



Success Factors for Small and Medium Industries Based on Creative Industries

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Article Info

History of Article

Received October 2019

Accepted December 2019

Published February 2020

Keywords:

Entrepreneurial

Characteristics,

Entrepreneurial Interest,

Business network,

Government Support,

Business Success

Abstract

The purpose of this study was to determine the effects of entrepreneurial characteristics, interest in entrepreneurship, business networks, promotion and government support for the success of creative industries based in Magelang Regency. The sampling technique uses non-probability sampling with a convenience sampling approach, as many as 100 entrepreneurs. Data collection techniques using a questionnaire. Data were analyzed using Partial Least Square with reflective measurement models for each latent variable in the study. Based on the results of the study, Entrepreneurial characteristics, interest in entrepreneurship do not affect the success of the industry-based creative; The business network, promotion and government support has a positive effect on the success of the industry-based creative. The suggestion from this research is that entrepreneurs can increase their courage in taking risks and create interesting and creative things and be more active in participating in programs organized by the government to increase business success and the government can give awards or prizes to entrepreneurs who actively participate in government programs.

INTRODUCTION

The role of Small and Medium Industries (SMI) in the economy has a major contribution in employment, the largest population distribution of businesses, and the formation of Gross Domestic Product (GDP) (Lestari, 2010).

SMI is one of the main pillars of the government that has great potential in improving the welfare of the community, its labor-intensive rather than capital-intensive nature makes SMEs able to absorb large numbers of workers, this is what makes them unable to be separated in meeting their needs (Ningsih, 2018).

The large number of absorbed workers enables SMIs to increase community income and has a strategic role in reducing poverty and unemployment. There are several reasons for the very need for SMIs, namely SMEs performance which tends to be better in producing productive workforce, SMIs often increase their productivity through investment, and SMEs are believed to have the advantage of flexibility compared to other large businesses (Berry, 2001)

The processing industry is one of the types of business fields that provides the largest contribution in the formation of GDP in Central Java Province. This is evident that the processing industry provides the largest contributions compared to other sectors.

Nu'man (2005) One of the sectors that support the economy comes from SMI because it is through this sector that all aspects related to human life patterns are sourced, starting from consumption, food, fashion and arts sectors. This is supported in Regulation of the Minister of Cooperatives and SMEs No. 4/PER/ M.KUKM/III/2015 concerning SME policies in their contribution to the GRDP.

Badan Ekonomi Kreatif (Bekraf) Central Java province Officially declared four districts / Cities are included in the area that are committed to develop wilayahnya as regional creative economy based on local wisdom. The four areas include Wonosobo Regency by developing the culinary sector, Magelang Regency by developing the fine arts sector through the handicraft industry, Salatiga Regency developing the leading culinary and cassava processing sectors and Banjarnegara Regency developing the agricultural sector specifically coffee.

Table 1. Number of SMIs in the Province of Central Java in 2017

Area	Number of Attempts
Blora Regency	1860
Grobogan Regency	833
Kudus Regency	1976
City of Magelang	1226
Temanggung Regency	677
Purbalingga Regency	336
Banjarnegara Regency	2830
Banyumas Regency	1860
Batang Regency	2022
Kendal Regency	5450
Pati Regency	1033
Purworejo Regency	2280
Regency of Rembang	3220
Klaten Regency	2466
Magelang Regency	39601
Pekalongan City	3021
Salatiga	550
Karanganyar Regency	890
Kebumen Regency	4911
Pekalongan Regency	1120
Semarang Regency	1557
Sragen Regency	820
Sukoharjo Regency	2170
Tegal Regency	3633
Wonosobo Regency	4490
Semarang city	1832
Surakarta	236
Tegal City	2043
Demak Regency	732
Wonogiri City	790
Boyolali Regency	681
Cilacap Regency	424

Source: Central Java Labour of Department, 2017

Judging from the SMI data in Central Java Province in 2017 it can be seen that Magelang Regency is the region with the highest number of SMI compared to other Regencies/Cities in Central Java Province, this is evidenced in Table 1. The data in the Table shows that M Agelang Regency is the region with the highest SMI business units compared to other regencies/cities in Central Java Province.

The SMI sector is vital for creating employment growth, the development of the SMI has an important role in many ways that can be an adhesive and stabilize the problem of social inequality that occurs. Of the total 39.601 enterprises, there are 10.824 craft

industries that produce commodities in Magelang District, with this result bracelet classed as regional creative economy based on local wisdom through the products of the craft by utilizing local knowledge.

The handicraft sector is an economic pillar that supports the lives of some people in Magelang District, this is because it is sought as a livelihood for both individuals and groups.

The handicraft sector in Magelang Regency that develops is indeed potential, seen from the many types of crafts produced in Magelang Regency, including stone crafts, temple miniatures, bamboo crafts, calligraphy, children's toys and many others, more clearly in Table 2 below:

Table 2. Number of SMIs using the SIDAK SMI Website in Magelang District

No	Types of Handicraft Commodities	Business unit
1	Woodcraft	482
2	Bird cage	124
3	Woven handicraft	1513
4	Convection	31
5	Food	39
6	Souvenir	428
7	Clay Crafts	41
8	Calligraphy	35
9	Carving	27
10	Children toys	58
11	Gypsum	20
12	Stone Crafts	128
	Total	2926

Source : Data Processed

The results of Table 2 which shows that many SMIs using the SIDAK SMI website in Magelang Regency are forms of the presence of industry 4.0 which can raise new hopes in accelerating economic progress. The greater role of science and technology is increasingly demanded to increase the competitiveness of goods and services based on local resources so that it is necessary to increase mastery, development, and utilization of science and technology in the business world especially SMI in the face of globalization era (Nu 'man, 2005). In an economic growth, GRDP is another factor but the

most important thing is to know the economic conditions of a region can be shown by the GDP growth rate data. GRDP revenue based on constant prices can be used to measure the success of the development of an area by comparing economic growth with other regions, by comparing each sector between regions and can also measure the progress that has been achieved in each region, so that the development priorities of each region can be known. The following is the GDP growth rate based on 2010 constant prices in Central Java Province.

Table 3, which shows the GRDP growth rate based on constant 2010 prices according to regencies/cities in Central Java Province, shows that 4 regions were officially designated by the Creative Economy Agency to develop their territory as local areas, based on regions, 4 of which are Wonosobo Regency, Banjarnegara Regency, Magelang Regency, and Salatiga City.

From the data, it can be seen that Magelang Regency shows a lower growth rate compared to Banjarnegara Regency and Salatiga City which also develop local wisdom-based regions, even though the SMI in Magelang Regency is the highest compared to other regencies/cities in Central Java Province. It is expected that its contribution to GDP is high but still relatively low despite the highest SMI in Central Java Province.

The success of a business is essentially the success of a business to achieve its goals, a business is said to be successful when it makes a profit because profit is the sole aim of doing business Noor (2007). In achieving business success, it is necessary to increase productivity to increase competitiveness, according to Prasetyo (2017) the phenomenon of productivity in the era of free trade is increasing, in addition to achieving competitiveness, productivity can also increase the country's economic growth, therefore productivity is one of the most important indicators in measuring the country's economic activities. With the growth of productivity, it will affect the success of the business.

Table 3. GRDP Growth Rate based on 2010 Constant Prices by Regency/City in Central Java Province

Regency	2014	2015	2016	2017	2018
Cilacap	2.92	5.96	5.09	2.59	3.05
Banyumas	5.67	6.12	6.05	6.34	6.45
Purbalingga	4.85	5.47	4.85	5.37	5.42
Banjarnegara	5.31	5.47	5.44	5.65	5.67
Kebumen	5.79	6.28	5.01	5.13	5.52
Purworejo	4.48	5.33	5.15	5.31	5.32
Wonosobo	4.78	4.67	5.36	3.88	4.94
Magelang	5.38	5.18	5.39	5.31	5.43
Boyolali	5.42	5.96	5.33	5.80	5.72
Klaten	5.84	5.30	5.17	5.33	5.57
Sukoharjo	5.40	5.69	5.72	5.76	5.82
Wonogiri	5.26	5.40	5.25	5.32	5.41
Karanganyar	5.22	5.05	5.40	5.77	5.98
Sragen	5.59	6.05	5.77	5.97	5.75
Grobogan	4.07	5.96	4.51	5.85	5.91
Blora	4.39	5.36	23.54	5.98	4.40
Rembang	5.15	5.50	5.28	6.26	5.90
Starch	4.64	6.01	5.49	5.66	5.74
Holy	4.43	3.88	2.54	3.21	3.24
Jepara	4.81	5.10	5.06	5.39	5.85
Demak	4.29	5.93	5.09	5.82	5.37
Semarang	5.85	5.52	5.30	5.65	5.79
Temanggung	5.03	5.24	5.02	4.87	5.07
Kendal	5.14	5.21	5.56	5.84	5.50
The stem	5.31	5.42	5.03	5.55	5.72
Pekalongan	4.95	4.78	5.19	5.44	5.76
Pemalang	5.52	5.58	5.43	5.65	5.77
Tegal	5.03	5.49	5.92	5.38	5.51
Brebes	5.30	5.98	5.11	5.71	5.31
City					
Magelang	4.98	5.11	5.23	5.42	5.59
Surakarta	5.28	5.44	5.35	5.70	5.75
Salatiga	5.57	5.17	5.27	5.65	5.51
Semarang	6.31	5.82	5.89	6.55	6.52
Pekalongan	5.48	5.00	5.36	5.32	5.69
Tegal	5.04	5.45	5.49	5.95	5.92

Source: Indonesia Statistical Agency, 2019.

Kirby (2003) in Sarwoko (2008) states that small industries have some problems in their growth, namely the lack of entrepreneurial values, financing and markets. Besides, the key to business success is more determined by the characteristics of the owner /entrepreneur. Small industries that want to develop must have an entrepreneurial spirit to *survive* in running their business.

In addition to having an entrepreneurial spirit, the existence of business will through entrepreneurial interest is urgently needed this is in line with the statement of Winkel (2004) which states that feelings of interest and pleasure can make someone enjoy something that is faced and done.

Other problems in SMI can be seen from the promotion and business networks conducted by companies or business actors for the sustainability of their businesses.

The promotion is one of the strategies that can affect business financial problems, this is because promotion is a determining factor for business success through marketing. The main problem in small industries that are developing is the lack of promotion done so that minimal product marketing is known by the wider community. In addition to promotion, business networks can also affect business financial problems, this can be done by expanding business networks. In selling products, companies will not be

able to reach a broader market if they are not assisted by cooperation through other parties.

The competition will experience changes during the global economy in which the business sector must be able to adjust its business environment, rather than itself or government policy. Therefore in the competition must be able to build a business *network (network)* with other organizations which can certainly support the company's operations (Craven, 2007)

Based on the description above, the problems that arise are, SMI in Magelang Regency are the industries with the highest number of business units in Central Java Province compared to other Regencies/Cities, but also include regions that develop their regions as creative economy based on local wisdom, but its contribution to the GRDP growth rate based on constant 2010 prices is still relatively low.

The success of SMI can be seen from the success of the business itself. Success can be assessed or measured from sales growth, capital growth, labor growth, profit growth (Munizu, 2010). Besides, business success can be measured from data that illustrates the extent of the success of a company in a given period, through owned assets, profit growth, and sales growth (Maskur, 2017)

To achieve business success, entrepreneurs must have the ability to run a business properly one of which is the ability in entrepreneurship Finayatun (2016) states that the characteristics of entrepreneurship and entrepreneurial interest contribute to developing a business that is run including independent attitude, dare to take risks and have more knowledge about the resulting products thus the impacts on the success of the business being run.

Suryana (2006) states that entrepreneurship is a creative and innovative ability that is made into tips, bases, resources, processes and struggles to create value-added goods and services that are carried out with the courage to take risks. The ability that must be possessed by an entrepreneur is to use resources efficiently in producing high-value products. In addition, the seriousness of entrepreneurs in developing products will make it a source of income, therefore entrepreneurs must have entrepreneurial

potential, seen from the efforts of entrepreneurs to improve business success.

Based on the above, Researchers interested in researching with the title of the factors that influence the success of the SMI Creative Industries based in Magelang Regency. The scope of the problem in this study is focused on the factors that influence the success of the Creative Industries-based SMIs in the Magelang Regency, including the characteristics of entrepreneurship, entrepreneurial interest, business networks, promotion, and government support. Respondents in this study are entrepreneurs who produce handicraft commodities in Magelang Regency with a population of 2629 entrepreneurs, obtained by 100 samples.

This research was conducted in Magelang Regency. Research Objectives (1) To determine the effect of entrepreneurial characteristics on the success of creative industries-based SMIs in Magelang Regency, (2) To determine the effect of entrepreneurial interests on the success of Creative Industries-based SMIs in Magelang District, (3) To find out the influence of business networks on the success of SMI-based industries in Creative Industries in Magelang District, (4) To find out the effect of promotion on the success of SMI based on Creative Industries in Magelang District, (5) To determine the effect of government support on the success of Creative Industries-based SMEs in Magelang Regency.

RESEARCH METHODS

This type of research is quantitative research. The population in this study amounted to 2926 handicraft commodity entrepreneurs in Magelang District, the sample used was 100 entrepreneurs taken using the Slovin formula. Techniques of sampling using *non-probability sampling* approach *convenience sampling* mean that the method of selecting a sample of the population for which the data elements are easy to Obtain by investigators. The research variables used in this study are the dependent variables including entrepreneurial characteristics (EC), entrepreneurial interest (IE), business networks (BN), promotion (P) and government support (GS), and the independent variable is business success (BS) Data collection techniques in the form of questionnaires or

questionnaires. The questionnaire in this study is a closed questionnaire meaning that the respondent only answers by giving a specific sign to the alternative answers provided.

Table 4 Instruments Validity Test Results

No	Indicator	Significant level
1	Task and results-oriented	0.006**
2	Dare to take risks	0.022**
3	leadership	0.039**
4	Oriented in the future	0,000**
5	Originality	0,000**
6	Feeling happy	0.642*
7	Attraction	0.003**
8	Involvement	0.153*
9	Business will	0,000**
10	Collaboration between communities	0,000**
11	Cooperation with the government	0,000**
12	The role of social media with business networks	0,000**
13	Product promotion quality	0,000**
14	Social media as a promotional medium	0,000**
15	Market access assistance program	0,000**
16	Exhibition assistance program	0.013**
17	Training and guidance program	0,000**
18	Profit growth	0,000**
19	Sales growth	0,000**
20	Fixed assets	0.008**
		0,000**

** : Valid

* : Invalid

Source: Primary data processed, 2019.

The statement concerns the entrepreneurial characteristics variable, entrepreneurial interest variable, business network variable, promotion variable, government support variable and business success variable. The measurement scale in this study uses a *Likert* scale, where the scale is used to measure the attitudes, opinions, and perceptions of a person or group of social phenomena. The list of answers contained in this questionnaire was broken down into five levels. The analysis technique of the research instrument test uses the validity test and the reliability test. The results of the validity test in this study are stated in Table 4.

From Table 4 shows the results of the instrument validity test shows that there are invalid research statements, namely statements from the indicators of the originality of the entrepreneurial characteristic variables and statements of indicators of feeling happy from the variable entrepreneurial interest. From the results of the validity test, according to the criteria that statements that are invalid or do not meet the criteria can be deleted then a reliability test is carried out so that the statements in the study can be declared reliable.

While the reliability test with Cronbach's $\alpha > 0.60$ the variable in the study declared reliable. For more details can be seen in Table 5 which shows the results of the research trials reliability tests, shows that the research statement used in this study was declared reliable because all variables showed *Cronbach's alpha value* > 0.60 Then do the calculations with the data analysis method using *Partial Least Square* with reflective measurement models for each of the latent variables of the study.

Table 5. Results of Reliability Tests

Variable	Cronbach Alpha
Entrepreneurial Characteristics	0.680
Interest in entrepreneurship	0.644
Business network	0.641
Promotion	0.876
Government Support	0.811
Business success	0.780

Reliability test results show that all variables are reliable

Source: Primary data processed, 2019

The hypotheses in this study are H₁: There is an effect of entrepreneurial characteristics on the success of the creative industry-based SMI in Magelang Regency. H₂: There is an influence of entrepreneurial interest in the success of the creative industry-based SMI in Magelang Regency. H₃: There is an influence of the business network on the success of the creative industry-based SMI in Magelang Regency. H₄: There is a promotional effect on the success of SMI based on creative industries in Magelang. H₅: There is an influence of government support for the success of the creative industry-based SMI in the Magelang Regency.

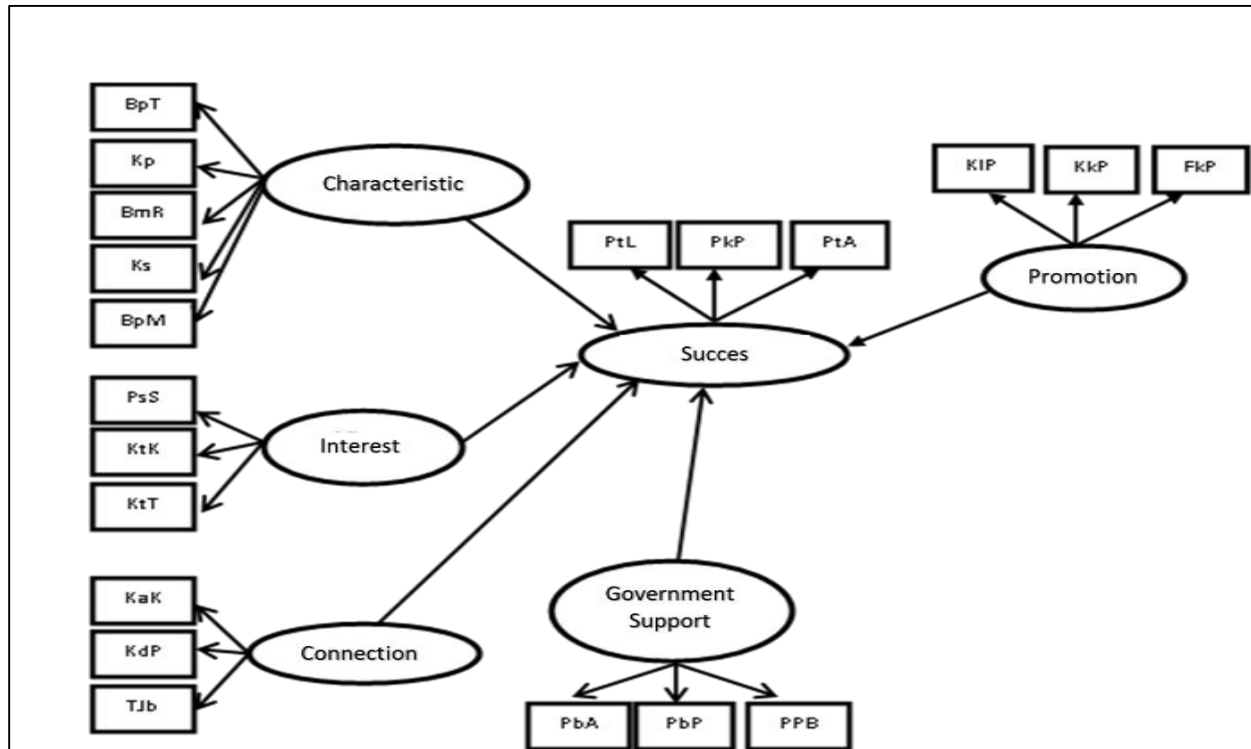


Figure 1. Structural Model in PLS Information



□ = Manifest variable
 ○ = Latent Variable
 → = Partial relationship

Model specifications are the basis for determining relationships between variables. The latent variables in this study have a causal relationship direction as if from construct to the indicator, the model specifications in this study in figure 1.

An explanation of Figure 1 showing the Structural Model in PLS will be detailed in the Table 6.

Table 6. Model Specifications in Research

Variable	Indicator	Information
	BpT	Task and results-oriented
Entrepreneurial Characteristics	Kp	Leadership
	BmR	Dare to take risks
	Ks	Originality
	BPM	Future-Oriented
	Ps	Feeling happy
Entrepreneurial Interest	VOC	Attraction
	KtT	Involvement
Business Network	KaK	Collaboration between groups or communities

Variable	Indicator	Information
	KdP	Collaboration with the Government
	Q.	Business Network
	Kkp	Place/container
Promotion		Provisions and appropriateness of promotions
	US	Promotion Quality
	FkP	Promotion frequency
	PBA	Market Access
		assistance program
Government Support	PBP	Exhibition assistance program
	PPb	Training and guidance program
	PtL	Profit Growth
Business Success	PkP	Increase in Sales
	PtA	Growth of Fixed Assets

Source: Primary data processed, 2019

Based on the model specifications in this study, the equation from the Reflective indicator model is obtained as follows:

$$\text{Entrepreneurial Characteristics} = \alpha_{11} \text{BpT} + \alpha_{12} \text{Kp} + \alpha_{13} \text{BmR} + \alpha_{14} \text{Ks} + \alpha_{15} \text{BpM} + \varepsilon_1 \dots (1)$$

$$\text{Interest in entrepreneurship} = \alpha_{21} \text{PsS} + \alpha_{22} \text{KtK} + \alpha_{23} \text{KtT} + \varepsilon_2 \dots (2)$$

$$\text{Network} = \alpha_{31} \text{KaK} + \alpha_{32} \text{KdP} + \alpha_{33} \text{Tjb} + \varepsilon_3 \dots (3)$$

$$\text{Promotion} = \alpha_{41} \text{KlP} + \alpha_{42} \text{KkP} + \alpha_{43} \text{FkP} + \varepsilon_4 \dots (4)$$

$$\text{Government support} = \alpha_{51} \text{PbA} + \alpha_{52} \text{PbP} + \alpha_{53} \text{PPB} + \varepsilon_5 \dots (5)$$

$$\text{Business success} = \alpha_{61} \text{Ptl} + \alpha_{62} \text{PkP} + \alpha_{63} \text{PtA} + \varepsilon_6 \dots (6)$$

For further, the following equation from the specifications of the reflective model in this study is as follows:

$$\text{Business success} = \beta_1 \text{Characteristics} + \beta_2 \text{Interest} + \beta_3 \text{Network} + \beta_4 \text{Promotion} + \beta_5 \text{Government support} + 1 \dots (7)$$

Where A is Coefficient that measures the relationship between indicators; ε is Variants that can not be explained by the reflective indicator model; B is Coefficient used to measure the relationship between variables, e is variants that cannot be explained by the variable recursive model.

RESULTS AND DISCUSSION

In principle, the measurement model tests the relationship of the indicator to the latent variable or in other words measures how far the indicator can explain the latent variable. Measurement models (*outer models*) are assessed based on several criteria, namely convergent validity, discriminant validity, *p-value* indicators for all latent variables and reliability. And the structural model (*inner model*) in principle is to test the effect of one latent variable with other latent variables that are exogenous or endogenous. A more detailed explanation of the PLS Assessment criteria for the outer model measurement model is explained in the following Table 7.

The steps to evaluate the outer model are carried out through three criteria, namely convergent validity, discriminant validity, and composite reliability. Evaluation of the Measurement Model in this study uses the Reflective model, where the measurement of indicators is influenced by latent constructs or variations from latent constructs.

Convergent Validity, the PLS assessment of the outer model measurement model with convergent validity criteria is divided by two assessment requirements, namely by looking at the loading factor

value and the Average Variance Extracted (AVE) value. For more details, this will be explained in Table 8.

Table 7. Rating PLS measurement models Outer Model

PLS Outer Model Assessment Criteria		
	Criteria	Explanation
Convergent Validity	Loading Factor Average Variance Extracted (AVE)	Can be said to be valid if the value > 0.55 Said to be valid if the value > 0.50
Discriminant validity	Cross loading	It is expected that each indicator block has a high loading for each latent variable measured compared to the indicator for other latent variables
Composite reliability	Composite reliability	Said to be valid if the value > 0.60

Source: Primary data processed, 2019

The loading factor seen from the combined loading and cross-loading output, the results show that all indicators meet the requirements because the loading value is > 0.50. If the combined loading and cross-loading data meet the criteria, then a measurement of convergent validity is carried out by looking at the value of AVE (Average Variance Extracted), that the AVE is used for evaluating convergent validity has criteria that must be met, namely AVE > 0.50. Convergent validity requires that the Average Variance Extracted (AVE) value must be more than 0.50 and the results show that of the five variables, 1 variables do not pass the criteria of convergent validity through AVE that is the

entrepreneurial characteristic variable of 0.412. For the results of the output of the latent variable more details, it will be explained in Table 9 that shows coefficient which shows the value of AVE.

Table 8. Output Combined Loading and Cross-loading

Variable	Indicator	Loading value	p-value
Entrepreneurial Characteristics (EC)	Task and results-oriented	0.573	<0.001
		0.548	<0.001
	Leadership	0.693	<0.001
		0.696	<0.001
	Dare to take risks	0.658	<0.001
Interest in Entrepreneurship (IE)	Originality	0.670	<0.001
	Attraction	0.753	<0.001
	Feeling happy	0.749	<0.001
	Involvement	0.715	<0.001
	Collaboration between groups/communities	0.710	<0.001
Business Network (BN)		0.644	<0.001
	Cooperation with the government	0.776	<0.001
	Business network places/containers	0.704	<0.001
Promotion (P)	Promotion quality	0.794	<0.001
	Provisions and appropriateness of promotions	0.880	<0.001
	Promotion frequency	0.689	<0.001
		0.782	<0.001
	The market access assistance program		
Government Support (GS)		0.727	<0.001
	Providing exhibition assistance	0.659	<0.001
	Training and guidance program	0.749	<0.001
Business Success (BS)		0.731	<0.001
	Profit growth	0.702	<0.001
		0.789	<0.001
	Sales growth	0.702	<0.001
		0.794	<0.001
	Growth of fixed assets	0.711	<0.001
		0.687	<0.001

Source: Primary data processed, 2019

Based on the results of the AVE value, of the five constructs, there are four that meet the criteria/conditions of convergent validity. Where the entrepreneurial interest variable has a value of 0.546 > 0.50; business network variables have a value of 0.504 > 0.50; promotion variable has a value of 0.626 > 0.50; Government support variable has a value of

0.534 > 0.50 and business success variable has a value of 0.536 > 0.50. And entrepreneurial characteristic variables, even though indicators have been erased, AVE results show that this variable does not meet the criteria / requirements for convergent validity that is equal to 0.412 < 0.50.

Table 9. Output Latent Variable Coefficient Value AVE

	EC	IE	BN	P	GS	BS
R-squared						0.420
Adj. R-squared						0.389
Composite reliability	0.807	0.783	0.802	0.833	0.851	0.874
Cronbach's alpha	0.713	0.585	0.670	0.696	0.781	0.826
Avg. Var Extrac	0.412	0.546	0.504	0.626	0.534	0.536
Full Collin VIF	1,187	1,280	1,250	1,281	1,175	1,615
Q-squared						0.440

Source: Primary data processed, 2019.

Discriminant Validity, requires that the AVE square root value must be greater than the correlation value between latent variables, besides that the indicator's loading must be higher than the cross loadings. The analysis shows that the discriminant validity has a higher value for each of the latent variables measured compared to the indicators for the latent other variables. For more details, it will be explained in Table 10 which shows the results of Correlations Among Latent variables

Table 10. Correlations Among Latent variables

EC	IE	BN	P	GS	BS
0.642	0.364	0.167	0.156	0.053	0.043
0.364	0.739	0.251	0.259	0.106	0.273
0.167	0.251	0.710	0.207	0.027	0.388
0.156	0.259	0.207	0.791	0.197	0.434
0.053	0.106	0.027	0.197	0.731	0.359
0.043	0.273	0.388	0.434	0.359	0.732

Source: Primary data processed, 2019

Table 10 shows the Correlations Among Latent Variable values that the discrepancy validity criteria has been met as indicated by the square root AVE is greater than the correlation between constructs on each indicator each variable can measure the variables precisely than other variables.

Composite Reliability, Reliability requires that the composite reliability value must be more than 0.70. The composite reliability value of entrepreneurial characteristics is 0.807; interest in entrepreneurship, namely 0.783; a business network which is 0.802; promotion of 0.833; government support 0.851; and business success 0.874. For more details, it will be explained in Table 11 which shows the Composite Reliability value as seen from the Output Latent Variable Coefficient.

Table 11. Latent Variable Coefficient Output

Variable	Composite Reliability
EC	0.807
IE	0.783
BN	0.802
P	0.833
GS	0.851
BS	0.874

Source: Primary data processed, 2019

Evaluation models receipt Tural (inner models) includes test model fit (model fit), path coefficient, and R-squared. The structural model is said to be fit in the

PLS seen from the results of the general result output. The structural model (inner model) has several measurement criteria in the PLS assessment, to be more clearly seen in Table 12 below:

Table 12. Assessment Criteria PLS structural model (Inner Model)

Structural Model Assessment Criteria (Inner model)	
Criteria	Explanation
Inner model	Model fit
	It can be said that fit can be seen from the results of the general results that produce 10 indicators and is the rule of thumb
	Path coefficient
	It is considered insignificant if it is in the range of values -0.1 to 0.1, the results usually have a value of more than 0.100
	R-squared
	Considered weak, moderate and strong if showing sequential 0.19; 0.33; and 0.67
	Q-squared
	Is considered relevant or accepTable if shows value greater than 0 (zero)

Source : Data Processed

Model Fit indicated and p-value, The structural model is said to be fit seen from the results of the general output that produces 10 indicators of fit, where the nature of the 10 indicators is rule of thumb or not rigid/absolute. For more details, it will be shown in Table 13 that shows the Model Fit and Quality Indicates Based on the fit and quality model indicated in Table 12 which shows that a structural model can be said to fit in the PLS by looking at the results of the general result output, the fit and likely and p-value models displaying the results of ten fit indicators, the values obtained from the ten criteria state that accepted or fulfilled the criteria, this means that the fit and quality models are indicated in the PLS fit research.

Path coefficient or path coefficient, the path coefficient is considered insignificant if it is in the range of -0.1 to 0.1. A value greater than 0.1 is a significant value, therefore, the result of the path coefficient or path coefficient has a value of more than 0.100. The results of the path coefficients in this study are shown in the Table 14.

The results of Table 14 show that the path coefficient and p-value of the research model show

that there are two variables that range in the range from -0.1 to 0.1 and the results of $p\text{-value} > 0.05$ and are not significant, these variables are the characteristics of entrepreneurship and interest of entrepreneurship.

Table 13. Model Fit and Quality Indicates

	Indeks	p-value	Criteria
Average Path Coefficient (APC)	0.215	$P=0.006$	$P<0,05$
Average R-Squared	0.420	$P<0.001$	$P<0,05$
Average Adjusted R-squared	0.389	$P<0.001$	$P<0,05$
Average Block Variance Inflation (AVIF)	1.120	$\leq 5 \leq 3,3$	
Average Full Colinearity VIF (AVIF)	1.298	$\leq 5 \leq 3,3$	
Tenanthauf Gof (Gof)	0.470	Small $\geq 0,1$ Medium $\geq 0,25$ Large $\geq 0,36$	
Sympson's Paradox Ratio	0.800	$\geq 0,7 = 1$	
R-Squared Contribution Ratio (RSCR)	0.987	$\geq 0,7 = 1$	
Statistical Suppression Ratio (SSR)	1.000	$\geq 0,7$	
Nonlinear Bivariate Causality Direction Ratio	0.900	$\geq 0,7$	

Source: Primary data processed, 2019

From these results indicate that the value of the path coefficient is greater than 0.100 and is significant, namely business network variables, promotion, and government support .

Table 14. Value Path Coefficient and p-value

	EC	IE	BN	P	GS
Path coefficient	-0,028	0.158	0.316	0.293	0.278
P-value	0.390	0.051	<0.001	0.001	0.002

Source: Primary data processed, 2019

From the results of path coefficient (Path coefficient) than the models' estimation results

Obtained in this study is the estimation of the models direct effect, following the results of the model estimation images direct effect on figure 3 below:

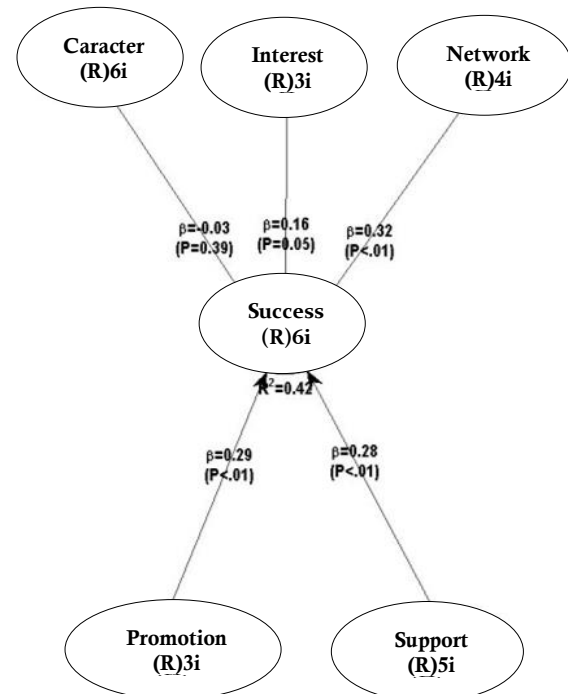


Figure 3. Direct Effect Model test results

Hypothesis Test Results, hypothesis testing in this study is intended to prove the truth of hypotheses or alleged research, the following Hypothesis test results in this study:

Effect of Entrepreneurial Characteristics on SME Business Success , Hypothesis 1 (H 1) which says that the characteristics of the entrepreneur do not have a significant effect on business success. The results of testing using PLS indicate that entrepreneurial characteristics do not affect business success. The column shows the predictor latent variable and the row shows the criterion latent variable, on the path coefficient the effect of entrepreneurial characteristics is -0.028 and is not significant because $p = 0.390$ is greater than $p = 0.05$. The results of this study are supported by a condition where most of the economic growth is supported by the household and government consumption sectors, whereas to be a resilient and developed country, economic growth must be supported by the productive sector. not yet optimal in the productive sector, one of which is caused by the percentage of

the number of entrepreneurs that is still low than the total population.

Table 15. Output Path Coefficient Models Direct Effect Characteristics wau saha to Success

Relationship between variables		Path coefficient	p-value	
(EC)	(BS)	-0,028	0.390	No Sig.

Source: Primary data processed, 2019

This study is not in line with Pamungkas (2014) which states that entrepreneurial characteristics have a positive and significant effect on business success. The findings in this study, occur in accordance with the conditions in the field which indicate that the productive sector is not yet optimal due to the low growth in the number of entrepreneurs, besides that the Magelang District has only one school that opens leading entrepreneurship classes in all Magelang districts, whereas the soul or attitude of entrepreneurs must be planted early on, but government facilities for that are still minimal.

The Effect of Entrepreneurial Interest on SME Business Success Hypothesis 2 (H 2) which says that interest in entrepreneurship does not have a significant influence on business success. The results of testing using PLS indicate that entrepreneurial interest does not affect business success. The column shows the predictor latent variable and the row shows the criterion latent variable on the path coefficient influencing entrepreneurial interest is 0.158 and not significant because $p = 0.051$ is greater than $p = 0.05$.

The findings show that entrepreneurial interest owned by entrepreneurs arises not because of interest, pleasure or involvement in the business that will be initiated, but it shows results where businesses are built for generations or just continue the business. The results of this study are supported by Leres research (2018) which states that negative entrepreneurial interest does not significantly influence the motivation to become a young entrepreneur in FEBI UIN Walisongo Semarang students.

SMEs, hypothesis 3 (H 3) which says that business networks have a direct influence on business success. The results of testing using PLS show that the business network has a significant positive effect on business success. The column shows the latent

variable predictor and the row shows the latent variable criterion on the path coefficient of influence

of the business network is 0.316 and significant because of $p < 0.001$.

Table 16. Output Path Coefficient Model Direct Effect Selfish Interest in Business Success

Relationship between variables		Path coefficient	p-value	
(IE)	(BS)	0.158	0.051	No Sig.

Source: Primary data processed, 2019

Effect of Business Networks on the Success of Utomo (2017) explains that the business network is a process of building mutually beneficial relationships with entrepreneurs, potential clients, and customers, it means to face the competition required a close working relationship as will Ensure the success of the business and would lessen competition, in line with the results Nursalina (2018) roommates menyatakan n that there is a network effect business to business success. Network business in Magelang seen from pela ku effort SMEs follow keg i atan to improve people's economy held by the Department of Investment and Services Integrated Single Door (DPMPTSP) of Magelang, this activity is done so that businesses be more proactive to follow up the results of its production. This activity aims to help promote and connect business networks and marketing of products. These regular meetings and activities are carried out every year starting in 2017 until now with the aim of building and expanding business networks.

Table 17. Output Path Coefficient Model Direct Effect of Business Network on Business Success

Relationship between variables		Path coefficient	p-value	Ket
(BN)	(BS)	0.316	<0.001	Sig.

Source: Primary data processed, 2019

Effect of Promotion on the success of SMEs, hypothesis 4 (H 4) which says that

promotion has a direct influence on business success. The results of testing using PLS show that promotion has a positive and significant effect on business success. The column shows the predictor latent variable and the row shows the criterion latent variable on the path coefficient of the promotion effect is 0.293 and is significant because $p = 0.001$ or $p < 0.05$. Promotion quality contributes well to the creation of superior business success. The promotion has an important role in a business, where a product has been made in the prices of goods that have been determined then consumers should learn. Also, such products compared to competitors' products by offering and introducing products through promotion. This is supported by research Finayatun (2016) in his research states that there is a significant influence on marketing to the success of small and medium businesses. In the study, researchers also found the promotion of an information communication mass seller to the buyer that aims to change attitudes and behavior of buyers who previously did not recognize the product. Become familiar with so that buyers will remember and make purchases on the product.

The results of this study are supported by the conditions in Magelang District through the Department of Industry and Energy Work has developed a web-based application related to SMEs. Roommates have launched it officially in 2017. The establishment of a web-based application inspection SMI is an innovation for serving SMEs and media database promotion that is useful for increasing sales of industrial products by utilizing information media in the industrial revolution era 4.0.

Table 18. Output Path Coefficient Model Direct Effect Promotion of Business Success

Relationship between variables	Path coefficient	p-value	Ket
(P) (BS)	0.293	0.001	Sig.

Source: Primary data processed, 2019

Effect of Government Support on the Success of SMEs, Hypothesis 5 (H5) which states that government support influences business success can be proven true, testing using PLS shows that government support has a positive and significant effect on business success. The column shows the predictor

latent variable and the row shows the criterion latent variable, on the path coefficient, the effect of government support on business success is 0.278 and significant at $p = 0.002$ smaller than 0.05. Government support is one of the parties that has contributed to creating business success. Government support has an important role in a business, where government assistance for entrepreneurs will have a good impact on the development of a business. This is supported by research by Ningsih (2019) which states that government support has an important role in developing small industry product results for business success. The Magelang Regency Government through the Department of Industry and Manpower has played an active role in the success of the SMI, this has been felt by most SMEs entrepreneurs with the existence of market access assistance programs, the provision of exhibition assistance and training and guidance programs. Market access assistance program through B Comparison training for SMIs, this training is based on products that have the same quality, it can be responded differently by the market only because of the influence of the brand. The Department of Industry and Energy Work of Magelang district held this training in cooperation with practitioners from Bukalapak.com in 2018 that aims to increase the coverage of the results of SME products.

Giving help exhibition through the exhibition the which is a synergy between Dispernaker and the Department of Trade Cooperatives and SMEs Aimed at improving the quality of products, in addition to promoting better-known products to the public, this exhibition activities just a to build partnerships/networks. This exhibition is regularly held every year.

Table 19. Output Path Coefficient Model Direct Effect Government support for Business Success

Relationship between variables	Path coefficient	p-value	Ket
(GS) (BS)	0.278	0.002	Sig.

Source: Primary data processed, 2019

The training program and guidance program compiled by the Ministry of Manpower through the Tobacco Excise Revenue Sharing Fund by Organizing management training for SMEs and MSMEs, in this training and guidance obtained material on financial management, HR management, operational management, and marketing. The purpose of this training and guidance is to improve managerial skills and capacity of SMEs and SMEs entrepreneurs in the Magelang Regency.

CONCLUSION

Based on the results of the study, the following decisions can be made: (1) Entrepreneurial characteristics do not affect the success of the industry-based creative SMIs in Magelang Regency. (2) Interest in entrepreneurship A does not affect the success of creative industry-based SMIS in Magelang Regency. (3) The business network has a positive effect on the success of the industry-based creative SMIs in the Magelang Regency. (4) The promotion has a positive effect on the success of industry-based creative SMIs in the Magelang Regency. (5) Government support has a positive effect on the success of the industry-based creative SMIs in the Magelang Regency. The suggestions from the results of the study are: (1) Entrepreneurs must be able to increase their courage in taking risks and increase their ability to create interesting and creative things, besides, the government needs to add specialized vocational schools of Entrepreneurship to increase entrepreneurial spirit from an early age. (2) Entrepreneurs must be able to become graduates who are creative, innovative and independent and have an interest in entrepreneurship to produce quality entrepreneurs in their fields. (3) It is expected that entrepreneurs will be able to improve marketing performance through business networks by continuing to maintain harmony and closeness between other business networks, also, the government needs to improve government programs that aim to help promote and connect the marketing network of production results. (4) Entrepreneurs are able to improve the quality of promotion by utilizing the current promotional media, to gain attention and convince potential consumers, besides the government needs to expand the knowledge of entrepreneurs about

the SIDAK SMI website which is an innovation to present the SMI database and promotional media that are useful for enhancing product sales by utilizing the current information media. (5) The government needs to improve its approach through existing programs through direct socialization and program introduction so that entrepreneurs can actively participate in government programs to achieve business success.

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