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**THE ACT NO. 9 OF 1995 ABOUT SMALL SCALE ENTERPRISE: IMPLICATION TOWARDS SMALL SCALE  
BUSINESS SELF RELIANCE IN STRENGTHEN NATIONAL ECONOMY STRUCTURE  
(EMPIRICAL STUDY TO SMALL SCALE AGRIBUSINESS INDUSTRY IN SOUTH SUMATERA-INDONESIA)**

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**ABSTRACT**

*Small-scale businesses had an important role in employment absorption, economic services, income generation, economic growth, and national stability. Although in practice the development effort had been made, but in reality small businesses were not entirely detached from the problems encountered, both internal and external. With serious attention from the government and its related agencies, the existence of small businesses would be developed as the basis for national economic growth. The purpose of this study was to look at the implications of empowerment as stipulated in The Act No. 9 of 1995 about small business that had been made towards agribusiness small business self reliance in South Sumatera. Primary data were collected through questionnaire from 300 respondents who were randomly assigned and treated through the analysis of Structural Equation Modeling (SEM). The conclusions of the empowerment were composed of the business climate strategy; establishment and development, funding and guaranting, as well as partnerships provide positive implications toward the internal resources and competitive advantage. Furthermore, the internal resources and competitive advantage also gave positive implications toward the business self reliance. The results of the above analysis give an explanation that all the proposed research hypotheses were accepted.*

**KEYWORDS**

The Act No. 9 of 1995, small-scale business, empowerment, internal resources, business self reliance.

**INTRODUCTION**

 One effort to improve people's welfare, employment, income distribution, as well as strategic role in the growth of the national economy; people's economic independence are matters of urgency. The role of the people's economy in the national economy is increasingly important, both in increasing the family income, employment and global trade. However, the economic activity of the people who dominate economic activity is sometimes not reasonable attention in economic development policy map. Even a serious concern for the people of this new economic development activity began in 6<sup>th</sup> Repelita.

Economic folk or people's economy is related to the economic actors. People's economy is essentially the equivalent of a popular economic term that means the economy held by the people. Economy held by the people is the source of economic enterprises or the family income per person. Economy held by the people means that the national economy is rooted in the potential and power of the wider community in the running of their own economy. The term "people" connote "process", which means that all citizens (people) play a role in building the opportunity, and equal opportunities.

Thus the people's economy (economy of the people) are the indigenous economy (people's economy is indigenous economy), not the economic activity that comes from outside the community (external economy). This understanding should be understood that the concept of the people's economy is not experiencing bias. People's economy is a slow-growing economy groups with various problems encountered.

People's economy terms actually defined that small business economic as a siding effort (Mubyarto, 1997). National development challenges today is the "turn on" the small business economy as the economy of the people. A process can be called development when the onshore process embodies a fair and equitable prosperity. Every citizen as economic actors should participate in the development process, have the same capabilities, and act rationally. That is, the production must come to enjoy the income and expenses in accordance to the sacrifice; there is no exclusion (marginalization), moreover the removal.

Small agribusiness businesses as a research topic in South Sumatera have pursued its development, though in fact, has not completely detached from the problems or obstacles encountered. With limited capital, both working capital and investment for business development remains an obstacle (Yusi, 2012). Capital shortage, mainly due to their lack of direct access to financial services and facilities provided by the formal financial institutions (banks) and nonbank. This means that most or all of the funds required for investment (expansion or increase the volume of production) and working capital comes from informal sources. These resources are very variable, from the owner's personal savings, loans or financial assistance from family or acquaintances, borrowing from suppliers of raw materials in the form of consignment, the money in the form of advance payment (partial or total) of the purchaser, up to the invested profits (Yusi, 2014).

With limited owned capital every effort to improve both quality and productivity is going to be blocked. Minimum viable products quality with a limited number of goods produced lead to miss market opportunities. Capital support can provide wider opportunities for entrepreneurs to develop their business. Sufficient working capital plays a dominant role in the development of business (Kotler, 2005).

Business facility problems can be said is less supportive. Yusi and Zahri (2006) research results on small businesses in Palembang city shows that most small businesses occupy a less favorable business location, because it was less strategic, in fact many of them have difficulty in transportation and communication. In addition, production equipment used for daily activities is still traditional and simple thus the resulting output is not standardized.

In term mindset and paradigm, agribusinesses entrepreneurs in the area study are generally have a traditional mindset and tend to close themselves to change and innovation. They were fanatical about the products and easily satisfied and less anticipated to every technology update around them. The growing market demand does not stimulate employers to modify their products, because according to them is not necessarily profit on the goods produced. With the mindset, their production tends to be static in shape, look and benefits obtained. In addition, the limitations of the entrepreneurial spirit, such as seeing market opportunity, the courage to bear the risk, lack of motivation, and work ethic remains a dilemma.

Another empirical reality shows that, most entrepreneurs still have low level of formal education. This condition leads to low capacity and quality of entrepreneurs. The result is that employers are less able to manage their finances well; they generally can not distinguish between funding for business and funds for personal use, so that their business can not run smoothly. Many of the hard-earned credits they earn channeled into consumptive expenditure, resulting in small businesses doers are sometimes not able to repay their debts on time. More over such low quality also lead to lack of knowledge to improve the quality of production, production, labor productivity, and marketing techniques.

Education is an important factor to change the economic backwardness and raise the ability and motivation to move forward, it is essential to improve the knowledge and skills of small entrepreneurs. In fact, without improvement in the quality of human factor there will be no progress, in connection with the education to be something that needs to be (Jhingan, 2004).

Mentioned problems can be concluded that, the fundamental problems that exist in small agribusiness in the area of research is the lack of management skills and professionalism as well as limited access to capital, technology, especially marketing network. This factor is sometimes a barrier to self and reliance of small businesses, such as increasing sales turnover, increase business assets, and the assurance of sustainable markets (Industry and Trade Official, 2012), and be a logical reason for the big enterprises not to do partnerships with small businesses.



In globalization era which is characterized by tighter competition, resource-based theory which emphasizes the strengthening of the internal resources is very relevant to small business empowerment. The main attention should be focused on the creation of added value to achieve competitive advantage in the form of cost advantage, differentiation strategy and focus strategy (Porter, 2001) through the development of specific capabilities (entrepreneurship), so that small businesses no longer rely on a strategy of market power through monopoly and government facilities. In this strategy, small businesses should be directed to the special expertise internally that could create a superior core product to enlarge the share of production. Such strategy is cheaper and more effective in developing small businesses, because small businesses can use and take advantage of local resources availability.

The Act No. 9 of 1995 about small business legalized in the form of business climate, establishment and development of a government effort to enable the strengthening of the internal resources that can support the creation of competitive advantage to small businesses self reliance and strong. With the small businesses self reliance is expected to: 1) increase the ability of small businesses so that they can develop into medium-sized enterprises; 2) increase the role of small business in the formation of the national product, the expansion of employment and business opportunities, increase in exports, as well as increased and equitable distribution of income to manifest itself as the backbone as well as strengthen the structure of the national economy.

## REVIEW OF LITERATURE

### THE ACT OF SMALL BUSINESS

The Act No. 9 of 1995 about small business is approved by government to empower small businesses further that are empirically recognized as having an important role in strengthening the resilience of the national economy. Small business empowerment strategies in such act are growing a conducive business climate, establishment and development, funding and guaranting, as well as partnerships.

Business climate strategy is the condition that the government pursued by establishing laws and policies on various aspects of economic life to guarantee small businesses get certainty, equal opportunities, and support the broadest strive to develop into a strong and independent businesses. Legislation and policies for the business climate conducive to the development of small businesses include: financial aspect, competition aspect, business infrastructure aspects, business information aspects, business partnership aspects, and business licensing and protection aspects.

Establishment and development strategy is a community, businesses, and government efforts to conduct training and small business development include: aspects of production, aspects of marketing, aspects of human resources, and aspect of technology. In coaching and development strategy concerns the procedures, weight, intensity, priority, and time period, carried out with due regard to the classification and level of development of small businesses based on assets and an annual net turnover. Small businesses that have been built into medium-sized businesses can still be located in the business and carry out business activities that are reserved, and can still be given coaching and development within a maximum period of three years as a stabilization process.

Funding and guaranting strategy is an effort to governments, businesses, and communities to provide financing to small businesses include bank loans, loans of non-bank financial institutions, venture capital, loans from the fund allowance portion (1-5%) from state-owned operating income, grants and other financing such as donations from the community, including from the big private business. To improve small business access to financing sources, needs to be done by: a) improve the ability of owned capital accumulation, prepare feasibility studies, and financial management; and b) grow and develop underwriting institution established by the legislation in force, ensure the financing of small businesses in the form of bank credit guarantee financing, financing on the results, and others who sought financing with a simple and easy requirement.

Partnerships strategy is medium and large enterprises that implement partnerships with small businesses that have the ability but do not have a business relationship. Partnership implemented with coaching and development in one or more in the field of production, capital, human resources, and technology.

### SMALL BUSINESS AND PROBLEM

In general, the problems faced by small businesses include (Hafsah, 2004):

#### A. INTERNAL FACTORS

##### 1. CAPITAL SHORTAGE

Capital is a key factor needed to develop a business unit. Capital shortage is therefore generally small businesses an individual businesses or companies that are covered that rely on limited owner's capital, while capital loans from banks or other financial institutions are difficult to obtain, since the administrative and technical requirements requested by banks can not be fulfilled.

##### 2. LIMITATIONS OF HUMAN RESOURCES

Most small businesses grow traditionally and are a hereditary family business. Limited human resources of small businesses both in terms of formal education as well as knowledge and skills greatly affect the management of the business, so the business is difficult to develop optimally. In addition to the limited human resources, such business units are difficult to transform and adopt new technology to enhance the competitiveness of the products.

##### 3. WEAK BUSINESS NETWORK AND MARKET PENETRATION CAPABILITIES

Weak business networks and the ability of the small business market penetration due to the limited resulting product and less competitive quality. In contrast to large businesses that already have a solid network and supported by technology to reach the international market and good promotion.

##### 4. LIMITED INFRASTRUCTURES

The lack of information relating to the progress of science and technology, leading facilities and infrastructure that they own to develop less quickly and do not support business progress as expected.

#### B. EXTERNAL FACTORS

##### 1. UNFINISHED CONDUCTIVE BUSINESS CLIMATE

Government policies to foster small businesses from year to year continue to be refined, but it is felt not to be conducive yet. It is clearly shown that unhealthy competition between small businesses and large enterprises is still occurred.

##### 2. IMPLICATIONS OF REGIONAL AUTONOMY

The Act No. 22 of 1999 about regional autonomy implications for small businesses

in the form of new levies imposed. If this condition is not addressed it will reduce the competitiveness of small businesses. In addition, excessive spirit of regionalism, sometimes creating conditions are less attractive to outside businesses to expand its business in the area.

##### 3. IMPLICATIONS OF FREE TRADE

With the enactment of AFTA started in 2003 and the APEC began in 2020 has important implications for small businesses to compete in the free trade. In this case inevitably small businesses are required to improve the production process to be more productive and efficient, as well as can produce the products according to the demands of the global market and guaranteed quality standards.

#### RESOURCE-BASED THEORY

To be able to grow and develop a sustainable basis, companies should try to nurture capability of all resources in corporate optimally and it can be changed into a unique opportunity for productive. One of the important element in efforts to develop business is strengthening internal resources company. Internal resources are factors or general conditions that are within an organization, that affect the management of the organization in achieving the objectives (Yusi, 2015). According to Grant (in Suryana, 2001) there were at least five factors that affect internal resources could influence the competitive advantage of the organization, in the form of: low cost, differentiation, and focus (Porter, 2001) namely: financial resources, human resources, technological resources, physical resources, and reputation organizational resources.

In the context of global competition as now, small business must shift strategy on the use internal resources. Enterprise development strategy should lead to a specific skill internally that can create superior products to enlarge its share of the production. The share of production, i.e. the company that appears on a wide range of products with various components of the same importance and no longer seeking market share at end-consumer products such as the past. With the resource-based theory, it can be concluded that in the context of free competition as now, employers are required to use its business management strategies.

Development strategies of companies both new and old should lead to the use of internal resources. With these strategies, entrepreneur can better flourish either in local competition, national, and international level (Suryana, 2001).

**STATEMENT OF THE PROBLEM**

In reality small businesses were not entirely detached from the problems encountered, both internal and external. With serious attention from the government and its related agencies, the existence of small businesses would be developed as the basis for national economic growth. From the mentioned issues, it will be relevant to have a study on the implications of the small business regulations as an effort to empower internal resources and self-reliance of small businesses agribusiness in South Sumatera.

**OBJECTIVES**

Research on the applicabe economy of the people is expected to provide information that is useful for the creation of business synergies that are interrelated in order to develop the business into a better direction. The development of small businesses in rural areas and suburbs at least will have an impact on population spreading more evenly. In developed countries, many small businesses have important role as a driving force of economic growth, national stability, employment absorption, the source of creation, and innovation in productive business activities (Handayani, et.al., 2010).

**RESEARCH METHODOLOGY**

**RESEARCH DESIGN**

The method used is explanatory survey with a view to analyze the relations of research variables and test the hypothesis. This research method is expected to find theory which is developed through testing (verification) factual propositions. These propositions are deduction propositions (hypothesis) to be tested empirically. Thus, the appropriate research method is to combine qualitative and quantitative approaches. Glaser and Strauss (Moleong, 2004), state that both form, qualitative and quantitative, requires to use simultaneously, rather than quantitative to test qualitative only.

**POPULATION AND SAMPLE**

The population in this study is all small businesses agribusiness in South Sumatera, amounting to 15,168 units. Samples were taken with stratified random sampling method, with strata of potential business unit. Of the 17 regencies and cities which have a small business center in South Sumatera elected Ogan Komering Ilir regency, Ogan Komering Ulu regency, Muara Enim regency, and Palembang city which has the largest business unit in the other sub-districts. Total sample set of 300 entrepreneurs, with details of 75 entrepreneurs in Ogan Komering Ilir, 75 entrepreneurs in Ogan Komering Ulu, 75 entrepreneurs in Muara Enim, and 75 entrepreneurs in Palembang.

**OPERATIONALIZATION OF VARIABLES**

To identify the capacity of small businesses in the areas of agribusiness research, several key variables interrelated variables grouped into cause and consequence variables. In the analysis using SEM, it is possible to cause variable become consequences variables to other variables. In this study the empowerment variables consist of: business climate (X<sub>1</sub>) is legislation and policy for a conducive business climate includes aspects: funding, competition, business infrastructure, business information, business licensing, and protection efforts. Establishment and development (X<sub>2</sub>) is the coaching and development of small businesses which include some aspects: human resources, marketing, production, and technology. Funding and guaranting (X<sub>3</sub>) is providing assistance in the provision of financing, management of self-obtain capital accumulation, and the establishment of underwriting Institution. Business partnership (X<sub>4</sub>) is small business cooperation with medium and large businesses with coaching and sustainable development in the transfer of technology, capital, labor manajemen, and marketing collateral (The Act No. 9 of 1995). The internal resources (X<sub>5</sub>) is the change in internal resources conditions such as improving the quality of financial resources, human resources, technological resources, physical resources, and reputation organizational resources of small businesses (Grant in Suryana, 2001). Competitive advantage (X<sub>6</sub>) is a small business excellence through a generic strategy, ie a strategy that emphasizes the advantages of low cost, differentiation, and focus (Porter, 2001). Business self reliance (X<sub>7</sub>) is the ability of small businesses to conduct business by increasing sales turnover, increase business assets, and market certainty (Industry and Trade Official, 2012).

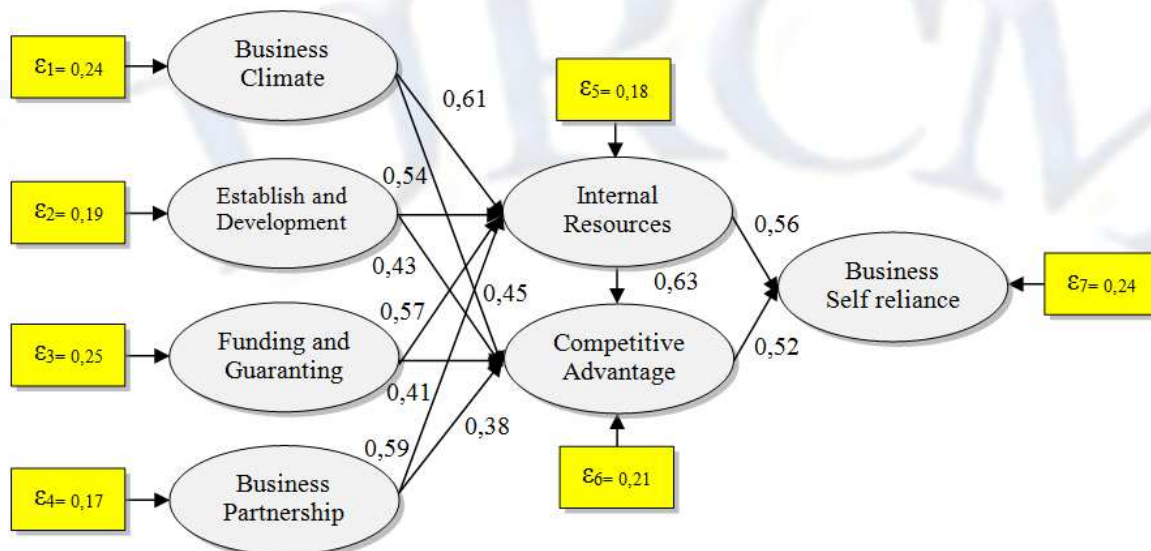
**DATA ANALYSIS TECHNIQUES**

For purposes of analysis, the data obtained in the form of an ordinal scale is transformed into an interval scale. The steps to transform the ordinal data into interval data is by using the Method of Successive Interval (MSI), which in practice can be done with the help of software Method of Successive Interval integrated in Microsoft Excel program. Once the model is developed and illustrated in a path diagram, then convert the model specification into a series of structural equation. This equation was formulated to express causality relationship between the various variables. Data were analyzed using analysis of different test average ANOVA and Structural Equation Modeling (SEM) to test the hypothesis and confirm the established theoretical models (Solimun, 2002).

**RESULTS AND DISCUSSION**

Data were presented in the SEM using AMOS program with source data that has been prepared for computation which will produce a standardized estimates measurement model confirmatory factor analysis of the data presented. The relationship between cause and consequence variables indicating the total implications of each of the variables included in the model as described in the research paradigm in Figure 1.

**FIGURE 1: PATH DIAGRAM OF STRUCTURAL EQUATION MODELING INTERRELATED RESEARCH VARIABLES**



Business climate strategy ( $X_1$ ) has a positive impact toward the internal resources ( $X_5$ ) and competitive advantage ( $X_6$ ). It shows that a conducive-business climate that includes aspects: funding, competition, business infrastructure, business informations, business licensing, and protection of business, have an important role as one of the elements of empowerment.

Conducive business climate can only be created through the policies set by the government, either through the ease with regard to the problem of capital, marketing, bureaucracy, business licensing procedures, tax breaks, and other supportive policies. Conducive business climate in the form of protection to small businesses, especially in the current economic conditions is very strategic because it is expected to be able to generate sufficient added value since the number of business units is many enough (Kristiyanti, 2012). With small businesses in the front, it will absorb many labours thru labor-intensive business, expand opportunities and obtain equitable distribution of national income which nowadays has been dominated by large capital-intensive companies.

Sriyana (2010) in his research also stressed that the development of small businesses will be greatly determined by the presence or absence of supportive business climate. Improvement of conducive business climate by having reformation and deregulation of licensing for small businesses is one of the appropriate strategies to develop small businesses. It is important to have an effort to facilitate the implementation of a business climate that is economically efficient, healthy and non-discriminatory competition for the continuation and improvement of small businesses performance. In addition, there needs some actions to eliminate various inappropriate charges, cross-sectoral policy integration, as well as surveillance and defense against the practices of unfair competition and which is supported by improvement of legislation and institutional development.

Support for the development of small businesses also occurs in developed countries like America. The US Government's commitment to develop the small business sector is seen in the establishment of the Small Business Administration (SBA) by the Federal Government in 1953. The purpose of this institution is to support and drive small business sector there. There are four kinds of effort given by this entity; *first*, in the financial field for the provision of financial assistance; *second*, the provision or procurement assistance in meeting the requirements of licensing and administrative provisions necessary to establish a business; *third*, in the field of management by providing management assistance, either directly or through training; *fourth*, the provision of legal assistance or advocacy in seeking justice relating to the affairs of small businesses (Karjantoro, 2002).

Hu and Schive (1996) study in Taiwan has been supporting the above facts. The pro-active government role and industrial policies which are very globally oriented and consistent, which creates both a close business cooperation and fair competition among small businesses with medium and large enterprises as well as providing a wide range of facilities to support the development of the sector has led to the small business improvement, both in contribution to output and exports and diversify its products with high technological content. The government's policy also gives a positive impact on the development of entrepreneurship, which is undoubtedly very important for the development of small businesses (Lin, 1997). Likewise, the study of Adachi (1997) concluded that, advancement of small businesses in Japan can not be separated from the full support of the government through its industrial policy. These include technology policy (research and development), finance, and workforce and managers training (Tambunan, 2002).

The results of the above study shows one thing that is very important as an example for Indonesia, an effective government policies help to increase global competitiveness in the small business sector. In the era of free trade, we need a new strategy in the development of small businesses more effective and market-oriented global (global market oriented), thus it is no longer a political orientation and social (social and political oriented) with the sole purpose to reduce the gap. This new strategy should contain the policies of development of small businesses that have a position to the business group as one of the backbone of the national business in general and agribusiness sector in particular.

Establishment and development strategies ( $X_2$ ) have a positive impact toward the internal resources ( $X_5$ ) and competitive advantage ( $X_6$ ). It shows that, establishment and development issues that include aspects: human resources, marketing, production, and technology is also an important factor as one of the elements of empowerment.

Empirical data shows that one of the problems of less competitive of small businesses in the area of research is the relatively traditional mindset of entrepreneurs and they tend to close themselves to change and innovation, it is caused by low levels of formal education. Indeed, in one case, the dominance of workers with low-educate- inexpensive means small businesses can maintain a traditional comparative advantage. But in the era of globalization that characterized the free trade that will stand out are the factors of competitive advantage, including human resources, ranging from workers and employers. Lack of education will lead to low quality of human resources capabilities and employers in understanding and anticipating a good business activity in the fields of production management, marketing strategy, entrepreneurship, and business technology.

Though the condition is contrary to the concept of the formation of the entrepreneurial spirit that is necessary for the business who dares to think creatively, and know how to develop internal resources (Suryana, 2001). In terms of education and mindset of this, it is clear that the creative mindset will bear expertise (skills) in all fields ranging from labor to employers determines the success of a business (Hafsah, 2004). In contrast to other countries which are very powerful small business such as Taiwan, South Korea, Japan, US and Western European countries, the level of education of the majority of small business entrepreneurs in Indonesia is still very low.

It is often said that to address the problem of human resources, providing direct training to entrepreneurs is very important and this is the only and the most effective way. However, many small businesses, especially micro-enterprises, can bear the cost of training due to limited funds. Human resources quality limitation is a serious threat to small businesses agribusiness in South Sumatera as an object of research to be able to compete in both the domestic and international market. Reinforcement is an important factor to change the economic backwardness and raise the ability and motivation to move forward, it is very important to increase the knowledge in the form of training to small business entrepreneurs (Yusi, 2014).

For advanced developing, establishment and development human resource of small businesses need to be done both in terms of entrepreneurship, administrative and knowledge and skills in business development (Hafsah, 2004). Furthermore, research Mongid and Notodihardjo (2011) of SMEs in Malaysia also stated that, for the rapidly growing, knowledge and skills play important roles for the development of SMEs. Training contributes to the understanding of SMEs.

From the above description explains that the role of government, business, and society has a significant effect in improving the quality of human resources of small businesses. Without improvement in the quality of human factor there will be no progress, in connection with the education is indispensable (Jhingana, 2004). Education supported by experience directly related to the ability of entrepreneurs; to establish an entrepreneurial spirit should start from knowing yourself first, is to know the potential and limitations, so it can work very hard to develop this potential and strive to overcome existing limitations. The availability of qualified human resources, who has skills and motivation, positively developed resource organization, and supportful physical resources can generate the company's core competencies. These core competencies will generate competitive advantage.

Funding and guaranting strategies ( $X_3$ ) has a positive impact toward the internal resources ( $X_5$ ) and competitive advantage ( $X_6$ ). This shows that in addition to a conducive business climate, establishment and development, funding and guaranting are important factors in empowerment.

Funding became one of the main elements forming the empowerment of the internal environment of business, funding and guaranting strategy is the best approach in an effort to strengthen the internal environment of small business in the form of capital assistance which is now considered remains an obstacle. In some research on small business development efforts, capital shortage is a major problem faced by entrepreneurs. Capital is important or the most important aspect in the life trying. With limited capital every attempt to do in order to improve both quality and productivity is to be blocked. Meanwhile capital support can provide wider opportunities for entrepreneurs to develop their business. Capital is the principal driving force for business development. Capital can: (1) assist small businesses in overcoming the limitations of the relatively small capital with interest, and (2) reduce their dependence on middlemen and moneylenders (Ashari, 2009). Problem in capital also is one of the main reasons for employers to delay the development of business (Kaplan and Schoar, 2005). Therefore, the strategy of funding and guaranting is very urgent for the development of small businesses.

Empirical evidence shows that the highest share of economy actors in Indonesia are low-income groups and small and micro businesses, that they are not served by commercial banks because the demanding requirements. Without access to banking services, almost all of the group financing rely on their own abilities which are very limited, or the informal financial institutions (middlemen and moneylenders), which limits the ability of these groups to participate in development activities (Krishnamurti, 2005).



The lack of small business capital is generally due to individual businesses or companies that are privately closed, which rely on the very limited owner's capital. Therefore, small business loans still have to be improved in the future, given the small businesses who can not get credit disbursement as yet bankable (Kuncoro, 2008). The study of Susilo, et.al. (2008) also explains that the main problem faced by small entrepreneurs in Bantul Yogyakarta is the inability to meet financial obligations of the other party and limitations to raise capital. Access to capital is often regarded as the key to success in establishing and developing a business (Efrata and Herdinata, 2012). The role of capital is an important factor, strategic, becoming one of the key factors in the process of economic development and very influential to the volume of business, results of operations (production), and an increase in income of a business economy (Riniwati, 2011).

Partnership strategy ( $X_4$ ) has a positive impact toward the internal resources ( $X_5$ ) and competitive advantage ( $X_6$ ). It shows also that the partnership strategy is an important factor that is required in the form of business self reliance. Partnership is one of the solutions to strengthen and increase the chance of involvement of small businesses in the arena of national economy while improving people's welfare and reduce social inequalities. Formally conception of the partnership has been listed in The Act No. 9 of 1995 about small business, which reads: "the cooperation between small businesses with a medium or large businesses with coaching and sustainable development with due regard to the principle of mutual need, mutually reinforcing, and mutual benefit". The essential philosophy of partnership contained in the law implies a moral responsibility is unity and equality. Thus the partnership will always be needed for the demand of equity is not yet resolved. On the other hand, the partnership is a long-term process that changes dynamically to meet the expectations and needs of all players in the partnership. Later on The Government Regulations No. 44 of 1997 also stated that the ideal form of partnership is mutually reinforcing, mutual benefit and mutual protection.

Partnering arrangements should be based on the principle of synergy, namely mutual need and mutual help. The principle of mutual need will ensure lasting partnerships run because it is "natural" and not on the basis of "mercy". Based on this principle, medium and large enterprises to invite small business as a partner in progress (Kuncoro, 2008).

To be able to enter the global market, there is no other strategy is to be prepared by small businesses but with preparing high competitiveness. High competitiveness exists only if there is a correlation between large and small, because only with a fair production linkages efficiency will be awakened. Therefore, through a partnership each party will be empowered (Sriyana, 2010). In connection with this partnership activity, in Singapore the government formed organization called SPRING to assist the development of SMEs are working with partners to help enterprises in financing SMEs, the development of management skills, technological innovation, and access to markets (Mongid and Notodihardjo, 2011).

A company that can achieve and maintain competitive advantage is the company that has performed above the industry average under the condition of domination the targeted market. Market domination is only possible if the relevant company's internal resources above competitors. According to Grant (in Suryana, 2001) there were at least five factors that affect the internal resources can establish competitive advantage, namely financial resources, human resources, technological resources, physical resources, and reputation organizational resources.

Basically the internal resources has a significant influence in shaping the competitive advantage (ibid). It gives indication that the better internal resources of a company the better competitive advantage that can be achieved. In facing of increasingly intense global competition both coming from similar companies from domestic market, especially with its exports come from other countries with more advanced technology, a company must be superior to the others in its business performance. To make it superior, the increase of internal resources is the basic foundation (Hammel and Prahalad, 1994).

From the calculation results with SEM Analysis Figure 1 above show that there is a positive implication between the internal resources ( $X_5$ ) toward competitive advantage ( $X_6$ ). This finding indicates that there is no difference between the findings of the study with the theory that has been proposed above. Empowering the business climate strategy ( $X_1$ ), establishment and development ( $X_2$ ), funding and guaranting ( $X_3$ ), and business partnerships ( $X_4$ ) implicate positively in creating an internal resources that is conducive to the realization of competitive advantage.

Small agribusiness becomes the object of study is one component of small business products which is meaningful in the composition of small businesses in South Sumatera. The existence of a small business is very closely related to the availability and potential of agricultural products as raw materials to the marketing area covering the local market, national, and abroad.

Problems in terms of capital, human resources, production technology and business facilities as well as other issues remain a dilemma for internal environment that can hinder the creation of competitive advantage of the company. A company which has a competitive advantage will have a positive impact on the independence of the business, such as a persistent attempt to perform a combination of economic resources available, able to create products and new business techniques, able to look for new opportunities, working with more effective and efficient methods, making decisions quickly, and taking risks (Utami, 2006). Furthermore, these conditions will affect the development of the business by increasing sales turnover, increase business assets, and market certainty.

The analysis shown there is a positive implication between the internal resources ( $X_5$ ) and competitive advantage ( $X_6$ ) toward the business self reliance ( $X_7$ ). This means, that business self reliance can be achieved if supported by the availability of strong internal resources and high corporate competitive advantage.

Internal resources which is characterized by the presence of managerial skills which include conceptual skills, technical skills, and human skills can have a positive effect on the improvement of operational performance of small businesses (Hafid, 2014). Similarly, the effect of capital loans to small businesses that can be used both for the improvement of production technology and means of its efforts to strengthen the internal resources showed a positive effect. These results are consistent with the findings of Haryanto (2008), and Rakib (2011), where credit is needed and is able to push the business activities of a company.

It can be concluded, that the implications of all the variables involved in the model studies both as a cause variable and consequences variables did not differ as a result of the findings of several studies that have been done before. Empowerment affects the internal resources and competitive advantage of small businesses that have implications for the business self reliance. Simply put, the results of the analysis show that efforts should be made in the context of a small business self reliance is nothing but strengthen the presence of the company's internal resources. This retrofitting effort can not be done only by small businesses because of the many limitation factors faced. Government, business, and community active roles by empowerment strategy are absolutely necessary to establish the small businesses self reliance.

## POLICY IMPLICATIONS

In simple terms it can be said that a company can compete in both domestic and export markets in addition to the external environment, internal environment within the company should also be solid, and to make it sturdy need strengthening efforts within and outside as a buffer (Sjarkowi and Sufri, 2004). Indonesia's experience during the last 30 years, especially in times of economic recession in 1997, providing valuable information and at the same lesson that, in the past, the collapse of the Indonesian economy turns as a result of the incapacity of government decision makers in Indonesia at that time in response to a variety of critical issues as the importance of small-scale economy development. At that time, the Indonesian economy relies on a few large-scale enterprises (conglomeration). Therefore, rapid and appropriate response to the people's economy (micro and small) will be very beneficial to the possibility of resilience and security of the Indonesian economy at the same time in the future.

The command of The Act No. 9 of 1995 about small business implies that small-scale business activities must be supported by adequate management system through empowerment so that they can be more independent in carrying out its business activities. Development with the ability of self-owned businesses seems difficult for small businesses because of the limitations they face both internal and moreover external.

Conducively business climate to the independence of small businesses need to be done through the improvement of the institutional, policy formulation and implementation, improvement of the regulatory framework at national and local levels, increased access of small businesses and stakeholders regarding access to information. A wide variety of both legal and illegal levies, various types of licenses that overlap with the complicated bureaucracy, corruption, collusion, and nepotism to expedite efforts, no guarantee of safety consideration shows the ugly face of the business climate in Indonesia (Yusi, 2012).

Business establishment and development, especially in improving the quality of human resources is also an important aspect for the development of the business which has been a serious obstacle for many small businesses, especially in the aspects of entrepreneurship, management, production engineering, product development, engineering design, quality control, business organization, accounting, data processing, marketing techniques, and market research. To

improve the performance of small business organizations it is needed to build human resource investments with indicators of changes in skills, creative and intelligent, develop new ideas and knowledge to be the best. Red (2009) explains that the changes in the organization that invests in the quality of human resources will improve organizational performance.

Funding and guaranting to strengthen small business capital needs to be improved, this is due to the current problems of capital remains a serious obstacle. Limited capital, mainly due to their lack of direct access to financial services and facilities provided by the formal financial institutions (banks) and nonbank, whereas in the business activities of the continuous availability of capital is a must. Yao and Alles (2006) stated that in the theoretical order in which the development of a company business activity, the absolute need for a source of funds to finance the provision of business activities in order to improve the operational performance of the company to benefit in accordance with the targets and time specified.

To increase the chances of small businesses are active in the arena of national economy while improving people's welfare and reduce social inequalities in society, partnership is an answer. By having partnership it has allowed the transfer of technology and knowledge and managerial abilities to employers. Thus, it has an impact on the improvement and upgrading of human resources so small businesses become more independent and professional (Iwantono, 2004).

In limited situations, both in the field of production are still conventional nature of the product, the marketing field which sometimes does not guarantee the continuity of marketed products, as well as human resource constraints in many ways, the partnership is still needed. Partnership is a long-term process that changes dynamically to meet the expectations and needs of all players in the partnership. Through partnerships between small businesses with medium and large businesses, it is believe to increase productivity, market share, ensure the supply of raw materials, increase profits, bear the risk equally, and marketing and distribution.

From empirical facts can be concluded that, consistent research findings and support the notion of theory and previous research how the need for empowerment in order to strengthen the internal resources and for the sake of self-reliance in the business. Therefore the mandate set forth in The Act No. 9 of 1995 about the small business is not one that in all aspects of small business does still require conditions that have been mandated by the law.

## SUGGESTIONS

Small business as the economy of the people means that the national economy is rooted in the potential and power of the wider community in the running of their own economy. People's economy is the indigenous economy, not the economic activity that comes from outside the community. People's economy is the slow growing economy because it is still facing many obstacles; therefore it must empower people's economy, especially in strengthening their self reliance so that they can still exist in the business and provide maximum contribution to the GDP.

Conducive business climate through policies set by the government, either through the ease with regard to the problem of capital, marketing, bureaucracy, business licensing procedures, tax breaks, and other supportive policies should always be created so that small businesses can secure in the move. Establishment and development should always be activated in an effort to overcome the weaknesses of entrepreneurs. Funding and guaranting that can strengthen the capital should be done by creating policies relief in getting capital venture and guarantees. Cooperation in the form of partnerships between small businesses with a medium or large businesses with establishment and sustainable development with due regard to the principle of mutual need, mutually reinforcing, and mutual benefit that can always grown up.

This study is intended as an attempt to understand the implementation of the small business regulations to see some variables empowerment that has implications to the small businesses self reliance. The results of this study may not fully intact because of other issues outside of the model is still a lot that makes it possible for other researchers to observe empirically. However, further research is still needed in order to get better approach to the issues that have not been revealed in this study. It is important because small business is the people's economy which contributed in relatively big part to the economic viability of the region in particular and national in general.

## CONCLUSIONS

This study aims to analyze the implications of empowerment as mandated by The Act No. 9 of 1995 to the small agribusiness self and reliance in South Sumatera. This is important because empirically small businesses grow and thrive plays an important role in building the national economic fundamentals. Although its contribution to GDP is still not optimum yet, small business has a strategic role in the economic development of the region, because in addition to a role in economic growth and employment it also plays a role in the distribution of development outcomes.

Based on the results of the study using a sample of 300 respondents of small entrepreneurs agribusiness as determined from 4 regencies and selected cities had findings that the mandate The Act No. 9 of 1995 concerning the strategy of empowerment that includes the business climate strategy, establishment and development strategies, funding and guaranting strategies, and strategic partnerships involved in the model provides positive implications in shaping the internal conducive resources and competitive advantage of the business.

Furthermore, the internal resources and competitive advantage possessed the basis for the business self reliance in the form of an increase in sales turnover, increase business assets, and market certainty. This proves that the role of government, business, and society are indispensable in efforts to develop small businesses in the future, because the empirical facts show, when there is a recession in 1997 in which many large businesses were suffering, small businesses still existed in the operations as economic actors.

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