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# HOW DO SERVICE QUALITY, SUPPORT, AND CAPITAL IMPACT THE SUCCESS OF MSME BUSINESSES?

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***ABSTRACT***

*In the third quarter of 2022, Indonesia's national economic growth increased by 5.72%, with MSMEs accounting for 99% of all business units. However, MSMEs face challenges in terms of capital, and by the end of 2022, there was a 15.56% increase in financing from Islamic financial institutions. This study aims to analyze the impact of service quality, support, and capital on the success of MSME businesses that are customers of Islamic banks in Malang Regency. A quantitative correlational approach was used, involving 75 respondents as the sample, with data collected through questionnaires. The findings show that service quality, support, and capital collectively have a positive and significant effect on the success of MSMEs. Individually, service quality, support, and capital also influence the success of MSME businesses. It is important to note that the service quality in this study differs from the dimensions used in conventional institutions.*

***Keywords: Service Quality, Mentoring, Capital, Business Success.***

## INTRODUCTION

A bank serves as an intermediary between individuals or entities with surplus funds and those in need of funds, playing a crucial role in facilitating smooth payment cycles. The operational framework of Islamic banking is regulated by Law No. 21 of 2008, which establishes a legal foundation for the development of the national Islamic banking industry, contributing to the enhancement of the domestic economy. Sharia banking actively contributes to the improvement of the Indonesian economy through the provision of financing products and assets. By the end of 2022, the total value of these financing products and assets reached Rp. 782,100 million, reflecting a 15.56% increase compared to the previous year's figure of Rp. 676,735 million (Financial Services Authority, 2022).

According to Setyawati and Kosgoro (2009), the Indonesian economy can establish a solid foundation by fostering productive behavior and a competitive spirit within the MSME sector. The President of the Republic of Indonesia has also underscored the significance of nurturing the people's economy through MSMEs, recognizing their influential role in the country's economic advancement, as 99% of all business units fall under this category (Limanseto, 2022). However, it is important to acknowledge that MSMEs face various challenges, both internal and external, in their business operations. One significant obstacle is the lack of financial resources, which hinders business owners from effectively managing and expanding their enterprises. In this context, the term "capital" refers to the funds utilized for operating a business and achieving desired success (Baktir, 2017).

The existence of capital assistance from financial institutions can help MSME business actors but cannot guarantee the success of their businesses. Training and mentoring efforts are needed for the general public so that they can recognize opportunities, strategies, and business management. This training and mentoring can improve the insight and skills of MSME business actors in managing their finances and trigger the success of the business being run. According to the Department of Cooperatives and SMEs, the success of MSME businesses is measured by the growth in business volume, net assets, and net profit from the previous period (Ardiyanti and Mora, 2019).

Capital constraints experienced by MSME business actors are illustrated by the increase in financing from Sharia Commercial Banks and Sharia Windows to MSME players at the end of 2022 in December by IDR 124,866 M with a percentage of 10.53% *yoy* when compared to the end of 2021 which was only IDR 112,969 M (Financial Services Authority, 2022). The increased demand for financing for MSME players could be due to the difficulty of obtaining the capital to open and run MSME businesses and a lack of literacy and good finances to operationalize his business. In order to encourage productive behavior from the MSME sector that receives capital financing assistance, Sharia Banks need to provide additional services in the form of assistance. This is so the MSME sector can continue growing and producing optimal *output*. Although some Islamic Bank institutions have begun to implement assistance for customers who get working capital financing assistance, this needs to be recommended to be Carried out to banks that have not implemented this.

Drawing from the aforementioned observations, the following research questions can be formulated: What is the impact of service quality, assistance, and capital on the success of MSME businesses? How does service quality influence the success of MSME businesses? What is the effect of mentoring on the success of MSME businesses? How does capital contribute to the success of MSME businesses?

## THEORETICAL FOUNDATIONS AND HYPOTHESIS DEVELOPMENT

### *Quality of Service*

Quality means "level of good and bad of something, " which can also be interpreted as the degree or level of proficiency or excellence and relative quality to measure goodness. According to Zeithaml and Bitner, quality service or service means providing good or excellent service concerning customer expectations. Quality is a form of illustration to assess the goodness of work or a necessity done by service providers (Arief, 2007: 119). Nevertheless, of course, there are some obstacles that service providers will experience in providing good services, such as; Management commitment is lacking in service quality, too bureaucratic so slow to serve consumer desires, there is no standardization of assignments, discrimination in providing services, and others lack professionalism in mastering the field of service.

In the conventional banking sector, the SERVQUAL method is commonly employed as a reference to evaluate service quality. This method incorporates five dimensions for assessing service quality, namely tangibility, reliability, responsiveness, assurance, and empathy. However, due to the distinctive features of Islamic banking services, this model requires modification to effectively measure their quality. Consequently, Othman and Owen (2001) introduced the CARTER model, which includes an additional dimension called compliance to gauge the extent to which Islamic banking operations adhere to Islamic law.

### *Mentoring*

Mentoring is an activity that a group carries out to teach, direct, or train the individuals they foster by exercising control over them. However, this mentoring or coaching activity takes a mutual approach and does not aim to patronize the person being accompanied. Assistance is also the same as community empowerment, which must provide benefits and help the community develop itself with the basics of existing innovations and approach methods based on community needs (Karsidi, 2007). Suharto (2009) suggests that the success of mentoring can be measured using indicators: enable, empower, protect, and support

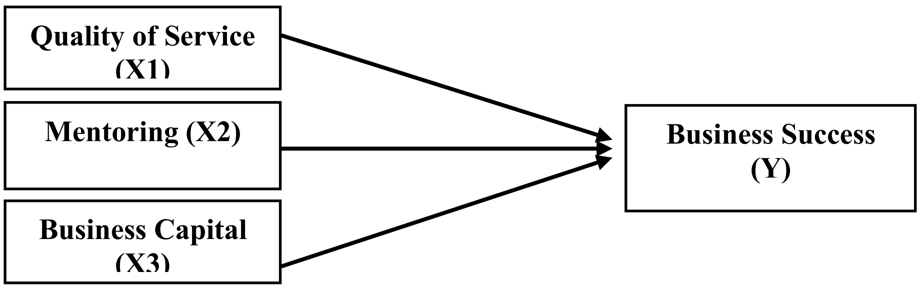
### *Capital*

Capital is a sum of money or assets used as initial capital to carry out business activities, such as trade, investment, or production, to obtain profits or increase wealth. Capital can also be an asset used to generate income or increase the value of wealth and can be used as collateral to acquire access to other financial sources. Antonio (2001) argues that capital can also be interpreted as the amount of funds business actors need to manage raw materials and production factors to become goods designed and aimed at increasing output in their business operations. Purwanti (2012) suggests that business capital can be categorized into three types; 1) Investment capital, which is needed over a long time. 2) Working capital is necessary to produce or purchase goods and is usually used monthly or at a predetermined time. 3) Operating capital is needed to cover monthly operational costs such as paying employee salaries, electricity bills, etc. Working capital indicators are capital as a business need, additional capital utilized, amount of capital, and constraints in obtaining capital (Purwanti, 2012).

***Business Success***

Business success means an activity that exerts effort and thought to occur a positive change or progress towards a predetermined goal. Success can be described as the ability to determine the business's goals. The purpose of the business itself can be seen from the financial and non-financial sides. Suryana (2011) said that business success can be measured by the ability to set business goals, both financial and non-financial. Several factors affect the success of a business, such as ability, strong determination, hard work, and available opportunities. Indikator of business success, such as capital, revenue, sales volume, production results, and labor. Business success also depends heavily on management's ability to respond to changes in the surrounding environment, solve sales problems, and improve production quality to gain better market share.

***Conceptual Framework***




## RESEARCH METHODS

***Types And Samples Of Research***

This research is classified as field research and adopts a quantitative correlational approach, aiming to directly examine the current circumstances surrounding social interactions, individuals, and community institutions (Usman and Akbar, 2022). It falls under the category of descriptive research, as it seeks to explain the existing conditions and involves collecting data to establish the relationship between variables that can be examined (Santoso and Madiistriyatno, 2021). The study population consists of BTPN Syariah customers who are actively engaged in business and participating in the SDU mentoring program from August to December 2022. Non-probability sampling, specifically the purposive sampling technique, was utilized for selecting the sample. Purposive sampling involves making selections based on specific considerations and criteria, while the sample size was determined using the Slovin's formula. The total number of customers included in this study's population amounted to 288 individuals.

***Data Collection Sources And Methods***

The research data for this study is derived from a necessary and directly obtained source, specifically BTPN Syariah customers in Malang Regency who have completed the research questionnaire (primary data). Data collection is an initial and crucial step in conducting a study as it involves obtaining the necessary data (Sugiyono, 2020). In this study, the data collection method involved the distribution of questionnaires to the designated case study location, wherein written statements or questions were provided for the respondents to answer.

***Data Analysis Methods***

The data analysis method employed in this study aims to determine the impact of the independent variable on the dependent variable, and multiple linear analysis is the chosen method. However, before conducting this test, it is essential to perform validity and reliability tests. Subsequently, a series of tests are conducted, including a normality test, classical assumption tests such as multicollinearity and heteroscedasticity tests. Following that, the hypothesis testing phase encompasses the coefficient of determination test (R2), the simultaneous test F, and the t-test (partial). To carry out these analyses, the researchers utilized SPSS 20.0 software for Windows.

## RESULTS AND DISCUSSION

**Validity Test**

Used to measure the feasibility of an instrument in conveying a variable. The validity test result is said to be valid if r counts > $r_{tabel}$ (at a significant level of 5%). In this study, $r_{table}$ is 0.227, and the results of the validity test of this study can be seen as follows:

**Table 4.1 Validity Test**

| Variable | Items | rcalculate | rtable (0.05) | Decision |
|---|---|---|---|---|
| Quality of Service (X1) | X1.1 | 0,685 | 0,2272 | Valid |
| | X1.2 | 0,667 | 0,2272 | Valid |
| | X1.3 | 0,677 | 0,2272 | Valid |
| | X1.4 | 0,729 | 0,2272 | Valid |
| | X1.5 | 0,676 | 0,2272 | Valid |
| | X1.6 | 0,778 | 0,2272 | Valid |
| | X1.7 | 0,822 | 0,2272 | Valid |
| | X1.8 | 0,830 | 0,2272 | Valid |
| | X1.9 | 0,727 | 0,2272 | Valid |
| | X1.10 | 0,664 | 0,2272 | Valid |
| | X1.11 | 0,678 | 0,2272 | Valid |
| Mentoring (X2) | X2.1 | 0,837 | 0,2272 | Valid |
| | X2.2 | 0,798 | 0,2272 | Valid |
| | X2.3 | 0,775 | 0,2272 | Valid |
| | X2.4 | 0,788 | 0,2272 | Valid |
| | X2.5 | 0,684 | 0,2272 | Valid |
| | X2.6 | 0,700 | 0,2272 | Valid |
| Business Capital (X3) | X3.1 | 0,802 | 0,2272 | Valid |
| | X3.2 | 0,677 | 0,2272 | Valid |
| | X3.3 | 0,796 | 0,2272 | Valid |
| | X3.4 | 0,781 | 0,2272 | Valid |
| | X3.5 | 0,789 | 0,2272 | Valid |
| | X3.6 | 0,772 | 0,2272 | Valid |
| | X3.7 | 0,804 | 0,2272 | Valid |
| | X3.8 | 0,654 | 0,2272 | Valid |
| | X3.9 | 0,681 | 0,2272 | Valid |
| MSME Business Success (Y) | Y.1 | 0,610 | 0,2272 | Valid |
| | Y.2 | 0,733 | 0,2272 | Valid |
| | Y.3 | 0,659 | 0,2272 | Valid |
| | Y.4 | 0,536 | 0,2272 | Valid |
| | Y.5 | 0,638 | 0,2272 | Valid |
| | Y.6 | 0,693 | 0,2272 | Valid |
| | Y.7 | 0,688 | 0,2272 | Valid |
| | Y.8 | 0,528 | 0,2272 | Valid |
| | Y.9 | 0,761 | 0,2272 | Valid |
| | Y.10 | 0,755 | 0,2272 | Valid |
| | Y.11 | 0,750 | 0,2272 | Valid |

Source: *SPSS Output* 20, 2023

**Reliability Test**

Reliability tests determine the extent to which measuring devices or instruments are reliable. According to Priyatno (2014), the instrument can be said to be reliable if the value of the *Cronbach Alpha* coefficient is more than 0.60 then the variable can be said to be reliable, following the results of reliability tests on the study:

**Reliability Test**

| Variable | *Cronbach Alpha* | Information |
|---|---|---|
| Quality of Service | 0,907 | Reliable |
| Mentoring | 0,857 | Reliable |
| Business Capital | 0,893 | Reliable |
| The success of MSMEs | 0,858 | Reliable |

Source: *SPSS Output* 20, 2023

In Table 4.2, the service quality variable (X1) shows a coefficient value of 0.907, greater than 0.6, so it can be reliable. The mentoring variable (X2) shows a result of 0.857, greater than 0.6, so it can be said to be reliable. The modal variable (X3) shows a result of 0.893, greater than 0.6, so it can be said to be reliable. The variable success of MSME businesses (Y) shows a result of 0.858, greater than 0.6, so it can be said to be reliable.

**Normality Test**

The normality test is employed to assess whether each research instrument follows a normal distribution or not. One of the techniques used in this test is the Kolmogorov-Smirnov test, which examines the residual values. The decision-making process relies on the significance value. If the significance value is greater than 0.05, then the data is considered to be normally distributed. Conversely, if the significance value is less than 0.05, then the data is considered to be distributed abnormally (Priyatno, 2014).

**Normality Test**

**One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|---|---|---|
| N | | 75 |
| Normal Parameters[b] | Mean | 0E-7 |
| | Std. Deviation | 1.48681083 |
| Most Extreme Differences | Absolute | .110 |
| | Positive | .057 |
| | Negative | -.110 |
| Kolmogorov-Smirnov Z | | .951 |
| Asymp. Sig. (2-tailed) | | .326 |

*Source: SPSS Output 20, 2023*

Judging from Table 4.3 that the *Kolmogrov-Smirnov Z* value is 0.951 with a significance value of 0.326 > 0.05, it can be concluded that the instruments in this study are normally distributed.

**Multiple Linear Regression Analysis Test**

The coefficient of determination test is performed to assess the extent to which the ability of the independent variable explains the dependent variable. The calculation results in this study can be seen as follows:

**Test Results of Coefficient of Determination**

**Model Summary**

| Type | R | R Square | Adjusted R Square | Std. The error in the Estimate |
|---|---|---|---|---|
| 1 | .958[a] | .917 | .914 | 1.518 |

Source: *SPSS Output* 20, 2023

Based on Table Coefficient of Determination, *the Adjusted R Square* shows a value of

0.914. So it can be concluded that the quality of service, assistance, and business capital has an effect of 91.4% on the success of MSME businesses. The other 8.6% were influenced by other variables not tested in the study.

**F simultaneous test**

The F test is performed to determine the simultaneous influence of the independent variable on the dependent variable. Here are the results of the F test.

**Table 4.8 ANOVA F Test Results**

**ANOVA[a]**

| Type | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1810.602 | 3 | 603.534 | 261.949 | .000[b] |
| | Residuals | 163.585 | 71 | 2.304 | | |
| | Total | 1974.187 | 74 | | | |

Source: *SPSS Output* 20, 2023

Based on Table 4.8, the F test results show a value of 261.949 with a significance of 0.000 < α = 0.05. This shows that $H_1$ is accepted so that it can be concluded that the quality of service, assistance, and business capital significantly affect the success of MSME businesses.

**Test t (partial)**

The t-test is performed to determine the effect of each independent variable on the dependent variable. The t-test can be said to be acceptable if it produces a significance value of < 0.05. Here are the results of the test in this study.

**Table 4.9 Test Results t**

**Coefficients[a]**

| Type | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -3.733 | 1.978 | | -1.887 | .063 |
| | Quality of Service | .728 | .041 | .743 | 17.708 | .000 |
| | Mentoring | .389 | .066 | .249 | 5.894 | .000 |
| | Business Capital | .156 | .034 | .159 | 4.514 | .000 |

Source: *SPSS Output* 20, 2023

Based on the results of the t-test in Table 4.9, the following conclusions are obtained: The t value in the service quality variable test (X1) obtained a significance value of 0.000 < 0.05. With this, H2 is accepted, and H0 is rejected. This has concluded that the quality of service significantly affects the success of MSME businesses. The influence of service quality is due to customers feeling satisfaction and convenience with the services provided by BTPN Syariah in applying for capital financing and ease during payment installments and assistance provided by the bank.

The value of t in the accompaniment variable test (X2) obtained a significance value of 0.000

< 0.05; with this, H3 is accepted, and H0 is rejected. This has concluded that assistance significantly affects the success of MSME businesses. The existence of assistance is because customers feel the benefits of the material provided by the companion and provide positive results for the success of their business.
The value of t in the modal variable test (X3) obtained a significance value of 0.000 < 0.05; with this, H4 is accepted, and H0 is rejected. This has concluded that capital significantly affects the success of MSME businesses. The impact of business capital is because the financing provided by BTPN Syariah helps customers, and the business can develop and achieve the desired success.

## CONCLUSION

Based on the results of statistical analysis and discussion of testing, the following conclusions can be drawn: The results of test F showed that together or simultaneously, the variables of service quality, assistance, and business capital have a positive and significant effect on the success of MSME businesses.

Based on the results of the t-test, the variable of service quality has a positive and significant effect on business success. The results of this study are appropriate and consistent with the results of Tresaeni's (2015) research.
Based on the t-test results, mentoring variables positively and significantly affect business success. The results of this study are appropriate and consistent with the results of research by Kosasih (2019), Wahyuningsih (2019), and Marasabessy and Karman (2022).

Based on the t-test results, the variable working capital positively and significantly affects business success. This study's results differ from those of Herawaty and Yustien's (2019) research because capital does not affect business success because respondents have not taken or accessed capital derived from outside. However, the results of this study are in line with the research of Arliani et al. (2019)

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