

# The Relationship Between Entrepreneurial Spirits and Entrepreneurial Value in Improving Business Self-Reliance: A Proposed Model

**Received:** M. Syahirman Yusi  
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## **Abstract:**

*Small and medium enterprises (SMEs) had an important role in the national economy, as the social economy, the SMEs played a role in absorbing employment, economic service, equity process, increasing income, economic growth, and national stability. Although in practice the development efforts have been carried out, in reality, these SMEs had not been fully free from problems or constraints faced. The objective of this study was to find out the relationship between entrepreneurial spirit, entrepreneurial value and business self-reliance. Primary data were obtained through answers to questionnaires from 250 respondents who were randomly assigned and processed through Structural Equation Modeling (SEM) analysis. The conclusion obtained was both entrepreneurial spirit and entrepreneurial value directly had positive effects on the business self-reliance. Through variables in the form of entrepreneurial behaviour, entrepreneurial spirit and entrepreneurial value also influenced positively. The results of the analysis provided explanations that all research hypotheses were acceptable.*

**Keywords:** *entrepreneurial spirit, entrepreneurial value, entrepreneurial behavior, business self-reliance, small and medium enterprises (SMEs)*

## **Introduction**

Public issues about the idea of developing small and medium enterprises (SMEs) need serious attention, because most SMEs as economic actors are still powerless in contributing to strengthen the national economy resilience to face global competition. Empowerment is a strategic effort in bridging the reality of inequality, as well as building new middle economic groups. Empirical facts show that national economic development which pursues growth without equalization has created alienation for SMEs in the middle of national economy structure. Through experience in the Phase 1 Long-Term Development phase, we see that development strategies that emphasize the economic growth and income per capita aspects have produced various impacts that can affect the national development continuation in the future. Although the things achieved are quite impressive, but giving excessive facilities to large entrepreneurs is ironic. Therefore, in an effort to further improve the distribution of society income and economic actors, the treatment and guidance for SMEs are absolutely necessary in every Indonesia development area, because with such efforts the inequality and socio-economic disparities can be eliminated as little as possible.

Seeing the role and existence of SMEs, developing countries now have changed their orientation by empowering the SMEs sector, due to the important role of the SME sector in supporting and strengthening the people's economy, realizing and maintaining national competitiveness and even at the global level. Realizing this, the Indonesian Government through the State Ministry of Cooperatives and Small and Medium Enterprises emphasizes the policy of increasing competitiveness by providing financial and non-financial strengths (Lumbanraja, 2011).

To achieve economic growth in Indonesia in global uncertainty, it is necessary to empower SMEs that are considered capable of developing production. In accordance with the government programs target at 5 million new entrepreneurs up to 2025 by developing human resources for the

advancement of national entrepreneurship. There are four main problems in the development of national entrepreneurship, especially the SMEs sector, including those related to access to finance, marketing, bureaucratic regulation, and SMEs capacity. In efforts to increase entrepreneurial capacity, the government seeks to improve the quality of entrepreneurial human resources in three stages, namely nursery, forging, and development.

Entrepreneurship is written in the Regulation of the State Minister of Cooperatives and SMEs, Number: 06/Per/M.KUKM/VII/2012 in the hope to encourage and accelerate the promotion of Cooperatives and MSMEs and increase competitiveness. SMEs is the expected foundation to take a strategy by making them independent, healthy, strong, competitive and self-developing business in increasing national economic growth, and supporting the expansion of employment opportunities in realizing economic democracy. The institutional quality improvement is carried out in stages through the efforts of awakening, empowering, developing, and strengthening.

The empirical data shows that there are many problems faced by Indonesian SMEs, including weak organizations, difficult marketing, small business capital, low entrepreneurship, lack of attention to the environment and poor service (Yusi & Idris, 2016). SME's downturn is inseparable from the dependence on government, entrepreneurial behavior without being based on the ability to manage business, and regulation in the SMEs sector seen as not be able to encourage the creation of dynamic and innovative SMEs management.

Entrepreneurial behavior shows the ability of entrepreneurs to look ahead, think with consideration, look for choices from various alternative problems and their lack solutions (Suseno, 2008). SMEs actors have a proactive attitude and good initiative in developing business. Entrepreneurship knowledge, achievement motives, personal autonomy has significantly supporting force for business independence (Qamariyah & Dalimunthe, 2012). SMEs actors in aspects of achievement orientation and commitment with other parties are still not good, this is indicated by the lack of willingness to develop new products and dependence on interested parties including the government.

Other empirical facts showed that, most entrepreneurs still have a low level of formal education. This condition causes the low capacity and quality of the entrepreneur human resources. As a result, entrepreneurs are less able to manage their finance well; they generally cannot distinguish between funds for businesses and for personal needs, so that their business cannot run smoothly. Many of their hard-earned loans go to consumptive expenditures, resulting in small entrepreneurs are unable to repay their debts on time. Lack of knowledge improves the production quality, production result, work productivity, and marketing techniques. Education is an important factor to change economic backwardness and generate the ability and motivation to move forward, so it is important to increase the entrepreneur knowledge and skills (Yusi & Idris, 2018).

Inability in competition and the low management level of entrepreneurial behavior is a challenge for SMEs to grow and develop towards business self-reliance. On the other hand, the SMEs growth is needed which is based on entrepreneurial values and entrepreneurship in the hope of being able to shape the SMEs behavior to play an active role in increasing national economic growth. Therefore there is a need for SMEs empowerment strategies towards business independence with an entrepreneurship approach, entrepreneurial values and entrepreneurial behavior.

In facing increasingly tight competition both locally and globally as today, the entrepreneurship concept emphasizing on strengthening the internal environment is very relevant if applied in empowering SMEs. The main concern must be emphasized on the creation of entrepreneurship, and entrepreneurial value to increase business self-reliance through developing entrepreneurial behavior, so that SMEs no longer rely on market power strategies through monopolies and government facilities. In this strategy, SMEs must aim at specific expertise internally which can create superior core products to enlarge the production share. This strategy is cheaper and effective in developing SMEs, because SMEs can utilize local resources.

The purpose of this research was to provide empirical evidence to what extent the entrepreneurship and entrepreneurial value influenced the business self-reliance through entrepreneurial behavior. The results of the study would provide output on the empowerment of SMEs towards business independence, which included strategies for managing entrepreneurship, entrepreneurial values management strategies, and strategies for managing entrepreneurial behavior.

## **Literature Review**

### ***Entrepreneurial Spirits***

In Indonesia, SMEs as a people's economic business in the national economy map cannot be doubted and have a significant role in economic life. SMEs are a business sector that absorbs labor that is not absorbed in a formal sector, so as to reduce the government burden in overcoming unemployment. SMEs are also able to cope with population problems; the SMEs development in rural and suburban areas will at least have an impact on more equitable population distribution. Many in developed countries SMEs have an important role as a driving force for economic growth, creation sources, and innovation in conducting productive business activities (Handayani et al. 2010).

As people economy SMEs are an integral part of the national business world, and have a position, potential and important and strategic role in expanding employment, broad economic services to the community, encouraging the equity process, increasing income, economic growth, and stability. But the reality shows, SMEs still face various internal and external obstacles for example in the fields of products, processing, marketing, capital, human resources, technology, and business climate that have not supported its development.

Under these conditions the government must be proactive in taking prevention and fix to normal conditions. These efforts can be carried out, among others, by optimizing the potential utilization and building experience that they have. Building experience is a basic capital in determining future development steps. Reformation does not mean having to replace everything that already exists. Reformation must be well formulated so that they do not obscure the expected direction of development, namely to realize people's welfare. Reformation must be interpreted as a gradual and planned effort towards a certain goal (Sumodiningrat, 1999).

The realization of SMEs self-reliance is based on the entrepreneurial spirit which is a personality and has been integrated through entrepreneurial values for people doing business. Entrepreneurship includes personalities that have creative actions as values, love to try, be tough in various challenges, have confidence, have self-determination or focus of control, have the ability to manage risks, change is seen as an opportunity, tolerance to many choices, initiative and need for achievement, perfectionist, broad-minded, consider time to be very valuable and have strong motivation, and character that has internalized as values which is believed to be true (Kuratko, 2003). The entrepreneurial spirit is soul in entrepreneurship which in principle is an attitude and entrepreneurial behavior by showing through the nature and character of someone who has willingness to creatively create innovative ideas into the real world (Hartanti, 2008). Factors that affect one's entrepreneurial spirit include: confidence, optimism, discipline, commitment, initiative, motivation, leadership, challenge, responsibility, and human relationship (Meredith, 2005; Zimmerer, 2008).

### ***Entrepreneurship Values***

Entrepreneurship values are prerequisites related to entrepreneurial behavior (Frederick et al. 2006; Kickul & Gundry, 2002; Schein 2001). These values consist of creativity, risk taking, innovation, achievement oriented, ambition, and self-reliance (Boohene et al. 2008). The value in running a business contains consideration element that develops ideas of a person or social, so it is preferable to the behavior form or the final form of resistance or kindness existence. Value is the basis for understanding attitudes and motivations and values can influence behavior perceptions in conducting business, therefore value is very important to learn in managing organizational behavior (Robbins, 2007). One of the sources possessed by SMEs is the entrepreneur's personality value, namely the personality values in an owner and also the leader of the company. The value adopted in running a business is generally entrepreneurial values (Alma, 2001). Entrepreneurship values is a creative and innovative ability used as a basis, and a resource to find opportunities for success. The creative process is only carried out by people who have creative and innovative personalities, namely people who have soul, attitude, and entrepreneurial behavior, with characteristics: full of confidence, the indicator is full of confidence, optimistic, committed, disciplined, responsible; have an initiative, the indicator is full of energy, fast in acting, and active; have achievement motives, the indicators consist

of orientation on results and future insight; have a leadership spirit, the indicator is to be brave to be different, trustworthy, and resilient in acting: dare to take risks with full calculation (Suryana, 2014).

The entrepreneur's personality traits have a positive influence on company performance, whereas a person who does not have entrepreneurial values has a negative influence on business performance. In addition, it proves that the entrepreneur's personality traits can influence variations in corporate performance (Alma, 2001). High personality traits such as high internal supervision, willingness to take high risks, high achievement needs, always try to improve to be better by changing the procedures for managing a business. Business performance managed by entrepreneurs who have high entrepreneurial characteristics will be better than businesses managed by entrepreneurs who have low entrepreneurial personality traits (Alma, 2001).

### ***Entrepreneurial Behavior***

A set of company activities in searching new businesses, strategy renewal, work accuracy, and transparency, are part of entrepreneurial behavior (Guth & Ginsberg, 1990). The concept of entrepreneurship seen as a phenomenon at the company level leads to corporate behavior, risk taking, innovative efforts, and proactive strategy setting. Changes in customer needs, industry changes, emergence of competition, social and demographic values changes, new technologies and innovations will create a lot of uncertainty and often requires organizations to react by making many changes that increase risk or the possibility of failure. Organizations do not only passively react to environmental changes, but are also directly involved in environmental changes (Welsch et al. 2003). Sensitivity is defined as a proactive, reactive ability to use existing components to make changes in accordance with environmental conditions. Rapid environmental changes and supported by easy-to-obtain information, companies must build capacity to be prepared and have sensitivity to deal with it (Zaheer, 2001). Organizational sensitivity is defined as how organizations respond to customer needs, both now and in the future, based on information obtained (Kohli & Jaworski, 1990). The success of the company in a rapidly changing environment is determined by its ability and speed to provide a response to determine the right decisions, along with the information obtained (Eisenhardt & Martin, 2000).

### ***Business Self-Reliance***

The business self-reliance formed for SMEs is a business behavior and condition which have entrepreneurship that must be able to fulfill their needs independently and to make decisions, be responsible, dare to compete, and control themselves (Parker, 2005). For strengthening and self-reliance of SMEs with is aim to facilitate and expand access to SMEs to be productive resource so as to adjust the business scale in accordance with the efficiency demands (Siswoyo, 2009). The SME development system is established through development of affordable business development supporting service, increasingly dispersed and quality business to markets, and productive resources, such as human resources, capital, markets, technology and information including encouraging increased intermediation of financial institutions. The most SMEs entrepreneurs in Indonesia have reasons to try because there are business opportunities and a safe and large market share (Tambunan, 2012). As a result, more SMEs arise because of self-reliance in running a business, although there are still some failures since they do not have the ability to carry out business activities.

Strategic and integrated economic to develop SMEs sectors is set with the expectation to make SMEs as an independent economic power and be able to make a significant contribution to gross domestic income. Strengthening the economic institutions and strategic policies in developing the SMEs sector business is an independent economic force for the formation of strong and healthy SMEs. Changes in entrepreneurial behavior as the base for forming of business independence are mindset to change society condition to be more advanced. Programs that have been implemented in the field of economic business, especially in development and economic assistance sub-sectors, along with the program's impact on SMEs behavior and independence are expected to be able to improve people's welfare (Basuki, 2007). As a result, there is a need for good cooperation between the government and the community before turning to sustainable business independence. Positive behavior in efforts is expected to increase economic independence, especially in productivity and entrepreneur income (Kurniawati, 2013).

The choice of strategy in SMEs is implemented based on personal goals and desires of the owner based on the personal values of the business manager (Boohene et al. 2008). Personal values related to proactive strategies, as called entrepreneurial values, consists of creativity, risk taking, innovation, achievement oriented, ambition, and independence (Hodgetts & Kuratko, 2001; Kickul & Grundry, 2002; Bohene et al. 2008 ) Besides the equality values, social protection and compassion are described as conservative strategies and are associated with relative types (Kotey & Meredith, 1997; Boohene et al., 2008).

Business self-reliance based on goals, processes, and positive ways of working is a process where people become strong enough to participate in sharing control, and influence events and institutions that affect in life. Self-reliance emphasizes that people acquire enough skills, knowledge, and power to influence the life and business life they are running. The relationship among roles of each SME stakeholder (Karsidi, 2007) is expected to be able to contribute significantly to the progress of SMEs as economic actors. Realizing the self-reliance of SMEs needs to be given motivation and benefits from various opportunities and facilitation provided by various parties (stakeholders) because without participation, SMEs individually or in groups will result in failure of the business self-reliance effort expected.

SMEs actors in general have not been able to utilize organizational management, thus they require management guidance to realize the formation of an entrepreneurship. In addition, the organizational structure is unclear so that it impacts on the clarity in realizing business independence, which ultimately throws responsibility at one another if there are problems in running a business. Environmental management in SMEs has not been implemented optimally, related to employee involvement, environmental performance, company performance and entrepreneurial behavior; so that there was a need for linkages between SMEs and employees in improving environmental performance on the successful formation of entrepreneurial behavior. In addition, the development of SMEs in economic development is still very necessary to trigger the formation of entrepreneurial values in the hope of being able to increase the growth rate of the national economy to prosper the community (Glendoh, 2013). Leaders of companies including SMEs need to have the ability to do survival management so that their businesses can still sustain and increase. The relationship between the planning process and the SMEs group performance in economic development shows that strategic planning can improve the small company development based on independent business groups (Bracker et al. 2016).

Based on the definition and theoretical concepts above, the research framework is shown in Figure 1.

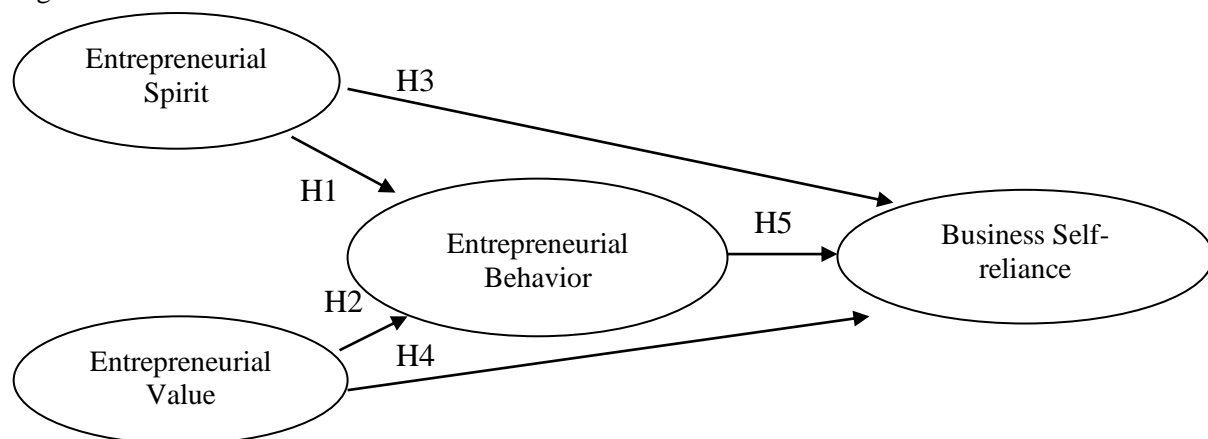


Fig. 1. Research empirical model

## Hypothesis

### *Relationship Between Entrepreneurial Spirit and Entrepreneurial Behavior*

The entrepreneurial spirit is strong trust and acceptance toward entrepreneurial behavior, willingness to work hard, and maintaining relationships between members, which means there is a strong desire from members to remain in a psychological bond to the company. The ability to create

entrepreneurship will increase high entrepreneurial behavior. The entrepreneurship has a positive and significant effect on entrepreneurial behavior (Silalahi, 2007). Organizations that have entrepreneurial knowledge will be committed to entrepreneurial behavior to gain independence in managing business. With the arguments and results of previous research synthesis, the first hypothesis could be formulated as follows:

H1: the entrepreneurial spirit could improve the realization of entrepreneurial behavior for SMEs actors

#### ***Relationship Between Entrepreneurial Value and Entrepreneurial Behavior***

Entrepreneurial values consisting of creativity, risk taking, innovation, achievement oriented, ambition and independence can create strong entrepreneurial behavior (Boohene et al. 2008). Corporate creativity will affect the small business behavior in creating innovations to meet the success of a better business. With the arguments and results of previous research, the second hypothesis was stated as follows:

H2: The entrepreneurial value could increase the realization of entrepreneurial behavior for SMEs actors

#### ***Relationship Between Entrepreneurial Spirit and Business Self-Reliance***

Life in entrepreneurial spirit in principle is an entrepreneurial attitude and behavior by showing through character, and the character of someone who has the will to realize innovative ideas into the real world creatively (Hartanti, 2008). Character is a personality that is able to provide a positive and significant influence on business independence for SMEs actors (Astuti & Sukardi, 2013). The high entrepreneurship is needed in creating business independence for small business actors. Based on the arguments and results of previous research, the third hypothesis was presented as follows.

H3: The entrepreneurial spirit could improve the realization of business self-reliance for SMEs actors.

#### ***Relationship Between Entrepreneurial Value and Business Self-Reliance***

The business activity value contains consideration elements that expand one's ideas, so that it is a form of behavior in running the company towards business independence. The basis understanding the attitudes and motivations of entrepreneurial values is able to influence behavior in running a business, so that value is a very important behavior in managing the company independence (Robbins, 2007). The value of entrepreneurial value has a positive and significant influence on business self-reliance, therefore increasing the high value of SMEs is able to increase the business self-reliance growth (Djodjono & Tawas, 2016). Thus, the fourth hypothesis was proposed as follows.

H4: The entrepreneurial value could improve the realization of business self-reliance for SMEs actors.

#### ***Relationship Between Entrepreneurial Behavior and Business Self-Reliance***

The strategic policies in developing the SME sector to make of small businesses independence, capability is needed to improve the business behavior strengthening in various sectors. Strengthening entrepreneurial behavior in developing small businesses is strength for the small business formation that is independent, resilient and healthy. The entrepreneurial behavior strength has a positive and significant influence on business self-reliance for SME actors, meaning that if the level of entrepreneurial behavior is getting better, business self-reliance for SMEs will increase (Silalahi, 2007). By referring to the results of previous research and the arguments presented, the fifth hypothesis was formulated as follows.

H5: Entrepreneurial behavior could improve the realization of business self-reliance for SME actors.

### **Research Method**

#### ***Population and Sample***

The sample in this study used a comparison of the indicator numbers with the sample number for multivariate analysis, which was compared 5 to 10 (Hair et al. 2011). Each indicator required a

minimum of 5 and a maximum of 10 samples. The number of samples in this study used a comparison of 1 indicator compared to 10 samples. In this study there were 25 indicators that were changed in the form of questions in the research questionnaire, so the number of samples used was 250 respondents.

Respondents in this study were SMEs who were in the form of clusters and registered on the Office of Cooperatives and MSMEs in the area of South Sumatra Province. The population was 108,454 SMEs in 15 cities and districts. The number of samples was determined by using proportional sampling which consisted of cities and regencies where the number of SMEs was above 10,000 units, thus the total number of samples was 250 respondents, with details as follows.

**Table 1.** Population and Sample

Population	Sample	Percentage
Palembang city (28,766 SMEs)	106	42.5
Musi Banyu Asin district (11,591 SMEs)	43	17.2
Ogan Ilir district (13,589 SMEs)	50	20.0
Lahat district (13,860 SMEs)	51	20.3
Total: 68,076 SMEs	250	100

Secondary data was obtained from the Central Statistics Bureau and the Office of Cooperatives and MSMEs. Data was processed using Structural Equation Modeling (SEM) from AMOS statistical software package. Quantitative analysis and hypothesis testing were done by modeling through: theory-based model development, compiling path diagrams and structural diagrams, selecting the type of matrix input and estimation of the proposed model, assessing the identification of structural models, assessing goodness-of-fit criteria, interpretation and modification of models (Byrne, 2008).

### ***Variable Operationalization***

To identify the capacity of SMEs in the research area, several interrelated key variables were grouped into independent variable and dependent variable. In the analysis using the SEM method the independent variables can occur to be a dependent variable for other variables. Determination of exogenous variables were based on theories that were believed to have an influence in the research models, namely: Entrepreneurial spirit (X1) is a mental to creativity and produce something that later be measured in the form of material (Meredith, 2005; Zimmerer, 2008), with dimensions on aspects: confidence (X1.1), optimism (X1.2), discipline (X1.3), commitment (X1.4), initiative (X1.5), motivation (X1.6), having a leadership spirit ( X1.7), likes challenges (X1.8), responsibilities (X1.9), human relationships (X1.10). Entrepreneurial value (X2) is human behavior that was always active to create something value able and useful for himself and others (Boohene, Sheridan, & Kotey 2008), with dimensions on aspects: creative (X2.1), risk taking (X2.2), innovative (X2.3), achievement oriented (X2.4), ambition (X2.5), independence (X2.6).

Entrepreneurial behavior (X3) was a series of activities that were generally carried out by humans where these activities can support their business activities (Guth & Ginsberg, 1990; Zahra, 1996), with dimensions: new business search (X3.1), strategy renewal (X3.2 ), work accuracy (X3.3), and transparency (X3.4).

Business self-reliance (Y) was the ability to manage all related with tasks and skills how to do something, achieve something and how to manage something (Parker, 2005), with dimensions: able to fulfill themselves (Y1), dare to make decisions (Y2) , responsibility (Y3), courage to compete (Y4), self-control (Y5).

### ***Data Analysis***

Furthermore, for the purposes of analysis, data obtained in the form of ordinal scales were transformed into interval scale. The steps to transform ordinal data into interval data were to use the Method of Successive Interval (MSI), which in its implementation could be done with the Method of Successful Interval software integrated in Microsoft Excel programs. Furthermore, the data were

analyzed using ANOVA and Structural Equation Modeling (SEM) analysis to test hypotheses and confirm the theoretical models formed (Byrne, 2010).

## Result

### *Goodness of Fit*

To see whether the model formed was feasible for further analysis, it was necessary to test the conformity of the research model, namely to test how well the level of goodness of fit of the research model. By using modification indices, obtained:

**Table 2.** The Goodness of Fit Model Test Result

Goodness of fit index	Criteria	Cut of value	Remark
Chi-square	Must be Low	114.352	Fit
Significant Probability	$\geq 0,05$	0.361	Fit
RMSEA	$\leq 0,08$	0.012	Fit
GFI	$\geq 0,90$	0.914	Fit
AGFI	$\geq 0,90$	0.896	Marginal Fit
CMIN / DF	$\leq 2,00$	1.053	Fit
TLI	$\geq 0,90$	0.917	Fit
CFI	$\geq 0,90$	0.922	Fit
NFI	$\geq 0,90$	0.916	Fit
RFI	$\geq 0,90$	0.908	Fit

Based on the table above the conformity testing of the research model was used to test how well the level of goodness of fit of the research model. From the results of the tests presented above, it was known from 10 criteria all were fit. With these results, overall, it could be said that the conformity test of the structural model was in good condition.

### *The Result of Hypothesis Analysis*

Hypothesis testing used SEM analysis with a significance level of 5 percent, resulting in a Critical Ratio (CR) value was 1.96. Acceptance of hypothesis was carried out if the value of t obtained was 1.96 and the probability value was less than 0.05 in AMOS output. Conversely the hypothesis was not supported if the value of t obtained  $\leq 1.96$  and probability values  $> 0.05$ . Hypothesis test results were shown in Table 3.

**Table 3.** Hypothesis Testing Research Model

Hypothesis	Hypothesis Statement	Critical Ration (CR)	Probability (P)	Result
H1	Entrepreneurial spirit affected entrepreneurial behavior	2,168	0,002	Significant
H2	Entrepreneurial values affected entrepreneurial behavior	3,382	0.001	Significant
H3	Entrepreneurship affected business self-reliance	2,844	0.002	Significant
H4	Entrepreneurial values affected business self-reliance	2,436	0,003	Significant
H5	Entrepreneurial behavior affected business self-reliance	3,182	0,001	Significant

Based on the results of calculations that could be seen in Table 3 showed that: the first hypothesis H1 (CR = 2.168; P = 0.002), had a positive effect; the second hypothesis H2 (CR = 3.382;



P = 0.001) had a positive effect, the third hypothesis H3 (CR = 2.844; P = 0.002), the fourth hypothesis H4 (CR = 2,436; P = 0.003) had a positive effect, and the fifth hypothesis H5 (CR = 3.182; P = 0.001) also had a positive and significant effect on business self-reliance.

## Discussion

The direct influence of the relationship between variables showed that the variable that had the greatest influence on entrepreneurial behavior was the entrepreneurial values with the contribution of 59.8 percent. Entrepreneurial behavior variable directly affected the business self-reliance variable with a contribution of 51.8 percent.

**Table 5.** Direct Effects (Group number1-Default model)

	X <sub>2</sub>	X <sub>1</sub>	Y <sub>1</sub>
Y <sub>1</sub>	.598	.375	.005
Y <sub>2</sub>	.421	.432	.518

Indirect influences in this study were presented in Table 6 which showed that all exogenous variables had an indirect influence on the SMEs independence variable. The greatest indirect effect on the business self-reliance variable was the entrepreneurial value variable with a contribution of 44.6 percent.

**Table 6.** Indirect Effects (Group number 1-Default model)

	X <sub>2</sub>	X <sub>1</sub>	Y <sub>1</sub>
Y <sub>1</sub>	.016	.031	.000
Y <sub>2</sub>	.064	.089	.068

Based on the results of testing in this research model on the relationship between variables it obtained direct influence and indirect influence between variables, therefore it was necessary to measure total influence. Based on the calculation, the results of the measurement of the total influence between variables are shown in Table 7.

**Table 7.** Total Effects (Group number 1-Default model)

	X <sub>2</sub>	X <sub>1</sub>	Y <sub>1</sub>
Y1	.614	.406	.005
Y2	.485	.513	.586

Based on the results of the analysis it could be concluded that to establish business independence for SMEs actors the thing needs to be developed is to empower entrepreneurial behavior in SMEs actors by increasing the most dominant variable or having the biggest loading factor. This is done by paying attention to the entrepreneurial value starting from building self-confidence by forming confidence, optimism, commitment, discipline and responsibility in carrying out a business. Furthermore, it is followed by the courage to take risks through various calculations that do not loss the company. Besides that, courage is required in creating initiatives by showing the existence of achievement motives through orientation on results and future insight, in accordance with research conducted by Silalahi (2007). On this basis, entrepreneurial behavior in small business actors can be improved by developing trust in business certainty through business protection.

The results of this research analysis provided empirical evidence that entrepreneurship had a positive and significant effect on entrepreneurial behavior (the first hypothesis was accepted). This condition showed that the entrepreneurial spirit possessed by small business actors could improve the

formation of entrepreneurial behavior, encourage and foster enthusiasm for SMEs actors in running a business. The results of this study supported the study of Husaini (2004) who said that entrepreneurial spirit had a positive and significant effect on entrepreneurial behavior. It meant that small business actors were expected to prioritize the entrepreneurial spirit in every business activity as well as possible so that it could form a strong and resilient entrepreneurial behavior.

The entrepreneurial value had a positive and significant effect on entrepreneurial behavior. This condition showed that the second hypothesis was acceptable, namely the entrepreneurial value developed by SMEs capable of empowering business activities for the sake of business continuity. The results of this study were in line with the research of Choueke and Armstrong (1988) that the entrepreneurial value has a strong influence on entrepreneurial behavior. Based on these results indicated that SMEs had entrepreneurial values were able to enhance entrepreneurial behavior. Entrepreneurial values possessed by SMEs actors were able to realize the formation of business behavior through business development and decision making carried out in running a business. Courage to develop share and decision making at the right time was usually done by SMEs actors because it was an activity had to be chosen so that the company did not experience business failure.

The results of this study also showed that entrepreneurial spirit had a positive effect on business self-reliance (the third hypothesis was accepted). This result was in line with the research of Basuki (2007) which showed that entrepreneurial spirit had a positive and significant effect on business self-reliance. This meant that if the entrepreneurial spirit increased, the self-reliance of the SME business actors will also be stronger and stronger in conducting business. The results of the study showed that the business self-reliance depended on the good or bad entrepreneurial spirit of SMEs actors. The significance of the influence of entrepreneurial spirit on business self-reliance could be shown because most respondents from descriptive analysis were the majority of business people who were formed from generation to generation on the basis of family business.

The results of the study also showed that the entrepreneurial value had a positive influence on business self-reliance (the fourth hypothesis was accepted). The stronger the entrepreneurial value for SMEs actors, the stronger the business self-reliance will be. This condition showed that a strong entrepreneurial value would generate business self-reliance for SMEs actors. On the basis of these findings, it could be concluded that the business self-reliance also depended on the strength or weakness of entrepreneurial values of entrepreneurs.

Furthermore, the results of the study also showed that entrepreneurial behavior had a positive and significant effect on business self-reliance (the fifth hypothesis was acceptable). This means that if SME actors showed strong entrepreneurial behavior, then business self-reliance would also be stronger. The results of this study were in accordance with the research of Haryono and Khoiriyah (2012) which stated that entrepreneurial behavior had a positive and significant effect on the business self-reliance.

The entrepreneurial spirit would experience a significant increase in business self-reliance directly by being moderated by entrepreneurial behavior. So the priority needed for SMEs actors in forming business self-reliance was to empower SMEs actors as an embodiment of entrepreneurial behavior by strengthening a good entrepreneurial spirit. The results of this study were in line with the research of Frederick et al. (2006) which stated that entrepreneurial spirit had a positive and significant effect on the business self-reliance.

The entrepreneurial values would affect directly the business self-reliance formation when moderated by entrepreneurial behavior, so that the main treatment for the business self-reliance formation was the need for increased business by creating self-confidence and career development for SMEs actors for the realization of strong entrepreneurial behavior. These findings were in line with the research of Thobias (2013) which stated that entrepreneurial behavior influences the business self-reliance formation.

Empirical facts have shown that both entrepreneurial spirit and entrepreneurial values had a significant relationship to entrepreneurial behavior and business self-reliance, entrepreneurial behavior had a very strong role in increasing the significance of these two variables. The main priority that needs to be done by SMEs was how to be able to create self-confidence, dare to make decisions and strengthen for business development in order to form significant business self-reliance in the future.

## Conclusion

Strengthening the entrepreneurial spirit would have an impact on strengthening entrepreneurial behavior, as well as increasing entrepreneurial values could increase the business self-reliance formation, meaning that SMEs actors who were able to increase entrepreneurial spirit and entrepreneurial values having a positive value would form business self-reliance. Entrepreneurial behavior had a positive influence on business self-reliance, meaning that strengthening entrepreneurial behavior in the entrepreneur would be able to create business self-reliance for SMEs actors.

The strategic issue of SMEs empowerment in the research area showed that business self-reliance problem was still a burden for SMEs actors. This problem required psychological awareness, namely the individual ability to understand stimuli arising from within and from outside themselves, through the five senses and attention, so that individuals were able to make connections and restrictions well with the environment, including time, place, and conditions in general, or with himself including thoughts, feelings, or needs, in carrying out business activities.

The SMEs development as a people's economy had to be the main agenda of national development in the coming years. The point was that the SMEs growth took place faster, concrete steps must be pursued. The strategy was centered on efforts to accelerate structural change that strengthened the SMEs position and role in the national economy. These structural changes included the process of changes from the traditional economy to the modern economy, from a weak economy to a strong economy, and from weak to stronger. Thus SMEs could be strong, large, modern, and highly competitive economy through structural changes.

This research was conducted at SMEs companies listed on the South Sumatra Provincial Cooperative and MSME Office, so that it was still possible to conduct similar research in other broader companies. The orientation in this study was centered on the SME empowerment strategy primarily namely business self-reliance, while there were still other aspects that have not been thoroughly explored, so that there were various variables and other factors needed to complement this research.

There needed comprehensive thought and action in dealing with the SMEs management problems by further increasing the community involvement, stakeholders and government. SMEs still experienced not optimal entrepreneurial spirit and entrepreneurial value needed through future development efforts. SMEs empowerment by managing the entrepreneurial spirit was expected to be able to create independent and strong SME actors in facing competition, especially from global products that currently flooding the domestic market. There was a change in the entrepreneurial values management for SMEs actors who are still using a family pattern, so that more cooperative models were developed in the hope that they would be more efficient, effective and reduce habits that did not support the business self-reliance.

The involvement of local governments is involved primarily in empowering SMEs actors through training for products that require special skills such as processing plantation products, food, and handicrafts so that they will produce high quality and competitive products.

The SMEs self-reliance requires the business management protection so that they can easily run a business; therefore the participation of local governments, universities and stakeholders is needed to realize the existence of regional regulations on the SMEs management that can protect SMEs. Thus, it can increase productivity and have an impact on business growth synergistically in ensuring the company survival.

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**\*Email korespondensi:**  
syahirman@polsri.ac.id