

Gender Diversity in Improving SMEs Performance in North Sumatra

Oktarini Khamila Siregar' Yunita Sari Rioni' Yohny Anwar

Abstract

The purpose of this study is to prove the influence of financial access and government support on the performance of SMEs based on Gender Diversity. This research approach uses a quantitative method using sample data of 205 respondents, and using the accidental sampling method. The data analysis technique uses the SEM technique. The results of this study prove that financial access affects the performance of SMEs based on gender diversity. Government support affects the performance of SMEs based on gender diversity. The implications of the results of this study are able to prove that the role of capital growth and government support is very important in efforts to improve the performance of SMEs in North Sumatra province. The role of women in managing SMEs is very central to the extent to which women play a role in accessing finance and getting support from the local government. The stronger the role of women in accessing finance and getting support from the government, the better the performance of SMEs which has an impact on business success.

Keywords: Financial Access, Government Support, Performance and SMEs

Oktarini Khamila Siregar

Master's Program Accounting Universitas Pembangunan Panca Budi, Indonesia

e-mail: oktarinikhamilah@dosen.pancabudi.ac.id

Yunita Sari Rioni, Yohny Anwar

Accounting Study Program, Master's Program Management Universitas Pembangunan Panca Budi, Indonesia

e-mail: yunitasari@dosen.pancabudi.ac.id , doktoryohny@gmail.com

1st International Conference on the Epicentrum of Economic Global Framework (ICEEGLOF)

Theme: Digital Marketing Strategy to Optimize Business Growth in the Modern Era

<https://proceeding.pancabudi.ac.id/index.php/ICEEGL>

Introduction

Insights on the challenges of empowering women-led SMEs in Indonesia are shared with the hope that policymakers, practitioners, civil society organizations, and academics will read this paper with interest. We also hope that the government and CSOs will continue to emphasize, campaign, and improve access to financing from formal financial institutions for women-led SMEs so that women can develop their businesses and improve their economy (Williams, 2013). Gender diversity in small and medium enterprises (SMEs) plays a critical role in driving innovation, performance and sustainability. By promoting gender diversity, SMEs can not only improve internal performance but also have a wider positive impact on communities and the economy. Small and medium enterprises (SMEs) play a vital role in the Indonesian economy, contributing significantly to economic growth, job creation and income equality. According to data from the Central Bureau of Statistics, SMEs contribute around 60% to GDP and absorb more than 90% of the national workforce. Despite their vital role, many SMEs face serious challenges in accessing financing, which often hinders their growth and performance (Woodhams, 2009), (Zhu, 2016).

The reason why women have a lower participation rate is due to social and cultural conventions. According to the International Labor Organization (ILO), women in Asia and the Pacific do unpaid care work 4.1 times longer than men (Isa, 2022). The burden of doing unpaid care work makes it difficult for women to participate in the labor market, requiring them to work outside. Thus, for women who want to generate income and achieve financial independence, entrepreneurship is their best option (Sarango-Lalangui, 2023).

Financial access is a key factor influencing SME performance. Sufficient capital enables SMEs to operate, innovate, and develop their businesses. However, despite the availability of various sources of financing, including banking, non-bank financial institutions, and government programs, many SMEs still struggle to obtain adequate access. These challenges are often caused by a lack of collateral, non-transparent financial information, and complex regulations (Sarango-Lalangui, 2023), (Woldie, 2018). This study aims to investigate the impact of financial access on SME performance in Indonesia. By understanding the relationship between these two factors, it is hoped that it can provide insight for policy makers, financial institutions, and SME players to formulate more effective strategies in increasing financial access and encouraging the growth of this sector. Through quantitative and qualitative approaches, this study will explore various aspects that influence financial access, as well as its impact on SME operational and financial performance. Thus, this study is expected to contribute to the development of more inclusive policies and support the growth of SMEs in Indonesia, as well as encourage the strengthening of the national economy as a whole.

The government has attempted to address this issue through various programs and policies to improve financial access for SMEs. The People's Business Credit (KUR) Program, entrepreneurship training, and support in product marketing are some examples of steps taken (Minguez-vera, 2011). However, much remains to be done to ensure that such support is effective and targeted. This study also aims to explore the relationship between financial access and SME performance in Indonesia, as well as to analyze the effectiveness of government support in improving the performance of this sector. By using quantitative and qualitative approaches, this study is expected to provide in-depth insight into the factors that influence SME performance and recommendations for policy makers to create a more conducive environment for SME growth (Orser, 2018). Through this study, it is expected to contribute not only to academic development but also to policy practice, so that SMEs can play a more optimal role in advancing the national economy.

Gender Diversity in Improving SMEs

Literatur Riview

Diversity Measures

EU non-discrimination directives identify six discrimination grounds, meaning six individual characteristics upon which differential treatment should not be based :gender; sexual orientation; disability; age; religion or belief; racial or ethnic origin. Those are EU-level common grounds but your company may be subject to a longer list, given that legislative frameworks vary from one country to the other within the EU (Wellalage, 2019). This legislation compels businesses to centre their Human Resource Management (HRM) on acknowledging and giving value to individual skills rather than on sub-optimal criteria such as the ones mentioned above. Discriminatory practices are sanctioned in the EU and businesses implementing discriminatory processes face financial penalties likely to harm their sustainability (Ahmad, 2015). This is all the more true for SMEs which, unlike certain large corporate groups, are in no position to sustain such costs. Additionally, complying with the law sends out a positive and constructive message to public authorities. It shows good will, proactivity and self-management. It shows private firms are able and willing to tackle inequalities on their own accord, free of state intervention (Anderson, 2012), (Le, 2018). It may further be pointed out that complying with existing legislation is likely to prevent other legal constraints from being added.

SMEs may each individually have limited staff but together they employ 88.8 million people or 66.8% of the active population in the EU. There are some 21.2 million SMEs in the non-financial business sector in the EU-28, representing 99.8% of all European businesses. In 2013, they generated €3.666 trillion in value added, meaning 57.9% of total added value created by the non-financial business sector and 28% of EU GDP. SMEs are thus the backbone of EU economy. As such, they represent a powerful, determining lever for change. Without the active involvement of SMEs, the drive for diversity management in the EU will be condemned to remain marginal (Feizpour, 2009). Diversity management is relevant to all businesses, regardless of size and business sector but it is even more relevant for SMEs, given that they employ the most people: the impact of their commitment will be all the greater. Diversity management requires a holistic approach, both across the company (systematic integration) and across the global economy (involvement of all companies) (Watson, 2006).

Methodology

The design of this research is explanatory research that aims to analyze the influence of financial access and government support on the performance of micro, small and medium enterprises in North Sumatra. The type of data used is primary data by distributing questionnaires to 221 respondents. The analysis used includes research instrument testing (inner model and outer model), Hypothesis testing (borstreping test), The model used is Structural Equation Modeling (SEM).

Data Analysis

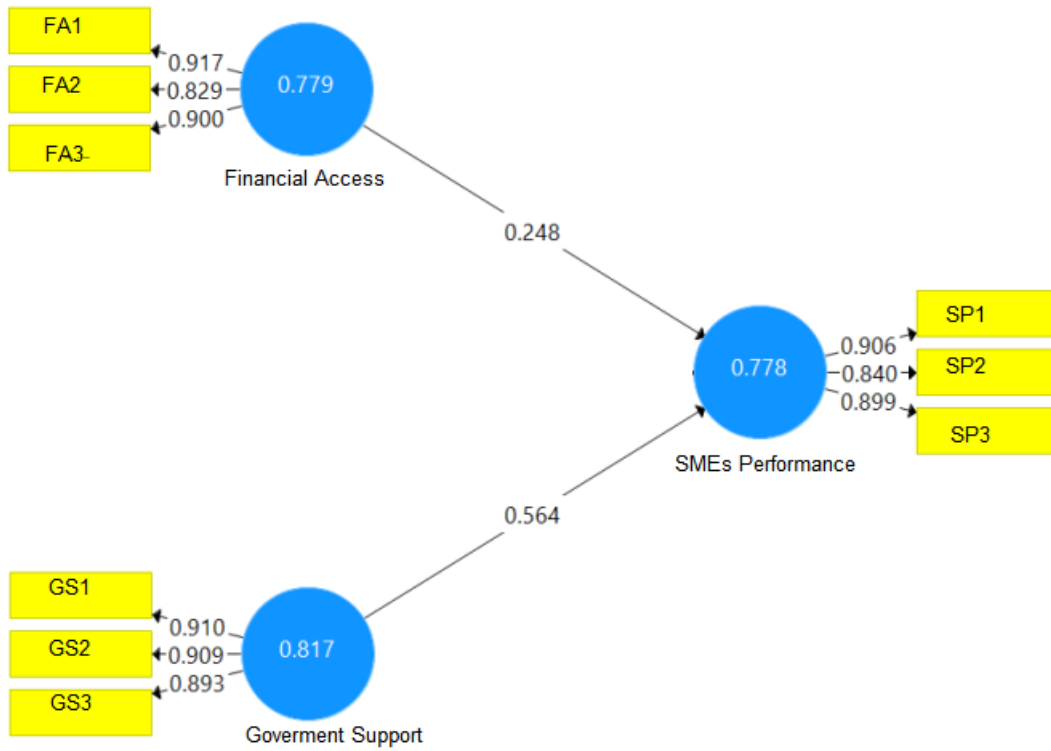


Figure 1. Result using SmartPLS

The results of processing using SmartPLS can be seen in the graph of the outer model value or the correlation between the construct and the variable has met convergent validity because the indicator has a loading factor value above 0.60 so that it is worthy of being continued in the following analysis. Testing the inner model or structural model is carried out to see the relationship between the construct, significance value and R-square of the research model. The structural model is evaluated using R-square for the dependent construct of the t-test and the significance of the structural path parameter coefficient.

Gender Diversity in Improving SMEs

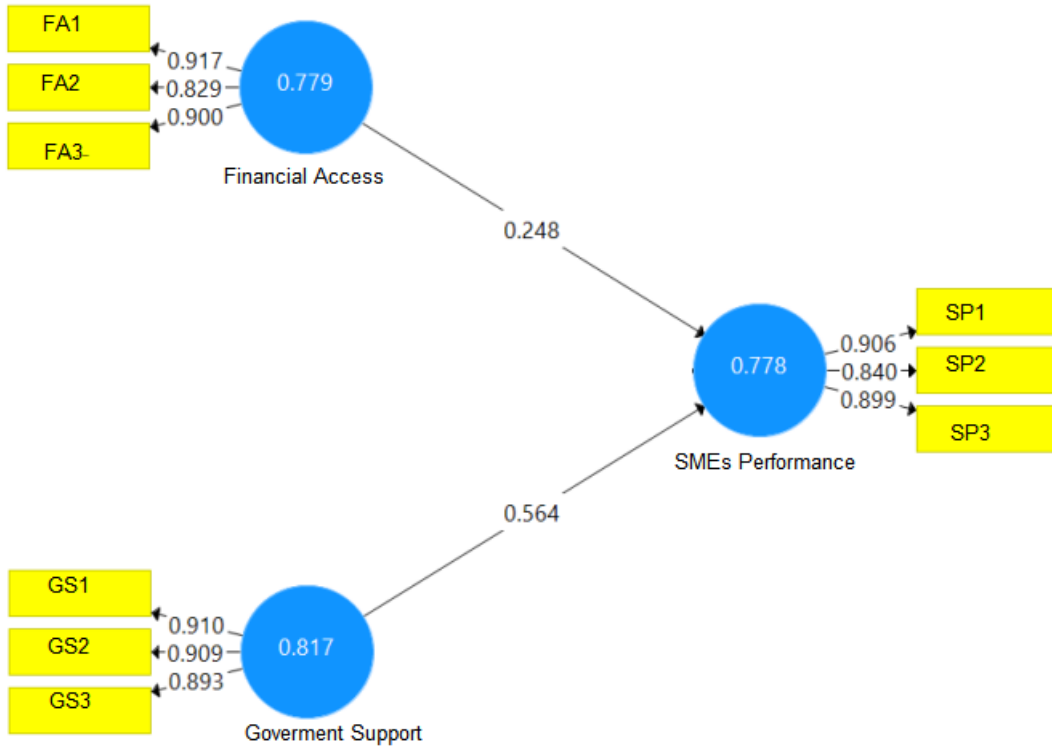


Figure 2. R-Square Value

The figure above shows the R-square value obtained at 0.778 or 77.8%. This result shows that 77.8% of SME performance variables can be influenced by financial access and government support variables. The following are the results of hypothesis testing with bootstrapping testing.

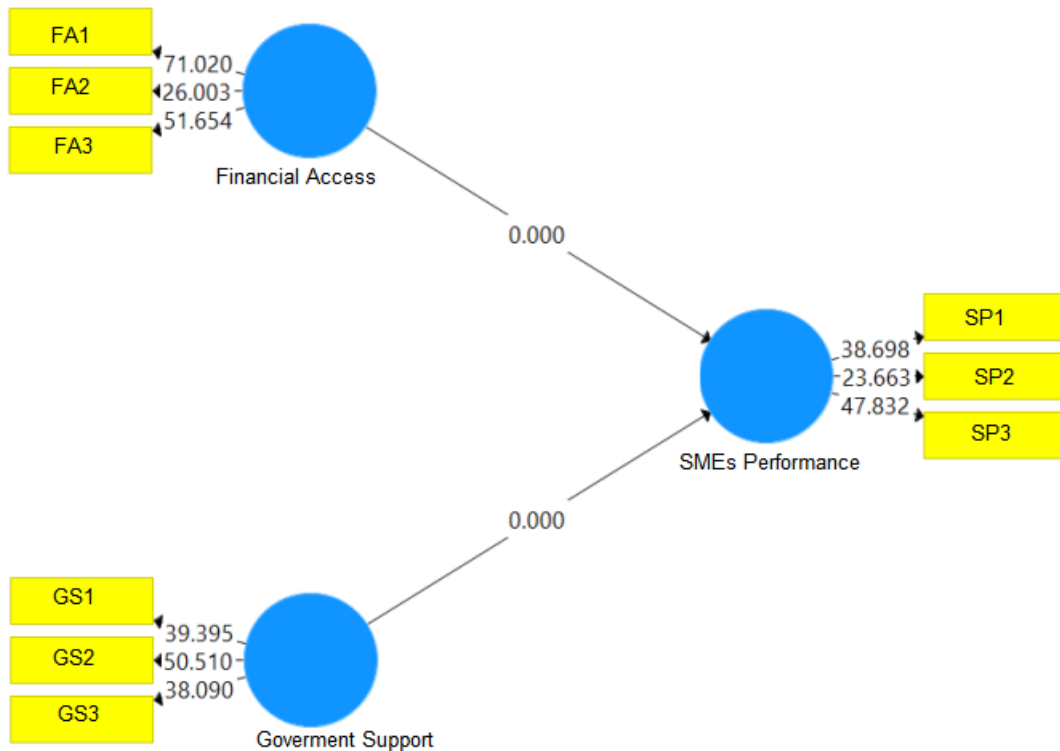


Figure 3. Result Value

The hypothesis tested in this section is that financial access has a positive impact on the performance of SMEs. The purpose of this hypothesis test is to determine whether financial access influences SMEs performance. The bootstrapping results show a probability value of $0.000 < 0.05$, indicating that government support has a positive effect on SME performance. The hypothesis tested in this section is that government support has a positive impact on the performance of SMEs. The purpose of this hypothesis test is to determine whether government support influences SME performance. The bootstrapping results show a probability value of $0.000 < 0.05$, indicating that government support has a positive effect on SME performance.

Discussion

Overall, this study shows that good financial access contributes significantly to SME performance. Although there are challenges that need to be overcome, efforts to improve financial access can encourage the growth and sustainability of the SME sector, which in turn contributes to the national economy (Exposito, 2023). Collaboration between various parties is needed to create a more conducive environment for SMEs in accessing financing. Data shows that SMEs that have better access to financing sources, both through banking and non-banking institutions, tend to have better financial performance (Nyathi, 2022). This is reflected in increased revenue, profitability, and asset growth. SMEs that are able to access working capital and investment have greater flexibility in dealing with market changes.

Diversity in the workplace concerns all employees: each individual is unique in his or her specific features and, as such, is characterized by otherness and difference in other people's eyes. Diversity thus flows across and around every business and discriminations are likely to occur in every occupation and department as well as at each level of corporate hierarchy. Similarly, all departments are faced with diversity at some point in their activity (Asare, 2015). For example, sales and marketing departments face more and more diversified clients and, therefore, need to be able to understand and communicate with them. As such, diversity awareness should be raised and diversity management should be effectively implemented in and by each and every department in the company, and not just by HR. Diversity management requires a cross-cutting approach, involving all stakeholders within the company.

This means that companies should integrate diversity management elements in all their processes, including training or promotion. Diversity management requires a cross-cutting approach based on the embedding of the principles of non-discrimination, respect and inclusion in the global strategy of companies. Those principles should be made the driving forces behind all corporate processes, not just recruitment. Moreover, when implemented in a holistic manner, diversity management helps prevent conflicts in the workplace. Diversity management is about spreading tolerance of and respect for otherness (Alam, 2022). As a result, it contributes to improving cooperation within the company, which, in turn, leads to greater productivity. Diversity management is therefore beneficial on many levels and allows harnessing the full potential of the workforce.

Qualitative findings revealed that SMEs that are able to obtain sufficient working capital can run operations more efficiently. They can meet customer demand on time, reduce the risk of losing business opportunities, and increase customer satisfaction. In contrast, SMEs that are hampered by limited working capital often have difficulty in maintaining operational stability. Access to finance not only impacts operational aspects, but also plays an important role in innovation. SMEs that have access to financing tend to be more active in conducting research and development, which results in new products and improving the quality of existing products. This has been shown to increase their competitiveness in the market (Kimo Kengne, 2016). Although many SMEs have felt the benefits of access to finance, there are still various obstacles that hinder them. Many respondents reported that lack of collateral, lack of understanding of

Gender Diversity in Improving SMEs

financial products, and complicated application processes were the main obstacles. This indicates the need to improve financial literacy and simplify the application process to help SMEs.

Government support for the performance of Small and Medium Enterprises (SMEs) is very important to encourage the growth and sustainability of this sector. Comprehensive and integrated support from the government is very important to overcome the various challenges faced by SMEs and encourage better performance, so that they can contribute more to the national economy. The government provides various financing programs, such as People's Business Credit (KUR), which offers low interest rates and lighter requirements to help SMEs obtain working capital and investment. The government organizes training programs to improve managerial, marketing, and technological skills for SME actors. This helps them develop more competitive products (Shoma, 2019). Through exhibitions, bazaars, and digital platforms, the government helps SMEs expand their market reach. Promotional support is also provided to introduce SME products at the national and international levels. The government is working on regulations that are more friendly to SMEs, such as ease of licensing and reduction of bureaucracy. This creates a more conducive environment for SME development. The government encourages partnerships between SMEs and large companies to build supply chain networks, as well as increase SME access to technology and markets. Several tax incentives are provided for SMEs, such as tax rate reductions or tax exemptions for new businesses, to encourage investment and growth.

Conclusion

Based on these findings, the study recommends several strategic steps. First, the importance of strengthening government programs and financial institutions in providing training and information on available financing products. Second, the provision of more flexible financing schemes based on business potential, not just collateral. Third, collaboration between the government, financial institutions, and SME associations is needed to create an ecosystem that supports SME growth. Government support for the performance of Small and Medium Enterprises (SMEs) is very important to encourage the growth and sustainability of this sector. Comprehensive and integrated support from the government is very important to overcome the various challenges faced by SMEs and encourage better performance, so that they can contribute more to the national economy.

References

- Ahmad, S. Z., & Muhammad Arif, A. M. (2015). Strengthening access to finance for women-owned SMEs in developing countries. *Equality, Diversity and Inclusion: An International Journal*, 34(7), 634-639.
- Alam, K., Ali, M. A., Erdiaw-Kwasie, M. O., Murray, P. A., & Wiesner, R. (2022). Digital transformation among SMEs: Does gender matter? *Sustainability*, 14(1), 535.
- Anderson, W. (2012). A gender-based comparison of marketing strategies of SMEs in Tanzania. *Why Marketing Standards*, 32-42.
- Asare, R., Akuffobe, M., Quaye, W., & Atta-Antwi, K. (2015). Characteristics of micro, small and medium enterprises in Ghana: Gender and implications for economic growth. *African Journal of Science, Technology, Innovation and Development*, 7(1), 26-35.
- Expósito, A., Sanchis-Llopis, A., & Sanchis-Llopis, J. A. (2023). CEO gender and SMEs innovativeness: evidence for Spanish businesses. *International Entrepreneurship and Management Journal*, 19(3), 1017-1054.
- Feizpour, M. A., & Jamali, R. (2009). SMEs employees gender composition and firm growth: Evidence from manufacturing industry in cooperative sector during the second development plan in Iran from 1995 to 1999. *International Review of Business Research*

- Papers*, 5(3), 311-332.
- Isa, S. M., Ismail, H. N., & Fuza, Z. I. M. (2022). INTEGRATING WOMEN ENTREPRENEURS INTO SMES PROGRAMMES AND NATIONAL DEVELOPMENT PLAN TO ACHIEVE GENDER EQUALITY. *Journal of Islamic*, 7(44), 20-31.
- Le, L. H., & Stefańczyk, J. K. (2018). Gender discrimination in access to credit: are women-led SMEs rejected more than men-led? *Gender, Technology and Development*, 22(2), 145-163.
- Mínguez-Vera, A., & Martin, A. (2011). Gender and management on Spanish SMEs: An empirical analysis. *The International Journal of Human Resource Management*, 22(14), 2852-2873.
- Nyathi, L. (2022). Challenges facing SMEs in the Western Cape townships with a focus on gender issues.
- Orser, B. J., & Riding, A. (2018). The influence of gender on the adoption of technology among SMEs. *International Journal of Entrepreneurship and Small Business*, 33(4), 514-531.
- Sarango-Lalangui, P., Castillo-Vergara, M., Carrasco-Carvajal, O., & Durendez, A. (2023). Impact of environmental sustainability on open innovation in SMEs: An empirical study considering the moderating effect of gender. *Heliyon*, 9(9).
- Sarango-Lalangui, P., Castillo-Vergara, M., Carrasco-Carvajal, O., & Durendez, A. (2023). Impact of environmental sustainability on open innovation in SMEs: An empirical study considering the moderating effect of gender. *Heliyon*, 9(9).
- Wellalage, N. H., Locke, S., & Samujh, H. (2019). Corruption, gender and credit constraints: Evidence from South Asian SMEs. *Journal of Business Ethics*, 159, 267-280.
- Simo Kengne, B. D. (2016). Mixed-gender ownership and financial performance of SMEs in South Africa: A multidisciplinary analysis. *International Journal of Gender and Entrepreneurship*, 8(2), 117-136.
- Shoma, C. D. (2019). Gender is a human rights issue: The case of women's entrepreneurship development in the Small and Medium Enterprise sector of Bangladesh. *Journal of International Women's Studies*, 20(7), 13-34.
- Watson, J., & Newby, R. (2006). Gender differences in the goals of owner-operated SMEs. In *Female Entrepreneurship* (pp. 37-68). Routledge.
- Williams, D. A. (2013). Gender and the internationalization of SMEs. *Journal of International Business Research*, 12(1), 133.
- Woldie, A., Laurence, B. M., & Thomas, B. (2018). Challenges of finance accessibility by SMEs in the democratic republic of Congo: is gender a constraint? *Investment management and financial innovations*, (15, Iss. 2), 40-50.
- Woodhams, C., & Lupton, B. (2009). Analysing gender-based diversity in SMEs. *Scandinavian journal of management*, 25(2), 203-213.
- Zhu, H., & Kuriyama, C. (2016). Gender-related constraints faced by women-owned SMEs. *Small*, 10, 49.