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The Influence of Empowerment towards Agricultural Business Actors' Ability in Surakarta, Indonesia

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Abstract: The situation of micro, small, and medium enterprises (MSMEs) in agriculture in Surakarta after the pandemic are still worrying; thus, effective empowerment efforts are needed to revive and develop MSMEs in agriculture. Empowerment will be maximally successful if various resources are available for its implementation. This study aimed to directly and indirectly analyze the effect of empowerment, human capital, economic capital, actors' perceptions of their business, and financial capital on the ability of agricultural business actors. This research study used quantitative methods with survey techniques. The sample population of this research study included all agricultural business actors in Surakarta covering five districts, and the sample was taken randomly. The data collection techniques included direct interviews, observations, and focus group discussions. The results showed that empowerment has a significant direct effect on economic capital, increasing it by 21.6 percent, and a very significant positive direct effect on the ability of agricultural business actors, increasing it by 20.9 percent. Empowerment has no significant direct effect on human capital, perception, and financial capital. Economy capital and perceptions of business actors have very significant direct effects on the ability of business actors, at 23.1 percent and 37.2 percent, while human capital and financial capital have no direct effects on the ability of business actors. Indirect empowerment via human capital, economic capital, perception, and financial capital factors has no significant effect on the ability of agricultural business actors.

Keywords: empowerment; human capital; economic capital; financial capital; level of ability of business actors in the agricultural sector



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1. Introduction

In order to increase the return of micro, small, and medium enterprises (MSMEs) in the agricultural sector, a comprehensive social mapping is needed that is able to assess the real needs of MSME actors in the agricultural sector in order for these actors to survive. For this reason, it is necessary to have an empowerment model that can increase the capacity of MSME actors in the agricultural sector. Increasing the capacity of MSME actors in agriculture is very necessary because improvements have been proven, both internationally and nationally. Micro, small, and medium enterprises in Southeast Asia accounted for an average of 97.2 percent of all forms of businesses, 69.4 percent of the total workforce, and 41.1 percent of a country's gross domestic product (GDP) during the period from 2010 to 2019 (developing member countries/DMCs, 2019). In Indonesia during the 2010–2019 period, MSMEs contributed 20.4 percent of the export value, and 53 percent of micro-enterprises were managed by poor households. The number of MSMEs reached 65.5 million with a contribution to the gross domestic product (GDP) of 61.07 percent or IDR 8.573,89 (USD 0.5).

Based on the initial survey, in Surakarta, 70 percent of MSMEs in agriculture are self-employed with respect to their livelihood. Most MSMEs in agriculture in Surakarta are

micro-businesses. The total number of MSMEs in agriculture in Surakarta is 7410 MSMEs. As many as 83 percent of the total MSMEs in Surakarta City comprise micro-enterprises or as many as 6.135 MSMEs. As many as 13 percent or 972 MSMEs are small businesses, and another 4 percent, or 305 MSMEs, are medium enterprises. Micro-enterprises are far more abundant than other business classes.

Micro, small, and medium enterprises in agriculture are alternative sources of income for the community (Pueyo and DeMartino 2018). However, the large and tight number of competitors is also a challenge for MSMEs in the agricultural sector. The majority of MSMEs in agriculture in Surakarta that are managed by women are now members of the Small Business Women's Network (JARPUK). In 2021, there were 492 JARPUK members in the agricultural sector spread across five sub-districts. There are 122 Jebres sub-districts, 72 Serengan, 162 Pasar Kliwon, 54 Laweyan, and 82 agricultural MSMEs in Banjarsari (Suminah et al. 2022). Overall, micro, small, and medium enterprises in Surakarta, which experienced a decline in business during the pandemic, still constitute a concern; thus, efforts are needed to revive and develop MSMEs in the agricultural sector. In an effort to recover and develop MSMEs in agriculture, human resources are the main determining factors for successful development, in addition to other basic capital such as physical capital, social capital, financial capital, economic capital, and natural capital. One of the reasons for the existence of poverty is due to the weak access to the five basic capitals (Octasyilva et al. 2022; Potluri 2022; Prasetyo et al. 2020).

Human capital, according to economics, comprises a stock of abilities (skills) and includes productive knowledge from people in society (Tjahjadi et al. 2022). Likewise, social capital in protecting against food insecurity is diverse, complex, and structurally determined (Prasetyo and Marimin 2015). Human capital is a concept that can contribute to the work of agricultural business actors based on human resources owned by MSMEs in agricultural micro, small, and medium enterprises in the agricultural sector, and are business entities that need to pay attention to business performance, which results in an increase in the capacity of human resources. The performance of a good organization needs to be supported by human capital, which requires administrative understanding (Hargreaves and Cohen 2011; Wuen et al. 2022). Financial capital is the amount of money in circulation that can be accessed by households. This can take the form of savings and access to credit in the form of loans. Neither savings nor loans are direct forms of productive capital, as they play roles in household asset portfolios, because they can be converted into other forms of capital or directly into consumption (Ellis 1994).

Economic capital is the main capital provided by company owners to their companies when starting new businesses. If the physical asset is not successfully executed, the existing value will of course decrease or even have no value at all. The amount of existing capital can determine the availability of consumer demands for the production of a business. With the increase in business capital, business actors can increase their production capacity so that production results will increase and the value of sales will also increase. The existence of internal capital from business actors will determine the amount of income that can be received by a business based on the results of its production. In addition to the support of various resource factors, the perception of running a business is also influenced by the empowerment program (Jalil et al. 2022).

Empowerment will be maximally successful if it involves many relevant stakeholders during its implementation (Suwatno and Kurniawan 2016). The perception of business actors in the agricultural sector towards empowerment policies and programs is the basis for the emergence of the willingness of an individual or community to participate actively, according to their roles in each activity. These perceptions can be a driving force or an obstacle, with respect to taking an active role in their activities (Robbins 2003). In empowering MSME actors in the agricultural sector, it is also necessary to observe how their perceptions of empowerment have been carried out. The urgency in empowering MSME players in agriculture not only requires technical studies. One thing that is also very important is the study of the resources of MSME actors in the agricultural sector with

respect to improving human capital, economic capital, financial capital, social capital, and business actors' perceptions of their business. For this reason, it is necessary to observe its influence on the ability of agricultural business actors to develop their business in Surakarta. The results of the study are expected to be the basis for creating policies with respect to community empowerment in agriculture.

The results of this study are expected to be used by relevant stakeholders, such as the government, non-governmental organizations, universities, the industrial world that implements CSR funds for empowerment programs, as well as communities who are interested and focused in the field of community empowerment. Additionally, it can act as the basis for policy making in conducting empowerment programs in the field of agricultural business. A very important thing that cannot be ignored in empowering the community, is especially post-intervention assistance, in addition to the availability of various resources such as human capital, economic capital, financial capital, and the perception of business actors in their business, so that the results of empowerment in the community are very important, especially for business actors in the agricultural sector.

2. Materials and Methods

This research study was conducted in Surakarta, which includes the districts of Banjarsari, Jebres, Laweyan, Serengan, and Kliwon Market. The research study was conducted quantitatively by using the survey method. The research population includes all business actors in the agricultural sector. The sample was determined randomly, with each sub-district taken as a sample of 42 business actors in the agricultural sector, and the total number of business actors was 210 people. Secondary data were obtained from the UMKM office; the Agriculture Office; the Investment and One-Stop Service Office; the Trade and Cooperative Service; the Community Empowerment Service; and the Surakarta City Bappeda. Data collection techniques are carried out by using the following steps:

- a. Interviews conducted with respondents by using a questionnaire guide, namely direct interviews with MSMEs in the agricultural sector;
- b. Direct observations made directly in the field, which aim to observe the location and business activities carried out by business actors in the agricultural sector;
- c. Focus group discussion (FGD) to directly observe and listen to the problems faced by business actors in the agricultural sector and what has been performed from various parties.

The scoring technique uses a Likert scale model determined by the normal deviation approach by giving a score to each question answer. Then, analyze the validity and reliability of the answers using Cronbach Alpha, with the Cronbach Alpha coefficient criteria if it is greater than 0.60 and 0.70, it is said to be reliable (Ghozali 2011; Nunnally 1994).

In this study, the Alpha Cronbach value uses a standard of 0.70 with the assumption that the list of questions tested can be reliable if the Alpha Cronbach value is ≥ 0.70 . With these criteria, the Alpha Cronbach value which is closer to 1 means that the reliability is higher, while if the value is less than 0.2, it is less reliable or less reliable. Based on the calculation of each variable, the results of the instrument reliability test are as follows: empowering 0.849, human capital 0.918, economic capital 0.883, MSME perception 0.838, financial capital 0.919, MSME Actors Ability 0.788. The reliability test results show that all variables have a Cronbach's Alpha value above 0.70, so it can be said that each variable studied in this study is reliable.

The research hypotheses tested are as follows:

1. Empowerment is directly predicted to have a significant effect on human capital, economic capital, MSME actors' abilities, MSME actors' perception, and financial capital;
2. Empowerment indirectly via human capital, economic capital, MSME actors' perceptions, and financial capital has a significant effect on the ability of agricultural business actors.

Data were analyzed descriptively and using path analyses. The analysis was carried out to observe the relationships between exogenous and endogenous variables. The exogenous variables in this study include empowerment variables, and the endogenous variables include human capital, economic capital, financial capital, perceptions of business actors in the agricultural sector, and the ability of MSMEs actors in agriculture.

3. Results

3.1. Descriptive Analysis

3.1.1. Human Capital for MSMEs in Agriculture

Human capital comprises a combination of knowledge, skills, innovation, and the ability of individuals to run their businesses to be able to create value in order to achieve the desired goals. The existence of human capital in a business shows that the business has the capacity to provide the right solutions based on the knowledge possessed by the MSME business actors in the business that is carried out. In its journey, human capital becomes one of the determining factors in the economic growth of a business entity (Rachmawati and Wulani 2007). The human capital aspect in this study includes: the ability of actors to provide quality and affordable raw materials; the ability of actors to use technology in processing and packaging operations; the ability of actors to participate in training and counseling; and the ability of actors to participate in marketing and promotion. The frequency distribution of business actors based on human capital can be observed in Table 1.

Table 1. Distribution of MSME actors in agriculture based on human capital in Surakarta.

No.	Category	Frequency	Percentage
1.	Low (33–44)	58	27.6
2.	Medium (45–56)	134	63.8
3.	High (57–68)	18	8.6
Total		210	100.0

Source: Primary data analysis (2021).

Based on Table 1, regarding the distribution of MSMEs in agriculture based on human capital in Surakarta, it can be observed that the level of human capital of MSMEs in agriculture is moderate, with 134 businesses in the moderate category (63.8 percent). Human capital in this study includes the ability of actors to carry out the business that they run. The aspects assessed include the production aspects of business actors who already have demonstrated abilities in both the use of quality raw materials that still remain affordable and the use of adequate technology. The training aspect has not received a response from the majority of business actors due to limited information and the lack of further assistance provided towards businesses. In the process of developing a better business, assistance is needed in the form of training with respect to quality production processes (Endri 2010). The pandemic has limited marketing space; thus, many MSME players in the agricultural sector have begun to utilize technology to market their products online because they are able to capture a wider market to keep their businesses running. The pandemic has also required business actors to manage and innovate their businesses, responding to existing changes so that businesses can continue to run smoothly.

3.1.2. Economic Capital for MSMEs in Agriculture

Economic capital is a measure of the capital adequacy needed to absorb unexpected losses within a certain period of time and a certain level of confidence. The working capital itself is capital that is issued periodically to carry out its business; the working capital is usually used for consumables within a short period of time. To be able to run a business, initial capital is required for which its value varies depending on the type of business and the size of the business (Sudaryono 2017). Economic capital in this study includes: investment capital; working capital; the origin of business capital; the percentage of owned

capital and capital obtained from outside sources (loans); loan sources; payment systems; interest in payments; ownership of business entities; ownership of business assets; types of business assets owned and controlled; business turnover before and during the pandemic; percentage change in turnover; non-business income; production costs; packaging costs; and marketing costs. Based on the results of the research studies that has been carried out, it is observed that the highest business investment capital is IDR 20.00.000.000 (USD 1,280,000) and a minimum of IDR 500.000 (USD 32) for initial capital. Investment capital is the capital issued at the beginning of opening a business that is long term. In the working capital issued every month, the MSMEs in the agricultural sector in Surakarta spent the maximum of IDR 500.000.000 (USD 32,000) and at least IDR 150.000 (USD 9.6) per month. There are also business actors who have working capital expenditures of IDR 0 (USD 0) due to stagnation and obstacles when running their business.

In terms of the origin of capital, most MSME business capital in agriculture in Surakarta comes from their own capital, namely from their own business actors and partly from their own capital and loans with different percentages, with businesses possessing business capital that came completely from loans. The comparison between MSME actors with their own capital and those with loans observed in agriculture is 30 percent with 70 percent, 50 percent with 50 percent, 20 percent with 80 percent, 90 percent with 10 percent, 60 percent with 40 percent, and 40 percent with 60 percent. The loan capital obtained by MSME actors in the agricultural sector is used in helping obtain costly, namely cars for the purpose of the distribution of sales, and land or buildings to open a place of business. The sources of loans come from savings, loan cooperatives, and banking institutions. The method of payment comprises installments per month, per week, and some are per year. The highest interest paid reaches 10 percent for each month, and the lowest is 0.50 percent for each month. With respect to business ownership, most MSME actors in agriculture in Surakarta are self-owned; a small part are businesses owned by others; and three MSME actors in agriculture in Surakarta in this study have businesses from profit sharing. The ownership type of business assets in this study is mostly self-owned, and some are still borrowed or leased. Business assets are owned and controlled in the form of tools that support the business activities of MSMEs in the agricultural sector.

Capital is not always in the form of funds or money, but it can be in the form of skills, willingness, loyalty, integrity, intelligence, and a strong determination in running a business (Polandos et al. 2019). The amount of turnover obtained by MSME actors in the field of food processing agriculture in Surakarta tended to decrease substantially during the pandemic. The agribusiness sector, especially ornamental plants, increased, because during the pandemic, people tended to enjoy using ornamental plants as decorations and having better fish pets at home. In food processing businesses, many MSMEs in the agricultural sector have complained that their income decreased because the places that used to sell goods were closed during the pandemic. Before the pandemic, MSME actors in the agricultural sector could make sales in crowded places, namely Car Free Day (CFD) and Ngarsopuro, which can provide higher incomes. The percentage of decline in the business turnover of MSME actors in the agricultural sector reached more than 30 percent. Some business actors have other businesses besides the main one. The majority of MSMEs in agriculture experienced a decline in income during the COVID-19 pandemic (Laura Hardilawati 2020; Ogada et al. 2021). The level of empowerment of MSME actors in Surakarta City during the pandemic is relatively low (Suminah et al. 2022). This is due to the decreasing number of activities carried out outside the home, the difficulty of obtaining raw materials due to transportation constraints, and the decreasing level of public trust in external products, especially in the field of food processing. The distribution of business actors based on economic capital can be observed in Table 2.

Table 2. Distribution of MSME actors in agriculture sector based on economic capital.

No.	Category	Frequency	Percentage
1.	Low (19–27)	85	40.5
2.	Medium (28–36)	115	54.8
3.	High (37–45)	10	4.7
Total		210	100.0

Source: Primary data analysis (2021).

Based on Table 2, regarding the distribution of MSME actors in agriculture based on the economic capital in Surakarta, it can be seen that the economic capital of MSME actors in agriculture is within the medium categories. There are 115 business actors in the medium category (54.8 percent) out of a total of 210 business actors in agricultural businesses. The results show that the majority of MSMEs in agriculture is in the medium category, which tended to be low with respect to the level of economic capital. Some business actors have difficulty in obtaining capital due to declining turnover and uncertain marketing during the pandemic. At the same time, business actors also consider the need for capital from outside parties, such as loan institutions and banks, in order to cover the lack of capital for developing their businesses. Income that is unstable and tends to decrease is now an obstacle and results in the consideration of whether business actors are able to return to their former state within the grace period. Economic capital is a very vital element in trading businesses, because in carrying out a business, one should want to know the amount of income earned when running the business. Income observed in the economy is defined as remuneration for the use of production factors owned by the household sector and the corporate sector, which can be in the form of salaries/wages, rent, interest, and profits.

3.1.3. Financial Capital for MSMEs in Agriculture

Financial capital comprises all financial conditions in a business. The financial aspects in this study include own capital and loans. Based on the results of the research studies that have been conducted, it can be seen that the business capital obtained by MSME actors in the agricultural sector came from personal funds, family, government assistance, and bank and non-bank loans. Most MSMEs in the agricultural sector in Surakarta require additional capital for their businesses. Many MSMEs in the agricultural sector do not have loans or credit. A small number of other MSMEs have or are currently using loans with a frequency of at most four times. Most of these MSMEs borrow in amounts from IDR 5.000.000 (USD 320) to IDR 20.000.000 (USD 1280) as business capital in agriculture. Financial capital can be defined as the ability of the financial resources used by business actors in successfully supporting the start of a business and in helping manage a business. In general, business actors build their businesses using their own capital. However, as the business progresses, business actors usually take steps to take out loans to increase the capital used for business expansion. A study stated that there is a positive influence of financial capital on business performances (Fatoki 2011).

It can be explained that this effect occurs because of the availability of adequate business capital as a source of capital for running a business so that business actors can run their business easily. In addition, financial capital can also help achieve good performance when business activities are carried out; business actors need to clearly understand how to manage finances well, namely by learning financial literacy (Kurniawan and Setiawan 2018). Financial capital refers to the purchasing power of consumers as a means of representing financial wealth that is stored. Then, it is used to invest in developing a business, namely by buying or obtaining physical capital (Marija et al. 2021). Financial capital is something that is used to build or conduct a business, either in the form of money, goods, or energy. The financial capital for MSMEs in agriculture can come from various sectors, for example, from their own capital, loans, or maybe a combination of their own capital and loans. The

distribution of MSME actors in agriculture based on business capital can be observed in Table 3.

Table 3. Distribution of MSME actors in agriculture by financial capital.

No.	Category	Frequency	Percentage
1.	Own	164	78.10
2.	Loan	7	3.33
3.	Own + Loan	39	18.57
Total		210	100.0

Source: Primary data analysis (2021).

Table 3 shows that the distribution of MSME actors in agriculture based on the financial capital of agricultural business actors in Surakarta is very diverse. There are 164 business actors who have their own business capital or with a percentage of 78.10 percent, and only seven people (3.33 percent) have businesses that started from loans. The loans are not from banks but they are loans from savings and loans at the RT (Neighborhood Association) level; loans from business groups; and loans from relatives and close neighbors. The payment system comprises installments: agricultural MSME actors can pay the required interest; loan providers do not apply fines for late payments. Some MSME actors in the agricultural sector experienced an increase in income after taking loans, and some did not experience an increase. Several MSMEs in the agricultural sector in Surakarta stated that the increase in income was not only caused by a substantial amount of capital, but rather by an increase in sales, because sale proceeds can be used as capital again. Financial calculations or bookkeeping have not been carried out to determine the financial flow owned. The benefits of conducting a financial check-up include being able to find out the details of expenses, control expenses, prepare for the future, and be able to calculate money needs in future (Hertina et al. 2021).

The majority of MSMEs in the agricultural sector in Surakarta still use their own business capital. This is because business actors have administrative constraints due to the fact that the management of MSME businesses in the agricultural sector is still managed manually and conventionally. Moreover, they cannot share operational finances for households and for businesses. Business capital is an important component for both a business that is being developed or is already running (Salahudin et al. 2018). The COVID-19 pandemic did not make capital loan services difficult; it even made loan services offer increasing amounts of services. Most lending/credit institutions require that the borrower must have the ability to provide capital in the form of assets or collateral. Guarantees in obtaining capital credit are one of the obstacles relative to the development of MSMEs in Indonesia (Ardiansyah 2019). These MSMEs collided with the guarantees or collateral because many of them are still living in contracts. The bank always provides support and assistance in applying for additional business capital. Access to loan capital is relatively easy, and the response of loan service providers is quite fast. MSMEs in the agricultural sector feel that it is sufficient to obtain information related to loans, and more in-depth information about experiences is obtained from friends and relatives. MSMEs in the agricultural sector in Surakarta make considerations before taking a loan and do not experience limitations in their loan applications. MSMEs in the agricultural sector also do not take more than one loan at a time because it will be burdensome in the installment process. Economic problems are the main reason for MSMEs in agriculture to take loans, and the timeliness of repayment (installments) will affect the next loan payment.

3.1.4. Perceptions of MSMEs in Agriculture in Empowerment Programs

Perception is an individual's action of interpreting and giving meaning to the surrounding environment (Robbins 2001). A business actor should view or perceive that business information and the development of science and technology, production, and marketing have many benefits in the business world. Perception in this study comprises the

awareness of the importance of business information, changes in science and technology and nature, production and processing activities, marketing activities, bookkeeping, health protocols, and social assistance. The frequency distribution of MSME actors in agriculture based on general perception can be observed in Table 4.

Table 4. Distribution of MSME actors in agriculture based on perceptions of their business.

No.	Category	Frequency	Percentage
1.	Low (88–102)	69	32.90
2.	Medium (103–117)	134	63.86
3.	High (118–132)	7	3.33
Total		210	100.0

Source: Primary data analysis (2021).

The distribution of MSME actors in agriculture based on the perception of business actors towards their business is classified as moderate, with 134 MSME actors in the agricultural sector included in the medium category (63.86 percent). This can be explained that in the perception of business actors in the agricultural sector as they sometimes they still have difficulties in marketing due to the pandemic; however, on the other hand, agricultural business actors can help meet family needs. Some business actors switched to online sales during the pandemic. Factors that are assessed based on the perception aspect in this study include: the awareness of the importance of business information; changes in nature for business, production and processing activities; marketing activities; bookkeeping activities; health protocols; and the receipt of social assistance for MSMEs in agriculture.

With respect to the awareness of the importance of business information, most business actors in the agricultural sector require assistance with respect to business information. This is because business actors feel that conducting business during the pandemic has a bad marketing impact, due to the decline in business turnover and related business operations, such as decreased production. Business information comprises information that has similarities with one another, which is intended for business purposes. One piece of business information that needs to be known by MSMEs in the agricultural sector is competitors. A competitor is a business that produces or sells goods or services that are similar to the product being marketed. Based on the results of the study, it is known that many MSMEs in the agricultural sector know the number of their competitors. Competition is still a reasonable condition if it occurs among modern retail businesses, between traditional retail businesses, and between suppliers (Utomo 2010). By knowing the number of business competitors, a person will be able to easily develop a business plan, can observe the business more clearly, and to know the weaknesses of the business being run and understand what actions must be performed to improve it. Access to information for MSME actors in agriculture mostly comes from the networks of friends (relationships), family, and social media. Social media is not only a communication tool for entertainment but also an important part of marketing strategies in the business world (Öztamur and Karakadılar 2014; Yuliarini et al. 2020). The use of social media helps the accessibility of the industry relative to the market. A financing institution is a business entity that carries out financing activities by providing the provision of funds or capital goods. Financial institutions in Indonesia, for example, include leasing, consumer financing, credit card issuance, factoring, infrastructure financing, and venture capital. The results of research in the field indicate that the majority of business actors have relationships with financial institutions. The relationship comprises a capital loan that allows individuals to develop their own MSME business in agriculture. A financial institution provides the funds or capital needed and carries out activities by providing capital to individuals or business sectors in need (Kairupan 2017).

The results of the research studies in the field show that the majority of MSMEs in the agricultural sector in Surakarta have bank accounts. The bank account for MSMEs in the agricultural sector is not only used to borrow capital, but is also used as a means of

collecting payment from consumers and is an account for saving capital. With regard to the changes in the nature of MSMEs in the agricultural sector, this is not an obstacle because the business carried out does not come in large numbers and can still be controlled. This is because the business is located around the location where the MSME lives; as long as there are still water services provided by the PDAM (Municipal Waterworks) that can be used to irrigate the MSME's crops, there is no problem. Similarly, production activities are not as complicated because those cultivated by MSMEs in the agricultural sector come generally only in the form of vegetables such as kale, eggplant, chilies, tomatoes, and ornamental plants. Likewise, those who have food processing businesses say that it is not complicated, the raw materials are easy to obtain, the process is also easy, and only marketing is difficult.

In relation to business management bookkeeping, there are still many individuals who are inactive in carrying out bookkeeping activities. Business bookkeeping also needs to occur in order to expedite the bookkeeping process of a business. Business bookkeeping is a recording process that must be carried out regularly in collecting all types of data and information regarding finance, which consists of liabilities, income, assets, costs, and capital. It is the same as when applying for a loan at a bank, where business financial statements will be reviewed by the bank when MSMEs in the agricultural sector are growing and need capital. This is performed so that financial accounting will be carried out regularly from the beginning by MSME actors in the agricultural sector ([Astuti 2015](#)). This means that simple bookkeeping in MSMEs in the agricultural sector must be performed to increase business continuity and sustainability. Financial statements can also be used to assess performances or to measure the company's ability to run its business in the near future ([Nuvitasari and Martiana 2019](#)). Financial reports can also be used to predict the business development of a company in future. The practice of implementing health protocol rules in the form of 3M is a common practice, and there are no problems whatsoever. Other aspects include the assistance for MSMEs in the agricultural sector. Many business actors already registered as beneficiaries due to the pandemic.

3.1.5. Empowerment of MSMEs in Agriculture

Empowerment is one of the efforts made to increase individual capacities by mobilizing, motivating, and increasing the awareness of individuals and communities. The concept of abstract empowerment is used in this study as a means of supporting the local economy by strengthening the factors of production, the control of distribution and marketing, and community income; and providing public access to information, knowledge, and skills. In other words, the development of physical capital has an important role in realizing economic growth. In addition, human resource development is also an important factor in economic development, especially when creating inclusive economic growth ([Suminah and Anantanyu 2020](#)).

Based on the results of field research studies that have been carried out, it can be observed that the types of empowerment activities that took place during the pandemic in Surakarta came in the form of counseling, webinars, socialization, online competitions, guidance, and talk shows. The implementers of the program include Shopee, Disperindag, Cooperatives and the MSMEs Office in agriculture, BRI, Gojek, and the Diocese. During the pandemic, empowerment programs were rarely carried out due to health protocol policies and limited technological facilities.

With respect to the frequency in days during the pandemic, most MSMEs in the agricultural sector in Surakarta participated in the empowerment program for 40 days. MSMEs in agriculture who participated in the empowerment program explained that they benefited from the empowerment program in terms obtaining the main information, although this came with limitations. Empowerment is focused on increasing organizational capacities or increasing group participation ([Luttrell et al. 2009](#)). Empowerment can be focused on improving the economy and providing access to economic resources. Empowerment can also be interpreted as an effort to improve the professionalism and performance of regional coaches, including the apparatus, social institutions, non-governmental organizations

(NGOs), businesses, and community members in order to overcome various problems faced by business actors. Moreover, there is an expectation that aspirations will be realized, and people expect an increase in the quality of life and the welfare of the community (Hafiluddin et al. 2014). The policy of empowering the MSME sector in agriculture in Surakarta is directed towards reducing poverty and inequality, creating job opportunities, and fulfilling household needs. The level of empowerment in this study includes program planning, material suitability, assistance after the program, media or means of delivering material, and the evaluation of empowerment programs. The distribution of the frequency of business actors based on the level of empowerment in general can be observed in Table 5.

Table 5. Distribution of MSME actors in agriculture based on the business actors' ability in the city of Surakarta.

No.	Category	Frequency	Percentage
1.	Low (13–24)	176	83.8
2.	Medium (25–36)	32	15.2
3.	High (37–48)	2	1.0
Total		210	100.0

Source: Primary data analysis (2022).

Based on the analysis's results, the distribution of MSME actors in agriculture based on the ability in Surakarta City during the pandemic is relatively low, with 176 business actors in the low category (83.8 percent). This is because the level of ability with respect to MSME actors in the agricultural sector is low, because there were few business actors who participated in the implementation of empowerment programs during the pandemic due to the decreasing intensity of empowerment programs. There was a limitation of activities and they were enforced online, and some business actors in the agricultural sector have limited online access. Several types of empowerment program activities during the pandemic were carried out, such as training, webinars, counseling, and guidance held by both the government and the private sector. The government services provided are from Agriculture Service, Industry, and Trade Service (Disperindag) and the Surakarta City Small and Medium Business Cooperative Service, while the private sectors that provided services include Bank Rakyat Indonesia (BRI), Bank Jateng, Shopee, and Gojek. Support from the government and the community is the most important factor when developing and empowering business actors during the pandemic (Soehardi 2021).

The level of ability is assessed from aspects such as planning, implementation (materials, facilitators, and methods), post-empowerment programs (assistance), monitoring, and evaluation. The involvement of business actors in planning empowerment programs is still relatively low. In the materials delivered via audio visuals, some business actors received benefits, but there were also those who felt the materials were lacking because they were not in accordance with what was needed by business actors in the agricultural sector during the pandemic. Empowerment programs provided by the service or NGOs for MSME actors include training in making media for plant cultivation, digital marketing, entrepreneurship training, socializing halal labels, and also packaging design training. Some of these activities were carried out during the pandemic. The presenters of the material are well versed in production techniques, but assistance with respect to sustainability is still lacking. The evaluation of empowerment programs is still low because it is usually only performed after training. The point of empowering several business actors in the agricultural sector is to gain new knowledge, but the sustainability of the program is still relatively low so the benefits of the program also do not last long. The empowerment activities carried out after the pandemic and received by MSME actors in Surakarta City included: training in making fertilizers to support businesses; cooking and bread-making training for MSMEs who process flour; cooking utensil assistance; and online marketing training with respect to developing businesses.

3.1.6. Ability Level of MSMEs in Agriculture

The community ability level refers to people who have the ability and want to increase their dignity by escaping poverty and underdevelopment (Anwar and Pd 2007). Empowerment as a process involves less fortunate individuals who become stronger and can participate in various efforts to improve their lives; moreover, they gain sufficient knowledge, skills, and mastery and can influence the lives of themselves and others (Suharto 2009). The ability level in this study was measured by considering several aspects such as the mastery of science and technology, ability to see opportunities, ability to act, and marketing ability. The frequency distribution of business actors based on the level of empowerment in general can be observed in Table 6.

Table 6. Distribution of MSME actors in agriculture by empowerment level in Surakarta.

No.	Category	Frequency	Percentage
1.	Low (30–64)	40	19.0
2.	Medium (65–99)	153	72.9
3.	High (100–134)	17	8.1
Total		210	100.0

Source: Primary data analysis (2022).

The distribution of MSME actors in agriculture based on the ability level in Surakarta City falls in the medium category with respect to the empowerment level, with 153 (72.9 percent).

The results in the field and the description above show that the level of empowerment is at a moderate level for MSMEs in agriculture in Surakarta City. In reality, the majority of agricultural MSMEs can be said to be powerless in terms of limited capital, low mastery of technology and skills, and limited market access (Surya 2007). In this section, many business actors are quite good at the use of science and technology, such as access to information related to business knowledge, business development efforts, innovation, and responding to consumers. The ability to see opportunities and improve their businesses by making changes/implementing innovations is low (Walter et al. 2019), in addition to establishing business partners in terms of marketing and production. The aspect of business actors participating in training activities during the pandemic still measures quite low. Business actors and their participation in production and the use of labor were reduced due to a decrease in turnover resulting in increased energy use within the family. The last aspect involves marketing capabilities where direct sales can only be performed in a limited manner due to activity restrictions. In these cases, business actors begin to switch to online marketing innovations, while also taking advantage of established relationships such as relatives, friends, and fellow business actors.

Surakarta City is a city located in Central Java Province where most of the people live by trading business. According to data from the Central Statistics Agency (BPS) in 2020, with respect to the food processing industry, there are 60,534 people. In order to re-strengthen and empower MSME business actors in the agricultural sector, it is necessary to study the model for empowering MSME actors in the agricultural sector after the COVID-19 pandemic (Takeda et al. 2022). The empowerment that has been carried out by MSME actors during the pandemic and after the pandemic has had an impact on MSME actors in Surakarta. The level of empowerment of MSME actors in Surakarta is moderate, as indicated by actors who show changes or those who are not affected. The impact shown by several business actors includes changes in from an offline to online marketing system in order to market food products and agricultural products. The next change is that SMEs in Surakarta after empowerment observed an increase in the number of orders and were able to use more machine tools for production, because they are supported by adequate production equipment.

3.2. Empirical Results Based on Path Analysis

A distribution is said to be normal if the value of the critical ratio skewness and the critical ratio value of kurtosis is between the value of -2.58 and $+2.58$ at a significance level of 0.001 ; if the value is outside this range, then the data are assumed to be not normally distributed. The assumption of multivariate normality can be observed in the last line of the assessment of normality by looking at the criterion ratio. The results of the analysis with respect to the influence of the variables of empowerment, human capital, economic capital, the perceptions of business actors of their business, and financial capital at the level of empowerment of agricultural business actors in Surakarta, are presented in Table 7.

Table 7. Data distribution normality test results.

Variable	Skewness	Critical Ratio	Kurtosis	Critical Ratio
Empowerment	1.870	10.439	1.807	5.043
Financial capital	-1.673	-9.338	1.911	5.335
Human capital	1.070	5.974	0.748	2.088
Perception	0.290	1.618	0.042	0.117
Economic capital	0.609	3.399	0.145	0.404
Empowerment Level	-0.255	-1.423	-0.493	-1.376
Multivariate			3.018	2.106

In Table 7, it shows that not all variables are normally distributed, because the values of the critical ratio skewness and critical ratio kurtosis still include two variables that are above 2.58 , namely, the empowerment and financial capital variables. However, for the critical multivariate kurtosis ratio of 2.106 , which is below 2.58 , it meets the normal assumption. For this reason, in general, it can be said that the distribution of the data used in the model can be considered to be normally distributed because of the simultaneous nature of path analyses. Thus, the process of testing data outliers does not need to be conducted again.

We tested the theoretical model using path analyses with the AMOS 20 software. A theoretical model is in accordance with empirical data if the empirical data values meet the test criteria. Several types of criteria for testing the suitability of the theoretical model with empirical data (Ghozali 2011) include using chi-square testing instruments; probability values ($p > 0.05$); GFI, AGFI, and TLI values > 0.90 ; and an RMSEA value < 0.08 .

The theoretical model built in this study is based on the empowerment variable, human capital, economic capital, the perceptions of business actors in their business, and financial capital that affects the level of ability of agricultural business actors in Surakarta, indicating that all latent variables fit; the model can be used to use as the test model. The results of the goodness-of-fit model test show that the model is a fit model, and it has a p value of $0.223 > 0.05$ and a chi-square value $= 8.218 < 43.77$; moreover, other model suitability criteria also met the criteria required by the model, such as goodness of fit, which can be observed in Table 8.

Table 8. Model fit test results/model fit index.

Goodness of Fit Index Criteria	Cut-Off Value (Critical Value)	Empirical Result	Model Evaluation
Chi-squares	<43.77	8.128	Fit
Probability	>0.05	0.223	Fit
CMIN/DF	<2.0	1.370	Fit
GFI	>0.90	0.986	Fit
AGFI	>0.90	0.951	Fit
CFI	>0.95	0.973	Fit
NFI	>0.90	0.916	Fit
TLI	>0.90	0.933	Fit
RMSEA	<0.08	0.045	Fit

The results (Figure 1) of the standardized effect show that empowerment has a significant direct effect on economic capital at 0.22 (21.6 percent) and a very significant positive direct effect on the level of ability of agricultural business actors at 0.21 (20.9 percent). Direct empowerment has no significant effects on human capital, perceptions, and financial capital. Economic capital and the perceptions of business actors have a very significant direct effect on the level of ability of business actors at 0.23 (23.1 percent) and 0.37 (37.2 percent), respectively, while human capital and financial capital have no direct effects on the level of ability. Indirect empowerment via human capital, economic capital, perception, and financial capital has no significant effects on the level of ability of agricultural business actors, which is presented in Tables 9 and 10 in more detail.

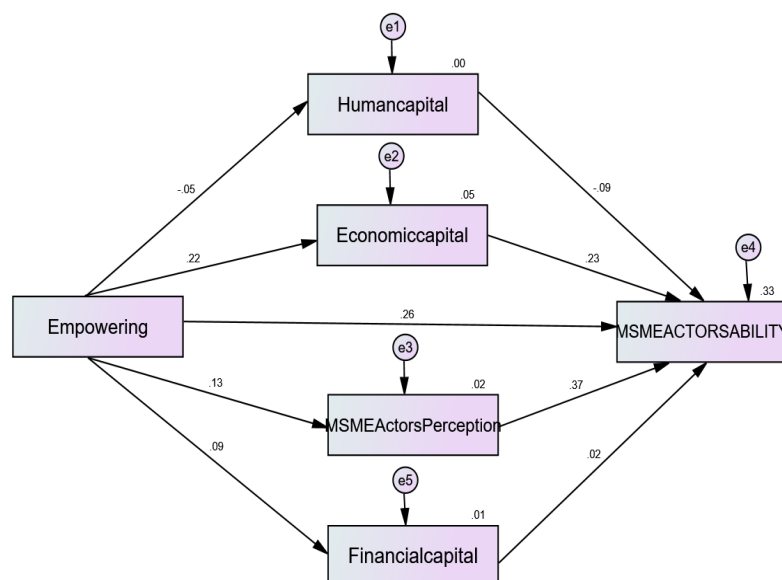
**Figure 1.** Path analysis result.

Table 9. Direct effect path analysis test results.

Direct Effect	Path Coefficient	Standard Error	p Value
Human capital ← Empowerment	−0.050	0.261	0.493
Economic capital ← Empowerment	0.216	0.063	0.003
Perception ← Empowerment	0.127	0.094	0.082
Financial capital ← Empowerment	0.091	0.011	0.212
MSME Actors' Ability ← Empowerment	0.209	0.239	***
MSME Actors' Ability ← Human capital	−0.094	0.066	0.124
MSME Actors' Ability ← economic capital	0.231	0.269	***
MSME Actors' Ability ← perception	0.372	0.185	***
MSME Actors' Ability ← financial capital	0.026	1.505	0.667

*** Significant with alpha 1 percent means very significant.

Table 10. Indirect effect path analysis test results.

Indirect Effect	Path Coefficient and Standard Error	Path Coefficient	Z-Sobel	R-Square
Ability ← Human capital ← Empowerment	−0.050; 0.261 −0.094; 0.065	0.0047	0.18991183	0.3
Ability ← Economic capital ← Empowerment	0.216; 0.063 0.381; 0.185	0.0823	1.76544543	4.7
Ability ← Perception ← Empowerment	0.127; 0.094 0.246; 0.274	0.0312	0.74776296	1.6
Ability ← Financial capital ← Empowerment	0.091; 0.011 0.026; 1.505	0.0024	0.01727571	0.8

Significant if the Z value of Sobel is greater than −1.96 to 1.96.

4. Discussion

Community empowerment is a process of preparing agricultural business actors by using various resources (human capital, economic capital, perception, and financial capital), opportunities, knowledge, and abilities to increase the capacity of agricultural business actors in determining their future, in addition to improving their participation and affecting their wellbeing. Empowerment efforts are carried out by synergizing various elements, namely empowerment programs, human capital, economic capital, perceptions, and financial capital for MSMEs in Surakarta City. Empowerment affects business abilities, either directly or indirectly.

Based on the results of the analysis, empowerment has no direct significant effects on human capital. Human capital is an asset related to the ability to perform a certain activity. With respect to empowerment, individuals do not make good use of the community's human and social capital. This is because the development method that is used still imitates the new order model by prioritizing physical growth. As a result, the empowerment that is carried out is more similar to that observed in top-down processes, which place the government as the subject and the community as the object so that empowerment does not work as well as it should (Shaleh 2020). The empowerment process is a cycle or process that involves a community that works together in formal and non-formal groups in order to examine various problems and to plan, implement, and evaluate programs. From the research study's results, it can be observed that empowerment has no significant effects on human capital. A study confirmed that empowerment will increase competence with

respect to both knowledge and expertise and can promote the implementation of activities in creating a competitive society ([Widjajanti 2011](#)).

Based on the results of the analysis of the empowerment variable, it has a very significant direct effect on economic capital. Economic capital in this study includes: investment capital; working capital; the origin of business capital; percentage of own capital and capital from outside (loans); loan sources; payment systems; interest in payments; ownership of business entities; ownership of business assets; types of business assets owned and controlled; business turnover before and during the pandemic; percentage change in turnover; non-business income; production costs; packaging costs; and marketing costs. Decreased income certainly affects the decrease in the amount of capital issued every day. With the empowerment processes carried out during post-pandemic times, they were able to increase the income of agricultural business actors in the city of Surakarta. This happens because business actors in the agribusiness sector benefit from empowerment in the form of initial capital assistance, which was able to support production, especially for food-processing MSMEs. Sufficient capital in the form of production equipment is able to support production performance so that the resulting product can be produced in large quantities but within a short period of time; it is hoped that it will increase the profits of business actors. According to the theory of economic growth, economic growth can be influenced by the stock of capital, labor, the quality of the workforce, and technological advances or innovations made to improve the economy in a region. In other words, the development of physical capital has an important role in realizing economic growth. In addition, human resource development is also an important factor when developing the economy, especially in growing an inclusive economy ([Solow 1988](#); [Todaro and Smith 2012](#)).

From various viewpoints on the concept of empowerment, the concept of abstracted empowerment is used in this study as a means of supporting the local economy by strengthening the factors of production and the control of distribution and marketing, community income, and providing public access to related information, knowledge, and skills. Based on the results of the analysis of the relationship between variables, it can be observed that empowerment has no direct significant effects on perceptions. Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. The public perception of empowerment policies and programs provides a basis for the growing willingness to participate and play an active role in every activity, and it will be a motivator or obstacle with respect to playing an active role in the activities they are engaged in ([Robbins 2003](#)). In the empowerment activities carried out in this study, the activities showed that empowerment did not affect the perception of business actors in the agricultural sector in Surakarta City. This can occur because business actors in the agricultural sector still consider that empowerment activities are only limited to providing assistance or encouragement that can only be felt when the activity takes place.

Based on the results of the analysis, empowerment has no direct significant effects on financial capital. Business actors in the agricultural sector have a very large role in the national economy, so there are strategies that must be carried out to increase business exchanges. Financial capital is one of the supporters of the sustainability of MSMEs in the agricultural sector ([Marija et al. 2021](#)). Financial capital is a capital structure that supports the business continuity of a company. The results showed that financial capital had no effect on a business actors' ability in the agricultural sector. Most business actors in the agricultural sector do not take loans from banks or other financial institutions for fear of not being able to pay in installments and other difficult administrative matters. The reason why business actors continue to use their own capital as a source of capital is that there are administrative requirements that are not easy when borrowing from a financial institution. In addition, the interest and loan repayment periods make business actors more agitated. Therefore, business actors prefer to use their own capital or borrow from their families. There are also business actors who borrow from PKK groups in the RT level or local environment, and they are considered to be safer and easier than financial institutions.

Based on the results of the analysis, empowerment has no direct significant effects on business actors' ability in the agricultural sector. Business actors' ability is categorized in several forms, including the ability to think, act and control what one will do. A community level of empowerment is needed to improve welfare and the level of empowerment (Sholeh 2020). The results showed that empowerment had no effects on the level of empowerment. This is inversely proportional to the results of the research study conducted by Sulistyati et al. (2011), which show that empowerment no has an effect on business actors' ability in the agricultural sector when running their business. The helplessness experienced by a group can be caused by external factors, including the social structure of society and internal factors that include feelings of laziness, being undisciplined, and no investment of effort when dealing with difficult circumstances (Sulistyati et al. 2011). The community's empowerment process needs to pay attention to the involvement of the community who is a target in utilizing the potential of its resources to the fullest so that they can help themselves (independently).

Based on the results of the analysis, human capital does not significantly and directly affect a business actor's ability. MSME actors in Surakarta are well versed in science and technology, particularly the use of social media for daily communication. The implementation of this business is inversely proportional to the statement that high employee work productivity can be attained if employees have a desire to improve their abilities so that company goals will be carried out effectively and efficiently (Purnami and Utama 2019). The implementation of this business is contrary to the statement that high employee work productivity can be attained if employees have the motivation to improve their abilities so that business will be carried out effectively and efficiently. Employee work productivity can be observed from the quantity and quality of work performed by employees by considering the amount of resource costs incurred in realizing the job (Hanaysha 2016). Factors related to science and technology capabilities that are owned are not utilized optimally by business actors for their business, namely marketing. Business actors have the ability to see using social media will expand their product's marketing network, but they prefer to still sell their products manually. Social media is only used for orders by regular customers only. Only some of the business actors changed their business by using machines to speed up the production process and to produce more products.

Based on the results of the analysis, economic capital has a significant direct effect on business actors' abilities. The income received by business actors with the working capital issued has a slight difference such that the production activities conducted by business actors are always adjusted relative to the income they receive. Income as a determining factor can affect the condition of productive capital with respect to economic empowerment (Akbar et al. 2020). By conducting business, we can find out whether we will obtain sufficient income or not and whether will be able to utilize incomes as much as possible, and learn the balance between income and consumption patterns (Gilarso 2005). Various activities are carried out by business actors in order to increase their income or turnover. The activities carried out are conducted by selling their products at various events held by the City of Surakarta in post-pandemic recovery activities such as Sekaten, CFD, and in crowded places.

Based on the results of the analysis, perception has a significant direct effect on business actors' ability. Formally, perception comprises a process of selecting, organizing, and interpreting things into a broader and more meaningful and comprehensive picture (Kusuma 2018). Business actors have various perceptions when carrying out their business activities. The business information received by these business actors provides various views or perceptions on how they run their businesses. The marketing system during the COVID-19 pandemic has undergone a change from what was originally conventional; now, it expanded to digital or online marketing methods using social media platforms. Barriers with respect to the development of business actors include the limitations of business facilities and infrastructure, especially with respect to equipment and technology. Most business actors use technologies that are still simple; thus, it is still difficult for business

actors in the agricultural sector to compete with others with respect to quality and quantity (Budiyanto and Effendy 2020).

Based on the results of the analysis, it can be seen that financial capital has no direct significant effects on the level of empowerment. Business capital comprises the funds used to run a business and the efforts made to keep the business running (Melia 2015). Business actors in Surakarta, in running their businesses, often need additional capital so that production activities can continue to operate. The additional capital needed comes from their own finances, family finances, or loans. During its implementation, on average, business actors use their own capital compared to borrowed capital. Only a small portion of businesses used loan capital. The problems that MSME actors complain about are generally limited capital and difficulties in marketing (Hakim 2019). The results of the study found that the existence of financial capital or additional capital did not directly affect the level of the empowerment of business actors. This is because business actors do not pay attention to the source of funds they receive, but focus on the nominal fees required during the course of conducting the business, which is used to develop the business.

Food processing business actors are given facility in the form of physical capital and human capital. Physical capital is obtained by providing the cooking utensils needed for the production process. Human capital is provided for food processing business actors in the form of training with respect to making bread or managing a bakery, which can improve individual abilities in the field of food processing. The training provided new experiences and knowledge for business actors, which can then be implemented for business development (Figure 2).



(a)



(b)

Figure 2. (a) Baking training at Ganep bakery; (b) training on making apem Kampung Sewu.

The facility provided for agribusiness MSME actors is in the form of physical capital with support for business capital in the form of the procurement of fertilizer-making equipment and business houses. This procurement aims to support the initial capital of agribusiness entrepreneurs when starting new businesses (Figure 3). The business location was built as a comfortable location for production and as a place to market their products. Fertilizers produced by business actors in the agricultural sector in Surakarta after the empowerment program come in the form of liquid organic fertilizers and solid organic fertilizers. Materials for making fertilizers were obtained from organic waste (vegetables, fruits, and plant leaves) comprising household products obtained from residents around the production house. Solid organic fertilizers produced by agribusiness actors were obtained from animal waste and family waste.



(a)



(b)

Figure 3. (a) Intervention for making organic fertilizer houses; (b) gazebo-making intervention for selling agricultural products.

The level of ability of business actors in the agricultural sector can be observed from their ability, which allows them to exhibit strength and provides them with the ability to see opportunities, recognize their potential, master science and technology, and have the will and ability to act. However, it is not easy to achieve because achieving community-level empowerment is very dependent on the support of personal resource factors, economic resources, physical capital, social capital, personal perception, and the perception of empowerment.

5. Conclusions

In an effective empowerment effort to revive and develop agricultural business in Surakarta, it is very necessary to provide intensive post-intervention assistance for business actors until their business runs well. In addition, empowerment will be maximally successful if it uses many existing resources in its implementation, such as human capital, economic capital, financial capital, and the perception of business actors in their business. The existence of these resources needs to be improved because they can directly affect the ability of business actors in the agricultural sector. Empowerment has a significant direct effect on economic capital at 21.6 percent and a very significant positive direct effect on the ability of business actors in the agricultural sector by 20.9 percent. Direct empowerment has no significant effects on human capital, perceptions, and financial capital. Economic capital and perceptions of business actors have a very significant direct effect on the ability of business actors at 23.1 percent and 37.2 percent, respectively, while human capital and financial capital have no direct effects on empowerment. Indirect empowerment via human capital, economic capital, perception, and financial capital does not have a significant effect on the empowerment of business actors in the agricultural sector.

6. Findings

The results of this study can be used by relevant stakeholders, such as the government, non-governmental organizations, universities, the industrial world that implements CSR funds for empowerment programs, communities who are interested and focused in the field of community empowerment, as well being the basis for policy making in conducting empowerment programs in the field of agricultural business. A very important thing that cannot be ignored in empowering the community, is especially post-intervention assistance, in addition to the availability of various resources such as human capital, economic capital, financial capital, and the perception of business actors in their business, so that the results of empowerment in the community are very important, especially for business actors in the agricultural sector.

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