

UDC 332

## **THE EFFECT OF OWN CAPITAL, ENTREPRENEURIAL ORIENTATION, AND BUSINESS EXPERIENCES ON MSME'S INCOME: A CASE STUDY OF MSME MEMBERS OF YOGYAKARTA SILVER ENTERPRISES PRODUCTION COOPERATIVES**

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### **ABSTRACT**

This study aims to determine the partial and simultaneous effects of own capital, entrepreneurial orientation, and business experience variables on the income of MSME members of KP3Y (Yogyakarta Silver Entrepreneurs Production Cooperative). Type of this research is causal associative study with a quantitative approach. The population of this research is 45 silver craftsmen of KP3Y members, using 40 respondents spread over Kotagede sub-district, Yogyakarta. The data collection technique is using questionnaires and documentation, then the data analysis in this study uses multiple linear regression. The results of this study are: (1) The effect of own capital on the MSME silver craftsmen income members of KP3Y is not significant, indicated by the value of  $t_{count}$  1,772 and sig. 0.085. (2) There is a significant effect of entrepreneurial orientation on the MSME silver craftsmen income members of KP3Y as indicated by the value of  $t_{count}$  2.052 and sig. 0.048. (3) There is a significant effect of business experience on the MSME silver craftsmen income members of KP3Y, shown by the  $t_{count}$  6,378 and sig. 0.000. (4) The effect of own capital, entrepreneurial orientation and business experience are simultaneously significant on the MSME silver craftsmen income members of KP3Y as indicated by the value of  $F_{count}$  58,649 and sig. 0.000, with a value of  $R$  0.911 and  $R^2$  0.830, which shows that the independent variables (own capital, entrepreneurial orientation, and business experience) are influenced 83% on the MSME silver craftsmen income members of KP3Y, while the other 17% influenced by other variables.

### **KEY WORDS**

Own capital, entrepreneurial orientation, business experience, MSME's income.

MSME's (Micro, Small and Medium Enterprises) are the main drivers in the people's economic system where the products of this people's economics are believed to bring prosperity to most of people in Indonesia. The MSME's in its implementation involves many people and the control of production factors by the community itself. The success of MSME's as a driver of the people's economy is a matter of pride that can be seeded, including MSME's located in the Special Region of Yogyakarta. The existence of MSME's in Special Region of Yogyakarta is increasingly developing into the backbone of the Yogyakarta's economy with a contribution of 95% of regional income. Data from Agency for Regional Development of Special Region of Yogyakarta shows a rapid increase in the number of MSME's in Special Region of Yogyakarta to 259,581 in 2018, which previously was only 248,217 in 2017. The increase in the number of MSME's in Special Region of Yogyakarta is in line with the increase in MSME turnover from year to year. Based on the data from Agency for Regional Development of Special Region of Yogyakarta (2019), the turnover of small businesses in 2018 was an average of IDR 30,975,000.00 increased to IDR 31. 749,188.00 in 2019.

The increasing number of MSME's in Special Region of Yogyakarta is generally in contrast to the silver-crafting MSME's in Kotagede, Yogyakarta. The number of MSME silver craftsmen in Kotagede continues to decrease from year to year. According to research from Pinandito (2019), the number of MSME silver craftsmen in Kotagede in 1960 reached 200 craftsmen, but this number decreased until in 2019 there were only 45 craftsmen. The decrease of silver craftsmens' amount is also in line with the decrease of the turnover of this

business, where a silver craftsman who a few years ago could earn tens of millions of rupiah in one month, nowadays only earn less than 10 million rupiah per month. Silver production activity has also decreased from several years ago which could reach hundreds of grams per week, currently only producing 20-35 grams (Antara News Portal, 2019).

This study aims to find out the factors that affect the income of MSME silver craftsmen, so that the respondents used are the members of KP3Y (Yogyakarta Silver Entrepreneurs Production Cooperative). According to several theoretical studies and previous researches, the factor that affects MSME income in terms of capital is own capital, this is revealed by research conducted by Riawan (2018) which concludes that own capital has a significant positive effect on MSME income. Another aspect that can increase MSME income according to Wiklun (1999) is entrepreneurial orientation, he explains the importance of the influence of entrepreneurial orientation on product marketing, a good entrepreneurial orientation will increase good marketing which can then increase the income and performance of that business. Another factor that can also affect MSME business income is the business experience factor, this is revealed in research conducted by Agustina (2013: 83) which concludes that business experience has a significant positive effect on small business income.

## METHODS OF RESEARCH

The type of this research is causal associative research with a quantitative approach, where this study examines the effect of the variables of own capital, entrepreneurial orientation, and business experience on MSME income (a case study of members of the Yogyakarta silver enterprises production cooperatives). This research is located in Kotagede Subdistrict, Yogyakarta City, Special Region of Yogyakarta with the sample used was 40 silver craftsmen of KP3Y members who were taken randomly. The population in this study are MSME members of the Yogyakarta Silver Enterprises Production Cooperative. Based on data from the cooperative, the total population is 45 silver craftsmen. The sampling technique that will be used is simple random sampling, which is a random sampling technique without regard to the levels or strata contained in the research population (Sugiyono. 2016:82). The formula used to determine the sample size in this study is based on the opinion expressed by Isaac and Michael in Sugiyono (2016):

$$S = \frac{X^2 \cdot N \cdot P \cdot Q}{d^2(N-1) + X^2 \cdot P \cdot Q} \quad (1)$$

Where: S = Number of Sample N; N = Number of Population; P = Q = Proportion in population (P= 0.50); d = Degree of freedom (0.05);  $X^2$  = Table of chi-square value for certain  $\infty$ ; ( $X^2= 3.841$  significance level 95%).

The sample calculation shows the results of 40 samples. So that the sample used in this study were 40 respondents from silver craftsmen of KP3Y members. Data collection techniques in this study using questionnaires and documentations. The questionnaire used was an opened questionnaire and a closed questionnaire. The opened questionnaire was used to measure the variables of own capital, business experience, and MSME income, while the closed questionnaire was to measure the entrepreneurial orientation variable. This study uses descriptive statistical analysis techniques. Descriptive statistical analysis is used to provide an overview of the variables of the respondents' answers. The data obtained from the questionnaire is then analyzed and made a description of each variable. Regression analysis prerequisite test was carried out in this study, which consisted of tests for normality, linearity, multicollinearity, and heteroscedasticity. Hypothesis testing is done with multiple linear regression. The test starts from testing the effect of one independent variable (X) on one dependent variable (Y), the effect of two or more variables (X) simultaneously on one variable (Y), or to find out the coefficient magnitude of influence of the variable (X) on the variable (Y). The line equation of this regression can be written as follows (Sutrisno, 2004: 18):

$$Y = a_1 \cdot X_1 + a_2 \cdot X_2 + a_3 \cdot X_3 + K \quad (2)$$

Where: Y = Criteria (bound variable); X1, X2, X3 = Predictor (independent variable) 1, predictor (independent variable) 2, predictor (independent variable) 3; a1, a2, a3 = Predictor coefficient number 1, predictor coefficient number 2, predictor coefficient number 3; K = Constant number.

## RESULTS AND DISCUSSION

### Respondent Demographics

Respondents' responses to the distributed questionnaires, the gender of the respondents were 10 (22%) female and 78 (78%) male respondents. For education level, respondents with junior high school education level are 2 people (5%). Respondents with senior high school education level as many as 33 people (73%). Respondents have a bachelor's degree as many as 10 people (22%). The majority of respondents have a senior high school education level as many as 33 people (73%). Respondents aged 30-40 years was 3 person (7%), aged 41-50 years were 11 people (24%), aged 51-60 years were 28 people (62%), aged 61-70 years were 3 people (7%), and the majority of respondents were aged 51-60 years were 28 people (62%).

The results of multiple linear regression analysis can be seen from the hypothesis test shown in table 1 below:

Table 1 – Results of Multiple Linear Regression Analysis

Variables	Regression coefficient (b)	t count	Significance	Conclusion
Own Capital	0.027	1,772	0.085	Not Significant
Entrepreneurial Orientation	88,186.281	2.052	0.048	Significant
Business Experience	636,940,722	6,378	0.000	Significant
Constant	- 28,783,012,226			
Adjusted R Square	0.816			
F count	58,649			
Sig.	0.000			

Source: Author's Computation, 2020.

### The Effect of Own Capital on Operating Income

The hypothesis test shows the result of the value of sig. own capital is 0.085 and the t value is 1.772. With a significance value  $>0.05$ , the  $H_0$  hypothesis is accepted, this concludes that the effect of own capital on operating income is partially not significant. The results of this study are supported by previous research, namely Mansyur (2018), entitled "The Influence of Own Capital and Risk Based Capital on Net Profit of PT. Asuransi Sinar Mas Unit Syariah" which also supports the results of this study by showing insignificant results of own capital on net income.

The results of this study are supported by previous studies, namely by Zuhendri (2012) in a thesis entitled "The Effect of Capital Structure on Profitability at PT. Budhian Indra in Dumai City", the capital structure examined in this study is own capital and foreign capital which are used as variables X1 and X1, while the Y variable, namely profitability, has an operational definition, namely the company's ability to earn profits. partial does not have a significant effect on profitability.

Own capital is considered important in the business world, but in this study the effect of own capital is not significant which means there are other factors besides capital that can increase business income. On the other hand, the influence of own capital together with the variables of entrepreneurial orientation and business experience has a significant effect on MSME income, so it is important for entrepreneurs to increase their own capital together with increasing entrepreneurial orientation and business experience to get large MSME income.

### **Entrepreneurial Orientation on Operating Income**

The results of the hypothesis test show the value of sig. entrepreneurial orientation is equal to 0.048 and t count is 2.052. Since the significance value is  $<0.05$ , the  $H_a$  hypothesis is accepted, it concludes that the partial effect of entrepreneurial orientation on operating income is significant.

The results of this study support the results of previous relevant research conducted by Sari (2016) in a study entitled "*The Effect of Entrepreneurship Orientation and Product Innovation on the Income of SMEs in Makassar City*" which concluded that the increase in income for SMEs in Makassar is inseparable from the ability of entrepreneurs to understand entrepreneurial orientation.

Entrepreneurial orientation is very closely related to the attitude and way of thinking of an entrepreneur in running his business, a person who has a good entrepreneurial orientation has the possibility to be able to solve problems and obstacles in the business he is living. In addition, entrepreneurial orientation is also related to the spirit and motivation of an entrepreneur in navigating the business world, someone who has a high entrepreneurial orientation tends to be enthusiastic and highly motivated in the business world. Therefore, it is important for entrepreneurs to have a good entrepreneurial orientation in order to increase the income of MSMEs.

### **Business Experience on Operating Income**

Sig value. of business experience is 0.000 and the t-count value is 6.378 as shown from the results of hypothesis testing that has been carried out. With a significance value of  $<0.05$ , the hypothesis  $H_a$  is accepted, it concludes that the effect of business experience on operating income is partially significant.

The result of this study supports the previous relevant research conducted by Agustina (2013) in a study entitled "*Analysis of the Effect of Business Experience and Credit Provision of PD. BPR Giri Sukadana on the Income of Small Traders in Wonogiri Regency*". The result indicates that there is a significant positive effect between business experience on the income of small traders in Wonogiri district.

Business experience is closely related to the abilities and skills of an entrepreneur, especially for businesses that require skill and thoroughness. So it needs training and experience in the same field for a long time, business experience is also very supportive of an entrepreneur to market products and the selection of types of products that sell well in the market, because handicraft products require a wide market share in order to attract consumers from all walks of life.

### **Own Capital, Entrepreneurial Orientation, and Business Experience on Operating Income**

The hypothesis test shows the F count result is 58.649, the F table value is 2.87 with a significance of 0.000. As it has been determined that  $F \text{ count} > F \text{ table}$  and significance value  $< 0.05$ , it can be concluded that the effect of the independent variable is significant on the dependent variable. The significant effect of the variables of own capital, entrepreneurial orientation, and business experience on the MSME silver craftsmen income members of KP3Y shows that it is important to pay attention to the three independent variables to increase their business income.

The results of this study also support the previous hypothesis which states that there is a significant influence between the variables of own capital, entrepreneurial orientation, and business experience on the income of KP3Y silver crafters MSMEs. So it can be said that the income of silver craftsmen of KP3Y members is influenced by the use of these three variables together, where the higher the value of these three variables, the higher the business income of silver craftsmen of KP3Y members.

## **CONCLUSION**

This research produces several conclusions which will be presented in the following points: 1) The effect of own capital on the MSME silver craftsmen income members of KP3Y

is not significant. This is indicated by the value of sig. own capital is 0.085 and the t count value is 1.772. With a significance value  $> 0.05$ , the hypothesis  $H_0$  is accepted. Thus, it can be concluded that the effect of own capital as an independent variable has no significant effect on the MSME silver craftsmen income members of KP3Y; 2) There is a significant effect of the entrepreneurial orientation variable on business income. This is indicated by the value of sig. entrepreneurial orientation is 0.048 and the t count is 2.052. Because the significance value is  $< 0.05$ , the hypothesis  $H_a$  is accepted. Thus, the level of entrepreneurial orientation of the KP3Y members' silver craftsmen has a significant effect on their silver crafting business; 3) There is a significant effect of the business experience variable on the MSME silver craftsmen income members of KP3Y, which is indicated by the sig value. business experience is 0.000 and the t-value is 6.378. It is known that the significance value is  $< 0.05$ , then the hypothesis  $H_a$  is accepted. so that it can be concluded that the business experience of the KP3Y members' silver craftsmen has a positive effect on their operating income, which means that the greater the experience they have, the greater the operating income they will get; 4) There is a simultaneous significant effect of the variables of own capital, entrepreneurial orientation, and business experience on the MSME silver craftsmen income members of KP3Y. This is indicated by the F-count value of 58.649, and with a significance of 0.000. Because F count  $>$  F table and the significance value is  $< 0.05$ , it can be concluded that the effect of the independent variables are significant on the dependent variable. Thus, it can be seen that the use of the variables of own capital, entrepreneurial orientation, and business experience simultaneously can increase the income of KP3Y silver crafting SMEs members.

This study provides several suggestions for the owners of MSME silver craftsmen members of KP3Y to be able to: 1) increase their own capital on their business. Because although the effect of their own capital on MSME income is partially insignificant, but the use of this variable simultaneously with two other variables, entrepreneurial orientation and business experience, has a positive effect on MSME income. So it is important for silver craftsmen who are members of KP3Y to increase their own capital to support their business; 2) Maintain their entrepreneurial orientation, because people who have a good entrepreneurial orientation will find it easier to face obstacles in the business environment, so they will also get greater income if they have a strong entrepreneurial orientation. So it can be concluded that it is important for MSME silver craftsmen members of KP3Y to increase their entrepreneurial orientation in order to get greater income; 3) Take advantage and maintain their level of experiences in the field of business they are engaged in, for that it is recommended for business owners to continue learning in the field of business they are engaged in with hopefully over time those business experiences will be formed. For young entrepreneurs, it is recommended for them to gain as much knowledge as possible from experts as well as enrich their knowledge in the field they are engaged in, so that in the future they will have good experiences and abilities as of they can increase the income of MSME's.

After looking at the background of the problem and identifying the problems above, it can be concluded that several factors affect the income of MSME members of the Yogyakarta silver production cooperative, these factors are own capital, entrepreneurial orientation, and business experience. So this study determines these three factors as independent variables that affect the income of MSME members of the Yogyakarta silver production cooperative.

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