

# THE INFLUENCE OF OWN CAPITAL AND BUSINESS LOCATION ON THE INCOME OF MICRO SMALL AND MEDIUM ENTERPRISES (MSMEs)

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**THE INFLUENCE OF OWN CAPITAL AND BUSINESS LOCATION ON THE INCOME OF MICRO SMALL AND MEDIUM ENTERPRISES (MSMEs)**

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**ABSTRACT**

**1**  
The purpose of this study is to investigate and demonstrate how own capital and business location affect the revenue of micro, small, and medium-sized businesses in the Gresik Regency. Entrepreneurs need to know if their own capital and business location have a positive and significant impact on the income they will receive in the future, which is why this research is crucial. With 69 respondents in all, samples were gathered for this quantitative approach study. Both observations and questionnaires were used in the data collection process. The Slovin calculation formula and random sample procedures were used in this study. A Likert scale is used in data analysis with Google Form media. Multiple linear regression and hypothesis testing are the methods of analysis used. The study's findings demonstrate that own capital and company location have a demonstrable positive and significant impact on MSMEs' revenue in the Gresik Regency.

**Keywords:** Own Capital, Business Location, Income, MSMEs

**INTRODUCTION**

According to Tambunan (2014:60), MSMEs play a critical strategic role in Indonesia's yearly economic growth. One of the most crucial requirements when beginning a business is finance. For business actors to survive, company capital is a crucial component. Numerous studies on the development of microbusinesses or the informal sector always highlight the importance of money as the primary challenge encountered by business players. This is in favor of altering the income levels of dealers (Husaini, 2017:35).

The location of a trader's firm can have an impact on how well he sells his goods, in addition to business capital considerations. A trader will find it easier to sell his goods in a more strategically located area.

The amount of money someone makes from their business is also influenced by the location of the enterprise. Small business owners' earnings will be impacted if their location is remote from neighborhoods or crowds. Widyatama (2011:94) asserts that money and business location have a major impact. Because picking a location for a

business is also a business plan to make money, a strategic business location can boost a trader's income. The goal of selecting a strategic company location for trading and service businesses is to boost revenue or profits.

A person's business income is also influenced by the location of their firm. The income of small business owners will be impacted if their location is remote from communities or large crowds. Business location and money have a big impact, according to Widyatama (2011:94). Since selecting a business site is also a business strategy to generate profits, a strategic business location can boost a trader's income. Selecting a strategic location for a business is a goal for trading and service industries where the goal is to boost revenue or profits.

**1**  
The researcher is interested in researching "The Influence of Own Capital and Business Location on the Income of Micro, Small, and Medium Enterprises in Gresik Regency" in light of the background information provided above.

**RESEARCH METHODS**

**Research sites**

The location of this research is Gresik Regency, East Java.

**Table 1: Research Variable Indicators**

Variable	Indicators
Owner's equity (X1)	1. Capital deposit or shares 2. Donated capital 3. Personal savings (Furqon, 2014)
Business Location (X2)	1. Access 2. Visibility 3. Traffic 4. Environment, 5. Criteria (Tjiptono, 2015)
Income (Y)	1. Business Capital 2. Length of Business 3. Trader working hours (Azizah, 2019)

**Operational Definition of Variables**

- Variable Independent**  
The independent variables in this research are: Own Capital (X1), Business Location (X2)
- Variable Dependent**  
Meanwhile, the Dependent variable in this research is: Income (Y)

**Method of collecting data**

Data was gathered by researchers through the distribution of questionnaires. Making use of a Likert scale.

**Uji Analisis Data**

**1. Normality Test**

The purpose of the normality test, according to Sunyoto (2016):255, is to look at the normal and non-normal distributions of variables X and Y in the resulting regression equation. When the independent and dependent variables have distributions that are either extremely close to or close to normal, a regression equation is considered excellent. You can use the Kolmogorov-Smirnov (K-S) Non-Parametric Statistical Test to perform the normality test. If the significance of the data is higher than 0.05, it is said to be regularly distributed (Irianto, 2015:117).

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		69
Normal Parameters <sup>a,b</sup>	Mean	-.0897436
	Std. Deviation	5.60642012
Most Extreme Differences	Absolute	.070
	Positive	.070
	Negative	-.060
Test Statistic		.080
Asymp. Sig. (2-tailed)		.066 <sup>c</sup>

The sig value can be found in the above table. 0.066 is the unstandard residual. The sig value follows. 0.066 is more than 0.05 when using this as a decision-making foundation. A sig value of more than 0.05 indicates a regularly distributed set of data.

**2. Heteroscedasticity test**

To determine whether there is inequality in the variance of the residual values from one observation to the next in a regression, the heteroscedasticity test is utilized. It is referred to as homoscedasticity if the variances of the residuals are the same, and heteroscedasticity if the variances differ or are not the same (Maulidi, 2016: 271).

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.974	1.163		2.558	.013
Owner's equity	-.019	.067	-.050	-.277	.783
Business location	-.012	.038	-.058	-.323	.748

The significance value of variable X1, which is part of the regression model, is 0.783 (higher than 0.05), as can be seen from the output data above. This indicates that there is no relationship between the residuals and the independent variables.

**Multiple Regression Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781 <sup>a</sup>	.609	.597	2.646

**1. Constant (a) = 6.883**

This demonstrates a constant level, meaning that the revenue of micro, small, and medium-sized businesses in the Gresik Regency will stay at 6,883 if the variables own capital (X1) and business location (X2) are both equal to 0.

**1) Own capital coefficient (X1) = 0.200**

The value of the revenue variable for micro, small, and medium-sized enterprises will grow by 0.200 if the capital variable itself increases by one unit and the value of the company location is kept constant.

**2) Business location coefficient (X2) = 0.335**

When the capital value remains same and the business location variable rises by one unit, the micro, small, and medium enterprise income variable will see an increase of 0.335.

**Hypothesis testing**

a) t test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	6.88	1.892		3.63	.001
Owner's equity	.200	1.09	1.208	1.83	.072
Business Location	.335	.062	.615	5.41	.000

The revenue of micro, small, and medium-sized businesses is not significantly and positively impacted by own capital, as seen by the value of  $t_{count}$  (1.831), which is less than  $t_{table}$  (1.99601) and has a significance level of 0.072, which is higher than 0.05.

Micro, small, and medium-sized businesses' income is positively and significantly impacted by their business location. This is evident from the value of  $t_{count}$  (5.413), which is higher than  $t_{table}$  (1.99601) and has a significance level of 0.000, which is less than 0.05.

#### b) F test

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	720.337	2	360.168	51.458	.000
Residual	461.953	66	6.999		
Total	1182.290	68			

With a significance value of 0.000, the computed F value from this table is less than  $\alpha = 0.05$ . Given that the value of  $F_{count}$  (51.458) exceeds the value of  $F_{table}$  (3.98),  $H_0$  is rejected and  $H_1$  is approved. This indicates that the utilisation of own capital (X1) and business location (X2) have a considerable impact on the revenue of micro, small, and medium-sized businesses in the Regency when taken into account together. Gresik.

#### DISCUSSION

1. Own Capital's (X1) Impact on Micro, Small, and Medium-Sized Businesses' Income (Y)  
The revenue of micro, small, and medium-sized businesses is not significantly and positively impacted by own capital, as seen by the value of  $t_{count}$  (1.831), which is higher than  $t_{table}$  (1.99601) and the significance level of 0.072, which is higher than 0.05. This indicates that the growth in revenue for micro, small, and medium-sized businesses is not primarily driven by capital. Thus, it can be concluded that  $H_0$  is approved and  $H_1$  is denied.
2. Impact of Business Location (X2) on Income (Y) of Micro, Small, and Medium-Sized Enterprises  
The income of micro, small, and medium-sized businesses is positively and significantly impacted by the location of their businesses. This is evident from the value of  $t_{count}$  (5.413), which is higher than  $t_{table}$  (1.66543), and from the level significant of 0.56, which is more than 0.05. This indicates that one of the elements influencing the growth in revenue for micro, small, and medium-sized enterprises is the

location of the business. Thus, it can be concluded that  $H_1$  is accepted and  $H_0$  is rejected.

3. The Impact of Business Location (X2) and Own Capital (X1) on Micro, Small, and Medium-Sized Enterprises' Income (Y)  
The combined effect of Own Capital (X1) and Business Location (X2) on the Income of Micro, Small, and Medium-Sized Businesses (Y) in the Village Manyarejo is positive. This demonstrates that income will rise in tandem with increased capital utilisation and the impact of a prime business location.

#### CONCLUSION

Because own capital expenditures are not correlated with revenue, they do not positively or significantly affect MSME income. The income of MSME is positively and significantly impacted by business location. More strategic business locations will boost MSMEs' revenue or turnover even more. Own capital and the location of the business both significantly and favourably affect MSME revenue. MSMEs' revenue or turnover will rise if they use more of their own funds and if their location is more strategically placed.

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