

# The Influence of Business Capital and Owner's Personality on Small & Medium-Sized Enterprises (SMEs) Development

Sudja'i, Ernawati

*Sunan Giri University, Indonesia*

## ARTICLE INFO

### **Article history:**

Received 17 January 2021

Revised 27 January 2021

Accepted 30 January 2021

### **Key words:**

*Business Capital,  
Owner's Personality,  
SMEs Development.*

## ABSTRACT

*SMEs are one of the contributors to increasing the national economy. SMEs themselves are able to have a good impact on the environment around SMEs. SMEs create job opportunities for local residents. The problem that often occurs in SMEs in Indonesia is the difficulty of SMEs to get business capital and how the personality of the business owner is. This quantitative research was conducted on SMEs in Kediri, East Java. Sampling was done by random sampling. The sample used was 46 respondents. This research uses multiple linear regression data analysis techniques. Business capital has a significant effect on the development of SMEs. The personality of the SMEs owner has a significant influence on the development of SMEs. Business capital and the personality of the SMEs owner have a significant effect on the joint development of SMEs.*

## INTRODUCTION

SMEs is an economic sector that has been proven to be able to survive the economic crisis that occurred in 1998 in Indonesia. So that SMEs are one of the contributors to improving the national economy. SMEs themselves are able to have a good impact on the environment around SMEs. SMEs create job opportunities for local residents. Even the existence of SMEs will increase people's income. Moreover, currently SMEs have been marketing overseas. This not only provides foreign exchange for the country but also introduces Indonesia to the world. The government is currently paying special attention to SMEs. The current government has carried out many programs that can help the development of SMEs. The government is also conducting research on ways to develop existing SMEs and to foster public interest in entrepreneurship. The development of SMEs is not only seen from the high income received but also by the development of volume, profits, and the increase in the number of workers they have (Jennings & Beaver, 1997).

The problem that often occurs in SMEs in Indonesia is the difficulty of SMEs to get business capital (Fairlie & Robb, 2008). Some new

entrepreneurs who have small businesses start their businesses with small capital, usually obtained from personal savings or selling their assets (Aldrich & Martinez, 2007). Others get their business capital with loan funds (Robb & Robinson, 2001). Meanwhile, to borrow funds, SMEs actors need to meet many and too complicated requirements. Therefore, the government is now providing business capital in the form of loans with easier terms. However, this capability does not solely depend on the source and amount of funding, but on other factors such as human resources. Human capital includes experience, knowledge and skills that will develop the running of SMEs (Unger et al., 2011). Hzu (2007) emphasized that if a small business entrepreneur can process the business capital he has, he will develop his business. The personality form of the business owner will affect the development of SMEs.

Experience is an important part of the success of a business because someone will have experience when experiencing problems in the development of his business (Cassar, 2014). Experienced entrepreneurs also tend to have better access to needed resources (Merz et al., 2010). Holland (1997) stated that the owner's

\* Corresponding author, email address: [ernawatisme27@gmail.com](mailto:ernawatisme27@gmail.com)

personality will influence the business in the social environment in which the business is established. The way business owners deal with problems, make strategies or solutions, and how they make decisions will affect how the business will develop (Fine et al., 2012).

## RESEARCH METHOD

This quantitative research was conducted on SMEs in Kediri, East Java. Sampling was done by random sampling. The sample used was 46 respondents. Data was obtained using a questionnaire containing statements based on indicators of research variables. The results of the questionnaire answers will be measured using a Likert scale of 1 to 5 which represents strongly disagree to strongly agree. This study uses two independent variables, namely business capital and the personality of business actors and one dependent variable.

This research uses multiple linear regression data analysis techniques. In addition, this study also conducted a validity test, reliability test, and classical assumption test.

## RESULT AND DISCUSSION

### Respondent Profile

Test the validity of this study by paying attention to Corrected items. The limit value set in this study is the value of the corrected item is not lower than the number 0.3. The results showed that the corrected item value was above the set value limit. Thus, the statement on the research questionnaire is declared valid. Furthermore, reliability was carried out to determine the quality of the variables in this study. For the reliability test, the study used Cronbach's Alpha value. The limit value set as the basis for passing the reliability test is the Cronbach alpha value is not allowed to be less than 0.6. In the results of the study, the value of Cronbach's alpha for venture capital was 0.868; for the owner's personality of 0.885, and 0.877 for business development. Thus, this research variable is said to be reliable.

### Classic Assumption Test

The normality test used in this study is by looking at the P-P Plot graph. From the results shown in Figure 1, the research is declared to be normally distributed.

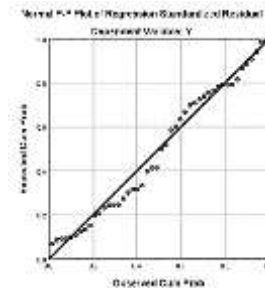


Figure 1. Normality

These results are based on data points that spread I on the diagonal axis. Based on the multicollinearity test above, it can be explained that there are no symptoms of multicollinearity between each independent variable in the regression model, namely by looking at the VIF. From the calculation results in the table of multicollinearity test results, it shows that the VIF value is  $1.192 < 10$  so that it is free from multicollinearity. Furthermore, the value of autocorrelation by taking into account the value of Durbin Watson. The DW value which is between -2 and 2 is a limitation so that the research is free from autocorrelation. The results of data analysis show that the resulting DW value is 0.634. Thus, this study did not experience autocorrelation. Furthermore, heteroscedasticity test was carried out. The results of the heteroscedasticity test can be seen in figure two which shows the scatterplot graph. The results show that the data is evenly distributed on the Y axis. The distribution of the data also does not form any pattern. Therefore, this study did not experience heteroscedasticity.

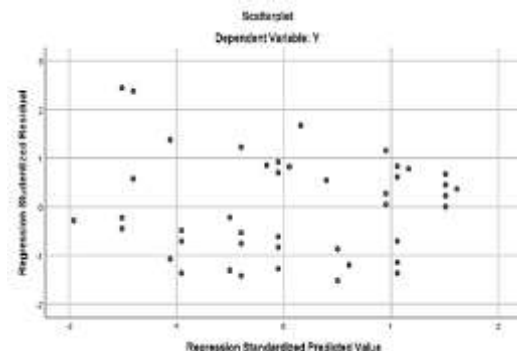


Figure 2. Heteroscedasticity

### t test

Based on the data analysis that has been carried out, it is found that the significant value of working capital is 0.002. These results indicate that venture capital has a significant effect on the development of SMEs. Furthermore, the significant value for personality got a significant value of 0.005.

Table 1. Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
1 (Constant)	41.277	4.224	9.773	.000
X.1	2.203	.671	3.283	.002
X.2	1.785	.606	2.946	.005

Source: SPSS 25 output processed by the author, 2021

These results indicate that the personality of the SMEs owners influences the development of SMEs. From the t-test, a regression model can be formed as follows  $Y = 41.277 + 2.203X.1 + 1.785X.2$ . This model shows the value of SMEs development is zero if the value of the business capital and the owner's personality is zero.

### F test

The results of data processing using SPSS showed the F value in this study was 16,219 with a significant value of 0.000. The fish-significant value is less than 0.05. Thus, the business capital and the personality of the owner together significantly influence the development of SMEs.

Table 2. ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	707.775	2	353.887	16.219	.000 <sup>b</sup>
Residual	938.225	43	21.819		
Total	1646.000	45			

Source: SPSS 25 output processed by the author, 2021

Furthermore, the coefficient of determination test was carried out. The coefficient of determination test shows an R value of 0.656 with an R Square value of 0.430. These results indicate that business capital and owner's personality contribute 43% to business development. While other variables give the role of the remaining 57%.

Table 3. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.656 <sup>a</sup>	.430	.403	4.671	.634

Source: SPSS 25 output processed by the author, 2021

### Discussion

Based on the results of data analysis, it can be seen that business capital has an influence on the development of SMEs. An SMEs requires sufficient business capital to develop its business. There are so many SMEs that have to close their

businesses or do not develop because they do not have sufficient capital (Manolova et al., 2008). Business capital assistance can make existing SMEs expand their business based on the volume and marketing area of the products produced by SMEs. This study is in line with the research of Unger et al. (2011) and Hzu (2017).

This study also shows that the personality of the SME owner will affect the development of the SME. One will be personally tested when encountering problems while running a business. The strength of the owner's personality will be the resilience to face all business challenges. The responsible personality of the SME owner will also create client confidence for cooperation and provide financial assistance for SME development. The results of this study are in line with the research results of Fine et al. (2012).

This study also proves that business capital and owner's personality together have a significant effect on the development of SMEs. This fact emphasizes that there are factors that play a role in the development of SMEs. This research can be used as a reference for novice SMEs actors or those who are still starting to build small businesses to prepare business capital and develop their entrepreneurial personality.

### CONCLUSION

Based on the results of the data analysis and discussion that have been described previously, it can be concluded that 1) venture capital has a significant effect on the development of SMEs; 2) The personality of the SMEs owner has a significant influence on the development of the SMEs; 3) business capital and the personality of SMEs owners have a significant effect on the development of SMEs together.

From these conclusions, researchers provide suggestions. Although SMEs need to increase their business capital, these do not always emphasize the need for financial capital. Labor capital and the quality of human resources play an important role in developing SMEs to be more advanced and competitive. SMEs should be more careful in managing their human resources because this is a determining factor for the success of SMEs. SMEs actors must also be active in SMEs associations created by the government in order to participate in activities provided by the government. SMEs owners are not only looking for business capital, but also have to develop themselves. This is necessary so that entrepreneurs are more resilient and have many ways to develop SMEs.

## REFERENCES

- Aldrich H. E, & M. A. Martinez. (2007). Many are called, but few are chosen: An Evolutionary Perspective for the study of Entrepreneurship. *Entrepreneurship*, 293-311.
- Bandura A. (1977). *Social Learning Theory*. Pearson Professional, New York.
- Cassar G (2014). Industry and startup experience on entrepreneur forecast performance in new firms. *Journal Business Venturing*, 29(1), 137-151.
- Darmawan, D & M. Hariani. (2020). *Pengantar Kewirausahaan*. Metromedia, Surabaya.
- Douglas EI, & Shepherd D.A. 2000. Entrepreneurship as a utility maximizing response. *Journal of Business Venturing*, 15(3), 231-251.
- Fairlie R., & A. Robb. (2008). *Race and entrepreneurial success: Black-, Asian-, and White-owned businesses in the United States*. Cambridge: MIT Press. USA.
- Hsu, D. H. (2007). Experienced entrepreneurial founders, organizational capital, and venture capital funding. *Research Policy*. 36(5), 722-741.
- Holland, J. L. (1997). *Making vocational choices: A theory of vocational personalities and work environments* (3rd ed.). Psychological Assessment Resources. Odessa, FL.
- Jennings, P. & G. Beaver. (1997). The Performance and Competitive Advantage of Small Firms: A Management Perspective. *International Small Business Journal*, 15(2), 63-75.
- Kourilsky M.L, & Walstad W.B. (1998). Entrepreneurship and female youth: knowledge, attitudes, gender differences, and educational practices. *Journal of Business Venturing*, 13(1), 77-88.
- Manolova T.S, Brush C, Edelman L.F (2008). What do women (and men) want? Entrepreneurial expectancies of women and men nascent entrepreneurs. *Strategic Change*, 17, 69-82.
- Merz, C., A. Schroeter., P. Witt. (2010). Starting a new company—which types of personal experience help? *Journal of Enterprising Culture*, 18(03), 291-313.
- Robb, A. M. & D. T. Robinson. (2014). The Capital Structure Decisions of New Firms. *The Review of Financial Studies*. 27(1), 153-179.
- Unger, J. M., A. Rauch., M. Frese., N. Rosenbusch. (2011). Human Capital and Entrepreneurial Success: A Meta-Analytical Review. *Journal Bussines Venturing*, 26(3), 341-358.

\*Sudjai & Ernawati. (2021). The Influence of Business Capital and Owner's Personality on Small & Medium-Sized Enterprises (SMEs) Development, *Journal of Social Science Studies* 1(1), 40 – 43