

Analyzing The Entrepreneur Process of Motivation, Resource Allocation, and Institutional for Poor Households in Rural West Sumatera

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Abstract

Poverty is a problem in the development of rural areas in the Province of West Sumatra. The government has implemented various programs to reduce poverty, but the number of poor people in rural areas tends to increase. The purpose of this study is to analyze the entrepreneur process in terms of: 1) motivation of sociology perspective, 2) allocation of resources, and 3) institutional role. The sampling method used was multistage cluster sampling. The sample size of poor household heads in rural areas was 133 people. Some important results of the study are as follows. First, the respondents' perception on motivation in terms of sociological perspective has an average value that is in good enough category. Motivation results have the highest average value compared with social motivation and economic motivation. Second, the respondents' perception on the entrepreneurial process in terms of allocation of resources is in good enough category. However, indicators of resource allocation and agglomeration strategies are in the bad category. Third, the average value of respondents' perception of entrepreneurial processes in terms of institutional roles is in fairly good category. The average value for the role of exploitation facilitation opportunities is in the less favorable category.

Keywords: poverty, entrepreneurship, entrepreneurial potential, and rural areas

Introduction

Poverty is a problem in development, especially in rural areas, because the number of poor people mostly lives in rural areas. This condition can be known from World Bank (2016) data which contains that global poverty is mostly in rural areas. The same condition is also found in West Sumatera Province. The Central Bureau of Statistics (2016) notes that as many as 67.98% of the poor live in rural areas. In rural areas, the percentage of poor people increased from 7.35% in 2015 to 8.16% in 2016. Lowder et al (2017) also found that extreme poverty was generally more prevalent in rural areas from urban to all developing countries.

The poor in rural areas mostly work in the agricultural sector (Sentosa, et al., 2016: World Bank, 2016). The cause of poverty from farmers is 50% by structuralistic, almost 30% by individualistic, and by 20% by hold fatalistic attitudes (Hayati and Karami, 2005). Chen et al (2011) found that poverty in rural areas is lack of information. Information needs of farmers are not met, farmers' information right cannot be realized properly. Then Baye (2017) found that rural poverty was due to the effect of religion and culture on the thinking and working habit of the people. Besides, poverty is caused by the presence of unproductive groups, lack of capital, lack of infrastructure, lack of market access, lack of skilled labor, land degradation, population pressure, religion, culture, forestry, regime and policy ownership and lack of land management practices.

Some of the above findings can be seen that many factors are causing poverty for the rural population, so there is a need for poverty reduction programs that are relevant to poverty conditions. In the context of rural poverty reduction, rural poverty reduction programs have been and are being implemented by the Indonesian government especially the West Sumatera Provincial Government, such as: PMPN Mandiri Rural, Direct Cash Assistance, Poor Rice Relief, P2KP, PAMSIMAS, Nagari

Micro Credit, Direct Social Empowerment Assistance (BLPS), Poor Empowerment Program, and other programs.

Some research findings show that government poverty reduction programs have not been effective in reducing poverty (Jayaputra, 2006; SKPD Solok city, 2011; SPKD and Bukittinggi city, 2013). Bureau of Budget Analysis and Implementation of State Budget (APBN-SETJEN DPR RI (2014) stated that the increase of poverty and infrastructure budget has less significant impact to the decreasing of poverty and employment in Indonesia. Lowder et al. (2017) also found that very small progress made poverty reductions with per capita income between \$ 1.25 and \$ 2 per day. The above data show that the need for a new poverty reduction program capable of reducing rural poverty, since poverty reduction can not only be done through institutional roles, namely; by the government and non-governmental organizations (NGOs) only, but this will also be determined by the internal conditions of the form; motivation and allocation of resources owned by the poor themselves. Thus this poverty reduction program is more aimed at developing entrepreneurship for poor households. As Bruton et al. (2013) points out, the descent of the world's poor today, as the development of entrepreneurship is one way in which people have the opportunity to break the cycle of poverty. Other opinions relating to poverty reduction through entrepreneurship (Sigalla et al., 2012; Tobias et al., 2013; Maksimov et al., 2016; Najafizada et al., 2017). The above papers analyze the decrease of poverty through entrepreneurship. This study intends to analyze the perception of poor households to entrepreneur processes in terms of institutional roles, motivation of sociological perspective, and resource allocation, to find models of entrepreneur development in rural poor households.

Literature Review

Poverty

World Bank (2015) reclassified as living on \$ 1.90 or less a day, to a forecast 9.6 percent of the world's population in 2015 - a projected 200 million fewer people living in extreme poverty than in 2012. Indonesian Central Bureau of Statistics (2016) the concept of ability to meet basic needs (basic needs approach). Poverty is seen as an economic inability to meet the basic needs of food and not food as measured by expenditure. So the poor are the people who have an average monthly per capita expenditure below the poverty line. Liu et al., (2017) poverty is an economic phenomenon that is a condition in which the income of individuals or families that do not reach basic life standards. Lowder et al., (2017) The general measure of national and international poverty is based on expenditure as a proxy of income. Based on these opinions on the various definitions and measures of poverty, the most common is the per capita income of the population per day to be used to meet basic needs.

Ministry of Social Affairs of the Republic of Indonesia (2011) classifies the factors causing poverty into 2 factors, namely: 1). Internal factors; (a). physical, (b). intellectual, (c) emotional care (d). Spiritual, psychological attitude, (e). Skill, (f). Asset 2). external factors; (a). basic social services. (b). rights to land ownership. (c). employment opportunities (d). Banking policy. (e). economic system. (f). Mobility systems and utilization of public social funds (g). structural adjustment programs, (h). culture (i). geographical conditions, (j). Inequalities of economic development and, (l) public policy. Mihai et al., (2015) found that education and welfare are correlated; causal relationships exist in the short and long term. Education is an element to reduce high poverty risk. Sanz et al., (2017) poverty is associated with a decrease in capability.

Entrepreneur and Entrepreneurship

Entrepreneur is someone who founded a new organization (Venkataraman, 2000). Casson (2005) reviews Shane's writings that define entrepreneurship as an individual who responds to opportunities. Entrepreneurs are defined as self-employed individuals who start their own business (Uyar and Deniz, 2012). Entrepreneurs will be there if able to find and take advantage of opportunities that exist.

Entrepreneurship requires people who have different beliefs about the value of the resource (Venkataraman, 2000). The definition of entrepreneurship can be viewed from an economic perspective, sociology, psychology, perspective management, social perspectives (Bula, 2012). Entrepreneurship is developing as a discipline (Bylund and McCaffrey, 2017).

Poverty Reduction and Entrepreneurship Process

Poverty Reduction through Entrepreneurship

Bruton et al., (2013) entrepreneurship offers the best opportunity to create substantial and positive change in poverty settings. Market-based solutions such as entrepreneurship offer a good opportunity to create substantial and significant changes in poverty. Maksimov et al. (2016) tackling poverty in developing countries requires an increase in labor income that can be achieved through the role of SMEs. SMES can improve efficiency through market participation and resource allocation that can contribute to poverty reduction. The regional poverty reduction is by improving infrastructure and public service construction and protecting the ecological environment, while reducing individual poverty through targeted implementation (Liu et al., 2017).

Entrepreneurs Process

Entrepreneurial process begins with perceptions of opportunities, or situations where resources can be combined at a potential profit (Shane, 2004 in Casson, 2005). Based on the above opinion, the analysis of the entrepreneurship process is an analysis of perceptions of opportunities from the institutional, motivation and allocation of resources. Webb et al. (2013) suggests a framework of research related to entrepreneurship in the informal economy includes three theories namely: 1). institutional theory, 2). motivational theory of sociological perspectives, 3). the theory of resource allocation in which each theory is complementary. The theoretical framework of the entrepreneurship process can be seen in Figure 1.

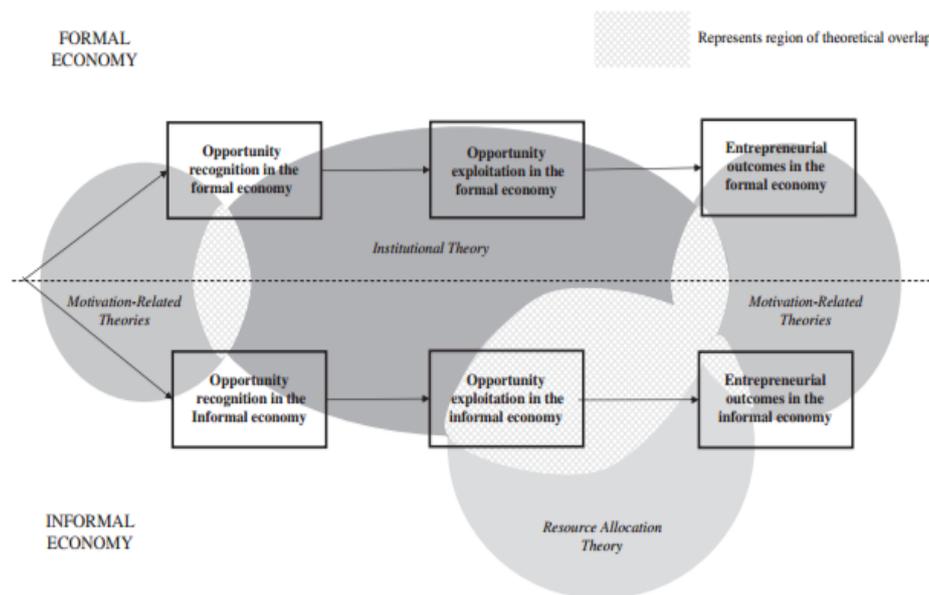


Fig. 1. The scope of theoretical frameworks in terms of the entrepreneurship process.

Source: Webb, et.al (2013)

Entrepreneurs Process from The Corners Institutional Theory

Webb et al., (2013) distinguishes the institutional role of the entrepreneurship process into; (a). Facilitating the introduction of opportunities by tightening policies and radical degrees of policy change and bureaucratic systems. (b). Facilitate the utilization of opportunities. Chen et al., (2011) key to rural economic development is to eliminate information poverty to maintain the realization of

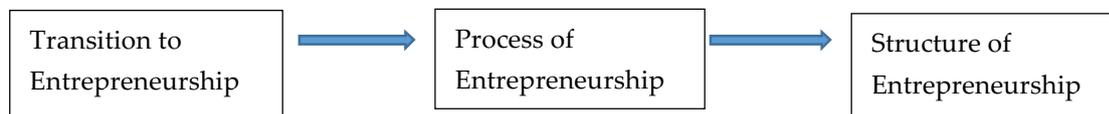
farmers' information rights. Sigalla et al, (2012) microcredit program provides an opportunity to explore the reality of marginalized possessions with a focus on government policy materially to reduce poverty.

Maksimov et al. (2016) the role of businesses in poverty alleviation in least developed countries (LDCS) countries is important to do with policy makers. Agbola et al. (2017) found that microfinance had little positive impact on poverty reduction. Therefore, the importance of implementing strategies of policymakers to promote and create greater access to microfinance as a capability to reduce poverty improves the welfare of poor communities in the Philippines. However, according to Bylund and McCaffrey (2017) the relationship between institutions and entrepreneurship is not unidirectional. The relationship comprises more of a choice between productive, unproductive, and destructive activity within an institutional framework. Entrepreneurship also affects the institutional uncertainty. Lowder et al. (2017) social protection is one of the government policies that directly respond to poverty. Liu et al. (2017) empirical findings state the relationship between informal institutions and entrepreneurial agencies. Agricultural input subsidies are one of the key tools of government policy to increase agricultural production (Lowder et al., 2017).

Entrepreneur Process from The Facet of Motivation Theory Based on Sociology Perspective

Ruef and Lounsbury (2007) suggests sociological analysis of the emergence of entrepreneurship is in the form: Context of entrepreneurship consisting of; materials and cognitive-institutional through a process of entrepreneurship will produce the effects of entrepreneurship from materials and cognitive-institutional. This means that the context of entrepreneurship or a transition to entrepreneurship through the entrepreneurship process will change into the structure of entrepreneurship. This analysis is an analysis of the micro and macro levels, or further included into multilevel analysis and analysis of the material aspects of entrepreneurial certitude of the cognitive and institutional dimensions. Individually financial capital in the entrepreneurship process will generate profit for entrepreneurship.

Figure 2 Entrepreneur process from the facet of motivation theory based on sociological perspective



Source: Lounsbury (2007)

Based on sociological identification and demographic proxies of entrepreneurial activity all factor groups such as human resources, infrastructure, demographic factors have a significant impact on entrepreneurial spirit (Zsombor, 2011). Furthermore, Webb et al., (2013) suggests the entrepreneurship process in terms of motivational theory based on sociological perspectives with regard to: 1). economic motivation in terms of cost and benefits, 2). social motivation that is; lack of access to legitimacy, increased social status, distrust of formal institutions 3). Motivation results. Muralidharan and Pathak (2016) found a new theory of motivation influencing the entrepreneurial process. This opinion emphasizes the importance of motivation factors in the entrepreneurship process. Accordingly, Hikkerova et al. (2016) suggests that people who intend to start a business with their own motivation are at level 1, while potential entrepreneurs who plan their own regulatory activities, their own determination, against uncertainty are at level 2, pre-action.

Entrepreneur Process in terms of resource allocation theory

The entrepreneurial process can also be analyzed in terms of the theory of resource allocation. Sirmon and Hitt (2003) argue that resources must be well managed. Resources include: human capital, social capital, patient capital, survivability capital, therefore according to Uyar and Denis (2012) that man is more important than money for entrepreneurs. Entrepreneurs have minimal knowledge on human resource management. According to Webb et al., (2013) the theory of resource

allocation in the entrepreneur process includes; 1). Provision of manpower and infrastructure, 2). Efficiency of resource allocation and limited resource management, 3). resource allocation strategies, agglomeration and use of free materials are positively associated with exploitation. Miler et al. (2014) suggests that resource based view has positive and negative influence on entrepreneurship in firm family. Randerson et al. (2015) there is an intersection of family and entrepreneurship, entrepreneurship and family business, and family and family business. Randerson et al., (2015) entrepreneurial behaviors of an individual are often rooted in the family context. The opinions above show the importance of the role of resources in the entrepreneur process.

Methods

The population in this study was all poor households in rural West Sumatera province with 296,275 household heads. Sampling of districts, sub-districts, Nagari or villages was done by multistage cluster sampling method, using sample fraction of 40%. Number of samples District area is 40% x 12 districts = 5 districts. Selected districts were: 1) Pesisir Selatan Regency, 2) Solok District, 3) Limapuluh Kota District, and 4) Sijunjung Regency. The number of Sample was 7 sub-districts. The number of village as sample was 8. The selected village area were: 1) Kampung Baru, 2) Painan, 3) Talang Babungo, 4) Bar, 5) Jopang Manganti, 6) Sei Talang, 7) Muaro, and 8) Aie Angek. The total respondents of poor households were 139 household heads. This research used primary data. The data collection was using questionnaires, which has been tested for its validity and reliability. The data was measured using the 5-point Likert scale (1=strongly disagree to 5=strongly agree). The data were analyzed using the average and total achievement of respondents.

Table 1 Indicators and sub indicators of Entrepreneur Process

Variable	Indicators	Sub Indicators
Entrepreneur Process	Institutional	1). Facilitate opportunities for recognition. 2). Facilitate exploitation opportunities
	Motivation from the Sociology Perspective	1). Economic motivation; costs and benefits 2). Social Motivation: lack of access to legitimacy, social status improvement, distrust of informal institutions. 3). Motivate results
	Resource Allocation	1). Provision of manpower 2). The efficiency of resource allocation and limited resource management 3). Resource allocation strategy, agglomeration

Source: Primary data, processed, 2018.

In determining the Respondents Response Level is with the following intervals: 1% -54% (not good category), 55% -64% (less good category), 65% -79% (good enough category), 80%-89% and 90%-100% (very good category).

Results and Discussion

Characteristics of Respondents

Based on the survey, the results found that the percentage of poor households that many are farmers of 64, 75% while fishermen only 35.25%. This is because in general the majority of poor households' livelihood is agricultural sector in West Sumatera Province.

Judging from the length of work experience as farmers and fishermen, the majority of their experience in working in both sectors is between 10 to 18 years of 36.69 percent. In general, it shows that the experience of 10 to 36 years is 73.38 percent. The fewest experiences are 62 to 72 years only at

0.72 percent. This indicates that the average experience of farmers and fishermen working is very long, which should be professionally and not poor anymore, but the reality is different because it is caused by their low productivity level.

This research found that poor households of farmers and fishermen have dependents of between 2 and 5 people of 78.29 percent. Those who have 1 person account only 13.18 percent. In general, they have dependents of more than two people. This condition shows their poverty because many dependents with very low incomes.

In general, society has a principle that many children a lot of sustenance, but farmers and fishermen are always in a state of poverty that cannot meet the basic needs of life. These social principles must be changed by these poor farmers and fishermen.

Perceptions of Respondents against Entrepreneur Process

The average value of respondents' perceptions of poor household heads to motivation in terms of sociology perspectives. The average score for economic motivation is 3.87 with the respondent's level of 77.37 are in good enough category. This value indicates that in terms of economic motivation poor household head is in the category of agree; with the level of achievement of respondents are in good enough category.

In this research are found that perceptions of respondents to the motivation of the results have an average of 4.24 with the level of respondents (TCR) achievement of 84.76 in either category. The poor household heads have motivated results in work. Based on the three indicators of motivation, it can be seen that respondents' perceptions of results motivation have the highest average score with good category, compared with social motivation and economic motivation which are in good category and good enough. The results indicate that the motivation of poor household heads in work is quite high. In the development of entrepreneurship, then motivation is a very important factor (Webb et al., 2013; Pathak, 2016; Hikkerova et al., 2016). Thus, the development of entrepreneurship for poor rural households in West Sumatra Province will be possible; this will be in line with the current rural development in the world through the development of offshore employment opportunities and entrepreneurship opportunities (IFAD, 2016).

The results of this research about respondents' perceptions of entrepreneurs in terms of resource allocation is 2.74 in the category less agree with the level of respondents' achievement 54.75 in the less good category. Based on this result are found the average value of respondents' perceptions of the entrepreneur process in terms of resource allocation. The average value for respondents' perceptions of the allocation of resources is 3.34 with 66.80 which are in good enough categories. For indicators of labor supply and infrastructure, the average score of respondents' perceptions is 3.80 with TCR of 76%. This research indicates that the provision of labor in poor households in carrying out the work is in fairly good category. There is lack of skills in agriculture and livestock work, so that intensive counseling of field extension officers is required.

Judging from the average value of respondents' perceptions of the efficiency of resource allocation and resource management is 3.48 with TCR of 69.68% which is in good enough categories. These data suggest that the efficiency indicators of resource allocation and resource management in rural poor households are in fairly good categories. This statement shows that the burden of responsibility in earning a living is only done by the head of the family.

The results showed that respondents' perceptions of the entrepreneurial process in terms of allocation of resources are in fairly good category. However, for indicators of resource allocation and agglomeration strategies are in the bad category. Resources must be well managed (Sirmon and Hitt, 2003). Entrepreneurs have minimal knowledge on human resource management (Uyar and Denis, 2012). The analysis of entrepreneurial processes is also reviewed from resource allocation (Webb et al., 2013). Capability in resource allocation can be enhanced through training (Sentosa et al, 2017).

The average value of respondents for indicators of resource allocation and agglomeration strategy is 2.74 with TCR of 54.75% that is in the category is not good. This data indicates that poor households in resource allocation and agglomeration strategies are not good, so it needs to be coached by the Social Service Office and related institutions.

This research found the average of respondents' perceptions of the entrepreneur process in terms of institutional roles. The average score for institutional role perception is 3.48 with TCR of 69.50% which is in good enough categories. This means that the perception of poor household heads in the rural areas of West Sumatra Province has a rather good institutional role. From each sub-indicator, it can be seen that respondents' perceptions of institutional roles in facilitating opportunities, policies, policy changes, bureaucratic systems have a higher average value or are in fairly good categories, from institutional roles in facilitating exploitation opportunities which is in the unfavorable category. This data indicates the need for efforts made by orders and other relevant agencies to encourage the emergence of entrepreneurship skills for poor households.

The average value of respondents' perceptions of the role of government in facilitating exploitation opportunities is 3.11 with TCR of 62.20. Respondents' perceptions of this indicator are in poor category. However, there are 2 items of statements that have relatively high value of items 2 and 5 which are in good enough categories.

The results of the above study found that entrepreneurial processes in terms of institutional roles are in fairly good category. The average value for the role of facilitation of exploitation opportunities is in the less favorable category. This means that the government's role in facilitation of opportunities and policies for structural change in rural areas, especially for the poor is good or in line with the target. As a driving force for the emergence of entrepreneurship in poor households, the government has provided programs such as microcredit, capital lending of assets, or financial assets, skills upgrading, and increased market access (Sigalla et al, 2012; Bappenas, 2015-2019). However, A microfinance has little positive impact on poverty reduction (Agbola et al., 2017). Government policy (institutional formal) to develop entrepreneurial in poor household is very needed. The role of business in poverty alleviation is important to do with policy maker (Maksimov et al, 2016).

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Conclusions

Respondents' perceptions of motivation in terms of perspectives of sociology have an average value in the category quite well. From the three indicators of motivation it can be seen that respondents' perceptions of the motivation of the results have the highest average value with very good category, compared with social motivation and economic motivation that are in good category and good enough.

Respondents' perceptions of the entrepreneurial process in terms of allocation of resources are in fairly good category. The poor households in resource allocation and agglomeration strategies are not good, so it needs to be coached by the Social Service Office and related institutions.

The average value of respondents' perceptions of entrepreneurial processes in terms of institutional role is in fairly good category. This means that the perception of poor household heads in the rural areas of West Sumatra Province has a rather good institutional role. The average value of respondents' perceptions to the role of government in facilitating exploitation opportunities are in poor category. This data indicates the need for efforts made by orders and other relevant agencies to encourage the emergence of entrepreneurship skills for poor households.

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