



THE INFLUENCE OF CAPITAL, MATERIALS, AND MARKETING FACTORS TO THE BUSINESS PERFORMANCE OF SMALL MEDIUM ENTERPRISES (SMES): THE CASE IN BOGOR CITY WEST JAVA, INDONESIA

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Abstract

The purpose of this study is to obtain empirical evidence and find clarity from the research problems in the form of the results of a study of the business performance of the SMEs in Bogor City, which is influenced by aspects of capital, marketing, and raw materials. The method used is descriptive and verification methods. Data were collected from 30 questionnaires and analysed descriptively-quantitatively where hypothesis testing used variant-based SEM models and SPSS. The findings show that capital influences the SME's and the raw material influence the SME's performance. Meanwhile, the marketing has a negative impact on the performance and the raw material has a positive effect on the marketing. Simultaneously aspects of capital, marketing, and raw materials significantly influence the performance. To improve the performance of SMEs, it is recommended that the SMEs collaborate with the government and other institutions in managing venture capital, while in terms of marketing, it is necessary to utilize communication technology in marketing its products and from the aspect of raw materials, the SME's must have begun to identify and cooperate in the long term with its main suppliers so that it is expected that the SMEs in the Bogor city can be better.

Keywords: Capital, Marketing, Raw Materials, SMEs, Business Performance



INTRODUCTION

To welcome into 10 countries with the economy the largest in 2030, then in the future will come in the economy of Indonesia filled with uncertainty, where the number of residents growing, and will be followed by the total labor force increased, the need for goods and services increases, means and participate in various infrastructure sectors has increased, it takes innovation, and creativity of the people of Indonesia, especially in the economic sector. Sectors of the industry still dominate the contribution to the economy nationwide in 2017. The Central Bureau of Statistics (BPS, 2020) noted that the sector of processing contributes 20.16% of the Gross Domestic Product (GDP) of Indonesia reached Rp 13,588.8 trillion. While the growth of the economy industry in the year 2016 only grew 4.27%, much lower than the growth of GDP nationwide amounted to 5.07%.

At the time of the economic crisis in 1998, only the sector of Industrial Small Medium Enterprises (SMEs) survives the country's economic collapse. In addition, because most of the Indonesian population has low education, doing business in the SMEs sector is the right choice, where education is not an absolute requirement in doing business in the SMEs sector and living in micro and small business activities both in the traditional and modern sectors and can absorb a lot of labor. Based on the survey of SMEs in 2017 there were 4.46 million businesses/companies that are spread in the entire territory of Indonesia, 4.10 million (91.96%) of them are industrial micro and the rest is industrial small. Small Medium Enterprises (SMEs) requiring minimal capital, the flexibility in running the business, products/services are produced close to the needs of the community, as well as the utilization of source power locally into characteristic typical of which support the development of business this (Kaplan & Norton, 2000; Warsing, 2008). In densely populated areas such as on the island of Java, SME businesses/companies are more developed than some other islands. The results of SMEs noted that the business/company SMEs in the island of Java amounted to 2.59 million (58.19 percent), or half of the total business/enterprise SMEs located on the island of Java. It's made the island is a location of the strategic growth of the business/enterprise SMEs. According to regional distribution, the provinces that have the highest number of SMEs businesses are Central Java at 892.63 thousand (19.99 percent), East Java Province at 852.30 thousand (19.09 percent), and West Java Province at 574.17 thousand. (12.86 percent). While it is, the Province of Kalimantan Utara has several businesses/companies SMEs lows of 7.33 thousand (0.16 percent), while the province of West Papua amounted to 11.08 thousand (0.25 percent), and the Province of Papua amounted to 12.48 thousand (0.28 percent). In the year 2017, the business/enterprise SMEs absorb the force of work by 10.78 million people. Personnel working the 57.32 percent manifold sex male. Most large force employment are engaged in the business

of SMEs educated Primary School/equivalent and junior/equal, each of which amounted to 36.77 percent and 24.44 (BPS, 2020).

Development of Small and Medium Enterprises (SMEs) loose from various difficulties or obstacles, from a total of 4.46 million enterprises / SMEs there is as much as 65.67 percent experienced difficulty, while businesses that declare not experiencing difficulties in running a business is only as big as 34.33 percent. Kind of trouble that experienced such hardship capital amounted to 38.42 percent. This shows that business capital influences the performance of SMEs (Kumalasari & Haryono, 2019). In addition, the difficulties experienced by SMEs are marketing difficulties of 28.96 percent, and raw materials difficulties of 22.98 percent. As for the causes of SMEs businesses/companies experiencing difficulty in raw materials, namely rare raw materials by 49.11 percent, expensive raw materials by 25.08 percent, and distant raw materials by 17.60 percent (BPS, 2020).

Efforts to encourage the development of SMEs, it is necessary their partnerships with businesses other, according to Government Regulation No. 17 of 2013. Until now, large-scale and small-scale companies that have established partnerships are still around 20% of the total industry in Indonesia. The concept of partnership is currently a choice for SMEs in facing competition in the era of globalization. The concept of the partnership will make SMEs stronger and have competitive and profitable advantages. Partnership scheme is linked to performance appraisal it is caused by the presence of a professional aspect that needs to progress together (Irawan, 2019).

Based on the data BPS (2020), in public service/support that is given to the business/enterprise, SMEs are still very minimal. Almost most large that reached 95.61 percent of the business/enterprise SMEs states do not ever receive the service/support and only 4.39 percent said they never received the service/support. The most types of services/assistance that have ever been received where assistance in the form of money by 37.48 percent, raw materials by 9.38 percent, and capital goods by 8.30 percent.

According to Aryani et.al (2020),), the marketing of products processed by SMEs businesses/companies, especially in the city of Bogor, is still dominated by marketing in one district/city which reaches 89.60 percent. The product marketing area is mostly to meet the needs of the community around the business/company. Meanwhile, marketing outside the regency/city in one province and outside the province has not yet developed. These two marketing allocations are respectively 8.04 percent and 2.23 percent. Meanwhile, to participate in the global value chain and to increase the competitiveness of Indonesian products, the market for foreign products that can be reached by SMEs businesses is still relatively small. SME business exports are only 0.12 percent of their total products (Koperasi, 2018).

The purpose of this study was to determine the influence of capital, materials, and marketing of products on the business performance of SMEs in Bogor City. The result of this study is also expected to improve the business performance of SMEs in Bogor City to face the crisis.

LITERATURE REVIEW

Small and Medium Enterprises (SMEs)

According to Act No. 20 of 2008 concerning, Small and Medium Enterprises (SMEs) are productive economic businesses that stand-alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly of medium or large businesses that meet the following criteria:

1. Has a net worth of more than Rp 50,000,000.00 (fifty million rupiahs) up to a maximum of Rp 500,000,000 (five hundred million rupiahs) excluding land and buildings for business premises.
2. Have annual sales of more than Rp. 300,000,000.00 (three hundred million rupiahs) up to a maximum of Rp. 2,500,000,000.00 (two billion five hundred million rupiahs).

Decree of the Minister of Finance Number 40/KMK.06/2003 concerning Micro Business is a productive business owned by a family or individual Indonesian citizen and has a maximum sales income of Rp 100,000,000 (one hundred million rupiahs) per year. Meanwhile, based on the Decree of the Director of Bank Indonesia No. 31/24/KEP/DIR dated May 5, 1998, what is meant by Micro Enterprises are businesses run by poor people, owned by families using local resources and simple technology.

By-Law Number 20 of 2008 concerning Small and Medium Enterprises (SMEs), what is meant by micro-enterprises are productive businesses owned by individuals and/or individual business entities that have a net worth of at most Rp. 50,000,000.00 (fifty million rupiahs) excluding land and buildings for business premises or having annual sales of a maximum of Rp. 300,000,000.00 (three hundred million rupiahs).

Capital

Capital is an important element in running a business so that the business can develop and generate added value for business actors. In the classical sense, capital is defined as products used for further production (Riyanto, 2001; Syarifah et al., 2020). Furthermore, these terms evolved into the notion of capital according to Sari (2020) which emphasized the value of purchasing power or authority to wear or use in capital goods.

Furthermore, the definition of business capital according to the Big Indonesian Dictionary in Nugraha (*Kamus Besar Bahasa Indonesia (KBBI) Online*, n.d.) business capital is money that is used as the principal (parent) for trading, releasing money, and so on; property (money, goods) that can be used to produce something that adds richness. According to Gandiadhni and Pen (2020) the capital aspect is to be able to improve the business culture so that can improve business performance. Generally, people view that money capital is not everything in a business, but what must be known is that money in running a business is very necessary (Purwati et al., 2021).

Marketing

According to Kotler (2005), marketing is a process by which companies create value for customers and build strong relationships with customers, to capture value from customers in return. Furthermore, according to Kotler and Killer in Limankrisna and Susilo (2012), marketing is a social and managerial process in which individuals and groups obtain what they need and want by creating, offering, and exchanging products of value with others. This definition reflects the needs, wants, and demands. Marketing is an overall system of business activities aimed at planning, pricing, promoting, and distributing goods and services that can satisfy the needs of both existing and potential buyer (Elwisam & Lestari, 2019; Purwati et al., 2021).

Raw Material

In the production of the goods are always in need of raw materials (*raw material*) which according to Limakrisna et.al (2012) materials standard is one of the most active elements in the company and is constantly undergoing a process until the re-sellers. Raw materials are materials that are processed into finished material products and their use can be identified directly or followed in the footsteps or is an integral part of a particular product. This is consisting of:

1. Raw Material

Represents goods obtained for use in the production process. Raw materials can be obtained directly from natural sources, and obtained from other companies, and is the final production. The term Factory Auxiliary Materials (factory supplies) or Production Auxiliary Materials (Manufacturing Supplies), is then used to refer to additional materials, namely raw materials needed in the production process but not directly included in the product.

2. Work in Process

Goods in process can also be called a work in progress, consisting of new goods and need to be employed partly processed further before being sold.

3. Finished Goods

Finished goods is a product that has been manufactured and awaiting sale. When these products are completed, costs accumulated in the production process are transferred from work in progress to estimated completed inventories (Husaeni & Dewi, 2019; Mahliza et al., 2016). According to Mugogo (2020), that process and product-related innovation can affect revenue performance.

Business Performance

Business performance according to Warcito et.al (2020)) is a parameter that is of concern to every organization, generally categorized as organizational performance and managerial performance which is explained as follows:

- *Organizational performance* is a measurement of how well an organization does its job.
- *Managerial performance* is a measurement of how efficiently and effectively a person manages an organization in achieving its goals.

Business performance is an achievement of measurable financial and non-financial added value following what has been determined from changes in all resources which include: human, material, and capital resources to produce better changes in the future. To help organizations improve organizational or business performance, various tools or tools can be used such as Benchmarking for continuous improvement by comparing the business performance of other competitors against superior performance, Balance scorecard through financial, customer, internal business processes and learning and growth perspectives approaches, The SCOR a model developed by the supply chain council that integrates process re-engineering, benchmarking, and process improvement into one cross-functional framework and Standard Costing and Activity Based Costing (ABC) which emphasizes the costs of the activities required to produce products. (Ganesan et al., 2009). Performance measures are carried out to find out how far certain functions or parts of the company and the people who work achieve the stated goals quantitatively and qualitatively (Indrajit & Djokopranoto, 2005).

Various methods can be used to measure business performance or supply chain performance specifically, namely Six Sigma, Supply Chain Quality Management (SCQM), Logistic Scoreboard, Economic Value Added (EVA), Stakeholder Perspective (The Performance Prism), Balanced Scorecard, and Supply Chain Operation Reference (SCOR) model. Of all the models mentioned above, only the Performance Prism, the Balanced Scorecard, and The SCOR model are commonly used. Although each is different in approach and philosophy, some of the measurements used are the same and can provide a good picture of the overall supply chain performance (ITC, 2011)

Research Framework

The research framework in this study is shown in Figure 1.

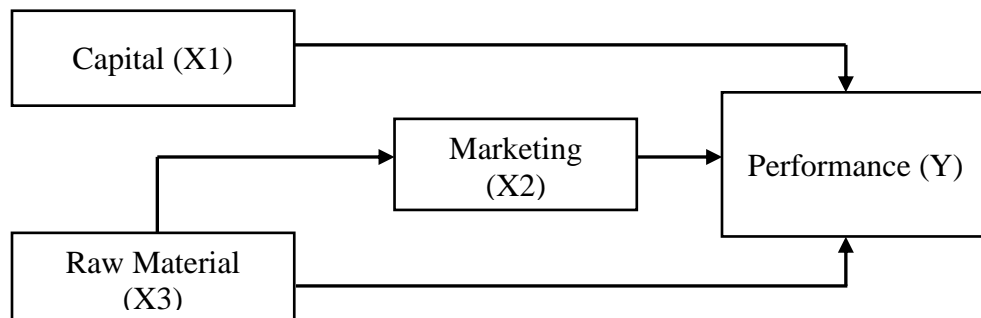


Figure 1. Research Paradigm

Note :

- Capital : X_1
- Marketing : X_2
- Raw Material : X_3
- Performance : Y

Hypotheses

The hypotheses in this study are as follows:

- H1 : There is an effect of capital in improving the performance of SMEs in Bogor City
- H2 : There is the influence of marketing in enhancing the performance of SMEs in Bogor City
- H3 : There is an effect of raw materials on marketing in improving the performance of SMEs in Bogor City.

METHOD

The study adopted a descriptive research design.

Population and Sample

The population in this study were all Small and Medium Enterprises (SMEs) in the Bogor City Area with an observation unit of 30 SMEs factories in West Java Province, especially food processing factories. Meanwhile, the sample of this research used the purposive sampling method to obtain samples that matched the predetermined criteria with the number of units of analysis of 30 factories sample in West Java Province.

Definition and Operational Variable

Sekaran *and* Bougie (2016) define a variable as something that can distinguish or change values that can differ at various times for the same object or person, or at the same time for different objects or people. The variables used in this study are; a) The dependent variable (Y) is a variable that is influenced by the presence of an independent variable (Sugiyono, 2012). In this study, the performance variable of Small and Medium Enterprises (SMEs) is the dependent variable; b) Independent Variable (X) is a variable that affects the dependent variable (Y). The independent variables used are; 1) Capital (X_1), 2) Marketing (X_2) and 3) Raw materials (X_3).

Data Collection Technique

The data collection technique in this research is to use primary data in the form of interviews and limited discussions as well as secondary data obtained from the Central Statistics Agency (BPS), the Ministry of Cooperatives and Micro, Small and Medium Enterprises.

Analysis Method

In addition to using descriptive analysis, this study also facilitates a " cross-tabulation " test of the variables used in the study which is measured by the value of " Cronbach-Alpha ". Then test the relationship between the dependent variable and the independent variable. The probity equation model has been widely applied in various research fields. The word probity can be interpreted as the probability of one unit/object of research. In his account of probity models, Arief says that the model probity assumed that the dependent variable (dependent) studied is the cumulative distribution function which has a normal shape. Based on the normal distribution of the cumulative distribution function, this model is often referred to as the normal model. Another view is given by Gujarati (2012), who emphasizes that the use of the probity model is to explain the behavior of a dummy or dichotomous dependent variable. In this case, the dependent variable is 0 or 1. In simple terms, the probity model can be written as follows:

$$Y_i = a + \beta X_i + U_i, \quad (1)$$

where, Y_i is dichotomous as a linear function of the variable describing $X_i \in (Y_i/X_i)$ which is the conditional expectation of Y_i for certain X_i values. The probity models used in this study are:

$$Y_i = a + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + u_i \quad (2)$$

Note:

Y_i = SMEs performance data, X_{1i} = SMEs capital data

X_{2i} = SMEs marketing data, X_{3i} = SMEs raw material data

RESULTS AND DISCUSSION

SMEs Business Profile

As of November 2016, the number of SMEs in Bogor City was 23,706 spread across 68 urban villages. With a description of 12,047 formal business actors in the Micro category, 2,664 formal business actors in the small business category, and 747 formal business actors in the medium category, based on existing data, 4,129 are Street Vendors (PKL), 3,569 Business Actors in the Market (according to with data from PD Pasar Pakuan Jaya (PPJ) and as many as 550 are business actors in the market (according to data from PT. Propindo) as illustrated in Table 1 below.

Table 1. SMEs Data in Bogor City

No	Description	Amount	Remarks
1	Formal Business Actors	12.047	Mikro
2	Formal Business Actors	2.664	Small
3	Formal Business Actors	747	Medium
4	Informal Business Actors	4.129	PKL
5	Business Actors in market	3.569	PD PPI
6	Business Actors in market	550	Propindo
Total		23.706	

Source: Bogor City Cooperatives and SMEs Office (2016)

In raising the empowerment of SMEs in the city of Bogor with the potential population of the city of Bogor which has reached above 1 million and the high number of domestic and foreign tourists who come to the city of Bogor, the opportunity for the growth of MSMEs engaged in the culinary and handicraft industries is very wide open. To support the possibility of developing local culinary and handicraft industries, it is necessary to explore strategic steps to support the growth of these two industries. But on the other hand, the problems faced by MSMEs in the city of Bogor are aspects of capital and marketing aspects (Department of Cooperatives and SMEs in Bogor City 2016).

Profile of SMEs Respondents

The respondents for the research on SMEs business in the city of Bogor can be seen in Table 2 below.

Table 2. Data on Respondents of SMEs in Bogor by Age and Education and Products

No	Criteria	Average of respondents				% Total		Remarks
1	Sex	Man	Man	Man	Woman	Man	Man Woman	
2	Age (years)	54	41	41	59	65	80 20	Age < 50
						40	60	Age>50
3	Education	JHS	SHS	JHS	PS	PS		
4	Business type	Tofu	Tofu	Tofu	Snack	Snack		
5	Location	Bogor	Bogor	Bogor	Bogor	Bogor		
6	Number of empl.	7	5	3	2	2		
7	Raw material	7.00	8.00	8.00	14.00	2.50		
8	Finish Product	15.00	15.00	27.00	20.00	7.00		
9	Total production	300	20	20	10	2.9		
10	Income/day	1.500	300	540	200	20		

Note: JHS : Junior High School, SHS: Senior High School, PS=Primary School

In raising the empowerment of SMEs in the city of Bogor with the potential population of the city of Bogor which has reached above 1 million and the high number of domestic and foreign tourists who come to the city of Bogor, the opportunity for the growth of SMEs engaged in the culinary and handicraft industries is very wide open. To support the possibility of developing local culinary and handicraft industries, it is necessary to explore strategic steps to support the growth of these two industries. But on the other hand, the problems faced by SMEs in the city of Bogor are aspects of capital and marketing aspects (Koperasi, 2018).

From the data in Table 2 above, it can be seen that the average respondents are male (80%) and female (20%) with an age range ranging from 41 years to 65 years. The education of the respondents varied from elementary, middle, and high school graduates. Meanwhile, the businesses studied included the Tofu processing business unit SMEs (60%), the snack (Rengginang) processing business unit (20%), and the snack (Peuyeum) processing business unit (20%). The locations of all respondents are in the city of Bogor. The respondents as business unit owners have between 2 and 7 employees (so they are categorized as small SMEs). Meanwhile, the average daily production of SMEs respondents varies from 29 Kg to 300 Kg per day with product selling prices ranging from Rp. 7,000 to Rp. 20,000 per unit. The income of the respondents varies from Rp. 20,000 to Rp. 4,500,000 per day.

Test Results of the Effect of Capital, Marketing, and Raw Materials on Business Performance

Validity Test

The validity test is done through convergent and discriminant validity. The convergent validity of the measurement model with reflective indicators was assessed based on the correlation between component scores and construct scores. The score is shown through the results of cross loading/outer loading factor processing as shown in Table 3. below.

Table 3. *Outer Loading* for Capital Influence, Marketing and Raw Materials on the Business Performance of SMEs in Bogor

Outer Loading				
Indicators	Raw M.	Performance	Capital	Marketing
X1.1	-	-	0.929	-
X1.3	-	-	0.944	-
X2.1	-	-	-	0.970
X2.3	-	-	-	0.985
X2.4	-	-	-	0.973
X3.2	0.841	-	-	-
X3.3	0.920	-	-	-
X3.4	0.940	-	-	-
Y0.1	-	0.943	-	-
Y0.2	-	0.946	-	-

Source: Results of data processing using SmartPLS 3.2.4 (2020)

Based on the value of outer loading which is greater than 0.7 which indicates that the dimensions of the constructor have met convergent validity. In Table 3 above, it can be seen that there are 2 indicators for the Capital variable, namely X1.1, X1.3, and 3 indicators for the Marketing variable, namely X2.1, X2.3, X2.4, and 3 indicators for the Raw Material variable, namely X3.2, X3.3, X3.4 and 2 indicators for the MSME Performance variable, namely Y0 1 and Y0 2. The results from Table 3 show that the Capital variable with the indicator X1.1. and X1.3 has a loading factor of 0.929 and 0.944 which is significant in contributing to the Capital variable of 92.9% and 94.4%, respectively. Meanwhile, Marketing Variables with indicators X2.1, X2.3, and X2.4 have loading factors of 0.970, 0.985, and 0.973 which are stated significantly in contributing to the Marketing variable of 97.0%, 98.5%, and 97.3%. For Raw Material variables

with indicators X3.2, X3.3, and X3.4 having loading factors of 0.841, 0.920, 0.940, they are stated to be significant in contributing to the Raw Materials variable of 84.1%, 92.0%, and 94.0%, respectively. The SMEs Performance variable with indicators Y01, Y02 has a loading factor of 0.943, 0.946 which is stated to be significant in contributing to the SMEs Performance variable of 94.3% and 94.6%, respectively. Validity is also indicated by the AVE value which is more than 0.5 as shown in Table 4 below;

Table 4. Value of AVE, Composite Reliability and Cronbach's Alpha for Effect of Capital, Marketing and Raw Materials on Bogor SMEs Business Performance Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Raw Material	0.884	0.884	0.929	0.813
Performance	0.879	0.880	0.943	0.892
Capital	0.861	0.869	0.935	0.878
Marketing	0.975	0.982	0.984	0.953

Source: Results of data processing using SmartPLS 3.2.4 (2020)

The results of the validity test with an AVE (*Average Variance Extracted*) score, showing a number above 0.8 which means that the model is valid. Meanwhile, other validity tests (*discriminant validity*) also show a *cross loading* score of more than 0.7, as shown in Table 5 below;

Table 5. Discriminant Validity Test

Fornell-Larcker				
Criterion	Raw Material	Performance	Capital	Marketing
Raw Material	0.902			
Performance	0.731	0.945		
Capital	0.325	0.636	0.937	
Marketing	0.889	0.508	0.429	0.976
Cross Loading				
	Raw Material	Performance	Capital	Marketing
X1.1	0.337	0.559	0.929	0.502
X1.3	0.227	0.628	0.944	0.312
X2.1	0.865	0.495	0.415	0.970
X2.3	0.925	0.554	0.362	0.985
X2.4	0.806	0.431	0.488	0.973
X3.2	0.841	0.571	0.534	0.866
X3.3	0.920	0.626	0.110	0.813

X3.4	0.940	0.777	0.235	0.728
Y0.1	0.645	0.943	0.668	0.463
Y0.2	0.736	0.946	0.534	0.498

Source: Results of data processing using SmartPLS 3.2.4 (2020)

Reliability Test

To measure the reliability of the model, the composite reliability test or Cronbach's Alpha is used. From the data in Table 6. below, it can be seen that the *Composite Reliability and Cronbach's Alpha* scores are above 0.7, which means they are *reliable* for each construct/variable.

Table 6. Composite Reliability and Cronbach's Alpha

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Raw Material	0.884	0.884	0.929	0.813
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Marketing	0.975	0.982	0.984	0.953

Source: Results of data processing using SmartPLS 3.2.4 (2020)

The magnitude of the influence of the computational value and the contribution of each indicator to the latent variable is shown in Figure 2.

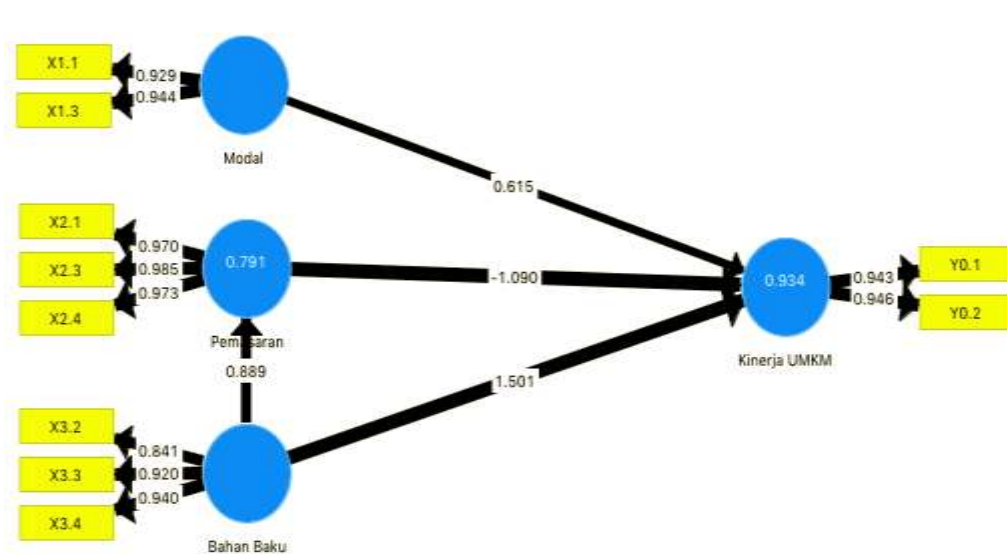


Figure 2. Capital, Marketing and Raw Material Influence Path Charts on the Business Performance of SMEs in Bogor

Notes: Modal-Capital, Pemasaran=Marketing, Bahan Baku=Raw Material, Kinerja=Performance
 Source: Results of data processing by SmartPLS 3.2.4 (2020)

Hypotheses Test Results

Simultaneous Influence Analysis

The results of the simultaneous influence test of Education, Capital, and Entrepreneurship variables show that they have a positive and significant relationship, meaning that together the variables of Capital, Marketing, and Raw Materials affect the Business Performance of SMEs. This can be seen from the statistically large T value (> 1.96) and the smaller P Values of 0.05, as shown in Table 7 below;

Table 7. Quality Criteria

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (IO/STDEV)	P Values
Performance	0.934	0.944	0.045	20.892	0.000
Marketing	0.791	0.795	0.076	10.348	0.000

Source: Results of data processing using SmartPLS 3.2.4 (2020)

The results of the R Square test as shown in Table 7 show the R Square value for the SMEs Performance Variable of 0.934, which means that 93.4% of the SMEs Business Performance variable is influenced by aspects of Capital, Marketing, and Raw Materials, while the rest is influenced by other variables. Meanwhile, the model shows that the R square value for the Marketing variable which is influenced by the Raw Material variable shows many 0.791, meaning that the Marketing aspect is significantly affected by 79.1%, while the rest is influenced by other variables.

Partial Effect Analysis

This section describes the partial effect testing using SmartPLS software version 3.2.4. The value of each variable is shown in Table 8 below.

Table 8. Path Coefficient, T statistic and P value

Mean, STDEV, T-Values, P-Values	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (IO/STDEV)	P Values
Raw M-->Performance	1.051	1.548	0.396	3.795	0.000
Raw M -->Marketing	0.889	0.890	0.043	20.450	0.000
Capital -->Performance	0.615	0.632	0.135	4.548	0.000
Marketing-->Performance	-1.090	-1.122	0.455	2.397	0.017

Source: Results of data processing using SmartPLS 3.2.4 (2020)

From Table 8 above, it can be seen that the results of the Path Coefficient test show the influence of the Raw Materials variable on the Performance of SMEs 1.501 with a P-Value of 0.000 and is the variable that has the greatest influence compared to the Marketing and Capital variables on SMEs Performance. The data above also shows that the Marketing variable shows a negative number (-1.090) which means that the influence of the Marketing variable on Performance is significant with a P-Value (<0.05) and negative number. The Raw Material variable to the Marketing variable has a score of 0.889 with a P-Value of 0.000 which means that the raw material has a positive effect on marketing. Meanwhile, the Capital variable on SMEs Performance has a positive effect with a coefficient of 0.615 with P-Value (<0.05).

The Influence of Raw Materials on SMEs Business Performance

The results of testing the relationship between latent constructs/variables in Table 8 above show that there is a positive and significant relationship, namely between Raw Materials and SMEs Performance variables with a Path Coefficient value of 1.501 (T statistic value > 1.96 and P-value < 0.05) meaning that the SMEs Performance variable is influenced by the raw material variable significantly and positively. Based on these results, the hypothesis H_0 is rejected and H_a is accepted where there is a significant influence between Raw Materials and SMEs Business Performance.

These results show that the Raw Material aspect affects the Business Performance of SMEs in Bogor City, where raw materials are a very important aspect in the SMEs business in Bogor, SMEs performance is strongly influenced by the raw material aspect, the interview results show that several SMEs business units studied such as the Tofu processing business, snack (Rengginang) food business, and snack (Peuyeum) processing business that the availability of raw materials greatly affects SMEs business performance, where the availability of raw materials will directly affect the performance of business operations internally and will

ultimately affect overall business performance. These results are also in accordance with the results of research conducted by Purwaningsih (2017) that the internal factor with indicator availability of raw materials affect business performance, as well as research and Irawati Heart (2017), that the internal factors with indicators of availability of raw materials affect the performance of SMEs.

The Influence of Raw Materials on Marketing and Implications on Business Performance

Based on the results of testing the relationship between latent constructs/variables in Table 8 above, it shows that there is a positive and significant relationship, namely between Raw Materials and Marketing variables with a coefficient value of 0.889 (T count > T table, P-value < 0.05). The results of this test show that the hypothesis Ho is rejected and Ha is accepted where there is a significant influence between raw materials and business performance. Furthermore, the relationship between the variables of Marketing and SMEs Business Performance shows a negative and significant relationship where the path coefficient value is 1.090. This means that marketing partially does not affect SME's business performance where the higher the marketing, the lower the SMEs business performance. This can be understood where processing Tofu of SMEs, snack (Rengginang) processing and snack (Peuyeum) processing the marketing aspect is not a priority at this time because the marketing of the products is only done by word of mouth and product marketing has gone through fixed marketing channels with regular customers. This is supported by various studies such as Zaricha et.al (2018), that marketing orientation has no effect on marketing performance.

The Effect of Capital on Business Performance

Based on the results of testing the relationship between latent constructs/variables in Table 8 above, it shows that there is a positive and significant relationship between the variables of Capital and SMEs Business Performance with a coefficient value of 0.615 (T count < T table, P-value > 0.05) meaning that the capital variable affects significantly and positively to the business performance of SMEs, the greater the capital used, the higher the SMEs business performance. With these results, the hypothesis Ho is accepted and Ha is rejected where there is a significant influence between capital and business performance of SMEs. The results of this study are also supported by the results of another study by Wijayanti et.al, (2019), that internal factors with capital indicators significantly affect the business performance of SMEs.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the previous discussion, several conclusions can be drawn as follows;

1. The business performance of SMEs in Bogor City is strongly influenced by the adequacy of business capital, the greater the available capital it will guarantee business continuity which has an impact on business performance.
2. The business performance of SMEs in Bogor City is negatively affected by marketing aspects, meaning that the more efficient the marketing costs of SME businesses in processing Tofu, Snack (Rengginang), and Snack (Peuyem), the higher the business performance of SMEs in Bogor City. In addition, raw materials also affect the marketing aspects of SMEs, where the higher the availability of raw materials, the need for effective marketing efforts to have an impact on the business performance of SMEs..
3. Business performance of SMEs in Bogor City is strongly influenced by aspects of raw materials.

This is presumably due to the availability of raw materials the price contributes a very large influence on the performance of SMEs. This means that the higher the availability of raw materials and economical prices will improve the business performance of SMEs in food processing of Tofu, Snack (Rengginang), and Snack (Peuyem) in Bogor City.

Suggestions

Based on the conclusions above, several things are suggested as follows;

1. The SMEs business actors in Bogor City need to cooperate with state banks, state-owned enterprises, the private sector, or other institutions based on mutually beneficial cooperation so that capital can be increased so that business performance can be better.
2. In terms of marketing, short-term steps that can be taken by business people are to utilize communication technology in marketing their products so that marketing costs can be minimized. Meanwhile, in terms of the availability of sustainable raw materials, business players have begun to identify and collaborate in the long term with their main suppliers, so that the availability of sufficient raw materials does not interfere with business operations resulting in better business performance.
3. Involvement of regulator/stakeholder and government policy on business continuity of the SMEs in Bogor City through access to capital, marketing information, and availability of raw materials are required.

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