THE EFFECT OF FIRM CHARACTERISTICS AND ENTREPRENEUR CHARACTERISTICS ON THE SUCCESS OF MSME BUSINESS IN CENTRAL JAVA PROVINCE

Inayah Adi Sari, Dien Novyani Rahmantika
Pendidikan Ekonomi FPIPSKR Universitas PGRI Semarang
Akuntansi, FEB, Universitas Pancasakti
inayahadisari@gmail.com, diennovi@yahoo.co.id

ABSTRACT
The objective of the article is to examine the effect of Firm Characteristics and Entrepreneur Characteristics on the success of MSME businesses in several cities/districts in Central Java Province. This research design is quantitative research. The population of MSMEs in Central Java Province was 147,220 MSMEs. The sample in this study was 100 MSMEs, determined by the simple random sampling method. The sample consisted of MSMEs that were scattering in Tegal, Pekalongan, Semarang, Kudus, Jepara, and Solo areas. The research data has obtained by distributing questionnaires to business managers. Hypothesis testing uses multiple linear regression test. The results of the study that entrepreneur characteristics have a positive and significant effect on the success of MSME businesses, meanwhile firm characteristics do not have a significant effect on the success of MSME businesses. The results of the analysis related to demographic variables, only entrepreneurs who have longer business experience can get business success compared to entrepreneurs who have shorter business experience. Besides, gender is also a determining factor in the success of MSME businesses. The implication of this research is that success in business is determined by the character of the entrepreneur. Business experience and the gender of the entrepreneur will support the achievement of business success. The results of this study provide benefits for entrepreneurs to be successful and useful for policy makers related to the development of micro, small and medium enterprises. The results of this study contribute to the development of science, especially related to the theory of the development of micro, small and medium enterprises.

Keywords: Business success, Firm Characteristics, Entrepreneur Characteristics

Introduction
Research on MSME is interesting to do. The unique characteristics of MSMEs, and are sturdy in the wave of economic crisis, make MSMEs play a significant role in a country’s economy. MSMEs are proven to contribute greatly to the country’s economic growth. The realization of the contribution of MSMEs to GDP in 2018 was 61.07%. This figure shows the importance of a role in the development of a country. In addition to contributing to GDP, MSMEs are also able to provide employment. Until 2018, MSMEs can absorb 97% of the workforce, while large businesses can only absorb 3% of the workforce. However, when viewed from non-oil exports in 2018, MSMEs are still far behind compared to large businesses. In the case of non-oil exports of MSMEs, only able to export by 14.37%, it was compared to large businesses, which amounted to 85.63% (Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, 2018). It shows that MSMEs have the potential to increase, and focus more on the development of their businesses by providing solutions to the problems they face.

Until 2018, the number of MSMEs spread in Indonesia was 58.9 million units. The increase in the number of MSMEs reflects the potential for economic growth with the
increasing contribution of MSMEs. SMEs have a significant role in the development of a country’s economy, especially in employing the community. Besides, MSMEs also play a role as a driver of regional economic growth and community empowerment, as well as contribute to the trade balance with the export activities carried out. According to (Lopes de Sousa Jabbour & Ndubisi, 2019), MSMEs play a role in economic growth and sustainable development goals. In the economy, MSMEs are seen as flexible and sturdy business units in facing business challenges and make MSMEs continue to contribute to a country’s economy.

Some of the existing MSMEs, the roles and contributions they provide are not the same as each other, according to the type of business run. However, the contribution that can be made, MSMEs also face problems like every business unit. Dealing with a rapidly changing business environment competent business managers with experience in managing the business are needed. Entrepreneurs must have a good business character so they can run a business with the best results.

Compared to large companies, MSMEs more quickly adapt to changes in the business climate. Besides, MSMEs are trusted as a business unit that can generate employment, help diversify economic activities, and make a significant contribution to exports and trade. But on the other hand, limitations in accessing information

The success of MSME businesses in several cities/districts in Central Java Province.

The number of UMKM fostered by Central Java Province until 2019 in 147,233 business units. This number continues to increase from 2008 to only 64,294 units. The increase in the number of MSME units naturally increases employment, thereby supporting one of the government’s programs to alleviate unemployment. But that does not mean that MSMEs do not have problems. Some of the problems faced by entrepreneurs are the availability of capital, limited access to information, innovation, technological stuttering, and little knowledge of business management. All of these problems require entrepreneurs who have good business character.

The success of a business is influencing by several factors, including entrepreneurial characteristics and firm characteristics (Islam, Khan, & Obaidullah, 2011). The characteristics of entrepreneurs have a significant role in determining the success of businesses in MSMEs. The characteristics of entrepreneurs are explained by several indicators, including population characteristics, individual characteristics, personality traits, entrepreneur orientation, and entrepreneur readiness in running a business. In some previous studies, population characteristics are explaining by age and gender. Individual characteristics have explained with educational background and work experience. Personal traits explain with confidence and business perseverance, entrepreneurial orientation explains by innovation, competitive spirit, risk-taking, entrepreneurial readiness has explained with the readiness of entrepreneurs in running a business. Moreover, the characteristics of MSMEs has been explained by the size of the business and the length of time (Islam, Khan, & Obaidullah, 2011).

This study examines the effect of Firm Characteristics and Entrepreneur Characteristics on the success of MSME businesses in several cities/districts in Central Java Province.

The introduction includes the background to the issue or problem as well as the urgency and rationalization of activities (research or service). The purpose of the activity and the problem solving plan are presented in this section. A review of relevant literature and the development of hypotheses (if any) is included in this section. [Times New Roman, 12, normal].

Literature Review and Hypothesis Development

1. The success of MSME business

The company’s success can be seen from how the company’s ability to dominate the
market. The company is said to be successful if it can achieve the goals that have been planned. There are two dimensions to success, namely financial performance, and non-financial performance. Financial performance can be seen from how the company makes a profit, sales growth, cost savings which are all reflected in the financial statements. According to (Abdulwahab & Al-Damen, 2015), indicators of the success of MSMEs can be measured by sales growth, gross profit, capital growth, and business expansion. Sales growth is a measure of business success for several periods in the future because this measure is closely related to operating profits obtained. The increase in sales volume as the company’s main activity causes an increase in operating profit that supports the company’s growth (Geovana, 2015). Non-financial performance can be seen from how the company can increase customer satisfaction, able to increase employee knowledge, and so forth.

2. Characteristic of Entrepreneur
   a. Demographic Characteristic

   Entrepreneurs at a productive age are more aggressive in doing business. Reynolds, Hay, Bygrave, Camp, & Autio (2000), explained that a person’s age between 25-44 years is the active age in running a business. Business success is usually obtained at a younger age. In the research of Kristiansen, Furuholt, & Wahid (2003) explained that business life has a significant relationship to business success. UMKM managers with more than 25 years of age have a great chance of success when compared to entrepreneurs under the age of 25 years. (Mazzarol, Volery, Doss, & Thein, 1999) found that female entrepreneur were less likely to succeed than male entrepreneurs. Likewise, according to (Kolvereid, 1996), those men have a strong entrepreneurial spirit than women entrepreneurs. (Kolvereid, 1996) also found that someone who has business experience is more enthusiastic about running a business compared to someone who has no business experience. On the contrary, (Mazzarol, Volery, Doss, & Thein, 1999) found that someone experienced as a government employee was less likely to succeed in running a business.

   b. Individual Characteristic

   Individual characteristics are explained with educational background, managerial knowledge, owner skills. (Charney & Libecap, 2000) found that entrepreneurship education levels correlated with individual independence. Besides, entrepreneurship education can open new businesses, develop new products, and have high business technology. This research also found that entrepreneurship education can increase sales growth. Likewise, according to (Sinha, 1996), 72% of the minimum successful companies have technical qualifications for doing business. While 67% of companies that are not successful, do not have a technical background in doing business.

3. Educational background

   The educational background of business managers contributes to business success. Business owners or managers who have an educational background in economics have more knowledge about how to manage business finance and know the benefits gained by understanding business financial management compared to business managers who do not have an economic background. In running a business, in addition to capital funds, it also requires knowledge and skills capital. Business practitioners in the field of accounting education are more confident in managing a business. Entrepreneurs with an accounting background can understand the importance of financial statements and can keep records and books that are beneficial for the development and growth of their business. A good perception of SAK EMKM will develop if the employer has an accounting educational background. Conversely, the best perception of the importance of SAK EMKM is not owning by business managers with educational backgrounds is not from accounting (Rudiantoro & Siregar, 2012).
4. Personal Traits
Successful entrepreneurs are entrepreneurs who have superior personalities who have a strong business spirit. Business managers must have a good character at work. According to (Abdulwahab & Al-Damen, 2015), an entrepreneur must have character, including having a high level of struggle to achieve goals, confident in managing a business, always proactive, independent, responsible, ready to take business risks. To face business competition, innovation in business is needed. Entrepreneurs who have a spirit of innovation will be able to win the market and be able to attract the attention of customers. According to (Ndesaulwa & Kikula, 2017), entrepreneurs who have an innovative spirit have the best business performance. Unyielding attitude and high fighting spirit also determine business success. Besides that education and business experience also influence business success. Entrepreneurs who have business experience will be more confident in running a business. According to Soriano & Castrogiovanni (2012), business managers with higher levels of education and business experience have good business performance.

5. Entrepreneurial Orientation
The business orientation that has been formulated as a target that must be achieved by a business unit. Success is controlled by entrepreneurs based on the orientation formulated. According to Lumpkin, the concept of entrepreneurial orientation consists of five dimensions, namely: autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness. Autonomy is explaining by the actions of individuals or teams in implementing business strategies to achieve the vision rather than the business. Innovativeness is explaining by the creative and experimental abilities possessed by entrepreneurs. Risk taking is the courage of entrepreneurs in taking risks. Proactiveness is illustrating by the carefulness of the entrepreneur in capturing business opportunities. Competition aggressiveness, how the attitude of entrepreneurs in dealing with business competitors.

6. Entrepreneurial Readiness
Readiness in running a business can foster confidence in entrepreneurship. Business actors who have a good perception of themselves can provide strong motivation in realizing business success. Kristiansen, Furuholt, & Wahid (2003) suggested that entrepreneurs who have readiness in entrepreneurship will get success in business compared to entrepreneurs who are not ready for entrepreneurship.

The Character of MSME
Business Size
The size of the business is one indicator that the business is strong with the number of assets owned. Large companies have resources and a large number of employees (Gray, 2006). According to Mcmahon (2001) that the size of a large company influences business performance. Business managers will get used to facing the complexity of the problem because of the increasing size of the transaction, so they can get the right solution. According to (Hajiha & Azizi, 2011), the business size is correlated with the use of accounting information systems. With this in mind, the bigger the business, the more the business manager understands the use of financial accounting information.

Duration of Effort
The duration of business establishment is often associated with business maturity. The longer the business is established, the more confident it will be in running the business along with the existing problems. According to (Islam, Khan, & Obaidullah, 2011), the longer SMEs operate, the chance for success in business is greater than for businesses that have just been operating. The more mature the company, the more experienced it is in running a business and has strong competitiveness. According to (Adidam, Banerjee, & Shukla, 2012), there is a significant influence between the ability to...
compete with business performance. Kristiansen, Furuhol, & Wahid (2003) suggested that the length of the business was a significant correlation with business success. The experience of the owner and management contribute to the development of the business. A successful company will most likely become a holding company that leads the business of companies with lower business scale. A successful business will work longer hours, have a personal investment, as the best communicator. Besides, successful businesses have ambitions in achieving goals and are the originators of brilliant ideas.

**Capital Source**

Capital cannot be separating from business operations. Source of funding is an important part that must be deciding on managing the business. Both external and internal sources, entrepreneurs need to do the right analysis to obtain optimal results. Kristiansen, Furuhol, & Wahid (2003), suggested that financial flexibility has a significant correlation with business success. MSMEs that can take advantage of family and third party investments have a higher level of success.

Based on a theoretical study and research results, the following research models are formulated:

![Research Model Diagram](image)

The hypothesis formulated, is:

**H1:** There are firm characteristics influences on the success of MSME businesses

**H2:** There is an effect of entrepreneurial characteristics on the success of MSME businesses

**Research Methods**

This research design is quantitative research. This study has used the samples in the cities of Tegal, Pekalongan, Semarang, Kudus, Jepara, and Surakarta. The number of samples is 100 MSMEs. Respondents have divided into four MSME categories, namely: production, agriculture, trade, and services.

Retrieval of data by distributing questionnaires by mail and go to the respondent’s address. The questionnaire was arranged in three groups, first containing demographics and information about the respondents’ profiles. In the second group, respondents have asked to state the factors that influence business success. This questionnaire includes ten questions with measurements using a Likert scale of five options, namely strongly agree, agree, neutral, disagree, and strongly disagree. In the third part, respondents have asked to give a perception of the importance of business success. Each UMKM has represented by one respondent, the owner, or employee of the administration section. The questionnaire has sent to 100 respondents spread in Central Java. Data collection by mail and delivered directly to respondents.

**Research Methods**

Hypothesis testing uses multiple linear regression analysis techniques. The research model formed is as follows:

\[
SUCCESS = \beta_1 + \beta_2 \text{FIRM-CHAR} + \beta_3 \text{ENTRE-CHAR} + e
\]

SUCCESS : Perception of success of MSMEs

FIRM-CHAR : Characteristics of MSMEs

ENTRE-CHAR : Character of Entrepreneur

E : Error

<table>
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<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Source (the code of dataset)</th>
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</table>
Respondents who have business experience between 11-20 years are 38 respondents (42.22%). As many as 17 respondents (18.88%) have 6-10 years of experience, respondents with business experience for 2-5 years are 8 (8.88%). A total of 23 respondents (25.55%) had the business experience of more than 20 years. As many as 4 (4.44%) have business experience of fewer than two years. Regarding the length of business operation, as many as 16 MSMEs (17.77%) has been operating for less than 5 years, as many as 23 MSMEs (25.55%) has been operating for 5-10 years, as many as 17 MSMEs (18.88%) has operated for 11-15 years. For MSMEs that has been operating for 16-20 years, 10 MSMEs (11.11%), and 24 MSMEs (26.66%) have operated for more than 20 years.

Reliability analysis is using to measure data consistency. Here are the results of the reliability test:

<table>
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<tr>
<th>Variable</th>
<th>Number of items</th>
<th>Number of dead items</th>
<th>Alpha Cronbach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Characteristics</td>
<td>3</td>
<td>-</td>
<td>0.813</td>
</tr>
<tr>
<td>Entrepreneur Characteristic</td>
<td>6</td>
<td>-</td>
<td>0.736</td>
</tr>
<tr>
<td>UMKM Business Success</td>
<td>10</td>
<td>-</td>
<td>0.917</td>
</tr>
</tbody>
</table>

The determination test shows that 37.7% of firm characteristic variables and entrepreneur characteristics can influence the dependent variable, namely MSME business success. The remaining 62.3% is influenced by variables other than firm characteristics and entrepreneur characteristics.

The results of the simultaneous test, a significance of level was obtaining 0.000,
which meant that the model was ready to be used. Partial test results indicate that firm characteristic do not affect the success of MSME businesses. It can be seen from the significance value of 0.457 greater than 0.05. Entrepreneur characteristics have a significant effect on MSME business success with a significance value of 0.014 less than 0.05.

Discussion

1. **Effect of Firm Characteristics on the Success of MSME Business**

   The significance level of the results of the partial test was 0.457, indicating the result that firm characteristics did not affect the success of MSMEs in Central Java. In the economic crisis that occurred in Indonesia, it has proven that MSMEs were able to survive compared to large-sized companies. A simple organizational structure makes MSME simpler in the business decision-making process. Capital owned by large companies in the form of shares that are likely to be owned by both domestic and foreign investors. Once the economic recession occurred, investors were worried about their funds and withdrew their funds from the company. This resulted in low company liquidity and led to bankruptcy. The results of this study are not in line with research (Gray, 2006), (Hajiha & Azizi, 2011), (McMahon & Holmes, 1991), which explains that the larger the company, the stronger it will be.

2. **The Influence of Characteristic Entrepreneur on MSME Business Success**

   Entrepreneur characteristics have a significant effect on the success of MSME businesses. The significance value of 0.014 less than 0.05. The entrepreneurial characteristics are explaining by several indicators. The indicators are population conditions, educational background, business readiness, and individual character. The more characterized by business orientation, the MSMEs are more likely to get success in business. Suarmawan (2015), MSMEs success is determined by commitment, ability, business location, motivation, finance. Entrepreneurs who are highly committed will find success faster. But according to Diabate, Allate, Wei, & Yu (2019), the entrepreneur’s age, experience and level of education do not determine success in business. However, the experience and age of the business support the ease of funding sources.

3. **Influence of Demographic Factors on the Success of MSME Businesses**

   The tests on the effect of age, gender, education level, business experience on MSME business success. The results of the partial test, it gives the result that only gender and business experience influence the success of MSME businesses in Central Java Province. Two of these variables, age, and education level do not affect the success of MSME businesses in Central Java Province. The results of this study are not in line with the results of research by Islam, Khan, & Obaidullah (2011). In his research, only business experience influences the success of MSME businesses.

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>t-Ratio</th>
<th>Sig. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>0.230</td>
<td>2.051</td>
<td>0.059</td>
</tr>
<tr>
<td>Gender</td>
<td>0.242</td>
<td>2.173</td>
<td>0.033</td>
</tr>
<tr>
<td>Level of education</td>
<td>0.305</td>
<td>1.356</td>
<td>0.065</td>
</tr>
<tr>
<td>Business Experience</td>
<td>1.365</td>
<td>2.601</td>
<td>0.013</td>
</tr>
</tbody>
</table>

This study discusses the influence of Firm Characteristics and Entrepreneur Characteristics on the success of MSME businesses in Central Java Province. The benefit of this research is to provide entrepreneurs and business owners with an understanding of the factors that determine success in business. To achieve business success it was determined the number of supporting factors, both internal and external.

The initial study illustrates that MSMEs are proven to be able to attract more workers than large businesses. Besides, MSMEs succeeded in contributing to a GDP of 61.07%.
From the research results, it found that most MSMEs were in the fields of production, then trading, and followed by services and agriculture. Apart from the significant role of MSMEs in the country’s economy, MSMEs still face several problems both from within and from outside that hamper their business growth. The problem faced by MSMEs includes: 1) capital-related problems provided by Financial Institutions. Requirements related to the availability of financial statements for consideration by financial institutions in disbursing loans are difficult because of the limited knowledge of business managers. 2) Lack of competent human resources in managing the business. For some fields, such as accounting, experts are not available because business owners find it expensive to provide these workers. 3) Bureaucratic government institutions that are difficult, such as the licensing process, make business owners passive to develop their business. 4) Business actors still focus on domestic and offline marketing. It makes the contribution of MSMEs to exports low, even lower than large businesses. In this digital era, marketing products that should be online is still done offline. It causes an increase in marketing costs and a longer time to market the product. Efforts to support the development of MSMEs can be realized by providing facilities such as business incubators, as well as providing facilities in terms of licensing and access to capital. The government should provide through media for MSMEs to develop related institutions. Such as the availability of third parties such as financial consultants, marketing consultants, and production consultants. The government can collaborate with educational institutions such as universities to help provide solutions to problems faced by MSMEs.

**Conclusion**

This study examines the effect of firm characteristics and entrepreneurial characteristics on the success of MSME businesses in Central Java Province. From the results of the analysis, the results show that firm characteristics do not affect business success. However, entrepreneur characteristics have a significant effect on the success of MSME businesses. To realize a successful business, MSME entrepreneurs must be willing to be involved in the process, to be able to detect opportunities and obstacles for the development of their businesses. In addition to internal control of the company, the company must be able to clearly describe the market place, so that it can compete with competitors. MSMEs must be able to build social networks with government, consultants, partners. Establishing cooperation also allows small businesses to be able to develop their businesses. Following the development of technology as a means of marketing products needs to be done because to minimize costs also make it easier for customers to recognize the product.

The study only involved two independent variables, namely the character of the business and the character of the entrepreneur. It is hoped that further research can add independent variables that affect the success of micro, small and medium enterprises. For example, increasing knowledge of business financial management, improving marketing strategies.

**Reference**


The Effect of Firm... (26-35)

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