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Effects of motivation and infrastructure on MSME (Micro Small Medium Enterprise) performance in the time of COVID-19 pandemic

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Abstract: The COVID-19 pandemic has severely impacted MSMEs; most of them stopped due to difficulties in producing and obtaining raw materials because of the rigorous health protocol policy; only a small amount can still survive. The smoked fish home industry is one of them. The main problem is constrained by facilities and resources as well as the motivation to keep their spirit during the pandemic Covid 19. This study aims to determine the effect of motivation, facilities and human resources on the performance of this home industry using SEM analysis. The results of this study showed that the performance of MSMEs was influenced by skill and facilities (not motivation). Skill and facilities significantly impact performance (income, turnover, and productivity), while the motivation was only for their family and themselves to survive in the covid era.

Key Words: *MSMEs, Smoked Fish home industry, COVID-19 pandemic, SEM.*

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Introduction

Micro Small Enterprises (MSMEs) are essential in Indonesia's economic development and driving power. In 2018 the number of MSMEs reached 99.99% (64.1 million) of Indonesia's total companies, consisting of micro-enterprises at 98.68%, small businesses at 1.22%, and medium enterprises at 0.09%. Statistical data shows the contribution of MSMEs to the Gross Domestic Product (GDP) of 57.30% in 2017 and 57.24% in 2018, this showed that its contribution to GDP is more significant than big companies. The MSMEs sector also absorbed 116.4

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million workers (96.82%) of the total workforce in 2017 and 116.9 million workers (97%) in 2018 (Wibowo, 2018; Kadeni, 2021).

The COVID-19 pandemic has seriously impacted all people's lives and the business world. Small businesses worldwide have been abruptly confronted with changed consumption patterns, demand, product distribution and consumer behaviour. Many firms have lost access both to front-line customers and their ability to source raw materials and inputs, as well as to export. Lockdowns and other movement restrictions have often prevented key personnel and staff from working. Job losses elsewhere in the economy have also resulted in a drastic fall in demand. Sales have declined. Many other businesses in supply chains have ceased operating. More than 87% of Micro Small Medium Enterprises (MSMEs) have been affected and stopped due to the pandemic (Saturwa et al., 2021), while Parilla (2021) stated that the impact of the pandemic includes uncertainties, the decline in productivity, reduction of employees, disruption in the supply chain, and temporary to permanent shutdown.

Based on the ADB's latest analysis, relative to a no-COVID-19 baseline, global losses were estimated at 5.5%–8.7% of world GDP in 2020 and 3.6%–6.3% of world GDP in 2021, with the corresponding losses for developing Asia amounting to 6.0%–9.5% of regional GDP and 3.6%–6.3% of regional GDP in 2020 and 2021, respectively (Sawada & Sumulong, 2021). Micro small- and medium-sized businesses are the most affected; most of these businesses are closed due to operational difficulties, decreased sales and cashflow during a global crisis (Hopompwe et al., 2021). Agarwal et al. (2022) stated that multilateral and collaborative action should be done to gather between nations to recover from the COVID-19 pandemic. The impact of the pandemic on MSMEs in Indonesia was very significant; according to the results of research by Bank Indonesia (BI, 2020), around 96% of MSMEs were affected, 56% of their sales turnover decreased, 22% had financial problems, and 18% faced distribution problems and difficulty obtaining raw materials (Syamsudin, 2021). However, several business groups still survive, grow significantly, and increase their turnover, even though the demand continues to increase during the pandemic. Examples of these SMSEs are agriculture products, medicine, and food industries. Smoked Fish is one of the home industries of the fishery-based that still survives in the COVID-19 pandemic in Kendal Regency, Central Java, Indonesia.

Kendal is one of the regencies in Indonesia, which is geographically very strategic on the north coast of central Java at 109°40'–110°18' East Longitude and 6°32'–7°24' South Latitude. Located 40 km from the provincial capital of Central Java, the area is 1315.43 km² with a population of 976,775. Kendal Regency has a very long beach, estimated at 42 kilometres passing through 25 villages. The agriculture and fisheries sectors are the most potential sector for people's livelihood. The smoked fish home industry is one of the MSMEs that the people of Kendal mainly carry out; the number of families involved in this business activity is around 3,000 households, and it involves more than 15,000 people (Kholil et al., 2016; Kholil, 2011; Kohar & Dini, 2017; Bappeda, 2018). Therefore, smoked fish is the most potential home industry in Kendal regency (Bappeda, 2018). However, most of its activities are affected by the COVID-19 pandemic, so it cannot develop any more or even stop (Harjowiryono, 2021).

In accordance with government policies regarding health protocols during COVID 19 pandemic, people's activities and movements are very limited due to the obligation to stay at home and social distancing. This genuinely impacts this home industry businesses' development because of the difficulty in obtaining raw materials, product marketing and labour. Even so, these home industry

entrepreneurs try and struggle to face these challenges and continue to carry out their activities. In addition, business actors are also facing changes in people's behaviour due to the COVID-19 pandemic, which depends on digital technology, so the difficulties for business actors to develop are increasing due to limited skills and facilities. Hasan & Kasim Akor (2019) showed that facilities are also essential to ensure business sustainability. However, during the COVID-19 pandemic, facility support from local governments was severely limited; the need for communication network facilities to support online marketing is limited; even the network is often disconnected and unstable. This reality has made the smoked fish home industry unable to develop rapidly despite market demand increasing during the COVID-19 pandemic; as a result, their business performance has been disrupted.

Many experts proposed different definitions of motivation. According to Kreitner (1995), motivation has been defined as the psychological process that gives behaviour purpose and direction, a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford et al., 1995), an internal drive to satisfy an unsatisfied appetite and the will to succeed (Bedeian, 1993; Creech, 1995, p. 31), "motivation will be that provides pressure to the conduct by means of arousing, retaining, along with leading the idea to the particular success associated with goal". Motivation is an energy that encourages someone to do something and is the cause for taking action (Nitisemito, 1999; Hasibuan, 2008; Boyer, 2019). In Maslow's theory of needs, a person will strive in any way to satisfy his basic needs (Lagault, 2016; Bögenhold, 2009; Purwanto, 2009). There are two types of motivation (Deci, 1972). Extrinsic motivation, as money and verbal reinforcement, is mediated outside the person, whereas intrinsic motivation is mediated within the person. Extrinsic motivation can be particularly helpful when a person needs to complete a task that they find unpleasant, but it is not always possible in every situation. Refers to the performance of a behaviour that is fundamentally contingent upon attaining an outcome that is separable from the action itself (Lagault, 2016). Money, appreciation, and certificates are extrinsic motivations (Hasibuan, 2008). Motivation and performance must be balanced in order to achieve sustained, consistent results (Tika, 2006). Performance is the result of work that in quality (intangible) and quantity (tangible), has been achieved by a person (Mangkunegara, 2007; Tika, 2006). According to Robin et al. (2006), performance is a function of Ability (A), Motivation (M) and Opportunity (O), which is formulated as follows:

$$P = f(A, M, O)$$

Where: P = Performance; A = Ability; M = Motivation, O = Opportunity

Based on the above formula, it is clear that performance is related to a person's skill according to (Broadberry & O'Mahony, 2004). O'Mahony (2002) states that a person's productivity is determined by his skills. Skill is the ability of a person to complete a particular task (Hasibuan, 2008; Grugulis, 2011). A person's skills are divided into hard and soft skills (Sopa et al., 2020). Hard skills are the technical ability to carry out tasks in a particular field, while soft skills are related to the interpersonal of a person. Skill positively and significantly affects employee performance (Sari et al., 2019). The study conducted by Sari et al. (2019) shows that skills influence 75.5% of performance and the rest by other factors.

Besides motivation and skills, performance is also influenced by facilities. According to Alya (2020) and Rachman (2021), facilities and work environments significantly and positively affect one's performance. That is, the better the

facilities and work environment, the better a person's performance. It can be interpreted as everything that can facilitate and speed up an activity (Rachman, 2021), while Sambali (2015) stated that facility and work culture significantly affect the results of one's work. Endahsrirahayu (2016) indicated that government policy, facilities, technology, macroeconomics and human skill are the factors that affect the business environment of micro, small and medium-sized enterprises.

Globally, the existence of MSMEs is extensive for world economic development; it is estimated that around 70% of employment and 50% contribution to global DGP (ILO, 2020). In Indonesia, micro, small, and medium enterprises (MSMEs) also play a strategic role in national development as economic growth, export, and innovation (Putra, 2016) (Pakpahan, 2020). However, many MSMEs cannot develop and even stop due to difficulties in the production process since COVID-19 (Amri, 2020; Bahtiar, 2021; Suryani, 2021). This is because of the health protocol policies that must be adhered to, especially restrictions on business hours, social distancing, and a ban on activities outside the home, therefore making it difficult to procure raw materials and market products (Sonobe & Susumu Yoshida, 2021). According to (Bouey, 2020; Tsilosani, 2021), the COVID-19 pandemic has also affected the cash flow of MSMEs in China, so many have closed. The same thing happened in Iraq when most MSMEs experienced a decrease in income due to the COVID-19 pandemic (Pakpahan, 2020), while Fairlie (2021) shows that from February to April 2020, around 20-35% of MSMEs in America experienced a severe impact due to the COVID-19 pandemic, so it stopped. Likewise, the results study of the (UNDP, 2020) in Tajikistan 2020 showed that the COVID-19 pandemic had an impact on around 85 MSMEs which caused income reduction, and another 33% asked for deferred tax payments. Many MSMEs face various problems related to cashflows, raw materials acquisition, and declining market demands (Lu et al., 2020). Cashflows are one of MSME's most crucial nonhuman assets, and the government needs to pay special attention to this issue (Jindrichovska, 2014). Further, the pandemic status leads to restricted inter-province transportation access that significantly obstructs the raw material value chain. Similarly, governmental policies to anticipate the Covid-19 pandemic that requires people to stay home largely reduce economic activities and put heavy pressure on goods demands (Lu et al., 2020).

The smoked home industry is one example of a micro-enterprise that cannot be separated from the impact of the COVID-19 pandemic. Kendal Regency in Central Java Province, which is located on the north coast of Java, has the potential for marine resources. Nugroho et al. (2016) and Bappeda (2018) show that smoked fish is one of the most potentials home industries in Kendal Regency since most people carry out this activity, especially in Cepiring and Weleri districts. In general, the main problems of the cottage industry in the Kendal Regency are governance, capital, process technology, and marketing, especially during this COVID-19 pandemic. Implementing health protocols, especially activity restrictions and social distancing, caused this cottage industry activity not to develop and even stop. In the long term, this unfavourable business environment can affect business sustainability, so it is necessary to have a strategic breakthrough that must be prepared, both by business actors and the government. Changes in people's behaviour due to the COVID-19 pandemic have led to a *digital society*.

Another impact of the COVID-19 pandemic is the public's dependence on digital technology for various purposes, including transactions, to meet their needs. There is a change in buying and selling process using digital technology through applications such as GRAB, GoFood, and others. To encourage the improvement of the skills and abilities of MSME actors, government involvement

through platform development is very necessary, especially during the COVID-19 pandemic (Saturwa & Suharno, 2021). According to Oni (2012), government and financial institutions have a fundamental role in developing MSMEs. The study results by Usoh et al. (2021) also showed that the COVID-19 pandemic caused a decrease in customers and sales for MSMEs. Several food industries in China have also been seriously affected by the COVID-19 pandemic (Dai et al., 2020). Facing tough challenges due to the COVID-19 pandemic, business actors need strong motivation to ensure the sustainability of their business, while Susanti (2016) stated that motivation and creativity affect the success of MSME businesses.

The critical element that leads to MSME business success is efficient management. Every company needs a management system appropriate to its context and environment (Mesa, 2013). In addition, the ability of business organizations to adapt to environmental changes is also a key factor in ensuring business sustainability (Mongkol, 2021; Wroblewski, 2020) as well as the facilities, infrastructure, capacity, and skills of human resources (Kamunge et al., 2014; Kinyua, 2014).

Performance is the success of an action, task, or operation carried out by a person, group of people or organization; according to Bangun (2012), performance is the result of work achieved by a person based on specific requirements to achieve goals, which are also known as job standards (Team, 2021). According to Bracci & Enrico (2011) and Dwiyanto (2006), measuring the performance of public organizations is based on the following indicators: 1) Productivity, 2) Service Quality, 3) Responsiveness, 4) Responsibility, and 5) Accountability. At the same time, Pulka et al. (2017) state that the primary performance of MSMEs can be measured by turnover and revenue. Therefore, this study will analyze the impact of COVID-19 on these MSME performance indicators to facilitate policy interventions from local governments. Based on the various pieces of literature above, the framework of this research is described as follows:

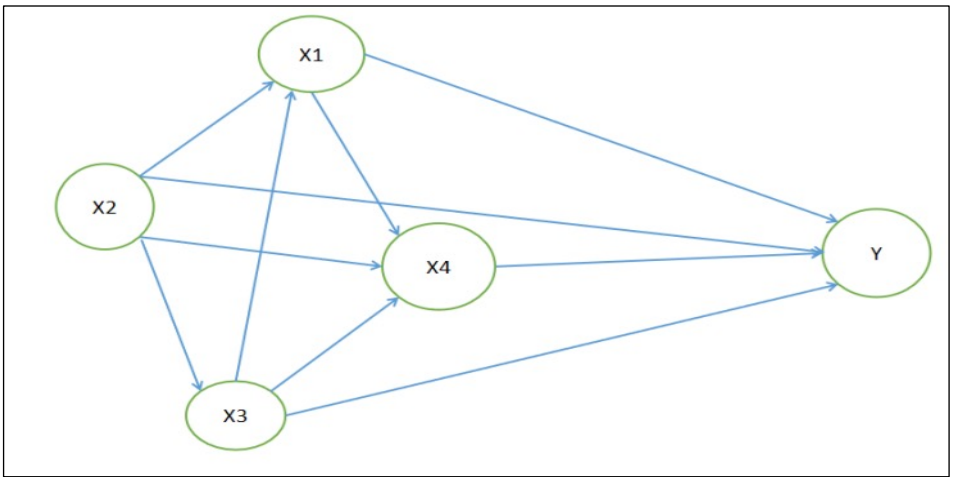

Figure 1. Research Framework

Where, X1 = Motivation; X2 = Facilities and Infrastructure; X3 = Human Resources/skill; X4 = Business Environment; and Y = Performance

This study aims to determine the effect of motivation, facilities and skills on the performance of MSMEs in the era of the covid 19 pandemic, especially for the smoked home industry.

Methodology

This study used a quantitative approach, conducted in March-June 2021 (4 months). The technique sampling chosen was purposive sampling. The sample size was determined based on minimum adequacy (Gozali, 2013); data collection used a questionnaire distributed to 120 randomly selected respondents. Data analysis was carried out using descriptive and inferential statistical analysis. Descriptive analysis was carried out to find out information about the problem or description of the data by grouping and tabulating so that it has meaning for decision-making. While inferential statistical analysis to determine the effect of an exogenous variable (independent variable) on an indogenous variable either directly or indirectly using SEM-PLS with two stages; the first was the Outer Model Test included: (1) data normality test; (2) validity test to determine the measurement accuracy, (3) construct reliability test, and (4) construct and structural model fit test; the second was the Inner Model Test for hypothesis testing. SEM_PLS is a combined method of factor analysis and path analysis that can be used to determine the influence of exogen variables (independent variable) on indogen variables (dependent variable) either directly or indirectly (Ramadiani, 2010; Bou et al., 2010).

The hypothesis testing used t-test statistics, with a critical p-value of 0.05 or t = 1.96. descriptive analysis was also carried out to add the SEM analysis, using the frequency distribution of respondents' answers and their average, using the formula:

$$P = \frac{X_{maks} - X_{min}}{b}$$

where: P = class length each interval; X_{maks} = maximum value; X_{min}= minimum value; b = total class. Classification of categories based on this approach is shown in Table 1:

Table 1. Classification of rating categories for descriptive statistics

Average Value Count	Rating Category
1 – 1.80	Not Very Good
1.81 – 2.60	Not Good
2.61 – 3.40	Fairly Good
3.41 – 4.20	Good
4.21 – 5.00	Very Good

Source: Processed by authors

Results

Based on the questionnaire of 120 respondents, only 100 answers were considered worthy of analysis; the rest were incomplete, so they were not included in the study. The data analysis was done descriptively and inferentially. The descriptive analysis included: 1) Profile of respondents; 2) Perception of motivation; facilities; business environment, human competence/ability and business performance. The profile of respondents in this research object were primarily women (90%), and the rest were men (10%). From their educational background, 62% graduated from elementary school, 24% from junior high school, and the remaining 16% graduated from high school and no college graduate, with an age rate of 50% >46 years, 38%

between 36 and 46, and 12% between 25 and 35 years. This illustrates that the quality of human resources for most smoked fish home industry is still low. They work for generations without any special education or training. Most workers are families: children and the elderly, with between 3-5 employees per business unit. They became entrepreneurs in the smoked fish business owners automatically replacing their parents after they could no longer work. A description of respondents' perceptions of each variable (Figure 1) is presented in Tables 2 to 6.

The motivation Variable (X1), respondents' perceptions of the motivation variable to run a business during the pandemic, is shown in Table 2. Results showed that the respondent's response to the Motivation variable (X1) was an average of 4.915. This means that respondents tended to rate their motivation to run a business during the COVID-19 pandemic as very good (very strong). The best-rated indicator was the statement *The demand to support the family is the main motivation to keep trying during this COVID-19 Pandemic* with an average of 4.96. Meanwhile, the lowest rated indicator was the statement *Government policy support increases business motivation,* with an average of 4.84. This showed that maintaining their family life is the primary motivation.

According to Maslow's theory of needs (1964), this is a category of basic survival needs, and they will be willing to work hard in any situation (Lagault, 2016; Bögenhold, 2009; Purwanto, 2009). This is also an intrinsic motivation, therefore, support or encouragement from outside is not so important (Deci, 1972). The second motivational hierarchy of respondents' perceptions is *The COVID-19 pandemic condition encourages the motivation of business actors to work harder and be persistent in their business,* and *Limited capital and facilities do not reduce motivation to develop their business* with an average value is 94. This still strengthened his motivation to survive in the pandemic era. The results of the interviews also show that most (87.53%) of their income is around IDR 3-4 million/month, included to the low-income group, so these results are still relevant to Maslow's hierarchical motivation theory.

Table 2. Respondents' perceptions of the motivation variable (X1)

Description	SDA	DA	N	A	SA	Average
The COVID-19 pandemic condition encourages the motivation of business actors to work harder and be persistent in their business	0	0	0	6	94	4.94
The COVID-19 pandemic increases the motivation of business actors to develop their business	0	0	2	4	94	4.92
The demand to support the family is the primary motivation to keep trying during this COVID-19 pandemic	0	0	0	4	96	4.96
Limited capital and facilities do not reduce motivation to develop their business	0	0	0	6	94	4.94
Family support has boosted their motivation to expand their business	0	0	0	6	94	4.94
Government policy support increases business motivation	0	0	4	8	88	4.84
Existing business environment conditions encourage motivation to increase the business scale	0	0	2	6	92	4.90
Marketing of existing products has encouraged motivation to expand their business	0	0	4	4	92	4.88
Variable Average						4.915

Source: Processed by authors

Note: SDA: Strongly Disagree; DA: Disagree; N: Neutral; A: Agree; SA: Strongly Agree

Table 3. Respondents' perceptions on the variables of facilities and infrastructure (X2)

Description	SDA	DA	N	A	SA	Average
Equipment and facilities are entirely available to support production	0	0	0	40	60	4.6
Clean water and sewerage are well-available to support production	0	4	70	22	4	3.26
Equipment and COVID-19 prevention systems are available in the workplace to ensure the safety of workers	0	96	2	2	0	2.06
The COVID-19 control SOP was built to ensure the safety of workers in the workplace	0	66	30	4	0	2.38
The government has routinely carried out monitoring and spraying in the workplace	0	54	26	20	0	2.66
A digital marketing application system was provided to support product marketing	0	96	2	2	0	2.06
Business actor organizations/business cooperatives were built to support product marketing	0	16	56	28	0	3.12
A facility for supplying raw materials (raw material market) was built to ensure business sustainability	0	0	6	94	0	3.94
Variable Average						3.01

Source: Processed by authors
Note: SDA: Strongly Disagree; DA: Disagree; N: Neutral; A: Agree; SA: Strongly Agree

Based on Table 3, the average of all facilities and infrastructure, according to respondents, was 3.01, which means that it was only at a fairly good level. The best-rated indicator was the *Equipment and facilities were completely available to support production,* with an average of 4.6. Four indicators were still lacking (<3), namely availability of application systems for marketing (2.06), COVID-19 control SOP (2.38), monitoring and spraying from the government (2.66), and Equipment and COVID-19 prevention system are available in the workplace to ensure the safety of workers (2.06). This showed that they work in conditions of limited facilities, without the support of adequate facilities from the government, in an abnormal situation due to the COVID-19 pandemic. In contrast, for the Business Environment variable (X3) based on the questionnaire results, the respondents' perceptions are as follows:

Table 4. Respondents' perceptions on business environment variables (X3)

Description	SDA	DA	N	A	SA	Average
The business environment was well developed to encourage business development	0	0	8	34	58	4.5
The Regional Government provides affirmative support/policies so that businesses continue to thrive during the COVID-19 Pandemic	0	0	62	38	0	3.38
Collaboration and synergy between business actors went well, especially during the COVID-19 Pandemic	0	0	2	12	86	4.84
Communication and working relationships that help each other between business actors were well established	0	0	2	12	86	4.84
There is no competition between business actors in the supply of raw materials, production processes, and product marketing	0	0	2	12	86	4.84
Variable Average						4.48

Source: Processed by authors
Note: SDA: Strongly Disagree; DA: Disagree; N: Neutral; A: Agree; SA: Strongly Agree

Based on the table above, it is known that the respondents' responses to the Business Environment variable (X3) resulted in an average of 4.48, which means that they did very well. The best-rated indicators were *Collaboration and synergy between business actors went well, especially during the COVID-19 Pandemic; Communication and working relationships that help each other between business actors were well established*, and *There is no competition between business actors, both in the supply of raw materials, production processes, and product marketing*, with an average of 4.48. Meanwhile, the lowest rated indicator was *The Regional Government provides affirmative support/policies so that businesses continue to thrive during the COVID-19 Pandemic,* with an average of 3.38. This showed that they worked together to face tough challenges during the pandemic, helped each other and shared information on prices, raw materials and markets to ensure sustainability. Related to HR Competence (X4), respondents' perceptions are shown in Table 5.

Table 5. Respondents' Perceptions on HR/Competency Variables (X4)

Description	SDA	DA	N	A	SA	Average
Skilled workers are needed to produce quality products	0	0	4	96	0	3.96
The workers have a good understanding of the production process	0	0	0	100	0	4
The existing workers can easily apply new technologies to support the production process and product marketing	0	2	30	68	0	3.66
The workers can use information technology to support product marketing	0	20	18	62	0	3.42
The workers have understood the Covid 19 prevention Health Protocol	0	0	18	82	0	3.82
In carrying out activities, the workers always take temperature measurements, wash their hands, and keep a distance in crowds	0	28	62	6	4	2.86
The workers have received training in production techniques and business management	0	6	10	82	2	3.8
Business actors already have good business governance skills	0	2	2	96	0	3.94
Variable Average						3.6825

Source: Processed by authors
Note: SDA: Strongly Disagree; DA: Disagree; N: Neutral; A: Agree; SA: Strongly Agree

Based on the results of the data above, it is known that the respondents' responses to the HR/Competency (X4) variable resulted in an average of 3.6825. This means that respondents tended to view that HR/Competence (X4) had been done well. The best-rated indicator was *The workers had a good understanding of the production process*, with an average of 4.00. Meanwhile, the lowest rated indicator was *In carrying out activities, the workers always take temperature measurements, wash their hands, and keep a distance in crowds* with an average of 2.86. They can do well because it is hereditary, without any prior training. They cannot develop their business on a larger scale. It was revealed from the interview results that the majority (76.34%) had worked for more than ten years. These results are still relevant to the view of (Mangkunegara, 2007; Tika, 2006; Robin et al., 2006) that a person's abilities determine performance. For the Business Performance variable (Y) during the COVID-19 pandemic, respondents' perceptions are as follows:

Table 6. Respondents' perceptions of business performance variables (Y)

Description	SDA	DA	N	A	SA	Average
The production experienced a very significant decline during the COVID-19 Pandemic	0	0	4	36	60	4.56
The business income has decreased during the COVID-19 Pandemic	0	0	4	36	60	4.56
Business turnover has decreased significantly due to the COVID-19 Pandemic	0	0	4	90	6	4.02
Product marketing has decreased during the COVID-19 Pandemic	0	2	22	76	0	3.74
The number of customers increased during the COVID-19 Pandemic	0	14	30	56	0	3.42
The company's profits continue to increase despite the COVID-19 Pandemic	0	4	2	94	0	3.9
The business is still growing despite the COVID-19 Pandemic	0	0	2	98	0	3.98
The company's sustainability is currently uncertain due to the COVID-19 Pandemic	0	36	50	14	0	2.78
The production process is interrupted despite the COVID-19 Pandemic	0	0	2	92	6	4.04
Product quality is disturbed despite the COVID-19 Pandemic	0	0	2	80	18	4.16
Variable Average						3.916

Source: Processed by authors
Note: SDA: Strongly Disagree; DA: Disagree; N: Neutral; A: Agree; SA: Strongly Agree

Based on the results of the data above, it is known that the respondents' responses to the Business Performance variable (Y) resulted in an average of 3.916. This means that respondents tended to view that covid 19 pandemic seriously impacts Business Performance (Y). The most actual rated indicators were *The production experienced a very significant decline during the COVID-19 Pandemic* and *The business income decreased during the COVID-19 Pandemic* with an average of 4.56. This value showed that most of them agree that the covid 19 pandemic has reduced their production and income. Even so, they continue their business to make a living (as explained in the previous discussion). Meanwhile, the lowest rated indicator was *The company's sustainability is currently uncertain due to the COVID-19 Pandemic* with an average of 2.78.

The inferential analysis included tests of outer and inner models. The outer model test carried out included the Convergent Validity Test, carried out by calculating convergent validity. Convergent validity is known through the value of the loading factor and Average Variance Extracted (AVE). An instrument is said to meet the convergent validity test if it has a loading factor and Average Variance Extracted (AVE) above 0.5. The results of the convergent validity test are presented in Table 7.

Based on data from Table 7, it can be seen that the loading factor value of indicators X2.1, X2.2, X2.3, X2.7, X2.8, X3.1, X3.7, X3.8, X4.2, Y.3, and Y.7-Y.10 were less than 0.5; while the indicators X1.5, X4.4, X4.5, and Y.2 correlated with other indicators; the indicator X3.2 was no diversity. Thus, it can be stated that the indicator was not valid for measuring the variable, so that the variable was gradually reduced. The results of the convergent validity test for the variables after being reduced are presented in Table 8.

Table 8 shows that the Average Variance Extracted (AVE) values greater than 0.5 (Cheung & Rensvold, 2002; Ghozali, 2013); thus, all indicators were declared valid to measure the variables.

Table 7. Convergent validity test results

Variable	Indicator	Loading Factor	AVE
Motivation (X1)	X1.1	0.833	0.711
	X1.2	0.858	
	X1.3	0.842	
	X1.4	0.912	
	X1.5	Perfect Correlation with X1.4	
	X1.6	0.729	
	X1.7	0.819	
	X1.8	0.897	
Facility and Infrastructure (X2)	X2.1	-0.876	0.396
	X2.2	0.468	
	X2.3	0.447	
	X2.4	0.890	
	X2.5	0.878	
	X2.6	0.517	
	X2.7	0.287	
	X2.8	-0.267	
HR/Competency (X3)	X3.1	-0.007	0.375
	X3.2	No diversity	
	X3.3	0.896	
	X3.4	0.853	
	X3.5	0.704	
	X3.6	0.633	
	X3.7	0.249	
	X3.8	0.365	
Business Environment (X4)	X4.1	0.937	0.616
	X4.2	-0.780	
	X4.3	0.601	
	X4.4	Perfect Correlation with X4.3	
	X4.5	Perfect Correlation with X4.3	
Business Performance (Y)	Y.1	0.871	0.245
	Y.2	Perfect Correlation with Y.1	
	Y.3	0.047	
	Y.4	0.664	
	Y.5	0.883	
	Y.6	0.214	
	Y.7	-0.001	
	Y.8	0.222	
	Y.9	-0.143	
	Y.10	-0.337	

Source: Processed by authors

Table 8. Convergent validity test results after reduction

Variable	Indicator	Loading Factor	AVE
Motivation (X1)	X1.1	0.859	0.711
	X1.2	0.881	
	X1.3	0.860	
	X1.4	0.903	
	X1.6	0.721	
	X1.7	0.788	
	X1.8	0.875	
Facility and Infrastructure (X2)	X2.2	0.556	0.532
	X2.3	0.609	
	X2.4	0.886	

	X2.5	0.849	
	X2.6	0.689	
	X3.3	0.907	
HR/Competency (X3)	X3.4	0.908	0.678
	X3.5	0.744	
	X3.6	0.715	
Business Environment (X4)	X4.1	0.927	0.754
	X4.3	0.805	
	Y.1	0.879	
Business Performance (Y)	Y.4	0.727	0.680
	Y.5	0.860	

Source: Processed by authors

Next, the discriminant validity was calculated using cross-loading with the criterion that the cross-loading value in a corresponding variable was more significant than the indicator correlation value. The results of the cross-loading calculation are presented in Table 9.

Table 9. Cross-loading discriminant validity test results

Indicator	X1	X2	X3	X4	Y
X1.1	0.859	-0.559	-0.055	0.542	0.169
X1.2	0.881	-0.443	0.032	0.531	0.188
X1.3	0.860	-0.524	0.027	0.510	0.121
X1.4	0.903	-0.443	0.068	0.542	0.197
X1.6	0.721	-0.452	-0.017	0.403	0.410
X1.7	0.788	-0.318	0.118	0.457	0.308
X1.8	0.875	-0.304	0.154	0.499	0.312
X2.2	-0.246	0.556	-0.171	-0.198	-0.375
X2.3	-0.787	0.609	0.042	-0.482	-0.078
X2.4	-0.261	0.886	-0.413	-0.630	-0.651
X2.5	-0.338	0.849	-0.515	-0.715	-0.893
X2.6	-0.468	0.689	0.084	-0.412	-0.078
X3.3	0.146	-0.350	0.907	0.580	0.682
X3.4	0.000	-0.410	0.908	0.483	0.733
X3.5	0.112	-0.264	0.744	0.344	0.454
X3.6	-0.209	-0.042	0.715	0.235	0.392
X4.1	0.387	-0.627	0.724	0.927	0.854
X4.3	0.735	-0.652	0.062	0.805	0.362
Y.1	0.272	-0.608	0.803	0.775	0.879
Y.4	0.325	-0.503	0.198	0.555	0.727
Y.5	0.136	-0.593	0.622	0.505	0.860

Source: Processed by authors

Based on the cross-loading measurement in Table 9 above, it can be seen that the indicators of all variables were more significant than the loading value; thus, it can be stated that each indicator was able to measure the latent variable corresponding to the indicator.

The results of the construct reliability test using Cronbach's alpha and composite reliability show that all values are greater than 0.7, and the Cronbach alpha was more significant than 0.6 as shown in Table 10.

Table 10. Construct Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Motivation (X1)	0.931	0.945
Facility and Infrastructure (X2)	0.783	0.846
HR/Competency (X3)	0.845	0.893
Business Environment (X4)	0.687	0.859
Business Performance (Y)	0.772	0.864

Source: Processed by authors

The Cronbach's alpha value was more significant than 0.6, and the composite reliability value was greater than 0.7; thus, all indicators were declared reliable in measuring the variables (Ghozali, 2013; Schumaker et al., 2022). Based on the results of the Outer test of the model, the model can be declared valid, suitable, and reliable, so the research continued by testing the Inner model to determine the effect of exogenous variables on endogenous variables. Inner Model Evaluation is a stage to evaluate the goodness of fit, which includes (1) the coefficient of determination (R^2) and (2) predictive relevance. The coefficient of determination (R^2) is used to determine the magnitude of the ability of exogenous variables to explain the diversity of endogenous variables, or in other words, to determine the magnitude of the contribution of exogenous variables to endogenous variables. The results of the R^2 test can be seen in the following table.

Table 11. Coefficient of Determination Test Results (R^2)

Dependent Variable	R Square	R Square Adjusted
Motivation (X1)	0.300	0.285
HR/Competency (X3)	0.132	0.123
Business Environment (X4)	0.701	0.692
Business Performance (Y)	0.771	0.762

Source: Processed by authors

Table 11 shows that the R-square value of the Motivation (X1) was 0.300; this showed that the contribution of the Facility and Infrastructure (X2) and HR/Competency (X3) on the Motivation (X1) was 30.0%. At the same time, the remaining 70.0% was the contribution of other variables that could not be explained in this study. Facility and Infrastructure's (X2) contribution to the HR/Competency (X3) were also weak, 13.2%, while the remaining 86.8% cannot be discussed in this study. The R-square value of the Business Environment variable (X4) was 0.701 or 70.1% of Business Environment (X4) was influenced by the variables of Motivation (X1), Facility and Infrastructure (X2), and Human Resources/Competency (X3). While the remaining 29.9% cannot be explained in this study. Meanwhile, the Business Performance variable (Y) was worth 0.771 or 77.1% of Business Performance (Y) can be explained by the Motivation (X1), HR/Competence (X3), and the Business Environment (X4).

Predictive Relevance (Q^2) is used to measure the observed values generated by the model and also the estimated parameters. A Q^2 value greater than 0 (zero) indicates that the model is said to be fairly good, while a Q^2 value less than 0 (zero) indicates that the model lacks predictive relevance (Ghozali, 2013; Schumaker et al., 2022).

The following are the results of the Predictive Relevance (Q^2) test:

Table 12. Predictive Relevance (Q^2) Test Results

Dependent Variable	SSO	SSE	Q^2 (=1-SSE/SSO)
Motivation (X1)	700.000	581.706	0.169
HR/Competency (X3)	400.000	370.331	0.074
Business Environment (X4)	200.000	103.200	0.484
Business Performance (Y)	300.000	160.226	0.466

Source: Processed by authors

The results in Table 12 show that all variables produced Predictive Relevance (Q^2) values greater than 0 (zero), indicating the model is fairly good. To test whether exogenous variables affect endogenous variables, the hypothesis test is carried out, with the criteria: significant effect if the T-statistics value ≥ T-table (1.96) or P-value <0.05, and vice versa no significant effect. The results of the significance and model tests can be seen in Figure 2.

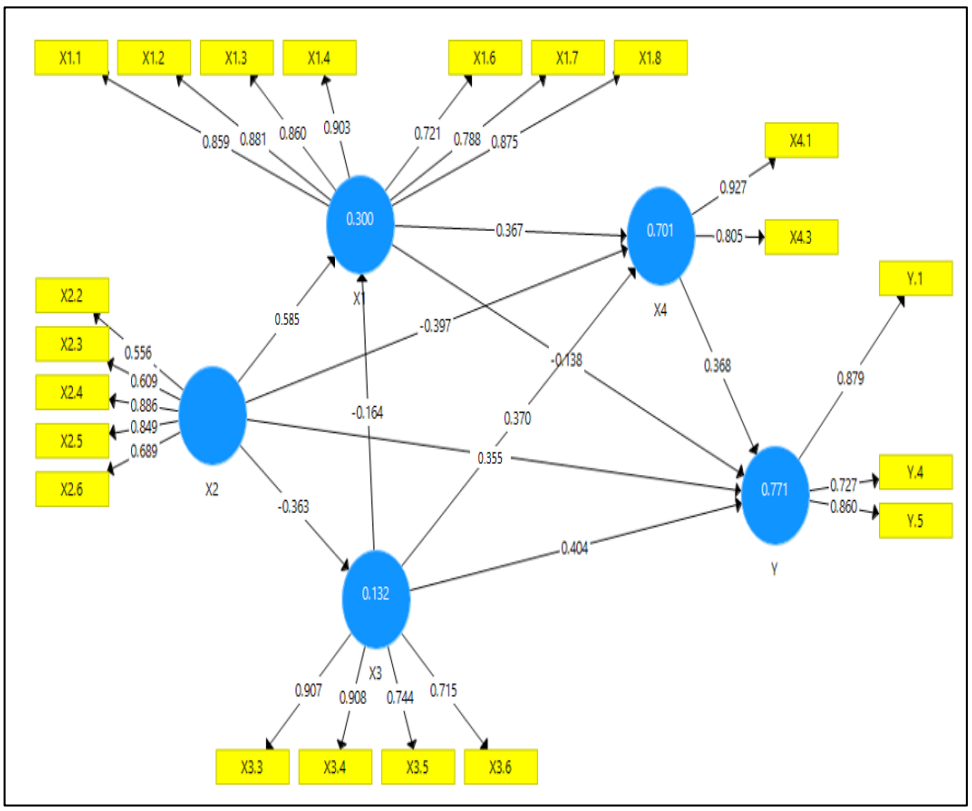

Figure 2. PLS Construct Model

Based on the figure above, the overall effect of exogenous variables on endogenous variables can be explained as shown in the following table:

Table 13. Hypothesis Test Results

Effects	Coefficient	T Statistics (|O/STDEV|)	P Values
Facility (Infrastructure) (X_2) → Motivation (X_1)	0.585	4.811	0.000
HR Competency (X_3) → Motivation (X_1)	-0.164	1.346	0.179
Facility and Infrastructure (X_2) → HR Competency (X_3)	-0.363	2.871	0.004
Motivation (X_1) →business environment (X_4)	0.367	4.295	0.000
Facility and Infrastructure (X_2) → Business Environment (X_4)	-0.397	4.978	0.000
HR Competency (X_3) → Business Environment (X_4)	0.370	6.108	0.000
Motivation (X_1) → Performance (Y)	-0.138	1.327	0.185
Facility and Infrastructure (X_2) → Performance (Y)	0.355	2.368	0.018
HR Competency (X_3) → Performance (Y)	0.404	3.858	0.000
Business Environment (X_4) → Performance (Y)	0.368	2.759	0.006

Source: Processed by authors

Based on the test criteria, there are only two tests not significant: (1) HR competency (X3) to motivation (X1); and (2) motivation (X1) to performance (Y), while the others test are all significant.

Discussion

The descriptive analysis results showed that the smoked fish home industry is dominated by women (90 %). Generally, the motivation of smoked fish women business actors was very high (4.95) because there were no other activities to support family life, especially during the COVID-19 pandemic. This means that women are more resilient and have stronger motivation (Solesvik & Iakovleva, 2019). Maintaining the sustainability of family life is the most important thing for business actors during the COVID-19 pandemic.

The most potential home industry in the coastal area is based on marine resources as the superior resource. It was also revealed that those who survived were the business people carrying out this smoked fish production for generations. However, the support for facilities and infrastructure was still limited. This is in line with the results of the respondents' assessment, which was average (3.01). This shows that the limited conditions encouraged these business actors to have a strong spirit to survive; these results support Lagault (2016), Bögenhold (2009), and Purwanto (2009). Even though there are health protocols that make their activities limited during the pandemic, they are still enthusiastic about working and providing good results. It was shown by the average score of environmental business of 4.48 (good) and overall performance of 3.916 (still quite good). Demands of the family economy and limited employment opportunities are one of the reasons these smoked fish business people are still surviving, even in the challenging atmosphere of the COVID-19 pandemic.

The results of the PLS test showed that the direct effect of X2 (Facility and Infrastructure) to X1 (motivation) was very significant (p-value = 0.000, <0.05), as well as to X4 (Busines Environment; p-value 0.000), and Business Performance (Y; p-value 0.018). This showed that infrastructure support for business continuity is a key factor. Business people run their businesses with minimal facilities and infrastructure, especially clean water, transportation, market access and internet networks. Limited facilities and infrastructure have made it more difficult for

business activities during the COVID-19 pandemic; due to restrictions on activities and a ban on leaving the house during Covid. Business actors feel that the effects of the Covid-19 pandemic are very significant to business activities, especially the decline in production and income. This is as shown in Table 6; both of them got an average score of 4.56 (scale 1-5), meaning they really felt the impact of COVID-19 on their business; it is estimated that production decreased by 44.5% and revenue decreased by 52.5%.

Directly facilities and infrastructure (x2) have no significant effect on performance (y), but indirectly through the business environment variable (x4) the effect becomes significant. This shows that the business environment is a very important variable on business performance. Direct contribution of facility and infrastructure (X2) to performance (Y) is 35.5 %, while indirectly via HR Competency/Skill (X3) is 40.4%) and via the business environment (X4) is 36.8 %). This showed that infrastructure and facilities support during the COVID-19 pandemic was needed. The business environment is the most important thing to encourage smoked fish SMEs to grow and develop (Rahman, 2021). The smoked fish industry requires the availability of fish raw materials and fuel in the production process. Government policy support is needed to build a conducive business environment, especially through cooperation with surrounding areas as fish producers to ensure the availability of raw materials. The lack of government support during covid enabled the smoked fish industry to survive, even though market demand continued to increase.

Adequate infrastructure and facilities will also support motivation, competence and a better business environment. Internet network support, for example, is very important for online marketing due to the difficulty of direct marketing. The business environment can be built adequately if it is supported by complete facilities and infrastructure (Alya, 2020; Rachman, 2021); thus, these results proposed that local government must pay serious attention to encouraging these business actors to grow and develop, especially post-covid, through the adequate facilities and infrastructure.

The direct effect of motivation (X1) on performance (Y) was not significant (P-value 0.185, >0.05), but the indirect effect via X4 (business environment) as an intervening variable was very significant (p-value 0.000, <0.05). The contribution of indirect impact of motivation to performance was 36.8 %. The effect of all exogenous variables (X1, X2 and x3) on business performance (Y) becomes very significant (P<0.00) through variables X4 (business environment). This means that motivation, infrastructure and HR competence will encourage a good business environment to develop the smoked fish home industry. Other factors affecting the business environment are government policies and macroeconomic conditions (Endahsrirahayu, 2016). Based on Figure 2, the structural equation model can be formulated as:

$Y = -0138X_1 + 0.455\ X_2 + 0.304\ X_3 + 0.368\ X_4$; R2 = 0.876, which means that endogenous variables (Y) can be very well estimated by exogenous variables (X1, X2, X3 and X4. Facility and infrastructure (X2) have the biggest role in business performance (Y), followed by the business environment (X4), respectively, its role is 45.5 % and 36.8%.

Based on these results, affirmative policies from the government are needed to encourage the smoked fish industry to develop their business, especially after the pandemic, through the construction of internet networks, clean water facilities, technological support, and market to increase the capacity of business actors and creating a conducive business environment.

Conclusion

The COVID-19 pandemic has increased the enthusiasm and motivation of business actors, especially for the smoked fish home industry, even though facilities and infrastructures are still limited. Facilities and infrastructure are the key success factor to support their business performance. The motivation to maintain the sustainability of family life is the main factor that encourages business people to survive during the pandemic covid 19. Therefore, the appropriate strategy to recover this home industry is the affirmative policy of local governments by building infrastructure, and capacity development, especially for business governance and internet networks to support digital marketing and a conducive business environment.

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