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THE INFLUENCE OF ENTREPRENEURSHIP INTEREST AND LEADERSHIP ON BUSINESS PERFORMANCE IN SMALL, MEDIUM AND MICRO ENTERPRISES

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Abstract

The influence of entrepreneurial and leadership interests on the performance of the UMKM has been tested and analyzed using multiple regression analysis. A study was conducted on 110 of small, medium and micro enterprises (SMMEs) where the results show that entrepreneurial and leadership interests have a positive and significant influence on SMMEs performance. The study also proves that entrepreneurial interest has the greatest influence in improving the performance of the umkm. The ability of leaders in managing businesses will be able to bring businesses to win business competition.

Introduction

Small, medium and micro enterprises (SMME's) can run successfully if the entrepreneur has a high entrepreneurial interest (Abdul, 2018). Entrepreneurial interest is needed to guide entrepreneurs in running business and good governance in business. SMMEs are businesses that are vulnerable to competition because of their small scope that allows them to be eroded by business competition (Cao *et al.*, 2018).

Previous research in the field of entrepreneurship has largely focused on how entrepreneurship education can begin at the higher education level (Ghina, 2014), and entrepreneurship influences innovation (Al-Askari, 2011). Research has proven that there is an effect of entrepreneurial leadership on employee self-efficacy (Mokhber *et al.*, 2016). The effect of entrepreneurship on SMMEs performance is still an open space for subsequent research because there is a negative effect of entrepreneurship on the progress of an SMMEs (Aisyah *et al.*, 2016; Kurtulmus, 2015).

This study aims to analyze the test results of the influence of entrepreneurial interest and leadership on the performance of SMMEs. The difference from previous studies is that in this study the effect of entrepreneurial interest on SMMEs performance and leadership influence on SMMEs performance.

Literature Review and Hypotheses

Entrepreneurial Interest

Entrepreneurial interest is the ability to be brave to fulfill the needs of life and solving life problems, advancing business or creating new businesses with existing strength within yourself. The most important thing is the nature of courage to create new businesses. According to Cardon (2009), entrepreneurial interest is a psychological symptom to focus attention and do something about the entrepreneur with a feeling of pleasure because it brings benefits to him. The core of this opinion is concentration of attention accompanied by pleasure (Gregoire *et al.*, 2011).

Skipak (2016:135) state that entrepreneurial interest is the tendency of the heart within the subject to be interested in creating a business which then organizes, bears the risk and develops the business that it creates. Entrepreneurial interest comes from within a person to create a business field. Based on the above definition, what is meant by entrepreneurial interest is the desire, interest and willingness to work hard or strong-willed with the concentration of attention to try to meet their needs without feeling afraid of the risks to be faced, always learning from failures experienced, and developing business he created. Entrepreneurial interest is not only the desire from within alone but must look ahead in the potential to set up a business.



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Entrepreneur is a decision maker who helps the economic system. Education or formal school institutions become a very strategic place to grow entrepreneurial talent, because education are educational institutions that are trusted by the community for a better future. Entrepreneurship can be briefly defined as a creative and innovative ability (create new and different) that is made into tips, bases, resources, processes, and struggles to create value-added goods and services carried out with courage to face risks. Entrepreneur is a decision maker who helps the economic system. Education or formal education institutions become a very strategic place to grow entrepreneurial talent, because education are educational institutions that are trusted by the community for a better future (Haug, 2013). Entrepreneurship can be briefly defined as a creative and innovative ability (create new and different) that is made into tips, bases, resources, processes, and struggles to create value-added goods and services carried out with courage to face risks (Fillis, 2010).

Entrepreneurial interest is the tendency of the heart within oneself to be interested in creating a business which then organizes, organizes, bears risks and develops the business that it creates. Entrepreneurial interest comes from within a person to create a business field (Papulova, 2015). Factors that influence interest in entrepreneurship include internal factors, namely factors that originate from the individual concerned, for example character, experience attitudes, motives and perceptions. External factors are factors that come from outside such as the physical environment, family environment, school environment and community environment.

Internal factors as a driver of entrepreneurial interest (Wiradirnata, 2017) such as:

- a. Need for income Need is something that must be met for survival. Whereas Revenue is income earned by someone in the form of money or goods. Entrepreneurship can provide income that can be used to fulfill his life. The desire to earn income is what will lead to someone's interest in entrepreneurship.
- b. Self-esteem causes people to feel they need to be respected and respected by others. Certain positions achieved by a person will influence the direction of his career. In accordance with Maslow's theory, after the needs for clothing, food, and housing are fulfilled, the need that someone wants to achieve next is self-esteem, which is to be appreciated even more, sometimes it is not found in the world of work or the environment, whether family, friends, or other. Self-esteem will spur people to take careers to become entrepreneurs.
- c. Feelings of pleasure are closely related to one's person, so the response of one's feelings towards the same thing is not the same between one person and another. Sense of entrepreneurship will be realized with attention, willingness, and satisfaction in the field of entrepreneurship. This means that the feeling of pleasure towards the field of entrepreneurship will generate interest in entrepreneurship.

External factors that affect entrepreneurial interest (Wiradirnata, 2017):

- a. The family is the foundation for the growth and development of children, this is where the initial influence on the formation of personality. Interest in entrepreneurship will be formed if the family has a positive influence on these interests, because the attitudes and activities of fellow family members influence each other directly or indirectly. Alma (2007: 7) states that family relationship problems can be seen from parents, work, and social status. Social factors that influence interest in entrepreneurship are the problem of responsibility towards the family.
- b. Community environment Community environment is the environment outside the family environment both in the area of residence and in other regions. namely regarding the relationship with the environment. Suryana (2008: 63) states that environmental factors include role models, opportunities, activities, in addition to being influenced by competitors, resources, and government policies. This kind of atmosphere is very influential for the community to foster interest in entrepreneurship.
- c. Opportunity is an opportunity that someone has to do what they want or become their hope. An area that provides business opportunities will generate interest in someone to take advantage of these opportunities. Opportunities can come from an inspiration, idea, or opportunity that appears to be utilized for the benefit of someone both in everyday life or in business.



Leadership

A leader is essentially someone who has the ability to influence the behavior of others in his work by using power. Power is the ability to direct and influence subordinates regarding the tasks that must be carried out (Bennet *et al.*, 2015:149). According to Stone, the more resources available to leaders, the greater the potential for effective leadership. This type of leader varies, there is a formal leader, which is what happens because the leader relies on formal authority. There are also non-formal leaders, which is because leaders without formal authority succeed in influencing the behavior of others (Hofmeyer, 2015).

Leadership is defined as an activity to influence people towards the achievement of organizational goals. While leadership according to is the way a leader influences the behavior of subordinates, so they want to work together and work productively to achieve organizational goals (Molero, 2013). Leadership is usually interpreted as the power to move people and influence people. Leadership is just a tool, a tool or process to persuade people to be willing to do something voluntarily. In connection with the willingness of others to follow the leader's wishes, here it is stated that there are several strengths (powers) that the leader must have so that the person who is mobilized follows his wishes, namely in the form of threats, respect, authority, and proverb.

Leadership has several implications, including leadership means involving other people or parties, namely employees or subordinates (followers). Employees or subordinates must have the will to accept direction from the leader. However, without employees, there will be no leader. An effective leader is someone who with his power (his or her power) is able to inspire followers to achieve satisfactory performance (Verma, 2013). Leaders can use different forms of power or power to influence the behavior of subordinates in various situations.

SMMEs Performance

In Indonesia, micro, small and medium enterprises (SMMEs) have a large contribution to the country's economy. Data at the Central Statistics Agency shows that the number of SMMEs in the East Java region by the end of 2017 reached 12.1 million. In Indonesia, micro, small and medium enterprises have a large contribution to the country's economy. Data from the Central Statistics Agency (2017) shows that the number of SMMEs in the East Java region by the end of 2017 reached 82.06% were micro businesses, 16.12% were small businesses, 0.85% were medium businesses and only 0.97% is a large scale business. The SMMEs sector effort has helped economic growth in East Java by contributing gross regional domestic product (GRDP) of 1,855 trillion, therefore the SMMEs sector has an important role in the economy in East Java.

Even so, SMMEs still faces many obstacles. The obstacles faced include the low level of knowledge about technology, low ability to access capital sources, low competitiveness. The various obstacles faced by SMMEs, it seems that capital remains one of the important needs to run their business, both working capital and investment needs. SMMEs must be able to make decisions for their business capital so that their business can develop. SMMEs that in carrying out their business activities use their own capital along with loans will have large capital and can facilitate in financing all their business needs and can increase their production output. However, the SMMEs has a greater obligation than that of the SMMEs that runs its business using only its own capital, because SMMEs must return the borrowed funds along with the interest expense that has been set. This causes the SMMEs income to decrease. The effectiveness of the use of funds owned by SMMEs will be reflected in the resulting performance.

The effectiveness of the use of funds owned by SMMEs will be reflected in the resulting performance. The performance of SMMEs can be seen from the amount of capital, profits generated, total assets owned and entrepreneurship orientation. Entrepreneurship orientation includes the ability of SMMEs to create new products or services, the ability to see opportunities in the future and the ability to make decisions (Short *et al.*, 2010; Tang *et al.*, 2010). Research conduct by Mustapa *et al.* (2018), Nwiboet *al.* (2013) found that the performance of SMMEs before and after obtaining loans experienced a significant increase seen from several aspects namely capital, production, sales turnover, labor, profits and total assets. These results indicate that with the additional



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capital in the form of loans, SMMEs can develop businesses and improve their performance to the maximum. Funding is different, so the performance produced by each SMMEs is also different.

The performance of SMMEs in meeting their obligations can be measured from: 1) Business continuity, which is a measure of the company's sustainability, whether it is sustainable, sold to other parties or transferred. 2) Employee growth is the development of a business there will be an increase in capacity so that it requires additional employees both full timers and part timers. 3) The use of credit in this case how to use credit facilities is in accordance with the plan both for working capital and investment. 4) Monitoring from banks in this case takes the form of fostering and determining restrictive loan covenants or agreements that contain restrictions on debtors by banks such as investment policies, dividends and financing

This explanation shows that entrepreneurial and leadership interests can influence the performance of SMMEs. This research hypothesis can be arranged into:

- H1: Entrepreneurship interest has positive and significance influences towards SMMEs performance
- H2: Leadership has positive and significance influences towards SMMEs performance
- H3: Entrepreneurial interest has the biggest influence towards SMMEs performance

Method

The sample of this research is the cassava product processing entrepreneurs located in Jember, East Java, Indonesia. The number of samples there are 110 people spread in the area of Jember. The analysis used to process data from respondents uses multiple linear regression analysis.

Discussion

In accordance with the results explained in the previous section, this section will be explained about entrepreneurial interest (X1), leadership (X2), and the performance of SMMEs (Y) of each sub can be described as follows:

1. Entrepreneurial interest (X1)

The frequency of each respondent's answer about entrepreneurial interest in Jember can be concluded that out of 110 respondents, 25 respondents or 22.7% chose very well, with the statement the entrepreneur had an understanding of the business being run and 85 respondents or 77.3% chose well, with statements entrepreneurs have the motivation to become entrepreneurs because of environmental influences.

2. Leadership (X2)

The statement that employers provide clear work instructions shows that out of 110 respondents, at least 10 respondents or 9.9% chose very well, 46 respondents or 41.8% chose good, and 54 respondents or 49.1% chose less well. The total score obtained is 245, so that the average respondent's answer is 3.8, including the unfavorable category, it can be concluded that the entrepreneur is a good and protective leader.

Discussion

The indicator of completing work on time shows that out of 110 respondents, 30 respondents or 27.3% chose very well, 54 respondents or 49.1% chose well and 26 respondents or 23.6% chose less well. The total score obtained is 290, so the average respondent's answer is 4.2 included in either category. From this explanation it can be concluded that in terms of quantity of work completed on time by the employer and in the good category. Employers are quite capable of completing work precisely according to the given grace period. For the value of the regression equation $Y = 3.088 + 0.624 X1 + 0.377 X2$. From the equation, it can be seen that the value of the multiple linear regression coefficient is positive, meaning that if the values of the variables X1, and X2, increase or increase, it will encourage an increase in SMMEs performance.

Conclusions

Based on the results of research and discussion of the influence of entrepreneurial interest and leadership on SMMEs performance in Jember, it can be concluded as follows:

1. For the value of the regression equation $Y = 3.088 + 0.624 X1 + 0.377 X2$. From the equation, it can be seen that the value of the multiple linear regression coefficient is positive, meaning that if the values of the variables X1, and X2, increase, it will encourage an increase in SMMEs performance.



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2. The variable of entrepreneurial interest has a positive and significant influence towards SMMEs performance, with a significance value of $0.046 < 0.05$ so that (H1) is accepted. This shows that the presence of entrepreneurial interest helps achieve SMMEs performance.
3. The leadership variable has a positive and significant influence towards the performance of SMMEs, with a significance value of $0.034 < 0.05$ so that (Ha) is accepted. This shows that leadership can inspire employees to work better.
4. From the partial test results it is known that the variable that has a dominant influence is the entrepreneurial interest variable, this is evidenced by the beta coefficient value of 0.624 and the t value of 1.999, with a significance value of $0.044 < 0.05$, when compared to the t table value equal to 1,998, then $t \text{ value} > t \text{ table}$ ($1,999 > 1,998$).

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