

Economic Value-Added Perspective of Human Resources in Micro and Medium Enterprises in Brebes Regency

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This study analyses the determinants that can produce economic value added, and the capacity of human resources in enhancing the role of MSMEs in Brebes Regency, especially in overcoming poverty. The specific objectives are 1) Finding the key to the success of the MSME business in Brebes Regency, 2) Analysing key factors to increase economic value added in the MSME of Brebes Regency, 3) Developing an economic value added model with the perspective of human resources for developing MSMEs in Brebes Regency, and 4) Evaluating whether the MSME business development model with an HR perspective can increase economic added value in Brebes Regency. Research respondents are 114 micro, small, and medium enterprises (MSMEs) actors. The analysis uses multiple regression analysis which measure various variables related to enhancing the role of MSMEs in Brebes Regency. The results of the study found that 1) based on stakeholder theory, organisational management is expected to carry out activities deemed important by their stakeholders and report back on these activities to stakeholders, 2) Effective and efficient management of resources by companies can create competitive advantages to produce company value, and 3) MSMEs in Brebes realize that marketing can improve business performance. This is proven in the research that marketing and finance variables have a significant effect on business performance.

Key words: *Economic value added, MSMEs, performance, human resources, finance, marketing.*

Introduction

The contribution of MSME to the Indonesian economy is quite significant. MSMEs have a workforce absorption rate of around 97% of all national workforces and have a contribution to gross domestic product (GDP) of around 57% (BI, 2016). Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in national economic development. In addition to playing a role in economic growth and employment, MSMEs also play a role in distributing development results. Efforts to develop MSMEs in Indonesia need to be conducted and a study of the determinants is expected to affect the sustainability of their businesses. Indonesia is still far behind, so it needs efforts to develop SMEs and their management.

In this study, the added value of SMEs in Brebes Regency will be examined. Brebes Regency is one of the regencies in Central Java. Based on the Central Bureau of Statistics (BPS) macro poverty data as of March 2018, the poverty rate of Brebes Regency in 2018 ranked the 29th poorest out of 35 regencies/cities in Central Java. At present in Brebes Regency, the 25,214 MSMEs consist of 17,358 micro businesses, 7,244 small businesses, and 636 medium businesses. From the background of the above problems it is interesting to study the Economic Value Added, and the capacity of Human Resources in enhancing the role of MSMEs in the Brebes Regency, especially in overcoming poverty.

Based on data from the Central Java Office of SMEs in Figure 2, there are 10 points faced by MSMEs in Central Java. This includes points from the HR perspective, where the quality of human resources has an impact on improving and developing MSMEs. The economic value-added model with a HR perspective will have a broad multiplier effect on the development of MSMEs in Brebes Regency and other equivalent districts. Brebes Regency has abundant natural resources that can be processed and marketed by Micro and Medium Enterprises (MSMEs) and entrepreneurs. Starting from the agriculture, livestock, forestry, and marine sectors, this potential when processed will become something beneficial for the welfare of the community.

Difficulty accessing finance is one of the dimensions of accessibility that determines business continuity in the Indonesian MSME sector. Thus, it is necessary to identify and analyse the ease of accessibility as a reflection that will affect the success of a business. Ease of accessibility based on the management environment consists of funding accessibility, market accessibility, human resources, and technology. Based on a previous study entitled “Study of the Development Model of the Implementation of High Competitiveness MSMEs in ASEAN” (Hamidah et al, 2015), the key factors of the success of MSMEs are funding and marketing accessibility.

Literature Review

According to Yeganeh, M.V., Sharahi, B.Y., Mohammadi, e., & Beigi, F.H. (2014), the application of knowledge in organisations can encourage the achievement of sustainable competitiveness. However, this achievement depends on organisational capacity, the ability to build resources, and the optimal use of assets based on knowledge in order to provide competitive competitiveness. Intellectual capital is one of the determinants of company profitability, which includes employees, ideas, and information. Intellectual capital, as intangible assets together with tangible assets, has an important role in creating added value. The added value is obtained from activities that prioritize ability, creativity and innovation (Yeganeh et al., 2014; OECD, 2015; Ozkan, N., Cakan, S., & Kayacan, M., 2017).

Knowledge Based Theory forms the basis for building human capital involvement in routine company activities. This is achieved by improving the involvement of employees in the formulation of operational and long-term goals of the company. According to Fleming in Wahdikorin (2010: 10), a knowledge-based view is the role of companies in developing new knowledge that is important for competitive advantage.

In the research of Baybordi, A., Kermani, E., and Kargar, E.F (2014) states that measuring company performance with profitability proxies needs to be conducted as an evaluation of the optimisation of resources, increasing the added value generated by the company and for the benefit of shareholders. Traditionally, performance measurements are Return on Investment (ROI), Return on Assets (ROA), Return on Sales (ROS), and Earning per Share (EPS). The latest methods include Economic Value Added (EVA) and Market Value Added (MVA). EVA is an internal performance index that shows value added to a company. MVA is the difference between market value and economic capital.

Research Methods

The research was conducted with a quantitative causative method. The output is produced through several processes carried out simultaneously, namely the design of the questionnaire, and previous research. In total there were 66 questions that were divided into several variables including an open questionnaire about MSME financial statements.

Table 1: Variable Operational

Variable	Sub Variable	Question Item
Human Resource	Innovation	6
	Risk	3
	Interest	4
Marketing	Promotion	4
	Price	4
	Brand	4
Finance	Financial Management Behaviour	5
	Financial Knowledge	11
	Locus of Control	5
	Financial Attitude	10
Performance	Business Performance	10

The initial study produced a questionnaire document in collecting primary data by surveying Brebes Regency. The survey involved micro, small, and medium enterprises (MSMEs) as respondents in answering the prepared questions. The survey results will then be used as data to test the model using regression in SPSS. The results obtained comprised 114 respondents.

Figure 1. Research Model

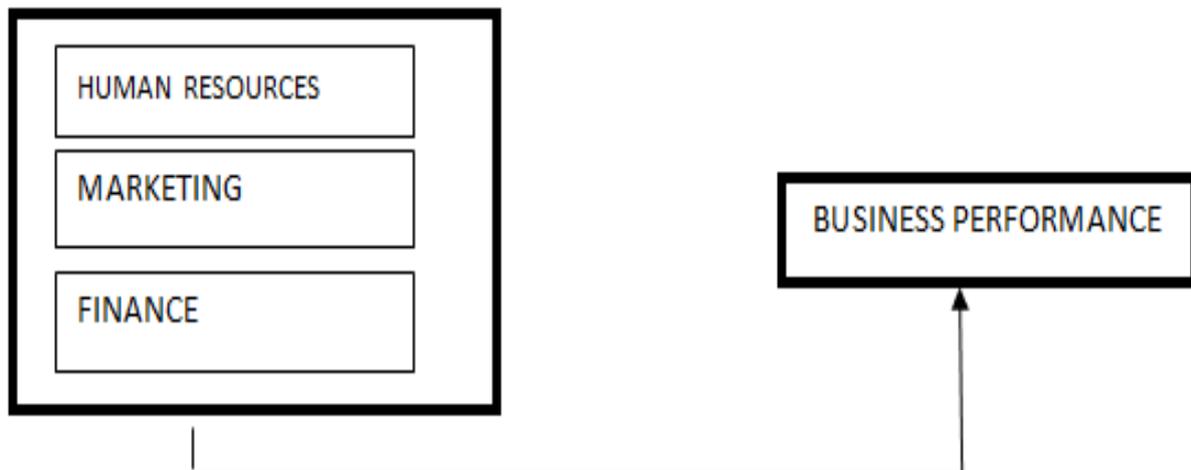
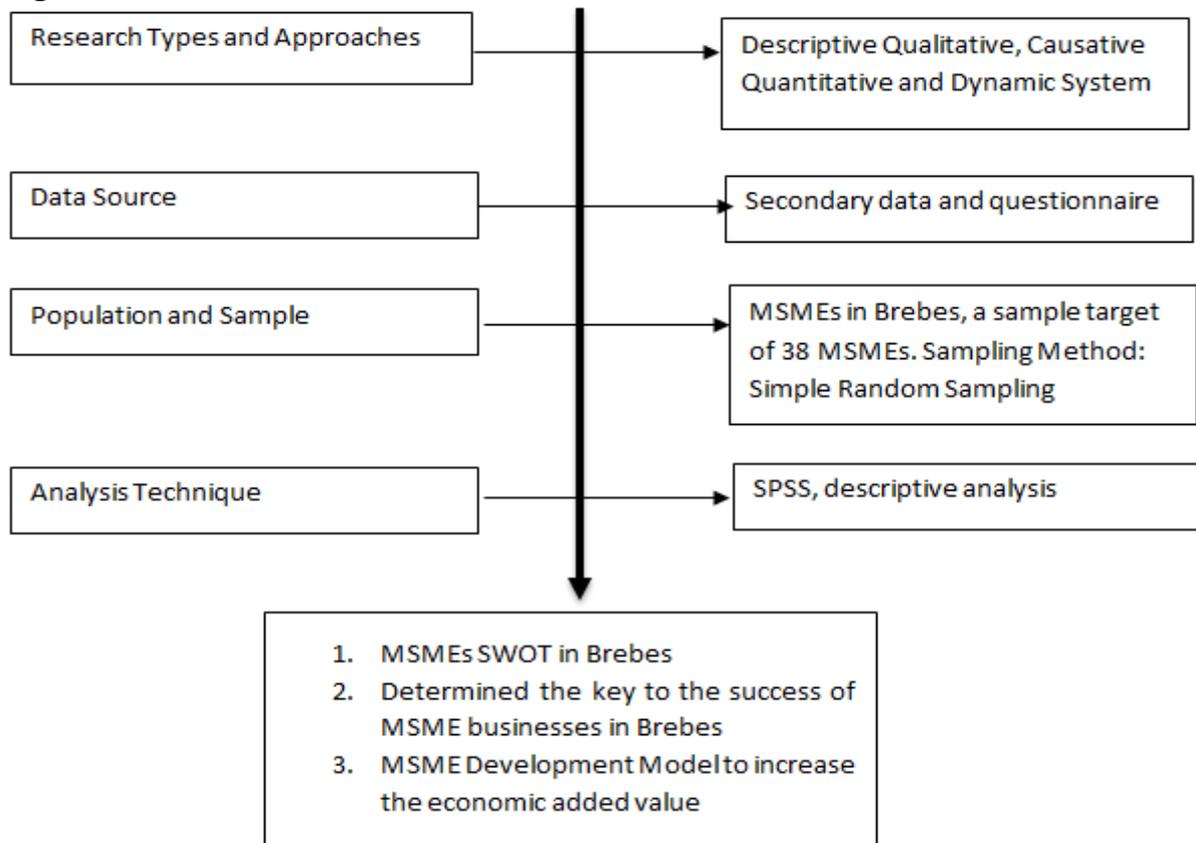


Figure 2. Research Methods



Result and Analysis

Multiple Regression Analysis

Regression analysis is used to determine the effect of one or more independent variables on the dependent variable. This study revealed the influence between human resources, financial, and marketing variables on MSME business performance in Brebes, which will be analysed with multiple linear regression.

Table 2: Results of the Calculation of Multiple Linear Regression Influence Between HR, Financial, and Marketing Variables on MSME Business Performance

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.293	.285		-1.028	.306
	HR	.017	.087	.015	.200	.842
	FIN	.328	.093	.254	3.530	.001
	MKT	.749	.088	.647	8.510	.000

a. Dependent Variable: PRF

From the data seen in table 1, it can be shown that the value of multiple linear regression constants is -0.293, with the regression coefficient value of the HR variable 0.017, the value of the financial regression coefficient of -0.328 and marketing of 0.749. By referring to the formula of multiple linear regression equations $\hat{Y} = a + b_1.X_1 + b_2.X_2 + b_3.X_3$, a multiple linear regression equation can then be formed thus:

$$\hat{Y} = -0.293 + 0.017.X_1 + 0.328.X_2 + 0.749.X_3$$

Y = Business Performance

X1 = Human Resource

X2 = Finance

X3 = Marketing

Furthermore, hypothesis testing is done by t-test, which is used to find out whether or not the hypothesis is accepted.

The Influence between Human Resources Variables (X₁) on Business Performance (Y)

Based on the data, table 2 obtained a t-test of 0.200 at a significance level of 0.842. This means that the t-value of 0.200 at the level of probability (confidence) is 0.05 (95%) and obtained t-table of 1.981. T-test results are associated with the first hypothesis proposed in this study, namely:

H₀: $\beta_1 < 0$: There is no influence between HR variables on business performance

H₁: $\beta_1 > 0$: There is an influence between HR variables on business performance

Criteria for acceptance of the hypothesis:

If t-count > t-table and sig < 0.05, then H₀ is rejected

If $t\text{-count} < t\text{-table}$, and $\text{sig} > 0.05$, H_0 is accepted.

Significant level = 5%, degree of freedom (df) = $n-2 = 114-2 = 112$

From the results of the above calculation it is known that the $t\text{-value} < t\text{-table}$ ($0.200 < 1.981$) and $\text{sig} > 0.05$ ($0.842 > 0.05$). This means that H_0 is accepted or that the human resources variable does not significantly affect the MSME business performance.

The Influence of Financial Variables (X_2) on Business Performance (Y)

Based on the data table, 4.2 obtained a $t\text{-count}$ of 3.530 at a significance level of 0.001. This means that the $t\text{-value}$ of 3.530 at the level of probability (confidence) is 0.05 (95%) and obtained $t\text{-table}$ of 1.981 (df = 112). T-test results are associated with the second hypothesis proposed in this study, namely:

H_0 : $\beta_1 < 0$: There is no influence between financial variables on business performance

H_1 : $\beta_1 > 0$: There is an influence between financial variables on business performance

Criteria for acceptance of the hypothesis:

If $t\text{-count} > t\text{-table}$ and $\text{sig} < 0.05$, then H_0 is rejected

If $t\text{-count} < t\text{-table}$, and $\text{sig} > 0.05$, H_0 is accepted.

Significant level = 5%, degree of freedom (df) = $n-2 = 114-2 = 112$

From the results of the above calculation it is known that the $t\text{-value} > t\text{-table}$ ($3.530 > 1.981$) and $\text{sig} < 0.05$ ($0.001 < 0.05$). This means that H_0 is rejected or that financial variables have a significant effect on MSME business performance.

The Influence of Marketing Variables (X_3) on Business Performance (Y)

Based on the data table, 4.2 obtained a $t\text{-count}$ of 8.510 at a significance level of 0.000. This means that the $t\text{-value}$ of 8.510 at the level of probability (confidence) is 0.05 (95%) and obtained $t\text{-table}$ of 1.981 (df = 112). T-test results are associated with the second hypothesis proposed in this study, namely:

H_0 : $\beta_1 < 0$: There is no influence between marketing variables on business performance

H_1 : $\beta_1 > 0$: There is an influence between marketing variables on business performance

Criteria for acceptance of the hypothesis:

If $t\text{-count} > t\text{-table}$ and $\text{sig} < 0.05$, then H_0 is rejected

If $t\text{-count} < t\text{-table}$, and $\text{sig} > 0.05$, H_0 is accepted.

Significant level = 5%, degree of freedom (df) = $n-2 = 114-2 = 112$

From the calculation above, it is known that the $t\text{-value} > t\text{-table}$ ($8.510 > 1.981$) and $\text{sig} > 0.05$ ($0.000 < 0.05$). This means that H_0 is rejected or that marketing variables have a significant effect on MSME business performance.

Table 3: F-Test Results for HR, Finance and Marketing variables on Business Performance

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.374	3	6.125	91.695	.000 ^a
	Residual	7.347	110	.067		
	Total	25.722	113			

a. Predictors: (Constant), MKT, FIN, HR

b. Dependent Variable: PRF

The testing criteria for the F-calculated value against the F-table are:

- If the value of F-count $<$ F-table then H_0 is accepted
- If the value of F-count $>$ F-table then H_0 is rejected

The data table above obtained an F-count of 91.695 and sig of 0,000. F-table at the level of $\alpha = 0.05$, $df_1 = (\text{number of independent variables} = 3)$ and $df_2 (n - k - 1 = 114 - 3 - 1 = 100)$, then the value of F table = 2.70. This means that $F\text{-count} > F\text{-table}$ ($91.695 > 2.70$) and $\text{sig} < 0.05$ ($0.000 < 0.05$). Thus, the hypothesis can be accepted. In this case, it can be said that the human resources, finance, and marketing variables together significantly influence the MSME business performance, so that the three independent variables can be used to estimate or predict business performance variables.

Ratios

The following ratios are obtained from the income statement of each UMKM. HEVA / Human Economic Value Added are also obtained from costs divided by revenue. This means that the greater the composition of employee costs the greater the economic added value obtained by employees. Under this table there is a zero HEVA value, and so it is assumed that the MSME does not pay employees or self-employees.

Table 4: Ratios

NO	Ratios							HEV A
	Salary	Electricity	Telephone	Equipment	Depreciation	Transportation	Unforeseen Costs	
1	20%	1%	1%	66%	66%	3%	7%	7%
2	7%	2%	1%	18%	1%	2%	1%	5%
3	20%	3%	2%	1%	2%	2%	16%	14%
4	19%	1%	1%	0%	1%	4%	8%	14%
5	32%	2%	2%	16%	1%	5%	3%	20%
6	0%	300%	200%	0%	0%	200%	200%	0%
7	23%	2%	2%	2%	1%	5%	2%	16%
8	42%	3%	1%	1%	1%	1%	1%	28%
9	167%	6%	6%	6%	6%	3%	3%	57%
10	83%	6%	4%	2%	8%	25%	0%	36%
11	28%	4%	3%	2%	1%	4%	3%	19%
12	-79%	-16%	0%	0%	0%	-1%	-4%	-
13	5%	10%	10%	5%	2%	10%	5%	3%
14	34%	6%	10%	6%	3%	6%	6%	20%
15	0%	35%	12%	0%	0%	6%	12%	0%
16	38%	19%	9%	4%	8%	11%	8%	19%
17	0%	3%	2%	0%	0%	3%	6%	0%
18	0%	-24%	-7%	0%	0%	-33%	-36%	-
19	0%	18%	9%	0%	0%	4%	0%	0%
20	0%	-99%	-49%	0%	0%	-25%	0%	0%
21	0%	17%	0%	0%	0%	4%	4%	0%
22	-83%	-8%	-6%	-6%	-3%	-11%	-11%	300%
23	0%	5%	7%	3%	0%	20%	34%	0%
24	0%	4%	7%	2%	0%	22%	22%	0%
25	0%	4%	7%	2%	0%	22%	22%	0%
26	6%	3%	1%	1%	0%	2%	1%	5%
Average	14%	12%	9%	5%	4%	11%	12%	24%

Research Discussion

Based on data findings through the distribution of questionnaires to MSMEs in Brebes and the support of other secondary data, it is said that there is still not a maximum of business performance from the MSMEs. A data processing questionnaire through simple regression in

SPSS is used, but only in finance and marketing that directly affects business performance. Human resources does not affect business performance.

Table 5: Coefficients

Coefficients						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.293	.285		-1.028	.306
	HR	.017	.087	.015	.200	.842
	FIN	.328	.093	.254	3.530	.001
	MKT	.749	.088	.647	8.510	.000
a. Dependent Variable: PRF						

Figure 3. SWOT Analysis



The picture above is a finding regarding SWOT Analysis of MSMEs in Brebes. This is useful for needs analysts.

Conclusions and Suggestions

Human Resources

Based on stakeholder theory, organisational management is expected to carry out activities deemed important by their stakeholders and report back on these activities to stakeholders. The main purpose of stakeholder theory is to help corporate managers understand their stakeholder environment and more effectively manage the relationships in their corporate environment. Some of the problems found regarding HR include:

1. Innovation: businesspeople find it difficult to develop innovations for the success of their businesses. This makes SME development to be slow. Ideas and strategies are very important for business continuity, along with developments and increasingly complex needs. The businessperson must adjust for the success of his business.
2. Risk: other findings are risk factors. It can be said that business actors still do not understand what the risks are when they run their business. This will have an impact on decision making and the methods used in tackling a problem.
3. Interest: A lack of commitment in running a business, can make it run less optimally.

The problems found through the supporting data collected by researchers, includes:

1. Quality of HR Management for MSMEs. Each year the number of MSMEs trained is only 2 thousand from 6 thousand people (Dinkop SMEs Central Java).
2. Lack of assistance: there is no specific assistant for MSMEs. So far, the assistance effort has been carried out by the SKPD (Dinkop SMEs Central Java).
3. Business Management and Management: Every year 200 MSMEs have been assisted in implementing modern and professional business management (Dinkop SMEs Central Java).

Finance

Resource-Based Theory holds that companies gain competitive advantage and good financial performance by owning, controlling and utilizing important strategic assets (Wernerfelt in Kumalasari and Astika, 2011: 281). This is proven in research that finance has a significant effect on business performance. Resourced Based Theory discusses the ownership of company resources and how companies manage these resources. Effective and efficient management of resources by companies can create competitive advantages to produce company value.



Some of the problems and findings found in respect to Finance, include:

1. There is still a lack of financial literacy.
2. The financial statements are not optimal.
3. A financial allocation has not been directed.
4. The financing structure originating from credit has not been maximized.

Marketing

SMEs in Brebes realize that marketing can improve business performance. This is proven in research, that marketing has a significant effect on business performance.

Suggestions

1. Improve the quality of human resources and finance to support the business more optimally.
2. Use SWOT Analysis as a step to determine future challenges and prepare for better business performance.
3. Recognise the need for intense assistance so that business people understand the shortcomings through financial and HR management.

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