

## FACTORS AFFECTING BUSINESS PERFORMANCE IN COMMUNITY-BASED SMES IN INDONESIA

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**Abstract.** Indonesia has a large amount of unemployment, and this issue needs to be solved. Enhancing the business performance of the entrepreneur is one of the solutions to solve the issue of unemployment. Tangan Di Atas Community is a business community focus on empowering SMEs on business skills and as a business mentor for their members.

This paper aims to understand the effect of entrepreneurial skill, accounting literacy, mentoring based on e-learning, and self-efficacy on the business performance of SMEs. Goal setting theory is used as the grand theory to analyze the issue as a belief that every performance will increase if there is a specific goal. This paper using multiple regression and analyze 67 data samples from a total of 175 population.

The result is quite interesting to be discussed. The entrepreneurial skill has no significant effect on business performance, while others positively affect business performance.

**Keywords:** SMEs, Business Performance, Goal Setting Theory, Entrepreneurship, Self-efficacy, Accounting literacy, Entrepreneurial Skill, Business Mentoring, E-learning

### 1. INTRODUCTION

Until now, the enormous rate of unemployment in Indonesia is still the main issue that has not yet been solved. This issue is because the number of candidates for the position is larger than the employment open. The open unemployment rate hit 6.82 million or 5.01 percent as of February 2019, according to data from Statistics Indonesia or BPS (CNN Indonesia, 2019). If a person has just orientation as a job seeker, not as the developer of work opportunities through an entrepreneur, this issue will worsen.

**Table 1. Biggest Declines in GEI Score Year of 2018**

Country	Score 2018	Score 2017	Difference in Score
Latvia	40.50	40.30	-0.20
Sweden	73.10	75.20	2.10
Taiwan	59.50	61.00	1.50
Malaysia	32.70	33.40	0.70
Ecuador	20.50	20.90	0.40
Chile	58.50	58.90	0.40
Kazakhstan	29.70	30.00	0.30
Indonesia	21.00	21.10	0.10

According to Hamin (in Setyawati, 2016), only about 0.24 percent of overall Indonesian population are entrepreneurs. Compared to countries in Asia, such as Singapore, China, and Japan, Indonesia seems too thin. This situation is the primary reason why entrepreneurs are completely required

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and essential for Indonesian development. Linked to this situation, as we might see many organizations that help and empower the development of entrepreneurs, one of them is the Tangan Di Atas Community (TDA), in order to solve the issue of unemployment and the high number of university graduates who concentrate more on being work seekers. The TDA Community is an organization established in January 2006 and consists of Indonesian entrepreneurs. TDA has been present in more than 55 cities across Indonesia, including in the Solo zone, and five other countries, including Malaysia, Singapore, Hong Kong, Egypt, and Australia. TDA Solo has been known as one of the TDA's part since 2009, so it can be said that TDA members in the Solo area are senior community members with have much experience. Demographically, TDA Solo is a culture in which most TDA participants are entrepreneurs in diverse market fields and frequently communicate with the other members online.

As an entrepreneur who needs to maximize production and competitiveness, Solo's TDA participant will benefit from a complete understanding of the goal-setting philosophy and its underlying concepts. Lunenburg (2011) notes that goals can be a useful tool for empowering organizational participants. According to the goal-setting incentive principle, setting goals is ultimately related to the success of tasks. It notes that clear and demanding targets lead to higher and improved job success, along with adequate feedback.

## **2. LITERATURE REVIEW**

### ***2.1. Goal-Setting Theory***

A well-developed goal-setting theory of motivation is given by Latham and Locke (1979). The theory stresses the substantial correlation between priorities and performance. The goal-setting philosophy is based on the assumption that the outcome will be encouraged by both goal and purpose. Latham and Locke (1979) discovered that the person's interests would decide how well the relevant tasks work. The goal-setting philosophy concepts suggest that goals are probably more effective when they are realistic, precise, and demanding.

The theory of goal setting is an entity of Locke's theory of motivation (1978). Lunenburg (2011) notes that the goal-setting hypothesis is the fundamental reason behind all significant job motivation theories, whether they are the motivation theories of Maslow (1970) or Herzberg (2009), the social cognitive theory of Bandura (1986), or Skinner's operant-based behaviorism (1979). This theory's central principle recognizes that their job actions would be influenced by the target (something that the organization wants them to do). The goal may be seen as the individual's objective to be completed. If the person commits to achieve the target, it would affect the action and affect their performance.

Goal defining is a method of enhancing and sustaining efficiency (DuBrin, 2012). Latham (2003) states that the fundamental result in goal setting is that individuals who are assigned complex, challenging yet achievable goals do better than those given simple, non-specific, or no goals at all, based on hundreds of studies. Around the same time, however, individuals must have the appropriate capacity, embrace the targets, and collect performance-related input. In the right circumstances, setting goals can be an effective tool for empowering members of the enterprise.

### ***2.2. Business Performance***

According to Suryana (2006), market efficiency is the succession of companies to accomplish their targets. For any corporation, the success of the organization is one of the priorities. The business output is any entrepreneur's ideal, but anyone should create success, and for every person, success will have different perceptions. According to Noor (2013), there are facets of market success which:

- a. Ability to make a profit

- b. Productivity and Efficiency
- c. Competitiveness
- d. Competency and business ethic
- e. Establishment of trust or mandate from the public

If the company succeeds in achieving the organization's goals or targets, business performance could be measured. Increasing revenue, increasing business productivity, high competitiveness, and a good image in customers' eyes are the goals or objectives set by the organization. According to Noor (2013), profit, productivity and efficiency, competitiveness, and business ethics, as well as good imagery, are some indicators for determining business performance. Hendro (2011) describes the variables that influence business performance as follows:

- a. Opportunity factor
- b. Human resource factor
- c. Financial factor
- d. Organization factor
- e. Planning factor
- f. Business management factor
- g. Marketing and selling factor
- h. Administration factor
- i. Government policy, politics, social, economics, and local cultures
- j. Business notes

### ***2.3. Entrepreneurial Skill***

Praptapa (2017) states that entrepreneurial scope is business ownership, business creation with its source, creation of its market, and finance independence. The skill could be defined as the ability to do or need to do some kind of cognitive operations effectively. According to Chung and Megginson (1981), skill is the nature, knowledge, and ability of the individual relevant to effectively performing tasks. This definition showed that someone's skill is characteristic, nature, knowledge, and ability to work and operate everything related to the task inefficient performance. The skill could also demonstrate someone's ability to perform their duties, achievement from practice, and experience as an implication of activities that relate to others.

Gibb (2003) notes that the entrepreneurship process involves attitudes, abilities, and qualities belonging to an entrepreneurial education individual. The mechanism is expected to cover the recognition of characters linked to entrepreneurship in entrepreneurship's interpersonal growth, both in capability and attached qualities in entrepreneurship.

Effective business management requires knowledge of how to run the business and sufficient flexibility to manage the business, manage the data, and take the right policy for the business. Robert L Katz (1993) states that three basic skills are required for any boss: mental skills, human skills, and technological skills. With high intelligence rates and high education rates, the skill will achieve (Isnugrahadi and Kusuma, 2009). Chang and Rieple (2013) note that the following four facets of entrepreneurship abilities are:

- a. Technical Skills
- b. Management Skills
- c. Entrepreneurship skills
- d. Personal Maturity Skills

### ***2.4. Accounting Literacy***

The ability to easily interpret and convey financial conditions and activities as well as to read and make sense of financial records such as balance sheets and income statements is accounting literacy (Accounting Literacy Foundation, 2017). Accounting literacy within the sample is meant to be the ability of TDA Group members in the Solo area to clearly understand and communicate the financial circumstances and incidents, as well as the ability to read and make sense of their financial records in an organizational definition. In this study, the accounting literacy component is calculated by several variables as follows (Accounting Literacy Foundation, 2017):

- a. Ability to read and make sense the business assets
- b. Ability to read and make sense the liabilities
- c. Ability to read and make sense the equity/net worth,
- d. Ability to read and make sense the value generation

### ***2.5. Mentoring Based on E-learning***

Mentoring based on e-learning is also an institutional mechanism that connects tutor and mentee maintenance created by integrating digital content delivery consisting of support and service learning (Kreitner and Kinicki, 2005 and Schober et al., 2008). Mentoring based on e-learning in this research's organizational definition is the establishment process and maintenance partnership between tutor and mentee in the TDA Culture in the Solo Region, which consists of support and service in business learning created with the combination of content distribution in digital. E-learning variable-based mentoring assessed with indicators as follows (Kram, 1985):

- a. Career function (support, knowledge and training)
- b. Psychosocial function (forming the character, counselling and friendship)

### ***2.6. Self-Efficacy***

Self-efficacy can be defined as an individual assessment of the skill, ability, and competence to perform specific tasks, accomplish some purpose, and produce something (Baron and Byrne, 2000). The principle of self-efficacy is a central component of social cognitive theory or theory of social learning, according to Bandura (1977), which refers to someone's assumption that they should do a certain job and inspire themselves to obtain a specific outcome as their wish.

Feist and Feist (2008) state that self-efficacy is an individual's believes that their face is affected by their ability to control their job. Choi et al. (2003) explain that self-efficacy believes that the behavior to choose purpose accomplishment is significantly predicted, the effort to complete the job, and actual performance. According to Conley (2006), self-efficacy in individuals or collectives focuses on believing in the ability and actualization of behavior or performance that aims to achieve goals.

According to the conceptual definition, the operational definition of self-efficacy in this study is the self-assessment of each member of the TDA Community in the Solo Region of their ability or competence to do their business and achieve business performance. Variable of self-efficacy, measured with indicators as follows (Bandura, 1997):

- a. Confidence to face the business problem (magnitude)
- b. Strength
- c. Generality

### ***2.7. Research Model and Hypothesis***

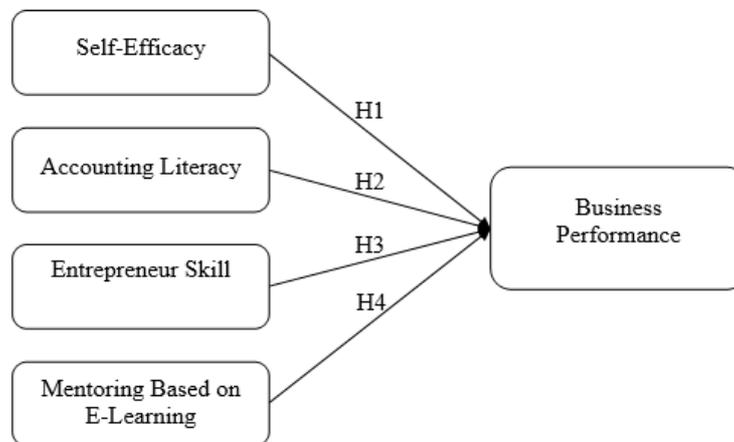


Figure 1. Research Model

- H1: Self-efficacy has a positive effect toward business performance of TDA Community members in Solo region.  
 H2: Accounting literacy has a positive effect toward business performance of TDA Community members in Solo region.  
 H3: Entrepreneurial skill has a positive effect toward business  
 H4: Mentoring based on e-learning has a positive effect toward business performance of TDA Community members in Solo region.

### 3. RESULT AND DISCUSSION

#### 3.1. Results

##### a. Coefficient Determination ( $R^2$ )

**Table 2. Coefficient Determination ( $R^2$ ) Result**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.73(a)	0.53	0.51	3.76

a Predictors: (Constant), X4, X1, X2, X3  
 b Dependent Variable: Y

Source: Data Primary Processed, 2019

Table 2 shows that this research is good enough because the Adjusted R Square more than 50%.

##### b. F Test

**Table 3. F Test Result**

	$F_{\text{calculate}}$	$F_{\text{table}}$
Regression	17.79	2,52

Source: Data Primary Processed, 2019

Table 3 shows that the  $F_{\text{calculate}}$  value is more than  $F_{\text{table}}$ . It is means all independent variables in this paper has significant influence simultaneously to Business Performance.

##### c. Hypothesis Test with T Test

**Table 4. Hypothesis Test with T Test Result**

	Unstandardized Coefficients - B	t <sub>calculate</sub>	t <sub>table</sub>
(Constant)	-.026	-0.07	1.67
X1	0.69	3.23	1.67
X2	0.46	3.97	1.67
X3	0.00	0.01	1.67
X4	0.16	2.29	1.67

Source: Data Primary Processed, 2019

Table 4 shows that Self-Efficacy (X1), Accounting Literacy (X2) and Mentoring Based on E-Learning (X4) have positive affects toward Business Performance (Y) because the t<sub>calculate</sub> are less than t<sub>table</sub> (1.67) and the Unstandardized Coefficients – B have positive value. But the Entrepreneurial Skill (X3) has no affect toward Business Performance (Y) because the t<sub>calculate</sub> is more than t<sub>table</sub> (1.67).

**Table 5. Summary of Hypothesis Test**

Hypothesis	t <sub>calculate</sub>	Decision	Conclusion
H1	3.23	Positive-Significant	Accepted
H2	3.97	Positive-Significant	Accepted
H3	0.01	Not Significant	Rejected
H4	2.29	Positive-Significant	Accepted

Source: Data Primary Processed, 2019

### 3.2. Discussion

a. Self-efficacy (X1) has a positive influence on the market success (Y) of the Solo Area TDA Community members. The result is seen in Table 4 since there is less than a table in the estimate. This phenomenon suggests that the member has improved economic performance with greater self-efficacy, and lower self-efficacy makes their business performance bad. The result is the same as Mustafa et al.'s (2019) previous study, which claimed that people who consider themselves to have strong self-efficacy believe in their capacity to conduct a target action and overcome unpleasant situations as they aspire to accomplish targets. As like all entrepreneur, their goal is a good business performance of their business.

b. Accounting literacy (X2) positively influences the market success (Y) of members of the Solo Area TDA Community. The result is seen in Table 4 since there is less than a table in the estimate. The result suggests that they have better accounting literacy, better economic results, and bad accounting literacy, making their business performance worse. According to the previous Aribawa report (2016), accounting literacy has a positive effect on company success and sustainability.

c. Entrepreneurial skills (X3) do not influence the market success (Y) of the Solo Area TDA Group members. The result is seen in Table 4 since there is more than a table in the equation. The result suggests that strong or low entrepreneurial talents do neither boost or worsen market efficiency. "This is not in line with Indriyatni's previous research (2013) that states "entrepreneurial potential is one of the significant factors that positively affect business efficiency. Company success is not influenced by the aspect that makes entrepreneurship ability because, as a business owner, the crucial thing to have now is the business mindset. Entrepreneurs may assign the technical job to the employee who has recruited technical expertise or partner with other firms experienced in technical jobs but not in the mentality. Besides, to retain the employee and take the business risk, the businessman's mentality is necessary. Because of that aspect, entrepreneurship ability is not a vital skill to have by the entrepreneur if they do not have a strong business mentality.

d. E-learning-based mentoring (X4) has a beneficial impact on the business success (Y) of the Solo Area TDA Community members. The result is seen in Table 4 since there is less than a table in the estimate. This phenomenon means that improved e-learning-based mentoring makes an entrepreneur's business efficiency better. The result also suggests that if e-learning-based mentoring is bad or there could be no mentoring, the company's efficiency may be worse. The result was linked to Samiono's previous research (2017), which claimed that "e-learning-based mentoring program implemented by the TDA Community can help solve the

issue facing the members and can increase the performance of the TDA Community members' start-up business owner."

## **4. CONCLUSIONS AND IMPLICATIONS**

### ***4.1. Conclusions***

This study can be outlined as follows, based on the findings of data analysis and discussion:

1. Self-efficacy has a positive impact on members of the TDA Community's market success in the Solo Region.
2. Accounting awareness has a positive impact on members of the TDA Community's market success in the Solo region.
3. Entrepreneurial capacity has little impact on members of the TDA Community's market success in the Solo Region.
4. E-learning based mentoring has a significant impact on the market success of members of the TDA Community in the region of Solo.

### ***4.2. Implications***

The effects that may be proposed are as follows, based on the assumptions above:

1. To increase their market efficiency, entrepreneurs need to improve their self-efficacy. Self-efficacy also needs to be supported in the Solo area by academia and/or TDA Community to have the mentor that will help entrepreneurs provide good self-efficacy.
2. To increase their market efficiency, entrepreneurs need to improve their accounting literacy. Accounting literacy also needs to be supported in the Solo region by the state, academia, and/or TDA Community to have the mentor that will help entrepreneurs have stronger accounting literacy.
3. To boost their business efficiency, entrepreneurs need to improve their entrepreneurship skills at the same time as their business mentality.
4. Because of the different findings on entrepreneurial abilities, other researchers should concentrate on this dimension to explain the entrepreneurial ability measures that impact the enterprise's success to help conclude and understand clearly.
5. Entrepreneurs need to improve their e-learning-based mentoring to improve their company performance. In the Solo region, TDA Community also needs to be helped to have a mentor who will enable entrepreneurs to provide stronger e-learning-based mentoring.

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