

Effect of Risk Control as Moderator of Relationship Between Government Support, Training, Digital Marketing, Financial Capital and Performance of SMEs in Indonesia

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Abstract

This research focus on effect of risk control as moderator of relationship between government support, training, digital marketing, financial capital and performance of SMEs in Indonesia. The purpose of the research is to determine the effect of risk control on performance of SMEs in Indonesia. The respondent in this research were all SMEs players in Medan, North Sumatera Province, Indonesia. The data self-collected, using quantitative based-study. Data will be collect by surveyed questionnaire and be analyzed by using Structural Equation Model (SEM) Amos. Three hundred respondents of people who become SMEs players in Medan, Indonesia. The methode instrument was using questionnaires and made up of seven variables, where four were exogenous variables, one was moderating and one was endogenous variable. By using confirmatory factor analysis (CFA), it is found that each variable has strong correlation. it can be concluded that risk control has positive significant effect as moderator between government support, training, digital marketing, financial capital and performance of SMEs.

Keywords: Risk Control, Government Support, Training, Digital Marketing, Financial Capital, Performance of SMEs

1. Introduction

Small and Medium Enterprises are motor of economic in developing and developed countries. These enterprise account almost above ninety percent of all enterprises, supply more vocation chances, and being assertion as a thing to mitigate destitution. Competition in today's business world is increasingly tight. This is experienced not only by big enterprises but also small enterprises. Small and Medium Enterprises are the most dynamic businesses and the most vulnerable in the global economy. Small and Medium Scale Enterprises (SMEs) are

recognized as the driving force for developed and developing countries across the globe for playing important role in economic growth and sustainable development (Ariyo, 2005).

SMEs occupy or contain a place of pride in virtually every country or state. Because of their significant roles in the growth and development of various economies, they have aptly been regarded as “the engine of growth” and “catalysts for socio-economic transformation of any country”. SMEs serve as a veritable vehicle for the achievement of national economic objectives for poverty reduction at low investment cost and employment generation as well as development of entrepreneurial capabilities, which include indigenous technology. In same vein intrinsic benefits of vibrant and healthy SMEs include access to infrastructural facilities occasioned by the present or existence of such SMEs in their surroundings, and the stimulation of economic activities which include suppliers of several items and distributive trades for items produced or required by SMEs, stemming from rural-urban migration, and also enhancement or strengthening of standard of living of employees or workers of the SMEs and their dependents as well as those that are directly or indirectly related to them (Onugu, B. A. N, 2005).

Indonesia as one of the countries in Asia also feels the benefits derived from the development of small and medium enterprises. Minister of Cooperatives and Small and Medium Enterprises (Menkop, dan UKM); A.A.G.N Prayoga, (2018), said that SMEs is one of the supporting growth of economic in Indonesia. It must be realized that the existence of Small and Medium Enterprises as an integral part of national development could not be ignored. Small and Medium Enterprises currently represent more than ninety-percent of Indonesia's business and accounted for fifty-seven-percent of the Gross Domestic Product (GDP) of Indonesia. In Indonesia, the government put its attention in the Small and Medium Enterprises development by including it in key government document, such as five year plans (Repelita), the Government Policy Broad Outlines (GBHN/Garis-garis Besar Haluan Negara), and many other official statements.

Regarding to Berry-Rodriguez and Sandee, (2001), if compared between small and medium enterprises with big enterprises, Small and Medium Enterprises was found to better cope with the crisis, although many Small and Medium Enterprises are experiencing difficulties too in crisis. Small and Medium Enterprises are considered to be able to respond more quickly and flexibly to environmental conditions or external change frequently than big enterprises.

Risk is a condition that occurs due to uncertainty. In the small and medium enterprises, something that is uncertain is very vulnerable to occur, so that SMEs players will think about how to control the risk properly in order to have benefits in the future. In controlling risks, it is important for SMEs players to implement Risk Control first. Hery (2015) in his book explained that Risk Control is a systematic and sustainable process that was designed for small and medium enterprises and carried out by controlling in order to provide adequate confidence that all potential risks that have a negative impact have been control in accordance with the level of risk that the SMEs players are willing to take.

2. Literature Review

Prahalad, (2004) said government involvement is crucial to the success of the entrepreneurs. Which is determined by some important variable. They are Capital assistance facilities from government, availability of IT tools facilities from government, reducing the regulatory burden on entrepreneurs and access networks from government. All these variables are need for entrepreneurs to increase the small and medium enterprise performance.

According to Alois Wisnuhardana (2016), starting the entrepreneurial activity of successful entrepreneurs involves training, which determined by the existential train by the success business players. This training used to be resulting of unbalanced profit and lost in doing business. As a result we can identify which was need to do or not to do in doing a business to become successful entrepreneurs.

According to Dwi Nova Syafitri (2017), Current technological developments that lead to the digital world have made the digital marketing business increasingly accepted and began to have its own market share. Digital Marketing in business is currently showing a positive trend and continues to increase significantly. Digital marketing efforts are preferred by business player rather than conventional marketing. Digital marketing system is more able to reach consumers in relevant and timely manner and directly to the people who will need the products.

Langlois and Cosgel (1993), make a distinction between risk and uncertainty, where uncertainty is a factor that is uncontrollable, while risk is fully computable. He argues that the role of an entrepreneur is handling this factor of uncertainty, which is not computable. This requires a person who takes on the responsibility of the decisions, which entails taking the consequences for the uncertainty that comes with the particular situation.

2.1 Risk Management Theory

Richard Branson (2017) described the entrepreneur as, among other things, a risk bearer. The entrepreneurs take a lot of calculated risk, but the entrepreneurs make sure that no one risk is going to topple everything. Protecting the downside is critical. Richard Branson (2017) said that “One of the first big deals I did was buying a secondhand 747 from Boeing”. He was going from a record company to the airline business, so the key thing in that deal was that if it didn’t work out, he could hand the 747 back to Boeing after the first year. It wasn’t going to bankrupt our record company or the other things we’d started.

Recent research by Caliendo, Fossen, and Kritikos (2010) found that risk management and risk attitudes can prolong the survival of an entrepreneur. And, Fairlie and Holleran (2012) found evidence to suggest that risk tolerance predisposed people to benefit more from entrepreneurship training. The common intuition that the entrepreneur has an atypical appetite for risk, however, has received mixed support. Stewart and Roth (2001), meta-analyzed over 20 years of research on general risk-taking attitudes of entrepreneurs are finding that they have a higher risk propensity than managers.

2.2. Hypotheses

On this field study, there were four hypotheses tested, denoted as H_{1a} to H_{1d}, and the hypotheses listed as in Table 1 below.

Table 1: List of Hypotheses

	Hypothesis
H _{1a}	Risk control moderate the effect of relationship between government support and performance of SMEs
H _{1b}	Risk control moderate the effect of relationship between training and performance of SMEs
H _{1c}	Risk control moderate the effect of relationship between digital marketing and performance of SMEs
H _{1d}	Risk control moderate the effect of relationship between financial capital and performance of SMEs

3. Research Methods

Based on previous research by Dede, (2017), but it should be advantage by adding risk control as moderator. On this field study was conducted to determine the effect of risk control as moderator of relationship between government support, training, digital marketing, financial capital and performance of SMEs in Indonesia. The questionnaires were three hundred questionnaires which were delivered in people who become SMEs players in Medan, Indonesia as the respondents. All the data were analyze by using SEM Amos (P. Ghazali et al, 2012).

As the field study was completed, the responds then entered into Structural Equation Model (SEM) version 21. The measurement model demonstrates the causal relationship between the measuring items and their underlying latent constructs, which is the first stage in conducting SEM. The measurement model of a construct allows the researcher to evaluate how well the observed variable is combined to measure the underlying hypothesized contrasts through the assessment of model fit (Weston, R. and Gore, P. A. Jr, 2006; P. Ghazali et al, 2017). The finding of the field study is present in result part of this article.

4. Results and Discussion

4.1 Structural Model

The structural model demonstrates the theorized inter-relationships among the constructs in this study. The structural model for analysis using SEM. The normal practice is to assemble the constructs from left to right. The exogenous constructs of this study were assembled on the left and on the top right. The moderator

constructs of this study were assembled on the middle right while the endogenous constructs were on the far bottom right. (P. Ghazali et al, 2012).

The arrow to link the constructs is determined by the direction of the hypothesis. The single-headed arrow is used to test the causal effects while the double-headed arrow is used to test the correlation effect among constructs. From this point, the hypothesis testing was carried out to assess the hypothesized relationships between the constructs in the model simultaneously.

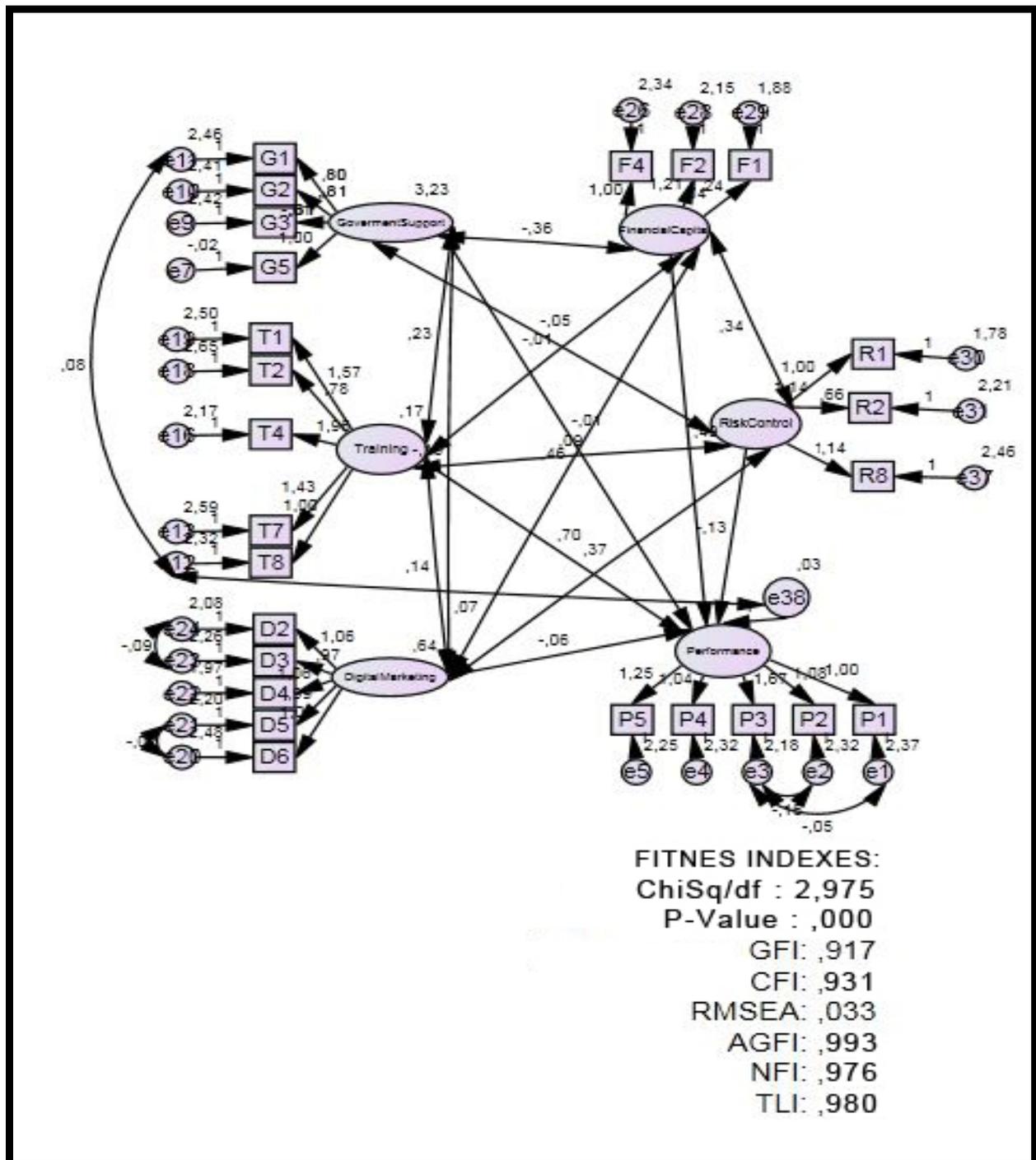


Figure 1: The Standardized Path Coefficients for the Model

Table 2: The Standardized Path Coefficients for the Model

Constructs	Path	Constructs	Estimate
Performance of SMEs	<---	Government Support	.268
Performance of SMEs	<---	Training	.221
Performance of SMEs	<---	Digital Marketing	.160
Performance of SMEs	<---	Financial Capital	.490
Performance of SMEs	<---	Risk Control	.127
F4	<---	Financial Capital	.599
F2	<---	Financial Capital	.886
F1	<---	Financial Capital	.799
R8	<---	Risk Control	.902
R2	<---	Risk Control	.602
R1	<---	Risk Control	.702
P1	<---	Performance of SMEs	.821
P2	<---	Performance of SMEs	.809
P3	<---	Performance of SMEs	.795
P4	<---	Performance of SMEs	.730
T8	<---	Training	.820
T7	<---	Training	.718
T4	<---	Training	.840
T2	<---	Training	.641
T1	<---	Training	.849
D6	<---	Training	.738
D5	<---	Training	.762
D4	<---	Training	.744
D3	<---	Training	.724
D2	<---	Training	.710
G5	<---	Government Support	.599
G3	<---	Government Support	.886

G2	<---	Government Support	.799
G1	<---	Government Support	.669
P5	<---	Performance of SMEs	.715

The result in table 2 indicates that when government support goes up by 1 standard deviation, performance of SMEs goes up by 0.268 of standard deviation; training, digital marketing, financial capital and risk control remain constant. When training goes up by 1 standard deviation, performance of SMEs goes up by 0.221 of standard deviation, government support, digital marketing, financial capital and risk control remain constant. When digital marketing goes up by 1 standard deviation, performance of SMEs goes up by 0.160 of standard deviation, government support, training, financial capital and risk control remain constant. When financial capital goes up by 1 standard deviation, performance of SMEs goes up by 0.490 of standard deviation, government support, training, digital marketing, and risk control remain constant. and also when risk control goes up by 1 standard deviation, performance of SMEs goes up by 0.127 of standard deviation, government support, training, digital marketing and financial capital remain constants (P. Ghazali et al, 2017).

5. Conclusion

From the structural model and multiple regression analysis and standardized path coefficients for the model, It shown that each variable has strong correlation. it can be concluded that risk control as moderator of relationship between government support, training, digital marketing, financial capital and performance of SMEs have a positive and significant effect (Dede. A. Guci, et al, 2018)

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