

# Factors Affecting the Business Performance of the Micro, Small and Medium Enterprises in Creative Economic Sector in Makassar, Indonesia

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**Abstract-** This study aims at determining the effects of (i) the venture capital on growth strategies, (ii) the characteristics of entrepreneurs on business growth strategy, (iii) business growth strategy on business performance, and (iv) the competence of entrepreneurship on the performance of the business. The number of sample collected in this study using Slovin formula was 296. This sample was collected based on the business category of the creative economic sector. The results of this study showed that there was significant effect of the venture capital business growth strategy and business performance. Variables that were significantly affecting the entrepreneurial characteristics of business growth strategy, entrepreneurial competence and business performance. Competence entrepreneurship significant effect on business performance. Entrepreneurial characteristics significantly influence business performance. However, growth strategies have no significant effect on business performance. Whilst venture capital has a significant influence on business performance through business growth strategy. Finally, entrepreneurial characteristics have significant influence on business performance through business growth strategy and entrepreneurial competence.

**Index Terms—** Venture Capital, characteristics of entrepreneurship, business growth strategies, entrepreneurial competence, and business performance.

## I. INTRODUCTION

Small and medium-sized enterprise (SME) or locally called UKM is one type of businesses' activities that has a small number of employees. However, in terms of the number of establishment, SMEs have bigger number of establishment than the big enterprises (Vinten, 2000). This type of business can be easily found in almost all countries in the world and they generally have limited financial resources as well as limited infrastructure (Jones & Cravenm, 2000).

According to Beck and Cull (2014), the majority of businesses around the world are included in the category of micro, small or medium-sized enterprises (SMEs). More than 95 percent of enterprises in the world can be categorized as SMEs. Of the total employment in the world who works in SMEs have been more than 50 percent and most of SMEs have employees less than 100 people. The important role of SMEs in contributing a large portion of GDP and economic activity has been well recognized in many countries (Jasra, et al, 2011).

SMEs have also been considered as the backbone of the economy in the European countries. In the European countries, SMEs represent up to 99% of all businesses, and they generated approximately 85% of new jobs. The important role of SMEs in these countries has been supported by Baptiste-Cornelis and Long (2009). Thurik and Wennekers (2004) also confirmed the crucial role of SMEs in promoting economic growth. Thus, it is no doubt that SMEs play a very important role to the economy in particular and development in general.

In developed countries, concern on SMEs is very high. This is due to the fact that SMEs has been considered as the backbone of the economy. However, SMEs are vulnerable to a variety of internal as well as external barriers. As a consequence, governments' attention to SMEs is mostly in the form of creating conducive environment, entrepreneurship development, access improvement to both domestic and international markets, providing financial facilities, the competitiveness improvement and providing information and supporting network.

The important of the above attention given by the governments are because SMEs faced many internal barriers including the lack of management experience, the lack of functional skills, the lack of employees' training and development as well as unfavorable attitude towards customers. Whilst the barriers faced by SMEs externally

include the lack of logistics chain, high costs of distribution, high competitiveness and high crime (see, for instance, Archer et al, 2008).

Due to the many problems above, studies on SMEs are very diverse. Some studies suggest, for instance, the important of supply management as a strategic concept in improving SMEs' productivity. Vinten (2000), particularly emphasized the important of training and development of SMEs entrepreneurs as one important factor in business success, while Fening (2012) suggests the important of the practice of quality management. Also, Tam et.al.(2001) suggest the important of the application of management theories and tools to develop business process models. Jasra et.al.(2011) emphasized the facilitation of financial resources in developing the SMEs, while Pavel and Pavel (2012) found that the development of creative industries is important in any regions.

As the creative economic sector plays important role in Indonesia, the government then mapped this sector into 14 sectors, namely, (1) advertising, (2) architecture, (3) the market of art and antiques, (4) crafts, (5) design, (6) fashion, (7) video, film, and photography, (8) interactive games (9) music, (10) the performing arts, (11) publishing and printing, (12) computer services and software, (13) television and radio, and (14) research and development.

It is argued that creative economic sector is believed to be able to answer the challenges of the basic problems faced by the country in the short and medium terms. These problems include: (1) the relatively low post-crisis economic growth at an average of only 4-5% per year; (2) the still high unemployment rate at 9 to 10%, a high poverty rate of 16 to 17%, and (3) low competitiveness of industry in Indonesia. In addition to these problems, the creative economic sector is also expected to address challenges such as the issue of global warming, the utilization of renewable energy, deforestation, and carbon emissions reduction. Thus, the development of creative industries is expected to lead to the pattern of clean-tech industry on one hand, and the creation of value-added products as well as optimizing the quality of human resources.

For particular creative industries in the small and medium enterprises, the success of this sector is determined by the ability of management based on innovation (Hotho and Champion, 2011). This condition becomes an opportunity for the development of SMEs, especially in the creative sectors to create innovative values (Tien et al, 2007). Also, SMEs cannot be separated from entrepreneurship, as this is the part of the two sides of a coin (Lucky and Olusegun, 2012). Hence, the role of innovation in SMEs is essential for the development of business performance (Olughor, 2015).

Various empirical findings and debate about the factors that affect the performance of the business consequently becomes a very important issue to be studied in comprehensive and in-depth ways. Growth in the number of SMEs in general and the creative economic sector which is not accompanied by the growth in the quality of business performance will actually become an obstacle to the success of SMEs. SMEs business performance is highly dependent on the quality of entrepreneurship in order to become an innovator able to implement innovations through creative combinations (Schumpeter, 1951).

Business performance has linked with the theory of resources based view (RBV), in which the factors that affect the performance of the business in RBV include assets, the

organization, the attributes the company, and information or knowledge. These factors were supported in the studies undertaken by Baumann-Vitolina and Clas (2013) as well as by Pu and Zheng (2015). They argued that the capabilities owned both in terms of tangible and intangible resources (including innovation) that were managed effectively will be the business power of SMEs. All of these factors are in accordance with the concept of venture capital, entrepreneurial characteristics, growth strategies, and competencies that impact on business performance. For this reason, the study aimed to examine the effects of venture capital, entrepreneurial characteristics, growth strategies, and entrepreneurial competence on business performance is important to be undertaken.

## II. LITERATURE REVIEW

### 1. Entrepreneurship

Entrepreneurship can be defined as a creative and innovative capability which is used as the base and resources to seek out opportunities for success (Suryana, 2003). Entrepreneurship is the process of creating something new on the value of using necessary time and effort, to bear the financial risk, physical, the risk of failure that accompanied, receiving monetary rewards produced, as well as the satisfaction and personal freedom. Thus, entrepreneurship is a process of creating something new with courage in taking risks to get yield (Kearney et al., 2008).

### 2. Venture Capital

In running a business, one contributing factor that is required is capital. This capital becomes part of the foundation of the business activities. The stronger the foundation is made, the more solid the business activity (Purwanti, 2013). Capital in this context include determination, experience, courage, knowledge, net working, as well as financial capital. However, most activity faced difficulties in starting a business due to the limited access to acquire the source of capital.

### 3. Characteristics of Entrepreneurial

Kearney et. al. (2008) divides the entrepreneurial characteristics into six dimensions. These dimensions are education, personal values, age, work experience, moral support network, and professional support network. Details of these six dimension are as follows.

(1) Education is very important in doing business. The importance of education is not only reflected in the level of education achieved, but also in the fact that education continues to play an important role in helping entrepreneurs overcoming the problems encountered. Education will facilitate the integration and accumulation of new knowledge, giving individuals greater opportunities and help employers in adjusting to situations.

(2) In terms of personal values, there are five personal values as the consensus that was found in all consumers and leadership groups, namely, product quality, service quality for customers, ability to adapt to future changes, high caliber management, honesty and ethics in business practices.

(3) In terms of age. it is important to distinguish between the age of entrepreneurial business and chronological age. The age of entrepreneurial business reflects the experience in doing business, while the chronological age is the age when a person starts entrepreneurial career. Most entrepreneurs start

entrepreneurial career between the ages of 22 and 45 years. Entrepreneurial experience is one of the measures for predicting the success, especially when new businesses operate in the same field with prior business experience.

(4) In terms of work history, employment history is not only a negative displacement in the decision to start a new entrepreneurial venture, but also play a role in the growth and ultimately the success of the new venture. When the business is established and began to develop, skills and managerial experiences play important roles, in addition to business experience.

(5) Moral support network is individuals who provide psychological support to a businessman. It is important for every entrepreneur to build a network of moral support both from family and its partners.

(6) professional support network is individuals who assist an entrepreneur in their business activities. Apart from support, an entrepreneur also needs advises throughout the formation of new businesses. This advice can be obtained from a mentor, business associations, trade association, or personal affiliations.

#### 4. Business Growth Strategy

Strategies are recognized as the key aspect of management in large organizations (Gibcus and Kemp, 2003). Large companies generally write or say publicly that their strategy. However, for the small companies, the strategy is not formally defined and the strategy usually comes from the manager / owner as key decision-makers (McCarthy, 2003). This is because small companies usually do not write the formulation of a strategy. The strategy is developed from the pattern of behavior of the owner / manager and resource allocation (Schindehutte and Morris, 2001).

#### 5. Entrepreneurship Competency

The success or failure of the business will be affected by the skills and abilities (competencies) of owners / managers. Understanding of the role of entrepreneur can give a better insight about what competencies needed by employers to ensure business survival and success (Ahmad et al., 2010). Kiggundu (2002) states the overall entrepreneurial competencies as an entrepreneur attributes such as attitudes, beliefs, knowledge, skills, abilities, personality, skills and

behavioral tendencies are needed to sustain and business success.

#### 6. Business Performance

Li et. al. (2005) uses three indicators to measure business performance, namely; efficiency, growth. and profit. The company's performance is a multi-faceted phenomenon which is difficult to measure (Aragon-Sanchez and Sanchez-Marin, 2005). The literature shows that both quantitative and qualitative indicators have limitations and it is recommended to be used interchangeably. Quantitative measurements such as return on investment (ROI), profit, sales, and so forth are needed to identify the achievement of the company in a given period. However, of these measures the used of ROI that is the result of a comparison of income before tax to total assets is commonly used (Saints, 2009). While qualitative measures or often called performance indicators usually used certain scales as performance measurement such as performance business knowledge and experience, the ability to offer quality products and services, the capacity to develop processes and new products, the ability to manage and work in groups, labor productivity, and the company's responsibility to the environment.

### III. RESEARCH METHODS

#### Variables, Unit Analysis and Sampling Method

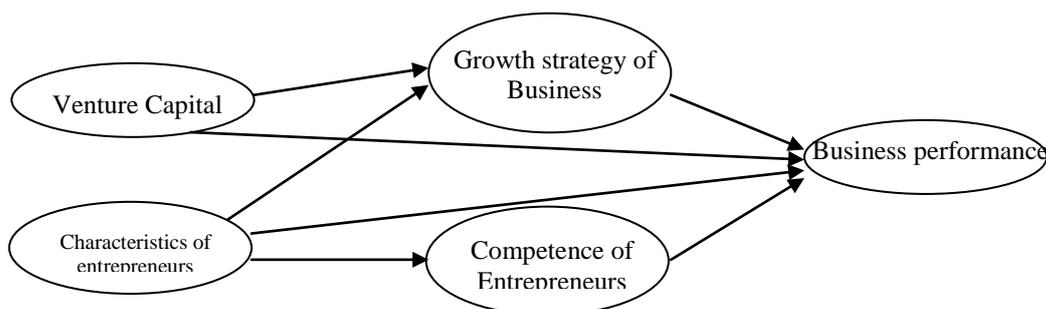
As mentioned above, this study was conducted to examine and analyze factors that affect the business performance of micro, small and medium enterprises (MSMEs) by putting venture capital and characteristics of entrepreneurs as exogenous variable and the performance of the business as endogenous variables, while growth strategies and competence of entrepreneurship are as intervening variables.

The unit analysis of this study is MSMEs of the creative economic sectors. The number of MSMEs in the creative economic sectors in 2014 was 1,141 out of 12,680 SMEs in Makassar. The method to select the sample survey is by using simple random sampling technique. The decision to select the number of sample in this study were determined by using a formula Slovin. Using this formula, it was obtained the sample of 296 respondents. Each of these sample respondents was given questionnaire.

#### Conceptual Framework and Hypotheses

The conceptual framework of the research are shown at Figure 1.

Figure 1. Conceptual Framework



Note that, all variables were measured using an ordinal scale using Likert scale. The range of the scale used ranging from a value of 1 for strongly disagree response up to the value of 5 for strongly agree responses. These data were then analyzed using the statistical analysis of Structural Equation Modeling (SEM).

The hypotheses of this study are as follows.

1. H1: Venture Capital affects the business growth strategy in the SMEs of the creative economic Sector.
2. H2: Characteristics of entrepreneurs affect the business growth strategy in the SME of the creative economic sectors.
3. H3: business growth strategies affect the performance of the business in the SME creative economic Sectors.
4. (H4): Entrepreneurial competence influences the business performance of the SME creative economic sector.
5. (H5): venture capital has effect on business performance mediated by the business growth strategy of the SME creative economic sector
6. (H6): Characteristics of entrepreneurs affects the performance of businesses mediated by the growth strategy of the SMEs of creative economic sector.
7. (H7): Characteristics of entrepreneurs affects the performance of business mediated entrepreneurial competence of the SMEs creative economic sector.

**IV. RESULTS AND DISCUSSION**

It should be noted that out of 296 respondents selected, there was only 261 respondents who are able to complete the questionnaires. Details of the characteristics of respondents based on gender, age, marital status, education last, age of business and business connections were exhibited at Table 1.

**Table 1. Characteristics of Respondents**

Category	Description	Frequency	Percentage
Sex/gender	Male	133	51%
	Female	128	49%
	<b>Total</b>	<b>261</b>	<b>100%</b>
Age	< 40 year	67	25,67
	> 41 year	194	74,33
	<b>Total</b>	<b>261</b>	<b>100%</b>
Marital status	Married	257	98,5%
	Not married	4	1,5%
	<b>Total</b>	<b>261</b>	<b>100%</b>
Higher educational level	Elementary school	64	24,5%
	Junior	84	32,2%

	high school		
	Senior high school	113	43,3%
	<b>Total</b>	<b>261</b>	<b>100%</b>
Business experiences	< 5 year	70	26,82
	> 6 years	191	73,18
	<b>Total</b>	<b>261</b>	<b>100%</b>
Business ownership	Own	104	39,85
	Shared	85	32,57
	Borrowing	17	6,51
	Combination	55	21,07
	<b>Total</b>	<b>261</b>	<b>100%</b>

Source: estimated from the field work.

Based on the above table, it can be seen that the characteristics of the respondents under survey are as follows. In terms of gender, the number of male respondents was about 133 or about 51%, while the number of female was 128 (49%). In terms of the age of respondents, it was found that most SMEs in Makassar under survey was largely dominated by entrepreneurs over the age of 41 years that as many as 194 people (74.33%), while the rest are under 40 years as many as 67 people (25, 67%).

In terms of the marital status, the number of married respondents was 257 (98.5%), while the rest of respondents were unmarried. Note also that most respondents under survey were dominated by those who have higher educational of Senior High School (43.3%), followed by Junior high school (32.2 %) and elementary school (24.5%). However, in terms of the age or business experience, most of SMEs under survey has business experience above 6 years ((73.16%), while those aged under 5 years of business was recorded only 26.82%. The characteristics of respondents who owned the business was about 39.85 percent, followed by the joint business of 32.57 percent and combination of own capital and a loan of 21.07 percent. The rest of 6.5 percent depends their business from borrowing. Note that, creative economic sector in Makassar city is dominated by business type craft and fashion.

The test result of the structural model used in the study is shown at Table 2. In this table the model was tested based on the criteria of goodness of fit the critical value (cut-off value) that were considered suitable data.

**Table 2. Goodness of Fit Indices Cut-off Value**

Goodness of Fit Indices	Cut-off Value	Model Evaluation Results	Notes
X <sup>2</sup> Chi Square	$\alpha = 5\% \rightarrow 129,918$	174,576	Marginal
Probabilities	$\geq 0,05$	0,000	Not good
CMIN/DF	$\leq 2,00$	1,663	Good
RMSEA	$\leq 0,08$	0,050	Good
GFI	$\geq 0,90$	0,932	Good
AGFI	$\geq 0,90$	0,890	Margin

			al
TLI	$\geq 0,95$	0,957	Good
CFI	$\geq 0,95$	0,970	Good

Source : Estimated from the models.

Table 2 showed that the magnitude of the effect and its contribution given between exogenous and endogenous latent variable have the value of GFI (R2) of 0.932, or 93.2 percent. This means that the diversity of data can be explained by the structural model, or in other words, the information contained in 93.2% of data can be explained by the model, while the rest is explained by other latent variables. Also, it was found that the model presented suggests that the evaluation models to

construct a whole has generated above a critical value so it can be argued that the model can be accepted.

Furthermore, in terms of the causal relationship developed in the hypothesis, the results found that the estimated value of a coefficient was 0.117. This indicated that there was a positive causal relationship between venture capital and business growth strategy. This was shown from the critical value of 2.048 which is greater than the limit of 1,960 at the confidence level of 0.05, and the p-value of 0.041 which is less than 0.050 which means that it is significant at the 5% level. Therefore, hypotheses that stated that there is significant effect of venture capital on the business growth strategy was accepted (Table 3).

**Table 3. Evaluation of Loading Factors of Full Model Tests**

Variables	Variables	Loadi ng Factor	Critic al Ratio	Probabi lity	Notes
Venture capital (X1)	Growth strategy of business (Y1)	0,117	2,048*	0,041*	Significan t
Entrepreneurs characteristics (X2)	Growth strategy of business (Y1)	0,719	11,105*	0,000*	Significan t
Characteristics of entrepreneurs (X2)	Entrepreneurs Competence (Y2)	0,405	5,655*	0,000*	Significan t
Venture capital (X1)	Business performance (Y3)	0,140	2,944*	0,003*	Significan t
Growth strategy of business (Y1)	Business performance (Y3)	0,015	0,187	0,851	Not significant
Characteristics of entrepreneurs (X2)	Business performance (Y3)	0,176	2,218*	0,027*	Significan t
Entrepreneurs Competence (Y2)	Business performance (Y3)	0,864	12,633*	0,000*	Significan t

Note: \*) significant at 5% level.

Source : estimated from the model.

Moreover, from the Table 3 it can also be seen that there was positive causal relationship between the entrepreneurial characteristics and business growth strategy. This is show from the critical value of 11.105 which is greater than the limit of 1,960 limit for the confidence level of 0.05, and p-value was also 0.000 which is less than 0.050 at the 5% significance level. The coefficient indicates that the increase of the entrepreneurial characteristics will positive effect on business growth strategy. Thus, the hypothesis that stated that there is a significant influence of entrepreneurial characteristics on business growth strategy is also accepted.

In terms of the causal relationship between growth strategies and business performance, the study found the critical value of 0.187 which is smaller than the limit of 1,960 and p-value 0.851 which is greater than 0.050. This means there is no significant effect of business growth strategy on business performance. Due to this result, the hypotheses that

stated that there was positive and significant effect of business growth strategies on the performance of the business was rejected.

Finally, it was found that there was a causal relationship between entrepreneurial competence and business performance. This was shown from the critical value of 12.633 which is greater than the limit of 1,960 and the p-value of 0.000 which is less than 0.050. This means that there was a causal relationship between entrepreneurial competence and business performance at the 5% significance level. Thus, the hypotheses that stated that the entrepreneurial competence affect significantly the business performance is accepted.

The strength of the indirect effects correlation between construct variables was evaluated. The results are shown at Table 4.

**Table 4. The Values of indirect effect of variables**

Variables	Intervening	Variables	<i>Indirect Effect</i>	Notes
Venture capital (X1)	Growth strategy of business (Y1)	Business performance (Y3)	0,002	Significant
Entrepreneurs characteristics (X2)	Growth strategy of business (Y1)	Business performance (Y3)	0,361	Significant
Entrepreneurs characteristics (X2)	Entrepreneurial competence (Y2)	Business performance (Y3)	0,361	Significant

As shown at Table 4, the indirect effect of venture capital on business performance by considering the business growth strategy showed there is a positive and significant impact. This explained that by developing better business capital, it can improve business performance if accompanied by business growth strategy considerations.

Also, the indirect effect of the entrepreneurial characteristics on business performance by considering growth strategies show the positive influence. This suggests that by developing a better entrepreneurial characteristics, it will improve business performance when accompanied by business growth strategies consideration.

Finally, the indirect effect of the entrepreneurial characteristics on business performance by considering entrepreneurial competencies showed a positive and significant impact. This suggests that by developing a better entrepreneurial characteristics, it will improve business performance when it is accompanied by entrepreneurial competence consideration.

All indicators of variables venture capital and growth strategies are also valid and reliable as whole as well in the factor analysis. The coefficient of the effects of venture capital on growth strategies showed a significant effect. Thus, this suggests that the quality improvement of the venture capital will influence and improve the business growth strategy. This finding is supported by the study undertaken by Eresia-Eke and Raath (2013), White and Miles (1993), and Norton (1991) in that they found that business growth strategy is closely linked to the ability of venture capital owned.

In addition to the statistical analysis above, the qualitative survey also support the findings above. The respondent survey, for instance stated that apart from the quality of products and services, the efficiency factor also becomes a major consideration for SMEs in creative economic sector in Makassar. SMEs in this creative economic sector in general accommodate efficiency in the operational activities of business. On the other hand, the creative economy businesses feel that the credits from the government has not been effective and efficient for businesses. This is not surprising as the capital structure of SMEs in Makasar was largely based on private investment. Very few, they are associated with a third party (government or banks) for funding. If they need an injection of funds from outside parties, this was mainly from the financial sources other than bank.

Physical capital as an economic resource that is dominated by the entity is seen as the physical production capacity that the company's ability to produce goods and services. Physical capital consists of current assets and fixed assets. In general,

current assets have been used regularly and permanently to run the operations of the company. Similarly, the fixed assets are also very important for production activities. This is simply because without equipment, machinery, buildings, vehicles and land, there will be no production activities in the manufacturing industry. Thus, the availability of physical capital in the manufacturing industry serves to organize the normal production area so that business continuity is ensured.

All indicators of the characteristics of entrepreneurship and business growth strategy were found to be valid and reliable both in terms of whole or the factor analysis. The characteristics of entrepreneurial has been found to be positive and significant affecting the business growth strategy. This indicates that the enhancement of entrepreneurial characteristics will influence and improve the quality of growth strategies. This finding is consistent with the studies' findings of Karunanithy and Jeyaraman (2013); Gurbuz and Aykol (2009) and Gray (2002) in that the characteristics of entrepreneurship plays an important role in growth strategies for SMEs.

Also, all indicators of the characteristics of entrepreneurs and entrepreneurial competence are found to be valid and reliable. The effect of the entrepreneurial characteristics on the entrepreneurial competence showed a positive and significant effect. Thus, the improvement in entrepreneurial characteristics will influence and improve the quality of entrepreneurial competence. This finding is supported by the previous studies undertaken by Man (2006); Man and Lau (2005) in that the entrepreneurial characteristics has positive and significant effect on entrepreneurial competence.

Similarly, the study found that all indicators of growth strategies and business performance are valid and reliable. However, the effects of growth strategies on business performance has been insignificant. Thus, the improve quality of growth strategies will not affect and improve business performance. This finding was against the previous studies undertaken by Karel et al (2013); Boohene et al (2008); Yanney (2014); Gelderen et al (2000) in that they found that the effective growth strategies will improve business performance.

Growth strategies that have no significant effect on the business performance may be because that strategy has not given added value to the consumer, or due to the cheaper and high quality of imported products, and because of the tight competition with big businesses. This condition was reflected in the level of sales of SME products which is relatively low, or because of the high costs of business development, as well as the lack of skills of SMEs in the creative economic sectors

in the city of Makassar. This condition certainly is a major challenge for SMEs to evaluate their strategy.

In terms of the indicators of entrepreneurial competencies and performance, the study found that these indicators are valid and reliable. The coefficient of entrepreneurial competence was found to be significant in influencing the performance of the business. Hence, the entrepreneurial competencies is important in improving business performance. This finding is consistent with the findings of Ng et al (2013), Tehseen (2015), Sarwoko et al (2013), Man et al (2008), Barazandeh (2015), Sanchez (2011).

Finally, all indicators of the characteristics of entrepreneurs and business performance was found to be valid and reliable. The characteristics of entrepreneurs has positive and significant effect on business performance. This finding was consistent with the findings of Lee and Tsang (2001); Blackman (2003); Solichin (2005); O'Regan et al. (2005); Zoysa and Herath (2007); and Nimalathanan (2008). Similarly, the capital and business performance were found to be valid and reliable. This finding has been supported by the previous findings undertaken by Salim and Yadav (2012); Rahim and Burn (2014); Auken and Horton (1994); Belobo and Pelsler (2014); Kyereboah-Coleman (2007), to mention just a few.

## V. CONCLUDING REMARKS

The effect of venture capital on the business growth strategy have been positive and significant. The venture capital consists of capital investment, working capital, operating capital and capital governments have a tendency to define growth strategies on SMEs in Makassar. Such conditions explain the reality that success growth in business strategy will be determined by the ability of venture capital.

The effect of the entrepreneurial characteristics on business growth strategy has been found to be significant. This suggests that the business growth strategy will be realized if it is supported by an entrepreneurial characteristics that are based on psychological factors, experiences and family influences.

Also, it was found that the effect of the entrepreneurial characteristics on entrepreneurial competencies have been positive and significant. The results of this study confirms that entrepreneurial competencies will be realized if it is supported by an entrepreneurial characteristics that are based on psychological factors, experiences and family influences.

The influence of venture capital on business performance has been positive and significant. This indicate that venture capital has a tendency to determine the quality of business performance. The condition confirms that the level of business performance is determined by an increase in working capital.

Finally, the effect of growth strategies on business performance has been found to be insignificant. Thus, business growth strategies implemented by SMEs in Makassar do not have a tendency to form business performance. This suggests that business performance is not determined by business growth strategy.

To sum up: the study confirms the importance of the role of financial institutions in the development of SMEs in the creative economic sectors in Makassar, South Sulawesi. For that reason, it is a must for the government to expand the existence of financial institutions, both banks and non-banks, as well as cooperative units at least in Makassar. By increasing the

availability of these financial institutions, the SMEs in creative economic sector can improve the quality of their products and services, the business strategy and able to optimize the dynamic of business opportunities and market changes.

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