THE EFFECT OF SOCIAL NETWORK ON PARTNERSHIP PROGRAMS AND MSMES PERFORMANCE

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Abstract: The goal of this research is to determine the influence of social networks on the partnership program and the performance of SMEs and the role of the partnership program in mediating the social network on the performance of MSMEs. Concerning the study’s population, MSMEs assisted at PTPN III, a total of 243 MSMEs business actors were declared successful in MSMEs development. A saturated canoe was used as the sampling method. As a result, the sample size for this study is 243 MSMEs business actors. The information was gathered using a questionnaire tailored to each variable indicator item. Structural Equation Modeling with Amos was used for data analysis. The findings revealed that social network has a significant impact on the partnership program and MSMEs’ performance; partnership program has a direct and significant impact on the performance of MSMEs; partnership program has a significant indirect influence on the performance of MSMEs by mediating social networks.

Keywords: Social Network, Partnership Programs, MSMEs Performance, PTPN III, Structural Equation Modelling.
INTRODUCTION

In recent years, the government has begun to take an approach that encourages the formation of collaboration between the government and entrepreneurs in relation to the government's partnership policy. In many things can be done collaboratively by the government and entrepreneurs through various programs. A government-business partnership is a type of cooperation between the government and the business sector that allows them to share common resources, risks, and benefits aimed at changing existing environmental practices with innovative findings (Lin, 2019).

The role of MSMEs in a nation's economy cannot be overstated; micro, small, and medium enterprises (MSMEs) play an important role in economic development and growth, not only in developing countries but also in developed countries. MSMEs are very important in developed countries not only because they absorb the most labor compared to large businesses, as is the case in developing countries, but also because in many countries their contribution to the formation or growth of gross domestic product (GDP) is greater than that of large businesses (Franco & Haase, 2020).

Because of the large potential for developing MSMEs, many MSMEs have emerged that are managed in an unprofessional, particularly from a managerial standpoint. As a result, many MSMEs underperformed and went bankrupt. The performance of MSMEs is the result or evaluation of the company's work accomplished by a person or group with the division of activities in the form of tasks and roles over a specific time period in accordance with the company's standards (Mutegi et al., 2015). However, the performance of MSMEs has not been able to achieve maximum results thus far, particularly for failed assisted MSMEs.

Around 15% of MSMEs are mismanaged, causing their businesses to fail; failing to focus on the type of business they are engaged in contributes to MSMEs' failure. Furthermore, many MSME managers change business types solely because they are enticed by the success of other MSMEs (Hasanuddin, 2009). Thus, considering the strategic role of MSMEs and their limited ability to develop, MSMEs should not be managed with the origin and without good management (Hendratmoko, 2021). Partnerships between MSMEs and programs aimed at business continuity, improving resource quality, increasing partner income and income, and increasing business scale in order to grow and improve partner groups' business capabilities.

This pattern of collaboration is one solution for improving the performance of MSMEs (Wulandari & Nadapdap, 2020). One factor influences the performance of MSMEs, and that is the partnership program. The partnership and community development program has two (two) programs. The first is a partnership program with small businesses with the goal of increasing small businesses' ability to become strong and independent through the use of funds from SOE profits. The second is the environmental development program, which is a program for empowering the social condition of the
community by using funds from SOE profits. The maximum profit allowance for program funding is 2% (two percent) of net profit for partnership programs and 2% (two percent) of net profit for environmental development programs (Prajwalita & Tarmizi, 2015).

The Partnership Program has been run by PT. Perkebunan Nusantara III since 2002, as mandated by the Minister of State-Owned Enterprises. The Partnership Program has been implemented throughout North Sumatra by PT. Perkebunan Nusantara III. From 2002 to 2011, PT. Perkebunan Nusantara III assisted small businesses in North Sumatra through its Partnership Program. However, the partnership program is supposed to be the locomotive that propels the micro-economy forward, but in reality, this partnership has not produced the desired results. MSMEs' performance under the auspices of PTPN III is expected to continue to grow and develop in the face of existing competition. As a PTPN III partner, you will be in charge of the partnership program. MSMEs are said to perform well if they can increase existing sales, increase annual profits, increase capital, increase the number of customers each year, meet targets, and meet existing needs. PTPN III partnership program aims to provide access to capital for business development. This program is expected to improve MSMEs' performance in the face of business competition. The existing partnership program, on the other hand, may make it difficult for partners to pay the agreed-upon installments. So far, the fostered partners have shown no willingness to honor the agreements that have been made. In general, these partners believe that loans are a form of giving that does not have to be returned. Furthermore, this partner will only pay if PTPN III employees come directly to their homes or business to collect monthly installments. Finally, this partnership program is regarded as a gift from PTPN III to people involved in MSMEs.

However, the performance of MSMEs has not been as expected. The increase in partners who are unable to pay installments is a problem in the existing partnership program at PT. Nusantara Plantation III. It is known that social networks are not maximally owned by the fostered partners. The existing partnership program is only the provision of loan capital, not to the guidance of the fostered partners. So that all of this has an impact on the performance of MSMEs, especially in increasing their success in business development.

MATERIALS AND METHODS

Framework

The network's strength (network) is also critical in micro, small and medium enterprises (MSMEs). The network's closeness can be seen when business actors form cooperative relationships with outside parties in order to sustain the business they are running (Junaidi et al., 2022). A network is a collection of social structures made up of nodes that are linked together by links, also known as edges or ties (Kusasi & MSi, 2019). The network's centrality is centered on three actors: market administrators, suppliers, and MSEs themselves, all of whom play critical roles in sharing information and resources for mutual
success (Killa & Ratukani, 2020).

A business network is a type of economic organization that is used to regulate coordination and foster cooperation among elements within the organization. These elements are typically in the form of business units, but they can also be non-business units in a series that aids in the implementation of business units (Herlambang & Hendriyanto, 2015). Social networks provide information and knowledge, facilitating a better understanding of developing strong and flexible relationships with customers and other supply chain members. Closer relationships with suppliers will provide a significant contribution to the company's performance, including cost efficiency, quality improvement, reliability, and the fulfillment of always-available input needs. Furthermore, suppliers can broaden their sources of information about market developments, new technologies, and competitor movements. Successful entrepreneurs understand the value of networking when it comes to launching a new business. Business networks can help a company's growth and survival. The presence of a business network assists entrepreneurs in gathering the necessary information and advice, which has an impact on improving business performance (Hendrawan & Wijaya, 2020).

The partnership program can be interpreted as a program to help small businesses become stronger and more self-sufficient by providing capital as well as professional and skilled Human Resources training so that they can support marketing and business continuity in the future (D'Angelo & Baroncelli, 2020).

Data Source
In order to collect data for this study, researchers used both primary and secondary sources. Primary data and secondary data are as follows (Sugiyono, 2009):

1. Primary Information
   Primary data, that is, information obtained directly from respondents via questionnaires or questionnaires. The questionnaire for the study was first developed using indicators for each independent, dependent, and intervening variable.

2. Secondary Information
   Secondary data, or data that supplements primary data, can be found in the form of reports, books, organizational structures, the internet, and literature related to this research problem. The secondary data in this study is in the form of a report on the partnership program's evaluation results and the organizational structure at PT. Plantation Nusantara III

Sampling Method
According to (Lubis, 2021), the sample is a subset of the population determined by
using specific methods and procedures in order to accurately represent the population. A saturated sample was used in the sampling technique. When all members of the population are used as samples, this saturated sample can be interpreted as a sampling technique. This method is frequently used when dealing with small population sizes or when attempting to generalize with very small errors (Lubis, 2021). As a result, the sample size for this study is 243 MSME business actors.

**Partial Least Square Analysis**

Combining regression with path analysis to test hypotheses regarding direct or indirect relationships between variables that are quite complex can use the Partial Least Square analysis method. PLS can describe the entire relationship of the dependent and independent variables in one analysis.

One of the programs that can be used for PLS analysis is the SMART PLS 3 program. The program is able to describe all the relationships built in the theory-based model so that it is able to analyze the effect of Fit Viability and the use of the barcode system on Company Performance and other variables that affect Fit Viability.

Some of the advantages of PLS according to (Hair Jr et al., 2021) including:

1. Being able to operate complex models, large number of dependent and independent variables is not a problem.
2. Able to process data that has multicollinearity problems between independent variables.
3. Able to process even if there is missing data or abnormal data, the results are still solid and good.
4. Can be used on reflective and formative constructs.
5. Can be used on small samples and the data does not have to be normally distributed.
6. Can be used on data with different scale types, namely nominal, ordinal and continuous.

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SEM and PLS have some differences. PLS is predictive whereas SEM generally tests theory. PLS has a measurement model and a structural model. The measurement model is the relationship between the observation variable and the latent variable. While the structural model explains the relationship between latent variables. Therefore, the measurement model must be valid and reliable, while the structural model is assessed by evaluating the explanatory power and the significance level of the path coefficient.

The first step is to assess the outer reflective indicator model. There are 3 criteria to assess the outer reflective indicator model: Convergent validity, Compositer reliability, and Discriminant validity. After everything meets the requirements, the second step can be carried out, namely assessing the inner model. This test is done by looking at R-square, Q-square, Goodness of fit (GoF) and F-square. R-square is used to assess the effect of the dependent latent variable whether it has a substantive effect. Q-square is used to measure how well the observation value generated by the model is. Goodness of Fit (GoF) is used to measure whether the structural model is valid or not.
Convergent Validity and Causality Test

Convergent validity test is obtained from the measurement data of each variable model (measurement model), this test is conducted to determine the validity of each estimated indicator, by measuring the dimensions of the concepts tested in the study. If the indicator has a nadir (critical ratio) that is greater than twice the error (standard error), it indicates that the indicator has measured what it should have measured in the model presented (Hendrawan & Wijaya, 2020).

### Tabel 1. Critical Ratio Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimate</th>
<th>Std. Error</th>
<th>Crit. Ratio</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>SN -&gt; PP</td>
<td>1.568</td>
<td>0.09</td>
<td>15.861</td>
<td>Significant</td>
</tr>
<tr>
<td>SN -&gt; Pf</td>
<td>1.616</td>
<td>0.24</td>
<td>6.506</td>
<td>Significant</td>
</tr>
</tbody>
</table>

The causality test shows that all variables have a causal relationship between variables to other variables.

a. There is a significant social network influence on the partnership program. The critical value of 15.861 is greater than the standard error value and the probability value (p) has an asterisk which means it is significant.

b. There is a significant influence of social networks on the performance of SMEs. The critical value of 6.506 is greater than the standard error value and the probability value (p) which has an asterisk which means it is significant.

Sobel Test

The indirect effect test seeks to identify the position of a model’s mediating variable. The nature of the mediating variable can be investigated by multiplying the value of the path coefficient of the independent variable’s influence on the intermediate variable and the coefficient of the intermediate variable’s influence on the dependent variable. While the total effect is calculated by multiplying the value of the direct influence coefficient by the product of the value of the indirect influence coefficient. Another approach is to examine the Sobel Statistic Test (Rahmi Widyanti et al., 2011) by comparing the Sobel statistical value with a p-value of less than 5%, indicating that the mediating effect applies to the model under consideration. The Sobel test can determine whether mediation has a significant effect. As previously stated, the Sobel test assumes a large sample size and that the mediation coefficient is normally distributed. The Sobel test results provide an estimated indirect effect value, which is then used to calculate the t value by dividing the amount of data by the standard error value and comparing it to the t table. The mediation effect is said to be significant if the t-count value is greater than the t-table value, and the t-value is 1.96.

The Sobel test is required to determine whether or not the effect of mediation indicated by multiplication coefficients p2 and p3 is significant. The Sobel test is performed by computing the standard error of the indirect effect coefficient (Sp2p3)
RESULTS AND DISCUSSION

Social Network on Partnership Program

According to the findings of the study, the social network has a significant impact on the partnership program at PTPN Nusantara III. Furthermore, the findings of this study show that good relationships, particularly with financial institutions, can significantly assist SMEs in strengthening the existing partnership program at PTPN Nusantara III. Financial institutions, such as banks, are eager to provide data or recommendations, particularly to PTPN Nusantara III, in order to reassure investors that SME players are capable of making installment payments.

Fig 2. Sobal Test for Mediation Test

Because the value of t-count = -3.9404 is greater than the value of t table with a significant level of 0.05, which is 1.96, it can be concluded that the mediation coefficient is 0.033 significant, implying that the partnership program has a significant influence in mediating social network on the performance of MSMEs.

The findings of this study are consistent with the findings of a study conducted by (Pinho & Prange, 2016), which found that social networks have a significant impact on the success of SMEs. Then (Yousefi & Ghazizadeh, 2019) concluded that social networks could speed up the distribution of SMEs’ production.

Meanwhile, (Hendrawan & Wijaya, 2020) emphasizes that knowledge accelerates the development of strong and flexible relationships with customers, as well as with other members of the supply chain. Closer relationships with suppliers will provide a significant contribution to the company’s
performance, including cost efficiency, quality improvement, reliability, and the fulfillment of always-available input needs. Furthermore, suppliers can broaden their sources of information about market developments, new technologies, and competitor movements. Successful entrepreneurs understand the value of networking when it comes to launching a new business. Business networks can help a company’s growth and survival. The presence of a business network assists entrepreneurs in gathering the necessary information and advice, which has an impact on improving business performance.

Furthermore, the findings of this study show that good relationships, particularly with financial institutions, can significantly assist SMEs in strengthening the existing partnership program at PTPN Nusantara III. Financial institutions, such as banks, are eager to provide data or recommendations, particularly to PTPN Nusantara III, in order to reassure investors that SME players are capable of making installment payments. According to (Pasaribu, 2021), having a large business network will enable SME players to compete with larger corporations. It should be noted that every SME actor must understand the different types of business networks that can be used to build their business network.

Social Network on MSMEs Performance

The analysis results show that the social network has a significant effect on the performance of MSMEs at PTPN Nusantara III, which is consistent with the findings of a study conducted by Ioanid et al., 2018) titled The impact of social networks on SMEs’ innovation potential, which states that social networks have a significant effect on business product innovation. Furthermore, (Nu’man et al., 2020) states in the research title Social Networking, and Firm Performance: Mediating Role of Comparative Advantage and Sustainable Supply Chain that social networks play a significant role in maintaining business actors’ competitive advantage in the face of competitor pressure. Then, in the study A nexus among strategic orientation, social network, knowledge sharing, organizational innovation, and MSMEs performance, (Muafi, 2020) stated that social network has a significant influence on the performance of SMEs.

According to the findings of this study, the social network of SMEs is built on familial factors. In terms of marketing SME products, this is therefore limited. SMEs with a large number of relationships, such as friends and family, are greatly aided in meeting the minimum sales target. When there is a perception of marriage or circumcision of the apostle, this SME product is typically used for the event. In this case, the existence of social networks is extremely beneficial to SMEs in the trade sector. Finally, the stronger the existing business network, the more opportunities SMEs have to reduce the risk of business failure. Social Networking is a competency that must be possessed by an MSME actor (Aulia et al., 2021).

The ability to have a large business network will allow SMEs to compete with larger corporations. It should be noted that every SME actor must understand the
different types of business networks that can be used to build their business network. According to (Pasaribu, 2021), this social network consists of the first marketing network, where businesses need to have a reliable marketing network, which is always ready to absorb business products and services with the right volume, price, and time for success in marketing its products and services. or assist with marketing efforts. As a result, this marketing network may include a core network as well as supporting networks. Marketing intermediaries such as wholesalers, retailers, agents, and other marketing intermediaries may form the core network. While the supporting network, which consists of institutions/third parties that play a role in promoting marketing success, such as companies/institutions involved in promotion, expedition, transportation, market information, financing marketing activities, providing marketing guarantees, and others. These institutions/third parties can include government agencies, businesses, and other organizations. The second network is the production or operation network, which includes business cooperation and relationships with various parties (producers, suppliers, and other parties) required to ensure the production/operation process runs smoothly. With a strong production network, the company’s production capacity can be adjusted to meet the needs (capability flexibility), a type of division of production tasks can be carried out based on the advantages of network members, so that the production process can be carried out more efficiently, large production can be carried out through sub-contracts/maklun or carry out consortium to meet the huge demand in an economical way. Finally, there is the financial/financing network. The financial network is primarily concerned with cooperation, relationships, and access to financing sources, including both bank and non-bank financial institutions. This financial/financing network is undoubtedly required by the company, particularly in order to meet the company’s capital requirements effectively and efficiently. Furthermore, a network with financial institutions is required for the ease of conducting business transactions.

**Partnership Program on MSMEs Performance**

The analysis results show that the partnership program has a direct and significant impact on the performance of MSMEs at PTPN Nusantara III. The findings of this study are consistent with the findings of a previous study by (Ghoniyah et al., 2019) titled The Role Of Csr And Scm Patterned Partnership In Promoting The Role Of Smes As Beneficiaries Of Csr To Local Economy, which states that partnership programs play an important role in assisting SMEs to progress and develop. Partnerships can help SMEs improve their financial performance and protect themselves from competitive pressures. Furthermore, according to research (Mofokeng & Chinomona, 2019) titled Supply chain partnership, supply chain collaboration, and supply chain integration as antecedents of supply chain performance, partnerships have a significant effect on the performance of SMEs. Then come the study’s findings (D’Angelo & Baroncelli, 2020) with the
Collaboration with whom? According to SMEs at the Crossroads of R&D Partnership Exploration and Exploitation, mutually beneficial collaboration can increase SMEs' competitiveness. The partnership program is thought to be the most effective in growing the SME class to the point where it can compete with other business units.

The findings of the research on partnership programs at PTPN Nusantara III through corporate social responsibility activities are very beneficial to SMEs in terms of improving their performance. According to descriptive analysis, the partnership program is in the form of ease of obtaining additional capital and loan terms that have enabled the fostered partners, namely SMEs, to keep their businesses from failing. PTPN Nusantara III has never confiscated assets or collateral from SME players who have fallen behind on their payments.

Partnership can also be defined as a form of strengthening between two or more parties who form a cooperative bond based on an agreement and mutual need to increase income, business continuity, production quantity, production quality, improve partner group quality, and improve the business capabilities of independent partner groups. (Wulandari & Nadapdap, 2020). The partnership system is generally implemented in a variety of ways, such as through contractual agreements between partner companies and partners (Mofokeng & Chinomona, 2019). Furthermore, (Semuel & Wibisono, 2019) formulated three important partnership principles, the first of which is equality (equity). His approach is not based solely on power, but on mutual respect, mutual benefit, and mutual trust. To avoid antagonism, trust must be established. The existence of awards, obligations, and ties is part of equality. Second, there is transparency. To avoid mutual suspicion between partners, transparency is required. Transparency in information management and transparency in financial management are both included. Third, it is mutually beneficial. A partnership should benefit all parties involved.

One of the programs offered by each BUMN is the partnership program (Fitria & Jurana, 2016). This program is a revolving fund distribution program, which provides additional business capital assistance to SMEs on terms, procedures, and payback times determined and agreed upon by both parties (Ferraris et al., 2019). The Partnership Program for Small and Medium Enterprises implemented by SOEs is a form of responsibility from State-Owned Enterprises (BUMN) to the community (Ghoniyah et al., 2019).

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The Effect of Social Network on Partnership Programs and MSMEs Performance

indicators: trust, cooperation, and dependence.

Mediation Effect: Social Networks on MSMEs Performance Through Partnership Programs

The data analysis results show that the partnership program has a significant indirect influence on the performance of SMEs by mediating social networks. The findings of this study back up the findings of previous research (Odoom et al., 2017), which found that social networks have a significant impact on the performance of SMEs mediated by partnerships. SME actors who participate in this partnership program will have many business networks through which they will find common ground or mutually beneficial business models. Furthermore, according to the findings of research (Qalati et al., 2021), partnerships play an important role and are the key to success for SMEs with limited business networks. The availability of offers from various parties ensures that SMEs' business units will find potential partners to support financial performance. The following research finding (Tiwasing, 2021) confirms that partnerships are an important factor in allowing SMEs to increase their sales transactions. The establishment of a business network has prompted SME actors to quickly interact with various parties who are thought to be capable of assisting their businesses.

According to (Pasaribu, 2021), this social network consists of the first marketing network, where businesses need to have a reliable marketing network that is always ready to absorb business products and services at the same volume, price, and time for success in marketing its products and services. Appropriate or beneficial to marketing activities. As a result, this marketing network may include a core network as well as supporting networks. Marketing intermediaries such as wholesalers, retailers, agents, and other marketing intermediaries may form the core network. While the supporting network, which consists of institutions/third parties that play a role in promoting marketing success, such as companies/institutions involved in promotion, expedition, transportation, market information, financing marketing activities, providing marketing guarantees, and others. These institutions/third parties can include government agencies, businesses, and other organizations. The second network is the production or operation network, which includes business cooperation and relationships with various parties (producers, suppliers, and other parties) required to ensure the production/operation process runs smoothly. With a strong production network, the company's production...
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**CONCLUSIONS**

The social network has a significant impact on the partnership program and MSME’s Performance. Partnership program has a direct and significant impact on the MSME’s Performance. Partnership program has a significant indirect influence on the performance of MSMEs by mediating social networks. Social networks should be used as a condition for determining MSME actors who join the partnership program.

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