



Business Institutional Model in the Omnibus Law Cluster as an Effort to Develop SMEs

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Abstract. The purpose of this study was to identify and analyze the LAW Omnibus Cluster Business Institutional model as an effort to increase the specialization of SMEs in North Sumatra Province. This institutional model can be seen from the entrepreneurial process, entrepreneurial competence, modifying the entrepreneurial model and developing legal instruments for business institutions and cooperatives. This research design uses a quantitative research approach in exploiting the model. The data analysis technique used descriptive method. Quantitative Design using SEM-PLS approach. The object of this research is SMEs business actors in North Sumatra Province by applying the cluster sampling method totaling 406 SMEs in North Sumatra. The results of this study proved that there was no significant effect of Innovation on the Development of SMEs. A negative path coefficient indicates that innovation from SMEs has not been able to increase the development of SMEs. Institutional Facilitators have influence on the Development of SMEs. The value of a positive path relationship indicates that the more effective the Institutional Facilitator, the better the development of SMEs. There is a significant influence of SMEs Characteristics on the Development of SMEs. The positive path coefficient indicates the better the SMEs Characteristic, the better the Development of SMEs. The results of the moderation test are able to prove that the Policy-Driven Cluster cannot moderate the relationship between the Institutional Facilitator and SMEs Development. There is a significant effect of SMEs Characteristic on the Development of SMEs moderated by the Policy-Driven Cluster. SMEs moderated by Policy-Driven Cluster.

Keywords: Models · Institutions · Development · SMEs and Omnibus Law

1 Introduction

SMEs, which are one of the driving forces of the national economy, are important for a more in-depth study, especially on the institutional aspect. Researchers, policy makers and analysts have taken into account that micro, small and medium enterprise (MSMEs) scale businesses contribute to economic value, employment and increased income [1]. The business activities of SMEs that have a major contribution to the economic center are increasingly being recognized as a force for innovation and business development of a country [2]. This is one of the vital indicators in maintaining the momentum of

national economic recovery through its contribution to the essential sectors. The growth of SMEs also triggers an increase in people's welfare through the availability of high employment opportunities and the distribution of people's income for economic equity.

The phenomenon of the large number of SME sectors that have not been touched in the legal aspects of institutions is a separate problem that must be addressed immediately with supporting legal instruments. Omnibus law has become an important issue nowadays. The term Omnibus Law is now widely discussed in Indonesia. This is because the Government of Indonesia drafted the Omnibus Law whose ultimate goal is to encourage national economic growth. One of the Omnibus Laws that has been inaugurated is Law 11 of 2020 concerning Job Creation. The policy of the latter omnibus law aims to simplify the process of licensing and regulations which sometimes overlap. For this reason, policies are needed that can accelerate the flow of investment, especially the development of SMEs. The concept of the Omnibus Law in the law aims to target major issues that allow the revocation or amendment of several laws at once (across sectors) to then simplify the regulations, so that it is hoped that there will be no concurrency/dispute and/or resistance between one norm and another. Other. The policies of the Omnibus law are designed based on statutory provisions. There are three important elements that are contained, namely the Job Creation Law, the Tax Law, and the Community Empowerment Law. The laws that are grouped in this group will summarize and simplify the previous laws. This study will discuss the impact of the omnibus law on the ease of doing business for SMEs.

Literature review on the impact of the Omnibus Law cluster is very important to do as a reference for measuring the success of implementing the Job Creation Law in Indonesia. The discussion of this research will focus on the ease of doing business with the aim of creating professional MSMEs who are able to develop in the midst of the current Covid 19 pandemic. The ease of doing business here is devoted to (SMEs) and the empowerment and protection of SMEs from legal and institutional aspects. The focus of ease of doing business in the omnibus law cluster is on regulating variations in institutional forms and licensing that are in accordance with the character of Micro and Small Enterprises in order to be able to access higher capital. The main discussion points for the Omnibus law are related to the Job Creation Act as an effort to harmonize convenience for business actors. Many researchers have analyzed the changes in the institutional environment that shape business activity for entrepreneurs and thus affect the development [3] of SMEs in developing countries and transition economies, such as China and Russia. However, the impact of formal institutions [4] on SME policy and development clusters has so far been under-researched empirically, while such studies are very rare [5].

Existing studies examining the impact of policy clusters pay particular attention to the success of well-known Policy- Driven Clusters such as Silicon Valley. Policymakers in many countries have attempted to replicate this achievement by designing and creating clusters [6]. In particular, policymakers in many developing countries view clusters as an important platform to help enterprises, particularly small and medium- sized enterprises (SMEs), compete in global markets [7].

2 Literature Review

2.1 Policy Direction of SMEs Modernization in the Omnibus Law Cluster

The Omnibus Law on the Job Creation Law is a breakthrough to overcome all overlapping regulations. Besides being able to increase investment in Indonesia, the policy is also believed to be able to develop Micro, Small and Medium Enterprises. There are several conveniences for SMEs that are brought up in the Job Creation Act, especially the Cooperative and SME clusters.

SMEs have the convenience of setting up their business, where micro-enterprises are freed from business licensing fees, legality of business scope and reduced licensing fees. This rule is regulated in Article 12 paragraph 1 [8] of the availability of jobs which reads, freeing business licensing fees for micro businesses and providing relief in business licensing fees for small businesses. Second, the existence of a single permit and licensing procedures are made more concise and simpler thanks to the online single submission (OSS). Third, the role of the central government, regional governments, state-owned enterprises, large national and foreign businesses in providing financing for micro and small businesses has not changed and even access to claims data will be wider, varied and easier.

2.2 Institutional Facilitator

The level of entrepreneurial activity and SME development in developing and transition economies can be enabled or limited by the business and institutional environment [9]. Whereas the business environment is principally concerned with business and transaction costs [10], the formal institutional environment shapes the owner- manager actions, strategies and commercial performance of SMEs [11].

The institutional model of SMEs in Indonesia can be seen from the organizational tools regulated in Law Number 25 of 1992 concerning Cooperatives. Based on the law, institutions are Member Meetings, Management, Supervisors and Managers. The function of everyone who is a member of the institution is not only physical and intellectual, but also related to society and the environment. Joint ventures of members are developed in the form of business institutions to generate economic, social and welfare benefits in meeting common needs. Maximum added value and benefits for improving the welfare of members and the community. The stability of the national business environment depends on the quality of each country [12], which can create opportunities and mitigate barriers for SMEs [13], and for business development, growth and continuity [14]. SMEs without solid institutions are very sensitive to instability in their national institutional environment [15] and, indeed, the institutional imperfection of SMEs tends to have a negative impact on the success of their business [16].

2.3 Characteristics of SMEs

SMEs in Indonesia have various clusters related to the ownership structure of one person or family. SMEs are mostly owned by sole owners or partners [17]. SMAsh owners in Indonesia sometimes find it difficult to get access to capital from financial institutions,

causing new problems in the process of their business activities [18]. SME in Nigeria have become the foundation of the country's economic growth and stability.

2.4 Innovation of SMEs

For a long time, innovation has been defined as the creation of something new in the marketplace [19]. Innovation is all new things that depart from science, social, culture, and can provide benefits in human life [20]. Innovation is critical in all aspects of business operations, therefore, understanding several things related to innovation is really necessary [21]. The benefit of innovation is that it can create better and unique quality. Many people don't realize that innovation makes them unique. If a business can carry out innovation success and can be implemented, it will be able to increase the business activity itself. That is, innovation will look unique and have its own quality.

2.5 Policy-Driven Clusters

The Indonesian government in carrying out policies on the Omnibus Law cluster aims to develop the MSME sector. This development is expected to encourage the potential and active participation of MSMEs in the process of national economic development, especially in the economic wheel which aims for equitable development as well as expanding employment opportunities and increasing people's income [22]. The government's policy on developing regional potential through the development of SMEs is basically involving as many people as possible in harmony with the new paradigm of development. The task of state administrators faces not easy challenges in formulating, implementing, and evaluating policies amid obstacles in the form of the ineffectiveness of bureaucratic reforms that have been going on for several years.

3 Research Methodology

The research design that underlies this paper uses an explanatory research approach, which is designed to reveal the entrepreneurial institutional model of institutional facilitators, the characteristics of MSMEs and policy clusters that constrain the development of SMEs in North Sumatra. Therefore, this research approach is a quantitative explanatory research.

The object of this research is MSME business actors in North Sumatra Province by applying the cluster sampling method, which is targeted at 500 SMEs in North Sumatra. This study uses quantitative methods to exploit complex problems in a series of studies. This quantitative research analysis uses the Structural Equation Modeling (SEM) model. The SEM model used is based on a variant of Partial Least Square (PLS).

4 Results and Discussion

The results of this study describe the number of respondents and the data analysis used in the research group.

Table 1. Distribution of respondents and response rate.

| Respondent Occupation | Questionnaire administered (sampled) | Percentage of total response (%) |
|---------------------------|--------------------------------------|----------------------------------|
| Top Level | 102 | 25.12 |
| Middle Level | 140 | 34.48 |
| Lower Level | 164 | 40.39 |
| Total | 406 | 100.00 |
| Gender/Category | Questionnaire administered (sampled) | Percentage of total response (%) |
| Male | 276 | 55.20 |
| Female | 130 | 26.00 |
| No of not returned | 94 | 18.8 |
| Total no of Questionnaire | 500 | 100.00 |

Table 2. Criteria for MSMEs and large enterprises based on assets and turnover.

| Business size | Criteria | | |
|-------------------|---------------------------------|----------------------------------|-------|
| | Aset | Omset | Total |
| Micro business | Maximum Rp. 50 million | Maximum Rp. 300 million | 194 |
| Small business | >Rp.50 million – Rp.500 million | >Rp.300 million – Rp.2.5 billion | 132 |
| Mediun enterprise | >Rp.500 million – Rp.10 billion | >Rp.2.5 billion – Rp.50 billion | 63 |
| Big business | >Rp.10 billion | >Rp.50 billion | 17 |
| Total | | | 406 |

Based on the results of the questionnaires conducted (Table 1), it can be seen that the valid questionnaires amounted to 406 respondents who were willing to fill out or 81.20%. The distribution is distributed to the Top Level respondents group as many as 102 (25.12%), Middle Level respondents as many as 140 respondents (34.48%) and Lower Level respondents as many as 164 respondents (40.39%). The total number of male respondents is 276 (55.20%) and female respondents are 130 (26%). See also Tables 2 and 3.

4.1 Measurement Model Evaluation

To see the influence model of Intellectual Intelligence, Emotional Intelligence and Spiritual Intelligence on Ethical Behavior moderated by Locus of Control Partial Least Square (PLS) analysis was performed. Evaluation of the indicator measurement model includes

Table 3. Characteristics of SMEs and large enterprises.

| Business Size | Characteristics |
|-------------------|---|
| Micro Business | <ul style="list-style-type: none"> >Types of goods/commodities are not always fixed; can change at any time. >The place of business is not always fixed: can change places at any time. >Haven't even done simple financial administration yet. >Do not separate family finances from business finances. >Human resources (entrepreneurs) do not yet have an adequate entrepreneurial spirit. >The average level of education is relatively very low. >Generally. They do not have access to banking, but some have access to non-bank financial institutions. >Generally do not have a business license or other legal requirements including NPWP. >Example: Trading businesses such as street vendors and traders in the market. |
| Small Business | <ul style="list-style-type: none"> >The types of goods/commodities that are cultivated are generally still not easy to change. >The location/place of business is generally settled. Not moving. >In general, they have done financial administration even though it is still simple. >Company finances have begun to be separated from family finances. >Have made a business balance. >Already have a business license and other legal requirements including NPWP. >Human resources (entrepreneurs) have experience in entrepreneurship. >Some have access to banking for capital needs. >Most of them have not been able to make good business management such as business planning. >Example: Wholesalers (agents) and other collectors. |
| Medium Enterprise | <ul style="list-style-type: none"> >Have a better management and organization, with a clear division of tasks. Among others, the finance department. The marketing department and the production department. |

checking individual item reliability, internal consistency or composite reliability, average variance extracted, and discriminant validity. The first three measurements are grouped in convergent validity.

Convergent Validity. Convergent validity consists of three tests, namely item reliability (validity of each indicator), composite + e reliability, and average variance extracted (AVE). Convergent validity is used to measure how much the existing indicators can

explain the dimensions. This means that the greater the convergent validity, the greater the ability of these dimensions to apply the latent variable.

Reliability Item. Item reliability or what we call the validity of the indicator. Testing of item reliability (indicator validity) can be seen from the loading factor value (standardized loading). The loading factor value is the magnitude of the correlation between each indicator and its construct. The loading factor value above 0.7 can be said to be ideal, meaning that the indicator can be said to be valid as an indicator to measure the construct. However, standardized loading factor values above 0.5 are acceptable. While the standardized loading factor value below 0.5 can be excluded from the Chin 1998 model. The following is the item reliability value that can be seen in the standardized loading column (Fig. 1).

The calculation results can be seen that the loading factor for all loadings is more than 0.5 so there is no need to set aside. Thus, each indicator is valid to explain each latent variable. In addition to showing the validity of the items from each indicator, the loading factor also shows the magnitude of the contribution of each indicator to the factor.

Composite Reliability. The statistics used in composite reliability or construct reliability are Cronbach’s alpha and D.G rho (PCA). Cronbach’s alpha and D.G rho (PCA) values above 0.70 indicate the construct has high reliability or reliability as a measuring tool. The limit value of 0.7 and above means it is acceptable and above 0.8 and 0.9 means very satisfying.

Based on the Table 4, it shows that the composite reliability value for DEVELOPMENT of SMES is 0.829; INNOVATION of 0.880; INSTITUTIONAL FACILITATOR of 0.819. POLICY-DRIVEN CLUSTER of 0.804; and SMEs CHARACTERISTIC of 0.839. The five variables obtained a composite reliability value above 0.7 so that it can be said that all factors have good reliability or reliability as a measuring tool.

Average Variance Extracted (AVE). Average Variance Extracted (AVE) describes the amount of variance that can be explained by items compared to the variance caused by

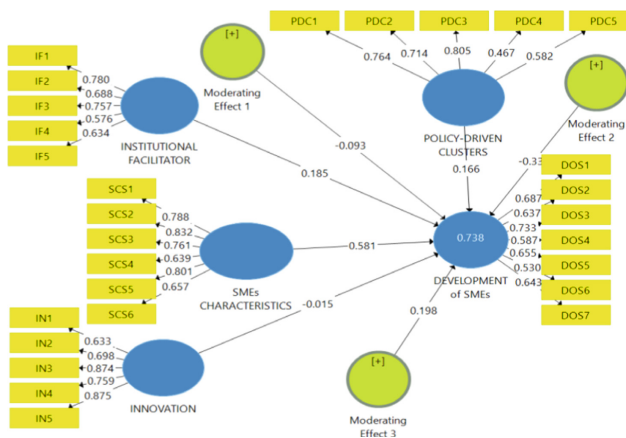


Fig. 1. Inner and outer model.

Table 4. Reliability test.

| Variable | Composite Reliability |
|---------------------------|-----------------------|
| DEVELOPMENT of SMEs | 0.829 |
| INNOVATION | 0.880 |
| INSTITUTIONAL FACILITATOR | 0.819 |
| POLICY-DRIVEN CLUSTER | 0.804 |
| SMEs CHARACTERISTIC | 0.839 |

measurement error. The standard is that if the AVE value is above 0.5, it can be said that the construct has good convergent validity, while the AVE value above 0.3 can be said to be quite good. This means that the latent variable can explain the average value of the variance of the indicators.

Based on the Table 5, it shows that the AVE value for DEVELOPMENT of SMEs is 0.512; INNOVATION of 0.599; INSTITUTIONAL FACILITATOR of 0.577. CLUSTER 0.560; and SMES CHARACTERISTIC of 0.595. The five variables have an AVE that is above 0.6 so that the construct has a fairly good convergent validity where the latent variable can explain the average variance value of the indicators.

Discriminant Validity. Examination of the discriminant validity of the reflective measurement model assessed based on cross loading and comparing the AVE value with the square of the correlation between the constructs. The measure of cross loading is to compare the correlation of the indicator with its construct and constructs from other blocks. Good discriminant validity will be able to explain the indicator variable higher than explaining the variance of the other construct indicators. The following is the discriminant validity value for each indicator.

Based on the Table 6, it shows that the value of discriminant validity or loading factor has a higher correlation with the variable compared to other variables. Similarly, the indicators for each variable. This shows that the indicators for each variable are correct.

Table 5. AVE.

| Variable | AVE |
|---------------------------|-------|
| DEVELOPMENT of SMEs | 0.512 |
| INNOVATION | 0.599 |
| INSTITUTIONAL FACILITATOR | 0.577 |
| POLICY-DRIVEN CLUSTER | 0.560 |
| SMEs CHARACTERISTIC | 0.595 |

Table 6. Discriminant validity.

| Indicator | DEVELOPMENT of SMEs | INNOVATION | INSTITUSIONAL FACILITATOR | POLICY-DRIVEN CLUSTER | SMEs CHARACTERISTIC |
|-----------|---------------------|------------|---------------------------|-----------------------|---------------------|
| DOS1 | 0,601 | 0,474 | 0,846 | 0,577 | 0,443 |
| DOS2 | 0,757 | 0,536 | 1,029 | 0,609 | 0,505 |
| DOS3 | 0,817 | 0,601 | 1,055 | 0,622 | 0,574 |
| DOS4 | 0,792 | 0,532 | 1,019 | 0,58 | 0,501 |
| DOS5 | 0,781 | 0,543 | 1,027 | 0,613 | 0,509 |
| DOS6 | 0,753 | 0,579 | 1,039 | 0,601 | 0,494 |
| DOS7 | 0,623 | 0,603 | 0,572 | 0,803 | 0,513 |
| IF1 | 0,701 | 0,607 | 0,631 | 0,872 | 0,476 |
| IF2 | 0,623 | 0,603 | 0,489 | 0,807 | 0,472 |
| IF3 | 0,622 | 0,643 | 0,623 | 0,797 | 0,612 |
| IF5 | 0,682 | 0,838 | 0,839 | 0,893 | 0,808 |
| IF6 | 0,682 | 0,629 | 0,659 | 0,865 | 0,598 |
| IN1 | 0,885 | 0,869 | 0,682 | 0,692 | 0,828 |
| IN2 | 0,826 | 0,832 | 0,633 | 0,663 | 0,801 |
| IN3 | 0,681 | 0,895 | 0,508 | 0,518 | 0,886 |
| IN5 | 0,621 | 0,828 | 0,369 | 0,386 | 0,819 |
| IN6 | 0,691 | 0,826 | 0,553 | 0,598 | 0,818 |
| PDC1 | 0,886 | 0,625 | 0,811 | 0,585 | 0,816 |
| PDC2 | 0,888 | 0,582 | 0,595 | 0,551 | 0,683 |
| PDC3 | 0,892 | 0,689 | 0,651 | 0,586 | 0,881 |
| PDC5 | 0,823 | 0,651 | 0,592 | 0,395 | 0,832 |
| PDC6 | 0,808 | 0,558 | 0,593 | 0,399 | 0,638 |
| SCS1 | 0,606 | 0,668 | 0,616 | 0,898 | 0,615 |
| SCS2 | 0,828 | 0,558 | 0,822 | 0,828 | 0,615 |
| SCS3 | 0,888 | 0,982 | 0,683 | 0,816 | 0,623 |
| SCS5 | 0,858 | 0,966 | 0,668 | 0,688 | 0,665 |
| SCS6 | 0,695 | 0,918 | 0,531 | 0,539 | 0,808 |

4.2 Structural Model Evaluation

There are several stages in evaluating a structural model. The first is to see the significance of the effect between the constructs. This can be seen from the path coefficient which describes the strength of the relationship between constructs.

Path Coefficient Direct. Seeing the significance of the direct effect between the constructs can be seen from the path coefficient. The sign in the path coefficient must match the hypothesized theory. To assess the significance of the path coefficient, it can be seen from the t test (critical ratio) obtained from the bootstrapping process (resampling method). The following are the results of the t test for the inner and outer models (Fig. 2).

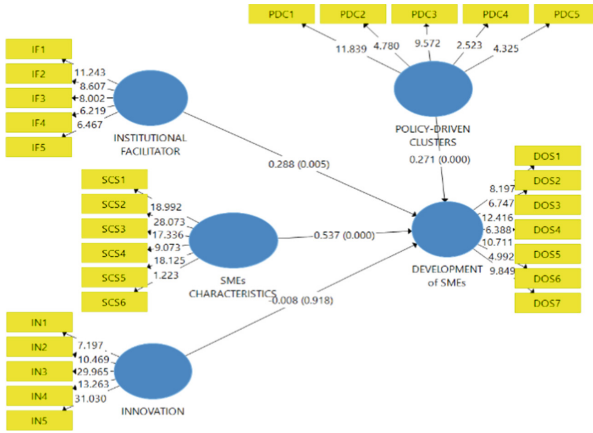


Fig. 2. T-value.

Researchers tested the hypothesis of bootstrap calculations. The results of the bootstrap test shown in the image above will then be concluded as accepting or rejecting the hypothesis.

The P-value for INNOVATION against DEVELOPMENT of SMES is 0.918 (Table 7). When compared with the value of = 5%. Then Pvalue (0.918) >= 5% (0.05) so that HO is accepted. Thus, it can be concluded that there is no significant effect of INNOVATION on the DEVELOPMENT of SMEs. The magnitude of the effect of INNOVATION on the DEVELOPMENT of SMEs is -0.008. A negative path coefficient indicates that the innovation of MSMEs has not been able to increase the development of MSMEs.

The Pvalue for INSTITUTIONAL FACILITATOR against DEVELOPMENT of SMEs is 0.000. When compared with the value of = 5%. Then P value (0.000) <= 5%

Table 7. Coefficient.

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STEDEV) | T Statistics ((O/STDEV)) | P Values |
|--|---------------------|-----------------|-----------------------------|--------------------------|----------|
| INNOVATION -> DEVELOPMENT of SMEs | -0.008 | -0.005 | 0.081 | 0.103 | 0.918 |
| INSTITUTIONAL FACILITATOR -> DEVELOPMENT of SMEs | 0.281 | 0.282 | 0.088 | 5.095 | 0.000 |
| SMEs CHARACTERISTIC -> DEVELOPMENT of SMEs | 0.638 | 0.639 | 0.009 | 6.538 | 0.000 |

(0.05) so H_0 is rejected. Thus, it can be concluded that there is a significant effect of the INSTITUTIONAL FACILITATOR on the DEVELOPMENT of SMEs. The magnitude of the effect of the INSTITUTIONAL FACILITATOR on the DEVELOPMENT of SMEs is 0.288. A positive path coefficient indicates the better the INSTITUTIONAL FACILITATOR, the better the DEVELOPMENT of SMEs. The Pvalue for SMES CHARACTERISTIC against DEVELOPMENT of SMEs is 0.000. When compared with the value of = 5%. Then P value (0.000) \leq 5% (0.05) so H_0 is rejected. Thus, it can be concluded that there is a significant effect of SMES CHARACTERISTIC on the DEVELOPMENT of SMEs. The magnitude of the influence of SMES CHARACTERISTIC on the DEVELOPMENT of SMEs is 0.537. A positive path coefficient indicates the better SMES CHARACTERISTIC, the better the DEVELOPMENT of SMEs.

Path Coefficient Moderation. Seeing the significance of the effect between the constructs moderated by the Policy-Driven Cluster variable, it can be seen from the moderating path coefficient. To assess the moderating significance of the path coefficient, it can be seen from the t test (critical ratio) obtained from the bootstrapping process (resampling method). The following are the results of testing the moderating effect of the Policy-Driven Cluster both inner and outer models (Fig. 3).

The t-test carried out is the result of the t-test from bootstrap calculations by adding the moderating variable from the Policy-Driven Cluster variable to the effect of INSTITUTIONAL FACILITATOR, SMEs CHARACTERISTIC and INNOVATION with DEVELOPMENT of SMEs as endogenous latent. The results of the t-test for the moderating variable in the image above will then be compared with the probability value (5%).

The Pvalues for INSTITUTIONAL FACILITATOR against DEVELOPMENT of SMEs moderated by Policy-Driven Cluster is 0.257 (Table 8). When compared with

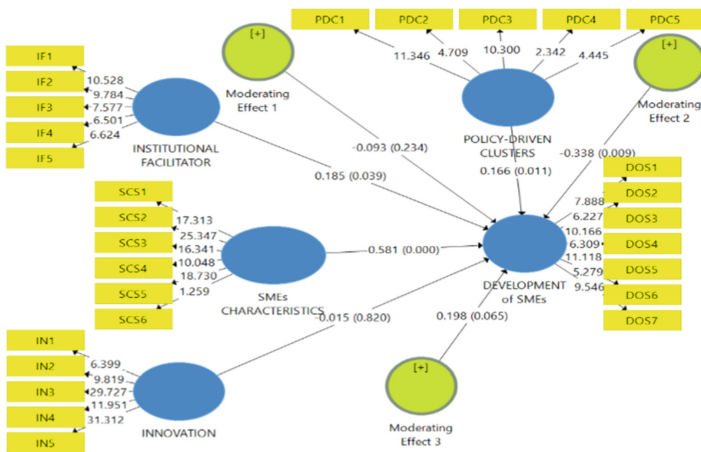


Fig. 3. Moderating test.

Table 8. Moderating effect.

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STEDEV) | T Statistics (O/STDEV) | P Values |
|---|---------------------|-----------------|-----------------------------|--------------------------|----------|
| Moderating effect 1 -> development SMEs | -0.093 | -0.087 | 0.082 | 1.134 | 0.267 |
| Moderating effect 2 -> development SMEs | -0.338 | -0.320 | 0.129 | 2.708 | 0.009 |
| Moderating effect 3 -> development SMEs | 0.198 | 0.183 | 0.116 | 1.717 | 0.087 |

the value of = 5%. Then $0.257 > 0.05$. So H_0 is accepted. Thus, it can be concluded that there is no significant effect of the INSTITUTIONAL FACILITATOR on the DEVELOPMENT of SMEs moderated by the Policy-Driven Cluster.

The Pvalues for SMEs CHARACTERISTIC against DEVELOPMENT of SMEs moderated by Policy-Driven Cluster is 0.009. When compared with the value of = 5%. Then $0.009 < 0.05$. so H_a is accepted. Thus, it can be concluded that there is a significant effect of SMEs CHARACTERISTIC on the DEVELOPMENT of SMEs moderated by the Policy-Driven Cluster.

The Pvalues for INNOVATION against DEVELOPMENT of SMEs moderated by Policy-Driven Cluster is 0.087. When compared with the value of = 5%. Then $0.087 > 0.05$. so H_0 is accepted. Thus, it can be concluded that there is no significant effect of INNOVATION on DEVELOPMENT of SMEs moderated by the Policy-Driven Cluster.

Goodness of Fit. To validate the model as a whole. Then goodness of fit (GoF) is used which was introduced. This GoF index is a single measure used to validate the combined performance of the measurement model and the structural model. This GoF value is obtained from the average communalities index multiplied by the R2 value of the model. Here are the results of the calculation of the goodness of fit model:

Based on the Table 9, the result of the average communalities is 0.642. This value is then multiplied by R2 and rooted. The calculation results show that the GoF value of 0.412 is more than 0.360 so that it is categorized as a large GoF. Means that the model is very good (has a high ability) in explaining empirical data.

Table 9. Average communalities index.

| Variable Laten | Average Variance Extracted (AVE) | R Square |
|---------------------------|----------------------------------|----------|
| INSTITUSIONAL FACILITATOR | 0,636 | 0.681 |
| SMEs CHARACTERISTIC | 0,868 | |
| INNOVATION | 0,818 | |
| DEVELOPMENT of SMEs | 0,888 | |
| Policy-Driven Cluster | 0,825 | 0.681 |
| Average | 0,852 | |
| GOF | 0.512 | |

5 Conclusion

The results of the path coefficient show a negative value concluding that the innovations produced by SMEs have not been able to increase their business development. The results of the study also prove that the Institutional Facilitator influences the development of SMEs. The value of the path coefficient relationship produces a positive relationship indicating that the better the Institutional Facilitator can improve the development of SMEs. There is a significant influence of SMEs Characteristics on the Development of SMEs. The positive path coefficient indicates the better the SMEs Characteristic, the better the Development of SMEs. The moderating test proves that there is no significant effect of Institutional Facilitator on the Development of SMEs moderated by the Policy-Driven Cluster. There is a significant effect of SMEs Characteristic on the Development of SMEs moderated by the Policy-Driven Cluster. SMEs moderated by Policy-Driven Cluster.

To manage regional economic development assistance based in North Sumatra, management institutions are needed. The first was carried out, the TKPP of the Regional Government which was formed with the regional head's Decree. This team is then chaired by the Head of Industry, Trade, Cooperatives and Agriculture with the following duties and responsibilities:

1. Preparing Regional Regulations regarding General Instructions for the implementation of activities.
2. Prepare the Regulation of the Head of the Cooperative Trade Industry Office regarding Technical Instructions for the Implementation of activities.

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