

The Effect of Human Resources Management on Micro, Small, Medium, Enterprises (MSMEs) Towards the MSMEs' Performance: A Case Study at MSMEs In Trusmi Village, Plered, Cirebon

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Abstract- *Inasmuch as the micro, small, medium enterprises (MSMEs) has a crucial and influential role to the economic progress in a village, specifically in Trusmi village, Plered, Cirebon, West Java, the MSMEs need to be well-managed. In addition to marketing and financial management, the management of human resources of MSMEs must be paid attention seriously as well in order that the enterprises can be run professionally. This study aims to discover the impact of human resources management at MSMEs towards the performance of MSMEs. The data collection used questionnaires, interviews and observations. The 64 respondents were the MSMEs listed both in Cooperative Agency and in MSMEs located in Trusmi village, Cirebon. The method was the survey with the descriptive analysis approach. Analysis model and hypothesis comparing the t statistic and t table were utilized to know the relationship among variables. The study showed some findings; 1) there was a positive and significant influence between the training and the development towards the competency, 2) there was a positive and significant influence between the competency and the performance of SMSEs, 3) there was a positive and significant influence between the training and the development towards the MSMEs' performance, 4) there was a positive and significant influence between the training and the development towards the performance of MSMEs through competency. This study is expected to bring the MSMEs' performance better by professionally managing the human resources.*

Indexed Terms- *Training and development, competency, MSMEs' performance.*

I. INTRODUCTION

Industrial revolution 4.0 marks the use of computerized equipment, internet and digital technology more advanced which is well-known as the internet of things (IOT). This advanced technology indirectly influences the economic development in a country, one of which is in Indonesia. One of the Indonesian economic sectors that is related to this digital development is the MSMEs' sectors. This sector needs to conform to the technology advancement. In order to make the MSMEs run well, this sector requires qualified human resources. The following illustration is as follow:



Figure 1. Human resources management
Source: previous research

The management of human resources becomes the main capital to make the MSMEs better. Some obstacles were found in the MSMEs management as in the survey by Mark Plus insight:

Table 1. Constraints in MSMEs

No.	Constraint	Percentage
1.	Technology	53.6%
2.	Human resources management	49.4%
3.	Production process	31.4%

Source: Marketeers.com (December 2016)

Meanwhile, MSMEs have four (4) problems based on the world Bank study. It is as follows:

Table 2. MSMEs' problems

No.	MSMEs' problems
1.	They have no financial access
2.	They have no opportunity and business
3.	They have no qualified human resources and organizations
4.	Problems on regulations and procedures

Source: Merdeka.com (July 2018)

Table 1 and 2 show that the human resources management becomes the main problematic issue at the MSMEs. The pre-research found that one of the factors influencing the performance of human resources at MSMEs was the training and the development. Omolo (2015) says that the training and the development of human resources have a positive influence to the MSMEs' performance. Yahya *et.al* (2012) and Veronica (2018) express that only the training has the positive influence to the MSMEs' performance. Meanwhile, Apriliani *et.al* (2016), Sulistyandari *et. Al* (2016) and Widjaja *et.al* (2018) shared the similar point of view which say that competencies can influence the MSMEs' performance. On the contrary, Dharmanegara *et.al* put out that competencies have no effect to the MSMEs performance. Since there was a gap in the previous studies, the comprehensive study is needed to obtain full understanding on the MSMEs' performance. This study aims to reveal whether the training, the development and the competencies can influence the MSMEs' performance in Trusmi village, Plered, Cirebon, West Java

II. LITERATURE REVIEW

A. Training and Development

Soeprihanto (2001) in Irawati (2018:75) states that the training is aimed to improve the employees' ability by elevating the knowledge on working. Omolo

(2015:26) explains that the training and the development are the organizational activities related to the individual or group performances in an organization. Dessler (2005) in Sulaefi (2017:9) says that the training is a process that can make people gain a certain ability to reach the goal of the organization. When the training which has short-oriented period and has an influence to the performance is successful, the employees' performance will automatically be developed. Tjeng *et.al* (2013) in Sulaefi (2017:9) mentions that the development is the learning process to produce qualified employees.

B. Competency

Palan (2007) in Jeffrey and Dinata (2017:7302) states that competency is a human characteristic showing the way they think and behave to have long-period survive. Asumeng (2014:2) explains that the word competency was first introduced by White in 1959 to describe the human characteristic. It is said that intelligence or the cognitive potency can influence the motivation and it finally results in the required performance at workplaces. Spencer and Spencer (1993) in Hadiyatno (2012: 5) says that competency is an underlying characteristic of an individual which is causally related to criterion referenced effective and or superior performance in a job or situation.

C. MSMEs' performance

Jeffrey and Dinata (2017:7302) explain that the working performances are the important issue in the human resources management and it is even the main requirement for a successful organization. Dessler (2008) in Jeffrey and Soleman (2017: 107) put out that the performance management is a process of a purpose, an evaluation and of a performance development to improve the employees' ability. In this way, the company's goal can be fulfilled. Armstrong (2016:89) defines that performance management is the continuous process of improving performance by setting goals that are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing progress, and developing the knowledge, skills and abilities of people. The balanced score card is the management concept which turn a strategy into an action. The performance assessment with the balanced score card approach has criteria: 1) finance, 2) customers, 3) internal business process, 4)

learning and growth, (Widaningrum and Kabul, 2014:1033).

III. RESEARCH HYPOTHESIS

Omolo’s finding (2005) showed that both the training and the development had a positive influence to the MSMEs’ performance. Similarly, Yahya *et.al* (2012) and Veronica (2018) stated that the training had a positive influence to the MSMEs’ performance. Meanwhile, Apriliani, *et.al* (2016), Sulistyandari, *et.al* (2016) and Widjaja *et.al* (2018) found that the competency influenced the MSMEs’ performance. Based on those findings, the framework of this study is as follows:

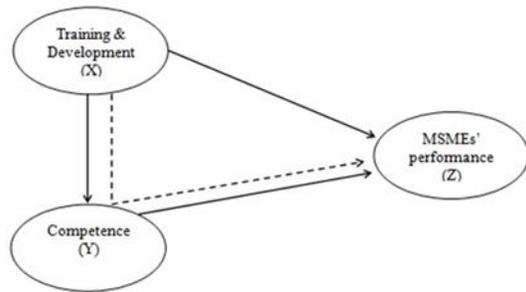


Figure 2. Frame work

Source: Data were processed by researchers

Related to the previous studies, the hypotheses are :

- 1) Ha₁: There are influences of the training and the development to the competency of MSMEs’ human resources.
- 2) Ha₂: There is an influence of competency to the MSMEs’ performance.
- 3) Ha₃: There are influences of the training and the development to the MSMEs’ performance.
- 4) Ha₄: There are influences of the training and the development to the MSME’s performance through competency.

IV. RESEARCH METHOD

The research method of the above figure is configured as follows:

$$Y = \beta_1 X + e \dots\dots\dots (1)$$

$$Z = \beta_2 X + \beta_3 Y + \beta_4 XY + e \dots\dots\dots (2)$$

This study used the survey method with the descriptive analysis approach. The population is the 64 MSMEs listed in the cooperative agency and in the MSME located in Trusmi village, Cirebon, West Java. This study has 64 respondents as the sample. Questionnaires disseminated to the MSMEs’ human resources served as the primary data, whilst scientific information from books, journals, and previous studies were the secondary data. The data processing technique was to discover the correlation between variables by using the model analysis and hypothesis test comparing t statistics and t table. The conclusion was determined by using the instrument tests of validity and reliability towards the latent variables. It was concluded that the questionnaires were valid and reliable since they had the loading factor (λ) with latent variable to be measured ≥ 0.5 and had the construct reliability value bigger than 0,8 (Wati, 2017). The model test was conducted after the measurement of the structural goodness of fit model evaluation by utilizing either predictive-relevance value (Q^2) or hypothesis test t-table and t-statistics comparison.

V. RESULTS

A. Respondent characteristics

The finding of the respondent characteristics showed that more female respondents than male respondents; female respondents were 38 people (59%), whilst male respondents were 26 people (41%). Based on the educational background, the undergraduate respondents were 9 people (14%), senior high school respondents were 38 people (59%), junior high school respondents were 11 people (17%) and 6 people (9%) were respondents from primary school respondents. Based on the age, 17-30 years old respondents were 31 people (48%), 31-45 years old respondents were 23 people (36%) and > 45-year-old respondents were 10 people (16%).

B. Research instrument test

The first order confirmatory with path diagram of causal relationship is the data analysis used in this study. The equation model has two constructs, all of which are exogenous construct and endogenous construct. The exogenous construct is the unpredictable variables or it is called the independent

variables. The training and the development are the exogenous construct (X). The endogenous construct is the predicted factors done by one or more constructs. This construct is able to predict one or more other endogenous constructs. However, the exogenous construct has only causal relationship with endogenous construct. The MSMEs' performance (Z) is the endogenous construct, while the competency (Y) is the intervening variable. The output from the factor loading has met the convergent validity with more than 0.5. The output from the reliability showed that the training and the development variables were 0,903, the competency variable was 0,938, and the performance variable was 0,909. Those results indicated that the composite reliability is more than 0,8 and the cronbachs alpha is more than 0,6. It sums up that indicators on each variable have good reliability or it is able to measure the constructs. To evaluate the goodness of fit model, the study used the value of predictive-relevance (Q^2). The output was the value of R^2 for the competency variable of 0,616. It means that the competency was influenced by variables of the training and the development with 61,6%, and the 38,4% was influenced by other variables excluded in the study. The R^2 value for the MSMEs' performance variable of 0,797 explained that the performance variable was influenced by variables of the training and the development, and the competency was 79,7%. The remaining 20,3% was influenced by other variables excluded in the research model.

The first and the second inner model evaluation were said to be good at explaining the variables of competency and of MSMEs' performance. The value of predictive relevance for the structural model was 0,922 or 92,2%, meaning that the model was able to describe the MSMEs' performance related to variables of the training, the development, and of the competency. It is concluded that the model was good and it is worth using for hypothesis test.

C. Hypothesis test

The study used the t-statistics on partial direct influence for the hypothesis test. Based on the diagram path, indicators on every variable has t-statistics value more than 1,9990 (t-table). This explains that indicators are able to measure the constructs. To test the correlation between variables (hypothesis test), the

value of t-statistics from Smart PLS output was used and was compared with t-table value.

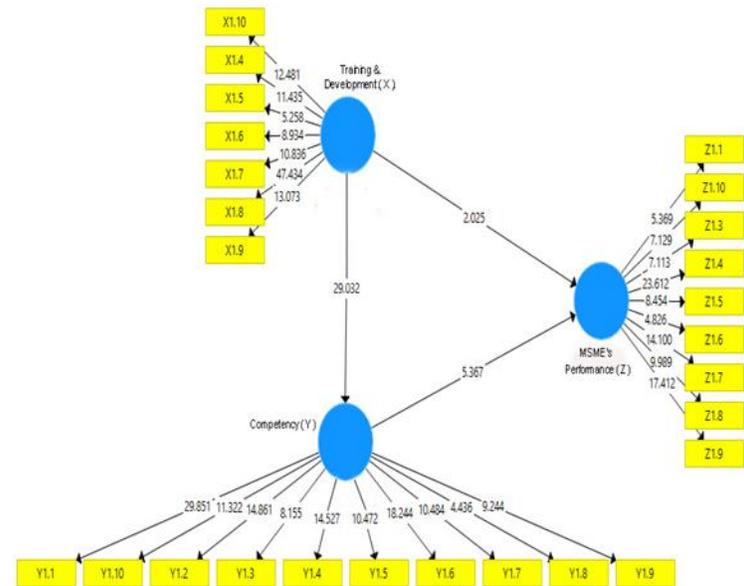


Figure 3. Diagram Path of hypothesis test
Source: Data were processed by Smart PLS

The following is the table of the correlation result between constructs (variables)

Table 3. Hypothesis test

Correlation between variable	parameter co-efficient	T statistic	P Value	statement
Training and development (X) => competency (Y)	0,785	29,032	0,000	significant
Competency (Y) => MSMEs' performance (Z)	0,655	5,367	0,000	significant
Training and development (X) => MSMEs' performance (Z)	0,281	2,025	0,022	significant
Training and development (X) => MSMEs' performance (Z) through competency (Y)	0,514	5,423	0,000	significant

Source : Data were processed by Smart PLS

Following is the explanation of correlation influence between variables:

- 1) The path of parameter co-efficient gained from the influence of variables of the training and the development towards the competency was 0,785 with t-statistics value 29,032 > 1,9990 and significant level was 0,05 (5%). It has a positive and significant influence between the training and the development towards the competency. The value of parameter co-efficient 0,785 is the more the training and the development, the better the competency is. The finding supports the first

hypothesis which says that there is a positive and significant influence between the training and the development towards the competency of MSMEs' human resources.

- 2) The path of parameter co-efficient obtained from the influence of variables of the competency towards the MSMEs' performance was 0,655 with t-statistics value 5,367 > 1,9990 and significant level was 0,05 (5%). It has a positive and significant influence between the competency to the MSMEs' performance. The value of parameter co-efficient 0,655 means that the better the competency of MSMEs' human resources, the better the MSMEs' performance is. The result supports the second hypothesis mentioning that there is a positive and significant influence between competency towards the MSMEs' performance.
- 3) The path of parameter co-efficient obtained from the influence of variables of the training and the development towards the MSMEs' performance was 0,281 with t-statistics value 2,025 > 1,9990 and significant level was 0,05 (5%). It has a positive and significant influence between the training and the development towards the MSMEs' performance. The value of parameter co-efficient 0,281 means that the better the training and the development provided to the MSMEs' human resources, the better the MSMEs' performance is. This finding supports the third hypothesis which has a positive and significant influence between the training and the development towards the MSMEs' performance.
- 4) The path of parameter co-efficient obtained from the influence of variables of the training and the development towards the MSMEs' performance through competency was 0,514 with t-statistics value 5,423 > 1,9990 and significant level was 0,05 (5%). It has a positive and significant influence between the training and the development towards the MSMEs' performance through competency. The value of parameter co-efficient 0,514 means that the better the training and the development given to the MSMEs' human resources, the better the MSMEs' performance through competency of the MSMEs' human resources is. The result supports the fourth hypothesis which declares that there is a positive and significant influence

between the training and the development towards the MSMEs' performance through competency.

Based on the path of parameter co-efficient shown on the table 3 and on the above explanation, the equation model is shown on figure 4 below:

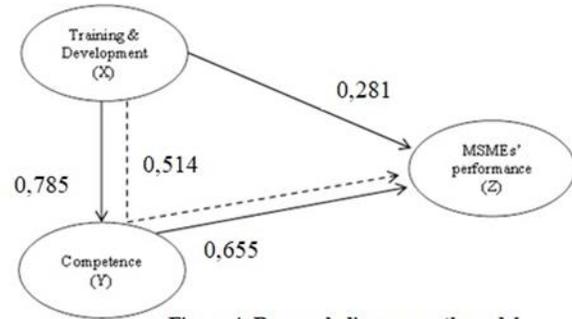


Figure 4. Research diagram path model
Source : Data were processed by Smart PLS

Based on the above diagram path, they are turned into the following equation:

$$Y = 0,785X + e \dots \dots \dots (1)$$

$$Z = 0,281X + 0,655 Y + 0,514XY + e \dots \dots \dots (2)$$

- Note:
- X: Training and development
 - Y: Competency
 - Z: MSMEs' performance
 - XY: Intervening competency
 - e: Error

VI. DISCUSSION

- Variables of the training and the development towards the competency

Output of SmartPLS on table 4.5 shows that the t-calculation is 29,032 and the t-table is 1,9990; 29,032 > 1,9990. Due to t-calculation is bigger than t-table, the hypothesis is accepted. The training and the development positively and significantly influence the competency. The descriptive statistics of the training and the development variables reveals the average dimension value of 47%, describing that the training and the development have yet to be provided fully to the MSMEs' human resources. Consequently, it cannot improve the performance of MSMEs in Trusmi village.

- Variable of competency towards the MSMEs' performance

Output of SmartPLS on table 4.5 reveals that the t-calculation is 5,367 and the t-table is 1,9990; $5,367 > 1,9990$. The hypothesis is accepted since the t-calculation is higher than the t-table. It says that the competency influences the MSMEs' performance positively and significantly. The finding is similar to the previous studies conducted by Apriliani *et.al* (2016), Widjaja *et.al* (2018) which showed the positive and significant influence of competency towards the MSMEs' performance. The descriptive statistics of the competency variable shows the average dimension value of 76%. It explains that the competency of MSMEs' human resources has yet to fulfill the maximum target and as a result, it needs more attention to improve the MSMEs' performance in Trusmi village.

- Variables of the training and the development towards the MSMEs' performance

Output of Smart PLS on table 4.5 shows that the t-calculation is 2,025 and the t-table is 1,9990; $2,025 > 1,9990$. The t-calculation is bigger than the t-table and the hypothesis is accepted. There is a positive and significant influence of the training and the development towards the MSMEs' performance. The result is in line with Omolo's study (2015), mentioning that the training and the development positively and significantly influence the MSMEs' performance. The average dimension value of 63% on the variable of MSMEs' performance on the descriptive statistics describes that the MSMEs' performance in Trusmi village has not run well since the absent of full training and development. Therefore, it affects the competency of MSMEs' human resources.

- Variables of the training and the development towards the MSMEs' performance through competency as the intervening variable

Output of SmartPLS on table 4.5 shows that the t-calculation is 5,423 and the t-table is 1,9990; $5,423 > 1,9990$. Since the t-calculation is higher than the t-table, the hypothesis is accepted. The training and the

development positively and significantly influence the MSMEs' performance through competency. It represents that the full, periodically training and development are important for the MSMEs' human resources. The better the human resources are, the better the performance of the MSMEs is.

CONCLUSION

To sum up, the training and the development positively and significantly affect the competency. In other words, the training and the development are the main key to reach the qualified MSMEs' human resources. The competency has a positive and significant influence towards the MSMEs' performance, meaning that the better competency of the MSMEs' human resources can fully support the MSMEs' performance. The training and the development have a positive and significant effect towards the MSMEs' performance. The good quality of MSMEs' performance fully depends on the training and the development provided to the MSMEs' human resources. The training and the development positively and significantly affect the MSMEs' performance through competency. Again, the training and the development are determined as the main factor to make the competency of MSMEs' human resources better. Therefore, the MSMEs' performance can be enhanced well. This study suggests that the local government should actively take part in improving the MSMEs' human resources in Trusmi village since this sector also contributes to the growth of the local economy. The qualified training and the development should be periodically provided so that the human resources are able to work professionally. The qualified human resources will also be able to survive in this global covid-19.

The government needs to pay more attention by providing the training and the development to the MSMEs human resources rather than to that of the big enterprises. The financial access such as the business capital is also in need of attention. The government's full support is able to raise the MSMEs' performance.

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