



The Role of Regiocentric Small Medium Business Advantage in Increasing Regional Revenue of Brebes Regency

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Abstract. This study investigates regiocentric SMEs and the impact of their products on Brebes Regency's regional revenue. The outcomes of this investigation were evaluated utilizing the AMOS 22 analytic software and Structural Equation Modeling (SEM). The theoretical implication of this study is that product configuration capabilities, entrepreneurial orientation, and market orientation influence regiocentric SME performance. In the meantime, regional revenue is influenced by the benefits of regiocentric small and medium-sized enterprises (SMEs), product configuration capabilities, entrepreneurial orientation, and market orientation. According to the findings of this investigation, hypothesis 1 demonstrates significant results with a value of $CR = 2,996.196$ and a probability of 0.003, meaning that H1 is acceptable. Testing hypothesis 2 shows significant results with a value of $CR = 4.093.196$ with probability = 0.000; the probability of qualifying the test below 0.05 means that H2 of this study is acceptable. If testing hypothesis 3 yields significant results with $CR = 2,435.196$ and probability = 0.015, then the probability of testing meeting the requirements is less than 0.05, making H3 acceptable. Testing hypothesis 4 yields significant results with a value of $CR = 3.707.196$ and a probability value of 0.000; hence, the test probability is less than 0.05, indicating that H4 is acceptable.

Keywords: regional revenue · SMEs

1 Introduction

In the contemporary era of regional autonomy, regions have increasing authority over home regulation and management. The objectives include, among others, bringing government services closer to the community, making it easier for the community to oversee and manage the use of Regional Budget monies, and bringing government services closer to the community (Regional Revenue and Expenditure Budget). In addition to fostering healthy competition across areas and fostering the creation of new inventions, regional cooperation fosters healthy competitiveness. In accordance with this authority, it is anticipated that local governments will be better equipped to explore financial sources through

PAD (Regional Original Income), particularly to address government and development finance demands in their regions.

In order to manifest capabilities and regional autonomy and to strengthen the structure of regional revenues, the contribution of PAD in the APBD structure must always be increased because it is one of the indicators to measure the success of regional capabilities and autonomy. Currently, the unexplored potential of regional income is generally caused by the lack of sensitivity of the Regional Government (Local Government) in finding the potential advantages of regional products that can increase PAD. If PAD can be maximized and regulated properly through the potential advantages of local native products, it will be able to increase regional competitiveness and be able to grow community welfare through programs aimed at the people [1].

PAD must be encouraged to contribute to the financing of government administration and regional development in order to improve and distribute the welfare of the people. PAD is a pure source of revenue from the territory, which serves as the region's primary source of money for government administration and regional development. Potential sources of regional revenue must be examined exhaustively, but only within the confines of applicable laws and regulations, especially those governing the sale of local goods.

Brebes Regency as one of the autonomous regions in Central Java Province continues to explore the potentials of original regional products in order to increase PAD revenue. One of the original products of Brebes Regency that contributes to PAD is salted egg SMEs (Small and Medium Enterprises). At the trial which was held from 6 to 9 October 2020, the Ministry of Education and Culture finally determined that salted eggs were no longer just souvenirs typical of Brebes, Central Java. But now the salted egg has been designated as an Intangible Cultural Heritage (WBTb) of Indonesia. The determined Indonesian intangible cultural heritage is at least in the form of oral traditions and expressions, performing arts, community customs, rites and celebrations, knowledge and behavioral habits regarding nature and the universe, and or traditional craft skills and skills and can come from individuals, groups of people, or customary law communities [2]. Salted eggs are also seen as a culinary tradition that relies on traditional community skills to process and produce authentic culinary products. Until now, most of the people of Brebes still depend on their livelihood as SME craftsmen and sellers of salted eggs.

The realization of the fluctuating contribution of salted egg SMEs to the PAD of Brebes Regency, the contribution fluctuates as shown in Table 1.

From Table 1, it can be seen that the percentage development of the realization of the contribution of salted egg SMEs in Brebes Regency to PAD decreased in 2002 by 43%, from 52% to 9%. The year 2004 also decreased by 1% from 39% to 38%. In 2005 there was an increase of 11%, from 38% to 49%. In 2006 it decreased by 11%, from 49% to 38%. In 2007 there was an increase of 27%, from 38% to 65%. In 2008 also decreased by 28% from 65% to 37%. In 2009 there was an increase of 12% from 37% to 49%. The year 2010 also decreased by 3% from 49% to 46%. The contribution in 2011 is the same as the contribution in 2012 which is 46%. In 2012 also decreased by 30% from 46% to 16%. In 2014 it also decreased by 11% from 18% to 7%. In 2015 it also decreased by 2.9% from 7% to 4.1%. In 2016 it also increased by 0.4% from 4.1% to 4.5%. The contribution in 2017 is the same as the contribution in 2016 which is 4.5%. While the contribution in 2018, 2019 and 2020 is the same at 4%. Starting from what

Table 1. Realization of the Contribution of the Salted Egg Industry to the Regional Original Income (PAD) of Brebes Regency 2001 to 2020

No.	Year	Contribution to PAD (%)
1.	2001	52
2.	2002	9
3.	2003	39
4.	2004	38
5.	2005	49
6.	2006	38
7.	2007	65
8.	2008	37
9.	2009	49
10.	2010	46
11.	2011	46
12.	2012	16
13.	2013	18
14.	2014	7
15.	2015	4,1
16.	2016	4,5
17.	2017	4,5
18.	2018	4
19.	2019	4
20.	2020	4

has been described above, the problem of this research is how to develop a model that is built from the product configuration capabilities of salted egg SMEs as an effort to increase the PAD of Brebes Regency.

2 Research Method

This research was conducted in Brebes Regency over the course of two months, with the Salted Egg Micro, Small, and Medium Enterprises (MSMEs) in the Brebes Regency area serving as its subject. 404 salted egg entrepreneurs in Brebes Regency, Central Java Province, Indonesia participated in this study [3]. The number of samples used as many as 107 respondents, from salted egg entrepreneurs who qualify as SMEs in terms of net worth, annual sales results and number of workers. Of the 107 respondents, they met the minimum standard sample criteria suggested which stated that the number of samples was 5 times the number of indicators. This study has 15 indicators, so the number of samples used in this study is $5 \times 15 = 75$ samples [4]. Then the number of samples is

recommended between 100 to 200 companies. By using a sample of 107 respondents, the requirements for the size of the sample can be met.

The sampling technique is stratified because the sampling is based on the strata in the population of Brebes salted egg businesses, namely in terms of net worth, annual sales results, and the number of workers who are classified as small and medium enterprises. Sampling is conducted so as to ensure that the selection of elements to be researched is objective and not subjective.

The data used in this study uses primary data, namely data obtained by interviewing based on a list of questions to a number of respondents selected for this study.

Each variable's definition must be presented in a more operational manner. Each variable's interpretation is highly pertinent to the variable's context in the research model. To refine the explanation of variables, the core definition is derived from the explanations of numerous specialists regarding the meaning, antecedents, and effects of a variable. A variable already specifies in general terms what is to be examined, but the variable's measurement must be concretized through operational measurement, which then becomes a reflective indication of the variable, as shown in Table 2.

This study's research design is a descriptive research design. A standardized questionnaire with a 10-point rating system was used to collect data through a survey method. The questions were processed and analyzed using the AMOS 22 analysis tool and Structural Equation Modeling (SEM). In order to develop the above-mentioned theories, more research projects were conducted to generate the following hypotheses:

The Impact of Product Configuration Capability on Regiocentric SME Competitive Advantages.

[5] found that the knowledge creation process can only affect the sustainability of competitive advantage through the mediating effect of technological innovation capabilities. To increase the company's competitive advantage, high dynamic capabilities are also needed [6]. Green innovation capability is able to significantly increase sustainable competitive advantage [7]. The empirical results highlight the importance of external integrative dynamic capabilities for the three pillars of sustainable competitive advantage for SMEs in the Netherlands [8]. Define product configuration capability as a company's mechanism to adapt dynamically, therefore companies are required to be able to create new thoughts, new ideas, and offer product innovation and service improvements to satisfy customers [9].

H1: The higher the product configuration capability, the higher the advantages of regiocentric SMEs.

2.1 The Effect of Entrepreneurship Orientation on the Advantages of Regiocentric SMEs

Entrepreneurship is the attitude of an entrepreneur's commitment to his company's innovation by capturing new opportunities through product introduction and innovation in the face of intense business competition, entrepreneurial practices in overcoming uncertainty in the business environment and trying to maximize business opportunities, enabling discovery of opportunities regardless of available resources and daring. Take risks to generate new values (Ha et al., 2021). The research by Lake et al., (2019)

Table 2. Operational Definitions and Indicators

Variable	Operational Definition	Indicators
Product Configuration Ability	The company's mechanism to adapt dynamically, therefore companies are required to be able to create new thoughts, new ideas, and offer product innovation and service improvements to satisfy customers.	X1: Ability to create new products. X2: Ability to create additions to existing products. X3: Ability to repair and revise existing products.
Entrepreneurship Orientation	The entrepreneur's commitment to innovation in his company by seizing new opportunities through product introduction and innovation in the face of intense business competition, entrepreneurial practices in overcoming uncertainty in the business environment and trying to maximize business opportunities, enabling discovery of opportunities regardless of available resources and daring to take risks to generate a new value.	X4: Product innovation. X5: Proactively seize new opportunities. X6: Dare to take risks.
Market Orientation	The process of company activities related to creating customer needs, wants and satisfaction.	X7: Ability to meet customer demands. X8: Ability to respond to customer complaints. X9: Ability to meet customer's taste.
Advantages of Regiocentric SMEs	The advantages of SME products are in imaging their products to the minds of consumers who are regionally oriented by using regional uniqueness, product peculiarities and irreplaceable products as regional icons.	X10: The uniqueness of the area. X11: Product specificity. X12: Irreplaceable product as regional icon.

(continued)

Table 2. (continued)

Variable	Operational Definition	Indicators
Locally-generated revenue	Regional income is collected based on regional regulations in accordance with statutory regulations.	X13: Local tax results. X14: The result of regional retribution. X15: Other legitimate regional income.

shows that entrepreneurial orientation has a positive effect on the competitive advantage of Woven Fabric SMEs in Kupang. The statistical results of Zeebaree et al., (2019) research found that entrepreneurial orientation has a significant effect on the competitive advantage of SMEs in Kurdistan, Iraq. The findings of Sukmamedian (2019) also state that entrepreneurial orientation has an influence on the innovation and competitive advantage of SMEs in the culinary sector in Bogor, West Java. Entrepreneurial orientation and social capital affect innovation and performance capabilities in achieving a competitive advantage for handicraft SMEs in Semarang, Jepara and Kudus [10].

H2: The higher the entrepreneurial orientation of SMEs, the higher the advantages of regiocentric SMEs.

2.2 The Effect of Market Orientation on the Advantages of Regiocentric SMEs

A sustainable advantage in business performance is greater for companies that develop market orientation earlier. These companies also get more profits in sales and than companies that are late in developing market orientation (Kumar et al. 2011). The results of Udriyah et al. (2019) research which examined 150 textile SMEs in Selangor Malaysia showed that market orientation and innovation had a positive and significant impact on the competitive advantage of SMEs. Market-oriented SMEs contribute to competitive advantage by creating unique products, product quality, and competitive prices which ultimately improve the marketing performance of SMEs [11]. Puspaningrum (2020) states that market orientation is a process of company activities related to creating customer needs, wants and satisfaction. Market orientation indicators include customer orientation, competitor orientation and coordination between functions.

H3: The higher the market orientation of SMEs, the higher the advantages of regiocentric SMEs.

4. The Influence of Regiocentric SMEs Excellence on PAD

According to Law Number 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments, PAD is the income obtained by the regions which is collected based on regional regulations in accordance with statutory regulations. PAD is sourced from regional taxes, regional levies, the results of separated regional wealth management, and other legitimate PAD. Regional tax proceeds are a regional levy whose regulations have been set by the region for household financing as a public legal entity. The result of regional retribution is a levy that legally becomes a

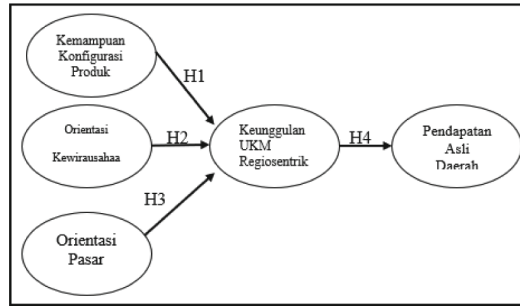


Fig. 1. Empirical Research Model

regional levy as payment for usage or for obtaining the use of services or for obtaining employment, business or property services from the relevant regional government. Other legitimate regional income is regional income from other sources, such as third party contributions to the region which are carried out in accordance with applicable laws and regulations (Setiawan et al. 2021). Ariwibowo & Insana's research (2018) states that to increase PAD, the DKI Jakarta Provincial Government should develop trading support facilities for MSMEs, easy access to capital and business information, as well as a sense of security and comfort in trading so that it will increase PAD through regional levies. The results of research by Setiawan et al. (2021) show that the economic growth of SMEs has an effect on increasing PAD in Langsa City. The findings of Lutfiyah's research (2016) simultaneously economic growth and SMEs have a significant effect on regional PAD in Bangkalan Regency. The research findings of Wikardojo (2016) also found that simultaneously economic growth and micro, small and medium enterprises had a significant effect on PAD in Malang Regency.

H4: The higher the advantage of regiocentric SMEs, the higher the PAD.

Based on the hypothesis developed above and the literature review conducted, an empirical research model is presented as shown in Fig. 1.

3 Results and Discussion

3.1 Result

3.1.1 Research Overview

Brebes Regency is one of the regencies in Central Java province, with an area of $\pm 1,769 \text{ km}^2$, with a population of 1,978,759 people https://id.wikipedia.org/wiki/Kabupaten_Brebes. Brebes Regency is located along the north coast of the Java Sea, extending to the south bordering Banyumas Regency and Tegal Regency, bordering Tegal City in the east and West Java bordering Cirebon City. The image of the Brebes Regency Map can be seen in Fig. 2.

Brebes Regency is known as the center of shallots, and is a trade mark considering its position as the largest producer of shallots at the national level. The quality of the shallots produced is the superior variety which provides 23% of the national shallot



Fig. 2. Map of Brebes Regency

supply. Not only as a producer of shallots, Brebes is also famous for producing salted eggs from ducks. The economy of Brebes district is supported by duck breeders whose results are duck eggs which are converted into salted egg products of very good quality. So that Brebes is known as the City of Salted Eggs. The number of salted egg breeders in Brebes based on records from the Central Statistics Agency of Brebes Regency is 533,422 farmers [12].

3.1.2 Characteristics of Respondents

To support the economy of Brebes Regency with the development of duck breeders. Most of the duck farming communities have a livelihood as farmers. The farmers use their agricultural land for ducks so that the income obtained is not only from agricultural products but also from ducks. The character of the respondents in this study can be seen in Table 3.

3.1.3 Loading Factors Significance Test

The loading factors significance test aims to evaluate whether an indicator used confirms that the indicator can together with other indicators explain a variable. The value of loading factors required is to reach 0.50 (Hair et al. 2010).

Table 4 shows that the lambda coefficient (λ coefficient) or loading factors shows that all indicators have values above 0.5; so that because all the criteria have met the requirements, then the model is worthy of testing.

Table 3. Characteristics of Respondents

No	Information	Percentage
1	Gender	
	Male	75%
	Female	25%
2	Age	
	25–40 years	29%
	41–55 years	53%
	56–70 years	18%
3	Education	
	SD–SMP	35%
	SMA	45%
	D1–D3	10%
	S1	10%
4	Income	
	<Rp. 50.000.000	18%
	Rp. 50.000.000–Rp. 150.000.000	27%
	Rp. 150.000.000–Rp. 300.000.000	36%
	Rp. 300.000.000–Rp. 500.000.000	15%
	Rp. 500.000.000–Rp. 1.000.000.000	4%

3.1.4 Validity and Reliability Testing

To find out the extent of the accuracy, accuracy and validity of a measuring instrument in research, validity is needed, while to determine the reliability of a research measuring instrument, a high level of reliability is needed. The next test of the validity and reliability of the variables is to calculate the value of construct reliability and the minimum extracted variance to state that the accuracy and reliability have been achieved is 0.50.

The results of calculating the construct reliability values presented in Table 5 show that the construct reliability and variance extracted have values above 0.5. This shows that the indicators used have good validity and reliability to explain the variables.

3.1.5 Hypothesis Testing

From the proposed hypothesis, the hypothesis is tested using the AMOS 22 analysis tool, can be seen in the Fig. 3.

Chi-Square = 88,463, Probability = 0.320, RMSEA = 0.025, GFI = 0.909, AGFI = 0.868, TLI = 0.992, and CFI = 0.994 are the goodness-of-fit values derived from processing the whole model test with the AMOS 22.0 analysis tool (Fig. 3). In addition, the last measure of fit is critical N, which was created by (Hoelter, 1983). Critical N

Table 4. Loading Factors Indicator

Variable	Loading Factors Value
Product Configuration Capability	X1: 0.797 X2: 0.813 X3: 0.745
Entrepreneurship Orientation	X4: 0.865 X5: 0.854 X6: 0.829
Market Orientation	X7: 0.874 X8: 0.840 X9: 0.840
Regiocentric SMEs Advantage	X10: 0.894 X11: 0.902 X12: 0.812
Regional Revenue	X13: 0.850 X14: 0.825 X15: 0.742

analysis is to estimate the sample size required to construct a model that fits the data. The model is deemed capable of producing fit if its sample falls below the Hoelter value when tested with probability of 0.05 and 0.01. The critical study of Hoelter’s 0.05 and Hoelter’s 0.01 yielded the following results: Hoelter’s 0.05 = 127; Hoelter’s 0.01 = 137, which all satisfy the fit criteria because the number of samples is 107 less than the suggested Hoelter’s value (Hair et al. 2010). The results of Table 5 indicate that the model fit test produced a high level of acceptance (Table 6).

From the hypothesis testing stated in Table 7, it can be determined that hypothesis 1 demonstrates significant results with a value of CR = 2.996 1.96 and probability = 0.003, indicating that the likelihood of testing meeting the conditions is less than 0.05. Thus, H1 can be accepted in the present investigation. The testing of hypothesis 2 yielded significant results with CR = 4,093 1,96 and probability = 0.000; the likelihood of passing the test is less than 0.05. Consequently, H2 is approved in this investigation. If testing hypothesis 3 yields significant results with a value of CR = 2,435.196 and a probability of 0.015, then the test probability is less than 0.05. Thus, H3 can be accepted in this research. Considering that testing hypothesis 4 yielded significant results with a value of CR = 3.707 1.96 and a probability of 0.000, the likelihood of passing the test is less than 0.05. So H4 is satisfactory in this study.

3.1.6 Theoretical Implications

The theoretical implication generated in this study is that Regiocentric SMEs Advantage is influenced by Product Configuration Capability, Entrepreneurship Orientation and Market Orientation by 46.4%. Meanwhile, Regional Revenue is influenced by Regiocentric SMEs Advantage, Product Configuration Capability, Entrepreneurship Orientation

Table 5. Reliabilitas Konstruk dan Variance Extracted Full Model

Indicators	<i>Estimate</i>	<i>Loading Square</i>	<i>Error</i>	Reliabilitas Construct	<i>Variance Extract</i>
X1	0.797	0.635209	0.364791		
X2	0.813	0.660969	0.339031		
X3	0.745	0.555025	0.444975		
Amount	2.355	1.851203	1.148797	0.828405147	0.617067667
X4	0.865	0.748225	0.251775		
X5	0.854	0.729316	0.270684		
X6	0.829	0.687241	0.312759		
Amount	2.548	2.164782	0.835218	0.886016309	0.721594
X7	0.874	0.763876	0.236124		
X8	0.84	0.7056	0.2944		
X9	0.84	0.7056	0.2944		
Amount	2.554	2.175076	0.824924	0.887732449	0.725025333
X10	0.894	0.799236	0.200764		
X11	0.902	0.813604	0.186396		
X12	0.812	0.659344	0.340656		
Amount	2.608	2.272184	0.727816	0.903337814	0.757394667
X13	0.85	0.7225	0.2775		
X14	0.825	0.680625	0.319375		
X15	0.742	0.550564	0.449436		
Jumlah	2.417	1.953689	1.046311	0.848100955	0.651229667

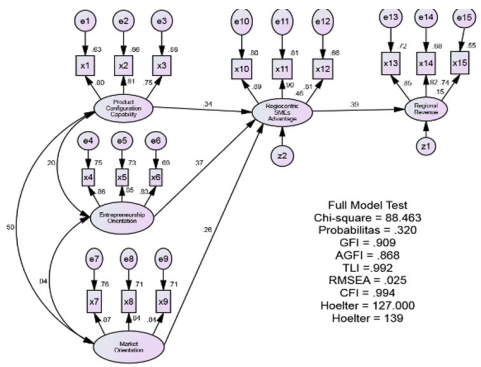


Fig. 3. Full Model Test

Table 6. Goodness of Fit Full Model

<i>Goodness of Fit Index</i>	<i>Cut-Off Value</i>	<i>Analysis Result</i>	<i>Model Evaluation</i>
Chi-Square	Diharapkan kecil	88.463	Good
Probability	≥ 0.05	0.320	Good
RMSEA	≤ 0.08	0.025	Good
GFI	≥ 0.90	0.909	Good
AGFI	≥ 0.90	0.868	Marginal
TLI	≥ 0.95	0.992	Good
CFI	≥ 0.95	0.994	Good
Hoelter's 0,05	≤ 127	107	Good
Hoelter's 0,01	≤ 139	107	Good

Source: Primary data processed (2022).

Table 7. Full Model Test Results

Variable Relationship			Estimate	S.E.	C.R.	P	Hypothesis Result
<i>Regiocentric SMEs Advantage</i>	<--	<i>Product Configuration Capability</i>	.436	.145	2.996	.003	H1 Acceptable
<i>Regiocentric SMEs Advantage</i>	<--	<i>Entrepreneurship Orientation</i>	.422	.103	4.093	***	H2 Acceptable
<i>Regiocentric SMEs Advantage</i>	<--	<i>Market Orientation</i>	.278	.114	2.435	.015	H3 Acceptable
<i>Regional Revenue</i>	<--	<i>Regiocentric SMEs Advantage</i>	.357	.096	3.707	***	H4 Acceptable

and Market Orientation by 15.5%. In order for the Regiocentric SMEs Advantage to be maximized by the company, it must pay attention to Product Configuration Capability, Entrepreneurship Orientation and Market Orientation. Then in order for Regional Revenue to increase to the maximum, it must pay attention to the Regiocentric SMEs Advantage, Product Configuration Capability, Entrepreneurship Orientation and Market Orientation.

3.1.7 Managerial Implications

The managerial implication generated in this research is that the Regiocentric SMEs Advantage in imaging its products to the minds of consumers who are regionally oriented by using regional uniqueness, product uniqueness and irreplaceable products as regional icons needs to be maintained. The advantages of Regiocentric SMEs Advantage in creating new thoughts, new ideas, and offering product innovation and service

improvements to satisfy customers must be increased. Regiocentric SMEs Advantage in capturing new opportunities through product introduction and innovation in the face of intense business competition, entrepreneurial practices in overcoming uncertainty in the business environment and striving to maximize business opportunities, enabling discovery of opportunities regardless of available resources and daring taking risks to generate new value must always be improved. Regiocentric SMEs Advantage (Regiocentric SMEs Advantage) in creating needs, wants and customer satisfaction must always be improved. By increasing the product configuration capability (Product Configuration Capability), the entrepreneurial orientation of SMEs (Entrepreneurship Orientation) and market orientation (Market Orientation) will increase the Regiocentric SMEs Advantage. Furthermore, the ability of Regiocentric SMEs in increasing the superiority of their products will increase the Regional Revenue of Brebes Regency.

3.2 Discussion

The results of the research above prove that the superiority of the MSME (Regiocentric SMEs Advantage) product is salted eggs in Brebes Regency which has a different taste from other regional salted eggs.

Product Configuration Capability of salted eggs is no longer the old marketing model that only waits for buyers to come, the digitalization era teaches MSMEs to provide fast service. With online marketing either through the web, e-commerce or social media, it will accelerate product services to reach consumers.

MSMEs currently must be able to be globally competitive seeing that high competition allows many new competitors who have the ability to gain global market share. The weakness of salted egg SMEs is still limited to meeting regional needs, limited access to international marketing ranging from differences in state regulations, language, limited capital to the level of resilience of salted egg products themselves. To enter the international market, it is important to maintain the quality and quality of its products. Entrepreneurship Orientation for SMEs to dare to take international market opportunities can be through cooperation with exporting companies or assistance from local governments.

The perpetrators of Salted Egg SMEs in Brebes Regency must have a market orientation thought (Market Orientation) for their products in meeting the wants and needs of their consumers. Product innovation must continue to be carried out in an effort to fulfill the desires and needs of these consumers. Salted egg product innovations with various flavors can provide choices according to consumer tastes.

Regional Revenue from salted egg SMEs is able to make a major contribution to the economic sector. Salted egg SMEs in Brebes Regency not only move the GRDP revenue of SMEs every year but also absorb labor. The absorption of work in MSMEs has an impact on reducing unemployment. So the need for the role of local governments in helping MSMEs in the form of capital and access to marketing to international markets.

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