

Analysis of Factors Affecting the Income of Micro, Small and Medium Enterprises (MSMEs) in the Culinary Sector in Tebing Tinggi City

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ABSTRACT

This study aims to determine the factors that affect the income of Micro, Small and Medium Enterprises (SMEs) culinary sector in the city of Tebing Tinggi in addition, purpose of this study in particular is to analyze the influence of Business Capital, number of workers, length of business, and Digital marketing and income of Micro, Small and Medium Enterprises (SMEs) culinary sector in Tebing Tinggi. This research uses Structural Equation Model (SEM) based on Partial Least Square (PLS). PLS is a structural equation modeling (SEM) based on components or variants. The results of this study indicate that the influence of capital on income through production means that large or small amounts of inventory can affect the efficiency of trial and working capital at the time of production so that it affects the acquisition of revenue. Then there is the influence of capital on income through production with a p-Value < 0.05 (0.000 < 0.05). and there is a direct long-term effect of effort on income with P-Values < 0.05 (0.001 < 0.05). and there is a direct influence of Digital marketing on revenue with P-Values < 0.05 (0.036 < 0.05).

Keywords: *Income, Production, Capital, Long-Term Business and Digital Marketing*

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in Indonesia is one of the priorities in the development of the national

economy. MSMEs are the backbone of a popular economic system that is not only aimed at reducing the problem of inequality between income groups and between business actors, or poverty alleviation and employment. The development of MSMEs is able to expand the economic base and can make a significant contribution to structural change. The contribution is to improve the regional economy and national economic resilience in the era of economic globalization (Munizu, 2010). Economic globalization is defined as a process of activities carried out by a nation in an effort to increase income and welfare and carried out continuously over a long period of time. The purpose of economic globalization is to create the welfare of humanity in the world by mutually satisfying the needs of nations through economic transactions (Marfuah and Sri, 2019).

According to Rosyidi (2005: 54) production is what enlarges or creates the effectiveness of goods in every business. To carry out the production process, everyone certainly needs raw materials, labor, and capital in all its forms as well as expertise. While production is an activity to utilize an item. After the production process is running, then just wait for the results of production. According to Machfudz (2007: 101) the result of production is the end result of a

production process in utilizing the input is output or product. In each producing goods (products), will require and depend on production factors available or used such as capital, labor, technology and skills (Perdana & Jember, 2017).

Income or income is money received by a person in a company in the form of salaries, wages, rent, interest, profits and others (Pass and Lowes, 2001). Micro, Small and Medium Enterprises (MSMEs) income is the amount of money received by a business from an activity it performs. Most of these activities are activities of selling products and or selling services to consumers. The term income in the business world is not a foreign thing, because any business that is still involved in the main goal is to generate income. Large or small businesses are always looking for income in order to support optimal financial performance (Husaini and Ayu, 2017).

The city of Tebing Tinggi is a city that has the potential to become a center of trade, small industry and services considering that the city of Tebing Tinggi is about 80 km from the city of Medan (the capital of North Sumatra province) and is located on the main traffic of Sumatra that connects the East and Central Sumatra through diagonal traffic on the Tebing Tinggi, Pematangsiantar, Parapat, Balige and Siborong-borong roads. This potential makes the city of Tebing Tinggi as a stopover town to rest. This encourages the growth of MSMEs, especially in the field of culinary, handicrafts, and others. Based on the results of the author's survey of some traders that the level of sales is not stable for trader's culinary beverage sales will increase if the dry season (hot), otherwise if the rainy season, then the level of beverage sales will decline. On the other hand, if the food vendors if it's the rainy season then sales usually increase. Some traders also said that if there is an increase in holiday sales, especially typical food souvenirs from tebing Tinggi, which happened to be the author of the observation, namely Cap Rajawali peanut Bread, the source said that

if it was a public holiday such as new year or Eid al-Fitr, sales would triple as usual.

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KLIBI is an extension of Klinik Bisnis that was formed in 2018 which is a gathering place for the board of managers and MSMEs (micro and small businesses) as a solution to overcome the problems that occur regarding the development of entrepreneurship in the city of Tebing Tinggi. The existence of KLIBI is a joy for MSEs who are on high cliffs and can be a reference to the inspiration given. In 2014, Business Supervision has been carried out 2 times, namely March 2014 which took place on the 17th s.d March 22, 2014 and April which lasted 21 s.d 26 April 2014. This activity is carried out to conduct direct supervision of MSEs located in Tebing Tinggi and perform checks on data that has

been previously made on the website. If in business supervision there is information that can be updated, then editing will be done directly. For other issues related to capital aspects, UMK Klibi Tebing Tinggi also cooperates with banks as a solution for granting soft loans. In supervision. The klibi Tebing Tinggi team also often provides direction on Good Business Patterns to be developed both on hygiene, Work Safety which is the most important aspect in business management by conducting observation and supervision (Business Review) by creating a business profile and paying attention to business development as a solution by picking up the ball. For a year running, KLIBI has supervised 100 members who are members of the road. Many programs that have been carried out by the klibi team based on the desire of UMK to be developed both towards hygiene, Work Safety which is the most important aspect in business management ara members of klibi Tebing Tinggi are also directed to conduct marketing that takes

place online as an agenda of Business Supervision (Umar,2019).

Tebing Tinggi city is one of the cities in North Sumatra province whose economy is driven by the MSME sector. As a connecting city between Medan City as the capital of North Sumatra province and the central city of trade and industry with other cities in North Sumatra, with an area of 38.44 km² and in 2020 it had a population of 172,838 people, with a density of 4,496 people/km² (Central Statistics Agency, 2021) according to data from the North Sumatra information and Communication Agency, Tebing Tinggi City is one of the city governments of 33 districts/cities in North Sumatra.

The development of MSMEs in Tebing Tinggi city experienced fluctuations in 2020 of 1050 and increased in 2021 of 1118. There are 5 MSME sectors in the city of Tebing Tinggi, namely the culinary, trade, service, clothing and construction sectors spread across 5 districts in the city of Tebing Tinggi. The Data is attached as follows:

Table 1 Number of MSMEs in Tebing Tinggi City 2020-2021

No	Commodity Name	Number of MSMEs 2020	Number of MSMEs 2021
1	Culinary Sector	377	425
2	Trading Sector	286	343
3	Service Sector	197	224
4	Clothing Sector	101	122
5	Construction Sector	89	96
	Total	1050	1118

Source: Department of Cooperatives and SMEs Tebing Tinggi

Micro, Small and Medium Enterprises (MSMEs) in Tebing tinggi consist of 5 sectors, namely the culinary sector in 2020 the number of MSMEs 377 in 2021 amounted to 425, the trade sector in 2020 the number of MSMEs 286 in 2021 amounted to 343, the service sector the number of MSMEs in 2020 197 and in 2021 amounted to 224, the clothing sector in 2020 amounted to 101 and in 2021 amounted to 122, and the construction sector in 2020 amounted to 89 and in 2021 it amounted to 96. The Total number of MSMEs in 2020 is 1050 while the total MSMEs in 2021 are 1118. The Data is sourced from the

Department of Cooperatives and SMEs in the city of Tebing Tinggi.

Based on the data above, it can be seen that MSMEs are one of the prima donna in the business world today. This phenomenon occurs because MSMEs are one of the business sectors that are resistant to the economic crisis. In 1998, MSMEs proved to be resilient and resilient compared to large businesses and corporations. Tebing Tinggi itself has high purchasing power, MSMEs have great prospects for growth. This is a list of people who have been affected by the Covid-19 pandemic (<https://nusantaranews.co>) accessed on January 13, 2023.

The economy of Tebing Tinggi City in 2021 when compared to 2020 experienced a growth of 2.51 percent. Growth occurred in almost all business fields, except the field of Health Services and social activities and the provision of accommodation and food and drink contracted by 1.60 percent and 0.19 percent, respectively, the field of business that experienced significant growth was the field of information and communication business by 6.58 percent. Followed by the financial services and insurance business by 5.81 percent, and the construction business by 4.31 percent. Large trade and retail business Fields; car and motorcycle repair which has a dominant role in the GRDP of Tebing Tinggi City also experienced significant growth of 4.01 percent. (Source: Central Bureau Of Statistics, 2021).

While MSME income in Tebing Tinggi experienced fluctuations in 2020 MSME income of Rp.14,404,995,134 per year in 2021 increased by Rp. 15,453,711,245 per year. (Bps Tebing Tinggi in figures 2020,2021). The increase occurred where the growth was supported by large-scale trade or retail sectors, as well as from the service sector such as construction and services. The existence of several strategic economic areas adjacent to the city of Tebing Tinggi and the operation of the toll road that connects Tebing Tinggi with the surrounding districts/cities is also a contributor to the economic growth of Tebing Tinggi in the coming year. The Tebing Tinggi city government itself is very careful and serious in maintaining economic growth, this can be seen from various policies that focus on reducing the burden on the community directly, such as holding market operations for basic materials on religious holidays, holding cheap markets, providing agricultural and fish seed assistance, coaching MSMEs, and also holding seminars or discussions about the economic perspective of Tebing Tinggi city every year so that the business world can obtain information about the challenges and opportunities that will be faced. (News Official Website of Tebing Tinggi city).

On the other hand, MSME players also need to open up to new technologies, especially in utilizing various digital solutions that can expand the market while reducing various production costs and how to face competition in an effort to earn income, MSME owners must have inherent and structured assistance so that their businesses can improve production efficiency, productivity, and power (<https://dpmpptsp.ponorogo.go.id> / accessed on January 14, 2023).

MSMEs are still faced with various challenges and obstacles in facing competition, one of which is in the aspect of income earned. The challenges and obstacles faced by MSME entrepreneurs in improving their business performance from the income aspect due to limited capital owned, in accordance with the research of Utari and Putu (2014) said that without sufficient capital it will have an influence on the smooth running of the business, so that it can affect the income obtained.

Capital is one of the initial problems faced by MSMEs with limited access to financing sources from banking financial institutions (Lestari,2020). The use of own capital for MSMEs has an important role for production. According to (Soeharno, 2009), production is an activity or activities to be able to increase the benefits that can be done by combining indicators of production factors such as capital, labor, technology, managerial skills. Capital is very important in the process of production activities, because with the capital of the company or business entity can carry out the production process to produce a product (goods). Capital is any financial or any form of finance that is used and needed for the beginning of the production process starting from buying raw materials to pay employee salaries and buy machinery for the production process (Teguh, 2010). This is because capital is needed when entrepreneurs want to set up a new business or to expand an existing business. According to Lestari (2019) large businesses have large capital will be more

developed than small businesses. Capital is the key to the beginning of any business where large capital will affect the development of the business. The availability of capital in large and sustainable amounts will launch results that will ultimately increase the amount of production produced so that the income obtained will increase. And based on Dedy Dwi Arseto's (2019) Research, Capital is able to moderate the influence of education level on MSME income in Tebing Tinggi City. Capital cannot moderate the influence of technology on MSME income in Tebing Tinggi City. Research conducted by (Anggraini, 2019) shows that capital, length of business and working hours have an effect on MSME income. The more capital owned, the more production processes will be carried out that can increase business income. Just like the research conducted by (Rosadi, 2019) capital and the number of workers have a positive effect on business income. And previous research by Capital and Labor Research variables Nia Rai artini (2019) states that capital and labor variables have a significant effect on MSME income in Taban Regency, in Gestri Romaito (2017) capital, labor and duration of business are positive and significant between the use of capital, labor and duration of business together in influencing the business income of the lemang typical food industry in Tebing Tinggi City. Ayu Putri (2020) also stated that the results of the study showed that the three independent variables, which include capital, labor and education level, had a positive effect on the production of wood carving SMEs so that it had a positive relationship. In other words, if the greater the independent variable which includes: Capital owned, labor, and the level of education, the greater the production produced from wood carving SMEs. Also in line with Gede Ngurah (2019) states that capital, labor and production have a positive and significant effect on income. Production is an intervening variable that mediates the influence of capital variables on income partially, and production is also an

intervening variable that mediates the influence of Labor variables on income partially.

In addition to capital that affects the production of MSME income is Labor, Labor is a person who works inside and outside the Labor relationship with the main means of production in the production process both physically and mentally (Hamzah 2015). In a company, Labor has an important role in production activities. Businesses need labor so that the process of production activities can be carried out, because Labor can process raw materials into finished materials (products). Labor is everyone who has the ability to carry out an activity and work both inside and outside of work in order to produce goods and services to meet the needs of society, labor is also one or indicator of the most important production factors in carrying out the production process to produce and create a good or service (Agustina & Kartika, 2017). In a study conducted by (Fachrizal, 2016) it is said that the more workers owned will increase the income obtained by the company, on the contrary, the fewer workers owned, the less income obtained by the company. Research that affects own capital and the number of workers to business income has been done by previous researchers. Such as the following research variables (Windri Oktaviana, 2021) labor has a positive and insignificant effect on the income of MSMEs in the culinary sector in Lubuk Begalung district, Padang City, West Sumatra province. Analysis of factors that affect the operating income of the typical food industry in the city of Tebing Tinggi Gestri Romaito Butarbutar (2017) proves that there is a positive and significant relationship between the use of capital, labor and duration of business together in influencing the operating income of the typical food industry of lemang in the city of Tebing Tinggi. Ayu Putri (2020) also stated that the results of the study showed that the three independent variables, which include capital, labor and education level, had a positive effect on the production of

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And also important in undergoing the effort is the length of the effort. Business duration is the length of work or entrepreneurial traders. The length of an effort can lead to experience in trying, Where experience can affect one's observation in behavior (Sukirno, 2009). The length of business can affect the level of income, the length of a business person pursuing his field of business will affect his productivity, so that he can increase efficiency and be able to reduce production costs smaller than sales results. The longer the midwife pursues the business, it will increase knowledge about consumer tastes and behavior. Evidenced by previous researchers the effect of business capital, working hours and length of business on the income of Micro, Small and medium-sized image market traders of Wonodadi district, Blitar Regency (Adinda Fuahdila and Wahyu Dwi, 2022) shows that the results of the study show that the business capital variable does not have a positive and significant impact on the income of Micro, Small and medium-sized (MSME) Image market traders. While variable working hours and length of business have a major beneficial impact on business income, Micro, Small and medium (MSME) market traders figure. Research by Khasan Setiaji, Ana Listia (2018) the effect of capital, duration of business and location on the income of market traders after relocation the results of the study showed that the value of capital significance had a

positive effect on the income of traders in Johar Semarang Market obtained a significant value of the length of business had a positive effect on the income of traders in Johar Semarang Market obtained a significant value - the location had a positive effect on the income of traders in Johar Semarang Market obtained a significant value.

Besides, Digital Marketing is no less important to affect revenue. Business transactions over the internet is a new business phenomenon. One of the benefits of the internet as a means of introducing and marketing products or services. From the financial side, digital Marketing is very promising for increasing business income. With digital marketing communication and transactions can be done at any time/real time and can be accessed all over the world, one can also see a variety of goods via the internet, most of the information about various products is available on the internet, ease of ordering and the ability of consumers to compare one product with another product (Kotler & Keller, 2008). Digital Marketing, Sánchez-Franco et al., (2014) defines digital marketing as the result of Marketing Evolution. Evolution happens when companies use digital media channels for most of the marketing. Digital media channels can be overcome and allowed continuous, two-way, and personal conversations between marketers and consumers. Digital Marketing or online advertising has experienced phenomenal growth since its inception in 1994 (Robinson et al., 2007) the Internet has become the fastest growing advertising media in this decade (Ha, 2008) in line with the development of the internet, a new understanding of the marketing paradigm in the form of modern market/consumer-oriented marketing concepts or marketing revolutions in the form of electronic marketplaces (Arnott and Bridgewater, 2002). (Chandra et al., 2001) states that in the context of business, the internet brings a transformational impact that creates a new paradigm in business, in the form of Digital

Marketing if it used to be known traditional business interaction model that is face to face, then now the interaction model has evolved towards modern electronic-based interaction or faceless e-commerce, namely Business to Business (B2B), Business to Customer (B2C) and Customer to Customer (C2C) with the ultimate target of serving Segment of One (Arnott & Bridgewater, 2002). According to (Paquette, 2013) in today's technology driven world, social networking sites have become an avenue through which retailers can expand their marketing to a wider range of consumers. One of the main challenges that marketers have to face is to know how to persuade someone and how to create ways to attract and retain potential customers. This problem can be easily solved by creating or allowing customers to interact or talk about them through the use of digital media. According to the results of Ramida's research (2022), it proves that digital marketing has a positive and significant effect on the income variable of MSMEs in Polewali Regency, Polewali Mandar Regency. And by (Teguh, Budi and Muhammad, 2018) Food MSME Online Marketing Strategy (case study in Cibinong Subdistricethe results showed that the research of food MSME ol marketing strategy in Cibinong subdistrict gave the following conclusion: ol marketing has increased the income of food MSME respondents in Cibinong subdistrict 10-32%. And in accordance with Nurul Riska Arumsari's research (2022) with the title Digital Marketing role Research in technology-based MSME development efforts in Plamongansari Semarang Village, she said that digital technology has a significant influence on MSMEs. The emerging technology paradigm leverages the potential of stronger and more sustainable MSMEs. Social media and e-commerce can be a sales platform for MSME actors.

LITERATURE REVIEW

UMKM

Micro Small and medium enterprises or SMEs is a form of business undertaken by individuals or more. Usually, MSMEs themselves are home businesses or factories with a scale that is not too large. Micro, Small and Medium Enterprises (MSMEs) have a good impact on the economy of each country; therefore, the government is very concerned about the sustainability of MSMEs so that their existence remains sustainable.

Income

Money income received and given to the subject of the economy on the basis of those achievements that were handed over, and used for reasonable survival. According to the Indonesian Association (2004:23.2) in Financial Accounting Standards, the definition of income is: income is the gross inflow of economic benefits arising from the company's activities during a period when the inflow resulted in the loss of assets that did not come from investment contributions.

Production

According to (Soeharno, 2009), production is an activity or activities to be able to increase the benefits that can be done by combining indicators of production factors such as capital, labor, technology, managerial skills. Production is a process of merging and coordination between materialmaterials or raw materials and the ability or forces (inputs, resource factors or production services) in making or producing something (output or product) to meet needs (Setiawati, 2013). Production is an action or activity to process or transform production factors or inputs into products and services or outputs (Agustina & Kartika, 2017). According to (Sukirno, 2011) that the relationship between several factors of production and the level of production that it creates is called the production function.

Modal

According to (Teguh, 2010) capital can be interpreted physically or non-physically. In the physical sense is everything or something that is inherent and very important to the production factors in question are such as machinery and equipment used in the production process, vehicles and buildings. Capital is also the funds needed to purchase factors of production or any variable inputs to be used in the production process to produce output. While (Chairunnisa, 2013) states that working capital is an investment (investment) of the company on a time scale involving cash, receivables, and inventories. This shows that with a large working capital, production will increase so that working capital and production have a positive relationship.

Labor

According to (act No. 13 of 2003 article 1), Labor is any person who is able to perform work both inside and outside of work in order to produce goods and services to meet the needs of society. Labor is the workers employed to carry out activities in the production process. Broadly speaking, the workforce can be classified into two, namely based on its nature and based on the quality and ability (Budiman, 2015). Labor is one of the important factors in the production process to produce goods and services for businesses. One of the important factors in production is the labor factor. According to (Suparmoko & Irawan, 1992) the success of economic development is influenced by production factors. The factors of production include the population (Human Resources), which is meant by the population in human resources is the population of working age. According to law No. 13 of 2003 on labor, labor is any person who is able to perform work in order to produce goods and/or services both to meet their own needs and for the community. In law No. 25 of 1997 defines labor is the population aged 15 years or more, while the latest law on Labor is law

no. 13 of 2013 does not provide an age limit in the definition of labor, but the law prohibits the employment of children. Children according to law No. 25 of 1997 on employment is a man or woman who is less than 15 years old. According to (Simanjuntak, 1985) labor includes people who are working, who are looking for work and doing activities such as attending school and taking care of the household. Job seekers, residents who attend school and residents who take care of the household although not working, but physically able and at any time can work in the production process to produce goods and services. Labor is the person who carries out activities and uses equipment with technology to produce goods of economic value.

Long Time Effort

Length of business is the length of a person to pursue the business undertaken. Length of business can also be interpreted as the length of time that traders have lived in running a business. The length of business is the length of traders working in the trading business that is being undertaken at this time (Poniwati, 2008:5). The length of an effort can give rise to the experience of trying, where experience can affect one's observation in behavior (Sukirno, 2006). There is an assumption that the longer a person runs his business, the more experienced the person will be. While the work experience itself is the process of forming knowledge or skills about the methods of a job due to involvement in the performance of job duties. A person's business experience can be known by looking at the period or period of a person's work in pursuing a particular job. The longer a person does business/activity, the experience will increase. This business experience can be incorporated into informal education, which is a daily experience that is done consciously or not in the work and social environment (Simanjuntak, 2001).

Digital Marketing

Digital marketing as a result of evolutionary marketing. Evolution happens when companies use digital media channels for most of the marketing. Digital media channels can be overcome and allowed continuous, two-way, and personal conversations between marketers and consumers (Sánchez-Franco et al., 2014). Kaufman and Horton (2014) point to digital marketing as a non-traditional marketing model. According to Lane (2008) in (Katherine Taken Smith, 2011) digital marketing is the practice of promoting products and services using digital distribution channels. Digital marketing is

also referred to as e - marketing and includes digital or online advertising, which sends marketing messages to customers. According to Coviello et al, in (Fawaid, 2017) Digital Marketing is the use of the internet and the use of other interactive technologies to create and connect dialogues between companies and consumers that have been identified. They also argue that e-marketing is part of e-commerce. According to Sanjaya and Tarigan (2009: 47) Digital Marketing is a marketing activity including branding that uses various media. For example, blogs, websites, e-mail, adwords, and various kinds of social media networks.

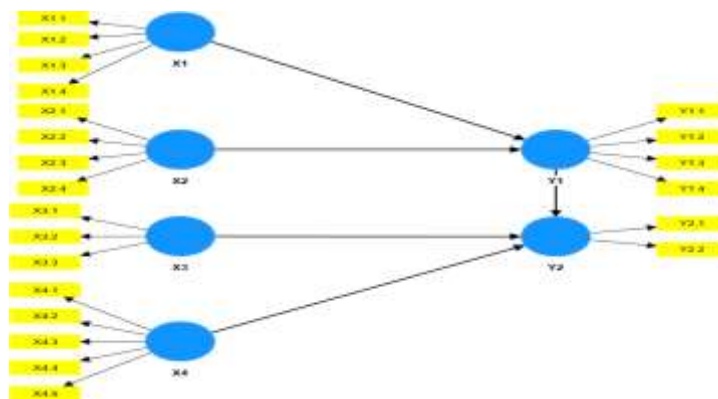


Figure 1. Conceptual Framework

Hypothesis

Based on background research and the relationship between variables, the research hypothesis:

1. H1 capital indirect effect on revenue (Y2) through production (Y1) MSMEs in Tebing Tinggi City
2. H2 Labor indirectly affects income (Y2) through production (Y1) of MSMEs in Tebing Tinggi City
3. H3 business duration has a significant direct effect on MSME revenue in Tebing Tinggi City
4. H4 Digital Marketing has a significant direct effect on MSME revenue in Tebing Tinggi City

MATERIAL AND METHODS

This study uses quantitative methods to test and prove hypotheses that have been made

through various tests and data processing. This is mentioned Schiffman and Kanuk (2000: 19), quantitative research methods are concerned with methods for collecting data, sample design, and construction of data collection instruments. In addition, Malhotra (2006:161) reveals that the quantitative approach is a research methodology that seeks to quantify data and usually applies a specific statistical analysis. Based on the dominant type of data processed in the form of numbers, then this research is a category of quantitative research (Sekaran, 2007). The tool used in this study is a questionnaire that is distributed to a sample of a predetermined population.

Types and sources of Data used in this study, namely: primary Data, which is the source of data obtained in this study directly

from respondents and in the form of opinions of subjects individually or in groups, the results of observation of an object, activity, or event. Secondary Data, which is the source of data obtained in this study from several literatures, such as books, journals, magazines, social media, websites and other sources of information that are still relevant to this study.

The population of this study covers the entire Micro, Small and medium culinary sector spread across the district of Tebing Tinggi province of North Sumatra. Population Data of small and Medium Enterprises culinary sector in Tebing Tinggi amounted to 1118 population data. The sample is the part of the population that represents it. Samples used in the study SEM (Structural Equation Modeling) is a minimum of 100 samples (Ferdinand, 2005 :80). According to Ghozzali (2005: 64) in the SEM method the sample size is between 100-200. Guidelines for determining the sample size (sample size) for SEM according to Solimun (2002: 78) so that the sample is 110 SMEs as respondents.

The method of data collection in this study will be done in the following ways: 1.Literature study, literature study is carried out by collecting information from books, journals and other literature relevant to research problems which are then used as a theoretical basis. This literature study was conducted at the stage of preparation of literature review (Chapter II) and preparation of research stimuli. 2.Field study, field study is the main study conducted by distributing questionnaires to 81 respondents who meet the criteria as research respondents. Distribution of questionnaires is done through online questionnaires. In the process of distributing research questionnaires, purposive sampling method is used as needed based on certain criteria or considerations (judgment).

Analysis techniques, hypothesis testing research conducted by structural Equation Model (SEM) approach based on Partial Least Square (PLS). PLS is a structural equation modeling (SEM) based on

components or variants. Structural Equation modeling (SEM) is a field of statistical study that can test a series of relationships that are relatively difficult to measure simultaneously.

RESULTS

Evaluation Of The Measurement Model (Outer Model)

Testing of measurement models will be carried out to show the results of validity and reliability tests. In this study, the validity test is conducted to determine whether the construct is qualified to continue as research or not. In this validity test, there are two kinds of evaluation that will be done, namely

Reliability Indicators

Indicadori Reliability indicates the amount of variance of each indicator described through latent variables obtained from the value of the loading factor as follows:

Table 2 External Loading

	X1	X2	X3	X4	Y1	Y2
X1.1	0.809					
X1.2	0.734					
X1.3	0.833					
X1.4	0.737					
X2.1		0.715				
X2.2		0.702				
X2.3		0.773				
X2.4		0.795				
X3.1			0.683			
X3.2			0.892			
X3.3			0.881			
X4.1				0.738		
X4.2				0.845		
X4.3				0.673		
X4.4				0.872		
X4.5				0.791		
Y1.1					0.82	
Y1.2					0.791	
Y1.3					0.538	
Y1.4					0.705	
Y2.1						0.621
Y2.2						0.914

Source: primary data processed, 2023

Based on Table 2 above it can be seen that the loading value of each latent variable is greater than 0.4 which means that no indicator variable should be eliminated from the model.

Convergent Validity

Convergent Validity a model of measuring items that have a value based on the correlation between the item score and the value of the construct. The Convergent Validity index is measured by the factors

AVE, composite reliability, and Cronbach's Alpha. The following are the results of the Ave, composite reliability and Cronbach alpha indices, which can be seen in Table 3 below:

Table 3 Convergent Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0.801	0.845	0.861	0.607
X2	0.746	0.764	0.835	0.559
X3	0.773	0.853	0.862	0.679
X4	0.845	0.858	0.89	0.619
Y1	0.715	0.733	0.81	0.521
Y2	0.399	0.508	0.751	0.61

Source: primary data processed, 2023

Validity and reliability criteria can also be seen from the value of the reliability of a variable and the value of the average Variance Extracted (AVE) of each variable. The variable is said to have high reliability if the value of composite reliability is above 0.7 and AVE is above 0.5. Based on Table 4.2 above, it can be stated that all variables meet the composite reliability because the value obtained is above the recommended number, which is above 0.7 which meets the criteria.

Table 4 Discriminant Validity (Cross Loading)

	X1	X2	X3	X4	Y1	Y2
X1.1	0.809	0.211	0.466	0.319	0.146	0.214
X1.2	0.734	0.035	0.325	0.182	0.085	0.274
X1.3	0.833	0.237	0.378	0.281	0.162	0.383
X1.4	0.737	0.154	0.407	0.181	0.041	0.321
X2.1	0.18	0.715	0.138	0.14	0.132	0.227
X2.2	0.165	0.702	0.103	0.111	0.09	0.227
X2.3	0.096	0.773	0.122	0.11	0.176	0.184
X2.4	0.243	0.795	0.27	0.152	0.18	0.233
X3.1	0.518	0.192	0.683	0.217	0.16	0.196
X3.2	0.477	0.194	0.892	0.329	0.16	0.357
X3.3	0.34	0.183	0.881	0.371	0.229	0.434
X4.1	0.312	0.166	0.305	0.738	0.303	0.366
X4.2	0.267	0.126	0.25	0.845	0.451	0.27
X4.3	0.121	0.153	0.241	0.673	0.297	0.243
X4.4	0.283	0.117	0.371	0.872	0.418	0.372
X4.5	0.284	0.121	0.314	0.791	0.333	0.352
Y1.1	0.144	0.175	0.247	0.607	0.82	0.25
Y1.2	0.12	0.215	0.073	0.23	0.791	0.194
Y1.3	0.025	-0.138	0.15	0.191	0.538	0.156
Y1.4	0.129	0.128	0.194	0.185	0.705	0.183
Y2.1	0.154	0.048	0.26	0.121	0.249	0.621
Y2.2	0.384	0.328	0.39	0.453	0.209	0.914

Discriminant Validity

Discriminant Validity of the measurement model with indicator reflection can be seen from the cross-loading value of the measurement with the construct. If the correlation of measurement constructs is greater than that of other constructs, it can be concluded that latent constructs have sizes in their blocks better than sizes in other blocks (Ghozali, 2014). The following is the output of Discriminant Validity test results using SmartPLS 4.0:

Based on the table.4 above it can be seen that the loading factor for each indicator of each latent variable has a relatively larger value when compared with the value of indicators of other latent variables.

The following are the test results of the outer model that shows the value of the outer loading by using the Analysis tool SmartPLS v4.

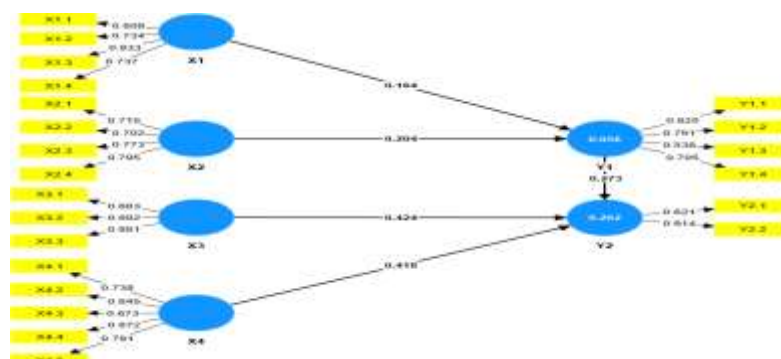


Figure 2 Outer Model Test Results

Based on the results of the analysis shown by Figure 2 shows that as many as 22 variables as a whole, there are 20 variables have a value greater than 0.7 and as many as 2 variables have a value below 0.7. This can also be seen from the loading factor value of each construct data in this study which is shown in Table 4.3 below:

Table 5 Loading Factor Values Of Construct Data

	X1	X2	X3	X4	Y1	Y2
X1.1	0.809					
X1.2	0.734					
X1.3	0.833					
X1.4	0.737					
X2.1		0.715				
X2.2		0.702				
X2.3		0.773				
X2.4		0.795				
X3.1			0.683			
X3.2			0.892			
X3.3			0.881			
X4.1				0.738		
X4.2				0.845		
X4.3				0.673		
X4.4				0.872		
X4.5				0.791		
Y1.1					0.82	
Y1.2					0.791	
Y1.3					0.538	
Y1.4					0.705	
Y2.1						0.621
Y2.2						0.914

Source: primary data processed, 2023

From the results of the analysis as shown in Table 5 above shows that the loading factor value of each indicator 1 construct has been above 0.7 in addition to the old business construct (X3) indicator 1 and Digital Marketing (X4) indicator 3 and the revenue construct (Y2) indicator 1 which has a value smaller than 0.7

Evaluation Of The Structural Model (Inner Model)

Evaluation of the structural model in this study using 3 tests, namely: (1) R-Square, (2) F-Square and (3) Mediation Effect: (a) Direct effect and (b) Indirect Effect.

R-Square

R-Square is a measurement of the proportion of variation in the value of the influenced variable (endogenous) that can

be explained by the influencing variable (exogenous). This test is useful to predict whether the model in this study is good or bad (Juliandi, 2018). The following R-Square test results are shown in Table 4. 5 below:

Table 6 R-Square

	R-square	R-square adjusted
Y1	0.056	0.038
Y2	0.262	0.241

Source: primary data processed, 2023

Based on Table 6 above, it can be concluded that the R-Square test results obtained values of 0.038 at Y1 and 0.241 at Y2. This indicates that the ability of variables X1 (capital) and X2 (Labor) in explaining Y1 (production) is 3.8% and likewise the ability of variables X3 (length of business) and X4 (Digital Marketing) in explaining Y2 is 24.1%.

F-Square

Mediation Effect

a. Direct Effect

Direct effect analysis was carried out in order to test the hypothesis of the direct influence of a variable that affects (exogenous) to a variable that is influenced (endogenous) (Julianato, 2018). The criteria in testing the hypothesis of direct influence (direct effect) are as follows.

First, the path coefficient : (a) if the value of the path coefficient is positive, then the influence of a variable on other variables is unidirectional, meaning that if the value of a variable that affects increases, the value of the variable that is affected will also increase; and (b) if the value of the path coefficient is negative, then the influence of a variable on other variables in the opposite direction, which means that if the value of a variable increases, the value of other variables will decrease. The conclusion or hypothesis is accepted when the P-Values <0.05 and rejected when the P-Values > 0.05.

Table 7 Direct Effects

	Original sample(O)	Sample mean(M)	Standard deviation(STDEV)	T statistics (O/STDEV)	P values
X3 -> Y2	0.305	0.3	0.093	3.268	0.001
X4 -> Y2	0.262	0.288	0.124	2.101	0.036

Source: primary data processed, 2023

The path coefficient in Table 7 shows that all path coefficients are positive and less than 0.05. This indicates that variable X3 (length of business) has a direct influence on Y2 (revenue) with P-Values smaller than 0.05 ($0.001 < 0.05$) and likewise variable X4 (Digital Marketing) has a direct influence on Y2 (revenue) with P-Values smaller than 0.05 ($0.036 < 0.05$). Based on these results, hypothesis 3 and hypothesis 4 in this study are accepted.

b. Indirect Effect

Indirect effect analysis was conducted to test the hypothesis of indirect influence of an influencing variable (exogenous) to an influencing variable (endogenous) mediated or mediated by an intervening variable (mediator variable) (Juliandi, 2018). The criteria to determine the indirect effect are: (1) if the value of P-Values < 0.05 then the mediation variable affects indirectly between exogenous variables to endogenous variables and (2) if the value of P-Values $>$

0.05 then the mediator variable does not mediate the influence of an exogenous variable to an endogenous variable.

Table 8 Indirect Effects

	Original sample(O)	P values
X1 -> Y1 -> Y2	0.028	0.000
X2 -> Y1 -> Y2	0.039	0.000

Source: primary data processed, 2023

Based on Table 8 above, it can be concluded that the variable X1 (capital) indirectly has no influence on Y2 (income) through the mediation variable Y1 (production) with P-Values < 0.05 ($0.000 < 0.05$). The same thing is also found in the variable X2 (Labor) indirectly has an influence on Y2 (income) through the mediation variable Y1 (production) with P-Values > 0.05 ($0.000 < 0.05$). Therefore, hypothesis 1 and hypothesis 2 in this study are accepted.

The following are the test results of the inner model that shows the value of the outer loading by using the Analysis tool SmartPLS v4.

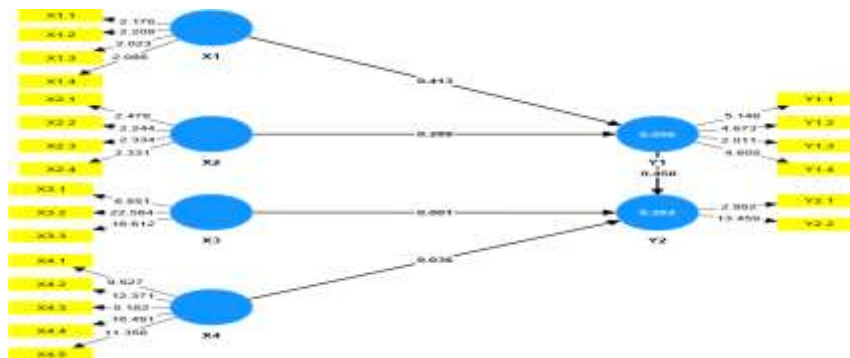


Figure 3 Inner Model Test Results

DISCUSSION

The Influence Of Capital On The Income Of MSMEs In The Culinary Sector Through Production

The results of the first hypothesis test showed that there is an influence of capital on opinion through production with P-Value < 0.05 ($0.000 < 0.05$). Based on these

results, it can be concluded that the higher or greater the capital spent by MSME actors will have an impact on the income to be obtained. This indicates that the greater the Capital owned by MSMEs, the greater the level of production produced in order to meet consumer needs so that it affects the increase in business income or in other

words, the large or small amount of inventory is able to affect the efficiency of the trial and working capital at the time of production so that it affects the income of MSMEs. This result is in line with research conducted by Sari dan (Dewi,2017) which revealed that capital has an indirect effect on income through production. This statement is also supported by (Suartawan & Purbadharmaja ,2017) which states that the model has a significant positive effect on the opinion indirectly of wood sculpture craftsmen in Sukawati subdistrict, Gianyar regency which can be seen through production as a mediation variable.

For a company to survive and not go bankrupt, it is essential to have a good management of working capital. because the capital that must be spent to buy or make merchandise is called working capital. This working capital can be provided monthly or whenever there is an order. Without working capital, orders cannot be fulfilled or goods cannot be traded. The product will be sold after it is created and the business owner will get revenue from the sale (Novitasari, 2017).

The amount of capital stock that is large or small can affect the efficiency of inventory and working capital during the production process, thus affecting the income of MSMEs. However, the existence of inventories that are too large compared to the needs will increase maintenance costs, increase the possibility of damage, and reduce quality, so that production produced to meet consumer needs so that it affects the increase in business income or in other words the large or small amount of inventory can affect the efficiency of trial and working capital at the time of production so that it affects the income of MSMEs. This result is in line with research conducted by Sari dan (Dewi,2017) which revealed that capital has an indirect effect on income through production. This statement is also supported by (Suartawan & Purbadharmaja ,2017) which states that the model has a significant positive effect on the opinion indirectly of wood sculpture

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The amount of capital stock that is large or small can affect the efficiency of inventory and working capital during the production process, thus affecting the income of MSMEs. However, the presence of inventory that is too large compared to the needs will increase maintenance costs, increase the likelihood of breakdowns, and degrade quality, thereby reducing revenue. The results of this study are also in line with (Gede Ngurah,019) stated that capital, labor and production have a positive and significant effect on income. Production is an intervening variable that mediates the influence of capital variables on income partially, and production is also an intervening variable that mediates the influence of Labor variables on income partially.

According to (Bahri,2017), Business Capital is all assets that can be used to increase output in the production process, either directly or indirectly. In the economic explanation, capital is a good along with a factor of production, and Labor will produce new goods and services.

When a company carries out its operations, its working capital must be taken into account. Working capital is needed to ensure operations run optimally and prevent financial crises. Working capital has a role in determining an increase in income because the presence of working capital will affect the smooth running and development of the business, so that working capital can

affect income levels (Fitriyani and Suwondo, 2021).

When a business is established or expanded, venture capital is essential; the production stage depends heavily on capital. If the venture capital is less, it will have an impact on the company's net profit (Utari & Dewi, 2014). A study (Setiaji & Fatuniah, 2018) found that capital adequacy can increase or decrease productivity. This can increase sales turnover and revenue. In addition, previous research on venture capital has been conducted (Vijayanti & Yasa, 2016; Rani, 2019; Alifiana et al., 2021). The results explain whether venture capital has a positive and significant impact on earnings. The capital condition of MSMEs in the culinary sector in the city of Tebing Tinggi is currently good and will continue to be developed through the KLIBI program and MSME entrepreneurs are also trying to increase their own capital in order to increase production, but of course business actors must adjust to market needs so that there is a balance between market demand and, meanwhile, if the culinary sold is food that has been packaged and can last a long time, of course the more capital and the number of goods available and the many variations, the better, meaning that capital will affect it directly. The more products and variants sold, the more opportunities for business actors to increase their income.

The Influence Of Labor On The Income Of MSMEs In The Culinary Sector Through Production

The results of the second hypothesis test showed that there is an influence of Labor on income through production with a p-Value of < 0.05 ($0.000 < 0.05$). Based on these results, it can be concluded that the higher or greater the number of workers or the quality of labor provided by MSME actors will have an impact on the income to be obtained. It also proves that with Labor, will be able to increase the production of a business and is closely related to the amount of production to be sold in order to meet consumer demand so that thus, the opinion

of the business will increase. This result is in line with research conducted by (Astari & Setiawin, 2016) which found that Labor mediated by production was shown to have a significant effect on the income of asparagus farmers. The statement was also supported by (Wirawan & Indrajaya, 2019) who revealed that Labor had a positive effect on the income of Pie SMEs in Denpasar City through production as a mediation variable.

In addition to the number of businesses, the food and beverage industry also has the highest employment, which means that this industry can help reduce the unemployment rate. Culinary SMEs in the city of Tebing Tinggi, along with helping tourism, can help reduce the unemployment rate as they have high employment compared to other industries. The food and beverage industry can be a leading sector due to its high production value compared to other sectors. Factors of supply and demand for labor are influenced by the level of wages, while the amount of Labor placement or employment rate is influenced by wage factors. The more capable workforce will produce more products, which in turn will generate more income for employers and workers. In addition, if production output increases with the aim of increasing income, then the labor required will become more (Polandos et al, 2019).

Labor is the driving factor and other input factors, labor is very important in production. Without Labor, other factors of production would be meaningless. Increased labor productivity will encourage production, which in turn will increase income. If many products are sold, the entrepreneur will be able to increase his production, which in turn will generate more of the required labor, which in turn will increase income (Sumarsono, 2013). Inefficiency, or waste, will occur when the workforce is poorly managed. In an effort to meet market demand, every entrepreneur must manage employee working time more accurately and pay attention to the quality of Labor to produce products as expected so as

to increase their income (Mahayasa and Yuliarmi, 2016).

The state of the culinary sector workforce in the city of Tebing Tinggi is currently trying to improve, especially skills in work, skills that are currently being developed are more into the use of technology because the program that has been provided is aimed at marketing that takes place online as an agenda of Business Supervision. And so that the workforce is expected to follow the guidance that has been provided at KLIBI (Business Clinic) in the city of Tebing Tinggi. Some who have already followed the guidance are expected to increase it again while the workforce or workers who have not followed the guidance are expected to immediately follow it with the direction of the UMK business owner.

The Effect Of Long-Standing Business On The Income Of Msmes In The Culinary Sector

The results of the third hypothesis test showed that there is a direct effect of business duration on income with P-Values < 0.05 ($0.001 < 0.05$). This indicates that the longer the business runs, the more the income obtained by an MSME will increase. This result is in line with research conducted by (Husaini,2017) which in his research states that the longer an entrepreneur runs his business, the more knowledge he will have about how consumer behavior and market conditions. Because the length of a business can triggers a struggling experience, it can affect an entrepreneur's assessment of consumer behavior. This result was also supported by (Rani,2019) who explained that the length of business partially had a positive and significant effect on income.

Business length or length of business is a term used to describe how long a trader has been working in his current business. The length of an effort can affects a person's level of observation of behavior. In other words, the more time the trader spends in the company, the more information he gets. In addition, companies with more

experience and a longer history of success can benefit indirectly from a larger network of contacts, which will help them sell their goods. The amount of time a person spends pursuing a particular job can be used to gauge their business experience. The more time a person spends pursuing a job or activity, the more experience about customers and market behavior he will gain (Lantang and Kirana, 2022).

Long-standing business has an impact on the income of Landungsari traditional market traders, such as business experience and future plans. The more experience a person has, the better their trading skills, which has an impact on forming better business relationships and successful customers. In addition, the experience gained by traders increases with the length of their efforts. According to (Prihatminingtyas ,2019) the experience of trying, which is generated by the length of effort, can affect a person's level of observation of behavior. This statement is also supported by (Polandos et al, 2019) which states that the longer a business is run, the more business and customer relationships are formed, which results in increased revenue. Length of work also affects income because the more skilled a worker is, the more income is generated through the expertise or skills he has.

The Old State of the culinary sector business that runs in the city of Tebing Tinggi today certainly has an effect in addition to the experience and challenges that have been faced and certainly if the business is a long-running business, it must have attended klibi coaching which is expected to improve the knowledge of business actors in the effort. In addition, businesses in the city of Tebing Tinggi is also a long-running business usually receive capital assistance from the city government of Tebing Tinggi. Because there are several conditions such as SIB (business license) that must be owned to get Capital Assistance which is certainly obtained if the business has been running for a certain period of time.

The Influence Of Digital Marketing On The Income Of MSMEs In The Culinary Sector

The results of the fourth hypothesis test showed that there is a direct effect of Digital marketing on revenue with P-Values < 0.05 ($0.036 < 0.05$). This indicates that the better the digital marketing process of an MSME runs, the more the income obtained will increase. This result is in line with research conducted by (Setiawan et al,2021) which reveals that digital Marketing has a positive and significant effect on increasing the profits of Micro, Small and Medium Enterprises (MSMEs). This statement is also supported by (Nasution and Silalahi,2022), who in their research mention that Digital Marketing applied by MSMEs in the culinary field has a great effect on their income and really helps them in marketing their products.

Digital marketing shows the ease of global business by making it easy for MSME actors to share their products. Marketing is a primary thing according to a series of business activities that act on aspects of services and products. Marketing is also very chosen whether the business is run to form a profit or not. Marketing which is thought to be the use of internet media becomes a marketing medium where MSME actors can market and sell their products using digital vehicles. On the progress of marketing and product sales which will bring up the event of the progress of income obtained by business actors (Ramida et al, 2022).

Researchers found that the use of Digital marketing in marketing its products is quite effective, especially in increasing revenue. Small and medium businesses (MSMEs) have become accustomed to using digital marketing, especially in the city of Tebing Tinggi. This is because using digital marketing allows manufacturers to reduce promotional costs and earn more money by maximizing profits and minimizing losses.

With online stores and food delivery services, marketing will become more widespread. The existence of e-commerce

will make products better known by Indonesians, and the presence of e-commerce will increase sales and make it easier for buyers to buy food outside the home. The e-commerce app also offers attractive promotions, which will surely benefit all three parties: the seller, the buyer and the platform.

Digital Marketing is the activities, norms, and strategies that are facilitated by digital technology, value can be created, communicated, and delivered to consumers and parties concerned or related. In this increasingly sophisticated era, digital marketing has become one of the marketing alternatives that continues to grow because it is considered more effective for target acquisition in the market. Businesses that use digital marketing have many advantages, such as fewer marketing costs and easier relationships between buyers and sellers. Digital marketing, of course, has strategies other than utilization; one of them is using technology to improve business interaction with customers and do interesting things via the internet, which includes planning and analysis to make customers feel interested and continue to be in touch with business (Nasution and Silalahi, 2022).

Small and medium enterprises (MSMEs) living in the digital age are starting to use digital marketing. Digital marketing is a mutually active and integrated activity intended to facilitate the relationship between producers of goods and services, their distribution, and potential consumers. In other terms, digital marketing provides a space for businesses to convey all the needs and desires of potential customers. Potential customers can also search and get information about goods or services by using various applications, which makes the search easier. Small-to large-scale businesses use technology to grow their businesses. Many competitors who are considered MSME rivals use appropriate marketing and communication strategies to reach the market to increase sales and profits (Pradiani, 2018).

By enabling small and medium enterprises (MSMEs) to share their products, digital marketing makes it easier for global businesses. The set of business actions focused on products and services is called marketing. Marketing also strongly chooses whether a business forms a profit. Marketing that is thought to refer to the use of internet media as a marketing medium where small and medium businesses (MSMEs) can market and sell their goods using digital vehicles. Progress in marketing and selling products will result in an increase in income owned by these businesses. Therefore, the use of digital marketing by MSME producers in Tebing Tinggi City can increase the income of each producer.

Digital Marketing in the city of Tebing Tinggi is already running and indeed accommodation has not fully supported the delivery of food orders such as GRAB and GOJEK and the like that are not yet available in the city of Tebing Tinggi. It's just that it still runs with existing e-commerce and potluck such as couriers or motorcycle taxis ordered by sellers or buyers through social Media applications. Of course, Digital Marketing in Tebing Tinggi has the potential to be developed again so that information is as wide as possible to various provinces in Indonesia and even abroad. Itula existence KLIBI (Business Clinic) in Tebing Tinggi so that as much as possible all business actors in the city of Tebing Tinggi especially the culinary sector.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Based on the results of the study it can conclude as follows:

1. The results of the first hypothesis test showed that there is an indirect influence between capital and income through production mediation variables with P-Values < 0.05 ($0.000 < 0.05$)
2. The results of the second hypothesis test showed that there is an indirect influence

of Labor on income through production mediation variables with P-Values < 0.05 ($0.000 < 0.05$)

3. Based on the results of the third hypothesis test shows that there is a direct effect of the old business on revenue with P - Values < 0.05 ($0.001 < 0.05$)
4. Based on the results of the third hypothesis test shows that there is a direct effect of Digital Marketing on revenue with P-Values < 0.05 ($0.036 < 0.05$).

RECOMMENDATIONS

Suggestions researchers from research that has been done are as follows:

1. In order for MSMEs to run well and not go bankrupt, capital management must also be good, it will also certainly facilitate production and can increase revenue as well. And trying to develop capital directly to increase business production activities that can increase revenue at the same time.
2. We recommend that MSME actors increase labor productivity to encourage production activities increasing production will certainly increase MSME income and actors should conduct training for workers to have expertise in the field of business that is run in order to improve the quality of goods produced/produced.
3. In addition, the researcher also advised MSME actors to further improve knowledge in the business sector obtained through the length of the business carried out so that the income received increases. By paying attention to and learning about each problem related to the cause of the decline in sales and looking for alternative, more creative solutions by adjusting the circumstances that are trending.
4. The author suggested that MSMEs should emphasize better Digital marketing activities because the delivery of product information produced will be more quickly conveyed to potential

consumers through social Media. Besides the current issues of the threat of MSMEs in Tebing Tinggi due to the connection of the Medan to kesiantar toll road which may have an impact on reducing motorists who stay in Tebing Tinggi. For this reason, it is necessary to emphasize Digital marketing activities so that the products sold can be introduced as attractively as possible and become a strength for MSMEs in Tebing Tinggi City to survive and exist.

5. The author also suggested to the government, especially the city of Tebing Tinggi to play a real role as an initiator, facilitator, mediator, coordinator and regulator in order to realize an economic development strategy based on MSMEs. In various ways such as training on the application of good Digital marketing and attracting consumers, strengthening the provision of capital for MSMEs, and various other things that aim to increase income and development of MSMEs in Tebing Tinggi city, especially the culinary sector or increasing KLIBI (Business Clinic) activities that have been running.

Declaration by Authors

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