, Marketing Quality, and Service Quality.

In terms of assessment capabilities and performance of a BUMD, existing regulations or rules adapt to a competitive strategic environment. The essence of the business manager must be flexible because the needs of the customer are complex which requires more flexible and comprehensive handling.

According to this condition, this study was focusing to determine the intention to quantify the feasibility of BUMD during the modern Economic Era.

## **2. Theoretical Background**

### **Customer Intention and Company Image.**

The corporate or company image is fetching as a psychological impression of customers or stakeholders against the company as a trust impression. Mostly, each company will be competing to build or generate a positive image through its marketing activities along with the improvement in management or human development inside the company. This positive image aids to

achieve or improving the goals and profitability of the company (Hasan et al, 2020; Kotler et al, 2012).

Customer intention becomes a significant parameter due to its contribution to developing a company's image. A consumer's intention refers to that consumer's attitude toward a specific purchasing behaviour based on their experience and review of the brand or company image. The trust of a customer will lead to the consumer's degree of willingness to pay (Peter, et.al, 2010; Porter et al, 2014).

The corporate or company image is most affecting by the real experience of the customer, while this condition has a direct measurement and impact on the consumers to value a corporate or company where it can be calculated from the responses of social media engagement, selling position, market position and sales reports (Matsui 2005; Parminto dkk 2020). The consumer experiences as the user of the products arise their solid views or perception about the company's image.

### **Professionalism.**

The regional-Owned Enterprises (BUMD) in Indonesia still face many complex and complicated problems to run the company. The most problems which are happened in BUMD are the role and position of the Government as the investor, BUMD is working as a political machine of the Government, and BUMD is unable to compete in a balanced way with more agile BUMN and private sector. In addition, the lack of capital due to lack of attention from the owner (in this case the local government), even if there is more attention, they still have to face political obstacles, due to the wrong interpretation of DPRD politicians in understanding the regulations, as a result, the process of strengthening BUMD capital becomes inefficient.

All problems in BUMD are focusing on management and professionalism, where to achieve the company target, high-quality management and professionalism should exist inside the company board.

The ability of the employment and usage of those strategies of the employe that a lead a person undertakes to improve his job status and increased their ability, social life and economic condition to increase the production of the organization is defined as Professionalism in an organization.

According to a study by Ogza in 1995, professionalism defines as an attainment of a regulator that an individual accomplishes in order to develop his profession. In professional career development, the volume of high degree standards should be recognized by a person who needs to achieve their career objective.

Pedler in this study in 2010 defined that professionalism is not the absolute value of a profession rather it is socially constructed and has a vast contextual meaning and concept. Professionalism means the inheritance of all those characteristics and skills that give an upper hand to a person over other members of the organization (Segon, 2010).

### **Marketing Quality**

The marketing quality of a company was taking a big portion towards company image due to his plays an important role to satisfy customers. Decisions on how to implement the decisions taken to increase the quality of product or service should also be taken. Quality of marketing along with its system becomes a very important issue being faced by the sum of efforts made by an organization to increase company images (Hasan et al, 2022).

The marketing quality pays special attention to satisfying customers. Quality of advertisement, repetition, type of media, market orientation customers' views, strategic role, benchmarking, statistical tools, technology use, etc. There are several fundamental variables to achieving high marketing quality. According to Kotler (2012), the parameters are employee involvement, strategic commitment, improved technique, group effort, etc. If such elements are absent, high-quality marketing becomes impossible for the company.

Customer-oriented concepts become a key to marketing quality. The condition forces the priority on customers' approval and satisfaction. All goods or services as required and desired by the customers should be made available at the right place and condition with a reasonable price, and at right time to ensure the satisfaction of the customers.

### **Service Quality**

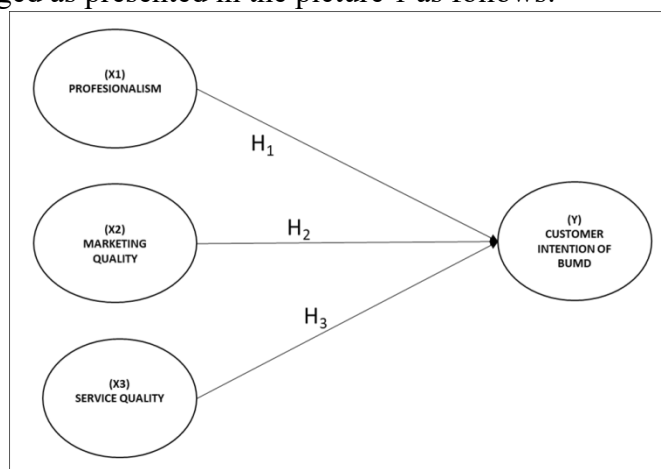
Service quality is not only a demand for profit-oriented organizations certainly but also for non-profit organizations (government institutions) that have been resistant to demands for excellent quality public services. The fundamental reason why service quality is important. First, there is an

awareness that customer satisfaction is one of the complementary indicators of the success of an organization or company's performance. Second, there is an awareness that there is a close relationship between customer satisfaction and Total Quality Management toward a company's image (Vijayasathy, 2004).

### Conceptual Framework

The conceptual framework was identified to characteristic the problem, define the hypothesis along with the study objective, and determine the result which supports the conclusion and recommendation.

According to a review of previous research and the theoretical basis along with the problem statement, a framework of critical parameters in this study can be arranged as presented in the picture 1 as follows:



**Figure 1. Conceptual Framework**

Figure 1. Conceptual Framework of the Feasibility study of BUMD during the Modern Economic Era, where the professionalism (X1), marketing Quality (X2) and Service Quality (X2) has a positive effect and influence the Customer Intention of BUMD in Kampar Regency.

### 3. Methodology

This study was conducted on customers from Bank BPR Sarimadu, Bangkinang city with a total of 300 people. The number of samples in this study was determined using the Slovin formula where the number of samples in this study is as many as 100 people with an error rate of 10%. Simple Random Sampling was chosen for this study, according to these techniques

all individuals from the population either individually or together are given the same opportunity to be selected as sample members. This study was qualified as the qualitative study where the research instrument as a tools any tool that use to collect or obtain data, measure data and analyse data are collected using questionnaires, interviews and observations. SPSS- 25 as a third-party software was selected to conduct the data analysis. Data analysis techniques used in this research are descriptive analysis of respondents and multiple regression analysis using the similar software.

This study was limited to regency owned BUMD and the BUMD was established more than 15 years.

This study was focused and limited to three (3) independent variables and one (1) dependent variable as mention in Table 1.

**Table 1. Research Variables in this study**

Variable	Indicator
Professionalism (X <sub>1</sub> )	<ul style="list-style-type: none"> <li>• Attendance (4 sub indicators)</li> <li>• Roles and Duties Implementation (20 sub-indicators)</li> <li>• Company Program Implementation (3 sub indicators)</li> </ul>
Marketing Quality (X <sub>2</sub> )	<ul style="list-style-type: none"> <li>• Advertisement (10 sub indicators)</li> <li>• Number of new customers acquired. (10 sub-indicators)</li> <li>• Market research and Development (12 Sub-indicator)</li> </ul>
Service Quality (X <sub>3</sub> )	<ul style="list-style-type: none"> <li>• Tangibility, (4 sub indicators)</li> <li>• Reliability, (2 sub indicators)</li> <li>• Responsiveness, (4 sub indicators)</li> <li>• Assurance (2 sub indicators)</li> <li>• Empathy (4 sub indicators)</li> </ul>
Customer Intention (Y)	<ul style="list-style-type: none"> <li>• Product Perception (4 sub indicators)</li> <li>• Customer Experience (3 sub indicators)</li> <li>• Service and Risk (4 sub indicators)</li> </ul>

#### **4. Result and Discussion.**

##### **Respondent Characteristics Result**

Data collecting was conducted for two months from January to February 2020. based on 100 samples which are collected, the majority of respondents in this study were male, with 64 people (64%) and female in total 36 people or 36%. While according to the age of the respondents, the majority of respondents from this study located in the range 45-50 years with 45 people or 45%, then followed by 35-39 as many as 25 people (25%), 40-44 years as many 15 people (15%), thus 10 people (10%) from 30-35 years age range, then rest of sample (5%) was located in the range 25-29 years ago. According to the level of education, most of the respondents graduated with a bachelor's degree 74% or 74 people, and the rest of the sample graduated from the high school level (26%). Based on collected data, most respondent is working as civil servants with a total of 78 people (78%), 11 employees (11%), Housewives 7 people (7%), and 6 people working as entrepreneurs. Respondents in this study who have used as customers of Bank BPR sarimadu for more than 7 years amounted to 16 people (16%), 5-7 years amounted to 70 people (76%), less than 5 years amounted to 14 people (14%)

##### **Validity Test Result**

According to data analysis, all measure parameters which include Professionalism (X1), Marketing Quality (X2), Service Quality (X3), and Customer Intention (Y) have a correlation value greater than 0.30 points. Based on the result, the statement items on the variables Professionalism (X1), Marketing Quality (X2), Service Quality (X3), and Customer Intention (Y) have been valid for further testing. According to the statical analysis of validity for 100 samples the benchmark point of each measurement parameter is 0.30 points and all parameters was exceeding the border point.

##### **Reability Test Result**

During the statistical analysis, Test-retest reliability measures the consistency of results when the data was repeated on the same test on a similar sample at a different point in time. The Reliability test on the data series against variables of Professionalism (X1), Marketing Quality (X2), Service Quality (X3), and Customer Intention (Y) defines that each variable from this study has a reliability value that is in the number  $\geq 0.6$  (Tabel 2). Thus, all variables in this research instrument are reliable.



**Table 2. Reliability of all parameters in BPR SariMadu-Bangkinang**

Variable	Alpha Cronbach reliability coefficient	R table	Reliability
Professionalism (X <sub>1</sub> )	0.928	0.600	Reliable
Marketing Quality (X <sub>2</sub> )	0.878	0.600	Reliable
Service Quality (X <sub>3</sub> )	0.853	0.600	Reliable
Customer Intention (Y)	0.903	0.600	Reliable

Source : Data Analysis (2020)

### F-Test Result

In statistical approaching analysis, the F-test is used to define the hypothesis testing to check whether two samples or the variances of two populations are equal or not. This technique uses the f statistic to compare two variances by dividing them. An f test can either be one-tailed or two-tailed depending upon the parameters of the problem. The f value obtained after conducting an f test is used to perform the one-way ANOVA (analysis of variance) test (Hasan, 2022; Elvinaro, 2011).

The principles for testing this simultaneous hypothesis are that if F-count has fewer values than F-table ( $F\text{-Count} < F\text{table}$ ) with  $\alpha = 5\%$ , then H<sub>0</sub> is accepted and H<sub>1</sub> is rejected. In another position, if  $F\text{-count} > F\text{table}$ , then H<sub>0</sub> is rejected and H<sub>1</sub> is accepted. Simultaneous test results can be seen in the table below (Tabel 3):

**Table 3. F-Test of all parameters in BPR Sari Madu**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	48,693	3	15,264	64,201	0,000
Residual	21,056	96	0,210		
Total	69,749	99			

Source: Data Analysis (2020)

Conferring on the results of simultaneous testing, the F-count result was 64,201, while the F-table value was identified as 4.83 (f<sub>0.01</sub> (3-1) (100-3)). This condition means that  $F\text{count} > F\text{table}$  and significant value 0,000 < alpha 0.05.

According to the correlation from this study, H<sub>0</sub> is rejected and H<sub>1</sub> is accepted which means that Professionalism (X<sub>1</sub>), Marketing Quality (X<sub>2</sub>), and Service Quality (X<sub>3</sub>), simultaneously have a significant influence on the

customer intention of BPR Sarimadu Customer. Based on the result, this research model is categorized as a good model and well-determined model.

### Coefficient of Determination ( $R^2$ )

To define the proportion of variation in the dependent variable explained by the independent variable together the statistical analysis was conducted the coefficient of determination ( $R^2$ ) approaching techniques as mentioned in table 4.

**Table 4. Coefficient of Determination Analysis Result**

Model	R	$R^2$	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,853	0,705	0,695	,39104	1,967

Source : Data Analysis (2020)

According to the data from table 3, the  $R^2$  value is 0.695. This result was defining that the Customer Intention of BUMD is explained by Professionalism (X1), Marketing Quality (X2), and Service Quality (X3) variables by 69.5%, while 34.5% is explained by other variables not examined in this study. This study also concludes a major contribution to customer intention was influenced by these factors (i.e. Professionalism (X1), Marketing Quality (X2), and Service Quality (X3))

### Hypothesis Test

The hypothesis test was conducted to prove and determine the hypothesis regarding the existence of a positive influence between the variables Professionalism (X1), Marketing Quality (X2), Service Quality (X3) to Intention of the customer of Regency BUMD to become loyal to this company, Multiple Linear Regression analysis with t-test showed in table 5 as follows was used to prove the hypothesis in this study.

**Table 5. T-Test Result**

	t-count	t-table	Sig.
(Constant)	-0,828		0,356
X1	4,066	2,366	0,000***
X2	3,721	2,366	0,000***
X3	3,870	2,366	0,000***

Source : Data Analysis (2020) \*\*\* = sig 1%,

From the table 4, the partial test results can be explained as follows:

1. The test results show that the t-count for the Professionalism variable Value of 4.066 is greater than the table 2.366 ( $t_{0.01} (100-3-1)$ ) or the significant value of 0,000 is smaller than  $\alpha = 0.01$ . This condition means

that H0 is rejected and H1 is accepted, it can be concluded that Professionalism significantly influences the interest of the customer to become a BUMD customer.

2. The test results show that the t-count for the Marketing Quality variable Value of 3.721 is greater than the table 2.366 ( $t_{0.01} (100-3-1)$ ) or the significant value of 0,000 is smaller than  $\alpha = 0.01$ . This condition means that H0 is rejected and H1 is accepted, it can be determined how Marketing Quality significantly influences the interest of the customer to become a BUMD customer.
3. The test results show that the t-count for the Service Quality variable Value of 3.870 is greater than the table 2.366 ( $t_{0.01} (100-3-1)$ ) or the significant value of 0,000 is smaller than  $\alpha = 0.01$ . This condition means that H0 is rejected and H1 is accepted, it can be concluded that the service Quality significantly influences the interest of the customer to become a BUMD customer.

According to the data analysis of this study, the result defined all dependent variables which are Professionalism (X1), Marketing Quality (X2), and Service Quality (X3) giving a significant and positive impact on the dependent variable (Customer Intention) of BUMD in Kampar Regency.

Professionalism was defined as a variable that contributes the highest influence on customer intention. This result was support the hypothesis of this study where the professionalism of the employers is the fundamental input to producing high-quality marketing or service. Since professionalism is the volume of high degree standards that a person needs to have in his professional career development it can produce the highest performance for each individual. Along with this professionalism, output such as service quality and marketing quality will be achieved.

Most BUMD in the regency level has a complex problem with the political condition, where every 5-years will be conducted the election. BUMD was used as a political machine and the professionalism of the BUMD will be questioned.

Professionals will be achieved only with a proper recruitment process and absolute standard operation procedure (SOP) for each activity and policy to ensure the objective of the company will be achieved.

In another hand, both service and marketing quality has a direct correlation and impact to increase the customer intention for the company or company product. Where the customer intention is based on the trust and interest of the customer which is a result of the good product, high professionalism of the employee, then attractive of the marketing as well as the service quality.

The study by Hasan et al (2020) in PDAM which is the one of BUMD of Kampar where engaged in the field of water treatment company found a similar problem with this study. Where the professionalism, marketing and service quality are the main problems for solved to increase the customer intention of company products.

The good governance system that gave the space to BUMD as a company to improve, modify and elaborate should be a benefit to the BUMD to achieve the company objective.

## **5. Conclusion and Recommendation**

### **Conclusion**

Several conclusions and recommendations were determined based on this study. based on this study. The professionalism, marketing quality along with service quality is the main parameters for increasing the interest of the customer to become loyal members of BUMD. Thus, professionalism becoming a top priority for enhancing the BUMD image or company image.

A professional BUMD may become a beneficial source of local revenue. Problems of BUMD in Indonesia were unprofessionally where the board of direction and commissioner are selected due to political approaches. This condition leads BUMD to destruction. To anticipate a business strategy that tends more competitive, and full of uncertainty along with customer demands, it is necessary to carry out a business transformation in all BUMDs, the implications of which will enable a comprehensive organizational transformation.

According to data, professionalism, marketing quality, and service quality is the main contributor which increases the company image and customer trust, quantifying these parameters will lead the BUMD to become a professional company. Even though business and politics can not be separated but the business sector should be operated by professionals to achieve the company's objective.

By improving the quality of management, marketing quality, and service quality of the company, BUMD customers will feel more confident when using chosen BUMD products and services.

### **Recommendation**

Several recommendations were determined in this study, which are :

1. In terms of efforts to increase the competitiveness of BUMD, it is necessary to protect the regional government so that it can be avoided so that BUMD and weak businesses can work together, and support and strengthen each other concerning each other.
2. Company Growth Strategy, which aims to grow and develop the company following the agreed size to achieve the company's long-term goals or company/government objectives.
3. Corporate Restructuring Strategy, which is carried out through a strategic approach and an operational approach. The mechanism for supervising the assets of Regional Owned Enterprises (BUMD), namely: Supervision of the Board of Directors is carried out directly by the Regional Head; BUMD is externally inspected and supervised by BPK. Then in addition to the BPK, we also know the Financial and Development Supervisory Agency whose existence is often considered the same as the BPK's function in examining the finances of state institutions including BUMD in it.
4. To define and quantify the feasibility of BUMD during the modern economic era, more BUMD in the variance of business unit and business type along with a variance of the regional market should be conducted to improve the further study, model, and analysis.

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