

ANALYSIS OF THE DETERMINANTS OF THE GOING CONCERN OF SMALL AND MEDIUM ENTERPRISES IN UBUD DISTRICT, INDONESIA

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Abstract

Small and medium enterprises (SMEs) are one of the leading driving forces in economic development. In Bali Province, SMEs are part of three pillars of economic development prioritized by local governments since 1969, in addition to the agricultural sector and tourism sector. Giving priority to SMEs, because the area of Bali Province is relatively narrow, and the limitations of the agricultural sector accommodate the growth of the workforce. With the holding of free trade, it is imperative for SMEs to maintain or improve their survival. This study aims to determine the determinants of going concern of SMEs in Gianyar regency, by taking samples of 80 respondents. Data were analyzed with tiered causality model with Structural Equation Modeling (SEM) model with Partial Least Square (PLS) software. The results showed that business characteristics, and human capital positively affect the contextual factors, while social capital has no significant effect on contextual factors. On the other hand, business characteristics, human capital, social capital, and contextual factors have a significant effect on the continuity of SMEs in Gianyar Regency.

Keywords: Going concern, Small and medium enterprises, Economic development, Indonesia

INTRODUCTION

Small industries in Indonesia must be developed because they can provide significant economic contributions and create a positive business climate and build a nation's image and identity. Saleh (1986), Rahardjo (1986), and Tambunan (2001) say that small industries have an important position in the economies of Asean countries, this is because social benefits are very meaningful in the economy, have several advantages compared to large industries, namely because it has a number of flexibility and high adaptability and going concern.

The research of Akhtar (1999), Mazzarol, Volery, Doss, and Thein (1999) states that Small and Medium Enterprises have made a major contribution to the economic development of a country. SMEs are proven capable of providing employment, income distribution through business opportunities, development of rural areas, and balancing regional development.

Bappeda (Local Revenue Office) of Bali Province reported in the Buku Data Bali Membangun 2015 that the number of small and medium industries in Bali Province from 2010 to 2015 continued to increase, as presented in Table 1.

Table 1. Number of Business Units, Labor, Investment, and Production of Small and Medium Industries in Bali Province, 2012 - 2016

Year	Unit	Labour (People)	Investment (Million Rp)	Produksi (Million Rp)
2012	9.418	87.784	3.338.054	6.445.561
2013	11.905	86.960	3.289.488	7.950.448
2014	12.084	92.997	3.419.879	7.459.849
2015	12.326	93.180	3.120.498	6.953.338
2016	12.730	96.601	3.392.042	7.183.291

Source: Data Bali Membangun, 2017

Based on Table 1, it can be seen that the number of business units and the number of small and medium industry workers in Bali Province from 2012 to 2016 continued to increase, but the value of investment and production fluctuated slightly. The fluctuation in the production value of SMEs is thought to be an industry that is still registered, but not producing.

Gianyar Regency is one of the regions that has small and medium-sized industrial centers, especially those that produce the most wood handicrafts in Bali Province, as presented in Table 2. Based on Table 2, it can be seen that the number of industrial centers in Gianyar regency is the most, namely 171 fruits or 28.93 percent of the total centers in Bali Province with a total workforce of 32,114 people and production value of Rp 540,996 million. While Badung

Regency, which has only 44 industrial centers or 7.45 percent, absorbs 6,659 people and has a production value of Rp. 619,097 million.

Table 2. Number of Centers, Labor, Investment, and Production Value of the Handicraft Industry In Bali Province 2016

No.	District/ Town	Industry Centers	Labor (People)	Investment (Million Rp)	Production (Million Rp)
1.	Jembrana	40	1.327	7.788	55.935
2.	Tabanan	31	409	4.637	25.655
3.	Denpasar	40	1.234	1.259	9.051
4.	Badung	44	6.659	24.709	619.097
5.	Gianyar	171	32.114	132.964	540.996
6.	Bangli	91	7.303	15.925	199.008
7.	Karangasem	28	2.511	11.423	16.270
8.	Klungkung	59	5.053	2.502	55.566
9.	Buleleng	87	4.163	631	10.593
	Bali	591	60.773	201.838	1.532.171

Source: Bali Membangun, 2017

Based on the explanation of Table 1 and Table 2 the research problem is what determinants or factors influence the going concern of these small and medium enterprises (SMEs). The going concern of a small and medium industry, also called small and medium enterprises, can be influenced by business characteristics, the quality of human capital, social capital, and contextual factors. This contextual factor can also be influenced by the three previous variables, namely: business characteristics, human capital, and social capital. The characteristics of SME businesses can be seen from the dimensions of the origin of the business, the length of operation, the origin of capital, the scale of business. Human capital can be seen from the dimensions of age, experience, manager education, and trainings that have been followed by managers or employees. Social capital consisting of dimensions of norms, beliefs, and networks can affect their performance or the going concern of SMEs. In addition, contextual factors consist of marketing decisions, utilization of information technology, business planning, access to capital, and government assistance to the performance and going concern of SMEs.

SME research needs to be done in Gianyar Regency, because according to experience in various countries summarized by Rahardjo (1986), among others, is Bert Hoselitz's research, that in Western Europe and Japan it turns out that it does not only survive, but also has an

important role. Han Suyin said that small industries and handicrafts in the PRC had developed in villages gathered in production groups. In Japan, the unique spinning and weaving industry is able to survive with modern industry. Leon V. Chico stated that in the Philippines small industries and household handicrafts have several advantages compared to large industries, namely because they have a number of flexibility and adaptability that are difficult for large industries, not dependent on labor, so they can avoid labor crises, the market not dependent on world recession, and is a source of foreign exchange earners. Tambunan (2001) proved that small industries play an important role in contributing to overcoming socio-economic problems in developing countries, where small industries provide employment opportunities not only for rural communities who have no income at all, but also provide additional sources of income for farmers who lost their main source of income in the agricultural sector outside the harvest season. Likewise Saleh (1986) says that small industries have an important position in the economies of Asean countries, this is because social benefits are very meaningful in the economy.

The ability of small industries to survive and contribute actively to economic growth because this business is needed by the community for its survival. In reality this business lives in the community, so its existence is inseparable from the role of social capital as a network of groups that work together in an organized manner in a relatively orderly manner according to the set of rules and values adopted by the community (Kimbal, 2015).

Research on the determinants of the viability of SMEs needs to be done in Gianyar Regency, because this region has its own characteristics compared to other regions in Bali and in Indonesia. The going concern of SMEs can be influenced by business characteristics, quality of human capital, social capital, and contextual factors. The characteristics of SME businesses can be seen from the dimensions of the origin of the business, the length of operation, the origin of capital, the scale of business. Human capital can be seen from the dimensions of experience, manager education, and trainings that have been followed by managers or employees. Social capital consisting of dimensions of norms, beliefs, and networks can affect their performance or the going concern of SMEs. In addition, contextual factors consist of fulfilling entrepreneurial readiness, utilization of information technology, sources of capital, and government assistance to the performance and going concern of SMEs. This contextual factor can also be influenced by the three previous variables, namely: business characteristics, human capital, and social capital. SME performance can be seen from the dimensions of sales volume, customer growth, and sales growth.

Research Purposes

Based on the above problems, this study generally aims to determine the deterministic analysis of the going concern of small and medium enterprises in Gianyar Regency, a case study on the handicraft industry in the District of Ubud.

In particular this study aims:

- 1) To analyze the direct influence of business characteristics, quality of human capital, and social capital on the contextual factors of SMEs in Gianyar Regency.
- 2) To analyze the direct influence of business characteristics, the quality of human capital, social capital, and contextual factors on the going concern of SMEs in Gianyar Regency.
- 3) To analyze the indirect effects of business characteristics, the quality of human capital, and social capital on the going concern of SMEs in Gianyar Regency through contextual factors.

LITERATURE REVIEW

Human Capital

Garry S. Becker (2009) winner of the Nobel Memorial Prize in the field of economics in 1992, the study of human capital (human capital) began about 5 decades ago. According to him, human being as a source of factors of production is called human resources, which means wider than human capital. Increasing human capital can be done through school, computer training, health expenses, and lectures on virtues such as timeliness and honesty, and so on. In that sense, an increase in human capital is improving health, education, increasing income, or increasing one's appreciation of his work.

One of the oldest human resources is human capital in the form of labor. Human capital has existed since the owner was born into the world. The capital is only used after the owner reaches adulthood, but depends also on the country, society, environment, family and regulations, which vary between countries. Every individual has the freedom to use his capital, physical capital in the form of labor (work).

Using labor as capital does not need the help of other people or parties, such as banks that provide capital money for those who need it. Labor as capital is very unique because the ownership is inherent in the person concerned and its use is also determined by the person concerned. As a worker he can use it at any time, start and stop at any time. We can find this, for example, in the subsistence agricultural sector and self-owned businesses. Because it fully uses human power as physical capital without the help of capital or other sources, its productivity is also low or limited. The use of only humans as productive forces for the purpose of development means prioritizing perspiration or sweat rather than inspiration or intelligence. In

other words, muscle dominates the brain. Likewise in China when it began to build, using human capital as an advantage because of the large number. If the use of capital other than humans is not yet complementary capital, the labor productivity depends entirely on their experience throughout their working lives. So, age is usually used as a proxy or indicator to measure experience.

Labor productivity will increase if they obtain education, both formal and informal. Education will open the horizons of thinking so that they have higher aspirations. Education can also open up more opportunities because it is possible to make various choices. Similarly, education can increase a person's absorption of progress and modernization, such as the ability to use seeds, fertilizers, and the use of technology, as well as the choice of using drugs. In essence, education will increase labor productivity. Non-formal education can also increase worker productivity. For example, training or "training" will improve their skills or "skills" especially hard-skills (hard-skills) and soft skills. This is the reason, why the training needs to be given continuously after they have finished formal education. Human capital as a concept can be seen from various aspects and interests. These skills can be obtained through training and experience, a skill that can increase their economic value in the labor market. So, skills are used as a measure of human capital. In the context of organizational human capital refers to the collective value of organizational intellectual capital such as competence, knowledge, and skills. This capital is a source of creativity and innovation that can be continuously updated. On a broad scale, the productivity of labor or human capital will improve the national economy and on a narrow scale, high productivity will improve the performance of corporate organizations.

The World Economic Forum (WEF, 2013) in its publication The Human Capital Report 2013, reported its efforts in providing a long-term and holistic view of how well a country uses its human resources and builds its workforce prepared for competitive economic demand. According to the WEF, human capital is based on 4 pillars, namely: three core pillars that determine: education, health, and employment opportunities, plus other factors, namely the environment that makes human capital have a higher value.

Social Capital

Social capital (social capital) can be defined as the ability of people to work together, to achieve common goals, in various groups. Economic life cannot be separated from culture, where culture shapes all human aspects, including economic behavior in a number of critical ways.

Fukuyama (1995) defines, social capital as a series of informal values or norms that are shared among members of a group that enables cooperation between them. As for Cox (1995), social capital is a series of processes of human relations that are supported by networks, norms

and social beliefs that enable efficient and effective coordination and cooperation for mutual benefits and virtues.

Putnam (2000) defines social capital as part of a social organization in which there are principles of trust, norms or ethics and networks that can improve community efficiency by facilitating coordinated actions, so that every activity carried out will run well and directed. Coleman (1999) asserts that norms, social networks, and relationships between adults and children are very valuable for children's growth and development. Social capital can be found in the family but can also be found outside the family, such as in the community, or community group organizations. Thus Coleman stated that social capital is not only found in organizations or community groups, but social capital can also be found in the family environment.

In an effort to understand more about social capital, it is first understood several perspectives that have been developing. An understanding of this perspective will be very helpful in mapping the development of understanding of social capital that has been going on so far. In addition, understanding this perspective will help policy makers in making the right decisions. Woolcock (2000), introduces 4 perspectives that need to be known when studying social capital and development. The four perspectives are communitarian view, network view, institutional view, and synergy view.

Characteristics of Small and Medium Enterprises

Saleh (1986) characteristics of small and medium enterprises call it the profile of small and medium enterprises. The characteristics of small businesses can be seen from several aspects, for example the origin, duration of business, source of capital, and scale of business. The origin of the business seen from its management. Some SMEs are attempted as new businesses, or also a continuation of parents, family or other people. SMEs are also often operated as full-fledged businesses and many are also on the side, many craftsmen who are also farmers, drivers and so on. In this regard, the company's goals or direction of business development can also be influenced by the family's lifestyle. Lama usaha atau lama operasi perusahaan juga dapat mempengaruhi kelangsungan hidup UKM. Perusahaan yang telah lama beroperasi memiliki pengalaman yang lebih banyak dibandingkan dengan perusahaan yang baru. Lama operasi suatu perusahaan sangat berpengaruh terhadap keberhasilan usaha, seperti yang dikemukakan Kristiansen, Furuholt, dan Wahid (2003).

The source of capital can affect the performance of SMEs. The source of capital to finance the operations of SMEs can come from internal (own capital) and also from outside parties in the form of loans, both from individuals, as well as from financial institutions. Keown et al. (2009) suggest that the proportion of corporate capital if more comes from own capital will be

more efficient than those from outside, because users are free of loan costs, both for paying interest and for administrative costs.

The scale of SME business also affects its going concern. The scale of business can be seen from the number of workers employed, or also in terms of the amount of investment or capital, outside land and buildings. Because there are few accounting records owned by SMEs, so it is difficult to know the actual capital of SMEs, simply the scale of SMEs is only seen from the number of people employed. Addition of the use of labor in SMEs is generally due to the increase in production, the scale of business is increasing, resulting in more efficient so it is more profitable (Sukirno, 2015).

Contextual Factors

General disclosure of contextual factors is known since decades of academic literature does not have an exact definition of what is meant by contextual factors (Pugh, et al., 1969). In 2001, Dey (2001) defined context in a general way at the operational level: "Context is information that can be used to characterize the situation of an entity". Another narrower definition that refers to business processes is given by Rosemann et al. (2006): "The combination of all implicit and explicit circumstances that affect the situation of a process can be called the context in which business processes are embedded." Summarizing the two definitions it can be concluded that context is explicit and implicit information about circumstances or situations that affect an entity. In other words, contextual factors are important factors that are being owned or being carried out by SMEs that can be directly related to the going concern of the company. These factors can be influenced by internal and external conditions of the company as stated by Kronsbein, et al (2014). Internal dimensions can be seen from the condition of the organization, related to obtaining input, and dealing with customers. On the external dimension, it can be seen from political policies, such as government, economic, technological, environmental, and legal interventions.

In connection with this concept, in this study selected several types of contextual factors, namely: marketing systems, technology, access to capital, access to information, business planning, and assistance provided by the government.

Marketing. A common problem faced by SMEs is marketing problems (Saleh, 1986). Generally SMEs in Indonesia are marketing their products traditionally, namely waiting for buyers. With the tight competition, SMEs should anticipate it by developing markets proactively.

Capital access. The ease of capital felt by entrepreneurs during business activities. With the ease of obtaining capital, entrepreneurs will not hesitate in developing their business.

Technology. Another important factor in the company is technology. Lack of technology, including information technology that is owned or applied by SMEs will hinder its development. Rizki Masyita Sari and Syarif Hanoum (2012) in their research concluded that the application of technology, especially the internet, could improve the performance of SMEs.

Capital Access. Another important problem often faced by SMEs is access to capital. Lack of capital in SMEs will cause delays in production and innovation, which in turn have an impact on business success (Swuerczek and Ha, 2003). The main sources of capital from SMEs are generally from personal savings, loans from family or groups, cooperatives, and other financial institutions.

Government assistance. Generally SMEs are weak in every way, so the government needs a helping hand to empower them to develop. Some government assistance for example in terms of increasing capacity (capacity building) training improves management, operational, financial assistance, and so on. The more assistance or support from the government, the more MSMEs are progressing or developing (Christimulia, 2014).

Business plan. The business plan or business plan can show the direction of business activities and development. The research of Trisninawati and Irwan Septhayuda (2012) states that SMEs that have a business plan in business development have a significant influence on business growth.

SME Going Concern

The survival of a company, especially SMEs, is strongly influenced by internal and external factors, can be seen from its performance both in the short and long term. Isnaeni Rokhayati (2014) by conducting a literature review then summarizes some indicators that can be used to assess the performance of a business, especially SMEs, among others reflected in:

- a. Increased sales / sales turnover growth rate
- b. Increased level of capital / financial growth
- c. High employment growth rates
- d. Wide market growth rate
- e. The profit / profit growth rate continues to increase
- f. Profit / profit level
- g. Customers / consumers
- h. Supplier / supplier

RESEARCH METHODOLOGY

Research Design

Research on the determinants of the viability of SMEs in Gianyar Regency uses a complex design using causality capital that is tiered with the Structural Equation Modeling (SEM) model, which is illustrated in Figure 1.

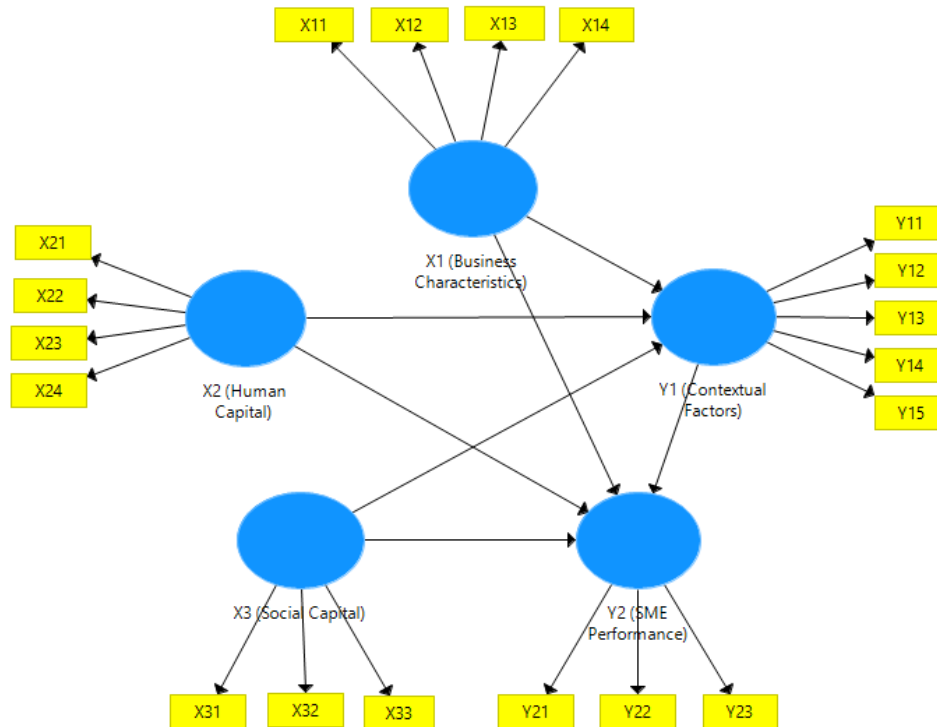


Figure 1. Path Diagram Relationship Between Research Variables

Annotation:

X1 = Business Characteristic

X11 = the origin of business

X12 = duration of operation

X13 = business scale

X2 = Human Capital

X21 = manager's age

X22 = manager's experience

X23 = manager's education,

X24 = training that has been followed

Y1 = Contextual Factor

Y11 = product marketing,

Y12 = capital access,

Y13 = utilization of information technology,

Y14 = business plan

Y15 = government assistance

Y2 = SME Performance

Y21 = sales volume,

Y22 = customer growth,

Y23 = sales growth.

X3 = Social Capital

X31 = norm,

X32 = trust,

X33 = network

The relationship between research variables is presented in Figure 1. It can be explained that the survival of SMEs can be influenced by business characteristics, quality of human capital, social capital, and contextual factors. The characteristics of SME businesses can be seen from the dimensions of the origin of the business, the length of operation, the origin of capital, the scale of business. Human capital can be seen from the dimensions of experience, manager education, and trainings that have been followed by managers or employees. Social capital consisting of dimensions of norms, beliefs, and networks can affect their performance or the going concern of SMEs. In addition, contextual factors consist of fulfilling entrepreneurial readiness, utilization of information technology, sources of capital, and government assistance to the performance and going concern of SMEs. This contextual factor can also be influenced by the three previous variables, namely: business characteristics, human capital, and social capital. SME performance can be seen from the dimensions of sales volume, customer growth, and sales growth.

Location and Time of Research

The location of the study was conducted in Gianyar Regency. The selection of this location is considered because the industrial sector is superior compared to the districts / cities in the Province of Bali. This is indicated by the contribution of this sector in Gianyar Regency at 18.90 percent, while in Bali Province as a reference area the contribution is only 8.90 percent, or with Location Quotient (LQ) of 2.09 (BPS Province of Bali 2015). Furthermore, the research was focused on the District of Ubud. The consideration for the selection of this sub-district is because it has many varieties of SME craft products. The research will be held for 6 (six) months, namely from May to October 2017.

Sampling Design

The object of research is small and medium industries and the object of research chosen through the sampling process. The method used in sampling is the purposive sampling method which is a method of sampling from the population based on certain criteria (Jogiyanto, 2004). The criteria used are SMEs that produce wood, leather, glass and metal handicraft products.

The number of samples taken in this study were 80 units of UKM, each of which was taken from 10 villages (8 villages) in the District of Ubud.

Types and Data Resources

The data used in this study are primary data and secondary data: Secondary data is collected from reports from related institutions, such as BPS of Bali Province and Gianyar Regency, Gianyar Regency Bappeda, Ubud Sub-District Office, and Ubud Village Office. Primary data was collected through interviews with respondents using a questionnaire (questionnaire) both open and closed. Besides that primary data was obtained through Focus Group Discussion (focus group discussions) by involving elements of official and customary institutions, community leaders, religious leaders, and community representatives as key stakeholders.

Variables Identification

The number of variables analyzed in this study are as many as 5 in the form of construct variables accompanied by their respective indicators. Variables or constructs of business characteristics, human capital, and social capital are exogenous variables that will influence contextual factors. Contextual variables or constructs are intermediate variables, because previously they were endogenous variables, but in influencing the performance of SMEs they function as free. Finally, the variable or construct of SME performance is an endogenous variable. Identification of varabel / construct according to the type and indicators is presented in Table 3.

Tabel 3. Identification of Variables / Construct by Type and Indicator

Variables	Construct	Indicator
Exogenous variable	Business Characteristic	1) the origin of business
		2) duration of operation
		3) business scale
Exogenous variable	Human Capital	1) manager's age
		2) manager's experience
		3) manager's education,
		4) training that has been followed
Exogenous variable	Social Capital	1) norm,
		2) trust,
		3) network

		Table 3...	
Intermediate variable	Contextual Factor	1)	product marketing,
		2)	capital access,
		3)	utilization of information technology,
		4)	business plan
		5)	government assistance
Endogenous variable	SME Performance	1)	sales volume,
		2)	customer growth,
		3)	sales growth.

Operational Definition of Variables

- 1) The characteristics of SMEs are the conditions inherent in the SMEs under study, which can affect their context, and also on their performance. The indicators studied are: (1) the origin of the business, namely the business is a new business or a continuation of business from another party, (2) the duration of operations, and (3) the scale of business measured by the number of people employed.
- 2) Human capital is wealth owned by human resources involved in the business world, which can affect the performance of the place where they work, namely UKM. The wealth possessed in human resources in this study are: (1) age, (2) education, (3) experience, and (4) skills training that had been owned by the SME manager or leader studied.
- 3) Social capital is parts of social organizations such as beliefs, norms and networks that can improve the efficiency of society by facilitating coordinated actions. Indicators of social capital in this study consisted of three, namely (1) respondents' perceptions of maintaining norms in running a business, (2) perceptions of respondents in mutual trust in group life, (3) perceptions of responsiveness to respondents' perceptions of inner workings conduct business activities.
- 4) Contextual factors are factors that are being owned or carried out by SMEs that can be directly related to the going concern of the company. In this study several indicators measured in contextual factors are: (1) respondents' perceptions of whether product marketing is proactive, (2) respondents' perceptions of access to capital, (3) perceptions of respondents in using information technology in planning production and marketing, (4) business planning, and (5) government assistance.
- 5) Going concern of SMEs is a condition that allows SMEs to be able to survive or develop now and in the future. The indicators used in this study are: (1) average sales, (2)

number of customers, and (3) sales growth over the past three years. Then the data obtained is made the classification.

Data Analysis Technique

In this study three statistical methods were used, namely: (1) test the validity and reliability of the instrument, and 3) structural equation models (SEM).

Validity and Reliability testing of Instruments

In this study, a data collection tool called an instrument was used. The instrument is used to collect data. The criteria used must be valid (validity) and reliabel (reliability) because only with instruments that are valid and reliable only study data can be used to test the hypothesis.

Structural equation Modeling

In this study, structural equation modeling analysis (SEM) was used by alternative Partial Least Square PLS (component based SEM). The Structural Equation Model (SEM) is a statistical technique that allows testing of a relatively complex and tiered series of relationships. Complex relationships can be built between one or several dependent variables with one or several independent variables. In SEM it is possible that a variable is a construct variable or a latent variable that is formed by several indicators, and there may also be a variable that has a dual role, namely as an independent variable in a relationship, but a dependent variable in another relationship given the tiered causality relationship. By using PLS techniques specify the relationship between variables, including: 1) inner model, 2) outer model, and 3) indirect effects described as follows:

1) Outer Model

Outer models are often called the measurement model or measurement model which is the relationship between indicators and latent variavel. In accordance with Figure 4.1, in this study there are two measurement models which are all reflective indicators. Evaluation of the measurement model or outer model is done in several ways, namely: a) Convergent Validity (CV) on reflective indicators, namely by looking at the correlation or loading between measured variables and latent variables. b) Discretion Validity (DV) on reflective indicators, namely by looking at crossloading of the construct or latent. Discriminant validity (DV) is to look at square root of average variance extracted (AVE root). c) Composite Reliability (ρ_c) is generally used for reflective indicators that aim to measure the internal consistency of a construct, in addition to the frequently used Cronbach Alpha.

2) Inner Model

In PLS inner model also called inner relations which describes the direct relationship between latent variables based on the substance of the theory. The model of the equation in this study in accordance with Figure 1 is:

$$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_1 \dots\dots\dots (4.1)$$

$$Y_2 = \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Y_1 + \epsilon_2 \dots\dots\dots (4.2)$$

Annotation:

X₁ = SME Characteristic Business

X₂ = Human Capital

X₃ = Social Capital

Y₁ = Contextual Capital

Y₂ = SME Performance

β₁, β₂,β₇= path coefficient

ε₁ dan ε₂ = inner residual

Evaluation of the inner model is done by looking at the magnitude of the structural path coefficient, and also the value of the statistical t test and its significance obtained by the bootstrapping method with the output path coefficient. This path coefficient is the direct influence of a variable on other variables.

In addition, R² is also considered for the dependent latent variable. Besides R², the PLS model can also be evaluated for its predictive prevalence through the Stone-Geiser Q Square test (Ghozali, 2011), with the formula:

$$Q^2 = 1 - \frac{\sum_D E_D}{\sum_D O_D} \dots\dots\dots(4.3)$$

Where:

D = omission distance

E = total of squares predictions

O = total of squares of observation

Q² values can also be obtained with the formula:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots\dots\dots(4.4)$$

The value of Q² that has above zero means that the model created has a predictive prevalence, whereas the value of Q² below zero means that the model that is made has less predictive prevalence.

3) Indirect Effects or Test of Variable Mediation Roles

To find out the role of mediating variables on the influence of independent variables on the dependent variable. In PLS it will automatically issue the results through an indirect effect. The output provides information on whether a variable between significantly mediates the influence of an exogenous variable on endogenous variables.

ANALYSIS AND RESULTS

Analysis of Structural Equation Models

In connection with this study, the overall full model of the direct influence of business characteristics, quality of human capital, social capital, and contextual factors on the going concern of SMEs in Gianyar Regency is presented in Figure 2.

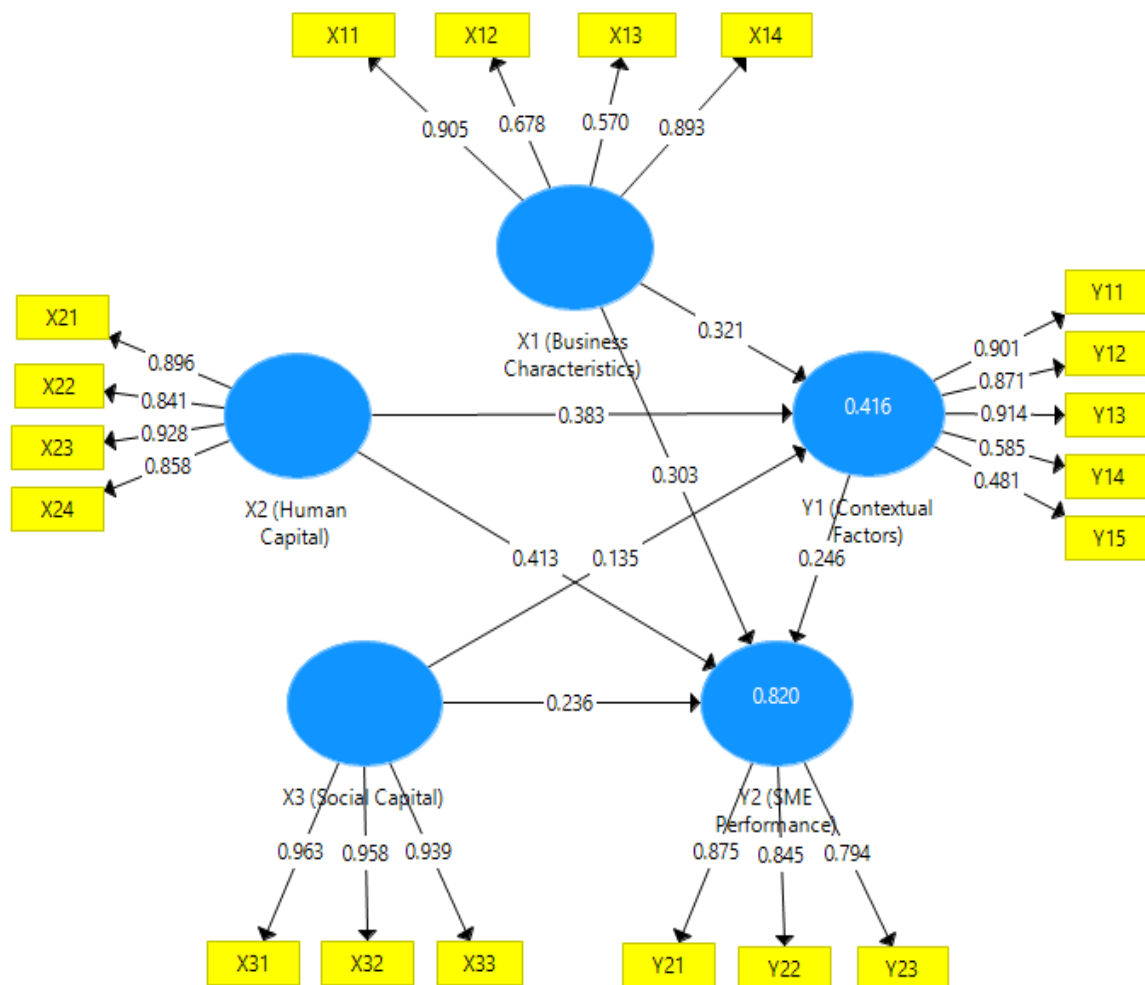


Figure 2. Direct Effect of Business Characteristics, Quality of Human Capital, Social Capital, and Contextual Factors on the Going Concern of SMEs in Gianyar Regency

Measurement Evaluation Model (Outer Model)

To find out whether the indicators used in forming constructs or latent variables are valid, the analysis is carried out as follows:

1) Convergent Validity

This model specifies the relationship between latent variables and indicators (how each indicator relates to its latent variables). Convergent validity is done by looking at the coefficient of outer loading on each indicator. The indicator of a variable is valid if it has an outer loading coefficient or Loading factor > 0.50 , as presented in Figure 4.1. Based on Figure 4.1 it can be seen that all indicators of each construct have been valid to form the construct, because it has a factor loading that is greater than 0.5 and with a significance level of less than 0.05.

2) Discriminant Validity

To find out the validity of a construct can also be assessed based on discriminant validity. Discriminant validity on reflective indicators is to look at the crossloading of indicators for the construct or latent. Discriminant good validity, the indicator has greater crossloading of the construct compared to other constructs. Regarding the results of crossloading business characteristics, the quality of human capital, social capital, contextual factors, and the going concern of SMEs in Gianyar Regency are presented in Table 4.

Table 4. The Value of Cross Loading Constructs of Business Characteristics, Quality of Human Capital, Social Capital, and Contextual Factors and Going Concern of SMEs in Gianyar Regency

	X1	X2	X3	Y1	Y2
X11	0.905	0.292	0.407	0.465	0.625
X12	0.678	0.210	0.298	0.322	0.420
X13	0.570	0.209	0.179	0.208	0.371
X14	0.893	0.174	0.200	0.485	0.478
X21	0.358	0.896	0.478	0.435	0.723
X22	0.237	0.841	0.342	0.496	0.563
X23	0.191	0.928	0.418	0.355	0.651
X24	0.217	0.858	0.357	0.531	0.650
X31	0.339	0.435	0.963	0.403	0.618
X32	0.339	0.465	0.958	0.430	0.618
X33	0.357	0.402	0.939	0.381	0.588
Y11	0.386	0.506	0.413	0.901	0.694

Table 4...

	X1	X2	X3	Y1	Y2
Y12	0.332	0.462	0.320	0.871	0.630
Y13	0.346	0.458	0.350	0.914	0.611
Y14	0.436	0.296	0.235	0.585	0.374
Y15	0.402	0.294	0.299	0.481	0.347
Y21	0.480	0.660	0.606	0.562	0.875
Y22	0.591	0.599	0.508	0.590	0.845
Y23	0.501	0.599	0.487	0.546	0.794

Annotation: X1 = business characteristic, X2 = human capital, X3 = social capital, Y1 = contextual factors, Y2 = SME performance

Based on the results of processing the data presented in Table 4. it can be seen that discriminant validity has been fulfilled because crossloading of each indicator in the construct has a greater value than the other constructs. For example, the X11 indicator in construct X1, namely business characteristics has a cross loading value of 0.905 which is always greater than the value of cross loading in the other constructs that are next to the right hand column.

The construct feasibility can also be seen from the discretionary validity (DV) through Average Variance Extracted (AVE), composite reliability (ρ_c) which is generally used for reflective indicators that aim to measure the internal consistency of a construct, and Cronbach Alpha (Table 5). Based on Table 5, it can be seen that all constructs of business characteristics, quality of human capital, social capital, contextual factors, and going concern of SMEs in Gianyar Regency are valid, namely by discerning validity (DV) through Cronbach Alpha greater than 0.60, composite reliability (ρ_c) greater than 0.70, and Average Variance Extracted (AVE) greater than 0.50.

Table 5. Average Variance Extracted (AVE), Composite Reliability and Cronbach Construct Alpha Characteristics of Business, Quality of Human Capital, Social Capital, and Contextual Factors and Going Concern of SMEs in Gianyar Regency

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Business Characteristic (X1)	0.764	0.853	0.600
Human Capital (X2)	0.904	0.933	0.777
Social Capital (X3)	0.950	0.968	0.909
Contextual Factor (Y1)	0.813	0.878	0.596
SME Performance (Y2)	0.788	0.876	0.703

Inner Model Evaluation

1) Goodness of Fit Evaluation

Inner model describes the relationship between latent variables based on substantive theory. In assessing the model with PLS, it starts by looking at R-squares for each dependent latent variable. The results of inner model testing can see the relationship between constructs by comparing the significance value and R-square of the research model (Ghozali, 2008). R-squares for each dependent latent variable in this study are presented in Table 6.

Table 6. Endogenous construct's R² value

Construct	Independent variables	R ²	Inference
Contextual Factors (Y1)	X1, X2, X3	0.416	Moderate Relationship
SME Performance (Y2)	X1, X2, X3, Y1	0.820	Strong Relationship

Annotation: X1 = business characteristic, X2 = human capital, X3 = social capital, Y1 = contextual factors, Y2 = SME performance

Based on the results of data processing as shown in Table 6, it can be stated that the R-square value of contextual factors is 0.416. That number can be interpreted that 41.6 percent of the construct variables of contextual factors are explained by the variables of business characteristics, human capital, and social capital while 58.4 percent of the contextual factor variables are explained by variables outside the model. The ability to explain variable business characteristics, human capital, and social capital by 0.416 is moderate.

The R-square value of the SME Performance of 0.820 is relatively strong. This figure can be interpreted that 82 percent of the SME performance variables are explained by business characteristics, human capital, social capital, and contextual factors, while the remaining 18 percent are explained by other variables outside the model.

In addition to using the R-square, goodness of fit models are also measured by Q-square predictive relevance for structural models, which are used to measure how well the observation value is generated by the model and also its parameter estimates. The value of Q-square > 0 indicates the model has predictive relevance, whereas if the Q-square value < 0 indicates the model lacks predictive relevance. The Q² or Stone-Geiser Q Square test calculations are:

$$Q^2 = 1 - \{(1 - R_1^2)(1 - R_2^2)\}$$

$$Q^2 = 1 - \{(1 - 0,416)(1 - 0,820)\}$$

$$Q^2 = 0,895$$

Q^2 value of 0.895 is classified as very large and can be said to have a high predictive prevalence, so that the resulting model is feasible to predict.

2) Direct Effects Among Variables

Analysis of the direct influence between variables in this study will be able to explain the relationship of each research variable. The direct effect is shown by the coefficients of all arrows with one end. The direct influence between research variables is shown in Table 7.

Table 7. Direct Influence Between Research variables

Variable	Original Sample	Standard Deviation	T Statistics	Sig	Inference
X1 → Y1	0.321	0.082	3.930	0.000	Significant
X1 → Y2	0.303	0.051	5.976	0.000	Significant
X2 → Y1	0.383	0.083	4.637	0.000	Significant
X2 → Y2	0.413	0.064	6.489	0.000	Significant
X3 → Y1	0.135	0.091	1.476	0.141	Non Significant
X3 → Y2	0.236	0.064	3.694	0.000	Significant
Y1 → Y2	0.246	0.059	4.143	0.000	Significant

Annotation: X1 = business characteristic, X2 = human capital, X3 = social capital, Y1 = contextual factors, Y2 = SME performance

Based on Table 7 it can be seen that the characteristics of business variables, and human capital have a positive and significant effect on contextual factors, with a significance of 0,000. This means that the higher the business characteristics, and human capital, the higher the quality of contextual factors. On the other hand, the variable social capital has no significant effect, because the significance value is 0.141 which is greater than 0.05. This is because social capital is well known to all levels of Balinese society, but the variation does not significantly affect the variation of contextual factors.

Business characteristic variables, human capital, social capital, and contextual factors have a positive and significant effect on the performance of SMEs in Gianyar Regency, because the significance of each is 0,000. This means that the higher the quality of business characteristics, human capital, social capital, and contextual factors, the higher the performance of SMEs in Gianyar Regency. The relationship between research variables can be seen in Figure 3.

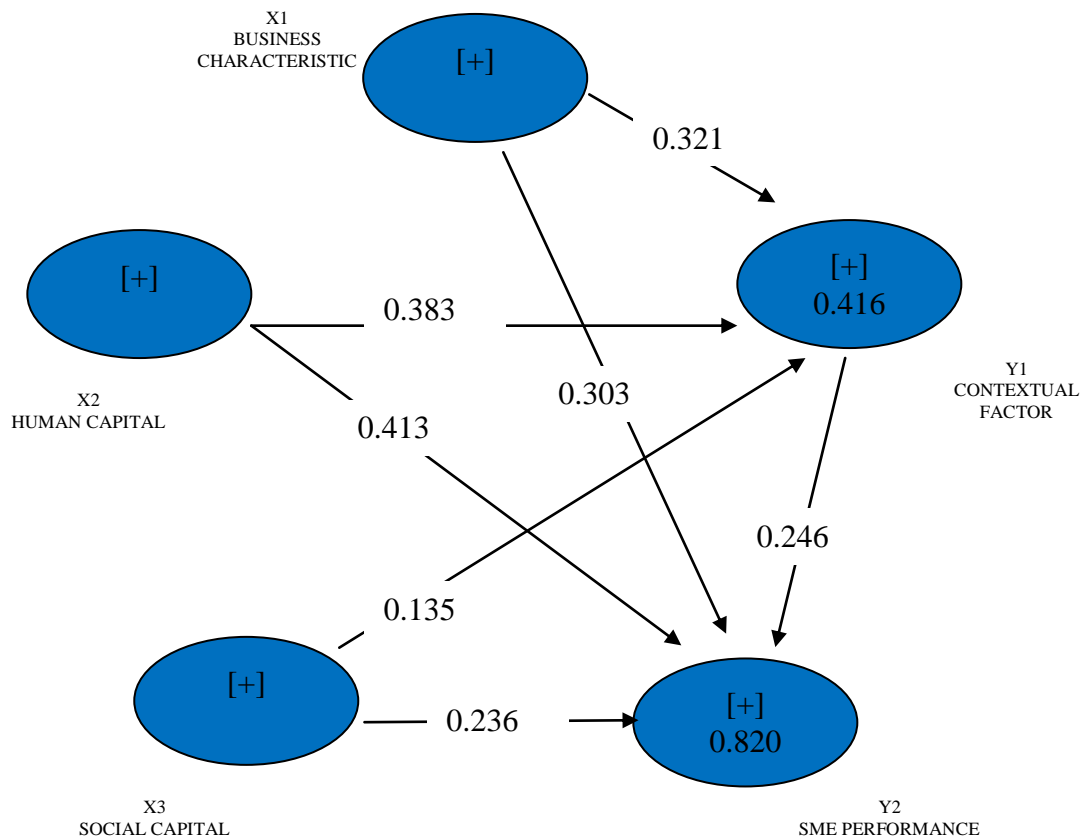


Figure 3. Inter Variable Relationship Path Coefficient

Based on Figure 3, it can be explained that the largest contextual factors are influenced by human capital of 0.383, then followed by variable variable business characteristics of 0.321, and finally by social capital of 0.135. The SME performance variable is most influenced by human capital of 0.413, then followed by the variable variable business characteristics of 0.303, then contextual factors of 0.246 and finally by social capital of 0.236.

3) Indirect Effects

Indirect influence is influence that is measured indirectly from one variable to another variable through intervening variables. The coefficient of indirect influence can be obtained from the results of the second direct influence of each variable. If both coefficients of direct influence show significant results, then the coefficient of indirect influence will also be significant. Conversely, if one or both coefficients of direct influence are not significant, then the coefficient of indirect influence is also not significant. In this study there is only one mediating variable, namely contextual factors. The role of contextual variables in mediating the influence of

business characteristics, human capital, social capital, and contextual factors on the performance of SMEs in Gianyar Regency is presented in Table 8.

Based on Table 8, it can be seen that contextual factors significantly play a role in mediating the influence of business characteristics and human capital on the performance of SMEs in Gianyar Regency. That is, with the higher quality of contextual factors, the influence of business characteristics and human capital on the performance of SMEs in Gianyar Regency is increasing. On the other hand contextual factors are unable to play a role in mediating the effect of social capital on the performance of SMEs in Gianyar Regency. This is because social capital does not directly influence contextual factors, although further contextual factors influence the performance of SMEs in Gianyar Regency.

Table 8. Exogenous Variable Indirect Effects on Endogenous Variables through Mediation Variables

Variable	Relation	Mediation	Original	Std. Dev.	T. Statistics	Sig	
X1	→	Y2	Y1	0.079	0.030	2.634	0.009
X2	→	Y2	Y1	0.094	0.030	3.131	0.002
X3	→	Y2	Y1	0.033	0.024	1.405	0.161

Annotation: X1 = business characteristic, X2 = human capital, X3 = social capital, Y1 = contextual factors, Y2 = SME performance

DISCUSSION OF RESULTS

Direct Effect of Business Characteristics on SME Contextual Factors in Gianyar Regency

The results of statistical analysis in this study indicate that the business characteristic variables have a positive and significant effect on contextual factors. This means that the better the quality of business characteristics, the better the quality factor for the quality of contextual factors. SMEs that have long been operating and have more workers who have a tendency to have better quality contextual factors. The contextual factors in question are marketing networks, access to capital, better use of information technology, government assistance, and business planning. Likewise, SMEs managed by managers who have a lot of experience, are more educated, and get more training tend to have better quality contextual factors.

This research is in accordance with the results of Gadenne, D, Sharma, B & Hede, A (2005) research, entitled "Key Management Factors, Contextual Factors And Business Performance: An Empirical Investigation of Their Relationship", that companies that are too small are less innovative and marketing is less extensive compared to larger or medium businesses.

Effect of Human Capital on SME Contextual Factors in Gianyar Regency

In this study found that human capital has a positive effect on contextual factors. That is, the better the quality of human capital owned by SMEs in Gianyar Regency, the better the contextual factors. The results of this study are in accordance with the opinion of Garry S. Becker (2009) winner of the Nobel Memorial Prize in the field of economics in 1992. According to him, humans as a source of factors of production are called human resources, which means wider than human capital. Increasing human capital can be done through school, computer training, health expenses, and lectures on virtues such as timeliness and honesty, and so on. The increase in the quality of human resources will be able to increase efforts to increase human productivity through increasing contextual factors, such as efforts to market more proactively, try to improve capital market access, use information technology, make business plans, and try to obtain various assistance both government and private.

The results of this study have similarities with the research of Novamauludi, (2009) who found a relationship between business attitudes and the success of ornamental flower traders in the Mekarsari Putra farmer group in Kampung Kancuh Desa Cihideung Village. Mental or attitude which is human capital that is owned by business managers, among others, professional, diligent, honest, innovative, never give up, dare to take risks, etc. turns out to be a positive relationship with the success of ornamental flower traders in Mekarsari Putra farmer group in Kampung Kancuh Desa Cihideung Village.

Direct Effects of Social Capital on SME Contextual Factors in Gianyar Regency

In this study the social capital variable although it has a positive effect on contextual factors, but does not significantly affect the contextual factors of SMEs in Gianyar Regency. Social capital in question is the existence of mutual trust between business actors and suppliers and employees and between business actors and their customers, supported by norms that are upheld in society, especially in business management, and the existence of well-established networks between business actors and suppliers and workers, as well as between business actors and their customers. In this study found the quality of social capital has no effect on the level of contextual factors. The existence of good social capital is expected to have an impact on contextual factors, which ultimately makes SMEs grow well. However, even though UKM has good quality of social capital, it does not guarantee that they have good quality contextual factors, such as having a wide marketing network, having easy access to capital, utilizing information technology, easy access to government assistance, and having business planning, easy to get government assistance, able to utilize information technology, and have business planning. Because the last two factor indicators are skills.

This study is slightly different from the results of Dasuni Nawinna's (2016) study that social capital contributes to the implementation of information technology and to other aspects of the organization, so that the organization can develop well. Likewise, research from Agus Eko Nugroho (2010) found that social capital has a significant influence on market segments, which is one of the contextual factors.

Direct Effect of Business Characteristics on the Going Concern of SMEs in Gianyar Regency

Business characteristics have a positive effect on the going concern of SMEs in Gianyar Regency. This can be interpreted that the origin of business, duration of operation, and scale of business together influence the viability of SMEs with indicators of sales volume, sales growth, and customer growth. Effect of business characteristics on the performance of SMEs in accordance with the opinion of Sukirno (2015). The scale of business can be seen from the number of workers employed, or also in terms of the amount of investment or capital, outside land and buildings. Because there are few accounting records owned by SMEs, so it is difficult to know the actual capital of SMEs, simply the scale of SMEs is only seen from the number of people employed. Addition of the use of labor in SMEs is generally due to the increase in production, the scale of business is increasingly increasing resulting in more efficient so it is more profitable.

The influence of business characteristics on the going concern of SMEs in accordance with the results of the opinions expressed by Kristiansen, Furuholt, and Wahid (2003). Companies that have long operated have more experience than new companies.

Direct Influence of Human Capital on the Going Concern of SMEs in Gianyar Regency

The results of statistical analysis of human capital have a positive effect on the going concern of SMEs in Gianyar Regency. Human capital with indicators of manager's age, experience, education, and training obtained together influences the going concern of SMEs with indicators of sales volume, sales growth, and customer growth.

Labor productivity will increase if they obtain education, both formal and informal. Education will open the horizons of thinking so that they have higher aspirations. Education can also open up more opportunities because it is possible to make various choices. Similarly, education can increase a person's absorption of progress and modernization, such as the ability to use seeds, fertilizers, and the use of technology, as well as the choice of using drugs. In essence, education will increase labor productivity. Non-formal education can also increase worker productivity. Training or "training" will improve their skills or "skills" especially hard-skills

(hard-skills) and soft skills. That is also why training needs to be given continuously after they have finished formal education. Through training can be given the latest information and the latest developments needed to increase productivity. This finding is also in accordance with the results of the study of Primadona (2015) which states that human capital is able to become one of the capital that plays a role in entrepreneurship.

Direct Effect of Social Capital on the Going Concern of SMEs in Gianyar Regency

Social capital has a positive effect on the going concern of SMEs in Gianyar District. The construct of social capital with indicators of trust, norms and networks together towards the construct of the going concern of SMEs with indicators of sales volume, sales growth, and customer growth.

The influence of social capital on the going concern of SMEs is supported by Subroto's (2015) research on garment sector MSMEs in Klaten Regency, which states that there is a positive and significant influence between social capital on the performance of garment SMEs in Klaten Regency. This study also supports the Lukiasuti (2012) research at the Batik SME centers in Sragen, Central Java, which states that business commitment that can be seen as social capital has a significant effect on the business performance of batik SMEs in Sragen.

This finding is in accordance with the results of the study by Primadona (2015) which states that social capital is combined with human capital so that both of these capital can play a role in entrepreneurial success. The study also supports the research conducted by Durojaiye et al. (2013) on the food trade business in Southwestern Nigeria, which states that social capital has a positive and significant effect on the increase in profits of food sales in Nigeria.

Direct Effects of Contextual Factors on the Going Concern of SMEs in Gianyar Regency

Statistically the contextual factors towards the going concern of SMEs in Gianyar Regency. It can be explained that the increase in contextual factors with indicators The contextual factors in question are marketing networks, access to capital, better use of information technology, the presence of government assistance, and the ownership of business planning together to influence the going concern of SMEs.

The positive influence of contextual factors on the going concern of SMEs in Gianyar Regency is supported by Saleh's (1986) income, which says that most SMEs in Indonesia traditionally market their products, namely waiting for buyers. With the tight competition, SMEs should anticipate it by developing markets proactively. The existence of a new market will affect sales growth in SMEs.

The results of this study were also supported by the results of research by Rizki Masyita Sari and Syarif Hanoum (2012) which concluded that the application of technology, especially the internet, could improve the performance of SMEs. Lack of technology, including information technology that is owned or applied by SMEs will hinder its development. Likewise, the ease of access to capital causes the going concern of SMEs to increase. Lack of capital in SMEs will cause delays in production and innovation, which in turn have an impact on business success (Swuerczek and Ha, 2003). Having a business plan can improve the performance of SMEs. The business plan or business plan can show the direction of business activities and development. The research of Trisninawati and Irwan Septhayuda (2012) states that SMEs that have a business plan in business development have a significant influence on business growth.

Another indicator of contextual factors is government assistance. Some government assistance for example in terms of increasing capacity (capacity building) training improves management, operational, financial assistance, and so on. The more assistance or support from the government, the more MSMEs are progressing or developing (Christimulia, 2014).

One of the contextual factors is the application of information technology. This study is in accordance with the results of Dasuni Nawinna (2016) study that the implementation of information technology in an organization causes the organization to develop well.

CONCLUSIONS

Based on the processed results and the discussion can be drawn some conclusions as follows.

- 1) Variable business characteristics, and human capital have a positive and significant effect on contextual factors. This means that the better the quality of business characteristics, and human capital, the better the quality factor of the contextual factors. On the other hand, the social capital variable, although it has a positive effect on contextual factors, is not significant. This is because social capital is well known to all levels of Balinese society, but the variation does not significantly affect the variation of contextual factors.
- 2) Variable business characteristics, human capital, social capital, and contextual factors have a positive and significant effect on the performance of SMEs in Gianyar Regency. This means that the better the quality of business characteristics, human capital, social capital, and contextual factors, the better the performance of SMEs in Gianyar Regency.
- 3) Contextual factors significantly play a role in mediating the influence of business characteristics and human capital on the performance of SMEs in Gianyar Regency, but on the other hand contextual factors cannot play a role in mediating the effect of social capital on the performance of SMEs in Gianyar Regency. This is because social capital

does not significantly influence the variation of contextual factors, so that the mediating role is significantly absent.

SUGGESTIONS

Based on observations, it is known that there are still many SME managers in Gianyar Regency who have never received training, both in the field of production engineering and in the fields of management, as well as the use of information technology. With the development of technology, as well as changes in demand from consumers and patterns of competition, especially for woodcraft businesses, it is deemed necessary to intensify training for SME business actors in the field of business management, as well as the use of information technology to improve performance.

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