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## Article

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## Analysis of Influence of Micro Small and Medium Enterprises (MSMEs) Development as a Competitive Advantage to Creative Economic Development

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### Abstract

*The purpose of this research is to analyze the influence of MSME development as competitive advantage toward creative economic development in Medan city. Data analysis method used in research is path analysis. Simultaneously, the research results of MSME Development and Competitive Advantage have a positive and significant effect on creative economy. Partially, the Influence of MSME Development has positive and significant influence to creative economy. Partially Competitive advantage positively and significantly influences the creative economy. The development of MSME has a positive and significant impact on competitive advantage. Indirectly MSME development positively affects the creative economy through competitive advantage.*

### Key words

MSME development, competitive advantage, development of creative economy

**JEL Codes:** O11, O12, O31

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### 1. Introduction

Nowadays, MSME in various areas is very competitive. This is due to the number of MSMEs operating in Indonesia both operating locally and operating on an international scale. MSMEs sector has a strategic role in contributing to the economic growth of a country, especially the perpetrators of microeconomics which is very much in Indonesia. The main problems faced by MSMEs include the lack of infrastructure and government access related to licensing and bureaucracy, halal certification and high rates of levy. Aditi (2017) states that “product attributes, halal certification, and product innovation have a positive and significant impact on competitive advantage which impact on consumer buy-back (surge) interest, that product attribute, halal certification, and product innovation have positive and significant influence to competitive advantage. With all the problems, the large potential of MSMEs becomes obstructed. Although MSME is said to be able to survive from the global crisis, but in fact the problems faced by MSMEs are very much and heavier. This is because apart from indirectly influenced global crisis before, MSMEs must also face domestic problems that are not resolved such as the problem of labor wages, employment and illegal levies, corruption and so on. The empowerment of MSME in the midst of globalization and high competition make MSME must be able to face global challenge, such as improving product and service innovation, human resource and technology development, and expansion of marketing area. Innovation and creativity of MSME together have a significant effect on consumer satisfaction (Aditi and Hermansyur, 2017). Aditi (2017) also states that “Product Innovation has a positive and significant impact on competitive advantage”, that Product Innovation has a positive and significant impact on Competitive Advantage.

This needs to be performed to increase the selling value of MSME itself, especially in order to compete with foreign products that are increasingly flooding the industrial and manufacturing centers in Indonesia, given the MSMEs is the economic sector that is able to absorb the largest workforce in Indonesia (Sudaryanto, 2011). The concept of Creative Economy is gaining major attention in many countries as it can make a real contribution to the economy. In Indonesia, the echoes of the creative economy are starting to sound as governments seek the ways to improve the competitiveness of national products in facing the global markets. The Government through the Ministry of Trade in cooperation with the Ministry of Industry and the Ministry of Cooperatives and Micro Small Medium Enterprises and supported by the Chamber of Commerce and Industry then formed a team of Indonesia Design Power which aims to put Indonesian products into acceptable products in the international market but still has national character. After realizing the enormous contribution of the creative economy to the country, then the government further conducted a more intensive study and launched a blueprint for the development of creative economy. Creative Economy seen from the handicraft sub-sector is a creative activity related to the creation, production and distribution of products made and produced by the craftsmen who originated from the initial design to the process of completion of its products, including handicrafts made from: precious stones, natural fibres as well as artificial, leather, rattan, bamboo, wood, metal (gold, silver, copper, bronze, iron) wood, glass, porcelain, fabrics, marble, clay and lime. Unlike manufacturing industries oriented to the quantity of products, the creative industry is

more focused on the quality of human resources. The creative industry is more emerging than the small and medium industry group.

## 2. Literature review

### 2.1. MSME Development

Based on Law Number 20 Year 2008 regarding Micro, Small and Medium Enterprises (MSMEs) there are several criteria that are used:

Table 1. MSME Criteria

No	Enterprises	Criteria	
		Asset	Turnover
1.	Micro enterprises	Max 50 million	Max. 300 Million
2.	Micro enterprises	> 50 Million – 500 Million	> 300 Million - 2,5 Billion
3.	Medium enterprises	> 500 Million – 10 Million	> 2,5 Billion – 50 Billion

**Source:** Ministry of Cooperatives and Small and Medium Enterprises, (2012).

Based on the MSMEs Law, from the perspective of its development, Rahmana (2008) classified MSMEs in several criteria, namely: (1) Livelihood Activities, is a Small and Medium Business that is used as a job opportunity to earn a living, which is more commonly known as the informal sector. The examples are street vendors. (2) Micro Enterprise is a Small and Medium Enterprises that has the nature of craftsmen but does not have the nature of entrepreneurship. (3) Small Dynamic Enterprise, is a Business that already has an entrepreneurial spirit and is able to accept subcontract and export work. (4) Fast Moving Enterprise, is a Business that already has an entrepreneurial spirit and will make a transformation into a Big Enterprise (UB).

### 2.2. Competitive Advantages

Competitive advantage is a state in which a company can create a good defense position over its competitors (Li et.al, 2010). Another notion is conveyed by Hill and Jones (2010) states that competitive advantage is based on a special competence, that is, the specific strengths of a company that can make a company able to make its product different from the products that the competitors offer and have lower prices than competitors. Competitive advantage according to Tjiptono (2010) is something that allows companies to earn higher than average profit. According to Kim and Mauborgne in (Kadarningsih, 2013) said that in the competition market there are two oceans namely Red Ocean (Red Ocean) and Blue Ocean (Blue Ocean). The Theory of Creative Economy according to Richard Florida, a Doctor in Economics, Dr. Richard Florida from America, the author of "The Rise of Creative Class" and "Cities and the Creative Class" introduces the creative economy and creative class in the community (Creative Class). Places and cities that are able to create the fastest innovative new products will win the competition in this economic era. "(Nenny, 2008). Places and cities that are able to create the fastest innovative new products will win the competition in this economic era." (Nenny, 2008). Creative economy is the economy derived from the utilization of creativity, skills and individual talents to create welfare and employment by generating and exploiting the creative power and the creativity of these individuals (Indonesia Kreatif, 2014). The creative economy is seen as increasingly important in supporting prosperity in the economy because today will depend on the production of knowledge through creativity and innovation (Bianchini, 2008).

### 2.3. Conceptual Framework

Conceptual framework in this research can be seen in Figure 1:

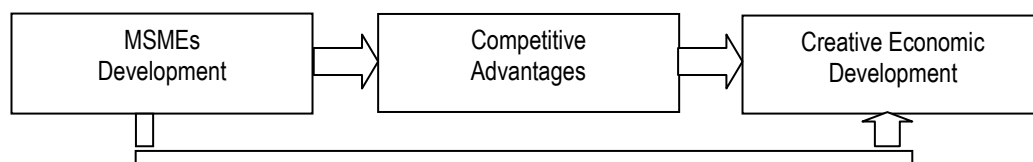


Figure 1. Conceptual Framework

## 3. Methodology of research

In identification and operational there are creative economic dependent variable (Y), independent variable of MSME development (X) and intervening variable of competitive advantage (Z). The population in this research is all the community

who are involved in MSME activities registered in the Department of MSMEs Medan. Research population is a collection of objects determined through a certain criteria that will be categorized into the object can include people, documents or records that are viewed as research objects (Badaruddin *et al.*, 2017; Achmad *et al.* 2017). The sampling technique used in this research is the method of census or saturated samples that is all populations used or used as a sample (Sugiyono, 2010). Hair *et al.*, 2007; Rasdianto *et al.*, 2014; Maksum *et al.*, 2014; Pohan *et al.*, 2018; Lubis *et al.*, 2018; Marhayanie *et al.*, 2018; Muda, 2018) still recommend to use a sample of at least 100 respondents to provide better results. According Muda and Rafiki (2014) and Muda *et al.* (2014) if the value of the validity of each question is greater than the value of correlation coefficient ( $r$ ) 0.30 then the questionnaire is considered valid. Validity test is done by one-time method (one shot method) where the measurement with this method is done only once. Methods of data analysis used with path analysis. Path analysis is a developmental technique of multiple linear regressions:

$$\text{Sub Model I: } Z = a + b_1X_1 + e_1 \quad (1)$$

$$\text{Sub Model II: } Y = a + b_1X_1 + b_2Z + e_2 \quad (2)$$

### 1. Determination Coefficient Analysis ( $R^2$ )

The coefficient of determination ( $R^2$ ) essentially measures the extent of the model's ability to explain the variables of dependent variables Suriadi *et al.*, 2015; Syahyunan *et al.*, 2017; Sirojuzilam *et al.*, 2017; Sihombing *et al.*, 2017; Tarmizi *et al.*, 2016, 2017; Yahya *et al.*, 2017; Erlina *et al.*, 2018; Sari *et al.*, 2018; Sadalia *et al.*, 2018; Eriadi *et al.*, 2018; Muda *et al.*, 2018).

### 2. Simultaneous Test (F-Test)

If  $F_{\text{count}} < F_{\text{table}}$ , then  $H_0$  is accepted and  $H_a$  is rejected, and If  $F_{\text{count}} > F_{\text{table}}$ , then  $H_0$  is rejected and  $H_a$  accepted.

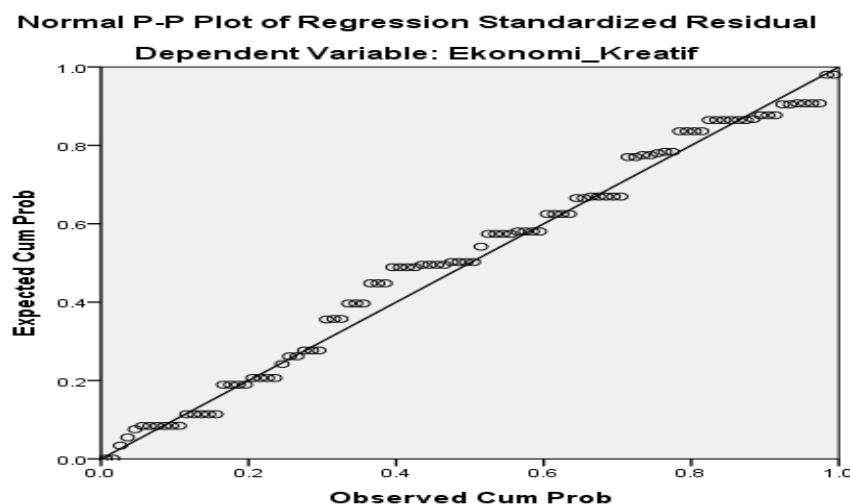
### 3. Partial / Individual Test (t-Test)

Partial test or t-test is to test whether an independent variable has an individual effect on the dependent variable.

## 4. Results and discussions

### 4.1. Normality Test

The result of normality test can be seen in Figure 2:



**Source:** Results of Research, 2018 (Processed Data).

Figure 2. SPSS Results Scatter Chart

According to Khaldun *et al.*, (2014); Hasan *et al.*, (2017); Yahya *et al.*, (2017); Lubis *et al.*, (2017); Muda *et al.*, 2018; Lubis *et al.*, (2018); Muda *et al.*, (2018) the normality test is to compare the data we have with normal distributed data having the mean and standard deviation equal to our data. Good data and feasible to be used in research is data that has a normal distribution. Figure 2 shows the data spread around the diagonal line. This explains that the data regressed in this research is normally distributed.

#### 4.2. Multicollinearity Test

The results of multicollinearity test can be seen in Table 2:

Table 2. Results of Multicollinearity Test

	Model	Sig.	Collinearity Statistics	
			Tolerance	VIF
	(Constant)	.000		
1	MSME_Development	.000	.707	1.415
	Competitive_Advantages	.000	.707	1.415

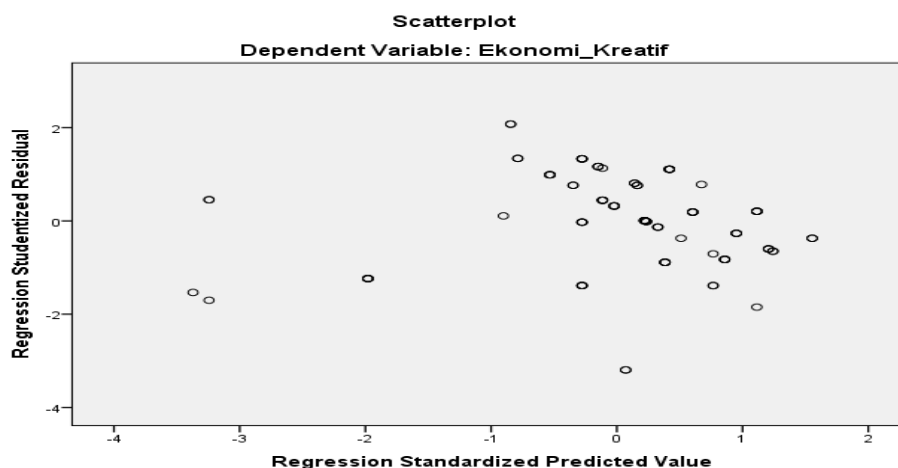
a. Dependent Variable: Creative\_Economy

**Source:** Results of Research, 2018 (Processed Data).

The Table to see that cannot determine causal relationships variable and cannot be used as a to see the causal relationship the causal relationship between relationships (Mahdaleta *et al.*, 2016; Lutfi *et al.*, 2016; Lubis *et al.*, 2016; Marhayanie *et al.*, 2017; Azlina *et al.*, 2017; Erlina *et al.*, 2017; Ferine *et al.*, 2017; Handoko *et al.* 2017; Muda *et al.*, 2018; Sihombing *et al.*, 2018). Table 2 shows the VIF and tolerance values of all variables in this research did not experience multicollinearity.

#### 4.3. Heteroscedasticity Test

The results of heteroscedasticity test can be seen in Figure 3:



**Source:** Results of Research, 2018 (Processed Data).

Figure 3. Heteroscedasticity Test

Figure 3 shows the spreading point does not form certain patterns and spreads well above the number 0 on the axis of Regression Studentized Residual (Y) or absolute residual value (absut) as the dependent variable (Marhayanie *et al.*, 2017; Lubis *et al.*, 2017; Muda, 2017; Syahtunan *et al.*, 2017; Sihombing *et al.*, 2018; Sirojuzilam *et al.*, 2018). If the value of significance > 0.05, then there is no heterokedastisity.

#### 4.4. Influence of MSME Development and Competitive Advantage to Creative Economy

Based on the result of regression equation, the result obtained is in Table 3:

Table 3. Regression Test Results of MSME Development and Competitive Advantage

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	2.707	.709	
1 MSME_Development	.421	.051	.606
Competitive_Advantages	.244	.064	.281

**Source:** Results of Research, 2018 (Processed Data).

Based on Table 3 then the multiple regression equation is:  $Y = 2,707 + 0,421X_1 + 0,244X_2$

1. The regression coefficient  $X_1$  for the variable of MSME Development positive value 0,421 means the effect of SME development in line with the improvement of creative economy.
2. The regression coefficient  $X_2$  for competitive advantage is positive value 0,244 it means influence of competitive advantage in the same direction with improvement of creative economy.

#### 4.5. Coefficient of Determination ( $R^2$ )

Adjusted  $R$  Square Value can be seen in Table 4:

Table 4. Coefficient of Determination Value ( $R$  square)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794 <sup>a</sup>	.630	.623	1.47991

a. Predictors: (Constant), Competitive\_Advantages, MSME\_Development

b. Dependent Variable: Creative\_Economy

**Source:** Results of Research, 2018 (Processed Data).

The coefficient of determination is between zero and one (Muda and Hutapea, 2018; Muda and Naibaho, 2018; Tripriyono *et al.*, 2018; Muda *et al.*, 2018). The small value of  $R^2$  means the ability of the independent variables to explain the variation. In Table 4, the coefficient value of Adjusted  $R$  Square is 0,623, which means that the development of MSME and competitive advantage can explain the variation of creative economy of 62,3% and the rest is 37,7% influenced by other variable outside the variables studied.

#### 4.6. Simultaneous Test

The result of  $F$  test in this research can be seen in Table 5:

Table 5. Results of Hypothesis Test Simultaneously

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	362.067	2	181.033	82.659	.000 <sup>b</sup>
1 Residual	212.443	97	2.190		
Total	574.510	99			

a. Dependent Variable: Creative\_Economy

b. Predictors: (Constant), Competitive\_Advantages, MSME\_Development

**Source:** Results of Research, 2018 (Processed Data).

In Table 5, the result of  $F_{\text{count}}$  is 82,659 while  $F_{\text{table}}$  at  $\alpha = 0.05$  is obtained  $F_{\text{table}}$  4.00 then this result is known that  $F_{\text{count}} > F_{\text{table}}$ , and significance 0.000 or less than  $\alpha = 0.05$ .

#### 4.7. Partial Test

The results of partial hypothesis test to determine the level of significance with  $\alpha < 0.05$  from each MSME Development and Competitive Advantage to the creative Economy can be seen in Table 6:

Table 6. Results of Hypothesis Test Partially /  $t$  Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.707	.709		3.819	
1 MSME_Development	.421	.051	.606	8.246	.000
Competitive_Advantages	.244	.064	.281	3.826	.000

**Source:** Results of Research, 2018 (Processed Data).

The  $t_{\text{count}}$  value for MSME Development (8,246) is greater than the value of  $t_{\text{table}}$  (1.66) or the sig  $t$  value for MSME Development (0.000) smaller than  $\alpha$  (0.05) and the  $t_{\text{count}}$  value for competitive advantage (3,826) is greater than the  $t_{\text{table}}$  value (1.66) or the sig  $t$  value for competitive advantage (0,000) smaller than  $\alpha$  (0.05).

## 4.8. Effect of MSME Development on Competitive Advantage

Based on the result obtained in Table 7:

Table 7. Regression Test Results of Competitive advantage

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	4.315	1.034	
MSME_Development	.433	.068	.542

**Source:** Results of Research, 2018 (Processed Data).

Based on Table 7, the regression equation is:  $Y = 4,315 + 0,433Z$

The Z regression coefficient for the competitive advantages variable has the positive value of 0,433. It means that MSME development is in line with the improvement of creative economy.

4.9. Coefficient of Determination ( $R^2$ )

R square value can be seen in Table 8:

Table 8. Coefficient of Determination Value (R square)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.542 <sup>a</sup>	.293	.286	2.34277

**Source:** Results of Research, 2018 (Processed Data).

In Table 8, the coefficient of determination value (R square) is 0,741 which means that the development of MSME can explain the variation of the competitive advantage equal to 74,1% and the rest equal to 25,9% influenced by other variable outside the variables studied, that is marketing strategy.

## 4.10. Partial test

Table 9. Results of Hypothesis Test Partially / t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	4.315	1.034		4.173	.000
MSME_Development	.433	.068	.542	6.379	.000

**Source:** Results of Research, 2018 (Processed Data).

Based on Table 9, the partial test results are obtained as follows: The  $t_{\text{count}}$  value for MSME Development (16.330) is greater than the  $t_{\text{table}}$  value (1.66), or the sig t value for MSME Development (0.000) smaller than alpha (0.05 ).

## 4.11. Influence of MSME Development on creative economy with competitive advantage as intervening variable

SPSS output results obtain the regression equation as follows:

$$Y = 2,707 + 0,421X_1 + 0,244X_2$$

$$Y = 4,315 + 0,433Z$$

Total influence of Development and Competitive Advantage to the creative Economy with creative economy as intervening variable:

Table 10. Results of Hypothesis Test Partially / t Test

No	Relationship between Variable	Direct Effect
1	Effect of MSME Development on Creative Economy	0.421
2	The Influence of Competitive Advantage to the Creative Economy	0.244
3	Effect of MSME Development on Competitive Advantage	0.433

**Source:** Research Results, 2018 (processed data).

The result of indirect intervening variables research: Effect of MSME Development on Creative Economy through Competitive Advantage as intervening variable =  $0,421 \times 0,244 \times 0,433 = 0,044$ . The effect of MSME development on creative economy through competitive advantage as intervening variable is  $Y = 0,421 + 0,044 = 0,465$ .

Table 11. Summary of Indirect Effect Research Results

No	Relationship between Variable	Indirect Effect
1	Effect of MSME Development on Competitive Advantage and its impact on Creative Economy	0.465

**Source:** Research Results, 2018 (processed data).

The research results are as follows: MSMEs Development and competitive advantage directly affect the creative economy and creative economy directly affects the competitive advantage and MSMEs development indirectly affects the creative economy through competitive advantage as intervening variable.

## 5. Conclusions and suggestions

### 5.1. Conclusions

Simultaneously MSME Development and Competitive Advantage have positive and significant influence to creative economy. The MSME development has a positive and significant impact on creative economy. Competitive advantage positively and significantly influence to creative economy. The MSME development has a positive and significant impact on competitive advantage and indirectly MSME development positively influence the creative economy through competitive advantage.

### 5.2. Suggestions

MSMEs should improve competitiveness by improving product quality, business licensing, halal certification. MSMEs should develop the efforts to increase creativity and innovation, pay more attention to the distribution of products and MSMEs should be more concerned about the distribution of products.

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