

The Contribution of Capital Assistance Promotional Strategies and Organizational Capability to Micro Business Performance in the New Normal Era

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Abstract

This research was conducted to determine the contribution of capital assistance, promotional strategies, and organizational skills to micro-businesses performance in the new normal era. This research is applied to micro-enterprises in Surabaya that must face the environmental conditions after the Covid-19 Pandemic, namely the new normal where there are changes in behavior by the community and micro-businesses related to the pandemic that has occurred, starting new businesses with various uncertainties, high-intensity competition. The Surabaya city government has used different methods to overcome the micro-enterprise downturn by providing trading opportunities and holding grand events to promote products and provide financial assistance. The population of this research is micro-entrepreneurs in Surabaya, totaling 112 people. The survey method is used to retrieve the necessary data from the sample. Testing with multiple linear regression shows the contribution of the variable capital assistance, promotion strategy, and organizational ability to business performance shows that micro-business performance is influenced by capital assistance, promotion strategy, and organizational capacity. The capital assistance obtained is used to carry out product innovations, promotion innovations, distribution, and additional resources supported by organizational capabilities that can improve micro-business performance.

Keywords

capital assistance; promotion strategy; organizational capability; micro business performance; new normal era



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1. INTRODUCTION

The role of MSMEs in Indonesia is quite significant, such as in opening employment opportunities and absorbing workers, both directly and indirectly. Another role is as a provider of an economic safety net, especially for people who have low incomes, so that they can run the economy productively. In general, the role of MSMEs in Indonesia can be seen in (1) Means of equalizing the people's economy in various strata, reaching all corners of the archipelago so that people do not need to go to cities to get a good living (2) Means of alleviating poverty, having a role in relatively high employment absorption (3) Means of generating foreign exchange, MSMEs can contribute to the country's foreign exchange because their role is not only in the country but also abroad (Yanti, 2019).

With the Covid-19 pandemic, MSMEs have become a sector that is vulnerable to being hit; they are no longer referred to as a buffer for the economy like in previous years when facing an economic crisis. The Covid-19 pandemic has certainly affected the business of MSME business actors, such as the existence of a social distancing policy or social restrictions causing consumers to be more inclined to choose to shop online. MSME actors who are still doing direct marketing must, of course, switch to online marketing. Covid-19 expects MSME actors to change their business activities online, including marketing their products.

The government is also addressing these conditions from a capital perspective which is expected to increase MSMEs. As stated by the Surabaya Cooperatives and Micro Enterprises Service, from 2020 to early 2021, the development of MSMEs reached 40 thousand; in this case, there were 29 thousand new MSMEs in Surabaya that focused on culinary and service businesses. (Ka Dinkopum Surabaya, 2021).

Empowering MSMEs in the new normal era was carried out by the Surabaya City Government by allowing residents the opportunity to trade at Culinary Tourism Centers with a takeaway system while still implementing health protocols (Ka. Bappeko Surabaya, 2020). Another effort was made by refocusing the budget to empower MSME actors. Mayor of Surabaya (2021) Refocusing on opening public kitchens to support resilient villages. Another step made by the Surabaya City Government is to hold a grand event, namely the Surabaya Virtual Fashion, Craft and Culinary Expo 2021, on April 9-11, 2021, followed by 154 MSMEs representatives from the Surabaya City urban village displaying MSME products. (Jawapos, April 9, 2021 Page 17).

The existence of MSMEs spread all over Indonesia can be one of the drivers of economic recovery in Indonesia. The number of MSMEs in Indonesia is not small; according to the BPS, the number of MSMEs spread throughout Indonesia is up to 64 million and make up 99.9 percent of businesses supporting the economy in Indonesia. (Soleha, 2020). The opinion of the Chairman of the Board of Commissioners of the Financial Services Authority (OJK) is that MSMEs have a role in the economy where MSMEs contribute 60.51% to Indonesia's GDP and absorb 97% of the total national workforce (Wimboh Santoso, 2021)

The number of MSMEs in Indonesia is not small; the government has taken part in compiling various national economic recovery program (PEN) schemes to revive micro, small, and medium enterprises (MSMEs) in Indonesia. The federal economic recovery program being implemented is optimistic about reviving the Indonesian economy, which is weakening due to the co-19 pandemic. As in Surabaya, through Polrestabes (2021), Cash Assistance for Street Vendors and Warungs (BTPKLW) has been distributed. The assistance was given to street vendors and stall business owners in Surabaya; as many as 4,500 residents received direct cash assistance of Rp 1.2 million per person.

This assistance can be used for business development to run well if the business actor has adequate capabilities in managing a business, processing information, and determining policies. Wulandari (2019), Rahman (2015), Nizar (2018), and Padey et al. (2022) show that capital assistance affects the performance of MSMEs. A business manager is said to be capable if he has adequate expertise in his business field, including the ability to carry out promotions (Purwanti, 2012; Nizar, 2018). Conditions will be obtained if MSME actors have a high level of intelligence and education (Isnugrahadhi & Kusuma, 2009). MSME business actors need to have sufficient understanding related to the organizational capabilities of the business being run (Abdullah et al., 2019); (Ekaputri et al., 2018); (Gumilar & Fitria, 2019) and; (Pandey et al., 2022), where the implementation requires coordination so that it can be carried out effectively and efficiently by optimizing available resources in terms of production, marketing, human resources, and capital. Sufficient organizational ability will ultimately help MSMEs in determining decisions that are taken so that they have an impact on business performance. This study aims to analyze the effect of Capital Aid, Promotion Strategy, and Organizational Capabilities on Micro Business Performance in the New Normal Era in micro businesses engaged in the service sector in Surabaya.

2. METHODS

The Explanatory research model explains the causal relationship between research variables and hypothesis testing. A sample of 112 micro business actors engaged in services in Surabaya using the opinion of (Hair et al., 2013) was obtained from 16 indicators multiplied by 7. Sampling used an accidental technique. Respondent data was obtained using a questionnaire, then measured using a Likert scale on five criteria, namely 1 (strongly disagree), 2 (differ), 3 (neutral), 4 (agree), and 5 (strongly agree). The collected data were analyzed using multiple regression analysis, which previously carried out instrument and assumption tests.

To measure capital assistance using measuring tools from (Purwanti, 2012) through a) Capital structure, b) Utilization of additional capital, c) Barriers to accessing external capital, and d) Business conditions after adding capital with an example of a questionnaire on capital assistance/business credit, my business can be helped. Promotional strategies are measured using indicators from Kotler and Keller (2016), which include (a) promotional messages, (b) promotional media, (c) promotion time, and (d) promotion frequency with sample questionnaires. My product is easy to obtain both conventionally and online. To measure organizational abilities using measuring tools from (Ekaputri et al., 2018), namely 1) being able to make a business plan, 2) organizing employees, 3) carrying out activities, and 4) supervising the business with examples of questionnaire items, I allow employees/employees to carry out their duties according to their function. Business performance indicators, according to (Yanti, 2019), are 1) Business growth, 2) Total business income, 3) Total orders 4) Business cash position with examples of business questionnaire items I have been able to survive to date.

3. FINDINGS AND DISCUSSION

Sufficient data must support the results obtained from the research. The research results and the discovery must be the answers, or the research hypothesis stated previously in the introduction.

3.1. Instrument Test (Validity Test and Reliability Test)

All indicators have been tested for validity; the results of each variable have a significant value above 0.3 which means that all items in the questionnaire used are valid for further analysis. Cronbach's alpha parameter is used to determine the

instrument's reliability. If the value is greater than 0.6, the device is declared reliable. All test results are stated to be reliable, as shown in the following table:

Table 1. Reliability Test Results

| Variable | Cronbach's Alpha | Critical Value | Information |
|---------------------------------------|------------------|----------------|-------------|
| Capital Assistance (X ₁) | 0.936 | 0.6 | Reliable |
| Promotion Strategy (X ₂) | 0.919 | 0.6 | Reliable |
| Managerial Ability (X ₃) | 0.930 | 0.6 | Reliable |
| Business Performance (Y) | 0.942 | 0.6 | Reliable |

Source: Data processed in 2022

3.2. Determination Test

To find out the model's ability to explain the variation of the dependent variable analyzed, it is found as follows:

Table 2. Coefficient of Determination

| Model | R | R Square | Adjusted R Square |
|-------|-------------------|----------|-------------------|
| 1 | .897 ^a | .787 | .780 |

Source: Data processed in 2022

Table 2 explains that the Adjusted R Square value for the coefficient of determination yields 0.780. This condition illustrates that capital assistance, promotion strategies, and organizational capabilities influence 78% of the business performance of micro-entrepreneurs. The remaining 22% are other factors outside the research model.

Then a t-test is carried out, with the condition that if the significance value is <significant level (0.05), then H₀ is rejected, and H_a is accepted. Overall, the results of the analysis are shown in Table 3 below:

Table 3. Test Results t

| Variable | t _{count} | Sig |
|---------------------------------------|--------------------|-------|
| (X ₁) | 5,582 | 0.009 |
| Promotion Strategy (X ₂) | 5,741 | 0.016 |
| (X ₃) | 5,123 | 0.000 |

Source: Data processed, 2022

Table 3 can be explained for the capital assistance variable, which has a t-value of 5,582 > t-table of 1.658 and a significance of 0.009 < 0.05, so capital assistance influences

business performance. This condition means that capital is a supporting factor in realizing an increase in business performance because capital can be used to produce goods further. This result aligns with the opinion of Istinganah & Widiyanto (2020) and Ayodya (2020) that capital is very important in running a business; without capital performance, a company cannot run as it should. Likewise, the research results by Wulandari (2019) and (Rahman & Fe, 2015) state that capital partially has a positive and significant influence on micro-business performance.

Likewise, the promotion strategy variable has a t count value of 5,741 > t table of 1.658 and a significance of $0.016 < 0.05$ which means that the promotion strategy affects business performance. The implications of this assistance, promotion strategies, and organizational capabilities are shown in the table below:

Table 4. F Test Results

| Model | F | Sig |
|------------|---------|-------------------|
| Regression | 114,034 | .000 ^b |

Source: Data processed, 2022

The significance value < 0.05 and the calculated F level value of 114,034 have a simultaneous effect meaning that simultaneously the variables of capital assistance (X 1), promotion strategy (X 2), and organizational ability (X 3) affect the business performance variable (Y). These results can be interpreted that capital assistance, promotional strategies, and organizational capabilities have a combined effect on business performance; with business capital being used to support promotional strategies coupled with corporate powers possessed by business actors, micro-enterprises performance will increase.

The results of this study indicate that the three dependent variables (capital assistance, promotional strategies, and organizational skills) significantly affect the performance of micro-businesses in Surabaya engaged in services, either partially or simultaneously. The results of this study support research conducted by Wulandari (2019), Rahman (2015) (Nizar, 2018), and (Pandey et al., 2022), which shows that capital assistance affects the performance of MSMEs. This research also supports the opinion of Purwanti ((2012) and Nizar ((2018)) who show that promotion strategies affect the performance of MSMEs. This study also supports Abdullah et al. (2019)), Ekaputri et al. (2018), Gumilar & Fitria (2019) and Pandey et al. (2022)) which show that organizational ability has a significant effect on MSME performance. This also refers

to the opinion of Minuzu (2010) that the performance of MSMEs reflects achievements in sales, capital, number of employees, market share, and profits that continue to grow.

The results of the researchers' observations showed that the assistance or loans obtained were used following their benefits, such as product innovation, promotion, distribution, and addition of workforce. It was also evident from the descriptive analysis that 71.43% of respondents stated that income increased after additional capital. Part of the capital is used to support promotional equipment, especially in new normal conditions; demands for digitalization changes are unavoidable to reach a wider area. Micro-entrepreneurs' education level helps this condition because nowadays, they are no longer only of interest to people with low education; it is difficult to get formal jobs. In addition, it does not require certain requirements. Still, it is also in demand by people with undergraduate education who are relatively young, so they can operate gadgets that can be used to promote the products being sold. This reflects that micro-entrepreneurs must be able to manage their business under any circumstances, such as the Covid-19 pandemic.

4. CONCLUSION

The results showed that capital assistance positively and significantly affected micro-enterprises performance in Surabaya, and promotional strategies positively and greatly impacted business performance. Likewise, the managerial ability is stated to have a positive and significant effect on business performance, so it reflects that micro-entrepreneurs must be able to manage a business under any conditions, such as Covid-19. Part of the capital is used to support promotional equipment, especially in new normal conditions and demands for change towards digitization. The level of education of micro-entrepreneurs helps this condition because currently, they are no longer only in need by people with low education, who find it difficult to get a formal job and do not require certain requirements but are also in demand by the general public. With undergraduate education and being relatively young, so could operate. Gadgets can be used to promote sold products, thereby expanding their reach in introducing their business.

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