THE ANALYSIS OF PRODUCTIVITY AND LABOR ABSORPTION IN CREATIVE SMEs
BASE ON LOCAL WISDOM IN KAMASAN VILLAGE, BALI, INDONESIA

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ABSTRACT

Globalization with the presence of technology, information and modernization is a threat of local communities which is closely related to tradition and culture. The threat is marked began to forget of cultural and local wisdom because they are considered to be inevitable with modernity. The value of local wisdom is an identity that is a strength because there is no other place. Local wisdom is strongly influenced by geographical and also the diversity of cultures which is very widespread in the territory of Indonesia. In Indonesia, local wisdom is an important capital that is a driving force in the process of economic development. This fact, reflect on SMEs in a rural area in Indonesia. This sector taking into account higher growth and creation of jobs that are higher than average and also a strategy for community empowerment and also can be a strategy to preserve local wisdom values. The subject study is creative SMEs. An investigation is carried out by exploring the factors that affect productivity and labor absorption in a rural area. This study examines 47 samples of creative SMEs based on local wisdom at Kamasan Village, Bali. Determination of this amount is based on the criteria in which the population is included in one of the creative economic sub-sectors as well as the products produced by entrepreneurs that have local wisdom content. To answer the research problem and test the research hypothesis, researchers used path analysis. The results of this study conclude the positive and significant influence on labor absorption in SMEs based on local wisdom in Kamasan Village with technology, business capital, and total production variables. There is a significant indirect effect of the determinant variable through the amount of production at the labor absorption in creative SMEs. The use of cultural values contained is expected to always be done as an added value by employers as a development strategy and strength of the creative industry.

Keywords: SMEs, local wisdom, employees, creative SMEs, productivity, labor absorption

INTRODUCTION

The importance of Small and Medium Enterprises (SMEs) contributions to the world nations economies is an undebatable fact. In Indonesia, Small and Medium Enterprises (SMEs) have become the mainstay of economic growth in driving economic development and contributing significantly to the economic crisis conditions of 1997 and 2008. Feriyanto N & Sriyana J (2016) state that Indonesia has experienced rapid economic growth as well as social change that might affect the dynamic of the labor force in the last decade. However, this was disrupted by the global economic and financial crisis. The economic slowdown that occurred after a recession and stagnation, is expected to increase economic growth again to above 5 percent. However, in such situations, the level of employment in all economic sectors is not enough to accommodate an increase in the number of employment. Furthermore, labor absorption tends to decrease. The governments intensively concerned the labor absorption from a large labor force which always increases yearly in the labor market. As a big issue, unemployment potentially becomes a burden of the development process in the country (Feriyanto N & Sriyana J, 2016). In other countries, Turkey and Malaysia are also concerned to develop Small and Medium-sized Enterprises (SMEs). Both countries identify that SMEs have taken part in their economic activities as an important contributor to stimulate economic growth and later have become the most significant tools for economic development, Gross Domestic Product (GDP) and workforces (Dzuljastri Abdul Razak, et al 2018).

Many researchers have mentioned SMEs as a form of defense in the process of national economic recovery and also as a main strategy to tackle the unemployment issue. Viewed from an increase in employment opportunities due to the high diversification of the SMEs sector where sub-sectors that manage small-scale types of industries are easy to be formed by the community, especially the middle to the lower economic community (Parameswara, 2017). Small industries are also one of the main driving sectors in the Indonesian economy and have high competitiveness. Furthermore, this sector is expected to be a driving force for the development of the country’s economy (Sugito Efendi et al, 2019).

The Ministry of Cooperatives and Small and Medium Enterprises (SMEs) noted that in the past five years the contribution of this sector to gross domestic product (GDP) increased from 57.84 percent to 60.34 percent. This is the same as the employment, increasing from 96.99 percent to 97.22 percent in the same period. Comparing In Malaysia, the SMEs employment increased by 5.6 percent to 6.6 million workers compared to the employment growth of large firms that was only 3.4 percent. Besides the two measurements mentioned above, the SMEs labor productivity, which was measured by real value-added per worker, slightly escalated by 0.4 percent after declining by 6.6 percent in 2014 (Dzuljastri Abdul Razak, et al 2018).

On the other hand, the important thing about SMEs in the form of empowering weak economic communities that are engaged in various economic sectors. At present, the presence of SMEs in Indonesia is very diverse, spread and developing throughout the nation. This diversity reflects the national pluralism which is of course influenced by geographical factors, one of which is the diversity of Indonesian culture which is very widespread in the territory of Indonesia. These positive things have a positive impact on the creation of economic activities that get a touch of creativity in developing the potential of the local economy. This
idea of a creative economy is currently believed to be able to mobilize people’s creativity so that it becomes an important aspect that can change the conditions of the local economy (Chapain & Comunian, 2006; Foord, 2008). Parameswara (2017) states that a creative economy based on local wisdom will be a pillar of the nation’s economy in the future because of the cultural diversity that exists in Indonesia by combining innovation and creativity.

Developing country like Indonesia have different characteristics from other countries: they are mostly craft-based and often not related to intellectual property and innovation (UNESCO and UNDP, 2013). Fahmi, et al. (2015) said that tradition-based businesses which are referred to as ‘traditional culture industries’ - reflect specificity in creative industries in Indonesia and they may have different development patterns. This pattern of different developments is of course influenced by local historical and cultural factors so that it is still very traditional. On the other hand, the development of a creative economy can be used as an effective strategy in introducing Indonesian culture to foreign countries, especially through creative products that contain cultural values, heritage, and values of local wisdom.

Bali, which is well known for the world tourism destination cause of its traditions and culture, has been designated as one of the four creative industrial zones in Indonesia in addition to DKI Jakarta, Yogyakarta, and Bandung. This determination is based on self-identity, local culture and the creativity of local communities which are the benchmarks for the development of the creative economy, one of which is in the village of Kamasan, Klungkung. Kamasan Village, which is famous for its typical puppet style of painting, still maintains important social and religious functions in the local culture. Kamasan painting is a form of classical art that can be considered as the main art of painting in Balinese culture and is a craft of local people. Besides, there are also other works of art in the form of crafts, including crafts of kepeng (Chinese coins usually use for ritual in Bali), gold carving, silver carving, and bullet carving.

In 2016, some State-Owned Enterprises (SOE) joined in establishing creative houses in Kamasan Village to support SMEs actors, especially Kamasan village. This SOE Creative House is expected that business people in Klungkung Regency will have the ability and opportunity to market their SMEs products to the global market indefinitely. Furthermore, government support for developing SMEs of Kamasan Village continues in 2017 where the Ministry of Cooperatives and SMEs were present to support the development of villages in Bali as a tourism village in which SMEs products produced by the community become the important value of Kamasan Village as a tourism village. Craft business carried out by the village community is expected to develop into a form of empowerment of local communities through employment, the majority of whom are local and surrounding villagers through creative economic activities with local wisdom.

In this paper we are only focusing on three factors, capital business, technology, and productivity. This is because of the need to further analyze these factors to find out the effect of these factors in rural area. This research is very important and urgent to see from the findings of Ida & Lugiana (2010) which states that the recommendations for developing SMEs are still on the approach of economic aspects of institutional and business management as well as the lack of recommendations for adopting local wisdom as an economic value. Therefore, the purpose of this study is to investigate the impact of these three factors in rural area which adopting local wisdom as an economic value and make recommendations on policies improvement.
Technology can reduce the production costs of SMEs and maximize labor, add value to products and services and increase the company’s competitive advantage (Corso et al., 2003; Levy et al., 2001; Nguyen et al., 2007; Premkumar, 2003). Several studies and reports presented by Nguyen (2007) have shown that technology is a tool that can improve business processes (Acar et al., 2005; Bu rca et al., 2005; Levy et al., 2001). This shows that technology is not only a tool to be able to increase production but something that must be understood before the capital investment is made (Nguyen, 2007).

Besides, Dong (2010), revealed that SMEs cannot be developed without the existence of innovation in technology and emphasize the importance of innovating to improve competitiveness in developing new products. Dong’s disclosed technology is the technology that is integrated with culture, management innovation. Spiegel and Marx in Patricia et al. (2016), said that the ability to continue to innovate widely is recognized as one of the basic skills for successful SMEs. Many SMEs are confident that their business will grow and can expand marketing but are constrained in terms of capital. Valentim, et al. (2015) stated that SMEs are now more vulnerable to globalization and rapid technological change because their resources are limited so limiting their access to funding or capital sources.

The development of SMEs engaged in a creative economy that has local wisdom is an important component of a knowledge-based economy of the postmodern industry. Ummu, et al. (2012) revealed that SMEs are not only considered responsible for growth and job creation that is higher than average but also a vehicle for cultural identity that plays an important role in fostering cultural diversity (UNESCO, 2005). Focusing on the strength of local initiatives is very likely to reap success because it is based on experience, knowledge, beliefs, customs, and needs of the local community so that economic independence is expected to be achieved.

The purpose of this paper is to answer the research questions, how is the influence of technology, business capital on productivity which is reflected in the amount of production in creative SMEs based on local wisdom, how is the influence of technology, business capital on the labor absorption and whether the technology and business capital variables have an indirect effect on labor absorption through the variable amount of production in creative SMEs based on local wisdom in Kamasan Village.

This paper is based on a case study in Kamasan Village, Klungkung Regency, Bali, as one example of a village that has a long history as a community of artisans since the Neolithic period (+ 2000SM) with proven archaeological findings in 1976 and 1977. Besides, Kamasan Village also has a creative home as a center for developing SMEs in Bali

LITERATURE REVIEW

The importance of SMEs in Indonesia's economy condition for absorbing many human resources that were unemployed or affected by the termination of employment relationships. Furthermore, SMEs are a vital role in the economic growth of Indonesia, (Jessica Simamora, 2018). The demand for labor is related to the amount of labor needed by the company. The demand for labor is influenced by changes in the level of wages and changes in other factors that affect demand for production, among others: the ups and downs of market demand for the products of the company concerned, reflected through the large volume of production, and the price of capital goods namely value machines or tools used in the production process.

The concept of the orange economy is a group of economic activities whose ideas and thoughts are transformed into a product and service that has cultural value, (Restrepo and Marquez, 2013). Murjana Yasa (2016) states that activities in the realm of the orange economy include cultural economics and creative industries and activities supporting creativity. Cultural economics consists of all traditional artistic activities, activities related to the maintenance and preaching of cultural heritage (arts and culture) as well as conventional cultural industries such as publishing and audio-visual. The contribution of the orange economy throughout the world is astounding.

According to the United Nations Conference on Trade and Development (UNCTAD), the number of exports between 2002 and 2011 increased by 134 percent, almost double the world’s military spending. In terms of tax payments, the orange economy ranks the highest through German economic growth and worldwide military spending. In 2011 the value of the orange economy activity reached $ 4.3 trillion. Besides that, in the field of trade and services in China, the United States and Latin America showed a positive trend and the increase in exports was very sharp, including its role in employment (Murjana Yasa, 2016).

In Indonesia, where the culture and values of local wisdom still survive and institutionalize, there are very many industrial activities that develop and take the concept of the orange economy that combines creative industries with cultural economics that are spread across the Indonesian region, especially in Bali. The creative industry has also created many economic-value goods produced from the diversity of local cultures found in each region. According to Murjana Yasa (2016), the development of the orange economy is a choice that must be made in a fast motion due to its enormous role in economic development supported by the development of information technology that is developing very rapidly.

The local wisdom concept comes from an English archeologist, H. Quaritch Wales in his essay entitled “The Making of Greater India: A Study of Southeast Asian Culture Change” which was published in the Journal of the Royal Asiatic Society (1948-49). Wales found an idea called cultural local wisdom which was formulated as:

“the sum of the cultural characteristics which the vast majority of a people have in common as a result of their experiences in early life”
From the quotation above, it is clear that local meant is native (Ayatrohaedi, 1986). The local wisdom which is now famous as a cultural identity can be interpreted as a cultural identity or personality of a nation. Local wisdom can also be interpreted as the existence of elements and traditional characteristics that can survive and even have the ability to accommodate cultural elements from the outside and integrate them in the original culture (Ayatrohaedi, 1986). In this case, the position of local wisdom is at the central point because of the power that can withstand the elements that come from the outside and which are also capable of developing for the future. The loss of local wisdom also means the fading of the personality of society, while the strength of local wisdom to survive and develop also shows the personality of the community.

Mundardjito (in Ayatrohaedi, 1986: 40-41) implicitly says that there are 5 essence of local wisdom:
1) Able to withstand external culture.
2) Having the ability to accommodate outside cultural elements.
3) Having the ability to integrate outside cultural elements into indigenous culture.
4) Having the ability to control.
5) Able to give direction to cultural development.

Schultz (1961) states that humans are a form of capital as other forms of capital, such as; machinery and technology. Human Capital theory emphasizes that education, knowledge, health, and skills are forms of human capital. Humans are not just resources but are investments (Becker, 1993).

Technology means changes in production techniques, repair of equipment used in the production process, improvement of workers’ capabilities, and improvements in managing the company. The use of appropriate technology will support product innovations, increase product competitiveness and become a barrier to entry for competing companies. (Sukirno, 2003; Kesumadinata and Budiana, 2012). The progress of the industrialization era is largely determined by the mastery of technology because technology is the engine of growth through industry. Technology as a man-made item has two basic varieties that simultaneously show different historical developments. This is the opinion of an expert, Ladislav Tondl. The basic varieties are:
1) Tools (simple technology)
   An object that moves solely based on the energy of a human muscle. In general, humans are guiding and controlling tools, thus humans are also the source of information.
2) Machinery (modern technology)
   Something that is an equipment system that does not use human power, but rather sources of energy outside of humans, but still requires humans to guide and control it.

The ups and downs of market demand for production will greatly affect employment in the industry (Sumarsono, 2003). Yanuwardani (2009) further explains that increasing output requires an increase in the input used, in this case, the workforce. The higher the productivity of labor, the higher the number of goods produced with the assumption that other production factors remain, the amount of production will also increase.

Based on the description above, the hypothesis in this study are as follows:
1) Capital has a positive and significant effect on the amount of production in small creative industries based on local wisdom in Kamasan Village.
2) Small creative industries based on local wisdom that use simple technology have lower productivity than small creative industries based on local wisdom that use modern technology.
3) Capital has a positive and significant effect on the employment of creative industries based on local wisdom in Kamasan Village.
4) Small creative industries based on local wisdom that use modern technology recruit more labors compared to small creative industries based on local wisdom that use simple technology.
5) Technology & capital have an indirect effect on employment through the amount of production in the creative industry based on local wisdom in Kamasan Village.

**METHOD**

In this study, the research design used was quantitative research with the associative level of explanation. The variables analyzed can be grouped into dependent variables, namely the labor absorption (Y2), independent variables namely technology (X1), business capital (X2) and intervening variables namely the production (Y1).

The population that has been recorded by researchers is based on Creative House in Kamasan Village data in 2018 as many as 89 units. Determination of these figures is based on criteria, the population included in one of the fields of the creative economic sub-sector and the products produced by entrepreneurs who enter the population (output) have content of local culture. This criterion is also reinforced by the nature of local wisdom, which can survive the influx of external cultural influences, can accommodate themselves from outside cultural elements and have the ability to integrate themselves from outside cultural elements into native culture. Next, the sampling technique used is proportional stratified random sampling. In this study researchers arranged by including the population into creative economic sub-sector groups. By using the Slovin formula significance level of 10 percent, the number of samples is 47 small business units. For the population to be fully represented, sampling proportionally is done to represent the population, for sampling in each group a simple random side technique is used. The researcher used the technical path as a data analysis technique. The path diagram model can be seen in Figure 1 as follows:
Based on Figure 1, structural equations can be presented as follows:

1) Relationship between $X_1$, $X_2$, and $Y_1$
   
   $Y_1 = b_1X_1 + b_2X_2 + E_1$

2) Relationship between $X_1$, $X_2$, $X_3$, $X_4$, $Y_5$ to $Y_2$

   $Y_2 = b_3X_1 + b_4X_2 + b_5X_3 + b_6X_4 + b_7X_5 + E_2$

RESULT AND DISCUSSION

Direct Effect

This is the test of the suitability of the model to find out whether the modified model is fit with the existing sample data. The results of processing the path can be seen in the first and second structural regression tables below:

The first substructure regression equation:

$Y_1 = 0.227X_1 + 19,116X_2$

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Coefficient</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business capital</td>
<td>0.227</td>
<td>0.007</td>
</tr>
<tr>
<td>2</td>
<td>Technology</td>
<td>19,116</td>
<td>0.002</td>
</tr>
</tbody>
</table>

$R^2 = 0.351$

Source: Research Results in 2018

The test results show the value of R Square is 0.351, which means that the variation in the influence of the capital and technology variables is 35.1 percent, while 64.9 percent is influenced by other factors not included in the model.

The results of this study indicate that business capital has a positive and significant effect on productivity in creative SMEs based on local wisdom in Kamasan Village. This can be seen from the regression coefficient of business capital ($X_1$) of 0.227 with a significance of 0.007 and the assumption of other variables is constant, the capital variable has a positive and significant effect on the productivity ($Y_1$). This means that if the business capital is increased by 1,000 rupiahs, the amount of production will increase by 227 rupiahs.

The research conducted by Diah Cahyadi (2015), Arsha and Suardikha Nata (2013) found the same thing where capital variables have a positive effect on the amount of production. This shows the higher the amount of capital, the higher the amount of production. This result is supported by the statement of the respondent, Jro Mangku Suradnyana, a craftsman of silver and gold processing of Rama & Sita on 9 November 2018. He stated that:
“when the business capital that I got from the village credit institution (LPD) and Commercial Banks, namely BRI, the business production increased because I was able to spend on raw materials for production purposes so that the amount of production would increase. Therefore, access to capital is very important for me and craftsmen in Kamasan Village to be able to do production so that the village economy can run, the community can be empowered and the business cycle can run.”

Furthermore, the technology variable has a positive and significant effect on the amount of production in creative SMEs based on local wisdom in Kamasan Village. This can be seen from the regression coefficient of technology (X2) of 19.116 with a significance of 0.002 and the assumption of other variables is constant, then the technology variable has a positive and significant effect on the amount of production. That is, the average comparison of the production between SMEs that uses simple and modern technology is Rp.19,116 rupiah.

This was confirmed by the statement of I Gede Junistra Jaya (26) on July 18, 2018, the craftsmen of the Kamasan painting from Banjar Sangging who said that the processing time and complexity of the motifs were the main obstacles he experienced as Kamasan puppet craftsmen because the tools used to make a painting were still traditional like bamboo. The use of tools and methods that are still simple certainly affect the amount of product produced per month. For the sketch, still using a pencil, then the sketches are emphasized by using black ink called soot. “The average problem faced by SMEs in Kamasan is how we have to adapt existing technology to increase the amount of production”. Furthermore, Jro Mangku Surat, Gold Craftsman of Rama & Sita stated that technology is very helpful in the production process. “Previously we were only able to produce 40 grams in 1 day, but with the help of the right tools one day we could produce 160 grams of gold. Besides that, workers also feel facilitated”. The positive influence of this study reinforces the research conducted by Diah Cahyadi (2012) which states that technology has a positive influence on the amount of production. Ellitan said (2003) that technology plays an important role in improving operational performance such as the speed of production process time, reduction in defective products, timely delivery capabilities and increased productivity. Ellitan also stated that the adoption of modern technology would increase productivity through efficiency and reduction in production costs (Ellitan, 2001a; Ellitan 2001b). On the other hand, soft technology adoption will accelerate the production process which in turn will also increase productivity (Boumount & Schroeder, 1997).

The second substructure regression equation:

\[ Y = 0.016 X_1 + 0.764 X_2 + 0.31 Y_2 \]

<table>
<thead>
<tr>
<th>No</th>
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<th>Significance</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Business capital</td>
<td>0.016</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>Technology</td>
<td>0.764</td>
<td>.017</td>
</tr>
<tr>
<td>3</td>
<td>Productivity</td>
<td>0.031</td>
<td>.000</td>
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**Table 2 Results of the Second Substructure Regression Analysis**

The test results show the value of R Square of 0.682 means that the variation in the influence of the variables of capital, technology and amount of production is 68.2 percent, while 31.2 percent is influenced by other factors not included in the model.
Business capital has a positive and significant effect on labor absorption (Y2) in creative SMEs based on local wisdom in Kamasan Village. This can be seen from the regression coefficient of business capital (X1) of 0.016 with a significance of 0.000 and the assumptions of other variables are constant, then the capital variable has a positive and significant effect on employment.

This means that if the business capital is increased by 1000 rupiah, the number of workers will increase by 1.6 people. This research is reinforced by the results of a study from Zamrowi (2007). He stated that the capital variable is the most dominant in influencing employment in small industries, this can be seen from the results of data analysis that the calculation for capital has the highest value of 17.616 and has a positive and significant effect. So that capital has a very important role in determining employment in small industries compared to other factors.

The results of this study indicate that technology (X2) has a positive and significant effect on labor absorption (Y2) in creative SMEs based on local wisdom in Kamasan Village. This can be seen from the regression coefficient of technology variable (X2) of 0.764 with a significance of 0.017 and the assumption of other variables is constant. That is, the average ratio of labors between SMEs using simple and modern technology is 7.6 people. This is in line with the study of Indraswati in Cahyadi (2013) that states that technological variables have a positive effect on labor absorption. Technological progress does not necessarily lead to a decrease in the number of labors because the technology used certainly requires humans to operate it. Technology can help facilitate human work. Furthermore, what is more, influential in determining labor demand is the ability of machines to produce products in quantities far greater than human capabilities (Divianto, 2014).

The report published by The World Bank Group for the G-20 states that technology has polarized the labor market. They increase the demand for workers who have the skills needed to operate technology or creative workers because it cannot be replaced easily by technology or non-routine ones and now can be done better by humans and therefore cannot be replaced easily by machines. The statement is in line with the opinion of Jro Suriadnya on November 9, 2018, the gold processing businessman of Rama & Situ. He stated:

"Because I want to increase the number of capacity and it is supported by the progress of the era as well, my current business in the production process uses fairly sophisticated technology. For example, to melt we use machine tools with the ability to produce high heat so that the smelting process is fast. This machine makes it easy for my workforce to work and of course still requires human labor who can operationalize the technology used in the production process."

The results of this study contradict the results of a study by Diah Cahyadi (2013) that states that companies that use modern technology have lower employment compared to companies that use simple technology. Companies that use modern technology in their production processes prefer to maximize the use of technology rather than adding labor. The employment carried out by the company is only limited to operationalizing the technology used.
The results of this study indicate that the amount of production has a positive and significant effect on employment in creative SMEs based on local wisdoms in Kamasan Village. This can be seen from the regression coefficient of productivity variables (Y2) of 0.031 with a significance of 0.000 and the assumptions of other variables are constant. This means that if the production amount is added to the value of 1000 rupiah, the number of workers will increase by 3.1 people.

The positive and significant effect of productivity on employment has increased productivity which will directly increase the labor in the silver industry in Kamasan Village. Reinforced by the research of Zamrowi (2007) who said that the higher the workforce absorbed, the labor productivity also increases, the greater the amount of output of goods produced so that it can reduce production costs which will ultimately increase the demand for labor. Vera and Nenik (2013) found the magnitude of the variable regression productivity coefficient of 0.258. This shows that every 1 percent increase in productivity will increase the amount of employment by 0.258 percent assuming other variables are constant.

Productivity has a positive effect on labor absorption in small and medium wood furniture industries in Jepara Regency. Entrepreneurs can reduce the selling price of goods; therefore, people’s demand will increase and the increase in demand for goods will encourage additional production and then increase the demand for labor. Increased work productivity will reduce production costs, in the case of the demand for goods will increase, this will encourage an increase in the amount of output produced and ultimately increase the demand for labor (Simanjuntak, 2011). This is also supported by the research of Zamrowi (2007) who said the higher the productivity of labor, the greater the amount of output of goods produced so that it can reduce production costs which in turn will increase the demand for labor.

The results of this study are not in line with the research of Diah Cahyadi (2013) who found the number of productions has a negative and not significant effect, this can be seen from the results of data analysis that the standardized beta for wage level has a value of -0.049. This is caused by the use of increasingly modern technology so that the high and low number of productions in apparel companies do not affect employment.

**Indirect Effect**

From the results of the calculation from the Sobel test of indirect effect of business capital towards labor absorption through productivity gets that 2.32 of Z value. Because the Z value obtained 2.32 > 1.98 with a significance level of 10%, proving that the productivity is able to mediate the variable business capital towards labor absorption.

Capital access is still as a main issue on SMEs. Many SMEs have constraints on the production process due to difficulty accessing capital and therefore contributes to labor absorption. SMEs in Kamasan Village mostly are capital intensive because the investments by the SMEs are not on technology but on wages. The ease of access to capital in SMEs is the key for craftsmen to increase production so as to increase the labor absorption.

Furthermore, from the results of the calculation from the Sobel test of indirect effect of technology towards labor absorption through productivity gets that 2.58 of Z value. Because the Z value obtained 2.58 > 1.98 with a significance level of 10%, proving that the productivity is able to mediate the variable technology towards labor absorption.

At present technology plays a very important role in boosting the performance of SMEs and overcoming difficulties in producing quality crafts. The high level of market competition encourages SMEs to increase their productivity by continuously improving performance so that it has added value and competitiveness, both in national markets and global markets. With these conditions certainly the role of appropriate technology in advancing business is needed because with the use of the latest or modern technology in machines and equipment used in the production process will lead to efficient production processes and assist in producing products that have high competitiveness, facilitate management in documenting and evaluating business, and the existence of information technology greatly helps the marketing process. SMEs that already have equipment and facilities (technoware), require workers who understand technology and are able to run equipment that is used (infoware) and the technology has become part of the operations of SMEs (orgaware). Technology such as software or hardware created and ordered by SMEs requires labor to create it. In its use labor is also needed which can mengoprasionalkan. SME actors need to follow and adapt technological developments in order to compete with large-scale industries. The application of this technology will ultimately affect the increase in employment opportunities. (M. Irjayanti, et al 2016).

**CONCLUSION AND RECOMMENDATION**

This research finds that the direct effect of business capital and technology has a positive and significant effect on productivity. This can be seen from the regression coefficient of business capital (X1) of 0.227 with a significance of 0.007 with the assumption of other variables is constant and from the regression coefficient of technology (D) of 19.116 with a significance of 0.002 with the assumption of other variables is constant.

This research also finds that the direct effect of the business capital, technology and productivity have a positive and significant effect on labor absorption. This can be seen from the regression coefficient of business capital (X1) of 0.016 with a significance of 0.000, the regression coefficient of technology variable (X2) of 0.764 with a significance of 0.017 and also from the regression coefficient of productivity variables (Y2) of 0.031 with a significance of 0.000 with the assumptions of other variables are constant.
From the indirect effect, this research finds that productivity can mediate the variable business capital and technology towards labor absorption. These proving from the Z value from Sobel test 2.32 > 1.98 with a significance level of 10% from business capital and from the Z value from Sobel test 2.58 > 1.98 with a significance level of 10% from technology. The use of technology to support the production process must be carried out as an effort to continue to encourage the productivity of SMEs. Technology in this case certainly helps SMEs owners to simplify the stages of the production process so that the time needed is shorter. This does not reduce the cultural values contained in the creative product because technology only helps speed up the production process. Problems that have not been resolved regarding the lack of business capital need to be taken seriously, especially by the local government. A flexible policy for SMEs owners to get capital assistance needs to be considered, for example, how Customary Villages becomes the key in providing capital through cooperatives or Village Credit Institutions.

In addition to the problems that have been studied, the researchers also found that the entrepreneurial spirit needs to be educated so that the entrepreneurial orientation possessed by SMEs owners is broader. The author also agrees with a statement of Haryadi (2018), the problem faced in SMEs is the low competitiveness of the owner of SMEs' effect to develop the business because of the lack of entrepreneurial orientation.

The development of SMEs in the village of Kamasan, Klungkung cannot be separated from the history that the people of Kamasan village have inherited a tradition of craft arts which was originally functioned by the King (Ida Dalem) since the kingdom was centered in Gelgel (1380-1651) to make royal carving products in gold or silver and famous classical puppet painting to date. Furthermore, the entry of tourism has resulted in the ability of commodified local communities to meet economic needs. Mudana (2017) revealed that commercialization in the form of cultural product communication can encourage the economic motivation of painters to produce creative products in meeting tourism needs. Cultural production relates to the products produced and the parties involved in the production process. Mass-produced products are in the form of souvenir products utilizing eclectic mediums in the form of handicrafts. In the perspective of the creative economy, innovation and creativity based on local culture are the main capital to advance the local economy so that community empowerment can be done. This economic activity is also one of the factors in the cultural values that exist in the village of Kamasan, which is still institutionalized.

Entrepreneurial orientation is, of course, related to improving the performance of SMEs so that productivity increases can occur. Concerns about the destruction of local wisdom values, because the development of the times due to the wave of globalization, is expected to be eroded by efforts to produce local wisdom-based products where the meaning of each product that has local content is maintained as an important force of creative economy based on local wisdom. Empowerment carried out by creative small industry entrepreneurs based on local wisdom has been proven to reduce unemployment and help open new jobs. This needs government support, especially in terms of more specific data collection on creative efforts that have local wisdom to facilitate further researchers to conduct more perfect research.

REFERENCES


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