

The Effect of External and Internal Environment on Performance and Competitiveness of Micro, Small and Medium Enterprises (MSMES) in West Nusa Tenggara

Sahar¹, Eymal B. Demmalinno², Sitti Nurani Sirajuddin³

Abstract

The government has a large enough attention to the promotion and development of MSMEs. It is aimed to the improvement of community business that can reduce poverty or improve the welfare of the poor community. MSMEs development in Indonesia as long as get great attentions of the government and of the society in general. The purpose of this study was to determine the effect of external and internal environment to the performance and competitiveness of Micro, Small and Medium Enterprises (MSMEs) in West Nusa Tenggara. Population of the study are the registered MSMEs manager at the Department of Industry and Trade in West Nusa Tenggara with the characteristics of MSMEs based on the criteria in the Act of RI No. 20 of 2008 on MSMEs in article 6. This study used random sampling technique with samples of 123 MSMEs managers. The result conclusions of this study show that: (1) The external environment has effect on the performance of MSMEs in West Nusa Tenggara; (2) The external environment has non-positive influence on the competitiveness of MSMEs in the West Nusa Tenggara; (3) The internal environment has effects on the performance of MSMEs in West Nusa Tenggara; (4) The internal environment has effects on the competitiveness of MSMEs in the West Nusa Tenggara; (5) The performance of MSMEs has effect on the competitiveness of MSMEs in West Nusa Tenggara.

Keywords: *external environment, internal environment, performance, competitiveness and Micro, Small and Medium Enterprises (MSMEs).*

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) plays strategic roles to the development of Indonesian economy. During the economic crisis that occurred in 1997, MSMEs are able to survive, while many large businesses were closed because they were unable to pay the debt due to the high rate of bank interests. Based on its ability to survive, then MSMEs received the special attention of the government to support the development of the program in some forms, which is given the capital assistance, management training, mentoring, and loan guarantees.

The existence of industrial Micro, Small, and Medium Enterprises is essential for the economic stability of a country (Lennox, 2013). This industry has a role in facilitating the

¹ Faculty of Economics, Islamic University Al-Azhar Mataram

² Faculty of Agriculture, Hasanuddin University, Makassar

³ Faculty of Animal Science, Hasanuddin University, Makassar

development of the global economy, because of this sector is seen to provide an important contribution in the transition to a market economy through the process of creativity, encourage the advancement of technology, organizational innovation, change, job creation, income generation, economic competitiveness, and other aspects of social development in general, and industrial expansion, in particular (Zamberi, 2012). Small and Medium Industry commonly known as Small Medium Enterprises (SMEs) are significantly important role in promoting economic growth in many countries (Mahmood and Norshahafizah, 2013) both in terms of employment and economic growth and development (Turner and Ledwith, 2009)

Susanto (2002) states that the weakness of existing small businesses is the uniformity of the product, especially the quality of the products, so it is now necessary so that the production may differ from the future production. The same idea also expressed by Kumalaningsih (2002) that small businesses are less improved and developed because the biggest weakness is the quality of the product. While in terms of industrial marketing, the small businesses already have market to themselves. However, other problems were arisen, which sometimes have strong competition with other small businesses.

All of the issues that experienced by small businesses according to Tjakrawardaya (2000) often lead to the poor of performance and ability to compete. These issues can be seen from internal and external factors. Internal factors include: (1) weakness to get the opportunity (access) on markets and increasing market share; (2) weakness in the capital structure and limitations for obtaining paths (access) to the capital resources; (3) weakness in the field of organization and management; (4) limitations in the utilization (access) and control of technology; and (5) limitation of business networks and business cooperation. While external factors include: (1) business climate was unfavorable, because of the persistence of unfair competition; (2) the economic infrastructure is inadequate; (3) the development is still non-integrated; and (4) the lack of understanding, trust, and care of the majority of community to the small business.

Managerial performance is the result of the effective managerial activities process, which is start from the planning, implementation, administration, accountability reports, guidance, and supervision. Managerial performance that referred in this dissertation is the performance of the company's owner or manager of the company. Variables of managerial performance were measured using self-rating instrument that developed by Mahoney (1963) in Alfar (2006). Managerial performance is how far the business's owner or manager of the company carrying out the functions of management.

According Sumihardjo (2008) and Munizu(2010) the term of competitiveness is same with the term of power of competitive. Furthermore, the term of competitiveness is combined term of the word "power" that has means the strength, and the word "competitive" that has means achieving more than the other, or different from the others in terms of quality, or have certain advantages. Thus, the competitiveness can be meaning the power to strive be excel in certain things that conducted by a person, group or institution.

In general, it can be said that competitiveness is a part of the intrinsic motivation in a person to work better, faster and perform better than the members of the group. High competitiveness of someone can be attempted as possible optimum as to reach better and faster than the desired goal of peers in an organization or group.

Competitive advantage is the specific activity that is developed by a person, institution, organization or company in order to be superior compared to peoples, institutions and other organizations or competitors. The word "superior", based on Sumihardjo's opinion (2008) is the relative position of the organization to another organization or person's relative position to others. Similarly, was expressed by Rahayu (2008) states, that the advantage is the relative position of an organization against other organizations, to both

one organization, some organizations or entire organization in an industry or one's relative position as the leader of the other leaders.

There are four principles as the supports of national economy, the State-Owned Enterprises (SOEs), Regional-Owned Enterprises (ROEs), Private-Owned Enterprises (POEs), and Small Enterprises and Cooperatives (SEC). MSMEs is a business component that is strategic because MSMEs are scattered across evenly in the country, even it is widely available in rural areas that can contribute revenue to the Government. Similarly, MSMEs are able to absorb more enough labors and it can improve the community's welfare.

Some of the government programs that have been compiled to develop MSMEs are rescue program include: programs of growing new entrepreneurial, market development, development of access to sources of raw materials, and increasing access to capital. Programs that are compiled by government is sufficient adequate and if it applied properly, it will help the life of small businesses, but in reality, it is not a little that small businesses still do not feel the touch of government (Techno, 2002).

The program is a strategic opportunity for the development of MSMEs in the province of West Nusa Tenggara, which coincides with the presence of domestic and foreign tourists who usually find the souvenirs that has distinctively feature of area in West Nusa Tenggara. Here is MSMEs has very much role for the opportunity of production. The purpose of this study was to determine the effect of external and internal environment on the performance and competitiveness of Micro, Small and Medium Enterprises (MSMEs) in West Nusa Tenggara.

RESEARCH METHODS

Population, Sample and Sampling Technique

Population of the study are the registered MSME managers at Department of Industry and Trade in West Nusa Tenggara to the characteristics of MSMEs based on the criteria in Act No. 20 of 2008 on MSMEs in Article 6, which describes the characteristics as follows:

1. Criteria for micro enterprises are as follows:
 - a. Has net worth at most IDR. 50,000,000 (fifty million rupiah) excluding land and building or,
 - b. Has annual sales of IDR. 300,000,000 (three hundred million rupiah).
2. Criteria for small businesses are as follows:
 - a. Has net worth more than IDR. 50,000,000 (fifty million rupiah) up to maximum of IDR. 500,000,000 (five hundred million rupiah) excluding land and building or,
 - b. Has annual sales turnover more than IDR. 300.000.000, - (three hundred million rupiah) up to maximum of IDR. 2.500.000.000, - (two billion five hundred million rupiah).
3. Criteria for medium enterprises are as follows:
 - a. Has net worth more than IDR. 500,000,000 (five hundred million rupiah) up to maximum of IDR. 10,000,000,000 (ten billion rupiah), excluding land and building or,
 - b. Has annual sales turnover more than IDR. 2,500,000,000 (two billion five hundred million rupiah) up to maximum IDR. 50,000,000,000, - (fifty billion rupiah).

Based on the above criteria, there are 544,607 MSMEs in West Nusa Tenggara. Researcher will limit himself by taking population with characteristics of MSMEs, that are the MSMEs are engaged in the craft field, they have been getting financial aid from the government in last 5 years, and they have received training from the Department of

Cooperatives and SMEs, and the Department of Industry in West Nusa Tenggara, as many as 1,230 craftsmen.

In determining craftsmen in West Nusa Tenggara, as the sample in this study are used random sampling technique i.e. sampling techniques that provide the same opportunities to members of the population to be elected as members of the sample, randomly. Getting sample randomly can be done by lottery which all members of the population are given the number, according to the number of population members (Sugiono 2008). In more details, the number of craftsmen samples in the District and City of West Nusa Tenggara can be seen in the table below.

Table 1. Total of Craftsmen Sample in West Nusa Tenggara

NO	DISTRICT / CITY	POPULATION	SAMPLE (10%)
1	Mataram City	104	10
2	West Lombok and KLU	245	24
3	Central Lombok	264	26
4	East Lombok	326	33
5	West Sumbawa	18	2
6	Sumbawa	88	9
7	Dompu	49	5
8	Bima	96	10
9	Bima City	40	4
	TOTAL	1230	123

Source : Processed primary data

Research Variables and Operational Definitions of Variables

Research variables

1. Exogenous variables (independent variables) consists of :
 - a. External environment (X_1)
 - b. Internal environment (X_2)
2. Intervening variables consists of performance of MSMEs
3. Endogenous variable (dependent variable) consists of competitiveness of MSMEs

Operational Definition of Variables

- a. External Environment (X_1), defined as the business environment that includes of the company's operations that can bring the business's opportunities and threats.
- b. Internal Environment (X_2), is a process of how the strategic planners assess on marketing and distribution of companies, research and development, production and operations, resources and employees
- c. Performance of MSMEs (Z), is an integrated performance benchmarks that derived from the corporate strategy that supports throughout an organization
- d. Competitiveness of MSMEs (Y), defined as the ability of MSMEs to strengthen their market position by increasing: the ability to strengthen their market position, the ability to connect with their environment, the ability to improve non-stop performance, and the ability to enforce an advantageous position

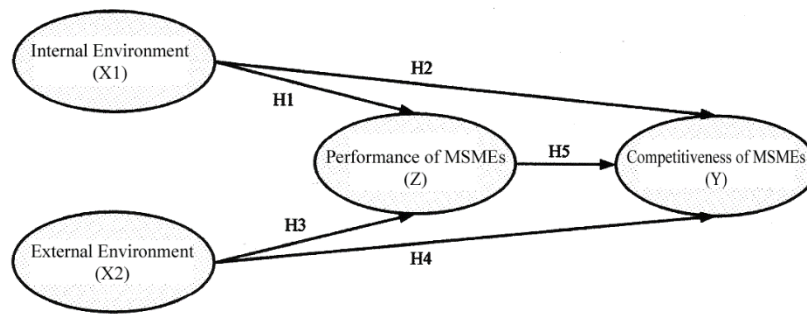


Figure 2. Path Analysis Framework

Equation of path analysis:

$$Z = \beta_1 X_1 + \beta_2 X_2$$

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z$$

DATA ANALYSIS AND DISCUSSION

Description of Research Variables

External Environment

In this study, the external environment will be determined by: government regulation, macro environment, social environmental power and used skill.

Respondents' opinion on the indicator formulation of government regulation with mean of 3.1644 that indicating very many respondents that expressed strongly agree and agree that the indicator of government regulation as external environment variable of MSMES with standard deviation of 0.4164 or relatively homogeneous.

Respondents' opinions on the indicator formulation of macro environment with mean of 3.4375 that indicating very many respondents that expressed strongly agree and agree that the macro environment as external environment variable of MSMES with standard deviation of 0.4436 or relatively homogeneous.

Respondents' opinions on the indicator formulation of social environmental power with mean of 3.3740 that indicating very many respondents that expressed strongly agree and agree that the social environmental power as external environment variable of MSMES with standard deviation of 0.4374 or relatively homogeneous.

Respondents' opinions on the indicator formulation of used information technology with mean of 3.1761 that indicating very many respondents that expressed strongly agree and agree that the used information technology as external environment variable of MSMES with standard deviation of 0.4176 or relatively homogeneous.

Internal environment

In this study, the internal environment will be determined by: marketing, financing, production, human resource management, business development and raw materials.

Respondents' opinions on the indicator formulation of marketing with mean of 3.9545 that indicating very many respondents that expressed strongly agree and agree that the indicator of marketing as MSMES internal environment variable with standard deviation of 0.3955 or relatively homogeneous.

Respondents' opinions on the indicator formulation of financing with mean of 4.1301 that indicating very many respondents that expressed strongly agree and agree that the indicator of financing as MSMEs internal environment variable with standard deviation of 0.4130 or relatively homogeneous.

Respondents' opinions on the indicator formulation of production with mean of 3.1524 that indicating very many respondents that expressed strongly agree and agree that the indicator of production as MSMEs internal environment variable with standard deviation of 0.4152 or relatively homogeneous.

Respondents' opinions on the indicator formulation of human resource management with mean of 3.2179 that indicating very many respondents that expressed strongly agree and agree that the indicator of human resource management as MSMEs internal environment variable with standard deviation of 0.4218 or relatively homogeneous.

Respondents' opinions on the indicator formulation of business development with mean of 3.2378 that indicating very many respondents that expressed strongly agree and agree that the indicator of business development as MSMEs internal environment variable with standard deviation of 0.4237 or relatively homogeneous.

Respondents' opinions on the indicator formulation of raw material with mean of 4.0081 that indicating very many respondents that expressed strongly agree and agree that the indicator of raw material as MSMEs internal environment variable with standard deviation of 0.4008 or relatively homogeneous.

Performance of MSME

This study results indicate that the performance of MSMEs is influenced by factors of Financial Perspective, Customer Perspective, Internal Business Processes, and Learning and Growth Perspective.

Respondents' opinions on the indicator formulation of Financial Perspective with mean of 3.2276 that indicating very many respondents that expressed strongly agree and agree that the indicator of Financial Perspective as factor variable of performance of MSMEs with standard deviation of 0.4227 or relatively homogeneous.

Respondents' opinions on the indicator formulation of Customer Perspective with mean of 3.1951 that indicating very many respondents that expressed strongly agree and agree that the indicator of Customer Perspective as factor variable of performance of MSMEs with standard deviation of 0.4195 or relatively homogeneous.

Respondents' opinions on the indicator formulation of Internal Business Process Perspective with mean of 3.0325 that indicating very many respondents that expressed strongly agree and agree that the indicator of Internal Business Process Perspective as factor variable of performance of MSMEs with standard deviation of 0.4032 or relatively homogeneous.

Respondents' opinions on the indicator formulation of Learning and Growth Perspective with mean of 3.0747 that indicating very many respondents that expressed strongly agree and agree that the indicator of Learning and Growth Perspective as factor variable of performance of MSMEs with standard deviation of 0.4074 or relatively homogeneous.

Competitiveness of MSMEs

Respondents' opinions on the indicator formulation of ability to get market position with mean of 3.2981 that indicating very many respondents that expressed disagree that the indicator of ability to get market position as factor variable of competitiveness of MSMEs with standard deviation of 0.2298 or relatively non-homogeneous.

Respondents' opinions on the indicator formulation of ability to connect with the environment with mean of 3.7866 that indicating very many respondents that expressed disagree that the indicator of ability to connect with the environment as factor variable of

competitiveness of MSMEs with standard deviation of 0.2787 or relatively non-homogeneous.

Respondents' opinions on the indicator formulation of ability to improve non-stop performance with mean of 3.3442 that indicating very many respondents that expressed disagree that the indicator of ability to improve non-stop performance as factor variable of competitiveness of MSMEs with standard deviation of 0.2344 or relatively non-homogeneous.

Respondents' opinions on the indicator formulation of ability to enforce advantageous position with mean of 3.5000 that indicating very many respondents that expressed disagree that the indicator of ability to enforce advantageous position as factor variable of competitiveness of MSMEs with standard deviation of 0.2500 or relatively non-homogeneous.

Structural Equation Models

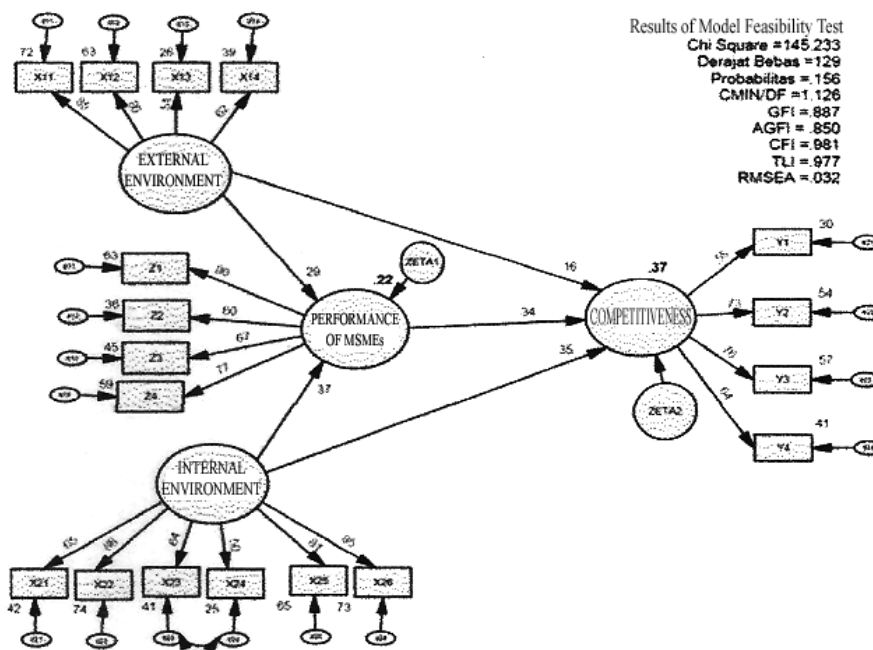


Figure 3. Results of Evaluation Model

The picture above is the result of the evaluation of studied structural models. Table 1 shows a summary of the results that obtained in the analysis and the recommended value to measure the feasibility of the model. The results of the feasibility model test at the first evaluation model are better than the initial model.

Table 2. Criteria Evaluation of Evaluation Model Fitness Index

Criteria	Result	Critical Value	Model Evaluation
Absolute fit Chi-square (χ^2)	145.233	≤ 156.508	Good
Probability	0.156	≥ 0.05	Good
Degree of freedom	129	-	
GFI	0.887	≥ 0.80	Good

RMSEA	0.032	≤ 0.08	Good
Parsimony fit CMIN/DF	1.126	≤ 2.00	Good
AGFI	0.850	≥ 0.80	Good
Incremental fit CFI	0.981	≥ 0.90	Good
TLI	0.97	≥ 0.90	Good

Source: Processed primary data

Results of feasibility test of model on the absolute fit of chi square value is already showing changes to any eligible component. GFI value of 0.887 is remain in good status because it's worth is more than 0.80, whereas RMSEA = 0.032 has also been entered in good status because its value is less than 0.08, so the GFI value of 0.887 it means that 88.7% covariance matrix of population can be explained by covariance matrix of sample. The result of the model test of chi-square has value of 145.233 with probability of 0.156. These results explained that the variance-covariance matrix of the empirical data are not differ from the proposed model ($\text{prob} > 0.05$), so at all components of this absolute fit structural model is acceptable. CFI and TLI values have reached to 0.981 and 0.977 are has unfavorable status because it has exceeded the value of 0.90, so that both criteria on parsimony fit are also met. The feasibility model has been qualified on all of parts, so that the evaluation model in this study can be accepted as the final model to do the interpretation and hypothesis testing.

Direct Effect between Variables

Causality relationship that developed in the hypothesis of this model was tested by t-test like one in the regression analysis. Hypothesis testing in structural models are associated with the results of regression coefficient test on each path that was described in Table 2.

Table 3. Results of Regression Coefficients Test on Effects between Variables In Final Models

The Effects		Standardized Regression Coefficient	CR	P value	Description
External environment	Performance of MSMEs	0.287	2.763	0.006	Significant
External environment	Competitiveness of MSMEs	0.155	1.490	0.136	Non-Significant
Internal environment	Performance of MSMEs	0.366	3.402	0.001	Significant
Internal environment	Competitiveness of MSMEs	0.346	3.038	0.002	Significant
Performance	Competitiveness of MSMEs	0.338	2.800	0.005	Significant

R^2 Performance of MSMEs = 21.7%; R^2 Competitiveness of MSMEs = 37.3%

The results of the regression coefficient test on five paths, there are four one that are significant ($p < 0.05$) with the positive direction. External and internal environment are the driver factors on the strong performance of MSMEs. The combined contribution of

external and internal environment on the performance of MSMEs was 21.7%. External and internal environment and the performance of MSMEs are the strong driver factor of competitiveness of MSMEs. The combined contribution of the external and internal environment and the performance of MSMEs on the competitiveness of MSMEs was 37.3%.

Hypothesis Testing of Structural Equation Models

In this modeling, there are five hypotheses to be proved and are the direct relationships of the two variables.

a. First Hypothesis Testing

H_1 : The external environment has significant effect on the performance of MSMEs in West Nusa Tenggara.

The criteria for hypothesis testing are as follows.

H_0 : $\gamma_1 = 0$, There is no significant direct relationship between the external environment and the performance.

H_a : $\gamma_1 \neq 0$, There is significant direct relationship between the external environment and the performance.

Table 4.2 shows that the value of $p = 0.006$ is smaller than 0.05 giving the decisions that there is positive and significant effect on both of variables. Thus, from the results of statistical tests have obtained sufficient evidence that the hypothesis H_1 that stated there is significant effect of external environment on the performance is acceptable.

b. Second Hypothesis Testing

H_2 : The external environment has significant effect on the competitiveness of MSMEs in West Nusa Tenggara.

The criteria for hypothesis testing are as follows.

H_0 : $\gamma_2 = 0$, There is no significant direct relationship between the external environment and the competitiveness.

H_a : $\gamma_2 \neq 0$, There is significant direct relationship between the external environment and the competitiveness.

Table 4.2, shows that the value of $p = 0.136$ is greater than 0.05, giving the decision that there is non-significant effect. Thus, from the results of statistical tests have obtained sufficient evidence that the hypothesis H_2 that stated there is significant effect of the external environment on the competitiveness is rejected, it is supported by the respondents answer with means value of 2.70 on government policy and also business period in average 15 years.

c. Third Hypothesis Testing

H_3 : The internal environment has significant effect on the performance of MSMEs in West Nusa Tenggara.

The criteria for hypothesis testing are as follows.

H_0 : $\gamma_3 = 0$, There is no significant direct relationship between the internal environment and the performance.

H_a : $\gamma_3 \neq 0$, There is significant direct relationship between the internal environment and the performance.

Table 2, shows that the value of $p = 0.001$ is smaller than 0.05, which giving the decision that there is positive and significant effect on both of variables. Thus, from the results of

statistical tests have obtained sufficient evidence that the hypothesis H_3 that states there is significant effect of the internal environment on the performance is acceptable.

d. Fourth Hypothesis Testing

H_4 : The internal environment has significant effect on the competitiveness of MSMEs in West Nusa Tenggara.

The criteria for hypothesis testing are as follows.

H_0 : $\gamma_4 = 0$, There is no significant direct relationship between the internal environment and the competitiveness.

H_a : $\gamma_4 \neq 0$, There is significant direct relationship between the internal environment and the competitiveness.

Table 2, shows that the value of $p = 0.002$ is smaller than 0.05, that giving the decision that there significant effect on both of variables. Thus, from the results of the statistical test has obtained sufficient evidence that the hypothesis H_4 that states there is significant effect of the internal environment on competitiveness is acceptable.

e. Fifth Hypothesis Testing

H_5 : The performance has significant effect on the competitiveness of MSMEs in West Nusa Tenggara.

The criteria for hypothesis testing are as follows.

H_0 : $\beta_1 = 0$, There is no significant direct relationship between performance and competitiveness.

H_a : $\beta_1 \neq 0$, There is significant direct relationship between performance and competitiveness.

Table 4.2, shows that the value of $p = 0.005$ (less than 0.05) which giving the decision that there are significant effect on both of variables. Thus, from the results of statistical tests have obtained sufficient evidence that hypothesis H_5 that states there is significant effect of the performance on the competitiveness is acceptable.

Discussion

The Effect of External Environment on the Performance of MSMEs in West Nusa Tenggara

The results of the data analysis (Table 2), indicating that the probability value = 0.006. Probability value of less than 0.05, it indicates the effect of external environmental variables on the performance of MSMEs in the West Nusa Tenggara is significant or reliable. While the positive value of beta is explaining its effects are in the same direction, which means that the external environment, that are: the government regulation, the macro environment, the power of social environment and the power of technology and information are contribute to the improvement of the performance of micro, small and medium enterprises, and vice versa the failures in managing the external environment it can reduce the performance of MSMEs in West Nusa Tenggara. The effect of the external environment on the performance of MSMEs is 0.287 or 28.7%.

In more details, the effect of each variable to the external environment are: government regulation (0.853) has the most effect on the external environment such as there are easiness on capital support, there are relief on loan interest, there are easiness to get market information, and raw materials, all of this can be driving better performance for the advancement of MSMEs in West Nusa Tenggara. The issue here is the government's common policy that relocate the place of small businesses and micro that newly pioneered in few months, for that it is needs to be studied further so that the businesses man are not harmed.

The effect of macro environment on the external environment of 0.796, this is occurring because the strength of the macro can provide bargaining leverage for new business, not as threats for new business but as partners and can improve the performance of MSMEs. The effect of the social environment strength on the external environment of 0.500 is due to the public support to new businesses man is available in the environment by means of using their products, it will spur the performance of MSMEs. The effect of the power of technology and information on the external environment of 0.622, this is occurring because information on business opportunities that may be opened which will provide benefits can be seen through IT as well as their product marketing can be pass by IT so it does not require a lot of expenses.

The results are consistent with the results of Sarder and Rosa's (2000) research, which examines the "Importance of services supports to small businesses in Bangladesh". The research shows that there are differences between small businesses that received government assistance to those are not received ones, as well as small businesses that received government assistance has better performance than those are not received ones. It is expected that in coming years the government more provide assistance for the advancement of MSMEs especially in West Nusa Tenggara. Thus, this means that there is significant effect between government regulatory factors (external) with the performance factor of MSMEs in West Nusa Tenggara.

The Effect of External Environment on Competitiveness of MSMEs in West Nusa Tenggara

Based on the data analysis (Table 2), indicating that the probability value = 0.136. The probability value is greater than 0.05, it indicates that the external environment has non-significant effect on the competitiveness of MSMEs in West Nusa Tenggara. This means that whether there are or no the government policy are has no effect on the competitiveness of MSMEs in West Nusa Tenggara. This is because: 1). Government policy is often be in contradiction with the wishes of MSMEs without firstly discussed with MSMEs such as the relocation of new businesses place, so that the respondents' answers on the question X1.1 No. 9 has mean of 2.70 it means that more respondents that answered disagree. 2). MSMEs products are the products that are most in demand by both tourists and foreign such as craft peculiarities of West Nusa Tenggara. 3). Long periode of business are had 15 years and above in average, it meaning that the craft entrepreneurs has already know the joy and the pleasure of buyers.

The competitiveness is depending heavily on improving non-stop performance (Y_3) and the connection with the environment (Y_2), it is means to improve the competitiveness of organizations, the MSME must continually improve performance and their connection with the environment. The positive value of beta is explaining that its effects are in the same direction, which means that the external environment, that are: government regulation, the micro environment, the strength of social environment and the power of technology and information are not contribute to improving the competitiveness of micro, small and medium enterprises, and vice versa the failures in managing the external environment can reduce the competitiveness of MSMEs in West Nusa Tenggara. Contributions that given by the external environment simultaneously by all the variables on the competitiveness of MSMEs is 0.252 or 25.2%.

The external environment is the environment that are outside of organization and need to be analyzed to determine opportunities and threats that will be faced by the company. Two perspectives to view the external environment, that are: Perspective that view the external environment as vehicle that provides the resources (Tan & Litschert, 1994). The second perspective views the external environment as a source of information.

The external environment is the environment that is outside the organization and needs to be analyzed to determine the opportunities and threats that the company will face (Riyanti, 2003). There are two perspectives to conceptualize the external environment

(Tan & Litschert, 1994). First, the perspective that views the external environment as a vehicle that provides resources is based on the premise that the external environment is a vehicle that provides critical resources for the survival of the company. Both perspectives view the external environment as a source of information that links information with environmental uncertainty. Environmental uncertainty refers to external environmental conditions whose changes are difficult to predict. For example, related to the ability of organizational members in decision making. According to Stanisavliev et al. (2009), it can be interpreted that the external business environment can also influence the competitiveness of SMEs

The Effect of Internal Environment on Performance of MSMEs in West Nusa Tenggara

Based on the analysis it was found that the probability value = 0.001. This means that the probability value is smaller than 0.05, it indicates that the effect of internal environment variables on the performance of MSMEs in West Nusa Tenggara is significant or reliable. While the positive value of beta is explaining its effects are in the same direction, it means that human resources, used skills and raw materials are contribute to the improved the performance of MSMEs in West Nusa Tenggara, and vice versa, the failures in managing the internal environment can reduce the performance of MSMEs in West Nusa Tenggara. The contribution by the internal environment simultaneously by all the variables on the competitiveness of MSMEs is 0.366 or 36.6%.

The results of the study is consistent with the opinion of Lawrence and William (2000), they defines the internal environment as a process by which the planners assessing the marketing strategies and companies distribution, research and development, production and operations, resources and employees of the company, as well as financial and accounting factors to determine where the company has significant strengths and weaknesses so that the company can take advantage of opportunities in the most effective way and can handle the threats in the environment.

The Effect of Internal Environmental on Competitiveness of MSMEs in West Nusa Tenggara

Based on the analysis it was found that the probability value = 0.002. This means that the probability value is less than 0.05, it indicates that the effect of internal environment variables on the competitiveness of MSMEs in West Nusa Tenggara, is significant or reliable. While the positive value of beta is explaining its effects are in the same direction, it is means that the human resources, used skills and raw materials are contribute to increasing the competitiveness of MSMEs in West Nusa Tenggara, and vice versa, the failures in managing the internal environment can reduce the competitiveness of MSMEs in West Nusa Tenggara. The contributions that are given are 0.470 or 47.0%.

The findings of this study inform that this variable of internal environment has positive relationship to the competitiveness of MSMEs, especially in West Nusa Tenggara. That is, by improving the management of internal environment of MSMEs in West Nusa Tenggara, it will drive the increasing of the competitiveness of MSMEs in West Nusa Tenggara.

In line with the results of Sulisty and Suyamtinah (2016) study, the result of data processing by using SPSS and PLS indicate that the better management efforts of internal factors that owned by SMEs, the more increasing capability of innovation and competitiveness. The better management of MSMEs external factors, the more increasing innovation capabilities. The better management of MSMEs external factors, the more increasing innovation capabilities. In addition, the increasing of innovation capabilities will be effect on the increasing of performance of MSMEs.

The Effect of Performance on Competitiveness of MSMEs in West Nusa Tenggara.

Based on the results of the analysis it showed that the probability = 0.005. Probability value is less than 0.05, it indicates that the effect of performance variables on the competitiveness of MSMEs in West Nusa Tenggara is significant or reliable. While the positive value of beta is explaining its effects are in the same direction, it means that the performance that are: perspective of financial, customer, internal business processes and learning and growth of MSMEs will contribute to increasing the competitiveness of MSMEs, and vice versa, the failures in managing the performance can reduce the competitiveness of MSMEs in West Nusa Tenggara. The contribution that are given is 0.338 or 33.8%.

The findings of this study inform that the performance factors have positive relationship to the competitiveness of micro, small and medium enterprises, especially in West Nusa Tenggara. That is by improving the performance of MSMEs in West Nusa Tenggara, it will drive the increasing of the competitiveness of MSMEs in West Nusa Tenggara.

CONCLUSION

Based on the result of data analysis and discussion that has been previously described, and then some of the conclusions presented are:

1. The external environment has effects on the performance of MSMEs in West Nusa Tenggara. This is showed that the good external environment that consist of: government regulation, the macro environment, the strength of social environment and information technology, will support the performance of MSMEs in West Nusa Tenggara.
2. The external environment has non-positive effect on the competitiveness of MSMEs in West Nusa Tenggara. This is showed that the good external environment that consist of: government regulation, the macro environment, the strength of the social environment and information technology, will not support the competitiveness of MSMEs in the West Nusa Tenggara.
3. The internal environment has effect on the performance of MSMEs in West Nusa Tenggara. This is showed that the good internal environment that consists of: marketing, financial, production, human resource management, business development and raw materials, will support the performance of MSMEs in West Nusa Tenggara.
4. The internal environment has effect on the competitiveness of MSMEs in West Nusa Tenggara. This is showed that the good internal environment that consists of: marketing, financial, production, human resource management, business development and raw materials, will support the competitiveness of MSMEs in the West Nusa Tenggara.
5. The performance of MSMEs has effect on the competitiveness of MSMEs in West Nusa Tenggara. This is showed that the good performance of MSMEs that consists of: quality, quantity, effectiveness and timeliness of production, will support the competitiveness of MSMEs in the West Nusa Tenggara.

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