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STRENGTHENING OF INSTITUTIONAL AND PRODUCTION TO PERFORMANCE SMEs BASED ON GREEN ECONOMY

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Abstract

The majority of SMEs in its activities is how to obtain the highest possible profits without pay attention to the potential negative impacts. The purpose of this research is how isstrengthening production and institutional to the performance of SMEs based on Green Economy.

The methodology used in this study by doing observation as well as administering the questionnaire to SMEs, then the results of these questionnaires do tabulate and analyzed using the structure equation model and then do analysis by AMOS.

Based on statistical analysis of the results obtained that by doing production and strengthening institutional then influential significantly to SMES based on green economy

Key Word: production, institutional, performance, green economy

INTRODUCTION

The role of the SMES become part of which take precedence in any planning stages of development that is administered by two departments, namely: the Ministry of industry and trade and the Ministry of cooperatives and SMEs (Ridwan, 2011). Small and medium business is a small business unit which is able to play a role and serve as a safety net in either a productive business activities provides an alternative, channeling credit alternatives, as well as in terms of absorption of labor. SMES are considered to be the saviour of the economy of Indonesia in the crisis period 1999-2000

The establishment of an increasing number of Small Medium Enterprises in Indonesia from time to time the more rapidly increased in comparison with the Large amount of effort in Indonesia. Every industrial activity has an important role in contributing to the economy, one of which is a small Industry also plays an important role to boost the economy and also serve the needs of local communities (Temtime, 2004)

The growing small industry turns out is one of the main contributors to air pollution in the environment (Lopez, 2008), when the guidelines for placement and management standards for small industries has not been established by the Authority (Bhanarkar, 2002).

This phenomenon is encouraging the emergence of the concept of Green Economy. Green Economy represents a new paradigm in the economy and the sustainable development strategy is more emphasis on the balance between economic, social values, and the environment (Wang, 2011). This model is able to answer the old development strategy weakness just based on growth alone. Economic growth always prioritizes profit owners, are pragmatic, yet always detrimental to the other party, consumers, suppliers, and communities.

Therefore, this research is very important to do because the current production carried out by SME entrepreneurs only profit oriented only and have not been oriented on production of green economy, in addition to existing institutional currently is still not perfect either from institutional legality nor the financial system

Initial research has been conducted by sriyono (2015 Strategies for Strengthening the Green Economy on SMEs Development in Sidoarjo District). The green economy is built on the basis of awareness of the importance of ecosystem balance economy activity with the availability of resources. In addition, the approach to the green economy meant to synergize the three basic values: profit, people, and planet. This view of economic actors in order that appealed not only to maximise profits, but must also provide a positive contribution to the community and participate in maintaining environmental sustainability (Weldenmeyer, 2011).

The goal of the green economy is to achieve harmony between the economy and the environment, environmental protection technology, converting production process clean and all environmentally friendly and realize sustainable economic development. Currently, the concept of "green" is widely used in all social fields, including agriculture, green industry, green consumption, green tourism, green marketing and green planning, green economy has become a trend thanks to increasing awareness of environmental protection (Huang, 2010)

According to Nagayya (2011), in conditions that are increasingly global, then SMEs should upgrade their capabilities with innovation also adopting advanced technology and communication in order to increase the ability of parties to entrepreneurs doing improvisasi without prejudice to the ability of management to fulfill the needs of society in the future. In other words, development activity must be able to bequeath the well-being of future generations in the form of environmental and natural resource assets at least equal to that we have received from previous generations, plus science, technology

SMEs should still do innovation and creativity to make special strategies in order to strengthening production and institutional. Based on the above condition shows that SMEs remains a pillar of the economy should be at the preserve and developed, however on the other hand environmental sustainability must be attentive so that the ecosystem environment stay awake

METHOD

This type of research developed in the format of eksplanatif i.e. describes the relationship of several variables of the study, methods approach are quantitative methods. A population is a group of people, events, or anything that has certain characteristics (Indriantoro & Supomo, 1999, p. 115). Based on the quality and the characteristics of the population can be understood as a group of individuals or objects of observation that at least have one characteristic equation (Emory and Cooper, 1998, p. 254). The population in this research as much as 169 SMEs that are in Sidoarjo

The sample is a collection of some members of the object examined (Algifari, 2003). As for the sampling technique used was purposive sampling methods i.e. samples selected using certain considerations which are adapted to the requirements of the desired results of 100 SMEs

The analysis of the test data used is test validity, reliability test and test hypotheses with SEM (Equational Structure Modeling) (Purwaningsih, 2005). The selection of the SEM analysis techniques are based on the consideration that SEM is a multivariate statistical techniques that are a combination of the analysis of the factors and the correlation analysis, which aims to examine the relationships between variables in a model, be it between indicators with or from relationships between variables (Sugiyono, 2008)

A research model that will be used in this research is the tiered structure of the model and to test the hypothesis proposed used SEM analysis techniques (Structural Equation Modelling) that operated through AMOS (Ghozali, 2008)

Table 1 : Goodness of Fit
Goodness-of-Fit

<i>Goodness-of-fit index</i>	<i>Cut-of-value</i>
Chi-square	df α 0,05
Significance Probability	\geq 0.05
RMSEA	\leq 0.08
GFI	\geq 0.90
AGFI	\geq 0.90
CMIN/DF	\leq 2.00
TLI	\geq 0.95
CFI	\geq 0.95

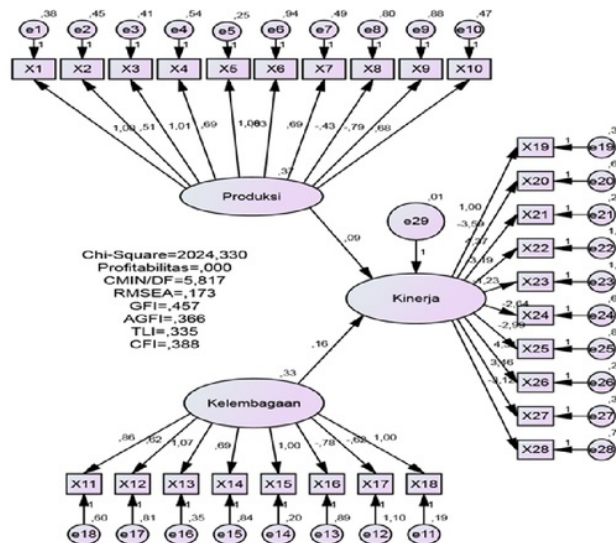
THE RESULTS OF THE RESEARCH AND THE DISCUSSION

Test validity and Reliability of production Variables, institutional and performance results are valid, based on the results of the performed analysis model have been made

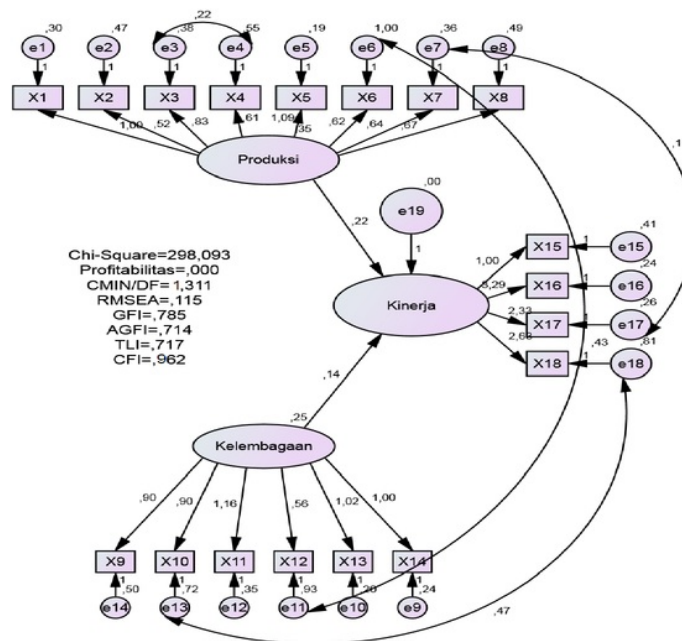
Based on the results of the statistical analysis of the data with either obtained the following result

Table 2 : First Result

Goodness of Fit Index	Cut off value	Result	Description
Chi Squqre	259,914	2024,330	Not Valid
Probability chi - Square	\geq 0,05	.000	Not Valid
RMSEA	$<$ 0,08	5,817	Not Valid
GFI	\geq 0,90	1,73	Not Valid
AGFI	\geq 0,90	0,547	Not Valid
CMIN/DF	\leq 2,0	0,366	Not Valid
TLI	\geq 0,95	0,355	Not Valid
CFI	\geq 0,95	0,388	Not Valid



Picture 1 : First Model



Picture 2 : After Modification Model

Goodness of Fit Index	Cut off value	Hasil model	Keterangan
Chi Squqre	259,914	298,093	FIT
Probability chi - Square	$\geq 0,05$.000	FIT
RMSEA	$< 0,08$	1,115	Marginal
GFI	$\geq 0,90$	0,785	Marginal
AGFI	$\geq 0,90$	0,714	Marginal
CMIN/DF	$\leq 2,0$	1,311	FIT
TLI	$\geq 0,95$	0,717	Marginal
CFI	$\geq 0,95$	0,962	FIT

Hypothesis Result Test

Regression Weights: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P
Kinerja <--- Produksi	,220	,102	2,150	,022
Kinerja <--- Kelembagaan	,143	,072	1,994	,036

Discussion

Based on the results of the test statistics stated that the strengthening of the institutional and influential production significantly to performance. These results prove that for strengthening SME performance-based green economy can be done through strengthening production and performance(Wiklund. 2005)

Based on the final result looks less variable results than good, this suggests that the models are less well established, most indicators of goodness of fit does not indicate a valid result. The results of the analysis of the hypothesis showed significant effects and positive. As it known to business strategy conducted in the production section has a great responsibility towards the creation of a good performance (Bey, 2001), in addition when production innovation well done then can create a clean environment (Ferry, 2012). A clean environment and good performance is the impact of production processes, with the correct process then the retrieved maximum performance (Fisher, 2012) Institutional arrangements also have an important role, good governance and standard of work that clearly generates maximum performance (Murphy, 1996). Good performance and produce with the orientation of the green economy will then have the advantage to compete (Kraja, 2013).

Conclusion

strengthening institutional and production will be influentialsignificant and positive performance of SMES based on green economy basis

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