Factors Influencing Business Efficiency Of Watershed Society In Kuantan Singingi Regency Kuantan Singingi District

H. Edyanus Herman Halim, Ishadi, Arika Fitriani

Abstract— Industry level correlates to productivity management. This research was conducted to find out the development of small and medium industries in Kuantan Singingi Regency. Special attention is given to small and medium industry because it is a small and medium-sized industry that is very helpful in generating employment and becoming a household income. The role of the government that has provided a lot of input in the effort to encourage the structure of small and medium industry in Kuantan Singingi Regency. From the results of the research, then obtained the variables to measure the productivity of Small and Medium Industry in Kuantan Singingi Regency include: (1) Business Growth (2) Overhead Cost (3) Labor Cost (4) Efficiency, which is moderated by roles (5) Government Assistance, the results of the study show that the average level of the small and medium-sized industry in Kuantan Regency is still not efficient, so a strategy is needed to overcome them. To develop small and medium-sized industry are very necessary for stakeholders, including the role of universities, district or city government agencies related to it. It can determine what is the superior product of small and medium industry in Kuantan Singingi Regency.

Index Terms— Capital Structure, Efficiency, Government, Featured Products.

1 INTRODUCTION

Poverty reduction in Indonesia, one of it is done through empowering small industries managed by the community. The object of empowerment is to increase the knowledge of business managers, improve business processes, develop business networks, and increase marketing. So far, the small industries and home industries have been able to support the development of the people’s economy in the lower layer. The industrial sector, especially the small and medium industries has been a serious concern, both by the government and researchers. Its role is very strategic in spurring economic growth and increase the added value of a product from a raw material into the semi-finished form or in the form of final products. Industrial productivity of a region will reflect the economic progress of the region and become a driving force for the growth of other sectors as a follow-up sector or support sector.

Many benefits and virtues that can be obtained from the home industry, in the macro scale of the home industry is one of the main pillars supporting the economic strength of a country, home industry can directly reduce unemployment rates, accelerate financial cycles in a community which means triggering the rate of growth of state revenue, shortening social inequality, while reducing the impact of crime that might be caused (Mulaawan, 2008: 7). The successful of small business is a business that is able to produce efficiently with a growing business scale. Many factors can affect the efficiency of the business carried out by a company in the industry. One of them is the use of raw materials, management of labor, the development of appropriate marketing, and the use of optimal sources of capital.

In Indonesia the role of small industries in sustaining the economy is very strategic. In addition as a place to accommodate a surge in the labor force added, its contribution to national Gross Domestic Profit is also quite large. Observed from the aspect of GRDP growth, there were significant fluctuations in the economy of Kuantan Singingi Regency. In 2014 the economy showed a positive growth where GRDP was able to grow by 5.14%, but in 2015 corrected with negative growth reaching -2.14% and in 2016 return a positive growth experience of 3.88%.

The highest fluctuations occur in the Mining and Excavation Sector. GRDP of this sector in 2014 grew by 5.89% and in 2015 was corrected to -45.96% and in 2016 amounted to -9.72%. The financial services and insurance sector, which in 2014 was able to grow by 5.50% in 2015 was also corrected to experience a negative growth of -5.57% and in 2016 it was positive again at 0.77%. In the Electricity and Gas Procurement Sector, although it still shows positive growth, the fluctuations are also quite high. In 2014 the GRDP of the Electricity and Gas Procurement Sector reached 32.35%, but in 2015 fell to 9.51% and in 2016 rose again to be 20.73%. This sector is the sector that has the highest growth in the economic structure of Kuantan Singingi although its contribution is still relatively small.

Most of the research is directed to measure the level of efficiency of business owned by small industries, but lacks emphasis on the factors that influence the efficiency so that conclusions are obtained on how the business efficiency level is increased. Zhiang Research Qi at.al (2011: 742-746) found that the innovation factors found in a country influence the level of business efficiency of industrial companies in the country. While Stefano Mauzas (2006: 1124-1132) examines small industrial companies in the United States to see the factors that determine business efficiency from the aspect of operating margins, the sustainability of business growth, profit growth, and the effectiveness of achieving the company’s business targets. The results of his research conclude that there is a significant relationship between efficiency with the effectiveness of achieving corporate
performance targets mediated by the sustainability of business growth.

According to Martin Eling and Philipp Schaper’s studies (2017: 1082-1094) general economic development, capital markets and industrial market conditions have an impact on the level of business efficiency of insurance companies in European countries which are the object of their research. Changes in the business environment to business productivity and efficiency insurance companies in Europe are fundamentally very influential and these conditions arise due to the economic deregulation policies implemented throughout the period 2002 to 2013. Laura Varela Candamio et al. (2018: 556-565) impact of subsidies on the efficiency of European Union community farming. Her research found that giving subsidies directly to farmers did not have a positive impact on improving business efficiency.

Geographical Condition and Area

Kuantan Singingi Regency has only 6 sub-districts and 6 sub-districts. In 2002 according to Regional Regulation No. 16 of 2002 the subdistrict division was carried out into 12 subdistricts with 10 villages and 190 definitive villages. On July 2012 another division was held so that Kuantan Singingi Regency had 15 subdistricts with 11 villages and 218 villages.

Demographic and Employment Development

The population of Kuantan Singingi Regency in 2016 based on the statistics of the Central Bureau of Statistics was 317,935 people consisting of 163,213 male and 154,722 female residents. This means that the sex ratio is 105.49. The population growth of Kuantan Singingi during the period 2010-2016 was 1.35%, while from 2015 to 2016 was 1.16%. The low population growth provides an opportunity for the district government to engineer community development and spatial planning in people’s lives. This low population growth rate is relatively evenly distributed for each sub-district which ranges from 1.16% to 1.17%.

The subdistrict area which has the most population is Kuantan Tengah, which is 47,874 people or 15.06%. While the subdistrict area with the smallest population is Hulu Kuantan, which is 8,778 people or 2.76% of the total population of Kuantan Singingi Regency. While the population in the age group of 20 years to 60 years reaches 150,255 people or 47.26%. Consisting of the male sex as many as 91,010 people or 60.57% and female sex as many as 59,245 people or 39.43%. The population aged 60 and above is 23,030 people or 7.24%. The composition of the population, according to age groups in Kuantan Singingi Regency illustrates the strength of regional human resources that are quite feasible to develop regional productivity. When observed from the aspect of employment in 2016 the number of labor force in Kuantan Singingi Regency reached 149,357 people or 67.16% of the total population aged 15 years and over. Consisting of the male sex as many as 93,680 people or 62.72% and female sex as much as 55,677 people or 37.28%. While the number of people who are not the labor force is as many as 73,028 people or 32.84%.

The number of the population classified as labor force that actually works is 145,475 people or 97.4% consisting of the male sex as many as 91,555 people or 62.94% and female sex as many as 54,220 people or 37.27%. While the population classified as unemployed is 3,882 people, consisting of 2,425 men and 1,457 women. The Labor Force Participation Rate in Kuantan Singingi Regency in 2015 was 67.16% where The Labor Force Participation Rate for male sex was 82.24% and female was 51.33%. The Open Unemployment Rate in Kuantan Singingi Regency in 2015 was 2.60%. It from male sex is 2.59% and female is 2.62%. When compared with previous years there was a significant decrease in the amount of the Open Unemployment Rate in Kuantan Singingi Regency. In 2013, the number of unemployed was 5,643 with an Open Unemployment Rate of 3, 92% while in 2014 it increased to 8,434 with an Open Unemployment Rate of 6.13%. In 2015, the number of unemployed fell to 3,882 with the Open Unemployment Rate of 2.6%. The Labor Force Participation Rate in 2015 was 67.16%. In the workforce group male sex is 82.24% and in the female group is lower which is only 51.33%.

Based on data from the Investment Service, One-Stop Integrated Services and Kuantan Singingi Regency Workforce, the number of job seekers registered in 2016 was 5,955 people, consisting of 2,765 male and 3,190 female. The economic sector that absorbs the most labor is the service sector as many as 10,193 people or 50% and the industry sector is 6,029 people or 29.57% and the agricultural sector is 3,704 people or 18.17%. The rest is from other sectors such as the trade sector, hotels and restaurants, the banking sector and financial institutions, and the electricity and drinking water sector. The lack of population working in the trade, hotels and restaurants sector reflects the economic conditions in Kuantan Singingi Regency that have not been supported by a more balanced structure. Even the agricultural sector, which is the most important sector of the economy in terms of absorbing workers in registered companies is still low.

Economic Development

The economy of Kuantan Singingi Regency has been developing every year. In 2014 the total GRDP at the current price was Rp. 24,021.74 billion, while in 2016 the amount had reached Rp. 27,520.66 billion rupiah. The sector that has the greatest added value is the Agriculture, Forestry and Fisheries Sector. The added value of this sector in 2014 was Rp. 13,652.39 billion rupiah. Another sector that has relative large added value is the industrial sector where in 2014 the value reached Rp. 6,189.46 billion and in 2016 increased to Rp. 7,555.38 billion. The economic sector that produces the least economic value
added is the corporate service sector. Observed from the aspect of GRDP growth, there were significant fluctuations in the economy of Kuantan Singingi Regency. In 2014 the economy showed a positive growth where GRDP was able to grow by 5.14%, but in 2015 corrected with negative growth reaching -2.14% and in 2016 again experienced a positive growth of 3.88% (Table 4.8)

2 LITERATURE REVIEW
2.1 Definition of Management

The definition of management according to some experts, among others, is as follows: According to Appley and Oey Liang Lee (2010: 16) management is an art and science, in management there is a strategy to utilize the energy and mind of others to carry out an activity aimed at achieving a predetermined goal. In management there are techniques that are rich in the aesthetic values of leadership in directing, influencing, supervising, organizing all components that support each other to achieve the intended goals.

Management in general refers to planning, organizing, controlling, staffing, leading, motivating, communicating, and decision making activities performed by any organization in order to coordinate the varied resources of the enterprise so as to bring of efficient creation of some product and service Andrew F. Sikula (2006: 2).

2.2 Definition of Financial Management

Definition of Financial Management According to Horne and Wachowicz Jr. (2012: 2) in his book entitled Fundamentals of Financial Management which has been converted into the Principles of Financial Management suggests that: "Financial management is related to the acquisition of assets, funding, and asset management based on several general objectives".

Financial Management by C. Paramasivan dan T. Subramanian in his book New Age Financial Management, Financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm. The term financial management has been defined by Solomon, "It is concerned with the efficient use of an important economic resource namely, capital funds". The most popular and acceptable definition of financial management as given by S.C. Kuchalis that "Financial Management deals with procurement of funds and their effective utilization in the business".

2.3 Business Growth

Corporate growth is shown by how well the company maintains its economic position in the industry and overall economic activity (Eko et al, 2006). The company's growth can be seen from the positive profit growth ratio. Companies that have a positive profit growth ratio tend to have the potential to get a greater good opinion. Profit growth shows the company's ability to survive in competitive conditions. Companies with negative growth indicate a greater tendency towards bankruptcy. To measure the growth of the company, in this study, researchers used the profit growth ratio. The
profit growth ratio is used because it can describe the state of a company that is good. If the profit growth ratio is positive, then the auditor tends not to issue a going concern audit opinion (Arga and Linda, 2007).

2.4 Overhead Cost

Factory overhead costs are production costs other than raw materials and direct labor costs. Factory overhead costs are defined as indirect material, indirect labor, and other costs that are not easily identified or charged directly to a job, production, or the end goal of certain costs such as government contracts. The factory overhead has two characteristics that must be considered in the loading as an appropriate production result. This characteristic concerns the special relationship between factory overhead and (Carter and Usry, 2006: 411): The product is itself the first characteristic in relation to the product itself. Unlike direct materials and direct labor costs, factory overhead costs are intangible parts of finished goods. There is no material request letter or labor hour card that is used to state the amount of factory overhead costs such as factory equipment or indirect labor that is calculated in a job or product.

Number of production volumes. The second characteristic concerns changes in some elements of overhead costs because changes in production volume are overhead that can be fixed, variable or semivariable. Fixed overhead costs remain relatively constant, even if there is a change in production volume, while fixed overhead per unit of output will vary in contrast to production volume. Overhead variables vary in proportion to production output. Semivariable overheads vary, but are not proportional to the units produced. If the production volume changes, the combined effects of these different overhead patterns can result in large per-unit manufacturing costs fluctuating.

2.5 Labor Cost

Labor is one of the main factors that always exist in the company, even though the machines have been used by the company. Machines that work in a company certainly need to be handled by human power, even though many machines today are automatic.

Labor costs are physical or mental efforts that employees spend to process products. Labor costs are one type of cost that can be a problem for the company. Supervision of labor costs can be aided by a good approach to the workforce. So that they can work stably according to the standards set by the company.

According to Mamdun M. Hanafi (1997: 13) control aims to see whether the activities of the organization are in accordance with the plan while the control function includes four activities, namely:

- a. Determine standards of achievement
- b. Measuring the achievements that have been achieved so far.
- c. Comparing achievements that have been achieved with achievement standards.
- d. Make the improvements if there are deviations from predetermined achievement standards and then return to the planning function for the next period.

More specifically, the benefits of budgeting for labor costs for companies are (Gunawan Adisaputra and Marwan Asri, 2000: 263):

- a. More efficient using the labor because of a mature plan.
- b. Expenditures or labor costs can be planned and above more efficiently.
- c. Used as a labor monitoring tool.

2.6 Government Assistance

Small and Medium Enterprises (SMEs) have a strategic role in national economic development, because in addition to playing a role in economic growth and employment, it also plays a role in the distribution of development results. Bank financial institutions are the largest source of capital that can be utilized by small business act. However, to partner with a small business actor bank is required to present an proposal that is feasible for the business and profitability. In addition, bank financial institutions require small businesses to be bankable or can meet bank requirements. This is the problem, because the bank is too prudent or careful, it makes more difficult for small businesses to access capital resources. Small businesses that have difficulty accessing bank resources will look for shortcuts.

In the era of regional autonomy, the government has made various efforts to improve the standard of living and welfare of the people. Various programs have been carried out, both through the Urban Poverty Reduction Program, the National Independent Community Empowerment Program and through the assistance of revolving funds channeled to small and medium-sized businesses, in hopes of improving and improving the lives of the community or living more properly, as mandated in the 1945 Constitution in paragraph 33 paragraph 2 that every citizen has the right to a more decent life.

In Law No.20 2008 concerning MSMEs, it is defined that empowerment is an effort carried out by the Government, Regional Government, Business World and Society in a synergistic manner in the form of climate development and business development towards MSMEs so that they can grow and develop into a resilient and independent business. Development is an effort made by the Government, Regional Government, Business World, and the community to empower Micro, Small and Medium Enterprises through the provision of mentoring and reinforcement assistance facilities to foster and enhance the ability and competitiveness of Micro, Small and Medium Enterprises. MSME empowerment is organized as a unity and national economic development to realize the prosperity of the people.

Based on the principle of kinship, efforts to empower MSMEs are part of the national economy, which is organized based on economic democracy with the principles of togetherness, sustainability, environmental insight, independence, balance of progress, and national economic unity for the welfare of all Indonesian people. The principle of togetherness is a principle that encourages the role of all MSMEs and the Business World together in their activities to realize people's welfare. Principle of Efficiency is the principle.
that underlies the implementation of empowerment of MSMEs by prioritizing efficiency in fairness in an effort to create a fair, conducive and a competitive business climate.

3 HYPOTHESIS DEVELOPMENT

Based on the literature and the results of previous studies, in this section researchers want to examine the influence of factors that affect efficiency, including business growth, overhead costs, labor costs, and government assistance.

H₁: Business growth affects business efficiency in Kuantan Singingi Regency.

H₂: Overhead Cost affects business efficiency in Kuantan Singingi Regency.

H₃: Labor Cost affects business efficiency in Kuantan Singingi Regency.


H₅: Effect of Business Growth with Government Assistance of Business efficiency as the moderating variable.

H₆: Effect of Overhead Cost with Government Assistance of Business efficiency as the moderating variable.

H₇: Effect of Labor Cost with Government Assistance of Business efficiency as the moderating variable.

4 RESEARCH MODEL

In this study the correlation relationship pattern that became the focus of this study was the independent variable business growth, overhead cost, labor costs. While the dependent variable efficiency and government assistance as moderating variables in the community business in the watershed of Kuantan Singingi Regency.

Data Collection and Sample Collection

Data collection techniques that used in this study are documentation that is collecting data derived from documents relating to the problem to be studied, uploading from various published sites such as the Central Bureau of Statistics, the Office of Industry, Trade, Cooperatives District Kuantan Singingi as well as the Interview is to do question and answer with parties related to the research problem, especially parties related to the data used in this study.

DATA ANALYSIS TECHNIQUE

Validity Test

Validity test shows how far a measuring instrument can measure the variable to be measured. A valid and reliable instrument if the instrument is able to measure what is desired and is able to reveal data from the variables studied appropriately (Husein, 2006: 89).

The item statement measurement scale is an ordinal scale, then the validity calculation uses Pearson Correlation by using SPSS. The validity of the statements that have been prepared can be measured by linking each statement with the total score. In this case, a statement that has a correlation coefficient smaller than 0.5 means it does not pass the validity test and this statement must be discarded. A test on measuring instruments can be said to have high validity if the instrument is able to perform its measuring function and provide a measurable result that is in accordance with the purpose of the measurement. Tests that produce data that are not relevant to the measurement objectives are said to have low validity tests (Ghozali 2009).

Realibility Test

Reliability is a value that shows the consistency of a measuring device in measuring the same symptoms. Each measuring instrument should have the ability to provide consistent measurement results (Husein, 2006: 95). To test the reliability, the Alpha Cronbach test is considered the most suitable for testing the research items that have a score of 1-5. In this internal consistency method, the higher the alpha consistency, the more reliable the questionnaire. The alpha coefficient will be even greater when the items tested are interconnected with each other. An item is said to be reliable if the item is removed, making the alpha coefficient greater, and vice versa an item is said to be reliable if by removing the item makes the alpha coefficient smaller.

Normality Test

Normality test aims to test whether in the regression model, the dependent and independent variables both have normal distribution or not. A good regression model is to have normal or near normal data distribution. To test whether the data distribution is normal or not, graph analysis or by looking at the normal probability plot that compares the cumulative distribution of actual data with the cumulative distribution of normal distributions. If the data distribution is normal, then the line that describes the actual data will follow the diagonal line of Hasibuan (2010).

Classic Assumption Test

There are four important assumptions as a condition for using the Hasibuan regression method (2010). These assumptions are the assumptions of normality, autocorrelation, multicollinearity, and heteroscedasticity. These tests need to be done because of the possible consequences if the assumptions cannot be fulfilled.

Autocorrelation Test

Autocorrelation test aims to test whether in the linear regression model, there is a correlation between fault errors in period t (present) and disturbance errors in the period t-1 (before). If there is a correlation, then there is an autocorrelation problem. Autocorrelation arises because successive observations over time are related to each other. This is often found in time series data (time series). In cross-data (cross-time) autocorrelation problems are relatively rare. A good regression model is a regression that is free from autocorrelation.

Multicollinearity Test

Multicollinearity testing is done to explain the possibility of a relationship between one independent variable and another independent variable. It is assumed that each variable X does not correlate linearly with each other. Indeed, multicollinearity remains in each independent variable, it's just that it must be ascertained whether the existing multicollinearity is still within the acceptance limit or not. To detect it, this research was conducted by looking at the value...
of Variance Inflation Factor (VIF) and tolerance value for each independent variable. If the VIF value > 10 or tolerance value < 0.10 means that there is multicollinearity (Ghozali, 2009). The consequences of the multicollinearity are that the regression results were only valid at the time, sample, variables and research, both the probability of accepting the wrong hypothesis increases, and the third allows researchers to obtain high R² but none or very few coefficients are significant statistically.

### Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model, there is a variance inequality from residual one observation to another observation. If the residual variance of an observation to another observation is still called homoskedasticity, meanwhile for a different variance is called heteroscedasticity.

To fulfill the assumption of heteroscedasticity, it is necessary to test whether there are symptoms of heteroscedasticity or not. In this study, testing will be carried out by looking at scatterplot patterns. If the Scatterplot forms a certain pattern that is clear, then the regression experiences heteroscedasticity disorder. Conversely, if the Scatterplot does not form a certain pattern (spread), the regression does not experience heteroscedasticity.

### Moderated Regression Analysis (MRA)

To test the research hypothesis the MRA analysis method was used with the help of SPSS statistical software. After getting a good research model, the hypothesis proposed in this study was tested. The hypothesis proposed was tested by the regression equation.

### 5 RESEARCH RESULTS AND DISCUSSION

#### Descriptive Statistic Results

Descriptive statistics is a process of transforming research data in tabulation form so that it is easy to understand and interpret. This statistical analysis is used to provide an overview of data that is seen from the minimum, maximum, mean, and standard deviation (SD) values of each variable (Ghozali, 2011). In this study using the variables of business efficiency as the dependent variable, then the development of assets, overhead costs and direct labor costs as independent variables and government assistance as moderating variables.

#### Descriptive Statistics Test Result

The first independent variable is business growth, data show that the average (mean) business growth in productive business in Kuantan Singingi Regency is 13,0649, the highest value during the year of observation is 61,29 for the business type of chopped sweet potato crackers and the lowest is 0, the standard deviation of business growth is 7.6636.

The second independent variable is overhead cost, overhead cost data shows that the average (mean) overhead cost of the studied company is 58.9052. the highest value during the year of observation was 770.43 types of sago cracker business and the lowest was 1.17 for Honey Bee business. The standard deviation value of overhead costs is 89.460. The third independent variable, namely labor costs, data on labor costs shows that the average (mean) labor cost of the researched company is 53.6579. The highest value during the year of observation was 927.34 types of sago cracker business and the lowest was 1.46 for the Honey Bee business. The standard deviation value of labor costs is 79.63324.

The moderating variable in this study is government assistance, this variable is coded in a dummy manner. The average value is 3.12 with the highest value is 5 and the lowest value is 1 while the standard deviation value is 1.29. Variable business growth with government assistance as moderator has an average value of 39.85 with the highest value of 269.85 and the lowest value of 0 while the standard deviation value is 28.238. Overhead variable with government assistance as moderator has an average value of 188.63 with the highest value is 5 and the lowest value is 2.92 while the standard deviation value is 33.097.

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**Descriptive Statistics**

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Source: Processed Data (SPSS), 2018
### Independent Variables

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### 4 Conclusion
Based on the results of the study seen from the results of statistical tests and descriptions for each variable studied, and guided by the discussion, it can be concluded as follows:

1. Business efficiency can not be said to be good, because there has not been any growth in the business being carried out, which has not been expected to increase operating profit. Product sales are still fluctuating and there is no extraordinary increase in sales. In addition, the increase in the number of consumers is also not significant.

2. Knowledge of the community in the management of good business financial management can be said to be low, seen from the value of production and the amount of sales that should still be optimized again.

3. The community should be able to develop and utilize government assistance in strengthening their industrial structure to improve product production capabilities so that businesses can expand sustainably.

4. Government assistance is expected to be more targeted and evenly distributed to what is needed by the business community, and there is still a great need to provide assistance and guidance on business management so that businesses are expected to be more optimal and get more profits so as to improve the welfare of the community.

### 6 Recommendation
Based on the findings of the research results and referring to the conclusions stated in the previous section, the following matters can be suggested: To improve business efficiency so that production can be increased, and the increase in profits due to increased sales and the number of consumers, it is advisable for business people to pay more attention to aspects of knowledge management, entrepreneurial morale and community culture. To increase the understanding of good business financial management, it is necessary to conduct training from the government. Because of the results of the research many productions have the potential to become superior products.

### Acknowledgment
The authors wish to thank to Faculty of Economics and Business Riau University.

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