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**Employee Initiatives as Mediator of the Relationship Between Organizational Citizenship Behavior and Employee Performance**

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**Sustainable Supply Chain Management Practices in Batik Small and Medium Scale Enterprises Performance**

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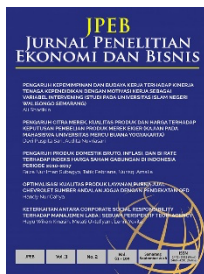
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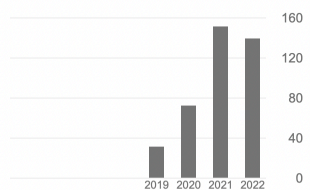


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## Employee Initiatives as Mediator of the Relationship Between Organizational Citizenship Behavior and Employee Performance

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### Abstract

*The study of the behavior of human resources in organizations is growing in line with the awareness that individual behavior has a positive effect on individual and organizational performance as a whole. Employee performance is influenced by many factors, including organizational citizenship behavior (OCB), organizational culture, and employee initiative. This study aims to examine the effect of organizational citizenship behavior (OCB) and organizational culture on employee performance with employee initiative as a mediating variable. This study uses a quantitative approach. The research sample used was 100 employees in the IT department with purposive sampling technique. Based on the results of partial regression analysis, it shows that OCB and organizational culture have a positive and significant effect on both employee initiative and employee performance. The higher the employee's initiative, the higher the employee's performance. Employee initiatives mediate the relationship between OCB and organizational culture with employee performance.*

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## INTRODUCTION

The study of the behavior of human resources in organizations is growing in line with the awareness that individual behavior has a positive effect on individual and organizational performance as a whole. Performance is the result of work that can be achieved by individuals or groups in an organization both qualitatively and quantitatively, in accordance with the respective authorities, duties and responsibilities in an effort to achieve organizational goals.

The research findings of Se et al., (2015) and Lockhart et al (2020) indicate that various social factors in a work environment can have a significant impact on employee performance. OCB is defined as extra behavior from individuals that is beneficial to the organization, the individual's willingness to take on roles that exceed his main role in an organization (Organ et al., 2006). Various previous studies confirm that OCB has an important urgency in driving employee performance (Azila et al., 2020); (Basu et al., 2017); (Se et al., 2015); (Lockhart et al., 2020); (Muldoon et al., 2017).

Culture is the backbone for an organization in creating and shaping value. The application of culture will shape the character of individuals in the organization in carrying out their duties to achieve organizational goals. Organizations with a strong culture will affect the behavior and effectiveness of employee performance (Lockhart et al., 2020).

Initiative behavior is an attitude that individuals have in expressing thoughts, words, and actions wisely to get the best results (Wickramasinghe et al., 2021). Initiative is a context of self-starting, proactive, and overcoming barriers that can be developed and is the main factor influencing the effectiveness of an organization in achieving performance (Yu et al., 2019); (Weight et al., 2019). But in reality there are still few organizations who care to develop it because the development of OCB, culture, and initiatives are considered as something less important that only has a long-term impact while most organizations focus on pursuing short-term investment impacts.

In the current era of information technology development, organizations have a high dependence on the existence of IT. Almost all operational activities, production, supervision, and various other things are carried out using IT. Not infrequently IT sucks up a large enough budget for the company, both maintenance and employee training so that the IT operational system runs well. But in reality IT is a corporate process that most often experiences problems. A data informs the emergence of shadow IT and employee dissatisfaction as an IT threat trend. The data obtained 62% reported that they observed broken IT processes within their organization. This makes the IT department the most problematic department. And only 24% of employees stated that they received very fast service from the internal IT team, while 7% said the same for the remote IT team. These findings highlight the need for IT teams to reduce bottlenecks and improve service times.

OCB is a managerial tool that has a positive effect on individual and organizational performance. Organ et al., (2006) define OCB as an individual's willingness to take a role that exceeds his main role in an organization. OCB is a unique aspect of individual activities at work, and is a habit or behaviour that is carried out voluntarily, not part of formal work, not related to the formal reward system. OCB indicators include: helpful behaviour, work beyond standards, comply with organizational rules, and are not easy to complain (Basu et al., 2017).

### Organizational Culture

Zeb et al., (2021) define organizational culture as a collection of values that guide and disseminate within the organization and are referred to as the organization's work philosophy. Organizational culture as values that guide individuals in dealing with problems and efforts to adjust work integration in the organization so that individuals must understand the existing values and how they should act or behave. Organizational culture indicators include: results orientation, people orientation, team orientation, and aggressiveness (Liu et al., 2020).

Yu et al., (2018) stated that a good organization tends to display initiative in its work environment, so that the organization will be better off with members who act actively. Initiative behaviour is linked to contributions above and beyond the job description. Initiative behaviour describes a positive and constructive added value. Initiative behaviour is defined as behaviour that is a choice and initiative that will increase organizational effectiveness.

Initiative behaviour indicates responsibility in the work environment (following changes, taking the initiative to recommend how operations or procedures can be improved, and protecting resources) (Wickramasinghe et al., 2021). Initiative indicators according to Wight et al., (2019) include: anticipation, exploration, improvement efforts, and change orientation.

Employee performance is defined as the result of an evaluation of the work carried out by the organization according to the authority and responsibility in an effort to achieve the goals of Ahmad (2015). Meanwhile, according to Yazdani (2021) employee performance is the ability of the organization in carrying out its responsibilities for

product quality, product quantity, product punctuality, and carrying out work according to procedures. From the above definition it can be said that employee performance is the ability of employees to use knowledge, behaviour and talents in carrying out work so that goals are achieved.

Employees are said to be effective if they meet and exceed the employee's needs. According to Ismail (2018), employee performance indicators are as follows: work quality, work quantity, contribution to the organization, and communication quality.

Based on the description above, this study aims to examine the effect of OCB and organizational culture on employee initiative and employee performance in the IT department. The researcher uses the OCB and organizational culture on employee initiatives to examines whether this behaviour has an impact on the companies environment in improving employee performance.

**METHOD**

Data were obtained by means of questionnaire interviews using closed and open questions with a scale of 1 to 5 to a number of respondents according to the research criteria. The technique of selecting purposive samples is based on the criteria of members who have joined the team for more than six months. Based on these criteria, there are 100 members who have joined the employees of the IT department.

The research variables used consisted of four variables, namely: OCB, organizational culture, employee initiative, and employee performance. These variables are measured using indicators adopted from various literatures that have been used in previous studies.

The OCB variable is measured by four indicators including: helpful behavior, working beyond standards, obeying organizational rules, and not easily complaining (Basu et al., 2017). Organizational culture is measured by four indicators including: results orientation, people orientation, team orientation, and aggressiveness (Liu et al., 2020). Employee initiative is measured by four indicators including: anticipation, exploration, improvement efforts, and change orientation (Weight, 2019). Employee performance is measured by four indicators including: quality of work, quantity of work, contribution to the organization, and quality of communication (Yazdani., 2021).

Qualitative analysis was carried out to see an overview of demographics by looking at the answer index numbers and the relationship between following variables associated with answers to open ended questions. Quantitative analysis was carried out by test validity, reliability test, normality test, and hypothesis testing.

**RESULT AND DISCUSSION**

Qualitative analysis of respondents based on gender is known to be dominated by male members. The results showed that the four variables had a fairly good index category value because they were in the range of 3.41 to 4.20. The OCB variable is 3.85, the organizational culture variable is 3.84, the initiative variable is 3.86 and the employee performance variable is 3.76.

**Tabel 1.** Testing the Validity of Research Variables

No.	R Hitung	R Tabel	Keterangan
<b>OCB (X1)</b>			
Helpful behavior	0,422	0,1654	Valid
Work beyond the standard	0,424	0,1654	Valid
Obey the rules of the organization	0,589	0,1654	Valid
It's not easy to complain	0,514	0,1654	Valid
<b>Organizational Culture (X2)</b>			
Result orientation	0,488	0,1654	Valid
People orientation	0,519	0,1654	Valid
Team orientation	0,564	0,1654	Valid



Aggressive	0,420	0,1654	Valid
Employee Initiatives (Y1)			
Anticipation	0,509	0,1654	Valid
Exploration	0,568	0,1654	Valid
Repair Effort	0,549	0,1654	Valid
Change orientation	0,377	0,1654	Valid
Employee Performance (Y2)			
Work quality	0,477	0,1654	Valid
Working quantity	0,565	0,1654	Valid
Work contribution	0,655	0,1654	Valid
Communication quality	0,344	0,1654	Valid

**Table 2.** Reliability Results

Variabel	Cronbach Alpha	Standar Reliabilitas	Keterangan
OCB (X1)	0,701	0,70	Reliabel
Organizational Culture (X2)	0,709	0,70	Reliabel
Employee Initiatives (Y1)	0,710	0,70	Reliabel
Employee Performance (Y2)	0,714	0,70	Reliabel

In Table 1. and Table 2. it can be seen that the variables of OCB, organizational culture, initiative, and employee performance are declared eligible to be used as research instruments, because  $r$  arithmetic  $>$   $r$  table while the Cronbach Alpha value is  $>$  0.70 so it can be concluded that the indicators used by each variable declared valid and reliable.

The normality test shows that the data is normally distributed with  $p$  value  $>$  0.05, which is 0.112 and 0.236. Meanwhile, in the heteroscedasticity test, all independent variables tested against the absolute value of the dependent variable of employee performance resulted in a sig.  $>$  0.05, namely OCB of 0.629, organizational culture of 0.410, and initiative of 0.606 so it can be concluded that the regression model has no indication of heteroscedasticity. The multicollinearity test shows the tolerance value and VIF indicates there is no multicollinearity where the VIF value is less than 10 and the tolerance value is more than 0.1.

**Table 3.** First Regression Analysis

Model	Standardized Coefficient Beta	T	Sig.
1	(Constant)	3,307	,001
	OCB	,363	,000
	Organizational Cultures	,389	,000

a. Dependent Variable: Employee Initiatives

**Table 4.** Second Regression Analysis

Model	Standardized Coefficient Beta	T	Sig.
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	(Constant)		,325	,746
1	OCB	,278	3,496	,001
	Organizational Cultures	,262	3,263	,000
	Employee Initiatives	,383	4,409	,000

a. Dependent Variable: Employee Performance

Based on the results of the t-test in Table 3. and Table 4. It can be stated that OCB has a positive and significant effect on the initiative of 4.257 with a value of sig. 0.000. Organizational culture has a positive and significant effect on the initiative of 4,558 with a value of sig. 0.000. OCB has a positive and significant effect on employee performance of 3,496 with a sig value. 0.000. Organizational culture has a positive and significant effect on employee performance of 3,263 with a value of sig. 0.000. Initiative has a positive and significant effect on the initiative of 4,409 with a value of sig. 0.000.

The results of testing hypothesis 1 state that the stronger the OCB, the stronger the employee's initiative can be accepted. This means that OCB has a positive influence on employee initiative. The positive influence of OCB on employee initiative is shown by individuals having self-motivation in working to act beyond what is required in their role (Azila et al., 2020). The behavior of helping colleagues voluntarily is able to prevent work-related problems and can take action to solve problems that arise and find solutions to these problems quickly (Kissi et al., 2019).

The results of testing hypothesis 2 state that the stronger the OCB, the stronger the employee's performance can be accepted. This means that OCB has a positive influence on employee performance. The positive influence of OCB on employee performance is shown by individuals who are always responsible and constructive in organizational processes (Basu et al., 2017). Individuals have an extra commitment to performance, exceeding the maximum and expected performance (Se et al., 2015).

The results of testing hypothesis 3 state that the stronger the organizational culture, the stronger the employee's initiative can be accepted. This means that organizational culture has a positive influence on employee initiative as indicated by the strength of culture as a social glue that helps unite the organization by shaping employee attitudes and behavior (Kwarteng et al., 2021). Organizational culture as a tool to promote social systems in a positive and conducive work environment, and change is carried out effectively (Liu et al., 2020).

The results of testing hypothesis 4 state that the stronger the organizational culture, the stronger the employee's performance can be accepted. This means that organizational culture has a positive influence on individuals in achieving the vision, mission, and goals of the organization (Seidu et al., 2021). Organizational culture as a control mechanism. Organizational culture controls and directs individuals in the same direction to achieve the organization's vision, mission, and goals (Zeb et al., 2021).

The results of testing hypothesis 5 state that the stronger the employee's initiative, the stronger the employee's performance can be accepted. This means that the initiative has a positive influence on employee performance. The stronger employee initiative will improve employee performance. Initiatives are able to motivate individuals to work hard so that individuals are able to deal with dynamic environmental changes (Weight et al., 2019). Initiative is able to express thoughts, words, and actions wisely to get the best results (Wickramasinghe et al., 2021).

**CONCLUSSION AND RECOMMENDATION**

The results of the study indicate that the performance of employees achieved by the IT department has not been maximized. The less than optimal IT performance will have an impact on the less than optimal quality of service, if this happens continuously it will harm many parties. To improve employee performance, companies need to improve OCB, organizational culture, and initiatives. Where each individual not only has in-role behavior but also extra-role behavior. Extra role behavior is very important because it will provide better benefits to support the sustainability of the organization.

A strong organizational culture has a good impact and can be implemented well by individuals in the organization, so it can facilitate organizational activities. A strong organizational culture will affect the behavior and effectiveness of employee performance. In addition, the implementation of culture in an organization will shape the character of individuals by themselves in carrying out their duties and achieving the goals of the organization.

Initiatives will affect the individual's ability to recognize problems and opportunities and can take action to find solutions to these problems quickly.

Given that the independent variables in this study are very important in influencing employee performance, it is hoped that the result of this study can be used as a reference for further researchers to develop this research by considering other variables which are other variables outside the variables that have been included in this study, especially employee competency variable.

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**Sustainable Supply Chain Management Practices in Batik Small and Medium Scale Enterprises Performance**Hikmaturrizky A. Syukron<sup>1</sup>✉, Grace Tianna Solovida<sup>2</sup><sup>1</sup>Department of Accounting, STIE Bank BPD Jateng, Indonesia<sup>2</sup>Department of Accounting, STIE Bank BPD Jateng, Indonesia**Article Information***Article history:*

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**Abstract**

*The research was conducted to analyze the relationship between sustainable supply chain management practices and the performance of environmentally friendly batik SMEs. The concept of Sustainable Supply Chain Management has become the right choice for business activities. Eco-friendly batik SMEs must be responsible for environmental practices and social practices in the scope of internal and external management and their impact on all dimensions of corporate sustainability performance. The research sample was 70 owners of environmentally friendly batik SMEs in several cities in Central Java and Yogyakarta. Data analysis was performed through Partial Least Squares (PLS). The general conclusion of this research was that internal management and external management influenced corporate performance. However, supplier assessment and supervision and supplier collaboration did not influence corporate performance.*

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## INTRODUCTION

It is undeniable, the existence of small and medium scale enterprises (SME) can lever Indonesia's economic growth. The Indonesian economic development policies is a force to encourage SMEs to become real forces that are capable of increasing regional economic growth and absorbing labor. The presence of SMEs is also the most important part of the economy in Indonesia because SMEs are one of the biggest movers. According to Tambunan in (Wanty, 2006), the importance of SME in Indonesia is also related to its strategic position in various aspects. In the Indonesian economy, SMEs occupy a strategic position. This is due to the role of SMEs in creating new jobs, apart from being a means of equitable distribution of people's economy to reduce poverty and unemployment.

The batik industry is one of several SMEs in Indonesia. The Indonesian batik industry is considered to have controlled the world market so that it is able to become a driving force for the Indonesian economy. So far, the batik industry has experienced good growth. The Ministry of Industry noted that Indonesia's batik exports had reached Rp. 747.4 billion in 2018. In addition to having an increasingly improving economic impact on the surrounding community, the batik industry also accelerates economic growth in Indonesia. It also contributes foreign exchange for the country with exports done to a number of countries. But on the other hand, the batik industry also has some unfavorable impacts. Particularly, it is felt in the environment around the batik business from inorganic liquid waste. The causes of these problems include the inability of batik SMEs to design the production process properly and also the ignorance of batik SMEs to the bad impact of their production activities on the environment.

Kurniawan et al., (2014) said that the batik industry had a bad impact in the form of large amounts of inorganic wastewater, thick color, smelled and had temperature, acidity (pH), Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), High Total Suspended Solid (TSS). This was due to the use of chemicals and dyes in the batik production process so environmental pollution occurred and a bad economic impact for industry players would be generated if it was not handled immediately with good planning. If wastewater is discharged into rivers without being treated first, it can cause environmental pollution, especially in aquatic ecosystems.

About river pollution in Pekalongan, Central Java, according to Living Environment Agency of the City of Pekalongan it was said that only 45% of batik waste was processed by the Wasted Water Processing Installation and most of the rest was disposed into the river. Several rivers in Pekalongan City had been polluted by batik waste. As happened in the river along Klego Village, East Pekalongan. The river water is already black, gives off a very strong odor, plus a drainpipe that leads to the river. At least, nearly 5 million liters of waste every day are contributed badly by the batik industry there. The city of Pekalongan is indeed one of the centers for the batik SME industry that has the potential to support the local economy, but it does not yet have an adequate wastewater management system. (Budi Susanto, 2019, <https://jateng.tribunnews.com/dlh-kota-pekaongan-sadari-baru-45-persen-limbah-batik-terolah-ipal-sisanya-terbuang-ke-sungai/>, 9 April 2019).

Based on the above phenomenon, a batik enterprise can be terminated if it disturbs the environment around it or does not comply with the expectations of the surrounding community. Batik business actors should not only seek the profit, but they also have to pay attention to environmental conditions, such as improper waste disposal and the application of Sustainability Supply Chain Management (SSCM) because they set up a business that cannot be separated from the surrounding community. SSCM explained that companies could improve their internal processes through environmental and social practices and improve supplier performance (Jing & Dai, 2018). Wantao (2018) explained that SSCM was a combination of GSCM and CSR and aimed to maximize the performance of all dimensions that led to sustainable development, such as paying attention to social responsibility and environmental practices in conducting business activities. GSCM (Green Supply Chain Management) was an extension of the traditional supply chain where the green supply chain included a series of activities aimed at minimizing bad environmental impacts.

The aim of this research was to ascertain (a) the influence of internal environmental management practices on the environmental performance, social performance and economic performance of SMEs (b) the influence of social responsibility management practices on environmental performance, social performance and economic performance of SMEs (c) the influence of collaboration of suppliers on environmental performance, social performance and economic performance of SMEs (d) the influence of assessment and supervision on environmental performance, social performance and economic performance of SMEs (e) the influence of environmental performance and social performance on the economic performance of SMEs.

Our study contributes to the current literature in several ways. First, this study tries to examine the effect of implementing internal environmental management by considering external support, namely the company's cooperation with its suppliers (Jing & Dai (2018) on the economic performance of Zhu, Sarkis, & Geng (2005) and non-economic Kolk (2016)). Second, this research is important for managers in making decisions related to environmental management by emphasizing on sustainable supply chain management which will ultimately have an impact on the company's economic and social performance.

## **Hypothesis Development**

### **Internal Environmental Management Practices and SME Performance**

Beske & Seuring (2014) explained that the application of environmental practices (such as environmental management systems) could lead to better environmental performance. Jing & Dai (2018) explained that social sustainability was focused on internal and external parts of the company.

Environmental management practices can be expected to have a positive impact on both parts. Such as environmentally friendly production can reduce waste and preserve the community's environment, so it can increase the company's social reputation.

Zhu, Sarkis, & Geng (2005) stated that environmental management practices had a positive impact on a company's economic performance. The use of environmentally friendly materials, efficient production processes, and reduce the use of resources could reduce high production costs. Based on the explanation above, the hypotheses formulated were :

H1a: Positively, environmental management practices influence environmental performance of SMEs.

H1b: Positively, environmental management practices influence social performance of SMEs.

H1c: Positively, environmental management practices influence economic performance of SMEs.

Kolk (2016) explains that in corporate social responsibility management (CSR management), the involvement of employees and the community can improve community environmental protection and company environmental performance. Jing & Dai (2018) explained that CSR management practices included two parts (employees and society).

Good relations between employees and the community (customers) can improve the company's social reputation and social performance. Walker & Jones (2012) explained that if a company improved employee safety and working conditions, it could increase employee satisfaction and reduce accidents, thus it could increase the amount of production and reduce losses. The application of corporate social responsibility management can increase production efficiency. From some of the supporting arguments, the hypotheses formulated were:

H1d: Positively, social responsibility management practices influences the environmental performance of SMEs.

H1e: Positive social responsibility management practices influences the social performance of SMEs.

H1f: Positively, responsibility management practices influences the economic performance of SMEs.

### **External Supplier Management and SME Performance**

Jing & Dai (2018) explained that collaboration with several raw material suppliers had a positive impact on the company's environmental performance. It suggested that supplier collaboration could reduce transaction costs and get resources that were priced according to the company's desire to have a comparative advantage in environmental performance. However, supplier collaboration does not have a significant direct impact on corporate social performance. It can be viewed from the current development process that did not really care about supplier collaboration. They only focused on one supplier. Therefore, some of the research hypotheses formulated were:

H2a: Positively, supplier collaboration influences the environmental performance of SMEs.

H2b: Positively, supplier collaboration influences the social performance of SMEs.

Research conducted by Gimenez et al., (2012) concluded that assessment of suppliers did not have a significant direct impact on company performance. Assessment of suppliers could be indicated from the supplier's habits of visiting the company to provide raw materials. The aim is to reduce unprofessional suppliers so that it has a good effect both for supplier development and supplier improvement which in turn has a direct impact on the environment and supplier performance. In other words, the performance appraisal of suppliers directly impacts supplier performance. Based on the description above, the hypotheses formulated were:

H2c: Positively, supplier assessment and supervision influence the environmental performance of SMEs.

H2d: Positively, supplier assessment and supervision influence the social performance of SMEs.

Gimenez et al., (2012) explained that supplier collaboration and supplier assessment and supervision created a positive impact on company performance. Supplier collaboration as well as supplier assessment and supervision can help companies achieve higher production value and use fewer resources can lower production costs. Based on the explanation above, the hypotheses formulated were:

H2e: Positively, supplier collaboration influences the economic performance of SMEs

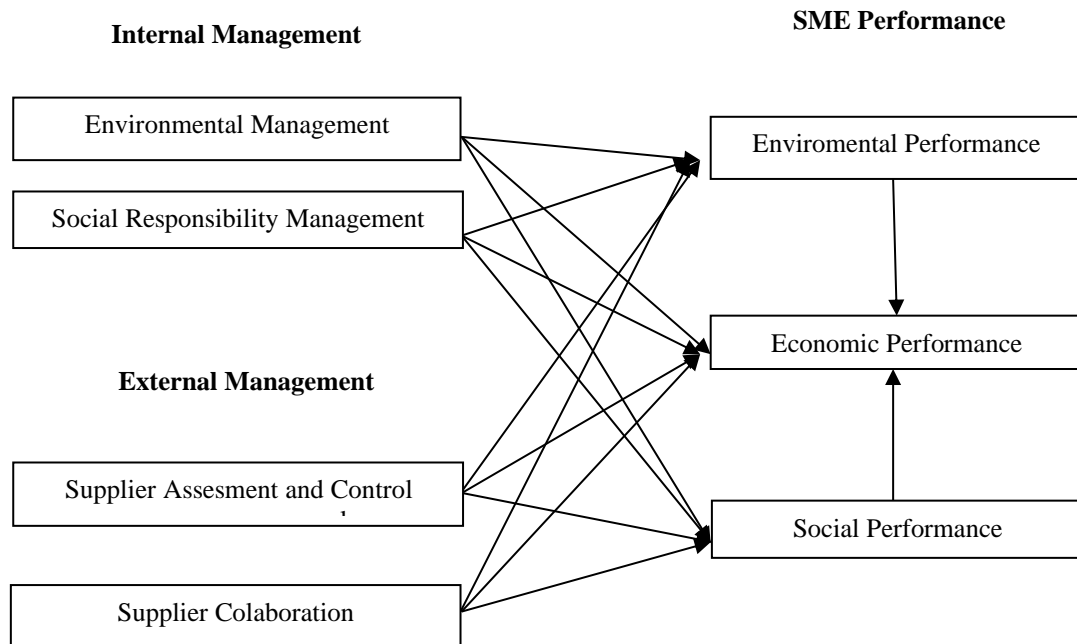
H2f: Positively, supplier assessment and supervision influence the economic performance of SMEs.

**SME performance**

Jing & Dai (2018) explained that environmental performance and social performance had a positive effect on economic performance. It indicates that companies with good environmental and social performance are able to achieve more economic benefits. Environmental and social performance can be considered as intangible assets. Intangible assets can promote to customers and increase community satisfaction thus the company's reputation is getting better. Therefore, the research hypotheses formulated were:

H3a: The environmental performance positively influences the economic performance of SMEs.

H3b: Positively, social performance influences the economic performance of SMEs.



**Figure 1** Research Model

**METHOD**

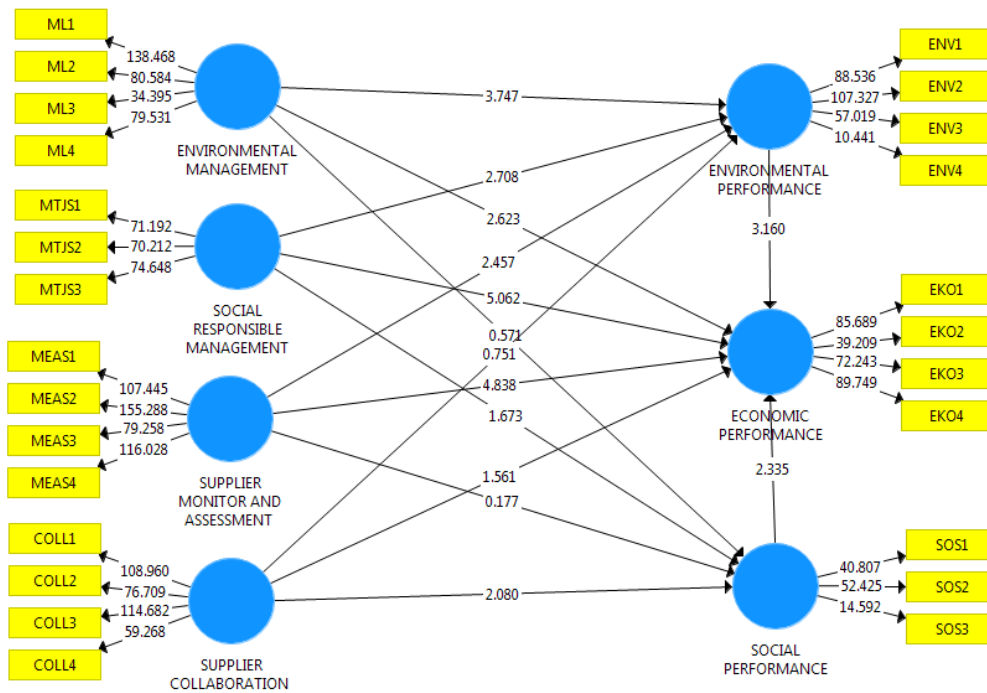
The population of the study were batik SMEs (Small and Medium Enterprises) in Central Java and Yogyakarta including 17 batik craftsmen in Batik Village of Laweyan in Solo, 7 batik craftsmen in Semarang, 1 batik craftsman in Pekalongan, 30 batik craftsmen in Bayat Klaten and 15 batik craftsmen in Giriloyo Bantul Batik Village, Bantul Yogyakarta. The samples were selected through purposive sampling based on certain criteria and considerations. In the study, the samples were 70 batik SMEs which were assessed according to predetermined criteria. The criteria for SMEs as a sample were having a maximum of 30 employees, annual income was less than Rp. 2.5 billion, having used organic materials in batik coloring, being efficient in energy use and waste that did not pollute the environment.

The analytical method applied was PLS (Partial Least Square). The software used was SmartPLS. SmartPLS is a software used to test the relationship between the dependent latent variable and the independent



latent variable. Because PLS is based on variance, it can use a small sample size with a minimum criterion of 30-100 samples. Technical analysis was PLS which was carried out in two stages, conducting measurement model tests to test the validity and reliability of the constructs of each indicator and structural model tests to ensure the influence between variables.

**RESULT AND DISCUSSION**



**Figure 2** Structural Model

Based on the testing of first hypothesis, H1a was accepted. The conclusion indicated that environmental management practices had an effect on the environmental performance of SMEs. The environmental management practice variable had a high average index value which meant that environmental management practice had a good index. The indicator about the waste that was disposed of not endangering the environment was the highest index value. The application of environmental management practices such as the use of natural dyes in the batik coloring process and waste management could improve environmental performance.

The environmental performance variable performed a high index which meant that the environmental performance variable had a good index. The indicator on efforts to protect and protect the environment was the highest index. By protecting the environment, SMEs could improve their environmental performance. This conclusion was in line with the research conclusions by (Zhu et al., 2005; Beske & Seuring, 2014; Jing & Dai, 2018) which stated that environmental management practices had an effect on economic performance.

Based the second hypothesis testing, H1b was rejected. The conclusion indicated that environmental management practices had no influence on the social performance of SMEs. The environmental management practice variable displayed a high average index value which meant that it had a good index. However, indicators related to water use according to utility had the lowest index. It showed that SMEs had not fully implemented environmental management practices. So that if it was internally linked environmental management practices were not related to social performance.

The social performance variable displayed a high average index value which meant that it had a good index. However, environmental management practices had no effect on the social performance of SMEs. The conclusion contradicted the research conclusion of Gimenez et al., (2012) and (Jing & Dai, 2018) which stated that environmental management practices influenced corporate social performance.

Environmental management practices have a positive effect on the economic performance of SMEs. Thus, H1c was accepted. The environmental management practice variable displayed a high index which meant that it had a good index. The indicator about the waste that was disposed of not endangering the environment had the highest index. This showed that environmentally friendly batik SMEs had used natural dyes in the coloring process so that the resulting waste did not endanger the environment and it would be able to produce high prices and quality. Thus, the sales profit of SMEs increased.

The economic performance variable had a high average index value which meant that it had a good index. The indicator of an increase in return on sales had the highest index and this showed that product quality and high prices could increase sales profit so that the economic performance of SMEs increased. The conclusion was in line with the conclusions of research by Zhu et al., (2005) and Gimenez et al., (2012) which explained that environmental management practices had an effect on economic performance.

Based on the results of hypothesis testing, social responsibility management practices had a positive influence on the environmental performance of SMEs. Hence, H1d was accepted.

The social responsibility management practice variable had a high average value which meant that it displayed a good index. The indicator of the absence of underage employees was the highest index value. In the absence of underage employees, it would make it easier for SMEs to direct employees to reduce waste and save electrical energy to improve environmental performance.

The environmental performance variable had a high average index value which meant that it had good index. Indicators related to efforts to protect the environment were the highest index values. It showed that reducing waste and saving electrical energy played a role in protecting the environment so that the environmental performance of SMEs increased. The conclusion of study was in line with the conclusions of the study conducted by (Gimenez et al., 2012; Kolk, 2016; Jing & Dai, 2018) which stated that social responsibility management practices affected environmental performance.

From testing of the fifth hypothesis, social responsibility management practices have no effect on the social performance of SMEs. Hence, H1e was rejected.

The variable of social responsibility management practices had a high average index value which meant that it had a good index. However, the indicator regarding the provision of health insurance to employees had the lowest index. It showed that SMEs had not been able to provide health insurance to employees. So, if it was linked internally, SMEs had not been able to improve social performance.

The social performance variable showed a high average index value which meant that it had a good index. However, indicators on improving employee health and safety had the lowest index compared to other indicators. The inability of SMEs to ensure the health of employees indicated that they were not yet able to meet the needs of employees. The conclusion contradicted the conclusions of research from Gimenez et al., (2012) and (Jing & Dai, 2018) which stated that social responsibility management practices affected social performance.

Social responsibility management practices had a positive effect on the economic performance of SMEs. Thus, H1f was accepted.

The social responsibility management practice variable displayed a high average index value which meant that it had a good index. The indicator of the absence of underage employees was the highest index value. It showed that the absence of underage employees would make it easier for SMEs to direct the production process and the production process could produce products according to the target. Hence, it could increase sales profit. Then, the economic performance of SMEs had increased.

The economic performance variable had a high average index value which means that it had a good index. The indicator of an increase in return on sales had the highest index value which showed that the absence of underage employees could increase production results so that the return on sales increased. The conclusion contradicted the research conclusions of (Gimenez et al., 2012; Jing & Dai, 2018) which stated that social responsibility management practices had no effect on economic performance. However, the results of the study support the conclusions of Walker & Jones, (2012) which stated that social responsibility management practices had an effect on economic performance.

Based on the testing of seventh hypothesis, supplier assessment and supervision had a positive effect on the environmental performance of SMEs. Therefore, H2a was supported. The supplier assessment and supervision variable had a medium index value which meant that it had a fairly good index. Indicators regarding waste treatment by suppliers performed a fairly good index, which meant that indirectly supplier assessment and supervision could improve the environmental performance of SMEs.

The environmental performance variable had a high average index value which meant that it had a good index. The indicator on efforts to protect and protect the environment was the highest index. Suppliers who carry out waste treatment had participated in protecting and protecting the environment so that indirectly, supplier assessment and supervision could improve the environmental performance of SMEs. The conclusion was in line with the conclusions of research by (Carter & Rogers, 2008; Gimenez et al., 2012; Jing & Dai, 2018) which stated that supplier assessment and supervision had an effect on environmental performance.

Through testing for the eighth hypothesis, it was concluded that supplier assessment and supervision did not affect SME performance. Therefore, H2b was rejected. The supplier assessment and supervision variable performed a medium index value which meant that it had a fairly good index. However, the indicator for the level of environmental damage repair showed the lowest index. The suppliers only fulfilled their obligation to send raw materials to SMEs. They were not responsible for environmental damage due to operational activities. Social performance was not related to them.

The social performance variable had a high average index value which meant that it had a high index. This conclusion was the same as the research conclusions of Gimenez et al., (2012) and (Jing & Dai, 2018) which stated that supplier assessment and supervision had no effect on social performance.

From the eighth hypothesis testing that had been implemented, supplier assessment and supervision has a positive effect on the performance of SMEs. Thus, H2c was accepted.

The variable of supplier assessment and supervision had a medium index value which means that it had a fairly good index. The indicator of timeliness of raw material delivery was the highest index. The timeliness of the delivery of raw materials made the production process run smoothly without any obstacles so that the company could produce products according to the target. Therefore, the economic performance of SMEs increased.

The economic performance variable had a high average index value which meant that it had a good index. An indicator of an increase in return on sales was the highest index and this showed that the timeliness of the delivery of raw materials could facilitate the production process, which in turn it would increase sales profit. Thus, supplier assessment and supervision might improve the economic performance of SMEs. This conclusion contradicted the research by Jing & Dai, (2018) which stated that supplier assessment and supervision had no effect on economic performance. However, this study supported the research of Gimenez et al., (2012) and Zhu et al., (2005) which stated that supplier review and supervision did not influence economic performance.

The tenth hypothesis testing concluded that supplier collaboration had no effect on environmental performance. Thus, H2d was rejected.

The supplier collaboration variable had a high average index value which means that it had a good index. However, the indicator for meeting supplier needs had the lowest index compared to other indicators. It indicated that SMEs had not been able to meet supplier needs. Even though suppliers had sent natural raw materials, it turned out that the environmental performance was still poor, because they were still not fully able to process the resulting waste. The environmental performance variable had a high average index value which meant that it had a good index. However, the indicator of reuse / recycle ability had the lowest index compared to other indicators. It indicated that SMEs had not been able to process waste and they had not been able to improve their environmental performance. This conclusion contradicted the conclusions of research by Jing & Dai, (2018) and Carter & Rogers, (2008) which stated that supplier collaboration affected environmental performance. However, the results of this study supported the research by (Gimenez et al., 2012) which stated that supplier collaboration had no effect on environmental performance.

Based on testing of eleventh hypothesis, it was proven that supplier collaboration had a positive effect on social performance. Of course, H2e was accepted. The supplier collaboration variable had a high average index value which meant that it had a good index. The supplier service quality indicator had the highest index and it showed that the supplier had performed a good service satisfying SME actors. Good relations among suppliers and SMEs of batik would lead to mutual trust so that the social performance of SMEs was getting better.

The social performance variable displayed a high average index value which meant that it had a good index. The indicator that the product produced did not have a bad impact on health and that the public was involved in business activities had a high index. It indicated that the product was safe for health. In addition, the absorption of labor from the surrounding community increased social performance. This conclusion contradicted the results of research conducted by Jing & Dai, (2018) which stated that supplier collaboration had no effect on social

performance. However, the conclusions of this study supported the research conclusions of Pagell & Gobeli, (2009) and Gimenez et al., (2012) which stated that supplier collaboration affected social performance.

The twelfth hypothesis testing concluded that supplier collaboration did not affect the economic performance of SMEs. Thus, H2f was rejected.

The supplier collaboration variable had a high average index value which meant that it had a good index. However, the indicators of meeting supplier needs had the lowest index value. It showed that SMEs had not been able to meet supplier needs. Even though suppliers had sent natural raw materials, supplier collaboration had not been able to improve the economic performance of raw material efficiency.

The economic performance variable had a high average index value which meant that it had a good index. However, the production cost efficiency indicator had the lowest index because even though suppliers had sent natural raw materials, it did not make SMEs production cost efficient. This conclusion was in line with the conclusions of the research of Gimenez et al., (2012) and Jing & Dai, (2018) which stated that supplier collaboration did not affect economic performance.

Based on testing of the thirteenth hypothesis, environmental performance had a positive effect on economic performance. Thus, H3a was accepted.

The environmental performance variable had a high average index value which meant that environmental performance had a good index. The indicator on efforts to protect and protect the environment was the highest index. SMEs had implemented environmental practices such as selecting environmentally friendly natural dyes. Thus, SMEs had participated in protecting the environment. It made the quality of batik products increase at a high price. The condition made the sales profit achieved also increased. ,

The economic performance variable had a high average index value which meant that it had a good index. The indicator for an increase in return on sales was the highest index. Environmental performance was proven to improve the economic performance of SMEs. This conclusion was in line with the conclusions of research by de Giovanni, (2012) and Jing & Dai, (2018), which stated that environmental performance had a positive influence on economic performance.

Finally, from testing of fourteenth hypothesis, it was concluded that social performance affected economic performance. Hence, H3b was supported.

The social performance variable had a high average index value which meant that it had a good index. The indicator that the product produced did not have a bad impact on health was the highest index. SMEs had shown their concern for the community. Concern for the community was a plus value. The resulting product was increasingly in demand and it would increase sales profit.

The economic performance variable displayed a high average index value which meant that it has a good index. This showed that products that were safe for health were more attractive and increased sales profit. The increase in sales profit would of course affected the economic performance of SMEs. This conclusion was the same as the conclusions of research by (de Giovanni, 2012) and (Jing & Dai, 2018) which stated that social performance had a positive influence on economic performance.

## CONCLUSSION AND RECOMMENDATION

Based on the research results that had been explained, several conclusions formulated were : Positively, environmental management practices, social responsibility management practices and supplier assessment and supervision influenced environmental performance but Supplier collaboration did not influence environmental performance. Only, supplier collaboration influenced social performance and the other variable did not influence. All variable positively influenced economic performance excep supplier collaboration.

There were several limitations of the study. It was the difficulty in distributing questionnaires. In addition, this research was only conducted in Semarang, Klaten, Solo, Pekalongan, and Bantul. It was due to the lack of information sources regarding environmentally friendly batik SMEs. From some of the above limitations, it was suggested for further research to expand the object of research to the environmentally friendly batik industry in all over Central Java.

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## Examining Entrepreneurial Success Factors of Women-Owned SMEs in Rattan Craft

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### Abstract

*The rattan craft industry is one of the most significant contributors to the economy, and women own this business. However, the success of the rattan craft SME is influenced by internal and external factors. This study aims to determine the effect of the personal aspects, environmental aspects, and government support on entrepreneurial success in rattan craft SME women. Data collection was carried out using a questionnaire. The sample used was 100 women SME owners of rattan craft. The sampling technique in this study is to use the accidental sampling technique. The analytical method used is multiple linear regression analysis. The results showed that personal and environmental aspects, as well as support from the government, determine the success of rattan craft SMEs that belong to women entrepreneurs. The most considerable influence is from the personal aspect, in which family background and support play an essential role.*

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## INTRODUCTION

The creative industry contributes quite a lot of income to the Indonesian economy, one of which is the craft industry. One of the SMEs developing the potential of its area to the maximum and is experiencing quite rapid development is the SME of rattan crafts in Lombok. Survey data shows that each SME who just started a business receives orders for 20-30 bags of rattan per day with a price range of Rp. 65,000 - Rp.220,000 per fruit, even its export market share penetrates the Malaysian and Philippine markets. Rattan bag SMEs are also noted to have opened new markets through e-commerce platforms with a turnover of Rp. 9,000,000 - Rp. 10,000,000, even though their export share reached Rp. 20,000,000 (Lidyana, 2019). Abundant natural resources support the great potential of SMEs. Rattan is considered attractive to be developed, especially in the Lombok area with intensified social forestry schemes and must be sold in a semi-finished form to have added value.

Business success is a goal that SMEs must achieve as a source of knowledge and economic development (Minniti & Naudé, 2010). Masuo et al. (2001) explained that business success could be measured through the amount of return on assets, sales, profits, number of employees, and non-asset-related matters such as customer satisfaction, personal development, and personal achievement. Gupta and Mirchandani (2018) explain that business performance is related to entrepreneurial success as measured from the economic perspective of sales or employee growth and increased profits, where profit and money alone are the best indicators to measure individual success in doing business. Dhaliwal (2000) explains that entrepreneurship is considered successful when its resources can economically contribute to its business income. The achievement of this success is influenced by factors within the individual, the environment, and the bureaucracy (Bose & Uddin, 2013). These factors also affect rattan craft SMEs.

The area famous for its rattan craft from Lombok is located in the village of Beleka, in the eastern part of Loteng Regency. The crafts produced include bags, buckets, trash bins, spoon holders, plates, cups, and fruit containers made of rattan. These cane craftsmen usually are women. The role of women in the rattan craft business in Lombok is important. The workforce employed in this field, usually women, from the owner to the craftsman or craftsman. Most women in this village have become craftsmen from an early age. Their goal is to earn income to help the family. But in running a business, they have a limited mindset and understanding of the company, such as marketing and copyright. Inhibiting the success of the underprivileged craft SMEs also lies in the lack of skills in processing rattan into bags and other products made from rattan. The lack of technology also contributes to craftsmen's obstacles in producing various rattan products (Turmuzi, 2015). Small-medium enterprise actors can penetrate the consumer market from the environmental side due to obtaining loans from banks and financial institutions. Assistance for SMEs from the government and licensing bureaucracy tends to be convoluted. The export process that is experiencing obstacles also causes the absorption rate of the potential of the rattan industry to be not optimal. Some of these obstacles make the Lombok region less known for its craft as an ancestral heritage than other regions such as Bali, which actually supplies rattan products from Lombok.

Research related to the success of SMEs themselves has been carried out by Gupta and Mirchandani (2018), Brush et al. (2009), Fielden et al. (2003), Shepherd et al. (2009), and Haan (2004). According to Brush et al. (2009), support from environmental aspects impacts entrepreneurial success. Bose and Uddin (2013) revealed that success in entrepreneurship depends on individual psychological factors such as managerial competence, job stress, and business commitment. Research by Gupta and Mirchandani (2018) explains that an essential factor contributing to the success of SME businesses in Indonesia is support from the government and SME associations, family support, and personal and environmental factors. This research will focus on rattan craft SMEs in Lombok by looking at how the support received from the government, SME associations, family support, and personal and environmental factors will contribute to the success of rattan craft SMEs. Exploration studies will be carried out on personal, environmental, and government support as predictors of the success of rattan craft SMEs run by female



SMEs in Lombok. This research is expected to contribute to efforts to build the success of SMEs through aspects that support their success.

Entrepreneurial is the ability to create something new and different. The definition is explained as a process of creating something different to produce more value from a product or service by devoting time, energy, thoughts, cost of money, physical, risk, and so on in the hope of getting profit, personal satisfaction, and freedom (Suryana & Bayu, 2011). According to Shepherd et al. (2009), entrepreneurial success is characterized by:

- a. The business can produce a variety of new job opportunities. This illustrates that the company that was run successfully created various new jobs for various employees around the industry.
- b. The business helps in increasing revenue. This shows that the company can increase income for SMEs and workers in the neighborhood who develop the business. Even the economic impact rises in the industrial area.
- c. The business continues to grow in the market. This business has a lot of demand and time, and the development of information technology through various social media today. The result of consumer tastes causes this business market to grow and develop.
- d. Businesses help increase sales of various innovative products. Market developments often develop and even change. This requires SMEs to innovate in creating a variety of products that follow market tastes and even make a market for those products so that SME products remain in demand by consumers (Shepherd et al., 2009).

The personal aspect is related to the entrepreneurial personality at work. Factors personal aspect describes entrepreneurial behavior, which is further related to individual success. The personal aspect is the basis of the entrepreneurial mindset in making various decisions and supporting different conditions of entrepreneurs (Brandstätter, 2011). Personal aspects are known to differ between entrepreneurs and other entrepreneurs. Personal aspects of a strong entrepreneur have the characteristics of motivation, tend to be prepared to face risks with a mature level of control, often innovating, being proactive, and can control the stress level.

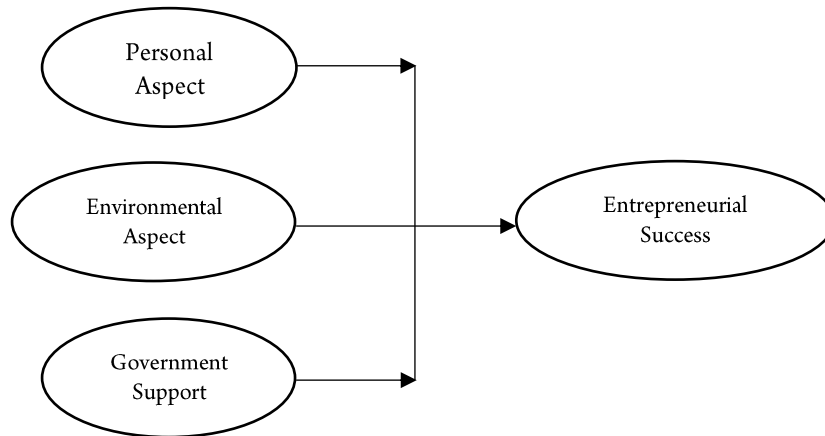
Personal aspects can be influenced and shaped by the level of education, knowledge, experience, and family conditions (Mitchelmore & Rowley, 2013). Motivation and commitment are essential aspects of an entrepreneur's personality. Both encourage a business idea to emerge. Personal elements are formed based on teaching and understanding mindset and family behavior patterns. Families with entrepreneurial backgrounds become one of the factors triggering the formation of the personality or character of an entrepreneur (Orhan & Scott, 2001). Interest in entrepreneurship is related to the desire to be independent, self-fulfilment, self-autonomy, and self-achievement with creative skills to work happily and produce wealth, social status, and power (Alstete, 2002). According to Gupta and Mirchandani (2018), indicators of a personal aspect are measured through ability and skills, work experience, socio-cultural freedom, and family support.

Environmental aspects include various entrepreneurial needs related to financial resources such as capital, equipment, and other material resources (Jennings & McDougald, 2007). Access to credit facilities is one form of environmental aspect for entrepreneurship that impacts economic development. One of the special facilities that support SMEs is the ease of financial elements to encourage the survival and growth of new innovative businesses. In the expansion phase, SMEs usually need a certain amount of equity or capital to maintain their human resources and expand marketing and sales activities. Gupta and Mirchandani (2018) added that the environmental aspect is everything around an entrepreneur that can affect the tasks and results of work. An accelerated and dynamic environmental factor will have a positive impact on change. Indicators for environmental aspects are market access, availability of initial capital, and bank loans.

Government support is defined as government support which is one of the essential factors that contribute to the success of SMEs in doing business and developing business. Community Social Institutions (NGOs) and various SME development associations established by the government are one form of government support (Haan, 2003). Government support can be in the form of multiple programs that help SMEs develop, for example, through

promotional assistance, the ease of various permits related to establishment permits, and the ease of penetrating local and international markets by the government. The policy concept developed by the government to encourage and support SMEs in the form of a series of actions or programs proposed with various obstacles or difficulties to achieve the goals of independence and progress of SMEs (Gupta & Mirchandani, 2018).

Government support related to bureaucracy and regulation by the objectives is expected to develop the ability of SMEs to be better and even create their potential (Gupta & Mirchandani, 2018). Government support in the form of policies includes various rules compiled as decisions to resolve existing problems needed to maintain the domestic economy (Haan, 2004). Policy as a form of government support is a series of economic, political, social, cultural, and legal activities to help smooth the development of SMEs.



**Figure 1.** Conceptual Framework

**METHOD**

The research method used in this study is quantitative methods to examine a particular population with statistical data analysis to test a predetermined hypothesis (Sugiyono, 2019). The population in this study is the owner of women-owned SMEs in ketak craft in Lombok. The sampling technique used in this study is non-probability sampling with the type of sampling technique that is accidental sampling because all samples in this study were obtained by chance (Sugiyono, 2019). The number of samples used was 100 respondents.

The data collection was carried out by distributing questionnaires in Lombok as the center for the ketak craft. This questionnaire was divided into three parts: the respondent's identity, business identity, and research indicator items. In the respondent's identity section, the respondent was asked to fill in his name and gender. In contrast, the respondent was asked to fill in the business name, business address, operating time, and turnover in the business identity. These items are questions derived from indicators and used to measure research variables. There are 18 questions to measure personal aspect, nine to measure environmental aspect, ten to measure government support, and four to measure entrepreneurial support. One example of a statement item for personal aspects is "my family works as an entrepreneur." The statement item "I started capital from peer loans" is an example of a statement for environmental aspects, and "the government formed a special organization to assist the development of SMEs" is an example of a statement for government support. Meanwhile, an example of a statement of entrepreneurial success is represented by the statement, "I value the business of rattan craft business helps to increase sales of various innovative products." To measure these statements, 5 Likert scales, namely 1 (strongly disagree) to 5 (strongly agree). The data analysis technique in this research is the multiple linear regression method using the SPSS program for windows series 21.

## RESULT AND DISCUSSION

The results of distributing questionnaires indicate some characteristics of the respondents in this study. Of the 100 respondents who filled out the questionnaire, most respondents had a 3-5 years business period (53%), and the majority turnover was 11-30 million (51%). In this study, each item questionnaire statement for variables was the personal aspect, environmental aspect, government support, and entrepreneurial success declared valid overall because the value was above 0,3 and the significance was less than 0,05. Pearson correlation values for each of these variables are 0,474 – 0,758; 0,649 – 0,879; 0,619 – 0,850; and 0,693 – 0,900. Meanwhile, the Cronbach's alpha ( $\alpha$ ) value of each variable in this study is greater than 0,6 (0,784 – 0,931), where the variable environmental aspect was recorded as the most reliable among the other variables. This means that the questionnaire used is reliable where the questionnaire used consistently gives the same results or answers to the same symptoms even if used repeatedly.

**Table 1.** Reliability Test

Variable	Cronbach's alpha ( $\alpha$ )
Personal Aspect ( $X_1$ )	0,884
Environment Aspect ( $X_2$ )	0,931
Government Support ( $X_3$ )	0,912
Entrepreneurial Success ( $Y$ )	0,784

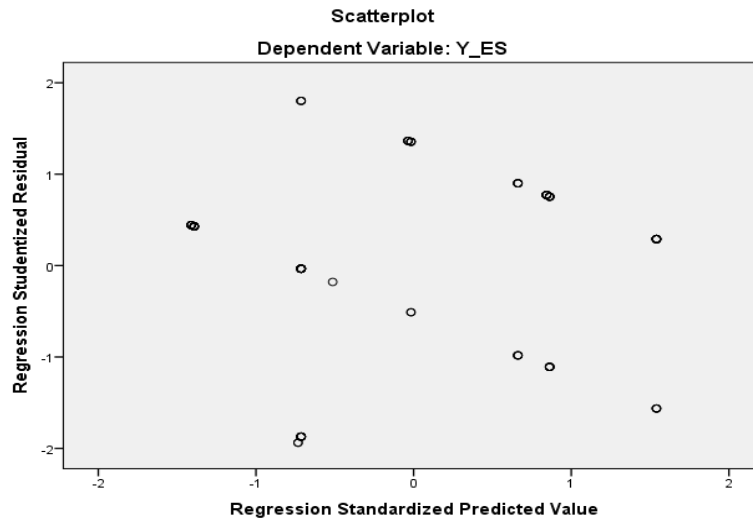
The classical assumption test is carried out by looking at normality, multicollinearity, and heteroscedasticity tests. The normality test was carried out using the Kolmogorov-Smirnov test. The results showed that the data produced in this study had a normal distribution pattern because it had a significance value of 0,388. Each variable also indicates the absence of multicollinearity because the VIF value obtained for each variable is smaller than 10. Personal aspects, environmental aspects, and government support each have a VIF value of 1,502; 1,214; 1,409. Meanwhile, the value tolerance obtained for each variable also shows greater than 0,1. Tests with the heteroscedasticity test also showed that the variant of the data used did not contain heteroscedasticity where there were no clear patterns, and the spread points above and below the number 0 (zero) on the Y-axis.

**Table 2.** Normality Test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		100
Normal Parameters <sup>a,b</sup>	Mean	,0042971
	Std. Deviation	,47058818
Most Extreme Differences	Absolute	,090
	Positive	,051
	Negative	-,090
Kolmogorov-Smirnov Z		,903
Asymp. Sig. (2-tailed)		,388

**Table 3.** Multicollinearity Test

Variable	Tolerance Value	VIF
Personal Aspect ( $X_1$ )	,666	1,502
Environment Aspect ( $X_2$ )	,824	1,214
Government Support ( $X_3$ )	,710	1,409



**Figure 2.** Heteroscedasticity Test

Based on test results found that the correlation coefficient values obtained at 0,560 show a strong relationship between personal aspect (X1), environmental aspect (X2), government support (X3), to entrepreneurial success (Y). The coefficient of multiple determination (R-square) shows a value of 0,314, which indicates the contribution of changes in variables personal aspect (X1), environmental aspects (X2), government support (X3) simultaneously to changes in variables entrepreneurial success (Y) by 31,4%. The remaining 68,6% contribute other variables to the entrepreneurial success variable (other variables not discussed in this study). The results of this analysis can be seen in the following table.

A model feasibility test is carried out with the F test to prove whether the analyzed model has a high level of model feasibility. Based on the test results, the F value has a value of 14,645 with a significant value of 0,000 where the value is less than 0,05. Thus, the variables used by the model have been able to explain the phenomenon.

**Table 4.** Model Feasibility Test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	13,237	3	4,412	14,645	,000 <sup>b</sup>
Residual	28,923	96	,301		
Total	42,160	99			

In this study, a partial test (t-test) aims to determine whether the independent variable partially or individually affected the entrepreneurial success (Y).

**Table 5.** Hypothesis Testing

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
	1 (Constant)	,722	,551		
Personal Aspect (X <sub>1</sub> )	,321	,141	,236	2,279	,025
Environmental Aspect (X <sub>2</sub> )	,248	,097	,239	2,569	,012

Government Support ( $X_3$ )	,255	,106	,242	2,416	,018
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Based on testing the hypothesis using the t-test, obtained a t-value of 2,279 with a significant value obtained at 0,025, where the value is smaller than 0,05. Thus, there is an important influence between the personal aspect on entrepreneurial success. The research hypothesis that suggests that the personal aspect is thought to affect entrepreneurial success significantly can be accepted.

The results of this study are in line with the research of Fielden et al. (2003), which explains that the personal aspect is considered an important factor that enables entrepreneurs to understand entrepreneurship and be able to develop product and service strategies to meet customer needs and market needs (Fielden et al., 2003). Personal aspect describes the entrepreneurial personality shown by active, aggressive behavior, ready to take risks, responds quickly to all things that occur in business change, especially in small scale businesses or SMEs vulnerable to defeat by competitors of large producers. The attitude shown on the personal aspect triggers the individual always to learn, be active, and adapt quickly. An aggressive and active attitude in learning can then impact the process of creating new ideas to succeed in developing a business (Piperopoulos, 2012).

Personal aspects show self-skills and new ideas from within themselves as opportunities for entrepreneurial success. Knowledge, habits, attitudes, and behavior are related to various elements that can increase the entrepreneur's success (Gray & Collin, 2002). The role of personal aspects fosters dynamic abilities among entrepreneurs. The development of personal aspects is considered an essential element to increase the competitive advantage to encourage the entrepreneurial success of SMEs rattan craft. Currently, SMEs, especially women, can develop into entrepreneurs despite experiencing constraints related to social and cultural rules that see women as uncommon to work, such as SMEs in the village of Beleka, the majority of which are women. The long-term experience of women entrepreneurs in the rattan craft industry makes women-owned SMEs understand various obstacles in entrepreneurship. Family support has a somewhat beneficial role, especially in financial capital and entrepreneurial support. Almost all women-owned SMEs in the area cannot get rattan from the family or relatives.

Almost all women-owned SMEs in rattan craft have obtained initial capital from cooperative loans in Beleka Village. The number of cooperatives that provide loans is only a few. There are only four cooperatives. However, these loans have a relatively low-interest rate. Some also started their business with loans from friends or relatives. In this study, environmental aspects significantly influence the success of women's rattan craft SMEs in Lombok. The offer of small interest on loans from banks in entrepreneurship will help craftsmen to develop their businesses. Gupta and Mirchandani (2018) say that entrepreneurs always need to build relationships related to capital, marketing, and investors to support business continuity and the success of their businesses. The environmental aspect is also associated with the availability of capital and human resources to maintain rattan craft SMEs' business continuity. In this case, the small business environment requires supporting facilities to continue to grow, be ready to face problems with changes, and quickly realize these changes to take strategies and steps to adjust, maintain, and even improve current business conditions. Craftsmen who gain direct market access to all Indonesian markets overseas, such as Malaysia, Vietnam, Australia, and Japan, will boost the success of women-owned SMEs for rattan crafts. So far, the average sale is only made through collectors.

The results of hypothesis testing also found that government support impacted the success of women's rattan craft SMEs in Lombok. Based on the results of the t-test, the t-value is 2,416, with a significant value obtained at 0,018, where the value is smaller than 0,05. The study's results align with those expressed by Haan (2004). Support from the government, such as ease of cooperation with the government through promotional assistance, easy access to licensing, and marketing bureaucracy, will help SMEs develop businesses and achieve business success. Government support is government support for SMEs to improve the business network and facilitate the receipt of information, especially regarding foreign markets that the government establishes with other countries (Chell, 2008). Ease of bureaucracy and information access to foreign markets built with government support will encourage active entrepreneurs in the contribution network. Ultimately, they can analyze risk to increase

entrepreneurial opportunities to achieve success. Close relationships between interested parties such as the government, foreign markets, and entrepreneurs are significant in increasing entrepreneurial exploitation to achieve success. Based on research results, the government in Lombok has been quite helpful in providing institutions to assist in developing women-owned SMEs in rattan craft.

In this study, the most significant influence in determining the success of women's rattan craft SMEs is the personal aspect. Their family background as rattan craftsmen will affect the profession of their descendants. Most of the rattan craftsmen continue their family business in the rattan sector. Those in the family of craftsmen are usually involved in making rattan crafts from an early age which are then honed into adulthood. Family involvement can also support these female SME entrepreneurs to continue developing their businesses.

## CONCLUSION AND RECOMMENDATION

The performance of women-owned SMEs in rattan craft in Lombok in entrepreneurship can be influenced by personal and environmental aspects and support from the government. The offer of little interest on loans from banks in entrepreneurship will help craftsmen to develop their businesses. In this case, women-owned SMEs always need to build relationships related to market access, initial capital, and bank loans to support business continuity and business success. Government support such as ease of cooperation with the government, support from government entrepreneurship institutions, and easy access to licensing bureaucracy will help SMEs to develop businesses and achieve business success for SME entrepreneurs. In this study, the most significant influence in determining the success of women-owned SMEs in rattan craft is the personal aspect, where family background and support play an essential role.

In the future, these women-owned SMEs in rattan craft need the training to improve their skills in producing innovative rattan craft products. Encouragement from the government in providing training by presenting entrepreneurial figures who have previously been successful in crafts, especially rattan, also needs to be carried out considering these SMEs' limited knowledge and entrepreneurial mindset. The government must also facilitate SMEs' access to loan capital to develop their businesses. The government can encourage them by involving investors in capital. In addition, the government can do several things, namely: always helping promote SME products through events such as regional events, drafting regulations that support the development of SMEs in the rattan craft sector, as well as simplifying bureaucracy in business permits, export permits, and the process of exporting goods abroad. This is considering that foreign markets are very potential to be entered. Other researchers can add different variables to see the factors influencing women-owned SMEs in rattan craft in Lombok for further research. Further researchers can also add the number of respondents observed. Not only women-owned SMEs in rattan crafts but also in other fields.

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## **Gender Diversity, Corporate Governance, Financial Performance, and corporate value: Lesson from Indonesian Public Company Before Covid-19**

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### **Abstract**

*This study attempted to uncover the role of gender in corporate leadership, corporate governance, and financial performance and its effect on creating corporate value. Companies listed on the Indonesia Stock Exchange with this research's 2009-2018 observation period. Samples were taken with strict criteria to find companies in the best food and beverage category and were obtained 50 observation data for ten years. The research considered this type of company directly related to basic human life and worthy of investment. The results showed that gender diversity and EPS could not create Corporate Value. Managerial Ownership, PBV, and DER were significantly able to develop Corporate Value. The results of this study were enjoyable to be examined from the perspective of the situation of organizational behavior and financial performance of public companies and be informed to potential investors or interested parties, especially the situation in Indonesia, the country with the fourth-largest population in the world or 3.51% of the total human population.*

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## INTRODUCTION

In increasingly fierce business competition and the crush of unemployment problems, such as the statement Gozali et al. (2017), companies must always do various strategic things to achieve business continuity and desired targets (Li, 2009). The market-oriented thinking attracts foreign investors to invest large amounts in the company (Lu & Abeysekera, 2014). Another effort is gender equality at the company's leadership level. The condition is changing at this time. Countries such as Australia, Sweden, and the United Kingdom, have regulations that threaten the company if the company refuses to appoint women as directors voluntarily (Liu, Wei, & Xie, 2013). Previous research on the value relevance of gender on the board produced mixed results. Ernest Gyapong (2016) stated that it supposes some theories suggest a relationship between board diversity and Corporate Value. Still, no single theory directly predicts the nature of relationships (Carter, Souza, Simkins, & Simpson, 2010). On the other hand, precisely, Cotter, College, & Hermsen (2001) stated that women have the skills and qualifications as members of the board of directors but are only discriminated against by stereotypical perspectives unrelated to their qualifications and experience. They can bring collaborative leadership, as stated by Vicki W. Kramer, Alison M. Konrad (2006), and provide different perspectives on the board of directors (Baranchuk & Louis, 2015).

Some empirical evidence shows that gender and ethnicity can be associated with increasing Corporate Value, Y. Liu et al. (2013); Ntim (2013). These conditions for companies also found in Italy (Niccolo Gordini, 2017). Different views also arise from several opinions, for example, Kesner (2014) which stated that uniqueness is not enough, but the gap in the competence of directors also considered. Therefore, if they are not competent, they must be rejected by the organization (Oakley, 2000). Minor views also occur, that women tend to invest less in education, according to, Tharenou, Latimer, & Conroy (2014), even they are also considered lacking expertise in the business field (Terjesen, Sealy, & Singh, 2009). This is based on the results of previous research which stated that there is a negative relationship between women board of directors with an increase in Corporate Value, as stated by Strom (2010); and Renee B. Adams (2009). Meanwhile, Carter et al. (2010) found no relation between them.

Schwarz (2015) stated that as part of a developing country, Indonesia also has the potential two main features that reduce shareholder rights and make them have difficult agency problems (Ernest Gyapong, 2016). First, in the structure board of directors or commissioners, they are trapped in the dominance of family relations, pressure from the government or the majority who tend to make changes, Marianne Bertrand, (2014) and also, Ntim, (2013). Second, internal regulations regarding environmental compliance that govern them are usually not strong enough and are considered to provide less protection for investors (Balasubramanian, Black, & Khanna, 2010). The Indonesian government needs to perform the regulation and detailed guidance on the content and the level of public company reporting. It aims to help the company in order to be able to communicate their conditions to the regulatory agency and other stakeholders (Setiawanta & Purwanto, 2019).

Share ownership held by company managers on the board of directors or commissioners is believed have an impact on the company's performance, this has become a research material in the company's finance (McConnell, 2010). Increasing managerial ownership helps not only connect to the interests of insiders and shareholders, but also leads to better decision making which leads to increased Corporate Value (Ruan & Tian, 2011). However, studies in Indonesia and Thailand on the relationship of debt, managerial behavior, and company performance, found that they need for specific institutional arrangements by the state in dealing with this problem. (Bunkanwanicha, Gupta, & Rokhim, 2008). It began with a study of the relationship between managerial ownership and Corporate Value and found a similar nonlinear relationship between managerial ownership and Corporate Value by Ruan & Tian (2011). The market reacts positively to the disclosure of estimates of income and ownership by insiders (the signaling effect), (Lee & Hwang, 2012). In the case of public companies in Indonesia, it is found a variety of things, that managerial ownership has no influence on Corporate Value which is proxied by various indicators such as Price book Value (PBV), Stock Prices and Tobin's Q found by Indrasti & Martini (2014);

Michelle Freshilia Welim (2015) and Yuslirizal (2018). While other researchers found an influence of managerial ownership with Corporate Value, although most are in a negative relationship, such as Monica Angelina Tandiyo & Stephanus (2014) and Rahma (2014). For research that found a positive influence for the manufacturing industry was found by Tedi Rustendi (2008).

Corporate reputation is an important asset that can be used as a competitive advantage and a source of financial performance (Tristiarini<sup>1</sup>, Utomo<sup>1</sup>, & Setiawanta<sup>1</sup>, 2019). Good financial performance in the investor's perspective is a good signal to investment. This is the trigger for the hypothesis that the better the financial performance, the higher value of the company (from the market response). Although it is stated as a key factor, some previous studies on the effect of financial performance on Corporate Value have not yet been concluded. Suppose that research is carried out by Bartlett, (2012); Sucuahi & Cambarihan (2016); Deswanto & Siregar, (2017); Ayuba, Bambale, Ibrahim, & Sulaiman, (2019), who found the relationship between financial performance and the market value of the company. On the other hand, several other studies have found that financial performance does not directly or indirectly affect the Corporate Value as stated by Hermawan & Maf'ulah, (2014); and also Zuhroh, (2019).

This study attempts to reexamine the influence of gender diversity, proxy for corporate governance with managerial ownership and financial performance on Corporate Value. The study selected food and beverage company that was listed on the Indonesian Stock Exchange, with all the weaknesses of organizational culture and regulation that might occur. This research is also expected to be able to provide information and description of the financial situation and organizational behavior of public commercial companies to potential investors from all over the world, especially who may have an interest investing in the Indonesian capital market.

### **Hypothesis Development**

There is an opinion which stated that the existence of women on the company's board of directors can bring benefits such as ethical and economic issues, (Isidro & Sobral, 2014), besides bringing the idea of equality of opportunity and minority representation in organizing the organization (Walt & Ingley, 2003). These needs considered due to the under-representation of minority groups on the company's board (Burke, 2000). Women are also considered to bring unique skills and value in the board management and are able to improve positive performance for the Corporate Value (Hillman et al., 2002) and (Huse & Hagen, 2009). If the presence of women is considered capable to improve monitoring or control of the board in the framework of the company's operational effectiveness in terms of supervision, the agency concept is likely to offer women as representation on the board of directors that can have an impact on increasing Corporate Value (Isidro & Sobral, 2014). The attribution takes a contractual view between shareholders and company managers who sign contracts on how the company managers must use shareholder funds, and how returns are shared between them (Jensen & Meckling, 1976). The board of directors plays a critical function of the monitoring manager to avoid excessive residual management rights (Fama & Jensen, 1983). Effective monitoring of the board of directors can reduce misallocation of funds, thereby increasing shareholder welfare and stock value, Isidro & Sobral (2014), effective supervision is also reviewed by Gillan (2006) and (Karuna, 2009). On the other hand, Carter et al. (2003) stated that gender diversity increases the independence of the board in improving the monitoring of company goals.

Natural cognitive behavior that produces differences such as how men and women make decisions and influence the ability of each of them to gather information, process it and make decisions that can also be different. (Byoun, Chang, Kim, & Heights, 2011). Naturally, it also seems that women have a great curiosity so that their ability to transactional monitoring is also better than men (Carter et al., 2003). In this point of view of, it is believed that female directors are seen to be more capable in increasing Corporate Value through increased income and organizational governance, as stated by Renee B. Adams (2009); Srinidhi, Gul and Tsui (2011) and also Gul, S., M. Razzaq, and Afzal, (2012).

This situation certainly supports the expansion of Resource Dependence Theory in the present that will provide benefits to the company. As a result, providing more valuable resources should result in better company performance. Ethnically diverse abilities on the board of directors are able to legitimize the company. This is very important for the proportion of growth in the proportion of ethnic minority groups (Carter et al., 2010). Finally, it becomes appropriate or in accordance with the system of socially developed norms, values, beliefs and definitions (Suchman, 1995). It can be interpreted that legitimacy is threatened when the company's system is not in accordance with the social system (Lindblom, 1994). Legitimacy becomes a resource that companies can create with various corporate strategies, said, Woodward, Edwards, & Birkin (2001), it is also to legitimize its status in society Deegan, & Rankin (2002) and to get support from the general public and certain interest groups, Donovan (1999) and (Staden & Hooks, 2007).

Many definitions of corporate governance emphasize the potential for conflict of interest between insiders and outsiders, for this reason, it is necessary to regulate the mechanism of the relationship between the two in order to be balanced, which will affect Corporate Value (Garay & González, 2008). The practice of corporate governance must be disclosed in the form of an annual report, as stated by Lu & Abeysekera (2014); Orazalin, Mahmood, & Jung Lee (2016) and Mahmood, Kouser, Ali, Ahmad, & Salman, (2018). Managers of companies tend to use assets for their own benefit (Morck, Shleifer, & Vishny, 1988). Achieving company value can be maximized if the company's ownership is controlled by the majority of the board of directors (Jensen & Meckling, 1976), with majority ownership, control of the implementation of the achievement of company goals can be more optimal for managers. Ownership and control are rarely separate in any company, the level of ownership effectively has control over the company they have. Thus, the ownership structure is an element that plays an important role in corporate governance (McConnell, 2010).

The definition of financial performance is often associated with the company's financial condition. Financial performance is the performance that has been achieved by the company in a certain period and contained in the financial statements of the company concerned. Financial performance information is needed to assess potential changes in economic resources that may be controlled in the future and to predict the production capacity of existing resources. According to Asante-Darko et al. (2018), measurement of financial performance from financial statements can be used as a measure of the growth of shareholder wealth (investors). Investors in assessing the management of a company can be seen from financial reports published annually. Company performance can be seen from the appearance of increased financial statements. With changes in financial position, this will affect the company's market value (Kusumawardani, 2011).

Placement of men as a majority of ethnicity and women as ethnic minorities and expecting them to carry out tasks deemed not liked by the majority (Ernest Gyapong, 2016). In addition, there is evidence that women now increase social and ethical involvement. Hafsi & Turgut (2010) reported an increase in corporate social responsibility by increasing women's representation on the board. Companies with more diverse gender leadership are also more involved in philanthropic activities and social responsibility (Williams, 2003). Although the theories presented in the previous section directly predict a positive relationship between the existence of women in corporate leadership and company value (Isidro & Sobral, 2014). The following is proof that the presence of women on the board has a positive effect on Corporate Value and financial performance, Erhardt, Werbel, & Shrader (2003) found a positive relationship between the percentage of female directors in large US companies and measures of financial performance (ROA and return on investment). Carter et al. (2003) study Fortune 1000 companies and conclude that the presence of women on the board is positively related to company value. Campbell & M<sub>1</sub> (2008) showed that the proportion of women who are higher on Spanish corporate boards increases the value of the company. Francoeur & Sinclair-desgagne (2008) found the proportion of women who were higher at the director or commissioner level and above the management team experienced abnormal positive returns. Based on the description, the first hypothesis is:

H1: The existence of women in gender diversity company leadership has an influence on corporate value.

Company management is faced with negative and positive incentives and to ensure that they follow the goal of efforts to maximize shareholder wealth. The effectiveness of these incentives has the potential to relate the level of managerial ownership in the company (Davies, Hillier, & Mccolgan, 2005). The impact of this, the emerging view that ownership by insiders can bring the signal to the formation of Corporate Value, although there are other effects that revolve around insider ownership (Lee & Hwang, 2012). Jensen & Meckling (1976) predicts that ownership by people influences Corporate Value. They argue that Corporate Value increases because of management ownership, and they are involved in the company's income in the future. This is realized because greater ownership of managerial equity helps align incentives received by managers with outside shareholders, this happened because managers bear the consequences of wealth directly from their decisions (Lee & Hwang, 2012). Morck et al. (1988) empirically confirm this prediction before.

Cho (1998) raises the issue of endogeneity of insider ownership and show that company value determines insider ownership, not vice versa. If Corporate Value is higher, the manager maintains a higher portion of ownership to maximize their wealth (Lee & Hwang, 2012). Meanwhile, Morck et al. (1988) empirically explores the overall relationship between ownership structure and Corporate Value using Tobin's Q and finds a relationship between both. Based on the description, the second hypothesis is:

H2: Share ownership by the leadership of the company has an influence on corporate value.

Financial performance that operationally runs well in each company will certainly produce a good level of compliance with all expenditure and income budgets that have been agreed upon previously by the company's management. From these findings, arguably financial performance is a key factor that determines disclosures that influence investor reactions, (Refandi Budi Deswanto, 2017) which will lead to an increase in Corporate Value. This can be understood when company leaders are able to bring good growth from the financial side (asset growth) and reported in financial statements openly and informally, so that the reaction of stakeholders, especially investors, is very appreciative. Of course, this has an impact on increasing Corporate Value as measured by the increase in company value (return and Tobin's Q) on the trading floor. Here are researchers who found a positive relationship between financial performance and company value, Bartlett (2012); Setiawanta (2016); Sucuahi & Cambarihan (2016); Ratri & Dewi, (2017); Deswanto & Siregar, (2017); Nurdin & Kasim, (2017); Ayuba, Bambale, Ibrahim, & Sulaiman, (2019). Based on the description, the third hypothesis are:

H3a : Financial Performance (EPS) has an influence on corporate value.

H3b : Financial Performance (PBV) has an influence on corporate value.

H3c : Financial Performance (DER) has an influence on corporate value.

## METHOD

The model developed in this study was to examine the effect of independent variables on the dependent variable, to examine the relationship between gender diversity, managerial ownership, financial performance, and Corporate Value that is proxied by Tobin's Q. The object of this research was food and beverage companies listed on the Indonesia Stock Exchange from 2009 to 2018, which met strict purposive sampling criteria, namely consecutive lists throughout the year of observation, all variable elements in this study are met, diversity in corporate leadership gender matters (gender diversity), company management is part of managerial ownership and other supporting data were recorded for financial performance such as EPS, PBV, and DER and data information for Tobin's Q.

Based on these criteria obtained 50 observational data arranged in a time series, the data were formulated in the usual multiple linear regressions using the SEM\_PLS statistical tool. PLS is a statistical variant of an SEM-based variant designed to complete multiple regression when certain data problems occur, such as small sample sizes, lost data and multicollinearity (Imam Ghozali, 2012).

$$C.V_{tobinsq} = a + b_1GD + b_2MO + b_3EPS + b_4PBV + b_5DER + e_{1-5}$$

Where:

- C.V<sub>tobins q</sub> : Corporate Value (Tobins Q)
- GD : Gender Diversity
- MO : Managerial Ownerships
- EPS : Earning per Shares
- PBV : Price to Book Value
- DER : Debt to Ewquity Ratio
- e<sub>1-5</sub> : Error coefficient of the regression equation

The following are shown dependent, independent, operational definitions and measurement variables of this study, which were taken from several kinds of literature used in this study, after processing in accordance with the provisions of each of these variables

**Table 1.** Research variables, operational definitions, and measurements

Dependent variable	Definition and Measurement
Corporate Value	<p>Tobin's Q: The Tobin's Q ratio equals the market value of a company Divided by its asset's replacement cost</p> $\text{Tobin's Q} = \frac{(\text{Equity Market Value} + \text{Liabilities Market Value})}{(\text{Equity Book Value} + \text{Liabilities Book Value})}$
Independent Variable	Definition and Measurement
Gender Diversity	<p>Gender Diversity is an equitable or fair representation of people of different genders, for the example in the board composition. In this study measured by using a dummy variable, with statement of numbers, 1= if the sample company has a female board number, and 0 = if the sample company has not.</p>
Managerial Ownership	<p>Managerial ownership is the number of company shares owned or Controlled by the management or top management of the company</p> $\text{Managerial Ownership} = \frac{\text{Number of shares owned by management}}{\text{Number of all company shares}}$
Earnings per Share (EPS)	<p>EPS is part of the company's profits allocated to each outstanding share (Net Profit after Tax - Dividend)</p> $\text{Earnings per Share (EPS)} = \frac{\text{Net Profit after Tax - Dividend}}{\text{Number of outstanding Shares}}$
Price to Book Value (PBV)	<p>Book value is the equity value divided by the number of shares available. It can be said that book value is the value of equity per share. Own equity is obtained from the difference in the number of assets minus liabilities.</p> $\text{Price to Book Value (PBV)} = \frac{\text{Stock Price per Share}}{\text{Book Value Per Share}}$
Debt to Equity Ratio (DER)	<p>DER is financial ratio that shows the relative proportion between Equity and Debt used to finance company assets.</p> $\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Debt}}{\text{Equity}}$$

Sources: from various literatures in this study are processed and restated

## RESULT AND DISCUSSION

Descriptive statistics in this study include independent variables and dependent variables as shown in Table 2 below:

**Table 2.** Descriptive Statistics

Variable	Indicator	N	Minimum	Maximum	Median
<b>Gender Diversity</b>	Dummy	50	-0,473	2,012	-0,473
Managerial Ownership	MO	50	-0,581	2,460	-0,537
Fin.Perf	EPS	50	-0,568	2,938	0,470
Fin.Perf	PBV	50	-1,036	2,579	-0,243
Fin.Perf	DER	50	-1,393	1,893	-0,664

Source: PLS SEM processing

Based on the above table for the Gender Diversity independent variable, the minimum value is -0.473, the maximum value is 2012 and the median is -0.473 the mode value is -0.473. For Managerial Ownership variables, the minimum value is -0.581, the maximum value is 2.460 and the median value is -0.537 and -0.564. For the Financial Performance (EPS) variable, the minimum value is -0.568, the maximum value is 2.938 and the median value is -0.470 and the -0.557 mode. For the Financial Performance (PBV) variable, the minimum value is -1.036, the maximum value is 2.579 and the median value is -0.334 and the -1.035 mode. For the Financial Performance variable (DER) the minimum value is -1 -1.93, the maximum value is 1.893, the median value is -0.664 and the -1.176 mode. While the dependent variable Corporate Value minimum -1,210, maximum value 2,224 and median -0,001 and -1,210 modes.

The goodness of fit models is measured using R-square dependent latent variables with the same interpretation as regression. Q-Square predicts the relevance of structural models, measuring how well the observed value is generated by the model and also its parameter estimation. R-square value > 0 indicates the model has the opposite predictive relevance if the R-square value = 0 indicates the model lacks predictive relevance. The results of the inner model measurements with PLS are as follows:

**Table 3.** R. Square

	R Square	Adjusted R Square
Y1	0.900	0.867

Source: PLS SEM processing

From the R Square table above, the R Square value is 0.900. The R Square results can be explained that the influence of Gender Diversity (X1), Managerial Ownerships (X2), EPS Financial Performance (X3), PBV Financial Performance (X4) and DER Financial Performance (X5) gives a value of 0.900 which can be interpreted that Dependent latent variables can be explained by independent latent variables of 90%, while 10% is explained by other variables outside the study. From these descriptions, it can be categorized that the dependent variable can be explained by an independent variable with a moderate scale. Adjusted R Square value has a value with an interval between 0 to 1. If the Adjusted R Square value is getting closer to 1, it shows that the independent latent variable (X) explains the variation of the dependent latent variable (Y) getting better. In this study, the Adjusted R Square value was 0.867 or 86.7%. Then it can be concluded that 86.7% of the variations that occur

in the Y variable can be explained by independent latent variables, while the rest can be explained by other variables

Inner model evaluation is done by testing the suitability of the model, path coefficient and R2. In the model match test, there are 3 test indices: the average path coefficient (APC), the average R-Squared (AVR) and average variance factors (AVIF), with the APC and AVR criteria accepted with more p-value <0.05 and AVIF smaller than <= 5. The following are presented in the results of the evaluation data processing inner model:

**Table 4.** Model fit and quality indices

Quality Indices	Result	P Value	Information
Average Path Coefficient (APC)	0.338	P = 0.001	Model Fit
Average R Squared (ARS)	0.900	P = 0.001	Model Fit
Average Block VIF (AVIF)	1.707	Acceptable if <=5, Ideally <=3.3	Model Fit

Source: PLS SEM processing

Based on these data it can be said that the APC p-value value is 0.001 and the ARS p-value value is 0.001 which means both are <0.05, thus the APC and ARS values meet the model fit requirements. The p-value of AVIF is 1,707 and is stated to meet if AVIF <= 5, thus the value of AVIF meets the requirements of the Fit model. Thus, it can be concluded that the model in this study meets the model fit rules.

The hypothesis, the value analyzed is the value that exists in the p-value generated from the PLS output, which is an estimation of the latent variable which is a linear aggregate of the indicator. The hypothetical significance level ( $\alpha$ ) of 5% is determined. If the p-value is <0.05, the hypothesis is accepted and If p-value > 0.05, the hypothesis is rejected. The output of Bootstrapping PLS to test the research all hypotheses will be displayed in table 5 below:

**Table 5.** Path Coefficient and P Values

Path coefficients					
	GD	MO	EPS	PBV	DER
Tobins	-0.160	0.189	0.084	0.677	-0.582
P Values					
	GD	MO	EPS	PBV	DER
Tobins	0.56	0.032**	0.198	<0.001*	<0.001*

Source: PLS SEM processing, P value : \* Sig = 1% and \*\* Sig = 5%

Based on Table 5 above, it can be concluded the first hypothesis stated that the existence of women in the gender diversity of corporate leadership has an influence on the creation of Corporate Value, unacceptable. This can be seen from the GD P-Value value in the table above which is 0.056 or p-value > 0.05 and has a negative coefficient direction of -0.160. The second hypothesis stated that the ownership of shares by the leadership of the company has an influence on the creation of Corporate Value, acceptable. This can be seen from the value of P-Value MO in the table above is 0.032 or p-value <0.05 and has a positive coefficient of 0.189. The third hypothesis, (a) which states that EPS Financial Performance has an influence on the creation of company value is unacceptable. This can be seen from the P-Value EPS value in the table above which is 0.198 or p-value > 0.05 and has a positive coefficient of 0.084. The third hypothesis, (b) which states that PBV's Financial Performance influences the creation of company value is acceptable. This can be seen from the value of the PBV P-Value in the table above which is 0.001 or p-value <0.05 and has a positive coefficient of 0.677. The third hypothesis, (c) which states that DER Financial Performance has an influence on the creation of Corporate Value is acceptable. This can be seen

from the P-Value DER value in the table above which is 0.001 or p-value <0.05 and has a negative coefficient direction of -0.582.

The results of this study indicate that the presence of women on the board of directors did not affect the value of the company. Allegedly because women don't like risk more than men, therefore women have a low percentage in some positions than men. Does this mean that men are more willing to take financial risks than women? The answer to this question has direct relevance to many economic problems. Charness & Gneezy (2012), found the results that were very consistent with previous studies he conducted in 2004 and 2007, that women did not invest, and thus seemed to avoid financial risks more than men. This finding is in accordance with the perspective from Kesner (2014) which states that uniqueness is not enough for the competence of the director. Likewise, a statement from, Tharenou, Latimer, & Conroy (2014), that women tend to invest less in education, according to them they are also considered to lack expertise in the business field (Terjesen et al., 2009). Supported by the research results there is a negative relationship between the board of directors of women with an increase in the value of the company which stated by Smith, Smith, & Verner (2006); Rose (2007); Renee B. Adams (2009); Strom (2010); Carter et al. (2010) and Ernest Gyapong (2016) for the case of companies in the United States.

The results of this study certainly do not support the existence of a partner in the direction of expanding Resource Dependence Theory in the present that will provide benefits to the company. As a result, providing more valuable resources, which should result in better company performance, is less than optimal in the case of companies in Indonesia. This result is surprising because the sample in this study is quite strict in representing companies that have female leaders among other male leaders for 10 years of observation of company resilience. The results of this study are also in line with research conducted in public companies in sectors other than food and beverage in Indonesia which found by, Astuti (2017); Kartikaningrum (2016) for the case of the *sharia* banking board of directors and Andhariani, (2013) for the case of all public companies in Indonesia.

The results of this study indicate that the company's share ownership in the board of directors turns out to have an influence on Corporate Value. This indicates that the function of the board of directors as a liaison of the company and external parties to overcome environmental dependence can run well, as revealed by, Jeffrey Pfeffer, (1978), the relationship between the two is balanced and has an impact on Corporate Value (Garay & González, 2008). Thus the function of monitoring and evaluating the performance of managers and controlling the level of compliance of all levels of staff to managers of any internal and external regulations imposed by the company, Carter et al. (2010) stated that it can run well with the ownership of shares by the managerial company. This is in line with the statement, Jensen & Meckling (1976) which stated that achieving company value can be maximized if the company's ownership is controlled by the majority of the board of directors. This happens because the ownership structure is an element that plays an important role in corporate governance (McConnell, 2010). As stated by, Holderness (2003), that the higher level of ownership the higher control of company decisions and control of managerial implementation, as well as, HT and Miftahurrohman (2014). The results of this study found a positive influence and this was in line with the results of research for the manufacturing industry by Tedi Rustendi (2008), Other researchers found the influence of managerial ownership on Corporate Value, although some were in negative relationships, such as, Pujiati & Erman Widanar (2008); Sri Sofyaningsih (2011); Sukirni (2012); Herni Ali HT (2014); Monica Angelina Tandiyo & Stephanus (2014) and (Rahma, 2014).

## CONCLUSION AND RECOMMENDATION

Financial performance, it was found in this study an insignificant result, especially for EPS, this indicates that financial performance that operates well in each sample company in the book value of income on share ownership does not get a good response from investors. Information on company efficiency in using company profits can be a positive signal for investors, in order to raise Corporate Value through its stock price, Setiawanta (2016), become irrelevant in this study. The results of this study are in line with the research found by, Sigit Hermawan and Afyah Nurul Ma'ulah (2014) and Refandi Budi Deswanto (2017), who find financial performance does not affect the value of the company. But this is different from the financial performance of PBV and DER which shows a significant influence on the value of the company. This shows that the financial performance of PBV and DER is seen as a perspective for investors and is a good signal to invest. This is the trigger for the hypothesis that



the better the company's financial performance, the more Corporate Value (from the market response) will be proven. The better the change in the position of the company's financial performance, this will affect the market value as an impact of investor interest in investing which has an impact on the value of the company's shares. (Kusumawardani, 2011). This result is in accordance with the research conducted by, Sucuahi & Cambarihan (2016); Nurdin & Kasim (2017); Kuzey & Uyar (2017); Ayuba, Bambale, Ibrahim, & Sulaiman, (2019) who found the relationship between financial performance and the market value of the company.

By observing some of the findings the above research, it seems that for studies on food and beverage companies with good corporate status and leaders in their midwives, it can be said that investors still lack confidence in the participation of women in corporate leadership to bring better company performance, conversely investors believe precisely if the company is led by someone or a group of people who own company shares, it will be able to bring the company's performance to a better level, even though the financial performance that concerns investors is the value of PBV and DER in the food and beverage group. This is, of course, attractive to prospective investors who have not understood the conditions or organizational behavior in the group of companies, so the results of this study are really expected to help provide a picture of potential investors in a concise and focused manner before they make a decision to invest in sample companies in research this. For future research, it is possible to examine financial performance from a liquidity and profitability perspective so that it can provide more comprehensive results and information from the food and beverage industry group to potential investors.

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## People's Economic Development Model based on Micro, Small, and Medium Enterprises (MSMEs) during Covid19

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### Abstract

*The aims of this study are analyzes the MSMEs business cycle based on the types of business in the COVID-19 pandemic, analyzes the supporting aspects in supporting the working system for MSMEs before and during the COVID-19 Pandemic, and analyzes MSMEs immunity. The findings of these three objectives will be used to formulate the MSME-based People's Economic Development Model. This study used a mixed method with a sequential explanatory model, where the researcher uses quantitative and qualitative methods sequentially. The quantitative method was carried out by analyzing the business cycle to determine the types of business according to the stages: peak, recession, depression or recovery so as to provide an overview of the pattern of MSME development. Result of this study are the MSMEs conditions during the COVID-19 pandemic can be divided into 4 quadrants: quadrant 1 Unable to market and unable to produce; quadrant 2, able produce but unable to market; quadrant 3, unable to produce but able to market; quadrant 4, able to produce and market. The role of stakeholders is divided into five actors, namely academics, business, government, society and mass media. The five actors together have their respective contributions to the development of MSMEs during the pandemic.*

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## INTRODUCTION

Indonesia has experienced two economic crisis in the last two decades. In 1998, the economic crisis was triggered by the banking sector crisis which quickly affected the monetary sector and caused hyperinflation resulting in negative economic growth of 13.13%. The economic crisis has led to a crisis of confidence and has given rise to a new political system in Indonesia known as the *Reformation*. The political reform and economic recovery for almost five years have successfully driven Indonesia's economic growth to reach 4% in 2002. The government has also begun to carefully regulate policies regarding short-term investments. In the 1998 economic crisis, *Micro, Small, and Medium Enterprises* (MSMEs) played an important role in the economy because these businesses were better able to withstand the crisis compared to their larger counterparts. MSMEs were the pillars of the national economy because they were able to reduce the increasing rate of unemployment due to the crisis.

The second crisis occurred in 2008, when the global crisis started in the financial sector and caused stock markets around the world to plummet. The unemployment rate that reached double digits due to the crisis had caused the global economy to contract. In the 2008 crisis, Indonesia was one of the countries that was able to survive, and although the economic growth rate was lower than the predicted level, the growth rate was still at 4.26%. This growth overshadowed this crisis so that the economy recovered rapidly. In 2010, just two years after the crisis, Indonesia's economic growth had reached 6.2%.

Towards the end of 2019, a global multidimensional crisis began. The COVID-19 pandemic has caused a domino effect on almost all aspects of life such as health, education, economy, and socio-culture. Research by Nuno Fernandes found that almost all areas of business were affected by this pandemic (Fernandes, 2020) including Indonesia. In 2021, it is estimated that Indonesia's economic conditions will again weaken. The Ministry of Finance stated that in a worse pandemic condition, economic growth is expected to decline to 2.3%, which is much lower than the planned 5.3% in the State Revenue and Expenditure Budget. Furthermore, in the worst pandemic condition, growth is predicted to drop drastically to only 0.4%.

The decline in economic growth is caused primarily by the expense components in the GDP. Household consumption, which is usually the dominant composition in the GDP with 57.85 percent, experiences a negative growth of 5.51%. This implies a decrease in people's purchasing power, causing a decrease in employment. Negative growth also occurs in the investment sector, because the value of Gross Fixed Capital Formation decreased sharply by 8.61% even though this component is also one of the main components in the GDP with 30.61% contribution. The export value, with the proportion of 15.69 percent of the GDP, also decreased by 11.66%. The decline in household consumption, investment, and export value have led to an increase in unemployment, which is caused by layoffs due to business closures. Data from the Ministry of Workforce shows that 1,032,960 workers in the formal sector have been laid off (or put on unpaid leave) and 375,165 workers have had their work contracts terminated permanently. In the informal sector, 314,833 workers have had their contracts terminated (BPS RI 2020).

This study 1) analyzes the MSMEs business cycle based on the types of business in the COVID-19 pandemic, 2) analyzes the supporting aspects in supporting the working system for MSMEs before and during the COVID-19 Pandemic, and 3) analyzes MSMEs immunity. The findings of these three objectives will be used to formulate the MSME-based People's Economic Development Model.

The health crisis due to the COVID-19 pandemic has impacted all sectors, with MSMEs being one of the most affected sectors. The role of MSMEs during this pandemic contradicts their role during the 1998 economic crisis, when they became the saviors of the national economy. In the current crisis, MSMEs are one of the most negatively affected sectors due to the declining households purchasing power. The decline in people's purchasing power is partially caused by the government's policy in the health sector by the implementation of Large-Scale Social Restrictions to protect the citizens from the virus infection. Due to the uncertainty of economic conditions, people have become very careful in spending their money for consumption. Their consumption is limited to basic needs, namely primary needs such as food and health. Furthermore, the problems that will be faced by MSMEs after the pandemic are how to open a business again in new normal conditions and the type of business that will be run. Research by Asmini et al (2020) on the business cycle found that there were 61 types of businesses that were included in the business cycle category at each stage: 33 types of businesses at the peak stage, 8 types of businesses at the recession stage, 14 types of businesses at

the depression stage, and 6 types of businesses at the expansion stage (Asmini\*, I Nyoman Sutama, Wahyu Haryadi 2020; Food Security Information Network 2020; Gray 2020; Nicola et al. 2020). The stages of the business cycle are one of the references in this research.

Bartik (2020), in his report on Labor Market Impacts of COVID-19 On Hourly Workers in Small- And Medium-Sized Businesses: Four Facts from Homebase, stated that based on research results in China, the economic recovery for MSMEs is slower than that for bigger businesses (OECD Secretary General 2020; Ozili and Arun 2020; Pakpahan 2020). Data from China since March 28 shows that the industrial recovery rate has reached 98.6% and that 89.9% of industrial employees have returned to work. In Hubei Province, where the first cases of COVID-19 were found, 95% of employees have returned to work. Meanwhile, for MSMEs, the reopening rate is lower at 76%. As of May 11, the reopening rate of large industrial businesses had reached 100% in half of the 100 largest cities (by GDP) and an average of 99.1% across the country . For MSMEs, the reopening rate is only 84% on April 15 (Alexander W. Bartik, Marianne Bertrand, Feng Lin, Jesse Rothstein 2020; McKibbin and Fernando 2020). The results of this study should be paid more attention by the Indonesian government during economic recovery after COVID-19 was declared officially over.

The crisis due to the COVID-19 pandemic has created a vicious circle that must be broken down gradually so as not to cause a second wave of the pandemic. The handling of the pandemic is generally divided into five phases as shown in the following figure:



**Figure 1.** Phases in Overcoming The Pandemic

1. Rescue is a condition in which the affected community must immediately obtain economic assistance. In Indonesia, the affected people are the poor, vulnerable to poverty, and suddenly poor because of termination of work contracts or because their businesses close. In the rescue phase, the community is still in fear so it requires special socialization about COVID-19 pandemic.
2. Stability is the period when people begin to be able to carry out various activities with health protocols according to WHO guidelines, such as online activities. In this phase, people have moved on from fear into awareness.
3. Recovery is a condition where people begin to make peace with the COVID-19 pandemic. They start their activities with new habits (*new normal*).
4. Development is a condition in which the economy begins to grow slowly through various community activities in the fields of economy, health, education, and socio-culture
5. Growth is a condition in which the economy is growing again and recovering.

Currently, Indonesia is returning to the first phase (Rescue) due to the second wave of the pandemic. People return to fear with various restrictions, but, on the other hand, there are people, who, due to ignorance or lack of information, continue to carry out activities that violate health protocols so that they pose a greater risk to themselves and the surrounding people (Irrera and Policaro 2020). This phase is different in each region so it requires different ways of management. This study focuses on the economic aspect of each of these phases.

Sragen Regency is one of the areas affected by the pandemic, including MSMEs in this region, which leads to an increase in unemployment. Based on the mapping, the types of MSMEs in Sragen that is most affected is the food and beverage business with 72%, followed by fashion with 8% and handicraft. This implies that the majority of the affected MSMEs are engaged in the creative economy sector. The affected MSMEs experienced a decrease in turnover by 46.20%, a decrease in their assets by 13.66%, and a decrease in the number of their workers by 30.56%.



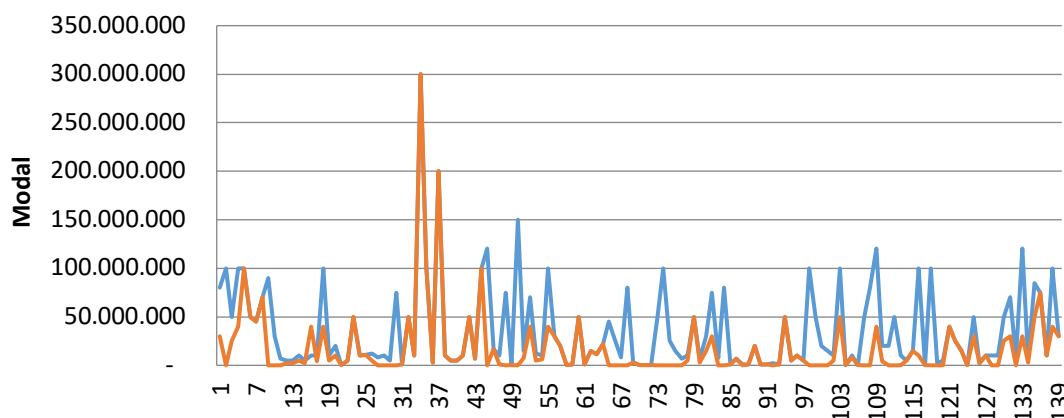
## METHOD

This study used a mixed method with a sequential explanatory model, where the researcher uses quantitative and qualitative methods sequentially (Creswell, 2014). The quantitative method was carried out by analyzing the business cycle to determine the types of business according to the stages: peak, recession, depression, or recovery so as to provide an overview of the pattern of MSME development.

Primary data was obtained through questionnaires from 140 respondents consisting of various types of MSMEs. The primary data included capital, assets, turnover and marketing. The data was processed using descriptive statistics, cross tabs, and *chi squares* and continued with a Focus Group Discussion with several related stakeholders. The results were then processed using phenomenology, an analysis to see the phenomena that occur in the relationship among the stakeholders in formulating the MSMEs development policies during and post-pandemic.

## Result and Discussion

The business cycle in this study was measured by analyzing capital, turnover, and profit, each of which is shown in more detail in the following figure:



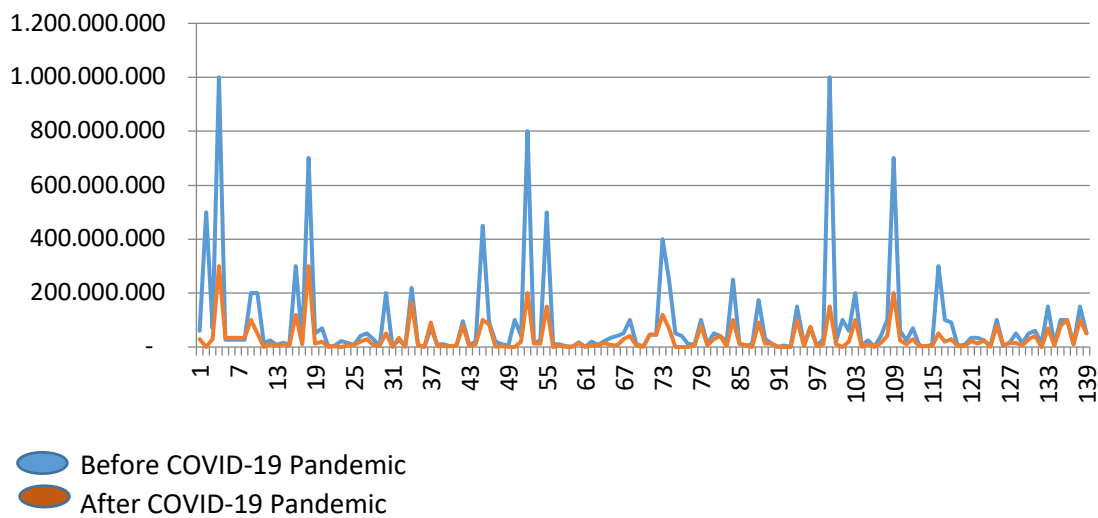
**Figure 1.** Changes in capital before and during the COVID-19 pandemic

During the pandemic, many businesses have experienced losses and even stopped operating so that their capital decreased and eventually ran out. The same situation occurs in MSMEs in Sragen. Figure 1 shows that almost all MSMEs experienced a relatively large decline in capital due to the drastic weakening of their business and some were even forced to stop their operations. The results of data processing show that some businesses with sufficiently large capital are not affected by the pandemic and their capital remains stable. After in-depth interviews, it was discovered that businesses that were able to survive during the pandemic had made changes in their strategies and operations as a method of adaptation to the massive restrictions imposed for several months. These businesses are moving to and optimizing online marketing to expand their market and facilitate communication with their customers. On the other hand, businesses that are less skilled in technology 4.0 experience a decrease in the number of consumers and marketing performance so they have to reduce their production.

The second indicator, turnover, is calculated for a certain period, for example monthly and yearly. The turnover value is obtained by multiplying the amount of production by the price of goods sold. Turnover indicates business performance, where higher demand will lead to

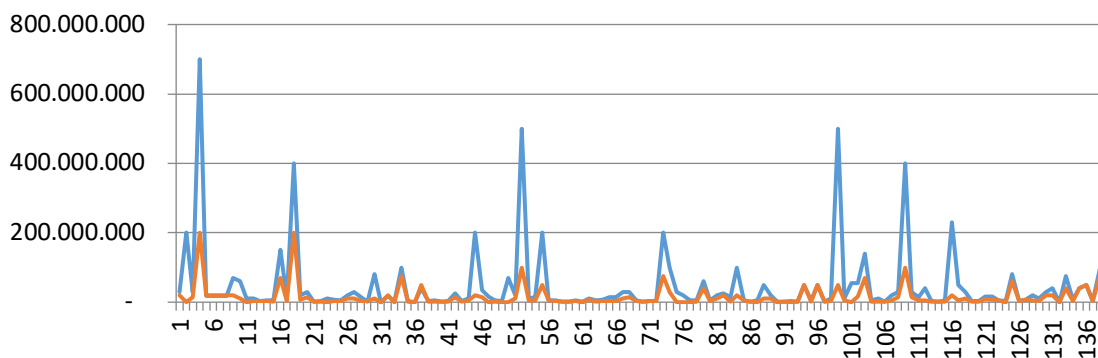
higher production and sales, and vice versa. Positive or negative prospects for a business can be seen from the turnover data from time to time. Turnover with an uptrend indicates that the business is performing well, and vice versa.

The COVID-19 pandemic has caused a decline in people's purchasing power and has an impact on falling demand. This directly causes a drastic decline in business turnover (Fernandes 2020). The data in this study shows that all businesses experienced a decline, and businesses with a larger turnover tended to experience a larger decline. The results of in-depth interviews revealed that many big businesses with very specific products, such as *batik*, were forced to close their businesses because consumers reduced their spending on tertiary and luxury goods. Primary data obtained from in-depth interviews are shown in Figure 2 below.



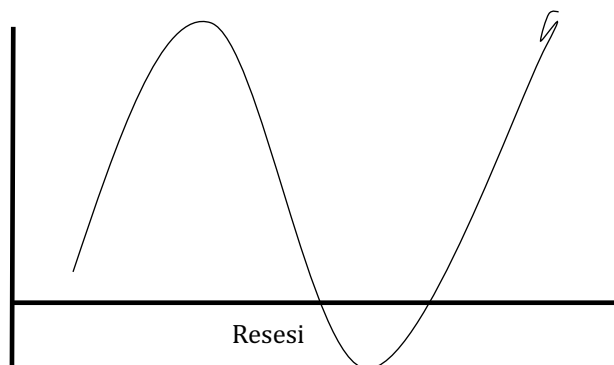
**Figure 2.** Changes In Turnover Before and During The Pandemic

Profit is the main indicator of the success of a business because it reflects business results. If the business does not generate adequate profit, this will affect the capital and business continuity. During the pandemic, profits decreased drastically along with declining turnover and revenue. Interestingly, in some cases, profit, capital, and turnover decreased simultaneously but the business continued to operate. After in-depth interviews, it was found that these business owners continue to run their businesses to ensure income and avoid either permanent or temporary layoffs. The primary data on profit is shown in Figure 3 below.



**Figure 3.** Business Profit Before and After COVID-19 Pandemic

The three main business indicators showed a significant decline, with an average decrease in capital of 10.5%, turnover of 16.5%, and profit of 19%. Based on these three indicators, it can be concluded that MSMEs in Sragen district are in the recession phase, where business performance is declining but has not yet reached its lowest position (trough). This implies that the decline may continue if the pandemic situation is not improving. The MSMEs business cycle is shown in Figure 4 below.



**Figure 4.** MSMEs Business Cycle Before and During The COVID-19 Pandemic

This recession needs to be overcome so that it does not worsen through the formulation of various policies that are tailored to the needs of MSMEs so that they can recover and grow again.

The second objective of this study was investigated using a simple analysis, namely *chi square*, which, despite its simplicity, is able to answer this objective. One of the main indicators of business success is marketing. The pandemic has caused a drastic drop in demand from consumers whose purchasing power has weakened or even disappeared. This study groups MSMEs in Sragen Regency based on their marketing level: national, regional, and local. Each MSME experiences a different impact, depending on their strength and ability to survive. To test the impact, the Pearson *chi square* was used and the results are shown in Table 1 below.

**Table 1.** Association between Marketing Scale and COVID-19

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	140.980 <sup>a</sup>	16	.000
<b>Likelihood Ratio</b>	136.638	16	.000
<b>N of Valid Cases</b>	139		

The results of the Pearson Chi Square calculation produced a probability value of <5%. This value indicates an association between marketing scale before and during the COVID-19 pandemic. Tables 1 suggest the following:

1. MSMEs with national scale marketing and still surviving during the pandemic reached 65.5%. MSMEs with a national scale marketing but declining to a regional scale was 20.7%, and a local scale was 6.9%, such as the furniture MSMEs. Furthermore, MSMEs with national scale marketing but later stopping their operation due to the pandemic were batik MSMEs with 6.9%.

2. MSMEs with a regional scale marketing and still surviving during the pandemic reached 57.9%. MSMEs with marketing on a national scale but declining to a regional scale were 36.8% and those experiencing business closures reached 2.6%, as seen in souvenir products MSMEs.
3. MSMEs with a national scale marketing but then rising to a national scale during the pandemic were printed *batik* with 3.3%. MSMEs with local scale marketing and still staying at the same level was 91.7% but 5% MSMEs, mostly in souvenir businesses, with a local scale marketing had to close the business due to the closure of the tourism areas in Sragen.
4. MSMEs with national, regional, and local scale marketing before the pandemic and still surviving at these levels were 18.3%, but some MSMEs were only limited to the national scale with 18.2%. MSMEs that experienced a decline to regional and local scales reached 9.1%, namely fashion or textile MSMEs. Furthermore, there were MSMEs whose marketing is only limited to a local scale of 45.5%, namely MSMEs that produce food and beverages. However, 9.1% of businesses must stop operating, such as furniture MSMEs.

These four conditions require different handling policies that suit the needs and positions of the business during the COVID-19 pandemic.

Workforce is one of the main factors in business development, even though the problems faced by businesses will have a direct impact on their condition. The results of data processing using Pearson Chi-Square regarding the number of workers produced a probability value of < 5%, which indicates the relationship between the number of workers before and during the pandemic. The decrease in production has caused a decrease in demand and product, naturally leading to a decline in the number of workers. However, some business owners are still keeping their workforce, without reducing the number through layoffs, in the hope that businesses will recover once the pandemic is over. Based on the results of data processing, 53.96% of MSMEs had the same number of workers before and during the pandemic, while the remaining 46.04% reduced the number. Batik MSMEs experienced the highest decline in workforce, with around -75%.

One of the parameters of business success is turnover and the pandemic certainly has an impact on decreasing or increasing turnover. On the one hand, several MSMEs suffered from a drastic decline in their turnover, and some even had to stop operating. On the other hand, some businesses are actually growing and experiencing a rapid increase in turnover during the pandemic.

The data in this study indicate that 94.24% of the MSMEs samples in Sragen experienced a decrease in turnover, with the largest decline (51-75%) occurring mostly in furniture and batik MSMEs with 35.97%. The second range (26 – 50%) was occupied by non-furniture and batik MSMEs, such as the shop business, with 22.3%.

One type of business with the largest decline in turnover is *Batik tulis* (hand-written batik) MSMEs. This condition is in contrast to *printed* batik, which actually experienced an increase in revenue during the pandemic. A large decline was also experienced by MSMEs which used distribution channels for marketing, rather than direct sales to the consumers. This type of MSMEs experienced a decline in turnover of around 75-100% with a total sample of 14.39%.

In contrast, several types of MSMEs experienced an increase in their turnover during the pandemic, such as MSMEs selling medicines, herbs, and basic necessities. MSMEs that experienced an increase in turnover reached 5.04%. In more details, 0.72% samples experienced an increase in turnover of 0-25%, 3.6% experienced an increase in turnover of 26-50%, 0.72%

experienced an increase in turnover of 51-75%. The following is an illustration of MSMEs that experienced an increase in their turnover during the COVID-19 pandemic.

This study then analyzed the turnover during the COVID-19 pandemic. Data from respondents were processed using the *chi square* test and the results are shown in Table 2.

**Table 2.** Relationship Between Decreased Turnover and the Pandemic

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3677.399 <sup>a</sup>	2444	.000
Likelihood Ratio	741.379	2444	1.000
Linear-by-Linear Association	79.286	1	.000
N of Valid Cases	139		

The Chi Square test shows significant results and the Pearson Chi-Square value has a probability value of <5%, which indicates a change in turnover due to the pandemic. To determine the scale of changes in turnover, paired t-test was used to measure turnover before and during the pandemic. The results are shown in table 3 below.

**Table 3.** Changes in Turnover After the Pandemic

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Omzet_Bcovid	87174460.4317	139	180691971.29799	15326092.97370
	Omzet_Acovid	32353525.1799	139	47747415.77138	4049882.94781

The average turnover of MSMEs before the pandemic was IDR 87,174,460.43, but during the pandemic, this figure decreased by 62.89% to IDR 32,353,525.18. The figures were obtained from all sample MSMEs engaged in the furniture, batik, food and beverage products, and souvenirs. To focus specifically on furniture MSMEs, the turnover before the pandemic reached Rp. 107,203,676.5 but then experienced a very significant decrease to Rp. 42,003,676.47 due to the narrowing of market share and people's purchasing power. In batik MSMEs, the average turnover before the pandemic was Rp. 188.826,087 but then the majority of this type of MSMEs stopped operating and closed the business, especially the hand-written batik MSMEs, so that their turnover decreased drastically to Rp. 55,826.086.96. By comparing the average turnover, it can be seen that the MSMEs engaged in producing *batik* has a higher turnover compared to MSMEs that produce furniture.

The results of data analysis on each variable show a relatively significant change. The association between the two was tested using SPSS and the results are shown in table 4 below:

**Table 4.** Association between Turnover and Number of Workers

		N	Mean Rank	Sum of Ranks
Omzet_Acovid Omzet_Bcovid	- Negative Ranks	114 <sup>a</sup>	63.30	7216.50
	Positive Ranks	10 <sup>b</sup>	53.35	533.50
	Ties	15 <sup>c</sup>		
	Total	139		
TK_Acovid - TK_Bcovid	Negative Ranks	63 <sup>d</sup>	32.93	2074.50

Positive Ranks	1 <sup>e</sup>	5.50	5.50
Ties	75 <sup>f</sup>		
Total	139		

Table 4 shows that sales turnover during the pandemic saw a negative value of 114 (82%), which indicates a very sharp decline. Meanwhile, 18% of MSMEs experienced an increase in turnover during the pandemic. The workforce also experienced a relatively significant change, because almost 45.32% of MSMEs reduced the number of their workforce to reduce production costs. On the other hand, 53.96% of MSMEs maintain their workforce during the pandemic to maintain and continue business operations.

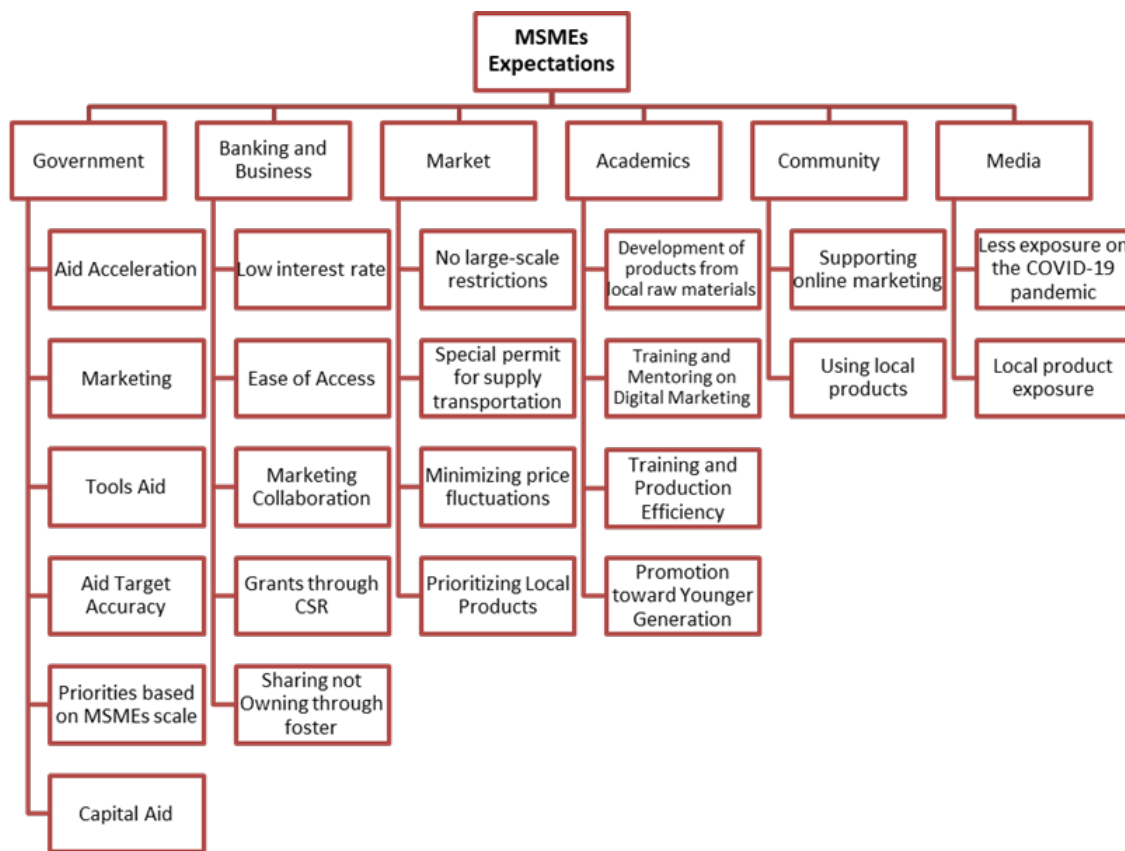
The results of the four analyzes above show that the COVID-19 pandemic has significantly affected the MSMEs in Sragen Regency.

The third objective is to analyze MSME Immunity. Immunity analysis was carried out using in-depth interviews and Focus Group Discussions involving the government, community, academics, and business owners. The results of the analysis using phenomenology found that the impact of the COVID-19 pandemic on MSMEs could be grouped into the following 4 quadrants:

1. Quadrant 1: Unable to Produce and Unable to Market, namely businesses with the following characteristics:
  - a. Small-scale businesses whose products cannot be sold due to large-scale regional restrictions and then stop their production due to limited capital.
  - b. Medium and large-scale businesses that carry out inter-regional trade and even exports. Large-scale regional restrictions have caused the transportation business to drop drastically, especially between islands and between countries. The restrictions cause businesses to stop operating and business owners with inter-regional markets are forced to also stop marketing their products because of rising transportation costs, and thus increasing the production costs. Consequently, business owners have to increase product prices to suppress losses but this move is unpopular as it reduces or even eliminates demand. Several large-scale businesses in Sragen chose to close and stop their operations because of the risk to the branding that had been built.
  - c. The business of tertiary necessities such as decoration and souvenirs as well as tourism. During the pandemic, this type of business lost customers who prioritized primary and secondary needs.
2. Quadrant 2: Able to produce but Unable to Market, namely businesses with the following characteristics:
  - a. Business with inter-regional, inter-island, and inter-country marketing orientation. This type of business is able to produce but cannot market its products due to limited and expensive transportation due to large-scale regional restrictions.
  - b. Businesses with traditional marketing models are therefore affected by large-scale regional restrictions. If it is not immediately supported, this type of business will continue to record losses or even go bankrupt.
3. Quadrant 3: Unable to produce but able to Market, namely businesses with the following characteristics:
  - a. Businesses that use advances in information technology so that they can engage in regional and national scale marketing.

- b. Businesses that use raw materials from outside the region, island or country so that these materials are scarce and the price increases.
- 4. Quadrant 4: Able to produce and able to Market, namely businesses with the following characteristics:
  - a. Business with relatively sufficient capital.
  - b. Business with local scale marketing.
  - c. Business with local raw materials.
  - d. Business with primary and secondary goods.

These four quadrants affect the MSMEs survival behavior during this pandemic. The results of the in-depth interview resulted in a common perception, especially regarding the holistic expectations of MSME owners as shown in the following figure:



**Figure 5.** MSMEs Expectations

Referring to Figure 5, the MSMEs development model involving various stakeholders can be illustrated as follows:

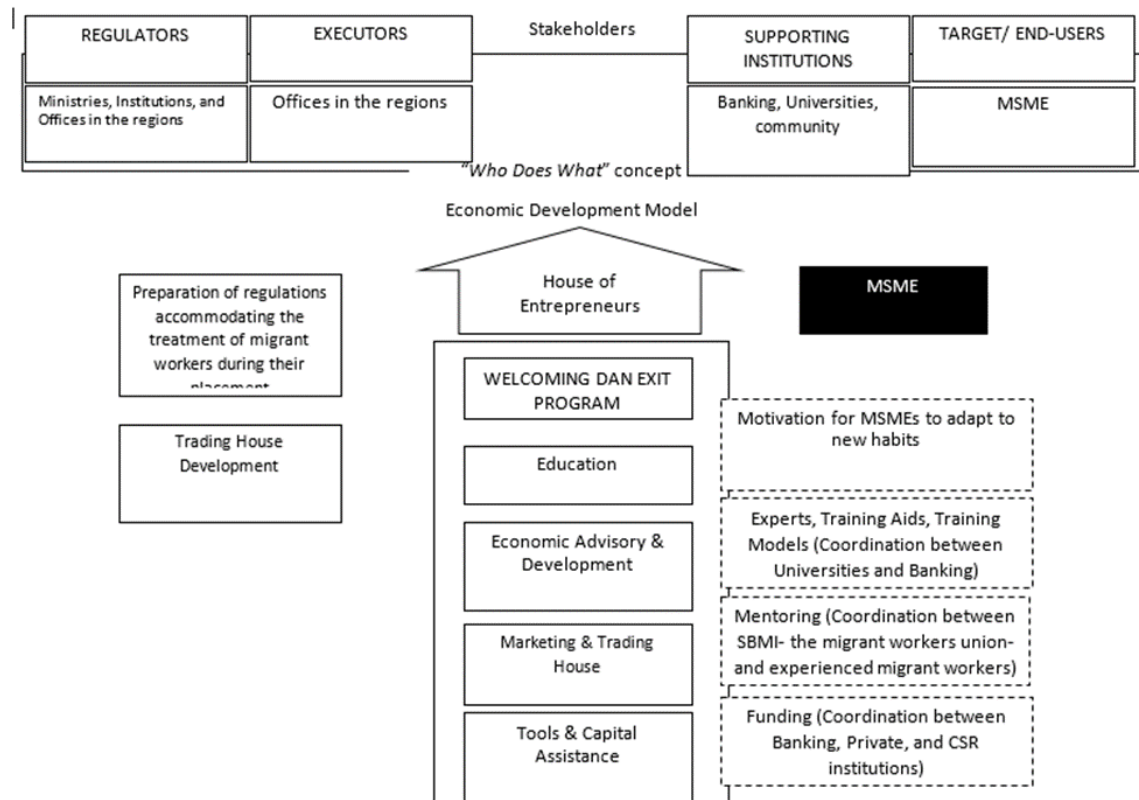


Figure 6. Penta Helix Support For MSMEs Development

**CONCLUSSION AND RECOMMENDATION**

The MSMEs conditions during the COVID-19 pandemic can be divided into 4 quadrants: 1) Unable to market and unable to produce; 2) able produce but unable to market; 3) unable to produce but able to market; 4) able to produce and market. These four conditions refer to their survival ability during the pandemic. A business that is able to survive is one that is able to maintain its capital and market its products digitally so that the implementation of the MSME model during and after the pandemic becomes the most crucial part. One of the important policies and program activities that must be carried out by the government is related to these two factors.

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