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## Analysis of Education Levels of Business Owners and Factors Affecting Business Success in Sago-Based UMKM in Kepulauan Meranti Regency

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### ABSTRACT

The quality of human resources is an important factor in the midst of intense business competition at the moment. One way to improve human resources is through education. Education is very important because the presence of education will change one's mindset for the better, as well as the importance of education for UMKM business owners. In sago-based UMKM, the level of education of business owners is still relatively low because most business owners only have graduated from elementary school, as well as business success, because 70% of business owners have low incomes and sales have not increased from year to year. Therefore, this research was carried out with the aim of: 1) analyzing the level of education of business owners; and 2) analyze the factors that influence business success. Sampling used propotional random sampling to obtain 80 business owners. The data analysis technique used was descriptive quantitative and multiple linear regression. The results of study found that that the education level of sago-based business owners was still low. The entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, and government support and business networks have a positive and significant effect on the success of UMKM.

## 1. Introduction

The quality of human resources is an important factor in business competition at this time. Human resources are required to have competence and be able to

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develop themselves in building the nation. One way to improve human resources is through education.

Indonesian Education Law No. 20, 2003 concerning the National Education System, interpreted as a conscious and planned effort to realize the learning atmosphere and learning process so that students can actively develop their potential to have religious spiritual strength, self-control, personality, intelligence, noble character, and the necessary skills himself, society, nation and country. With education it is hoped that it can shape Indonesian people who are able to master the science and technological developments needed to build Indonesia (Munirah, 2015).

Education is very important because with education, someone can equip themselves with science in order to compete and defend themselves. In addition, with the existence of education, it will change one's mindset for the better. So is the importance of education for UMKM business owners.

In Indonesia UMKM are able to contribute to the national GDP by 57%, and employment of 85 million to 107 million workers and up to now the Indonesian economy is on average influenced by the UMKM sector (Bank Indonesia, 2015). In Riau UMKM are able to absorb a workforce of 21 million workers in the past 7 years and UMKM in Riau are also the largest sectors capable of overcoming the unemployment problem (BPS, 2016).

One of the UMKM that developed in Riau is located in Kepulauan Meranti Regency, namely sago-based UMKM. Sago is a superior commodity in this area. The amount of sago encourages people to take the initiative to process sago to be used as various types of food. There are 7 types of sago-based UMKM, namely sago noodles, sago rendang, sago cartons, fat sago, sago crackers, sago cendol, and sago cakes. The number of sago-based UMKM during the last 4 years has experienced a fluctuating development and is still relatively unsuccessful.

The education level of business owners is still relatively low because most business owners only have elementary school education. As a result, business owners are not able to innovate the products produced. This can be seen from the shape and variation of the product taste that is still the same from the past. In addition, in terms of product packaging, it is still less attractive so that people outside the area are not aware of sago-based products.

The sago-based business in Kepulauan Meranti Regency is still unsuccessful, because 70% of business owners have low incomes and the level of sales also does not increase from year to year.

Business success can be seen from several aspects. UMKM are said to be successful if after a certain period of time the business experiences an increase in both income, production volume, or production output. Business success is influenced by several factors: 1) marketing and capital; 2) entrepreneurial characteristics, access to information and government support; and 3) business

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networks (Suryana, 2011; Indrawati et al. 2015; Kristiningsih et al., 2015; Indrawati. 2017).

On the other hand, research by Ratnasari (2017) found that access to capital did not affect business success. Capital access is not very influential even though capital is actually an important aspect in carrying out a business. Large capital is not necessarily able to achieve success, only need how to manage capital optimally so that the business can run smoothly.

This study intends to determine the level of education and the factors that influence the success of the business carried out research with the aim of: 1) Analyzing the education level of business owners; 2) analyze the influence of entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks together and partially towards business success.

## 2. Methodology

This research was conducted in the Kepulauan Meranti District. Sampling used proportional random sampling and the number of samples was 80 sago-based UMKM. Data was collected using a questionnaire. Data analysis using quantitative descriptive to analyze the level of education, and multiple linear regression to examine the effect of variables on entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks to business success variables (Table 1).

Table 1. Research Variables and Research Indicators

| No | Variable                             | Sub variabel (No item)  |
|----|--------------------------------------|---|
| 1  | Level of education                   | - Educational level   |
| 2  | Business Success (Y)                 | - Income Growth<br>- Sales growth   |
| 3  | Entrepreneurial Characteristics (X1) | - Business Experience   |
| 4  | Characteristics of UMKMs (X2)        | - Duration of operation<br>- Scale enterprises  |
| 5  | Capital Access (X3)                  | - Opinion about venture capital<br>- Access to financial institutions   |
| 6  | Marketing Strategy (X4)              | - Products<br>- Price<br>- Promotion<br>- The place   |
| 7  | Government Support (X5)              | - Protection and legal certainty<br>- Education and training  |
| 8  | Jaringan Bisnis (X6)                 | - Has a variety of business networks<br>- Having good relations with business networks<br>- Having strong coordination with business partners |

### 3. Results and Discussion

#### *Level of education*

The education level of sago-based UMKM owners can be seen in Table 2.

Table 2. Education Level Categories

| Number | Education | Frequency | Percentage |
|--------|-----------|-----------|------------|
| 1      | SLTA      | 13        | 16,3       |
| 2      | SLTP      | 12        | 15         |
| 3      | SD        | 52        | 65,0       |
| 4      | TA        | 3         | 3,8        |
| total  |           | 80        | 100        |

Table 2 illustrates that the average education level of sago-based UMKM owners is SD level. Thus it can be said that the level of education is still low. The low level of education causes business owners to be unable to innovate on goods that have been produced due to lack of knowledge about developing a business.

Imtihan et al. (2018) found education had an influence on business development. The higher education owned by business owners causes the income to increase which can be seen from the ability to produce goods and services. Therefore human capital in the form of knowledge will not arise by itself without the existence of a process of investment activities in education both formally and non-formally.

#### *Factors Affecting Business Success*

To see the magnitude of the variation in the contribution of entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks to business success variables, it can be seen in the results of the coefficient of determination ( $R^2$ ) in Table 3.

Table 3. Results of the Determination Coefficient ( $R^2$ )

| Model | R                 | Model Summary |                   |                            |
|-------|-------------------|---------------|-------------------|----------------------------|
|       |                   | R Square      | Adjusted R Square | Std. Error of the Estimate |
| 1     | ,804 <sup>a</sup> | ,717          | ,802              | ,88887                     |

a. Predictors: (Constant), Entrepreneurial Characteristics, Business Characteristics, Capital Access, Marketing Strategies, Government Support, Business Networks.

Based on Table 3, the variation in the contribution of all variables to the dependent variable is 0.717. The meaning is that the contribution of independent variables to the dependent variable is 71%. The remaining 29% contributes other variables such as technology, raw material inventories, business locations and committees that affect the success of UMKM (Lubis et al., 2016; Suarmawan, 2015).

To see the influence of entrepreneurial characteristic variables, business characteristics, access to capital, marketing capabilities, government support and business networks to business success variables together, it can be seen in the results of the F test in Table 4.

Table 4. F Test Results

| Model | ANOVA <sup>a</sup> |         |             |        |        |                   |
|-------|--------------------|---------|-------------|--------|--------|-------------------|
|       | Sum of Squares     | Df      | Mean Square | F      | Sig.   |                   |
| 1     | Regression         | 257,524 | 6           | 42,921 | 54,324 | ,000 <sup>b</sup> |
|       | Residual           | 57,676  | 73          | ,790   |        |                   |
|       | Total              | 315,200 | 79          |        |        |                   |

a. Dependent Variable: Y

b. Predictors: (Constant), Entrepreneurial Characteristics, Business Characteristics, Capital Access, Marketing Strategy, Government Support, Business Networks.

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Table 4, shows that the simultaneous test produces F count of 54,324 with a significance of 0,000 < 0,05. This means that the independent variables together have a significant effect on the dependent variable. Thus entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks together have a significant influence on business success.

To see the influence of entrepreneurial characteristic variables, business characteristics, access to capital, marketing capabilities, government support and business networks to business success variables partially can be seen in the results of the t test in Table 5. With the provisions, Ho is rejected if sig. > 0.05.

Table 5. Test Results t

| Model      | Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | T      | Sig.  |      |
|------------|----------------|--|--------------------------------|--------|-------|------|
| (Constant) | -1,180         | ,538                                   |                                | -2,193 | ,032  |      |
| 1          | X1             | ,079                                   | ,086                           | ,059   | ,915  | ,023 |
|            | X2             | ,111                                   | ,082                           | ,073   | 1,356 | ,004 |
|            | X3             | ,301                                   | ,085                           | ,274   | 3,523 | ,000 |
|            | X4             | ,292                                   | ,061                           | ,443   | 4,802 | ,001 |
|            | X5             | ,033                                   | ,064                           | ,036   | ,505  | ,011 |
|            | X6             | ,236                                   | ,083                           | ,195   | 2,856 | ,006 |

Based on Table 5, entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks have a significant influence on the success of partial micro, small and medium enterprises. To improve business success, it can be done by increasing entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks.

The results of the research hypotheses indicate that the entrepreneurial characteristic variables have a positive and significant effect on the success of UMKMs. The better the entrepreneurial characteristics, the business will have a great opportunity to succeed. Entrepreneurs who have previous business experience tend to have a much higher chance of success compared to those without business experience. In addition, one's experience can be used as a central point in determining the type of business that is involved, creating opportunities and market survey is the main basis of success (Islam, 2011; Hendro. 2003).

In addition to business experience, education is also a business characteristic that influences business success. Business education affects the income of UMKM managers. Besides that education also influences the interest in trying. The better the education, the better will be the way of thinking and personality. Besides that the education taken will also produce achievements in the form of soft skills. Someone who has soft skills is able to communicate with the surrounding environment. In addition, skills are very important because with the presence of skills it will lead to thinking so that the emergence of achievement (Sukardi. 2011; Nurmaliza et al., 2018; Junita et al. 2018; Zulirfan et al., 2018).

Business characteristics variables also positively and significantly influence the success of UMKM. The better the entrepreneurial characteristics, the business will have a great opportunity to succeed. The duration of business is very closely related to the income that will be earned by entrepreneurs. In addition, the length of one's business will affect their productivity, namely their professional abilities

or expertise so that they can increase efficiency and can reduce production costs smaller than sales (Furqon, 2017).

In addition to entrepreneurial characteristics, and business characteristics, access to capital also affects the success of UMKM. The easier access to capital, the business has a great opportunity to succeed. UMKM that have access to capital, the business will experience an increase in capital, causing business revenues to also increase. This shows that capital is very instrumental in the success of an UMKM. The difficulty in accessing capital is due to a lack of knowledge about financing, which only knows the terms and procedures and does not know the products and mechanisms offered by financial institutions (Nisak, 2013; Indrawati, 2014).

Capital access relates to understanding business guarantees which include provisions in the form of guarantees, administrative requirements for financing sources. This is evidenced by the increasing distribution of people's credit businesses, entrepreneurs are easier to get information from the government about financing so that it is easier to get access to capital from financial institutions. The easier access to capital from financial institutions, the business has the opportunity to expand its business (Ike Kusdiyah Rachmawati, 2012; Indriyatni, 2013)

The marketing ability variable has a positive and significant effect on the success of UMKM. The meaning is the better the marketing ability, the business will have a great opportunity to succeed. The better the marketing ability, the better the level of profit or success of the entrepreneur. Every business uses a marketing strategy to get what it wants to achieve. The marketing ability that is carried out to get business success is a plan that is owned by the business that is used as a reference in every marketing activity in order to achieve what has been determined by the business. The marketing strategy is also influential in increasing business success. The marketing strategy that is carried out is by way of promotion using online media (Hendry Hartono et al., 2012; Jurini, 2003; Elsandra et al., 2013).

Government support variable also has a positive and significant effect on the success of UMKM. The more government support the business will also have a great opportunity to succeed. Government support for UMKM processing Pineapple is done through the provision of capital and technology assistance. The government has a role in becoming a UMKM facilitator in obtaining capital to expand the business, besides that the government also plays a role in the marketing aspect by giving information about promotions and providing opportunities for entrepreneurs to introduce their products by participating in various events such as exhibitions. (Syahza et al., 2009; Firmansyah et al., 2014).

In addition to entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities and government support, business networks also have a positive and significant effect on the success of UMKM. The more business networks, the business has a great opportunity to succeed. The existence of a business network will make the business more developed and save the costs

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that will be incurred for production activities. Business networks offer business products more than what is offered by UMKM. In addition, brokers have business experience so that the scope of the operation is broad. As a result, intermediaries provide more benefits than what can be achieved by UMKM entrepreneurs. Business networks related to other networks both in the form of production activities and activities in marketing business products (Indrawati, 2011; Citra Lestari, 2015; Kotler et al., 2008).

Entrepreneurs have a business network both micro and macro. Micro business networks that are owned both in terms of production and marketing aspects (Indrawati, 2017). In the aspect of entrepreneurial production, getting raw materials is easy, and does not require a long time, while the profits to suppliers, namely suppliers do not need to wait because they are in accordance with the agreement. The entrepreneurial aspect of marketing already has a business network that has a name so the product is easier to market. However, to cooperate with a business network that has a large scale must meet the stipulated requirements. While on a macro level, the relevant government and financial institutions are involved, both cooperatives and banks and BUMN (Putri, 2018).

The variable that has the greatest influence is the capital access variable. The ease of access to capital will affect the success of the business. With the ease of accessing capital, the business capital obtained will also be greater because not only comes from entrepreneurial savings, but also from other financial institutions.

#### **4. Conclusion**

The education level of sago-based UMKM business owners is still low. The low level of education causes low innovation and creativity in sago-based businesses. This can be seen from the fact that many of the products produced do not experience changes in the shape, taste or color. In addition, product packaging is still not attractive. The success of sago-based UMKM is still low. Low business success due to low income and low business sales. The factors that influence the success of the business, namely the variable entrepreneurial characteristics, business characteristics, access to capital, marketing capabilities, government support and business networks influence the success of the business. The variables that have the greatest influence are access to capital. The ease of access to capital will affect the success of the business. With the ease of accessing capital, the business capital obtained will also be greater because not only comes from entrepreneurial savings but also from other financial institutions.

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