



The Analysis of Marketing, Strategy Planning, Enterprise Orientation, Technology, and Capital on Indonesian MSMEs Performance

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Abstract. The occurring phenomenon that MSMEs experience various weaknesses and problems, including difficulties in marketing caused by reduced customers because road users prefer to go through the toll road rather than the Pantura road, intensive business competition, low managerial skills, knowledge in management problems, mastery of technology, and especially in finance. This study aims to analyse marketing, strategic planning, entrepreneurial orientation, technology, and capital on Indonesia MSMEs performance. This research used a sample of 271 units throughout Indonesia. In this study using accidental sampling as a sampling technique with the calculation of the number of samples using the sample size calculator at www.raosoft.com with the consideration of the margin of error value of 5%, the level of confidence 90% and the expected response is 95%. This study used multiple regression analysis with questionnaire data collection techniques and observations. The results of this study are marketing, strategic planning, entrepreneurial orientation, technology, and capital have an effect on Indonesia MSMEs performance.

Keywords: MSMEs · Marketing · Strategic planning · Entrepreneurial orientation · Technology · Capital

1 Introduction

MSMEs in Indonesia are one of the sectors that have made a substantial contribution to the national economy, particularly in terms of the value of national exports, employment, national investment, and GDP formation. Both federal and local governments are concerned about the existence of Micro, Small, and Medium Enterprises (MSMEs) in the face of challenging circumstances and uncertainties. By enacting Law No. 20 of 2008 addressing MSME, the government has placed a high priority on the development of small and medium-sized businesses. The government, through the Ministry of Cooperatives and MSMEs, is constantly pursuing various measures to encourage more entrepreneurs to start MSMEs. The government's focus on major MSME is a smart move that benefits the Indonesian people. The government's genuine interest for MSMEs, as seen through programs to nurture and develop MSMEs in Indonesia. This does not, however, imply that the Indonesian government is fully supportive of MSMEs development.

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The agenda for a just and sustainable foundation that can be accomplished through economic recovery and the development of a people's economic system that continues to employ human resources in a way that preserves independent and optimal entrepreneurs.

According to data from the Ministry of Cooperatives and MSMEs, the number of Indonesian MSMEs reached 62,922,617 business actors in 2017, dispersed across the country. MSMEs also dominate the existing business structure in Indonesia around 99.99% consisting of 98.70% or 62,106,900 micro businesses, 1.20% or 757,090 small businesses, 0.09% or 58,627 medium-sized businesses. Meanwhile, big business only contributed to the business structure in Indonesia by 0.01% or 5,460. The number of Indonesian MSMEs that dominate is comparable to the number of MSMEs that have remained robust in the face of the global financial crisis. MSMEs have demonstrated that they are a robust industry capable of withstanding and overcoming severe circumstances, such as the economic crisis. The advantages of small businesses compared to large businesses are the flexibility, ingenuity and agility possessed by small businesses [1]. However, many small businesses in Indonesia still have difficulties developing so that their competitiveness is low.

Research on MSMEs has been carried out by researchers in the Brebes, Central Java. At the end of 2017, it was found that there was an increase in the number of salted egg MSMEs after the establishment of the Brexit Toll Road by 105.56% from the previous one, or previously as many as 18 MSMEs salted egg, after the establishment of the Brexit Toll it increased to 37 MSMEs salted egg. From this data, it can be said that there has been an increase in livelihoods after the construction of the Brexit Toll Road of 19 MSMEs. From the results of 18 MSME salted egg that were established before the construction of the Brexit toll road, it was stated that the income condition of the Salted egg MSME before the Brexit toll road construction had decreased by 55.56%, there were also some that had an increase of 44.44% or by 8 MSMEs. Furthermore, a similar research was conducted, in 2018 it was found that there was a decrease in the income condition of salted egg MSMEs by 5.4% after the construction of the Trans Java toll road. This phenomenon identifies that salted egg MSMEs face a variety of weaknesses and issues, including marketing challenges due to a decrease in customers as a result of road users preferring to use toll roads rather than the Pantura road, intense business competition, a lack of knowledge in management issues, technology mastery, managerial skills, and particularly in finance.

Entrepreneurs engage in marketing operations in order to grow their firm, maintain company life, and win competition. Expertise and ability in marketing have an impact on goal attainment [2]. Strategic planning is required in today's continuously changing environment in order to attain high competitiveness and corporate success. There is a link between business performance and strategy [3], and there is a correlation between business performance and strategic planning. With strategic planning in place, the organization will be able to position itself optimally in a competitive context and anticipate frequently unanticipated environmental developments [4]. Entrepreneurial orientation characteristics, in addition to strategic planning to deal with environmental changes, are critical to the success of MSMEs. The non-optimal managerial role in managing the business and the weak entrepreneurial character in a quickly changing business environment are highly regarded to be the causes of SMEs' low productivity and performance [5].

MSMEs with a strong entrepreneurial orientation are less likely to stick to old tactics and are more inclined to take chances. In today's dynamic economy, an entrepreneurial mindset is critical for a company's survival [6].

Information Technology adds value to management methods involving communication, data management, knowledge management in an organization, information access, and decision making [7]. In order to be able to use the latest technology and innovate, it requires a lot of money so that access to capital sources is an important issue for them to expand their business. A similar view was voiced by some who say that access to capital is required to expand MSME businesses, make productive investments, and obtain the newest technology, hence stimulating innovation, macroeconomic resilience, GDP growth, and ensuring their strength [8].

The phenomenon identifies that MSMEs face a variety of weaknesses and issues, including marketing difficulties due to a decrease in customers because road users prefer to take the toll road rather than the northern coast road, intense business competition, low managerial and human resource skills, low technology mastery, and low knowledge of issues, particularly finance. The goal of this article, as stated above, is to examine the impact of marketing, strategic planning, entrepreneurial orientation, technology, and capital on the performance of MSMEs.

2 Research Methods

All Indonesian MSMEs that matched the MSME criterion based on Law Number 20 of 2008 governing MSMEs were included in this study, totalling 57,895,721 (57,189,393 Micro Enterprises (UMi), and 654,222 Enterprises). Small businesses (UK) and 52,106 medium businesses (UM) [9]. The large number of MSMEs in Indonesia is the background for taking the sample in this study. The sample in this study was determined using the sample size calculator www.raosoft.com with the consideration of a margin of error value of 5%, a level of confidence of 90% and an expected response of 95%, so the sample in this study was 271 MSMEs. This technique was carried out with hope to get an accurate picture of information.

The sampling technique in this research was convenience sampling/incidental sampling, this technique was used because of the consideration of convenience. Incidental sampling or convenience sampling is a sampling technique by chance, anyone who happens to meet the researcher can be used as a sample, but if it is considered that the person who happened to meet is suitable as a data source [10]. Questionnaires distribution in this research was carried out by sending e-mails to all MSMEs in Indonesia and filling out the questionnaires on-line through the google form application so that they can be accessed by all MSMEs in Indonesia. Primary data is obtained by filling out a questionnaire (list of questions) which is answered by the research object [11]. Primary data in this study were obtained from the results questionnaires of distributing to respondents of this study.

The analytical method used is multiple regression analysis, by previously conducting a data grade test, namely the reliability test and the validity test of the questionnaire questions. Then proceed with the Classical Assumption Test, including Multicollinearity Test, Heteroscedasticity Test, and Normality Test. Next, do a partial significance test (t test) and simultaneous (f test) on the basis of decision making according to [11].

Table 1. Result of reliability test

Variables	Cronbach's Alpha	N of Item
MSME Performance (P)	0,895	5
Marketing (M)	0,837	3
Strategic Planning (SP)	0,880	3
Entrepreneurial Orientation (EO)	0,854	3
Technology (T)	0,825	4
Capital (C)	0,818	4

Source: Processed data (2020)

3 Results and Discussions

The results of causality data test stated that value of cronbach's alpha at four variables was greater than 0,70, so this research instrument was declared reliable and the *pearson correlation* value of the four variables was greater than table R, so the question or research indicator was declared valid (Tables 1 and 2).

The assumptions of Normality, Multicollinearity, and Heteroscedasticity will be checked to ensure that the multiple linear regression equation is correct. The model in this study was distributed normally, with a significance value of 0,2 greater than 0,05. The model in this study does not have a multicollinearity problem because the VIF value is less than 10 and the tolerance value is more than 0,1. There are no heteroscedasticity issues in this study because all significant values between independent variables have an absolute residual of more than 0,05 (Tables 3, 4, 5 and 6).

Based on calculation of multiple regression linear analysis carried out through statistics using the SPSS program, the equation regression was obtained as follows:

$$P = 13,178 + 0,067 M + 0,188 SP + 0,098 EO + 0,057 T + 2,204 C$$

3.1 The Influence of Marketing on the Indonesian MSMEs Performance

According to the results of the partial test, marketing has an impact on MSMEs' performance. These findings suggest that adjustments in marketing variables will result in positive changes in Indonesian MSMEs performance, and that changes in marketing variables will have a partial impact on Indonesian MSMEs performance [12]. As a result, if marketing actions rise, MSMEs' performance in Indonesia will increase as well. The findings of this study matched those of a study conducted on MSMEs in Bangladesh, which found a link between entrepreneur success and marketing success [13]. The literature was increasingly showing that the challenge for MSMEs in developing nations was not their small size, but their isolation, which hampered access to markets as well as financial, institutional, and information support [14].

Table 2. Result of validity test

Indicator	Pearson Correlation	R table	Result
MSME Performance (P)			
P1	0,862	0,1192	Valid
P2	0,812	0,1192	Valid
P3	0,782	0,1192	Valid
P4	0,809	0,1192	Valid
P5	0,709	0,1192	Valid
Marketing (M)			
M1	0,832	0,1192	Valid
M2	0,896	0,1192	Valid
M3	0,892	0,1192	Valid
Strategic Planning (SP)			
SP1	0,803	0,1192	Valid
SP2	0,898	0,1192	Valid
SP3	0,855	0,1192	Valid
Entrepreneurial Orientation (EO)			
EO1	0,756	0,1192	Valid
EO2	0,923	0,1192	Valid
EO3	0,827	0,1192	Valid
Technology (T)			
T1	0,868	0,1192	Valid
T2	0,867	0,1192	Valid
T3	0,830	0,1192	Valid
T4	0,860	0,1192	Valid
Capital (C)			
C1	0,910	0,1192	Valid
C2	0,823	0,1192	Valid
C3	0,876	0,1192	Valid
C4	0,866	0,1192	Valid

Source: Processed data (2020)

Table 3. Result of normality test

		Unstandardized Residual
N		271
Normal Parameters ^a	Mean	0,0000000
	Std. Deviation	1,02988387
Most Extreme Differences	Absolute	0,162
	Positive	0,187
	Negative	-0,125
Kolmogorov-Smirnov Z		2,662
Asymp. Sig. (2-tailed)		0,200

^a Test distribution is Normal

Source: Processed data (2020)

Table 4. Result of multicollinearity test

Model		Collinearity Statistics	Collinearity Statistics
		Tolerance	VIF
1	(Constant)		
	M	0,741	1,350
	SP	0,559	1,305
	EO	0,660	1,515
	T	0,843	1,187
	C	0,558	1,323

Source: Processed data (2020)

Table 5. Result of heteroscedasticity test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,404	0,489		2,870	0,004
	M	0,041	0,019	0,156	2,219	0,227
	SP	0,052	0,037	0,212	1,396	0,164
	EO	0,047	0,019	0,182	2,452	0,215
	T	0,030	0,020	0,097	1,482	0,140
	C	0,040	0,034	0,179	1,182	0,238

Source: Processed data (2020)

Table 6. Results of multiple regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13,178	1,170		11,266	0,000
	M	0,067	0,045	0,054	2,506	0,003
	SP	0,188	0,089	1,918	2,725	0,000
	EO	0,098	0,046	0,081	2,134	0,034
	T	0,057	0,048	0,040	2,174	0,042
	C	2,204	0,081	2,188	2,267	0,000

Source: Processed data (2020)

3.2 The Influence of Strategic Planning on the Indonesian MSMEs Performance

According to the partial test results, strategic planning has an impact on the performance of Indonesian MSMEs. According to a study of West Java SMEs, if business strategy is managed and implemented efficiently, company performance improves [5]. Strategy factors will have a negative impact on MSMEs’ performance and will only have a minor impact on their performance [12]. As a result, if SMEs utilize strategy in the long run, their performance may suffer. This can occur as a result of selecting a plan that is too tough to execute or one that is incorrect or ineffective.

3.3 The Influence of Enterprise Orientation on the Indonesian MSMEs Performance

According to preliminary test results, entrepreneurial approach has an impact on MSMEs’ performance. This study was successful in demonstrating the impact of entrepreneurial orientation on the performance of Indonesian MSMEs. This suggests that an MSME’s business performance will improve if it has a more entrepreneurial mindset. Three variables are used to assess business performance: (a) survival, (b) ability to produce profits, and (c) growth (ability to develop) [15]. The results of the index numbers computation demonstrate that the performance category is on a high criterion, implying that a business result should be able to generate large profits, continue or survive, and develop. Such findings are relevant to the findings about the effect of entrepreneurial orientation on business performance, which state that the greater the entrepreneurial orientation, the better the company’s ability to market its products and hence the better the business performance. Entrepreneurial orientation plays a critical impact in increasing business success [16].

3.4 The Influence of Technology on the Indonesian MSMEs Performance

According to preliminary test results, that technology has an impact on the performance of Indonesian MSMEs. Changes in technical variables will have a beneficial impact on

MSMEs' performance, and will have a partial impact on the performance of Indonesian MSMEs. As a result, advancements in the utilization and application of current technology, as well as keeping up with the times, might have an impact on the performance of Indonesian MSMEs. The findings of this study matched those of a study on MSMEs in Bangladesh, which found a strong link between entrepreneur success and technological success [13].

3.5 The Effect of Capital on the Indonesian MSMEs Performance

According to the partial test results, capital has an impact on the performance of Indonesian MSMEs. The findings of this study matched those of a study conducted on food MSMEs in the Salatiga area, which found that the more capital used and the easier it is to obtain business capital, the more business development [2]. Entrepreneurs in several regions of the world appear to be having difficulties obtaining funds, persuading bankers, obtaining finance, and gaining credit from suppliers, as well as securing bank loans. According to various surveys conducted around the world to highlight the problems faced by entrepreneurs [13]. Changes in the capital variable will have a negative impact on MSMEs' performance, and will have a somewhat significant impact on the performance of Furniture MSMEs in Klaten [12]. So that, if the financial condition of MSMEs decreases, the performance of MSMEs can actually increase. The impact of increasing production productivity is expected to attract third parties or outside parties (investors) to inject funds into these MSMEs. Therefore, changes are needed to manage finances so that they do not affect production productivity. The capital needed by craftsmen is working capital to invest in modern technology tools, where the impact of using this capital will help craftsmen meet the quality required by exporters which in turn will improve their business performance.

4 Conclusion

The conclusion of this study, based on the research, comprises M variable calculation achieved $t \text{ count} = 2,506 > t \text{ table}$ and significant value of 0,003 0,05, indicating that partial marketing influences the performance of MSMEs. The SP variable is calculated as $t \text{ count} = 2,725 > t \text{ table}$ with a significant value of 0,000 0,05, indicating that strategic planning has a partial impact on MSMEs' performance. The EO variable yielded $t \text{ count} = 2,134 > t \text{ table}$ and a significant value of 0,034 0,05, indicating that partially entrepreneurial orientation affects the performance of Indonesian MSMEs. The T variable yields $t \text{ count} = 2,174 > t \text{ table}$ and a significant value of 0,042 0,05, indicating that technology influences the performance of MSMEs to some extent. The variable C is calculated as $t \text{ count} = 2,267 > t \text{ table}$ with a significant value of 0,000 0,05, indicating that capital impacts the performance of MSMEs to some extent.

Further research is needed to determine whether related parties, such as facilitation institutions and government agencies, should be involved in the entire marketing and production process by providing media or equipment assistance, so that MSME can improve performance. MSMEs were more creative in producing quality products.

The government can work with universities to provide training and assistance in developing business plans for SMEs, which will help MSME strategic plans in the future. Entrepreneurs must increase communication with employees in order to establish a business that is handled in such a way that employees feel like they own it and can improve their personal performance.

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