

Influence of Capital, Business Duration, Education Level, and Gender on Business Income

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Submitted: 14-06-2024; Accepted: 30-06-2024

Abstract

Income refers to the total sum of money that a family or individual receives monthly in exchange for services; it can also be defined as the profitability of a business. Understanding company income is crucial for business owners who want to track financial performance. This study examines the impact of capital, business duration, gender, and educational attainment on the revenue generated by businesses in Sukasari Village, Pegajahan District, Serdang Bedagai Regency. The research employs a quantitative method, utilizing questionnaires and interviews for data collection. A sample of sixty respondents was analyzed using path analysis, with data processed through the SmartPLS program. The results indicated that capital, length of operation, education level positively and significantly impacted income, whereas gender did not. This suggests that gender is not a reliable predictor of a company's income, and no evidence of gender bias was found in the data. However, capital, business duration, education level, and gender collectively positively and significantly affected company income. The findings suggest that strategies to enhance business income should focus on increasing capital investment and ensuring operational sustainability, education level as these factors are more critical to profitability than demographic variables.

Keywords: business income; capital investment; education impact; gender

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have received much attention from the central and regional governments. The reason is that MSMEs are very helpful in solving poverty problems and reducing the poverty rate. March 2023 saw a

decrease in poverty compared to September 2022 (www.bps.go.id). Our own country, Indonesia, is also affected, where MSMEs can reduce poverty, and local governments offer policies and credit support to MSMEs (www.djpb.kemenkeu.go.id).

In addition to reducing poverty, MSME operations increase family income and employment prospects. In addition, many businesses are releasing workers in the manufacturing sector, thus increasing the government's priority list to reduce the decline rate and provide new jobs (Alfarisi et al., 2022). Based on the Ministry of Communication and Information Technology's figures in 2022, MSMEs have employed 119.6 million people, or about 97% of the labour force working in the MSME sector. Micro enterprises will make up the majority of the 64.2 million MSMEs in Indonesia by 2022 (www.kominfo.go.id).

Based on recapitulation in Serdang Bedagai Regency, 17 sub-districts were established. In every sub-district, there are micro business actors such as Perbaungan 16.829, P. Cermin 7.273, T. Mengkudu 10.348, Tj. Beringin 6.968, B. Khalpah 4.849, T. Syahbandar 7.594, T. Tinggi 4.233, Sei Rampah 12.746, Sei Bambi 9.913, D. Merawan 2.391, Kotarih 1.249, Sipispis 5.386, D. Masihul 14.032, Silinda 1.031, Serbjadi 3.845, B. Bayu 2.279, Pegajahan 5.627.

Based on the recapitulation of data issued by the Office of Cooperatives and MSMEs in Serdang Bedagai Regency, Pegajahan Sub-district, one of which includes Sukasari village, is a village that is developing in the MSME program in this village, many people already have businesses. Given that the selection of the business sector, especially MSMEs, is considered to reduce poverty, increase employment, and generate considerable income for the community (Anggraeni et al., 2021).

However, not all MSMEs in Sukasari Village are truly productive; this is due to internal problems experienced by MSMEs, including poor quality of human resources, lack of entrepreneurship of MSME owners, limited access to capital, information, and technology (Lestari^b et al., 2022). Therefore, local governments concentrate on developing MSMEs through training, business support, and even cash grants for those just starting (Suharyono et al., 2022).

One of the most important requirements when starting a business is finance. Capital is an important component that helps traders sustain their business. One of the elements that has an important task in the production process is capital. The establishment of a business or the expansion of an existing business both require capital, and if there is no capital, then the business will be hindered from operating profitably (Dewi dan Wenagama, 2019). MSMEs do not require excessive funds, given the nature of their business scale. Goods or machines used to launch the production process are called capital (Prakasa & Putri, 2020). Capital can be interpreted as something used to create goods or services, not just money (Wuryanti et al., 2021).

Duration of business component Theoretically, no one has suggested a relationship between income and business longevity. Meanwhile, in the informal sector, the likelihood that a trader will have repeat business with clients and be able to understand their demands does not necessarily disappear with experience. The longer a business operates, the greater the opportunity for growth and the

expected income level. Because business owners can be innovative and creative due to education, work experience, and mastery of skills (Lestari^a et al., 2022).

However, low levels of education often lead to low-quality human resources, even though MSMEs have the potential to develop their businesses and increase productivity. Most MSME owners have educational backgrounds that barely reach university (S1), making education the most crucial capital to develop the company under any conditions (Aprila et al., 2023). The research findings show that among the 60 MSME owners in Sukasari Village who work in the micro-trade sector, particularly snack or Opak MSMEs, have diverse educational backgrounds, including 12 people have received primary school education, 10 people have received junior high school education, 27 people have received senior high school education, and 9 people have received tertiary education or stratum 1. It is known that 0.96 percent of MSME owners have less than a bachelor's degree.

In addition to the low level of education, MSME owners also face additional challenges, such as the gender capability gap. Women are stereotyped as less valuable than men (Sumarwati & Rachman, 2019). The purpose of women's involvement in MSMEs is to increase the family's income or standard of living; many of them are now the main breadwinner. In Sukasari Village, 24 female employees and 36 male employees are business owners.

MSME activities are classified as those that can grow and be consistent

in the national economy. MSMEs are the best way to generate profitable employment (Nurbaiti et al., 2023). MSMEs are labour (Sidik & Ilmiah, 2022) intensive enterprises that use relatively little initial capital, often use rudimentary technology, and do not require specific employee qualifications, such as education or experience. Counting the number of businesses, creating jobs, and expanding the national economy, MSMEs still play an important role in improving the Indonesian economy (Santoso, 2020).

Several academics have previously conducted extensive research on income generation for micro-enterprises. According to research (Uge et al., 2022) traders' income is positively influenced by capital variables, but cost variables, namely gender, do not influence their income. However, research shows that education level and technology favor and significantly influence income, while capital characteristics do not (Sidik & Ilmiah, 2022). Research (Hamsiah et al., 2023) shows that the business location significantly influences the income of traders in the Warmon Market of Sorong Regency. At Warmon Market, Sorong Regency, the variable length of business significantly influences trader income.

The differences above show whether these factors impact income or not. The elements that can affect micro-business income will be studied in this research. Interrogating small snack food vendors is an interesting topic. Facts show that the business sector is an alternative choice for many people who want to open their own business because of its ease of running

and relatively affordable capital requirements. Observations in the field also show that this business is able to survive for a long time even though the level of competition is quite large, as seen from the growth in the number of traders.

METHOD

This research used quantitative methods. The population in this study were business owners in Sukasari Village, Pegajahan District, Serdang Bedagai Regency, totaling 60 people. This research was conducted on January 29, 2024 This study used the

probability sampling (Marliyah et al., 2024). Data collection techniques in this study used questionnaires and interviews to justify the findings (Marliyah et al., 2023). Data analysis in this study utilized SmartPLS software. The data analysis methodology used was Path analysis.

RESULT AND DISCUSSION

Inner Model

If the correlation of the reflection measure with the assessed construct is >0.5 , it is considered high, as shown below:

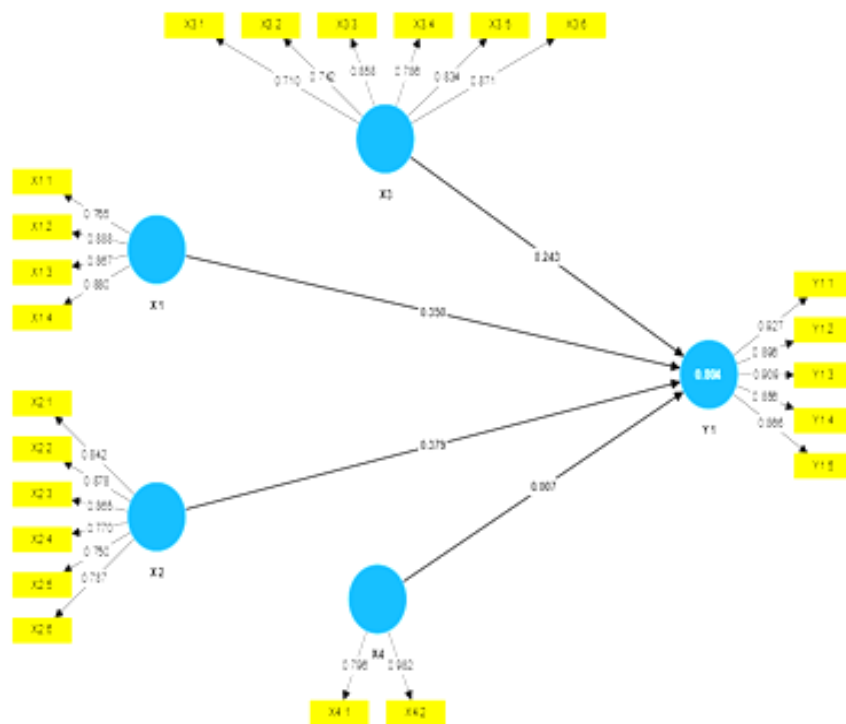


Figure 1. Inner model scheme

Convergent Validity

Table 1. Results of convergent validity indicator outer loadings

Variable	Indicators	Loadig Factor	Rule of Thumb	Description
Capital	X1.1	0.765	0.50	Valid
	X1.2	0.888	0.50	Valid
	X1.3	0.867	0.50	Valid
	X1.4	0.880	0.50	Valid
Length of business	X2.1	0.842	0.50	Valid
	X2.2	0.878	0.50	Valid
	X2.3	0.865	0.50	Valid
	X2.4	0.770	0.50	Valid
	X2.5	0.750	0.50	Valid
	X2.6	0.787	0.50	Valid
Education Level	X3.1	0.710	0.50	Valid
	X3.2	0.742	0.50	Valid
	X3.3	0.858	0.50	Valid
	X3.4	0.786	0.50	Valid
	X3.5	0.834	0.50	Valid
	X3.6	0.871	0.50	Valid
Gender	X4.1	0.796	0.50	Valid
	X4.2	0.962	0.50	Valid
Business Income	Y1	0.927	0.50	Valid
	Y2	0.896	0.50	Valid
	Y3	0.909	0.50	Valid
	Y4	0.858	0.50	Valid
	Y5	0.866	0.50	Valid

Table 2 above explains that the indicators used in this study have met the required criteria and are considered valid. If the factor loading value of this measurement is >0.50 , it is categorized as having convergent validity.

Discriminant Validity

To compare cross loading values, the discriminant validity test should

use the largest value for the target structure compared to other structures' cross-loading values. In addition to considering cross-loading values, an alternative approach to assessing discriminant validity involves examining each indicator's AVE value. For a model to be considered satisfactory, its AVE value must exceed 0.5.

Table 2. AVE of indicator

Variable	Average Variance Extracted	Rule of Thumb	Des
Capital (X1)	0.725	0.5	Valid
Length of business (X2)	0.667	0.5	Valid
Education level (X3)	0.644	0.5	Valid
Gender (X4)	0.799	0.5	Valid
Business Income (Y)	0.794	0.5	Valid

The data in Table 2 shows that all of the following variables have an Average Variance Extracted (AVE) value of > 0,5. Capital, length of business, education level, gender, and income from the company have achieved good discriminant validity so that it can be concluded.

Composite Reliability

Table 3. Test result data

Variable	Composite Reliability	Des
Capital (X1)	0.913	Reliabel
Length of business (X2)	0.923	Reliabel
Education level (X3)	0.915	Reliabel
Gender (X4)	0.887	Reliabel
Business Income (Y)	0.951	Reliabel

Table 3. shows the composite reliability test. A score of >0,6 means that all variables are considered reliable.

R Square Determinant Coefficient Test

Table 4. R Square determinant coefficient test

Variable	R-Square	R-Square Adjusted
Business Income (Y)	0.804	0.790

Table 4 above explains the test results, stating that the independent variable has an R2 value of 0,804. This states that the independent variable causes 80,4% of the variation in the dependent variable, while the remaining 19,6% is explained by other factors.

Hypothesis Testing (Path Coefficients)

Table 5. Path coefficients test results

Variable	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistics (O/STDEV)	P-Value
Capital (X1) -> Business Income (Y)	0.350	0.338	0.109	3.205	0.001
Length of Business (X2) -> Business Income (Y)	0.379	0.386	0.123	3.078	0.002
Education level (X3) -> Business income (Y)	0.243	0.254	0.096	2.546	0.011
Gender (X4) -> Business Income (Y)	0.007	0.008	0.076	0.093	0.926

From the Table 5, the following conclusions can be drawn:

- The capital variable (X1) has a significant effect on business income if the p value is 0,001 < 0,05.
- The variable Business Length (X2) has a p value of 0,002 < 0,05, indicating a significant Business Length on Business Income.
- The variable level of education

(X3) does significantly affect company income, as evidenced by a p-value of $0,011 < 0,05$.

- d. Gender has no real influence on company income; this is indicated by the gender variable (X4) p-value of $0,926 > 0,05$.

F-Square

The F-Square measure is used to measure the proportional impact of external influence variables on constant internal influence variables. We can determine whether a particular exogenous variable has a large influence on the endogenous construct by looking at the R2 value after removing it from the model. If the small effect of exogenous variables on endogenous variables is indicated by an F2 value of 0,02.

- a. If the moderate/heavy influence of exogenous variables on endogenous variables is indicated by an F2 of 0,15.
- b. If the exogenous variable has a significant effect on the endogenous variable, it is indicated by an F2 of 0,35.
- c. The F2 value can be ignored or considered unimportant if it is less

than 0,02.

Table 6. F-Square

Indicator	Business Income
Capital	0,228
Lenght of Business	0,196
Education Level	0,081
Gender	0,000

From Table 6, the results indicate that the following conclusions can be drawn:

- a. The F2 value of the Capital variable of $0,228 > 0,15$ and $0,228 < 0,35$ indicates a moderate influence between the capital variable on business income.
- b. The moderate effect of the variable length of business on business income is indicated by the F2 value of $0,196 > 0,15$ and $0,196 < 0,35$ variable length of business.
- c. The Education Level variable has an F2 value of $0,081 > 0,02$ and $0,081 < 0,15$, thus indicating that the effect of the Education Level variable on Business Income can be ignored.
- d. The F2 value of the gender variable of 0,000 shows no effect on the business income variable.

Model Fit

Table 7. Model Fit

	Saturated Model	Estimated Model
SRMR	0,091	0,091
d_ ULS	2,267	2,267
d_ G	1,936	1,936
Chi-square	495,617	495,617
NFI	0,662	0,662

The results in Table 7 of the PLS goodness-of-fit model test indicate that the SRMR value is 0.091 in both the saturated and estimated models. Because the SRMR model value for

both the estimation and the saturated models is less than 0,10, the model is considered very suitable and suitable for testing the research hypothesis.

The Effect of Capital on Micro Business Income in the Trade Sector in Sukasari Village, Pegajahan District, Serdang Bedagai Regency

The findings of the inner model test resulted in a T-Statistics value of $3,205 > t$ table $1,673$ and a p-value of $0,001 < 0,05$. Based on the results of hypothesis testing, the capital variable has a positive and significant effect on business income in Sukasari Village. This implies that an entrepreneur's income will increase proportionately to the capital invested in his business and the volume and variety of commodities offered. Conversely, entrepreneurs will experience a decline in income if they reduce their business capital. This finding is in line with the idea put forward by (Lete, 2022) which states that income increases with the amount of business capital used. Due to the strong correlation between capital and income, a shock to one sector will have a more significant impact on the other. The impact of capital on income is also consistent with research showing a positive relationship between capital and income (Uge et al., 2022). However, research shows that capital has no relationship with income (Sidik & Ilmiah, 2022). This research can enhance our understanding of the relationship between capital and business income by exposing us to previous findings. It may also encourage the creation of new concepts or techniques to generate business income.

The Effect of Length of Business on Micro Business Income in the Trade Sector in Sukasari Village, Pegajahan District, Serdang Bedagai Regency

The results of testing the inner model are shown with a T-Statistics value of $3,078 > t$ table $1,673$ and a p-value of $0,002 < 0,05$. This means that the longer a person runs his company, the more likely his income will increase or he gains experience. The research findings support the hypothesis (Liswatin, 2022) that a company's income may vary depending on how long the company has been operating. In addition, a person's tenure in the sector can also impact productivity (skills and abilities), increasing effectiveness and lowering production costs to less than sales revenue. This study's findings align with research (Hamsiah et al., 2023), which found that the variable length of business has a significant effect on the income of Warmon Market traders in Sorong Regency.

The Effect of Education Level on Micro Business Income in the Trade Sector in Sukasari Village, Pegajahan District, Serdang Bedagai Regency

T-Statistics value of $2,546 < t$ table $1,673$ and p-value $0,011 < 0,05$ based on the results of the inner model test. Based on this, a person's level of education has influence on business income in Sukasari Village. This study supports research conducted by (Sidik & Ilmiah, 2022). which found that business income is influenced by education level. This data shows the contextual variation between this study and previous conclusions. Therefore, comparing this study with other studies can be very important in

broadening our understanding of the variables that affect enterprise income.

The Effect of Gender on Micro Business Income in the Trade Sector in Sukasari Village, Pegajahan District, Serdang Bedagai Regency

T-Statistics value of $0,093 < t_{table}$ 1,673 and $p\text{-value } 0,926 > 0,05$ based on the results of the inner model test. This suggests that gender has no effect on business income in Sukasari Village. This finding shows that the salary level between male and female employees and business owners is equal. This is contrary to the assumption of (Abdullah, 2022) who argues that men have a greater expectation of earning money than women because of their higher production levels. This finding supports the study of (Uge et al., 2022), who found no relationship between gender and income.

The Effect of Capital, Length of Business, Level of Education, and Gender on the Income of Micro Businesses in the Trading Sector in Sukasari Village, Pegajahan District, Serdang Bedagai Regency

The factors of capital, length of business, education level, and gender all have a considerable impact on company income, according to the results of the R^2 test. These results indicate that the entire combination of capital, duration of operation, education level, and gender variables have a significant impact on enterprise income compared to just one variable alone. The interaction between these variables shows the complexity of the factors contributing to enterprise income in a given situation. However, after conducting

simulations to see if gender would act as a moderating factor, the researchers found that both genders only strengthened the relationship between capital and enterprise income. Thus, gender bias can be said to be absent. These results may provide an important foundation for more comprehensive growth or regulatory plans to increase corporate earnings. Furthermore, these findings encourage a closer examination of the relationships and interactions between variables, contributing significantly to a more thorough understanding of the factors influencing investment appetite.

CONCLUSION

The research findings conclude that while capital, length of business, level of education, and gender collectively influence business income, the impact of gender on revenue is minimal. This highlights the need to explore other factors that may affect business income. Further research should investigate additional variables that could play a significant role in enhancing profitability. Business owners should prioritize capital investment and business longevity to boost income. Policymakers should focus on initiatives that support these areas, recognizing that education and gender have limited effects on revenue growth, thereby allowing resources to be allocated more effectively towards impactful growth strategies.

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