

The Effect of Capital, Training, and Motivation on Micro, Small and Medium Enterprises in Malang

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are vital to Indonesia's economy, especially in regions like Malang City. This study explores the influence of capital, training, and motivation provided by BAZNAS Microfinance on MSME development. Utilizing a quantitative research approach, the findings indicate that access to low-interest loans significantly enhances production capacity and operational management. Additionally, training programs improve technical skills and digital marketing capabilities, fostering collaboration and competitive advantage among MSMEs. Furthermore, motivational support encourages entrepreneurial resilience and long-term growth. The research concludes that the integration of capital, training, and motivation is crucial for the sustainable development of MSMEs. Recommendations include enhancing training quality, streamlining capital access, and offering personalized motivational support to entrepreneurs.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a fundamental role in the economic structure of developing nations, serving as a primary vehicle for job creation, poverty alleviation, and economic growth. As emphasized by Latifah (2020), MSMEs are not only the most prevalent form of business in these countries but also have the potential to significantly enhance Gross Domestic Product (GDP) when managed effectively. This potential is particularly true for developing nations, where innovation in managing MSMEs can create new employment opportunities and contribute to overall economic stability (Ejdys, 2016). Furthermore, MSMEs are widely recognized as crucial drivers of economic performance on a global scale, influencing growth trends in both developing and developed countries alike (Naala, Nordin, & Omar, 2017).

Indonesia is a notable example of a nation where MSMEs play a substantial role in the economic landscape. With a reported range of 56.54 million to 62.92 million MSMEs, the country stands out in terms of its sheer volume of small and medium enterprises. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, by 2020, Indonesia's MSME sector had reached a total of 65.4 million units. This figure includes 64.6 million Micro Enterprises (UMI), 700,000 Small Enterprises (UKM), and 65,000 Medium Enterprises (Wibisono & Chaerudin, 2022). The significance of MSMEs in the Indonesian economy cannot be understated, as they are a critical engine for growth and job creation. They serve not only as a platform for entrepreneurship but also as a mechanism for reducing unemployment and fostering inclusive economic participation (Fajar & Larasati, 2021).

Moreover, the impact of MSMEs on national investments is noteworthy. Contributing approximately 58.18% of national investments, MSMEs are central to driving Indonesia's economic advancement and resilience (Riskita, 2022). The integration of these businesses into the broader economy helps stimulate local markets, increase household incomes, and foster regional development, making them vital to Indonesia's socioeconomic fabric. However, despite their successes and contributions, MSMEs face several challenges that hinder their full potential, particularly in terms of human resource development, financial management, and access to technology.

In regions like East Java, MSMEs play an even more significant role in economic activities. This area has become a focal point for understanding how MSMEs can drive regional development and contribute to the local economy. Cities like Jember, Malang, and Banyuwangi are recognized as key hubs for MSME activity, boasting some of the highest concentrations of these enterprises in the region. On the other hand, areas such as Mojokerto, Blitar, and Pasuruan report comparatively lower numbers of MSMEs. Notably, Batu City has experienced the most significant growth in MSMEs, approaching 1% growth annually, indicating a robust environment for small and medium businesses to flourish.

Malang City, with approximately 8,000 MSMEs, has received considerable support from the local government, which has introduced policies to promote MSME development. The issuance of the Mayor's Circular No. 5 of

2021 highlights the local government's commitment to prioritizing local MSME products and creative businesses. Additionally, in 2022, 46% of procurement contracts were allocated to MSMEs and cooperatives, further indicating the government's efforts to create an enabling environment for small and medium-sized businesses to thrive (Government of Malang City, 2022). These initiatives have proven instrumental in fostering an ecosystem where MSMEs can play a pivotal role in the economic development of Malang City.

Nevertheless, despite such support, MSMEs face numerous challenges that hamper their growth and sustainability. A primary obstacle is the limited capacity of human resources, particularly the lack of knowledge and skills in technological innovation and business management. As Caloghirou, Giotopoulos, and Korra (2017) point out, human resource constraints are a significant factor limiting MSME development, especially in areas such as digital transformation and innovation. Many MSME owners lack formal business education, which results in difficulties in scaling their operations, adopting new technologies, or improving their productivity. This lack of skills and expertise presents a significant barrier to growth and competitiveness in an increasingly digital and globalized economy.

Access to capital remains another critical challenge for MSMEs in Indonesia. Many MSMEs struggle to secure adequate funding to grow their businesses, with limited access to formal financial institutions. The inability to manage business finances effectively also contributes to this challenge. Entrepreneurs often lack a deep understanding of financial management principles, which restricts their ability to optimize their financial resources and sustain their businesses over the long term (Sutrisno, personal communication). Studies have shown that capital plays a significant role in influencing MSME performance. For instance, Al-afifi (2020) suggests that adequate access to capital positively impacts MSMEs, allowing them to expand operations, invest in technology, and improve productivity. However, other studies, such as those by Noviono and Pelitawati (2019) and Junedi and Arumsari (2021), indicate that capital alone may not always lead to significant improvements in MSME performance. These contradictory findings highlight the complexity of the relationship between capital access and business success, suggesting that capital must be complemented by other factors such as management training, motivation, and innovation for MSMEs to thrive.

Despite the challenges related to capital and human resources, MSMEs in East Java have increasingly embraced digital marketing strategies to improve their market reach and competitiveness. Approximately 80% of MSMEs in the region have adopted digital marketing platforms, leveraging the power of online commerce to connect with customers and boost sales. However, only about 12% of these enterprises operate professionally, indicating a need for further capacity-building in this area (Laksono et al., 2022). This gap between adoption and professionalism highlights the importance of providing MSME owners with the necessary training in digital marketing, financial management, and business development. Empowering these entrepreneurs with the right

skills can help them overcome the challenges they face and unlock new opportunities for growth.

Training programs aimed at enhancing MSME capabilities in financial management, marketing, and technology adoption have shown promise in improving business performance. These programs are essential for equipping MSMEs with the tools they need to navigate the complexities of the modern marketplace and to stay competitive in an evolving business environment. Capacity-building initiatives must be expanded to ensure that MSME owners not only understand how to access capital but also how to manage it effectively, use digital tools to enhance their operations, and motivate their teams to achieve higher productivity.

Given the importance of MSMEs to Indonesia's economy and the specific challenges they face, this research aims to explore the influence of capital, training, and motivation on MSMEs in Malang, Indonesia. By investigating these factors, the study seeks to provide insights into how MSMEs can overcome barriers to growth and achieve long-term success. The findings of this research will serve as a valuable resource for policymakers, business owners, and other stakeholders interested in promoting MSME development in Indonesia. Ultimately, addressing the issues of capital access, human resource constraints, and technological adoption will be key to ensuring that MSMEs continue to play a central role in driving economic growth and reducing unemployment in Indonesia.

In conclusion, while MSMEs in Indonesia have made significant contributions to the country's economy, their continued growth and success depend on addressing several critical challenges. These include improving access to capital, enhancing human resource capabilities, and promoting the adoption of digital technologies. With appropriate government support, capacity-building initiatives, and financial resources, Indonesia's MSMEs can unlock their full potential, creating new opportunities for economic growth and contributing to the nation's long-term development goals.

THEORETICAL REVIEW

Micro, Small and Medium Enterprises

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy, particularly in a developing nation with relatively low material welfare. The increasing number of MSMEs creates job opportunities, potentially reducing unemployment rates. According to Ariyanto et al. (2021), MSMEs are defined as businesses managed by individuals or entities on a small scale, in accordance with Law No. 20 of 2008. Beyond contributing to economic growth, MSMEs are expected to produce high-quality products that can compete with imports, thereby enhancing community welfare (Alauddin, 2019).

Capital

Micro, Small, and Medium Enterprises (MSMEs) are essential for poverty alleviation and play a vital role in the economy; however, a significant challenge they face is limited access to capital. One effective solution is providing loan assistance to improve their income and help lift people out of poverty. Capital is

a foundational element for establishing and growing a business. Access to adequate capital enables MSMEs to innovate and expand their operations. Widiarti (2022) identifies key indicators for assessing capital in MSME development, including cash reserves, cash flow capabilities for settling short-term debts, excess cash, accounts receivable turnover, total receivables, risk of bad debts, inventory adequacy, inventory valuation, and year-end inventory calculations.

Training

Training is a structured approach to enhance individuals' knowledge and skills for achieving specific objectives. It plays a crucial role in career development and improving the quality of human resources to meet job requirements. Effective training comprises three stages: needs assessment, program design, and evaluation of effectiveness. Indicators of successful training include the trainer, participants, methods, consistent resources, and clear objectives (Soraya et al., 2023).

Motivation

Motivation is a familiar concept, serving as a crucial driver for effort and goal achievement. It plays an essential role for entrepreneurs, as higher motivation often correlates with greater success and satisfaction in their endeavors. Motivation can be defined as the internal drive, whether conscious or unconscious, that prompts individuals to take action (KBBI). For micro, small, and medium enterprises (MSMEs), strong motivation is vital for initiating and sustaining business efforts. Indicators of motivation include the willingness to pursue entrepreneurship, characterized by intrinsic factors rather than external pressure. McClelland identifies three motivational indicators: (a) need for achievement, which drives responsibility and risk-taking; (b) need for affiliation, emphasizing social interaction and cooperation; and (c) need for power, relating to the desire for challenges and autonomy (Mochklas et al., 2023).

Income

Income is a well-known term often discussed as a key motivator for individuals to enhance the quality of their businesses. For micro, small, and medium enterprises (MSMEs), improving business quality through adequate capital, training, and motivation can significantly boost income levels. Income is defined as earnings generated from various activities, efforts, and employment, and it plays a crucial role in sustaining individual livelihoods; higher income allows for greater capacity to meet essential needs. Income arises from the costs of production factors or productive services. Therefore, continuous efforts to increase income are essential for improving economic status. Three key indicators of income: monthly earnings, occupation, and family expenses, underscoring income's importance in assessing economic health and its contribution to national economic growth.

Relationship Between Variables

In the context of developing Micro, Small, and Medium Enterprises (MSMEs), capital plays a crucial role. Indicators of capital include cash availability, the ability to settle debts, as well as the management of receivables and inventory. Research by D. & Dewi (2019) indicates that capital, labor, and social capital positively influence MSMEs in Denpasar. In addition to capital, training is also critical in developing MSMEs. Laksono et al. (2022) highlight the positive impact of accounting training on income reporting management.

Motivation is another key factor in MSME development. Rianto (2005) states that motivation drives individuals to act. McClelland proposed three indicators of motivation: the need for achievement, affiliation, and power. Research by Elfahmi et al. (2021) and Almaidah & Endarwati (2019) shows that motivation has a positive influence on the development and success of MSMEs. Therefore, all three variables—capital, training, and motivation—significantly influence MSME development in Microfinance in Malang.

METHODOLOGY

Types and Research Approaches

The research approach is crucial before a researcher undertakes a study. A research approach is a scientific method for obtaining data with specific purposes. In this study, we adopted an experimental and survey research design utilizing a quantitative approach. Quantitative research fundamentally employs a post-positivist approach to develop knowledge, focusing on cause-and-effect relationships, hypothesis testing, and statistical data through surveys and experiments.

Research Locations

This research was conducted in Malang City, specifically at BAZNAS Microfinance. According to Sugiyono (2016), the population is the generalization area comprising objects or subjects with specific qualities designated for study. Ferdinand (2014) states that if the population is unknown, researchers may select a minimum or maximum sample. The population for this study includes all MSMEs under BAZNAS Microfinance in the Food & Beverage sector. Sample is a subset of the population selected through specific procedures to represent the whole. In this study, the sample consists of all MSME actors under BAZNAS Microfinance in Malang.

Data and Data Types

To obtain valid data, this research utilized both primary and secondary data types. According to Sugiyono (2016), primary data is collected directly from sources through interviews and questionnaires targeting MSME actors. Secondary data, as defined by Sugiyono (2016), comprises information gathered from existing sources to support primary data. Data collection techniques included interviews and observations, which Sugiyono (2016) notes can involve various objects beyond just people.

Operational Definitions of Variables

Micro, Small, and Medium Enterprises (MSMEs) are vital to Indonesia's economy, creating job opportunities and reducing unemployment. To measure MSME development, indicators include sales turnover, labor growth, and customer growth (Kartawinata et al., 2020). Capital indicators consist of cash availability, debt repayment ability, and inventory assessment (Widiarti S, 2022). Training focuses on skills development and includes trainers, participants, methods, resources, and objectives (Soraya et al., 2023). Motivation is driven by achievement, affiliation, and power (Mochklas et al., 2023).

RESULTS AND DISCUSSION

Positive Influence of BAZNAS Microfinance Capital on Micro, Small and Medium Enterprises (MSMEs) in Malang City

Capital is essential for the growth of Micro, Small, and Medium Enterprises (MSMEs), and BAZNAS Microfinance provides low-interest loans, aiding entrepreneurs in expanding their operations (Widiarti, 2022). This funding enhances production capacity and covers operational costs like salaries and utilities. BAZNAS offers accessible loans with minimal requirements, making it easier for MSMEs to apply compared to traditional banks. Eligible MSMEs must have operated for over two years and have a Business Identification Number (NIB) (Kartawinata et al., 2020). The funding process involves surveys, analyses, and contracts, followed by monitoring to ensure proper fund usage (Sugiyono, 2016).

Positive Influence of BAZNAS Microfinance Training on Micro, Small and Medium Enterprises (MSMEs) in Malang City

The training programs organized by BAZNAS for Micro, Small, and Medium Enterprises (MSMEs) in Malang are crucial for their development, serving as initial support for entrepreneurs (Soraya et al., 2023). These programs aim to enhance performance through skill improvement and effective capital management (Sugiyono, 2016). By focusing on digital marketing, BAZNAS helps MSMEs adapt to modern trends, improving competitiveness. Additionally, networking opportunities foster collaboration among MSMEs, leading to shared growth and valuable mentorship from experienced professionals (Sultana, 2012). Ultimately, these initiatives enable entrepreneurs to apply their knowledge and achieve tangible results in their businesses.

Positive Influence of BAZNAS Microfinance Motivation on Micro, Small and Medium Enterprises (MSMEs) in Malang City

Motivation is essential for individuals running businesses, and BAZNAS Malang plays a significant role in encouraging MSMEs to persevere (Jaya & Sumarni, 2020). By providing positive reinforcement and direction, BAZNAS helps MSMEs face challenges and seize opportunities, significantly impacting their growth. Increased entrepreneurial spirit results from this support, fostering optimism and confidence in business development (Mochklas et al., 2023). Additionally, BAZNAS promotes long-term thinking and innovation

among entrepreneurs, contributing to sustainable growth and economic empowerment in Malang while recognizing successful MSMEs to inspire further improvements (Sultana, 2012).

The Influence of Capital, Training, and Motivation Together in Developing Micro, Small and Medium Enterprises (MSMEs) in Microfinance in Malang City

The integration of capital, training, and motivation is crucial for the development of MSMEs under BAZNAS Microfinance, Malang. These three elements must operate concurrently to achieve optimal results. Capital is the foundation for starting and expanding a business, while training equips entrepreneurs with the skills to manage operations effectively. Without motivation, all efforts may be futile. Thus, the right combination of these factors creates a powerful synergy, promoting growth and sustainability for MSMEs by providing necessary resources, knowledge, and encouragement to progress. Together, they play a vital role in MSME development.

CONCLUSIONS AND RECOMMENDATIONS

BAZNAS Microfinance positively influences MSMEs in Malang by providing capital that enables business expansion, production capacity enhancement, and operational cost management, all facilitated by a simple application process and low-interest rates. The training offered focuses on technical skills, managerial improvement, and digital marketing, enhancing efficiency and competitiveness while fostering collaboration among entrepreneurs. Additionally, motivation from BAZNAS inspires a long-term growth mindset. The synergy of capital, training, and motivation is essential for sustainable MSME development. BAZNAS should enhance training quality, simplify capital access, and offer personalized motivational support, including structured recognition and mentorship for entrepreneurs.

FURTHER STUDY

Conducting longitudinal studies to assess long-term impacts of BAZNAS Microfinance, comparing it with other institutions, investigating sector-specific challenges, exploring the effects of digital transformation, and conducting qualitative research through interviews to enhance understanding and improve support for MSMEs in Indonesia.

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