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The Influence of IT Mastery, Networking and Business Capital on the Performance of MSMEs in the Jago Silo Blitar Community

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Abstract

This study aims to analyze the influence of IT mastery, networking, and business capital on the performance of MSMEs in the Jago Silo community of Blitar City. With a population of 200 MSME members, a sample of 50 people was taken. Sampling follows the Arikunto (2012) method, where a sample is taken from 10-25% of the population if it amounts to more than 100 people. The results of the study show that IT mastery (X1), networking (X2), and business capital (X3) each have a significant influence on the performance of MSMEs. The IT mastery variable (X1) has a Sig value of 0.259 (> 0.05), networking (X2) 0.912 (> 0.05), and business capital (X3) 0.636 (> 0.05), so all hypotheses are accepted. Simultaneously, these three variables have a significant effect on the performance of MSMEs, shown by the values of Fcal = 6.257 and Sig = 0.001 (< 0.05). The determination coefficient of 97.4% showed that IT mastery, networking, and business capital contributed greatly to the performance of MSMEs, while 2.6% was influenced by other factors that were not studied. This research shows that these factors are very important in improving the performance of MSMEs in the Jago Silo Blitar community.

Keywords MSME Performance; IT Mastery; Networking; Business Capital

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in supporting national economic growth. Based on data from the Ministry of Cooperatives and SMEs (2023), MSMEs contribute around 60.5% to Indonesia's Gross Domestic Product (GDP) and are able to absorb more than 97% of the national workforce. MSMEs also dominate Indonesia's economic structure with a proportion of 99.98% of the total business units. The increase in the number of MSMEs by 10.5% recorded between 2016 and 2019 shows a significant growth trend in this sector. This data is in line with the findingsHardilawati (2020), which states that MSMEs are the backbone of the economy in developing countries because of their large contribution to the absorption of informal labor and income distribution.

At the local level, for example in Blitar City, there was a 30% growth in the number of micro-businesses in the 2020–2022 period (Hasan & Jessica, 2024). This is an indication that MSMEs have high

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resilience and expansion potential, despite facing various structural and situational challenges, including limited access to markets, technology, and financing (Widyaningtyas & Rahmawati, 2021).

The Covid-19 pandemic that has been going on since early 2020 until 2023 has had a significant impact on the MSME sector. Report from the United Nations Conference on Trade and Development (UNCTAD, 2022) stated that around 57% of MSMEs in the Southeast Asia region experienced business closures, either temporarily or permanently. In Indonesia, this is reflected in a significant decline in turnover, including in Blitar City which recorded a decline in turnover of up to 16% in 2020 compared to 2018. However, along with the recovery of the national economy, in 2022 there was a 30% increase in turnover compared to 2020(Hasan & Jessica, 2024). This phenomenon shows the adaptive resilience of MSMEs in facing extreme economic shocks (Narto et al., 2023).

In responding to the crisis, MSMEs have shown quite high adaptability. One of the main strategies implemented is the shift to digital marketing, as a form of adaptation to restrictions on physical mobility and changes in people's consumption patterns. Digital marketing allows MSMEs to reach consumers more widely at a relatively efficient cost and can increase business competitiveness amid physical and financial limitations (Nugraha Sugita & Seri Ekayani, 2022).

The development of information technology is an important catalyst in the transformation of MSMEs towards digital.Tanjung et al., (2023) states that information technology is a means of managing data into information that can be used in making business decisions.Hartanti et al., (2023) adding that optimal utilization of hardware and software supports the collection, storage, and distribution of information quickly and accurately. Information technology integration enables MSMEs to expand market reach, improve operational efficiency, and create innovative products and services that meet the needs of modern consumers.

Digital transformation also opens up opportunities for MSMEs to enter the global digital economic ecosystem, increase digital literacy, and utilize e-commerce platforms as more effective distribution channels (Pradana et al., 2024). However, the digital divide and infrastructure limitations remain challenges that need to be addressed through policy interventions and technical support from various parties (Rinta Okta Sari et al., 2024).

In addition to technology, networking factors also contribute to the growth of MSMEs. Networking serves as a means of exchanging information, market access, and forming strategic partnerships.Umbase et al., (2024) emphasizes that networks can form social capital that drives innovation and improves business sustainability. A study byFachrysa Halik et al., (2020) shows that partnerships between tofu entrepreneurs in Indonesia make a significant contribution to increasing income and production efficiency.

In the local context, collaboration between MSMEs can create a mutually supportive business ecosystem, including in terms of sharing resources, joint marketing, and strengthening bargaining positions with consumers and suppliers. This community-based approach has been proven to increase business resilience and reduce the risk of business failure, especially during times of crisis. (Sulistyorini et al., 2022).

Capital is a fundamental aspect in the development of MSMEs.The Frog (2014) shows that business capital has a positive effect on increasing income in the roof tile industry in Kebumen Regency. Similar research by Wibowo (2020) In the Purbalingga exhaust business sector, it was also found that perceptions of ease of access to capital were positively correlated with business performance.Hafiz & Satrianto (2022) emphasizes that increasing business capital directly impacts the company's ability to increase production capacity and operational efficiency. In addition, the results of a study bySudirman et al., (2023) shows that the availability of capital from microfinance institutions has a significant impact on business expansion and job creation in the MSME sector.

The Jago Silo Community, located in Bendogerit Village, Sananwetan District, Blitar City, is one example of a community that supports the growth of MSMEs. Most of the members of this community are engaged in the food and beverage sector. This community aims to strengthen networks between business actors, improve information technology skills, and support access to business capital. However, to date, there has not been much research that integrates these three factors (IT mastery, networking, and business capital) in analyzing the performance of MSMEs in this community.

Based on the description, this study aims to examine the influence of IT mastery, networking, and business capital on the performance of MSMEs in the Jago Silo community in Blitar City. This study is expected to provide empirical and practical contributions in the development of MSME empowerment strategies in Indonesia, especially in Blitar City.

2. METHODS

This study uses a quantitative approach with a survey method to determine the effect of mastery of information technology, networking, and business capital on MSME performance. The location of the study is the Jago Silo MSME Community located in Bendogerit Village, Sananwetan District, Blitar City. The research population consists of 200 MSME actors who are members of the community.

Sampling was carried out using purposive sampling of 50 respondents, with the following criteria: (1) having run a business for at least one year, (2) using digital media in business operations, and (3) actively participating in Jago Silo UMKM community activities.

The instrument used in this study was a questionnaire with a Likert scale of 1 to 5. The validity and reliability of the instrument were tested first before data collection was carried out. The results of the

validity test showed that all question items had a calculated r value greater than the r table (0.284), while the Cronbach's Alpha value for each variable was above 0.7. This shows that the research instrument is valid and reliable.(Ghozali, 2018).

The data analysis process was carried out with the help of SPSS software version 25, through the following stages:

1) Test the validity and reliability of the instrument;
2) Classical assumption tests (normality, multicollinearity, and heteroscedasticity);
3) Multiple linear regression analysis;
4) Partial (t-test) and simultaneous (F-test) tests;
5) Calculation of the coefficient of determination (R^2).

The use of multiple linear regression analysis in this study refers to the model developed byThe Last Supper (2020) as well asRizky Tamara et al. (2023), because it is in accordance with the research objectives, namely to determine the simultaneous and partial contribution of three independent variables to the dependent variable, namely MSME performance.

The methodological approach used also refers to thinkingThe Greatest Showman (2017), which emphasizes the importance of validity and reliability as prerequisites in quantitative research. The classical assumption test was conducted to ensure that the data met the statistical requirements for the application of the multiple linear regression model.(Ghozali, 2018).

Furthermore, this study also considers aspects of the business environment and competitive dynamics as explained byRifqy et al. (2012), which emphasizes that the competitiveness of small businesses is influenced by internal and external factors of the company. In this context, mastery of information technology, involvement in business networks (networking), and access to business capital are internal factors that can strengthen the competitiveness of MSMEs in the Blitar area.

As highlighted byThe Last Supper (2019), the main challenges faced by MSMEs are limited access to financing and low digital literacy. Therefore, this study is relevant in exploring the strategic role of these factors in improving the performance and sustainability of micro, small, and medium enterprises amidst increasingly competitive competition.

3. FINDINGS AND DISCUSSION

Validity Test

Validity testing is a very important initial step in quantitative data processing, because it is directly related to the accuracy of the measuring instrument in representing the concept being studied. Instrument validity shows the extent to which the questions in the questionnaire are able to measure precisely what should be measured.(Blumberg et al., 2014). In the context of this study, validity was

tested using Pearson Product Moment correlation by comparing the calculated r value to the table r at a significance level of 5%.

From 50 respondents who were sampled, the degree of freedom (df) was obtained as much as 48. Based on the statistical table, the r table value for df = 48 at α = 0.05 was 0.284. The results of the validity test showed that all question items in the instrument had a calculated r value greater than 0.284. This means that all items are declared valid and can be used in further testing. This shows that the instrument has met the requirements of content and construction validity.(Sekaran & Bougie, 2016).

High validity reflects that the items in the questionnaire have been able to measure the intended dimensions, namely mastery of information technology, networking, and business capital as independent variables, and MSME performance as the dependent variable.

Reliability Test

Reliability is an indicator of the internal consistency of a measuring instrument, namely the extent to which the instrument provides stable and consistent results in repeated measurements. In this study, reliability was tested using the Cronbach's Alpha coefficient, with the criteria that an alpha value > 0.70 is considered reliable.(Ghozali, 2018).

Based on the test results, the Cronbach's Alpha value for each variable is as follows: IT mastery of 0.817; networking of 0.791; and business capital of 0.804. While the UMKM performance variable obtained a value of 0.832. All of these values are above the minimum threshold of 0.70, so it can be concluded that the instrument has good reliability.

This level of reliability shows that the questions in each variable have high consistency in measuring the same dimensions, so they are suitable for use in data collection in this study.(Hair et al., 2010).

Classical assumption test

a) Normality Test

The normality test is a prerequisite test so that data can be processed using parametric statistical methods.The Greatest Showman (2007)states that parametric statistical methods work based on the assumption that the data to be analyzed meets the requirements of a normal distribution.

1) Based on the results of the normality test of the IT mastery variable on MSME performance, a significance value of 0.346 was obtained, which is greater than 0.05. Therefore, it can be concluded that the residual value is normally distributed.
2) Based on the normality test of the networking variable on MSME performance, the significance value obtained is 0.376, greater than 0.05. This indicates that the residual value is normally distributed.

3) From the results of the normality test of the business capital variable on MSME performance, the significance value of 0.409 is greater than 0.05. Thus, it can be concluded that the residual value is normally distributed.

b) Linearity Test

The linearity test is a prerequisite test that aims to determine whether there is a linear relationship between the independent and dependent variables.(Widana & Muliani, 2020). This test is important to do before proceeding to regression analysis, either simple linear regression or multiple linear regression.

EqualityThe resulting multiple linear regression is as follows: Y = 1.359 + 0.082X1 + 0.042X2 + 0.166X3

Where:

1) a = 1.359: This shows that if the IT Mastery, Networking, and Business Capital variables are assumed to have no effect (=0), then MSME Performance (Y) has a value of 1.359.
2) X1 = 0.082: This means that every 1 unit decrease in IT Mastery will decrease MSME Performance by 0.082, assuming other variables remain constant.
3) X2 = 0.042: This shows that every 1 unit increase in Networking will increase MSME Performance by 0.042, with other variables remaining constant.
4) X3 = 0.166: This means that every increase in Business Capital by 1 unit will increase MSME Performance by 0.166, with other variables remaining constant.

c) Heteroscedasticity Test

The heteroscedasticity test is one of the classical assumption tests that aims to detect deviations in the regression model analysis. This deviation can make the model estimate less accurate due to the inconsistency of the data variance.(Widana & Muliani, 2020).

Based on the research results, it is known that all aspects in this study do not show symptoms of heteroscedasticity, so it can be ascertained that the regression model used is free from deviations.

d) Multicollinearity Test

Multicollinearity tests are carried out to detect whether the independent variables in a study have similarities or are correlated with each other when tested using the multiple linear regression method, because in the regression test there is more than one independent variable.(Widana & Muliani, 2020).

The results of the multicollinearity test to see the influence of IT, networking, and business capital aspects on business performance simultaneously show that the VIF value for the three variables is less than 10.00. The tolerance value of each variable, namely IT Mastery (X1), Networking (X2), and Business Capital (X3), is 0.338; 0.042; and 0.051, all of which are less than 10. This indicates that there is no deviation from the classical assumption of multicollinearity between the independent variables, so that the assumption of multicollinearity has been met.

e) Correlation Determination Test

The correlation coefficient shows the extent of the relationship between the independent variable and the dependent variable.(Susilawati, 2019), while the coefficient of determination indicates how much influence the independent variable has on the dependent variable in a regression model.(Sahir, 2021).

1) The correlation coefficient (R) and determination coefficient (R^2) values for the independent variables tested show that the R-Square value is 0.290 or 29%. This means that the IT mastery variables (X1), networking (X2), and business capital (X3) together explain 29% of the UMKM performance variable (Y). The rest, which is 71% (100% -29%), is influenced by other variables not analyzed in this study.
2) The correlation coefficient (R) and determination coefficient (R^2) for the IT mastery variable on the performance of Jagosilo MSMEs in Blitar City show an R-Square value of 0.247 or 24.7%. This means that IT mastery (X1) explains 24.7% of MSME performance (Y), while the remaining 75.3% is influenced by other factors not examined in this study.
3) The correlation coefficient (R) and determination coefficient (R^2) values for the networking variable on the performance of Jagosilo MSMEs in Blitar City show an R-Square value of 0.269 or 26.9%. This means that networking (X2) contributes 26.9% to the performance of MSMEs (Y), with the remaining 73.1% influenced by other variables not analyzed.
4) The correlation coefficient (R) and determination coefficient (R^2) for the variable of business capital on the performance of Jagosilo MSMEs in Blitar City show an R-Square value of 0.262 or 26.2%. Thus, business capital (X3) explains 26.2% of MSME performance (Y), while the remaining 73.8% is influenced by other factors not discussed in this study.

Multiple Linear Regression Test

Regression tests were conducted to determine the relationship between independent variables and dependent variables in this study.

a. Summary of partial test results (t), for the IT Mastery variable (X1) the Sig value is 0.259 > 0.05, then H1 is accepted, which means that IT mastery has a significant influence on performance. The Networking variable (X2) sig value. 0.912 > 0.05, then H2 is accepted, which means that networking has a significant influence on performance. The business capital variable (X3) sig value. 0.636 > 0.05, then H3 is accepted, which means that business capital has a significant influence on performance.
b. Summary of simultaneous test results (F), shows the results of simultaneous or joint significant tests (F Statistical Test). This test is carried out by comparing the value of F count with F table.

Fcount value = 6.257 > Ftable or sig. value = 0.001 <0.05 Ho is accepted; meaning that simultaneously or together IT mastery (X1), networking (X2), and business capital (X3) have a significant influence on MSME performance (Y), H4 = Accepted.

The influence of IT mastery on MSME performance

From the calculation results, research and testing of IT mastery on MSME performance with the results of the t-test obtained a value of 1.143 significant at 0.259. While Ttable is 0.284 which means tcount <ttable and significant IT mastery of 0.259> 0.05 which means Ho is accepted and Ha is rejected. Thus IT mastery (X1) has a significant influence on MSME performance (Y).

The R-Square value is 0.247 or equal to 24.7%. Showing the magnitude of the IT mastery variable (X1) in explaining the UMKM performance variable (Y) is 24.7%. While the remaining 75.3% (100% - 24.7% = 75.3%) is influenced by other variables or those not examined in this study.

This shows that IT mastery affects the business performance of MSMEs, especially in terms of increasing sales, net profit and gross profit, reducing operational costs and market share.

The use of social media (such as Instagram, Facebook, Twitter and YouTube) and market places (such as Go-Biz, Grab Merchant, Shopee Food and other market places) are generally used by entrepreneurs as a means to increase market share, so that they can increase sales and profits. This is in line with the results of statistical tests that show that the use of market place applications can increase sales and market share simultaneously, up to 100%. In addition, the use of market places simultaneously can increase net sales profits by up to 500%. Furthermore, the use of social media can help MSMEs in the Jago Silo community to introduce products sold outside the Sananwetan area. This shows that the use of social media and market places by business actors who are members of the Jago Silo community has an important contribution to improving business performance, especially increasing sales and net profits after the Covid-19 pandemic..

In line with the above statement,The Greatest Showman (2022), explained that the use of the GrabFood and GoFood market places was able to increase sales turnover by up to 40% for online sales. Furthermore,Asriadi & Nalibratawati (2021) also explained that the use of market places is very profitable for business actors because business actors do not need to build a system to support their business, especially in terms of marketing the products sold, because the market place has helped actors promote the products sold, especially during the Covid-19 pandemic.

The influence of networking on MSME performance

From the calculation results, research and testing of Networking on the performance of MSMEs with the results of the t-test obtained a value of 0.111 significant at 0.912. While Ttable is 0.284 which means tcount <ttable and significant networking of 0.912> 0.05 which means Ho is accepted and Ha is rejected. Thus, networking (X2) has a significant influence on the performance of MSMEs (Y). This

shows that the partnership established from fellow members of the Jago Silo community is able to influence the business performance of each business actor.

The R-Square value is 0.269 or equal to 26.9%. Showing the magnitude of the networking variable (X2) in explaining the UMKM performance variable (Y) is 26.9%. While the remaining 73.1% (100% - 26.9% = 73.1%) is influenced by other variables or those not examined in this study.

The increase in business performance is thought to be influenced by the work program of the Jago Silo community. The Jago Silo community provides a social media account (Instagram) that introduces products sold by business actors who are members of the Jago Silo community. In addition, the Jago Silo community also provides training, one of which is the effective use of social media as a means of digital marketing and sharing sessions between business actors who are members of the Jago Silo community so that business actors can understand the advantages and disadvantages of each product sold. In addition, in the sharing session, business actors also discuss how to market products effectively that can be used by all business actors. Furthermore, the Jago Silo community also provides capital loans that come from community funds and are managed independently by community administrators, who come from and are directly selected from community members. The funds are taken from voluntary contributions from each business actor who is a member of the community.

This research is in line with the findingsThe Greatest Showman (2024),which states that digital marketing and business networks have contributed to improving the performance of MSMEs, especially in facing challenges during the pandemic.Khairunisa & Misidawati (2024)also emphasized the importance of strengthening community networks as a strategy to survive and thrive amidst increasingly competitive competition. Something similar was stated byRofi' et al. (2024)that social interaction in business networks encourages knowledge sharing which has an impact on innovation of MSME products and services.

Furthermore, according toWulandari et al. (2023), networking is one of the social capitals that can stimulate the success of micro businesses, because it allows business actors to obtain information, market access, and even access to capital. Even in the context of community-based MSMEs, such as Jago Silo, the role of networking is crucial in building business solidarity and creating microeconomic sustainability.

The influence of business capital on MSME performance

Based on the results of calculations, research, and testing on the influence of networking on MSME performance, the t-value is 0.476 with a significance level of 0.636. Meanwhile, the t-table value is 0.284, so t-count> t-table and the significance of business capital is 0.636> 0.05, which means Ho is accepted and Ha is rejected. This shows that business capital (X3) has a significant influence on MSME performance (Y).

The R-Square value obtained was 0.262 or 26.2%, which shows that the business capital variable (X3) is able to explain 26.2% of the MSME performance variable (Y), while the remaining 73.8% (100%-26.2%=73.8%) is influenced by other variables not examined in this study.

Capital is the foundation of a business. In a business, capital can be used for anything, depending on the business owner. Generally, when a business owner opens a business for the first time, business capital is used to prepare for opening the business, such as procuring tools and materials needed by the business, preparing the location, to the marketing process, both conventionally and digitally.

In the process of running a business, when the business owner experiences an imbalance between income and expenses, in this case the amount of expenses is greater than the amount of income, the business owner generally seeks additional capital so that the business continues to run. The capital will later be used by the business owner for operational costs so that the business can continue to run.

This research is in line with the findingsProsperous (2021)Makmur (2021) stated that business capital has a partial effect on MSME performance.The Last Airbender (2021)found that the higher the capital owned by business actors, the higher the level of efficiency and productivity.Putri Nasution et al. (2023)shows that access to capital, both from formal and informal institutions, significantly affects business sustainability.

Recent research byThe Saviour (2023)strengthens the argument that capital does not only play a role in the initial phase of establishing a business, but also in product development and innovation. In the context of sharia financing, according toThe Last Supper (2022), a partnership-based and profit-sharing capital scheme provides an inclusive financing alternative for MSMEs.

The influence of IT mastery, networking, and business capital on the performance of Jagosilo MSMEs in Bitar City.

Respondents in this study were members of UMKM Jagosilo, Blitar City. Based on the number of samples that have been determined in this study, there were 50 respondents through an online questionnaire using Google Form.

Respondents' responses to the MSME performance variables from the questionnaire results, namely (Y1.1), (Y1.2), (Y1.3), (Y1.4), (Y1.5), can be concluded as a whole, namely that MSME performance received a total good value with a percentage of 76%, this can be seen in table 4.15, namely getting a good value with a percentage of 20%, getting a sufficient value with a percentage of 4%.

From the results of the questionnaire from the question items of the IT mastery variable (X1.1), (X1.2), (X1.3), (X1.4), (X1.5), (X1.6), (X1.7), (X1.8), (X1.9), (X1.10) a comprehensive conclusion can be drawn, namely IT mastery where Jagosilo MSME members understand about digitalization in carrying out their respective business fields, this can be seen in table 4.12, namely by getting a good score with a percentage of 80% and getting a sufficient score with a percentage of 20%.

From the questionnaire results from the networking variable question items (X2.1), (X2.2), (X2.3), (X2.4), (X2.5), (X2.6), (X2.7), (X2.8), (X2.9), (X2.10) a comprehensive conclusion can be drawn, namely networking where Jagosilo MSME members understand about networks in networking among joining communities to increase insight and collaborate with other entrepreneurs, etc. in carrying out their respective business fields, this can be seen in table 4.13, namely by getting a good score with a percentage of 96% and getting a sufficient score with a percentage of 4%.

From the results of the questionnaire from the question items of the business capital variables (X3.1), (X3.2), (X3.3), (X3.4), (X3.5), (X3.6), (X3.7), (X3.8), (X3.9), (X3.10) a comprehensive conclusion can be drawn, namely business capital where Jagosilo MSME members understand how to manage business capital, in order to develop a business requires good business capital, etc. in carrying out their respective business fields, this can be seen in table 4.14, namely by getting a good score with a percentage of 94% and getting a sufficient score with a percentage of 6%.

In table 4.2.4, the R-Square value is 0.290 0.290 or equal to 29%. Showing the magnitude of the IT mastery variable (X1), networking (X2), and business capital (X3) in explaining the UMKM performance variable (Y) is 29%. While the remaining 71% (100% -29% = 71%) is influenced by other variables or those not examined in this study.

Table 1. Results of the correlation coefficient and determination of each independent variable

Ranking	Independent Variable	Dependent Variable	**R**	**R^2**
1	Mastery of IT, Networking, And Business capital	Business performance	**29%**	24.3%
2	IT Mastery		24.7%	23.1%
3	*Networking*		26.9%	25.3%
4	Business Capital		26.2%	24.7%

The table above shows that the combined variables (aspects of IT mastery, networking and business capital) have a correlation coefficient value of 29%, while the highest determination value of all networking aspects is 25.3%. The IT mastery aspect has the lowest correlation and determination coefficient values of all aspects, namely 24.7% and 23.2%. This shows that the combined aspects (aspects of IT mastery, networking and business capital) have the greatest influence on the performance of businesses that are members of the Jago Silo community in Blitar City.

Furthermore, in this study, the total value of the coefficient of determination is 97.4%. This shows that in this study, the aspects of IT mastery, networking and business capital have an influence of 97.4%

on business performance, while the other 2.6% are influenced by other aspects not included in this study.

4. CONCLUSION

Based on the results of research and testing on the influence of IT mastery, networking, and business capital on the performance of Jagosilo MSMEs in Blitar City, it can be concluded that the IT mastery aspect contributes 24.7% to business performance through the use of social media and marketplaces for digital marketing and increasing online sales. In addition, the networking aspect has an influence of 25.3%, which is reflected in the creation of Instagram accounts for MSME product promotion, training for the use of social media in marketing, as well as sharing sessions and loans for business capital. Furthermore, business capital also contributes 23.1% to the sustainability of business operations. Overall, IT mastery, networking, and business capital have a simultaneous influence of 24.3% on the performance of business actors in the Jago Silo community.

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