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EMERGING MARKETS: BUSINESS AND MANAGEMENT STUDIES JOURNAL

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AND AIRLINE CONSUMER'S POINT OF VIEW**

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Email : ijembm@sgu.ac.id

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THE IMAGE OF FLIGHT ATTENDANTS FROM THE FLIGHT ATTENDANTS AND AIRLINE CONSUMERS' POINTS OF VIEW

Deborah N. Simorangkir

Swiss German University, Tangerang, Indonesia

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Corresponding Author:

Deborah N. Simorangkir

Tangerang, Indonesia

Email: deborah.simorangkir@sgu.ac.id

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ABSTRACT

The flight attendant profession is dominated by women, which may lead to the notion that this profession is one of the few in which women are not experiencing gender discrimination. However, research findings have shown that over time, feminization leads to a decline in status and remuneration, and thus must be understood and monitored because it may be camouflaging the continuous reality of gender inequity. This research seeks to answer these questions: 1) How do Indonesian flight attendants perceive the image of flight attendants as perceived by other Indonesians? and, 2. How do Indonesians perceive the image of flight attendants? The objective of this paper is to revisit the issue of gender stereotypes in flight attendants given new views of what makes for effective flight attendance. This research uses quantitative survey and in-depth interview methods. Three Indonesian flight attendants from major Asian airlines were interviewed to analyze their perceptions of their profession and how they think Indonesia society views them. A survey was also conducted on 100 Indonesians to analyze their perception on the identity of flight attendants. Interview results show that while, flight attendants believe that Indonesian society still cling on to the old images of flight attendants as air hostesses who are often regarded as sex objects, whereas survey results actually show that this image has changed.

Keywords: *Feminization, Flight Attendant, Gender Stereotype, Identity, Stigma*

Background

Men have traditionally dominated the travel sector, and only in the late twentieth century did women start to increasingly join it. Ever since, educated women have been recruited to perform a type of domestic labor on ships and planes. These women were at the beginning introduced as stewardesses, and today are called cabin crew or flight attendants. In fact, the first stewardesses in America were nurses, who were hired to serve passengers food, drink, chewing gum, ear plugs, ammonia capsules and, were prepared to administer first aid in emergency cases. In other words, these women were hired because they could alleviate the passengers' fear of flight by domesticating the flight experience (Lyth, 2009). Having gone through many image transformations over time, however, flight attendants acquired a distinct glamorous image, often overshadowing their qualifications. This image somehow still lingers in the perception of many today, especially in Asian countries, such as Indonesia.

Prior to the Second World War, the main objective of airline advertising was to portray flying as a safe means of transportation, thus hiring women was an effective strategy when American Airlines advertised in 1937, asking 'Afraid to fly?'. The message was, if women were not afraid to fly, neither should their husbands. Other airlines soon began to use women in their advertising, depicting flying as a comfortable and reliable means of transport. The message worked for both men's masculinity and women's appetite for modernity (Lyth 2009; Barry, 2007).

Eventually, men also entered the flight attendant profession. However, as a traditionally feminine profession, its history has been filled with legal challenges and regulation changes. One example is the Equal Employment Opportunity Commission (EEOC) in the US in 1968, for marital restrictions on female flight attendants in violation of Title VII, and the 1976 lawsuit

under EEOC filed by seven Ozark Airlines, who called themselves the 'Fat Seven', against weight restrictions. They argued that the restrictions were sexist because they only applied to female flight attendants (Whitelegg, 2001).

Two decades later, in 1997, the International Transport Worker's Federation (ITF) started an anti-sexism campaign against the portrayal of the 'exotic mystique' of female flight attendants by Asian airlines, especially Thai International, Korean Air, Cathay Pacific and Singapore Airlines (Whitelegg, 2001). The campaign used a poster illustrating a blow-up doll wearing a flight attendant uniform, with the caption: 'If an airline treats its employees like this, what must it think of its passenger?' Indeed, the exploitation of the exotic orientalism in the 1990s was a result of the increasingly steep competition among Asian airlines and Western airlines. For instance, Cathay Pacific promised to give 'Service straight from the heart' with uniforms, portraying their 'modern Asian image'; and most notably, Singapore Airlines, with its 'Singapore girls', advertising 'girls from the heart, with Asian value, Asian charm, warmth and friendliness' (Whitelegg, 2001). Aside from the competition with Western carriers, these Asian airlines were also in competition with each other, leading to Thai International reducing the maximum age for female flight attendants to forty-five in 1997, in order to challenge Singapore Airline's youthful image (Whitelegg, 2001). The main message of the ITF campaign was that the main duty of the cabin crew was to ensure safety and not to serve drinks, or to be fashionable. This campaign effectively pushed airlines companies all over the world to treat cabin crews as safety professionals who are vital to the operations of airlines. Consequently, EasyJet stopped using its 'I'm easy' t-shirt uniforms, and Crossair, which employed only female cabin crews was under heavy scrutiny (Whitelegg, 2001).

The early flight attendants may have found flying rewarding because of its novelty, whereas from the 1940s to the 1970s, flight attendants viewed flying as an adventurous lifestyle before married life. After the 1970s, however, it became more common for married women to continue working and pursue a career. Based on the evolution of the flight attendant profession and its changing image portrayal, especially in Asian carriers, this article seeks to analyze how Indonesians perceive the image of flight attendants, but firstly, how Indonesian flight attendants think Indonesians perceive them. In doing so, this article seeks to analyze the experience of Indonesian flight attendants who work for different Asian airlines.

According to renowned sociologist Erving Goffman (1963), social stigma is an attribute or reputation that demeans an individual socially, "society establishes the means of categorizing persons and the complement of attributes felt to be ordinary and natural for members of each of these categories". There are two categories of stigma and its effects: public and self-stigma. Whereas public stigma are stereotypes, prejudice, and discrimination, self-stigma, on the other hand, is when the person not only is aware of the stereotypes attributed to a stigmatized group and agree with them. Moreover, the person must apply these stereotypes to himself.

Recent scandals involving a certain Indonesian airline has resurfaced the old stereotypes about flight attendants. Therefore, this article aims find out whether there are stigmas that pertain to flight attendants today in the minds of Indonesians, and whether these flight attendants experience self-stigma. In order to do so, this article seeks to answer the following research questions:

1. How do Indonesian flight attendants perceive the image of flight attendants as perceived by other Indonesians?

2. How do Indonesians perceive the image of flight attendants?

Research Methods

In order to answer the research questions, in-depth interviews were conducted with three flight attendants of Indonesian nationality, who work for different Asian carriers; and then a survey was conducted to find out the perceptions of Indonesians toward flight attendants.

In order to answer the first research question, interviews with three Indonesian flight attendants were conducted. The profiles of the respondents are as follow:

1. AL: Age 28; Singapore Airlines; Bachelor degree in International Relations; 6 years of experience as flight attendant.
2. PT: Age 32; Cathay Pacific Airways; Bachelor degree in Tourism and Travel; 8 years of experience as flight attendant.
3. GL: Age 24; Garuda Indonesia; Bachelor degree in Marketing Communications; 2 years of experience as flight attendant.

On the other hand, in order to answer the second research question, a survey was conducted on of 100 Indonesians, currently residing in Indonesia, who consider themselves airline consumers. Table 1 describes the profile of the respondents.

Table 1. Profile of Respondents

		Percentage (N=100)
Sex	Male	25
	Female	75
Highest level of education	High School	35
	Bachelor degree	46
	Master degree	13
	Doctoral degree	6
Age	< 20 yo.	21
	20 – 29 yo.	43
	30 – 39 yo.	28
	40 – 49 yo.	5
	50 – 59 yo.	2
	60	1

An online survey was conducted on 100

The variable measured is the perception of airline consumers toward flight attendants. Using an online Likert-scale questionnaire, these respondents were asked to rate how much they agree with statements that describe their perceptions about flight attendants. The statements portray the various images described earlier: nurse, safety professional, servant, hostess, sexual object, and mother. Because this research only seeks to conduct a univariate analysis to list the perceptions of airline consumers, therefore factor analyses and hypothesis tests are not needed.

Findings and Discussion

A. The Feminization and Sexualization of the Flight Attendant Profession

As mentioned earlier, the early stewardess served as an effective advertising proposition that if women are not afraid to fly, no self-respecting man would admit that he is afraid. Having the ability to calm the passengers, the stewardess was in fact hired because of her sex, and this was the beginning of air transport's domestication and feminization (Lyth, 2009).

The first stewardess, Ellen Church, was employed in 1930 by the Boeing Air Transport Company – later known as United Airlines. Soon after, eight other women joined United and in the following years most American domestic airlines had hired female flight attendants. During the Second World War, there was a shortage for medical personnel, thus airlines no longer required stewardesses to be trained nurses. Hence, airline advertisements no longer portrayed stewardesses as nurses in action during an emergency, instead they were portrayed the gracious air hostess welcoming passengers into her home. This portrayal continued on after the war (Lyth, 2009).

By 1965 the airline stewardess had become the typical “woman's job”, largely because airlines were hiring significantly more

women than men to perform the air ‘hostess’ role. As a traditionally feminine profession, the stewardess / flight attendant profession fell under the same category of feminized occupations as that of librarians, nurses, and elementary school teachers. Before 1900, at least 70% of all librarians, nurses, and elementary school teachers were women. And today, these occupations remain predominated by women as they do not pay enough to appeal men (Kanter, 1983). These feminized professions have grown rapidly as the demand for female workers have increased – arguably because they are cheaper – and the number of educated women seeking to pursue careers have also multiplied. As a consequence, the number of women entering feminized professions keeps growing (Hoffman, 1982; Kanter, 1983). And these professions are usually linked to the traditional female roles, which include nurturance, caring, and socializing (Broverman, 1980). These necessary skills at which female flight attendants were deemed to excel are what Arlie Hochschild (2003) calls ‘emotional labor’. The flight attendant is expected to be constantly smiling and excellent in her demeanor, even when dealing with rudeness or abuse from passengers, and apparently, this is easier for women than for men (Hochschild, 2003; Whitelegg, 2001; Lyth, 2009). In America and Europe, this ‘emotional labor’ was what elevated the flight attendant from ‘cabin pacifier’ to ‘service professional’. As such, she was continuously depicted in airline advertisements as the perfect hostess gracefully welcoming passengers on board, organizing logistics of passengers with army precision, yet as warm as a hostess welcoming guests to her home (Lyth, 2009).

One of the principal downsides of the feminization of a profession is the sexualization of its practitioners. Barry (2007) explains the sexualized depictions of stewardesses in the 1970s airline advertisements, using such slogans as ‘Fly me’ or the ‘air strip’ campaign. Though the 1970s are

notably marked by anti-discrimination campaigns by union activist battling the sexualization of flight attendants in pop culture, until now there is still controversy when it comes to the popular depiction of flight attendants.

The pioneer stewardesses of the 1930s were women with excellent appearance and hostess skills, but were also brave skilled nurses who were not afraid to fly. They were marketed for their feminine characteristics – nurturing, subordinate, charming, graceful, and attractive. Therefore, these women were perceived as beautiful airborne waitresses (Lyth, 2009; Barry, 2007). In the 1950s, with faster and bigger jet planes, flight attendants not only needed to be physically attractive, and provide comfort to the passengers, they now had to serve more passengers and diverse travelers in less time. Hence, many turned to labor unions to battle exploitation and gain recognition as safety professionals. However, the courts frequently favored the employers' claims that the presence of female flight attendants was necessary entice and maintain customers. The air travel industry wanted a young, transient, compliant female-dominant workforce (Barry, 2007).

Whitelegg (2001) analyzes the history of female cabin crew in the context of 'emotional labor', whereby traits that are traditionally considered feminine, such as gentle, charming, sensitive, and nurturing, are turned into commodity. Thus, in the cabin, a flight attendant is expected to perform 'women's work' – a commercialized version of the caring and service activities carried out for centuries in the home sphere. Emotional labor develops as a result of the appropriation of sexual difference, in which women are employed to make use of their 'natural' skills. As Tyler and Abbott (1998) argues, "flight attendants are required to deploy "skills" and competencies which they are deemed to possess certainly by means of virtue of their sexual distinction from men". Similarly,

Hochschild (1983) describes emotional labor as the "management of feeling to create a publicly observable facial and bodily display". The objective is to maintain an outward appearance that pleases the customer.

B. Images of Flight Attendants

The use of image has played an essential role in the advertising of air travel industry, because without it, there is little product distinction that could differentiate one airline from its rivals. Many airlines fly the same planes at the same speed to the same destinations, and often offer the same level of service quality (Lyth, 2009). The image of Singapore International Airlines (SIA), for instance, revolves around its 'Singapore girls'. This image was so well known that in 1993 a replica of the 'girl' was the first business icon featured in Madame Tussaud's museum in London (Whitelegg, 2001).

In the 1950s, US airline advertising and marketing portrayed the image of flight attendants as properly geared up hostesses with perfect military-like uniforms. The ideas were to portray the precision and perfection of the aircraft in order to reassure the passengers that they are safe. In the 1960s, however, the product differentiation shifted to cabin service, and the welcoming smile became increasingly sexualized. The profession of airline hostess became glamor job. In fact, the marketing strategy until the 1970s, in essence, was to say: Our girls are prettier than yours! Flight attendants increasingly protested the sexually charged image that their employers required them to convey because they found it degrading and often led to harassment by male passengers. In the 1970s, the imagery of flight attendants is that of women's liberation, and the entry of girls into professions traditionally reserved to men. If 'father' used to be a default photo for air transport in its early years, then 'mother' has been the most profitable image of the flight attendant in the history of airline advertising. The

endless work of airline cabin crew is 'mothers' work' (Lyth, 2009).

However, with the transformation of air transport into a mass-market service industry, it is easy to be absorbed in the way they impart their service in the manner of a fine restaurant or hotel, and forget that it is really in the transport business. While the flight attendant is no longer the iconic machine of airline branding, the emotional labor remains. Women's 'emotional capital' not provided air transport industry with an advertising template in previous years, it also contributed to the feminization of the industry, by making flying as routine as a 'mothers' work'.

C. In-depth Interviews with Flight Attendants

The three respondents claimed that they were initially interested in becoming flight attendants because of the travelling it involves and how the profession was portrayed in various media such as novels and TV programs. Most importantly, these respondents were influenced by members of their families:

"It was a while after I graduated from my university, then I had a curiosity to try the interview for SIA and Emirates flight attendant. I was keen because of their privilege to travel around the world, being paid for it, and to encounter different unique culture of people all over the world. My family background played a part too. Because my father is a pilot, I was born and raised closely to the airline culture so it just became natural for me to have an interest to work in the same field as him too" (AL).

"I became interested in being a flight attendant because of my sister who has already been flying for several years" (PT).

Even though all respondents hold bachelor degrees, AL and GL do not feel that a college degree is necessary for their profession, whereas PT feels that a college degree in Hospitality and Tourism should be required:

"I think it is not necessary to obtain a university degree to become one. This job does not require high intellect, but it involves skills that even the highest form of education cannot provide. I do not believe that this job is an easy way out either. We just have to adapt to the company guidelines and procedures, adjust it to the nature of the job, and do it on daily basis. Practice makes perfect" (AL).

"At Garuda Indonesia, where I work, having a high school degree is enough to become a flight attendant...In my mind, an education background is not important, because when we enter the flight industry, whether we hold high school, associate, bachelor's or master's degrees, we are all lay about this field. We are then educated and trained to have knowledge about the flight industry, and our image is shaped according to the company's image. However, having an education level higher than high school, in any major, is an advantage in the flight industry, because as cabin crew, our professionalism is not only judged based on our service, but also on our graciousness when interacting with passengers. For example, Garuda Indonesia passengers are often business people, politicians, or government officials. With my education background, I can interact well with these passengers. Many of these passengers have asked me about my education background and offered me jobs. I think this is one of my advantages that allow me to expand my network, which I know not all my coworkers have" (GL).

These qualifications are actually still very much in-line with the 'air hostess' role described previously. A college degree is only supplementary because it may enable the flight attendants to interact more eloquently with her 'guests'. Instead, the skills that are deemed necessary qualifications include age and physical requirements, English proficiency, and good caretaking intuitions:

"Besides physical requirements (for example: heights and vision), flight attendant has to be flexible, reliable, discipline, and empathetic. He/she has to have heart to care for people, while at the same time being vigilant and maintain the flight safety and security. He/she has to have good initiatives as service provider and caretaker, and ensure that the flight will land safely and happily at the appointed destination. Flight attendants have to have that sixth sense; in this case, it is the heart-ware" (AL).

"The qualifications to become a flight attendant include a minimum age of 18 and maximum age of 27 years, minimum education level is high school, minimum height is 158 centimeters and maximum height is 172 centimeters with an ideal and proportional body weight, not color-blind, and proficient in English" (GL).

After getting hired, all of these flight attendants had to undergo rigorous training procedures:

"I went through three-types of training during the foundation course, which are: safety and security, service, and fleets training. Safety and security trainings mostly are to enable us to always keep guard and being vigilant during the flight from any threats, either internal or external threats. Service trainings gave us guidance and procedures of how to conduct the

service in accordance with the company guidelines. Grooming is part of this training too. Fleets trainings were given to us in order to familiarize ourselves with the types of fleets we will work at" (AL).

"Training that I got was aircraft safety, medical first aid, food and beverage and communication. Even until now, every 10 months we have a one-day training to review our aircraft safety which requires a test that we need to pass. basically, the airline wants us to not just a flight attendant who serves food on the plane but we also need to be a doctor or nurse, know our aircraft every single angle of it just for preparation of emergency and know how to deal with difficult passenger" (PT).

Even though the qualifications are those of an ideal 'air hostess', however, the training these flight attendants receive once they are hired are more in-line with the 'safety professional' image that their predecessors long fought for. Therefore, it seems that today's airlines – especially Asian carriers – seek to hire flight attendants who are a combination of both historical images.

As safety professionals who are essential to the operations of an airline, all three respondents agree that their families view their profession positively and are supportive of their career choice, when asked about how they think Indonesian society views flight attendants, all of their answers differ:

"I think Indonesian society is still quite old-fashioned in their view of flight attendants. They likely think that flight attendants' career is a glamorous job that everyone can do easily, just by standing on the aisle and look pretty. Society tends to see us as "high-class prostitute" as well" (AL).

"From my experience working for Cathay Pacific, all the Indonesian passengers I have met always have a positive view" (PT).

"Indonesian people who have been passengers of Garuda Indonesia come from various segments. There are some who view us as domestic servants or waitresses, although our main focus is the safety and comfort of the passengers. But there are also many who are aware and respect our profession as cabin crew" (GL).

Indeed, they all agree that Indonesian society views the flight attendant profession as a "no-brainer" but glamorous job. One dominant stigma that exist according to all respondents, however, is that flight attendants are some sort of high-class prostitutes:

"Society has the assumption that being a flight attendant is a no-brainer job. So, when more and more people joined the airline recently, they had that culture shock that this job was not as easy as it seemed. Another stigma is pertaining our high-class glamorous job, which relates us to the "high-class prostitutes". Once I overheard an Indonesian passenger told his friends that "stewardesses are paid to lift up passengers' bags, and that we can be 'booked' for a night or so." Obviously, society has been seeing our job wrongly for a long time" (AL).

"Well its seems to be a stigma for all people who have negative thoughts of a flight attendants around the world, example I hear a lot from people say "oh Flight attendants seems to be sleeping around with cockpit crew or passengers", really not all Flight attendants are like that. It all depends on each Individual in fact I encounter a lot of flight attendant are either looking for a steady relationship, in a

relationship or are happily married. And for me, I'm happily married" (PT).

Consequently, sexual harassment is quite common, as two of the three respondents have encountered sexual harassment in their jobs:

"I have been harassed by a passenger once. A Caucasian guy, drank too much liquor on the overnight flight. I was alone in the galley that time, as some of my colleagues have gone for rest. He started talking loudly, pointing fingers, and then reached to hug me. I managed to avoid, and I went to report this case to my complex leader. My male colleagues came to warn him for his actions. The drunken man received warning notice from our Inflight Supervisor. The company has trained us to handle this kind of situation, and so I can be rest assured that I will be protected from this" (AL).

"I have been sexually harassed several times during flights, from a passenger who called me by touching my behind – to whom I then remarked that he should call me by "Miss" or by pressing the Attendant Call button – to coworkers, from a purser to a pilot, who would "accidentally" touch my behind, or would even kiss my cheek. Of course, I scolded them and told them to apologize" (GL).

This perception of flight attendants as sexual objects and the experience of sexual harassment are very similar to the image and experience of flight attendants in the 1970s. Fortunately, unlike in the 1970s, airlines where these respondents work take such misconducts seriously, and have procedures for the cabin crew to report any actions that cause discomfort or are a threat to their safety.

Moreover, all respondents claim that in their respective airlines, both female and male flight attendants have equal chance to advance in their careers, as well as equal pay. The ratio between female and male flight attendants in these airlines, according to the respondents, is 60:40. Despite the female to male ratio, however, the respondents do not necessarily feel that their profession is a feminine profession because males and females play different roles in their job. It is the nature of the profession that requires significant amount of "emotional labor" (Lyth, 2009; Hochschild, 2003):

"My working environment is on the plane, inside the vacuum tube of recycled air, 40,000 feet above the sea level most of the time. It is by nature, not so 'friendly' to anyone of us. It can affect us physically and mentally. So it is important to always stay fit, and keep positive mindset once I am inside the tube. How to counter the side effect of this working environment, that is the most vital thing" (AL).

All respondents feel that their profession is quite accommodating to female employees:

"I think my working environment is quite friendly to female employees. From the policies point of view, we are allowed to take a one-day menstrual leave. Female cabin crew are given a one-year leave. Aside from that, I'd say that my working environment is quite comfortable for both men and women" (GL).

Yet the most difficult to these respondents is the working schedule that forces them to be away from their families on special occasions:

"We fly on public holidays, Fly on weekends, when time to sleep for most of the people, flight attendants are just getting ready to work..." (PT).

But even though the airline companies do not discriminate the employees, traditionally, male flight attendants have a longer career:

"Basically, female flight attendants, once they are married, they will have children and take care of their family. So their career will stop right there. Some of them will come back flying afterwards, but it will not for long. But for male flight attendants, they tend to fly longer, as they are able to continue their career even though they are married and having children. It is more of the women's responsibilities toward family" (AL).

"A long career is defined by the retirement age. My seniors are given the choice to either retire at the age of 46 or 56. But the retirement age of my batch has been set to 36 years old. Still, based on my observation, many female flight attendants resign right after they get married and have a child" (GL).

They, too, plan to work as flight attendants, they all plan to retire in between 2 to 4 years, stating their desire to build their families and focusing on them as the main reason:

"My plan is to maybe stay as a flight attendant for 2 to 4 more years. Regardless of the positive and negative sides, this job is very fun. After I marry, then I plan to leave my job and focus on my family" (GL).

As discussed previously, one of the latest images of flight attendants is that of 'mother'. It seems that many flight attendants are willing to play the role of 'mother' on the cabin up until they become real mothers, in which they will then transfer to another domestic role.

In many ways, it seems that the respondents are fighting the same battles as their cabin

crew in the 1990s fought the same battles as their antecedents. Though today airline advertisements, especially those of Asian carriers no longer portray flight attendants as sexual objects, and the airlines have strict policies against sexual harassments, the respondents in this study feel that this sexual imagery still lingers in the minds of the Indonesian society, often leading to sexual harassments – both by cabin crew and by passengers. The respondents also feel that the Indonesian society still views

flight attendants as mere servants, instead of safety professionals. In conclusion, the perception that these flight attendants have regarding the way Indonesians view their image is a combination of the way flight attendants were depicted in the past.

D. Survey of Perceptions toward the Image of Flight Attendants

Table 2 shows the result of this survey.

Table 2. Perceptions about Flight Attendants

Statements	Highly Disagree (1)	Somewhat Disagree (2)	Neutral (3)	Somewhat Agree (4)	Highly Agree (5)	Total	Weighted Average
Flight attendants are essential to the level of customer satisfaction of an airline.	0.00% 0	0.00% 0	6.00% 6	37.00% 37	57.00% 57	100	4.51
Flight attendants are essential to the reputation of an airline.	0.00% 0	1.00% 1	6.00% 6	38.00% 38	55.00% 55	100	4.47
Flight attendants are highly trained professionals.	0.00% 0	3.00% 3	14.00% 14	48.00% 48	35.00% 35	100	4.15
Flight attendants have to update their skills on a regular basis.	1.01% 1	3.03% 3	14.14% 14	44.44% 44	37.37% 37	99	4.14
Flight attendants are essential to the safety of passengers of an airline.	3.00% 3	3.00% 3	8.00% 8	50.00% 50	36.00% 36	100	4.13
Flight attendants are helpful servers.	0.00% 0	1.00% 1	19.00% 19	52.00% 52	28.00% 28	100	4.07
The service provided by the flight attendants is essential to my preference of airlines.	1.00% 1	8.00% 8	11.00% 11	45.00% 45	35.00% 35	100	4.05
Flight attendants are professional.	0.00% 0	4.04% 4	16.16% 16	54.55% 54	25.25% 25	99	4.01
My views on flight attendants are based on my own observations.	4.00% 4	3.00% 3	21.00% 21	40.00% 40	32.00% 32	100	3.93
Flight attendants are elegant.	0.00% 0	8.00% 8	19.00% 19	51.00% 51	22.00% 22	100	3.87
Flight attendants are hard workers.	1.00% 1	5.00% 5	29.00% 29	45.00% 45	20.00% 20	100	3.78
The flight attendant profession is a high paying profession.	2.00% 2	7.00% 7	34.00% 34	41.00% 41	16.00% 16	100	3.62
The flight attendant profession is competitive.	3.06% 3	6.12% 6	31.63% 31	47.96% 47	11.22% 11	98	3.58
Flight attendants are beautiful.	0.00% 0	9.09% 9	43.43% 43	35.35% 35	12.12% 12	99	3.51
It is difficult to get a job as a flight attendant.	1.00% 1	14.00% 14	32.00% 32	42.00% 42	11.00% 11	100	3.48
Flight attendants are intelligent.	1.00% 1	10.00% 10	43.00% 43	35.00% 35	11.00% 11	100	3.45

I think that the flight attendant profession is well regarded by society in general.	1.01% 1	12.12% 12	54.55% 54	28.28% 28	4.04% 4	99	3.22
My views on flight attendants are based on the firsthand experiences of people I know.	12.00% 12	16.00% 16	20.00% 20	42.00% 42	10.00% 10	100	3.22
I prefer to be attended by female flight attendants.	7.00% 7	15.00% 15	44.00% 44	21.00% 21	13.00% 13	100	3.18
Once a female flight attendant becomes a mother, she should quit her job.	19.00% 19	19.00% 19	24.00% 24	25.00% 25	13.00% 13	100	2.94
The flight attendant profession is not suitable for married women.	15.00% 15	24.00% 24	25.00% 25	25.00% 25	11.00% 11	100	2.93
The flight attendant profession is not suitable for married men.	14.00% 14	26.00% 26	29.00% 29	15.00% 15	16.00% 16	100	2.93
The physical appearance of flight attendants is essential to my preference of airlines.	17.17% 17	20.20% 20	26.26% 26	26.26% 26	10.10% 10	99	2.92
Flight attendants are glamorous.	7.00% 7	28.00% 28	37.00% 37	25.00% 25	3.00% 3	100	2.89
I enjoy looking at flight attendants during flights.	18.00% 18	14.00% 14	36.00% 36	26.00% 26	6.00% 6	100	2.88
The flight attendant profession is a feminine profession.	19.00% 19	22.00% 22	29.00% 29	17.00% 17	13.00% 13	100	2.83
I think that the flight attendant profession is underestimated by society in general.	7.00% 7	32.00% 32	36.00% 36	22.00% 22	3.00% 3	100	2.82
Flight attendants are sexy.	10.00% 10	26.00% 26	40.00% 40	22.00% 22	2.00% 2	100	2.80
My views on flight attendants are based on articles I've read on social media.	14.00% 14	29.00% 29	25.00% 25	28.00% 28	4.00% 4	100	2.79
I enjoy having conversations with flight attendants during flights.	14.14% 14	19.19% 19	45.45% 45	20.20% 20	1.01% 1	99	2.75
My views on flight attendants are based on movies and/or TV shows I've watched.	15.00% 15	31.00% 31	25.00% 25	24.00% 24	5.00% 5	100	2.73
Flight attendants are sexually promiscuous.	10.00% 10	30.00% 30	43.00% 43	13.00% 13	4.00% 4	100	2.71
Once a male flight attendant becomes a father, he should quit his job.	22.00% 22	25.00% 25	27.00% 27	16.00% 16	10.00% 10	100	2.67
My views on flight attendants are based on stories I've heard about other people I don't know.	19.19% 19	23.23% 23	31.31% 31	24.24% 24	2.02% 2	99	2.67
Once a flight attendant gains significant (body) weight, he/she is no longer fit for his/her job.	25.00% 25	23.00% 23	20.00% 20	25.00% 25	7.00% 7	100	2.66
My views on flight attendants are based on articles I've read on print media.	19.00% 19	29.00% 29	29.00% 29	22.00% 22	1.00% 1	100	2.57
Flight attendants are flirty.	12.00% 12	37.00% 37	37.00% 37	11.00% 11	3.00% 3	100	2.56
The flight attendant profession is a masculine profession.	19.00% 19	36.00% 36	37.00% 37	6.00% 6	2.00% 2	100	2.36
If I had a daughter, I would recommend her to be a flight attendant.	28.28% 28	28.28% 28	32.32% 32	9.09% 9	2.02% 2	99	2.28
Once a flight attendant turns 30, he/she is no longer fit for the job.	36.00% 36	30.00% 30	23.00% 23	7.00% 7	4.00% 4	100	2.13
I have tried flirting with flight attendants during flights.	63.00% 63	14.00% 14	19.00% 19	4.00% 4	0.00% 0	100	1.64
I have tried contacting flight attendants after meeting them on a flight.	67.00% 67	13.00% 13	15.00% 15	5.00% 5	0.00% 0	100	1.58

According to Table 2, respondents mostly agreed with the following statements:

- Flight attendants are essential to the level of customer satisfaction of an airline.
- Flight attendants are essential to the reputation of an airline.
- Flight attendants are highly trained professionals.
- Flight attendants have to update their skills on a regular basis.
- Flight attendants are essential to the safety of passengers of an airline.
- Flight attendants are helpful servers.
- The service provided by the flight attendants is essential to my preference of airlines.
- Flight attendants are professional.

Whereas the statements with which the respondents disagreed the most were:

- Flight attendants are flirty.
- The flight attendant profession is a masculine profession.
- If I had a daughter, I would recommend her to be a flight attendant.
- Once a flight attendant turns 30, he/she is no longer fit for the job.
- I have tried flirting with flight attendants during flights.
- I have tried contacting flight attendants after meeting them on a flight.

It seems that the survey respondents view flight attendants as highly trained safety professionals who not only are essential to the operations of the airline, but are also essential to their preference of airlines. This is not in accordance to the stigma that the interviewees in this study believe come with their profession. Instead, the statements that describe flight attendants as sexual objects are the ones that the respondents least disagreed. Thus, the stigma does not seem to linger in the minds of Indonesians anymore – at least according to this survey. However, even though the

flight attendants are the ones who perceived this stigma, this does not constitute self-stigma since self-stigma occurs when the person not only is aware of the stereotypes attributed to a stigmatized group and agree with them, but also applies these stereotypes to herself.

Conclusion

Commercial air transport took longer to develop compared to other means of transport such as trains and motor transports. What began as something only affordable to the rich has become the pervasive means of transport that is today. Throughout its history, branding has always been an important element to the airline industry, which gave the ability for airline companies to ability to differentiate its products from its competitors. Most importantly through branding, airline companies that would otherwise be offering practically the same products, gained distinct images and identities that are globally recognizable.

This article has discussed the evolution of the portrayals and images of flight attendants, as well as some prevalent issues resulting from these. Throughout its history, campaigns over sexual imagery, trade union protests, and lawsuits have been part of the fight for non-discriminatory practice. Still, there are some differences in different regions. For instance, though Asian carriers no longer depict their flight attendants as sexual objects, other restrictions such as age, height, and weight are still very common, which is not the case in European carriers.

Therefore, even though the perceptions of the Indonesian flight attendants regarding society's perception toward flight attendants ("high-class prostitutes", "domestic servants", "waitresses" are different from the actual perceptions of Indonesian people ("highly trained professionals", "essential to safety of passengers"), in some ways, the 'oriental

charm' stereotype still remains. Such stereotypes have long influenced the perceptions of society toward the flight attendant profession and may potentially promote further stereotyping, thus multiplying the problems already faced by women and other groups currently disadvantaged in the profession.

In a highly patriarchal society such as Indonesia, academic and professional goals of women have long been affected by the social construct of femininity. Traditionally feminine traits such as attractiveness, domesticity, and caring highly regarded. While some girls maintain their aspirations during childhood, they later they stumble upon the pressure to get married and leave their careers to become stay-at-home wives. Thus, often young women would pursue a career in which society tells them they excel because of their feminine traits, but only until their real 'domestic careers' begin – which is when they get married.

Findings from this study were only applicable to this research and specific respondents. Therefore, results are not generalizable. Further research using quantitative methods involving a larger sample may give a better understanding about the shifting image of flight attendants.

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THE FACTORS AFFECTING THE ADOPTION OF DIGITAL PAYMENT SERVICES USING TRUST AS MEDIATING VARIABLE

Florentina Kurniasari

Universitas Multimedia Nusantara, Tangerang, Indonesia

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Corresponding Author:

Florentina Kurniasari
Tangerang, Indonesia
Email: florentina@umn.ac.id

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ABSTRACT

The advance of technology development today brings an innovation in the financial industries, especially in the sector of payment. The purpose of this research is to analyze the effect of personal innovativeness, security concerns and perceived enjoyment into customer adoption of digital payment services using trust as mediating variable. As a quantitative research, the study distributed questionnaires to 186 respondents who are customers who used digital payment platform in settling their business transactions. The data collection was furthered processed statistically using Structural Equation Method (SEM). The study showed that the customer decision to using the digital payment services had significantly influenced by trust variable, in which security concerns had the highest influence in creating the borrower's trust.

Keyword: Adoption, Enjoyment, Innovativeness, Security, Trust

1. Introduction

The advancement in information and technology had a great impact in various business, including the financial industries. The ICT sector also growth tremendously in Indonesia. Latest data showed that there are 73.7% penetration of the internet from the total population of Indonesia that reached 266,91 million people in the end year 2020. This internet user growth at 8.9% per year compare of the previous year with 196 million people are internet user and the majority of them (56.4%) live in Java island (We Are Social & Hootsuite, 2020).

The survey data conducted by Indonesia Survey Center (2020)) showed that 95.4% internet users are connected through their smartphone and 97.1% heavily depend on the availability of data or quota from the internet provider.

The growth of ICT in Indonesia opened opportunity for new business especially online business that could be easily accessed via internet. Financial technology or fintech referred to the combination or collaboration of financial services with modern and innovative technology (Dorfleitner et al., 2017). Fintech was an alternative solution for the customers in settling various financial transactions. Fintech was a major program initiated by Indonesian government and stated in the Master Plan of Financial Sector (for the year 2020-2024) to increase financial inclusion in Indonesia. Fintech was successfully attracted the internet users because of its simplicity, efficient, cheap and offering many promotion (Daily Social, 2018). The registration process for having new account in fintech is simple by using the National Identity Card. All process will be handled digitally, so the customers did not need to visit the financial institution office to submit the documents. Fintechnews (2018) explained some category of fintech in Indonesia that is showed in Figure 1.

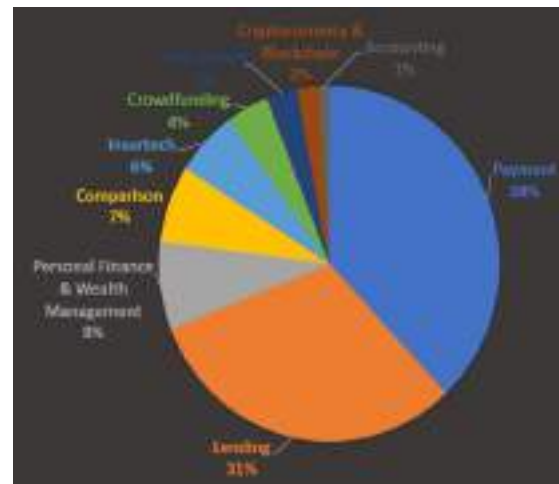


Figure 1. Fintech Distribution in Indonesia (in %)
Source: Fintechnews (2018)

The first category is related with the payment services using the digital platform such as GoPay, OVO, Doku, etc. Digital payment services had the highest contribution in the fintech industries in Indonesia (38%). The second category is related with the lending services or peer-to-peer lending (31%), such as: Investree, KoinWorks, Modalku, etc. The next category is related with the digital personal finance and wealth management (8%) such as: Finansialku, Stockbit, etc. The fourth category is coming from the market aggregator (7%). This fintech model collected all related financial information so the users had a capability to make a comparison before making a financial decision. Cekaja, Atur Duit, etc. are the example of market aggregator fintech. The other form of fintech was the collaboration model between insurance services with the digital platform widely known as Insurtech (6%), such as: Asuransiku, Cermati, etc. Kitabisa.com was the crowdfunding model that was used to collect donation of fund from some people through digital platform (4%). There's another fintech model that was called as Point of Sales (3%) like Moka, Pawoon, etc. The bitcoin platform such as Crypto & Blockchain was another form of fintech (2%). The latest category of fintech came from the Accounting platform that was useful in digital accounting recording and reporting (1%).

The digital payment services were the most popular platform in the Indonesia fintech model since it was easily used just by accessing the internet through the smartphone. There were many services offered to the customers including: transfer, paying the bills, top-up or paying the online transaction. Cashless payment became a major option for the customer in doing in the financial transaction (Katadata Insight Center, 2018). The following figure showed that 76.08% of Indonesian preferred using the electronic or cashless payment.

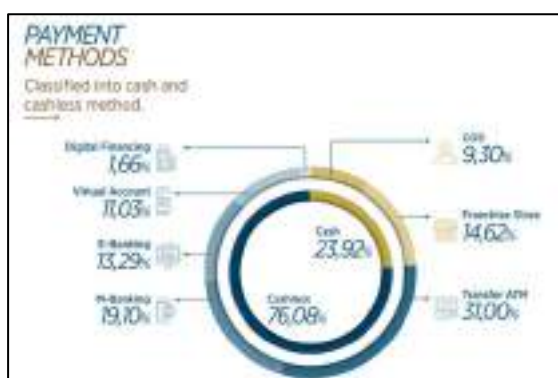


Figure 2. E-Commerce Payment Method in Indonesia (in %)

Source: Katadata Insight Center (2018)

Even most Indonesian preferred to use the cashless model in settling their financial transaction, in fact most of them still relied on the digital banking system services, such as: virtual account (11.03%), e-banking (13.29%) and mobile banking (19.10%). The digital financing itself had the lowest preference from the Indonesia customer (1.66%). (Fintechnews, 2018; Katadata Insight Center, 2018). The latest report of characteristic of Indonesian customer behavior showed that 43.2% internet user never buy the products online (Indonesia Survey Center, 2020). Most of the customers who doing transaction online still preferred to pay COD (cash on delivery) after they received the ordered products. The data indicated that customer are still reluctant in using the digital payment services because of the lack of financial literacy especially in digital services, less confidence in using the digital services

because of the security concerns, less interested in using the digital payment because of the non-attractive features Meng (2016). Moons, et. al (2001) explained that personal innovativeness would create a curiosity in experimenting the digital payment services. Security concerns in terms of data privacy protection was the important consideration in using the digital services (Davis, 1992). Customers would have an enjoyable experience if they could feel that the platform could offer pleasant and fun experience. Finally, the higher personal innovativeness, security concerns and perceived enjoyment would develop customer trust in adopting the digital payment services (Schierz, Schilke, & Wirtz, 2010).

The objective of the study was to know the effect of personal innovativeness, security concerns and perceived enjoyment into adoption of digital payment services using trust as mediating variable.

2. Literature Review

2.1 Personal Innovativeness (PI)

Personal Innovativeness is defined as the curiosity feeling of an individual in trying new technology (Agarwal & Prasad, 1998). Individual who had a higher personal innovativeness would look for any information to fulfill the curiosity (Rouibah & Abbas, 2010). Xu and Gupta (2019) also explained that personal innovativeness had a positive influence into prospective customers in trying new technology.

H1: Personal Innovativeness had a positive effect on customer trust.

2.2 Security Concerns (SC)

Each customer had an individual perception about the security concerns related in using the new technology (Abd Hamid, et.al, 2018) especially the potential negative in the processing usage of products and services, such as: free form hackers, secure payment services and data privacy protection. Khosravi & Husein (2014)

stated that individual less interested in adopting higher risk platform. High level of personal innovativeness would increase the higher curiosity, increase the confidence level, increase the willingness try new technology and finally will create the customer trust in adopting the new technology platform (Xu and Gupta, 2019). Customer decision to adopt and use the digital payment services is related with the customer concerns for safety protection of the digital payment services, which is measured by sufficient security to protect the user, safety transactional information and secured financing transaction (Egbunike, et.al, 2018). Lower risk platform would develop the customer trust easier (Chen, Lai & Lin, 2014).

H2: Security Concerns had a positive effect on customer trust.

2.3 Perceived Enjoyment (PE)

Perceived Enjoyment was an intrinsic motivation and defined as the perception that users will want to have in adopting the new technology (Davis et al., 1992). The customers were expected to have more enjoyable and fascinating experiences in using the platform (Deci et al., 1985). The higher level of enjoyment feeling and experience would increase the confidence level of the customers in acquiring the new technology (Moon and Kim, 2001). The highest confidence level was achieved if the new system was able to perform at the highest level (Teo, Lim and Lai, 1998). It is supposed to be fun to use the digital payment services if the platform had the interactive and attractive features. The psychological theories suggested by Deci et al. (1985) mention that individuals may engage in a particular behaviour because of its inherent enjoyment. The findings supported by the study of Moon et al's (2001) who stated that the individual curiosity, enjoyment, fun and pleasure feeling had a positive impact on the intention to use high technology.

H3: Perceived Enjoyment had an influence on trust.

2.4 Trust (TR)

Trust came if an individual had a comfortable and enjoyable feeling towards technology program (Abd Hamid, et.al, 2018; Li & Huang, 2009). Trust defined as a secure feeling towards something (Schierz, Schilke & Wirtz, 2010) and could be further classified as: belief, confidence, attitude, expectation about other parties' reliability and behavioural intention or behavioural of reliance that involved uncertainty (Li & Huang, 2009). Trust was created if customers had an extensive knowledge about the benefit of the platform and how the business model was being able to solve the problem in settling the financial payment services (Meng, 2016). The customer trust was developing if the platform would be able to create curiosity in trying the new technology, give enjoyable experience and in the same time giving secure feeling or less risky in accessing the new technology (Chen, Lai & Lin, 2014).

H4: Personal Innovativeness, Security Concerns and Perceived Enjoyment together had a significant influence to trust.

2.5 Adoption of Digital Payment Services (AD)

The adoption of the digital payment services was influenced by the individual's attitude, behavior and trust in using the digital payment services (Carpena et al., 2011). Lack of literacy and interested in the platform features or product services offered would create a reluctance decision in trusting to adopt the new technology (Bongomin et al., 2017). Trust able to create confidence level of the customers in using the new technology, reduce the uncertainty perception or risks of digital financing (Li & Huang, 2009), create enjoyable and positive feelings that finally would influence the customer adoption in using digital payment services (Meng, 2016).

H5: Trust had a significant influence on customer adoption in using digital payment services.

Based on the explanation above, the research was being able to develop a theoretical framework below:

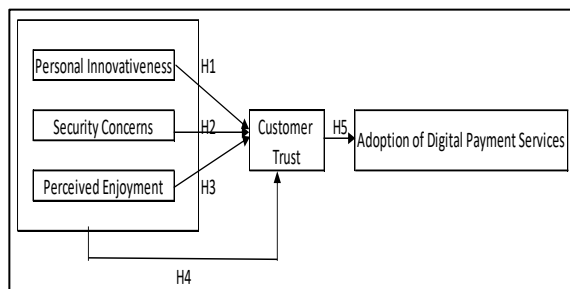


Figure 3. Proposed Research Framework

3. Research Method

As a quantitative study, this research is a descriptive research design with single cross-sectional data collection (Malhotra, Birks & Wills, 2012). The purposive sampling method was used to know the sample that could be used as a research target. This study distributed 186 respondents to customers who used digital payment platform in settling their business transactions. The respondents were asked to answer close-ended questions with 1-5 Likert scale (Nunnally, 1978). The Pearson correlation method was used to measure the correlation among indicators. Meanwhile, Cronbach's Alpha was used as reliability test and the Confirmatory Factor Analysis (CFA) was also used to measure the fitness of the research model. Furthermore, the analysis toward the structured model were used to see the correlation toward the latent variable. (Nunnally, 1978).

The first part of the questionnaires consists with the demographic questions and the second part of the questionnaires consist with the research questions. All the primary data further tested statistically using Structural Equation Model with Lisrel 8.80 software.

The personal innovativeness (PI) was measured by three indicators, namely: the experiment of using new technology (PI1); the first explorer among peers in trying new technology (PI2) and the level of curiosity in adopting technology (PI3) (Agarwal et al.,1998). The security concerns (SC) was measured also by three indicators, included: secure feeling (SC1), protective information (SC2), data privacy from hackers (SC3) (Gupta et al., 2010).

The perceived enjoyment (PE) was measured by four indicators, such as: fun feeling (PE1), pleasant feeling (PE2), enjoyable experience (PE3) and interactive or interesting activities (PE4) (Davis, 1992). The trust variable (TR) was measured by clearly conception of the functionality about the system (TR1), the system provider is well widely acknowledged (TR2) and the ability of the system to protects the privacy and data user (TR3) (Meng, 2016). The adoption decision in using the digital payment services would be measured by three indicators, namely: the planning to use in the future (AD1), the intention to use in the future (AD2) and the prediction of would use the digital payment services in the future (AD3) (Venkatesh et al., 2012).

4. Result and Discussion

Demographic data explained the profile of the respondents; 50.2% respondents were female with the majority age being 17-30 years old (53%). Most of them (64%) were university graduates and worked as employees (53%). 68% of respondents had an average monthly expenditure of 5 Million Rupiah (68%) with only 41.4% of them using the digital payment services for the financial transaction less than five hundred thousand rupiahs. OVO was the most favorite platform of digital payment services (46%), followed by GOPAY (38%), Link Aja (8%), Dana (5%) and Shopee Pay (3%). Major financial transaction the respondents done were buying online (79%). The motivation of

using the digital payment services because of the cheapest price (15.2%); easily access (13.2%); speedy, simple and practical (10.3%); promotion (8.3%) and Covid reason (0.1%). 12.9% respondents found difficulties in using the digital payment due to the lack of familiarity in using the platform (68.9%). Using Pearson correlation method and pre-test, it found that the critical value of $t > 0.691$, showed that all indicators had strong correlation. Reliability test using Cronbach's Alpha coefficient showed the number of 0.911, which meant that this research is valid (Nunnally, 1978). To measure the fitness of the research model, the Confirmatory Factor Analysis (CFA) was used. Analysis toward the structured model were used to see the correlation toward the latent variable. The table 1 showed that all GOF indicator had a good fit model and there were perfect theories in this research. Meanwhile, the table 2 showed the value of R Square and Adjusted R Square for each variable, in which Trust variable had the highest value of R square 0.745 and Personal Innovativeness had the lowest R square of 0.263. It meant that 74.5% trust variable was influenced by the variable of personal innovativeness, security concerns and perceived enjoyment with the 25.5% was influenced by other variables.

Table 1. Design Summary for Goodness for Fit Testing Model

Source: Data Analysis using LISREL 8.80 (2020)

GOF Indicator	Est.Value	Testing Result	Conclusion
<i>Absolute Fit Value</i>			
GFI	$GFI \geq 0.90$	0.94	Good Fit
RMSEA	$RMSEA < 0.08$	0.06	Good Fit
<i>Incremental Fit Value</i>			
NNFI	$NNFI > 0.90$	0.91	Good Fit
NFI	$NFI > 0.90$	0.99	Good Fit
AGFI	$AGFI > 0.90$	0.93	Good Fit
RFI	$RFI > 0.90$	0.98	Good Fit
IFI	$IFI > 0.90$	0.97	Good Fit

Table 2. R-Square and Adjusted R-Square
Source: Data Analysis using LISREL 8.80 (2020)

Variables	R-Square	Adjusted R-Square
Personal Innovativeness	0.263	0.131
Security Concerns	0.561	0.583
Perceived Enjoyment	0.432	0.233
Trust	0.745	0.883

Meanwhile, the result of hypotheses testing using path diagram, could be explained as follow:

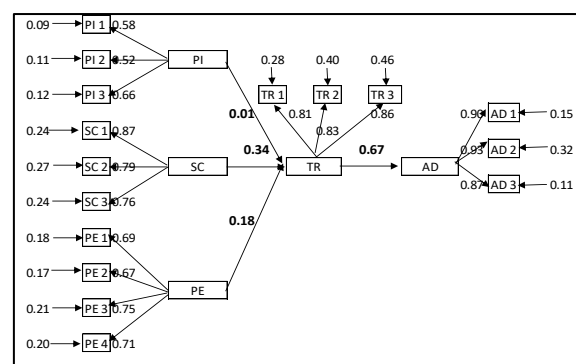


Figure 4. Structural Diagram (Standardized)

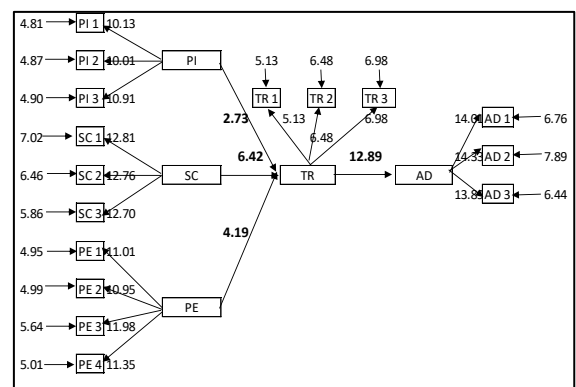


Figure 5. Structural Diagram (t-value)

The result of hypotheses testing could be explained below:

Table 3. Result of Hypothesis Testing
Source: Data Analysis using LISREL 8.80 (2020)

Hypotheses	Variables	Coefficient Standard	t-Value	Statistical Conclusion
H ₁	PI → TR	0.01	2.73	Data Supported
H ₂	SC → TR	0.34	6.42	Data Supported
H ₃	PE → TR	0.18	4.19	Data Supported
H ₄	PI, SC, PE → TR	0.54	7.84	Data Supported
H ₅	TR → AD	0.67	12.89	Data Supported

The research able to create a structural equation model as follow:

$$\begin{array}{l} \text{TR} = 0.01 \cdot \text{PI} + 0.34 \cdot \text{SC} + 0.18 \cdot \text{PE} \\ (0.054) \quad (0.050) \quad (0.043) \\ 2.73 \quad 6.42 \quad 4.19 \\ \text{Errorvar.} = 0.43, R^2 = 0.563 \\ \text{AD} = 0.67 \cdot \text{TR} \\ (0.56) \\ (12.89) \\ \text{Errorvar.} = 0.43, R^2 = 0.745 \end{array}$$

The result of hypotheses testing could be explained further:

H₁: Personal innovativeness had a positive effect on customer trust, with the t-value > 2 (2.73 > 2), with the effect value of 0.01.

The finding was aligned with the previous research conducted by Rouibah & Abbas (2010) who stated that personal innovativeness had statistically significant toward trust. The research showed that the customers decision to adopt the digital payment services if the platform were able to fulfill their curiosity of the features and services offered. This finding supported the previous research done by Xu and Gupta (2019) who mentioned that the customer who were satisfied in their first experiment in exploring the new digital payment platform tend to continue adopting that platform.

H₂: Security concerns had a positive effect on customer trust, with the t-value of 6.42 and the effect value of 0.34.

The result supported the previous research that mentioned that security concerns had the highest significant effect into trust (li & Huang, 2009). Some risks related with the digital payment services data security and protection privacy the finding also supported the research done by Dorfleitner et al. (2017) who explained the secure platform would keep the secrecy of the customer's data information. If the customers felt secure in that platform, they

are willing to adopt and use it in making payment services (Gupta et al., 2010).

H₃: Perceived Enjoyment had an influence on trust, with the t-value of 4.19 and the effect value of 0.18.

If users found difficulties in accessing the digital platform, it would also influence their reluctant behaviour in adapting the new technology (Egbunike, et.al, 2018). The result of this research also aligned with the previous study of Chen, Lai, & Lin (2014) who explained that one key success factor for the fintech platform to attract the users was the ability to provide the user interface (UI) and user experience design (UX). The customers are willing to adopt the digital payment services if they had enjoyable experience, fun and pleasant feeling, enjoyable experience that is supported with the modern and interactive features (Deci et al., 1985).

H₄: Personal Innovativeness, Security Concerns and Perceived Enjoyment together had a significant influence to trust, with the t-value of 7.84 and the effect value of 0.54.

This study found that the customers trust in adopting the new digital payment services if they felt secure, had an enjoyable experience when access the digital payment services for the first time. Therefore, the study supported with the study of Venkatesh et al. (2012).

H₅: Trust had the highest and significant influence on customer decision to borrow for ultra-micro segments in Indonesia's P2P lending platforms, with the t-value of 12.89 and the effect value of 0.67.

The finding supported the previous study that mentioned trust as the major factor in creating customer perception Egbunike (2018). The customer preferred to choose the platform that had positive credibility in public image Walchek (2015). Customer

preferred to do business with the authorized digital payment services. In Indonesia, the digital payment services had to registered and got the license from the government body (OJK). The study aligned with the research result from (Zhang, et.al, 2017) who stated that every business organization must meet and follow with the government regulation.

5. Conclusion & Suggested Further Research

Trust had the highest effect in influencing customer decision to adopt the digital payment services. Meanwhile, all the variables such as personal innovativeness, security concerns and perceived enjoyment had positive impact in developing the borrower trust, in which the security concerns had the highest effect. The application platform should develop innovation that focus more on user-friendly features and experiences using more understandable languages and symbols. The R-square of this research showed the value of 0.745. It meant that even trust had a positive impact in customer decision to borrow with 74.5% effect, there might be other variables that could be considered in influencing trust, such as: customer knowledge and financial literacy. But, there're an urgency to encourage the support of the technology financial ecosystem, including the government in initiating a clear regulation to protect the customers interest and in the same time had to deliver highest standard of service quality to attain firm competitiveness and performance since the customers are more interested with more attractive offers and services.

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WHO MOVES WESTERN EUROPE STOCK MARKETS?

Robertus Setiadi

Partner KJPP Amin, Nirwan, Alfiantori & Rekan, Jakarta, Indonesia.
Research Scholar PPIM FEB Universitas Indonesia

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Corresponding Author:

Robertus Setiadi
Jakarta, Indonesia
Email: setiadi.robertus@gmail.com
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ABSTRACT

This paper focuses on short- and long-term causal relationship on six major Stock Exchanges in Western Europe which actively traded, while also considering the interaction with US Stock Exchange. The observation period is separated into 3 sub-samples to represent the pre-crisis period, crisis period, and post-crisis period; while the author also distinguishes between local currency and USD denominations in stock closing price. Conversion of local currency in USD denominations shows an effect on increasing the inter-dependence shown in the pre-crisis observation while tested using Johansen test. In the whole-period sample, Belgium, Germany, and the US should be considered as dominant country to granger cause the other Western Europe. Long-term relationships were also tested by granger causality showing different characteristics in each sub-sample. Finally, Italy is the most sensitive country in the response to other Western European countries innovations while tested by Generalized Impulse Response Analysis.

Keywords: *Co-Integration, Financial Crisis, Impulse Response, Stock Market Interdependencies*

1. Introduction

Global Financial Crisis occurred in 2008, was followed by a recession that hit most of the world's economies. Dervis & Kharas (2011) highlighted the importance of financial and macroeconomic stability which is contagious along with globalization. The transformation carried out by the Financial Stability Board (FSB) also emphasized the financial crisis and macroeconomic interdependence. Coordination of fiscal, monetary, and exchange rate policies from major countries are naturally considered to be able to influence other countries, in connection with the spillover effects of macroeconomic policies.

In line with globalization, one of the platforms for investors to allocate their wealth is through stock exchanges, both domestic and foreign. According to Gupta et.al (2019) diversification investment strategy in the stock exchanges of countries with a higher correlation will result in failure to achieve higher returns with optimal risk mitigation. Some investment considerations include variance, covariance, and correlation which are found on various asset options in the portfolio. So the analysis of financial market integration is important for hedging risk and maximizing returns.

In testing the integration and causality of interdependencies, Wang (2014) research focuses on the contagion transmittance or transmission of the US stock market to the East Asian stock market. In addition, there were differences in dependency characteristics between stock markets which increased during the crisis period, in line with the weakening influence of the US stock market. The US influence is relatively crucial in examining the relationship between stock markets; as in the research of Cheung et.al (2010) which also considers TED spread as a proxy for credit risk, so there are implications for determining the treasury bills rate. Meanwhile, Wang

(2014) tested short-term causal relationships with impulse response analysis.

Several studies have focused on stock market relations of countries with which trade relations regionally. Kumar (2019) tests the dynamic linkages among South Asian stock which are member of SAFTA. Besides, Rahman et.al (2017) was also investigate the linkages between ASEAN regional country stock indexes, while adding three other countries outside ASEAN.

The European Union (EU) initiation in 1999 began to introduce currency uniformity to member countries, with the aim of increasing global competitiveness. Included in the group of developed countries, GDP per capita of the majority member countries is greater than the world average. The author takes a sample of 6 countries in the Western Europe, including UK, Germany, France, Belgium, Netherlands, and Italy. Sammader (2018) paper which investigates integration between Indian stock markets and developed stock markets, also accounted several Western Europe countries such as France, Germany, and UK.

The approach taken in the research of Vodenska et.al (2016) in observing the relationship between financial networks also considers the lead-lag and the division of observation periods into the classification of mild crisis, calm, and severe crisis to distinguish the characteristics per period.

Hence, this research is intended to answer several questions such as (1) Does the financial crisis change the interdependencies among Western Europe stock market, compared to pre-crisis period and post-crisis period? (2) Which countries are influential in driving the other Western Europe stock market in the long run during pre-crisis period, crisis period, and post-crisis period? (3) Which is the most sensitive country in the response to other

Western European countries innovations? Taking into account the active trading on the stock exchange and the market capitalization of some of the countries of Western Europe that exceeds one trillion US Dollar, it is essential to conduct research in observing short-run and long-run relationship in the stock market for the investment strategy, while taking into account the influence from US stock market.

2. Literature Review

Integration of stock markets could be an interesting topic due to diversification opportunity for investors around the world. However, we often come across conflicting result from existing literature. Gupta et.al (2019) highlight the conflicting result could be explained by the different use of data frequency and methodology.

The differences in characteristics in each sub-sample period are shown in Vodenska et.al (2016) research. During severe crisis period sub-sample, they find that the interactions between foreign exchange and equity market are very strong. However, various characteristic of each sub-sample might be influenced by different macroeconomic conditions. During mild crisis sub-sample (before crisis period), global equity markets have the highest predictive power to explain currency return compared to another period.

The majority of interdependency topic research always incorporates the influence of US Stock Exchange or US subprime crisis. For instance, Kumar (2019) confirmed a structural break in research data. Moreover, Sammader (2018) and Wang (2014) paper also includes US as one of the most influential country. Wang (2014) paper implemented the Johansen test based on the VAR modeling. According to Johansen (1991), VAR modeling can also be combined with the error correction term, reflected in πX_{t-1} .

Hence, in accordance with globalization and macroeconomic interdependence, investors are triggered to find potential arbitrage gain in the long run, while also considering short-run response in innovation. Sammader (2018) findings state that though investors might benefit from short-run portfolio diversification, long-run benefits are still restricted.

3. Data and Methodology

In this paper, data obtained through Bloomberg Terminal consists of daily closing prices for 6 stock exchanges in Western Europe which are quite dominant and actively traded, including the UKX Index (United Kingdom), DAX Index (Germany), CAC Index (France), BEL20 Index (Belgium), AEX Index (Netherlands), FTSE MIB Index (Italy). In addition, data on the US Stock Exchange was also collected, namely the US S&P 500 Composite Index (US). Apart from using the local currency, the authors convert the closing stock price of each country in US\$. The denomination technique was also applied in a similar study by Ahmedov (2010) which examined several countries in Asia.

The entire study period is May 14th, 1999 to December 31st, 2019 with a total of 5,294 observations. Then the pre-crisis try period is described in the period from May 14th, 1999 to December 31st, 2007 (2215 observations). The European sovereign debt crisis, which began in 2008 with the collapse of Iceland banks, marked the Great Recession period that took place from 2008 to 2012, with the peak of the crisis in 2010-2012. The author tries to capture the crisis period with a sub-sample period from January 1st, 2008 to December 31st, 2012 (1286 observations). Meanwhile, the post-crisis period covers January 1st, 2013 to December 31st, 2019 (1793 observations). In connection with the Covid-19 pandemic, 2020 year is not included in the observation period.

Table 1. Descriptive Statistic
Source: daily stock index closing price, Bloomberg Terminal

Descriptive Statistics (<i>in basis point</i>)							
	Belgium	France	Germany	Italy	Netherlands	UK	US
Whole Period : 14/5/1999 – 31/12/2019							
Mean	0.424	0.612	1.780	-0.843	0.173	0.340	1.890
Median	3.090	3.410	6.960	3.770	4.750	2.340	5.380
Max (%)	9.334	10.594	10.797	10.874	10.028	9.384	10.957
Min (%)	-8.319	-9.471	-8.874	-13.314	-9.590	-9.265	-9.469
Stdev (%)	1.209	1.396	1.440	1.480	1.366	1.145	1.187
Pre-Crisis Period : 14/5/1999 – 31/12/2007							
Mean	1.210	1.180	2.010	0.219	-0.308	0.111	1.210
Median	3.530	3.820	8.540	5.910	4.880	2.990	4.160
Max (%)	9.334	7.002	7.552	7.627	9.516	5.903	5.573
Min (%)	-5.610	-7.678	-8.874	-7.866	-7.531	-5.885	-4.414
Stdev (%)	1.147	1.371	1.525	1.215	1.423	1.124	1.114
Crisis Period : 1/1/2008 – 31/12/2012							
Mean	-3.970	-3.370	-0.451	-6.710	-3.180	-0.704	-0.900
Median	-0.619	-0.049	4.140	0.000	0.000	0.000	7.260
Max (%)	9.221	10.594	10.797	10.874	10.028	9.384	10.957
Min (%)	-8.319	-9.471	-7.433	-8.599	-9.590	-9.265	-9.469
Stdev (%)	1.607	1.806	1.715	1.971	1.720	1.505	1.659
Post-Crisis Period : 1/1/2013 – 31/12/2019							
Mean	2.610	2.770	3.090	2.050	3.170	1.370	4.740
Median	4.140	5.320	6.980	3.950	6.470	4.130	5.920
Max (%)	3.801	4.060	4.852	5.698	3.970	3.515	4.840
Min (%)	-6.613	-8.384	-7.067	-13.331	-5.873	-4.779	-4.184
Stdev (%)	0.918	1.047	1.067	1.361	0.941	0.830	0.809

Table 1 provides a summary of daily returns in local currency (log-transformed) stock exchanges in Western Europe and the US by whole period, pre-crisis period, crisis period, and post-crisis period. In the entire observation period, the performance of US mean stock returns is greater than all Western Europe countries. Likewise, volatility is reflected in the US standard deviation which is consistently smaller in the whole period, pre-crisis, crisis and post-crisis.

Different characteristics can be seen during the crisis period, where the US standard deviation was recorded at 1.659%, which is higher than Belgium and the UK at 1.607% and 1.505%, respectively. The authors also believe that January 1st, 2008 to December 31st, 2012 period already represents crisis

period; with a negative mean in all sample countries during that period.

In contrast, during whole-period observation, only Italy stock exchange recorded mean at -0.843 basis points. On the other hand, during pre-crisis period observation, only Netherlands stock exchange recorded mean at -0.308 basis points.

4. Results and Discussion

Table 2 illustrates the unit root test on the log-transformed index of stock exchanges of all sample countries. By applying a 5% critical value, the Augmented Dickey-Fuller and Phillips-Perron tests consistently state that the series is I (1), and is stationary.

Table 2. Unit Root Test
Source: Author, 2020

Return Series	Augmented Dickey-Fuller		Phillips-Perron	
	Prob.	Lag	Prob.	Bandwidth
Belgium	0.0001	0	0.0001	0
France	0.0000	4	0.0001	24
Germany	0.0001	0	0.0001	11
Italy	0.0001	0	0.0001	8
Netherlands	0.0000	4	0.0001	9
UK	0.0000	4	0.0001	11
US	0.0001	1	0.0001	23

Long-Run Equilibrium Relationship (Co-integration)

The initial step of Long-run Equilibrium relationship testing is to determine the optimal lag-length with the likelihood ratio test, with the parameters used is a maximum lag of 15 days. By considering the characteristics of the data, the assumptions used are modeling with intercept, and no time trend. The indicator used is a combination of Akaike Information Criterion (AIC), Schwarz Criterion (SC), and Hannan Quinn (HQ) Criterion. If there

are conflicting results between AIC and SC, the author will determine the Hannan Quinn Criterion as the optimum lag.

Table 3 explains the VAR Lag Order Selection Criteria for the whole period, pre-crisis period, crisis period, and post-crisis period in local currency price index, which are respectively 2, 2, 1, and 1. By converting the local currency to USD, we find that the VAR Lag Order is not much different, which are respectively 3, 2, 1, and 1.

Table 3. VAR Lag Order Selection Criteria
Source: Author, 2020

Local Currency		US Dollar	
Observation Period	Lag Order	Observation Period	Lag Order
Whole Period	2	Whole Period	3
Pre-Crisis Period	2	Pre-Crisis Period	2
Crisis Period	1	Crisis Period	1
Post-Crisis Period	1	Post-Crisis Period	1

Long run relationship tested using Johansen Co-integration test on a 7-dimensional VAR model. With a critical value of 5%, the

λ_{trace} statistic will be compared with λ based on this critical value.

Table 4. Johansen Test (Local Currency & USD)
Source: Author, 2020

	λ_{trace} statistic (local)	λ_{trace} statistic (USD)	5% Critical Value	Prob. (local)
Panel A : Whole Period (14/5/1999 – 31/12/2019)				
r = 0	152.0659	138.0774	125.6154	0.0005
r ≤ 1	95.81860	84.95166	95.75366	0.0495
r ≤ 2	56.84195	45.95119	69.81889	0.3449
r ≤ 3	31.50965	25.21041	47.85613	0.6930
r ≤ 4	9.840256	10.42934	29.79707	0.9826
r ≤ 5	3.264529	2.839009	15.49471	0.9536
r ≤ 6	1.253606	0.618201	3.841466	0.2629
Panel B : Pre-Crisis Period (14/5/1999 – 31/12/2007)				
r = 0	145.6623	166.2049	125.6154	0.0017
r ≤ 1	87.76446	109.1123	95.75366	0.1562
r ≤ 2	53.82899	64.19487	69.81889	0.4690
r ≤ 3	27.19745	30.62015	47.85613	0.8467
r ≤ 4	12.36277	17.13050	29.79707	0.9185
r ≤ 5	3.769243	5.171822	15.49471	0.9213
r ≤ 6	1.133046	0.060155	3.841466	0.2871
Panel C : Crisis Period (1/1/2008 – 31/12/2012)				
r = 0	141.6505	136.8776	125.6154	0.0036
r ≤ 1	95.03241	88.33245	95.75366	0.0560
r ≤ 2	64.70535	56.47799	69.81889	0.1196
r ≤ 3	41.23939	34.72062	47.85613	0.1812
r ≤ 4	20.69873	16.79797	29.79707	0.3767
r ≤ 5	7.146098	6.332102	15.49471	0.5607
r ≤ 6	0.802295	0.384653	3.841466	0.3704
Panel D :Post- Crisis Period (1/1/2013 – 31/12/2019)				
r = 0	166.0020	125.7794	125.6154	0.0000
r ≤ 1	83.83907	86.00602	95.75366	0.2481
r ≤ 2	46.56618	53.03636	69.81889	0.7771
r ≤ 3	20.61385	29.65810	47.85613	0.9874
r ≤ 4	9.622135	12.57154	29.79707	0.9853
r ≤ 5	3.907501	5.383277	15.49471	0.9109
r ≤ 6	0.127116	0.665520	3.81466	0.7213

Table 4 Panel A explains that there are 2 co-integrating vectors based on λ_{trace} statistics value for the entire observation period using the stock exchange closing price in the local currency. Different long-term relationship characteristics are shown in the λ_{trace} statistical test for the entire observation period with USD currency which only has 1 co-integrating vector.

The author determines the lag order according to Table 3 based on the sub-

sample observation period and currency. In Panel B, the observation period was set on May 14th, 1999 to December 31st, 2007, where one co-integrating vector was found, which means that there is a long-term relationship between the stock exchanges in Western Europe during pre-crisis observation.

When considering the effect of USD conversion, there is an increase in the interdependence indicated by 2 co-

integrating vectors. This interpretation is in line with the research of Bessler & Yang (2003), which found that changes in exchange rate can affect the long-term co-integrating relationship between stock markets. This result is also in line with Vodenska et.al (2016) paper which finds that interactions between foreign exchange and equity market are stronger during pre-crisis period.

Based on Panel C and Panel D, it was found that in the crisis period and post-crisis period sub-samples, there was a long-term consistent relationship with λ_{trace} statistic $> \lambda$ based on a critical value of 5% at $r = 0$. In the crisis and post-crisis periods the same conclusion was obtained, while taking into account the conversion of the USD exchange rate.

Interdependencies among Western Europe Stock Markets

Wang (2014) research also tested the multivariate Granger Causality Test in each

sub-sample of the observation period. Along with this test, we can see the effect of the US stock exchange on the Western Europe stock market. By considering the significant effect on the lag, the criteria lag test is determined in advance with a maximum parameter of 15 days. In the pre-crisis period and post-crisis observation periods, Wang (2014) used VAR, while in the crisis period the VEC Model was used at the data level.

Table 5 Panel A explains that in the entire observation period, from May 14th, 1999 to December 31st, 2019 with 2 lags effect, there are several countries that predominantly influence the price index of other countries. Belgium significantly affects / granger cause Germany, Italy, Netherlands, and UK with prob. $< 5\%$. Meanwhile, Germany granger causes France, Italy, Netherlands and UK. The influence of the US stock index is quite significant on the stock index of Western Europe countries, as it granger causes Belgium, France, and Netherlands.

Table 5. Granger Causality Test (Local Currency)
Source: Author, 2020

Panel A : Whole Period (Prob.)								
Independent Variable	Dependent Variable (effect 2 lags)							
		Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0607	0.0062	0.0016	0.0013	0.0007	0.1074
	France	0.0608	n/a.	0.9177	0.2305	0.2544	0.1985	0.8078
	Germany	0.0705	0.0004	n/a.	0.0282	0.0001	0.0070	0.0001
	Italy	0.3235	0.3220	0.2833	n/a.	0.7041	0.2070	0.4620
	Netherlands	0.2213	0.4157	0.1996	0.6884	n/a.	0.3712	0.0953
	UK	0.0835	0.2752	0.1369	0.8376	0.1275	n/a.	0.6793
	US	0.0180	0.0334	0.3202	0.3940	0.0413	0.1518	n/a.
Panel B : Pre-Crisis Period (Prob.)								
Independent Variable	Dependent Variable (effect 2 lags)							
		Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0639	0.0716	0.0956	0.0003	0.0283	0.5660
	France	0.0951	n/a.	0.5752	0.1017	0.2874	0.1073	0.2110
	Germany	0.0097	0.0000	n/a.	0.0218	0.0000	0.0002	0.0051
	Italy	0.5742	0.6325	0.8986	n/a.	0.8575	0.0933	0.7858
	Netherlands	0.0075	0.0152	0.0064	0.0716	n/a.	0.0929	0.9445
	UK	0.0322	0.1039	0.0088	0.1038	0.0057	n/a.	0.4619
	US	0.2239	0.1927	0.3735	0.7520	0.3117	0.0474	n/a.

Panel C : Crisis Period (Prob.)

		Dependent Variable (effect 1 lag)						
Independent Variable	Belgium	Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0059	0.0116	0.0016	0.0008	0.0035	0.8080
	France	0.1230	n/a.	0.2963	0.7071	0.0369	0.0856	0.9093
	Germany	0.8349	0.3743	n/a.	0.8613	0.8143	0.4292	0.3571
	Italy	0.7111	0.5407	0.4743	n/a.	0.6239	0.8623	0.4013
	Netherlands	0.7402	0.6151	0.9185	0.5151	n/a.	0.3160	0.2484
	UK	0.6116	0.9314	0.8679	0.3536	0.2317	n/a.	0.4331
	US	0.2403	0.1983	0.1576	0.1159	0.1309	0.3502	n/a.

Panel D : Post-Crisis Period (Prob.)

		Dependent Variable (effect 1 lag)						
Independent Variable	Belgium	Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0449	0.4711	0.0668	0.0643	0.0018	0.2257
	France	0.0249	n/a.	0.1917	0.3484	0.1607	0.0248	0.8156
	Germany	0.0020	0.0472	n/a.	0.0561	0.0183	0.0004	0.4414
	Italy	0.5117	0.2609	0.9800	n/a.	0.9889	0.7803	0.6287
	Netherlands	0.5495	0.2085	0.3979	0.8933	n/a.	0.7261	0.0001
	UK	0.0335	0.2214	0.6251	0.2207	0.1244	n/a.	0.7503
	US	0.3583	0.2074	0.5599	0.5846	0.0793	0.1256	n/a.

Panel B, which depicts the pre-crisis observation period, illustrates the strong relationship between the indexes between countries in Western Europe. During this period, there are several countries which are influential as an independent variable, namely the stock indexes of Belgium, Germany, Netherlands, and the UK. Observations show that time-varying subsamples produce different long-term relationships. During the crisis period, Panel C explained that Belgium granger causes France, Germany, Italy, Netherlands, and UK. Meanwhile, only France Granger causes Netherlands. Hence,

during the crisis period, long-term relations did not significantly appear in Western Europe countries.

The dominance of the countries of Belgium and Germany in influencing share prices in Western Europe was also confirmed during the post-crisis period which is identical to the whole period. However, we can observe a non-significant effect of the United States on the observed sub-sample period. However, in the long term from May 14th, 1999 to December 31st, 2019, US granger causes Belgium, France, and Netherlands.

Table 6. Granger Causality Test (USD Currency)
Source: Author, 2020

Panel A : Whole Period (Prob.)

		Dependent Variable (effect 3 lags)						
Independent Variable	Belgium	Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0001	0.0000	0.0000	0.0000	0.0001	0.0986
	France	0.0137	n/a.	0.4792	0.0001	0.0255	0.0178	0.5728
	Germany	0.2353	0.0141	n/a.	0.0011	0.0094	0.0026	0.0003
	Italy	0.1214	0.6791	0.1397	n/a.	0.2209	0.2346	0.8437
	Netherlands	0.1951	0.8609	0.7043	0.7927	n/a.	0.7649	0.0210
	UK	0.5027	0.9251	0.8433	0.6441	0.7600	n/a.	0.4777
	US	0.0058	0.0269	0.0663	0.3165	0.0081	0.0533	n/a.

Panel B : Pre-Crisis Period (<i>Prob.</i>)								
		Dependent Variable (<i>effect 2 lags</i>)						
Independent Variable		Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0638	0.0234	0.0055	0.0020	0.0002	0.4801
	France	0.0255	n/a.	0.3819	0.0001	0.0466	0.0580	0.0822
	Germany	0.0117	0.0000	n/a.	0.0005	0.0000	0.0006	0.0097
	Italy	0.1032	0.2241	0.7874	n/a.	0.2684	0.0762	0.9348
	Netherlands	0.1355	0.1503	0.4256	0.4265	n/a.	0.3972	0.4292
	UK	0.1034	0.2195	0.3290	0.1141	0.0389	n/a.	0.7948
	US	0.2074	0.2487	0.5048	0.5794	0.1670	0.3242	n/a.
Panel C : Crisis Period (<i>Prob.</i>)								
		Dependent Variable (<i>effect 1 lag</i>)						
Independent Variable		Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0005	0.0014	0.0001	0.0001	0.0003	0.8263
	France	0.0408	n/a.	0.0634	0.1361	0.0244	0.0021	0.8377
	Germany	0.2096	0.0337	n/a.	0.3507	0.1396	0.0061	0.6777
	Italy	0.6412	0.4563	0.6310	n/a.	0.9056	0.5783	0.6302
	Netherlands	0.9824	0.6060	0.4265	0.9405	n/a.	0.3318	0.7416
	UK	0.2774	0.0191	0.0440	0.0343	0.1631	n/a.	0.0241
	US	0.2536	0.3942	0.3027	0.3760	0.1281	0.2819	n/a.
Panel D : Post-Crisis Period (<i>Prob.</i>)								
		Dependent Variable (<i>effect 1 lag</i>)						
Independent Variable		Belgium	France	Germany	Italy	Netherlands	UK	US
	Belgium	n/a.	0.0356	0.3000	0.2403	0.0652	0.0132	0.3166
	France	0.3178	n/a.	0.8405	0.7653	0.9902	0.8907	0.1411
	Germany	0.0144	0.1816	n/a.	0.3057	0.0756	0.0479	0.7914
	Italy	0.1658	0.1161	0.4798	n/a.	0.3633	0.0426	0.9617
	Netherlands	0.9759	0.3604	0.6008	0.9267	n/a.	0.7630	0.0002
	UK	0.1454	0.0974	0.0773	0.6290	0.0619	n/a.	0.1165
	US	0.5090	0.3714	0.2798	0.4513	0.7576	0.2045	n/a.

Table 6 reflects granger causality analysis in USD denomination. Panel A explains that during the entire observation period, namely May 14th, 1999 to December 31st, 2019 with 3 lags, there were several countries that predominantly influenced the price index of other countries. Belgium granger causes France, Germany, Italy, Netherlands, and UK with a prob. < 5%. Meanwhile France influenced Belgium, Italy, Netherlands, and UK; Germany granger causes France, Italy, Netherlands, UK, and US. The influence of the US stock index is quite significant on the stock index of Western Europe countries, with granger causes in Belgium, France, and Netherlands. The effect of currency causes increased interdependence across the entire sample.

Panel B, which depicts the pre-crisis observation period, illustrates the strong relationship between the indexes between countries in Western Europe. During this period, there are several countries which are influential as an independent variable, namely the stock indexes of Belgium, France, Germany and the UK. Observations show that time-varying subsamples produce different long-term relationships. During the crisis period, Panel C explained that Belgium was dominant in granger causes France, Germany, Italy, Netherlands, and UK. Likewise, UK, which was dominant as it granger causes France, Germany, Italy, and the US.

Panel D shows different characteristic in post-crisis period sub-sample compared to the whole period. In this sub-sample,

France is not a significant independent variable that granger causes the other countries in Western Europe. Likewise, the UK influence that was seen during the crisis period did not have any influence in the post-crisis sub-sample. It can be concluded in Table 6, overall Belgium and Germany Granger cause share prices in Western Europe. Meanwhile, the dominant characteristic of France as an independent variable of long-term relationship does not appear in the post-crisis period.

Short-term Relationships: Impulse Response Analysis Results

Finally, Wang (2014) also tested short-term causal relationships, which were separated based on the sub-sample observation period. After testing the unit root test and co-integration, the authors used a 7-

dimensional VAR, taking into account one-unit shock in modeling changes in volatility during the observation period.

In Table 7 Panel A, the authors describe a generalized impulse response analysis for the whole period covering May 14th, 1999 to December 31st, 2019. One of the influential countries in this analysis is innovation in the country of Belgium which received a fairly strong response from Italy with reactions to innovation on the first day of 0.9447. Meanwhile, innovation in the Netherlands received a significant negative response from 4 countries including France, Germany, Italy, and the UK, respectively at -0.4924; -1.0889; -1.7554; and -0.5351 on the first day. The innovation in the US country did not get too much reaction to the significant innovation in the Western European countries.

Table 7. Generalized Impulse Response Analysis
Source: Author, 2020

Panel A : Whole Period								
Innovations in Country								
Response by Country		Belgium	France	Germany	Italy	Neth	UK	US
	Belgium 1	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	Belgium 2	1.1428	-0.0573	0.0227	-0.0013	-0.0736	-0.0250	-0.0026
	Belgium 3	1.1527	-0.0578	0.0200	-0.0010	-0.0863	-0.0257	0.0063
	Belgium 4	1.1506	-0.0607	0.0193	-0.0004	-0.1151	-0.0233	0.0146
	Belgium 5	1.1475	-0.0628	0.0184	-0.0000	-0.1444	-0.0208	0.0228
	France 1	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	France 2	0.1021	0.8537	0.0678	0.0019	-0.4924	0.0079	-0.0163
	France 3	0.1123	0.8551	0.0592	0.0016	-0.4559	0.0079	-0.0019
	France 4	0.1125	0.8423	0.0582	0.0024	-0.4505	0.0122	0.0099
	France 5	0.1129	0.8313	0.0565	0.0031	-0.4470	0.0163	0.0217
	Germany 1	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
	Germany 2	0.2163	-0.0229	1.0253	-0.0098	-1.0889	-0.0002	-0.0225
	Germany 3	0.2297	-0.0196	1.0133	-0.0108	-0.9859	0.0031	-0.0074
	Germany 4	0.2349	-0.0188	1.0067	-0.0116	-0.9867	0.0119	0.0045
	Germany 5	0.2393	-0.0174	0.9996	-0.0124	-0.9842	0.0205	0.0165
	Italy 1	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000
	Italy 2	0.9447	-0.3982	0.1760	0.9419	-1.7554	-0.0521	-0.1905
	Italy 3	1.0016	-0.3331	0.1295	0.9365	-1.4398	-0.0673	-0.1302
	Italy 4	1.0184	-0.3122	0.1090	0.9323	-1.3952	-0.0577	-0.0941
	Italy 5	1.0314	-0.2854	0.0860	0.9277	-1.3436	-0.0486	-0.0562
	Neth 1	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
	Neth 2	0.0143	-0.0063	0.0065	-0.0000	0.8928	0.0003	-0.0005
	Neth 3	0.0154	-0.0060	0.0057	-0.0000	0.8949	0.0004	0.0006
	Neth 4	0.0153	-0.0063	0.0055	-0.0000	0.8913	0.0009	0.0017
	Neth 5	0.0152	-0.0066	0.0053	-0.0000	0.8876	0.0014	0.0029

UK 1	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
UK 2	0.1765	-0.0748	0.0582	-0.0075	-0.5351	0.9626	-0.0036
UK 3	0.1857	-0.0724	0.0518	-0.0072	-0.4996	0.9574	0.0084
UK 4	0.1862	-0.0784	0.0516	-0.0067	-0.5137	0.9560	0.0182
UK 5	0.1860	-0.0829	0.0509	-0.0062	-0.5273	0.9546	0.0281
US 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
US 2	0.0167	0.0074	-0.0185	0.0006	0.0428	0.0057	0.9435
US 3	0.0185	0.0041	-0.0154	0.0005	0.0644	0.0045	0.9399
US 4	0.0201	0.0039	-0.0144	0.0003	0.0768	0.0041	0.9338
US 5	0.0216	0.0033	-0.0132	0.0001	0.0902	0.0038	0.9278

Panel B : Pre-Crisis Period**Innovations in Country**

	Belgium	France	Germany	Italy	Neth	UK	US
Belgium 1	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Belgium 2	1.1730	-0.0621	0.0556	-0.0015	-0.2058	-0.0339	0.0323
Belgium 3	1.1872	-0.0578	0.0427	-0.0009	-0.2434	-0.0290	0.0483
Belgium 4	1.1808	-0.0558	0.0420	-0.0005	-0.3364	-0.0206	0.0646
Belgium 5	1.1717	-0.0528	0.0394	-0.0000	-0.4284	-0.0113	0.0792
France 1	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
France 2	0.0893	0.8164	0.1929	-0.0001	-1.1731	0.0422	0.0164
France 3	0.0872	0.8232	0.1519	0.0007	-1.1098	0.0561	0.0348
France 4	0.0769	0.8104	0.1566	0.0016	-1.1959	0.0695	0.0699
France 5	0.0668	0.7999	0.1550	0.0025	-1.2788	0.0845	0.1004
Germany 1	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Germany 2	0.1173	-0.0637	1.0278	-0.0011	-1.2958	0.0760	-0.0423
Germany 3	0.1122	-0.0530	1.0030	-0.0019	-1.2354	0.0910	-0.0163
Germany 4	0.1024	-0.0513	1.0017	-0.0023	-1.3911	0.1145	0.0156
Germany 5	0.0923	-0.0467	0.9965	-0.0026	-1.5274	0.1379	0.0447
Italy 1	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000
Italy 2	0.6257	-0.5226	0.6266	0.9214	-4.1876	0.2442	-0.1154
Italy 3	0.6172	-0.3493	0.4558	0.9140	-4.2605	0.3142	-0.0502
Italy 4	0.5617	-0.2672	0.4589	0.9035	-4.9853	0.4100	0.0547
Italy 5	0.5032	-0.1768	0.4358	0.8939	-5.6714	0.5086	0.1459
Neth 1	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
Neth 2	0.0166	-0.0076	0.0203	-0.0002	0.7796	0.0036	0.0063
Neth 3	0.0162	-0.0062	0.0159	-0.0003	0.7857	0.0058	0.0070
Neth 4	0.0146	-0.0056	0.0162	-0.0003	0.7674	0.0081	0.0100
Neth 5	0.0129	-0.0050	0.0159	-0.0003	0.7502	0.0105	0.0125
UK 1	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
UK 2	0.1554	-0.0845	0.1428	-0.0047	-1.0258	0.9424	0.0124
UK 3	0.1643	-0.0889	0.1074	-0.0020	-0.8539	0.9345	0.0479
UK 4	0.1667	-0.1024	0.1093	-0.0001	-0.8668	0.9262	0.0920
UK 5	0.1680	-0.1137	0.1056	0.0018	-0.8709	0.9196	0.1313
US 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
US 2	0.0138	0.0207	-0.0230	0.0008	-0.0006	0.0046	0.9622
US 3	0.0163	0.0152	-0.0156	0.0008	-0.0100	0.0052	0.9455
US 4	0.0170	0.0142	-0.0147	0.0009	-0.0162	0.0072	0.9272
US 5	0.0173	0.0128	-0.0129	0.0010	-0.0223	0.0091	0.9097

Panel C : Crisis Period**Innovations in Country**

	Belgium	France	Germany	Italy	Neth	UK	US
Belgium 1	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Belgium 2	1.1624	-0.3384	0.1189	0.0097	-0.5317	0.0561	-0.0019
Belgium 3	1.0876	-0.0675	0.0194	-0.0093	-0.7318	0.0827	-0.1306
Belgium 4	1.1158	-0.1162	0.0232	-0.0046	-1.4824	0.1023	-0.1315
Belgium 5	0.9795	0.0498	0.0178	-0.0040	-2.2060	0.0902	-0.0764
France 1	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
France 2	0.3078	0.3457	0.2331	0.0144	-0.5237	0.0638	-0.0492
France 3	0.1951	0.7791	0.0877	-0.0079	-1.7716	0.0901	-0.2665
France 4	0.2778	0.6426	0.1165	-0.0057	-2.6176	0.1319	-0.2729
France 5	-0.0520	0.8401	0.1076	-0.0081	-3.4792	0.1363	-0.1565
Germany 1	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Germany 2	0.4985	-0.7859	1.3625	-0.0012	-1.2924	0.0817	-0.0198
Germany 3	0.4385	-0.1346	1.1352	-0.0408	-2.4271	0.0759	-0.3774
Germany 4	0.5327	-0.4030	1.1410	-0.0186	-3.9195	0.1858	-0.3791
Germany 5	0.0047	-0.0582	1.1381	-0.0071	-4.3878	0.1221	-0.2580
Italy 1	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000
Italy 2	2.4860	-3.0679	1.1017	1.0561	-3.5700	0.0363	-0.5434
Italy 3	2.0532	-0.6647	0.2849	0.8802	-4.1643	0.0898	-1.7405
Italy 4	2.5657	-1.3795	0.5712	0.8639	-14.4224	0.6963	-2.0749
Italy 5	0.4824	0.2155	0.4043	0.8579	-15.5597	0.7976	-1.3255
Neth 1	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
Neth 2	0.0264	-0.0564	0.0185	0.0011	0.9898	0.0065	-0.0110
Neth 3	0.0157	-0.0208	0.0064	-0.0006	0.9054	0.0114	-0.0294
Neth 4	0.0264	-0.0316	0.0085	-0.0006	0.8115	0.0151	-0.0288
Neth 5	-0.0014	-0.0049	0.0075	0.0001	0.6535	0.0165	-0.0246
UK 1	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
UK 2	0.3734	-0.6769	0.2701	0.0021	0.2280	1.0010	-0.0978
UK 3	0.1782	-0.3053	0.1662	-0.0173	-0.5883	1.0106	-0.4122
UK 4	0.3282	-0.3336	0.1759	-0.0087	-2.9939	1.0133	-0.4360
UK 5	-0.0759	0.0722	0.1287	0.0090	-4.6442	0.9786	-0.2792
US 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
US 2	0.0196	-0.0024	-0.0089	-0.0017	0.0280	0.0116	0.8518
US 3	0.0709	0.0572	-0.0145	-0.0109	0.2442	-0.0267	0.7945
US 4	-0.0028	0.0109	-0.0019	-0.0064	0.1040	0.0277	0.7814
US 5	-0.0337	0.0145	0.0174	-0.0091	-0.0937	0.0340	0.7520

Panel D : Post-Crisis Period**Innovations in Country**

	Belgium	France	Germany	Italy	Neth	UK	US
Belgium 1	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Belgium 2	0.9749	-0.0262	0.0117	0.0005	0.0617	-0.0076	0.0060
Belgium 3	0.9510	-0.0510	0.0229	0.0009	0.1210	-0.0148	0.0116
Belgium 4	0.9281	-0.0743	0.0335	0.0013	0.1780	-0.0216	0.0167
Belgium 5	0.9064	-0.0962	0.0436	0.0016	0.2327	-0.0281	0.0214
France 1	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
France 2	-0.0247	0.9478	0.0116	0.0013	0.2006	-0.0067	0.0128
France 3	-0.0481	0.8981	0.0227	0.0025	0.3947	-0.0131	0.0250
France 4	-0.0703	0.8507	0.0330	0.0036	0.5824	-0.0191	0.0365
France 5	-0.0913	0.8055	0.0428	0.0047	0.7639	-0.0246	0.0473

Germany 1	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Germany 2	-0.0207	-0.0553	1.0057	0.0000	0.3154	-0.0063	0.0139
Germany 3	-0.0402	-0.1080	1.0107	0.0000	0.6214	-0.0122	0.0271
Germany 4	-0.0584	-0.1581	1.0152	-0.0000	0.9184	-0.0178	0.0397
Germany 5	-0.0755	-0.2058	1.0191	-0.0002	1.2066	-0.0230	0.0516
Italy 1	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000
Italy 2	-0.1246	-0.0936	0.0620	0.9943	0.1179	-0.0374	0.0308
Italy 3	-0.2432	-0.1806	0.1207	0.9885	0.2326	-0.0727	0.0591
Italy 4	-0.3560	-0.2613	0.1762	0.9826	0.3440	-0.1059	0.0850
Italy 5	-0.4633	-0.3362	0.2287	0.9765	0.4525	-0.1372	0.1088
Neth 1	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
Neth 2	-0.0020	-0.0022	0.0012	-0.0000	0.9946	-0.0007	0.0016
Neth 3	-0.0039	-0.0043	0.0024	-0.0000	0.9895	-0.0014	0.0031
Neth 4	-0.0057	-0.0063	0.0035	-0.0000	0.9845	-0.0021	0.0045
Neth 5	-0.0074	-0.0082	0.0045	-0.0000	0.9796	-0.0027	0.0059
UK 1	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000
UK 2	-0.0438	-0.0463	0.0235	0.0003	0.0637	0.9778	0.0178
UK 3	-0.0851	-0.0896	0.0457	0.0006	0.1253	0.9566	0.0344
UK 4	-0.1241	-0.1300	0.0666	0.0008	0.1849	0.9362	0.0498
UK 5	-0.1610	-0.1676	0.0863	0.0009	0.2427	0.9167	0.0641
US 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
US 2	-0.0056	-0.0016	-0.0017	-0.0002	0.2344	0.0006	0.9754
US 3	-0.0114	-0.0033	-0.0032	-0.0004	0.4606	0.0012	0.9517
US 4	-0.0173	-0.0053	-0.0044	-0.0006	0.6789	0.0016	0.9289
US 5	-0.0233	-0.0073	-0.0055	-0.0008	0.8895	0.0019	0.9069

In Table 7 Panel B, the authors describe a generalized impulse response analysis in the pre-crisis period which includes the observation period May 14th, 1999 to December 31st, 2007. One of the influential countries in this analysis is the innovation in the country of Belgium which received a fairly strong response from Italy, with the reaction to innovation on the first day of 0.6257. Meanwhile, innovation in the Netherlands received a significant negative response from 4 countries including France, Germany, Italy, and the UK, respectively at -1.1731; -1.2958; -4.1876; and -1.0258 on the first day. The innovation in the US country did not get too much reaction to the significant innovation in the Western European group of countries. Overall, Italy is the most sensitive country in the country's response to innovations that occurred in other Western European countries during the pre-crisis period.

In Table 7 Panel C, generalized impulse response analysis is observed in the crisis period which includes the observation period January 1st, 2008 to December 31st, 2012. Just like the results in the pre-crisis period, innovation in the country of Belgium which received a strong response from Italy with reactions to innovation on the first day of 2.4860 which is stronger than previous 0.6257. Likewise, there was an increase in response activity for the innovation of the Netherlands, which also received a negative response from Belgium of -0.5317 on the first day. In this sub-sample it was also confirmed that Italy was the most sensitive country in the country's response to innovations that occurred in other Western European countries, including the US, which recorded a response of -0.5434 on the first day.

In Table 7 Panel D, the author describes generalized impulse response analysis in the post-crisis period which includes the

observation period January 1st, 2013 to December 31st, 2019. In contrast to previous observations, the response of Western Europe to other countries' innovations is not significant enough in the subsample Panel D. However, the results obtained are consistent with the results of the whole period which show that innovation in the US does not really get a reaction to significant innovation in the western European group of countries.

5. Conclusion

The author focuses on short-term and long-term causal relationships with 6 stock exchanges in Western Europe that are quite dominant and actively traded, including UK, Germany, France, Belgium, Netherlands, Italy, and US. Apart from using the local currency, the authors convert the closing stock price of each country in USD. The observation period is also separated into 3 sub-samples to represent the pre-crisis, crisis, and post-crisis periods.

Based on the Johansen Test, it was found that the conversion of local currency in USD denominations had an effect on increasing the interdependence shown in the pre-crisis observation. However, overall, the long-term relationship shown by the co-integrating vector is quite consistent across the entire sample and subsample used. Long-term relationships were also tested by granger causality showing different characteristics in each sub-sample. However, it can be observed that there are several countries that can predominantly influence the price index of other countries in Western Europe. In the whole sample, Belgium, Germany, and the US should be considered as independent variables that granger causes other Western Europe countries.

Short-term causal relationships were tested by the Generalized Impulse Response Analysis, which considers one-unit shock. Overall, the innovation in Belgium received a strong positive response from Italy. Meanwhile, innovation in the Netherlands

received a significant negative response from 4 countries including France, Germany, Italy and the UK. In various subsamples, it can be concluded that Italy is the most sensitive country in response to innovations that have occurred in other Western European countries. The innovation in the US country did not get too much reaction to the significant innovation in the western European group of countries.

In the end, knowledge of causal relationships both short and long term; can be useful for investors in implementing risk management and portfolio diversification. The importance of this knowledge is in line with the argument of Gupta et.al (2019) regarding the importance of diversification in order to achieve maximum returns by considering risks. In addition, investors can also observe the dependence of Western Europe countries with the US in relation to transformation in order to emphasize the financial crisis and macroeconomic interdependence highlighted by Dervis & Kharas (2011).

In addition, significance implications for investors are captured in Wang (2014) research, as market index co-movement is crucial for diversification strategy and risk management purposes. Further research is suggested to be able to sharpen the analysis by adding a sample of countries in region and taking into account the parameters of trading volume and stock price volatility.

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INTERRELATIONSHIPS BETWEEN NON-FAMILY BUSINESS MEMBERS, NEPOTISM AND PRIDE IN FAMILY BUSINESS SUCCESSION

Anita Maharani, Laurencia Bernadette Yokung, Ervan Ignasius, Nixon Suwargo

Master Program, Bina Nusantara University, Jakarta, Indonesia

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Corresponding Author:

Anita Maharani

Jakarta, Indonesia

Email: anita.maharani@binus.edu

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ABSTRACT

The purpose of this study is to raise issues related to the succession of family-owned businesses, influenced by the involvement of members outside the family business and have something to do with nepotism and self-esteem. Conceptually, there is a relationship between members outside the family business, nepotism, and self-esteem in the family business. When there is professional involvement, the effect is positive on the family business's succession. When there is a practice of nepotism, this will harm the family business. And finally, regarding self-esteem, which will have a positive influence on the family business. This research's approach is quantitative, by looking at how much impact the independent variable has on the dependent where the sample of this study is 128 respondents. The results of this study indicate that professional existence does not affect the success of the family business. Simultaneously, nepotism will harm the family business, and then self-esteem will affect the family business's succession.

Keyword: *Business, Family, Nepotism, Non-Family, Pride, Succession*

1. Introduction

The family business is one segment that drives the world economy. The number of family businesses in the world is very high, and even dominates almost all businesses. In Peterson-Withorn (2015), it is stated that 80-90% of companies in the world are family businesses, and 500 companies that enter among them are companies that generate profits of \$ 6.5 trillion per year. This phenomenon is certainly an interesting subject for research, where the family business is a business that has a recognized presence in the world.

A family business can generally be defined as a company which is, to some extent, owned and managed by at least two members of the same family. But furthermore, opinions regarding family businesses are actually diverse, some state that a family business is a business that is more than 50 percent controlled or controlled by the family (Dumas, 1992; Rosenblatt, 1985; Alonso et al, 2018). Then, the characteristic of a family business is the presence of family members who influence decision making about leadership succession and influence key planning in terms of business operations (Handler, 1989; and Alonso et al, 2018).

The succession process is one of the important factors in the family business to survive for a long time, where most fail in maintaining the family business when passing to the second generation. Among those who are successful, the key is how company personnel outside of family members will accept potential successors. Baron (2016) states that the quality that is often associated with a family business is the ability of a family business to adapt to all forms of business competition it faces.

Memili & Welsh (2012) state that non-family personnel constitute a large proportion of employees in family companies so that they play an important role in the process of succession between generations. Savolainen & Kansikas (2013)

in their research showed that the spirit of having the company of non-family personnel in a small family business has a strong influence on the success rate of the succession process. Meanwhile, Sonfield & Lussier (2009) in their study examined family businesses in several countries, the results of their study showed an increase in the percentage of non-family managers, an increase in the use of experts from outside the family business, family businesses began to use more complex management, and some have even started to consider entering the stock market. In other words, the percentage of contributions from personnel outside the family members is getting bigger so it is very important to involve them in the process of selecting a prospective successor.

Perceptions of nepotism in the selection of succession candidates can reduce the commitment and sense of belonging of non-family personnel to the company. This is often a problem in family businesses because the ability to choose potential successors and provide employment opportunities for family members has always been the main goal of the family business. The practice of nepotism in the family often occurs with the aim of ensuring family control of the company and the transfer of family inheritance across generations of families (Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2018). In addition, the desire of the founder or owner to maintain or maintain the dignity, trust, and reputation of the founder has an important influence in the succession selection process (Limios, Utami, Ramata, & Maharani, 2020). Pride in owning a business is one of the factors that makes a business last, family business is often the identity of the family (Astrachan & Botero, 2017). Walsh (2011) says that almost 70% of family businesses cannot survive to the second generation and only 10% can survive to the third generation and beyond. This shows that founders and leaders of family business businesses need to understand how important the succession

process is and need to know what factors need to be considered.

Succession planning is an essential part of running a family business; however, only one in three family businesses has succession planning, and only one in four family businesses is well-planned and well-documented (PricewaterhouseCoopers, 2018). The appointment of non-family members to management roles in the family business is commonplace in a family business, as is the board of directors. When a family business grows to the point where day-to-day tasks, management and strategy cannot be handled optimally by the owner, and the current owner is seeking succession for the next generation, this will be useful in the stability and sustainability of the company in the future. In his research, (Barnett & Kellermanns, 2006) obtained findings that family businesses with high involvement of the family were deemed unfair to employees outside the family members; while family companies with a moderate level of family involvement received positive perceptions of fairness by non-family employees. The finding of the study (Guidice, Mero, & Greene, 2013) is that non-family executives in the family business feel that they have greater responsibility and accountability than executives who are part of the family. From some of these studies, researchers assessed that the role of non-family members is important in a family business, but no research has examined how non-family members influence the succession planning process. Chua, Chrisman & Sharma (2003) concluded that issues regarding non-family managers (in the family business) have not received sufficient attention from researchers.

Nepotism is the practice of favoritism towards family members or someone, in this context in work, which can have an impact in business, among other things, it can erode the support of other employees, reduce management quality and creativity, and reduce the importance of high-level

competence and performance. In some of the smaller family businesses, nepotism is seen as a positive thing, often because it is a cheap source of labor, which can also be considered a synonym for "succession". In his research, (Keleş, Özkan, & Bezirci, 2011) found that nepotism has a significant negative effect on organizational trust in the family business. However, (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013) distinguishes nepotism into positive (reciprocal) and negative (entitlement), and suggests that reciprocal nepotism can add value to a firm in certain contexts, but is moderated by the size of the company and the also the sector of the company. From these literatures, it is not clear how nepotism can influence the process of planning success in the family business.

Based on the above description from previous literatures, there is sufficient evidence that this topic is still unresolved, where there are still unresolved arguments related to the topic in question. Therefore, we would like to conduct research on the influence of the involvement of non-family personnel, perceptions of nepotism, and pride on the succession planning process in the family business. Does non-family professional involvement have a significant positive indirect effect on the process of succession planning in the family business through self-esteem? And does pride have a significant positive effect on the succession planning process in the family business?

2. Literature Review

Succession

Succession is one of the socio-emotional priorities of family firms. The succession process can be defined as the actions and events that lead to the transition of leadership from one family member to another in a family company (Sharma, Chrisman, Pablo, & Chua, 2001). For succession in the family enterprise to occur, three components must be in place: a leader who transfers his leadership role, a successor who takes over the leadership

role, and a mechanism by which this transition occurs (Barry, 1975). The definition of succession (Aronoff, Ward, & McClure, 2011) is a continuous process of planning that aims to ensure business continuity between generations.

According to Donner, Gridley, Ulreich & Bluth (2017), succession planning is the process of identifying potential individuals to fill positions as leaders. To assess succession practices for a particular institution, current leadership must have a good understanding of succession planning and identify what is in the current policies (Ritchie, 2019). Such planning must respond to changes in leadership, tracing the process from the decision made by the leader to leave his current position to the steps the leader will take in leaving his position, the recruitment process, and ultimately, through the appointment of a new leader. The current leadership team must determine the various aspects of the proposed planning and who or which group will manage each part of the process. In research conducted by Saan, Enu-Kwesi, & Nyewie (2018), the results of this study indicate that education plays an important role in succession planning. Research results from Bathija & Priyadarshini (2018) show that succession planning is influenced by personal factors such as the expertise of the prospective successor, the ability of management, gender, knowledge, qualifications, religion and family beliefs, as well as strategic factors such as economic conditions, the type of industry and the size of the business.

Non-family members

Non family member (NFM) is defined as an executive or manager who does not have blood or family ties to a family who owns a family business (Klein 2007). The recruiting of nonfamily members is also a prerequisite for growth and expansion because families are restricted both in size and in capabilities (Chrisman et al., 2014) (Chrisman et al., 2014). Additionally,

certain family businesses may choose to employ non- family members because of the conflicts of interest that can occur when recruiting family (Lubatkin, Schulze, Ling, & Dino, 2005) (Lubatkin, Schulze, Ling, & Dino, 2005). Minichili et al. (2010) said that often conflicts arise between non-family members and family members, the basic reason is the differences in status, social background, education and experience between the two teams. Often the occurrence of injustice in promotion and empowerment between non-family and family members which ultimately leads to negative perceptions, jealousy, and tension which will ultimately have a negative effect on performance (Amason, 1996).

Non-family managers and executives in the family business play an important role in the decision-making process and in the process of determining succession, their professional opinion is required (Jess Chua 2004) using agency theory to explain that the level of dependence of family firms on non-family managers is very high. according to Paula et, al. (1997) prospective successors or leaders must have characteristics such as age, education, charisma that are able to regulate the behavior and results of an organization. Empirical evidence suggests that the position of the Chief Financial Officer (CFO) is always the first main management position to be employed by a non-family boss (Filbeck and Lee 2000). A potential reason is the financial expertise needed for this position and the absence of a family member with the requisite experience (Caselli and Di Giuli 2010; de Kok and Uhlaner 2001). The agency theory stresses possible problems that might occur from recruiting an external boss who is not the owner of the business because he is likely to have different interests than the owner of the family company (Chua et al. 2003; Gallo and Vilaseca 1998). Hiring a non-family CFO can also bring in useful additional human resources that the family cannot provide from within their ranks, according to the resource-based view

(Habbershon and William, 1999; Klein and Bell, 2007). In family businesses, strategic decision-making typically includes family managers, family members and non-family members (De Massis et al., 2015). It may be of an individual or collective nature (Harrington, 2005), and it is focused on the perceptions and future actions of key stakeholders.

H1: the involvement of non-family business members will positively affect family business succession

Perceptions of Nepotism

The ability of family company owners to maintain their socio-emotional capital is what separates family companies from other types of businesses (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Bellow in Jaskiewicz, Uhlenbruck, Balkin & Reay (2013) defines nepotism as the preference of owners or managers to employ family members rather than job applicants who are not related. Nepotism is a common recruitment mechanism in family companies where families use their control or control to employ family members - where they involve the family over time, and from one generation to the next (Chua, Chrisman & Steier, 2003; Chrisman, Chua, , Pearson & Barnett, 2010). Thus, it is the practice of nepotism that facilitates the general goal of the family, namely to pass on corporate leadership to the next generation (Miller and Bretton, 2006). From existing studies, there are two camps of this perception of nepotism, where there are those who think that nepotism can harm companies (Bloom & Van Reenen, 2007), but there are also studies that show positive results. Examples include research (Anderson & Reeb, 2003) which investigated stewardship in family businesses, where they suggested that a sense of ownership in a sustainable family can improve company performance. Often family businesses run a process of nepotism, free rides and unprofessional

selection which in turn can result in a loss for performance where the company culture becomes unprofessional (Barnett & Kellermans 2006).

Employees do not work devotedly and enthusiastically in most companies because it is not their own business. The organisations are part of the family since members of the family work harder than other staff members (Iyışleroğlu, 2006: 47). This is in accordance with the results of research from (Maphisa, Zwane & Nyide, 2017), which proves that several internal factors influence the success in implementing succession planning in the company, where it is written that these factors are in accordance with the factors that hinder the success of the implementation process of the company succession planning, including unethical recruitment processes and promotional practices such as favouritism, nepotism, corruption and internal politics.

H2: there is negative effect of nepotism practices within family business toward family business succession

Pride

Tracy and Robins (2007) explain that pride is a human desire or desire to achieve, gain power and status, and gain or feel satisfaction both personally and from others. Self-esteem is also described as a feeling condition that arises as joy because of successful actions and positive thoughts and feelings, where an excessive pride or self-confidence often has a negative consequence or impact (Lewis, 2005). Meanwhile, Tracy and Robins (2017) argue that although pride and arrogance are two different things, they are similar phenomena, where each is mentioned as authentic pride and authentic arrogance. Authentic self-esteem is distinguished by self-confidence, self-esteem related to certain specific things and related to motivation, in particular a dedication to the goals and achievement of

success (Bodolica and Spraggon, 2011). Meanwhile, according to Tracy and Robins (2007), hubristic pride is related to external motivation such as prestige and dominance. Although there is some debate about the proper assessment and experiential characteristics of pride, most psychologists agree that pride is a positive emotional state and with self-awareness arising from achievements that can be attributed to one's capabilities and efforts (Tracy & Robins, 2004).

Webster et al. (2003) explained that the strongest pride arises in situations of public recognition / praise. In addition, Fredrickson and Branigan (2001) see pride as a model that extends and constructs a positive emotion. Family business is organized around a set of emotionally charged interpersonal relationships that can have positive or negative consequences. Family business owners are proud to be able to provide business career opportunities for family members. The family comes first in family business because it needs a sense of cohesion and a sense of pride that will make people want to get through the emotional family issues that are inevitable when they have a business together. They argue that positive and distinct circumstances in expanding cognitive planning will help build a variety of resources, such as "social currency" or intelligence / insight. Then, they also give the idea that pride might spur someone to be able to dream or expand even further achievements and even provide or build the necessary motivation for success in the future. It can be a matter of pride to hand over a family business from one generation to the next. Limios et al. (2020) found that pride has a significant and positive influence on the succession process in the family business.

H3: there is a significant and positive influence of pride toward family business succession

Therefore, research model may be visualized below

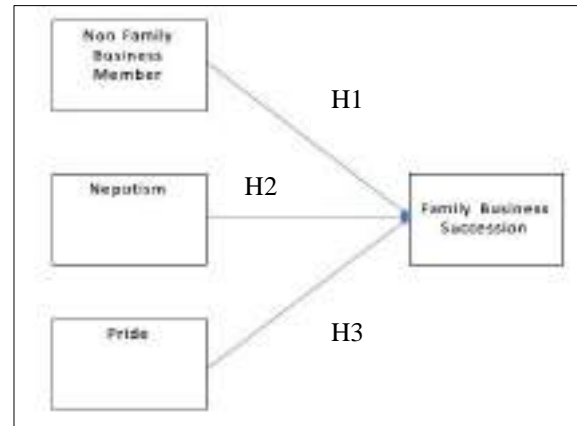


Figure 1. Research Model

3. Research Method

The research design used is survey research which is an investigation carried out in order to obtain all the facts from the various symptoms that exist to seek actual or factual information / information (Nazir, 2003), where the data studied is data from a sample of the population concerned. so that you will find events that are relative, distribution, and relationship between variables, both sociological and psychological (Sugiyono, 2002). This study uses a quantitative approach. A quantitative approach is used if the variables to be used and examined are clearly defined and have numerical data (Chao Chien Chen 2011). The level of intervention of the study researchers in this study was classified as minimal, where the researcher sent a random questionnaire to the owner or leader of a family company in Surabaya. The study setting in this research is Noncontrived Setting, which is research that can be carried out in a natural environment where nothing is manipulated / artificial (Sekaran & Bougie, 2016). The unit of analysis in this study is the organization (group), namely family companies. The time horizon in this study is a cross-sectional study, which is a study in which data is collected only once, in a period, to answer research questions. The choice of time horizon is because the process is easy to implement and relatively inexpensive (Pandis, 2014). According to Barnsbee, Barnett, Halton & Nghiem

(2018), the target population is a group or individual where the researcher intervenes with the population in order to conduct research and create conclusions. This study examines whether the variables of succession candidate readiness, family relationships and planning activities have a significant effect on the success of prospective succession in the family. This study will be successful if the individuals studied have sufficient knowledge and are able to answer questions related to these three variables. Therefore, the parameters used are that the individual under study must be a member of the board of directors or a business owner who has worked for at least 1 year. The sampling frame of this study is an entrepreneur from a family company around Jakarta and East Java, with business omzet ranging from 10m-100m rupiah per year. The data collection technique to be used is convenience sampling, in which the sample is selected because of its availability and convenience (Ackoff, 1953); (Speak, Escobedo, Russo & Zerbe, 2018). Due to the difficulty in obtaining data from the number of family business entrepreneurs in Surabaya, we therefore used the convenience sampling method. To reduce bias and error from the selected sample, the sample must be of sufficient size. Gill et al. (2010) stated that the smaller the sample size, the bigger the data will be biased and of course the determination of the sample size must be adjusted to the funds held by the researcher. To identify the sample size, the researcher uses the Slovin formula:

$$n = N / (1 + (N \times e^2))$$

$$e = 10\% = 0.1 \text{ (margin of error)}$$

The data collection method used in this research is through distributing questionnaires, for several reasons, namely that accurate data can be obtained, is a cost-effective and reliable method in collecting feedback both qualitatively and

quantitatively through detailed and tested formulation (Taherdoost, 2016).

To measure pride, we adopt Arredondo et al (2017), then three items to measure non family members involvement. To measure nepotism in family business we also adopt from Abdalla et al. (1998) and Asunakutlu and Avcı (2009). To measure family business succession, we adopt Coffman, (2014) and Perret (2016).

All items use a Likert scale, where according to Joshi, Kale, Chandel, & Pal (2015), the Likert scale can be used to measure 'attitude', in a way that has been scientifically accepted and validated. The questionnaire will be distributed online by providing a "link" or a link to be accessed by respondents via their respective gadgets. Online surveys are easy to prepare, so that the data obtained is reliable because respondents can easily change their responses. In addition, online surveys can also increase respondents' interest through stimuli from screens compared to using only physical paper (Sekaran & Bougie, 2016). The data will be analyzed using SMARTPLS, and we consider P-values to decide whether our hypothesis supported or not supported.

4. Result and Discussion

The data collection was carried out for two months (from December 2020 to February 2021), considering that the respondents expected to participate are employees of family business backgrounds and those who run family businesses. Of the respondents who participated, the following is an overview of the respondent's profile, amounting to 129 people.

Table 1. Profile

Gender		
	Male	63
	Female	66
Family business establishment (years)		
	< 5	10
	6 – 10	9
	11 – 15	11
	16 – 20	14
	>20	85

Based on the table above, this study's results will reflect the characteristics of respondents who have been in the family business for more than 20 years, and the gender differences are not too significant, and results will represent both men and women who are in the family business.

The researcher's first process was checking the items used as a measure for each variable. The step taken by the researcher is to check through the smartPLS statistical tool, which allows the researcher to see the outer loading of each variable. At the time of checking, we found that two items within Non-Family Business Involvement are not accepted, since their outer loadings are all less than 0,7. As follow.

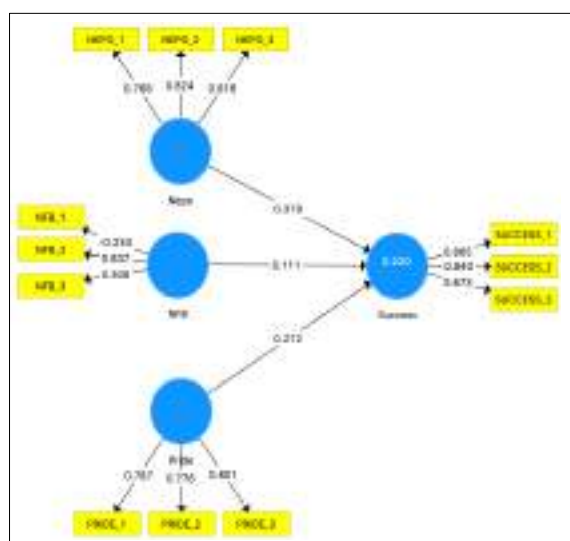


Figure 2. First Outer-Loading Checking

Further, shown through this table. As it is found that items to measure NFB are not reliable (appendix 1).

From that results, we decided to exclude NFB_1 and NFB_2. Then the results, shows as follow

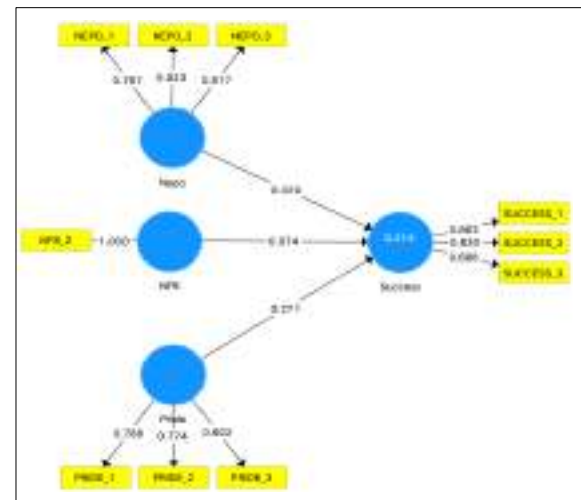


Figure 3. Final Outer-Loading Checking

The justification for using a single item is it has no issue when applied with SEM-PLS, however, consideration with regards to based of Cheah, Sarstedt, Ringle, Ramayah, Ting (2018) statement that a single item yields higher degrees of convergent validity than a reflective construct does. After we check items reliability (appendix 2), then we proceed to validity. Results from discriminant validity shows as attached in appendix 3.

We may conclude, all items are valid, and eligible to hypothesis testing. We use similar steps when conducting bootstrapping (n = 5000 samples). The results show that only hypothesis one not supported since P-Values is 0.394 (appendix 4).

From the results, we may relate this with our hypothesis as follow

Hypothesis : *H1: the involvement of non-family business members will positively affect family business succession*

Results : *Not supported*

Hypothesis : *H2: there is negative effect of nepotism practices within family business toward family business succession*

Results : *Supported*

Hypothesis : *H3: there is a significant and positive influence of pride toward family business succession*

Results : *Supported*

This study raises the influence of non-family business involvement, nepotism and pride on family-owned businesses' succession. The research model test shows that non-family business involvement positively affects the succession of family-owned businesses is not supported. Negative influence follows the practice of nepotism on the succession of the family business is proven and the positive influence caused by the presence of self-esteem on the succession of the family business.

Compared with the results obtained at this time, when Habberson and William (1999) and Klein and Bell (2007) found that the involvement of non-family business members in a family business can bring benefits because there are benefits that can be provided based on professional ability, current research suggests otherwise. Interestingly, the items used are listed in the attachment, leading to the respondent's view regarding the involvement of non-

family business members in the unique abilities possessed by non-family businesses in the family business. However, the results obtained show the opposite of the three items excludes. It relates to when non-family business involvement is not for decision-making needs and the urgency of involving non-family businesses into the family business. The participating family businesses as respondents to this study disagree when non-family business members are involved in the family business and are specific when it comes to family business succession. Logically, it is acceptable because the previous research settings may have proxies that cannot be generalized to all research significantly when raising non-family business members. For example, is there a viewpoint that it is impossible to involve non-family businesses because thoughts of the family business have not yet explored this study?

Next, two research allegations are currently proven, namely nepotism and self-esteem. Nepotism practices in the succession of family businesses in this study have had a negative effect, and this is certainly in line with previous research, as presented in the previous section of this manuscript. When linked with proven items, respondents saw this negative effect because the family business seemed only to accommodate people who had important positions in the business (NEPO1), then only family members involved in the business (NEPO2) and be part of the family (NEPO3). Previous studies that raise nepotism show the potential for harm to the business if nepotism practised (Miller and Bretton, 2006) and several other studies that attempt to show that nepotism is one thing that hinders the succession process in family businesses.

Self-esteem in this study has a positive influence on family business succession. Implies a sense of pride arising from involvement in the family business (PRIDE1), and there is the possibility of getting success due to the full support of the

family business (PRIDE2), and there is pride from people obtained from the opportunity to contribute in the family business (PRIDE3). Several past studies have shown that self-esteem is part of positive emotional feelings and attributed to achieving something, which is being able to be in the family business, as Tracy and Robins (2004) have found and Limios et al (2020).

5. Conclusion

This study concludes that nepotism hurts family business succession. Meanwhile, self-esteem has a positive impact on family business succession. Judging from the existence of non-family business members, the results of this study show that the existence of non-family businesses will not influence family business succession. Research conducted and distributed to respondents who come from and work in family businesses has been around for more than 20 years in Java (particular Jakarta and East Java).

Appendix 1. Reliability (1)

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
NFB	-0.639	-0.551	0.277	0.283
Nepo	0.724	0.725	0.844	0.644
Pride	0.709	0.713	0.831	0.621
Success	0.708	0.737	0.838	0.635

Appendix 2. Reliability (2)

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
NFB	1.000	1.000	1.000	1.000
Nepo	0.724	0.725	0.844	0.644
Pride	0.709	0.713	0.831	0.621
Success	0.708	0.734	0.838	0.634

Appendix 3. Discriminant Vailidity

	NFB	Nepo	Pride	Success
NFB	1.000			
Nepo	0.172	0.803		
Pride	0.056	0.098	0.788	
Success	0.146	0.368	0.307	0.797

Appendix 4. Bootstraping Procedure for Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
NFB -> Success	0.074	0.074	0.087	0.852	0.394
Nepo -> Success	0.329	0.334	0.098	3.347	0.001
Pride -> Success	0.271	0.290	0.075	3.603	0.000

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BRAND IMAGE, CUSTOMER TRUST, AND CUSTOMER LOYALTY TOWARDS WILLINGNESS TO PAY OF SPORTS APPAREL DURING PANDEMIC COVID-19 IN INDONESIA

Michael Hartanto¹, M. Tubagus Rizky¹, Ivan Cahyaputra¹, Dewi Tamara²

¹Business Management Program, Management Department, BINUS Business School Master Program,
Bina Nusantara University, Jakarta Indonesia

²Executive in Strategic Management Program, Management Department, BINUS Business School
Master Program, Bina Nusantara University, Jakarta Indonesia

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Corresponding Author:

Dewi Tamara
Jakarta, Indonesia
Email: dtamara@binus.edu

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ABSTRACT

As an effort to identify the underlying determinants of willingness to pay, this study seeks to examine brand image, customer trust, and customer loyalty that impacts directly on willingness to pay during the 2020 COVID-19 pandemic time frame. This study also seeks to identify the impact of customer trust and brand image towards willingness to pay though customer loyalty and to identify the indirect impact of customer trust and brand image towards willingness to pay during the 2020 COVID-19 pandemic time frame.

Using a convenient sampling method, someone who ever bought some sports apparel during this COVID-19 pandemic were selected as the sample. Out of 230 distributed, 171 useful questionnaires were returned. Confirmatory factor analysis and path analysis were conducted using partial least square equation modelling.

The results of this study showed that the willingness to pay of sports apparel during the pandemic covid 19 in Indonesia was influenced by the customer trust and customer loyalty but not significantly influenced by the brand image.

This study has a different research originality by researching the relationship between brand image, customer trust, customer loyalty and willingness to pay of any sports apparel during a specific time frame of the 2020 COVID-19 Pandemic, also the impact of brand image and customer trust towards willingness to pay were a rare relation of a research.

Keywords: 2020 COVID-19 Pandemic Time Frame, Brand Image, Customer Loyalty, Customer Trust, Sports Apparel, Willingness to Pay

Introduction

Indonesia is part of the ongoing worldwide pandemic of corona virus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) where the first case was confirmed to have spread to Indonesia on 2 March 2020. During the COVID-19 pandemic started March 2020, many businesses struggle due to having to close offline stores in some regions and having less customer real life interaction due to the lockdown initiated by the government. However, it does not mean that every business needs to fall and surrender. There is always a solution to every problem. One of the industries has been impacted during the COVID-19 Pandemic starting March 2020 is the fashion industry including clothes, sportswear, fashion wear, urban wear and shoes.

Relating to the above, nowadays the active sportswear is no longer utilized limited to sport activity, but for daily activities too. Active sportswear is one of the most heavily branded areas in global apparel market. Since 2007, three sportswear brands had 33 percent of the global active athletic sportswear and footwear market, they are Nike, Adidas and Reebok (Tong & Hawley, 2009). Sportswear and athletic footwear are the areas of clothing where the customer's choices are determined by someone they admire, such as an athlete (Tong & Hawley, 2009). Reebok was one of 3 biggest sportswear and athletic footwear brand in the world and was acquired by Adidas in 2006. According to Forbes, the rivalry between Nike and Adidas has been going for long, competing in sportswear and athletic footwear market. In 2019 the revenue of Nike reached US\$ 39 billion, which was 50 percent bigger than adidas. Despite having a considerable revenue, adidas recorded a growth rate 70 percent faster than Nike. Since the demand of customers to get a better products, Adidas and Nike is competing to get popular artist and athlete to popularize their products.

During Pandemic time frame, Adidas and another brand, Puma which is one of the biggest brands are did the store closures in china because of the novel corona outbreak had caused sales to plummet. The worst thing that adidas announced that the first quarter profit fell more than 90% in 2020 due to store closures. Puma has loss in the second quarter of 2020 after the pandemic was started, Puma reported a quarterly loss report of 114.8 million euros compared to its profit 49.7 million euros in the second quarter of 2019. In another side, Nike announced the revenue was US\$ 10.6 billion in the quarter which was ended in 31st of august down for one percent from the prior year, and digital sales increased over 80 percent. The corona virus forced Nike to close their stores, and also prompted most professional and youth sports to be suspended temporarily. According the wall street journal, the first quarter, net income of Nike was US\$1.52 billion, or 95 cents per share. And it was nearly twice as much as what The Wall Street Analysts had projected. The company also continued to shift more attention to it' s own store, website, but also its app. Direct sales made up 3.7 billion dollars of revenue in the quarter. Nike explained it spent less marketing because of postponed events, that translated into higher profits.

A good impact of Covid-19 is it wakes people up to implement healthy living. Since a new normal is applied in Indonesia, community passion in exercising is in fact increasingly high during this pandemic period. Optimism about the sportswear market's recovery is growing, and industry players are starting to warm up again in order to run fast to spur growth that is believed to be growing.

There are reasons as to why Nike has chosen Indonesia as one of their market. As of 2020, it is stated in google that there are over 273 million people residing in Indonesia. Taking over the market means gaining lots of profits and we can see that Nike is trying to win not just the shoe

market but also generating profits in the fashion market via sports, urban, and street wear. We suspect that they have always aimed to have a strong brand image and creating a good perceived value as well as brand recognition. To dominate the market, they want people to buy their products and thus they need to affect their purchase decision.

Big fashion companies competing in Indonesian's fashion market uses brand image, customer trust, and customer loyalty to affect and impact customer's purchase decision even before the 2020 COVID-19 Pandemic. However, we would like to focus on how they managed to keep on selling their products during the pandemic. We suspect that they use their brand image recognition and perceived value to have a competitive advantage by generating customer trust and loyalty during the pandemic that affects their customer's purchase decision. As researchers, we are interested to dig this phenomenon using Nike as our brand research subject to see the significance of Nike's Brand Image that creates brand recognition and perceived value relating with their value creation of customer loyalty and customer trust towards their customer's purchase decision. To survive the competition during the force majeure of 2020 COVID-19 Pandemic time frame, we suspect that their brand image has impacted their sales as a competitor in competing in the shoe market in Indonesia.

Customer Behavior

Building a sustainable relationship between customer is the must thing and the biggest challenge for company, customers are not passive respondents but active. To generate long terms profitability in services and product, firms must establish strong relationship between firm and their customers. Customer is usually used to refer to one who purchase from a particular store or company regularly, in other side consumer behaviour defined that the consumer more generally refers to anyone

engaging in any of the activities (evaluating, acquiring, using or disposing of goods and services) (Harcourt, 2020). Every customer has different expectation, needs, and ideas to every manufacturing company they trust. It's companies' requirement to meet these expectations and fulfil their customers satisfaction in consuming necessary products or services (Kurniawan et al., 2017). And the last thing, consumers situations and characteristics could be influence on customer's style on buying in store or online. (Newman & Foxall, 2003).

Willingness to Pay

Didier & Lucie (2008) was explaining willingness to pay as the maximum price a buyer is willing to pay. The premium price represents consumers' willingness to pay more than the usual or generally expected price. Sometimes, even the willingness to pay is reversed depending on which is offered first: an option to receive a free gift or to pay for it (Tore et al., 2011). DEMIR et al., (2015) also explained that willingness to pay more is amount of money that customer would like to pay more for a better qualified good rather than giving less to a less qualified good.

In a marketing context, the definition which mentioned above, could be expanded and understood as consumers' willingness to pay extra for the additional value that the brand offers. This process takes place when a consumer is ready to pay for a product because he/she also wants to acquire certain benefits from a brand (Nebojsa S. & Piyush, 2015). Augusto & Torres (2018) also explained that consumers are willing to pay a price premium for a brand that is successful. Hence, a firm should set the price around the values that the brand offers to consumers. Meanwhile, customers stated willingness to pay more for an environmentally friendly product and their actual purchase behavior during an auction process (Barber et al., 2012).

Brand Image

Brand is one of many factors that have an impact on consumer purchase and decision-making process. Brand was providing information about products and create associations that affect the mind of the consumer in the purchasing process (Hrablik et al., 2015). Brand image is defined as total and overall personality in the consumer's mind. Brand image was depending upon the actual image of the firm in consumers' mind. Unique set of association in the mind of consumers communicates expectations (Arslan & Author, 2014).

Meanwhile, prior study defined brand image as the perception of brand that created in memory of consumer due to brand involvement (Keller et al., 2011). The importance of brand image on consumers' product evaluations varies across products, and brand image may not be the primary evaluative criteria for all products (Graeff, 1997). Well-known brands may become the name for the product category as well as provide mnemonic and symbolic value to consumers (Murphy et al., 2003). Consumers have evoked set of brands, while choosing a brand the image help consumer in purchase decision. Image of a brand differentiate the brands from competitor's brands (Arslan & Author, 2014).

Customer Trust

According to (Fitriyasari, 2016) one of reasons someone use products or services to use is trust. Customer trust can be defined as the willingness to take action based on trust and honesty between colleagues or partners. Trust builds when the customer has confidence in a service provider's reliability and integrity (Suhaily & Darmoyo, 2017). Trust was explained as the expectation of an individual in a transaction with any organization during service experience and it relates to the risks associated with assuming and acting on

such expectations by the concerned organization. (Upamannyu et al., 2015) Meanwhile, Patranother journal also explained that customer trust as thoughts, feelings, emotions, or behaviours manifested when customers feel that a provider can be relied upon to act in their best interest when they give up direct control (Patrick, 2002).

Consumers develop trust in a brand based on a positive thought regarding their expectation for the organization's behaviour and products performance which brand represents (Simarmata et al., 2017). As a positive respond of consumers to producer's ability to produce products and satisfy customer, (Halim et al., 2014) included integrity, competencies, consistency and transparency as four key dimensions of the concept of trust, as explained below:

First, integrity, integrity was refer to something honest and based on the truth. Integrity will be seen in the trust on product excellence or quality, then the trust in the company which producing a great quality product, trust within company commitment to give best, and trust within the great quality of product.

Second one was competencies. Competencies was relating to knowledge and skills of personal and technical that owned by individual.

Third is consistency. Companies was able to innovate their new idea on a new product, trust the company for continue to produce advanced products, trust in the constancy determination companies adopting the latest technological development for each product and trust in brand to compete with similar products.

The last one is transparency. It will be seen by how the company help consumer who experiencing difficulties which associated with the products purchased. The company should have a solution of best financing programme for consumers whose ability of

economic is limited, believe in the company to organize social programs for the community, and also have a trust in the ability of the company for creating some products that will gain benefit to the costumers.

Customer Loyalty

Loyalty was given for those customers who hold a good attitude towards an organization, who recommend the organization to other consumers and exhibit repurchase behaviour (Dimitriadis, 2006). Customer loyalty itself was defined as a deeply held commitment for rebuying or patronizing a preferred product/ service consistently in the future. Thereby, causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999).

According to Lam et al. (2004), customer loyalty is a construct embodying two distinct dimensions, namely, recommending the service provider to other buyers and an intention to repeat purchase or patronage. Customer loyalty is defined as a promise from the buyers to purchase some products, services, and brands of an organization repeatedly, irrespective of

competitor's new products and innovations and these customers are not compelled to switch. Loyal customers positively view the organization, endorse the organization to others, and would engage in repurchasing (Leninkumar, 2017).

Theoretical Framework

Customer Trust – Customer Loyalty

Sarwar, Abbas, and Pervaiz (2012) arguing that trust plays a big role in e-business, privacy and security are the key elements to develop trust between customer, and trust development is more suitable to trade when deciding the business to consumer or market, even in store sales person plays a big role to build the relationship. When customers have putted their trust to company's products and services, then the thing lead it towards the loyalty. A successful relationship to customers has a big potential for loyalty as their willing and preparation to pay a premium price for goods and services (Rizan et al., 2013). To gain customers' loyalty, you must gain their trust first (Glaveli, 2020).

H1: Customer Trust has a positive impact on Customer Loyalty.

Figure 1 shows the research model.

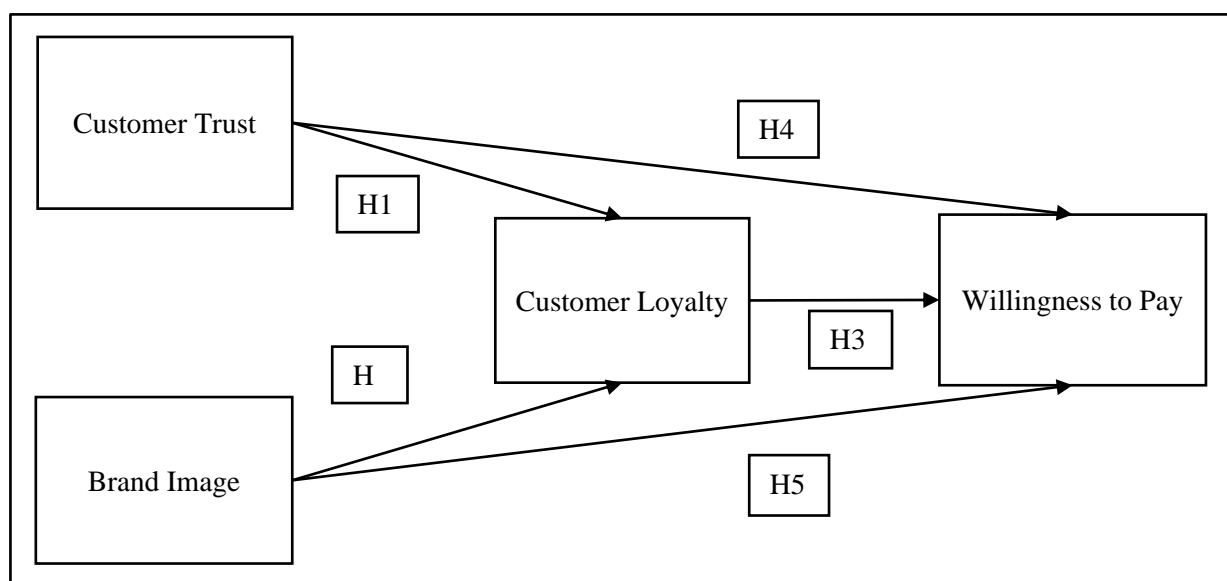


Figure 1. Research Model

Brand Image – Customer Loyalty

Brand image as a set of perception about brands or products as reflected by the brand's association held in customer memory (Hsieh & Li, 2008). Ogba and Tan (2009) explained that loyalty as repeating customers purchase and exists only when customers loved the brand's product or firm's offering. In this case, the brand image is a critical role in helping customers to decide whether or not buy the products and also affect customer to repurchase them in the future (Nyadzayo & Khajehzadeh, 2016).

H₂: Brand Image has a positive impact on Customer Loyalty.

Customer Loyalty – Willingness to Pay (WTP)

Individuals are emotionally and symbolically linked to these suburban areas and these links favour the development of certain kinds of conduct, such as WTP and loyalty (López-Mosquera & Sánchez, 2013). Customers' brand preferences and WTP are contingent on their status and potential changes to that status would benefit loyalty programme managers, who could then segment customers according to whether their status will be affected by their next purchase decision or not. Other study also explained that loyalty has more impact on willingness to pay more rather than satisfaction. Demir et al., (2015) explained that willingness to pay more for a product significantly depend on loyalty and satisfaction, respectively. In the other point of view, loyalty programme members also can demonstrate a higher brand preference and WTP than non-members, which signals that reciprocity functions to enhance value for both loyalty programme members and the firm (Mathies & Gudergan, 2012).

H₃: Customer Loyalty has a positive impact on Willingness to Pay.

Customer Trust – Willingness to Pay

Nocella et al., (2014) explained that trust towards information sources convey the willingness to pay. Noticeably, trusted information sources will lead consumer to higher levels of trust such as cost of accessing food information and enhance the willingness to pay.

H₄: Customer Trust has a positive impact on Willingness to Pay.

Brand Image – Willingness to Pay

Consumers are willing to pay a price premium for a brand that is successful (Augusto & Torres, 2018). For consumers, brand knowledge is important, and evaluating a brand positively will lead to willingness to pay.

H₅: Brand Image has a positive impact on Willingness to Pay.

Methodology

This research is a quantitative research with a non-probability sampling. From many types of non-probability sampling, we use convenience sampling to determine the targeted respondents. This research is using a data that collected from an online questionnaire. Respondents were asked four questions about brand image, five questions of customer trust, five questions of customer loyalty, and two questions about a willingness to pay. The measuring method were mainly adapted from previous research to re-ensuring the content validity. Questionnaire for this study will contain multi-item measures of brand images, customer trust, purchase decision, and customer loyalty. A questionnaire will be construct by using five-point Likert scales. Five-point Likert scale has been used with numerical coding from 1 to 5, 1 is strongly agree, 2 is agree, 3 is neutral, 4 is disagree and 5 is strongly disagree. Brand images will be measured using four statements that

adapted from (Vahie & Paswan, 2006) which aimed to measure the degree to which respondents influence by the performance of the brand. For customer trust, will be measured using five statements adapted from (Fang et al., 2011). Then, Willingness to Pay will be measured using two statements that divided into, one statement from (Chaudhuri & Ligas, 2009), and one statement from (Park & Kim, 2014). Last, customer loyalty will be measured using five statements that adapted from (Leninkumar, 2017).

Data Sample

This study chose convenience sampling and were able to collect data from 171 respondents that purchased some sports apparel during this COVID-19 pandemic.

Validity & Reliability

The first measurement model is convergent validity which has two criteria, first is factor loadings should be greater than 0.5 to be categorized as valid (Hartono & Abdillah, 2014) and the second is all indicators in this research should have at least 0.5 average variance extracted or AVE to be considered valid (Hair et al., 2018, p. 775). For the discriminant validity, all the square root of average variance extracted or AVE should be higher than the correlation with other latent constructs (Fornell & Larcker, 1981). For the reliability there are composite reliability which should be higher than 0.7 (Nunnally, 1994) and Cronbach alpha should also be greater than 0.7 (Hair et al., 2018, p. 775) to be able to know that the constructs are reliable.

Table 1. Variable and Indicators

Variable	Items	Source
Customer Trust	CT 1 Based on my experience with my favorite brand in the past, I know it is honest	(Fang et al., 2011)
	CT 2 Based on my experience with my favorite in the past, I know it is not opportunistic.	
	CT 3 Based on my experience with my favorite brand in the past, I know it keeps its promises to customers.	
	CT 4 Based on my experience with my favorite brand in the past, I know it is trustworthy.	
	CT 5 Based on my experience with my favorite brand in the past, I know it has ability to complete transactions.	
Customer Loyalty	CL 1 I say positive things about favorite brand's loyalty to other people	(Leninkumar, 2017)
	CL 2 I recommend my favorite brand to someone who seeks my advice	
	CL 3 I encourage friends and relatives to do some business with my favourite brand	
	CL 4 I consider my favorite brand as first choice to buy product	

	CL 5	I will do more business with my favorite brand in the next few years	
	BI 1	Too many of the “brands” I buy at “my most frequented store” are defective in some way	(Vahie & Paswan, 2006)
Brand Image	BI 2	Most “brands” I buy at “my most frequented store” wear out too quickly	
	BI 3	“My store” does not care enough about the quality of its “private label brands”	
	BI 4	I am satisfied with most of the “brands” I buy at “my store”	
Willingness to Pay	WTP 1	I would be willing to pay a higher price for this brand over other similar brands	(Chaudhuri & Ligas, 2009)
	WTP 2	I prefer to purchase from this brand even if another brand advertising a lower price	(Park & Kim, 2014)

Result

The ages characteristic of respondent is mostly age 21-25 (Figure 2). It shows that this age the most purchased sports apparel during pandemic.

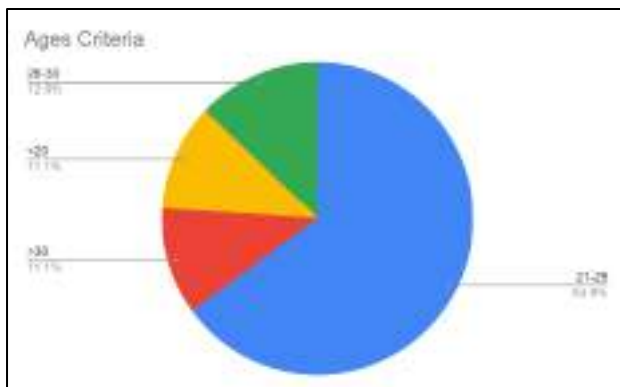


Figure 2. Respondent's Age

The results of respondent gender characteristic comprised of 53% female and 46% male (Figure 3).

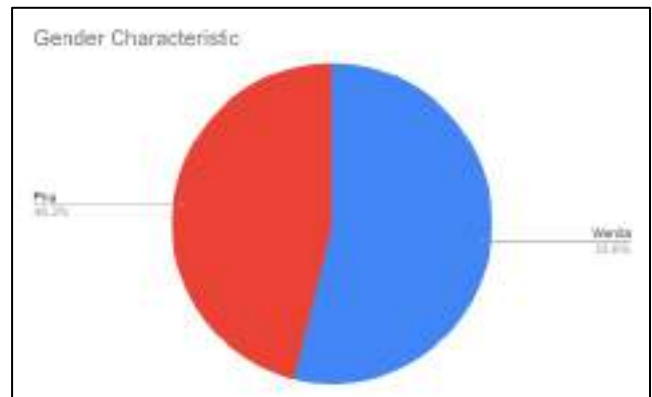


Figure 3. Gender Characteristic

Result

For research models that use the outer reflexive model is evaluated based on convergent, discriminant validity, composite reliability. Score convergent seen from the loading value, that value is considered sufficient between 0.5 to 0.6 for the amount latent variable between 3 to 7 (Hartono & Abdillah, 2014).

Table 2. Outer Loadings and Indicator

Brand Image		Customer Loyalty		Customer Trust		Willingness to pay	
Indicator	Outer Loadings	Indicator	Outer Loadings	Indicator	Outer Loadings	Indicator	Outer Loadings
BI1	0,849	CL1	0,599	CT1	0,763	WTP1	0,913
BI2	0,678	CL2	0,602	CT2	0,712	WTP2	0,918
BI3	0,626	CL3	0,785	CT3	0,770		
BI4	0,779	CL4	0,767	CT4	0,665		
		CL5	0,765	CT5	0,703		

Discriminant Validity - Average Variance Extracted (AVE)

In assessing discriminant validity, it can be done by comparing the square root of average variance extracted (AVE) for each construct with the correlation between the

other constructs in the model. Discriminant value validity is seen based on the AVE value, the AVE value > 0.5. Good discriminant validity has square root of average variance extracted (AVE) value greater than 0.5 (Fornell & Locker 1981 in Ghazali, 2014).

Table 3. Average Variance Extracted

	Brand Image	Customer Loyalty	Customer Trust	Willingness to Pay
Brand Image	0,738			
Customer Loyalty	0,137	0,709		
Customer Trust	0,139	0,689	0,724	
Willingness to Pay	-0,012	0,509	0,558	0,916

Table 3 shows that the value of AVE is greater than 0.5 This means that testing discriminant validity with the AVE value for all variables was good and acceptable.

Composite Reliability – Cronbach Alpha

Composite reliability measures value actually the reliability of a construct and

more good in estimating the internal consistency of a construct (Salisbury et al., 2002 in Hartono & Abdillah, 2014). Cronbach's alpha measure limits below the reliability value of a construct. Rule of thumb the value of alpha or composite reliability must be greater of 0.7, although a value of 0.6 is still acceptable (Hair et al., 2006 in Hartono & Abdillah, 2014).

Table 4. Composite Reliability & Cronbach Alpha

	Cronbach's Alpha	Composite Reliability
Brand Image	0,789	0,825
Customer Loyalty	0,749	0,832
Customer Trust	0,773	0,846
Willingness to Pay	0,807	0,912

The Composite Reliability model include two criteria, which are the composite reliability that should be greater than 0.7 and the Cronbach alpha should also be

above 0.7. Table 4 shows that all latent constructs have composite reliability higher than 0.7, while the highest is achieved by willingness to pay at 0.912 and the lowest is

achieved by brand image at 0.825. Therefore, all latent constructs meet the composite reliability requirement. All latent constructs also show higher number than 0.7 in Cronbach alpha, while the highest is

achieved by willingness to pay at 0.807 and the lowest is achieved by customer loyalty at 0.749, with these latent constructs are proved to be reliable.

Table 5. Hypotheses Testing Results

Hypotheses	Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Result
<i>H₁</i>	CT -> CL	0,683	0,060	11,400	0,000	Accepted
<i>H₂</i>	BI -> CL	0,042	0,053	0,794	0,427	Rejected
<i>H₃</i>	CL -> WTP	0,245	0,117	2,087	0,037	Accepted
<i>H₄</i>	CT -> WTP	0,404	0,109	3,689	0,000	Accepted
<i>H₅</i>	BI -> WTP	-0,101	0,065	1,552	0,121	Rejected

From the result that shown on Table 5 above, we can see that *H₁* (*Customer Trust has a positive impact on Customer Loyalty.*) have original sample of 0.683, standard deviation 0.060, T Statistic of 11.400, and p-values of 0.000, which means *H₁* was accepted and have a positive relation, which also means that when customer trust increased by 0.683, customer loyalty will be increased by 0.683 as well.

Second, *H₂* (*Brand Image has a positive impact on Customer Loyalty.*) have original sample of 0.042, standard deviation 0.053, T Statistic of 0.794, and p-values of 0.427, which means *H₂* was rejected. The possible explanation is the respondent perceived brand image is less likely impact the customer loyalty. In other circumstances the respondent might not consider brand when they repurchase the product.

Third, *H₃* (*Customer Loyalty has a positive impact on Willingness to Pay.*) have original sample of 0.245, standard deviation 0.117, T Statistic of 2.087, and p-values of 0.037, which means *H₃* was accepted and have a positive relation, which also means that when customer loyalty increased by 0.245, customer loyalty will be increased by 0.245 as well.

Fourth, *H₄* (*Customer Trust has a positive impact on Willingness to Pay.*) have original sample of 0.404, standard deviation 0.109, T Statistic of 3.689, and p-values of

0.000, which means *H₄* was accepted and have a positive relation, which also means that when customer trust increased by 0.404, customer loyalty will be increased by 0.404 as well.

Finally the fifth hypotheses, *H₅* (*Brand Image has a positive impact on Willingness to Pay.*) have original sample of -0.101, standard deviation 0.065, T Statistic of 1.552, and p-values of 0.121, which means *H₅* was rejected and have a negative relation, which also means that when brand image decreased by 0.101, customer loyalty will be increased by 0.101.

Conclusion

This paper examines the effect of brand image, customer trust, and customer loyalty on willingness to pay in sport apparel purchasing during COVID-19 pandemic in 2020. The study concludes that customer trust and customer loyalty positively affect the willingness to pay. The customer trust also positively affects the customer loyalty. Both of hypothesis of brand image positively affects customer loyalty and hypothesis brand image positively affect willingness to pay are rejected. The research model basically can explain that customer trust, brand image, customer loyalty is able to positively affect the

willingness to pay for consumers of sport apparel during pandemic Covid-19 in 2020.

The research can help the sport apparel supplier to focus on building customer's trust and increase the loyalty program, to keep them purchase the sport apparel. The customer who is mostly female in this respondent can use the apparel to do sport activities at home and update their status in their social media.

The limitations of this research are limited respondent that answer the survey, and the respondent is mostly female. The research could gain more insight if the respondent

balanced between male and female. Other limitation is the respondent age. Since the pandemic forced people to stay at home, the respondent should look for broader range of age, and get insight from older or younger ones.

This research recommends adding the model with customer commitment to willingness to pay, as to understand how to make commitment to purchase the product. It is interesting to measure the commitment on buying sports apparel when the pandemic is longer than expected, forcing people to stay more at home, doing sports at home or in surroundings.

APPENDIX 1. THE SURVEY

Variable & Code		Likert Scale				
Customer Trust		1	2	3	4	5
CT 1	Based on my experience with my favorite brand in the past, I know it is honest					
CT 2	Based on my experience with my favorite in the past, I know it is not opportunistic.					
CT 3	Based on my experience with my favorite brand in the past, I know it keeps its promises to customers.					
CT 4	Based on my experience with my favorite brand in the past, I know it is trustworthy.					
CT 5	Based on my experience with my favorite brand in the past, I know it has ability to complete transactions.					
Customer Loyalty						
CL 1	I say positive things about favorite brand's loyalty to other people					
CL 2	I recommend my favorite brand to someone who seeks my advice					
CL 3	I encourage friends and relatives to do some business with my favourite brand					
CL 4	I consider my favorite brand as first choice to buy product					
CL 5	I will do more business with my favorite brand in the next few years					
Brand Image						
BI 1	Too many of the "brands" I buy at "my most frequented store" are defective in some way					
BI 2	Most "brands" I buy at "my most frequented store" wear out too quickly					
BI 3	"My store" does not care enough about the quality of its "private label brands"					

BI 4	I am satisfied with most of the “brands” I buy at “my store”					
Willingness to Pay WTP 1						
	I would be willing to pay a higher price for this brand over other similar brands					
WTP 2	I prefer to purchase from this brand even if another brand advertising a lower price					

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Jalan Jalur Sutera Barat Kav 15, Alam Sutera,
Tangerang, Banten 15143

Email : ijembm@sgu.ac.id