



**4<sup>th</sup> International Conference**  
**on**  
**CSR & Sustainable Development**

**Edited by:**

Saurabh Mittal

Anu Gupta

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## Preface

Over the last few years an increasing number of companies worldwide have started promoting their business through Corporate Social Responsibility (CSR) strategies because the customers, public and the investors expect them to act in sustainable as well as responsible manner. CSR enables the company to leverage its products, employee strength, networks and profits to create a sustainable change for marginalized communities. CSR is now being re-defined Corporate Sustainability and Responsibility.

CSR activities are built upon the three pillars of People, Planet and Profit. The organisations around the world have been designing their strategy with large focus on Profit while pushing behind Social Good (philanthropy). Even today, corporate prioritize profitability, while drafting Strategic CSR plans. Several organisations have come up with their set of guidelines for regulating the CSR spends and activities. India is one of the proud countries to have formal guidelines and directives in the form of Companies Act 2013. Every company meeting either of the thresholds of net-worth (Rupees 5 billion or more), turnover (Rupees 10 billion or more) or net profit (Rupees 50 million or more) during any financial year falling after April 1, 2014 is required to constitute a Corporate Social Responsibility ('CSR') Committee.

In the lines of private business players, public sector enterprises in India are being urged to embrace sustainability under newly revised guidelines issued by the Indian government. The Indian Department of Public Enterprise's (DPE) new Corporate Social Responsibility (CSR) guidelines have a special focus on employee rights and welfare. The latest iteration of the Indian CSR guidelines, launched on 1 April 2013, is aimed at all Central Public Sector Enterprises (CPSEs) and has drafted guidelines to internalize the practice of sustainability reporting. The Global Reporting Initiatives (GRI) has also launched the GRI 4 Sustainability Reporting Guidelines offering Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location

Corporate has many virtues, but lacks in reconciliation of corporate goals and public purposes. Decision makers and strategists need to act more responsibly in the respective areas. While doing so, the corporate should not expect any big rewards or recognitions from the market or any edge comparing to their competitors. The responsible business practices are the need of the hour. If we want to save the earth, the natural resources and the mankind, we need to start thinking fresh and incorporate the social good with high priority.

This edited volume has contributions from authors of diverse background such as academicians, researchers, practitioners, business managers and strategists from NGOs and Government departments. The book has been divided on to seven sections, which comprise of research models and case studies from different parts of the world. Hence



the book is a compilation of best CSR practices from business and societal perspectives. Issues relating to the sustainability reporting being followed in various countries, along with the Firm Size and Environmental Disclosure aspects are highlighted in the research papers. We sincerely hope that this edited book shall provide a 360 degree view of the various facets of Corporate Social Responsibility to the researchers, students, practitioners and strategist planners. The discussions from various countries shall serve as a reference to the readers having interest in the area.

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We appreciate the designers, production experts and officers at Enriched Publishers, who worked with interest and devotion to ensure that the book is available for launch in the 4th International Conference on CSR & Sustainability, Kuala Lumpur (Malaysia) on 30th May, 2016.

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## **Micro, Small and Medium Enterprises Performance Improvement through State Owned Enterprises Partnership Programs as a Form of Corporate Social Responsibility: A Study on MSMEs in Kediri**

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### **Abstract**

*The role MSMEs in the economy is quite large, especially its contribution to gross the domestic product and employment. Although the empowerment of MSMEs still carried out by the government, in fact there are still some obstacles experienced by MSMEs in Kediri, they are (1) lack of managerial capability, (2) lack of motivation, (3) lack of human resources, (4) lack of entrepreneurship competence, (5) high costs, (6) limited market access, (7) mastery of information technology is low and (8) lack of capital. The existence MSMEs is different with SOEs, which have good human resources and obtain full support of the government, both in terms of facilities, or capital treatment. For that, through the partnership program, the state gives a portion of profits earned to the empowerment of MSMEs as a form of CSR. The purpose of this study is to analyze the performance of MSMEs in Kediri with SOE partnership program as a form of corporate social responsibility. The object study in this research are the factors that affect the performance of MSMEs through partnership program of SOEs in the form of working capital loans, special loans and coaching. The research was conducted on MSMEs in Kediri. The population in this study covers all MSMEs who had been partnered with SOEs through CSR, whereas the total sample is 35 MSMEs. Data analysis method used is multiple linear regression. The research concludes that there is positive and significant correlation between SOE partnership program in the form of working capital loans, and coaching on the performance of MSMEs in Kediri, whereas the partnership program in the form of special loans has no significant effect on the performance of MSMEs in Kediri.*

**Keywords:** MSMEs Performance, CSR, Partnership Program

### **1. Introduction**

Micro, Small and Medium Enterprises (MSMEs) have a crucial role and strategic in national economy, it is evident, among others: (1) MSMEs are the main roleplayers in economic activity, (2) provide a substantial contribution to Gross Domestic Product (GDP), and (4) it gives the largest contribution to employment. The following data shows the number of business units according to the scale of business, the contribution of each business unit to GDP and absorption of business units to labor in Indonesia in 2012.

**Table 1**

Number of Business Units, Value in GDP and Labor Absorption Scale According to Business in Indonesia 2012



No	Explanation	Business Scale				Total	%
		MMSMEs	%	Big Scale Business	%		
1	Total of Business (Units)	55.206.444	99	4.952	0.01	55.211.396	
2	The Value of GDP at constant prices (Rp Billion)	1.369.326	57.6	1.007.784,0	42.4	2.377.110,0	100
3	Employment (person)	101.722.458	97.24	2.891.224	2.76	104.613.682	100

<http://www.dinkop.go.id>

Table1 shows that as much as 99.99% from the total of Indonesian business units are MSMEs, and only 0.01% is big scale business. If the terms of contribution to Gross Domestic Product (GDP), MSMEs can contribute about 57.6% of total GDP at constant prices of year 2000. The quantity of MSMEs are able to contribute greatly to GDP (57.6%), but when its viewed from per unit contribution of MSMEs to GDP is considered very small when it compared with large businesses. In addition to give a great contribution to national GDP, MSME is a business unit that is capable to absorb huge workforce. In 2014, MSMEs are able to absorb employment as much as 101,401,775 people (97.22%) of the amount of labor in Indonesia.

Seeing the role of MSMEs in national economic development, the government made an important policy in effort to foster and develop MSMEs in to make it become stronger and independent businesses, in coming with the promulgation of Law No. 20 of 2008 on MSMEs. Through this law the government is trying to promote MSMEs through: (1) The creation of conducive business climate, (2) increasing access to productive program, and (3) Program development of entrepreneurship and MSMEs with excellent competitive. Despite, government efforts sufficiently massive to empowering MSMEs, but in its development, MSMEs, especially in Kediri still have some obstacles, that are: (1) MSMEs lack the properties of entrepreneurial excellence, (2) managerial low capability, (3) lack of motivation, (4) lack of human resources, (5) low entrepreneurial competence, (6) high costs, (7) the limited market access, (8) low in mastery of information technology (9) lack of capital.

In contrast to MSMEs, State Owned Enterprises (SOEs) as state corporate, have good human resources and obtain full support of the government, both in terms of facilities, or capital treatment. It is therefore natural that the community is hoping to benefit from the presence of state-owned enterprises, through corporate social responsibility (CSR). It is rational, that SOEs have functions and roles which are: (1) contribute to the development of the national economy in general and state revenues in particular; (2) actively, participate in providing guidance and assistance to employers of economically weak groups, cooperatives, and community; (3) implementing government policy in the field of economy and development; (4) Fertilizing of funds for financing the construction and (5) to encourage public participation in the field of business.

Partnership Program and Community Development is a form of implementation of the activities of corporate social responsibility, in especially in SOEs. The government's commitment to increase the empowerment of MSMEs through SOE reflected in the Minister of Finance of the Republic of Indonesia No. 316 / KMK 016/1994 on MSME



Development Program and the Cooperative by State-Owned Enterprises. Through this policy SOEs are obliged to participate in improving the welfare of society and the environment through the Partnership Program and Community Development by setting aside the profit or income of the company. The policy is then followed by the release of the decision and the minister state regulations, that are: (1) The decision of the Minister of State-Owned Enterprises / Chairman of the Board of Trustees of SOEs No.: KEP-216 / M-PBUMN / 1999 of September 28<sup>th</sup>, 1999 on the Partnership Program and Community Development SOE , (2) Decree of the Minister of SOEs No.:Kep-236/MBU/2003 dated June 17<sup>th</sup>, 2003 on SOE Partnership Program with Small Business and Community Development Program, (3) Regulation of the Minister of SOE No. : Per-05 / MBU / 2007 April 27<sup>th</sup>, 2007 on SOE Partnership Program with Small Business and Community Development Program, and (4) of the Regulation of the Minister of SOE No. PER-07 / MBU / 05/2015 on Partnership Program State Owned Enterprises with Small Business and Community Development Program. Implementation of the decision and the rules above, the pattern of corporate social responsibility can be made through the company's direct involvement, through a foundation or social enterprise organization, in partnership with other companies and joining a consortium. The form of partnerships and community development programs consist of loans for working capital, special loan-coaching and coaching. Based on the description above, the research question is how the performance of MSMEs in Kediri with a form of partnership program as a form of corporate social responsibility.

## **2. Theory**

### **2.1 Definition and criteria for MSMEs**

The definition of MSMEs according to Law No. 20 year of 2008 as follows:

- a. Micro is a productive enterprise owned by individuals and / or entities that meet the criteria of individual micro businesses, as stipulated in the law.
- b. Small Business is an economic enterprise productive which is stand-alone, conducted by an individual or business entity that is not a subsidiary or not a branch of the company owned, controlled, or be a part either directly or indirectly from medium or large businesses that meet the criteria of business small as defined in the legislation.
- c. Medium Enterprises is a productive economic activities that stand alone, carried out by an individual or business entity that is not subsidiaries or branches of companies owned, controlled, or be a part either directly or indirectly with a small business or large enterprise with total net assets or annual sales revenue as stipulated by law.

Criteria for Micro, Small and Medium Enterprises (MSMEs) in accordance with Law No. 20 of 2008 are shown in Table 2.

**Table 2 : MSMEs Criteria**

No	Criteria	Criteria	
		Asset (Rp)	Turnover (Rp)
1	Micro Business	Max 50 Milliomm	Max 300 million
2	Small Business	50 -500 Million	300 million-2,5 billion
3	Medium Business	500juta-10 miliar	2,5 miliar-50 miliar

Source : Law No.20 Year 2008 about MSMEs



## 2.2 Performance of MSMEs

Rue and Byars (1997) defines performance as the level of achievement of results or the level of achievement of organizational goals. The same opinion stated by Fahmi (2010), performance is the result obtained by an organization, whether it is profit-oriented or non-profit oriented organizations which produced during a period of time. According to Armstrong (2004), performance is the result of work that has a strong relationship with the organization's strategic objectives, customer satisfaction and contribute to the economy. Measurement of return on investment, growth in the volume of sales, profits and employment in companies generally performed to determine the performance of companies (Jeaning and Beaver, 1997).

According Wheelen and Hunger (1995) performance of a business, including MSMEs can be seen from the level of sales, profits, business productivity and labor productivity. Rakib (2009) identify indicators that can be used to measure the performance of small businesses, they are the number of types of products, the rate of profit, broad market (sales volume and market reach), the level of satisfaction of self-employment, employment (work engagement) and corporate social responsibility. Sangen research results, (2005) measures the performance of small businesses with indicators of sales growth, profit growth, and the growth of assets. Majeed (2011) identify indicators of performance of the company are ROA (Return on Assets), and sales growth. Subagyo (2013) to measure the performance of MSMEs with sales growth, profit growth and investment growth and employment growth.

## 2.3 Corporate Social Responsibility

Policy in CSR program (Partnership Program and Community Development) is an interesting issue in relation to the empowerment of MSMEs. World Business Council for Sustainable Development defines Corporate Social Responsibility as an ongoing commitment among businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as local communities and society as a whole (Iriantara, 2004). Corporate Social Responsibility is the company's commitment to improve the welfare of the community through good business practices and contributed the most resources of the company (Kotler & Nancy, 2005).

In Indonesia regulation on CSR has been set by the government since 1994 with the issuance of the Decree of the Minister of Finance of the Republic of Indonesia No. 316 / KMK 016/1994 on SME Development Program and the Cooperative by State-Owned Enterprises, which was then confirmed again with the State Minister for State Owned Enterprises no. Kep-236 / MBU / 2003 stipulates that every company must set aside a profit after tax of 1% (one percent) of up to 3% (three percent), for implementing CSR. SOE Partnership Program with Small Business and Community Development Program consists of two activities, namely the retrofitting program small businesses through lending and assistance revolving fund (called Partnership Program) as well as the empowerment of the social conditions surrounding communities (called the Community



Development Program). Partnership Program is a formulation of CSR to the state enterprises or companies whose operations are not directly related to the utilization of natural resources such as banking, telecommunications and so forth

Research on CSR and performance of MSMEs has been done by the Djuardi (2007), which concluded there was a significant difference between the effectiveness of small business before and after partnering with a company that provides the partnership program and the results of the regression test gives clear explanation that venture capital loan, technical assistance efforts, entrepreneurial spirit, and supervision simultaneously affect the effectiveness of the effort. Similarly, the results of research Mapisangka (2009) states that there is a relationship between the Corporate Responsibility at the level of prosperity of MSMEs.

#### **2.4 Business Partnership**

The business partnership implementation always involve parties who partnered on the basis of mutual help and mutual need of each other with the same desire in the law to achieve their respective goals with the principles of mutual respect. Mudrajad (1997) provide an understanding of Business Partnership is guidance on business cooperation between the various parties are synergistic, are voluntary, and based on the principle of mutual need, mutual support and mutual benefit, accompanied by the promotion and development of MSMEs by Big Scale Business. According to Hafsah (2000) partnership is a business strategy that is performed by two or more parties in a period of time to achieve mutual benefit with the principle of mutual need and mutual rearing.

In accordance with the provisions of Law No. 20 In 2008 there were six patterns that may be made in the implementation of the partnership include: (a) the pattern of Inti-Plasma; (b) The pattern of Sub-Contract; (c) General Trade Pattern; (d) The pattern Franchise; (e) The pattern of the Agency; and (f) the pattern of others.

#### **2.5 Partnership Program and Community Development**

Partnership Program and Community Development is a responsibility of State Owned Enterprises to the community. Partnership implemented on the basis of Law No.19 of 2003 Regarding state-owned enterprises as well as Minister of State Perturan Per-05 / MBU / 2007, which states the intent and purpose of establishment of SOEs not only pursue profits, but rather participate actively provide guidance and assistance to employers of economically weak groups, cooperatives and community. CSR has two programs, the first is the partnership between SOE and small business with the aim to improve the ability of small businesses to be strong and independent through the use of funds from the profits of SOEs. The second is Community Development Program, it is a program that empowering social conditions of society by the state through the utilization of funds from the profits of SOEs. Total profit allowance for program funding at a maximum of 2% (two percent) of the net profit for the partnership program and a maximum of 2% (two percent) of the net profit for the community development program.



Based on SOE Minister Regulation No. Per-5/MBU/2007 on partnerships and community development program explained that the funds provided in the form of partnership programs:

- a. Loans to finance working capital or the purchase of fixed assets in order to increase production and sales;
- b. Special loan to finance the funding requirements of business activities Partners that are short-term loans and in order to meet orders from business partners Partners;
- c. Development Expenses. Expenses are load of activities coaching and reinforcement assistance to foster and enhance the ability of the partners into strong and independent business. Expenses coaching can be used for:
  - 1) To finance the education, training, apprenticeship, marketing, promotions, and other matters concerning the improvement of the productivity of the partners as well as for studies / research related to the partnership program;
  - 2) Cost of coaching is a grant and a maximum amount of 20% (twenty percent) of the partnership program funds disbursed in the current year;
  - 3) Development Expenses can only be awarded to or for the benefit of the partners.

## 2.6 Framework

This study aims to determine the effect of partnerships that influence the performance of MSMEs. Based on some previous studies proved that CSR has a positive and significant relationship to the welfare of empowerment of MSMEs, so that in this research, the framework can be illustrated below:

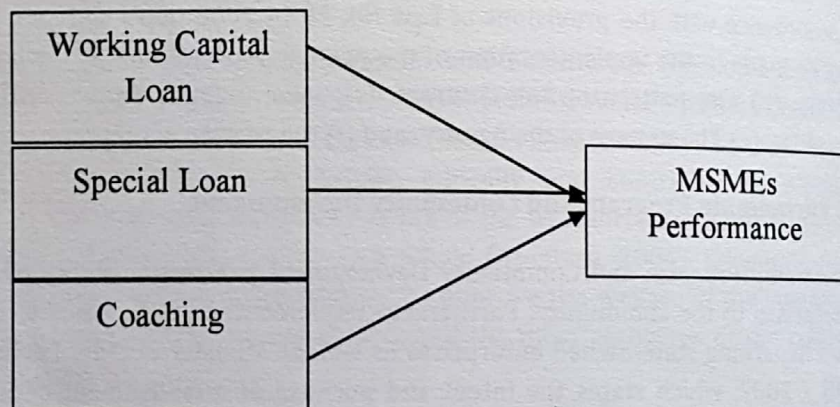


Figure 1. Framework

## 2.7 Hypothesis

Based on the study of theory and frame of the above, the proposed hypothesis is as follows:

- a. There is a positive and significant influence among the partnerships by providing working capital loans to the performance of MSMEs in Kediri.



- b. There is a positive and significant influence among the partnerships by giving a special loan to the performance of MSMEs in Kediri.
- c. There is a positive and significant influence between mekakukan partnership with coaching on the performance of MSMEs in Kediri.
- d. There is a positive and significant influence between form partnerships with mekakukan granting working capital loans, special loans and coaching together on the performance of MSMEs in Kediri.

### 3 Research Methodology

#### 3.1 Object Study

The objective of study in this research are the factors that affect the performance of MSMEs through a partnership program for environmental development. These factors are partnerships in the provision of working capital loans, specialized lending and coaching. The type of research is descriptive quantitative research, the research aims to find an overview of the characteristics of the population studied. Explanatory research focuses on the relationship between independent and dependent variables and test hypotheses that have been built before. This study uses the MSMEs who've formed a partnership with state-owned.

#### 3.2 Research Variables

The variables in the study consisted of the independent variable (X), which includes lending working capital variable (X1), special lending variable (X2) and coaching variable (X3), while the dependent variable (Y) is the performance of MSMEs. The boundaries used in the operationalization of variables can be seen in the following table:

**Table 3 Operationalization of variables**

Variables	Variable Concept	Indicator	Measurement Scale
Working Capital Loan	Loans to finance working capital or the purchase of fixed assets in order to increase production and sales of MSMEs.	1) Term of loan 2) The amount of loans 3) Interest Rate 4) How to refund	Likert
Special Loan	Special loan to finance the funding requirements of MSMEs which are the implementation of loans and short-term in order to fullfil orders from MSMEs partners.	1) Term of loan 2) The amount of loan 3) Interest Rate 4) How to Refund	Likert
Coaching	Coaching is a load of activities retrofitting guidance and assistance to foster and enhance the ability of MSMEs venture into a strong and independent	1) Training of business management 2) Training of marketing 3) Training of bookkeeping 4) Promotion and	Likert



MSMEs Performance	The result achieved by MSMEs	Exhibition	Likert
		1) Increasing Managerial	
		2) Capital Increase	
		3) Increased Production	
		4) Increased Distribution / Marketing	
		5) Increased Income	

### 3.3 Validity and Reliability of Test Result

Based on the validity of the test conducted on independent variables CSR working capital loan, special loan and coaching, as well as the dependent variable the performance of MSMEs, of the overall indicator on each variable significance value that is smaller than 0.05. While the value of the correlation coefficient is generated each indicator is greater than r table. t shows that each indicator variable is declared valid.

Reliability test in this study using Alpha formula. According Ghozali (2005) said to be reliable if the Cronbach's alpha values greater than 0.6. Reliability testing results for each variable are summarized in the following table:

**Table 4 : Reliability Test Results**

Variables	Alpha	Information
Working Capital Loan	0.691	Reliable
Specific Loan	0.723	Reliable
Coaching	0.772	Reliable
MSMEs Performance	0.636	Reliable

Sources: Primary data processed (2016)

According to the table 4 obtained the entire data item to the variable working capital loan (X1) of 0.691, a specific loan (X2) of 0.723, and coaching (X3) of 0.772 and the performance of MSMEs (Y) of 0.636 proved that the value is greater than the value of Cronbach's alpha which is equal 0.6. From Table 4 also shows that all variables have a large enough alpha coefficient is above 0.60 or it can be said all the indicators of each variable of the questionnaire is reliable. So that the items in each of these variables to use as a measuring tool.

### 3.4 Population and Sampling Methods

The research was conducted on MSMEs in Kediri who had been trained partners SOE. The sampling method is done by using purposive sampling technique, meaning is determined by considering the purpose of research is based on some predetermined criteria. The population in this study covers all MSMEs who had been trained partners SOEs through CSR. While the sample size in this study is MMSMEs who had been a



partner of SOEs at least 2 years. The sample was amounted to 35 MSMEs with varied business sectors.

The data used are primary and secondary data. Primary data questionnaire survey and in dept interview from MSMEs who had been trained partners SOE. Secondary data is data from Central Bureau of Statistics and Department of Cooperatives and MSMEs Kediri.

### **3.5 Method of Data Analysis**

The analytical method used is multiple linear regression, which measures the intensity of the two variables, namely the independent variables and the dependent variable, and make a prediction value of the dependent variable (Y) on the basis of the value of the independent variable (X), with the formula:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Informations:

- Y = Variable MSMEs performance
- a = magnitude intercept or constant
- X1 = variable working capital loan
- X2 = variable specific loan
- X3 = variable coaching
- b1-b3 = coefficient of variables X1, X2 and X3
- e = standard error or mistake bully

Furthermore, the hypothesis was tested using partial test (t test) and a simultaneous test (F test) by using the 5% significance level.

## **4. The Results of Analysis and Discussion**

### **4.1 Result Analysis**

#### **4.4.1 Classic Assumption Test**

##### **a. Normality test**

Normality test is done by looking at the normal chart propability plot (P-P Plot) comparing the cumulative distribution of the normal distribution. If the data were normally distributed, then the line that represents the actual data will follow the diagonal line. Results output V. SPSS for Windows 16.0 for normality test is shown in the following picture.



Normal P-P Plot of Regression Standardized Residual

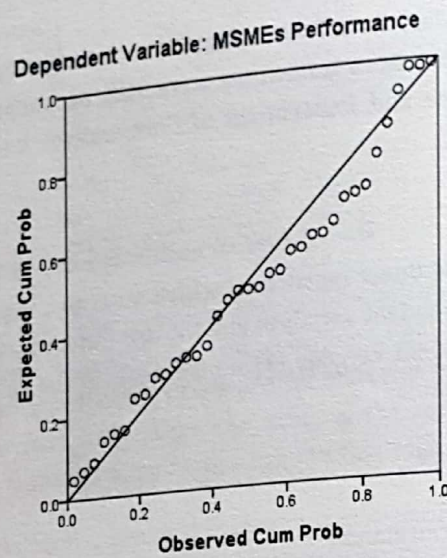


Figure 2. Normality Test Result

Based on figure 2 can be explained that the data is spread around the diagonal line and follow the direction of the diagonal line. Therefore, it can be stated that the data in these variables normal distribution. Thus the regression products meet the assumptions of normality, because the data is the result of respondents' working capital loan, specific loan, coaching and performance of MSMEs in the diagonal lines.

b. Multicollinearity Test

Multicollinearity test is aims to test whether the regression model found a correlation between independent variables. A good regression model should not occur between the independent variables. Multicollinearity test results can be seen in table 5 below.

Table 5: Multicollinearity Test

Model	Colinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Working capital loan	.297	3.369
Spesific loan	.254	3.941
Coaching	.448	2.230

a) Dependent Variable: MSMEs Performance

Sources: Primary data is processed (2016)

From Table 5, it is shown that the regression model is not impaired multikolinearitas. It is shown tolerance values for the three variables more than 0.10. While the VIF value calculation shows that all independent variables have a



value of less than 10. From these values it can be concluded that there is no multicollinearity between independent variables in the regression model.

c. Autocorrelation Test

According to Ghazali (2005) autocorrelation test aims to test whether a linear regression model was no correlation between bullies error in period t with errors t-1 (previous). If there is a correlation then called autocorrelation problem. A good regression model is a regression that is free from auto correlation. The following table is the result of autocorrelation test.

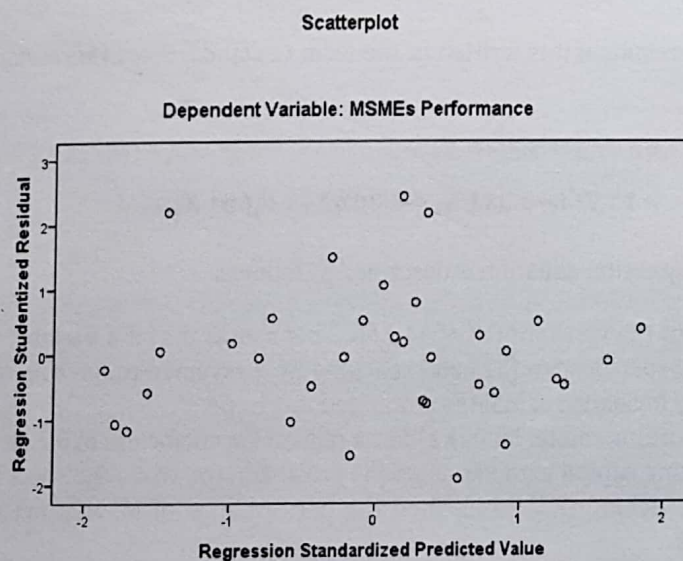
**Table 6: Autocorrelation Test**

Model Summary <sup>b</sup>	
Model	Durbin-Watson
1	1.759
a) Predictors: (Constant), working capital loans, specific loans, coaching	
b) Dependent Variable: MSMEs Performance	
Sources: Primary data is processed (2016)	

According to the table 6 value Durbin Watson (DW) produced was 1.759; the value of du (3.44) = 1.66 so that the four-du = 4 to 1.66 = 2.34. Thus,  $1.66 < 1.759 < 2.34$  and can be summed value Atson Durbin (DW) is located between du 1.66 s / d 2.34 so the assumption of autocorrelation have been met.

d. Heteroskidastity Test

Testing heteroscedasticity done using Scatterplot. The test results on the attachment as well as in the image below:



**Figure 3: Heteroskidastisity Test**



Based on the results of heteroskedastisity test in figure 3 can be explained that the points do not form a particular pattern and dots spread above and below the number 0 on the Y axis This shows that the regression model did not happen heteroskedastisitas. So it can be interpreted that the data from the respondents of working capital financing, special financing and coaching do not have standard deviations of the same data on the performance of MSMEs.

#### 4.1.2 Multiple Regression Analysis

Multiple linear regression analysis is used in this study, with the aim to determine whether there is influence of independent variables on the dependent variable. Summary of the results of data processing using SPSS for Windows V. 16.0. are as follows:

**Table 7: Result Summary of Multiple Linear Regression**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.266	4.518		2.494	.018
Working Capital Loan	.231	.100	.273	2.309	.028
Specific loan	.002	.103	.002	.021	.984
Coaching	.601	.109	.654	5.496	.000

a. Dependent Variable: MSMEs Performance

Source :Primary data processed (2016)

Based on these results if it is written in the form of standardized regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

$$Y = 11,266 + 0,231 X_1 + 0,002 X_2 + 0,601 X_3$$

The multiple regression equation is described as follows:

- The value of the constant (a) of 11.266. This means that if a variable working capital loans (X1), specific loan (X2) and coaching (X3) assumed to have no effect at all (= 0), then the performance of MSMEs amounted to 11.266
- Variable working capital loan (X1) has a regression coefficient of 0.231. This shows that if the working capital loan variables (X1) rose 1 point, while the specific loan variables (X2) and coaching (X3) fixed, then the performance of MSMEs (Y) will increase by 0.231 units.
- Variable specific loans (X2) has a regression coefficient of 0.002. This implies that if a special loan variables (X2) rose 1 point, while the working capital loan variables (X1) and coaching (X3) fixed, then the performance of MSMEs (Y) will increase by 0.002



- units.
- d. Variable coaching (X3) has a regression coefficient of 0.601. This indicates that the variable if the variable coaching (X3) rose 1 point, while the working capital loan variables (X1) and specific loans (X2) remains, then MSMEs performance will increase by 0.601 units.

Based on the standardized coefficients is known that among the variables working capital loan (X1), specific loan (X2) and coaching (X3), the dominant influence on the performance of MSMEs Kediri is coaching. Coaching is done by the state through the Partnership Program and Community Development, with standardized Coefficients 0.601, followed by working capital loans (0.231) and special loans (0.002).

#### 4.1.3 Hypothesis Testing

##### a. Partial Test (t test)

The t-test is a test to determine the effect of independent variables partially or individual on the dependent variable.  $H_0$  is rejected and  $H_a$  accepted if  $t_{count} > t_{table}$ , or the significant value of output  $<$  value tolerance of 5% (0.05). T test results of this research can be seen in the table 4.4 above, with the explanation, as follows:

- 1) Effect of working capital loans to MSMEs performance  
Based on t test results known that  $t_{count} (2.309) < t_{table} (1.891)$  and a significant value output of  $0.028 < 0.05$ . It means that  $H_0$  refused and  $H_1$  accepted, which means there is significant effects between the provision of working capital loans to the performance of MSMEs in Kediri.
- 2) The effect of granting preferential loans to the performance of MSMEs  
Based on t test results known that  $t_{count} (0.21) > t_{table} (1.891)$  and a significant value output amounted to  $0.984 > 0.05$ . It means that  $H_0$  is accepted and  $H_1$  refused, which means there is no significant effects between the special loan and the performance of MSMEs in Kediri.
- 3) The effect of coaching on the performance of MSMEs  
Based on t test results known that  $t_{count} (5.496) > t_{table} (1.891)$  and a significant value output of  $0.000 < 0.05$ . It means that  $H_0$  refused and  $H_1$  accepted, which means there is significant effects between the coaching is done through partnerships on the performance of MSMEs in Kediri.

##### b. Simultaneous Test (F test)

F test is used to determine whether all the independent variables included in the regression model have influence together to dependent variable. By using SPSS version 16, the F test results can be seen in the following table:

**Table 8: Simultaneous Test Result**

ANOVA <sup>b</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	96.604	3	32.201	15.606	.000 <sup>a</sup>
Residual	63.967	31	2.063		
Total	160.571	34			

a. Predictors: (Constant), Working Capital Loan, Special Loan, Coaching

b. Dependent Variable: MSMEs Performance

Source: Primer Data Processed (2016)



Based on the above table are known that the value of  $F$  count (15.606) >  $F$  table (2.88) and a significant value  $0.000 < 0.05$ . Thus means that  $H_0$  is rejected and  $H_a$  accepted. This means that the form of SOEs partnership are realized in the form of working capital loans, special loan and coaching simultaneously have a significant influence on the performance of MSMEs in Kediri.

## **4.2 Discussion**

### **4.2.1 Influence of lending to MSMEs performance in Kediri**

One of the obstacles in the development of MSMEs is the lack of capital, because the majority of the financial capital supplied by their own. Actually MSMEs can submit funding from banks, but the problems MSMEs are constrained by collateral. To help MSMEs to have capital, Partnership Program and Community Development have lending program funds to MSMEs that can be used to finance working capital needs and or purchase of fixed assets in order to increase production and sales.

The results showed that the provision of working capital loans made through partnerships and community development program positive and significant impact on the performance of MSMEs in Kediri. Working capital is a very important assets in MSMEs, because the working capital used to finance business operations. With insufficient working capital requirements, the operational activity of MSMEs would run smoothly, so the faster inventory turnover is resulted in increasing sales turnover. The results supported by the research conducted by the Top (2011), which concluded that partially there is influence between the variables of working capital loan to the performance of MSMEs. Similarly, research conducted by Nofianti (2011) concluded that (1) the financing of micro, small and medium enterprises (MSMEs) are distributed by the Rural Banks (BPR) in Bali a significant and positive impact on the performance of MSMEs.

### **4.2.2 Effect of special loans to MSMEs performance in Kediri**

At certain moments the majority of MSMEs receive special order requests from partner / buyer. Special orders represent an opportunity for MSMEs to increase sales turnover. Problems occur if the capital loan only afford sufficient for regular production, and if a special order is not fulfilled, MSMEs lose the opportunity to benefits. On this issue, the state through partnerships and community development programs to facilitate MSMEs with loans and short-term.

Based on this research, the provision of special loans have positif effect but not significant on the performance of MSMEs. This was caused, not many MSMEs which become the sample of this research that utilize this special loan, given the frequency of occurrence of special order not comparable with the bureaucracy in the processing of loan applications requirements.

### **4.2.3 The effect of coaching on the Performance of MSMEs in Kediri**



Coaching is an activity meant retrofitting guidance and assistance to foster and enhance the ability of the partners into business which is strong and independent. Guidance to the partners carried out by providing entrepreneurial training, marketing, bookkeeping and promotion and facilitation of the exhibition. Hypothesis testing results show that there is a positive and significance influence between coaching by providing training and MSMEs performance. With entrepreneurship training MSMEs have increasing in confidence, motivated to succeed, creative thinking, innovative and work effectively and efficiently. Related to accounting, in general, MSMEs are still not doing bookkeeping well, so with bookkeeping training to make the financial records of MSMEs to be better, there is a separation between personal wealth with a wealth of business. Marketing is the key to business success. Most MSMEs can only produce, but are not able to market. With marketing training, then hoping that MSMEs can understand the marketing mix and marketing strategies for their products. Similarly, the facilitation of MSMEs products exhibition made known by the public. The findings of this study support the research conducted by Subagyo (2013), which concluded that the education and training of positive and significant impact on the performance of MSMEs in Kediri

#### **4.2.4 Influence of Working Capital Loan, Spesific Loan and Coaching of the MSMEs Performance**

On hypothesis testing 4 shows the working capital loans, special loans and coaching simultaneously have a significant influence on the performance of MSMEs in Kediri. Working capital loans, special loans and development accounted for 53.5% of the performance of MSMEs in Kediri. If viewed from the standardized beta coefficients showed that the dominant variable affecting the performance of MSMEs is variable coaching, further working capital loans, and preferential loans. Coaching is the dominant variable, due to the strong entrepreneurial character is important in the business, as well as entrepreneurial learning, such as marketing training, accounting training, participation in the exhibition will be able to improve the performance of MSMEs. The results support the research conducted by Subagyo (2013), which states that the character of entrepreneurial learning have positive and significant effect on the performance of MSMEs.

## **5. Conclusions and Recommendations**

### **5.1 Conclusions**

Based on the results of research and discussion about the influence form the partnership program on the performance of MSMEs in Kediri, it can be concluded as follows:

- a. Partnership Program and Community Development to provide working capital loans have positive and significant effect on the performance of MSMEs in Kediri.
- b. Partnership Program and Community Development to provide special loans have positive but not significant effect on the performance of MSMEs in Kediri.
- c. Partnership Program and Community Development to provide training coaching have positive and significant effect on the performance of MSMEs in Kediri.



- d. Partnership Program and Community Development to provide working capital loans, specific loans and development-fostering have positive and significant effect on the performance of MSMEs in Kediri.

## 5.2 Suggestions

Based on the findings and conclusions in this study, some suggestions were put forward as follows:

- a. Coaching proved the dominant influence on the performance of MSMEs, and therefore suggested the SOEs to further improve guidance to MSMEs, both in terms of entrepreneurship, accounting, marketing and also facilitation of the exhibition. Preferably in post-training also followed by mentoring. In this case the SOE can also collaborate with Universities or Business Development Services where MSMEs are located, making it more effective and efficient.
- b. Based on the findings, special financing has no significant effect on the performance of MSMEs, to the partnership and environmental funds that are reserved for special financing can be partially diverted in the form of coaching, thus increasing the performance of MSMEs.

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### Author's Profile



Dr. Subagyo is the Dean in Economic Faculty of Universitas Nusantara PGRI Kediri. Besides teaching, also have other activities like active in giving bussiness consultation, technical assistance, training and mentoring Micro, Small and Medium Enterprises (MSMeS), especially in East Java-Indonesia. Dr. Subagyo is a Director of Business Development Services, an institution that provides business consulting services and research in the field of MSMeS development.



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