Performance Analysis of MSME in Improving Bank Indonesia Program for the Development of North Sumatera Regional Office

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Abstract. Micro, small, and medium enterprises (MSMEs) have an important and strategic role in the development of the national economy. MSMEs not only play a role in economic growth and employment, but also in distributing results development. Bank Indonesia representative of North Sumatra is the Central Bank that runs government programs in developing and also fostering MSMEs in the North Sumatra Regional Office. The population and sample taken were as many as 41 respondents using the total sampling technique. The method used in the research was associative quantitative with the hypothesis that has been formulated. Based on testing results on training, mentoring, and coaching variables, it was found the coaching applied had a positive and significant influence on MSME performance. This showed that the variable of the programs under the guidance of Bank Indonesia for the Medan City Region was in good performance. Through business development, it can remind MSMEs owners to be aware of technology in increasing MSME performance. Thus, several strategies and policies that can increase the performance of MSMEs actors are needed, especially in the ongoing COVID-19 pandemic situation.

Keywords: Coaching · Mentoring · MSME Performance · Training

1 Introduction

Micro, small, and medium enterprises (MSMEs) have an important and strategic role in developing the national economy. MSMEs not only play a role in economic growth and employment, but also in distributing development results. MSMEs are considered capable to survive in the moment of crisis where dozens of big company experience bankruptcy [1]. In 2018, Indonesia had 64.2 million MSMEs with a contribution to GDP of 60.03% and employment of 97% and 99% of the total fieldwork (Statistik). In 2018, North Sumatra had 2.8 million MSMEs registered and verified at the Ministry of Cooperatives and SMEs, and as many as 380,249 business units of which 97% were in urban areas. This number proves that if MSMEs are managed well, they can improve the economy and reduce unemployment that can gradually resolve economic problems in Indonesia.

The support from Bank Indonesia, North Sumatera Regional Office to MSMEs is given through the Department of Cooperatives and SMEs North Sumatera. This support is given in form of human resources focusing on the improvement of quality and ability of the workforce. There is also a fostered program provided to improve the quality and skills of MSMEs actors, businesses to support business running, and training for business progress.

Based on the interview results, the problems faced by MSMEs include the availability of standard ingredients, low market access, operating capacity, and permission. The availability of standard ingredients relates to the limited suppliers, limited raw materials, and the capabilities to purchase raw materials on a limited scale, which has an impact on the high price standard.

Operating capacity is the main problem for MSMEs, including the level of knowledge, skills, and strategic orientation of SMEs. Most of the small enterprises grow traditionally and are hereditary family businesses. The limited operational staff of small businesses, both in terms of formal education and knowledge and skills, greatly affects performance, so it is difficult for the business to develop optimally. In addition, with the limitations of electric power operations, it is relatively difficult for business units to adopt new technology developments to improve the competitiveness of the electric power market and the products it produces.

The market access problems faced by MSMEs include the expansion of local markets and overseas markets due to the limited promotional capabilities of the businesses being carried out. Small businesses are generally family business units that have very limited business networks and low market penetration capabilities. Therefore, the product innovations produced are very limited in number and have less competitive quality. In contrast to macro businesses that already have an extensive network and are supported by information technology have good promotions and can reach the international level. In addition, the SME entrepreneur mentality in terms of the entrepreneurial spirit of SME entrepreneurs including the willingness to continue to innovate, be tenacious without giving up, be willing to sacrifice, and spirit to take risks are also lacking.

Most MSMEs in running their business still do not have a business license, so in an effort to increase income, they are relatively inferior to larger business scales. This is possible due to limited knowledge about the business vision and long-term business development plans. SMEs need to get the assistance that leads to the ability to carry out strategic plans and build a better business vision, so they have the strength to compete with more effort.

BI is committed to supporting the transformation of MSMEs through an integrated MSME onboarding program and providing QRIS (QR Code Indonesian Standard) as a fast, easy, cheap, and reliable digital payment channel for MSMEs. The integrated MSME onboarding program is a pattern development for MSMEs that is adapted to the characteristics and stages of efforts in institutional and human resources, finance, production, and marketing The integrated MSME onboarding program is a development program for MSMEs that is adapted to the characteristics and stages of efforts in institutional and human resources, finance, production, and marketing aspects.

Creativity, digitalization, and synergy that will be implemented by Bank Indonesia in developing programs are the keys to creating plus value in advancing MSMEs as

new economic forces in the digital era. First, creativity by increasing the plus value of MSME products. Second, digitization through the initiation of SME Go Digital and the integration of the digital financial economy through a payment infrastructure system that is fast, easy, cheap, safe, and reliable. Third, synergizing central and regional policies with priority sectors, strengthening integrated business models, and end-to-end encouraging the progress of MSMEs.

Therefore, there needs to be a strategic step in encouraging SMEs to develop human resources so that they have their own innovation and creativity.

A study conducted by Novitri Landung Namora Sihombing and Raden Hasan [2] entitled "Performance Analysis of Micro, Small and Medium Enterprise Facilitators in South Tangerang on the Progress of MSMEs" found that the performance of MSME mentors so far has not had a significant effect on the progress of MSME actors. This can be seen from the inability of MSME companions who provided assistance in solving several problems in protecting small entrepreneurs due to the difficulty of managing the legalization of their business entities, so they had difficulty developing partnerships in their business [2].

Research Problems

1. Does the implementation of Bank Indonesia's programs affect MSMEs' performance in Medan?
2. How is Bank Indonesia's strategy implemented to increase MSMEs performance in Medan?

Research Objectives

1. To find out the strategies in the assisted programs to improve the performance of SMEs.
2. To formulate an effective implementation of assisted programs in improving the performance of SMEs.

2   Method

This type of research was associative and causal research with a quantitative approach that explains the relationship due to consequences between the independent variable and the dependent variable. The independent variables in this study are training, mentoring, and coaching. While the dependent variable is the performance of SMEs. The data collection procedure in this study used a questionnaire distributed directly to 41 SMEs registered in the leading entrepreneurship field of Bank Indonesia, North Sumatra.

The sampling technique used in this research was total sampling. The data collected in this study were sourced from primary data, namely data obtained directly from respondents, as well as secondary data as supporting data in the form of an overview of SMEs registered in the leading entrepreneurship of Bank Indonesia, North Sumatra. This study used SEM analysis techniques using the help of a tool of Smart PLS 3.0 software.

3   Result and Discussion

The size of the influence of training, mentoring, and coaching on the performance of SMEs registered at Bank Indonesia's leading entrepreneurship in Medan was measured using SEM analysis techniques using the help of tools in the form of Smart PLS 3.0 software. Validity test result shown in Table 1.

Questionnaires can be measured through validity tests. A valid indicator in the questionnaire is if the statement in it can reveal the variables to be measured by the questionnaire. To find this out, a significance test was carried out with a test instrument where all variables must show all loading factor scores greater than 0.7.

Reliability test result shown in Table 2.

The reliability of the answers from participants to the questionnaire in the form of research indicator instruments about the variables studied can be tested using reliability tests. The instrument can be said to be reliable if the research carried out only produces the same answers and results then compared with the statement. Reliability tests on all items can be done together. If Cronbach's Alpha value obtained is >0.70, then it can be declared reliable.

Research model result shown in Fig. 1.

Figure 1 shows that the highest bootstrap result is found in the MSME performance variable, which is 28,484. While the lowest score is on the mentoring variable with a coefficient of 2.404. Overall, the results obtained from this test are positive which indicates that all variables have a positive effect.

Hypothesis test result studi shown in Table 3.

Summary of test results hypothesis shown in Table 4.

Tables 3 and 4 explain that in testing the first hypothesis, the test results show a t-statistic value of 4.482. From these results, it is stated that the t-statistic is significant because it is greater than 1.96 with a p-value of 0.000 less than 0.05 so that the first hypothesis is accepted.

From the testing results of the second hypothesis, it is found that the t-statistic value was 2,348. From these results, it is stated that the t-statistic is significant because it is greater than 1.96 with a p-value of 0.019 which is smaller than 0.05 so that the second hypothesis is accepted.

The testing results of the third hypothesis show the t-statistic value of 2.781. From these results, it is stated that the t-statistic is significant because it is greater than 1.96 with p-values of 0.014 less than 0.05 so that the third hypothesis is accepted.

Table 1. Validity Test Results.

Variable	Code	Loading Factor (LF)	Information
Training (X1)	P_X1	0.854	Valid
	P_X2	0.914	Valid
	P_X3	0.789	Valid
	P_X4	0.812	Valid
	P_X5	0.794	Valid
	P_X6	0.745	Valid
	P_X7	0.784	Valid
	P_X8	0.813	Valid
	P_X9	0.956	Valid
	P_X10	0.831	Valid
Mentoring (X2)	P_X1	0.773	Valid
	P_X2	0.873	Valid
	P_X3	0.936	Valid
	P_X4	0.934	Valid
	P_X5	0.937	Valid
	P_X6	0.953	Valid
	P_X7	0.962	Valid
	P_X8	0.946	Valid
	P_X9	0.963	Valid
	P_X10	0.922	Valid
Coaching	P_X1	0.851	Valid
	P_X2	0.869	Valid
	P_X3	0.852	Valid
	P_X4	0.940	Valid
Performance (Y)	P_Y1	0.772	Valid
	P_Y2	0.857	Valid
	P_Y3	0.774	Valid
	P_Y4	0.860	Valid
	P_Y5	0.816	Valid
	P_Y6	0.838	Valid

Table 1. (*continued*)

Variable	Code	Loading Factor (LF)	Information
	P_Y7	0.880	Valid
	P_Y8	0.845	Valid
	P_Y9	0.887	Valid
	P_Y10	0.722	Valid

Table 2. Reliability Test Result.

Variable	Composite Reliability	Information
Training (X1)	0.956	Reliable
Mentoring (X2)	0.957	Reliable
Coaching (X3)	0.931	Reliable
Performance (Y)	0.982	Reliable
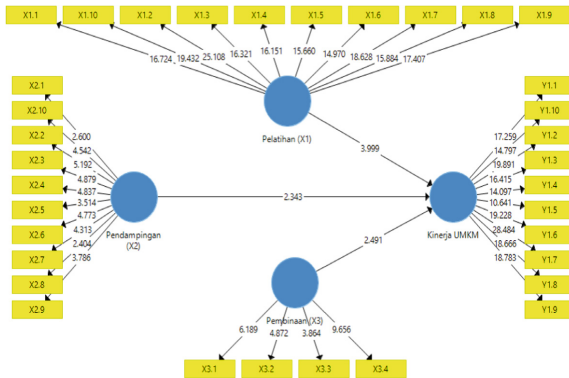
Fig. 1. Research Model Result.

Table 3. Hypothesis Test Results Study.

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)
Training > MSME Performance	0.478	0.481	0.107	4.482
Mentoring > MSME Performance	0.297	0.287	0.094	2,348
Coaching > MSME Performance	0.262	0.302	0.135	2,781

Table 4. Summary of Test Results Hypothesis.

Hypothesis		Results	Information
H1	Training has a positive but not significant effect on MSME performance	T- Stats: 4.482 p- value: 0.000	Accepted
H2	Mentoring has a positive but not significant effect on the performance of MSMEs	T- Statistics 2,348 p-value: 0.019	Accepted
H3	Coaching has a positive effect on the performance of SMEs	T- Stats: 2,781 p-value: 0.014	Accepted

4 Conclusion

The empowerment of MSMEs through the assisted program has given very significant results. The training, mentoring, and coaching variables had a positive and significant impact on the performance of SMEs. This shows that the program variables under the guidance of Bank Indonesia for the North Sumatra Region were successful. Through the fostered business, MSME owners are made aware of technological advances in improving MSME performance, so it is necessary to carry out several strategies and policies to be able to improve the performance of MSME actors, especially in the current state of the COVID-19 pandemic.

MSME owners are not only taught about operational and technical matters but are also given a definition of the latest technology that can be used for performance efficiency. Not only from the equipment aspect but also from the marketing aspect, such as bringing MSMEs into the digital world which is currently rife in today's society so that their business is better known by the public. Programs built by MSME actors, especially mentoring, provide opportunities for business owners to learn from experts. Experiences from mentors shorten the owner's effort to learn through experience. Mentors will provide solutions to problems faced as well as help formulate strategies and

business concepts for small and medium enterprises. With this program, business owners are expected to be able to run their businesses optimally and effectively.

SMEs in Indonesia are starting to penetrate the digital world such as e-commerce and marketplaces. This is a place for MSME owners to maximize their business and creativity. Optimization of the use of e-commerce and social media can be done so that SMEs can grow rapidly. The rapid development of e-commerce is the contribution of many SMEs in Indonesia.

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