



## The Role of Knowledge, Skills and Experiences of SMEs in Poverty Reduction

Imam Baidlowi✉, Wasposito Tjipto Subroto

DOI: 10.15294/dp.v19i1.8454

Faculty of Economics University Islamic Majapahit Mojokerto, State University of Surabaya, Surabaya, Indonesia

### History Article

Received July 04, 2023  
Approved April 24, 2024  
Published June 30, 2024

### Keywords

Experiences; Knowledge;  
Reduce Poverty; Skill; SMEs

### Abstract

The success of an entity needs knowledge, skills, and experiences in business. For instance, knowledge on Small and Medium Enterprises (SMEs), skills, and experiences in business is a vital component in poverty reduction. The purpose of this study therefore was to determine the role knowledge of SMEs, skills and experiences in business activities in poverty reduction. The respondents were 370 business people from 37 counties and cities in East Java. Their selection was based on cluster purposive sampling technique, and Structural Equation Modelling and regression two-stage were used for data analysis. The study established that knowledge has a significant influence impact on business but does not on influence poverty reduction. Also, skills in SMEs have a significant impact in poverty reduction. The experiences in business have are influence and significant impact at profitabilities and poverty reduction. Generally, knowledge, skill, and experiences on SMEs have a significant impact on reducing poverty.

### How to Cite

Baidlowi, I., & Subroto, W.T.(2024).The Role of Knowledge, Skills and Experiences of SMEs in Poverty Reduction.*Dinamika Pendidikan*, 19 (1), 1-16.

© 2024 Universitas Negeri Semarang

## INTRODUCTION

Small and medium enterprises (SMEs) are critical players in the economies of nations (Wolf and Peth, 2006). They are a significant source of job creation, and the representative of the future large company and corporation (Clark and Moutray, 2004; Monk, 2000). SMEs create conditions for more equitable sharing of production facilities in order to alleviate property and help mitigate the issue of income and wealth inequality in society. In developed countries, SMEs have strengthened, constituting around 95% of total enterprises (Ayyagari et al., 2011). After the recent economic crisis beginning in 2008, SMEs have been able to respond to the associated challenges more quickly and flexibly than large corporations and, therefore, they succeeded to survive and thrive. For this reason, many developed countries have devised various kinds of non-financial and monetary incentive mechanisms aimed at enhancing the significance of SMEs in different sectors.

SMEs represent a large part of all enterprises in global economies. Studies on their competitiveness are crucial in understanding the conditions that affect them. This is because they may influence the competitiveness of the countries in the global market. Competitiveness is a popular concept across different levels of studies and involves different disciplines such as comparative advantage or price competitiveness, strategy, and management, as well as historical and socio-cultural perspectives. It can increase market share, profit, growth, value-added, and stay competitive for the long term (Ramasamy, 1995). SMEs represent more than 90% of the enterprises in many countries (Gunasekaran, Rai, & Griffin, 2011; Cull, Davis, Lamoreaux, & Rosenthal, 2006; Ozgulbas, Koyuncugil, & Yilmaz, 2006). However, most of them experience a lack of market power and turbulent, making them more vulnerable to small and medium enterprises (SMEs) are critical players in the economies of nations (Wolf and Peth, 2006). They are a significant source of job creation, and the

representative of the future large company and corporation (Clark and Moutray, 2004; Monk, 2000). SMEs create conditions for more equitable sharing of production facilities in order to alleviate property and help mitigate the issue of income and wealth inequality in society. In developed countries, SMEs have strengthened, constituting around 95% of total enterprises (Ayyagari et al., 2011). After the recent economic crisis beginning in 2008, SMEs have been able to respond to the associated challenges more quickly and flexibly than large corporations and, therefore, they succeeded to survive and thrive. For this reason, many developed countries have devised various kinds of non-financial and monetary incentive mechanisms aimed at enhancing the significance of SMEs in different sectors.

SMEs represent a large part of all enterprises in global economies. Studies on their competitiveness are crucial in understanding the conditions that affect them. This is because they may influence the competitiveness of the countries in the global market. Competitiveness is a popular concept across different levels of studies and involves different disciplines such as comparative advantage or price competitiveness, strategy, and management, as well as historical and socio-cultural perspectives. It can increase market share, profit, growth, value-added, and stay competitive for the long term (Ramasamy, 1995). SMEs represent more than 90% of the enterprises in many countries (Gunasekaran, Rai, & Griffin, 2011; Cull, Davis, Lamoreaux, & Rosenthal, 2006; Ozgulbas, Koyuncugil, & Yilmaz, 2006). However, most of them experience a lack of market power and turbulent, making them more vulnerable to reduction. This may make collaboration between the government and enterprises more effective and efficient to reduce poverty and the increased welfare of the society.

In a world of globalization, transitioning and developing countries and their enterprises face major challenges in trying to take advantage of trade and investment opportunities. While governments make policies in trade and

investment areas, it is enterprises that trade and invest and so, their role in the economy is pivotal. SMEs are significant players in transitioning and developing countries. These firms typically account for more than 90% of all firms outside the social-cultural sector, constituted a major sources of unemployment and generated substantial domestics and exported earnings (OECD, 2009). As such, SMEs development emerges as a key instrument in further poverty reduction efforts.

SMEs are accepted as a fundamental part of the economy of individual countries and, as such, the underpinnings of the world economy. Duarte (2004) mentions in his article that, without a doubt, SMEs is crucial for the overall sustainability and health of an economy. According to the Organization for Economic Cooperation and Development (OECD, 2000), SMEs represent more than 95% of enterprises and create 60-70% of jobs. Alternatively, the United Nations Industrial Development Organization (UNIDO, 2005) calculated that SMEs account for 90% of private firms and employ 50-60% of the total labour force. Either way, small firms are the vehicle in which entrepreneurship thrives. Small enterprises are crucial in ensuring competitiveness and bringing new techniques to production and finished products to market. It is worth mentioning that creating a good environment for SMEs, which can supply quality services and competitive products at a low cost, is significant for all countries around the world (Robu, 2013)

Skill of business is very importance in economic activities and business, so skill of economic and business activities must be increased and the continued. The ability of innovative and growth-oriented small and medium-sized enterprises (SMEs) to secure appropriate funding and contribute to economic growth is an important policy issue and in other Organisation for Economic Co-operation and Development (OECD) countries. SMEs dominate the business landscape of OECD countries; SMEs enterprises are crucial eco-

nomies actors with in the economic of nation (NUTEK, 2004; Wolff and Pett, 2006). There are is major sources for job creation (Clark and Moutray, 2004) and there representation of the seeds for futured larged company and cooperation (Monk, 2000). Another main feature of SMEs is that they create conditions for the more equitable sharing of production facilities and property, in addition to helping to mitigate income and wealth inequality amongst different layers of society. Developed countries' experiences show that, in the last years, the role of SMEs in the economy has strengthened and the majority of enterprises have been ranked in the SMEs category more than 95% (Ayyagari et al, 2011). Especially after the recent economic crisis beginning in 2008, experience has shown that SMEs have been able to respond to the challenges of the crisis more quickly and flexibly than large corporations and, indeed, they succeeded to survive and thrive. With a view to this observation, many developed countries have devised various kinds of non-financial and monetary incentive mechanisms aimed at enhancing the weight of SMEs in different sectors.

SMEs embody an essential source of economic growth, dynamism and flexibility in advanced industrialized countries, just as much as they do in emerging ones, while they play an important role in development. In a study taking into account 132 countries, it was found that there were 125 million SMEs and 71.2% (89 million) of them located in developing countries (Kushnir et al., 2010). SMEs have a huge importance for transitional economies for several reasons. SMEs are able to provide economic benefits beyond the boundary of the individual enterprise; namely, they encourage experimentation, learning and adaptability. These skills are especially important for countries which were formerly part of centrally planned systems. SMEs do not establish net new job places, they do, however, decrease the erosion of human capital by opening new alternative employment opportunities for relatively skilled, unemployed workers.

The success of business is influenced by various factors. Business performance of the entrepreneurship is one of the goals of every entrepreneur. Performance of businessman can be defined as the degree of success in achieving the purpose expected. As a measure of the success of the business of an enterprises can be seen from various aspects, such as financial performance, corporate image, and others. According to Hoffman (1994) deals with the determinants of the success of this businessman enterprises, research results found that business success is characterized by innovations, risk averse behavior. Likewise, Zimmerer (2008) results in the same source found that the success of businessman contributed by hard work, dedication, and commitment to service and quality. Various critical success factors of businessman that any research on identification is basically a reflection of the ability of the business (knowledge, attitudes and skills), relevant experience, work motivation and one's level of education entrepreneur. According Gwee (2007) the success of the business be able to look from the effectivities of the working process as grouping based on technical efficiencies and efficiency of economic. That all to take successfully of business activities and with outcome for economic growth.

For the role of SMEs in economic development, McIntyre (2008) argues that SMEs have played important roles in the evolution of all transition economies. There is a well-rehearsed list of advantages posited for promoting SMEs (Levitsky, 2005 ; OECD, 2006). Identify three core arguments in support of SMEs and economic development. First, SMEs enhance competition and entrepreneurship and, thus, "have external benefits on economy-wide efficiency, innovation and aggregate productivity growth" (Beck, Demirguc-Kunt & Levine, 2005). Second, SMEs are seen as being more productive than large firms. Third, SME expansion creates more employment than large firm growth because of labour intensiveness and, as such, SMEs are judged to be a poverty alleviation tool. At

the same time, they are important contributors to export revenue, particularly in East Asia (OECD, 2006). From these various supporting arguments, the expansion of SMEs has come to be viewed as necessary for the sustained and healthy growth of transition and developing economies.

In reality, the markets do not function perfectly and this poses difficulties and limitations to SME growth. Compared with large enterprises, SMEs have disadvantages in many aspects such as a lack of economies of scale, constraints on technological development, and access to financial sources which can render them less competitive with lower market power than large enterprises (Beck, Demirguc-Kunt & Levine, 2005). There are also questions about whether SMEs really are more labour intensive and better at creating jobs than large firms and about constraints on SMEs' access to and cost of finance (Beck, 2005). The OECD (2006) has argued that for a prosperous and expanding SME sector it is desirable to have sound and supportive macroeconomic policies, coupled with competitive SMEs business practices and strategies. Thus, government action is vital for SMEs expansion and enhanced competitiveness. This includes macroeconomic policies such as ensuring low inflation and stable currency regimes; microeconomic policies such as appropriate legal and regulatory frameworks, the availability of plentiful and accessible finance, and an abundant supply of flexible, skilled labour; and competitive SMEs business practices and strategies that can be encouraged through education and training (OECD, 2006).

SMEs act as the core of economic growth; they generate, to a greater extent, the technical innovation needed for an economy to progress. Many new jobs come from innovation, and new discoveries bring about even more entrepreneurial adventures. The creativity of small companies is the fuel of the entrepreneurial spirit leading economic growth. Paul Almeida (2004), says, SMEs play a unique, active and critical role in the innovation process by their ability to invent new techno-

logical spaces and improve high technology information network. It is certain that small companies and innovation will play a key role. (Zoltan Acs et al., 2005).

In the new context of the knowledge revolution a concept denoting the passage from an economy dominated by physical, tangible resources to an economy dominated by knowledge, small and medium companies draw significant attention as forerunners of innovation and development. Within SMEs, the small number of components, low amount of tangible assets, and lesser complexity of activities and structures make it easier to situate the preoccupations, decisions and actions of knowledge resources in the foreground of all processes. Entrepreneurial spirit, strength of interpersonal relations and pronounced group cohesion, variability, flexibility and organizational dynamism are all defining elements for an economy and any company based on knowledge. Additionally, central to the innovation process is the establishment of expansive social networks, both formal and informal, and small companies establish regional networks more easily than big companies do, allowing a greater degree of specialization and exchange of ideas.

Globalization and poverty are two of the main issues on today's political agenda. As one of the few statements on which the politician tends to agree with the common man is that in the last twenty years poverty and inequality have both increased. (Martin (2002). Since the last twenty years are known as the globalization years, it is almost automatically inferred that globalization is bad because it raises poverty and inequality.

The conceptual of thinking in this research is based on the explanation of the role of knowledge and skill in business on increasing SMEs and reduce poverty. The conceptual of thinking model relationship with variables can be seen in Figure 1.

## METHODS

The study uses an interpretive method to answer the research question. This is an action research that uses data collection methods such as panel secondary data or documentation and questionnaires. The results of this study are expected to explain how the knowledge and skill of SMEs and experiences in business supports poverty reduction. The samples involved 370 respondents, all being businessmen

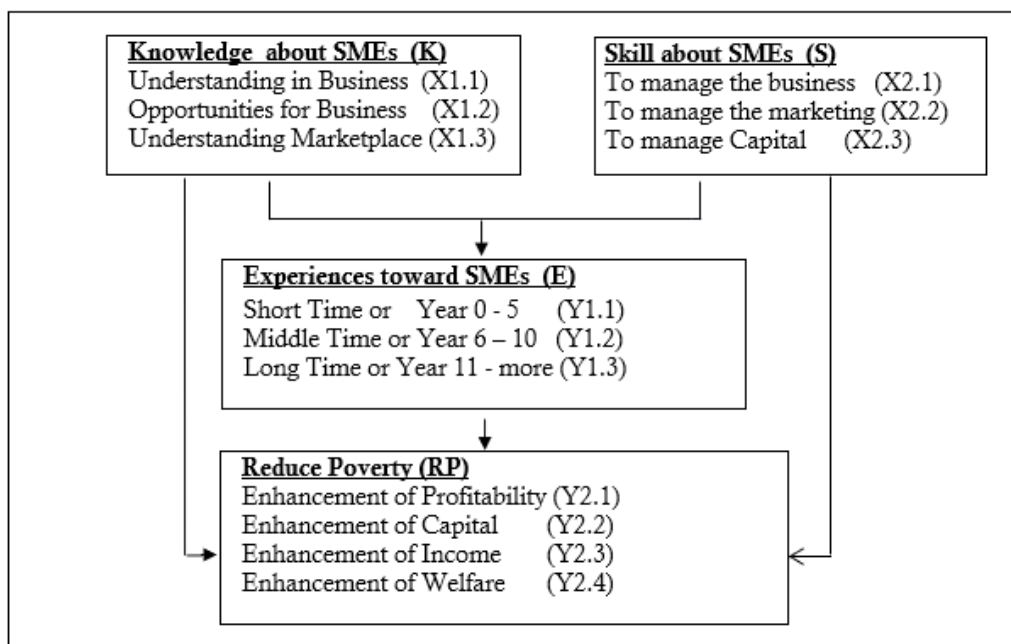


Figure 1. Research Framework

in East Java, Indonesia. Also, 37 regions from cities and counties were used. More details are shown in the Table 1.

took ten business people for a source of data. The summary of respondents in this research is shown in Table 2.

Each regional of cities and counties

**Table 1.** Research Samples in Several Cities and Counties

No.	District or Region Area	Regional Government or District Respondens
1	District I	Regional Government of Madiun City, Blitar City, Madiun, Magetan, Ngawi, Ponorogo, Trenggalek, Tulungagung, Pacitan, Blitar, and Nganjuk.
2	District II	Regional Government Mojokerto City, Kediri city, Mojokerto, Kediri, Jombang, Lamongan, Bojonegoro, and Tuban.
3	District III	Regional Government Malang City, Malang, Batu City, Probolinggo City, Jember City, Jember, Bondowoso., Situbondo, Banyuwangi, and Probolinggo.
4	District IV	Regional Government of Surabaya, Sidoarjo, Gresik, Pasuruan City, and Pasuruan.
5	District V	Regional Government Bangkalan, Sampang, Pamekasan, and Sumenep.

Soure: Processed data (2023)

**Table 2.** Number of Samples

Counties & Cities	Cities & Counties	Sample	Total Respondents	Counties & Cities	Cities & Counties	Sample	Total Respondents
Madiun	City	10	10	Situbondo	County	10	10
Madiun	County	10	10	Probolinggo	County	10	10
Sampang	County	10	10	Nganjuk	County	10	10
Bangkalan	County	10	10	Banyuwangi	County	10	10
Probolinggo	City	10	10	Batu	City	10	10
Lumajang	County	10	10	Trenggalek	County	10	10
Bondowoso	County	10	10	Tuban	County	10	10
Malang	County	10	10	Malang	County	10	10
Jember	County	10	10	Surabaya	City	10	10
Pamekasan	County	10	10	Blitar	County	10	10
Pasuruan	City	10	10	Lamongan	County	10	10
Pasuruan	County	10	10	Jombang	County	10	10
Sumenep	County	10	10	Mojokerto	City	10	10
Malang	City	10	10	Gresik	County	10	10
Bojonegoro	County	10	10	Ngawi	County	10	10
				Sidoarjo	County	10	10

Counties & Cities	Counties & Cities	Sample	Total Respondents
Kediri	County	10	10
Kediri	City	10	10
Tulungagung	County	10	10
Blitar	City	10	10
Ponorogo	County	10	10
Mojokerto	County	10	10
Total	37	370	370

Source: Processed data (2023)

The collected data was analyzed with Structural Equation Model and descriptive quantitative techniques. Structural Equation Model explains the effect of variables in the research and measure goodness of fit (Little et al., 2007). The factor analyses and regression models were used with SEM (Structured Equation Modelling). The results can be used

to confirm factors loaded and critical ratio, can be seen in Figure 2.

## RESULT AND DISCUSSION

### The Result of Test with SEM Analysis Model

The criteria used to determine the models is the coefficient of P-Value; GFI; AGFI; TLI; CFI and the Chi-square (X2) through the degree of freedom (df) (Ferdinand, 2000). The explanation of the result from a test with SEM analyses on the fulfillment of the coefficient is shown below. This research complies with an elaborative model to harmonize the results, as shown in Table 3.

The result of this research fulfilled the coefficients of P-Values, GFi, AGFi, TLi, CFI, Chi-Square, and several degrees of freedom (df)(Ferdinand, 2009). The compliance of details of the model of harmonization is shown in table 3. The results of the test in this research be able showed in Figure 4.

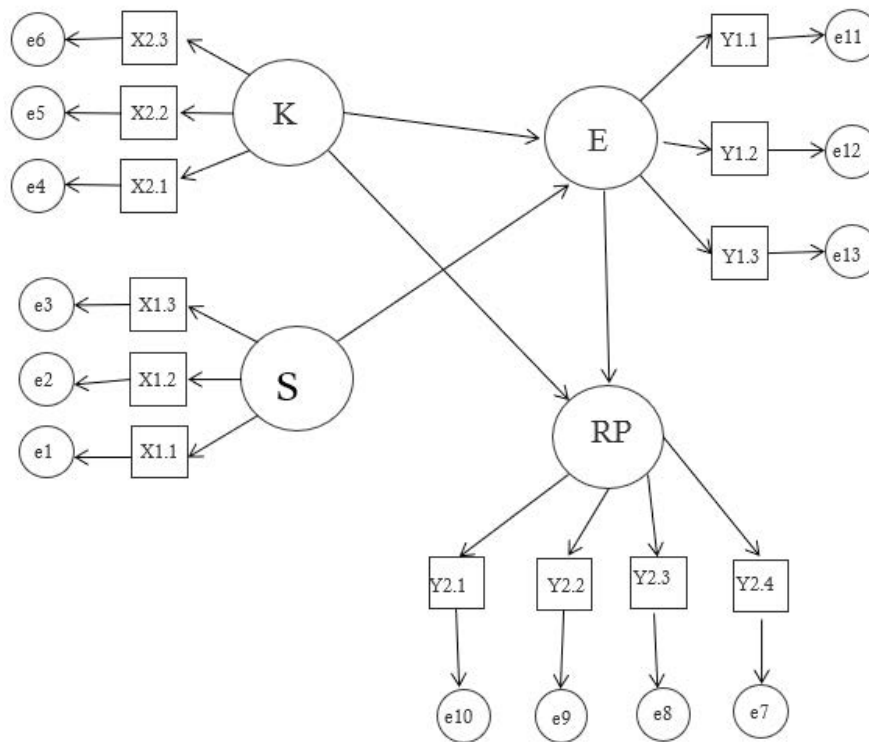
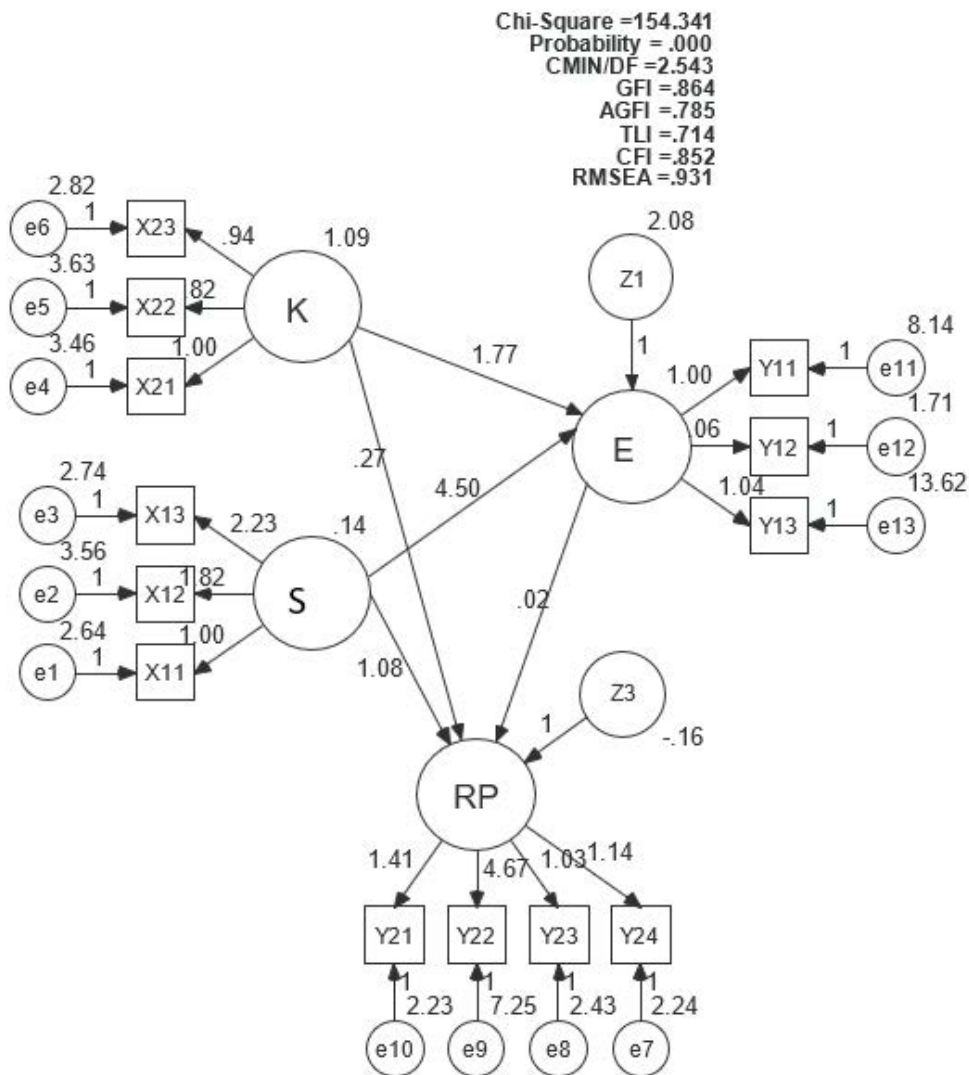


Figure 2. Analyses Model of Research



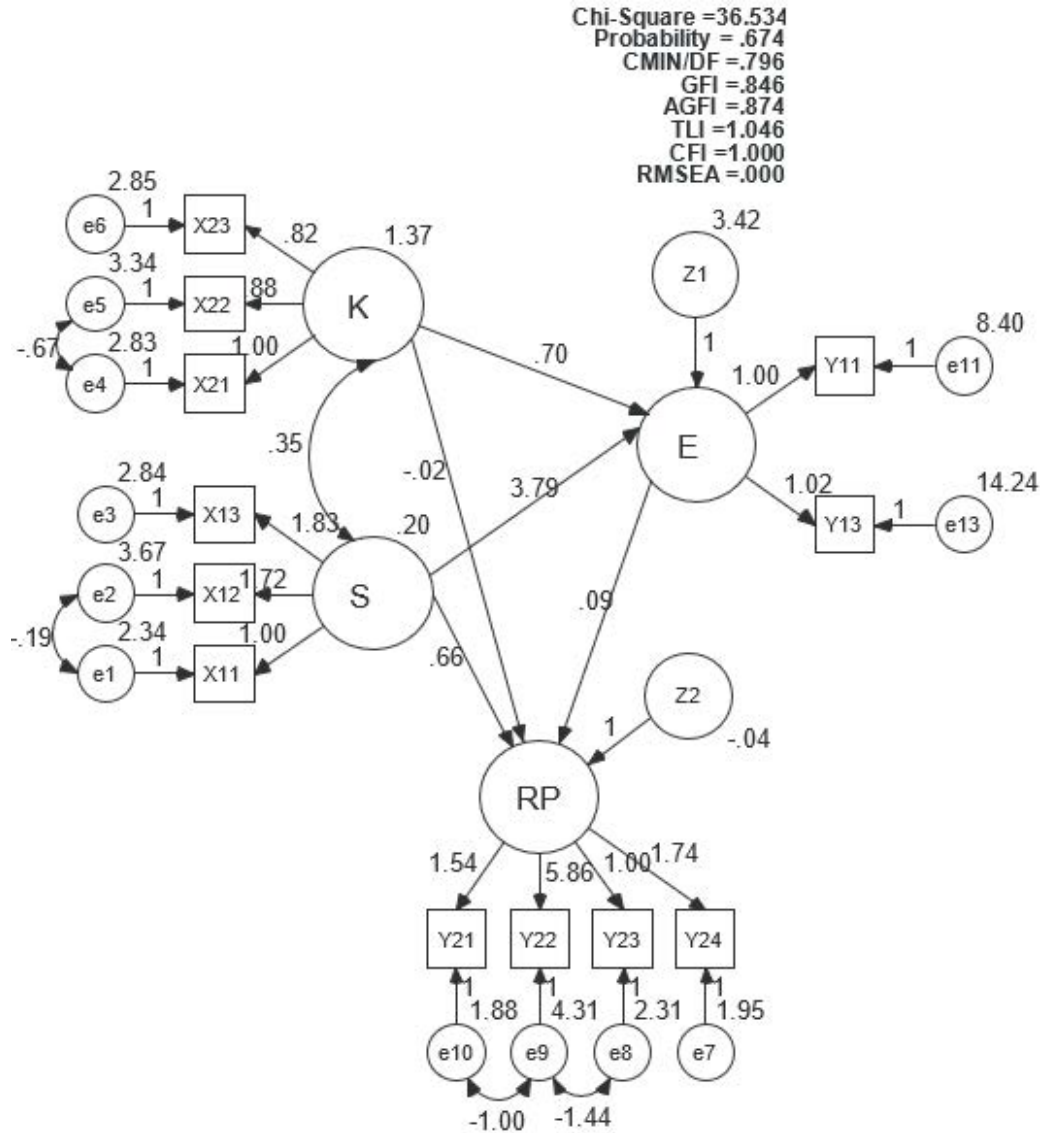
**Figure 3.** The Results of the Test from the Conceptually Model

The detailed model of harmonization of the test result is shown in Table 3, and the results in Figure 4.

The result fulfilled the coefficient of P-Values, GFi, AGFi, TLi, CFI, and the Chi-

Square with a number in degrees of freedom (df) (Ferdinand, 2009). Compliances of elaborative models of harmonization of this test result are shown in Table 3.





**Figure 4.** Final of the Test Results

**Table 3.** The Test in Goodness of Fit Index Result

GFI	Criteria	Coefficient
Chi-Squared (X2)	Small	36.453 goodness of fit index
Significant Probabilities	≥0.05	0.793 goodness of fit
CMIN/DF	< 2.00	0.835 goodness of fit
The goodness of Fit Index	≥0.90	0.972 goodness of fit
Amount of GFI	≥0.90	0.946 goodness of fit
Test L Index	≥0.95	1.052 goodness of fit
GFI	≥0.95	1.000 goodness of fit
Result of MSEA	≤0.08	0.000 goodness of fit

Source: Processed data (2023)

**Regression Weight (Confirmatory Factor Loading) and Critical ratio**

The regression model and the Structural Equation Modeling used to test and explain data respectively. The confirmatory of factor loading and the critical ratio are shown in the Table 4.

From the Table 4, 12 indicators have the loading factored values above 0.4. The required values of loading factor in the analyses model should be more than 0.4. According to Ferdinand, the Critical Ratio (CR) required needs to be higher than 1.96 at the confidence level  $\alpha = 0.05$ . From the above data, the values of CR show 12 significant indicators with values above 1.961. These values are greater than the probabilities (P) 0.00, which is less toward 0.05. The test results show all the 12 indicators could be used to explain the variables in these analyses.

Knowledge of variables (K) includes Understanding of SMEs (X1.1), opportunities (X1.2), and marketplace (X1.3). The variables with three indicators explain three factors. The three indicators show a change in business people in SMEs and experiences and may facilitate the success of a business. Skills about variables (S) include the ability to manage the business (X2.1), marketing (X2.2), and capital (X2.3). The three indicators show a change in a businessman in SMEs and changed in experiences affect the success of a business. Experiences in Business (E) can be a short time (Y1.1), Middle time (Y1.2), and Long time (Y1.3). The variables for Reducing Poverty variables (RP) include the Enhancement of profitability of businessman (Y2.1), capital (Y2.2), income (Y2.3), and welfare of the society (Y2.4). More details about these variables are shown in Table 5.

**Table 4.** Result of Regression Test Weight and Critical Ratio Regarding Knowledge of SMEs. Skill. and Experiences in Business. and Poverty Reduction

No	Indicators	Estimate	Standard Loading factor of the good of fit >0.4	Critical Ratio good of fit >1.96	Probability good of fit <0.05	Specification
1	X.1.1. ← Knowledge of SMEs	1.000				Goodness of Fit
2	X.1.2. ← Knowledge of SMEs	1.629	0.561	2.971	0.004	Goodness of Fit
3	X.1.3. ← Knowledge of SMEs	1.832	0.562	3.279	0.002	Goodness of Fit
4	X.2.1. ← Skill of business	1.000				Goodness of Fit
5	X.2.2. ← Skill of business	0.878	0.421	3.013	0.000	Goodness of Fit
6	X.2.3. ← Skill of business	0.834	0.412	3.084	0.000	Goodness of Fit
7	Y.1.1. ← Experiences in SMEs	1.000				Goodness of Fit
8	Y.1.3. ← Experiences in SMEs	1.032	0.441	3.012	0.000	Goodness of Fit
9	Y.2.1. ← Experiences in SMEs	1.546	0.532	2.964	0.004	Goodness of Fit
10	Y.2.2. ← Reduce Poverty	5.525	1.831	3.032	0.003	Goodness of Fit
11	Y.2.3. ← Reduce Poverty	1.000				Goodness of Fit
12	Y.2.4. ← Reduce Poverty	1.663	0.561	3.012	0.002	Goodness of fit

Source: Processed data (2023)

**The Result of Test on Path Coefficient**

The data about the results of the test from the path coefficient are presented in Table 5.

Table 6 shows that the impact of business Skill, Knowledge, and Experience in Reducing Poverty. The regression coefficient for Skill in business is 0.075, which means the variable reduces poverty by 0.075. Aggregation of the regression test coefficient for Knowledge of SMEs is - 0.021, showing that each additional scores or grades on Knowledge of SMEs Reduce Poverty by 0.021. Also, the result of aggregation from the regression coefficient for Knowledge of SMEs is 0.662, which shows an additional Skill of business environment enhanced poverty reduction by 0.662. Therefore, the most significant variable is Knowledge, followed by business skills. Moreover, the impact of Knowledge of SMEs and experiences on business activities on the Skill is critical. The regression coefficient for Knowledge of 0.702 showed additional score and grading impacts the Skill of business activities by 0.702. The result of aggregation from the regression coefficient for Knowledge

of SMEs was 3.769, showing that additional knowledge of SMEs improves business skills by 3.769. Also, Knowledge of SMEs had the most significant impact on the Skill of business activities with 3.769.

**Effect of Knowledge about SMEs Toward Reduce Poverty**

The analyses of SEM show that skill of business activities and empowerment of Small Medium Enterprises in East Java influence Knowledge and helps in poverty alleviation. The indicator used was the measurement of the Knowledge of variables, including experiences and business skills. Knowledge of SMEs, especially on the management of capital, asset, and use opportunities in the marketplace are imperative. All of the three indicators clarify the interrelation of variables about SMEs, including the knowledge of business activities and marketplace. The result of the test and the analyses of structured equation modeling with a version of AMOS 4.0 showed knowledge of SMEs have positively correlated with business skill. Knowledge has no significant impact on poverty reduction.

**Table 5.** Testing Effects of Knowledge about SMEs and Skills and Business Experiences Supporting Poverty Reduction.

No	Variable	Path Coefficient
1	Experiences in SMEs ← Knowledge of SMEs	0.702
2	Experiences in SMEs ← Skill in Business	3.784
3	Reduce Poverty ← Knowledge in SMEs	0.648
4	Reduce Poverty ← Skill in Business	-0.021
5	Reduce Poverty ← Experiences in SMEs	0.082

Source: Processed data (2023)

**Table 6.** The Result of Final in Structural Equation Modelling Analyses

No	Structural Equation Modelling
1	Reduce Poverty = 0.075 Experiences - 0.021 Knowledge + 0.662 Skill of business
2	The skill of Business = 0.702 Knowledge + 3.769 Experiences in Business

Source: Processed data (2023)

The findings from this research is at line with Turner (2015), which clarified the knowledge on marketplace competitiveness and intensity as external factors that may increase the skill of business. The competition in business leads to pressure and barrier than risks of the profitability chain, making the company unsustainable. According to Qian (2003; Vivarelli, 2002), business activities should be in line with threats and opportunities to enhance competitiveness. According to Sharma (2005), the survival of a business is determined by the success of the management in dealing with SME's strategies and objectives. The skill of managers, Bhagwati (2002) established that business skills need to be improvised for the effectiveness and efficiency of SMEs and to ensure that the business cop with the competition. Optimization of business in SMEs profitability increases effectiveness and efficiency. Also, the experience is vital in promoting profitability and enhancing of SME's activities (Verhees, 2014).

This finding is in line with Xavier (2012), which stated that knowledge of SMEs helps business people to implement the knowledge needed for competitiveness. According to Yin (2014), it helps to deal with competition in the marketplace, promoting additional value support to the business. Furthermore, knowledge is also required for decision making to enhance quality and profitability and alleviation of poverty. Besides, knowledge about SMEs can be used to increase the intensity of business activities. It helps businesses make strategic decisions that can translate to success. Therefore, business knowledge has a direct effect on poverty reduction. Knowledge about opportunities, marketing, and other business opportunities can help in poverty alleviation.

Globalization and competitiveness affected the way enterprises undertake innovation, particularly in Small Medium Enterprises. According to the European Commission (2013), in Europe, 99% of the enterprises are SMEs. These enterprises are all over the world and are considered essential to the economies of countries. The assertion is justified by their

predominance in Portugal. They contribute to the creation of jobs, as well as to the competitiveness of the economies. This study had two main objectives; first, to propose a literature review focusing on the competitiveness of SMEs, and secondly, to analyze a sample of 23 top enterprises Portugal in 2012. The data was obtained from the list of 1,000 Portuguese enterprises in 2012, published by Exame (2013). This analysis considers several features, including sales, market share, dimension, and sector. With the use of a questionnaire, the study provides a complementary micro perspective of the factors that influence enterprise competitiveness. The study provides details relevant to the development of public policies supporting the innovation and competitiveness of enterprises. The discussions highlight some variables from the literature review considered pertinent in the innovative SME due to their contribution to exports and economic growth.

#### **Effect of Skill in Business for Reduce Poverty**

With the analyses of Structural Equation Modelling, business skills reduce poverty by influencing on Knowledge of SMEs. Indicators used to determine Knowledge include experiences and skills in business. Knowledge helps to effectively manage capital and assets, and encourages the use of opportunities in the marketplace. All three indicators clarify the interrelation between variables affecting SMEs. The analyses of structural equation modelling with AMOS. 4.0 version showed knowledge of SMEs have a correlation positive influence on the skill of business.

Business skills help individuals make effective use of opportunities in the environment. The information has a broad scope, which includes dimensional focus, time horizon, and quantification. According to Bagsten (2002), with the information that has a broad scope, managers may determine the uncertainty in the business environment that often arises outside the company. These uncertainties are mainly attributed to erratic changes and financial and non-financial information,

which affects the decision making of manager to achieving the goals from the company. Characteristics Aggregation involves the accretion of information, unloaded info (as needed), but provides quick details to corresponding functional areas, periods, or through the decision model. According to Caloghirou (2004), aggregation of information is required in the company to help managers prevent the possibility of overload. Mostly, it helps managers make decisions according to the environmental conditions which often experience uncertainty. According to Bakiewicz (2005), Characteristics Integration can be successfully met in case the information between units within the company supports each other. Characteristics of integration involve a combination of the information that reflects coordination between segments. The information generated includes the specification of the target segment that shows the effect of the interaction and information on the decision and operation of the entire sub-unit of the organization. The integration of information is useful for managers when faced with hard decisions due to the uncertainty of the environment from one sub-unit that may impact others. Acemoglu (2002) established that timeliness characteristics generate the information available when needed and are often systematically reported. Timely information also supports the manager to respond quickly to any problem that exists and to face the uncertain environment of business. Also, it involves the end of reported events and provides rapid feedback on decisions that have been made. Timeliness of information includes the reporting frequency of how often the information is provided to the manager. It includes the speed of reporting, which supports the manager to face an uncertain environment.

#### **Effect of Experiences in Business For Reduce Poverty**

The analyses of Structural Equation Modelling show the skills on business activities reduce poverty and influence Knowledge

of SMEs. Indicators used include skills and experiences in business. Knowledge involves the management of capital, asset, and use of opportunities of the marketplace. All three indicators clarify the interrelation of variables about SMEs, specifically the knowledge of business activities and marketplace. Therefore, knowledge of SMEs significant positive impact on business skills and poverty reduction.

The findings of this study are consistent with Luetkenkorst (2015), which established that the use of experiences in the business reduces poverty and promotes the welfare of society. This is supported by Lukacs (2005), which suggested that the use of experiences in the business leads to success and more opportunities to take of gains a competitiveness advantage. The results are also consistent with research on the impact of the use of skill in the business and show that there is a positive association between the skill of business and poverty reduction

#### **CONCLUSION**

The following conclusions were made from the study: First, knowledge of SMEs is evidenced by the understanding of business, opportunities, and marketplace, which increases business skills. However, knowledge of business has a significant negative impact on poverty reduction. This is because the skills on marketplace competitiveness are focused profitability of business rather than poverty reduction. Second, Business skills in the management of capital and marketing positively correlate and improve SMEs through experience. In general, outstanding experiences are needed to take advantage of the right opportunities and reduce poverty. Third, Experiences have a significant positive impact on poverty reduction. With the skill in business, appropriate decisions regarding marketplace opportunities can be made. This improves the welfare of the society and helps to reduce poverty.

## REFERENCES

- Almeida, P. (2004). Small Firms and Innovation, "Entrepreneurship in the 21st Century, 26th. Washington D.C., The United States of America.
- Bakiewicz, A. (2005). Small and medium enterprises in Thailand: Following the leader. *Asia and Pacific Studies*. Vol 2. Pp. 131–151.
- Beck, T. (2007 ). Financing constraints of SMEs in developing countries: Evidence, determinants and solutions. Development Research Group, World Bank.
- Beck, T., Demircuc-Kunt, A., & Levine, R.2005. SMEs growth and poverty: Cross-country evidence. *Journal of Economic Growth*, Vol. 10. Pp. 199–229.
- Cull, R., Davis, L. E., Lamoreaux, N. R., & Rosenthal, J. L. (2006). Historical financing of small and medium size enterprises. *Journal of Banking and Finance*, Vol. 30. Pp. 3017-3042.
- Caloghirou, Y., Aimilia, P., Yiannis, S., and Lefteris, P., 2004. Industry Versus Firm-specific Effectson Performance: Contrasting SMEs and Large-sized Firms. *European Management Journal*. Vol. 22(2) Pp. 231-243
- Clark III, M. and Moutray, C., 2004. The future of small businesses in the U.S. federal governmentmarketplace. Working paper, Office of Advocacy, U.S. Small Business Administration. Available at:<http://www.sba.gov/advo/research/wkpapers.htm>
- Duarte, N., 2004. The role of SMEs for development: a literature review "regions and fiscal-federalism". Available at: <http://www-sre.wu.ac.at/ersa/ersaconfs/ersa04/PDF/39.pdf>
- Egbu, C. O., Hari, S., & Renukappa, S. H. (2005). Knowledge management for sustainable competitiveness in small and medium surveying practices. *Structural Survey*, 23(1)7-21.
- European Commission. (2013). Small and medium-sized enterprises (SMEs): Fact and figures about the EU's small and medium-enterprise (SME). Retrieved from <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/>
- Fassoulsa, E. D. (2006). Transforming the supply chain. *Journal of Manufacturing Technology Management*, 17(6), 848-860.
- Gradzol, J. R., Gradzol, C. J., & Rippey, S. T. (2005). An emerging framework for global strategy. *International Journal of Manufacturing Technology Management*, 7(1), 1-19.
- Gunasekaran, A., Rai, B., & Griffin, M. (2011). Resilience and competitiveness of small and medium size enterprises: Anempirical research. *International Journal of Production Research*, 49(18), 5489-5509.
- Gwee, James. 2007. Positive Bussinness Ideas: Proven, Practical and Easy To Apply Ideas to Improve Your Performance. New York: Delmar Publisher
- Hu Ming-Wen, 2003. Many small antelopes make a dragon. Pergamon, Elsevier Science Ltd. Available at [www.sciencedirect.com](http://www.sciencedirect.com).
- Jorgensen, A. L., & Knudesen, J. S. (2006). Sustainable competitiveness in global value chains: How do small Danish firms behave. *Corporate Governance*, Vol. 8(4), Pp. 449-462.
- Karaev, A., Koh, S. C. L., & Szamosi, L. T. (2007). The cluster approach and SME competitiveness: A review. *Journal of Manufacturing Technology Management*, Vol. 18(7), Pp. 818-835.
- Kushnir, K., Mirmulstein, M.L., and Ramalho, R., 2010. Micro, Small, and Medium Enterprises. *European Integration Studies*. Vol. 9(3). Pp. 15-29.
- Levy, M., Loebbecke, C., & Powell, P. (2003). SMEs, cooperation and knowledge sharing: The role of information system. *European Journal of Information System*, Vol. 12(1), Pp. 3-17.
- Lu, J., & Beamish, P. (2001). The internationalization and performance of SME. *Strategic Management Journal*, Vol. 22(6), Pp. 565-586.
- Luetkenhorst, W., 2015. The Support Programmes of the Small and Medium Enterprises Branch.Vienna: United Nations Industrial Development Organization (UNIDO).
- Lukacs, E., 2005. The economic role of SMEs in world economy, especially in Europe, *European Integration Studies*. Vol. 4(1), Pp. 3-12.

- NUTEK, 2004. SMEs in Sweden, structural change and policy development. Tillväxtverket. Available at: <http://publikationer.tillvaxtverket.se/ProductView.aspx?ID=1065&page>
- OECD. (2011 ). Key issues and policies. OECD studies on SMEs and entrepreneurship. Paris: OECD. OSMEP (Office of Small and Medium Enterprises Promotion). The 2nd. SMEs promotion plan (2007-2011).
- Organisation for Economic Co-operation and Development (OECD), 2016. SME Policy Index Eastern Partner Countries: Assessing the Implementation of the Small Business Act for Europe. [online] Paris: The Organisation for Economic Co-operation and Development (OECD).
- OECD (2017), "United State", in Financing SMEs and Entrepreneurs: An OECD Scoreboard. United State. OECD Publishing Paris
- Ozgulbas, N., Koyuncugil, A. S., & Yilmaz, F. (2006). Identifying the effect of firm size on financial performance of SMEs. *The Business Review*, Vol. 6(1), Pp. 162-167.
- Qian, G. and Li, L., 2003. Profitability of small and medium-sized enterprises in high-tech industries: The case for biotechnology industry. *Strategic Management Journal*. Vol. 24(9), Pp. 881–887.
- Ramasamy, H. (1995). Productivity in the age of competitiveness: Focus on manufacturing in Singapore. In *Productivity in the Age of Competitiveness*, APO Monograph Series (16), Asian Productivity Organizations, Tokyo.
- Ruzzier, M., Hisrich, R., & Antoncic, B. (2006). SME internationalization research: Past, present, and future. *Journal of Small Business and Enterprise Development*, Vol. 13(4), Pp. 476-497.
- Salavou, H., Baltas, G., & Lioukas, S. (2004). Organizational innovation in SMEs: The importance of strategic orientation and competitive structure. *European Journal of Marketing*, Vol. 38(9-10), Pp. 1091-1112.
- Sharma, M.K., Bhagwat, R., Dangayach, G.S., 2005. Practice of performance measurement: experience from Indian SME's, *International Journal of Globalization and Small Business*. Vol. 1(2), Pp.183–213.
- Stoian, M. C., & Rialp-Criado, A. (2010). Analyzing export behavior through managerial characteristics and perceptions: a multiple case-based research. *Journal of Global Marketing*, Vol. 23(4), Pp. 333-348.
- Subroto, Waspodo T. (2013). Entrepreneurship Development Course To Foster Character Merchandise in Support Economic Growth. *Asian Economic and Financial Review*. Volume 3 (2013). Number 6. Pp. 762-771.
- Subroto, Waspodo T. (2015). Creative Thinking Development to Increase Creative Economic: Evidence of State University of Surabaya. *International Review of Management Marketing*. Volume 5 (3). Pp. 108-113.
- Turner, M., Hulme, D., & McCourt, W. (2015 ). Governance, management and development: Making the state work. Basingstoke: Palgrave Macmillan.
- Vugar Bayramov; Rashad Hasanov; Leyla Aghayarli. 2017. A Comparative Study on Development of Small and Medium Enterprises (SMEs) in Azerbaijan. Center for Economic and Social Development (CESD).
- Verhees, F. J. H. M. and Meulenber, M. T. G., 2004. Market orientation, innovativeness, product innovation, and performance in small firms. *Journal of Small Business Management*. Vol. 42(2), Pp. 134–154
- Wolff, J. A. and Pett, T. L. ,2006. Small-firm performance: Modeling the role of the product and process improvements. *Journal of Small Business Management*. Vol. 44(2), Pp. 268 – 284.
- World Bank, 2017. Doing Business 2017: Equal Opportunity for All. Washington D.C.:

World Bank. Available at: <http://www.doingbusiness.org/~media/WBG/>

World Intellectual Property Organization, 2010.

World Intellectual Property Indicators. Geneva: World Intellectual Property Organization.

Xavier, S., Kelley, D., Kew, J., Herrington, M., &

Vorderwülbecke, A. (2012). The global entrepreneurship monitor (GEM): 2012 global report.

Zimmerer, TW and Scarborough, NM. 2008.

Essential of Entrepreneurship and Small Business Management, 5th Edition. New Jersey: Saddle River.