

The Influence Of Environment Business Toward Illegal Cigarette Business Potency Moderated By Motivation (A Case Study Of Illegal Cigarette Industry In Kudus, Central Java, Indonesia)

Amin Kuncoro, Hutomo Rusdianto, Heru Yulianto

Abstract: Environment business instantly influences surrounding citizens or people. The impacts lead to various developments of sectors such as micro business with small scale production known as home industry. This research has purpose to explain whether environment business influences its surrounding environment and whether motivation can contribute to development of illegal cigarette industry potency. It is a qualitative descriptive research to describe the obtained data from the field in which is analyzed by using SPSS 17.0. The samples are 100 illegal cigarette producers in Kudus, taken by using non probability sampling. Then, the type of the sample is taken by using quota sampling through MRA test (Moderating Regression Analysis). The findings are environment business contributes to the development of illegal cigarette producers to develop their products so they can withstand against rigid rules of cigarette industry. Meanwhile, motivation contributes to environment business and illegal cigarette business potency in Kudus.

Keywords: Environment business, illegal cigarette potency and motivation

1. BACKGROUND

Environment business provides various livings, started from micro or event macro business scales. People around such situations often take opportunity of environment business to get better wealth. Heretofore, environment business is only defined as environment of macro scale business and its impacts only exist on small scale business [1]. However, by the development of current era, environment business is said to be capable of providing contribution to surrounding citizen without considering micro and macro scales of the business [2]. Potency of citizens around green line of environment business shall have higher creativity due to surrounding environment business. Those creativities are greatly able to significantly change, such as being able to provide personal culinary business, boarding house, laundry, and etc. It is also seen in certain situations. Therefore, citizens tend to take opportunity of environment business situation by maximizing current existing potency based on their potency and capability [3]. Kudus, among cities which produce cigarette, has been admitted nationally. Its existence has been even known around the world due to its exports. This is the reason why Kudus governor tries to increase cigarette productions against more competitive competition and policy of tobacco tape.

The condition of current cigarette industry is so apprehensive because there is a must to maintain life cycle of company. There is a must to keep thousands employee futures of the company due to more intense anti-cigarette campaign promotion. Besides that, the condition of economy also influence existences of cigarette industries to keep their products in markets since there are many policies addressed intentionally to reduce the number of smokers.

“Cigarette as society based business which is beneficial socially, economically, and culturally. In one side, its nature is similar to other industries such as embroidery, Kudus porridge (Jenang), furniture, handicraft, and etc. based on the scale. However, cigarette industries are demanded to always innovate to keep their markets. Its existence is not only influenced by its durability to compete but also its obedience to many rules which have purposed to control their products, distributions, and its consumers”. [4].

Various paradigms emerge when government publishes policy of banderol which must be obeyed by cigarette producers. Thus, it makes cigarette industry to be slumped no matter how the producers argue. However, this policy is considered incomplete is actually used by illegal cigarette producers in Kudus. Illegal refers to action of not buying banderol from Indonesian government [4]. In fact, illegal has deeper meaning so government frequently uses certain policy to wipe out those producers. Illegal cigarette industries are triggered by their environment business and rigid banderol policy but in fact the producers are more existential. They believe the policy does not influence them. In fact, the policy brings positive impact for them because consumers now prefer illegal cigarette in which have cheaper price but similar quality to legal cigarettes. Positive impact of environment business is better development of various business sectors, started from services until housings. It makes Kudus to be more fantastic when it is seen from recent year types of business [5]. Another impact is more competitive competition. It is also experienced by service sectors because environment business causes various industries. The same situation is experienced by housing sectors which have increasing rate since many employees coming from outside of Kudus. Therefore, those employees need temporal places to stay. From the background, the researchers are interested to investigate environment business because many previous findings showed that environment business had massive negative impacts and

- Amin Kuncoro is lecturer & research in program studies of Management in STIE AKA, Semarang, Indonesia, Email: kiasekuler@gmail.com
- Hutomo Rusdianto is Lecturer of Economy Faculty of Universitas Muria Kudus, Email" hutomo.rusdianto@umk.ac.id
- Heru Yulianto is lecturer in program studies of Management in STIE AKA, Semarang, Indonesia.

needed serious solution. Besides that, illegal cigarette also gains advantage by experiencing increase due to the policy, specifically in Kudus. Plus, illegal cigarette is an economic situation which is able to decrease unemployment due to its labor intensive nature.

2. PROBLEMS AND PURPOSES OF THE RESEARCH

1. How is the effect of environment business toward potency of illegal cigarette in Kudus, Central Java, Indonesia?
2. How can motivation become a moderating variable of environment business and potency of illegal cigarette in Kudus, Central Java, Indonesia?

Meanwhile, the purposes of the research are:

1. To analyze the influences of environment business toward potency of illegal cigarette in Kudus, Central Java, Indonesia.
2. To analyze motivation as moderating variable of environment business and potency of illegal cigarette in Kudus, Central Java, Indonesia.

3. LITERATURE REVIEW

3.1 Environment Business Definition

Environment business is a capability to contribute by maximizing activities of an institution, a company, or an organization to better direction. It is frequently seen as effect caused by business activities both micro and macro scaled businesses. Besides that, environment business benefits surrounding citizens because of activities of the business. It involves various critical elements such as activities related to human. Besides that, environment business has both positive and negative impacts called as opportunity or threat. Effort to find out managerial implication of environment business is an identified external factor into prospect, chance, or opportunity for company. Environment business has strong dependency although within difficult condition of economy since it must cover its members and citizens' needs. Since the society comes from various social status then environment business becomes opportunity or external analysis of company. Business can be influenced by external environment consisting of stakeholder and general environment. It is important to note that general environment is not directly correlated to business activities or influences company's performance. By realizing the existence of environmental components and understanding how environment may influence company become important matters for manager of company. Environment has a lot of uncertainties which influence company through various related conditions to company's activities and its external environment. Environment business is grouped into macro and micro. Micro environment consists of actors living near to company's environment. They influence capability of company to serve company's business by becoming supplier, mediator, customer, and competitor. Meanwhile macro environment consists of economy, technology, politics, government, law, socio-culture, and citizenship.

3.2 Definition of Potency

"Potency is capability, willingness, and strength or power which has possibility to be developed greatly". [6].

Meanwhile, according to experts, potency is a form of human source whose benefits for their own selves and their environment. It means every human has different potency to develop into something beneficial and wider. By maximizing potency, it means to have maximized an individual's capability to his personal and general business. It becomes a product of company because an individual's capability is better used on the right place. Then, the capability becomes useless when it is not properly used. Since potency is ability or strength, then it needs to be developed optimally because human has capability to develop his own ability or potency. Each person has different potency so their capability and preference causes different thing from one person to another. It is different when it is not maximized so strength of an individual is merely unexposed potency.

3.3 Definition of Motivation

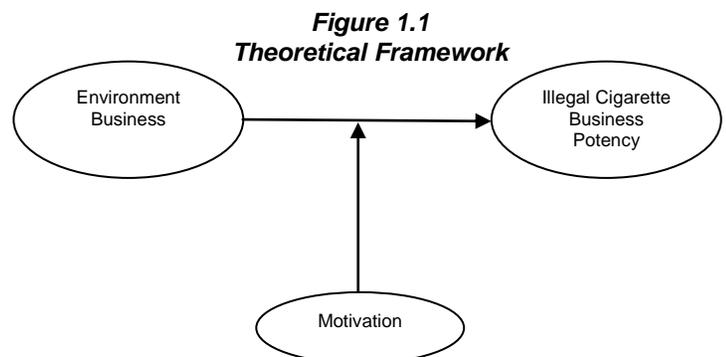
Motivation is encouragement causing something done by an individual to be more meaningful to achieve certain goal. Since motivation has many definition, then it is better to define it by integrating it to achieve goals.

"Weiner [7] defined motivation as internal condition to encourage us to act, to push us reaching certain goals, and to make us interested in certain activity"

"Uno [8], motivation is defined as internal and external encouragement of an individual indicated by the existences of: interest and desire, encouragement and need, expectation and ideal, reward and respect".

Therefore, motivation is an internal condition to invoke individuals acting by using their desire and interest upon needs and encouragement, expectation and ideal upon reward and respect. Motivation is defined better as ability to realize an individual's desire. So, when an individual has strong desire then he has stronger motivation to achieve his purposes. Besides that, motivation has wide impacts because it can trigger hidden passion on implication of an individual's desire. Because motivation is a motor which guarantees certain occurrence and continuity of activities, then each formation of human's activity is triggered by motivation. Motivation is extrinsically a spirit appearing from outside of human's body which indirectly is capable to contribute regularly in achieving an individual's purposes.

3.4 Theoretical Framework



Source: Kuncoro, Amin, 2016 [2]

3.5 Hypothesis

H₁: The better environment business is, then the better potency owned by illegal cigarettes.

H₂: The better motivation is, then better environment business and illegal cigarette potency are.

4. METHODOLOGY

Regression analysis by using moderation and MRA (Moderating Regression Analysis) are used to find out whether the motivation as variable is capable of becoming moderating variable or not [9].

4.1 Operational Definition

- Environment Business. It is correlated causal element between macro and micro environments. The indicators of environment business are costs of business, availability of workers, competition, and market condition.
- Potency of Illegal Cigarette Business. It is an opportunity or a capability to start business by taking benefits upon weaknesses of a system to achieve the actors' purposes. Meanwhile, the indicators of the potency are capability of judging opportunities, bravery to take risk, determination to not give up, and dynamic action.
- Motivation. It is a spirit or triggering and encouraging factors which can lead to new spirit to change human and individual behavior into better thing for themselves. The indicators are being not easy to desperate, having desire to create achievement, having determination to be better and determined.

4.2 Population and Sample

The population comes from illegal cigarette producers in Kudus, consisting of various cigarette produced both hand clove and machine clove cigarettes with minimum output production 1 million cigarettes per month. Since the number of the producers are not traceable, then only 100 producers are taken by using non probability sampling. They are illegal cigarette producers with minimum production capacity 1 million cigarette per month and have 5 year experience as the producers. It is done because those producers have had and understood the weaknesses of the policy dealing with illegal cigarette distribution.

1. Instrument Test

The validity and reliability tests are used for each questionnaire item which is commonly called try out. All of instruments are scored well when r value is greater than r table. Therefore, the instruments are deemed valid. When Alpha Cronbach score is higher than 0.60, it means all instruments are deemed reliable. The try out is done by involving 30 selected illegal cigarette producers in Kudus as the respondents.

2. MRA Test (Moderating Regression Analysis)

By adding multiplication variable between dependent and its moderating variable, this typical equation is gained: $Y = a + b_1 X_1 + b_2 X_2 + b_3 X_1 X_2$, noted that Y is potency of illegal cigarette business and X_1 is environment business; The moderating hypothesis is accepted when $X_1 X_2$ influence significantly toward Y , without depending whether X_1 and X_2 influence Y or not.

5. FINDINGS

5.1 Data Presentation

Data presentation is respondents' answers. After that the data are coded, edited, and tabulated. Then, test of instrument of 30 respondent is conducted in which the result of the try out will be deemed valid and reliable since the calculated r is greater than r table. Plus, Alpha Cronbach score is higher than 0.60. Therefore, it can be proceeded into MRA test (Moderating Regression Analysis).

5.2 Data Analysis

The use of MRA test can be seen on the table below.

a. MRA Test (Moderating Regression Analysis)

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.607	1.928		6.021	.000
	TOT_LB	.118	.077	.150	1.518	.132
	TOT_MT	.399	.156	.558	2.555	.012
	MODERATING	.013	.006	.508	2.312	.023

a. Dependent Variable: TOT_PT

Source: Analysis Result, 2016

$$Y_1 = 11.607 + 0.150 X_1 + 0.558 X_2 + 0.508 (X_1 X_2)$$

Based on the data, it can be explained as follow.

- a. Positive valued Constanta (11.607) shows the absences of environment business and motivation do not influence potency of illegal cigarette business. Therefore, illegal cigarette business potency will always exist although it is not influenced by environment business and motivation.
- b. Coefficient score of regressive variable X_1 is 0.150. It means that each improvement of environment business increases 0.150 point of illegal cigarette business potency by assuming that other dependent variables of this regression model remain constant.
- c. Coefficient score of regressive variable X_2 is 0.558. It means each improvements of motivation increases 0.558 point of illegal cigarette business potency by assuming other dependent variables of this regression model remain constant.
- d. Coefficient score of regression is 0.508, meaning that motivation – the moderating variable is constant, then environment business (X_1) causes improvements of illegal cigarette business potency (Y) 0.508.

5.3 Hypothesis Test

To find out the impacts of independent variable to dependent variable partially, then t-test is used. If score of $t_{\text{calculated}} > t_{\text{table}}$ then the independent variable influences dependent variable partially. Oppositely, if $t_{\text{calculated}} < t_{\text{table}}$ then the independent variable does not influence dependent variable partially.

1. Hypothesis 1 : The presence of positive and significant influences of environment business toward illegal cigarette potency.

The score of $t_{\text{calculated}}$ is 1.518 lower than t_{table} (1.518 < 1.660). Therefore, the test shows that $H_{0.1}$ is accepted and hypothesis $H_{a.1}$ is denied. The findings shows environment business does not influence and is not significant to illegal cigarette business potency. It means the first hypothesis is denied.

2. Hypothesis 2 : The presence of positive and significant influences of motivation toward illegal cigarette potency

The $t_{\text{calculated}}$ score of motivation is 2.555 higher than t_{table} (2.555 > 1.660). Thus, test of H_0 is denied and $H_{a.2}$ is accepted. The finding shows motivation positively and significantly influences illegal cigarette business potency. It means the second hypothesis is accepted.

3. Hypothesis 3 : The presence of positive and significant influences of environment business toward illegal cigarette business potency moderated by motivation.

The $t_{\text{calculated}}$ score is 2.312 higher than t_{table} (2.312 > 1.660). Thus, $H_{0.3}$ is denied and $H_{a.3}$ is accepted. The findings shows motivation positively and significantly influences the moderating variable between environment business and illegal cigarette business potency. It means the third hypothesis is accepted.

5.4 Test of Determinant

Score of determinant coefficient can be seen on Adjusted R^2 as follows.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.280 ^a	.578	.649	1.55244

a. Predictors: (Constant), MODERATI, TOT_LB, TOT_MT

a. Dependent Variable: TOT_PT

Source: Primary Data, 2016 analyzed

Based on the table, it is known that the coefficient, Adjusted R^2 is as 0.649, meaning that the independent variables (environment business and motivation) influencing illegal cigarette business potency in which is moderated by motivation. The percentage is 64.9% and the rest is 35.1%, influenced by other variables out of the model.

6. DISCUSSION

Environment business is not capable of giving contribution to illegal cigarette business potency. Empirically, due to the range of $t_{\text{calculated}}$ lower than t_{table} , it means illegal cigarette business potency done by the producers in Kudus does not consider the policy about excise limitation. In fact, they try to earn more advantages and benefits when rate of excise tape is increased because it improves and motivates the

development of illegal cigarette business distribution since the price of legal cigarette is more expensive. Society's tendency to buy illegal cigarette exists since legal cigarette is very expensive. Therefore, the producers take opportunity of the government's weaknesses. In another hand, frequent occurred problems are illegal cigarette producers are local assets to decrease unemployment numbers around cigarette industries. However, it still becomes stigma to be further investigated and needs solution so the producers can contribute to the government, especially dealing with tax. Motivation has role as mediator between environment business and illegal cigarette business potency. It allows the existences of the producers are not encouraged only because of the policy. Besides that, to develop potency of illegal cigarette business needs cooperation and determination of the producers because they need to stay low in producing their products. Motivation of the producers to keep their life and jobs, based on local custom and culture of Kudus citizens, most of them work as workers or Cigarette Company labors. Thus, the producers dare to keep their illegal cigarette existences since they are limited only to formulate their tobacco mix, known as cigarette makers. In another hand, further follow up of illegal cigarette needs cooperation between the producers and the government to create better policy of illegal cigarette existences so they can withstand and develop to compete with other cigarette manufactures in Indonesia.

7. CONCLUSION

Environment business cannot contribute to illegal cigarette business potency so the producers take opportunity upon the policy. Motivation becomes moderating variable between environment businesses to illegal cigarette business potency. It means the producers try to take opportunity upon the policy to produce illegal cigarettes.

8. RESEARCH IMPLICATIONS

8.1 Theoretical Implication

From this research, then theory about environment business is activity which has environmental impacts around the companies, supported by various indicators so environment business is created because of other business implications.

8.2 Managerial Implication

The role of environment business, especially in Kudus, does not direct impact. It is caused by the object of this research – the illegal cigarette producers. Thus, the existence of illegal cigarette never considers the existence of legal cigarette. It means the producers do it due to economic problem and habitual factors. Thus, cooperation to avoid any disadvantages for the government is needed.

REFERENCE

- [1]. Werther, W.B., and Davis, K.: 'Human resources and personnel management', 1993
- [2]. Kuncoro, A.: 'Experiential Marketing Untuk Meningkatkan Penjualan', in Editor (Ed.)^(Eds.): 'Book Experiential Marketing Untuk Meningkatkan Penjualan' (2015, edn.), pp.
- [3]. Ermawati, N., and Kuncoro, A.: 'Faktor-faktor yang mempengaruhi minat perilaku wajib pajak untuk menggunakan e filling (Survei PadaWajib Pajak Orang pribadi Di Kabupaten Pati)', 2016

- [4]. Indaryani, M.I.: 'Stigma" Illegal" Rokok, dan Kompleksitas Relasi di Dalamnya', Doktor Studi Pembangunan Program Pascasarjana UKSW, 2013
- [5]. Kudus, B.P.S.K.: 'Kudus Dalam Angka', in Editor (Ed.)^(Eds.): 'Book Kudus Dalam Angka' (Kudus: Badan Pusat Statistik Kudus, 2015, edn.), pp.
- [6]. Efendy, M., and Yamin, U.: 'Quranic Quotient: Menggali dan Melejitkan Potensi Diri Melalui Al Qur'an', in Editor (Ed.)^(Eds.): 'Book Quranic Quotient: Menggali dan Melejitkan Potensi Diri Melalui Al Qur'an' (Jakarta: Qultum Media, 2007, edn.), pp.
- [7]. Weiner, B.: 'History of motivational research in education', *Journal of educational Psychology*, 1990, 82, (4), pp. 616
- [8]. Uno, H.: 'Teori Motivasi & Pengukurannya–Analisis di Bidang Pendidikan, Jakarta', Penerbit Bumi Aksara, 2010
- [9]. Ferdinand, A.: 'Pedoman Penelitian Untuk Penulisan Skripsi Tesis dan Disertasi Ilmu Manajemen: Metode Penelitian Manajemen: Semarang: Badan Penerbit Universitas Diponegoro', 2014