

# The Influences of Business Ability and Business Capital on Creativity of Medium and Small Industries in Jambi Province

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**Abstract**— Currently Small and Medium Industries still have obstacles in increasing their existence including low of business ability , difficult access to find capital of business and not quickly following developments in science and technology, making it difficult to grow creativity in Small and Medium Industries. The purpose of this study was to determine the creativity of Small and Medium Industries in terms of Business ability, Business Capital and Institutional and to know strong or weak it of institutions as moderating variables on the influence of business ability and business capital on the creativity of Small and Medium Industries in Jambi Province. Sampling techniques for locations and respondents by purposive sampling, selected by the researchers themselves for the location of selected 7 (seven) districts / cities in Jambi Province and 200 Small and Medium Industries represented by the manager (manager). The method of analysis uses qualitative descriptive analysis and perivicative analysis. The result of research descriptively small and Medium industries of performance have not yet fully led to creativitias create, business capabilities to produce products that have not been good, need cooperation to accommodate the production. Small and Medium Industries still do not lead to product quality. Government and higher education programs have not maximally helped develop Small and Medium Enterprises. The financing system obtained from the government is still very bad in effort to grow Small and Medium Industries be creative Small and Medium Industries. The results of the perivicative research show that The results of the perivicative research show that (1) the effect institutional as moderation variable weaken the effect of business ability on creativity rather than the direct influence of business ability on creativity, (2) the effects of institutional as moderation variable strengthen the influence of business capital on creativity. Compared to the direct influence of business capital on creativity.

**Keywords:** *business ability, business capital, institutional and creativity of IKM*

## I. INTRODUCTION

Creativity is an idea that arises from someone to create change. Creativity arises from the learning process, experience, and surveys that encourage the emergence of ideas to make changes. Creativity is the basis of successful entrepreneurship [1]. The emergence of entrepreneurs who have creativity or creative entrepreneurs because they are led by their own ideas. Emergence of creativity in business of the world, especially in the employee of environment, requires of support the ability to business manage, institutional support in this case the government, the existence of financing and technology that is right on target. Support of Business's of ability is illustrated through management's ability to influence employees to be creative. Research of Ayob, Rohaida and Zainal [2] the results of the study found that the ability of managers to encourage and empower employees will increase employee creativity. Different things in the results of the Rosnipa [3] study conducted in Jambi city the ability of the business through the ability of managers influence the creativity of employees but have a negative relationship, meaning that when leadership creativity is good then employee creativity decreases and vice versa.

The process of the emergence of creativity is closely related to business capital which is the average problem of Small and Medium Industries in developing businesses. The Problems of SMIs not yet wired banks are still a common problem, supported by the inability of Small and Medium Industries to obtain financing to provide compensation. Research Harash, Al-Tamimi, Alsaadi [4] found that businessman that cannot receive financing from financial institutions in this case are banks, due to the inability to provide compensation, this has an impact on the growth of SMIs and has hampered the process of building SMIs creativity. The results of Rosnipa's research [3] study conducted in Jambi City found that the ability of the industry through the ability of managers has not been able to build employee creativity, because it has a negative effect.

Different with the results of research Ayob, Rohaida and Zainal [2] the results of the study found that the ability of managers to encourage and empower employees will increase employee creativity. So this study sees that business of ability through managerial of ability and the ability of business capital with institutions as a variable that strengthens or weakens (functions as a moderator variable) whether it will influence the process of building employee creativity. Previous research has not discussed the strong or weak role of institutions in this case the government supports business of ability and business capital

While the current SMI needs government support to improve its competitiveness through increased competency and business of capital. Many community empowerment programs have been given by the government to improve the performance of SMIs. For this reason, this research will see whether through institutions (government) will increase the creativity of SMIs, so that business capabilities will be better and financing will be easier and able to use technology.

Based on the findings of previous research and the current state of the SMI, the purpose of this study is to find out: (1) An overview of business of ability, business of capital, institutional and creativity of IKM in Jambi Province. (2) moderation effect of institutional on the influence business of ability on creativity (3) moderation effect of institutional on the influence business of capital on creativity

i. Institutional as Variable of Moderation at The Influences of Business Ability on Creativity

Innovative products are generated from creativity. SMIs that works with creativity produces innovative products, impacting on competitiveness as indicated by the high level of sales not only domestically and even abroad. Ability of business to produce different products such as design, diversity and quality, for that requires leadership skills to building of idea in order to employees's of creative. The results of Rosnipa's research [3] study conducted in Jambi City found that business capabilities through the ability of managers have not been able to build employee creativity because found there were negative influences between ability of business and creativity. In contrast to the results of Ayob's research, Rohaida and Zainal [2] the results of the study found that the ability of managers to encourage and empower employees will increase employee creativity ( influence positive)

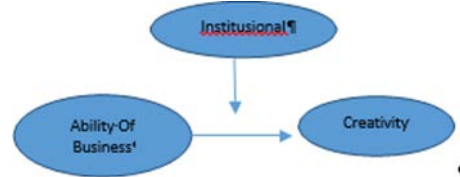
George and Zhou [5] and Ibrahim, Isa and Shahbudin [6] state that the ability of superiors to provide a supportive atmosphere of creativity, and a positive high mood, even a negative mood has a strong positive relationship with employee creativity. This means that employee creativity is influenced

by the ability of the business in this case controlled by the leader to foster employee creative ideas. Ozaralli's research [7] explains that leadership ability through empowerment has a positive effect on employee creativity. The role of the government fosters creativity IKM through good management training, so that the ability to manage businesses is getting better and creativity grows in Small and Medium Industries. Weerasiri, Zhengang and Parerea [1] research proves that the lack of development of SMEs in Sri Lanka is due to lack of government support to support business innovation, Furthermore, this study proves that the role of institutions (government) when interacting with ability of business will strengthen the creativity of SMEs, so the first hypothesis is

H0 = The interaction between business ability and government increases the creativity of Small and Medium Industries

H1 = Interaction between business ability and government does not increase reativity

Small and Medium Industries



The matic-matic model is as follows

$$KR = \alpha + \beta_1 KU + \beta_2 KL + \beta_3 KU * KL + e$$

Information

$$KR = Creativity \quad \alpha = constant$$

$$KU = Ability of Business$$

$$KL = Institutional$$

$$KU * KL = interaction of business ability and institutional$$

ii. Institutional as Variable of Moderation at The Influences of Business Capital on Creativity

Capital is still the main obstacle to entrepreneurship to develop its business towards industrial creativity. Financing to build industrial creativity through employee creativity including the emphasis on learning processes that require costs, financing

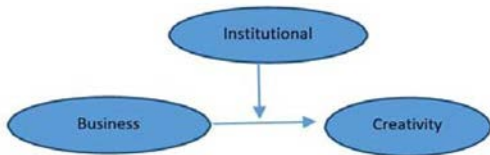
in the form of incentives to motivate employees and costs to keep up with technological developments so that employees are productive and think creatively. The results of Charness and Grieco's [8] study found that financing in the form of incentives influences employee creativity, through incentives provided that can foster employee creativity.

Becchetti and Trovato's Research [9] Financing obtained from external capital provided by the government in the manufacturing industry in Italy has an effect on the growth of the company. But to get financing through loans is still difficult. SME growth is hampered due to the inability to access funds from financial institutions as a result of the strict policies required by banks and other financial institutions [10].

Lack of access to financial institutions is an obstacle to the development of Small and Medium Industries [11]. then entrepreneur of uses other financing alternatives such as microfinance institutions that carry out saving and loan activities [12]. Different with result of research Kladiola [13] SMEs are more dependent on the use of external funds (loans from banks).

Debt used for business development if managed properly will have an effect on business growth. In accordance with results of research Becchetti and Trovato [9]. Research Funding obtained from external capital provided by the government in the manufacturing industry in Italy has an effect on the growth of the company. Therefore the institutional role as a moderating variable in the study is different from that of Becchetti and Trovato [9]. Institution as a moderating variable in the form of a government program to develop Small and Medium Industries in the form of emphasis on the learning process will reduce the type of financing (reduce business capital expenditures) that will be issued by Small and Medium Industries, so entrepreneur of feel receive financial assistance from the government to improve business of ability in creating creativity . For this reason the second hypothesis of this study is:

The path diagram model is as follows:



The matis-matic model as follows

$$KR = \alpha + \beta_1 PB + \beta_2 KL + \beta_3 PB * KL + e$$

Information

KR = Creativity

- $\alpha$  = constant
- MU = Business Capital
- KL = Institutional
- PB \* KL = Interaction of business capital and

**II. RESEARCH METHODS**

The research variable consisted of independent variables namely business ability and business capital. Institutional functions as a moderating variable that strengthens or weakens the influence of independent variables on the dependent variable. The dependent variable is the creativity of IKM.

The instruments of this study are business capabilities with technical Skill indicators, Human Skill and Conceptual skills Business Capital with self-capital indicators, government assistance, bank financial institutions and non-Bank Financial Institutions [14] institutional with indicators of community empowerment and creativity with indicators of novelty, solving, elaboration and synthesis, Besemer and Treffirger [15].

The research was conducted in 7 (seven) districts and cities with a sample of 200 respondents consisting of company leaders or managers who had been grouped into Small and Medium Industries. The sampling technique is purposive sampling, with the sample criteria determined by the researcher based on time limitations and the extent of the research area. Data collection techniques were carried out by distributing questionnaires, interviews, observation and literature studies. The type of questionnaire is closed, where the respondent has given an answer and only chooses according to what the respondent feels. Data analysis was done descriptively and perivacatively. Descriptive analysis describes the condition of the variables under study and the perivacative analysis describes the relationship between the dependent variable and the dependent variable. For testing the effect of moderation following the rules of Baron and Kennedy (In Jogiyanto and Abdillah, 2009), the testing of moderating effects can be carried out if the main effect has a direct relationship between the independent variables on the dependent variable, if this does not occur, then testing the moderation effect is not can be next

**III. DISCUSSION**

*A. Analysis and Discussion*

i. Testing of Reliability and Validity of Construct

The construct is said to be reliable if Cronbach's Alha For Reability  $\geq 60$  and the question instrument is said to be

valid if  $r_{count} > r_{table}$ , to find out the results of testing reliability and validity explained in table 1.

Table 1: Validation and Reliability of Business ability, Business Capital, Institutional and Creativity

Business Ability	Business Capital	Institutional	Creativity
Cronbach's Alpha > 60			
0,720	0,680	0,740	0,916
Correted item-Total Correlation > 0,138			
KU1 0,218	MU 0,441	KL 0,384	KR 0,723
KU2 0,345	MU 0,506	KL 0,342	KR 0,688
KU3 0,463	MU 0,225	KL 0,420	KR 0,758
KU4 0,470		KL 0,304	KR 0,817
KU5 0,211			KR 0,850
KU6 0,374			KR 0,838
KU7 0,282			KR 0,696
KU8 0,178			KR 0,705
KU9 0,511			KR 0,438

Source : SPPP (Data Processed)

Description of the creativity of Small and Medium Industries in terms of Business ability, Business Capital, Institutions and Creativity of Small and Medium Industries.

Based on the results of the research, the level of creativity of Small and Medium Industries in Jambi Province currently does not lead to creativity. this is reflected through internal and external factors that support the IKM. Based on Besemer and Treffirger [15] states that a product is said to be creative if (1) has novelty (Novelty), based on the respondent's answer it turns out that novelty (Novelty) is still at a low level or the performance of Small and Medium Industries has not fully led to creation creativity proved to be around 60% on average in creating a product that has never had a novelty either in the Process, concept or novelty in using more useful raw materials.

Furthermore, a product is said to be creative if (2) the product is a resolution. the extent to which it can overcome consumer problems or complaints. Based on the results of the research through respondents' answers on average around 77%, respondents have never created a product that serves to answer consumer desires. Then the product is also said to be creative if (3) the product has the character of elaboration and synthesis, which refers to the degree to which the product combines elements that are not the same / similar into a whole that is sophisticated and coherent. Based on the results of the study through respondents' answers as much as 75% never did elaboration and synthesis in producing products. The low level of creativity of Small and Medium Industries in this study is seen in terms of the ability to manage business and business

capital.

The results of data processing on business ability in the Small and Medium Industry groups show the ability of Small and Medium Industry businesses from the Technical skill indicators to produce products that are not good, there are still many that must be considered so that the products can be desired by consumers. In Human Skill Indicators, only about 34% of Small and Medium Industries are able to work with other companies in marketing cooperation, in this case the collaboration to accommodate the production. From Conceptual Skill's ability, quality is quite good to compete, around 39% of Small and Medium Industries still do not lead to quality where there are still those who do not pay attention to business standards and brands, as well as various types of businesses, only about 55% have been able to create various products variety according to market tastes and the remaining 45% are still not intensive to develop the appearance of products both in terms of taste, design and benefits

Institution describes the role of the institution, in this case the related office in an effort to grow the IKM. Institutions involve the role of government and universities in the form of empowerment programs. The government's role in developing business through the provision of training around 47% agreed and justified that the government had a role in efforts to improve the capabilities of IKM, 53% said the government had not actively helped develop the IKM business. Likewise with universities, only around 32% of IKMs stated the participation of universities in their efforts to develop product designs into products that have diversity.

To encourage Small and Medium Industries to be creative Small and Medium Industries, Small and Medium Industries must follow technological developments and be able to create innovations to meet consumer needs. At present the application of technology provided by the government and universities is in a bad condition. Based on the results of data processing, only 38% of IKMs have implemented technology introduced by the government, and around 62% of IKMs have not received the introduction of technology from the government. Besides that, the technology identifiers for SMIs can also be carried out by universities, for now only 29.% of SMIs think that they have been introduced to technology from higher education to improve business both in terms of quality and quantity, but who still have not gotten technologically about 71%.

Business capital from the government as well as from non-



government according to the IKMs group stated that only 33% received assistance from the government, and 29% had received funding from other institutions besides the government such as companies and banking institutions. So for now the financing system obtained from the government is still very bad in an effort to grow the IKM into a creative IKMs.

i. Institutional as moderation variable on the Effect of Business Ability on Creativity

Statistical tests determine whether the institution as a moderating variable is able to strengthen the influence of business ability on creativity in Small and Medium Industries in Jambi Province. The statistical test is carried out t test (partial test) with a truth confidence level of 95%, with the test results as follows:

Table 2. Institutional as moderation variable on the Effect of Business Ability

Model	Coefficients*				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.689	.900		.766	.443
Business Ability	.769	.302	.633	2,550	.012
Institutional	.881	.371	.783	2,371	.019
Effect Moderation (Business ability * Institutional)	-.213	.122	-.783	-1,746	.082

a. Dependant Variable Kreativitas

Partial testing through t test in table 2, business ability has a path coefficient of creativity of 0.633 with a value of t count (2.550) greater than t table (1.96) indicating business ability has a significant effect on creativity. Institution has a path coefficient of 0.783 for creativity with a value of t count (2.377) greater than t table (1.96), indicating there is an institutional influence on creativity. The Moderation effect that shows the interaction between business ability and institutionalization does not affect creativity which is indicated by the value of t count (- 1,746) smaller than t table.

The influence of business ability on creativity is 40% while institutions affect creativity by 61%. However, the results of this study found that when the institutions as moderating variables interact with business capabilities, they show no significant influence on creativity. The moderating effect is not able to strengthen the influence of business ability on creativity (the first hypothesis is not proven). This is because the role of

institutions in this case the Jambi Provincial Government and Higher Education in developing business capabilities through the provision of training has not been maximized the value of t count (- 1,746) smaller than t table.

The influence of business ability on creativity is 40% while institutions affect creativity by 61%. However, the results of this study found that when the institutions as moderating variables interact with business capabilities, they show no significant influence on creativity. The moderating effect is not able to strengthen the influence of business ability on creativity (the first hypothesis is not proven). This is because the role of institutions in this case the Jambi Provincial Government and Higher Education in developing business capabilities through the provision of training has not been maximized

ii. Institutional as moderation variable on the Effect of Business Capital on Creativity

Statistical tests determine whether the institutional as a moderating variable is able to strengthen the influence of business capital on the creativity of Small and Medium Industries in Jambi Province. Statistical tests are carried out using the t test (partial test) with a truth confidence level of 95%, with the following test results:

Table 3. Institutional as moderation variable on the Effect of Business Capital

Model	Coefficients*				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3,789	.397		9,535	.000
Business Capital	-.440	.152	-.487	-2,895	.004
Institutional	-.037	.168	-.033	.219	.827
Effect Moderation (Business Capital * Institutional)	.036	.017	.489	2,081	.039

b. Dependant Variable Kreativitas

Other findings from this study explain that business capital has a negative influence on the creativity of SMIs, with the value of t count (-2,895) greater than the table value (-1,96). This means that business capital and creativity are not in line. When business capital is good, level of bad creativity and vice versa. Institutional has a path coefficient of -0.033 for creativity with a value of t count (0.219) smaller than t table (1.96), indicating no institutional influence on creativity. The Moderation effect that shows the interaction between business capital and institutional has strengthened the influence of business capital on creativity as indicated by the value of t count (2.081) greater than t table (1.96).

Based on the results of statistical tests when business capital interacts with institutions through the role of government, it is able to strengthen the business capital needed

by the IKM to build creativity in the IKMs environment. meaning that government support in the form of an empowerment program will strengthen business capital to build IKMs creativity (the second hypothesis is proven). Although IKMs having difficulties getting funding assistance from the government and other financial institutions, due to the difficulty of the administrative process and requiring compensation. Conclusions and recommendations

#### IV. CONCLUSION AND RECOMMENDATIONS

##### A. Conclusion

Small and Medium Enterprises have not been fully oriented to creativity, business ability to produce products have not been good, it needs cooperation to accommodate the production. Small and Medium Industries still do not lead to product quality. The government and college empowerment program has not been maximally helping to develop Small and Medium Industry businesses towards creative IKM. The financing system obtained from the government is still not able to help grow the IKM into a creative IKM. The results of the perivacative study show that (1) the institutional moderation effect weakens the effect of business ability on creativity rather than the direct effect of business ability on creativity, (2) Institutional moderation effects strengthen the influence of business capital on creativity. Compared to the direct influence of business capital on creativity.

##### B. Recommendations

The Jambi Provincial Government must strengthen its institutional role through Regional Apparatus Organizations which have the main tasks and functions to improve the performance of Small and Medium Industries by providing knowledge transfers, funding support and creating a conducive business environment. The government as a facilitator, coordinator and motivator must be integration with college to carry out knowledge transfer and transfer of technology to foster creativity in Small and Medium Industries in Jambi Province.

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