



The Influence of Entrepreneurial Competence and Commitment to Business Performance in Handicraft MSMEs

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Abstract. The pandemic has caused business management and educational tour activities made by the handicraft MSME association to experience difficulties. Gradually, the situation began to rise again, even though it had not been restored to its original state. This study aims to analyze the influence between entrepreneurial competence and commitment to business performance in handicraft MSMEs in Klaten, Central Java. The population of this research is comprised of business actors in the field of handicrafts. The research sample was composed of 100 respondents using a non-random sampling technique. Data were collected using questionnaires distributed directly to business actors during FGD activities. Data analysis tools using SPSS consist of prerequisite tests, multiple regression tests, and hypothesis testing. The results found that entrepreneurial competence and commitment have a positive and significant influence, both partially and simultaneously, on business performance. Entrepreneurial competence has a greater influence on business performance than commitment. Entrepreneurial competence is the same as the basic competence or expertise that must be possessed by every business actor, including handicraft MSME actors, because this competence covers all areas of the business.

Keywords: Entrepreneurial Competence (EC), Commitment (CO), Business Performance (BP)

1 Introduction

Micro, small, and medium enterprises (MSMEs) are one of the business units that have an important role in the development and growth of the country's economy [1][2][3] [4], it is argued that the development of economic development based on broad community participation as business actors is the government's commitment to current economic development. The pandemic has caused business management for educational tourism activities made by the Handicraft UMKM Association to experience difficulties. Gradually, the situation began to rise again, even though it had not recovered as before. Heavy situations such as post-pandemic do not necessarily make craftsmen stop creating; they continue to produce and even bring up new innovations [5]

[6] states that the obstacles to the development of MSMEs are the high price of raw materials, limited competent resources, capital difficulties, and a lack of product marketing

networks. The same thing was also stated by [7] the success of MSMEs still has weaknesses that must be addressed and improved, including a lack of access to capital, a lack of managerial and operating skills in organizing, and limited marketing, which are fundamental to development. [8] found problems faced by MSMEs from research conducted, including problems in the field of human resources, namely that MSME actors need education regarding capital, marketing, and the skills that an entrepreneur must have. Various other obstacles that are still often encountered in MSMEs include the low quality of human resources, which is reflected in the lack of development of entrepreneurial behavior, weak regeneration, creativity, discipline, work ethic, and professionalism. These various obstacles have made MSMEs very vulnerable when facing competition.

[9] suggest that, in general, the problems faced by MSMEs are the commitment and capital owned by MSMEs because they still rely on very strong individual role factors. Micro, small, and medium enterprises grow traditionally and are hereditary. The limitations of small business human resources, both in terms of formal education and knowledge and skills, greatly affect the management of their businesses, and it is relatively difficult to find out about new technological developments to increase the competitiveness of the products produced, so that the business is less optimal. The lack of information related to the advancement of science and technology causes the facilities and infrastructure they have not quickly developed to not support the progress of their business as expected. Therefore, in improving their business performance, business owners must pay attention to their entrepreneurial skills and commitment to business development.

[10] suggest that entrepreneurial competence can be seen in the abilities of entrepreneurs who have personality traits, skills, and knowledge that support the success of a job. Improved entrepreneurial competence will also have a positive and significant impact on business performance; these findings are in line with research by Man et al., [11][12] Commitment does not only mean passive loyalty; it also involves active relationships and the desire to make meaningful contributions. The higher the commitment, the higher the tendency of a person to perform actions in accordance with predetermined performance standards [13] Commitment shows personal qualities that will continue to improve business performance [14][15][16]

2 Literature Review

2.1 Effect of entrepreneurial competence on business performance

Entrepreneurial competencies are knowledge, attitudes, and skills that are connected to one another and are needed by entrepreneurs to be trained and developed in order to produce the best performance in managing their business [17] Entrepreneurial competence is a valuable and inimitable resource that produces the ability to facilitate organizational performance.[18] Entrepreneurial competencies are fundamental and specific characteristics in the form of knowledge, motives, traits, self-image, social roles, and skills to do the job successfully finds that entrepreneurial competence has a significant positive effect on business performance. This shows that the ups and downs of business performance can be determined by the level of entrepreneurial competence possessed by entrepreneurs. The better the entrepreneurial competence, the better the business performance. Entrepreneurs with high entrepreneurial competence have the ability to control risk well, have the ability to seek and analyze information

about new business opportunities, have good communication skills, and are dynamic in attitude Entrepreneurial competence is very important for entrepreneurs because it is a valuable, rare (unique), inimitable (cannot be easily sold or traded), and non-substitutable resource. This unique entrepreneurial competence is the advantage of MSMEs, so it contributes to creating high business performance . Based on this study, hypothesis 1 is formulated, namely:

H1: Entrepreneurial competence has a positive and significant influence on performance.

2.2 The effect of commitment on business performance

The competence that a person has will affect commitment, where the higher the employee's competence, the higher the commitment, as stated by Asmoro et al., Work discipline affects a person's commitment, where the higher the work discipline, the higher the commitment suggests positive behaviors that arise with employees who have a high commitment to the organization, namely reduced absenteeism, reduced turnover, increased productive behavior, and increased organizational behavior. It is undeniable that a comfortable and harmonious work environment will create a sense of comfort in everyone, which will create positive energy so that someone will feel happy and excited to do each of their tasks and responsibilitiesstate that there is a significant and positive relationship between job satisfaction and commitment. A person will have a high level of commitment when they are satisfied with their work, supervision, salary, promotion, and coworkers This is supported by previous research conducted which states that commitment has a very large influence on one's performance. Someone will work optimally and utilize their abilities and skills with enthusiasm when they have a high organizational commitment. Based on this study, hypotheses 2 and 3 are formulated, namely:

H2: Commitment has a positive and significant influence on MSME business performance. H3: Entrepreneurial competence and commitment simultaneously have a positive and significant influence on MSME business performance.

Research Framework

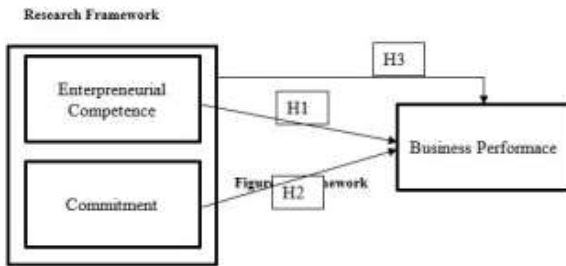


Figure 1. Framework

3 Research Method

This research uses a quantitative approach. This approach is used to examine a specific population or sample, and data is collected with research instruments and statistical analysis to test predetermined hypotheses. The independent variables in this study are entrepreneurial

competence (X1) and commitment (X2). The dependent variable in this study is MSME business performance (Y). The population of this study was composed of 130 business people engaged in handicrafts in Klaten, Central Java. The sampling technique used is non-random sampling with the purposive sampling method. The data collection technique used a questionnaire and collected as many as 100 respondents during the Forum Group Discussion (FGD) activity. The data analysis tool uses SPSS, which consists of prerequisite analysis, multiple regression, and hypothesis testing. Descriptive data analysis will be carried out according to the data processing results that have been obtained.

The entrepreneurial competency variable is a person's ability to realize independent life aspirations characterized by a strong personality, being responsible for tasks and results, taking risks, having a leadership spirit, being forward-looking, always working to explore one's own abilities by innovating and maintaining originality, and having an entrepreneurial mentality that does not easily give up on circumstances. The measurement of this variable refers to the opinion of Ferreras-Garcia et al. which consists of identifying business opportunities, developing an entrepreneurial vision, developing a business model, creating a business plan, and mobilizing the organization. The commitment variable is a concept that looks for the nature of love formed by individuals towards their work. Measurement of commitment variables refers to the opinion of who say that commitment consists of three parts: affective commitment, continuance commitment, and normative commitment. Previous researchers Subyantoro et al., have proven this measurement to be valid and reliable so that it can be used in relevant research..

Business performance variables, according to Van Gijssel can be divided into two main categories: financial performance and non-financial performance. financial performance measures such as company profit and earnings per share, while non-financial performance measures such as internal process perspective, customer perspective, and growth and development perspective. Referring to this understanding, the business performance measurement used uses measurements consisting of indicators of financial factors and operational factors.

4 Results And Discussion

Quantitative analysis is an analysis used to process data that has been obtained from respondents. In this case, the statistical analysis used is Multiple Linear Regression analysis.

4.1 Analysis Prerequisite Test

The analysis prerequisite test is a test of requirements in analyzing data from the results of data collection that has been obtained. The prerequisite test analysis is as follows:

4.2 Normality Test

The results of the normality test can be seen in the following table:

Table 1. Normality test results

Variable	Skewness	Kurtosis	Description
Nilai	-0,348	0,159	Normal

Entrepreneurial (EC)	Competence	Standard Error	0,241	0,478	
		Ratio	-1,441	0,333	
Commitment (CO)		Nilai	0,205	-0,366	
		Standard Error	0,241	0,241	Normal
		Ratio	0,848	-2,021	

Source: Primary Data Processed, 2023

Based on this table, it can be seen that the Entrepreneurial Competence (EC) variable in the normality analysis shows a skewness ratio value of -1.441 and a kurtosis ratio value of 0.333, meaning that the Entrepreneurial Competence (EC) variable is normally distributed. The Commitment (CO) variable in the normality analysis shows a skewness ratio value of 0.848 and a kurtosis ratio value of -2.021. Although the kurtosis ratio value passes the number 2, the skewness ratio value is very small, so that when combined the value is still within the interval of -2 to 2. Thus the Commitment (CO) variable can still be considered normally distributed.

4.3 Multicollinearity Test

The following is an analysis of the multicollinearity test using the tolerance and Variance Inflation Factor (VIF) methods:

Table 2. Tolerance test results and Variance Inflation Factor (VIF)

Variable	Tolerance	Variance Inflation Faktor (VIF)	Description
Entrepreneurial Competence (EC)	0,899	1,112	Non multicollinearity
Commitment (CO)	0,899	1,112	Non multicollinearity

Source: Primary Data Processed, 2023

Based on this table, it can be seen that the Entrepreneurial Competence (EC) and Commitment (CO) variables in the tolerance analysis are 0.899 and the variance inflation factor (VIF) is 1.112 which is smaller than 10, meaning that there are no symptoms of multicollinearity.

4.4 Heteroscedasticity Test

The results of the heteroscedasticity test can be seen in the table below:

Table 3. Heteroscedasticity test results

Variable	Rs	Sig.	Description
Entrepreneurial Competence (EC)	0,008	0,936	Non-Heteroscedasticity
Commitment (CO)	-0,046	0,646	Non-Heteroscedasticity

Source: Primary Data Processed, 2023

Based on this table, it can be seen that the Entrepreneurial Competence (EC) variable in the heteroscedasticity analysis shows an rs value of 0.008 with a significance level of 0.936 which is greater than α (0.05), meaning that the Entrepreneurial Competence (EC) variable does not occur symptoms of heteroscedasticity. The Commitment (CO) variable in the heteroscedasticity analysis shows an rs value of -0.046 with a significance level of 0.646 which is greater than α (0.05), meaning that the Commitment (CO) variable does not occur heteroscedasticity symptoms.

a. Multiple Linear Regression Analysis

To calculate the effect of Entrepreneurial Competence (EC) and Commitment (CO) variables on Business Performance (BP). The regression equation used is:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Based on data processing using the SPSS for windows program, the results can be seen in Table b. Multiple Linear Regression Analysis Results as follows:

Table 4. Multiple Linear Regression Analysis Results

Variable	Regression Coefficient
Constant	0.469
Entrepreneurial Competence (EC)	0.541
Commitment (CO)	0.324
R	= 0,728
R ²	= 0,531
Adj R ²	= 0,521
F Count	= 54,817
Sig. F	= 0,000

Source: Primary Data Processed, 2023

Based on Table 4, the estimated regression equation can be obtained as follows:

$$\hat{Y} = 0,469 + 0,541EC + 0,324CO + e$$

Based on this equation can be described as follows:

a. Variable regression coefficient Entrepreneurial Competence (EC) = 0,541

The Entrepreneurial Competence (EC) variable tends to have a positive or unidirectional influence on Business Performance (BP). The better the Entrepreneurial Competence (EC), the higher the Business Performance (BP), and vice versa, the worse the Entrepreneurial Competence (EC), the lower the Business Performance (BP).

b. Variable regression coefficient Commitment (CO) = 0,324

The Entrepreneurial Competence (EC) variable tends to have a positive or unidirectional influence on Business Performance (BP). The better the Entrepreneurial Competence (EC), the higher the Business Performance (BP), and vice versa, the worse the Entrepreneurial Competence (EC), the lower the Business Performance (BP).

5 Discussion of Hypothesis Tests 1 and 2

Hypotheses 1 and 2 were tested using the t test, which is to determine the level of significance of the partial influence of the Entrepreneurial Competence (EC) and Commitment (CO) variables on Business Performance (BP). Testing through the t test is by comparing the significance level of t count with $\alpha = 0,05$.

Table 5. Partial Analysis Results

Variable	t count	Significance	Description
Entrepreneurial Competence (EC)	8,329	0,000	Significance
Commitment (CO)	3,375	0,000	Significance

Source: Primary Data Processed, 2023

Based on Table 5, it can be seen that the calculation results are obtained for:

- a. The Entrepreneurial Competence (EC) variable has a t count of 8.329 with a significance level of 0.000 which is smaller than α ($0,000 < 0,050$). This means that Entrepreneurial Competence (EC) partially has a significant effect on Business Performance (BP).
- b. The commitment (CO) variable has a t count of 3.375 with a significance level of 0.000 which is smaller than α ($0,000 < 0,050$). This means that Commitment (CO) partially has a significant effect on Business Performance (BP).

From the two t tests, it shows that the Entrepreneurial Competence (EC) and Commitment (CO) variables have a significant influence on Business Performance (BP), so it can be concluded that hypotheses 1 and 2 are proven. This finding supports the research results). Entrepreneurial competencies that include how a person has the ability to identify business opportunities, develop a business vision, create an appropriate business model, make careful plans, and be able to mobilize other people to cooperate in running a business make that person able to improve their business performance. Entrepreneurial competencies help business actors run their businesses in a more systematic and planned way so that they can find a more appropriate business model.

Hypothesis 2 in this study supports the results which state that commitment has a positive and significant effect on performance. Commitment that fosters a sense of love for what is lived makes a person strive to achieve predetermined targets. With commitment, a person is able to further identify the potential that exists because they feel that the business really belongs to them and must be developed and improved in performance. If they leave the business, they will feel lost, and this attitude reflects the level of loyalty needed to run a business.

5.1 Discussion of Hypothesis Test 3

Hypothesis 1 was tested using the F test, which is used to determine the level of significance of the joint influence of the Entrepreneurial Competence (EC) and Commitment (CO) variables on business performance (BP). Testing through the F test is done by comparing the probability of error F count with tolerable significance ($\alpha = 5\%$). Based on Table 4, it can be seen that the calculation results obtained an F count of 54.817 with a significance level of 0.000, which is smaller than α ($0,000 < 0,05$), or H_0 is not supported and H_a is supported. This means that entrepreneurial competence (EC) and commitment (CO) simultaneously have a significant effect on business performance (BP). Thus, hypothesis 3, which states that

entrepreneurial competence (EC) and commitment (CO) simultaneously have a significant effect on business performance (BP), is proven.

While the coefficient of determination (adjusted R²) is 0.672, meaning that the influence of the Entrepreneurial Competence (EC) and Commitment (CO) variables on business performance (BP) is 52.1%, the remaining 47.9% is influenced by other variables outside this study. Entrepreneurial competence and commitment have an equally important role in improving business performance. Personalities who dare to take risks and do not give up easily often have thoughts of always realizing their aspirations for an independent life. A sense of love for what is done in life to achieve the specified goals encourages a person to implement their ability to manage the business to the fullest so that it has an impact on increasing business performance.

6 Conclusions

The results of this study found that the variables of entrepreneurial competence and commitment, whether partially or individually, have a positive and significant influence on business performance in handicraft MSMEs. These results suggest that businesses should pay attention to these two variables to always improve their business performance. Entrepreneurial competence has a greater influence on business performance than commitment. Entrepreneurial competencies are the same as basic competencies or skills that must be possessed by every business actor, including handicraft MSME actors, because these competencies cover all fields in business. A strong personality, being responsible for tasks and results, taking risks, having a leadership spirit, being forward-looking, always working to explore one's own abilities by innovating, and understanding everything related to business activities to be carried out. The practical implications that can be applied from the results of this study are that business people should always be able to improve their entrepreneurial abilities by attending training, establishing positive networks, and expanding communication. In addition, a creative and innovative attitude will be needed in the process of developing a business. Taking a look from various points of view in order to get ideas that sharpen the impact of making the right decision.

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