Empowerment Program, Entrepreneurial Competence and Business Growth in Denpasar

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ABSTRACT

The purpose of this study is first to measure the extent of direct influence of empowerment programs on entrepreneurial competence and growth of micro, small and medium enterprises and indirect influence of empowerment program on the growth of SMEs through business competence variable. The second provides recommendations for the implementation of empowerment programs that are more appropriate to the needs of SMEs. The research location in Denpasar City with the number of samples of 100 entrepreneurs who have got the empowerment program. Data analysis technique to test the relationship model between variables is Structural Equation Modeling using Partial least Square program.

Keywords: Entrepreneurial Competition. Business Growth, Empowerment Program

1. Introduction

In developing countries the role of Small and Medium Enterprises (SMEs) is so prominent and a mainstay to save the national economy when the country experiences an economic crisis. Storey in Hill and Gowan (1999) suggests that small businesses are a determining factor for most of the world economy. This also happened in Indonesia, where SMEs were the main drivers of the Indonesian economy. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2015), 99.99 percent of the economy in Indonesia is supported by Small and Medium Enterprises; while only 0.01 percent is a big business in 2012. Therefore, empowerment of SMEs becomes very strategic because of its huge potential in moving the economy of the community and at the same time being the source of income for most of the community in improving their welfare. This is evidenced by the large number of workers absorbed in SMEs, amounting to 108 million workers or around 97.16 percent of the total workforce in Indonesia. In addition, SMEs also managed to contribute 59.08 percent of Indonesia's Gross Domestic Product (GDP) (Ministry of Cooperatives and Small and Medium Enterprises, 2015).

Many attempts to approach the development of SMEs, which see the position of SMEs apart from the wider environment in which these SMEs operate so that this causes increasingly isolated from the mainstream of the economy. SMEs do need special support and protection and focus on developing SMEs programs on practical and targeted things. The empowerment program is the subject of discussion and study, as an implication of the number of programs undertaken does not touch the root of the problem in overcoming the expected conditions and even tends to fail. There have been many revolving fund programs at both the national and regional levels that have not been able to be returned individually or in groups. Operationally these programs...
require relatively large financing, including empowerment programs that concern the lives of disadvantaged people, both those who have no business and those who have tried but in a limited capacity. The government and the business world have an obligation to pay attention and develop business owned by the community both in the micro, small and medium scale.

SMEs in practice experience many obstacles both internally and externally, including the government’s side in formal juridical aspects in the form of business protection. This situation has made it difficult for SMEs to become healthy businesses. Quantitatively the number of SMEs continues to grow, but in quality still requires various policies and strategic steps facing increasingly strong market competition. A series of policies and programs launched by the central and regional governments in developing SMEs activities have the effect of changing the economic order in various aspects, including encouraging regional economic growth by utilizing the economic potential both in rural and urban areas.

The role of entrepreneurship in Indonesia has become very important and can contribute significantly to national economic growth. This role is played by SMEs that can save the national economy from adversity. SMEs are able to drive the pace of economic growth, absorb labor and create new business opportunities. The movement to promote entrepreneurship has an important and very strategic meaning in growing economic activities of weak economic communities. The development of entrepreneurship programs can be used as an initial momentum to spur the growth of strong and independent small businesses. Entrepreneurship is at the heart of national excellence (Porter in Carree and Thurik, 2002).

Portraits of micro, small and medium enterprises are viewed in terms of the success of coaching and performance obtained based on the resources they have. Both of these aspects can be used as a first step to formulate entrepreneurial competencies needed and associated with SMEs empowerment programs in an effort to create an institutional model that can support micro, small and medium enterprises that are resilient and independent. SMEs grow not only the existence of programs and government assistance, but more important is from within the entrepreneurship, which is a strong aspect of entrepreneurship. Some of the weaknesses of Indonesian entrepreneurship are the mentality that underestimates the quality, the mentality that likes to pass, the nature of not believing in oneself, the nature of being undisciplined and disregarding responsibility. Therefore entrepreneurial competence has a strategic meaning in order to produce a role in the economy and its growth as a business unit.

Several studies on entrepreneurial competence were carried out by Chandler and Jansen (2002); Herron and Robinson, (1990) who developed two skills / abilities, namely the ability to read opportunities and self-management. This study is based on 9 sequences of entrepreneurial competencies, namely knowledge, cognitive abilities, self management, administration, human resources, decision skills, leadership, opportunity reconciliation, and opportunity development. Man et al., (2003) suggested that there was a relationship between entrepreneurial competence and growth which included opportunity competencies, relationship competencies, conceptual competencies, organizing competencies, strategic competencies and commitment competencies. From various differences in views and perceptions of entrepreneurial competence both in general and specifically, in this study the discussion in competencies is limited to individual competencies, knowledge competencies, human resource competencies and positive competencies.

This research was conducted on SMEs in Denpasar City. In Denpasar, there are several types of SMEs such as SMEs that are engaged in culinary, sculpture, painting, handicrafts, and clothing, as well as services. In 2016 there were 31,685 business units
in Denpasar in the city in Denpasar, which were divided into four types of businesses, namely trade, various businesses, agricultural industries and non-agricultural industries. The development of SMEs in Denpasar City has increased since the last five years, this is due to the development of the economy and tourism in the Bali region. However, there are still many obstacles faced by these small businesses in developing their business. Inadequate human resources (human resources), difficulties in obtaining capital, raw material problems, production, and market competition, marketing costs, and increasing use of imported goods are some of the obstacles or problems faced by SMEs in Denpasar City. The Denpasar city government has a high commitment to provide space and facilities and increase the empowerment of SMEs (www.antarabali.com, 2016). Increased empowerment is carried out through various activities including entrepreneurship training, providing marketing space through activities such as Denpasar Festival, Sanur Festival and other activities that support marketing. The Denpasar city government also cooperates with google companies to promote SMEs through the use of information technology.

The success of the government in developing empowerment programs so as to be able to improve their competencies, increase motivation in business including positive entrepreneurial behavior and the ability to lift the growth of small and medium micro businesses in the face of competition. Empowerment programs by the government and private parties have been carried out in small and medium-sized micro-enterprises and programs that have been implemented are not a few that have failed. This is interesting to study, because the program involves large funds, but the benefits have not been optimally felt by SME actors. Based on this, the main problem in this study is to question the ability of government and private sector empowerment programs to increase entrepreneurial competencies and the growth of small and medium micro enterprises.

2. Theoretical background and Hypotheses

2.1 Empowerment Theory

Empowerment is a process that is not an instant process. As an empowerment process has three stages, namely, awareness, capacity building and empowerment. The first stage is awareness, this stage the targets to be empowered are given enlightenment in the form of giving awareness that they have the right to have something. The second stage is capacity building, which is often called capacity building, or enabling. To provide power or power, the person concerned must be able to first. Enable humans both in the context of individuals and groups. The third stage is funding, namely the process of giving power or power is given in accordance with the skills of the recipient (Wrihatnolo and Riant, 2007). The concept of empowerment as an alternative concept of development essentially emphasizes the autonomy of decision making from a community group based on direct personal resources (participation), democracy, and social learning through direct experience. Freire (1992) explains that the empowerment process is a method that attempts to change perceptions including changing one's motivation or encouragement in the community, so that individuals can adapt to their environment.

2.2 Entrepreneurial Competence

Competency generally has differences based on the teaching process. Knowledge and skills are one of the easiest indicators of competence, while attitudes and values are indicators that are difficult to teach. Changing motives and possible attitudes can be done but through a very long process. Sandberg (2000) suggests that
competence is knowledge and skills related to work. In general, competency consists of the following elements:

1) Motives, underlying needs or mindset that directs, moves and selects individual behavior, e.g., the need to succeed.
2) Nature (innate or talent), tendency or general character in behaving or how to respond. Suppose it relates to self-confidence, self-control, stress resistance or endurance.
3) Self-concept, attitude or value measured by the respondent's test asking what they value, what they think or are interested in doing something.
4) Strength of knowledge about facts or procedures, whether technical or interpersonal, as measured by the respondent's test. Most findings indicate that knowledge rarely distinguishes between average and superior performance.
5) Ability and cognitive skills and behavior are hidden (e.g., inductive or deductive reasons) or visible (e.g., the ability to listen actively).

Competence is as knowledge, skills and the ability to achieve success efficiently and effectively, so that competence is also defined as an ability of an individual compared to others. In general, entrepreneurial competence can be interpreted as the competence of managers or leaders of a company because it is related to the ability to determine strategies, read opportunities, organize employees and subordinates including social and environmental activities.

2.3 Development of Hypotheses

Empowerment is a force that comes from within, but can be strengthened by reinforcement elements absorbed from the outside. Empowerment is a concept that cuts the vicious circle that connects power with the distribution of welfare. Empowerment aims to release the shackles of poverty and underdevelopment and strengthen the position of the layers of society in the power structure (Kartasasmita, 1996). Freire (1992) further explained that the empowerment process is a method that seeks to change perceptions including changing one's motivation or encouragement in the community, allowing individuals to adapt to their environment. Competence is knowledge, skills or abilities that are sufficient to meet a need such as effective performance. Sandjojo (2004) states that the development of SMEs requires a conducive business environment through independent entrepreneurial learning and entrepreneurship education. The government empowerment program that is getting better in its implementation will increase the entrepreneurial competence of SMEs entrepreneurs. Based on this, the hypotheses developed in this study is.

H1: Empowerment programs that fit the needs of SMEs have a positive effect on entrepreneurial competence.

Business growth is a result obtained through business performance that someone does in trying. Business growth can be seen as a business progress or success as indicated by the company's ability to obtain sales, growth, productivity and business growth. Baum et al., (2001) stated that empowerment programs through specific competencies, motivation and competitive strategies have a significant influence on business growth. The success of the government in implementing empowerment is very determined by the effectiveness of conducting learning, coaching and business partnerships. Government support is a success factor for small businesses in developing their business. The government develops rules of the game to promote and support business development by providing incentives and infrastructure. The better empowerment carried out by the government and related parties, the business growth of SMEs has also increased. Based on the description, the hypothesis developed.
H2: Empowerment programs that are in line with the needs of SMEs have a positive effect on business growth.

Research conducted by Mullins (1996) shows that the need to build strong competencies to achieve business growth rates. Erikson (2002) found that the implications for entrepreneurs to develop competency and business motivation in increasing business growth. This is in line with the research of Baum et al. (2001) which states that general competencies and specific competencies have an indirect influence on business growth. A good empowerment program that is able to create competitiveness advantages for SMEs actors will contribute to the improvement of business units. Based on this, the hypothesis developed is:

H3: Empowerment programs that are in line with the needs of SMEs have a positive effect on business growth mediated by entrepreneurial competence.

3. Research methods

3.1 Populations and Samples

The population of this study was all SMEs assisted in the city of Denpasar, which were as many as 31,685 SMEs spread across 4 subdistricts. Based on the Slovin formula, the number of samples examined in this study are as many as 100 business units. The sampling method uses purposive sampling, which is determining sampling with certain conditions. The sample criteria are SMEs that have obtained an empowerment program. Furthermore, to determine the quota for each sub-district used is the proportional random sampling method, which is a random sampling method but with a certain proportion in each subdistrict in the city of Denpasar.

3.2 Measurement of Variables

Research variables, operational definitions and measurements of each variable as in the table below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Indicator</th>
<th>Answer questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment Program</td>
<td>an activity carried out in the context of financing, fostering and partnering business unit activities.</td>
<td>Financing</td>
<td>• Amount of funding sourced from the government</td>
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<td></td>
<td></td>
<td></td>
<td>• The amount of financing sourced from the private sector</td>
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<td></td>
<td>• Amount of financing sourced from bank and non-bank financial institutions</td>
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<td></td>
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<td>• Loan interest rates</td>
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<td>HR Development</td>
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<td>• Frequency of coaching</td>
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<td></td>
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<td>• Types of coaching that have been carried out</td>
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<td>• Coaching methods</td>
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<td>• Effectiveness of coaching programs</td>
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<td>Business Partnership</td>
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<td>• Partnership patterns</td>
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<td>• Government and private roles</td>
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</table>
- Implementation of relevant partnerships
- Supporting factors and formal juridical

<table>
<thead>
<tr>
<th>Entrepreneurial Competence</th>
<th>Knowledge, skills and or ability to determine a need such as effective performance.</th>
<th>Leadership</th>
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<tbody>
<tr>
<td></td>
<td>Able to influence others</td>
<td>Able to build relationships with other parties</td>
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<td></td>
<td>Able to provide guidance and advice</td>
<td>Able to provide guidance and advice</td>
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<td></td>
<td>Work orientation</td>
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<td>Service orientation</td>
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<td></td>
<td>Cultural awareness</td>
<td>Cultural awareness</td>
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<td></td>
<td>Ability to communicate</td>
<td>Ability to communicate</td>
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<td></td>
<td>Management openness</td>
<td>Management openness</td>
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</tbody>
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- Organizational development
- Controlling the organization, organizing
- Make decisions
- Solve the problem
- Work structure
- Task performance
- Act as a leader
- Direct the work team
- Build a work team
- High performance
- Motivating
- Provide advice and input
- Providing knowledge support

<table>
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<tr>
<th>Human Resources</th>
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<tr>
<th>Cognitive</th>
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<tr>
<td>Self-awareness</td>
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<tr>
<td>Anticipating changes in the competitive business environment</td>
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<td>Take the initiative</td>
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<td>Open to government, private and individual institutions</td>
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<tr>
<td>Strong commitment</td>
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<tr>
<td>Have adaptability</td>
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<tr>
<th>Business growth</th>
<th>The progress or success of the business unit is indicated by the ability of the business unit to obtain sales,</th>
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<tbody>
<tr>
<td>Sales</td>
<td>Ability to communicate</td>
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<tr>
<td>Profit</td>
<td>Work orientation</td>
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- Sales growth in the past three years
- Profit growth in the past three years
profits, productivity and business growth.

Source: research articles

3.3 Data Analysis Techniques
The data analysis technique in this study uses Partial Least Square analysis. This technique is used to see the effect of each variable in the study. The purpose of Partial Least Square is to help researchers get variable values for prediction purposes.

4 Empirical findings
1) Effect of Empowerment Program on Entrepreneurial Competence
Based on the results of the analysis obtained the parameter coefficient of 0.387 with a t-statistic value of 2.926 which is greater than t-table which is equal to 1.96. Based on this, it can be concluded that the first hypothesis which states that empowerment programs that are in accordance with the needs of SMEs positively influence accepted entrepreneurial competencies.

The empowerment program for SMEs in Denpasar City has been well responded to by SMEs actors such as for example most SMEs have been able to utilize government funding sources and other financing sources to increase business scale. The accelerating policy of SMEs growth is carried out with several programs such as optimizing the linkage program between cooperatives and banks, involving Regional Development Banks and Village Credit Institutions that have extensive networks in the bajar-banjar or traditional villages.

Empowerment through human resource development has a strategic meaning so that it requires the intensity and frequency of education and training that is adequate and in accordance with the needs of SMEs entrepreneurs. The frequency of high coaching conducted by the Denpasar City government is able to improve the skills of SMEs entrepreneurs. The pattern of coaching is developed by involving the Job Training Center, Universities, and Private Training Institutions. The results of the study show that the pattern of human resource development by the city government and the private sector in the city of Denpasar has been able to improve the competence of SMEs entrepreneurs.

Empowerment through partnerships is an activity that encourages empowerment programs through the involvement of the business world of State-Owned Enterprises and Private Owned Enterprises. In addition, the support of regional regulations greatly determines the success of the business partnership program. Partnership efforts are implemented taking into account (1) the political will of local governments to enforce laws and other applicable provisions, (2) the awareness of large businesses to assist the government in fighting for the existence of SMEs, (3) the availability of partners to comply with agreed agreements, (4) the existence of facilities and evaluation of the implementation of partnerships periodically and periodically; and (5) the involvement of other parties in supporting partnership patterns in the form of financing assistance such as universities, financial institutions and non-governmental organizations. The partnership program carried out by the City Government and private parties in the city of Denpasar has been able to improve the entrepreneurial competence of SMEs entrepreneurs.

2) The Effect of Empowerment Programs on the Growth of SMEs
Based on the results of the analysis obtained the parameter coefficient of 0.035 with a t-statistic value of 2.217 which is greater than t-table which is equal to 1.96.
Based on this, it can be concluded that the second hypothesis which states that empowerment programs that are in accordance with the needs of SMEs have a positive effect on accepted business growth.

Business growth is a result obtained through business performance that someone does in trying. Business growth can be seen as a business progress or success as indicated by the company’s ability to obtain sales, growth, productivity and business growth. The success of the government in implementing empowerment is very determined by the effectiveness of conducting learning, coaching and business partnerships. Government support is a success factor for small businesses in developing their business. The government develops rules of the game to promote and support business development by providing incentives and infrastructure.

The results of the study show that the empowerment program undertaken by the Denpasar City Government and the private sector has been able to increase the growth of SMEs business actors. The pattern of empowerment carried out through financing, guidance and partnerships and the implementation of programs that are right on target, providing adequate assistance to increase the capital of SME businesses has led to an increase in the business growth of SMEs.

3) The Influence of the Empowerment Program on Business Growth is mediated by Entrepreneurial Competence.

The results of the discussion on the Influence of the Empowerment Program on Business Growth are mediated by Entrepreneurial Competence as shown in the figure below.

Based on the results of the PLS test, the t-statistic of the empowerment variable on competence is 2.926 which is greater than 1.96 and the t-statistic of the entrepreneurial competency variable on business growth is 2.906 which is greater 1.95. Based on these results it can be concluded that empowerment programs have a significant effect on entrepreneurial competencies and competencies that have a significant effect on business growth. While the t-statistic value for the empowerment program variable on business growth is 2.217 which is greater than 1.96. This means that the empowerment program has a significant effect on SMEs business growth.

Based on the description above, it can be concluded that entrepreneurial competence is a mediating variable between empowerment programs and business growth. A good empowerment program and able to create competitiveness excellence for SMEs players and promote the growth of business units. The empowerment program implemented by the Denpasar City Government and the private sector is able to improve the ability of knowledge in developing, controlling, organizing, solving problems and being able to encourage the performance of SMEs actors. SMEs actors have the ability to control the organization as a whole. The increase in entrepreneurial competency has led to an increase in SMEs profits and this shows that the growth of SMEs businesses in Denpasar City is increasing.
5 Conclusions and Implications

Based on the results of the analysis, it was found that the empowerment program carried out by the government and the private sector was able to increase the business growth of SMEs through increased sales and operating profits. Empowerment programs carried out by both government and private institutions are also able to improve entrepreneurial competence and ultimately affect the growth of SMEs businesses.

In Denpasar there are 31,685 SMEs that have been fostered by the cooperatives and SMEs, but not all of these SMEs have been touched by the empowerment program. The government in this case the Denpasar City government is more effective and proactive in carrying out coaching and assistance through empowerment programs for SMEs. In the private sector, companies must also increase the role and concern of those in the city of Denpasar to participate in the empowerment of SMEs so that government programs to improve and alleviate poverty can be realized.

The government, the private sector and all elements such as academics collaborate to make changes to the mind-set of SMEs actors from a simple and traditional mindset to a management-based business oriented to information technology. Changes in the mindset of entrepreneurs can be done with continuous and directed coaching, for example following technical skills, business management and developing entrepreneurial talent. Instill an optimistic attitude towards SMEs actors that small and medium micro businesses are an important part of the Indonesian economy in the future. The role of the government is obliged to encourage and have concern, facilitate the development and growth of SMEs in various aspects needed.

References


