Business Survival of Small and Medium-Sized Restaurants through a Crisis: The Role of Government Support and Innovation

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Abstract: This study aimed to investigate the effects of government support for the business survival of SME restaurants in Indonesia. In this study, we analyzed the impact of government support on the innovation of SME restaurants as well as the impact of entrepreneurial self-efficacy on innovation. Furthermore, this study analyzed the impact of entrepreneurial self-efficacy and innovation on business survival. A total of 120 owners or managers of SME restaurants participated in this study. The sample was collected based on a purposive method. To analyze the relationship among latent variables, we implemented structural equation modeling (SEM). The results show that government support has a positive impact on business survival through marketing and process innovation. In addition, the business survival of SMEs is affected by marketing innovation, process innovation, and entrepreneurial self-efficacy. In this study, the entrepreneurial factor had the highest impact on SMEs’ survival. This study established the body of knowledge related to the positive effect of government support on innovation in the perspective of small and medium-sized restaurants in the emerging market countries and developed a model of business survival of SMEs during pandemic crises by integrating external factors (government support) and an internal factor (entrepreneurial self-efficacy) through marketing and process innovation in the food processing industry.

Keywords: entrepreneurial self-efficacy; marketing innovation; process innovation; SEM

1. Introduction

Since COVID-19 spread worldwide, many countries have experienced a decline in economic activity because most of the resources have been allocated to save their citizens from potential deaths. Small and medium enterprises (SMEs) are one of the business entities that have been hardly hit by the crisis [1]. Some enterprises managed to survive during the pandemic, even though they could not bounce back to what they were before. However, many SMEs in Indonesia can hardly survive and are worth being eliminated from the market. Data show that about 30 million SMEs in Indonesia are bankrupt and can no longer operate during the pandemic [2]. In the perspective of Indonesia as an emerging market country, the number of SMEs stopping operations will cause many problems, such as unemployment and increased poverty. So far, SMEs have played an essential role in the Indonesian economy [3], in which the majority of employees (99.9%) in Indonesia work in SMEs. Moreover, Indonesia’s SMEs have contributed significantly to Sustainable Development Goals (SDGs), particularly for the poverty reduction agenda [4]. Therefore, the business survival of the SMEs must be maintained in such a way so that it does not harm the country’s social and economic situation.

Even though business survival is not a novel issue in SMEs [5,6], study of business survival of SMEs, particularly in an unprecedented situation such as the COVID-19 pandemic, is still important. Some previous studies mentioned that the dynamic business
environment might negatively affect SMEs’ sustainability [7,8]. During the COVID-19 pandemic, people should stay at home and limit movement, and thus economic activities decline. Such conditions harm SMEs, even endanger SMEs’ survival. In this case, government intervention is needed to strengthen SMEs in facing crises. Several studies prove that government has a significant role in SMEs’ development [9–11]. However, the effectiveness of the government’s role in crises still lacks explanation from previous research. Previous research noted that government support is not always adequate for SMEs due to the gap between what SMEs need and what government provides [12,13]. Moreover, what type of government support is effective for SMEs during a pandemic needs more scientific explanation.

During the COVID-19 pandemic, the Indonesian government assisted SMEs, including small and medium-sized restaurants. At the local level, the government helps SMEs carry out innovations in marketing, including taking advantage of digital marketing and improving the quality of products and packaging. The government also provides a tax reduction policy and encourages the banking industry and other financing institutions to offer relaxation for SMEs credit. At the national level, the government increases the demand for SME products during a pandemic by encouraging people and large companies to buy SMEs’ products. In addition, the government helps SMEs to adapt more quickly to “new normal” habits by innovating in the service processes provided to consumers. How does such support from the government influence the business survival of small and medium restaurants?

Apart from government support, the resilience of SMEs in a dynamic environment is also greatly influenced by the ability of internal factors of SMEs to respond to environmental changes [7]. The character of proactive entrepreneurs who adapt quickly to environmental changes is beneficial for the success of SMEs to survive and get out of the crisis [3,6]. In typical situations, the application of marketing innovations is very effective in winning the competition. However, COVID-19 forces companies to apply marketing innovations and innovate their business processes and services. For example, the process innovation helps SMEs convince the public that their products are processed safely for consumption and that service processes are designed according to health protocols.

SME-level companies are able to show higher innovation investment returns when compared to larger companies because SMEs tend to be able to look for more variation and are more flexible in accessing and allocating required resources. There is no need for stricter requirements compared to large companies. Several studies have proven that both process and product innovation are able to improve company performance [14]. Based on the above background, in general, there were two primary research questions. First, how does government support affect business survival of small and medium-sized restaurants in the time of crisis? Second, how does entrepreneurial self-efficacy influence business survival of small and medium-sized restaurants in the time of crisis? The present study aimed to respond to the research question by analyzing the impact of government support on marketing innovation and process innovation, the impact of entrepreneurial self-efficacy on business survival, and the impact of marketing and process innovation on business survival. The results of this study offer essential survival directions for SME restaurants during the COVID-19 crisis. These can be useful to related policymakers to implement the critical behaviors of SME restaurants to diminish the effect on SME restaurants for the anticipatable future.

2. Literature Review

2.1. Government Support and Innovation

As mentioned by many previous studies [15–18], SMEs have constraints in innovation, such as financial constraints, lack of human resources, and limited access to information and technology. Through support and cooperation with other parties such as the government, research institutions, or universities, SMEs’ innovation barriers can be overcome [19,20]. So far, the government is considered to have sufficient resources
to provide assistance to improve the capabilities of SMEs in terms of innovation [3,21]. In the Indonesian context, government’s support has a positive impact on marketing and process innovation in a normal situation [9]. We can find the positive impact of government support on SMEs’ innovation in the Chinese context and other developing countries as well [13,16,17]. In addition, the government also has an interest in the progress and sustainability of SMEs through strengthening innovation, given the significant role of SMEs in reducing unemployment and poverty [22]. Government support for SMEs can be in the form of financial assistance, technical assistance, and policy through regulation [11,23].

Government support for SMEs in Indonesia is reflected in the National Economic Recovery (PEN) program in 2020 and 2021 [24]. The national budget of the PEN program to support SMEs is IDR 112.84 trillion given to more than 30 million SMEs in 2020. Meanwhile, for 2021, the government also budgets the PEN program to support SMEs with a fund of IDR 121.90 trillion to maintain the momentum of economic recovery. The government provides support to SMEs in three forms: firstly, financial support as subsidies, relief from electricity bill payments, salary subsidy assistance, and other financing support; secondly, technical assistance by facilitating SMEs to go digital and innovative in their businesses; and thirdly, support policies such as loan restructuring policies, interest subsidies, and tax exemptions. We argue that the government’s support in the form of financial and technical assistance will benefit SMEs’ innovation and government policy conducive to SMEs’ innovation and survival. Therefore, the following hypotheses are proposed:

**Hypothesis 1 (H1).** Government support positively influences marketing innovation.

**Hypothesis 2 (H2).** Government support positively influences process innovation.

### 2.2. The Role of Entrepreneurial Self-Efficacy

Many pieces of literature note that entrepreneurship has played a critical role in increasing productivity, driving innovation, and opening new opportunities [25–27]. Even entrepreneurship is often a prerequisite for exploiting potential businesses in certain circumstances, thus providing excellent opportunities for success. In the context of innovation, entrepreneurship supports the development or adoption of new products or processes that can improve business performance [9,28].

Self-efficacy was well-defined [29] as a personal belief in one’s ability to succeed in carrying out an activity. Self-efficacy determines an individual’s perception of a situation and how to respond to it. From a business perspective, entrepreneurial self-efficacy is described as an individual’s belief in their capability to successfully carry out various roles and activities of an entrepreneur, such as developing new business ideas and creating new products or services [30,31]. Previous research has shown that entrepreneurial self-efficacy plays a vital role in creating an internal environment conducive to the growth of innovation [18,32,33]. Based on existing literature, the hypotheses proposed in this study were as follows:

**Hypothesis 3 (H3).** Entrepreneurial self-efficacy positively influences marketing innovation.

**Hypothesis 4 (H4).** Entrepreneurial self-efficacy positively influences process innovation.

### 2.3. Factors Affecting Business Survival

Business survival is defined as the ability of a company to successfully change situations that can endanger the survival of the company [5,34]. Several previous studies [35–37] showed that the proactive behavior of an entrepreneur positively influences the business performance of SMEs. With proactive behavior, an entrepreneur can prepare themselves for potential opportunities and challenges. Furthermore, the characteristics
of a proactive entrepreneur will lead their business to continuously create a competitive advantage to achieve its business goals [38,39]. The relationship between entrepreneurial self-efficacy, growth, and business sustainability of SMEs was confirmed by Bratkovič et al. [40].

Meanwhile, Kickul and Gundry [41] found that proactive SMEs owners have a strategic orientation that makes them more innovative and flexible in facing a changing business environment. Furthermore, according to Fredrickson and Branigan [42], people who show adaptive behavior will better prepare resources to help them manage future challenges. In addition, proactive behavior is one of the core components of entrepreneurial self-efficacy, directly related to business survival [3,5]. Therefore, in this study, we proposed the following hypothesis:

**Hypothesis 5 (H5).** Entrepreneurial self-efficacy positively influences business survival.

Researchers have widely confirmed the positive link between innovation and business performance in SMEs [43–45]. Either in normal or competitive situations, innovation is needed by SMEs to survive in the market. Especially in the pandemic situation, innovation is the keyword for SMEs to survive in the market. The COVID-19 pandemic has forced consumers to stay at home and have a high awareness of the danger of coronavirus transmission. For this reason, SMEs must adapt to a changing environment by offering innovations [46–49].

Three kinds of innovations are generally carried out by SMEs, namely marketing innovation, product innovation, and process innovation [50,51]. Marketing innovation is an innovation aimed more at accessing the market properly [52–54]. Meanwhile, process innovation occurs in production and operation processes, including customer service [55,56]. Furthermore, in the context of restaurants, Rodgers [57] defined process innovation as an effort to modify, improve, or update service systems or procedures to become more productive and efficient. Both marketing innovation and process innovation have positive contributions to business sustainability since they are needed to maintain existing customers and develop new consumers [58]. Therefore, in this study, we proposed the following hypotheses:

**Hypothesis 6 (H6).** Marketing innovation positively influences business survival.

**Hypothesis 7 (H7).** Process innovation positively influences business survival.

Following the review of literature and hypothesis development above, we propose a preliminary model (see Figure 1). The business survival of SME restaurants is determined by marketing innovation, process innovation, and entrepreneurial self-efficacy. In contrast, marketing and process innovation are affected by entrepreneurial self-efficacy and government support. Therefore, we argue that government support cannot affect the business survival of small restaurants directly. However, government support will affect business survival through market innovation and process innovation since support is generally provided in the type of technical assistance and financial assistance, both of which are directly related to SMEs’ innovation.
3. Research Method

3.1. Data Collection

Primary data were collected through an online survey which was distributed in WhatsApp groups containing restaurant entrepreneurs. The purposive sampling method was used in this study, where the researcher chose respondents based on predetermined criteria. The respondents’ criteria used in this study were: (1) A decision-maker (owner or manager) of SME restaurants. We applied Indonesian Statistics Agency criteria to decide the small and medium categories. Enterprises with fewer than 20 people were considered small restaurants, and restaurants with 20–99 employees were considered medium restaurants. (2) Restaurants owned by respondents must continue to operate during the pandemic. (3) Respondents have received assistance from the government. (4) The restaurant is located in Jakarta and its surrounding area.

The number of samples used in this study was 120. This number follows the rule of thumb that to perform data analysis using the structural equation model, the number of samples must be between 5 and 10 times the number of indicators [59–61]. The number of indicators in this study was 18; thus the number of samples met the requirements ranging from 90 to 180.

3.2. Measurement

Latent variables and indicator variables in this study are provided in Table 1. Government support has three indicators, namely financial support, technical support, and policy support. Four indicators measured entrepreneurial self-efficacy: the ability to create new products and markets, build a conducive environment for innovation, initiate relationships with investors, and have a strong vision and values. Variable of marketing innovation has four indicators, namely the use of digital marketing, providing home delivery, modifying products and packaging, and expanding market segments. In addition, there are four indicators for process innovation, namely the use of digital payment, promoting takeaway, new processes for improving safety, and introducing new management tools. Meanwhile, for the variable of business survival, we measured it by three indicators: maintaining positive cash flow, maintaining some employees, and operating continuously. Measurement for
each indicator is carried out using a Likert scale ranging from 1 to 5 (1 = very disagree, 5 = very agree).

Table 1. Item loading, validity, and reliability.

| Variable                                      | Factor Loading | AVE  | CR   | Cronbach’s Alpha |
|-----------------------------------------------|----------------|------|------|------------------|
| Government support (GS)                       |                |      |      |                  |
| Financial support                            | 0.812          |      |      |                  |
| Technical support                            | 0.853          |      |      |                  |
| Policy support                               | 0.714          |      |      |                  |
| Entrepreneurial self-efficacy (ESE)           |                |      |      |                  |
| Able to create new products and market opportunities | 0.922         |      |      |                  |
| Able to build innovative environments        | 0.914          |      |      |                  |
| Able to initiate investor relations           | 0.916          |      |      |                  |
| Have strong organizational vision and values in order to attract investors | 0.911         |      |      |                  |
| Marketing innovation                         |                |      |      |                  |
| Using digital marketing                      | 0.790          |      |      |                  |
| Providing home delivery                      | 0.802          |      |      |                  |
| Modifying product and packaging              | 0.815          |      |      |                  |
| Expanding market segment                     | 0.817          |      |      |                  |
| Process innovation                           |                |      |      |                  |
| Using digital payment                        | 0.785          |      |      |                  |
| Promoting take-away                          | 0.787          |      |      |                  |
| New process for improving safety             | 0.793          |      |      |                  |
| Introducing new management tools             | 0.811          |      |      |                  |
| Business survival                            |                |      |      |                  |
| Maintaining positive cash flow               | 0.835          |      |      |                  |
| Maintaining number of employees              | 0.825          |      |      |                  |
| Operating continuously                       | 0.833          |      |      |                  |

3.3. Data Analysis

We applied partial least squares (PLS), a component-based structural equation modeling (SEM), for data analysis and model testing in this study. SEM analysis is used to analyze the link among latent variables (endogenous and exogenous) and identifies indicator variables simultaneously [61,62]. In addition, SEM is more efficient and more accurate since it can simultaneously execute factor analysis and regression analysis. However, since the character of SEM analysis is a confirmatory theory, identifying the causal relationship among variables requires a solid theoretical foundation from previous research. Therefore, the preliminary model proposed in this study was built based on theory and prior research described in the literature review.

3.4. Reliability and Validity

The reliability of the research instrument was evaluated by composite reliability (CR) and Cronbach’s alpha value. Meanwhile, to assess validity, this study used discriminant and convergent validity. Latent variables with CR and Cronbach’s alpha value above 0.70 are reliable. Convergent validity was assessed by the average variance extracted (AVE),
which should be above the cut-off value of 0.50. Furthermore, discriminant validity was decided using the square root of AVE values, which should be greater than correlations between constructs. The results in Tables 1 and 2 point out that reliability and validity statistics were acceptable for all variables.

| Construct                                | GS  | ESE | MI  | PI  | BS  |
|------------------------------------------|-----|-----|-----|-----|-----|
| Government support (GS)                  | 0.702 |     |     |     |     |
| Entrepreneurial self-efficacy (ESE)      | 0.602 | 0.739 |     |     |     |
| Marketing innovation (MI)                | 0.492 | 0.621 | 0.734 |     |     |
| Process innovation (PI)                  | 0.538 | 0.633 | 0.595 | 0.649 |     |
| Business survival (BS)                   | 0.504 | 0.605 | 0.583 | 0.535 | 0.775 |

4. Research Results

4.1. Respondent Profile

The owner or managers of SME restaurants in this study (see Table 3) are dominated by males (73.3%), with a majority range of age 31–50 years old (63.3%). The domination of males as owners or managers in SMEs is typical of SMEs in Indonesia [63]. The majority of the respondents can be categorized as a productive age group and with the potential to have a lot of ideas to drive their business survival since those groups are considered more adapted to business environmental change [14,58]. In terms of income, the majority is below 30 million IDR/month (65%), with the most experience in business being under ten years (74.2%). Experience is important in business, and because of their experience, they can solve business problems in uncertain conditions [64]. In addition, most of the respondents had graduated from senior high school (47.5%), followed by undergraduate (30%). Based on the educational background, we can consider that the majority of respondents are from a well-educated group and have the ability to learn new methods and technology to survive [64].

| Demographic Profile | Frequency | Percentage (%) |
|---------------------|-----------|----------------|
| **Gender:**         |           |                |
| Male                | 88        | 73.3           |
| Female              | 32        | 26.7           |
| **Age (year):**     |           |                |
| 20–30               | 23        | 19.2           |
| 31–40               | 40        | 33.3           |
| 41–50               | 36        | 30.0           |
| >50                 | 21        | 17.5           |
| **Income (Indonesian Rupiah):** | | |
| <20 million/month   | 27        | 22.5           |
| 20–50 million/month | 51        | 42.5           |
| 51–70 million/month | 22        | 18.3           |
| >70 million/month   | 20        | 16.7           |
| **Education:**      |           |                |
| Elementary          | 10        | 8.3            |
| Junior High School  | 17        | 14.2           |
| Senior High School  | 57        | 47.5           |
| Bachelor Degree     | 36        | 30.0           |
Table 3. Cont.

| Demographic Profile | Frequency | Percentage (%) |
|---------------------|-----------|----------------|
| Business experience (years): | | |
| <5 | 39 | 32.5 |
| 5–10 | 50 | 41.7 |
| 11–15 | 21 | 17.5 |
| >15 | 10 | 8.3 |

The majority of respondents come from small enterprises (have 10–20 workers) based on the SMEs category in Indonesia [14]. In terms of ownership, the majority of respondents said that they are the single owner of their business (see Table 4). We can consider that all SMEs in this study are independent SMEs since there is no chain restaurant as a sample in this study. The behavior of independent restaurants facing the crisis will be different from national chain restaurants [65]. In general, the SME restaurants in this study have received government support during the COVID-19 pandemic. For the type of financial support, the majority of the respondents (80%) received working capital aids. In terms of technical support provided by the government, all respondents (100%) said that they received training for innovation, particularly training in digital marketing. As for the policy support, 70% of respondents received interest subsidy and 65% of respondents received credit extensions.

Table 4. Business profile of respondents.

| Business Profile | Frequency | Percentage (%) |
|------------------|-----------|----------------|
| Number of employees | | |
| <10 people | 21 | 17.5 |
| 10–20 people | 79 | 65.8 |
| 20–100 people | 20 | 16.7 |
| Ownership: | | |
| Self-ownership | 76 | 60 |
| Joint between 2–3 owners | 44 | 40 |
| Chain of national brand | - | - |
| Type of financial support received * | | |
| Working capital | 97 | 80.8 |
| Payment reduction for electricity | 38 | 31.7 |
| Employee salary subsidy | - | - |
| Other financial aid | 47 | 39.2 |
| Type of technical support received * | | |
| Training for innovation | 120 | 100 |
| Tools and equipment | 67 | 55.8 |
| Raw material | 13 | 10.8 |
| Type of policy support received * | | |
| Tax reduction | 26 | 21.7 |
| Credit extension | 78 | 65 |
| Interest subsidy | 84 | 70 |

* Respondent may chose more than one option.

There are several types of government support for SMEs. According to Razumovskaia et al. [66], to support SMEs during the COVID-19 crisis, the government can provide policies such as tax reduction to all taxes for six months, credit payment extension for the next six months, and insurance premium holiday. In the Saudi Arabia context, the package provided by the government to support SMEs during the COVID-19 crisis includes the suspension of government tax payments, fees, and others to provide liquidity to the
private sector and an increase in available financing through the National Development Fund [67]. In Bangladesh, the government supports SMEs by allocating a lump sum of cash for two months especially for those who work in tourism, farmers, wholesalers, retailers, and homemaker businesses [68]. In this case, the government support for SMEs’ survival during the COVID-19 crisis in Indonesia can be considered more comprehensive compared to other countries since government support in Indonesia is not only focused on financial assistance.

4.2. Structural Model

Structural model evaluation tests hypotheses and measures the goodness of fit (GoF) of a research model. The initial stage of structural model analysis is looking at the value of R2, Q2 predictive relevance, and goodness of fit (GoF). R2 describes the amount of variance of the construct described by the model. Q2 predictive relevance is used to measure how well the structural model generates the observed value. Finally, the goodness of fit is used to evaluate measurement models and structural models. The data in this study were analyzed using SmartPLS. The bootstrap procedure was used with 5000 repetitions to evaluate the path coefficient. In this study, the predictive power of each construct constructor is indicated by R2. The result shows that R2 Marketing innovation: 0.42, R2 Process innovation: 0.38, and R2 Business survival: 0.54. All R2 values were categorized as moderate predictive power [59,61]. The predictive relevance Q2 results obtained a value of 0.46. A value of Q2 > 0 explains that the exogenous latent variable as the explanatory variables can predict the endogenous latent variables [59,61]. The last stage for evaluating the structural model is calculating the overall fit index value using the goodness of fit formula. The results of the GoF assessment obtained are 0.630. Following Hair et al. [59], if the GoF value is >0.36, the research model is categorized as a good fit.

4.3. Hypothesis Testing

Hypothesis testing was implemented to determine the relationship among each construct used in this study. The relationship between latent variables (exogenous and endogenous) can be seen in Table 5. To decide the significant impact between exogenous and endogenous variables, we assess the p-value. Suppose the p-value is less than 0.05 (p-value < 0.05), it can be considered that two variables have a significant relationship. The strength of the link among constructs can be seen from the path coefficient ($\beta$) (see Table 5).

| Hypotheses                  | $\beta$ | SE   | p-Value | Result |
|-----------------------------|---------|------|---------|--------|
| H1 Government support $\rightarrow$ Marketing innovation | 0.321   | 0.078| 0.003   | Supported |
| H2 Government support $\rightarrow$ Process innovation | 0.224   | 0.079| 0.003   | Supported |
| H3 Entrepreneurial self-efficacy $\rightarrow$ Marketing innovation | 0.482   | 0.066| 0.001   | Supported |
| H4 Entrepreneurial self-efficacy $\rightarrow$ Process innovation | 0.470   | 0.068| 0.001   | Supported |
| H5 Entrepreneurial self-efficacy $\rightarrow$ Business survival | 0.546   | 0.064| 0.000   | Supported |
| H6 Marketing innovation $\rightarrow$ Business survival | 0.418   | 0.072| 0.001   | Supported |
| H7 Process innovation $\rightarrow$ Business survival | 0.542   | 0.064| 0.000   | Supported |

Note: $R^2$ Marketing innovation: 0.42, $R^2$ Process innovation: 0.38, $R^2$ Business survival: 0.54.

SEM analysis in this study allowed the researchers to examine the relationship between exogenous and endogenous latent variables. Tests can be carried out on direct and indirect effects. The path coefficient reflects the direct effect among variables. A direct effect occurs when the exogenous latent variable affects the endogenous latent variable without being mediated or influenced by an intermediary variable. In contrast, the indirect effect is the effect of exogenous latent variables on endogenous latent variables mediated by intermediary variables. Next, it demonstrates the direct and indirect effects of government support and entrepreneurial self-efficacy on innovation and business survival.
4.4. Analysis of Direct Effects

The results show that there is a positive and significant relationship between government support and marketing innovation ($\beta = 0.321$, $p$-value = 0.003) as well as between government support and process innovation ($\beta = 0.224$, $p$-value = 0.003). Therefore, in this study, H1 and H2 are accepted. It implies that the support by the government has a direct impact on both marketing innovation and process innovation of SME restaurants. Furthermore, the outcomes of this study also demonstrate that entrepreneurial self-efficacy has a positive and significant relationship with marketing innovation ($\beta = 0.482$, $p$-value = 0.001), process innovation ($\beta = 0.470$, $p$-value = 0.001), and business survival ($\beta = 0.546$, $p$-value = 0.000) directly. Based on these results H3, H4, and H5 are accepted, respectively. Business survival itself, besides the influence of entrepreneurial self-efficacy, is also directly affected by the variable of marketing innovation ($\beta = 0.418$, $p$-value = 0.001) and process innovation ($\beta = 0.542$, $p$-value = 0.000); hence H6 and H7 in this study are accepted. To analyze the explanatory power, this study used the R2 value. Regarding the value of R2, the study found that R2 for marketing innovation was 0.42, process innovation was 0.38, and business survival was 0.54.

4.5. Analysis of Indirect Effects

Indirect effect analysis was used to analyze the impact of government support on SME business survival. In this case, the indirect effect of government support on business survival was examined by both marketing innovation and process innovation. The result of this study found that government support affects both marketing innovation and process innovation significantly, and marketing innovation and process innovation affect business survival significantly. It can be concluded that government support has an impact on the business survival of SME restaurants indirectly. Furthermore, the indirect effects of government support on business survival were considered by multiplying each path coefficient [69,70], from government support to business survival: government support $\leq$ marketing innovation $\leq$ business survival = $(0.321) \times (0.418) = 0.134$; government support $\leq$ process innovation $\leq$ business survival = $(0.224) \times (0.542) = 0.121$. Therefore, the total indirect effect of government support on business survival was 0.255.

5. Discussion and Contributions

This study confirms previous research on the critical role of government in increasing the competitiveness of SMEs. In the situation of a pandemic where SME restaurants are most affected, government support is needed to maintain the sustainability of SMEs. Compared to the prior financial crises of 2008, the current COVID-19 crisis is more serious. It has created severe communal and economic concerns at all levels, including social aversion, occupational risk, supply chain failures, lockdowns, and issues linked with deglobalization [71]. For example, in Indonesia, nearly 60 percent of firms reported that at least half of their employees have been unable to go to their workplace due to government restrictions. This situation has led to a severe reduction in business operations, especially for SMEs [72]. Without the government’s support, it is very difficult for SMEs to survive during the COVID-19 crisis, according to Razumovskaja et al. [66]. On the other hand, research conducted by Nurunnabi [67] found that government support is relatively effective in making sure that SMEs survive.

In this study, government support proved to significantly affect marketing innovation and process innovation at small and medium-sized restaurants. The results of this study support the previous findings that the limitations of SMEs in carrying out innovation can be overcome by collaborative networks [9,73]; one of them is collaborating with the government. The findings of this study are also in line with previous studies, which prove that government support can assist SMEs in implementing marketing and process innovation [11,74]. It means, in both ordinary circumstances and a crisis, government assistance can positively affect SME innovation. For example, in the time of crisis due to
the COVID-19 pandemic, where people have to carry out social distancing, government assistance to small and medium restaurants may save them from bankruptcy.

Based on the loading factor (see Table 1), government support that has the most influence on the innovation of small and medium restaurants is financial assistance (0.812), followed by technical assistance (0.853). The shortage of cash flow is the second biggest problem for SME business survival during the COVID-19 crisis in Indonesia [72]. Therefore, financial support from the government is vital. Moreover, government support in the form of financial and technical assistance is most relevant in facilitating marketing innovation and process innovation on small and medium restaurants during the COVID-19 crisis. Therefore, government support in the form of financial aid and technical assistance provided to small and medium-sized restaurants should be directed to facilitate innovation. Previous studies have explained that the problem of SMEs is not only limited financial resources but also the low level of potential for innovation [12,14]. Government support for facilitating innovation will be more beneficial for SMEs. It should be emphasized even more during the COVID-19 pandemic when marketing and process innovation are crucial to business survival.

This study provides empirical evidence in the perspective of SME restaurants, in which marketing innovation and process innovation positively affect business survival. Research conducted by UNIDO [72] highlighted that small and medium-sized enterprises have been hit hardest by the COVID-19 crisis in Indonesia and the drop in market demand is the biggest threat to a company’s economic survival. Therefore, innovation in marketing is vital to the business survival of SMEs during the COVID-19 crisis in Indonesia. So far, research has only focused on product innovation as the most critical innovation in increasing the competitiveness of SMEs [54,74]. In contrast to previous studies, this study focused on how marketing innovation and processes innovation affect the business survival of small and medium restaurants. We argue that the demand for food products still exists in the time of crisis due to the COVID-19 pandemic. However, consumers have difficulty accessing the product because of the lockdown in the city. In this case, marketing and process innovation are more important rather than product innovation. Thus, this study successfully proves that small and medium restaurants need both marketing and process innovation to survive.

Besides government support, innovation in SME restaurants is also affected by the entrepreneurial self-efficacy of owners or managers. This study succeeds in explaining the relationship between government support, entrepreneurial self-efficacy, and innovation in influencing the business survival of SME restaurants in the time of crisis. In the competitive situation, SMEs with stronger entrepreneurial self-efficacy tend to be more innovative. Research by Maritz et al. [75] highlighted that, during the COVID-19 crisis, entrepreneurs respond to the situation with more resilient new business models. Accordingly, resilience is required for small businesses to survive during a crisis such as the COVID-19 pandemic. In the Australian context, the role of entrepreneurial initiatives is as a catalyst to growth. A study in the Ghanaian SME food processing industry conducted by Li et al. [76] reported that entrepreneurial orientation affects enterprise performance during the COVID-19 pandemic. Enterprise performance leads to the business survival of SMEs in the Ghanaian food processing industry. In addition, research conducted by Sardar et al. [77] found that, in the Pakistan micro-enterprise context, entrepreneurial activity can be increased through ICT and using ICT for marketing can help entrepreneurs survive during lockdowns. In the Pakistan micro-enterprise case, entrepreneurial self-efficacy influences the business survival of micro-enterprises through innovation activities.

The role of entrepreneurship in difficult times is crucial because leaders of many companies are being forced to innovate and even change their business models. The study conducted by Noreña-Chavez and Guevara [78] concluded that entrepreneurial self-efficacy can be an essential factor affecting innovative behavior during a crisis such as a pandemic. Likewise, during an economic crisis, strong entrepreneurial self-efficacy allows SME owners or managers to fight against the crisis by implementing innovations. This
study proves a positive influence between entrepreneurial self-efficacy and innovation, both marketing innovation and process innovation. This result is in line with the research conducted by De Jong and Marsili [79] and Laforet and Tann [80] that emphasized the importance of entrepreneurial self-efficacy in creating an innovative environment.

This study contributes to the theory by establishing the body of knowledge related to the positive link between government support and innovation in the perspective of SME restaurants in developing countries. The findings of this study can solve some controversies about the effectiveness of government support on SMEs’ business survival. Furthermore, this study succeeded in developing a model of SMEs’ business survival during pandemic crises by integrating external factors (government support) and internal factors (entrepreneurial self-efficacy) through marketing and process innovation. Thus, this study also contributes to validating factors affecting the business survival of small and business restaurants in the context of the pandemic.

There are several policy recommendations as practical contributions of this study. First, in the time of crises, SMEs need more support from the government mainly to increase innovation capability. Government support is vital for SMEs’ business survival as long as the types of support are appropriate to the need of SMEs. In this case, it will be better if financial support and technical support for SMEs are allocated exclusively to facilitate marketing and process innovation. It can be done by providing training to increase innovation capabilities such as digital marketing, creative thinking, and problem solving. Second, since the business survival of small and medium restaurants is directly affected by innovation and entrepreneurial self-efficacy, it is important to strengthen both innovation capability and entrepreneurial self-efficacy. The role of entrepreneurial self-efficacy in business survival is more substantial than other variables. Therefore, it is recommended for government to prioritize focusing support on strengthening the entrepreneurial self-efficacy of SME owners and managers. It can be done by entrepreneurship coaching programs, mentoring, or other training to improve the entrepreneurial self-efficacy of SME restaurant owners or managers.

6. Conclusions, Limitations, and Future Research

Our study attempted to explain the effectiveness of government support on SMEs, particularly SME restaurants in the time of crisis due to the COVID-19 pandemic. It is imperative since the business survival of SMEs becomes one of the government responsibilities since SMEs have a significant role in reducing unemployment and poverty in the country. This study wholly explained the factors affecting the business survival of SME restaurants in Indonesia as an emerging market country. The impact of government support and entrepreneurial self-efficacy on innovation and business survival of SME restaurants was proven in this study. All hypotheses proposed in this study are accepted. Government support effectively influences the business survival of small and medium-sized restaurants. However, in this study, the effect of government support on business survival is mediated by both marketing innovation and process innovation.

Even though this paper succeeds in answering the study’s objective, this study still has limitations that can be improved in future research. First, because of lockdown and social distancing, the sample was collected through an online survey, and thus it was impossible to conduct an in-depth interview. Information from in-depth interviews is important to form a detailed explanation of the statistical result. Second, the number of samples and locus of study could be expanded. At the beginning of the spread of COVID-19 in Indonesia, Jakarta and its surroundings became the epicenter of COVID-19. Now, another province has higher COVID-19 cases than Jakarta. Characteristics of the business environment and consumer behavior are different between Jakarta and other provinces. Characteristics of SMEs are also varied between rural and urban areas, and thus the result of this study needs to be improved by expanding the data.

There are several implications of this study for practitioners. First, innovation is needed by small and medium-sized restaurants to compete with their competitors and
survive in a time of crisis, including the COVID-19 pandemic. Therefore, the culture of innovation should be built in SMEs. Second, we realized that innovation needs resources; meanwhile, in general, SMEs lack resources. This study encourages SME owners and managers to collaborate with other institutions, including government, university, and research institutions to be more innovative. In this case, the owners and managers of SMEs should improve their entrepreneurial self-efficacy. SMEs can also utilize open innovation as a source of innovation to build their competitiveness.

Given the limitation of this study, there is some possible area for future research. We conducted this study during the COVID-19 pandemic by online survey. The result of this study can be followed by conducting an offline survey through an in-depth interview after the COVID-19 pandemic. Such research can validate the effect of government support and entrepreneurial self-efficacy on the business sustainability of SMEs after the crisis. Furthermore, it will be beneficial to discover different factors and strategies to maintain business survival in crises. The role of demographic factors of owners such as gender and educational background can also be explained more in future research.

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