



# The Model of Small Business Empowerment Through Corporate Social Responsibility in Improving Small Business Performance

## (Study of PT Bio Farma's Corporate Social Responsibility)

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**Abstract.** The primary aim of this research is to investigate the influence of corporate social responsibility (CSR) partnerships and empowerment on business conduct, along with their potential consequences for the performance of small enterprises. The research sample comprises 195 participants, specifically individuals who hold the positions of owners or general managers within small businesses that received assistance from PT Bio Farma in the region of West Java. The research methodology utilized a mixed methods approach, which is a comprehensive strategy that combines two well-established forms of inquiry: quantitative research and qualitative research. The data analysis procedure encompassed the utilization of Structural Equation Modeling (SEM) with the aid of the SmartPLS software. The research findings suggest that there is a positive and statistically significant influence of corporate social responsibility (CSR) partnerships and empowerment on business behaviors. In the region of West Java, the provision of assistance from PT Bio Farma to small businesses has yielded positive outcomes through the implementation of CSR partnerships, the facilitation of empowerment, and the fostering of ethical business conduct. The performance of small businesses in West Java, which receive assistance from PT Bio Farma, can be influenced to some extent by CSR partnerships, with business behavior serving as a partial mediator.

**Keywords:** Business Behavior, CSR Partnership, Empowerment, Small Business Performance.

## 1 Introduction

According to the Asian Development Bank (2020), from 2010 to 2018, micro, small, and medium enterprises (MSMEs) made a significant contribution of 20.4% to the overall export value of a particular country. Another study has also demonstrated that the role of micro, small, and medium enterprises (MSMEs) in advancing the Sustainable Development Goals (SDGs) is achieved through their facilitation of employment generation, stimulation of innovation, promotion of sustainable industrialization, and mitigation of income inequality. Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in generating employment opportunities for diverse segments of the grassroots community across different sectors and regions (Manzoor, Wei, Nurunnabi, & Subhan, 2019). To this end, the promotion and advancement of Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in fostering economic growth within the Southeast Asian economic region in the foreseeable future.

Based on the data from the Ministry of Cooperatives and SMEs (2020), the growth of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia has exhibited a consistent upward trend from 2015 to 2019. This indicates the resilience of MSMEs in navigating the various economic circumstances prevalent in the country. The growth of micro, small, and medium enterprises (MSMEs) in West Java exhibits similarities to the overall trend observed in MSMEs across Indonesia, displaying a consistent upward trajectory in recent years. Nevertheless, the growth of micro, small, and medium enterprises (MSMEs) in the region of West Java has shown a consistent upward trend. However, it is important to note that this growth has not been accompanied by a commensurate level of satisfactory performance among small businesses. In the current era of digitalization, numerous small businesses continue to face the challenges of effectively managing their operations amidst intense competition.

The business performance of micro, small, and medium enterprises (MSMEs), particularly small businesses in the West Java region, continues to face challenges in the digital era and has yet to achieve optimal business outcomes. Therefore, it is imperative that the local government undertakes diverse initiatives to enhance the operational efficacy of small enterprises. The term "business performance" encompasses the various actions and activities undertaken by an organization within a specific time frame, taking into account various benchmarks such as historical costs and projected efficiency, as well as management accountability (Rivai, 2015).

The performance levels of small businesses can be effected by various factors, including but not limited to digital transformation, online marketing, competitiveness, empowerment, Corporate Social Responsibility (CSR), and business behavior. However, this study examines how the performance of small businesses can be influenced by factors such as business behavior, corporate social responsibility (CSR) partnership programs, and empowerment.

Business or entrepreneurial behavior refers to the actions and behavior exhibited by individuals who possess the ability to identify and evaluate potential business prospects, acquire the necessary resources to capitalize on these opportunities, and undertake suitable measures to ensure favorable outcomes (Borg & Meredith, 1983 as cited in Lisa, 2019). The concept of entrepreneurial behavior pertains to the actions under-

taken by an entrepreneur or an entrepreneurial organization in order to identify, investigate, and capitalize on potential opportunities (Shane & Venkataraman, 2000). The manifestation of entrepreneurial behavior holds significant importance within the realm of entrepreneurship. Individuals with an entrepreneurial mindset exhibit a proactive approach towards engaging in entrepreneurial activities, demonstrating a high level of enthusiasm and eagerness (Septiana, Kantun, & Sedyati, 2017)

The success of a small business depends on the behavior of its proprietors. The performance of a small business can be enhanced through the implementation of effective governance practices. Human behavior is a complex phenomenon that defies easy comparison and prediction, despite its deceptively simple appearance. The effective implementation of business behavior in the management of small businesses can significantly effect their performance. The aforementioned proposition aligns with the findings of several studies behavior by Amir et al. (2017), Pati et al. (2021), and Lisa (2019), which assert that the behavior of businesses exerts a substantial influence on their overall performance. However, there exists a disparity between the findings of this study and the research behavior by Adinoto (2010) , which posits that entrepreneurial behavior does not exert any influence on business performance.

This study investigates the potential influence of corporate social responsibility and empowerment partnership programs on the business conduct and performance of small enterprises. Corporate Social Responsibility (CSR) is a concept delineated by The World Business Council for Sustainable Development (WBCSD) that pertains to the dedication of corporations to actively contribute to the promotion of sustainable economic development. This commitment involves engaging in collaborative efforts with employees of the company, their families, local communities, and society as a whole, with the ultimate objective of improving the overall quality of life (Rudito, 2013). The notion of social responsibility entails the active and dynamic obligations that exist among governmental entities, corporations, and local communities. Suparoyo et al. (2013) believe that there should exist a mutually beneficial relationship between companies engaging in corporate social responsibility (CSR) and their partners.

This study centers on the partnership program for micro, small, and medium enterprises (MSMEs), with a specific emphasis on PT Biofarma's state-owned enterprise (SOE) initiative, primarily targeting small-scale businesses. The researcher's heightened focus is attributed to PT Biofarma's Corporate Social Responsibility (CSR) program, which takes the form of a partnership. This initiative is undertaken in response to the failure of numerous small businesses in West Java, primarily resulting from opportunistic behavior. This aligns with the findings of Lusianto et al. (2021), who assert that the opportunistic behavior exhibited by leaders is a crucial and interconnected aspect of small business sustainability that warrants significant consideration. The significance of opportunistic behavior as a means of survival for small and medium enterprises (SMEs) in a dynamic business environment has been highlighted in various prior research (Etemad, 2020; Ismail et al., 2011).

The CSR initiatives undertaken by PT Bio Farma extend beyond traditional philanthropic endeavors and encompass a wide range of areas such as environmental sustainability, employment practices, health and safety in the workplace, ethical business

behavior, and product responsibility. The corporate social responsibility (CSR) framework of PT Bio Farma encompasses four key areas of focus. Initially, it is imperative to incorporate environmentally friendly practices throughout all stages of business operations, encompassing the utilization of sustainable materials, the implementation of eco-conscious production processes, adoption of green formulations, adherence to environmentally friendly filling and packaging methods, as well as the responsible handling of finished products.

Furthermore, the efficacy of energy utilization. Thirdly, the process of conversion involves the implementation of the principles of reduce, reuse, recycle, and recovery. Furthermore, it is essential to foster a culture and work attitude that is supportive of environmental conservation. The effective implementation of PT Bio Farma's Corporate Social Responsibility (CSR) program, specifically through a partnership initiative with the local community and small enterprises, has the potential to enhance business behavior and concurrently enhance the performance of small businesses.

The aforementioned statement aligns with the findings of Buendía-Martínez and Monteagudo (2020), Miragaia, Ferreira, and Rattem (2017), and Luu (2020), who have behavior research indicating that corporate social responsibility (CSR) exerts a notable influence on business behavior. According to the studies behavior by Basuony et al. (2014), Wei et al. (2020), and Wahedd et al. (2021), corporate social responsibility (CSR) has a notable effect on the performance of businesses. However, Yoon and Chung (2018) state that corporate social responsibility (CSR) has a detrimental effect on business performance.

Empowerment is an additional determinant that can exert an influence on both organizational behavior and the performance of small businesses. Empowerment refers to a multifaceted process of societal, economic, and political transformation aimed at enhancing and fortifying individuals' capacities through a participatory educational approach. This process seeks to instigate behavioral modifications among all parties involved in the developmental endeavor, including individuals, groups, and institutions. The ultimate objective is to achieve a progressively empowered existence that is autonomous, participatory, and economically prosperous, while also ensuring sustainability (Mardikanto, 2013).

The concept of empowerment should not engender a state of dependence, but rather should foster the development of creativity and self-sufficiency within a given society. The concept of empowerment necessitates prioritizing the community's strength as the primary resource and discouraging external interventions that frequently undermine the autonomy of the local community. The effective implementation of community empowerment can lead to the development of robust self-sufficiency and a heightened level of competence, thereby enhancing the business behavior and performance of small enterprises. In accordance with the findings of Apandi et al. (2022), Henao-Zapata and Peiro (2017), Adrian (2019), Sari (2021), and Sutawijaya et al. (2022), it has been established that empowerment exerts a notable influence on both business behavior and business performance.

## 1.1 Problems

This research aims to clarify previous research conducted by Yoon and Chung (2018) regarding the effects of CSR implementation on business performance. Drawing from the preceding elucidation regarding the significance of this research subject and the specific concentration on a particular corporate social responsibility (CSR) initiative within an Indonesian state-owned enterprise (BUMN), specifically PT Bio Farma Tbk, the present study aims to delve further into this area. The scope of this study is restricted to examining the factors that influence small businesses' adoption of corporate social responsibility (CSR) practices. The development of ethical considerations is driven by several factors, including the central role played by the small business actor, the internal and external affinity of the company, and the size of the small operation. The research study aims to:

1. What factors may influence business behavior in small enterprises located in the region of West Java?
2. What are the various factors that can influence the performance of small businesses in the region of West Java?
3. What is the effect of implementing a small business empowerment model through corporate social responsibility (CSR) on the performance enhancement of small businesses in the region of West Java?

## 1.2 Literature Review

**Business Performance.** Rivai (2015) defines business performance as a comprehensive concept encompassing the various actions and activities undertaken by an organization within a specific timeframe, with consideration given to benchmarks such as historical costs, projected efficiency, and managerial responsibility. Based on the research conducted by Moehertonio (2012), the concept of business performance encompasses the assessment of the degree to which a specific activity, program, or policy has been successfully implemented to attain the set targets, objectives, vision, and mission as outlined in the strategic planning of an organization.

Additionally, as stated by Suwatno (2016), performance can be defined as the outcome attained by an individual in accordance with established criteria, within a specific timeframe, encompassing both work-related tasks and behavioral aspects. According to Fahmi (2016), performance refers to the outcomes achieved by an organization, regardless of whether it is profit-oriented or non-profit-oriented, and is generated over a specific time frame.

**Business Behavior.** Entrepreneurship entails the utilization of creative thinking and innovative approaches to address challenges and identify prospects for enhancing societal well-being. Entrepreneurial behavior refers to the actions exhibited by individuals who possess the ability to identify and evaluate potential business opportunities, acquire the requisite resources to capitalize on them, and undertake appropriate measures to ensure the attainment of desired outcomes. The manifestation of entre-

preneurial behavior holds significant importance within the realm of entrepreneurship. Individuals with an entrepreneurial mindset exhibit a proactive approach towards engaging in entrepreneurial activities, demonstrating a high level of enthusiasm and motivation (Septiana, Kantun, & Sedyati, 2017).

Suryana (2013) explains that entrepreneurial behavior encompasses six significant components: self-confidence, a focus on tasks and outcomes, willingness to take risks, leadership qualities, originality (characterized by innovation, creativity, and adaptability), and a forward-looking perspective. According to Djodjobo and Tawas (2016), the effect of entrepreneurial value on business independence is both positive and significant. Consequently, a substantial increase in value for small business actors can lead to a corresponding growth in business independence.

**Corporate Social Responsibility.** Law No. 9 of 1995 explains that MSMEs must be based on kinship, economic democracy, togetherness, efficiency with justice, sustainability, environmental insight, independence, balance of progress, and national economic unity at its establishment. This principle encourages government efforts for state-owned companies to carry out social responsibility or CSR. The reference for companies to carry out CSR activities is regulated in the Company Law No. 40 of 2007 concerning Limited Liability Companies supplemented by Government Regulation No 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies.

Corporate Social Responsibility (CSR) refers to a business practice wherein companies assume social responsibility towards stakeholders and the broader community, with the aim of enhancing economic well-being and fostering a favorable environmental effect. CSR Fund is an amount of money that must be spent by a company to fulfill its social responsibility obligations. Regulations of the Company Law and PP 47/2012 state that the amount of CSR funds is not specific, according to company policy. However, CSR costs must still be calculated and budgeted by the company in accordance with decency and fairness. This is stated in Law 40/2007 Article 74 paragraph 2.

**Empowerment.** Empowerment can be conceptualized as a community-oriented endeavor that aims to foster heightened consciousness, engender transformative change, and ensure long-term viability. It entails enhancing individuals' capacity to effectively address fundamental challenges and enhance their quality of life in alignment with desired outcomes (Muslim, 2009). According to Anwas (2014), the concept of empowerment is closely interconnected with the notion of power. The concept of power is closely associated with an individual's capacity to effectively govern oneself and others. Consequently, the relationship between empowerment and power is rooted in the management and coordination of all actions undertaken to attain desired outcomes.

According to Mardikanto (2013), empowerment refers to a transformative process that aims to enhance the social, economic, and political dynamics within a community. This process involves engaging all stakeholders, including individuals, groups, and

institutions, in a participatory learning experience. The ultimate goal is to foster behavioral changes that lead to increased empowerment, independence, and active participation in sustainable development endeavors.

**Research Hypothesis.** The hypothesis is a temporary allegation that still requires further research to prove it. The research hypothesis proposed is:

- H1. CSR partnership has a positive effect on business behavior in small businesses in West Java.
- H2. Empowerment has a positive effect on business behavior in small businesses in West Java.
- H3. CSR partnerships have a positive effect on the performance of small businesses in West Java.
- H4. Empowerment has a positive effect on the performance of small businesses in West Java.
- H5. Business behavior has a positive effect on business performance in small businesses in West Java.
- H6. CSR partnership has a positive effect on the performance of small businesses in West Java which is mediated by business behavior.
- H7. Empowerment has a positive effect on the performance of small businesses in West Java which is mediated by business behavior.

## 2 Research Methods

The employed research methodology is mixed methods research. This study integrates two established research methodologies, namely quantitative research and qualitative research. As stated by Sugiyono (2017: 14), combination research, also known as mixed methods research, refers to a research approach that involves the integration of both quantitative and qualitative methods in order to achieve a more comprehensive, valid, reliable, and objective dataset. Combination research refers to an approach in research methodology that involves the integration of both quantitative and qualitative research methods (Creswell, 2018).

Quantitative research methods can be conceptualized as research methodologies that are rooted in the positivist philosophical framework and are utilized to examine particular populations or samples. These methods involve the utilization of research instruments for data collection, and the subsequent analysis of data in a quantitative or statistical manner, with the objective of testing pre-established hypotheses (Sugiyono, 2017: 8). The study sample consisted of 240 small business owners and general managers who received assistance from PT Bio Farma.

According to Hair et al. (2010), the Partial Equation Model (PLS) proposes a suitable range for the sample size, specifically between 100 and 200. Obtaining an appropriate model becomes challenging when the sample size is excessively large. Hence, the determination of the sample size will be based on the outcomes of the minimum sample calculation. The determination of the sample size for Partial Least Squares (PLS) analysis, as outlined by Hair et al. (2010), is calculated by multiplying the sum

of the number of indicators and the number of latent variables by a factor ranging from 5 to 10. According to the aforementioned formula, the total number of respondents is calculated by multiplying 5 by 39, resulting in a sample size of 195 individuals. The sample size has been increased to 220 in order to ensure that any biased or invalid data does not result in a number of respondents below the minimum sample size recommended by Hair et al. (2010).

The study employs a non-probability sampling technique, specifically purposive sampling, to determine the sample for this research. Purposive sampling is a sampling technique that involves the deliberate selection of participants based on specific characteristics or criteria. The selection of the research sample is contingent upon individuals involved in small business operations, specifically small business owners or general managers.

### 3 Finding & Discussion

#### 3.1 Outer Model Evaluation

Construct reliability as well as convergent and discriminant validity tests are part of the evaluation of the outer model. To evaluate what should be assessed and assess the instrument's capability, a validity test was behavior. The consistency of measuring tools in measuring a notion is assessed using the reliability test.

#### 3.2 Convergent Validity

The assessment of convergent validity is behavior by utilizing the outer loading value or loading factor. Indicators that demonstrate convergent validity or are classified as being in the good category should possess an outer loading > 0.7.

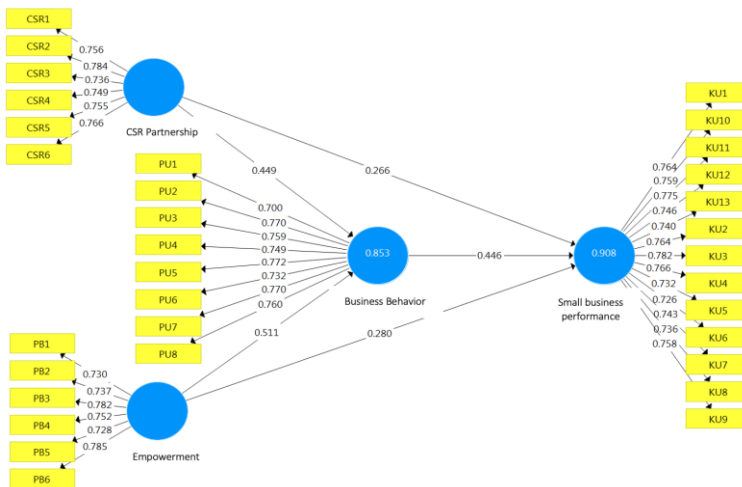


Fig. 1. Outer Model



The following table is the result of the outer loading values for each variable indicator:

**Table 1.** Outer Loading

<b>Variable</b>	<b>Indicator</b>	<b>Outer Loading</b>	<b>Reliability</b>
<b>CSR Partnership (X1)</b>	CSR1	0.756	Reliable
	CSR2	0.784	Reliable
	CSR3	0.736	Reliable
	CSR4	0.749	Reliable
	CSR5	0.755	Reliable
	CSR6	0.766	Reliable
<b>Empowerment (X2)</b>	PB1	0.730	Reliable
	PB2	0.737	Reliable
	PB3	0.782	Reliable
	PB4	0.752	Reliable
	PB5	0.728	Reliable
	PB6	0.785	Reliable
<b>Business Behavior (Z)</b>	PU1	0.700	Reliable
	PU2	0.770	Reliable
	PU3	0.759	Reliable
	PU4	0.749	Reliable
	PU5	0.772	Reliable
	PU6	0.732	Reliable
	PU7	0.770	Reliable
	PU8	0.760	Reliable
<b>Small Business Performance (Y)</b>	KU1	0.764	Reliable
	KU2	0.764	Reliable
	KU3	0.782	Reliable
	KU4	0.766	Reliable
	KU5	0.732	Reliable
	KU6	0.726	Reliable
	KU7	0.743	Reliable
	KU8	0.736	Reliable
	KU9	0.758	Reliable
	KU10	0.759	Reliable
	KU11	0.775	Reliable
	KU12	0.746	Reliable
	KU13	0.740	Reliable

Source: Results of the SmartPLS 3.0 Program (2023).

Table 1 displays the outer loading values of each research variable indicator, all of which exceed 0.6. The findings of this study demonstrate that the outer loading value satisfies the criteria for convergent validity, as outlined by Chin in Ghazali (2015: 39), which specifies that the outer loading value should fall within the range of 0.5 – 0.6. It can be inferred that each dimension has been deemed viable and appropriate for utilization in research and subsequent examination.

The outer model's schematic representation in Figure 1 illustrates that the path coefficient values for the dominant path coefficient are displayed for the empowerment variable on business behavior, with a value of 0.511. The subsequent path coefficient demonstrates that the CSR partnership variable has a significant effect of 0.449 on business behavior. The variable representing the CSR partnership exhibits the lowest value, which is 0.266, when examining its effect on the performance of small businesses.

### 3.3 Discriminant Validity

The assessment of discriminant validity involves the utilization of the average variance extracted (AVE) metric, which is required to exceed 0.5 for each variable in order to establish a satisfactory model. The outcomes of the discriminant validity assessment are presented in the following section:

**Table 2.** Average Variance Extracted (AVE)

<b>Variable</b>	<b>AVE</b>	<b>Validity</b>
CSR Partnership	0,574	Valid
Empowerment	0,566	Valid
Business Behavior	0,566	Valid
Small Business Performance	0,567	Valid

Source: PLS Processing Results (2023).

Table 2 presents the AVE values for the variables of CSR partnership, empowerment, business behavior, and small business performance, all of which exceed the threshold of 0.5. Therefore, it can be asserted that each variable exhibits strong discriminant validity.

### 3.4 Composite Reliability

Composite Reliability is employed to assess the reliability coefficient of each indicator associated with a given variable. A variable may be deemed reliable if it possesses a composite reliability value > 0.6. The following table presents the composite reliability values for each research variable:

**Table 3.** Composite Reliability

<b>Variable</b>	<b>Composite Reliability</b>	<b>Reliability</b>
CSR Partnership	0,890	Reliable
Empowerment	0.887	Reliable
Business Behavior	0.912	Reliable
Small Business Performance	0.945	Reliable

Source: PLS Processing Results (2023)

Table 3 displays the composite reliability values of the research variables, all of which are  $\geq 0.7$ . The findings of this study suggest that each variable demonstrates composite reliability, thus allowing us to infer that all variables exhibit a high level of reliability.

### 3.5 Cronbach Alpha

Cronbach alpha is employed to enhance the reliability of prior submissions. In order to comply with the criteria for Cronbach alpha, variables must possess a Cronbach alpha coefficient  $> 0.75$ . The following table provides a description of the Cronbach alpha value associated with each variable:

**Table 4.** Cronbach Alpha

<b>Variable</b>	<b>Cronbach Alpha</b>	<b>Reliability</b>
CSR Partnership	0,852	Reliable
Empowerment	0.846	Reliable
Business Behavior	0.890	Reliable
Small Business Performance	0.936	Reliable

Source: PLS Processing Results (2023).

According to Table 4, the Cronbach alpha coefficient for each research variable is greater than 0.7. Therefore, based on the obtained results, it can be inferred that each research variable has satisfied the criteria for the Cronbach alpha value, thus indicating a high level of reliability for all variables.

### 3.6 Inner Model Evaluation

The Inner Model, also known as the structural model, is employed to evaluate the hypothesis by examining key statistical measures such as the output r-square, parameter coefficients, and t-statistics. The determination of whether to accept or reject a hypothesis can be observed by evaluating the significance value between constructs, t-statistics, and p-values. The significance of this proof is evident in the outcomes obtained through bootstrapping. In this study, the rules of thumb employed are a t-statistic greater than 1.96 at a significance level of a p-value of 0.05 (5%), and a positive beta coefficient. The inner model presented below serves as a visual representation of the outcomes obtained from the bootstrapping research model.

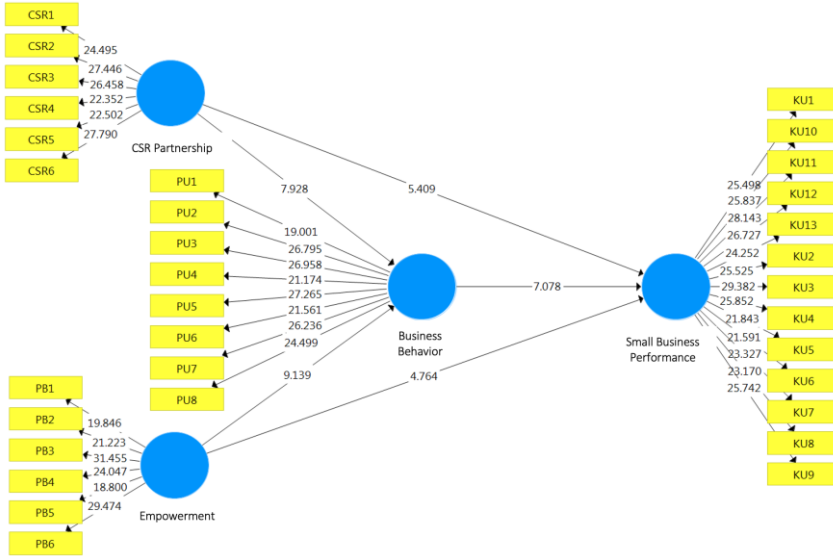


Fig. 2. Inner Model

### 3.7 Path Coefficient Testing

Path coefficient testing is a statistical method employed to assess the magnitude of the relationship or effect of the independent variable on the dependent variable. The coefficient of determination, commonly referred to as R-Square, is employed as a metric to quantify the extent to which endogenous variables are effected by exogenous variables.

The diagram presented in Figure 2 illustrates the inner model's scheme, which elucidates that the highest t-statistic value is represented by the empowerment of business behavior, with a value of 9.139. The subsequent significant factor is the effect of corporate social responsibility (CSR) partnerships on the business behavior of a total of 7,928 entities. The empirical analysis reveals that the variable of empowerment exhibits the least significant effect on the performance of small businesses, with a coefficient estimate of 4.764.

The analysis of these findings indicates that the independent variable in this model exhibits a path coefficient value that is positively oriented towards business behavior. This observation demonstrates that there is a positive relationship between the magnitude of the path coefficient associated with an independent variable and the strength of the influence exerted by the independent variables on the business behavior variable. The path coefficient value of the independent variable in this model exhibits a positive correlation with the performance of small businesses. This demonstrates that there is a positive relationship between the path coefficient of an independent variable and its effect on the small business performance variable.

### 3.8 Goodness of Fit

**Table 5.** R-Square Value

<b>Variable</b>	<b>R Square Value</b>
Business Behavior	0,853
Small Business Performance	0,908

Source: PLS Processing Results (2023)

According to Table 5, the R-Square value for the business behavior variable is 0.853. The present study demonstrates that a significant proportion of business behavior, specifically 85.3%, can be accounted for by the variables of corporate social responsibility (CSR) and empowerment partnerships. However, it is important to note that the remaining 14.7% of business behavior may be influenced by other variables that were not examined in this study. The R-Square value for the small business performance variable is 0.908. This study demonstrates that the performance of small businesses can be explained by variables related to corporate social responsibility (CSR) partnerships, empowerment, and business behavior, accounting for 90.8% of the variance. However, it is important to note that the remaining 9.2% of the variance may be attributed to unexamined variables.

**Table 6.** f-Square Value

<b>Variable</b>	<b>Business Behavior</b>	<b>Small Business Performance</b>
CSR Partnership	0.381	0.154
Business Behavior		<b>0.317</b>
Empowerment	0,158	0,492
Small Business Performance		

Source: PLS Processing Results (2023).

According to the data presented in Table 6, the effect of corporate social responsibility (CSR) partnerships and empowerment on small business performance, as measured by business behavior, yielded a coefficient of 0.317, equivalent to 31.7%. This implies that the effect of CSR and empowerment partnerships on small business performance, specifically through business behavior, accounts for 31.7% of the overall influence, with the remaining 68.3% being attributed to unexamined external factors. The goodness of fit assessment is known from the Q-Square predictive relevance, where the  $Q^2 > 0$  indicates the model has predictive relevance, while the  $Q^2 < 0$  indicates that the model lacks predictive relevance. The outcomes obtained from the computation of the Q-Square metric while blindfolding were as follows:

**Table 7.** Q2 Value Results

<b>Results</b>	<b>SSO</b>	<b>SSE</b>	<b>Q<sup>2</sup> (=1-SSE/SSO)</b>
CSR Partnership	1170.000	1170.000	
Business Behavior	2535.000	1245.568	0.509
Empowerment	1170.000	1170.000	
Small Business Performance	1560.000	819.759	0.475

Source: PLS Processing Results (2023).

In Table 7, the Q-Square value for business behavior is reported as 0.475, whereas for small business performance it is indicated as 0.509. This suggests that the Q-Square value exceeds zero. Therefore, based on these findings, it can be concluded that the research model exhibits a high level of goodness of fit.

### 3.9 Hypothesis Testing

**Table 8.** Direct effect

<b>Hypothesis</b>	<b>Effect</b>	<b>Original Sample</b>	<b>T-Statistics</b>	<b>P-Values</b>	<b>Result</b>
<b>H1</b>	CSR Partnership => Business Behavior	0,449	7,928	0,000	Accepted
<b>H2</b>	Empowerment => Business Behavior	0,511	9,139	0,000	Accepted
<b>H3</b>	CSR Partnership => Small Business Performance	0,266	5,409	0,000	Accepted
<b>H4</b>	Empowerment => Small Business Performance	0,280	4,764	0,000	Accepted
<b>H5</b>	Business Behavior => Small Business Performance	0,446	7,078	0,000	Accepted

Source: PLS Processing Results (2023)

In Table 8, it can be observed that the variable representing CSR partnerships exhibits a statistically significant positive effect on business behavior, as indicated by the coefficient value of 7.928 > 1.96. The variable of empowerment demonstrates a statistically significant positive effect on business behavior, as indicated by the coefficient estimate of 9.139 > 1.96. The variable of CSR partnership demonstrates a statistically significant positive effect on the performance of small businesses, with a coefficient of 5.409 > 1.96. The variable of empowerment demonstrates a statistically significant positive effect on the performance of small businesses, with a coefficient of 4.764 > 1.96. The variable of business behavior demonstrates a statistically signifi-

cant positive effect on the performance of small businesses, with a coefficient of  $7.078 > 1.96$ .

The table below presents the total indirect effect of CSR partnerships and empowerment on small business performance through business behavior:

**Table 9.** Indirect effect

Hypothesis	Effect	Original Sample	T-Statistics	P-Values	Hasil
<b>H6</b>	CSR Partnership => Small business performance is mediated by business behavior	0,201	5,460	0,000	Accepted
<b>H7</b>	Empowerment => Small business performance is mediated by business behavior	0,228	5,516	0,000	Accepted

Source: PLS Processing Results (2023)

The findings presented in Table 9 demonstrate that the relationship between CSR partnerships and small business performance is mediated by business behavior, as indicated by a significant value of  $5.460 > 1.96$ . This suggests that the performance of small businesses can be enhanced through CSR partnerships, provided that small business owners exhibit robust business behavior. Similarly, the influence of empowerment on small business performance is mediated by business behavior, with a significant value of  $5.516 > 1.96$ . This implies that the performance of small businesses can be positively effected by empowerment initiatives, contingent upon the presence of strong business behavior among small business owners.

## 4 Discussion

### 4.1 The effect of CSR Partnership on Business Behavior

Based on the results of the study, it was obtained that the t-value was  $7.928 > 1.96$ , meaning that the CSR partnership had a significant and positive effect on business behavior. The observed path coefficient of 0.449 indicates that CSR partnerships account for approximately 44.9% of the influence on business behavior, while the remaining 55.1% is attributable to unexamined factors. The Corporate Social Responsibility (CSR) partnership program of PT Bio Farma is effectively executed through collaborations with communities and small businesses. This program facilitates the acquisition of comprehensive business knowledge by communities and small businesses, enabling them to apply it in the context of good governance.

Consequently, this initiative has the potential to positively influence the behavior of small businesses, leading to their growth and development. The findings of this study provide empirical support for the scholarly investigations behavior by Buendía-

Martínez and Monteagudo (2020), Miragaia, Ferreira, and Rattem (2017), and Luu (2020), which assert that corporate social responsibility (CSR) exerts a notable influence on business behavior.

The findings of this study align with the viewpoints expressed by participants in the Forum Group Discussion (FGD). The FGD participants emphasized that effectively executed corporate social responsibility (CSR) partnerships encompass various elements, such as offering soft loans, providing unrestricted funding for business ventures, delivering business training, and facilitating long-term repayment of credit funds. These factors were identified as influential in fostering positive changes in business behavior.

#### **4.2 The effect of Empowerment on Business Behavior**

The findings of this study indicate that the calculated t-value of  $9.139 > 1.96$ , suggesting a statistically significant and positive relationship between empowerment and business behavior. The observed path coefficient of 0.511 indicates that empowerment has a significant influence on business behavior, accounting for approximately 51.1% of the total variance. The remaining 48.9% of the variance is attributed to unexamined factors.

Fundamentally, the concept of empowerment should not engender a state of dependence; rather, it should foster the development of creativity and self-reliance within a given society. The concept of empowerment necessitates prioritizing the community's strength as the primary resource and discouraging external intervention, as such interference often undermines the autonomy of the local community. The effective implementation of community empowerment initiatives can foster robust self-reliance and cultivate a heightened level of proficiency, thereby enhancing the operational behavior and performance of small-scale enterprises.

The findings of this study provide empirical support for the prior research behavior by Apandi et al. (2022), Henao-Zapata & Peiro (2017), Adrian (2019), Sari (2021), and Sutawijaya et al. (2022), which posits that empowerment exerts a substantial influence on business behavior. The findings of this study align with the perspectives expressed by participants in the Forum Group Discussion (FGD). These participants asserted that effective empowerment entails various aspects, such as augmenting business opportunities, fostering self-assurance, promoting forward-thinking abilities, and diminishing reliance on intermediaries for accessing resources, markets, and public institutions. Furthermore, enhancing the capacity for independent action can have a significant effect on business behavior.

#### **4.3 The effect of CSR Partnership on Small Business Performance**

According to the findings of the study, the calculated t-value of  $5.409 > 1.96$ . This indicates that there is a statistically significant and positive effect of corporate social responsibility (CSR) partnerships on the performance of small businesses. The observed path coefficient of 0.266 indicates that CSR partnerships contribute to the performance of small businesses by 26.6%, while the remaining 73.4% is attributed to



unexamined factors. The Corporate Social Responsibility (CSR) Partnership of PT Bio Farma is effectively implemented through a collaborative program with the local community and small enterprises. This initiative has the potential to enhance the financial resources available for business operations, while also imparting knowledge on sound business governance practices. Consequently, this can lead to an overall improvement in the performance of small businesses. The findings of this study are consistent with the research behavior by Basuony et al. (2014), Wei et al. (2020), and Wahedd et al. (2021), which argue that corporate social responsibility (CSR) exerts a substantial effect on the performance of businesses.

Nevertheless, the findings of this study are inconsistent with the research behavior by Yoon and Chung (2018), which posits that corporate social responsibility (CSR) has an adverse effect on business performance. The findings of this study align with the perspectives expressed by participants in the Forum Group Discussion (FGD). These participants emphasized that effectively executed corporate social responsibility (CSR) partnerships, encompassing provisions such as offering low-interest loans, providing unrestricted funding for various business types, delivering business training, and facilitating long-term repayment of credit funds, can indeed have a positive effect on enhancing the performance of small businesses.

#### **4.4 The effect of Empowerment on Small Business Performance**

The findings of this study indicate that the t-value of 4.764, which exceeds the critical value of 1.96, suggests a statistically significant and positive relationship between empowerment and the performance of small businesses. The path coefficient of 0.280 indicates that the effect of empowerment on small business performance accounts for 28% of the overall effect, while the remaining 72% is attributed to unexamined factors. The concept of empowerment necessitates prioritizing the community's strength as the primary resource and discouraging external interventions that frequently undermine the self-reliance of the local community.

The successful implementation of empowerment strategies has the potential to significantly effect the performance of businesses. The findings of this study are consistent with prior research behavior by Asiedu et al. (2015), Nikpour (2017), Imamoglu et al. (2019), and Almaaitah et al. (2020), which determine that empowerment exerts a substantial effect on the performance of small enterprises. The findings of this study align with the perspectives expressed by participants in the Forum Group Discussion (FGD). The FGD participants emphasized that effective empowerment strategies, such as enhancing access to business opportunities, fostering self-assurance, promoting forward-thinking, and reducing reliance on external sources, can significantly enhance the performance of small businesses.

#### **4.5 The effect of Business Behavior to Small Business Performance**

Based on the findings of this study, it is determined that the t-value was  $7.078 > 1.96$ , indicating that business practices had a significant and favorable effect on small business' performance. The path coefficient, which stands at 0.446, indicates that business

behavior accounts for 44.6% of the performance of small business, with other factors accounting for the remaining 55.4%. A small business's ability to succeed is directly related to how its owners behave themselves. If a small business is managed with good governance practices, it will perform well. Despite having a basic appearance, human behavior is a complex activity that is difficult to compare and anticipate. The performance of the small businesses that are under its management can be effected by business behavior that is applied correctly in managing a firm.

The findings of this study are consistent with studies by Amir et al. (2017), Pati et al. (2021), and Lisa (2019) that found a causal relationship between business behavior and performance. Adinoto's (2010) research findings, which claim that entrepreneurship has no effect on business performance, are not supported by this data. The findings of this study are also consistent with the opinions expressed by the Forum Group Discussion (FGD) participants, who believed that well-executed business behavior included looking for one's own business opportunities, developing and creating new products, making the right decisions, and being persistent and patient in one's business endeavors. can have an effect on how well small businesses perform.

#### **4.6 The effect of CSR Partnership on Small Business Performance Mediated by Business Behavior**

The  $t$ -value of  $5.460 > 1.96$  indicates that business behavior can mediate the association between CSR partnerships and small business performance based on the findings of research on the indirect influence of CSR partnerships on small business performance through business behavior. The relationship between CSR collaborations and small business performance can be partially mediated by business behavior. It is clear that CSR collaborations have a substantial effect on small firms' operations and behavior. Similar to how consumer behavior affects small business performance, business behavior also has a big effect.

#### **4.7 The effect of Empowerment on Small Business Performance Mediated by Business Behavior**

A  $t$ -value of  $5.516 > 1.96$  is derived based on studies on the indirect effect of empowerment on small business performance through business behavior, indicating that business behavior can mediate the relationship between empowerment and performance. The relationship between empowerment and the performance of small businesses can be partially mediated by business behavior. We can observe that the performance and business behavior of small enterprises are significantly effected by partial empowerment. Similar to how consumer behavior affects small business performance, business behavior also has a big effect.

## **5 Conclusion**

### **5.1 Conclusion**

In this research, in general, evidence was found that implementing CSR can boost business performance, this is contrary to previous research conducted by Yoon and Chung (2018). Thus, this research finds novelty regarding the relationship between CSR implementation and business performance in MSMEs.

The following conclusions can be drawn from the research on the performance of small firms and the variables that affect it, as well as from the justifications from previous parts:

1. CSR collaborations have a favorable and considerable effect on business behavior in West Javan small firms helped by PT Bio Farma.
2. In West Java, where PT Bio Farma provides assistance to small firms, empowerment has a good and considerable effect on business behavior.
3. CSR relationships have a favorable and considerable effect on the performance of PT Indo Farma's small companies in West Java.
4. Empowerment has a favorable and considerable effect on the performance of small enterprises in West Java that receive PT Bio Farma's assistance.
5. Business practices have a favorable and significant effect on the success of small enterprises in West Java that receive PT Bio Farma's assistance.
6. In PT Indo Farma's small enterprises in West Java, business behavior can partially mediate the relationship between CSR partnerships and small business performance.
7. In West Java, small enterprises supported by PT Bio Farma, business behavior can partially moderate the relationship between empowerment and small business performance.

### **5.2 Recommendation**

The recommendations are derived from the findings and conclusions of the study:

1. The management of PT Bio Farma is advised to better implement CSR partnerships so that small business actors become fostered partners and follow all the instructions and guidelines that have been programmed so that business behavior improves and, ultimately, the performance of small businesses also improves.
2. Supporting community empowerment and small business actors is advised for the management of PT Bio Farma in order to foster strong innovation and independence, which will ultimately improve business behavior and boost small business performance.
3. It is advised that PT Bio Farma's management encourages small business actors to exhibit strong business behavior so they can explore and seize opportunities. As business behavior improves, performance of small business will subsequently improve as well.

### 5.3 Managerial effect

Several research findings can be gathered from the research that has been done, and the following managerial applications are suggested:

1. CSR partnerships, which have been shown to have a significant and favorable effect on small enterprises' behavior and performance. For this reason, it is advised that the management of PT Bio Farma continue to preserve and enhance the CSR partnership that has been put in place by offering soft loans, without restricting the type of business, offering business training, and repaying credit funds over the long term.
2. Empowerment, which has been shown to have a considerable and advantageous effect on small enterprises' performance and business behavior. In order to retain empowerment, it is advised that PT Bio Farma's management increase the availability of business prospects, foster self-assurance, foster foresight, and lessen dependency.
3. Business behavior has been shown to have a considerable and advantageous effect on small firms' performance. Due to this, it is advised that PT Bio Farma's management and small business actors continue to act professionally by looking for their own business opportunities, developing and producing new products, making the right choices, and exercising persistence and patience in their commercial endeavors.
4. In order to achieve the best results, it is hoped that other researchers who work on similar topics will expand the research object to include all small business actors supported by PT Bio Farma as well as a number of other variables that can affect business behavior and small business performance.

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