UDC 332

# ANALYSIS OF FACTORS AFFECTING THE WELFARE OF MSME WELFARE OF KEMBANG RAMPAI IN DISTRICT ABIANSEMAL, BADUNG REGENCY, INDONESIA

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**ABSTRACT**
This study aims to analyze the Influence of Factors Affecting the Welfare of KembangRampai MSME in Abiansemal District, Badung Regency. This type of study data uses quantitative and qualitative data, with primary and secondary data sources. The location of this study is in Abiansemal District, Badung Regency, which has MSME of kembangrampai. The sample in this study amounted to 108 respondents, using the accidental sampling technique. Data collection methods used include questionnaires and in-depth interviews. This study uses a Structural Equation Modeling (SEM) analysis technique with an alternative Partial Least Square PLS (component based SEM). The results of the analysis show that 1) Business Capital, Social Capital, and Production Technology have a positive and significant impact on the performance of KembangRampai MSME in Abiansemal District. 2) Business Capital, Social Capital, MSME Performance have a positive and significant impact on the welfare of KembangRampai MSME actors in Abiansemal District. Production Technology have a negative and significant effect on the welfare of KembangRampai MSME in Abiansemal District 3) Business Capital, Social Capital, and Production Technology have an indirect effect on the Welfare of Kembang Rampai MSME in Abiansemal District through MSME Performance in Abiansemal District.

**KEY WORDS**
Business capital, social capital, production technology, MSME performance, welfare.

National development places humans as the central point so that they have the characteristics of the people, by the people and for the people. Development is dynamic and multidimensional, development is carried out to achieve the main goal, namely the welfare of the people in a country or region (Todaro, 2000). The role of the informal sector in creating jobs can help reduce the unemployment problem in Bali. The role of the informal sector is very important, especially because of its ability to absorb a lot of labor and does not require a high level of skill. Even the informal sector can be a place for human resource development, where the unskilled labor can improve their skills by entering the informal sector first before entering the formal sector (BAPPENAS, 2016).

Number of MSME by formal and informal sector in Regency/City of Bali Province 2016-2019. The development of the informal sector in Bali is better than the formal sector because more people work in the informal sector to earn income. The number of MSME in Bali is 331,621 business units with the formal sector being 83,634 businesses and the informal sector being 247,987 businesses. The highest MSME are in Gianyar Regency with a total of 76,618 MSME, in the formal sector with 7,113 businesses and the informal sector with 69,505. Klungkung Regency is the regency with the lowest MSME at 12,810 with the number of businesses in the formal sector 3,325 and the informal sector 9,485. In addition to Klungkung Regency, Badung Regency is also the lowest MSME, which is 19,688 MSME. Badung Regency has a low informal sector, namely 1,521 MSME, compared to Klungkung Regency which has a smaller number of MSME than Badung Regency.

Bali, with a high number of MSME able to absorb labor in the informal sector in 2019, was recorded as much as 1,160,765 people (Bali Province BPS, 2020). Badung Regency which has a low number of MSME in the informal sector with a population aged 15 years and over in 2019 working in the informal sector amounted to 142,789 people, decreased from 2018 of 146,991 labor (Badung in Figures, 2020). Based on the measurement of the

productivity level of the informal sector MSME from the total production output produced and compared to the level of labor users. Badung Regency got a result of 68.71 units in 2019, this means that the productivity of Badung Regency is still relatively low. Klungkung Regency is a district that has the lowest productivity level compared to Badung Regency, this seems reasonable because the number of informal MSME that have developed in Klungkung Regency is only around 9,485 business units and the low labor can certainly affect the amount of production produced as a whole so that productivity is low.

It is very interesting to see Badung Regency, where the number of MSME in the informal sector is small with a high number of labor but low business productivity. Compared to Karangasem Regency, the number of informal MSME is also relatively low at 21,467 business units and lower labor than Badung Regency, which is 118,023 people, but the productivity level of Karangasem Regency is greater than that of Badung Regency by 92.57. The small number of business units can certainly affect the amount of production produced as a whole. Badung Regency itself has six districts, namely Abiansemal District, Mengwi District, North Kuta District, Kuta District, South Kuta District and Petang District. According to data from the Office of Cooperatives and MSME in Badung Regency, Table 1.3 shows that the number of MSME in the informal sector in 2019 reached 1,521 businesses spread across 6 (six) districts in Badung Regency. The largest number of informal sector is in Abiansemal District which has the number of MSME in the informal sector as many as 438 businesses and Petang District is the lowest with the number of MSME in the informal sector 131 businesses. The high number of MSME in the informal sector in Abiansemal District is currently a concern of the Abiansemal District Government because with the high potential of Micro and Agriculture businesses in Abiansemal District, it is hoped that the community can manage well to improve welfare (Badungkab.go.id).

One form of informal sector MSME that is developing in the North Badung area by utilizing the agricultural sector and is included in agricultural business households is the kembangrampai-making business. The business is called the KembangRampai MSME by the Badung Regency Cooperatives and MSME Service. MSME KembangRampai is a type of micro and medium enterprise that processes pandanus plants into products that have added value. The business of making kembangrampai is currently spread in Abiansemal District and North Kuta District, However, the business of making kembangrampai was first developed in Abiansemal District, Abiansemal Village since 1996, precisely in Banjar Aseman. Head of the Abiansemal district office division head, Ida Ayu Manik, said that the business of making kembangrampai has so far been spread in several villages in the Abiansemal district. These villages include SibangGede Village, SibangKaja Village, Abiansemal Village, Dauh Yeh Cani Village and Sangeh Village.

Based on the results of observations, it shows that the problems that occur in the MSME actors are the lack of capital and knowledge of technology which results in the growth of the MSME performance of kembangrampai seen from the average sales volume, production volume has increased which is still relatively low and in 2019 there was a decrease in sales by 9 percent. This decline affects the welfare of MSME actors as seen from the decrease in income earned so that MSME actors' ability to finance family health care decreases. In addition, excessive production is also a problem for MSME actors where when the kembangrampai is not sold out it will be stored back for sale, the kembangrampai only lasts 3 days outdoors and 5 days in the refrigerator. If the kembangrampai remains, the business actor will use the kembangrampai as a complement to prayer tools such as canang and banten. In addition, it can also be used as plant fertilizer so that unsold kembangrampai will not be wasted and MSME can save on fertilizer costs.

Seeing the high dependence of the majority of the people of Abiansemal District on the agricultural sector, it is necessary to support and identify strategies to improve the sustainability of the agricultural sector. Moreover, this business has an important role for the economy of the community in Abiansemal District. This phenomenon can explain that capital, social capital, and technology are important factors for the running of the MSME. The existence of these three factors together results in an increase in the business performance and income of the kembangrampai MSME so as to improve the welfare of the

kembangrampai MSME actors. The purpose of this study is to analyze: 1) the direct effect of venture capital, social capital, and production technology on the performance of MSME of kembangrampai in Abiansemal District, Badung Regency; 2) the direct effect of venture capital, social capital, production technology and performance of MSME of kembangrampai on the welfare of MSME actors of kembangrampai in Abiansemal District, Badung Regency. 3) business capital, social capital, and production technology have an indirect effect on the welfare of MSME actors through the performance of MSME kembangrampai in Abiansemal District, Badung Regency

## LITERATURE REVIEW

*Concepts and Definitions of Variables.* In Indonesia, the law governing Micro, Small and Medium Enterprises (MSME) is Law Number 20 of 2008 concerning MSME is a small company owned and managed by a person or owned by a small group of people with a certain amount of wealth and income. The criteria for MSME are seen from the Business Size Criteria for Micro Business Assets Turnover Maximum IDR 50 million Maximum IDR 300 million. Small Business > IDR 50 million – IDR 500 million >Rp 300 million – IDR 2.5 billion. Medium Enterprises >Rp 500 million – IDR 10 billion >Rp 2.5 billion – IDR 50 billion. MSME can be grouped into three types, namely Small Enterprises with 30 employees, Micro Enterprises with 10 employees, and Medium Enterprises with 300 employees.

Welfare is a condition in which the physical and spiritual needs of the household are met according to the level of life (BPS Bali, 2021). To measure the level of human welfare, central agency for statistics (BPS - Badan Pusat Statistik) has several indicators that can be used, namely income, housing and settlements, education, and health. Social welfare is defined as a condition of individual and community life with a standard of living as perceived by the community (Swasono, 2004). The level of feasibility of living can be understood relatively by various groups and cultural backgrounds, considering that the level of eligibility is determined by a society's normative perception of certain social, material, and psychological conditions.

Performance is a series of management activities that provide an overview of the extent to which the results have been achieved in carrying out their duties and responsibilities in public accountability, both in the form of successes and shortcomings that have occurred (Ranto, 2007). Hudson Smith (2001) added that there are six dimensions in business performance which include financial performance, operating performance (time dimension, quality and flexibility), how the company delivers products to external parties (consumers) and cultural aspects in the work environment (human resources dimension). The performance of small and medium enterprises is an accumulation of the results of strategy implementation activities carried out by MSME.

Capital is all forms of wealth that can be used directly or indirectly in the production process to increase output (Firdausa, 2012). Business capital is an expenditure to buy production equipment and capital goods which aims to increase or replace capital in economic activities that will be used to produce goods and services (Danendra, 2015).In a business activity, capital is stated as one of the important factors needed. Tambunan (2002) states that capital is the amount of money spent at the beginning of opening a business that is used to buy merchandise to be resold. In this sense, capital is expressed in rupiah.

According to Wijaya and Suyana Utama (2013; 415) the role of technology in business is to reduce the error rate made by the labor. Although the individuals needed to apply technology to a production process are quite expensive, the company will be able to obtain business efficiency which can be seen from the comparison of profits and invested capital. Technology can also be interpreted as knowledge about the know-how of making things or the know-how of doing things, in the sense of the ability to do something with a high value, both the value of the benefits and the selling value (Martono, 2012; 276).

Social capital is a series of processes of human relations that are supported by networks, norms and social trust that enable efficient and effective coordination and cooperation for mutual benefit (Eva Cox, 2012). According to Putnam (1993) there are 3

important aspects that indicate the value of social capital. This social capital is seen as a social institution that involves Networks, Norms, Social Trusts that encourage social collaboration (coordination and cooperation) for the common good. Some indicators of Social Capital according to Coleman and Putnam in Ahmad (2013:139) are trust, norms or values, and networks. The social capital indicator is also an indicator for social capital in this study.

*The theories used.* Welfare economic theory is part of social welfare that can be linked directly or indirectly to the measurement of money (Pigou, 1960). Welfare can be approached based on two things (Campbell, 1976; Sumawan and Tahira, 1993; Milligan et al., 2006) namely, subjective well-being and objective well-being. Welfare is addressed at the individual, family, and community levels. Welfare theory is generally classified into three types, namely classical utilitarian, neoclassical welfare theory and new contractarian approach (Alberth and Hahnel, 2005: 76). The classical utilitarian approach emphasizes that a person's pleasure or satisfaction can be measured and increased. Different levels of pleasure felt by the same individual can be compared quantitatively. The principle for the individual is to increase as much as possible his level of well-being. For the community, improving the welfare of the group is a principle that is held in their lives. Neoclassical welfare theory is a welfare theory that popularized the pareto optimality principle. This principle is a necessary condition for achieving a state of maximum social welfare (Ratnawati et al., 2017).

Abraham Maslow's Hierarchy of Needs Theory, every individual has needs that are arranged hierarchically from the most basic level to the highest level. Every time the needs at the lowest level are met, other higher needs will emerge (Setiawan, 2014). At the lowest level, various physiological needs are listed. Then at the next level, the need for safety and security is listed. At the next level are the various needs for love and human relationships (love and belonging needs). Then the need for appreciation and recognition (esteem needs). At the highest level, the need for self-actualization is listed (Alma, 2007).

*Research Concept Framework.* The welfare of the lower middle class can be represented by the level of community life marked by reduced poverty rates, better health levels, higher education levels and increased community productivity. Welfare economic theory is part of social welfare that can be linked directly or indirectly to the measurement of money (Pigou, 1960). All of this is a reflection of the increase in the income level of the lower middle class. This is related to increasing the economic welfare of the people who use business capital. Business development, especially MSME, is expected to make a good contribution to the welfare of the community, especially in efforts to overcome problems that are often faced such as the high level of poverty, the large number of unemployed, the inequality of income distribution and all aspects that are not good (Basar, 2015).

Capital is one of the factors of production that affects the high or low amount of income received by a type of business. Capital is needed when entrepreneurs want to establish a new company or to expand an existing business, without sufficient capital it will affect the smooth running of the business, so it will affect the income earned (Utari, 2014). Every business activity will be associated with capital in the production process. Capital drives all aspects of both production, distribution, company development, markets and so on.

Capital had a positive effect on MSME Performance and MSME Welfare. The greater the amount of capital owned as a factor of production by a particular business, the greater the level of sales of MSME so that the income generated also increases. Vice versa, the smaller the capital owned, the smaller the income obtained (Tri Wiguna, 2016). This can happen because capital is a source of funds needed to start a business, pay for labor and buy raw materials for every production activity carried out.

Robert D. Putnam, defines social capital as part of social life such as networks, norms, and beliefs that encourage participants to act together more effectively to achieve common goals (in Field, 2011: 51). The study results of Haeruddin et al. (2014) stated that the trust variable had a positive effect on the business performance variable.Nugroho and Setyawan (2015) state that social capital in the form of trust is a social capital that will help protect which will support increased innovation, then performance will be more effective and the business run can be more developed. An understanding of normative values will create a

peaceful community, so that the activities of a business that are run can run well. The implementation of social capital is very important because it will be able to contribute to business performance efforts and at the same time empower local communities (Chou, 2006).

The results of study from Cahyono (2012) show that the values of trust in social capital are very dominant as the basis for rural communities to be used as capital in improving other functions, such as increasing respect and mutual benefit.Social capital had a positive impact on improving people's welfare.The same thing was expressed by Nurbaiti (2020) that social capital had a significant relationship with worker welfare.Based on the results of these studies, it can be concluded that the performance of social capital have a positive effect on the welfare of business actors.

Technology is a change in the production function that includes production techniques, and is a driving factor for the production function (Irawan, 1992). The technology used is more modern, the production results achieved will produce goods and services that are more efficient and effective. Efficiency and effectiveness means producing more productive goods at lower production costs, because technology is an important tool to analyze a decision that can increase productivity, improve the quality of labor and minimize production costs. The technology used by the MSME of kembangrampai can make it easier for entrepreneurs to produce a product which will then reduce the use of capital and expenditure for production so that it will maximize their profits and income.

Business performance had a positive effect on the welfare of MSME. An increase in the number of labor in a business activity will result in an increase in the amount of production and will increase the income earned by these business activities so that the welfare of MSME actors increases. Labor plays an important role in a company because it can help the company's productivity (Astari, 2015). Labor is one of the main determinants of production activities in the industrial sector. In producing goods and services, entrepreneurs need labor and initial capital for their production.

The description of this business capital consists of own capital and loan capital, with social capital which consists of a sense of trust between fellow MSME entrepreneurs, and cooperative relationships between fellow entrepreneurs or a network of cooperation within the organization or institution that exists in the area, and with the assistance of mastery of traditional technology and modern technology, so that MSME can be more developed and more independent in managing their business, and in the end can improve the welfare of the community in general and MSME actors in particular. Based on this explanation, a conceptual research framework can be drawn as follows.
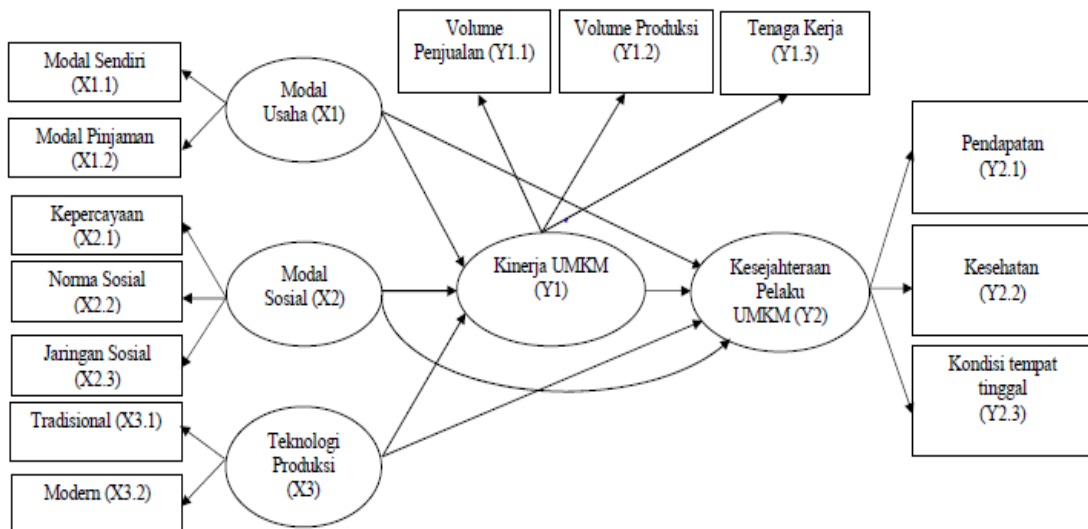


Figure 1 – Analysis of Factors Affecting the Welfare of Kembang Rampai MSME in Abiansemal District, Badung Regency

Based on empirical studies, hypotheses can be formulated to provide direction for research analysis:

- Business capital, social capital and production technology have a direct effect on the performance of the MSME of kembangrampai in Abiansemal District, Badung Regency;
- Business capital, social capital, production technology, and the performance of MSME have a direct effect on the welfare of the MSME actors in the kembangrampai in Abiansemal District, Badung Regency;
- Business capital, social capital and production technology have an indirect effect on the welfare of MSME actors in the Abiansemal District, Badung Regency through MSME performance.

## METHODS OF RESEARCH

In this study using quantitative methods in the form of associative aims to determine the relationship between two or more variables, In addition, descriptive statistical analysis and Structural Equation Modeling (SEM) analysis using Partial Least Square (PLS) were also used. The location of this study is in Abiansemal District, Badung Regency, Bali Province. The object of this study is business capital, social capital and production technology on the performance of MSME and the welfare of MSME.

The variables analyzed in this study include the variable of working capital as measured by indicators of own capital and loan capital. Social Capital variable as measured by indicators of trust, social norms, and social networks.Production Technology variables as measured by indicators of traditional technology and modern technology.MSME Performance Variables as measured by indicators of sales volume, production volume, and labor. The variable of MSME Welfare as measured by indicators of income, health, and living conditions.

The type of data in this study uses quantitative data which includes the number of MSME actors in the kembang rampai in Abiansemal District, Badung Regency, as well as qualitative data which includes information about the study location. This study uses primary data sources by conducting observations, interviews and in-depth interviews with MSME actors. The population in this study was the MSME of small and medium-sized enterprises with a total of 147 people with a sample of 108 respondents who were determined through the slovin method and the sampling technique used was accidental sampling. The data analysis used was descriptive statistical analysis and Structural Equation Modeling (SEM) using Partial Least Squares (PLS). The equation model in this study is in accordance with Figure 1, formulated as follows:

$$Y_1 = a_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$
$$Y_2 = a_2 + \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Y_1 + \varepsilon_i$$

Where: X1 = business capital, X2 = social capital, X3 = production technology, Y1 = MSME performance, Y2 = the welfare of MSME actors, $\beta_1$, …., $\beta_7$ = loading factor, $\varepsilon_i$= noise or measurement error.

## RESULTS AND DISCUSSION

*Characteristics of Respondents.* Respondents of this study were dominated by male as many as 60 people and female as many as 48 people. It means that the respondents in this study were dominated by male gender. Respondents with an age range of 55-67 years occupy the smallest position that is equal to 18 people from the total sample, while the respondents with the highest number were in the age range of 30-42 years with a total of 35 people from the total sample. This means that work as village officials and community leaders is still dominated by people of productive age.Respondents have educational levels ranging from junior high school to bachelor's degree. In this study, the majority of

respondents were educated to graduate from high school, namely 53 people, then 2 respondents with Diploma and undergraduate education, and 29 respondents with education up to elementary level. In this study, respondents who had a history of low education did not dominate. Only a small proportion of respondents are not in school, as many as 8 people. Education is very influential on business development. With a high or sufficient education, it is possible for the respondent to develop a business. All respondents are married. Respondents with 1-10 years of business were 67 people and 41 people with 10-20 years of business. 92 MSME actors use 1-2 labor, and 16 other MSME actors use 3-4 labor.

*Testing Outer Model.* Convergent validity of the measurement model that has reflective indicators that can be assessed from the loading factor of the indicators that measure the construct. An indicator can be declared valid if it has a loading factor above 0.5 for the intended construct. All loading factors in this study indicator have a value greater than 0.5. This shows that the convergent validity conditions have been met. Next is the discriminant validity test, the discriminant validity measurement of the measurement model that can be assessed based on the cross loading of the measurement indicator with its construct. The correlation of construct indicators in this study has a higher value than the correlation of these indicators with other constructs, it is said that the construct has high discriminant validity. Cronbach's Alpha measures the lower limit of the reliability value of a construct, whereas Composite Reliability measures the actual value of the reliability of a construct (Chin and Gopal in Salisbury et al, 2002). Role of thumb the value of Cronbach's Alpha or Composite Reliability must be greater than 0.7, however, if the results obtained are close to 0.7 (such as 0.6), it is still acceptable in exploratory studies (Hair et al, 2006). The value of Cronbach's Alpha and Composite Reliability of each construct in this study is greater than or close to 0.70 so it can be said that the gauge used in this study is reliable. The result of Q2 calculation is 0.973 so it can be said that this study has a strong predictive prevalence, so the resulting model is feasible to use for predicting. The figure of 0.973 can be interpreted that the variation in the welfare of MSME actors of 97.3% can be explained by variations in the variables of business capital, social capital, production technology, and business performance while the remaining 2.7 percent is explained by other variables outside the model.

*The Effect of Business Capital, Social Capital, Production Technology on the Performance of Kembang Rampai MSME.* The results of data analysis in this study indicate that business capital, social capital and production technology have a positive and significant impact on the performance of KembangRampai MSME in Abiansemal District, Badung Regency. This means that the high or low performance of MSME of kembangrampai is influenced by the use of business capital, social capital, and production technology obtained to help run the business. Business Capital have a positive and significant effect on the performance of KembangRampai MSME in Abiansemal District, Badung Regency (H1) of 0.235 with p value = 0.000 and t-statistics of 3.581. The results of this study also support the study of Fachrizal (2016) which states that the direction of the influence of the independent variable of capital on the dependent variable is positive and can be seen in the model that capital increases (ceteris paribus), then the production is increasing and it can be concluded that the capital variable has an effect on the production of the leather craft industry in Merauke Regency. The results of this study were also strengthened based on the results of an interview with Wayan Mura who was a respondent in the business of making kembangrampai in Abiansemal District on April 2, 2021, saying that.

"Capital is needed to run a kembangrampai-making business to buy production equipment. Capital helps to provide every production need while running a business. Labor is also needed to lighten and speed up work. The more labor, the more production is produced. In addition, a large area of land is also needed to plant pandanus because the business of making kembangrampai is derived from agriculture. Government assistance helps provide machines so that they can accelerate production, especially for businesses that lack capital".Social Capital have a positive and significant effect on the performance of KembangRampai MSME in Abiansemal District, Badung Regency (H1). It is 0.537 with p value = 0.000 and t-statistic is 3.581. The results of this study are also supported by an

interview with Made Ayu Ratini as a canang market trader blahkiuh who is also one of the customers of the home industry of kembangrampai in Abiansemal District, which states that:"Everyday the kembangrampai that I buy stays fresh, doesn't wilt and lasts through the night, making the canang that I sell with the kembangrampai lasts and doesn't disappoint my customers so I don't lose customers. This made me feel confident to remain a customer of one of the kembangrampai industry entrepreneurs in Abiansemal District. The kembangrampai business actors always make orders on time and on demand, If Hindu holiday are near I always order more kembangrampai than normal days. The more demand for kembangrampai the higher the number of sales by business actors so that production increases and the performance of MSME also increases".Production Technology has a positive and significant effect on the performance of KembangRampai MSME in Abiansemal District, Badung Regency (H1). It is 0.222 with p value = 0.003 and t-statistic is 3.581. The results of this study are in line with Prabawa's study (2017) which states that production technology has a positive and significant effect on productivity. This is because increasingly modern technology such as screen printing machines and other machines that use electricity will be able to complete products more quickly, easily and efficiently which affects the products produced.

*The Effect of Business Capital, Social Capital, Production Technology, Performance of MSME on the Welfare of KembangRampai MSME actors.* Business Capital have a positive and significant effect on the welfare of MSME actors in Abiansemal District, Badung Regency by 0.650 with p value = 0.000 and t-statistics of 18.869. The results of data analysis in this study indicate that business capital has a significant positive effect on the welfare of MSME. This means that business capital has an impact on the welfare of MSME actors. The greater the business capital, the higher the income and the welfare of MSME will increase. Capital has a significant effect on income according to study conducted by Danendra (2015) with the title The Effect of Capital and Labor on Income with Business Length as a Moderating Variable in Informal Sector Businesses in Abiansemal District, Badung Regency. The results of this study state that capital is the main source in running a business and determines the size of the resulting production which will then have an impact on income. The results of this study are also strengthened based on the results of an interview with Ni Wayan Santini who is a respondent in the business of making kembangrampai in Abiansemal District on April 2, 2021, saying that.

"Capital is needed when starting a kembangrampai-making business, especially to buy capital goods such as machinery and fertilizers. The greater the capital, the more machines and fertilizers that can be purchased and the better the quality of these machines and fertilizers. Capital is also needed to finance other things needed when starting or running a business so that it can help increase income. This capital can be obtained from personal capital or borrowed from cooperatives". Social Capital have a positive and significant effect on the welfare of MSME actors in Abiansemal District, Badung Regency by 0.293 with p value = 0.004 and t-statistic of 2.912. The results of data analysis in this study indicate that social capital have a significant positive effect on the welfare of MSME. This study supports study conducted by Cahyono (2012) which states that social capital had a positive influence on household welfare. The results of the study from Nasition et al (2014) are that social capital had a positive and significant effect on household welfare. If the norms of household social capital are increased, the greater the strengthening of the level of household welfare (Sukrisna et al, 2018).

The results of this study are also strengthened based on the results of an interview with Made Dani who is a respondent in the business of making kembangrampai in Abiansemal District on April 2, 2021, saying that:

"Social networks are very much needed for the progress of the kembangrampai home industry business. There are groups of fellow kembangrampai entrepreneurs, business actors can exchange information about the development of kembangrampai businesses that are run to increase business income.".

Production Technology has a negative and significant effect on the welfare of MSME actors by -0.177 with a p value of 0.001 and a t-statistic of 3.306. The results of data analysis

in this study indicate that production technology have a significant negative effect on the welfare of MSME. This is because technological advances will facilitate the production process so that the same number of goods in large quantities makes it easier for consumers to obtain these goods and will have an impact on the income of MSME actors being reduced by the emergence of new competitors, meaning consumers have more choices in terms of quality and price (HadiNoviono, 2019). Modern technology such as cutting machines, if not used properly, results in expenses in terms of maintenance costs for cutting machines, thereby reducing the income of MSME actors. Skill improvement is needed so that MSME actors can repair their own cutting machines if they are damaged.

This is different from the study conducted by Tri Utari (2014), which states that the more modern the technology used, the higher the income of MSME received will also increase. The results of this study are also supported by an interview with Ni Made Kariani as a home industry businessman for kembangrampai in Abiansemal District, who stated that: "Using machine technology can make it easier to make kembangrampai in large quantities in a fast time, but the capital spent on buying machines and maintaining machines is also very large".

The performance of MSME have a positive and significant effect on the welfare of MSME actors by 0.237 with a p value of 0.007 and a t-statistic of 2.725. The results of data analysis in this study indicate that the performance of MSME have a significant positive effect on the welfare of MSME. This means that the higher the performance of MSME, the welfare of MSME will increase. MSME performance is seen from respondents' perceptions of the size of the company's success in achieving business goals and facing business competition through sales volume indicators, the volume of production and labor on the welfare of MSME actors assessed through indicators of income, health and living conditions. The results of this study are also supported by an interview with DesakKetutSudarmini as a home industry businessman for kembangrampai in Abiansemal District, who stated that: "A week before the holiday of Hinduism, we were already flooded with orders from customers, which could double from normal days, because there were a lot of sales, so I also produced a lot a week before the holiday. Many orders on holidays, I am assisted by additional labor besides my children, there is also my nephew who helps so that the work can be completed on time.".This study supports study conducted by Ari Santi (2017) which states that sales volume had a positive and significant effect on revenue. The greater the sales volume of a product, the greater the income earned by traders.

*Indirect Effects of Business Capital, Social Capital, Production Technology on the Welfare of KembangRampai MSME actors through MSME Performance.* The indirect effect of the Business Capital variable on the welfare of MSME actors through MSME performance is obtained by t-statistics of 2.087 or p value of 0.037. Business capital has an indirect effect on the welfare of MSME actors through MSME performance. The more business capital owned by MSME actors can increase sales volume, the amount of production increases, and the more labor is needed so that it can meet customer demand, the income will increase and the welfare of MSME actors will increase. The results of this study are supported by study conducted by Mardiana (2017) that capital has a significant positive effect on income indirectly through business performance, it can also be said that business performance is a mediating variable in the effect of capital on welfare.

The indirect effect of the Social Capital variable on the welfare of MSME actors through MSME performance is obtained by a t-statistic of 2.593 or a p value of 0.010. Social capital has an indirect effect on the welfare of MSME actors through MSME performance. The results of the study are supported by Gandhiadi's study (2018) social capital through business performance had a significant effect on the welfare of business actors. The indirect effect of the Production Technology variable on the welfare of MSME actors through MSME performance is obtained by a t-statistic of 1.951 or a p value of 0.052. Production technology is not able to directly affect the welfare of MSME actors because this means that MSME performance can mediate the effect of production technology on the welfare of MSME actors. The results of this study are also supported by an interview with WayanSuarjana as a home industry businessman for kembangrampai in Abiansemal District, which states that:

"Production technology either modern or traditional helps in the production process of kembangrampai. The more modern the technology we use in production, the faster the completion of the production process and the greater the number of goods produced. If using traditional technology and a lot of labor, production is also completed on time and the amount of production produced is in accordance with customer demand, then income will increase. When income increases, welfare will also increase".

The results of this study are also supported by study conducted by Putu Dika Arimbawa (2017) which states that MSME performance is a variable that mediates the indirect effect of production technology variables on income. When business actors use production technology, be it traditional technology or modern technology, they can increase sales, improve product quality and provide the best service to customers by providing goods on time according to customer requests. Based on the results of the study, it can be stated that the variables of venture capital, social capital, production technology and MSME performance can contribute to the regional economy namely the development of business, the stronger the capital, social capital, and production technology Due to the large business capital, there is a high sense of trust and the existence of relationships in a wide growing network between fellow economic actors and the increase in technology in each MSME can help the development of MSME in times of global competition (Juliana, 2018). This increase results in an increase in the performance of MSME which is closely related to the level of sales, production levels and labor, so that income will also increase. The role of MSME in the regional economy can be seen from the people's purchasing power, employment, and income levels in financing family life. The development of KembangRampai MSME can create new jobs and stimulate regional economic activities so that it has an impact on improving the regional economy of Abiansemal District and improving the welfare of KembangRampai MSME actors.

## CONCLUSION AND SUGGESTIONS

Business Capital, Social Capital, and Production Technology have a positive and significant impact on the performance of MSME of kembangrampai in Abiansemal District, Badung Regency. If Business Capital, Social Capital, and Production Technology increase, the performance of MSME will increase. Business Capital, Social Capital, and Performance of MSMEs have a positive and significant impact on the welfare of MSME actors kembangrampai in Abiansemal District, Badung Regency. This means that the increase in Business Capital, Social Capital and Performance of MSME, the welfare of MSME actors will increase. The variable of Production Technology have a negative and significant effect on the welfare of the MSME actors of kembangrampai in Abiansemal District, Badung Regency. The indirect effect of Business Capital, Social Capital, and Production Technology on the Welfare of MSME actors of kembangrampai in Abiansemal District, Badung Regency through MSME performance is significant. This means that MSME performance mediates the influence of Business Capital, Social Capital, and Production Technology on the Welfare of MSME actors.

Based on the results of the analysis and the conclusions obtained, further suggestions can be put forward, namely: in terms of capital, it is necessary to increase the participation of both the government, bank and non-bank financial institutions to help distribute capital or provide capital loans that do not burden the kembangrampai MSME such as providing credit with low interest so that it will be able to increase the income of people who rely on this business as their main livelihood. For kembangrampai business actors, it is better to be more active in establishing relationships and interacting with parties outside the business who can help increase creativity and productivity. MSME actors can take part in MSME exhibitions held by the government or community as a promotional event to introduce products to the public and expand networks. The MSME actors of kembangrampai can improve their skills by participating in trainings so that MSME actors can master technological advances so that they can maintain production machines independently.

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