

# The Effect of Business Capital and Product Quality on the Performance of Micro, Small and Medium Enterprises (MSMEs) with Entrepreneurial Competence as an Intervening Variable

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## Abstract

Micro, Small and Medium Enterprises (MSMEs) in Indonesia hold a paramount position in national economic advancement, serving as the backbone of the economy and playing a crucial role in fostering economic growth. The performance of these enterprises can be evaluated based on their business capital, product standards, and entrepreneurial skills. This study delves into the impact of business capital and product quality on MSME performance, mediated by entrepreneurial competence, specifically within Kuningan District/Regency. Employing a quantitative research approach, the study targets MSME operators, particularly those engaged in food production, with a sample size of 85 respondents. The findings reveal that business capital and product quality collectively positively and significantly influence MSME performance. Furthermore, when analyzed individually, both factors significantly impact MSME performance. Moreover, business capital and product quality positively and significantly affect MSME performance through their influence on entrepreneurial competence. Ultimately, entrepreneurial competence emerges as a critical determinant of MSME performance, displaying a positive and significant relationship with overall business success.

**Keywords:** Business capital, product quality, entrepreneurial competence, MSME performance.



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## INTRODUCTION

Being one of the priorities in national economic development, the existence of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is the backbone of the people's economic system, which has an important and strategic role in the economic growth of the Indonesian nation (Sidik & Ilmiah, 2022). MSMEs support the community's economy and are a reliable choice in unstable economic situations. Therefore, the government encourages the development of new MSMEs as a form of creativity in local products that can compete in the free market, which are produced from each region with its own characteristics.

The role of society in developing the Indonesian nation, especially in economic development with Micro, Small, and Medium Enterprises (MSMEs), is vital. MSMEs are considered one of the essential businesses in the economy, regardless of their size (Hidayat et al., 2022). The position of MSMEs in the national economy plays an essential and strategic role. This is very likely to happen because the existence of MSMEs is very dominant in the Indonesian economy due to the large number of industries in each economic sector; MSMEs have great potential in absorbing labor, and the contribution of MSMEs is very dominant in the formation of Gross Domestic Product (GDP) (Sudati sSarfiah et al., 2019).

According to data from the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, there are around 64.2 million business units operating in Indonesia. Of this number, 99.6% are micro businesses, 0.30% are small businesses, 0.07% are medium businesses, and 0.01% are large businesses. It is estimated that MSMEs contribute more than 60% of Indonesia's gross domestic product (GDP) or around IDR 8,573,896 billion to the economy each year. MSMEs not only contribute to gross domestic product but also provide employment opportunities for local communities. MSMEs absorb around 97% of the national workforce or 116 million people, most of whom are absorbed in micro businesses.

The role of small, medium and micro businesses in supporting a country's economy is very important, and every country has high hopes for the existence of small, medium and micro businesses, because they play an important role in economic growth and development for the country. Greater growth in people's welfare in the micro business sector will create more job opportunities and in turn increase people's income. Reducing the number of unemployed means that the MSME sector will absorb more workers thereby helping the government's efforts to eradicate poverty in Indonesia (Salman Al Farisi, 2022).

The success of the MSME sector in the economy is, of course, due to the maximum performance of MSME players in developing their businesses. If MSMEs perform well, they will become stronger, become the backbone of the economy, and have an increasingly important role. According to Putri Anggraini & Riau (2022), in improving MSME performance, pay attention to factors that can influence MSME performance, such as financial, technological, human resources, innovation, and other aspects. Of course, the hope is that the performance of MSMEs can be maximized as much as possible and all problems related to MSME performance can be adequately resolved. In this way, the role of MSMEs in the economy will become increasingly significant and sustainable.

The sustainability of Micro, Small, and Medium Enterprises (MSMEs) hinges significantly on various factors, among which the financial aspect, particularly the pivotal role of capital, stands out prominently. Capital is the foundational cornerstone for both the initiation and continuation of business endeavors. Its significance in business development cannot be overstated, as entrepreneurs rely heavily on it to bootstrap their ventures or propel the growth of existing enterprises. From the inception phase of launching a new business to the ongoing operational demands of sustaining its momentum, capital remains an indispensable resource. The availability or scarcity of capital profoundly influences the operational fluidity of a company, with its adequacy directly impacting revenue streams. Indeed, the capital factor constitutes a linchpin in the intricate machinery of business activities, with its magnitude exerting considerable sway over diverse facets such as product diversification and the employment of labor, as asserted by (Devi, 2021).

Most MSME players still use their own capital without being influenced by other sources of capital. This can hinder the development of their own business. By using additional funds such as loans which aim to increase available funds so that production activities can be maximized and further develop business activities. Many MSME players are still thinking about the risks they will face if they bring in capital from outside their own company. In fact, this could be an obstacle to the development of the business being run.

On the one hand, several perceived obstacles were found in terms of capital. Lack of available capital in business activities (MSMEs) is the main obstacle faced so that the business being run does not develop as expected. Difficulty in accessing capital is always a problem, especially in obtaining funds in the form of loans to maintain business capital (Ardiansyah, 2019). To guarantee confidence in the development of MSMEs in the future, of course requires strong roles and strategies in capital, especially from the government to provide support for their business or even support from the private sector.

The government launched a program to improve the performance of MSMEs in terms of capital through KUR (People's Business Credit). The People's Business Credit Program (KUR) is a government program that aims to increase access to financing for micro, small, and medium enterprises (MSMEs) through official financial institutions (Andini, 2022). The People's Business Credit Program aims to strengthen the capital capacity of business entities related to implementing policies to accelerate actual sector development and strengthen MSMEs.

Indeed, the pivotal role of capital in sustaining the operations of MSME entrepreneurs cannot be overstated. Optimizing capital utilization leads to amplified outcomes, as evidenced by Herman (2020)'s study, which underscores capital's substantial impact on sales turnover. Similarly, Hasanah et al.'s (2020) research corroborates this notion, highlighting the significant influence of business capital on income generation. This empirical investigation reaffirms that capital accessibility is critical for enhancing MSME performance and fostering growth.

Some of the obstacles felt by MSME players are production quality, this is caused by the lack of continuity of production, low investment efficiency, not taking advantage of the application of technology, diversification, low product quality, and low added value in production. Because not all companies can achieve popularity, companies and organizations that

make product quality an important tool will have an advantage over their competitors in dominating the market. This means that companies can compete in business by continuing to evaluate and improve the quality of the products they produce (Mustika Sari & Prihartono, 2021).

The quality of a product refers to its capability to fulfill its intended function. Product innovation encompasses alterations, enhancements, and the introduction of new brands, all stemming from the organization's research and development endeavors (Kotler & Armstrong, 2014). Studies by Syahputra Syahputra et al. (2022) and Muhammad Taufiq et al. (2020) have both concluded that product quality significantly boosts income and performance in MSMEs, while Junedi & Dwi Arumsari (2021) affirm a positive correlation between product quality and business continuity. Indonesian MSMEs face formidable challenges due to their deficiency in generating innovative ideas, resulting in inadequate competitiveness and, consequently, potential bankruptcy. This deficiency is primarily attributed to their low level of competence.

In response to the challenges above, it is evident that MSMEs require guidance and direction to enhance their entrepreneurial skills or competencies, ensuring their survival and sustained growth. The significance of competence or skill cannot be overstated in bolstering the performance of MSMEs. As highlighted in a study by Istiqomah (2022), entrepreneurial competence is a linchpin across all business endeavors. These competencies encompass a range of attributes, such as knowledge, skills, and analytical acumen, which empower individuals to discern and seize upon emerging opportunities. Such analytical prowess enables a comprehensive evaluation of potential avenues, enhancing visibility and facilitating informed decision-making. Moreover, research by Suryana (n.d.) underscores the pivotal role of entrepreneurial competence in driving the success of coffee MSMEs in Indonesia, further underscoring the imperative of honing these skills.

Based on the problems above, in this study, the researcher has included entrepreneurial competence as an intervening factor because it is considered a crucial initial step in assisting MSME actors in overcoming common business challenges and sustaining and fostering their growth. The research focuses on Micro Enterprises within the food production sector in Kuningan District, Kuningan Regency, utilizing primary data. Hence, the study is titled "The Effect of Business Capital and Product Quality on the Performance of MSMEs with Entrepreneurship Competence as an Intervening Variable for Surveys in MSMEs, Kuningan District, Kuningan Regency."

## **METHOD**

This research was conducted in Kuningan District, Kuningan Regency, and carried out from February to March 2024. The method used in this research was a type of quantitative research in accordance with the research objectives. The population in this study consisted of micro-entrepreneurs in the food production sector, with a total of 590 people using the Slovin formula sampling technique with an accuracy rate of 10%, so the total sample consisted of 85 respondents. The data used in this research uses primary data obtained from the distribution of questionnaires by respondents.

### **Classic Assumption Test**

### *Normality Test*

The normality test aims to test whether the confounding or residual variables in the regression model have a normal distribution. As we know, the t-test and F-test assume that the residual values follow a normal distribution.

### *Multicollinearity Test*

The multicollinearity test is designed to examine if there's a correlation among independent variables within the regression model. An effective regression model demands the absence of correlation among its independent variables.

### *Heteroscedasticity Test*

The heteroscedasticity test aims to determine if a variance discrepancy exists among the residuals across different observations in a regression model. When the residual variance remains consistent for each observation, it's termed homoscedasticity; if it varies, it's referred to as heteroscedasticity.

## **Data Analysis Technique**

### *Partial Test (t)*

Partial hypothesis testing shows the influence of each independent variable on the dependent variable separately. The t-test tests the regression coefficient of each independent variable on the dependent variable to determine how much influence the independent variable has on the dependent variable.

### *Simultaneous Test (F)*

This joint significance test is employed to determine the collective impact of the independent variables (X1 and X2) on the dependent variable (Y). The F-test analysis involves comparing the computed F value with the F-table.

### *Sobel Test*

Testing hypotheses at an intermediate level can be conducted through a method pioneered by Sobel (Abu-Bader & Jones, 2021), called the Sobel test. This test assesses the extent of the indirect impact of X on Y via Z.

## **RESULTS AND DISCUSSION**

### **Analysis**

#### **Classic Assumption Test**

##### *Normality Test*

Below is the output of the Kolmogorov Smirnov normality test with the SPSS version 27 application used in this research, which is as follows:

**Table 1.** Normality Test Results

		<b>One-Sample Kolmogorov-Smirnov Test</b>			
		Ventura capital	Product quality	Entrepreneurial competence	MSME performance
N		85	85	85	85
Normal	Mean	47.32	106.80	62.21	45.65
Parameters <sup>a,b</sup>	Std. Deviation	9.503	22.940	12.555	11.548
Most Extreme	Absolute	.135	.151	.086	.167
Differences	Positive	.091	.074	.078	.107
	Negative	-.135	-.151	-.086	-.167
Test Statistic		.135	.151	.086	.167
Asymp. Sig. (2-tailed)		.160 <sup>c</sup>	.155 <sup>c</sup>	.171 <sup>c</sup>	.140 <sup>c</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Sources: processed in SPSS version 27

Looking at the Table provided, it's evident that the results from the Kolmogorov-Smirnov test indicate the following significance values: 0.160 for business capital, 0.155 for product quality, 0.171 for entrepreneurial competence, and 0.140 for MSME performance. For all four variables, the significance values exceed 0.05 or  $p > 0.05$ . Consequently, it can be concluded that the data distribution for the four variables under investigation is normal.

### *Multicollinearity Test*

The results of the multicollinearity test using the SPSS version 27 application program were obtained as follows.

**Table 2.** Multicollinearity Test Results

		<b>Coefficients<sup>a</sup></b>	
		Collinearity Statistics	
Model		Tolerance	VIF
1	Modal Usaha	,384	2,605
	Kualitas Produk	,447	2,235
	Komp.	,521	1,918
	Kewirausahaan		

a. Dependent Variable: MSME performance

Sources: processed in SPSS version 27

Based on table 2 above, the VIF values for business capital, product quality, and entrepreneurial competency are (2.605), (2.235), and (1.918), respectively. The VIF values of these

three variables are less than 10 (VIF < 10). The tolerance values for business capital, product quality, and entrepreneurial competence are 38.4% (0.384); 44.7% (0.447) and 52.1% (0.521). The tolerance values for these three variables are above 10%, so it can be said that in the regression model there is no multicollinearity referring to the tolerance values and VIF values.

### *Heteroscedasticity Test*

The results of the heteroscedasticity test carried out in the SPSS version 27 application can be seen in the following table.

The aim of using appropriate methods in education, according to Arifin, is to obtain effectiveness from the use of the process itself (Arifin, 2003). When a teacher uses a particular method, it is considered appropriate and effective. If the students feel happy and not burdened, interest and attention arise to be more active in the learning process.

**Table 3. Heteroscedasticity Test Results**

Model	Coefficients <sup>a</sup>		Beta	t	Sig.
	Unstandardized	Standardized			
	Coefficients	Coefficients			
	B	Std. Error			
1 (Constant)	18,161	2,651		6,850	,000
Modal Usaha	-,123	,080	-,240	-1,534	,129
Kualitas Produk	-,033	,031	-,155	-1,070	,288
Komp.	-,061	,052	-,157	-1,169	,246
Kewirausahaan					

a. Dependent Variable: Abs\_Res  
 Sources: processed in SPSS version 27

Based on table 3 above, the significance values for business capital, product quality and entrepreneurial competence (0.129; 0.288; and 0.246) are 0.05 greater. Thus, it can be stated that the data on business capital, product quality and entrepreneurial competence do not have heteroscedasticity problems.

### **Hypothesis Test**

#### *Hypothesis 1*

To jointly test the hypothesis of the independent variable on the dependent variable, the following steps are taken.

**Table 4. Hypothesis Test Results 1**

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781 <sup>a</sup>	.609	.600	7.306

a. Predictors: (Constant), product quality, ventura capital

Sources: processed in SPSS version 27

Supporting factors for PAI teachers in improving the quality of student learning achievement at SMPN 1 Grobogan, 1) The use of computer/laptop media helps make learning easier for students and makes teaching easier for educators, 2) Provides more real experience, 3) attracts attention and students' interest in learning, 4) All students' senses can be activated, 5) The length of teaching time required can be shortened.

Based on table 4, it can be seen that the R Square value is 0.609. It can be concluded that the influence of business capital (X1) & product quality (X2) on MSME performance (Y) is 60.9%. And the remaining 39.1% (100% - 60.9%) was explained by other variables that were not carried out in this research, such as product innovation and others.

The magnitude of this effect was then tested using Anova (F) as in the following Table.

**Table 5. Hypothesis Test Results 1**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6824.604	2	3412.302	63.930	.000 <sup>b</sup>
	Residual	4376.808	82	53.376		
	Total	11201.412	84			

a. Dependent Variable: MSME performance

b. Predictors: (Constant), product quality, ventura capital

Sources: processed in SPSS version 27

Based on table 5 above, the significance value is 0.000 and the Fcount value is 63.930. The Ftable value for a sample of 85 respondents is 2.717. The value of Fcount (63.930) > Ftable (2.717), meaning that Ha is accepted and Ho is rejected and the significance value is 0.008 < 0.050. In this way, the hypothesis result which states: "business capital and product quality together influence the performance of MSMEs" is accepted statistically.

**Hypothesis 2**

Hypothesis testing is assisted by the SPSS v.27 for Windows application and for the results of hypothesis testing 2 refer to the SPSS output in the following table.

**Table 6. Hypothesis Test Results 2**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.115	4.221		-.264	.792
	modal_usaha	.704	.122	.579	5.756	.000

kualitas_produk	.126	.051	.250	2.485	.015
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a. Dependent Variable: MSME performance  
 Sources: processed in SPSS version 27

Based on table 6 above, it can be seen that the results of hypothesis testing produced a tcount of 5.756 (X1) and a significance value of 0.000 (X1). The ttable value for a sample of 85 respondents is 1.663. The significance value is  $0.000 < 0.05$  and the value of tcount (5.756) > ttable (1.663), meaning that the hypothesis is: "There is an influence of business capital on entrepreneurial competence" is statistically accepted.

Based on the results of hypothesis testing, a t-count of 2.485 (X2) and a significance value of 0.015 (X2) were produced. The t table value for a sample of 85 respondents is 1.663. The significance value is  $0.015 < 0.05$  and the value of t count (2.485) > t table (1.663), meaning that the hypothesis is: "There is an influence of product quality on entrepreneurial competence" is statistically accepted.

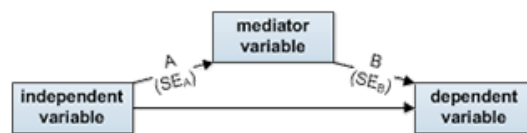
**Hypothesis 3 and 4**

The results of testing hypotheses 3 and 4 using the SPSS and Sobel Test applications at the link can be seen in the table below.

**Table 7. Hypothesis Test Results 3 and 4**

Variables	Unstandardized Coefficients (Std. Error)	Standardized Coefficients (Beta)
X1 → Z	0.154 (SA)	0.499 (A)
Z → Y	0.086 (SB)	0.193 (B)

Output Sobel Test :



A:  ?  
 B:  ?  
 SE<sub>A</sub>:  ?  
 SE<sub>B</sub>:  ?

**Calculate!**

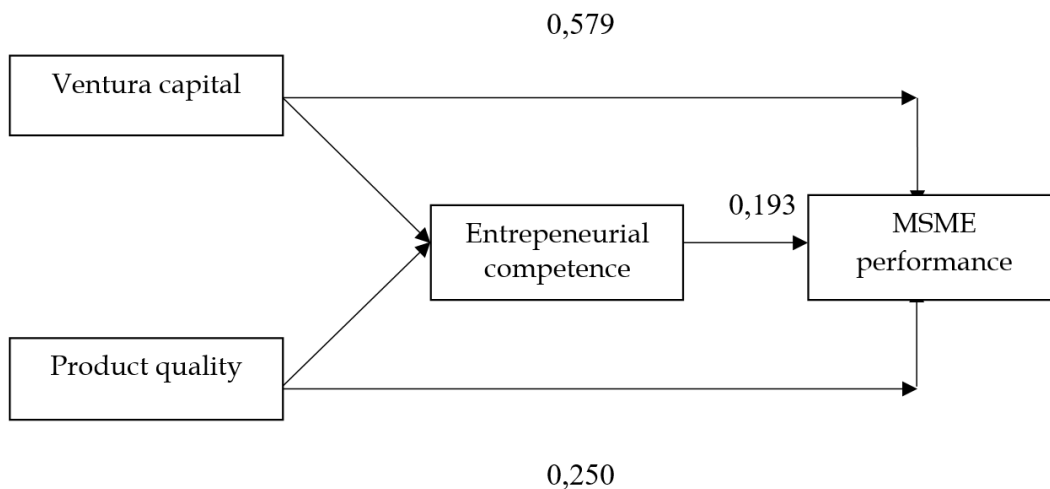
Sobel test statistic: 1.84490458  
 One-tailed probability: 0.03252571  
 Two-tailed probability: 0.06505142

X2 → Z	0.064 (SA)	0.238 (A)
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Based on table 8 above, it is known that the results of hypothesis testing produced a tcount of 7.597 and a significance value of 0.000. The ttable value for a sample of 85 respondents is 1.663. The significance value is  $0.000 < 0.05$  and the value of tcount ( $7.597 > ttable (1.663)$ ), meaning that the hypothesis which reads: "There is an influence of entrepreneurial competence on the performance of MSMEs" is statistically accepted.

Referring to the hypothesis testing that has been carried out, it can be concluded that there is an influence of business capital and product quality on MSME performance through the MSME performance variable in the district/district. Brass. Therefore, the relationship path diagram/pattern of influence between variables can be described as follows:



**Figure 1. Relationship Path/Pattern of Influence between Variables**

Referring to Figure 1, it can be explained as follows:

1. The magnitude of the influence of business capital on the performance of MSMEs is 0.579.
2. The magnitude of the influence of product quality on MSME performance is 0.250.
3. The magnitude of the influence of business capital on the performance of MSMEs through entrepreneurial competence is  $0.499 \times 0.193 = 0.096$ .
4. The magnitude of the influence of product quality on MSME performance through entrepreneurial competence is  $0.238 \times 0.193 = 0.045$ .
5. The magnitude of the influence of entrepreneurial competence on the performance of MSMEs is 0.193.

## Discussion

Collaboration between parents and the school to provide supervision is very important, considering that in this information era, students are faced with situations surrounded by technology; there are televisions, laptops, gadgets, and internet cafes, all of which attract students to be involved with technology at all times.

1. Simultaneous Influence of Business Capital and Product Quality on MSME Performance

Based on data analysis and simultaneous hypothesis testing, it shows that business capital and product quality simultaneously influence the performance of MSMEs. That way, when business capital is sufficient for business activities and produces quality products, it will improve the performance of MSME players. The influence of business capital and product quality on MSME performance is very significant. Sufficient business capital gives MSMEs the ability to expand operations, increase production, and develop more effective marketing strategies.

With sufficient capital, MSMEs can access the technology needed to improve efficiency and product quality. On the other hand, high product quality will increase customer satisfaction, build a good reputation, and increase competitiveness in the market. The combination of adequate business capital and maximum product quality certainly results in maximum performance for MSME players, such as increased income, larger market share and sustainable business growth. This is the same as research conducted by (Mukoffi, 2021) that business capital has a significant positive effect on the performance of MSMEs. And in accordance with research conducted by (Arif, 2022) which shows that product quality has effect on SME performance.

## 2. Partial influence of business capital and product quality on MSME performance

The results of data analysis and hypothesis testing show that business capital influences the performance of MSMEs. Business capital is a very important production factor because capital can influence the smooth operations and profits of a company. Company capital is absolutely necessary to carry out business activities. Of course, every company needs capital to carry out its daily business activities (Musvira et al., 2022). To support all activities, of course, sufficient capital is needed, both in quality and quantity.

Business capital has a positive influence on the performance of Micro, Small and Medium Enterprises (MSMEs). With adequate business capital, MSMEs can develop products or services, maximize product quality, and expand market reach. Sufficient capital also allows MSMEs to invest in technology, employee training, and infrastructure necessary to increase efficiency and productivity. In addition, sufficient capital can help MSMEs overcome financial challenges that may occur, such as changes in raw material prices or market fluctuations. Thus, adequate business capital is the key to improving performance and being able to compete in an increasingly competitive market.

This is in accordance with research conducted by (Akuba & Hasmirati, 2022) which states that capital is something that influences the performance of MSMEs, or it can be concluded that business capital has a positive effect on the performance of MSMEs. Likewise, research conducted by (Ahmad Ferdiansyah & Eri Bukhari, 2021) shows that business capital has an influence on the performance of MSMEs.

Apart from that, quality products also help MSMEs compete in an increasingly fierce market, because consumers tend to look for products that provide added value and optimal satisfaction. Therefore, focusing on product quality is an important strategy for MSMEs to achieve maximum and sustainable performance.

This is in line with research conducted by (Arif, 2022) that product quality has influence on the performance of MSMEs. Product quality is a consideration for consumers when purchasing a product. Likewise, this is in line with research conducted by (Muhammad Taufiq et al., 2020) which states that product quality has a positive and significant influence on the performance of MSMEs.

### 3. The Influence of Business Capital on MSME Performance through Entrepreneurship Competence

Based on the results of data analysis and hypothesis testing, it shows that business capital has an influence on MSME performance through entrepreneurial competence. This means that the availability of sufficient capital is able to influence the performance of MSMEs and is supported by entrepreneurial competence in the products they produce. In this research, increasing competence in managing existing business capital will improve the performance of MSMEs. This is because MSME actors in the food production sector have the ability to see what consumers need and what makes consumers feel satisfied so that producers can create products according to consumer desires by utilizing available capital so that in this way the performance of MSME actors will be even more optimal in running the wheels. its economy.

This is in line with research conducted by (Trisnawati et al., 2019) whose results show that business capital has an influence on the performance of MSMEs. If the business capital obtained is relatively large, it will maximize the performance of MSMEs. This is also in line with research conducted by (Ahmad Ferdiansyah & Eri Bukhari, 2021) which states that partially the business capital variable influences the performance of MSMEs. So it can be concluded, if business capital is good then the performance of MSMEs will increase.

### 4. The Influence of Product Quality on MSME Performance through Entrepreneurship Competence

Based on the results of data analysis and hypothesis testing, it shows that there is an influence of product quality on MSME performance through entrepreneurial competence. This means that quality products are able to influence the performance of MSMEs and are supported by entrepreneurial competence in the products they produce. Product quality is related to the strength of a product in carrying out its function, including the overall product, accuracy, convenience, reliability in operation and repair and other attributes.

One very important factor in influencing the performance of MSMEs is entrepreneurial competence. Entrepreneurial competence is a key factor in every process of producing goods. In accordance with this opinion, it can be concluded that entrepreneurial competence is the main factor in triggering the performance of MSMEs to create quality products.

This is in accordance with research conducted by (Muhammad Taufiq et al., 2020) which shows that product quality has a significant influence on the performance of MSMEs, so it can be concluded that the higher the quality of a product, the performance of MSMEs will automatically increase as well. In addition, this is also in accordance with research conducted by (Ariyani S. &

Fauzan, 2020) which shows that entrepreneurial competence has a positive correlation with the performance of MSMEs.

#### 5. Influence of Entrepreneurial Competency on MSME Performance

In accordance with the results of the data analysis above, it is stated that entrepreneurial competence has been proven to have a positive influence on the performance of MSMEs, which means that the higher the level of competence (knowledge and skills) possessed by business owners will lead to higher business performance that they undertake. For this reason, in order to improve the performance of MSMEs, competencies or abilities are needed, especially in the aspects of knowledge and skills that are continuous with each other. As is the case with innovation, which is proven to have a very important role in efforts to achieve success in a business because with innovation the competitiveness of the business will also increase.

In this way, this is in accordance with research conducted by Ramadhan et al (2023) which stated that entrepreneurial competence has a positive and significant influence in influencing the performance of MSMEs. Furthermore, according to the results of research conducted by (Maulatuzulfa & Rokhmania, 2022) which proves that there is a significant and positive influence between HR competency and MSME performance, it can be concluded that the better the HR competency, the better the MSME performance.

### CONCLUSION

Based on the results of the hypothesis testing above, several key conclusions emerge. Firstly, it is evident that both business capital and product quality collectively influence the performance of MSMEs. This implies that when MSMEs are adequately supported by sufficient capital and produce high-quality goods, their overall performance is likely to increase significantly. Secondly, the individual influences of business capital and product quality on MSME performance are notable. With ample business capital, MSME operators tend to manage their resources effectively, leading to improved performance. Similarly, prioritizing product quality in production processes enhances MSME performance by meeting consumer expectations and fostering satisfaction.

Furthermore, the interplay between business capital, product quality, and entrepreneurial competence shapes MSME performance. Business capital not only directly impacts performance but also operates indirectly through enhancing entrepreneurial competence. Likewise, product quality influences performance not only through direct consumer satisfaction but also by nurturing the entrepreneurial competence of MSME operators. Ultimately, entrepreneurial competence emerges as a pivotal factor influencing MSME performance. When MSME actors possess robust competencies in managing their ventures, including knowledge and skills, their businesses are poised for growth and success. Hence, fostering entrepreneurial competence becomes imperative for enhancing the overall performance of MSMEs in the marketplace.

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