Study on Education Level and Consequences of Licensing and Interest in Making Small Business Licensing

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A R T I C L E   I N F O

A B S T R A C T

This correlation study involves three variables, namely education level, licensing consequences, and interest in making small business licensing because there are still many small-scale entrepreneurs who are reluctant to take care of business licensing even though the government has given it easy. This study involved 29 small businesses in a sub-district in Mojokerto district. The total number of small businesses that have permits is as much as the sample used so that the total sampling method is used. The data collection technique used a questionnaire with a six-scale Likert scale. Test the instrument with validity and reliability which is then tested for normality and linearity as well as hypothesis testing with product moment correlation analysis tools. The finding in this study is that there is a significant relationship between education level and interest in making small business licenses. The relationship between the two variables is quite strong. In addition, it was also found that there is a significant relationship between the consequences of licensing and interest in making small business licensing even though the relationship between the two is weak.

INTRODUCTION

Small Business is an important part of the economy of a country. Productive small businesses have an important role in supporting economic growth because they produce a productive workforce, increase investment, and support household income (Samawi *et al.*, 2016; Darmawan, 2016). Small businesses have many advantages for using and optimizing the utilization of national resources (Aldaba, 2011). In order to increase the opportunities, capabilities, and protection of small businesses, various policies on business reserves, funding, and development have been set but they are not yet optimal. There are obstacles from efforts to develop these businesses, such as limited capital and difficulties in obtaining legality or business formalities.

The implementation of the policy for granting small business permits has not yet achieved maximum results. The Presidential Regulation states that the permit to establish a small business is delegated to the sub-district head who is authorized by the regent/mayor. In addition, the head of the village/lurah can be given a delegation but must look at the condition of the area. The inefficient licensing service is one of the obstacles. The business licensing process seems complicated and not transparent. One of the bad services of licensing bureaucracy is shown by the negative perception of small and medium business actors towards the services provided. This provides a rationale for local governments to revamp the licensing process in a new institutional form known as One Stop Service. The licensing process implemented by the sub-district is through one door, thus facilitating the licensing process so that all small businesses can carry out business activities in accordance with established procedures and in accordance with applicable regulations.

The reason for the low number of small businesses that have licenses is due to the lack of awareness and lack of interest in making business permits and the paradigm of small business actors who still think that having a license will be burdened with taxes and only a few benefits can be received. The role of local governments is very important to increase the awareness of small business actors to make permits (Clercq, 2006).

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The factor of formal education also plays a role in the awareness of entrepreneurs applying for business licenses. Formal education is an educational system that is highly institutionalized, tiered over time, and structured in a hierarchy, from low school to college. Entrepreneurs can be born from the level of formal education because education functions to provide conditions that support the development of all aspects of the human personality. Previous studies have stated that knowledge-based factors influence a person's propensity to become an entrepreneur (Dencker *et al.*, 2009; Ghio *et al.*, 2015). The relationship between the level of education and the interest in licensing is the entrepreneur's knowledge of the relatively broad licensing procedures, especially those related to bureaucratic work patterns, giving rise to perceptions of the reluctance of entrepreneurs to take care of licensing in relation to low levels of education and vice versa. The higher the level of education, the greater the interest of entrepreneurs in taking care of permits. Another study supports this which states that knowledge-related factors in this case including education have influenced whether and how people engage in entrepreneurial activities (Autio and Wennberg, 2010; Macpherson and Holt, 2007).

The consequence of licensing is the impact of the approval required by business actors to start and run a business, and is given in the form of approval as outlined in a letter or decision after the business actor fulfills all the requirements that have been determined. This impact is positive or negative on people, objects, situations, systems and so on. The term consequence means things that arise as a result of a choice, action, or decision, these things can be in the form of a right or an obligation. In a legal perspective, consequences are a result of actions taken, to obtain a result expected by legal actors. The intended consequences are those regulated in law, while the actions taken are legal actions, namely actions that are in accordance with applicable law. The link between the consequences of licensing and the interest in making permits is whether or not there is an attractiveness in the consequences of making permits, which will be an attraction for perpetrators to make permits. The rights and obligations between the applicant and the agency must be stated in the regulation and deregulation of licensing. The attractiveness and clarity of the consequences of the permits made will affect the interest of small business actors to make permits. Previous studies have stated that a person's self-confidence to start a business is really determined by self-efficacy. Self-efficacy is used on the assumption of a positive impact of the possibility between starting a business and one's knowledge. This self-efficacy significantly influences firm behavior (Zhao *et al.*, 2005; Townsend *et al.*, 2010). Therefore, to achieve increased entrepreneurial initiative, it is essential that people believe in their personal abilities and abilities and thus find action (Krueger *et al.*, 2000). Business licensing is one of the steps to starting and developing a business so that it must be passed and needs to be followed by strong self-efficacy from entrepreneurs. They have understood the conditions and are determined to carry out their business in an orderly manner.

Based on the previous description, this study aims to determine the relationship between the level of education and the consequences of licensing on interest in making small business licenses. The hypothesis set out in this study is that education level has a significant relationship with interest in making small business licenses; and the consequences of licensing have a significant relationship with interest in making small business licenses.

RESEARCH METHOD

Correlation research is a study that aims to investigate (prove) the extent to which the relationship or close relationship of a variable with one or more other variables. This study involves three variables, namely education level, licensing consequences, and interest in making small business licenses.

This study involved 29 small businesses in a sub-district in Mojokerto district. The total number of small businesses that have permits is as much as the sample used so that the total sampling method is used. The data collection technique used a questionnaire with a six-scale Likert scale. Test the instrument with validity and reliability which is then tested for normality and linearity as well as hypothesis testing with product moment correlation analysis tool from Karl Pearson.

DATA ANALYSIS AND DISCUSSION
Respondent Profile

Data collection obtained 29 respondents. The profile of the respondents is shown in Table 1 which consists of three factors, namely age, education level and length of business. Respondents are dominated by the age range between 31-40 years, with a high school education level, and the length of business that has been carried out for more than 10 years.

Table 1. Respondent Profile

No	Factors	Range	N	%
1.	Age (years)	< 30	3	10.3
		31 – 40	11	37.9
		41 – 50	7	24.2
		> 50	8	27.6
2.	Level of education	Primary school	0	-
		Middle school	2	6.9
		High school	21	72.4
		Bachelor	6	20.7
3.	Business Length (years)	< 1	1	3.5
		1 – 5	5	17.2
		6 – 10	9	31
		> 10	14	48.3

Source: primary data processed by SPSS

Validity and Reliability Test

The validity test uses the Corrected Item-Corellation correlation method with the provision that the value must be above 0.3 to be declared valid. From the SPSS output, the results obtained that all questionnaire questions are said to be valid, meaning that all questions are qualified and worthy to be used as measuring instruments because all of them have a value above 0.3.

To determine the reliability of the questionnaire as a measuring instrument, a reliability test was conducted by observing the Cronbach Alpha value, where the measuring instrument was said to be reliable if the Cronbach Alpha value was < 0.60. The results of the reliability test are summarized in Table 2 below.

Table 2. Reliability Test

No.	Variables	Cronbach's alpha
1.	level of education	0.765
2.	licensing consequences	0.729
3.	Interested in making a small business license	0.802

Source: SPSS output processed

Normality and Linearity Test

The normality test was carried out on the three research variables, namely education level, licensing consequences, and interest in making small business licenses. The design of this study uses parametric inferential statistics in testing the hypothesis which requires that the data for each variable is normally distributed. The normality test aims to determine whether each variable to be analyzed in this study is normally dis-

tributed or not. If normally distributed then parametric inferential statistics can be used (Garson, 2012). In this study, the normality test was carried out using computer software, namely SPSS Statistics 25.0 with the Kolmogorov-Smirnov analysis technique. The basis of decision making used is to see the magnitude of the value of the value from Asymp. sig. (2-tailed) if the value is more than 0.05 (Asymp. Sig.> 0.05), then the data distribution of the variables is normally distributed. The results of the normality test of the two variables in this study are shown in the following table.

Table 3. Normality Test

Variables	Asymp. Sig (2-tailed)	Significance Level	Result
level of education	0.288	> 0.05	Normal Distribution
licensing consequences	0.194	> 0.05	Normal Distribution
Interested in making a small business license	0.207	> 0.05	Normal Distribution

Source: primary data processed by SPSS

Based on the test results of the three research variables, it can be concluded that all variables are normally distributed because all three have Asymp values. sig. > 0.05. Thus, parametric inferential statistical analysis can be used in hypothesis testing.

Table 4. Linearity Test

Variable relationship	Sig. Deviation from Linearity	Significant Level	Result
level of education and interest in making small business licenses	0.095	> 0.05	Linear
consequences of licensing and interest in making small business licenses	0.075	> 0.05	Linear

Source: SPSS output processed

The linearity test was carried out with the intention of knowing whether the independent variable and the dependent variable had a linear relationship or not. The linearity test in this study was carried out with the help of computer software, namely SPSS 25 by utilizing the ANOVA table, namely by looking at the significance level of linearity with the test criteria if the value < 0.05 then it is said to be non-linear and if the significance is > 0.05 then it is said to be linear (Garson, 2012). The results of the linearity test are shown in Table 4.

Based on the results of the linearity test presented in Table 4, it can be concluded that the variables of education level and interest in making small business licensing as well as the consequences of licensing and interest in making small business licensing variables have a linear relationship because they have a significance level of more than 0.05.

Hypothesis test

The hypothesis in this study is that there is a significant relationship between education level and interest in making small business licensing; there is a significant relationship between the consequences of licensing variables and interest in making small business licenses. Hypothesis testing using SPSS software is a simple correlation test. The results of hypothesis testing are as shown in Table 5 below.

Table 5. Correlation

Correlation Model	Correlation Coefficient (r)	Significance
level of education and interest in making small business licenses	0.495	0.000
consequences of licensing and interest in making small business licenses	0.203	0.000

Source: SPSS output processed

Table 5 shows the results of the product moment correlation analysis that the magnitude of the correlation coefficient between education level and interest in making small business licensing is 0.495 so it is categorized as having a moderate correlation level, which is in the range of 0.40 – 0.599.

This value also shows that there is a positive relationship between education level and interest in making small business licensing because the correlation coefficient is positive. The correlation coefficient between the consequences of licensing and interest in making small business licensing is 0.203 so it is categorized as having a low correlation level, namely because it is in the range 0 - 0.40. This value also shows that there is a positive relationship between the consequences of licensing and interest in making small business licensing because the correlation coefficient is positive.

Discussion

Based on the results of data analysis, it was found that the two hypotheses in this study were proven correct. The first hypothesis states that there is a significant relationship between education level and interest in making small business licenses. This means that the higher the education that has been taken which indicates broad knowledge and insight than people with low education, the higher the interest in making small business licenses. According to Autio and Wennberg (201) and Arenius and De Clercq (2005), to start a business, two human factors are needed, namely academic level and personal skills. The academic level is divided into four categories: no university degree, incomplete university degree, completed university degree and higher than university degree. Although there are divisions, the thing that needs to be highlighted from the academic level is the existence of knowledge and insight. This broad knowledge and insight will foster encouragement and interest in a person to legalize his business. The relationship between the two variables is quite strong. Mardikaningsih (2017) stated that licensing should have been included in the business plan before a business was run. Khasanah (2010) states that entrepreneurs who have a clear vision for the development of their business will pay more attention and effort to things that support the achievement of these goals. One of them is business legality so that relations with parties related to business do not experience obstacles such as borrowing and capital assistance and empowering resources. Talent and knowledge are the main factors for someone to have a clear vision. Therefore, the level of education can be said to be in line with the awareness to legalize small businesses.

The next hypothesis is proven true that there is a significant relationship between the consequences of licensing and interest in making small business licenses. This means that the more you

understand the consequences of licensing, the more you will have an interest in making small business licenses. Although the relationship between the two variables is weak, the relationship is significant. According to Darmawan (2009), the consequences of an action related to business should have been carefully considered by entrepreneurs. Things that threaten or hinder business must be prevented beforehand, while things that have the potential to be profitable will be the motivation to be achieved immediately. In this case, taxes and supervision may be a nuisance for entrepreneurs but business development, credit applications and all forms of assistance from the government are beneficial factors with the existence of business legality (Kuzilwa, 2005).

For respondents, business formalization is very necessary to show their determination to develop a big business in the future. Business formalization is the granting of certain business activity permits and legal entity status to business units in accordance with the provisions of the applicable laws and regulations. Business licensing is a form of business legality so that the position of the business in the community can be trusted and can account for all business activities so that they are in accordance with the provisions and regulations that have been set.

CONCLUSION

The finding in this study is that there is a significant relationship between education level and interest in making small business licenses. The relationship between the two variables is quite strong. In addition, it was also found that there is a significant relationship between the consequences of licensing and interest in making small business licensing even though the relationship between the two is weak.

Suggestions from the results of this study are people who are interested in entrepreneurship have the hope of policies or regulations that make it easier for small businesses to take care of all forms of licensing. Socialization on licensing from the relevant authorities needs to be increased to disseminate information to entrepreneurs. The advice that can be given is that the relevant authorities should provide direct and continuous socialization to small business actors so that information can be absorbed a lot by small business actors who really need it. Information about the benefits of having a license needs to be re-emphasized to entrepreneurs such as providing legal certainty and empowerment facilities for small business actors in developing their business. The current format for

managing business legality is much simpler, easier, and faster so that it is profitable for business actors. Meanwhile, taxes as an obstacle to administering permits are one of the consequences for entrepreneurs. The tax on business turnover set by the government is still too big for small entrepreneurs. Taxes for small business actors should be reduced so that small business actors do not object and want to take care of licensing for their business. Education level is proven to have a significant relationship with interest in making business licenses. Based on this, it is necessary to expand the entrepreneurial movement from basic education to higher education.

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