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Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,
Linguística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

Año 36, 2020, Especial N°

26

Revista de Ciencias Humanas y Sociales

ISSN 1012-1537/ ISSN e: 2477-9385

Depósito Legal pp 198402ZU45



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The effect of capital and competence on micro enterpriser performance in Siranindi

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Abstract

This study aims to analyze the effect of capital and competence on micro enterpriser performance in Siranindi village. This research is a verification study using a quantitative approach. The research results showed that capital has a partial and significant effect on the micro enterpriser performance and competence has a partial and significant effect on the micro enterpriser performance. In conclusion, in Islamic economics perception, capital and competence have a significant effect both partially and simultaneously on micro enterprisers' performance in the Siranindi Village, West Palu District.

Keywords: Capital, Competence, Performance, Islamic Economics.

El efecto del capital y la competencia en el rendimiento de las microempresas en Siranindi

Resumen

El objetivo de este estudio es analizar el efecto del capital y la competencia en el desempeño de las microempresas en la aldea de Siranindi. Los resultados de la investigación mostraron que el capital tiene un efecto parcial y significativo en el rendimiento de la microempresa y la competencia tiene un efecto parcial y significativo en el rendimiento de la microempresa. En conclusión, en la percepción

de la economía islámica, el capital y la competencia tienen un efecto significativo, tanto parcial como simultáneo, en el desempeño de los microempresarios en la aldea de Siranindi, distrito de West Palu.

Palabras clave: Capital, Competencia, Desempeño, Economía islámica.

1. INTRODUCTION

Micro-enterprise plays an important role in local economic development not only in economic growth and labor absorption but also in distributing development results. The business activities the enterprisers' conduct is called economic activities which certainly employ people to perform the activities. In the economic activities of micro-enterprise, the priority is given to the use of human resources that it is potential as a driving force for the growth of local economic activities in an area (DJAFAR, & PONGSIBANNE, 2018). Hence, the Small-Medium Enterprises sector is a significant part of economic development and job creation (RICHARDSON, HOWARTH, & FINNEGAN, 2004).

Microbusiness is a business unit managed by a group of community and family, plays a strategic role in national economic development because of its contribution to economic growth in Indonesia. Developing micro-business performance is not easy, it requires the entrepreneurs to keep survival and be ready to compete with other micro-enterprises. This spurs entrepreneurs to create new and different businesses with good performance.

Performance is the success measurement for a business entity in achieving goals. It is the result of working with having a strong relationship with the organization's strategic goals, customer satisfaction and contributing to the economy. Thus, performance is about doing work, the results achieved from the work and about what is done and how to do it.

The poor performance is influenced by many internal and external factors. These factors are human resources, financial, market, and marketing, social, cultural and economic. KOMARA (2010) considered human resources (HR) is an important element in the organization that the success of the company's performance is only possible by humans, otherwise the company's failure is also caused by humans. SCHEIN (2004) appointed the organizational culture to be able to act as a solution to organizational problems that improvement in work culture towards a more conducive will contribute significantly to the improvement of employee performance. ROBBINS & JUDGE (2014) stated the quantity of work, quality of work, timeliness, independence, and efficiency of task implementation can be used to measure employee performance in performing tasks. LUTHANS (2011) included these factors such as flexible to culture, good communication skills, human resource development capabilities, creative, and leaders' skills to be the important skill that leaders have in order to successfully lead an organization in the face of the current era of globalization. Those factors mentioned above relate to human resource in which competence is taken into account. (MANOMANO ET AL, 2015).

Capital is the basic requirement in building a business and it generally becomes an obstacle for entrepreneurs (ABIDIN & PONGSIBANNE, 2018). Capital can be from the business owner or a loan from others. Business capital often called investment is an expense for buying production equipment, capital goods intended to increase capital in economic activities that are used to produce goods and services. For every business, capital is a very important factor that can determine the level of production and income. Capital is an input or production factor that can affect income but is not the only factor that can increase income. If capital and labor increase, productivity and income will also increase.

Competence of human resources is another factor that also affects micro the performance of performance. This factor is the main capital for micro-enterprises to become more professional because a business unit is greatly determined by how well the involved-individuals manage the business. Microbusiness performance must be followed by business development that requires competence development in various aspects. The quality of human resources is needed especially in the areas of competence such as knowledge, abilities, and skills in entrepreneurship (ARDIANA, BRAHMAYANTI & SUBAEDI, 2010).

Having qualified human resources can be the solution to the problem. Both employees and business owners must have good knowledge of business management. But in reality, the micro enterprisers in Siranindi still have limited views and knowledge of

business management and they are not long-term oriented. Based on this background, this research is focused on analyzing "Effect of capital and competence on microenterprise performance in Siranindi Village, West Palu District".

2. RESEARCH METHOD

This research used a quantitative approach. The sample was 39 micro enterprisers in Siranindi Village West Palu District recorded in Cooperatives, UMKM, and Labors Departments, drawn by using saturated sampling techniques.

The research variables are capital and competence as exogenous variables (X_1 and X_2) and the performance of micro-enterprises as endogenous variables (Y). The variable indicators are capital (X_1), namely own capital (X_{11}), loan capital (X_{12}), joint venture capital (X_{13}); competence (X_2), namely ability (X_{21}), skills (X_{22}), and knowledge (X_{23}); and performance of micro-enterprise (Y), namely sales growth (Y_1), capital growth (Y_2), and profit growth (Y_3). The research data were obtained by questionnaires with a Likert scale.

The reliability of the research instrument is tested by calculating the value of Cronbach's Alpha of the instruments on each tested dimension. An instrument is declared reliable if it has a Cronbach's Alpha (α) of more than 0.60. The result of statistical tests using SPSS statistical tools version 25 for windows indicates that each variable has

a Cronbach's Alpha (α) of more than 0.60 ($\alpha > 0.60$) which means that all research variables are declared reliable.

The correlation coefficient between the independent and dependent variables, the classical assumption test is used including the normality test, multicollinearity test, and heterokedasticity test. The inferential test is carried out using multiple regression analysis techniques with SPSS for windows. The research hypothesis is tested using the Significant Individual Parameter Test (Statistical Test t) with a 5% confidence level and Simultaneous Significance Test (Statistical Test F) with tolerance limits (probability figure) 0.05.

3. RESEARCH RESULT AND DISCUSSION

3.1. Effect of Capital and Competense on Micro Enterprise Performance

The effect of capital (X_1) and competence (X_2) on microenterprise performance (Y) is tested using multiple regression analysis techniques. The result of data analysis using software program SPSS for Windows is presented in the following table.

Table 1: The Result of Multiple Linear Regression

Coefficients ^a					
Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	Collinearity Statistics

	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6,256	2,097		2,984,005			
1 Capital	,207	,093	,334	2,217,033		,706	1,417
Competence	,131	,049	,406	2,699,011		,706	1,417

a. Dependent Variable: Micro Enterprise Performance

Based on the coefficient table above, the regression equation model in this research is as follows:

$$Y = 6,256 + 0,207_{X_1} + 0,131_{X_2}$$

The regression equation model of multiple linear indicates that independent variables have a positive direction on the dependent variable. The value of positive constant 6.256 implies that microenterprise performance (dependent variable) will increase by 6.256 if the value capital and competence (independent variables) is constant or zero (0). The value of capital regression coefficient (X_1) 0.207 is positive which means that each increase in one unit of capital will improve the microenterprise performance by 0.207 if other variables are considered constant. The value of competence regression coefficient (X_2) 0.131 is positive, which means that each increase in one unit of competence (X_2) will improve the micro enterpriser performance by 0.131, if other variables are considered constant.

The result of the ANOVA test (Analysis of Variance) or F-test shows that the value of F_{count} is greater than the value of F_{tabe} (13.245>2.46) with a Sig. value of 0.000 smaller than the alpha value

of 0.05. It means that the independent variables of capital (X_1) and competence (X_2) have a simultaneous effect on micro enterpriser performance (Y). Hence, the first hypothesis H1 “Capital and competency have a simultaneous significant effect on Micro enterpriser performance” is accepted.

The percentage level of contribution of the independent variables (Capital and Competence) to the dependent variable (micro enterpriser performance) is analyzed through the determination coefficient test with SPSS. The results are shown in the following table.

Table 2: Determination Coefficient

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,651 ^a	,424	,392	2,30810

a. Predictors: (Constant),Capital,Competence

b. Dependent Variable: Mikro Enterpriser Performance

The result of the determination coefficient analysis in the table above shows that the determination coefficient value (R^2) is 0.424, meaning that the change in variation in performance of micro enterpriser is influenced by the change in capital and competence by

42.4%. In this case, 57.6% changes in performance are affected by other variables outside the model.

To find out the dominant effect of both independent variables can be seen in the value of the Beta coefficient (β) of each independent variable. The table above shows that the β value of the competence variable (0.406) is greater than the β value of the capital variable (0.334). In this case, the competence contribution to the change in performance is 40.6%, while capital is only 33.4%. The implication is that to improve the micro enterpriser performance, the enterpriser competence needs to be developed.

3.2. Effect of Capital on Micro Enterpriser Performance

The partial effect of Capital (X_1) on micro enterpriser performance is tested by using the t-statistical test. The result is shown in the following table.

Table 3: The Result of T-Statistical Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	6,256	2,097		2,984	,005		
Capital	,207	,093	,334	2,217	,033	,706	1,417

a. Dependent Variable: Micro Enterpriser Performance

The table above indicates that the value of $t_{\text{statistic}}$ of the capital variable (X_1) is greater than the value of t_{table} ($2.217 > 1.985$) and the significant value (sign value) is smaller than the tolerance value ($0.033 < 0.05$). The result of the T-test analysis means that the Capital variable (X_1) has a partially significant effect on the variable of micro enterpriser performance (Y). Hence, the second hypothesis H2 “Capital has a partially significant effect on micro enterpriser performance” is accepted. This is in line with MUNIZU (2010) who concluded that capital has a positive and significant effect on Micro-Small-Middle Enterprise (UMKM) Performance. The finding depicts that the amount of capital the enterprisers use to start and to run a business contributes a significant effect on the enterprisers’ performance level. It means that the size of capital used in running a business will affect the income earned by enterprisers. Having the business to run well is to need adequate capital. Large capital will allow more good inventories to produce and affect the level of income. The research result showed that in running their business, 97.5% micro enterprisers in Siranindi Subdistrict, Palu Barat District, used their own capital productively to enable the circulation of money as recommended in Islam. Even so, profitability is still volatile due to limited capital owned, so this also affects the financial performance of the business.

To get optimal results in business, the capital must be used as well as possible. In the hadith of Bukhari’s history, it is explained that the Prophet Muhammad (PBUH) preferred his people who manage well in business their own capital for a profit. The business in question

is, of course, the business that profitable for the enterprisers and does not create harm or loss to others or the community. To achieve this goal, Islam requires the enterprisers to run their business on the corridor of Islamic law so to maintain the Islamic values in that business.

In the Islamic economic system, capital is required to continue to grow to keep going the money circulation. The money velocity will bring benefits to others. Islam forbids wealth accumulation and inversely encourages wealth circulation among all elements of society, as the word of God in the QS. Al-Hasyr (59): 7 which gives an explanation of the need for money circulation.

Capital must not be neglected. humans are obliged to use it well to make it continuously productive and not used up. However, capital must not generate profits from itself without human effort. Thus, lending money or usury is prohibited in Al-Quran. One of the lessons of banning usury and imposing zakat of 2.5% on money (even if it is not traded) is to encourage economic activity, fund turnover, and reduce speculation and hoarding.

The first norm emphasized in Islamic economics is the prohibition of distributing illicit goods, either by buying, selling, moving, or any means to facilitate their circulation. Therefore, capital must be used to produce or spend permitted goods in Islamic value. Rasulullah SAW. Said that "Indeed, God forbids buying and selling liquor, carcasses, pigs, and idols."

3.3. *Effect of Competence on Micro Enterpriser Performance*

The partial effect of competence (X_2) on microenterprise performance is tested by using the t-statistical test. The result is shown in the following table.

Table 4: The Result of T-Statistical Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	6,256	2,097		2,984	,005		
Competence	,131	,049	,406	2,699	,011	,706	1,417

a. Dependent Variable: Micro Enterpriser Performance

The table above shows that the value of $t_{\text{statistic}}$ (2.699) greater than the value of t_{table} (1.985) and the significant value (0.011) is smaller than the tolerance value (0.05). The results of this calculation indicate that the independent variable of competence (X_2) has a partially significant effect on the dependent variable of micro enterpriser performance (Y). Hence, the third hypothesis H3 "Competence has a partially significant effect on micro enterpriser performance" is accepted. This is in line with the research results from ARDIANA, BRAHMAYANTI, and SUBAEDI (2010) who concluded that HR competencies positively and significantly influence the performance of UMKM. Related to the result of this research it can

then be concluded that competence in particularly managing a business has a partial contribution to increasing the Micro Enterpriser performance in Siranindi Village, West Palu District.

In running a business, enterprisers must have competence-based on Islamic values. Some characteristics must be possessed: 1) *Shiddiq* (true and honest) requires the enterprisers to be honest with consumers, competitors and employees that the business is truly running with the principles of truth and honesty as explained in QS. At-Taubah (9): 119 which means "You who believe, fear Allah, and be with the righteous." 2) *Amanah* (trustworthiness) requires the enterprisers to fulfill everything in accordance with the provisions. The consequence of the mandate is to return every right to the owner, whether a little or a lot, does not take more than he has, and does not reduce the rights of others, whether in the form of sales, fees, services or labor costs, as described in QS. Al-Mu'minin (23): 8 which means "And (truly fortunate people who maintain the mandates (which they carry) and their promises." 3) *Fathanah* (brainy) reflects the need for intelligence in running a business by optimizing all potential to achieve the goal, as described in QS. Jonah (10): 100 which means "And no one will believe except by Allah's permission; and Allah inflicts wrath on those who do not use their minds", 4) *Tabligh* (communicative) contains an understanding that the enterprisers must be communicative and argumentative. People who have *tabligh* nature will convey it with the right words. In addition to having fresh ideas, an Islamic must also be able to communicate his ideas accurately and easily understood by anyone who hears them, as explained in QS. An-Nisa (4): 9 which

means "And fear God, those who (if they) leave behind their weak children whom they worry about (their welfare) let them fear Allah and let them speak the right words".

This result of this indicates that 97.4% micro enterprisers have skills or expertise in the field of micro-enterprise in Siranindi Village and 100% claim to uphold honesty at work (*shiddiq*), discipline, enthusiasm at work, including trustworthiness (*amanah*), and communicative (*tabligh*). Thus, the micro enterprisers in Siranindi Urban Village have competencies based on Islamic values, so it can be said that their performance in Islamic perspectives is good because they have skills or expertise in their business fields and apply Islamic values in running businesses.

The life of the Prophet Muhammad and the Muslim community in his time was the best example of Islam implementation, including in the Islamic management field. He was really careful in putting capable people on a particular job, especially in the field of management. He puts "the right man on the right place", puts people according to their expertise and emphasizes more professionalism in working. Rasulullah SAW. Said which means "Verily, Allah loves someone who, when working, does it professionally." It is explained in Hadith al-Bukhari history that Muhammad ibn Sinan conveyed (history) to us, Qulaih ibn Sulaiman had conveyed (history) to us, (that history) from Atha ', from Yasar, from Abu Hurairah ra who said: The Messenger of Allah said: When *amanah* (trustworthiness) is neglected, then wait for the moment of its destruction. (Abu Hurairah) asked: How to give a mandate, Oh

the Messenger of Allah? He replied: If a case is given to someone who is not an expert, then wait for the moment of its destruction.

The Hadith connects *amanah* (trustworthiness) with expertise. The sentence "If an affair is given to someone who is not an expert, then wait for the moment of its destruction" is the explanation for the first sentence: "If the trust is neglected, then wait for the moment of its destruction." This hadith turns out to give a warning from a managerial perspective because trust means giving up a case to a professional figure.

4. CONCLUSION

In Islamic economics perception, capital and competence have a significant effect both partially and simultaneously on micro enterprisers' performance in the Siranindi Village, West Palu District. Both independent variables contribute 42.4% to the variety of changes in the enterpriser performance. Of the two variables, the level of percentage of contribution provided by competence is greater than capital. Therefore, in Islamic economics perception, micro entrepreneurs need to increase competence in an effort to build better performance. The research result also denotes that in running a business, the micro enterprisers followed the business ethics of the Prophet Muhammad who emphasized the competence aspects of *Shiddiq* (honest), *Amanah* (trustworthiness), *Fathanah* (brainy),

Tabligh (communicative). As such, the micro enterprisers' performance in an Islamic perspective reflects Islamic values.

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**UNIVERSIDAD
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Revista de Ciencias Humanas y Sociales

Año 36, Especial N° 26 (2020)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.

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