

The Impact of Human Resource Quality and Business Capital on The Growth of MSMEs in Suruh Village, Trenggalek Regency

Moch. Sulchan

Institut Agama Islam Al-Fatimah Bojonegoro

Corresponding email: mochsulchan@iai-alfatimah.ac.id

ABSTRACT - This research is driven by the significance of Micro, Small, and Medium Enterprises (MSMEs), which are regarded as critical due to their capacity to employ individuals and provide economic assistance to a large population. However, despite their vitality, MSMEs are not exempt from the challenges they encounter, which include inadequate business capital and substandard human resources. The primary objective of this study is to investigate the impact of human resource quality and business capital on the growth and progress of micro, small, and medium-sized enterprises. This study employs a quantitative methodology and is of the associative variety. The data were gathered via a questionnaire employing the purposive sampling procedure. The investigation utilized a sample size of 135 participants, specifically MSME actors residing in Suruh Village, Suruh District, Trenggalek Regency. Subsequently, the questionnaire data underwent analysis via multiple linear regression, which had previously passed the validity, reliability, and classical assumption tests. The t and f tests were subsequently computed. Research findings indicate that: business capital and the Quality of Human Resources have a substantial positive impact on the growth and progress of micro, small, and medium enterprises, respectively.

Keywords: MSME Development, Quality of Human Resources, and Business Capital

ABSTRAK - Dampak Kualitas Sumber Daya Manusia dan Modal Usaha Terhadap Pertumbuhan Umkm di Desa Suruh Kabupaten Trenggalek - Penelitian ini didorong oleh pentingnya Usaha Mikro, Kecil, dan Menengah (UMKM), yang dianggap penting karena kemampuannya dalam mempekerjakan individu dan memberikan bantuan ekonomi kepada masyarakat dalam jumlah besar. Namun, meski memiliki vitalitas yang besar, UMKM tidak lepas dari tantangan yang mereka hadapi, antara lain kurangnya modal usaha dan sumber daya manusia yang di bawah standar. Tujuan utama dari penelitian ini adalah untuk mengetahui dampak kualitas sumber daya manusia dan modal usaha terhadap pertumbuhan dan kemajuan usaha mikro, kecil, dan menengah. Penelitian ini menggunakan metodologi kuantitatif dan bersifat asosiatif. Data dikumpulkan melalui kuesioner dengan menggunakan prosedur purposive sampling. Investigasi tersebut menggunakan sampel sebanyak 135 partisipan, khususnya pelaku UMKM yang berada di Desa Suruh, Kecamatan Suruh, Kabupaten Trenggalek. Selanjutnya data kuesioner tersebut dianalisis melalui regresi linier berganda yang sebelumnya telah lolos uji validitas, reliabilitas, dan asumsi klasik. Uji t dan f kemudian dihitung. Temuan penelitian menunjukkan bahwa: modal usaha dan Kualitas Sumber Daya Manusia masing-masing mempunyai pengaruh positif yang besar terhadap pertumbuhan dan kemajuan usaha mikro, kecil, dan menengah.

Kata Kunci: Pengembangan UMKM, Kualitas Sumber Daya Manusia, dan Permodalan Usaha

INTRODUCTION

There are a lot of problems that need to be solved in a world where competition is becoming more open. To fight, each country must show off the best things about its resources. The competition will be won by countries that are good at using their resources. Any country that doesn't have an edge in resources, on the other hand, will lose the race and not make much progress. Countries that can really "empower" their economic resources and people resources are the ones that have a competitive edge. Economic resources can be improved if people have the creativity and innovation to use them (Suryana, 2003). This means that business owners have to be creative and come up with new ideas to keep their businesses going and stay competitive in the market.

It was inevitable that the global economic disaster would make things worse in Indonesia. From 1997 to 1998, there was a crisis, and only the MSME (Micro, Small, and Medium Enterprises) industry was able to stay strong. This situation was made public by data from the Central Statistics Agency. After the economic crisis, the number of small and medium-sized businesses (MSMEs) didn't go down; in fact, they kept growing and could hire 85 million to 107 million people until 2012. That year, 56,539,560 units went into business in Indonesia. Out of these, 56,534,592 units, or 99.99%, were MSMEs. The last 0.01%, or 4,968 units, are big businesses. This event shows that MSMEs are useful companies that need to be grown to help Indonesia's big and small economies grow and to have an effect on other areas of growth. One area that is being affected by the growth of MSMEs is the banking services area. This is because nearly 30% of MSMEs get their working cash from banks.

In Indonesia, micro, small, and medium-sized businesses (MSMEs) have been known for a long time to be an important part of the economy and a huge part of the business world. It makes up about 63.58% of GDP, and through the very large number of business units that are involved—about 99.84% of all current business units—it can take 99.45% of all labor. This means that the share is quite significant in terms of numbers. The value of all exports hit 18.72%. Other than that, the presence of MSMEs is an alternative way to fight poverty by giving them more power. This is a pretty good way to deal with the economic problems that Indonesia has been through. Even though everyone knows that MSMEs in Indonesia didn't get much attention before the crisis in 1997. But since Indonesia's economic crisis, many big businesses have shut down, and most small and medium-sized businesses (SMEs) have stayed open. The number of SMEs has grown quickly, and more attention is being paid to

MSMEs. The bigger and better MSMEs are also helped by the fact that 73% of their cash comes from their savings, 11% from government banks, 4% from private banks, and 3% from wholesalers.

Micro, small, and medium-sized businesses (MSMEs) are also very important to the growth of the economy. MSMEs should be the main focus of regional development, but this can only happen if regional governments, business people, non-business institutions, and local communities all work together and are committed to supporting the growth of human resources (through entrepreneurship training), capital, and marketing strategies. Besides that, MSMEs have also created jobs that people need. In this way, we can say that having MSMEs in an area can help lower unemployment. This also gives people who don't have jobs yet a way to start their own business. This will make young people who want to be businesses come into the world. The following graph shows how many micro, small, and medium-sized businesses (MSMEs) there are in East Java:

Figure 1.1. The number of MSMEs in East Java Province from 2020 to 2024



Source: data.diskopukm.jatimprov.go.id

Based on Figure 1.1, there will be 100,925 MSMEs in East Java between 2020 and 2024. Most of them will be in the Malang area. In 2020–2024, East Java had the fewest MSMEs. There were also 100 business units in several areas, such as Mojokerto, Blitar, and Sampan. From the above data, we can see that some areas have been able to take advantage of business possibilities, while others are still having trouble doing so.

The hilly area of Trenggalek Regency is in the southern part of East Java Province. There are a lot of small businesses in this area, spread out across many sub-districts and towns. These businesses make a wide range of goods that are important to the economy. Plantation products like cloves, coffee, cassava, tubers, corn, cocoa, vegetables, and fruits like durian, mango, avocado, star fruit, banana, mangosteen, and more have business potential in the region. So do craft industries like roof tile craftsmen who make different kinds of souvenirs. Food industries like alen-alen, tempe chips, maco cake, and banana sales. Fishing industries like squid, tuna, mackerel, and seaweed.

The people of Trenggalek depend on the potential of Prigi Beach, Pelang Beach, and Konang Beach. On the other hand, catfish, gourami, and tilapia are common pond fish that are sold. The town of Suruh is in the sub-district of Suruh in the regency of Trenggalek. The area is mostly hilly and has regional promise that needs to be used correctly. The only market in the area is the Legi Market in Suruh Village, which is where most of the people who live there do their business. People who run businesses in Suruh village can also make better goods that can compete with goods from other places. There are 135 MSMEs in Suruh village.

There is no denying the importance of micro, small, and medium-sized businesses (MSMEs); nevertheless, MSMEs also face challenges such as inadequate funding, poor human resources, and poor marketing tactics. Due to intense competition, business actors need to be able to overcome obstacles by strengthening the variables that significantly affect MSMEs, such as capitalization, human resource development, proper promotion strategies, and marketing reach. The goal of this is to grow MSMEs. A vital component of running a company is capital. If we were to equate launching a firm to constructing a home, the money would then form part of the structure's foundation. The home will be constructed stronger if the foundation is stronger. Similarly, the impact of money on a business—its very existence serves as the basis upon which the enterprise is built. The most common issue facing micro, small, and medium-sized businesses (MSMEs) is a lack of financing. Generally

speaking, MSME participants employ modest amounts of personal capital. There are fewer raw resources available for manufacturing due to limited funding. Low sales and profitability are the result of this.

This company's earnings have an impact on labor absorption. Another issue that MSME players deal with is finding it difficult to get in touch with lenders that may provide them with loans for more money for their businesses (Syariifah, 2015). A company requires a variety of resources to operate, including financial capital, expertise, guts, dedication, and networking. However, most individuals are deterred from launching a business due to the challenge of obtaining cash capital. Sources of funding for businesses include personal savings, grants from the government, and loans from banks and non-bank financial organizations. The amount of capital will affect how well a firm develops and generates revenue.

One way to characterize human resources is as people who create and generate work to help the company reach its objectives and plans. An organization cannot succeed without people who possess the necessary abilities or components. According to Yusuf (2015), human resources are what power other resources. Human resources with both physical and intellectual abilities are considered to be of high quality. Competent people can undoubtedly run their businesses successfully. Your company will grow as a result of this. The human resources that comprise an organization have a major role in determining its performance. Human resources will perform better if they are highly driven, imaginative, and capable of developing innovation. As a result, initiatives to strengthen human resource skills are required.

A company that produces products or services may gain a sustained competitive advantage by implementing a marketing strategy. It is possible to think of marketing strategy as one of the foundations for developing total business planning. Based on the severity of the issues facing the organization, a thorough strategy is required to direct the various business divisions in the execution of their tasks. The fact that businesses often confront fiercer competition is another factor demonstrating the significance of marketing techniques. The only options available to the corporation in this kind of circumstance are to attempt to deal with it head-on or to completely withdraw from the competitive market. Within the realm of business, markets, and marketing are inextricably linked.

There is a strong mutual connection and impact between markets and marketing. Marketing is useless in a market without it, and vice versa. Stated

differently, marketing always follows any market action, and the goal of every marketing activity is to identify or develop a market. Business actors need to give marketing careful consideration. It has to be fully developed, particularly when coming up with a marketing plan, in order for the selected approach to succeed in the marketplace. Furthermore, in today's environment of intense rivalry, gaining market share will be crucial to the survival of the company. Thus, in order to gain a dominant market share, originality and innovation are required. In this manner, the company will expand.

It is also very important for the government to help micro, small, and medium-sized businesses (MSMEs) grow. To get people to do business, the government needs to offer programs like training, financial help, and easier access to marketing. Most of the people who do business in Trenggalek are from areas where people don't know how to handle, start a business, use technology, or come up with new ideas for their businesses. They run their business straight without being able to do these things well. So, the local government needs to help these business people grow, train them, and even give them more power.

It's still not possible for businesses in Suruh village to grow as they should because of how little money they make, how they're run, and the fact that they can only sell to people in Suruh village. For micro, small, and medium-sized businesses (MSMEs) in Suruh village to grow even more, they need money, good employees, and the right marketing tactics. Because of this, the writer wants to do a study on micro, small, and medium-sized businesses (MSMEs) in Suruh village. The study's title is " The Impact of Human Resource Quality and Business Capital on the Growth of MSMEs in Suruh Village, Trenggalek Regency."

LITERATURE REVIEW

Capital

A minimum quantity of capital (money) and labor (skills) are necessary to establish or operate a business. All business requirements must be financed with monetary capital, including pre-investment expenses, permit acquisition costs, investment costs for purchasing fixed assets, and working capital. In contrast, expertise capital consists of an individual's knowledge and capacity to operate or administer a business (Kasmir,2007).

Physical and non-physical interpretations of capital are both possible. Physically speaking, capital comprises all assets and machinery associated with the production factors under consideration, including structures, vehicles, and equipment. Additionally, capital can take the form of funds used to acquire all variable inputs utilized in the industrial output manufacturing process. Capital is required to finance the operations of a business from the time it is founded until it ceases operations. Capital is composed of labor and money (Teguh,2017).

For trading, releasing funds, and other purposes, business capital is utilized as the principal (parent). Alternatively, capital can take the form of property (money, commodities, etc.) that can be utilized in the production of an asset-generating product. Thus, it can be deduced that business capital is a vital component of an organization, typically constituting a monetary quantity or tangible assets utilized in the operation of the company, Capital structure—own capital and loan capital—utilization of additional capital, barriers to accessing external capital, and the state of the business after capital infusion are examples of business capital indicators.

Quality of Human Resources

Quality refers to the degree of accomplishment in accomplishing objectives and completing duties. A task is deemed effective and fruitful when its intended objectives are accomplished. Human Resources (HR) comprise the entire workforce of an organization and is considered one of its resources. Broadly speaking, an organization's resources can be classified into two categories: human resources and non-human resources (Yusuf, 2015).

Human resources elements consist of demographic characteristics (population), capabilities (capabilities), attitudes (attitudes), values (values), and needs (needs). The aforementioned aspects of human resources are significantly impacted by the external environment, including educational attainment, societal norms and values, and the opportunities that are accessible (Gomes,2002). Intellectual and spiritual quality, as well as physical and health quality, are indicators of human resource quality.

Business Expansion

In reaction to change, development is a sophisticated educational method that aims to alter organizational structure, values, attitudes, and beliefs. This will

help the company better adapt to new markets, technologies, and difficulties as well as the quick speed at which change is occurring. Therefore, MSME development is an activity or procedure to improve the state of MSMEs to enable them to better respond to emerging markets, technologies, and problems as well as the quick pace of change.

A key element of the national development program aimed at laying the groundwork for fair and sustainable economic growth is the creation of small and medium-sized micro companies, or MSMEs (Swatha, 2002). Business development indicators include the reasons for shifting conditions, growth prospects, and degree of need for outside guidance.

METHODOLOGY

This study used a quantitative technique. All aspects of a quantitative study, including its goals, participants, objects, data samples, sources, and methodology (i.e., how to gather and analyze the data), are meticulously planned and organized from the very beginning of the research design process (Suharso, 2009). The focus of quantitative research is on numerical data, namely numbers, analysed by statistical techniques.

There is a positive or negative link between the dependent variable and the independent variable, which may be written as independent variable (X) or predictor variable. Business capital (X1) and human resource quality (X2), are the independent variables in this study. Both the focus and the object of the study are the dependent variable, which is also known as the criterion variable and is of primary importance (as an observational component). Small and medium-sized enterprise (SME) growth in Suruh Trenggalek (Y) is the focus of this study's dependent variable.

The focus of quantitative research is on numerical data, namely numbers, analysed by statistical techniques. Included in this study are 135 micro, small, and medium companies (MSMEs) located in Suruh village, Suruh subdistrict, Trenggalek Regency. There are two main types of sampling methods used for collecting data from a population: probability sampling and nonprobability sampling. The sample size for this research was 135 responders; nevertheless, the participants were not fractions. Following data collection, data analysis is performed using methods such as classical assumption testing, reliability testing, and validity testing, among others.

RESULT AND DISCUSSION

Result Test Data

The characteristics of respondents in this survey were gathered based on their age group, gender, and degree of education.

Table 1. The characteristics of respondents

Characteristics	Category	Number of respondents	
		@	%
Age	20 s/d 30	44	32,6
	31 s/d 40	59	43,7
	>41	32	23,7
	Amount	135	100%
Gender	Man	61	45,2
	Woman	74	54,8
	Amount	135	100%
Level of education	Master	18	13,4
	Bachelor	41	30,3
	Diploma	13	9,6
	Senior high school	28	20,7
	Junior high school	35	26
	Amount	135	100%

Source: Data processed by SPSS 23.0 (2024)

Table 1 shows that most of the people who answered were between the ages of 31 and 40. More women answered than men and more people with bachelor's degrees than people with other levels of schooling. The data was examined using the SPSS version 23.0 computer program so that more studies could be done. There are two things that every good data-gathering tool must have: truth and dependability. There were tests for validity, reliability, and multiple linear regression. Validity testing was done to see how reliable the questions on the form that was used to gather data were.

The bivariate person correlation method was used to do the validity test. The questionnaire item is valid if the predicted r value is greater than the table r value. The r table number for $N=135$ is 0.167, and the level of significance is 5%. The validity test results for each item are shown in Table 2.

Table 2.

Variable	Item	Information	
		r Count	Conclusion
MSME Development	Y1	0,729	<i>Valid</i>
	Y2	0,593	<i>Valid</i>
	Y3	0,809	<i>Valid</i>
	Y4	0,792	<i>Valid</i>
	Y5	0,809	<i>Valid</i>
Quality of Human Resources	X1.1	0,640	<i>Valid</i>
	X1.2	0,604	<i>Valid</i>
	X1.3	0,801	<i>Valid</i>
	X1.4	0,603	<i>Valid</i>
	X1.5	0,799	<i>Valid</i>
Business Capital	X2.1	0,753	<i>Valid</i>
	X2.2	0,744	<i>Valid</i>
	X2.3	0,704	<i>Valid</i>
	X2.4	0,671	<i>Valid</i>
	X2.5	0,714	<i>Valid</i>

Source: Data processed by SPSS 23.0 (2024)

Because $r_{count} > r_{table}$ ($r_{table} = 0.167$), Table 2 demonstrates that all questionnaire items used to evaluate the variables Capital, Location, and Income of MSMEs are legitimate. The alpha coefficient of the variable under investigation approaches one when the consistency of the response to the statement question is higher. When the Cronbach Alpha value of an instrument exceeds r_{table} , which is 0.167 with a value of $N=135$ and a significance level of 5%, the instrument is considered trustworthy.

Table 3.

Variable	Cronbach Alpha	Information	
		r Table	Conclusion
MSME Development	0,566	0,167	<i>Quite Reliable</i>
Quality of Human Resources	0,893	0,167	<i>Reliable</i>
Business Capital	0,768	0,167	<i>Reliable</i>

Source: Data processed by SPSS 23.0 (2024)

Every variable in the above table has a value larger than the r_{table} value, according to the results of the reliability tests. To utilize the questionnaire as a research instrument, it may be argued that it is dependable and consistent. The impact of the HR quality and business capital factors on MSME business growth is then evaluated using the t test. variables in a study of multivariate

linear regression. The multiple linear regression test was conducted using SPSS version 23.0, and the following table displays the results of the t test:

Table 4. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.704	.518		43.854	.000
	Quality of Human Resources	.313	.115	.207	2.709	.008
	Business Capital	.723	.105	.521	6.862	.000

a. Dependent Variable: MSME Development
Source: Data processed by SPSS 23.0 (2024)

By comparing the tcount value to the ttable and examining the significance value, decisions are made. When you enter $t_{count} > t_{table}$ or sig 0.05, H_a will be appended to H_o and the former will be removed. Hypothesis H_a is rejected and hypothesis H_o is rewritten if t_{count} or sig is greater than 0.05. The table value for $\alpha = 0.05\%$ in this research is approximately 1.656.

Analysis

Quality of Human Resources (X1) on MSME Development (Y)

The regression equation derived from the aforementioned output table yields an X1 t value of 2.709, with a corresponding significance level of 0.000. This indicates that $t_{count} > t_{table}$ ($2.709 > 1.656$) and the significance value (0.000) is less than 0.05; therefore, the alternative is to accept H_a and reject H_o . Based on the research findings, it can be said that Quality of Human Resources (X1) significantly positively affects MSME Development (Y). That is, if the other independent variables stay constant, an increase of one unit in the Quality of Human Resources variable will result in a 2.709 increase in the MSME Income variable.

Business Capital (X2) on MSME Development (Y)

The regression equation derived from the aforementioned output table yields an X1 t value of 6.862, with a corresponding significance level of 0.000. This indicates that $t_{count} > t_{table}$ ($6.862 > 1.656$) and the significance value (0.000)

0.05) is less than 0.05; therefore, the alternative is to accept H_a and reject H_o . Based on the research findings, it can be said that Business Capital (X2) significantly positively affects MSME Development (Y). That is, if the other independent variables stay constant, an increase of one unit in the Business Capital variable will result in a 6.862 increase in the MSME Income variable.

The survey instrument utilized in this research has undergone validation and has been determined to be reliable. The test results indicated that the questionnaire possessed both validity and reliability. The previously established hypothesis was subsequently evaluated through multiple linear regression analysis using the t-test.

Human Resource Quality (X1) has a significant impact on the development of Micro, Small, and Medium Enterprises (MSMEs) (Y) in Trenggalek Regency, according to the t test ($t = 2.709$, $sig = 0.000$). This indicates that an increase in MSMEs attains a corresponding increase in development. MSMEs that possess sufficient human resources are capable of constructing robust infrastructure and facilities to guarantee business continuity. These infrastructure and facilities feature, among other things, more proficient personnel and advanced manufacturing equipment.

In addition, business capital (X2) influences the growth of micro, small, and medium enterprises (Y) in Trenggalek Regency, as determined by the t test ($t_{count} = 6,862$, $sig = 0.000$). This demonstrates that business capital impacts the growth of MSMEs. The fact that business capital represents the initial investment in an individual's business development is one possible explanation. It is evident that every MSME actor has the capacity to expand their business, provided that they possess an adequate amount of business capital.

CONCLUSIONS

Research findings indicate that the quality of human resources has a favorable and substantial impact on company growth. Factors that impact the quality of human resources include physical well-being and health, intellectual capacity, and spiritual well-being. These factors must be taken into account in the process of company growth. Enhanced human resources quality will lead to a rise in company development. The study findings indicate that business capital has a substantial and favorable impact on firm growth. This suggests that there is a direct correlation between the amount of business capital and the degree of company growth. Specifically, a larger capital will lead to more business

development, while a lower capital would result in decreased business development.

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