

Micro and Small Business Performance Driven by Financial Planning and Business Capital

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Abstract: The potential of micro and small enterprises (MSEs) in Indonesia is very large and has many challenges faced by micro and small business actors. Every micro and small business (MSE) activity cannot be separated from the planning side. Financial planning activities are activities that are carried out routinely even in traditional ways. Business capital is one of the most important things in running micro and small businesses in Indonesia. Micro and small businesses have a very vital role in the Indonesian economy. Micro and small businesses (MSEs) are currently experiencing very fierce competition, where every business will try to maximize performance in order to generate profits. This study used 52 respondents from MSEs at the Gentala Arasy Bridge, Jambi City. The results of the study show that financial planning and business capital variables affect business performance variables both partially and simultaneously.

Keywords: Performance, Micro and Small Enterprises, Planning, Finance, Capital.

INTRODUCTION

Indonesia's economy has long been known as one of the largest in Southeast Asia, but on the other hand, the contribution of micro and small enterprises (MSEs) to the country's economy is also very significant (Astadi et al., 2022). With the number of MSEs reaching millions of units, this sector has become one of the main pillars in Indonesia's economic growth (Utama & Suryani, 2023). MSEs not only contribute to labor absorption, but also stimulate regional economic growth and reduce economic disparities between regions (Utama & Syarif, 2023). Although the potential of MSEs in Indonesia is very large, there are still many challenges faced by micro and small business actors. Some of these include access to capital, skills limitations, and challenges in product marketing. For this reason, the government and various related stakeholders need to continue to create policies that support the development of MSEs in order to compete globally and increase their contribution to the national economy (Utama & Mustika, 2022). As a sector that has a major impact on the Indonesian economy, MSEs are a driving force for economic growth that needs to be continuously encouraged to develop sustainably. By encouraging innovation, improving regulations, and providing the right support, MSEs in Indonesia have the potential to continue to develop into an increasingly strong and independent sector (Utama & Efrina, 2023) [21]. Thus, the active involvement of the government, the private sector, and the community together will be the main key in advancing the MSE sector in the future (DS Innovate, 2023).

The condition of the level of competition greatly affects the performance of the business to face the uncertainty of economic growth at this time. Therefore, every business needs to make a plan so that the business can run and get maximum results for the improvement of the business (Sindhvani et al., 2023). Micro and small enterprises (MSEs) are currently experiencing very fierce competition, where every business will try to maximize performance in order to generate profits (Nur & Utama, 2023). The higher the demand to improve the quality of business, the existence of MSEs needs to be considered. It can be seen from the increasing number of MSEs, but many MSEs are also closed, and the most important thing is that they fail to make a profit, thus affecting the financial performance of these MSEs (Lestari JUNIARIANI, 2022). Furthermore, the lack of business facilities and

infrastructure as well as human resources is also the main cause. The condition of MSEs can be seen through their business performance. In business performance, it will be explained whether the MSE can survive or not. Through business performance, it can be known about the condition of an MSE, whether it survives or even is profitable or vice versa, namely the condition where the MSE is heading for bankruptcy or closure (Sindhvani et al., 2023).

Every micro and small business (MSE) activity cannot be separated from the planning side. Financial planning activities are activities that are carried out routinely even in traditional ways ("Perencanaan Bisnis," 2022). In making a plan, MSE owners will make plans in accordance with their business goals, namely wanting to make a profit. Every MSE that carries out planning in its business activities is in accordance with the desired target. Along with the high level of dynamics in competition, each MSE will be more responsive to the existence of planning in line with changes or dynamics of competition between MSEs. Therefore, every MSE needs to know the weaknesses and internal advantages of the MSE. In managing finances, it is also necessary to pay attention to the budgeting aspect so that each plan that has been determined is in accordance with the nominal that has been decided (Butt et al., 2018). Budgeting is a plan that is expressed in the form of numbers. In order for the quality of business to improve, it is necessary to pay attention to the budget allocation in accordance with the activities that have been determined (Sindhvani et al., 2023).

Business capital is one of the most important things in running micro and small businesses in Indonesia (Wilandari, 2020). Micro and small businesses have a very vital role in the Indonesian economy, because they are able to make a great contribution to job creation and support the economy of the community (Hughes & Hodgkinson, 2021). However, one of the main obstacles for micro and small business actors is the limited capital they have. According to data, most micro and small businesses in Indonesia are still experiencing difficulties in accessing business capital (Damayanti et al., 2020). This is due to several factors, such as a lack of knowledge about the different types of business capital that can be utilized, as well as the inability to meet the requirements submitted by financial institutions. For this reason, it is important for the government and various related parties to provide support in terms of providing business capital for micro and small business actors (Xiao & Tao, 2021) [26]. With easy access to business capital, it is hoped that micro and small business actors in Indonesia can develop and survive in increasingly fierce business competition.

Support from the government, financial institutions, and various related parties will be very helpful in advancing micro and small businesses, so that they can make a greater contribution to Indonesia's economic growth (Rahayu et al., 2023).

Financial planning and business capital are two crucial factors that must be carefully considered for micro and small business owners in the Gentala Arasy Bridge, Jambi City (Rahmasari & Lauwren, 2020). In a competitive business environment like the Gentala Arasy Bridge, the success of micro and small businesses is largely determined by good financial planning skills. By carefully planning finances, business owners can allocate capital efficiently, face financial risks, and maximize business growth potential. Limited capital is often the main obstacle for micro and small businesses on the Gentala Arasy Bridge. Therefore, careful planning regarding business capital is very necessary. By identifying the right source of capital, business owners can ensure the smooth operation of their business. In addition, a deep understanding of capital needs and how to manage them will help micro and small businesses to survive and thrive in an increasingly tight market. The adoption of good financial planning strategies and effective capital management will also help micro and small businesses in the Gentala Arasy Bridge increase their competitiveness in the local and national markets. Through the right financial planning measures, business owners can optimize the use of resources, increase profitability, and create sustainable growth opportunities (Lesmana et al., 2022).

According to previous research conducted that shows a significant influence between planning variables on business performance (Rini et al., 2022; Ulfah & Desmiyawati, 2020). Then the next researcher also showed a positive and significant influence between business capital on business performance (Azhari Hutabarat et al., 2022; Susanto & Sukarno, 2021). Thus, the role of financial planning and business capital for micro and small businesses in the Gentala Arasy Bridge cannot be underestimated, but rather as a key factor in achieving business success and sustainability. Based on the description above, the author is encouraged to conduct research to find out more about the performance of micro and small businesses driven by financial planning and business capital in MSEs on the Gentala Arasy Bridge in Jambi City.

Based on the explanation above, the researcher also takes the following hypothesis:

H1: Financial planning has a significant influence on business performance.

H2: Business capital has a significant influence on business performance.

H3: Financial planning and business capital have a significant effect on business performance.

The model of this research can be seen in the following figure

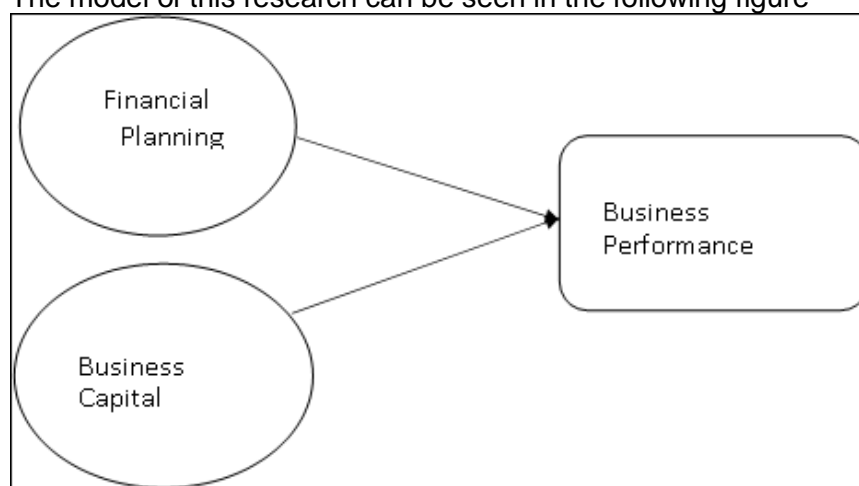


Fig 1: Research Model

Research Methods

In this study, the author uses a quantitative method. Quantitative research method is an approach in scientific research that uses quantitative data or in the form of numbers, which is then analyzed statistically (Danar Pramita et al., 2021).

This method is often used to measure the relationship between existing variables, test hypotheses, or make generalizations based on a specific population. In quantitative research methods, the data collection process is carried out using standardized instruments, such as questionnaires or tests, which allow data analysis to be carried out objectively (Åkerblad et al., 2021).

The number of samples was 52 respondents using random sampling techniques. The instrument in collecting data in this study is a questionnaire that contains statements about financial planning, business capital and business performances which are then validated and use a likert scale to measure the questionnaire. The data processing in this study uses multiple regression analysis.

The multiple regression equation with 2 independent variables x_1 and x_2 , as well as 1 dependent variable y , is as follows:

x_1 and x_2 are independent variables β_0 is intercept

β_1 and β_2 are the regression coefficients for each of the independent variables, and is a random error.

The quantitative research method involves a series of systematic steps, starting from the formulation of the research problem, data collection, data analysis, to conclusion (Djaali, 2021) [8]. One of the advantages of this method is its ability to provide a clear and

measurable picture of the phenomenon being studied. Using statistical techniques, researchers test hypotheses and make reliable conclusions based on the data collected with the help of the SPSS application (Čaplová & Švábová, 2020).

RESULTS AND DISCUSSION

In this study, the results and discussion explain the influence of financial planning and business capital on business performance through data collection and descriptive interpretation of each variable, correlation of free variables to bound variables, determination coefficients and significance tests.

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \varepsilon$$

Where:

y is a dependent variable

Research Results

The descriptive analysis which is an overview of this study can be seen from table 1 as follows:

Table 1: Descriptive statistical analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Planning	52	1.00	5.00	4.2911	.92
Business Capital	52	1.00	5.00	4.9742	.96
Business Performance	52	1.00	5.00	4.7532	.86

Sumber: Data diolah menggunakan SPSS (2024)

Table 1 shows a descriptive statistical analysis with the number of respondents 52 and data obtained from financial planning with an average value (mean) of 4.2911 and a standard deviation of 0.92 which explains that the implementation of financial planning for MSEs on the Gentala Arasy Bridge in Jambi is going well. The operating capital also ran well with a mean value of 4.9742 and a standard deviation of 0.96. Furthermore, the business performance variable was carried out well where the average value was 4.7532 and the standard deviation was 0.86. To find out the relationship of variables in the model, it can be seen from table 2 as follows:

Table 2: Coefficient of determination model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	.607a	.556	.529	3.48436

Source: Data processed using SPSS (2024)

Based on the table above, it is known that the relationship model between financial planning and business capital on financial performance is seen from the R Square = 0.556 value which shows a good and strong research model. Based on the correlation data obtained, it indicates that if financial planning and business capital are implemented properly, it will certainly improve the financial performance of MSEs. Table 3 also explains that the coefficient of determination of the contribution of financial planning and business capital in influencing changes in business performance is 55.6% and the rest is influenced by other factors. Next, a multiple linear regression test was carried out to see the influence of partial variables in table 3 as follows:

Table 3: Multiple linear regression equation test coefficient

Model	B	Std. Error	Beta	t	Sig.
Planning	6.362	2.121	.280	3.146	.002
Business Capital	8.272	2.322	.245	2.247	.006

Source: Data processed using SPSS (2024)

Based on table 3, it is known that the significance of financial planning on business performance has a significant effect on the p-value of $0.002 < 0.05$, partially the independent

variable affects the dependent variable, namely planning on business performance, the hypothesis is accepted. Furthermore, for the partial influence of the business capital variable on business performance seen from the significance of $0.006 < 0.05$, which shows that the business capital variable has an effect on the business performance variable, this result also shows that the hypothesis is accepted. To determine the influence of independent variables on dependents, it is shown in table 4 as follows:

Table 4: Simultaneous Tests ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	769.361	2	384.680	9.149	.000a
	Residual	2228.479	53	42.047		
	Total	2997.839	55			

Source: Data processed using SPSS (2024)

Based on table 4, it is known that there is a significant influence between financial planning and business capital on business performance seen from the p-value of $0.000 < 0.05$, together the independent variable affects the dependent variable, thus the hypothesis is accepted.

DISCUSSION

The study on the influence of financial planning variables on the performance of MSEs at the Gentala Arasy Bridge, Jambi City certainly has very important implications. First, with this study, it will be possible to identify the extent to which good financial planning affects the business performance of MSEs in the area. This can help MSE entrepreneurs to better understand the importance of careful financial planning in improving their business performance.

Second, the results of this study can also provide insight to the local government and various related agencies to develop supporting policies or programs that can increase the awareness and skills of MSE entrepreneurs in planning their finances properly. Thus, it is hoped that there will be an increase in the number of MSEs that are able to survive and develop at the Gentala Arasy Bridge, Jambi City. Finally, the findings of this study can also be a reference for researchers or academics to continue further research in this field, as well as contribute to the development of science and science in Indonesia, especially in terms of MSE development and effective financial planning strategies in improving business performance.

Business capital is one of the important factors that can affect MSE business performance, because sufficient capital can increase the company's ability to develop products and better meet market needs. By focusing on the Gentala Arasy Bridge area, Jambi City, this study can provide a clear picture of the factors that affect the performance of MSEs in the area. The research method that will be used in this study is multiple linear regression analysis to determine the extent to which business capital variables affect the business performance of MSEs at the Gentala Arasy Bridge, Jambi City. Other variables such as business size, business location, and other internal factors will also be included in the analysis to get a comprehensive picture of the relationship between business capital and MSE business performance in the region. The results of this study are expected to provide useful recommendations for MSE owners at the Gentala Arasy Bridge, Jambi City in improving the quality and performance of their businesses. By deepening the understanding of the influence of business capital on the business performance of MSEs at the Gentala Arasy Bridge, Jambi City, this research can make a significant contribution to the development of local businesses and economies in the area. By knowing the factors that affect the performance of MSEs, business owners and other stakeholders can take strategic steps to improve the competitiveness and sustainability of their businesses. In conclusion,

this research is expected to provide valuable insights for the development of MSEs at the Gentala Arasy Bridge, Jambi City.

CONCLUSIONS

Based on research conducted on the influence of financial planning and business capital on business performance in micro and small businesses in the Gentala Arasy Bridge, Jambi City, it can be concluded that these two factors have a significant influence on the performance of the business. By conducting careful and adequate financial planning and having sufficient business capital, micro and small businesses in the area are able to support the growth and sustainability of their businesses. More specifically, this study also highlights the importance of good financial management and proper procurement of business capital in improving the performance of micro and small businesses on the Gentala Arasy Bridge. With optimal financial planning and sufficient business capital, these businesses can increase competitiveness, expand market reach, and increase business profitability. Therefore, micro and small business actors in the area need to pay attention to financial planning and business capital management properly in order to achieve optimal business performance.

Interestingly, for research on financial planning and business capital that affects business performance in micro and small businesses in the Gentala Arasy Bridge, Jambi City, has the potential to be a valuable contribution in the local business world. This research can focus on a detailed analysis of the extent to which careful financial planning can affect the financial stability of micro and small enterprises in the area. In addition, the research can also explore how providing the right venture capital can help improve business performance and growth in the region. In addition, this study should also involve a comparative study between various micro and small businesses in the Gentala Arasy Bridge, Jambi City. In this way, research can be more in-depth in analyzing the differences in financial planning and business capital management in the region. The results of this study can be a guide for micro and small business owners in the region to improve their business performance through more effective financial planning strategies and proper business capital management.

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