

# Factors Affecting the Performance of Small Micro Medium Enterprise (UMKM) in Lagoa Village

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## Abstract

*UMKM* is a productive economic efforts controlled by individuals, or agencies but with special business capital and limitations in increasing efforts, and not alliances that belong to companies or cooperatives *UMKM* becomes one of the important economy pillars in Indonesia when there was a monetary emergency in 1997. When many large industries went bankrupt in that era, *UMKM* activities in Indonesia even increased when companies/industries experienced in a bad situation. This research aims to find out the factors affecting performance of Small Micro Medium Enterprise (*UMKM*). Research used quantitative methods which conducted at the Lagon MMS, Jakarta. Sampling technique used probability sampling with simple random sampling techniques of 97 respondents. Data analysis techniques employed Smart PLS3 software. The results show that the factors affecting performance of *UMKM* namely knowledge, business capital, information systems, E-commerce, and environmental uncertainty affecting knowledge.

Keywords: Influence Factors, *UMKM* Performance, *UMKM*

## 1. Introduction

The government expectation related to reduce unemployment is through the efforts of Small Micro Medium Enterprise (*UMKM*). This can be pioneers for national economic development, although their productivity is commonly medium and small. The structure of *UMKM* has a distinctive special characteristic so that its development is required. This can be done through the development of *UMKM* centers, accompanied by providing encouragement in various forms. Therefore, *UMKM* has a role in the national economy, so that efforts to increase the ability of *UMKM* can be maintained with national economic stability maintained (Febriyantoro & Arisandi, 2018; Rosmadi, 2021). *UMKM* are known to be a field of business or effort carried out by individuals, households, or small business agency. It has an indeterminate use and position for the economy of a country, especially in Indonesia. *UMKM* is a productive economic efforts controlled by individuals, or agencies but with special business capital and limitations in increasing efforts, and not alliances that belong to companies or cooperatives (Halim, 2020). *UMKM* becomes one of the important economy pillars in Indonesia when there was a monetary emergency in 1997. When many large industries went bankrupt in that era, *UMKM* activities in Indonesia even increased when companies/industries experienced in a bad situation (Lestanti, 2015).

The number of things experienced by *UMKM* influences the ability to develop their efforts to be more advanced in the future. Basically, Indonesian *UMKM* have the ability to grow very large by the entry into force of Southeast Asian free trade with China (ACFTA) as an effort to develop Indonesian *UMKM* exports in other countries (Hendratmoko, 2021). The arrival of supermarkets in many regions also opens up opportunities for *UMKM* to be able to access the latest markets. There are many parties who are increasingly concerned about the progress of *UMKM*. At this time, there are many non-profit institutions that want to help *UMKM* to help *UMKM* capital, including the government. As a result, the ability to develop is an effort to further improve its position and contribution for the Indonesian economy, especially in the increase of Gross Domestic Income and the depreciation of the unemployment rate (Rosmadi, 2021).

The economy in 2019-2021 began to deal with an abnormal situation due to Covid-19. The results of the Asian Development Bank (ADB) survey formulated that there were 50% or 37.000 *UMKM* claimed by bankrupt due to this

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pandemic. People were trying to deal with the shrinkage of income due to the decline in the purchasing ability of residents coupled with the existence of social restrictions which caused many Indonesian *UMKM* to go bankrupt (Sugiarti *et al.*, 2020). The only thing that can be done to maintain their business is to take advantage of existing technological developments because this can indirectly expand market share which has an impact on our income (Pinatih & Indrajaya, 2019).

Almost most *UMKM* fail to run its business due to lack of understanding of poorly managed bookkeeping. *UMKM* actors have not thought about making books in the management of *UMKM* small businesses, the capital management provided by the government has not been utilized properly because of the lack of understanding in managing books, especially finance, which has not been fully explained from the village to provide socialization about *UMKM* learning, including bookkeeping, especially finance itself. Business actors who are not good at utilizing e-commerce or online sites so that their products do not have a wide market (Febriyanto & Arisandi, 2018).

The Covid-19 pandemic has also caused many *UMKM* actors to go out of business because there is no income to meet their needs (Halida, 2021). In addition, the Covid-19 pandemic has made many companies take a termination of employment (LAYOFF) policy. This situation makes everyone change their profession as an employee to become an entrepreneur, which causes business competition to be tighter. At this time, new *UMKM* has Home Industry. There are home industry players who make it in their own homes, some already have their own warehouses or production sites. The various home industries that exist in are food, beverages, fashion/textiles, cosmetics, automotive, and others. Home industry is able to expand employment and provide broad economic services to the community. Besides, it can play an important role in improving the community's economy and family income, reducing unemployment, and improving community welfare (Sumartan *et al.*, 2019).

## 2. Methods

The method used in this study is a quantitative method. The place and population of this study are *UMKM* owners located in Lagoa Village. In the process of selecting samples, researchers used the probability sampling method with a simple random sampling technique where the sample members were taken randomly without paying attention to the researcher's existence or special conditions in the population. The number of samples was determined based on the Slovin formula, which was 97 people. The data used in the form of primary data or data obtained directly from respondents. The data collection method used by researchers was through distributing questionnaires that are brought directly to the research site. The answers provided in the questionnaire are in the form of a 1-5 Likert scale.

The operational definition of this research variable consists of independent variables (X) accounting knowledge described by 2 indicators based on research by Abdallah & Maryanto (2020), business capital explained by 2 indicators based on research by Putri *et al.* (2014), accounting information system explained by five indicators based on research Desyani & Nuratama (2021), and e-commerce explained by two indicators based on research Prasetyo & Fazariyawan (2020). The independent variable (Y) of *UMKM* performance was explained by three indicators based on the research of Kore & Septarini (2018), and the moderation variable (Z) of environmental uncertainty was explained by two indicators based on research (Hawa E, 2019). The data analysis technique in this study used *Smart PLS3* software to test the validity, reliability, and hypothesis test.

## 3. Result and Discussions

This research was conducted by distributing questionnaires to *UMKM* in Lagoa Village. The total returned questionnaires were 97 questionnaires out of 100 questionnaires distributed.

**Table 1.** Characteristics of Respondents

| Information          | Sum | Presented |
|----------------------|-----|-----------|
| Gender               |     |           |
| a. Men               | 34  | 35,05     |
| b. Woman             | 63  | 64,95     |
| Age                  |     |           |
| a. 20 – 25 Years     | 31  | 31,96     |
| b. 26 – 30 Years Old | 54  | 55,67     |
| c. >30 Years         | 12  | 12,37     |

| Information                     | Sum | Presented |
|---------------------------------|-----|-----------|
| <b>Final Education</b>          |     |           |
| a. Junior High School           | 25  | 25,77     |
| b. Senior High School           | 48  | 49,48     |
| c. Diploma                      | 11  | 11,34     |
| d. Undergraduate                | 13  | 13,41     |
| <b>Type / Field of Business</b> |     |           |
| a. Culinary                     | 64  | 65,98     |
| b. Fashion                      | 18  | 18,56     |
| c. Cosmetics                    | 7   | 7,22      |
| d. Automotive                   | 3   | 3,09      |
| e. Miscellaneous                | 5   | 5,15      |
| <b>Revenue per Year</b>         |     |           |
| a. <100 Million                 | 29  | 29,90     |
| b. 100 -300 Million             | 36  | 37,11     |
| c. 300 – 500 Million            | 23  | 23,71     |
| d. >500 Million                 | 9   | 9,28      |

Source: Research Data, 2022.

Based on the results of the analysis related to the characteristics of respondents carried out, it is known that the majority of respondents' gender characteristics are woman, that are 63 respondents (64.95%). Regarding of age, respondents are dominated by the age of 16-30 years as many as 54 respondents (55.67). Concerning from the level of education, the majority of respondents who graduated from high school were 48 respondents (49.48). Besides, from the type/field of business, respondents dominated by culinary businesses as many as 64 respondents (65.98). And the last thing is seen from the annual income, the majority of respondents have an income of 100 – 300 million per year, which is 36 respondents (37.11).

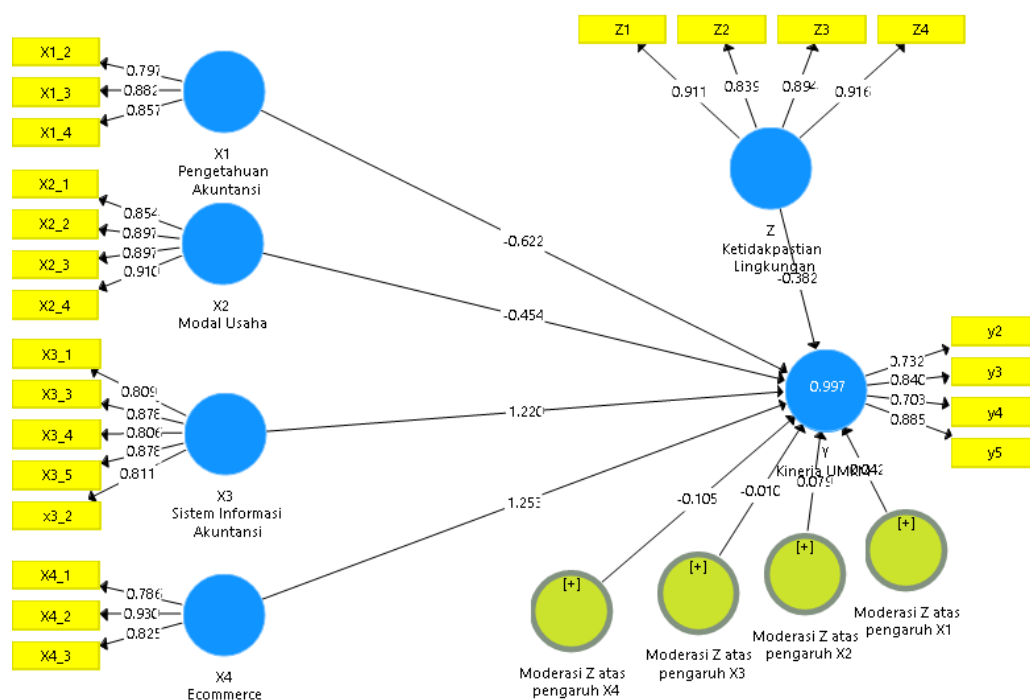


Figure 1. Validity Test Results (in Indonesia)

Source: Research Data, 2022.

From the results of the validity test by the research model, for each variable consisting of accounting knowledge, business capital, accounting information systems, e-commerce, *UMKM* performance, and environmental uncertainty, it already has an outer loading/loading factor of 0.5 which means that the relationship between each variable and its

indicators is valid according to the criteria. For the results of the next analysis, namely the research model, if R Square has a value below 33%, so it is considered weak, 33% - 66% is considered moderate, and if it is above 66%, it is considered strong. In this research, this model is included in the strong category because the R Square/coefficient of determination is above 66%. Because in this study, the ability of independent variables to explain dependent variables is 99.7%.

**Table 2. Reliability Test Results**

|                                | Cronbach's Alpha | Composite Reliability | Criteria |
|--------------------------------|------------------|-----------------------|----------|
| X1_ Accounting Knowledge       | 0.800            | 0.883                 | Reliable |
| X2_ Business Capital           | 0.913            | 0.938                 | Reliable |
| X3_SIA                         | 0.893            | 0.921                 | Reliable |
| X4_ Ecommerce                  | 0.804            | 0.885                 | Reliable |
| Z_ Environmental Uncertainty   | 0.913            | 0.939                 | Reliable |
| Z moderation over X1 influence | 1.000            | 1.000                 | Reliable |
| Z moderation over X2 influence | 1.000            | 1.000                 | Reliable |
| Z moderation over X3 influence | 1.000            | 1.000                 | Reliable |
| Z moderation over X4 influence | 1.000            | 1.000                 | Reliable |

Source: Research Data, 2022.

Based on Table 6, measuring instruments in this study has passed the consistency test because all composite reliability and Cronbach's Alpha values owned by each latent variable that has met the required reliable criteria of  $\geq 0.6$ .

**Table 3. Hypothesis Test Results**

| Hypothesis   | Original Sample (O) | T Statistic ( $ O/STEDV $ ) | P-Values | Conclusion |
|--|---------------------|-----------------------------|----------|------------|
| X1_ Accounting Knowledge => Y_ <i>UMKM</i> Performance     | -0.622              | 8.805                       | 0.000    | Accepted   |
| X2_ Business Capital => Y_ <i>UMKM</i> Performance         | -0.454              | 2.198                       | 0.028    | Accepted   |
| X3_SIA => Y_ Kinerja <i>UMKM</i>                           | 1.220               | 12.166                      | 0.000    | Accepted   |
| X4_ E commerce => Y_ <i>UMKM</i> Performance               | 1.253               | 7.619                       | 0.000    | Accepted   |
| Z_ Environmental Uncertainty => Y_ <i>UMKM</i> Performance | -0.382              | 2.823                       | 0.005    | Accepted   |
| Z moderation over influence X1=>Y                          | 0.042               | 0.291                       | 0.772    | Rejected   |
| Z moderation over influence X2 =>Y                         | 0.079               | 0.244                       | 0.807    | Rejected   |
| Z moderation over influence X3=>Y                          | -0.010              | 0.088                       | 0.930    | Rejected   |
| Z moderation over influence X4 =>Y                         | -0.105              | 0.298                       | 0.765    | Rejected   |

Source: Research Data, 2022.

The results of the first hypothesis test reveals that the relationship of the Accounting Knowledge variable with *UMKM* Performance shows a T-statistical value of  $8,805 > 1.96$ . This result indicates that the P-Value of  $0.000 < 0.05$  then hypothesis 1 is accepted. Moreover, the results of this study are in line with the research results by Lestari & Rustiana (2019) and Setiawati et al. (2021) where these two studies stated that accounting knowledge has a significant effect on the performance of *UMKM*. It can be interpreted that the better the accounting knowledge possessed, the more the performance of *UMKM* will increase.

The results of the second hypothesis test reveals that the relationship of business capital variables with the performance of *UMKM* shows a T-statistical value of  $2,198 > 1.96$ . This result indicates that the value of P Value  $0.028 < 0.05$ , then hypothesis 2 is accepted. The results of this study are in line with the research results by Purnawanti, (2013) and Rahman (2016), both of which stated that capital management has a significant effect on the performance of *UMKM*. This can be interpreted that the higher level of business capital, the better development of small and medium-sized enterprises that will be achieved and vice versa, the lower the business capital, the more difficult it is to develop small and medium-sized enterprises, especially in Lagoa Village.

The results of the third hypothesis test reveals that the relationship of accounting information system variables with *UMKM* performance shows a T-statistical value of  $12,166 > 1.96$ . This result indicates that the value of P Value

$0.000 < 0.05$ , then hypothesis 3 is accepted. The results of this study are in line with the research results by Wahyuni *et al.* (2018) which stated that the Accounting Information System does not have a significant influence on the performance of *UMKM*. This is due to the existence of an accounting information system that has been implemented although there are still weaknesses that still have to be addressed and can help employees to complete work effectively, efficiently, and economically to achieve optimal company performance.

The results of the fourth hypothesis test reveals that the relationship of e-commerce variables with *UMKM* performance shows a T-statistical value of  $7,619 > 1.96$ . This result indicates that the value of P Value  $0.000 < 0.05$  then hypothesis 4 is accepted. The results of this study are in line with the results of the research by Setiawati *et al.* (2021) in their research which stated that e-commerce has a significant influence on the performance of *UMKM*. E-commerce is one of the marketing alternatives used to reach more customers through online. *UMKM* can promote anywhere and anytime for 24 hours without end. This transaction model allows transactions to cross regional boundaries much more easily at a cost-effective basis than traditional trading.

The results of the fifth hypothesis test reveals that the relationship of environmental uncertainty variables with *UMKM* performance shows a T-statistical value of  $2,823 > 1.96$ . This result indicates that the value of P Value  $0.000 < 0.05$  then hypothesis 5 is accepted. The results of this study are in line with the results of Fahmia's research (2017) which states that environmental uncertainty has a significant effect on the performance of *UMKM*. This proves that the environment has a direct impact on the performance of *UMKM* in running their business.

The results of the sixth hypothesis test reveals that the relationship of Moderation of environmental uncertainty over the influence of accounting knowledge on the performance of *UMKM* shows a T-statistical value of  $0.291 < 1.96$ . This result indicates that the value of P Value  $0.772 > 0.05$  then hypothesis 6 is rejected. This can be interpreted that the accounting knowledge of SME owners who are relatively low will be more difficult in estimating the conditions of environmental uncertainty that occur in their business.

The results of the seventh hypothesis test reveals that the relationship of Moderation of environmental uncertainty towards the influence of business capital on the performance of *UMKM* shows a T-statistical value of  $0.244 < 1.96$ . This result indicates that the P Value value of  $0.807 > 0.05$  then hypothesis 7 is rejected. SME owners really need capital assistance to develop their business, especially with the Covid-19 pandemic. It is difficult for them to face the conditions of environmental uncertainty that occur. It can be concluded that as long as *UMKM* has good business capital, so its performance cannot affect environmental uncertainty.

The results of the eighth hypothesis test reveals that the relationship of Moderation of environmental uncertainty towards the influence of accounting information systems on the performance of *UMKM* shows a T-statistical value of  $0.088 < 1.96$ . This result indicates that the P Value value of  $0.930 > 0.05$  then hypothesis 8 is rejected. The higher the environmental uncertainty faced by the company, the higher the availability of the characteristics of accounting information needed and will affect the performance of *UMKM*.

The results of the ninth hypothesis test reveals that the relationship of Moderation of environmental uncertainty towards the influence of e-commerce on the performance of *UMKM* shows a T-statistical value of  $0.298 < 1.96$ . This result indicates that the P Value value of  $0.765 > 0.05$  then hypothesis 9 is rejected. Environmental uncertainty in the Covid-19 condition does not show a decrease in turnover, but an increase in income due to the large number of consumers who prefer to buy something through e-commerce, besides being easier to order and more efficient.

#### 4. Conclusions

Based on the results and discussion of this study, it can be concluded that accounting knowledge affects the performance of *UMKM*, business capital affects the performance of *UMKM*, the accounting information system affects the performance of *UMKM*, e-commerce affects the performance of *UMKM*, and environmental uncertainty affects the performance of *UMKM*. However, environmental uncertainty is not able to moderate the influence of variables of accounting knowledge, business capital, accounting information systems and e-commerce. It is due to a lack of information about environmental uncertainty that can affect these variables.

The limitation of this study is that the research is only carried out on business actors in Lagoa Village, so the researcher suggested that to further expand sampling not only around Lagoa Village to get more and more diverse data. In addition, *UMKM* owners are expected to have good knowledges of accounting, business capital, accounting information systems, and *e-commerce* to deal with environmental uncertainty or the Covid-19 pandemic because it cannot moderate the influence of these four variables on the company performance.

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