The Role of Government on Business Growth and Empowerment of Micro and Small Enterprises (MSEs) in Raha City of Southeast Sulawesi

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Abstract: The purpose of this study is to examine and explain the influence the role of government's on business growth and the empowerment of MSEs in Raha City. The approach of this research is survey with explanatory research design. Data collection is done cross-section by using questionnaire instrument. The population of this research is owners and the perpetrator of MSEs with sampling method is random sampling. Determination of the sampling magnitude of this study using the Slovin formula, so that, obtained 95 people. Data analysis method used to test this research hypothesis is Partial Least Square (PLS). The results of this study indicate that the role of government has a positive and significant impact on business growth and empowerment of MSEs. Furthermore, business growth has a positive and significant impact on the empowerment of MSEs. Finally, business growth acts as a partial medication on the influence of government roles on the empowerment of MSEs. This means that business growth is significantly influenced by the role of government and business growths significantly affect the empowerment of MSEs, furthermore, the role of government significantly influences the empowerment of MSEs.

Key words: Role of government, business growth, empowerment, MSEs, significantly, PLS

INTRODUCTION

The existence of MSEs is capable of creating creativity, absorbing manpower on a large scale, reducing unemployment, labor-intensive formal and capital-intensive sectors using simple and easy-to-understand technology and being able to become a place for people to work. Empirical facts based on the economic census by 2016, MSEs dominate economic activity in Southeast Sulawesi in terms of number of businesses with a proportion of about 99%, the rest being large medium enterprises. In the last 10 years, the number of MSEs shows an increase of 43.83% compared to the 198.484 economic census in 2006 (Anonymous, 2017a). Based on the scale of business, MSEs almost dominate as many as 282,618 units of business while medium and large only 2,868 companies. MSEs of the first category are: large trading, retail, repair, car and motorcycle maintenance 143,383 companies (50.22%). The second category is the processing industry of 60,152 business units and the third category is the provision of food and beverages as much as 23,959 business units.

The absorption of workforce by business field is dominated by trade and retail as many as 231.090 people (36.93%). Muna Regency is able to absorb a workforce of 62.805 people in the sector of MSEs with a total of 30.570 units and only 170 companies are categorized as medium-sized enterprises (Anonymous, 2017b). The development of small and medium-sized micro enterprises has been done by the government as well as one of the regional economic drivers. Based on data from the Office of Cooperatives and MSEs of Muna Regency on years 2016 in Raha City, community business activities in the category of MSEs are generally located in the District of Katobu and Batalaiworu. Both regions are located in the center of the capital of Muna Regncy, so that, the economic activities of the community are concentrated in these two areas. In Katobu sub-district, there are 1171 units of micro business and 861 units of small-scale enterprises while in Batalaiworu District there are 1.121 units of micro and small-scale enterprises of 929 units. Furthermore, the problems faced by MSEs in Raha City are capitalization, marketing, management of less professional due to limited knowledge owned MSEs (Anonymous, 2017a, b).

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Based on the problems experienced by MSEs in Raha City, the researchers are interested to examine the influence of the government's role on the growth and empowerment of MSEs based on the theory of economic growth and empowerment. Gomes and Gomes (2009) explain that local governments need to create mechanisms to involve stakeholders in the growth activities of MSEs. Kushnir *et al.* (2010), the role of government has a potential contribution to business growth in the private sector and job creation. Conducive investment climate can be realized through regulation institutional support and realization of physical infrastructure improvement plays an important role in investment and growth efforts of World Bank (2016).

Mwobobia (2012) states that MSEs play an important role in achieving sectoral economic development, sustaining business growth and creating jobs. Furthermore, referring to Law No. 20 Year 2008, the empowerment of MSEs is an effort by the central government, regional government, business and society in a synergistic and integrated manner in the form of business climate and development of MSEs. According to, Ayyagari *et al.* (2014) stated that business growth is measured through the performance of MSEs, namely: sales growth, profitability and asset growth. Conducive business climate spur the acceleration of efforts that ultimately can enhance empowerment of MSEs. Business growth has a significant contribution on the improvement of empowerment of MSEs (World Bank, 2016).

Previous research has proven that the role of government can contribute positively and significantly to business growth (Mezgebo *et al.*, 2017; Zhang and Huang, 2017; Shibia and Barako, 2017; Li *et al.*, 2017; Wuryandani and Meilani, 2013) finds that the role of the government directly has not been able to contribute significantly to the growth of the business (Li *et al.*, 2017; Shibia and Barako, 2017) found that business growth had a positive and significant effect on the empowerment of MSEs and the role of the government had a positive and significant influence on the empowerment of MSEs by Mezgebo *et al.* (2017). The research results of Yuliarmi *et al.* (2012) found that the role of government through related institutions has not been able to influence the empowerment of MSEs. Therefore, there is still a contradiction in the findings which is a gap to re-examine the government's role in business growth and the empowerment of MSEs.

This study also examines the role of business growth in mediating the influence of the government's role on business empowerment based on a contingency perspective. The contingency perspective (Thompson, 1967) explains that existing methods can be applied in all circumstances but there is no best way to design an organization, either universally or contingently. The position of MSEs is very important in the economy of society, growth and business empowerment is the reason for the need for research. Thus, the key questions in this research is does a role of government have effect on business growth and empowerment of MSEs either directly or mediated by business growth. The following research questions guided the study are:

- RQ1: does influence between role of government on business growth and empowerment of MSEs?
- RQ2: does business growth have influence on empowerment of MSEs?
- RQ3: whether business growth as mediating influence between role of government and empowerment of MSEs?

The objective of this research is to examine and explain the influence of government's role on improving business growth and empowerment of MSEs. It further examines and explains the role of business growth as a mediating influence between the role of government and empowerment of MSEs. The results of this study are expected to contribute theoretically to economic growth and business empowerment, deepening knowledge about the role of government, growth and empowerment of business. In addition, the expected practical contribution in the research can contribute ideas related to government policy towards business empowerment, especially, MSEs in Raha City. For MSEs participants are expected to become information and input related to the management and development of the business that is occupied.

Literature review: Empowerment is the process by which individuals, groups or communities seek to control their own lives and seek to shape the future according to their desires. Empowerment can be defined as an attempt to give or improve the ability of a person, group or community. In the economic context, empowerment can be seen from three sides (World Bank, 2016), namely: creating a business climate, strengthening the economic potential of the community in the form of improving education and health and access to economic progress such as: capital, technology, employment and market and empowerment through the development of the people's economy means preventing and protecting the people from economic disparities, creating togetherness and partnerships.

The role of government: The role of government in the growth of business and the empowerment of MSEs have been done, since, independence Indonesia, the government tried to print new entrepreneurs to break

down the colonial economic system and replaced with the populist economy. Rodriguez-Pose *et al.* (2001) states that, the process of economic restructuring, threats and opportunities offered and their impact on local revenue is a major force behind greater activity in local government. Stiglitz that the role of government as a coordinating body is essential for economic growth. Furthermore, Adiningsih in Indonesia to fix the handling of small business seriously in order to maximize its potential, one of the major improvements needed is from the aspect of the regulation.

Indonesian government policies related to economic transformation, social and institutional conditions have a positive impact on society as a whole (Todaro, 2000). Government Regulation No. 32 Year 1998 and Law No. 32 year 2004 there are four main factors that become the role of government in conducting development and development of MSEs are: development and development of business in the field of production and processing, guidance and business development in the field marketing, development and development in the field of human resources and development and development in the field of technology. Based on the theoretical study, the role of government, referred to in this research is the policy taken by the central government, provincial and local governments, to increase the growth and empowerment of MSEs such as: empowerment strategies, economic aspects and other supporting facilities.

Gomes and Gomes (2009) explain that local governments need to create mechanisms to engage stakeholders in the growth activities of micro and small enterprises. Kushnir *et al.* (2010), the role of government has a potential contribution to business growth in the private sector and job creation. Conducive investment climate can be realized through regulation institutional support and physical infrastructure (World Bank, 2016) plays an important role in investment and business growth (Beck and Demirguc-Kunt, 2006). Furthermore, MSEs play an important role in achieving sectoral economic development, sustaining business growth and creating jobs (Mwobobia, 2012).

The results of previous research have proven that the role of government can give positive and significant contribution to business growth (Mezgebo *et al.*, 2017; Zhang and Huang, 2017; Shibia and Barako, 2017; Li *et al.*, 2017). Furthermore, the role of government has a positive and significant influence on the empowerment of MSEs by Mezgebo *et al.* (2017). However, there are still contradictions of research findings by Wuryandani and Meilani (2013) find the role of government directly has not been able to contribute significantly to business growth. Further research results by Yuliarmi *et al.* (2012) finds the

role of government through related agencies has not been able to influence the empowerment of MSEs. Based on the contradictions of the findings it is a blemish to re-test, the first and second hypotheses proposed in this study are as follows:

- H_1: the higher role of government can make a significant contribution on business growth
- H_2: the higher role of government can make a significant contribution on empowerment of MSEs

Business growth and empowerment MSEs: The growth of MSEs is a process of changing the conditions of MSEs that are carried out continuously toward good conditions over the course of time. MSEs Growth can be interpreted as a process of increasing the production capacity of MSEs which is realized in the form of increased profits, revenue, sales assets or business performance. The objectives of MSEs Performance improvement are: survive, benefit and growth, this condition can be achieved if the MSEs have a good business performance. Ayyagari *et al.* (2014) business growth is measured through the performance of micro and small enterprises, through sales growth, profitability and asset growth.

Empowerment is the ability of individuals who synergize with other individuals in society to build community empowerment in question empowerment can be measured through two constructs, the psychological construct of empowerment focused on the level of individual psychological empowerment. Another construct is a work-oriented empowerment climate (Nauman *et al.*, 2010). Elmes *et al.* (2005) has conceptualized empowerment as a construct based on the spread of superiors-subordinate and modern constructs that satisfy individual desires for self-determination and ability. Referring to Law No. 20 year 2008, empowerment is an effort done by central government, regional government, business and society synergistically and integrated in the form of business climate and development of MSEs. World Bank (2016) business growth has contributed to the empowerment of MSEs. Conducive business climate stimulates the acceleration of efforts that can ultimately increase the empowerment of MSEs by Ayyagari *et al.* (2014). Previous research has proven that business growth has a positive and significant impact on empowerment of MSEs by Li *et al.* (2017) and Shibia and Barako (2017). Based on the theoretical studies and the results of previous research, the third hypothesis proposed in this study are:

- H_3: higher business growth can make a significant contribution on empowerment of MSEs
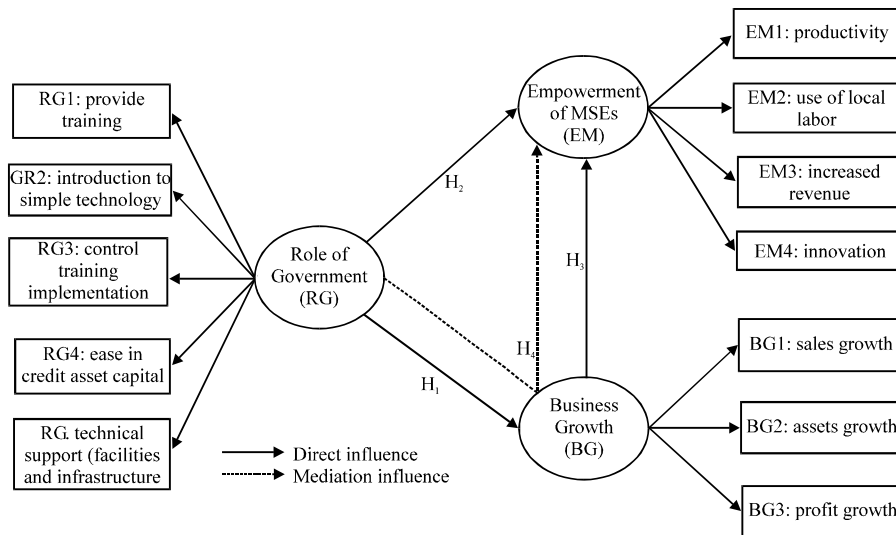
Fig. 1: Conceptual framework and hypothesis research

Finally, this study also examines the role of business growth in mediating the influence of government roles on the empowerment of MSEs based on contingency and Knowledge Based View (KBV) perspectives. According to Grant 1996 that if the organization wants to have high performance, it is important to master the management of knowledge, skills, business growth in which there is individual empowerment through the learning process. Furthermore, the perspective of contingency (Thompson, 1967) explains that existing methods can be applied in all conditions but there is no best way to design an organization can be done universally or contingency. This condition indicates the organization must match the structure and processes that occur in its environment in order to maximize performance. From the theoretical argument the fourth hypothesis proposed is:

- H_4: high business growth can serve as mediating influence between role of government and empowerment of MSEs

Based on the theoretical and empirical study the conceptual framework in this study was designed using three variables are: role of government, business growth and empowerment of MSEs presented in Fig. 1.

MATERIALS AND METHODS

The approach of this research is qualitative by using survey method. The survey method is a study that takes samples from the population and uses questionnaires as a means of data collection. In general, the survey research unit is individual (Cooper and Schindler, 2006). Furthermore, interviews are also conducted to complete the data/supporting information needed. Judging from the

time aspect of data collection, this research uses cross section design where data is only once collected, (Sekaran, 2006), i.e., research activities conducted at a certain time to explain the condition of respondents. Therefore, based on the purpose of research to test and explain the influence of the role of government on business growth and MSES empowerment either directly or indirectly (mediation) business growth, this research is explanatory research. Explanatory research is intended to provide an explanation of causal relationships between variables through hypothesis testing or aim to obtain the appropriate test in drawing conclusions that are causality between variables and then choose the alternative action (Cooper and Schindler, 2006).

Population and sample research: This research was conducted on MSEs Unit in Raha City, Southeast Sulawesi Province. Thus, the population of this study is business owners or MSEs in Raha City, amounting to 2,050 consisting of 1,121 units of micro business and 929 small businesses. The sample selection was done by using random sampling method by using Slovin formula (Sekaran, 2006). Based on the Slovin formula at the precision level of 10%, then the number of samples that can be determined in this study are:

$$n = \frac{N}{1+N(e)^2} = \frac{2.050}{1+2.050(0.01)^2} = 95.35 \text{ or people}$$

Where:
n = Sample size
N = Population size
e = Percentage of inaccuracy tolerance due to sampling error 10%

MSEs Criteria refers to the Law of the Republic of Indonesia No. 20 year 2008 on micro enterprises as follows:

Micro business criteria are as follows has a net worth of at most Rp. 50,000,000, excluding land and building of business premises or having annual sales of at most Rp. 300,000,000.

The criteria for small business are as follows: have net worth more than Rp. 50,000,000, up to Rp. 500,000,000, excluding land and building of business premises or having annual sales of more than Rp. 300,000,000, up to Rp. 2.500.000.000.

Bank Indonesia categorizes small businesses with fixed asset criteria by the amount differentiated between the manufacturing industry (Rp. 200 million-Rp. 5 billion) and non manufacturing (Rp. 200-60 million). Furthermore, the Central Bureau of Statistics (BPS) classified businesses based on the number of workers. A micro-enterprise is a business that has a worker of 1-5 people. A small business is a business that has 6-19 employees. Medium enterprises have 20-99 employees and large businesses have workers at least 100 people.

The data used in this study are primary data related to respondent's statement (owner and business actor) to the role of government, business growth and empowerment of MSEs. Furthermore, data collection is used survey method through instrument in the form of questionnaire. Spreading the questionnaire is done directly by the researchers by visiting the owners or principals of MSEs in Raha City. Questionnaire made is closed is a statement designed in such a way that the respondents are limited in giving answers to an alternative answer only. In addition, conducting interviews on some respondents who are considered to have good knowledge in providing explanations of this study.

Data collection methods in this study using the instrument in the form of a questionnaire, the seriousness or seriousness of respondents in answering statements is an important element in this study. Therefore, to test the questionnaire as a research instrument then used the test of validity and test of reliability (Cooper and Sehindler, 2006). Test of validity of instrument that is calculate correlation coefficient between item score and total score with significance level α = 0.05. Validity is done by using product moment correlation coefficient with criterion of test on instrument that is valid if value $r \geq 0.30$. The test of reliability is done to statement item which used with Cronbach's alpha method cut of point accepted ≥ 0.60 (Sekaran, 2006).

The result of validity test and instrument reliability, before the instrument (questionnaire) used in collecting data of this research, researcher use 30 people from practitioner and perpetrator of MSEs. Recapitulation test results of validity and reliability instrument can be seen in Table 1 shows all research variable that is role of

Table 1: Test results validity and reliability data

Latent variables/Reflective indicators	Items	Coefficient correlation (r)	Sig.	Results	Cronbach's aplha	Results
Role of Government (RG)						
RG 1: provide training	RG1.1	0.934*	0.000	Valid	0.946	Reliable
	RG1.2	0.932**	0.000	Valid		
RG 2: introduction to simple technology	RG2.1	0.910**	0.000	Valid		
	RG2.2	0.896**	0.000	Valid		
RG3: control training implementation	RG3.1	0.741**	0.000	Valid		
	RG3.2	0.709**	0.000	Valid		
RG 4: ease in credit/asset capital	RG4.1	0.884**	0.000	Valid		
	RG4.2	0.884**	0.000	Valid		
RG5: technical support	RG5.1	0.692**	0.000	Valid		
	RG5.2	0.617**	0.000	Valid		
Business Growth (BG)						
BG 1: sales growth	BG1	0.973**	0.000	Valid	0.931	Reliable
BG 2: assets growth	BG2	0.957**	0.000	Valid		
BG 3: profit growth	BG3	0.880**	0.000	Valid		
Business Empowerment (BE)						
BE1: productivity	BE1.1	0.749**	0.000	Valid	0.892	Reliable
	BE1.2	0.722**	0.000	Valid		
	BE1.3	0.754**	0.000	Valid		
	BE1.4	0.723**	0.000	Valid		
BE 2: Use of local labor	BE2.1	0.602**	0.000	Valid		
	BE2.2	0.661**	0.000	Valid		
	BE2.3	0.609**	0.000	Valid		
BE 3: increased revenue	BE3.1	0.711**	0.000	Valid		
	BE3.2	0.647**	0.000	Valid		
	BE3.3	0.609**	0.000	Valid		
BE 4: innovation	BE4.1	0.568**	0.001	Valid		
	BE4.2	0.691**	0.000	Valid		
	BE4.3	0.600**	0.000	Valid		

**Correlation is significance at the 0.01 level (2-tailed); *Correlation is significance at the 0.05 level (2-tailed)

government, business growth and empowerment of MSEs is valid and reliable proved correlation coefficient value (r) all item of this research statement ≥0.30 with value of equalization p<α = 0.05). Then the value of Cronbach's alpha all variables tested in this study ≥0.60. Thus, the instrument or questionnaire used can be said to be valid and trusted or have an acceptable level of reliability as an instrument for measuring each variable indicator and subsequent data analysis.

Data analysis method: Data analysis method used in this research is Partial Least Square (PLS). PLS is a variance based Structural Equation Modeling (SEM) method. PLS is a powerful analytical method because it can be applied to any data scale, does not require many assumptions and the sample size does not have to be large. Reasons for selection of PLS analysis model because: Model designed on conceptual framework of this research, seen there is a tiered causal relationship that is role of government influence business growth of further influence on empowerment MSEs; This study uses latent variables measured through reflexive indicators, PLS does not require certain distribution assumptions, does not require any index modification and goodness of fit can be seen in Q^2 predictive.

This empirical research model is based on PLS variance with SmartPLS Software. Goodness of fit test is done both at the measurement stage of the variable (outer model) by looking at the estimated value of loading because this study all latent variables measured with reflective indicators, then evaluation of the measurement model can be done through convergent validity, if the estimated value of loading ≥0.70 and the critical ratio value is significant at $\alpha = 0.05$. Discriminate validity by looking at AVE (Average Variance Extracted) value, recommended AVE value >0.50 and composite reliability value ≥0.70 (Solimun, 2010).

Goodness of fit for inner model is evaluated by looking at the percentage of variance described by looking at R^2 (R-square exogenous variable) for the latent construct, measuring how the observation value is generated by the model and also its parameter estimation. The Q^2 value >0 shows the model having predictive relevance, the calculation of Q^2 is done by the equation:

$$Q^2 = 1-(1-R_1^2)(1-R_2^2), ..., (1-R_p^2)$$

where, $1-R_1^2, 1-R_2^2, ..., 1-R_p^2$ is R^2 exogenous variables in the equation model. Q^2 is equivalent to the total determinant coefficient of R^2_m in the path analysis. The assumption of distribution free data, the structural model of the PLS predictive approach is evaluated by R^2 for the dependent construct, Q^2 test for the predictive relevance, t-statistic with the significance level of each path coefficient. Further testing of the hypothesis is done with the value of the critical ratio, p≤α = 0.05. Test results on the inner model is significant can be interpreted that there is significant influence between latent variables to other latent variables.

Operational variables and measurements: The role of government, is the policy adopted by central government, provincial and governments of Muna Regency, to enhance the growth and empowerment of MSEs such as: empowerment strategies, economic aspects and other supporting facilities that can be achieved through indicators: RG1: provide training, RG2, introduction to simple technology, RG3, control training implementation, RG4, ease in credit/asset capital, RG5, technical support (facilities and infrastructure) provided by the government adopted from Harman Sentot, Kabir and Xuexi Huo as well as previous research results of Yuliarni *et al.* (2012). Furthermore indicators of government role variables are measured using the Likert scale. Using a 5-point Likert scale with "1" indicating "strongly disagree" and "5" indicating "strongly agree" adopted by Cooper and Sehindler (2006).

Growth of business in this study can be reflected through the achievement of business performance. Thus, business growth is the level of achievement of MSEs in the last 3 years. Measures of business growth using business performance indicators from Suci (2009), Ayyagari *et al.* (2014) and World Bank (2016) which describes the size of business growth reflected through the performance of MSEs are: BG1: sales growth, BG2, asset growth and BG3, profitability. The indicators for each variable business growth, using a 5-point Likert scale with "1" indicating "strongly disagree" and "5" indicating "strongly agree" adopted by Malhotra (2010).

Empowerment of MSEs is the efforts being made to improve the ability of individual actors was fused MSEs in the community to build economic capacity and resilience. Therefore, the measurement of empowerment of MSEs includes: EM1: productivity improvement, EM2, the use of local labor, EM3, income generation and EM4. business innovation adopted (Nielsen and Pedersen, 2003; Elmes *et al.*, 2005; Yuliarni *et al.*, 2012; Teka, 2014). As such in this study empowerment of MSEs measure includes 4 indicators and 13 items has a 5-point scale Likert. The owners (respondents) provided their perceived rating of various empowerments of MSEs Measures where "1" indicates "strongly disagree" and "5" indicates "strongly agree".

RESULTS AND DISCUSSION

Respondents in this study are owners or leaders in MSEs in Raha City as many as 95 people. Description of the respondent's characteristics aims to explain the characteristics of the owners and perpetrators of MSEs who were sampled according are: gender, age, education, business experience, number of dependents and marital status. Further business profile to explain the type of business, number of employees, business place status, role of government and ingredients source.

Table 2 summarizes the demographic information of the population and business profile in this study. A characteristic of respondents seen from sex is dominated by men (65.26%). Furthermore, the age of respondents is mostly in the productive age between 23-48 years (72.63%). The education level of respondents is mostly high school graduates/equal (56.84%) and bachelor (31.58%). Business experience is mostly between 1-10 years (80%) and 21-20 years (15.79%). Based on the number of family dependent majority respondents between 1-2 people or 68.42%. Finally, the characteristics of respondents based on marriage status are mostly married (88.42%). Table 2 shows the respondent's business profile of most of their business types are furniture and gambols (23.16%), majority of employees 1-5 (57.89%), place of business mostly own property (65.26%), government role as much as venture capital 48.42% and business development 42,11% and source of raw material majority come from local equal to 55,79%.

Results of PLS analysis: Data analysis method in this research use analysis technique PLS with SmartPLS program. In this study, there are two basic evaluations on PLS analysis: First, outer model evaluation to know the validity and reliability of indicators that measure latent variables are: discriminant validity, convergent validity and composite reliability. Second, evaluation of inner model/structural model to see the relationship between constructs in the model.

Evaluation of outer model: The measurement model test in this research aims to assess the observed variables that reflect constructs or latent variables that cannot be measured directly. This study uses three latent variables of government role, business growth and MSEs empowerment with reflective indicators. Evaluation of measurement model of latent variable with reflective indicator was analyzed by looking at the convergent validity of each indicator. Convergent validity test on PLS can be seen from the amount of outer loading of each indicator to the latent variable. Outer loading = 0.70 is

Table 2: Summary demographic statistics and business profile

Demographic characteristics	Frequencies	Percentage
Gender		
Male	62	65.26
Female	33	34.74
Age (years)		
23-35	24	25.26
36-48	45	47.37
49-60	20	21.05
61-72	6	6.32
Education level		
Junior high school	8	8.42
High school	54	56.84
Diploma	3	3.16
Bachelor	30	31.58
Business experience (years)		
1-10	76	80.00
11-20	15	15.79
21-32	4	4.21
Marital status		
Married	84	88.42
Single	11	11.58
No. of dependents (peoples)		
1-2	65	68.42
2-4	27	28.42
5-6	3	3.16
Business profile		
Type of business:		
Food and beverage	16	16.84
Textile and custom woven fabrics	12	12.63
Business printing	10	10.53
Wood, woven bamboo and rattan	14	14.74
Metal base and non-metal quarry	9	9.47
Furniture and Gambols Enterprises	22	23.16
Repair and assembly of machinery	10	10.53
Other processing	2	2.11
No. of employees (peoples)		
1-5	55	57.89
6-10	28	29.47
11-15	4	4.21
16-30	8	8.42
Business place status		
Owners	62	65.26
Lease	33	34.74
Role of government		
Venture capital	46	48.42
Coaching	40	42.11
Not available	9	9.47
Ingredients source		
Local	53	55.79
Inter-island	42	44.21

n = 95

recommended but the loading factor value 0.50-0.60 is still tolerable (Solimun, 2010). There are three criteria to assess the outer model of discriminant validity, composite and convergent validity which can be explained as follows:

Discriminant validity: The discriminant validity test in this research uses cross load and square root of Average (AVE) values with the aim of testing whether the research instrument is valid in explaining or reflecting latent variables. First, discriminant validity testing using square root of average variance extracted $(\sqrt{AVE})$. If the value of $\sqrt{AVE}$ of each variable is greater than the AVE value and

Table 3: Mean, Discriminant validity and correlations of the latent variables

Latent variable	Mean	AVE	√AVE	RG	BG	EM
RG	3.68	0.698	0.835	1		
BG	4.34	0.810	0.900	0.405	1	
EM	4.16	0.647	0.804	0.717	0.508	1

RG = Role of Government, BG = Business Growth and BE = Empowerment of MSEs

Table 4: Outer loadings and cross loadings

	Latent variable		
Reflective indicators	Role of government	Business growth	Empowerment of MSEs
RG 1: provide training	0.824	0.176	0.582
RG 2: introduction to simple technology	0.884	0.252	0.663
RG3: control training implementation	0.875	0.304	0.549
RG 4: ease in credit/asset capital	0.693	0.426	0.604
RG5: technical support (facilities and infrastructure)	0.884	0.367	0.734
BG 1: sales growth	0.269	0.929	0.372
BG 2: assets growth	0.204	0.908	0.364
BG 3: profit growth	0.203	0.863	0.257
EM 1: productivity	0.415	0.290	0.912
EM 2: use of local labor	0.227	0.201	0.746
EM 3: increased revenue	0.280	0.161	0.818
EM 4: innovation	0.217	0.179	0.728

the correlation between latent variables and other latent variables, then the variable instrument is said to be valid discriminant. Table 3 shows that the instruments used in the measurement of research variables are said to be valid discriminant because the value of each variable √AVE is greater than the AVE value and the correlation between latent variables with other latent variables. Second, testing discriminant validity by using crossload value.

The computational results in Table 4 shows that overall cross-loading values of indicators of government role variables, business growth and empowerment of MSEs are above the cross-loading value of other latent variables and are within the tolerance threshold of >0.50, so that, the research instrument is said to be discriminant valid.

Convergent validity: Convergent validity measures the validity of the indicator as a construct gauge which can be seen from the outer loading. The indicator is considered valid if it has an outer loading value above 0.70 is highly recommended, however, the loading factor of 0.50-0.60 can still be tolerated with p<0.05 (Hair *et al.*, 2010). Table 5 presents the results of the test and evaluation of the latent variable measurement model of this study. The results of this study show that the 5 indicators of government role variables, three indicators of business growth measurement and four indicators of overall MSES empowerment measures are valid.

Table 5: Mean indicators and outer loadings

Latent variables/ Reflective indicators	Mean	Outer loading	SD	t-statistic	p-values/ Sig. t
Role of Government (RG)					
RG 1: provide training	3.68	0.824	0.048	17.276	0.000
RG 2: introduction to simple technology	3.39	0.884	0.039	22.823	0.000
RG3: control training implementation	3.45	0.875	0.034	25.401	0.000
RG 4: ease in credit/asset capital	4.17	0.693	0.065	10.730	0.000
RG5: technical support	3.69	0.884	0.021	42.318	0.000
Business Growth (BG)					
BG 1: sales growth	4.33	0.929	0.018	52.663	0.000
BG 2: assets growth	4.32	0.908	0.032	28.036	0.000
BG 3: profit growth	4.37	0.863	0.032	26.706	0.000
Empowerment of MSEs (EM)					
EM 1: productivity	4.28	0.912	0.016	56.499	0.000
EM 2: Use of local labor	3.98	0.746	0.051	14.726	0.000
EM 3: increased revenue	4.13	0.818	0.046	17.882	0.000
EM 4: innovation	4.23	0.728	0.057	12.660	0.000

p-value significant at 0.001 levels

It is proved by the estimated outer loading values of the three variables as a whole having a value of ≥0.60 and a significant p-value value at $\alpha = 0.05$. Therefore, the test results reflect the correlation between all positive and significant measurement indicators in reflecting the government's role variables, business growth and Empowerment of MSEs. The result of data analysis in Table 5 shows that the value of outer loading indicator of simple technology introduction is the most dominant in reflecting the role of government variable. These results confirm that the role of the government in providing training on mastery of simple technology and providing training in administrative mastery (how to create tables of income/expenditure, business capital management and profits). Furthermore, the value of outer loading indicator of sales growth is the most dominant in reflecting the growth of business. The results of this study confirm that the increase in sales volume of MSEs in Raha City within the last 3 years continued to increase, so, it is the most important indicator or dominant in reflecting the variable growth of the business.

Finally, the outer loading value of the productivity indicator is the most dominant in reflecting the empowerment of MSEs variables. These results confirm that the productivity of MSEs that have been implemented has increased, the value of production has been greater, products of MSEs are increasingly varied due to the increasing quality of labor, MSEs can produce goods in accordance with the target in a relatively shorter time increasing the ability to produce production and technology in production process, so that, production productivity is increasing.

Composite validity: Composite reliability tests the reliability value between indicators of the construct. The

Table 6: Composite reliability

Latent variables	Construct reliability	Results
Role of government	0.920	Reliable
Business growth	0.928	Reliable
Empowerment of MSEs	0.879	Reliable

result of composite reliability is said to be good, if its value is above 0.70 (Hair *et al.*, 2010). The test results in Table 6 show the composite reliability value of the government's role variables, business growth and empowerment MSEs have good composite reliability because the value is >0.70. It can be concluded that all the instruments used in this study have met the criteria or deserve to be used in the measurement of the overall latent variable because it has a high suitability and reliability.

Evaluation of the goodness of fit model: The structural model is evaluated by taking into account the predictive relevance (Q^2) model that measures how well the observed values are generated by the model. Hair *et al.* (2010) suggest that in addition to describing the significance of the relationships, the researchers should also report the coefficient of determination (R^2), the effect size (f^2) and predictive relevance (Q^2). Q^2 is based on the coefficient of determination of all endogenous variables. Quantity Q^2 with range $0<Q^2<1$, the closer to value 1 means the model is getting better. Structural Model: the (R^2) values for business growth = 0.164 and business empowerment = 0.571. Based on the coefficient of determination (R^2) can be known Q^2 with the following calculation:

$$Q^2 = 1-\left(1-R_1^2\right)\left(1-R_2^2\right)$$
$$= 1-\left\{\left(1-0.164\right)\left(1-0.571\right)\right\}$$
$$= 1-0.359$$
$$= 0.641$$

Based on the calculation of predictive-relevance (Q^2) = 0.641 or 64.10%. This means that the accuracy or accuracy of this research model can explain the diversity of government role variables on business growth and empowerment of MSEs of 64.10%. The remaining 35.90% is explained by other variables not found in this research model.

Test results of structural model and hypotheses research: The structural model (inner model) is evaluated by looking at the coefficient value of the path lane parameter between the latent variables. The purpose of testing on the structural relationship model to determine the relationship between latent variables designed in this study. Figure 1 shows the results of structural model

testing and hypothesis performed by looking at the estimated path coefficient and significant t-statistics at $\alpha = 0.05$.

The test results in Fig. 2 shows that all hypotheses proposed in this study are accepted. The test results influence the role of government have a positive and significant impact on business growth, evidenced by the value of estimate path coefficient of 0.405 and value $p = 0.000<\alpha = 0.05$ means H_1 accepted. The role of the government has a positive and significant effect on the empowerment of MSEs, evidenced by the value of estimate coefficient of 0.611 and the value of $p = 0.000 <\alpha = 0.05$ means the second hypothesis (H_2, accepted). Furthermore, business growth also positively and positively influence to empowerment of MSEs, with estimate value of path coefficient of 0.260 and value $p = 0.002<\alpha = 0.05$ means the third hypothesis (H_3, accepted).

Finally, the results of the evaluation of the influence of government variables on business empowerment in the initial model involving the mediation variables show the role of government directly affect the growth of the business and the empowerment of MSEs. The direct path coefficient estimation value is 0.105 multiplication coefficient path ($0.405\times0.260 = 0.105$). Then the variable of business growth also has a significant effect on the empowerment of MSEs. Thus the mediating nature of the influence of the government's role on the empowerment of MSEs through business growth is partial mediation. Thus there is enough empirical evidence to accept the fourth hypothesis (H_4, accepted). This result means that the relationship between the roles of the government can directly affect the empowerment of MSEs but also through business growth. The results of testing the influence of mediation can also be proved by the equation Sobel (Solimun, 2010) as follows:

$$z\text{-value} = \frac{0.405\times0.260}{\sqrt{0.260^2\times0.078^2+0.405^2\times0.077^2}} = \frac{0.105}{0.0014} = 2.822$$

Sobel calculation results obtained if the z-value of 2.822 compared with the absolute price = 1.96 or the level of statistical significance z (p-value) $<\alpha = 0.05$, means indirect effect/influence of mediation role of government to the empowerment of MSEs through mediation variable business growth. It can be concluded that the approach of mediation testing with Sobel formula is similar to the result of coefficient examination that the role of government has a significant effect directly on the empowerment of MSEs, also through the role of business growth mediation.
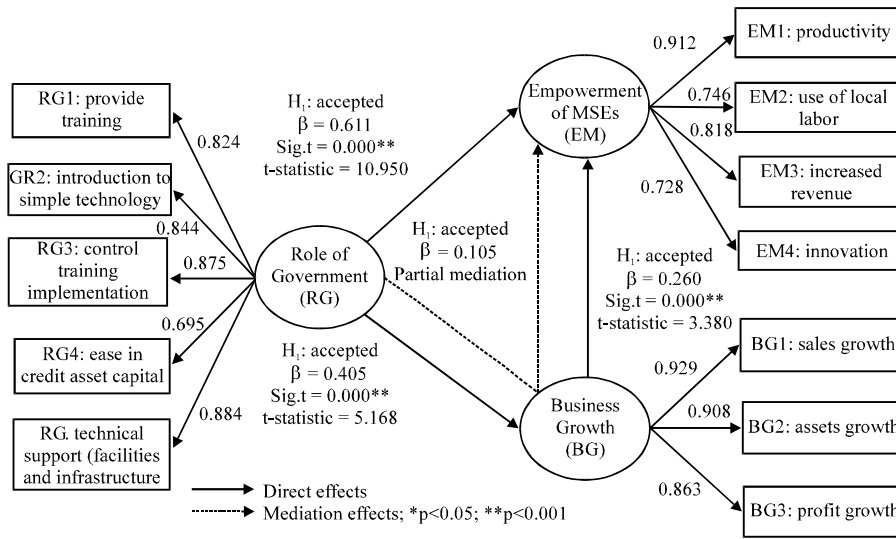
Fig. 2: Test results of path and hypothesis coefficients

The results of this study show the role of government have a positive and significant impact on business growth. This means that increasing the role of government significantly influence the growth of business. Changes in government role enhancement reflected through the provision of training, the introduction of simple technology, the control of training implementation, the ease of credit/access to capital, technical support have a positive and significant contribution to the growth of business which is reflected through growth asset growth and profit growth indicators. The results of this study can prove the theory put forward by Gomes and Gomes (2009) explaining that local governments need to create mechanisms to involve stakeholders in the growth activities of MSEs. The results of this study are consistent with the opinions of Kushnir *et al.* (2010) that the role of government has a potential contribution to business growth in the private sector and employment creation. Conducive investment climate can be realized through regulation institutional support and srealization of physical infrastructure improvement plays an important role in investment and growth efforts of World Bank (2016). Furthermore, the results of this study can prove that the role of government has a positive and significant impact on business growth. Therefore, the findings of this study are consistent and can reinforce research findings by Mezgebo *et al.* (2017), Zhang and Huang (2017), Shibia and Barako (2017) and Li *et al.* (2017) found that the role of government has a insignificant effect on business growth.

The results of data analysis show that the role of government has a positive and significant impact on the empowerment of MSEs. These results indicate that the higher the role of government the higher the empowerment of MSEs. The role of government is a positive attitude of the government towards MSEs owners or actors have a positive and significant contribution to the empowerment of MSEs which is understood through increased productivity, local employment use income generation and business innovation. The results of this research are supported by Mwobobia (2012) opinion that important key to empower micro and small enterprises that play an important role in achieving sectoral economic development and play an important role in maintaining business growth and create employment. Further research results are supported and consistent with research conducted by Mezgebo *et al.* (2017) found that high government roles can enhance MSEs empowerment.

The results of this study also supported by Agustinus, Rizkiawan and Eddy found the role of government have a positive and significant influence on the empowerment of MSEs. However, there are differences in research results by Yuliarmi *et al.* (2012) finds the role of government through relevant agencies has not been able to directly influence the empowerment of MSEs. Thus, there is still a contradiction of the findings of this research with previous research because the characteristics of the object studied by previous researchers in large companies in large and medium while the research on the sector of MSEs that the level of independency in running a business is still small, the characteristics of different samples, analytical methods used.

Test results found that business growth has a positive and significant impact on empowerment of MSEs. The results of this study can prove that the better the growth of business, the empowerment of MSEs is increasing. Growth of good business growth is reflected through the sales growth assets growth and profitability growth has a positive and significant contribution on the improvement empowerment of MSEs reflected through productivity, use of local labor income generation and business innovation. The results of this study can prove the theory of business growth proposed by Ayyagari *et al.* (2014) that business growth is measured through the performance of MSEs, i.e., the level of sales growth, profitability and asset growth. Conducive business climate spur the acceleration of effort that can ultimately increase the empowerment of MSEs. The results of this study are also consistent with World Bank (2016) that business growth has contributed on the empowerment of MSEs. Further research results are supported by Li *et al.* (2017), Shibia and Barako (2017) found that business growth has a significant impact on empowerment of MSEs.

Finally, the results of mediation testing using the Sobel and examination formulas are the same that business growth can serve as a mediating influence between the role of government and the empowerment of MSEs. These results indicate the role of government significant effect on business growth and on the empowerment of MSEs. Then business growth also has a significant effect on the empowerment of MSEs, so, the nature of business growth mediation is partial mediation. This means that business growth is significantly influenced by the role of government and business growth significantly affecting the empowerment of MSEs, then the role of government significantly influence the empowerment of MSEs. The results of this research test can confirm the view from the perspective of contingency namely the role of business growth mediation in influencing the role of government towards the empowerment of MSEs (Thompson, 1967). Furthermore, the approach in testing the mediation of constituent business growth and can prove the approach of Knowledge Based View (KBV) by Grant (1996) which states that if the organization wants to have high performance, it is important to master the management of knowledge in which there is empowerment of MSEs.

CONCLUSION

The role of government has positive and significant contribution on increased business growth

and empowerment of MSEs. This result showed that the higher role of government, then significantly business growth and empowerment of MSEs increased. Changes to the role of the government is reflected through the gift of training, the introduction of simple technology, control of execution of training, ease in mortgage/capital access, technical support (means and infrastructure) has positive and significant contribution to the increased sales growth, assets growth and profit growth. Further improvement of the role of the government has a positive and significant contribution to the level of productivity, the use of local labor increase revenues and innovation is a reflection the empowerment of MSEs.

Business growth has a positive and significant contribution on the improvement empowerment of MSEs. This means that the increase in business growth reflected through indicators of sales growth asset growth and profit growth have a positive and significant contribution to the increase in productivity which is a reflection the empowerment of MSEs. Finally, the role of proven business growth mediation can mediate the influence roles of government and empowerment of MSEs. These results can be proved that the role of government has a significant effect on business growth and empowerment of MSEs. Then, business growth also has a significant effect on empowerment of MSEs, so, the nature of business growth mediation is partial mediation. This means that role of government have significant effect on business growth and business growth significantly affecting the empowerment of MSEs, next the role of government has a significant influence on empowerment of MSEs.

LIMITATIONS

The results of this study have given a number of findings but there are still some factors that need to be studied further is a limitation of this study. Respondents of research based on the characteristics of business experience is largely not too long, therefore, the measurement of research variables is done based on the perception that is determined by the respondent's memory and assessment of himself. In addition because of the business of respondents in this study, the researchers are very limited to explore information related to the study of this study. Furthermore, the limitations of this study cannot be generalized in other cases, i.e. in MSEs in other areas. In addition, this study uses self-employee perceptions through self-assessment or self appraisal.

RECOMMENDATIONS

Based on the results and conclusions of this research, it can be suggested that recommendations of this research, especially, to the decision maker or government to improve the technological capabilities of the actors or business owners through the training of simple technological mastery and provide training in the mastery of simple administration (how to create tables of income/expenditure, business capital management and profits). Owners of MSEs and actors need to focus attention on improving asset growth because based on facts in the field growth in the last three years is still low. Furthermore, to improve empowerment MSEs based on perceptions of owners and principals of MSEs is an indicator of the use of local labor. This means that local workers still need to be trained and trained to improve their ability in developing MSEs.

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