

Small Business Empowerment Program Policy in Wajo Regency, South Sulawesi

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Abstract. The study used a quantitative approach involving 175 small business actors. Sampling was carried out by proportional random sampling based on the criteria, namely small entrepreneurs who have registered at the Cooperative Service, UMKM in Wajo Regency, have been in business for 3 years, have retrieved a business license, and have a minimum business capital of IDR 100,000,000. The modelling of the relationship between variables was carried out using a partial least square (PLS) model with Smart PLS software. Small business enablement program policies with business partnerships, strengthening business institutions in connection to the performance of small businesses in Wajo Regency can increase the performance of small businesses of small entrepreneurs. To improve the performance of small businesses, it is need to develop an Institutional Link Enablement of Small Business Model through the cooperation of small entrepreneurs, associations/NGOs, the community, the private sector, the government in this case the UMKM and Cooperatives Service, large entrepreneurs, financial institutions, both banks and non-banks to encourage small entrepreneurs to improve their business performance through business partnerships and strengthening business institutions.

Keywords: Small business, Enablement, Policy

1 Introduction

Development is nothing but a activity of transform that takes where in a aware, planned and continuous manner with the main goal of improving the prosperity of the folk of a nation. In the 2020-2024 National Medium-Term Development Plan regarding the policy direction in the economic sector that: The National Medium-Term Development Plan (RPJM) as called to in article 2 paragraph 2 as referred to in paragraph (1) that the national development strategy, general policy, it is explained that regional and cross-regional development towards, Development Priorities, as well as a macroeconomic skeleton that covers a through picture of the economy including the way of fiscal policy in a work plan in the form of an indicative regulatory framework and funding framework

The development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia is indeed quite rapid over the last few years. However, there are still problems of Indonesian MSMEs that have not been fully addressed. Especially MSMEs located in rural areas far from the internet and technology. This makes MSMEs do not progress. Even though now we have experienced the Industrial Revolution 4.0 era, every MSME should be able to optimize both the production process and the way of marketing so that the turnover retrieved increases [1]

Given the position of small businesses which are one of the important sectors for the development of small businesses, especially the economy in Wajo Regency, this study taking the object of study of small entrepreneurs from different small business sectors, namely the industrial and trade centers in Wajo Regency. The government's caution to the enablement of small businesses is getting clearer, because small businesses actually make a significant contribution to development, mainly economic development. One of the regions that has contributed to the development of MSMEs in South Sulawesi is the Wajo Regency. This can be seen from the number of small entrepreneurs engaged in industrial and trade centers in the last five years who have retrieved business licence and have retrieved business capital through banking and non-banking registered with the Department of Cooperatives, MSMEs, Industry and Trade of Wajo Regency, namely in 2016 there were 245 businesses, in 2017 there were 287 businesses, in 2018 there were 334 businesses, in 2018 there were 337 businesses, in 2019 there were 378 businesses, and in 2019 there were 337 businesses (processed from the MSME Profile Data of the Department of Industry, Cooperatives and MSMEs, District Trade [2][3])

Data on small entrepreneurs in Wajo Regency shows an increase from year to year, reaching an average of 38 small entrepreneurs or an average growth

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of only 1.14 percent per year. This shows that there are still many small entrepreneurs in Wajo Regency who have been constrained in developing their business in terms of small business enablement policies, especially in terms of growing the business climate related to business partnerships, strengthening business financing institutions in relation to small business performance in Wajo Regency.

Based on data from the Central Statistics Agency for Wajo Regency in 2019, which refers to data that there are 2403 business units, a workforce of 3,577 with an investment value of IDR 6.90 billion. The data shows that there are still many small entrepreneurs in Wajo Regency that are classified as micro-enterprises, which should show better performance from year to year so that entrepreneurs classified as micro-enterprises become small, medium, and large businesses [4].

The results of field observations show that the Wajo Regency Government in this case the related institutions, namely the Department of Industry, Trade, Cooperatives, Small and Medium Enterprises, has carried out enablement activities in various business centers through small business enablement programs, but the results have not disclosed a significant increase in business performance. This problem certainly cannot be separated from each institutional function or organizational force that has not synergized with the existence of small businesses as a driving group for the regional economy. One form of synergy that is hoped to improve the performance of small businesses is the formation of robust institutional arrangements from related institutions

2 Research Method

This research is survey research using a quantitative approach. This research was conducted in Wajo Regency in 14 sub-districts with the target unit of research being all small entrepreneurs who are members of the industrial and trade centers who already have a business clearance, the age of the corporate is at least 3 years, has collaborated with financial institutions, and has employees of at least 5 years. person.

To analyse the power of influence based on exogenous and endogenous variables, it went through several stages, namely: the policy of the small business enablement program as the first exogenous (X1) on the performance of small businesses (Y) as endogenous, the growth of the second exogenous business climate (X2) on small business performance (Y) as endogenous, business partnership as the third exogenous (X3) on small business performance (Y) as endogenous. By using the Model Partial Least Square (PLS) [5]

The population in this research are all small entrepreneurs who are engaged in industrial and trade centers and have been registered with the Industry and Trade Office of Wajo Regency totaling 407 people. The population characteristics are: (1) already having a business clearance in the form of SITU, SIUP, TDP from the relevant agency, (2) having retrieved financing from banking and non-banking financial institutions, (3) Employing a minimum of 5 people, (4) the age of the

company is at least 3 years, so that the total population based on population characteristics is 268. Determination of the right number of samples from the population can be done using a table developed by Isaac and Michel [6] which determines the sample based on a confidence level of 5 %. So that the research sample was retrieved as many as 151 small entrepreneurs spread across 14 sub-districts proportionally.

The data collection of research variables was carried out using a questionnaire method to obtain primary data. For secondary data collected in the study of literature, articles, journals, statistical data, and other important documents.

3 Result and Discussions

The results of the inner model test show that the policy of the small business enablement program on the performance of small businesses based on the analysis gives a decision that the regression coefficient is significant. These results conclude that the research data supports the straight influence of the effectiveness of small business enablement program policies on small business performance. Thus, the research hypothesis H1 states that the policy of the small business enablement program has a significant effect on the performance of small businesses in Wajo Regency is accepted. Hypothesis H2 shows that the research data supports the direct influence of business partnerships on the performance of small businesses. Thus, the research hypothesis H2 which states that partnerships have a significant effect on the performance of small businesses in Wajo Regency is accepted.

The results of the inner model test show that the research data supports the direct influence of the business climate on the performance of small businesses. Thus, the research hypothesis H3 which states that the business climate has a significant effect on the performance of small businesses is accepted. The results of the inner model test on the H5 hypothesis give a decision that the regression coefficient is significant. These results conclude that the research data support the direct influence of entrepreneurial motivation on entrepreneurial competence. Thus, the research hypothesis H5 which states that entrepreneurship motivation has a significant effect on the entrepreneurial competence of small entrepreneurs in Wajo Regency is accepted. To test the inner model on hypothesis testing H4 supports the three paths significantly on the performance of small businesses, so it can be concluded that the effectiveness of the policy of business enablement programs, business partnerships, and the growth of the business climate together have a significant effect on the performance of small businesses in Wajo Regency. The test results of the 4 research hypotheses tested were all accepted at a significance level of 5% [7].

3.1 The Influence of Small Business Enablement Program Policies On The Performance Of Small Businesses In Wajo District

The research findings show that there is a direct influence of small business enablement program policies on small business performance. In other words, small business enablement program policies with good and consistent program implementation will impact the performance of small businesses. The results of this study are in accordance with what is stated in Law No. 20 of 2008 article 5 that the direction of achieving improvement in the performance of small entrepreneurs is that they can grow and expand into robust and independent businesses. Thus, attempts to empower small businesses must be planned, systematic and comprehensive both at the macro and micro levels based on Law Number 20 of 2008 concerning the enablement of small businesses, namely: (1) Growing business climate (2) Building business partnerships, (3) Strengthening business financing institutions as well as indicators in this study [8].

3.2 The Effect of Business Partnerships on Small Business Performance

The results of data analysis found that data on partnerships tried to support a direct influence on the performance of small businesses. Thus, it can be explained that small entrepreneurs, armed with better partnerships, will improve their business performance. The success of the business in the field of entrepreneurship lies in the extent to which the partnership seeks to establish cooperation with the government, banks, and agencies related to the enablement of small businesses. Assuming that the higher the partnership carried out by small entrepreneurs, the greater the opportunity for their business to develop.

The invention in this study are in line with the theory put forward by McClelland (in Robbins, 2001) that entrepreneurial motivation must be supported by three needs, namely the need for achievement, the need for power, and the need for affiliation. To build entrepreneurial motivation and encourage small entrepreneurs to improve their business performance, of course, it cannot be separated from the spirit and spirit inherent in entrepreneurs who are actualized in their daily lives as entrepreneurs [9].

3.3 The Effect of Strengthening Business Financing Institutions on Small Business Performance.

The results of the study illustrate that the research data supports the direct influence of strengthening business financing institutions on the performance of small businesses. Thus, it can be stated that the strengthening of business financing institutions carried out by related parties regarding the enablement of small businesses

based on the enablement program that has been carried out by the Office of Micro, Small and Medium Enterprises and Cooperatives of Wajo Regency will improve the performance of small businesses. The findings of this study indicate that institutional strengthening of small business financing will encourage small entrepreneurs to carry out business development, market expansion, and in terms of improving the quality of small business products armed with their entrepreneurial skills that can support their profession as people who are involved in the business world. This reflects the attitude of a small entrepreneur that must be possessed in the form of competency skills, knowledge, and abilities.

The research findings are in line with the yield of research conducted by Baum (2001) in his proposition that the competencies produced are cognitive ability, organization finesse, decision skill, chanceskill, industry suffered, and technical skill which significantly positively influence business growth through business performance. Competence is the proficiency, skill, or ability quite to meet a necessary such as effective performance [10].

3.4 The Effect of Business Climate Growth

The entrepreneurs assessed that the Wajo Regency government's policy in supporting the existence of small businesses was considered good. Many government policies are considered pro to entrepreneurs, including the One Roof Licensing System (Sintap) policy, the existence of a policy that allocates areas for carrying out their business activities, the existence of a market that has been provided by the local government to carry out their activities as small entrepreneurs, making it easier for entrepreneurs to develop their businesses. .

Thus, it can be assumed that the growth of a better business climate will have an impact on improving business performance for small entrepreneurs in Wajo Regency.

This is in line with the opinion of Tambunan (2006), which explains that a conducive business climate will encourage someone to invest with the lowest possible costs and risks that can generate high long-term profits. through its impact on costs, risks, and barriers to competition (World Bank, 2005). A conducive business climate will have an impact on increasing small business performance by providing opportunities for small entrepreneurs to develop, adjust to their business environment so that they are encouraged to increase their business productivity [11] [12]

3.5 The Influence of Small Business Enablement Program Policies, Business Partnerships, And Business Climate Growth on Small Business Performance

The results of hypothesis testing in this study indicate that small business enablement program policies, business partnerships, and business climate growth have a significant relationship to small business performance.

Thus, it can be concluded that if the government runs a small business enablement program supported by business partnerships and the growth of a business climate, the performance of small entrepreneurs will increase. As an effort to more enhance the performance of small businesses, the enablement of small businesses must be planned, systematic and comprehensive, both at the macro level and at the micro level. For this purpose, the policy steps taken include: (1) creating a healthier business climate to open up the widest possible business opportunities, make sure business assurance, and prompted the formation of economic efficiency; (2) development and proficiency building of supporting institutions for small businesses to be able to increase access to productive resources in the context of utilizing open opportunities and potential resources, especially available local resources. The results of the analysis of the PLS model have explained that partnerships in business have determining factors originating from the small business enablement program policies perceived by business actors and the strong growth of the business climate greatly contributes to improving business performance.

4 Conclusion

Small business enablement program policies, business partnerships and business climate growth have a significant relationship with small business performance, either partially or simultaneously. Small business enablement program policies, business partnerships and growing business climate will have a positive impact on improving business performance.

Based on the research findings, it can be suggested to develop a small business enablement model called the Institutional Link Enablement of Small Business Model through the cooperation of small entrepreneurs, associations/NGOs, the community, the private sector, the government in this case the UMKM and Cooperatives Office, large entrepreneurs, financial institutions, both banks and non-banks to encourage small entrepreneurs to further improve their business performance through business partnerships and strengthening business institutions.

Acknowledgment

The authors say to thanks for the all the respondents who provide support and information for the research held. The same was conveyed to the Dean Faculty of Social Sciences which has given financial aid for this research.

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