The Effect of Entrepreneurial Knowledge on Business Success in Micro, Small, and Medium Enterprises (MSMEs)

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Abstract. The impact of entrepreneurial knowledge on business success in micro, small, and medium enterprises is discussed in this study. This study uses entrepreneurial knowledge as an independent variable and business success as the dependent variable. The sample of this research was the owners of micro, small, and medium enterprises in the Garut Regency. The statistical method used was simple linear regression analysis. Both primary and secondary data were gathered by distributing questionnaires and reading relevant literature. The success of a business is positively and significantly impacted by entrepreneurial knowledge.

Keywords: Entrepreneurial Knowledge · Business Success

1 Introduction

Today's businesses have experienced rapid development and progress. On the other hand, globalization is increasingly unstoppable, causing humans to compete in various fields, especially in the business world [1]. In business, success and failure are two different things. From the current company's financial condition, it is possible to get a straightforward interpretation of the company's economic success [2]. Entrepreneurs who want to succeed must know about entrepreneurship [3]. An entrepreneur will not grow if he does not have the knowledge, ability, and willingness [3]. Entrepreneurs are considered supporters of national development. However, before someone starts or creates a business, understanding as an entrepreneur about how to start or manage a business, the strategies needed to drive success, and how to anticipate and solve problems at hand can be understood by the entrepreneur. This is the importance of entrepreneurial knowledge that can be learned before starting a business [4].

MSMEs, also known as Micro, Small, and Medium-sized Enterprises, are vital to the Indonesian economy [5]. Micro, small, and medium businesses play a crucial and essential role in the national economy [6]. One of the business areas that can grow and remain stable.

The formulation of the problem in this study is how the description of the work environment, work stress, and employee performance at Perumda Tirtawening Bandung in the national economy is micro, small, and medium-sized businesses. For a region,

the involvement of micro, small, and medium-sized is crucial, particularly as one of the drivers of regional economic growth [7]. MSMEs are unaffected by the crisis and contribute to local economies through taxation, economic growth, and jobs. MSMEs are widely acknowledged as the primary drivers of economic development. Therefore, Indonesians must acquire entrepreneurial knowledge at a young age [8]. MSMEs totaled 65.47 million units in 2019, according to research by the Ministry of Cooperatives and MSMEs, which was taken from the website dataindonesia.id. This number increased by 1.98% from last year's 64.19% million units. They also said that the number of MSMEs in Garut Regency itself until September 17, 2020, there were 150,176 units, the second largest after Bandung City, which had 150,557 units of the entire 1,729,966 districts/cities proposers in West Java. Research on the success of MSMEs is interesting because the number of MSMEs continues to increase. Based on information from the opendata.jabarprov.go.id website, in 2021, there were 349,863 MSMEs in Garut Regency, and every year MSMEs in Garut Regency continue to increase.

Based on Number of MSMES in Garut, demonstrates the considerable growth of micro, small, and medium-sized businesses in the Garut Regency. Garut, one of the cities of East Priangan in West Java, is a district located about 250 km from Jakarta and 64 km southeast of Bandung, the capital of West Java. Garut earned the nickname "Swiss Van Java" in the 1920s for its alluring natural beauty, highly unusual features, and fresh air (https://www.jelajahgarut.com/tentanggarut/).

Business success is the company's priority so that all business activities can be successful. Success usually refers to the dominance or status of dominance in the previous period. Success is used as a measure of effort and effort in one or more activities [4]. Profit is not the only factor that can be measured in a company's performance; a company is considered to be successful if it makes money. Profit, however, is a crucial element because it is the reason why individuals conduct business [9]. Business success is a condition or state of progress of an intention in an activity seen from the volume of business, net assets, and net income [10]. Achieving the highest level of entrepreneurial activity leads to entrepreneurial success, where the success of entrepreneurship itself is essential [11]. Firm success is achieving a corporate goal, which is the primary goal of any company or organization with which all actions are conducted [1].

The dimensions of business success are described as follows:

1. Profit/Profitability
   The primary objective of a company is to make money. The difference between expenses and revenues is operating income.
2. Productivity
   The volume of a company's output is based on the volume of its productivity. This impacts the volume of sales, which in turn impacts the volume of income and the quantity of the profit earned.
3. Competitiveness
   Competitiveness is the capacity or courage to contend to capture the interest and allegiance of customers. A business might be considered successful if it can outperform rivals or, at the very least, survive them.
4. Competence
   To develop timely innovations, competence results from accumulating information, research, and knowledge in the subject on both a quantitative and qualitative level.

5. The Good Image

   Internal and external trust are the two factors that contribute to the company's positive reputation. External trust is credibility from everyone, whereas inner trust comes from everyone within the company [3].

   Entrepreneurial knowledge is managing all system elements in the form of documents, databases, complete policies and procedures, along with information about the experience, expertise, and skills of human resources individually and collectively. Knowledge consists of direct knowledge, namely knowledge possessed by an entrepreneur before he became an entrepreneur, and indirect knowledge obtained from various parties before and when he became an entrepreneur [12]. Entrepreneurial knowledge is information in the form of memory and knowledge of how to conduct a business to inspire the willingness to take risks in the beginning, running, and developing a firm [13]. Entrepreneurial knowledge is obtained through training and experience, which is used as training and understanding to lead to the ability to see risks and courage in dealing with them [14].

   With good entrepreneurial knowledge, one can more easily make innovations in business opportunities around them into new and quality results. Entrepreneurial knowledge is also needed to analyze various threats when running a business, so someone with good entrepreneurial knowledge is certainly wiser when making decisions to solve these problems. Someone can obtain this entrepreneurial knowledge through formal entrepreneurship learning on campus, entrepreneurship training, seminars, and so on [15].

   Entrepreneurial knowledge variable can be measured based on three indicators, namely as follows:

1. Take a risk
2. Analyze business opportunities
3. Formulate the solution to the problems [16].

   Several indicators must be considered in developing an MSME to increase its success of an MSME. The MSME strategy has significant implications for an MSME's structure, activity, investment, market relations, and performance. An understanding of the business being run is an important thing that must be owned by all MSME actors [8]. MSMEs need to know about running a business to increase quality and achieve business success [17]. For companies to compete in the business world and want their business to run smoothly, anentrepreneur must have knowledge in the field of business he wants or is currently undergoing because entrepreneurial knowledge significantly affects business success [1].

   The authors are interested in performing a study about "The Effect of Entrepreneurship Knowledge on Business Success in Micro, Small, and Medium Enterprises (MSMEs)" based on the above description with the following problem formulation: 1) How does entrepreneurial knowledge affect the success of micro, small, and medium-sized enterprises? 2) How does entrepreneurial knowledge impact micro, small, and medium-sized enterprises' ability to succeed in the industry?

   Therefore, this study's goals are 1) to determine the impact of entrepreneurial knowledge on micro, small, and medium-sized enterprise business success; and 2) to measure
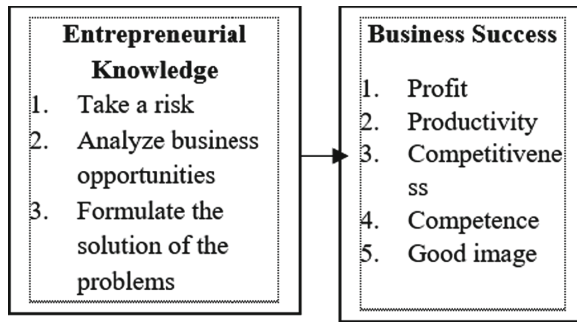
Fig. 1. Research Framework

how much influence entrepreneurial knowledge has on business success in micro, small and medium-sized enterprises.

2 Methods

2.1 Hypothesis Development

The descriptive quantitative method was used in this study. The goal of quantitative research is to test pre-established hypotheses by studying a particular population or sample, collecting data using research tools, and analyzing quantitative data. Quantitative research is a research method founded on positivist ideology. Descriptive research is done without comparisons or connections to other variables to ascertain the value of one or more independent variables [18]. This study used causal research as its methodology [19].

The independent variable and the dependent variable are the two variables that together make up the analytical model in this study. Business success is the dependent variable in this study, and entrepreneurial knowledge is the independent variable (Fig. 1).

The proposed hypothesis was Ho: Entrepreneurial knowledge does not positively affect business success in Micro, Small, and Medium Enterprises (MSMEs). Ho: Entrepreneurial knowledge positively affects business success in Micro, Small, and Medium Enterprises (MSMEs).

2.2 Sample and Data Collection

A population is a generalization domain made up of things and subjects with specific characteristics and traits that researchers use to analyze and then come to conclusions. The sample is included in the population's size. The study's intended audience is the micro, small, and medium-sized business owners in the Garut Regency. The number of independent variables is referenced in the sample size formula as N 50 + 8i (i is the number of independent variables) [20]. In light of the calculation of 50 + 8, 58 respondents make up the size of the sample used. The sampling technique used was

Table 1. Business Actors of MSMEs

Profile	Criteria	Number	%
Sex	Male	33	56,9%
	Female	25	43,1%
Age	<19	4	6,9%
	20–30	29	50%
	31–40	9	15,5%
	41–50	11	19%
	>50	5	8,6%
Type of Business	Individual Business	36	62,1%
	Family	20	34,5%
	Firm	2	3,4%
Length of Establishing the Business	<1 Year	13	22,4%
	1–5 Years	12	20,7%
	6–10 Years	13	22,4%
	11–20 Years	10	17,2%
	>20 Years	10	17,2%

Source: The result of analyzing the data of the questionnaire

the purposive sampling method [21]. The only men and women who own micro, small, and medium-sized companies and live in the Garut Regency were the only respondents who qualified under the criteria the researchers set forth for this study. The reason for choosing Garut Regency as the research location was because the data taken for research materials met the requirements in accordance with the research conducted (Table 1).

2.3 Measurement

Statistics are used in data analysis methods in quantitative research. A statistical technique called simple linear regression is used to evaluate the strength of the causal relationship between the predictor variable (Y) and the causal factor variable (X) [22]. The interval measurement scale was used in this study. There is no actual zero value for the measurement [20].

Research tools are equipment or facilities that researchers use to gather data to speed up their job and achieve better results—that means results that are more precise, thorough, and systematic so that they are simpler to analyze [23]. Participants or respondents fill out research comments or questions as part of the questionnaire, which is a method for gathering data. Researchers can use a questionnaire to collect information about respondents' attitudes, beliefs, values, perceptions, personalities, and behaviors [24]. The Likert scale is a scale that asks respondents to rate how much they strongly agree, agree, neutrally disagree, disagree, or strongly disagree with a perceived item [20] (Table 2).

Table 2. Likert Scale Measurement

Response		Score
Strongly agree	SA	5
Agree	A	4
Neutral	N	3
Disagree	D	2
Strongly Disagree	SD	1

3   Results and Discussion

3.1   Measurement

For the first analysis, the value of the regression coefficient for each entrepreneurial knowledge dimension related to the dimensions of business success was calculated. Based on the data management results, it is evident that only the dimensions of entrepreneurial risk appetite impact all aspects of the entrepreneurial knowledge variable (Table 3).

The second analysis examined the degree to which entrepreneurial knowledge and business success in micro, small, and medium-sized firms are related. The coefficient of determination calculates variable X's contribution to variable Y. An R-value of 0.407 or a significant R-value indicates how closely entrepreneurial knowledge and business success are related. The coefficient of determination, which has a value of 0.166, indicates that entrepreneurial knowledge has a 16.6% influence on business success in micro, small, and medium-sized firms, and another independent variable not included in the regression model is 83.4% (Table 4).

3.2   Hypothesis Testing

This study's main hypothesis is Ha: Entrepreneurial knowledge positively affects business success in Micro, Small, and Medium Enterprises (MSMEs). A significant value of $0.002 < 0.05$ suggests that Ha is reliable and applicable to a variety of situations outside the focus of the study (Table 5).

The findings of this study are in accordance with Panggabean's research in 2015. The results demonstrate that PT. Multazam Wisata Agung's success is positively and significantly impacted by entrepreneurial knowledge [3]. The significance of the impact of entrepreneurial knowledge on business success, according to this study, is $0.002 < 0.05$, which is lower than in earlier studies.

Table 3. Regression Coefficient on Entrepreneurial Knowledge and Business Success high category.

DIMENSION				
entrepreneurial knowledge	Business Success	Regression Coefficient	Sig	Note
take business risks	Profit	0,493	0,003	Influential
analyze the business opportunities		0,4	0,793	Not influential
formulate solutions of the problems		0,175	0,238	Not influential
take business risks	Productivity	0,595	0,001	Influential
analyze the business opportunities		0,12	0,453	Not influential
formulate solutions of the problems		0,065	0,673	Not influential
take business risks	Competitiveness	0,308	0,096	Not influential
analyze the business opportunities		0,202	0,266	Not influential
formulate solutions of the problems		0,228	0,189	Not influential
take business risks	Competence	0,152	0,552	Not influential
analyze the business opportunities		0,033	0,896	Not influential
formulate solutions of the problems		0,22	0,365	Not influential
take business risks	Good Image	-0,047	0,518	Not influential
analyze the business opportunities		-0,015	0,83	Not influential
formulate solutions of the problems		-0,032	0,637	Not influential

Table 4. Summary Model. The relationship between Entrepreneurial Knowledge and Business Success

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Change statistics				Sig. F Change
					R Sqaure Change	F change	df1	df2	
1	.407[a]	.166	,151	2.819	.166	11.140	1	56	.002

a. Predictors: (Constant), PengetahuanKewirausahaan
b. Dependent Variable: KeberhasilanUsaha

Table 5. ANOVA Effect of Entrepreneurial Knowledge on Business Success.

ANOVA[a]

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	99.539	1	88.539	11.140	.002b
	Residual	445.064	56	7.948		
	Total	533.603	57			

a. Dependent Variable: Keberhasilan Usaha
b. Predictors: (Constant), Pengetahuan Kewirausahaan

4   Conclusions

After analyzing the theory and the research above, the researchers succeeded in answering the research problem formulation as follows:

1. The success of micro, small, and medium-sized enterprises is affected by entrepreneurial knowledge.
2. The results of the determination test reveal the R-squared value of 0.166, or 16.6%, with the remaining 83.4% coming from other independent variables not included in the regression model.

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