

## The Impact of Business Mentoring on Micro, Small, Medium Enterprises Performance

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### Abstract

This research is conducted on MMSME (Micro Small Medium Enterprises) that are participated in the MMSME Syari'ah Mentoring Program by Academicians and Practitioners (PUSPA) organized by Bank Indonesia in Bandung. MMSME who participated in PUSPA program 2016 is MMSME that included in necessity entrepreneur where MMSME operated just to fulfill the life necessities. The purpose of this research was to investigate the influence of the business mentoring on the MMSME performance in PUSPA program 2016. Researcher used quantitative research method. Data were analyzed using simple regression analysis and descriptive-causal analysis. The result showed that business mentoring affect the performance of MMSME that participated in PUSPA Program 2016. Based on the calculation, coefficient of determination (R<sup>2</sup>) can be seen the influence of business mentoring variable (X) on the performance (Y) is 74%. While the remaining 26% is influenced by other factors such as entrepreneurship competence and human resources.

**Keywords:** *Entrepreneurship; Business Mentoring; Performance*



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### INTRODUCTION

Micro, small, and medium enterprises (MSMEs) now have an important role in driving the growth of Indonesian economy. Thanks to MSME sector, unemployment—as a result of the labor forces which are not absorbed in the world of work—is reduced.

According to Ciputra the majority of MSMEs in Indonesia is a type of necessity entrepreneurs, which means someone who become entrepreneurs out of necessity to make ends meet. The MMSMEs are also included in the Grass-root or the lower class that has many limitations in terms of material and non material that needs to be assisted in starting new businesses.

MSMEs in Indonesia requires hard work to pour the creativity of its products in order to compete in the business world. However, if the condition of the field, many of them able to compete and do not thrive or even folded. Based on the interview (September, 2016) with some MSMEs, the difficulties faced by MSMEs is the erratic or volatile income of MSMEs, they also tend to have no improvement. This difficulties are influenced by the habits of MSMEs in which the can not separate personal finances and business finances so that the business is not developing due to the lack of investment by revenues. MSMEs often lack of capital to gains of revenue that can be use provide day to day needs.. MSMEs also do not keep records of their financial affairs so it is difficult to see the turnover and profit they earn. In addition, MSMEs is not fully consistent with their business, they do not sell regularly and business management is still very modest. Parameters or the success of MSMEs can be seen from different points of view as intended by Meredith and Siropolis in Mulyaningsih *et al* (2008), which measure that business performance can be seen from the perspective of quantitative and qualitative.

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Based on the background described above, the formulation of the problem in this research are:

1. How does the business mentoring program MSMEs PUSPA 2016?
2. How is the performance of MSMEs in PUSPA program in 2016?
3. What is the effect on the performance of business mentoring MSMEs Reviewed PUSPA program in 2016?

This study aims to identify and analyze:

1. Knowing the business assistance program MSMEs PUSPA 2016
2. Know the performance of MSMEs in the program in 2016 PUSPA
3. Knowing the business mentoring influence on the performance of MSMEs the program PUSPA 2016

## **LITERATURE REVIEW**

### **Entrepreneurship Definition**

According to Suryana (2006: 18) entrepreneurship is a dynamic process to create added value for goods and services or the ability to create something new and different by entrepreneurs who have the courage to bear the risk, devote time and effort as well as provide a variety of goods and services which then produces money and the satisfaction and personal freedom.

Entrepreneurship can also be interpreted as a mental attitude and the nature of the soul is always actively seeking to improve their work in the sense of increasing the income (Alma, 2007:1).

Buchari Alma concluded that an entrepreneur is an entrepreneur who in addition is able to engage in general and trade in particular economics of appropriate (appropriate and useful, effective and efficient) also independent spiritual and physical character and virtuous. The ideal of an entrepreneur is a person who thinks in a state of emergency, however, still be able to help him get out of the difficulties it faces, including overcoming poverty without help from the government or social agencies. And in normal circumstances (not emergency) an entrepreneur is able to make himself forward, rich, successful spiritual and physical (Lambing and Kuehl, 1999).

### **Concept Business Mentoring**

Business mentoring is a process of helping ordinary people in order to improve society through collective action (Twelvetrees, 1991: 1). Mentoring can be devoted to caring for a group of people who really need to be accompanied due to various shortcomings and weaknesses that exist in this society groups such as the poor or needy. This poor community assistance can be referred to the Social Assistance.

Social assistance is crucial success poverty reduction programs. Referring to Ite (1995), the role of chaperone generally includes three main roles, namely: facilitators, educators, community representatives, and technical roles for the poor that they accompany.

According to Parsons, Jorgensen and Hernandez (1994), there are some guiding role of social workers in social, namely as: facilitator, broker, mediator, advocate and protector for the assisted communities.

The author makes measuring the success of mentoring work done by students companion of MSMEs that aim to empower communities by translating the respective roles of the companion in the form of a questionnaire. The process of empowerment used in this study is that the form of assistance in

the field due to the factual conditions which indicate that during the MSMEs have soft skills and hard skills were inadequate. The process is to stimulate, encourage and motivate.

### **Business Performance Concept**

Performance can be interpreted as the results achieved by a person under the measure applies to the work concerned. Business performance in the small business has two objectives are targeted financial and non-financial, that measure performance based on the balance between the two. Entrepreneurs have two kinds of goals: Financial Goals (Such as Return on Sales and return On Investment), and non-financial Goals (such as Psychic Satisfaction and total Quality Management). Entrepreneur should, of course, reviews these goals in measuring their ventures' performance.

Parameters or measures of performance or the success of MSMEs can be seen from different points of view as intended by Meredith and Siropolis, which measure business performance can be seen from the perspective of quantitative and qualitative.

Quantitative assesMSMEnt in this study refers to the performance parameters set by Bank Indonesia as the originator of PUSPA program are:

1. An increase and earnings growth relative to each MSMEs which was asissted
2. An increase in the amount of turnover in MSMEs which was asissted

This quantitative assesment will be seen from the monthly report of the development of MSMEs coupled with qualitative assesment which refers the knowledge and ability of MSMEs regarding:

3. Simple bookkeeping.
4. Management of production, operation, and marketing is simple.
5. Increased motivation and confidence.
6. The procedure to get funding for venture capital

## **METHODOLOGY**

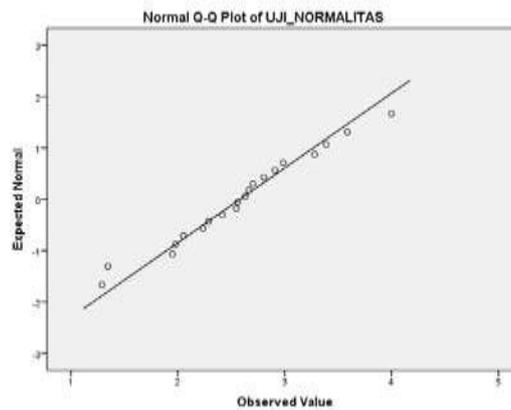
### **Hypothesis**

The hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems has been expressed in the form of a question. Hypothesis is said to be temporary, because new answers given are based on the relevant theory, not based on empirical facts obtained through data collection. So the hypothesis can also be expressed as a theoretical answer to the formula research problem, not the answer empirically [9]. In accordance with the formulation of the problem then the hypothesis of the research is as follows: "Mentoring effort on the performance of MSMEs"

The population in this study are all MSMEs in the program PUSPA 2016. Samples in this study is the entire population. The sampling technique used is non-probability sampling. The technique selected in a non-probability sampling is saturated sampling.

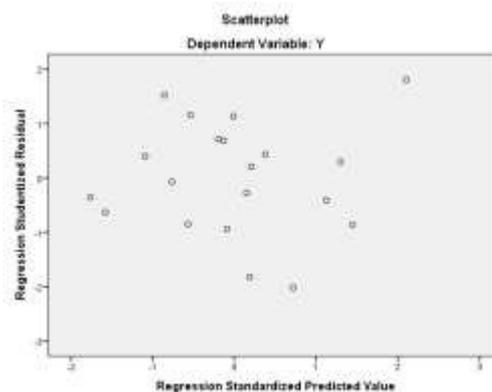
This research will use regression analysis with normality test, multicollinearity test and heteroscedasticity test done beforehand.

## RESULT AND DISCUSSION



**Figure 1. P-Plot Normality Test**

Model of Business mentoring (variable x) has value of tolerance 1,000 and VIF 1,000 with business performance as variable Y.



**Figure 2. Heteroskedasticity Test**

### Linear Regression Test

Based on the obtained data processing result of the constant and the regression coefficients can be formed so that a simple linear regression equation as follows:

$$Y = -0,024 + 0,943X$$

$$\alpha = -0,024.$$

This shows that the constant value if the variable business assistance = 0, then the business performance remains at -0,024.

$$\beta = 0.943.$$

This shows that the business mentoring variable (X) positive effect on the performance of the business (Y) MSMEs PUSPA participants in the program in 2016 if business assistance variable is increased by one unit, then the performance of the business will increase by 0,999

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.024	.344		-.070	.945
Business mentoring (X)	.943	.132	.860	7.150	.000

a. Dependent Variable: Business Performance (Y)

**Table 1. Linear Regression Test Result**

### T Test Result

Partial results of hypothesis testing (t test) on a business mentoring variable (X):

Ho: Business mentoring does not affect the performance of MSMEs

Ha: Business mentoring affects the performance of MSMEs

Business mentoring variable (X) has a value of t is greater than t table because t value (7.150) > t table (0.444) and the level of significance,  $000 < 0.05$ , then Ho is rejected and Ha accepted. It can be concluded that there is the influence of business assistance variable (X) on the performance of MSMEs (Y) program participants PUSPA 2016 partial test calculation results can be seen in the following table:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.024	.344		-.070	.945
Business mentoring (X)	.943	.132	.860	7.150	.000

a. Dependent Variable: Business Performance (Y)

The coefficient of determination (R<sup>2</sup>) is used to see how big the contribution of the independent variable (X), that is business assistance, to the dependent variable (Y), that is performance of the business. Based on the results of determination coefficient analysis showed that the influence of business assistance variable (X) on the business performance variable (Y) is approximately 74%. While the remaining 26% are influenced by other factors such as human resources and entrepreneurial competence possessed by the business owners.

Based on the results of research and descriptive analysis, business assistance variable (X) overall in the category of "fair". In the variable business assistance that gets the highest score is a statement of "In Doing Business, a companion always helping to find a market or creating a market (market) for goods and services produced by" and "in running the business, co-drive the implementation of tasks and business processes" with a percentage by 76% and in the category of "good". This shows that MSMEs in

2016 PUSPA program participants felt helped in the implementation process of its business after business mentoring. Statements that received the lowest score in the category of "enough" is the claim of "doing business, companion gives examples and facilitate joint problem solving" and "in running the business, a companion to help find alternative solutions when there is a problem" with a percentage of 57%. This shows that MSMEs have not been able to facilitate companion or provide solutions related to the problems faced by both.

Based on the results of research and descriptive analysis, business performance variable (Y) according to the respondents as a whole into the category of "Good". In the variable performance of businesses that received the highest score is a statement about the "level of satisfaction as MSMEs in improving the ability of business during the mentoring programs PUSPA" and "Mentoring provides a great effect and positive for the MSMEs in the program PUSPA" with a percentage of 67% and in the category of "fair". This shows that MSMEs participants in the program in 2016 PUSPA get benefits and positive results of mentoring is done, one of which is by increasing the skills of the MSMEs. Statements that received the lowest score in the category of "enough" is the claim of "the satisfaction level will increase average revenue per month of MSMEs assisted during PUSPA program" with a percentage of 64%. This shows that the business mentoring does not significantly influence the income earned MSMEs.

Business mentoring affect the performance of MSME participants PUSPA program in 2016. Based on the calculation of the coefficient of determination ( $R^2$ ) can be seen the influence of business assistance variable (X) on the performance of the business (Y) is approximately 74%. While the remaining 26% are influenced by other factors such as human resources and entrepreneurial competence.

## **CONCLUSION**

The study presented here focus on the relationship between mentoring and business performance of MSMEs. This study focus on MSMEs who participate in PUSPA program that was organized by Bank of Indonesia in 2016. Researchers expected that the mentoring program would significantly affect performance of the participating MSMEs. The result of this study shows that business mentoring have significant effect to performance of MSMEs. Moreover, the result shows that business assistance affect business performance by approximately 74%. This means that in general business assistance is fairly important for MSMEs so that they their business performance can be increased. It is, of course, is also important not to neglect the other factors such as human resources and their entrepreneurial competences.

Researchers argue that base on this study we can conclude that it is important for stakeholders such as government to provide business assistance and mentoring for MSMEs in Indonesia so that the can increase their business performance. In the end, it can help their business to grow and finally help the economy of the nation.

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