

# Micro, Small, and Medium Enterprises (SMEs) Accessibility and Its Impact on Performance in Indonesia

Nanang Rusliana<sup>1\*</sup>

<sup>1</sup>Economic Development Department, Economics Faculty, Siliwangi University, Indonesia

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\*Corresponding author: Nanang Rusliana

Economic Development Department, Economics Faculty, Siliwangi University, Indonesia

## Abstract

This study aims to analyze the access of small and medium enterprises (SMEs) to finance and on the performance in Indonesia. This study used the Enterprise Surveys World Bank (ESWB) panel data from 2009 and 2015. The results of the analysis show that small companies tend to be lower inaccessibility compared to medium-sized businesses. Companies that do not have financial constraints and also participate in financial markets perform better than other companies. Either by using value-added performance indicators or labor absorption the results shows the same direction.

**Keywords:** Accessibility of SMEs, Financial Constraints, Business Performance, Data Panels, Indonesia.

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## INTRODUCTION

Micro, small, and medium enterprises (SMEs) have the potential and strategic role in accelerating economic change to improve the standard of living of the people in Indonesia (Setyobudi, 2007). SMEs also have an important role as the main source of employment and community income (Arsyad, 2008). Besides being the backbone of the Indonesian economy and one of the main agendas of Indonesia's economic development, SMEs contribute significantly to economic growth in Indonesia (Hafsah, 2004). It was recorded that the number of SMEs business units in 2013 was 57,895,721 units or 99.99% of the total number of national business units, this increased from the previous year, which was 56,534,592 units with the same share (BPS, 2017).

The contribution of SMEs in boosting economic growth and employment is very large. Especially since the 1998 economic crisis, SMEs can be seen as a lifeline in the process of national economic recovery, both in driving economic growth and employment (Wijono, 2005). In many cases in various countries, this sector is able to move the real sector in various business fields so that it can contribute to the formation of Gross Domestic Product (GDP). In macro

terms, SMEs also show an important role in encouraging employment and GDP formation in Indonesia.

The contribution of SMEs to the provision of employment opportunities is very high, around 97.2% (ADB Institute, 2015). Contributions to GDP are highest compared to other countries in Asia, namely 57.8%. Although, Indonesian's SMEs is still serving the local market. Meanwhile, the contribution of Indonesia's SMEs to export values is lower to the Philippines, Thailand, or Malaysia by 15%. This is actually quite reasonable because of the wide domestic market, in addition to the understanding of business people on export activities is still limited.

For expanding a business, many SMEs often find difficult to access finance, so they are limited in getting credit. This is a financing gap in SMEs that commonly occurs in developing countries (OECD, 2006b). Thus, the financing gap in SMEs is a problem for developing countries. According to Fowowe (2017), the financial aspect is one of the important components in the growth of companies, especially micro, small and medium enterprises. Finance is important for companies. Because it can help in expanding the business, innovation, and investing in new production

facilities and staff (OECD, 2006b). Likewise in SMEs in developing their business, access to finance is needed and contributes greatly to employment and economic growth.

Some results of studies on the relationship of financial accessibility with company performance show conflicting conclusions. The results of several studies show that access to finance is important in encouraging the performance of SMEs. Conversely, several studies show that access to finance is not related to the performance of SMEs.

Research that supports financial access like Brown, *et al.*, (2003) and Hansen, *et al.*, (2004) found evidence that SMEs with access to finance grew faster. Demirguc-Kunt and Maksimovic (1998), Rajan and Zingales (1998a) show that industries that depend on external finance grow faster in countries with better financial systems. Furthermore, Wurgler (2000) shows that the rates at which resources are allocated to productive industries depend on the development of the financial system.

The opposite result from Daniels and Mead (1998) and Johnson, *et al.*, (2000) found that finance was not a significant determinant of growth, and Cabal (1995) reported that access to finance could actually hinder the growth of SMEs in the Dominican Republic. Likewise, Mc Cormick (1996), Daniels, *et al.*, (2003) and Kinyanjui (2006) show that the development of SMEs is limited by finance. The results of empirical studies in Indonesia show that access to finance is not a factor that influences the growth of small firms (Michael A. McPherson, Jeffrey J. Rous, 2010).

The research approach carried out by Fowowe (2017) has so far not been found for cases in Indonesia, where the interesting thing about the Fowowe approach to be applied in Indonesia is: (1) Fowowe researching companies in African countries, presumably in this study more specific research the size of company groups, namely small and medium enterprises in one region, (2) whether the Fowowe's approach reinforces the existence of a relationship between financial access and company performance or not. Where the measure of company performance is a combination of financial and non-financial measures. Financial measurement can generate profits, income, return on investment, return on equity and net income per share. While non-financial measures include the number of employees, income growth, income per employee, market share, level of customer satisfaction, customer differences, job satisfaction, social and environmental performance (Santos and Brito, 2012). Meanwhile, the constraint dimension is the company's ability to access finance. Besides that, it will also include control variables such as business environment constraints (by using variables contained in Enterprise Surveys World Bank data), company size (micro, small and medium), and the age

of the company (adult and old). Thus this research will use this approach to obtain broader information.

Based on the description above, this study seeks to analyze access to finance and other constraints on the performance of small and medium enterprises (SMEs). This study used the Enterprise Surveys World Bank (ESWB) panel data from 2009 and 2015 to capture variables related to financial constraints.

## 1. LITERATURE REVIEW

The empirical study of access to finance with the object of analysis between countries and between regions has been carried out by Beck, Demirgüç-Kunt, Laeven, & Maksimovic (2006). By using a cross-country company database covering 54 countries. Beck, Demirgüç-Kunt, Laeven, & Maksimovic found that large companies did not experience bank constraints such as collateral and bureaucracy, but small companies felt these obstacles. Beck and friends concluded that the financial constraints affecting the growth of the company are very dependent on the size of the company where the small company feels the most. Furthermore, Beck, Demirgüç-Kunt, & Maksimovic (2008) studied the financing patterns of 3,000 different size companies in 48 countries. The results show that smaller companies rely more on internal and informal financing than large companies. Similarly in the study of credit limits in four African countries, Bigsten *et al.*, (2003), stated that firm size is a strong determinant in obtaining credit with a probability of success of 31 percent, 20 percent, and 13 percent for micro, small and medium enterprises compared to large companies.

Mateev, Poutziouris, and Ivanov (2013) used panels from 3,175 SMEs in 7 European countries and found that small-scale companies tended to use more short-term bank loans and trade credits while medium-sized companies used more long-term loans and also had influence higher, this indicates that large companies may have more bargaining power over credit lenders. Another study by Hainz and Nabokin (2013) covering 23 countries in the European Union and Asia examined the determinants of access to credit at different sizes of companies. The results show that smaller companies have a 6 percent lower probability of dependence on external finance than larger companies, which indicates that smaller companies rely more on internal funds or have fewer credit requests than large companies.

Another empirical study was also conducted by Allen *et al.*, (2012), Beck *et al.*, (2008), and Muravyev *et al.*, (2009) who studied access to finance companies at different stages of growth and found that in the start-up and take-off periods, smaller companies relied more on internal and informal financing while significantly fewer constraints for large companies to obtain bank finance. Okura (2008), in a study of SMEs in China, showed that the use of bank loans to finance increases in working capital with company size. In the

case of SMEs in Malawi, the use of external financing is negatively significantly related to small businesses and positively associated with medium-sized businesses (Mulaga, 2013).

An empirical study of access to financial constraints have been carried out by Gelb *et al.*, (2007) on 26 African countries, seen on average, the percentage of companies that consider access to finance as the main obstacle or higher than other constraints (electricity, corruption, macroeconomic instability, and labor regulations). Research by Dinh *et al.*, (2012) which used a sample of more than 39,000 companies in 98 countries, found that access to finance was ranked as the biggest or second largest obstacle in companies in Eastern and Central Asia, Sub-Saharan Africa, East Asia, and the Pacific, the Middle East and North Africa, and South Asia.

Another empirical study was also conducted by Fowowe (2017). Analysis Fowowe estimates the impact of access to financial constraints on company growth, using subjective measures of the investment climate obtained from Surveys Enterprise World Bank. The main variable is a measure of access to financial constraints, indicating that access to corporate financial constraints is on a scale of 1 - 5 (1 does not become a barrier and 5 becomes a heavy obstacle). So, if access to finance is an obstacle to company performance, there will be a negative sign. Fowowe incorporates another obstacle to the business environment in an organization constraint to examine how important financial exclusion is an obstacle to company growth compared to other constraints (Ayyagari *et al.*, 2008). Fowowe also included company characteristics to capture company size, company age, regulatory conditions, corruption, and state control. The inclusion of the characteristics of this company helps in controlling differences in the objectives of conditions faced by companies with different characters (Aterido *et al.*, 2011). Fowowe's analysis results to examine the impact of access to financial constraints on the performance of African companies by including all business environment barriers and state control in the same equation. The results show that access to financing constraints has a significant negative impact on employment growth. These results are similar to previous studies (Dinh *et al.*, 2012; Ayyagari *et al.*, 2008) which show that inadequate financing is a serious obstacle facing African companies adversely affecting growth. Furthermore, another obstacle that has a significant negative influence on the growth of the company is habits and trade, informal sector competitors, tax rates, political instability, judicial and labor regulations.

The results of empirical studies regarding access to the performance of micro, small and medium enterprises (MSMEs), among others, were carried out by Anggadwita and Mustafid (2013) which stated that

one of the indicators of the performance of micro and small businesses in Bandung was production volume. Scouts, *et al.*, (2013) use productivity as a measure of performance in MSMEs in Banyumas. Productivity is measured through its role in economic growth, exports and the development of business units. The results of other studies have also been conducted by Gordon and Alvin (2011) using operating performance as a measure of the development of MSMEs. Some of the measures used are production volume, export capability, and labor productivity. Gilfillan (2015) uses value-added and export value indicators to show the role of small businesses in Australia. Meanwhile, Tewari, Skilling, Kumar, and Wu (2013) use indicators of the number of companies, the number of workers, and added value.

## 2. METHODOLOGY

The data used in this study is secondary data in the form of panel data (pooled-data). Panel data is a composite data from time series data (time series data) with cross-place data (cross section data). This research was conducted in Indonesia in 33 provinces divided into 9 regions, the data used were Enterprise Surveys World Bank data from survey results in 2009 and 2015. Secondary data to be used is data from 33 provinces in Indonesia which are divided into 9 regions, namely: West Java, Central Java, East Java, DKI Jakarta, Banten, South Sulawesi, North Sumatra, Bali, and Lampung. These 9 regions are the largest population centers and economies in Indonesia, which constitute more than 70% of companies and 68% of workers in Indonesia (Enterprise Surveys World Bank, 2017).

The variables used in this study include added value and employment (dependent variable), and independent variables namely accessibility, business environment constraints, company size, and age company. Accessibility variables are constraints in accessing finance that are built from the status of credit constraints (external financial resources, lending, and loan applications) and financial constraints (credit constraints status, credit line (company loan ownership), overdraft (company ability to use various loan facilities), and both loans (combination of credit line and overdraft). Constraints from the business environment: access to land, business permits, electricity, uneducated workforce, labor regulations, tax administration, tax rates, and transportation. The size of the company is small and medium. The age of the company is represented in 3 categories, namely: young, mature, and old. Only 2 categories (adult and old) are included in this analysis, and the neglected category is young category companies. Adult companies consist of companies aged between 5-15 years, while older companies consist of companies over the age of 15 years. Data processing in this study used econometrics model as below:

### 1. Model Credit Constraint Status (CCS)

$$Em_{it} = \alpha_0 + \alpha_1 CCS_{it} + \sum_{j=2}^{10} \alpha_j OC_{ji} + \alpha_{11} SMALL_{it} + \alpha_{12} MATURE_{it} + \alpha_{13} OLD_{it} + \varepsilon_1 \quad (1)$$

$$VA_{it} = \alpha_0 + \alpha_1 CCS_{it} + \sum_{j=2}^{10} \alpha_j OC_{ji} + \alpha_{11} SMALL_{it} + \alpha_{12} MATURE_{it} + \alpha_{13} OLD_{it} + \varepsilon_1 \quad (2)$$

## 2. Model Financial Constraint (FC)

$$Em_{it} = \alpha_0 + \alpha_1 FC_{it} + \sum_{j=2}^{10} \alpha_j OC_{ji} + \alpha_{11} SMALL_{it} + \alpha_{12} MATURE_{it} + \alpha_{13} OLD_{it} + \varepsilon_1 \quad (3)$$

$$VA_{it} = \alpha_0 + \alpha_1 FC_{it} + \sum_{j=2}^{10} \alpha_j OC_{ji} + \alpha_{11} SMALL_{it} + \alpha_{12} MATURE_{it} + \alpha_{13} OLD_{it} + \varepsilon_1 \quad (4)$$

## 3. Model Creditline

$$Em_{it} = \beta_0 + \beta_1 CREDITLINE_{it} + \sum_{j=2}^{10} \beta_j OC_{ji} + \beta_{11} SMALL_{it} + \beta_{12} MATURE_{it} + \beta_{13} OLD_{it} + \varepsilon_1 \quad (5)$$

$$VA_{it} = \beta_0 + \beta_1 CREDITLINE_{it} + \sum_{j=2}^{10} \beta_j OC_{ji} + \beta_{11} SMALL_{it} + \beta_{12} MATURE_{it} + \beta_{13} OLD_{it} + \varepsilon_1 \quad (6)$$

## 4. Model Overdraft

$$Em_{it} = \delta_0 + \delta_1 OVERDRAFT_{it} + \sum_{j=2}^{10} \delta_j OC_{ji} + \delta_{11} SMALL_{it} + \delta_{12} MATURE_{it} + \delta_{13} OLD_{it} + \varepsilon_1 \quad (7)$$

$$VA_{it} = \delta_0 + \delta_1 OVERDRAFT_{it} + \sum_{j=2}^{10} \delta_j OC_{ji} + \delta_{11} SMALL_{it} + \delta_{12} MATURE_{it} + \delta_{13} OLD_{it} + \varepsilon_1 \quad (8)$$

## 5. Model Bothloan

$$Em_{it} = \gamma_0 + \gamma_1 BOTHLOANS_{it} + \sum_{j=2}^{10} \gamma_j OC_{ji} + \gamma_{11} SMALL_{it} + \gamma_{12} MATURE_{it} + \gamma_{13} OLD_{it} + \varepsilon_1 \quad (9)$$

$$VA_{it} = \gamma_0 + \gamma_1 BOTHLOANS_{it} + \sum_{j=2}^{10} \gamma_j OC_{ji} + \gamma_{11} SMALL_{it} + \gamma_{12} MATURE_{it} + \gamma_{13} OLD_{it} + \varepsilon_1 \quad (10)$$

While

CCS = dummy variable from credit constraint status, where = 1 if the company does not have credit constraints, or 0 if other

FC = dummy variable from financial constraints, where = 1 if the company does not have financial constraints, or 0 if other

CREDIT LINE = dummy variable from loan ownership (credit line), where = 1 if the company has a loan, or 0 if other.

OVERDRAFT = dummy variable of the company's ability to use various loan facilities (overdraft), where = 1 if the company has a loan facility, or 0 if other

BOTHLOANS = combination of a credit line and overdraft

i = enterprise

t = year 2009 and 2015

$\varepsilon$  = disturbance error

This study uses quantitative analysis and panel data regression models. The estimation of the panel data regression model can be done whether, with a fixed effect model or random effect, the Hausman test first needs to be done.

### 3. RESULTS

There are 18 variables that will be used, namely: variable value added, employment, CCS, FC,

credit line, overdraft, both loans, access to land, business permits, electricity, uneducated labor, employment regulations, tax administration, tax, transportation, small, mature and old rates. The description of the size of the average (mean), the spread of data (standard deviation), minimum, and maximum of the research variables can be seen in the following table.

**Table 1: Description of Statistics of Small and Medium Enterprises (SME) Research Data Based on Enterprise Data from World Bank Survey in 2009 and 2015 in Indonesia**

Variable	Obs	Mean	Std. Dev.	Min	Max
Value Added	554	5,26e+10	5,15e+11	600.000	9.08e+12
Employment	554	22	23	1	99
CCS	554	2,79	0,95	1	4
FC	554	0,42	0,49	0	1
Access to land	554	0,64	0,48	0	1
Business license	554	0,59	0,49	0	1
Electricity	554	0,53	0,50	0	1
Uneducated Workforce	554	0,66	0,48	0	1
Labor Regulations	554	0,66	0,48	0	1
Tax Administration	554	0,57	0,50	0	1
Tax rates	554	0,56	0,50	0	1
Transportation	554	0,58	0,50	0	1
Small	554	0,60	0,50	0	1
Mature	554	0,45	0,50	0	1
Old	554	0,48	0,50	0	1
Creditline	554	0,29	0,45	0	1
Overdraft	554	0,10	0,29	0	1
Bothloan	554	0,06	0,24	0	1

**Source:** Enterprise Survey World Bank 2017 (data processed).

CCS is a variable that shows the status of credit constraints which see how far the business participates in financial markets. The value of CCS consists of 1 - 4. Value 4 indicates that the business does not have credit constraints or is referred to as noncredit constraint (NCC). NCC indicates that the business can freely enter the financial market or not. Value 3 indicates that the business is likely to have credit constraints or is referred to as maybe credit constraint (MCC). MCC indicate that the business participates in the market and it is possible to have obstacles in parenting. Value 2 indicates that the business has obstacles in several aspects of credit or referred to as partial credit constraint (PCC). PPC is the business basically has participated in the financial market despite having several obstacles to participate. And Value 1 indicates that the business is very hampered by credit or referred to as full credit constraint (FCC) or the business cannot participate in financial markets. Thus, the higher the CCS value indicates that the business increasingly constrained to obtain credit.

Table 1 show that the average CCS is  $2.79 \approx 3$ , mean most businesses have a position as partial credit constraint (PCC) or having credit status in several

aspects. This is not surprising because most businesses are small businesses that tend to be constrained to obtain credit.

Another variable related to accessibility in this study is a financial constraint (FC) which shows the extent to which companies are constrained in accessing finance. In contrast to CCS which shows the level of participation in financial markets, FC shows the extent to which businesses are able to qualify in obtaining loans. The average FC value is 0.42 which means that most of the existing businesses tend to have financial constraints.

Business participation in the financial market can also be seen from the credit line, overdraft, and both loans. Creditline shows whether the company has a loan or shows an agreement between the bank and the business about the maximum amount of credit that the business can borrow. Overdraft is the business ability to use various loan facilities related to current accounts, withdrawals via check or bilyet giro or other funds withdrawal tools that exceed the current account held by the business. Both loans are conditions that combine credit line and overdraft. Table 1 show that the average credit line value at ESWB is 0.33. This means that most

businesses tend not to participate in financial markets. The average overdraft value is 0.15. This means that most businesses tend not to use various loan facilities. As with credit line and overdraft, the value of both loans is between 0 and 1. Table 1 shows that the average value of both loans is 0.10 that meaning most businesses tend not to participate in financial markets.

Based on the dependent variable, this research model is grouped into a value-added model (NT) and employment (TK). Then, grouped again into fixed

effect models and random effects models in the NT and TK models. Furthermore, from each model resulting from the grouping, there are 5 (five) variations. Thus, in this study involved 20 equation models.

Although the model involved 20 equations, not all results were used. First, the models will be tested to determine whether to use the fixed effect model or random effect model. The determination of the FEM or REM model in this research is determined through the Hausman Specification Test.

**Table 2: The Results of The Estimation of the SMEs Accessibility Model with Dependent Variables Value Added using the GLS Model**

Variable	CCS	FC	Credit line	Overdraft	Both loan
CCS	0,279*				
	(0,165)				
Access to land	-0,415**	-0,459**	-0,407**	-0,402**	-0,424**
	(0,203)	(0,202)	(0,201)	(0,202)	(0,202)
Business license	-0,313	-0,362*	-0,310	-0,308	-0,300
	(0,201)	(0,200)	(0,200)	(0,201)	(0,200)
Electricity	-0,0519	-0,0885	-0,0404	-0,0288	-0,00141
	(0,191)	(0,191)	(0,190)	(0,191)	(0,191)
Uneducated Workforce	-0,249	-0,229	-0,292	-0,271	-0,266
	(0,215)	(0,214)	(0,213)	(0,214)	(0,214)
Labor Regulations	0,298	0,192	0,289	0,275	0,274
	(0,227)	(0,229)	(0,226)	(0,227)	(0,227)
Tax Administration	0,225	0,230	0,233	0,208	0,205
	(0,244)	(0,242)	(0,242)	(0,243)	(0,243)
Tax rates	0,131	0,0256	0,110	0,131	0,141
	(0,245)	(0,245)	(0,243)	(0,245)	(0,244)
Transportation	0,141	0,0806	0,168	0,145	0,136
	(0,200)	(0,199)	(0,198)	(0,199)	(0,199)
Small	-2,184***	-2,132***	-2,067***	-2,095***	-2,097***
	(0,165)	(0,164)	(0,166)	(0,167)	(0,165)
Mature	0,395	0,356	0,374	0,406	0,403
	(0,314)	(0,312)	(0,312)	(0,313)	(0,313)
Old	0,548*	0,547*	0,544*	0,579*	0,586*
	(0,318)	(0,316)	(0,315)	(0,317)	(0,316)
FC		0,556***			
		(0,176)			
Credit line			0,576***		
			(0,172)		
Overdraft				0,601**	
				(0,267)	
Both loan					0,880***
					(0,320)
Constant	21,39***	21,46***	21,27***	21,37***	21,36***
	(0,355)	(0,350)	(0,354)	(0,355)	(0,353)
Observations	554	554	554	554	554
Number of idstd2015	295	295	295	295	295
Standard errors in parentheses					
*** p<0,01, ** p<0,05, * p<0,1					

Result of the Hausman Specifications Test show that the difference in coefficients of not systematic is rejected, so the model that chooses based on the fixed effect model. However, estimation using the fixed effect model still contains heteroscedasticity. Heteroscedasticity tends to large and inefficient variance value. The logical consequence of this situation is there are many insignificant variables, as in the results above. Therefore, the problem of

heteroscedasticity needs to be corrected, how to get through the model that is corrupt or using the GLS method. In overcoming the problem of heteroscedasticity, the improvement chosen is the GLS method.

The estimation results show that the variables that influence added value include CCS, FC, credit line, overdraft and both lone, access to land, company size

and age of the company (old). Especially for the FC model, there are other influential variables, namely business licenses. The coefficient values of CCS, FC, credit line, overdraft, and both lone are positive, meaning that companies that are not financially constrained and participate in financial markets tend to have greater added value than others. Companies that are not constrained in finance tend to be easier to increase business physical capital, improve business technology or increase the skilled workforce to improve business performance (rising value added).

The coefficient value added to land access is negative, meaning that businesses have smaller value-added performance than those constrained if they are constrained by land access. For a small business coefficient is negative indicates that small businesses have lower added value compared to medium-sized businesses. A positive age coefficient indicates that

small and medium-sized businesses have a greater added value than others.

The result from the labor model estimation shows that credit line, overdraft and both lone increase employment. The FC, credit line, overdraft, and both lone coefficients are positive, meaning that companies participate in financial markets tend to have greater employment than others. Companies that participate in financial markets tend to be easier to increase the use of skilled labor to improve business performance.

The business license coefficient value is negative, means businesses are constrained by business licenses to tend to a smaller workforce performance than those who are constrained. For a small business coefficient that is negative indicates that small businesses tend to have lower absorption of labor compared to medium businesses.

**Table 3: Results of Estimated Model of MSME Accessibility with Dependent Variables Labor uses the GLS Model**

<i>Variable</i>	<i>CCS</i>	<i>FC</i>	<i>Credit line</i>	<i>Overdraft</i>	<i>Both loan</i>
CCS	0,00722 (0,0389)				
Access to land	-0,00171 (0,0479)	-0,00416 (0,0480)	-0,000833 (0,0476)	0,000984 (0,0476)	-0,00387 (0,0477)
Business license	-0,0784* (0,0475)	-0,0810* (0,0476)	-0,0777 (0,0473)	-0,0768 (0,0473)	-0,0757 (0,0473)
Electricity	-0,0298 (0,0452)	-0,0318 (0,0453)	-0,0281 (0,0450)	-0,0242 (0,0450)	-0,0205 (0,0452)
Uneducated Workforce	-0,0281 (0,0508)	-0,0265 (0,0508)	-0,0323 (0,0505)	-0,0289 (0,0504)	-0,0279 (0,0505)
Labor Regulations	-0,0218 (0,0537)	-0,0275 (0,0543)	-0,0233 (0,0535)	-0,0277 (0,0535)	-0,0264 (0,0535)
Tax Administration	0,0355 (0,0576)	0,0353 (0,0575)	0,0348 (0,0573)	0,0280 (0,0573)	0,0293 (0,0574)
Tax rates	0,0497 (0,0579)	0,0444 (0,0583)	0,0480 (0,0576)	0,0523 (0,0576)	0,0534 (0,0577)
Transportation	-0,0530 (0,0472)	-0,0559 (0,0473)	-0,0471 (0,0470)	-0,0491 (0,0469)	-0,0519 (0,0469)
Small	-1,775*** (0,0389)	-1,773*** (0,0389)	-1,760*** (0,0392)	-1,758*** (0,0393)	-1,763*** (0,0391)
Mature	0,0218 (0,0742)	0,0197 (0,0742)	0,0184 (0,0738)	0,0244 (0,0738)	0,0231 (0,0738)
Old	0,0372 (0,0751)	0,0365 (0,0750)	0,0336 (0,0747)	0,0400 (0,0746)	0,0407 (0,0747)
FC		0,0300 (0,0419)			
Creditline			0,0906** (0,0407)		
Overdraft				0,150** (0,0628)	
Bothloan					0,163** (0,0756)
Constant	3,743*** (0,084)	3,745*** (0,0830)	3,713*** (0,0840)	3,717*** (0,0835)	3,724*** (0,0833)
Observations	554	554	554	554	554
Number of idstd2015	295	295	295	295	295
Standard errors in parentheses					
*** p<0.01, ** p<0.05, * p<0.1					

#### 4. CONCLUSION

Companies that are not financially constrained and participate in financial markets tend to have added value and greater employment than others. Other variables that also influence the added value and employment are the business size. Meanwhile, other variables that influence only value added are access to land and that which affects the absorption of labor is a business permit.

The results of this study support the view that financing is very important for business growth, and justifies many actions and initiatives taken to generate more funds for companies in Indonesia. Small and medium enterprises that easily access finance will be free to expand their business through intensification and extensification.

Financial accessibility has a greater influence on the performance of added value compared to employment. This shows that small and medium enterprises tend to increase additional physical capital or technology more than increasing the additional workforce to boost business performance.

**JEL classification:** L22, L25, O14

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