

Analysis of Influencing Factors Development of Micro and Small Enterprises in the City of Pare-Pare

Awal yanto¹, Madris², Sabir³

^{1, 2, 3}Economics of resource economy, Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia

Abstract— Some of the main problems found based on observations of small business actors in Parepare City, the authors found information that the income of small business actors in Parepare City tends to decrease along with increasing the number of other small businesses so that competition is also getting tougher among MSEs in Parepare City. The purpose of this study is to describe the assumption that various types of variables that are considered the most influential on the income of MSEs in Parepare City include the amount of business capital, length of business, number of workers, working hours, type of business, business location and methods of marketing business results. This study used a quantitative approach, which is a traditional method that has often been used as a research method. The type of research conducted is explanatory research which aims to explain the causal relationship between variables, which is carried out by verification tests to test hypotheses that have been formulated previously based on empirical data. The research location is in Parepare City, South Sulawesi Province. While the type of data is primary data and secondary data and the source of the data is UMK actors in the city of Parepare. The results showed: 1). Variables of business capital, length of business, labor, type of business, business status, source of capital, business location and marketing methods to income simultaneously. 2). Variables of labor, sources of capital, and business location have a significant effect on income partially. Meanwhile, business capital, length of business, type of business, business status and marketing methods do not have a significant effect on income partially. And the variable that has the highest level of significance is labor. 3). Income variable has a significant influence on business development either simultaneously or partially.

Keywords— Business Capital, Length of Business, Manpower, Type of Business, Business Location, Marketing Method and MSE in Parepare City.

I. INTRODUCTION

The business sector is one sector that has an important role in the economy of every country, including Indonesia. One of the fastest growing business sectors in Indonesia is Micro and Small Enterprises (UMK). Ease of doing business is one of the main factors for the rapid growth of MSEs (Fahrurrozi, 2018). The results of the 2016 economic census show that micro and small enterprises (UMK) dominate the number of businesses in Indonesia, amounting to 26.07 million businesses or 98.68% of the total non-agricultural businesses (Ahmad, 2017). In 2018, the number of MSEs in Indonesia increased to 64.13 million businesses or 99.90% of the total MSEs in Indonesia.

Micro and Small Enterprises (UMK) in Indonesia have proven their role in the national economy, especially in aspects such as increasing employment opportunities, income distribution, rural economic development and increasing non-

oil and gas exports. However, the development of MSEs to date has been very slow. One of the causes of the lack of success of the MSE development program in Indonesia is that the orientation of government policy programs lies more on the "social aspect" rather than the "economic or business aspect".

During the current pandemic, the sluggish economy has forced many businesses to go out of business. Termination of employment is one way for companies to reduce operational costs due to being affected by Covid-19. The high number of layoffs makes people compete to set up small businesses, to deal with the impact of Covid-19 on their economy.

Capital is considered to have a linear effect on the income of a business (Suprihatmi & Susanti 2017). Business capital or what is often called investment is an expenditure to buy production equipment, capital goods that aim to increase capital in economic activities that are used to produce goods and services (Sukirno, 2000). A business will need capital continuously to develop a business that becomes a liaison for tools, materials and services used in production to obtain sales results (Ahmad, 2004). If capital and labor increase, productivity and income will also increase (Sukirno, 2009).

Another factor that also affects income is the length of business. The length of business is the length of time the trader has worked in the trading business that is currently being undertaken. The duration of a business can lead to a business experience, where experience can affect a person's observations of behavior (Sukirno, 2009). The duration of opening a business can affect the level of income, the length of time a business person has been in his line of business will affect his productivity (professional ability), so that it can increase efficiency and be able to reduce production costs which are smaller than sales results. In addition to capital and length of business, other factors that also affect income are several factors such as labor, hours of work and type of business which are also considered to have a great influence on income.

Based on the results of observations made to several small business actors in Parepare City with the interview method, the authors found information that the income of small business actors in Parepare City tends to decrease along with increasing the number of other small businesses so that competition is also getting tougher among MSEs in Parepare City.

The results of initial observations also show that there are various types of variables that are considered the most influential on the income of MSEs in Parepare City, including the amount of business capital, length of business, number of

workers, hours of work and type of business. This is in line with several theories that have been described previously. On the basis of the initial information obtained related to the theory, the authors are interested and feel it is important to conduct research related to MSE income in Parepare City which is influenced by business capital, length of business, labor, working hours and type of business.

II. LITERATURE REVIEW

A. *Micro, small and medium business (MSME)*

The definition of MSMEs in general according to Article 1 paragraph 3 of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises that is meant is:

a. *Micro business*

The criteria for the Micro Business group are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law and meet the following criteria: 1) Have a net worth of at most IDR 50,000,000 excluding land and business location building, 2) Have annual sales of a maximum of Rp. 300,000,000.

b. *Small business*

Criteria for Small Business is a stand-alone productive economic business carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled or become a part either directly or indirectly of medium-sized businesses or large businesses that meet the criteria for Small Businesses. as referred to in this Law, besides that, it must also have the following criteria: 1) Have a net worth of more than Rp. 50,000,000 excluding land and buildings for business locations, or 2) Have annual sales of more than Rp. 300,000,000 to with a maximum of IDR 2,500,000,000.

c. *Medium enterprise*

Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become part of either directly or indirectly with small or large businesses with total net assets or sales proceeds. annual business criteria that meet the criteria for medium-sized businesses, namely: 1) Have a net worth of more than Rp. 500,000,000 up to a maximum of Rp 10,000,000,000 excluding land and buildings for business locations; or 2) Have annual sales of more than Rp 2,500,000,000 up to a maximum of Rp 50,000,000,000.

B. *Business Capital*

Capital is the main requirement that must be met in starting a business for both small and large scale businesses. Capital is funds or goods used as a basis for carrying out a job or to help produce other goods needed by humans with the aim of making a profit. Expenditures intended to purchase or acquire new capital goods or to replace old capital goods that are no longer used can also be interpreted as working capital. (Abbas, 2018).

Business capital is one of the factors that affect business income. The results of the Polandos research show that the variable of venture capital has a positive and significant effect

on income. This is also shown in the research conducted by Putra & Sudirman (2015) in their research concluding that business capital and income have a positive and significant relationship to operating income. However, Ratnasari (2017) revealed that venture capital has no significant effect on business success.

C. *Length of Business*

The success of a business is also determined by the experience of the business owner. Business experience can be measured by the length of time the business has been run (Setiaji & Fatuniah, 2018). The length of business is defined as the time that a person has lived in running his business (Putra & Sudirman, 2015). The longer a person does his business, the more mature and appropriate strategies will be in managing, producing and marketing their products (Setiaji & Fatuniah, 2018). The length of business also affects the productivity and expertise of business actors so as to increase production efficiency (Nainggolan, 2016).

Several studies have been conducted to analyze the relationship between income and length of business. The results of the study (Putra & Sudirman, 2015) show that the length of business has a positive and significant effect on income. The significant effect of length of business and income was also found by Setiaji & Fatuniah (2018) and Vijayanti & Yasa (2017) in their research.

D. *Labor*

One of the factors driving the increase in operating income is labor. The definition of manpower is clear in the Basic Manpower Act Number 13 of 2003. In this law manpower is defined as a person who is able to do work both inside and outside the employment relationship in order to produce services or goods to meet their own needs and for the community. Simanjuntak (2001) in Polandos et al. (2019) and Putra & Sudirman (2015) the workforce is grouped into two, namely the labor force and the non-labor force. The labor force is the number of people who offer services for production. Some of them are already active in the activities of producing goods or services, this group is called the working group (employed persons). Those who are ready to work and are trying to find work are called job seekers or unemployed.

Employees or employees recruited to conduct business. Employees also play an important role in the sustainability of a business. Employees should get good service from business owners. If employees feel comfortable working, they can indirectly boost the progress of the business itself. Some companies or business institutions do not hesitate to finance employees to attend training, courses or even further formal education. With activities like this, it is hoped that they will have reliable human resources (HR) for the progress of their business. Expenditure for employee quality improvement activities for the company is an investment (Suhendi & Indra, 2017).

E. *Type of Business*

The type of business or merchandise is the type of goods that will be sold by traders in the market. The types of goods traded vary, including fruits, vegetables or crops, fish and

meat, food and beverages, clothing and accessories, household appliances, basic necessities and others (Metisia Dhika Labara, 2017).

While the relationship between the type of business and income is that the more goods offered, the greater the income earned by business actors or the type of food and beverage business tends to sell quickly and is most sought after by consumers, thus affecting the income earned.

F. Business Status

Business status in this case is related to the availability of permits from a type of business. As it is known that for business licenses there are Trading Business Permits (SIUP) and Direct Selling Business Permits (SIUPL).

The relationship between business status in this case the availability of business licenses on the empowerment of MSEs based on research by Anis Setyaningrum et al. (2013), it was stated that there is an influence between the application of SIUP and the empowerment of MSEs in Malang City. With an explanation that if the MSE has a permit, then the business actor already has legitimacy for his business which can generate the trust of other parties to be able to help increase income or empower the MSE itself.

G. Source of Capital

Capital according to its original source can be described as explained by Noudju, Lidvina (2017), including: Own capital. Own capital is capital obtained from the owner of the company by issuing shares. Shares issued by the company can be done privately and publicly. Foreign Capital (Loans). Foreign capital or borrowed capital is capital obtained from parties outside the company and is usually obtained from loans. Each of these sources of capital has its advantages and disadvantages.

H. Business Location

The location of the business is a source of excellence in competition because it affects all aspects of the business world. Location is a place to serve consumers, can also be interpreted as a place to display merchandise. (Kasmir, 2009).

The location of the business will affect the amount of profit. Locations in crowded places will provide opportunities to attract consumers. Location is also able to affect the amount of profit based on expenses. Locations that are close to sources of production materials and have high access and mobility will be different from business locations that are in remote areas and do not have access to business locations.

I. Marketing Method

A marketing method or strategy is a step that must be taken by every company or organization in determining and establishing a plan for follow-up in achieving goals, both technically and when it is achieved in increasing organizational income. Strategy is how to reach the market, not only to win the market, but also to be sustainable in the marketing process. The strategy is directly related to the community as consumers and competitors who always compete in the market. (Eva Septia & Samsul Anam, 2020).

Therefore, marketing is one of the main activities carried out by entrepreneurs for their business, in order to maintain the viability of the company and the development of its business and earn profits. Success or failure in achieving goals depends on the ability and expertise in the field of marketing. The essence of a business is service and service, meaning that whatever the form of business, business structure and business focus must have a vision of a service-oriented business, because the goods or services produced will be handed over to consumers while what is done by producers is service (Siti Nur Puji Rahayu, 2003). 2018).

J. Business Development

Development is the process of analytical preparation of potential growth, support and monitoring of the implementation of business growth opportunities, but does not include strategic decisions and implementation of business opportunities. Business development is the company's ability to increase size. In other words, business development is the company's ability to increase the size of the company through increasing revenue (Siti Nur Puji Rahayu, 2018).

Business development according to Beaver and Ketter is as an annual change of total income. These changes can be seen through the increase in the company's income from each period. Brigham and Houston define business development as a change in income, the number of employees and an increase in the number of sales. This can be seen from the increase in revenue to increase the size of the company (Siti Nur Puji Rahayu, 2018).

III. METHODS

In this research, a quantitative approach is used, which is a method of traditional method that has often been used as a research method. The type of research that carried out is an explanatory research that aims to explain the causal relationship between variables, a verification test is carried out to test the formulated hypothesis previously based on empirical data. This study determined that the level of analysis is business capital, length of business, labor, type of business, business status, source of capital, location business and marketing methods and their impact on business development, while the analysis is MSMEs located in the City of Parepare.

Multiple Linear Regression is a multiple regression model if the dependent variable is scale interval or ratio data (quantitative or numeric). While the independent variables in general also scales interval or ratio data. However, there is also linear regression where the independent variable using a nominal or ordinal data scale, which is more commonly referred to as data dummy. So, such a linear regression is called a linear regression with dummy variable (Anwar Hidayat, 2022).

Structural Equation:

$$Y_1 = \beta_{y_1x_1}X_1 + \beta_{y_1x_2}X_2 + \beta_{y_1x_3}X_3 + \beta_{y_1x_4}X_4 + \beta_{y_1x_5}X_5 + \beta_{y_1x_6}X_6 + \beta_{y_1x_7}X_7 + \beta_{y_1x_8}X_8 + \epsilon_1$$

Structural Equation:

$$Y_1 = 0.825X_1 + 0.172X_2 + 0.146X_3 + 0.392X_4 + 0.118X_5 + 0.349X_6 + 0.151X_7 + 0.145X_8$$

$$\epsilon_1 = \sqrt{1 - 0.234} = 0.766$$

Information:

- X₁ : Business Capital
- X₂ : Length of Business
- X₃ : Labor
- X₄ : Type of Business
- X₅ : Business Status
- X₆ : Source of Capital
- X₇ : Business Location
- X₈ : Marketing Method
- Y₁ : Business Development
- ε₁: √1-R₂

Influence Calculation:

Direct Effect (Direct Effect or DE)

To calculate the direct effect, the following formula is used:

1. The effect of working capital on income (X₁#Y₁= 0.825).
2. The effect of length of business on income (X₂#Y₁= 0.172).
3. The effect of labor on income (X₃#Y₁= -0.146).
4. The effect of type of business on income (X₄#Y₁= -0.392).
5. The effect of business status on income (X₅#Y₁= 0.118).
6. The effect of capital sources on income (X₆#Y₁= -0.349).
7. The effect of business location on income (X₇#Y₁= 0.151).
8. Effect of marketing method on revenue (X₈#Y₁= -0.145).

IV. ANALYSIS AND DISCUSSION OF RESULT

By using the SPSS program in the process of calculating path analysis between independent variables on the dependent variable.

TABLE 1. Regression Analysis Test Results

	Coefficients ^a		Model		
	B	Std. Error	Beta	Unstandardized Coefficients	Sig.
(Constant)	.316	.148		2.132	.036
Venture capital	.575	.056	.825	10.345	.000
Length of business	.124	.055	.172	2.279	.025
Labor	-.094	.041	-.146	-2.264	.026
Type of business	-.255	.051	-.392	-4.985	.000
Business status	.088	.050	.118	1.754	.083
source of capital	-.219	.047	-.349	-4.685	.000
Business location	.337	.168	.151	2.006	.048
Marketing method	-.208	.099	-.145	-2.103	.038

a. Dependent Variable: business development Source: SPSS Appendix

Coefficient of Determination Test Results

The coefficient of determination is used to test the goodness-fit of the regression model (Imam Ghozali, 2011):

TABLE 2. Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 ^a	.660	.630	.19130

Predictors: (Constant), marketing method, business status, type of business, workforce, source of capital, business location, length of business, business capital. testing the research hypothesis.

Based on table 2 above, the adjusted R² figure is 0.660. This figure is used to see the magnitude of the influence of the variables of venture capital, length of business, labor, business status, business location, source of capital, and marketing methods simultaneously on business development by

calculating the coefficient of determination (KD) using the following formula:

$$KD = R^2 \times 100\%$$

$$KD = 0.660 \times 100\%$$

$$KD = 66\%$$

It explains that the influence of the variables of venture capital, length of business, labor, business status, business location, source of capital, and marketing methods simultaneously on business development is 66%, while the remaining 43.2% is influenced by other variables outside of this study.

F and T. Test Results

The F statistical test basically shows whether all independent or independent variables included in the model have a joint effect on the dependent / dependent variable (Imam Ghozali, 2011). The criteria used are if the probability > 0.1 then H₀ is accepted, otherwise if the probability is < 0.1 then H₀ is rejected.

TABLE 3. F. Test Results ANOVA^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.460	8	.807	22.065	.000 ^b
	Residual	3.330	91	.037		
	Total	9.790	99			

a. Dependent Variable: business development

b. Predictors: (Constant), marketing method, business status, type of business, workforce, source of capital, business location, length of business, business capital

Based on the table above shows that the F test results obtained a significance of 0.000b. Because the probability value is < 0.1, it can be concluded that simultaneously the variables of business capital, length of business, labor, business status, type of business, source of capital, and marketing methods have a significant influence on income.

The dependent variable is influenced by this independent variable based on research conducted by: Muzaen Indah Widamurti (2015) where her research concludes that business capital and working hours affect the income level of industry players in Kebumen Regency. Then the research journal Fathul Bari (2017) concludes in his research that the amount of capital greatly influences the amount of increase in the income of traders and the length of the trading business that is pioneered also affects the amount of income and the length of opening a business in one day also determines the income earned by the trader, so it can be concluded that capital, length of business and working hours have a significant influence.

1. The influence between business capital and business development Based on table 4, it shows that from the T test results, the business capital variable has a significance value of 0.00 which means it is smaller than 0.1, thus H₀ is rejected and partially the business capital variable has a significant influence on business development.

2. The influence between the length of the business and the development of the business Based on table 4, it shows that from the T test results, the length of business variable has a significance value of 0.025, which means it is greater than

0.1, thus H0 is rejected and partially the length of business variable has a significant influence on business development.

TABLE 4. T . Test Results Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.316	.148		2.132	.036
Venture capital	.575	.056	.825	10.345	.000
Length of business	.124	.055	.172	2.279	.025
Labor	-.094	.041	-.146	-2.264	.026
Type of business	-.255	.051	-.392	-4.985	.000
Business status	.088	.050	.118	1.754	.083
source of capital	-.219	.047	-.349	-4.685	.000
Business location	.337	.168	.151	2.006	.048
Marketing method	-.208	.099	-.145	-2.103	.038

Dependent Variable: business development

variable has a significant influence on business development.

V. CONCLUSION

From the discussion that has been described above and based on data obtained from research as has been discussed in this study, it can be concluded as follows: Variables of business capital, length of business, labor, type of business, business status, sources of capital, business location and marketing methods have an influence on business recording. For researchers who research with related titles, it is recommended: (1) Adding other variables that have not been studied in this study, as well as adding the latest theories related to the research title. (2) For MSE actors, especially in Perumnas, Bacukiki District, Parepare City, based on the results of the research on the variables have the most significant test results are the variables of venture capital, type of business, and source capital. Therefore, it is recommended to increase turnover, the perpetrators need to pay attention to these three things, namely the amount of capital will affect turnover obtained, the type of business involved is also very influential on turnover and resources capital also has a significant influence on business development because directly related to the turnover of capital.

REFERENCES

- [1] Abbas D. 2018. The effect of venture capital, market orientation, and entrepreneurial orientation on the performance of Makassar City SMEs. *Journal of Minds: Management of Ideas and Inspiration* 5(1): 95-112.
- [2] Anis Setyaningrum, Abdul Hakim, Sukanto. 2013. Effectiveness of Enforcement of Trading Business Permit (SIUP) for Small Business Empowerment. *Journal of Public Administration* 1(5): 927-933.
- [3] Ahmad, Y & Sri, M., 2017. Opportunities and Challenges of Developing Micro, Small and Medium Enterprises (MSMEs) from Various Economic Aspects. *Scientific Journal of Management and Business*, 2(1), 181-197.
- [4] Ahmad, Kamaruddin. 2004. *Fundamentals of Investment and Portfolio Management*. Jakarta: Rineka Cipta.
- [5] Eva Septia, Samsul Anam, 2020. Marketing Strategy to Increase Revenue at UD Sumber Abadi Kademangan, Blitar Regency. *Journal of Applied Management Research (PENATARAN)* 5(1): 66-80.
- [6] Fahrurrozi M. 2018. Supporting Ease of Doing Business for Micro, Small, and Medium Enterprises with Legal Entities with the Idea of Establishing a Limited Liability Company by a Sole Shareholder. *Journal of Rechts Vinding: Media for National Law Development* 7(3): 445-464.
- [7] Fathul Bari. 2017. The Effect of Capital, Business Length and Working Hours on the Income of Traders Around the Biharu Bahri'asali Islamic Boarding School Fadlailir Rahmah in Sananrejo Village, Turen District, Malang Regency. *Scientific Journal of Brawijaya University*.
- [8] Ghozali, Imam. 2011. *Application of Multivariate Analysis With SPSS Program*. Semarang: Diponegoro University Publishing Agency.
- [9] Kasmir, 2009. *Entrepreneurship*. Jakarta: PT. RajaGrafindo Persada.
- [10] Muzaen Indah Widamurti. 2015. Effect of Capital, Labor, Hours of Work and Length of Business on Income of Tile Industry Players in Kebumen Regency.
- [11] Nainggolan R. 2016. Gender, education level and length of business as determinants of MSME income in Surabaya. *Performance* 20(1-12).
- [12] Polandos PM, Engka DS, Tolosang KD. 2019. Analysis of the Effect of Capital, Length of Business, and Number of Workers on Income of Micro, Small and Medium Enterprises in East Langowan District. *Scientific journal of efficiency* 19(04): 36-47.
- [13] The son of IPD, Sudirman IW. 2015. The effect of capital and labor on income with length of business as a moderating variable. *E-Journal of Development Economics, Udayana University* 4(9): 1110-1139.

- [14] Regulation of the Minister of Trade of the Republic of Indonesia Number: 32/M-DAG/PER/8/2008 concerning the Implementation of Trading Business Activities with a Direct Selling System.
- [15] Ratnasari AD. 2017. Analysis of the factors that influence the success of an online shop business in the city of Samarinda. *Journal of Business Administration* (1). 5(122-134.
- [16] Setiaji K, Fatuniah AL. 2018. The effect of capital, length of business and location on the income of market traders after relocation. *Journal of Economics and Business Education (JPEB)*. 6(1): 1-14.
- [17] Simanjuntak, J, Payaman. 2001. *Introduction to Human Resource Economics*. Jakarta: FE-UI Publishing Agency.
- [18] Sukirno, Sadono. 2000. *Modern Macroeconomics*. Jakarta: Rajawali Press.
- [19] Sukirno, Sadono. 2009. *Microeconomic Theory Introductory Third Edition*. Jakarta: Rajawali Press.
- [20] Suprihatmi S, Susanti R. 2017. The Effect of Working Capital, Assets, and Sales Turnover on Profits of Catering SMEs in the Surakarta Region. *Exploration* 29(2): 194-207.
- [21] Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises
- [22] Vijayanti MD, Yasa IGWM. 2017. The effect of length of business and capital on income and business efficiency of basic food traders in the Kumbasari market. *E-Journal of Development Economics*, Udayana University 5(12): 1539-1566.
- [23] Noudju, Lidvina. (2017) *Analysis of the Efficiency of Using Working Capital in CV. Kupang Idea*. Diploma thesis, Unika Widya Mandira.
- [24] Suhendi, Indra Sasangka. 2014. *Introduction to Business*. Bandung : Alfabeta.
- [25] Riyani, Eva. (2014). *Factors Affecting Micro Business Income in West Aceh District*. Teuku Umar University. Meulaboh, West Aceh.
- [26] Junianto. (2018). *Effect of Capital, Length of Business and Human Resources on Income of Tempe Entrepreneurs in Rantau Rasau District*. Sulthan Thaha Saifuddin State Islamic University, Jambi.
- [27] Metisia Dhika Labara, (2017). *The Effect of Working Capital and Type of Business on the Net Income of Street Vendors in an Islamic Economic Perspective (Study on Street Vendors at Way Hali Market, Bandar Lampung)*. Raden Intan State Islamic University Lampung
- [28] Siti Nur Puji Rahayu, (2018). *Factors Influencing Convection Abu Bakar Business Development (Case Study of Convection Abu Bakar 22 Hadimulyo Barat, Metro Pusat)*. Metro State Islamic Institute
- [29] Annisa Putri Nauli. (2018). *Business license*. Sriwijaya University Indralaya Campus.