https://doi.org/10.57125/FEL.2023.09.25.06

How to cite: Baraja, H., & Chaniago, H. (2023). Investigation of Business Capital and Product Innovation in Culinary Business Development: Evidence from a Densely Populated City. *Futurity Economics&Law, 3*(3). 97-114. https://doi.org/10.57125/FEL.2023.09.25.06

Investigation of Business Capital and Product Innovation in Culinary Business Development: Evidence from a Densely Populated City

Hanaa Baraja

Department of Business Administration, Bandung State Polytechnic, Bandung, Indonesia, https://orcid.org/0009-0003-8033-3824

Harmon Chaniago*

Department of Business Administration, Bandung State Polytechnic, Bandung, Indonesia, https://orcid.org/0000-0002-7089-5757

***Corresponding author**: *harmon@polban.ac.id*.

Received: May 28, 2023 | **Accepted:** August 17, 2023 | **Published:** September 25, 2023

Abstract: Micro-enterprises have a great position and contribution to the Indonesian economy. The phenomenon in the research area is that micro-businesses in the culinary sector prefer using owner's capital even though micro-businesses lack funds. Complicated requirements and procedures for bank sources of funds make them reluctant to seek additional sources of funds from banks. As a result, the innovations that occur do not run smoothly, and they tend to clone each other, especially in terms of taste, packaging, price, and service. This study investigates the role of business capital, product innovation, and its relationship with the culinary sector business development in a densely populated small town, Cimahi City, Indonesia. An explanatory survey method was used in the study in order to provide explanations and phenomena. The data was taken using the G-form and social media, a sample of 260 respondents. Data analysis used mean tests and regression tests. This study found that business capital and innovation positively impact business development. The partial test also showed that each variable positively affected micro-enterprise development in the culinary sector. The research results are helpful for business actors in terms of venture capital and product innovation use. The innovation cloning is required when funds and knowledge are limited. Future research must be developed and

implemented using the same concept on SMEs at various levels and sectors. To help micro-enterprises, the government can play a significant role through real policies favouring SMEs.

Keywords: business capital; product innovation; micro-enterprise development; culinary sector; innovation cloning.

Introduction

The Government of Indonesia categorises SMEs into groups of micro, small, and medium enterprises. SMEs are productive businesses owned by individuals or business entities. The criteria for a micro business is to have a total net worth of USD 3,333 and total annual sales of USD 20,000 (Undang-undang No. 20, 2008). Micro-enterprises significantly contribute to the country's economy and economic development (Chaniago, 2021b, 2022; Susanto & Meiryani, 2019).

The existence of micro-enterprises has an essential role in employment and people's welfare improvement. In addition, the reality of micro-enterprises is also a significant contributor to foreign exchange for the Indonesian state, and the speed of development of these micro-enterprises can enter national and international market shares (Kadeni & Srijani, 2020). Table 1 presents the contribution and development of SMEs and micro-enterprises that have occurred in Indonesia.

Table 1

Contribution and Development of SMEs and Micro Enterprises in Indonesia in 2018-2019

No	Indicators	Unit	2018		2019		Development 2018-2019	
			Amount	Percentage (%)	Amount	Percentage (%)	Amount	(%)
1	Micro, Small, and Medium Enterprises (SMEs)	(Unit)	64,194,057	99.99	65,465,497	99.99	1,271,440	1,98
	Micro Enterprises	*(Unit)*	*63,350,222*	*98.68*	*64,601,352*	*98.67*	*1,251,130*	*1.97*
2	SMEs labour	(*Person*)	116,978,631	97.00	119,562,843	96.62	2,584,212	2.21
	Micro Enterprises	*(Person)*	*107,376,540*	*89.04*	*109,842,384*	*89.04*	*2,465,844*	*2.30*
3	GDP at Constant Price Basis 2000 SMEs	(*IDR. Billion*)	5,721,148	57.24	7,034,146	57.14	1,312,998	22.95
	Micro Enterprises	*(IDR. Billion)*	*2,927,890*	*29.29*	*3,701,368*	*30.07*	*3,773,477*	*26.42*

Source: KemenkopUKM (2020) (processed data)

Table 1 provides information that of the number of existing SMEs, 98.67% consist of micro business units. This means that the number of micro-businesses is larger in quantity. Likewise, in terms of employment contribution, micro businesses are higher. However, the contribution to the GDP of micro-enterprises is lower than other businesses in SMEs. This proves that the performance of micro-enterprises is still lagging behind the performance of small and medium enterprises. One reason is the lack of innovation and business capital in business development.

Research Problem

This research was conducted in a small, densely populated city, namely Cimahi City, Indonesia. Cimahi has many textile, garment, and small business industries. The field survey results showed that some SMEs (Small and Medium Enterprises) belong to the micro class, such as the culinary sector. Many residents depend on informal business activities for life. But on the other hand, their business still has problems in its operations and development.

The results of tracing the data at the research location obtained the number of micro-enterprises in Cimahi; there were 76,833 business units (Open Data Jabar, 2021), and the survey obtained information that some business actors used their own money to run their businesses. They had doubts about taking out a loan because they were worried that they will not be able to repay the loan and were reluctant to accept assistance because of the complexity of the procedures they go through. A study by Chaniago (2021a) on small businesses in Bandung also proved the same. The field phenomenon showed that micro-entrepreneurs used relatively small capital to build their businesses. As a result, the speed to develop and innovate became an obstacle. Even though the Indonesian government is providing capital assistance for economic recovery due to the COVID-19 pandemic, other facts show that some business actors who use capital assistance do not understand how to manage these funds and tend to use them for daily life. Even though, theoretically, the size of the capital will affect the development of their business and income (Alisaningtyas, 2020).

If analysed more deeply, the problems that arise in micro-enterprises are not found only in access to capital, but the low level of product innovation causes a decrease in consumer buying interest. Product innovation activities will improve purchasing decisions (Kotler & Keller, 2016). The low product innovation is caused by the inability of micro-entrepreneurs (owners and employees) to produce new products and improve old products to become more valuable. Micro-entrepreneurs' behaviour in the culinary sector, on average, has a minimal willingness to try something new; they tend to imitate what people already have and have succeeded in doing. Competition occurs regarding selling prices, serving menus, and product appearance. The results of the interviews also provide information, and some business actors think that they cannot compete with other businesses and think that product innovation is expensive and complicated. When viewed from the products they produce, they have a remarkable ability to go even further. It seems that there is distrust of individual actors in the culinary sector in innovating.

Fast-changing preferences and consumer tastes in food choices force culinary entrepreneurs to continuously innovate and with adequate capital support. Having sufficient business capital and innovating products to meet consumer needs is predicted to get into an increasingly competitive market. Aziz (2014) assumed in this context that the culinary sector is one of the business sectors that will continue to experience growth. As long as humans live and there are many of them in one (densely populated) area, they need food.

The explanation that has been submitted informs that in densely populated cities, the culinary business remains promising. Business actors will prosper if there is adequate capital support and continuous innovation. Actors are supposed to force the innovation of various things in order to attract consumers, even though the situation is uncertain (during the COVID-19 pandemic).

Research Focus

This research bridges and investigates the relationship between business capital requirements and product innovation for business development in the culinary sector during the COVID-19 pandemic. Although many researchers have researched capital, innovation, and business performance, those who specifically research micro-enterprises, the culinary sector, uncertain situations (during the COVID-19 pandemic), and occur in densely populated areas have never been done by anyone. This study aims to investigate the above mentioned problems. The results of this study contributed to clarifying the role of

business capital and the importance of product innovation for the sustainability of micro-businesses in the culinary sector.

Research Aim and Research Questions

The subjects of this study were micro-entrepreneurs in the culinary sector in Cimahi City, Indonesia. The research object is business capital entrepreneurs' use, product innovation and business development. The study aimed to investigate the role of business capital, product innovation, and their relation in the development of the culinary sector business in the densely populated small town of Cimahi, Indonesia. Therefore, the research question to be answered is, "How does the role of business capital owned by companies and product innovation affect the development of the culinary sector business"?

Research Hypotheses

The research formulated the subsequent hypotheses:

H1: Business capital positively affects micro-business development in the culinary sector.

H2: Product innovation positively affects micro-business development in the culinary sector.

H3: Business capital and product innovation simultaneously have a positive effect on the development of the culinary micro-business sector

Literature review

Culinary sector business

Systems theory can be used to dissect interrelationships, changes between parts of the organisation, and the impact of the external environment on business activities. This theory realises business as a complex system with various interacting components. The systems theory as a grand theory was used in the study. At the same time, other theories were used, such as the theory of the use of capital, the theory of innovation, and the theory of business development. These theories were predicted to produce a comprehensive and in-depth analysis of the culinary sector business.

The effort is a mental or physical activity carried out by a person who aims achieving a specific goal. Business can make humans become more independent individuals. Business is not only about income because business can also create jobs for others and help yourself and others. Success can be achieved if the business actors are serious about running their business. Business is an economic activity that is vital in meeting human needs. Norvadewi (2015) describes several fields of business in the economic field, including trade, production processes, marketing, and human interaction. The culinary sector refers to businesses providing food and drinks for the community, such as restaurants, cafes, food stalls, catering, etc. Based on the information gathered from various references, this study defines the culinary sector business as the mental and physical activities of humans carrying out business activities in the culinary/human food sector to get certain profits or satisfaction.

Micro-enterprises usually have limited resources, minimal capital, limited labour, and market access, including culinary micro-businesses. Therefore, most micro-businesses sell their products in the local market—products sold by culinary micro-sector businesses, such as serving local specialities or products with local characteristics. Setting up a micro business does not require large capital; usually, the owner acts as well as the operator. Several studies report the important role of micro-enterprises in a country. However, the challenges include competition from large and medium businesses, difficulties in developing to the middle level, licensing issues, and difficult government access to banking and regulations.

Each city has its culinary characteristics. This characteristic gives rise to culinary diversity. The more is the culinary diversity, the more are consumer choices. This diversity is developed by

entrepreneurs who have product innovation and capital. The speed with which entrepreneurs innovate will determine the variety of culinary products sold.

Business capital

An understanding of capital theory can assist companies in making efficient financing decisions and achieving their long-term financial goals. This theory relates to how companies choose and regulate the composition of sources of financing or capital used to finance their operational and investment activities. In this study the theory of capital was uses in order to analyse micro-businesses capital in the culinary sector.

Capital theory is based on the assumption that a company's value is influenced by its capital structure. Capital structure refers to the proportion and composition between the capital (equity) and the company's loan capital (debt). This theory explores the relationship between the capital structure, firm value, cost of capital, and financing decisions. Entrepreneurs need to understand when to use venture capital from external companies.

Business capital is the expenditure directed toward conducting business operations, acquiring or obtaining newer and more advanced capital assets, or replacing outdated capital assets that are no longer in use (Purwanti, 2012). Business capital in the form of money is used to carry out daily business activities. Putri et al. (2014) and Vijaya and Irwansyah (2017) explain business capital as the amount of money used by business owners to finance various business activities. Business capital can be summed up as expenditure used to establish or run a business through funds. Business capital finances investment in assets, processing business licenses, to working capital (Sukirno, 2006). This study formulates business capital of money that business people use to generate money (profit) from their business activities. Purwanti (2012) and Vijaya and Irwansyah (2017) share four indicators for measuring venture capital, namely:

a. The capital requirements for business. Business capital is an absolute requirement needed to start a business activity. All businesses or businesses need a certain amount of funds to continue to operate the business.
b. The utilisation of additional capital. It must be done properly in arranging the loan capital from banks or other financial lending institutions. Additional capital must be used for the original purpose, namely to develop the business. Many business actors fail to manage loan capital because it is used for consumptive rather than productive spending.
c. The access to the external capital. The access to the external capital is a way to get business capital from outside the business or funds obtained from creditors or financial institutions. In providing loan capital, creditors/financial institutions must give easy requirements for obtaining bank credit. Banks still demand several requirements that prevent some business actors from fulfilling them, making it difficult for them to obtain capital assistance from external parties.
d. The state of the business after adding capital. After the addition of capital, there will be hope that the business will further develop.
e. There are several sources of business modes, including own capital and foreign capital. Each of these sources of capital has advantages and disadvantages. Each company's needs and capabilities largely determine the most profitable source of capital.

Several research results have proven that business capital influences business development, such as research results from Alisaningtyas (2020) and Iasoma et al. (2021). This study aims to re-evaluate whether similar trends occur within the culinary micro business sector.

Product innovation

The innovation theory can be used for the development of innovation in business. The ability to understand the factors that influence innovation, innovation strategy, and managing the innovation

process will increase the competitiveness of companies. The development of a product will require the ability to understand the theory of product innovation. The product innovation theory is a conceptual framework used to understand and explain the process of creating innovation in products or services. This theory examines the factors that influence and support product innovation, the strategies used, and their impact on the success and growth of the company. This study uses product innovation theory to analyse product innovation in the culinary micro business sector.

References have explained that innovation has a relationship with ideas and creativity. Innovation and creativity are two related terms (Chaniago, 2021a). Thus, the creativity is defined as an individual's ability to increase/add value, and creativity also refers to an individual's ability and is a concept, idea, or imagination that has not materialised. At the same time, innovation is an idea that has been realised. Innovation comes from ideas, past ideas, or ideas owned by local people, and entrepreneurs often imitate existing products and redevelop them to suit the current era (Chaniago, 2020). According to Bresciani et al. (2021), innovation is a view that assumes that business actors can apply creative ideas in overcoming problems and looking for opportunities to market their products because business actors will try to advance their business and technology. Innovation is needed for a business to become more competitive and survive (Hubeis, 2012). Innovation mostly focuses on product or technological innovation when viewed from a manufacturing context, and innovation must focus on what consumers need (Chaniago, 2021a). Kogabayev and Maziliauskas (2017) explain innovation as the creation of new ideas and their implementation into new products, processes, or services, which leads to dynamic national economic growth and increased employment and profit creation for business companies. Seeing the researchers' explanations about innovation, innovation in this study is defined as the implementation and creation of a creative idea for both products and technology that aims to advance their business and technology.

The purpose of innovation is to create changes because, without changes, innovation will not be created. Innovation has several stages in its implementation, such as introduction, encouragement/invitation, decision-making, implementation, and confirmation. Innovation does not have to lead to the ultimate goal of becoming an advanced business because, in reality, no one can ensure in advance whether the innovation will be successful and make a business grow even more (Sya'roni & Sudirham, 2012).

In terms of its relation to products, products can be traded in the market to get attention, be purchased, used, or consumed to fulfil wants and needs (Kotler & Keller, 2016). Products are the result of the production process carried out by entrepreneurs. They are then offered to consumers to meet their daily needs, basic needs, consumer satisfaction, and lifestyle, which the results from product sales are referred to as income for a business (Apriyanti, 2018).

Several references have been formulated regarding product innovation. Firmansyah and Syamsudin (2016) define product innovation as developing new products or significantly improving products and introducing them to the market. The product innovation is a process of providing new goods or improving goods offered (Utaminingsih, 2016). In another sense, product innovation is a process of development and change related to the performance of a product carried out by a business (Zimmerer & Scarborough, 2008). Based on the existing explanations and references, this research formulates product innovation as developing and increasing product value according to consumer needs through various efficient ways. The product innovation is measured by a design change, technical innovation, and product development.

Various companies are competing to attract consumers by enforcing innovation of the products they produce. The product innovation can occur in changes in packaging, size, manufacturing process, distribution channels to consumers, and management efficiency. Firmansyah and Syamsudin (2016);

Zimmerer and Scarborough (2008) concluded that product innovation can be formulated into three indicators, namely:

a. The Design change is a series of stages in getting the desired result, namely an improvement from the initial point.
b. Technical innovation is a way of new technology, new services, and new, more valuable ways.
c. The product development is an effort made by the company to develop new products and modify old ones.

From existing references, Visnjic et al. (2014) and Jusufi et al. (2020) reported that the product innovation affects business development. However, there is no information on whether the same thing has happened to the culinary sector.

Micro-enterprise development

The theory of business development refers to various approaches and frameworks used to understand the stages and processes of growth experienced by businesses. This theory explains the business development from its initial stage into a more mature and successful organisation. Business development theory helps owner entrepreneurs understand the stages of development that typically occur in business life and identify challenges and appropriate strategies at each stage. Through this understanding, entrepreneurs can make better decisions in managing and advancing their businesses. There are many theories of business development. This study uses value chain theory in analysing the result of a business. Value Chain Theory (VCT) sees business as part of a value chain that involves various activities and stakeholders. Business development depends on how companies establish relationships and collaborate with partners in the value chain to create and deliver value to customers.

Concerning micro-enterprises, the Indonesian Central Bureau of Statistics classifies a business based on its number of workers; for micro-enterprises, it has 1-5 workers. According to the Indonesian Law, Number 20 of 2008, a micro business is a productive business owned by an individual or an individual business entity that meets the criteria for a micro business, namely having a maximum net worth of USD 3,333, which does not include land and buildings where the company is located or have sales results in one year a maximum of USD 20,000. The characteristics of micro-enterprises include: the goods sold can change at any time, the location of the business is sometimes not fixed, financial management is mixed with personal finance, the entrepreneurial spirit is not sufficient, the level of education is low, access to banks is low, but non-bank institutions are high, they do not have legality (Latumaerissa, 2015).

The business development is an analytical preparation activity regarding opportunities for potential growth by utilising business advantages, technology, intellectual property, and external directives to improve business quality and efforts to expand business (Budiarto et al., 2015). The development of micro-enterprises is also referred to as processes and actions that aim advancing businesses in a better direction and are carried out to create growth from small to large (Karnawati & Fathorrahman, 2016). The development of micro-enterprises is a crucial component that is carried out to advance the country's economy (Yunal & Indriyani, 2013). From the explanation of business development, this study defines it as an increase in various company activities by utilising various existing resources.

The micro business development can be seen from four indicators (Budiarto et al., 2015; Karnawati & Fathorrahman, 2016; Yunal & Indriyani, 2013), namely:

a. The increase in income, determined by the increase in income, is the overall total income obtained from a business unit, company, or organization in a certain period. The size of the income is an important indicator in determining the development of a business. A business will be said to be

growing if the total income is high. In order to achieve a substantial income, a business actor must be able to provide goods and services of the highest quality and by the wishes of consumers.

b. An increase in the number of customers is a process of consumer growth or a change in consumer conditions for the better in a certain period. Regular consumers buy products/services repeatedly at the same place and for a long time. The increase in customers is measured by the increase in regular customers in a goods/service provider business. A business can be said to be growing if the number of its customers is always increasing.

c. Improving product quality is an effort to produce quality products according to consumer desires. High product quality is a competitive advantage. Quality products can be used as a powerful weapon to win market competition. A product can be considered a quality product if the product can meet the needs and exceed what the customer expects. A business will be said to be developing if the business actors are always trying to improve the quality of their products according to market demand.

d. Improving the quality of human resources is very influential on the development of micro-enterprises because high-quality human resources will contribute creative ideas to develop a business in a better direction. For a business to run well a company must have high-quality human resources; this aims to provide better innovation for business development in the long term. A business will easily develop if the quality of its human resources continues to improve.

Research Methodology

In this research a quantitative approach with an explanatory survey method was used. The explanatory survey research method was used to explain and provide an overview of the reasons for the occurrence of an event or concept and a universal description of an idea. Therefore, the explanatory survey method is called a causal research method (Gursida & Harmon, 2017).

Data, Number of samples, and Sampling

The research was conducted in a small town (Cimahi City, Indonesia) which is densely populated and has many middle-class industries. Data were retrieved using the Google Form (G-form) platform, filled out by culinary sector micro-entrepreneurs. Social media is used for communication. Samples were taken by incidental sampling technique based on coincidence and meeting at the research location. Suppose you meet with micro-business actors in the culinary sector within one month. In that case, the person concerned is a respondent, and the g-form link is sent via the respondent's social media. Because the number of populations was unknown, the determination of the number of samples was used an internal approach. Gursida and Harmon (2017), Hair et al. (2010) stated that each indicator was at least multiplied by 5. This study had 11 indicators, each multiplied by 25; the total sample required was 275 respondents. Of the incoming samples, 15 samples were not feasible to be processed because they were incomplete. Thus the total sample used in this study was 260 samples.

Research Instrument Test

There were 11 research instrument indicators, and all changed to a questionnaire format. There were 19 question items, with six questions representing venture capital variables, six representing product innovation variables, and the other 7 representing micro business development variables. All question items used a Likert's Scale of 1-5, which can be interpreted from strongly disagree to strongly agree. Before data dissemination, the questionnaire was tested on 30 prospective respondents. The test results obtained validity for all question items with a correlation value of > 0.3 and a reliability test above 0.7. This means that all questionnaire items were valid and suitable for respondents in this study (Gursida & Harmon, 2017; Sugiyono, 2021).

Data analysis

Respondents' demographic data was tested using the average test, and to see the interrelationships between variables, a multiple regression test was used. To speed up data processing, SPSS and AMOS 23 software were used. This study conducted the t-test and F-test. The t-test was used to determine the partial effect and the F-test to determine the simultaneous effect of the study variables. Two references can be used as a basis for making decisions on partial hypothesis testing that used the t-test:

1. Look at the significance value of the SPSS calculation results and compare it with the alpha level (α is set at 0.05), if the calculated significance level is <0.05, then accept the H1 hypothesis or H2 hypothesis and vice versa
2. Comparing the t-count value with the t-table (T-Distribution Tables). The basis for making a decision is if the t-count value> t-table then accepts the H1 hypothesis or H2 hypothesis and vice versa.

The same thing was also done for hypothesis H3. The basis for making business capital and product innovation decisions was determined by the F test as follows:

1. Look at the significance value of the SPSS calculation results and compare it with the alpha level (α set at 0.05), if the calculated significance level is <0.05, accept hypothesis H3 and vice versa
2. Comparing the F-count value with the F-table. The decision-making was based on the F-count value > F-table (F-Distribution Tables, α = 0.05), so accept the H3 hypothesis and vice versa.

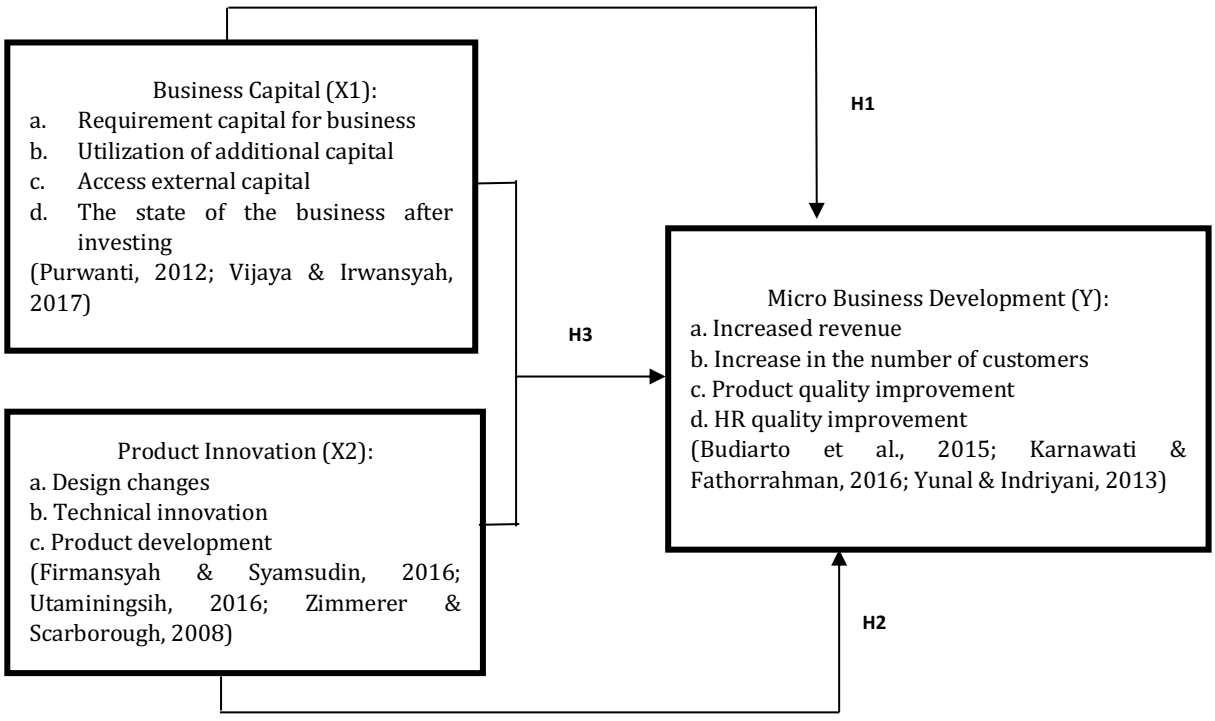
Because this research was processed with SPSS software, the decision-making for the t-test and F-test used method no. 1 or compare the calculated significance value with the alpha level of 0.05.

The relationship between research variables

Based on previous research evidence and assumptions that have been conveyed in the background and references, the interrelationships between researches variables are as follows:

Figure 1

Relations between research variables



Research Results

Respondent demographics are shown in Table 2 below:

Table 2

Profile of respondents

No	Description	Frequency	Percentage
1	Gender		
	Man	113	43.5%
	Woman	147	56.5%
2	Age (years)		
	22-26	120	46.2%
	27-31	62	23.8%
	32-36	36	13.8%
	37-42	42	16.2%
3	Company age (years)		
	1-5	103	39.6%
	6-10	82	31.5%
	>10	75	28.8%
4	Education		
	Elementary school	1	0.4%
	Junior high school	16	6.2%
	Senior high school	148	56.9%
	Diploma	31	11.9%
	Bachelor	64	24.6%
5	Net income/month (USD)		
	< 135	79	30.4%
	135-267	83	32%
	>267 – 400	94	36%
	>400	4	1.6%
6	Jumlah karyawan (person)		
	1	110	42.3%
	2	63	24.2%
	3	48	18.5%
	4	28	10.8%
	5	11	4.2%
7	Sources of business capital		
	Owner's equity	146	56.2%
	Loan capital	69	26.5%
	Grant	45	17.3%

Table 3

Average Value of Research Variables

Variable	Mean	Standard Deviation
Business capital	3.750	0.892
Product innovation	3.780	0.846
Micro-enterprise development	3.920	0.780

Regression Test

The regression test requires data to be normally and linearly distributed. Using the One-Sample Kolmogorov-Smirnov method, the normality test obtained significance (Asymp. Sig.) of 0.200. Because the significance value is > 0.05, it can be concluded that the data in this study are normally distributed. Meanwhile, from the linearity test, information is obtained that there is a linear relationship between

the variables of business capital and product innovation on business development variables. Correlation and regression tests are presented in Tables 4 and 5.

Table 4

Correlation Analysis Results

Correlations				
		Business capital	Product innovation	Micro-enterprise development
Business capital	Pearson Correlation	1	**0.614****	0.644**
	Sig. (2-tailed)		**0.000**	0.000
	N	260	260	260
Product innovation	Pearson Correlation	0.614**	1	0.733**
	Sig. (2-tailed)	0.000		0.000
	N	260	260	260
Micro-enterprise development	Pearson Correlation	**0.644****	**0.733****	1
	Sig. (2-tailed)	**0.000**	**0.000**	
	N	260	260	260
**. Correlation is significant at the 0.01 level (2-tailed)				

The correlation between business capital and micro-enterprise development is 64.4% significant at 0.000, and between product innovation and micro-enterprise development is 73.3% significant at 0.000. There is a significant correlation of 61.4% between business capital and innovation at 0.000 (see Table 4).

Table 5

Results of the Coefficient of Determination

Model Summary [b]									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.773 [a]	**0.597**	0.594	2.764	0.597	190.690	2	257	**0.000**
a. Predictors: (Constant), product innovation, business capital									
b. Dependent Variable: micro-enterprises development									

Information in Table 5 explains the total simultaneous influence of business capital and product innovation on micro-business development in the culinary sector, 59.7%, which is significant at 0.000.

Table 6

Results of Multiple Regression Analysis

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.

1	(Constant)	**2.635**	1.317		2.000	0.047
	Business capital	0.430	0.069	**0.312**	6.227	**0.000**
	Product innovation	0.666	0.062	**0.541**	10.791	**0.000**
a. Dependent Variable: micro-enterprises development						

Table 6 describes the regression coefficient of business capital at 0.312, significant at 0.000, and the regression coefficient of product innovation on business development at 0.541, significant at 0.000. If we input the information in Table 4, Table 5, and Table 6 into the regression formula, then the total, partial effect of each variable is as follows:

$$Y = B_1X_1 + B_2X_2$$

$$Y = (0.312 \times 0.644) + (0.541 \times 0.733)$$

$$Y = 0.20092 + 0.39655$$

$$Y = 20.092\% + 39.655\% = 59.7\%$$

The above equation explains that the total effect is the accumulated partial effect of the independent variables (business capital + product innovation) on the dependent variable (micro-enterprise development). Partial effect: business capital 0.20092 and product innovation 0.39655. This partial effect is the contribution of each independent variable to the dependent variable. If the total effect is not the same as R-Square, there is a possibility of an error taking the data information in Table 5. Thus to determine the contribution of each independent variable, "Standardised Coefficients (Beta)" is used in Table 5. But if the research objective was to determine the trend or prediction then "Unstandardized Coefficients (Beta)" should be used.

In Table 6, information was also obtained that the calculated significant level for the business capital variable is 0.000 <0.05 (alpha level). Thus, for the t-test, it is concluded that accepting the H1 hypothesis or the hypothesis that reads "Business capital positively affects micro-business development in the culinary sector" can be accepted. Likewise, for the H2 hypothesis, a significant level of 0.000 <0.05 means that the H2 hypothesis can be accepted or "Product innovation positively affects micro-business development in the culinary sector" provides clear evidence. As for the F test, the information comes from Table 5 (Sig. F Change) with a value of 0.000 <0.05. It means accepting the H3 hypothesis or the hypothesis that reads "Business capital and product innovation simultaneously have a positive effect on the development of the culinary micro-business sector" can be accepted.

From the regression equation, it can be concluded:

1. The simultaneous effect of business capital and product innovation on business development is 59.7%, the significance is calculated at 0.000 <0.05 or the H3 hypothesis, which reads, "Business capital and product innovation simultaneously have a positive effect on the development of the culinary micro-business sector," provides evidence and is acceptable.
2. The partial effect of product innovation on business development is 39.655%, the significance is calculated at 0.000 <0.05, or the H2 hypothesis, which reads, "Product innovation positively affects micro-business development in the culinary sector," can be accepted.
3. The partial effect of business capital on business development is 20.092%, which has a calculated significance at 0.000 <0.05, or the H1 hypothesis, which reads, "Business capital positively affects micro-business development in the culinary sector," provides evidence and is acceptable.

Discussion

The research data underwent a reliability test, and the results indicated that all the collected data met the necessary criteria for utilisation. This conclusion was drawn based on the finding that the value of α> 0.7 indicates satisfactory reliability. The descriptive testing (see Table 3) showed what the culinary sector micro-entrepreneurs feel. The average value of the business capital variable is 3.750, which belongs to the "sufficient" category leading to good. Business actors think their capital is sufficient to run their daily business, such as purchasing raw materials, new production machines, service furniture, etc. The requirements provided by lenders for business capital are rather difficult. After obtaining loan capital, they find it quite easy to develop and market their business to a wider area.

The average value of the product innovation variable was 3.780, which was classified as "sufficient" towards good. These results show that business actors in densely populated cities feel that they have sufficiently carried out various innovations and updates to products by adding characteristics to make them look unique and attractive in the eyes of consumers; they have used new production techniques and have used new technologies, and have strived to improve product quality so that consumers like it and has provided safe packaging for the products sold. However, their innovation efforts are still limited and not optimal because education is still relatively low, and there is little knowledge and a lack of university graduates willing to enter the SME sector.

The average value of the micro business development variable is 3,930, which belongs to the "sufficient" category, leading to good. The results showed that the culinary sector micro-entrepreneurs in the research location feel quite good about increasing monthly sales income. Table 2 explains that 68% (32%+36% = 68%) of respondents have a net income above the Indonesian government standard, between IDR 2 million and IDR 6 million/month. This income is enough to live a simple life in a densely populated small town like Cimahi during the Covid-19 pandemic. An increase in sales means an increase in the number of customers and the level of customer trust. Entrepreneurs have tried to improve their culinary products' taste and quality. In recruiting employees, employers choose skilled and innovative employees.

The results of regression testing partially the effect of business capital on business development is included in the low criteria, but the effect is positive. Theoretically, this proves that business capital is not just money but is also determined by other factors, such as network, trust, personal guarantees, experience, creativity, ability to see opportunities, and others. This means integrating these factors will make it easier for entrepreneurs to get capital easily and quickly. For example, entrepreneurs can take goods on credit from their network. This is under the system theory, which states that the company's goals are easily achieved when the components are integrated.

Usually, entrepreneurs use capital in the form of money for business opening, business expansion, and daily operations. For novice entrepreneurs (start-ups), the network is still small, so business development is very dependent on business capital in the form of money because one of the supporting factors in starting a business is cash capital. Purwanti (2012) reminded us that business capital is needed to run a business. Capital is the main factor that must be available before running a business. The capital's size will affect the business's development in obtaining income. However, proper calculations are needed to use various sources of capital. The theory of capital has reminded entrepreneurs that they need to understand when using capital from external companies. The average respondent uses minimal capital and comes from their capital. Although the study results found that capital affects company development, if the capital employed is minimal, it will be difficult for entrepreneurs to increase their income. The findings of this study are similar to those of Alisaningtyas (2020) and Iasoma et al. (2021); they concluded that business capital has a positive and significant effect on the development of SMEs so that the higher the business capital owned, the easier it is to increase income and the faster business development will be achieved.

The product innovation, is very important and a determining factor in the development of a business. Implementing product innovation consists of designing product packaging and adding product features/attributes, ultimately producing unique and competitive products in the market. A business can be categorised as a growing business with the creative level of the products offered. The results of partial testing of product innovation have proven to affect business development with sufficiently strong criteria positively. This effect has not been maximized due to: 1. Fast changes in consumer preferences and tastes in choosing and consuming food; 2. the ability of entrepreneurs to understand innovation theory, such as the factors that determine product innovation and the strategy to be used, is still weak. Lestari et al. (2015) proposed that entrepreneurs must constantly innovate to win the market competition and survive amidst increasingly competitive business competition. This means that the speed of product innovation from entrepreneurs must be able to keep up with changes in consumer tastes in densely populated cities. Consumers will abandon entrepreneurs who can't afford it. The way to follow changes in consumer tastes is to clone innovations. Innovation cloning learns from successful entrepreneurs and modifies them according to their individual needs. This study's results align with the findings of Visnjic et al. (2014) and Jusufi et al. (2020) that product innovation positively affects business development. This means that the higher the product innovation carried out by SMEs, the faster SMEs grow.

Correlation test results also show that business capital is highly correlated with product innovation. The correlation is positive and significant (see Table 4). This finding explains that business actors who have high capital will easily bring to the innovation of products and will be able to develop their businesses. This is because business actors with high capital are more likely to innovate, easy to organize business activities, and easy to develop their business. This finding is by the theory of business development. Besides that, the study results also show similarities with the findings of Mustofa and Anisa (2021) that product innovation and business capital positively affect a business's development.

Regression testing provides information that simultaneously, the two independent variables are proven to have a positive effect of 59.7% (see Table 5) and are included in the high enough criteria. This happens because micro-business actors in the culinary sector in densely populated cities own and utilize their business capital well and carry out sufficient innovation activities in their products. The explanation is that micro-entrepreneurs willingness to innovate is not maximized due to limited funds, knowledge, and education. Another cause is limitations in accessing external resources (Bello et al., 2018). In this case, micro businesses need to be given encouragement and understanding so that they have a high desire to develop their capabilities, to raise the innovation of products, and produce products that can compete in the market (Herliana, 2015; Nugroho & Poernomo, 2017; Tahi Hamonangan Tambunan, 2011). Increasing product innovation among SMEs will be carried out more effectively through government roles and policies (Chaniago, 2021b; Herliana, 2015; Nugroho & Poernomo, 2017). One way of fast product innovation for entrepreneurs is by cloning innovations. Chaniago (2021b) states that cloning innovation is adopting ideas, imitating, and modifying what others have done in various business processes. In this context, ter Braak and Deleersnyder (2018) caution that cloning innovation is an attractive alternative with low costs and limited risk of failure. Therefore various strategies are needed to increase income and maintain the sustainability of a business (Hardilawati, 2020).

Conclusions and Implications

This research investigated the role of business capital and product innovation in developing micro-enterprises in the culinary sector in a densely populated small town, namely: Cimahi City, Indonesia. The business capital and innovation have a good effect on increasing their business development. In the culinary sector, the ability of entrepreneurs to innovate products greatly determines the growth of their business, and the availability of funds correlates with innovation. However, this innovation has not been maximised, because they still lack capital, the majority use their

capital, knowledge is still limited, the involvement of university graduates in micro-enterprises is minimal, and the innovations carried out have not been supported by adequate research. At least the findings of this study provide an overview and benefits for businesses and academics regarding the role of business capital, innovation, and the development of micro-enterprises in the culinary sector.

Suggestion for Future Research

This research was conducted on the culinary micro business sector and used only venture capital, product innovation, and business development variables. Even though theoretically, many factors influence innovation and the development of a business. Therefore, this research needs to be continued, especially in big cities. In the future, researchers can develop it using the absorptive capacity, cloning innovation, intellectual capital, entrepreneurial leadership, and digital transformation variables.

Micro-enterprises need assistance from the government, such as licensing ease policies, bank access, internet access in business areas, regulation of business premises and cleanliness of the environment, and provision of business premises in strategic places while maintaining the city's beauty.

Acknowledgements

None.

Conflict of Interest

None.

Funding

The Authors received no funding for this research.

References

Alisaningtyas, E. F. (2020). Pengaruh karakteristik wirausaha modal usaha dan strategi pemasaran terhadap perkembangan usaha umkm sarang burung Wallet di Desa Kediren Kecamatan Kalitengah Lamongan [The Influence of entrepreneurial characteristics of business capital and marketing strategy on business development of small and medium enterprises of Wallet Bird's Nest in Kediren Village, Kalitengah District, Lamongan]. *Jurnal Ekonomi Mahasiswa (JEKMA) 1*(1). https://jurnalekonomi.unisla.ac.id/index.php/JEKMA/article/view/456

Apriyanti, M. E. (2018). Pentingnya kemasan terhadap penjualan produk perusahaan [The importance of packaging on company product sales]. *Sosio e-kons 10*(1), 20–27. http://dx.doi.org/10.30998/sosioekons.v10i1.2223

Aziz, R. (2014). *Mari intip saham sektor kosumsi yang menarik [Let's take a peek at interesting consumption sector stocks]*. SEPUTARFOREX. https://www.seputarforex.com/analisa/mari-intip-saham-sektor-konsumsi-yang-menarik-208100-21

Bello, A., Jibir, A., & Ahmed, I. (2018). Impact of small and medium scale enterprises on economic growth: Evidence from Nigeria. *Journal of Economics and Business*, *4*(1), 236–244. https://www.refaad.com/Files/GJEB/GJEB-4-2-7.pdf

Bresciani, S., Huarng, K.-H., Malhotra, A., & Ferraris, A. (2021). Digital transformation as a springboard for product, process and business model innovation. *Journal of Business Research*, *128*, 204–210. https://doi.org/10.1016/j.jbusres.2021.02.003

Budiarto, R., Putero, S. H., Suyatna, H., & Astuti, P. (2015). *Pengembangan UMKM antara konseptual dan pengalaman praktis [MSME development between conceptual and practical experience]*. Gadjah Mada University Press.

Chaniago, H. (2020). Investigation of factors influencing traditional retail success in small cities in Indonesia. *Journal of Applied Economic Sciences (JAES)*, (67), 65–75. https://www.ceeol.com/search/article-detail?id=852844

Chaniago, H. (2021a). Demographic characteristics and small business success: Evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, *8*(12), 399–409. https://doi.org/10.13106/jafeb.2021.vol8.no12.0399

Chaniago, H. (2021b). The effect of small business innovation and the role of government on the environment: Evidence from Indonesia. *International Journal of Energy Economics and Policy*, *11*(6), 198–205. https://doi.org/10.32479/ijeep.11808

Chaniago, H. (2022). Purchase motives of retail consumers nanostores: Evidence from Indonesia. *QUALITY-Access to Success*, *23*(186), 98–103. https://doi.org/10.47750/QAS/23.186.13

Firmansyah, H., & Syamsudin, A. (2016). *Organisasi dan manajemen bisnis [Organization and business management]*. Ombak.

Gursida, H., & Harmon, H. (2017). *Metode penelitian bisnis dan keuangan. Konsep dan implementasinya [Business and financial research methods. Concept and implementation].* Paspi.

Hair, J. F. J., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Pearson.

Hardilawati, W. L. (2020). Strategi bertahan UMKM di tengah pandemi Covid-19 [MSME survival strategy in the midst of the Covid-19 Pandemic]. *Jurnal Akuntansi Dan Ekonomika*, *10*(1), 89–98. https://doi.org/10.37859/jae.v10i1.1934

Herliana, S. (2015). Regional innovation cluster for small and medium enterprises (SME): A triple helix concept. *Procedia – Social and Behavioral Sciences, 169*, 151–160. https://doi.org/10.1016/j.sbspro.2015.01.297

Hubeis, M. (2012). *Manajemen kreativitas dan inovasi dalam bisnis*. PT Hecca Mitra Utama.

Iasoma, A., Sofhian, & Zainuddin, Y. (2021). Pengaruh modal usaha dan strategi pemasaran terhadap pengembangan usaha mikro di Kecamatan Kabila Kabupaten Bone Bolango [The influence of business capital and marketing strategy on the development of micro enterprises in Kabila District, Bone Bolango Regency]. *Journal of Sharia Financial Management*, *2*(2), 45–60. https://journal.uinsgd.ac.id/index.php/finansha/article/view/13923

Jusufi, G., Ukaj, F., & Ajdarpašić, S. (2020). The effect of product innovation on the export performance of Kosovo SMEs. *Management, 25*(2), 215–234. https://doi.org/10.30924/mjcmi.25.2.12

Kadeni, & Srijani, N. (2020). Peran UMKM (Usaha mikro kecil dan menengah) dalam meningkatkan kesejahteraan masyarakat [The role of MSME (Micro, small, and medium enterprises) in improving the welfare of the community]. *EQUILIBRIUM*, *8*(2), 191–200. http://e-journal.unipma.ac.id/index.php/equilibrium/article/view/7118/2791

Karnawati, T. A., & Fathorrahman. (2016, November 27). *Kajian tentang faktor internal dan eksternal yang mendukung pengembangan usaha produk unggulan lokal Sulam dan Bordir Kabupaten Malang [Study of internal and external factors supporting business development of local superior products of Sulam and Embroidery in Malang Regency]*. Semantic Scholar. https://www.semanticscholar.org/paper/KAJIAN-TENTANG-FAKTOR-INTERNAL-DAN-EKSTERNAL-YANG-Karnawati-Fathorrahman/76a7a52888a2f2281d120f4b6a4eb19184953495

KemenkopUKM. (2020). *Perkembangan data usaha mikro, kecil, menengah (UMKM) dan usaha besar (UB) tahun 2018-2019 [Development of micro, small, and medium enterprises (MSME) and large*

enterprises (LE) data in 2018-2019]. https://kemenkopukm.go.id/uploads/laporan/1617162002_SANDINGAN_DATA_UMKM_2018-2019.pdf

Kogabayev, T., & Maziliauskas, A. (2017). The definition and classification of innovation. *HOLISTICA, 8*(1), 59–72. https://intapi.sciendo.com/pdf/10.1515/hjbpa-2017-0005

Kotler, P., & Keller, K. L. (2016). *Marketing management* (15th ed.). Pearson.

Latumaerissa, J. R. (2015). *Perekonomian indonesia dan dinamika ekonomi global*. Mitra Wacana Medika.

Lestari, C., Lubis, N., & Widayanto, W. (2015). Pengaruh jaringan usaha, inovasi produk dan persaingan usaha terhadap perkembangan usaha mikro, kecil dan menengah (Studi pada IKM makanan di Kecamatan Kuningan Kabupaten Kuningan Jawa Barat) [The influence of business networks, product innovation and business competition on the development of micro, small and medium enterprises (Study on food SMIs in Kuningan District, Kuningan Regency, West Java)]. in Indonesian. *Jurnal Ilmu Administrasi Bisnis*, *4*(2), 185–196. https://ejournal3.undip.ac.id/index.php/jiab/article/view/8263

Mustofa, N. H., & Anisa, A. T. N. (2021). Pengaruh karakteristik wirausaha, modal usaha, strategi pemasaran terhadap perkembangan usaha mikro kecil menengah (UMKM) dengan inovasi sebagai variabel intervening (Studi kasus pelaku UMKM di Kabupaten Semarang) [The effect of entrepreneurial characteristics, business capital, marketing strategy on the development of micro, small and medium enterprises (MSMEs) with innovation as an intervening variable (Case study of MSME actors in Semarang Regency)]. *Jurnal Sketsa Bisnis*, *8*(2), 82–98. https://doi.org/10.35891/jsb.v8i2.2687

Norvadewi, N. (2015). Bisnis dalam perspektif islam (Telaah konsep, prinsip dan landasan normatif) [Business in the islamic perspective (An examination of concepts, principles, and normative foundations)]. *Jurnal Ekonomi Dan Bisnis Islam*, *1*(1), 33–46. https://media.neliti.com/media/publications/141373-ID-bisnis-dalam-perspektif-islam-telaah-kon.pdf

Nugroho, R. H., & Poernomo, E. (2017). The effect of competing ability and the role of triple Helix model on performance of micro-small-middle enterprises in Sidoarjo Regency. *International Journal of Advaced Research*, *5*(5), 1465–1472. http://dx.doi.org/10.21474/IJAR01/5205

Open Data Jabar. (2021). *Jumlah usaha mikro kecil menengah (UMKM) berdasarkan kabupaten/kota di Jawa Barat [The number of micro, small, and medium enterprises (MSMEs) based on regency/city in West Java]*. https://opendata.jabarprov.go.id/id/dataset/jumlah-usaha-mikro-kecil-menengah-umkm-berdasarkan-kabupatenkota-di-jawa-barat

Purwanti, E. (2012). Pengaruh karakteristik wirausaha, modal usaha, strategi pemasaran terhadap perkembangan UMKM di Desa Dayaan dan Kalilondo Salatiga [The effect of entrepreneurial characteristics, business capital, marketing strategy on the development of MSMEs in Dayaan and Kalilondo Villages, Salatiga]. *Jurnal Ekonomi Dan Bisnis*, *5*(1), 13–28. https://jurnal.stieama.ac.id/index.php/ama/article/view/65

Putri, K., Pradhanawati, A., & Prabawani, B. (2014). Pengaruh karakteristik kewirausahaan, modal usaha dan peran business development service terhadap pengembangan usaha (Studi pada sentra industri kerupuk desa Kedungrejo Sidoarjo Jawa Timur) [The influence of entrepreneurship characteristics, business capital and the role of business development services on business development (Study at cracker industry centers in Kedungrejo Village, Sidoarjo, East Java)]. *Jurnal Ilmu Administrasi Bisnis*, *3*(4), 313–322. https://ejournal3.undip.ac.id/index.php/jiab/article/view/6575

Sugiyono. (2021). *Metode enelitian kuantitatif kualitatif dan R & D [Qualitative quantitative research ьethods and R&D]*. Alfabeta.

Sukirno, S. (2006). *Makroekonomi: Teori pengantar [Macroeconomics: Introductory theory]*. Rajawali Press.

Susanto, A., & Meiryani, M. (2019). Antecedents of environmental management accounting and environmental performance: Evidence from indonesian small and medium enterprises. *International Journal of Energy Economics and Policy*, *9*(6), 401–407. https://doi.org/https://doi.org/10.32479/ijeep.8366

Sya'roni, D. A. W., & Sudirham, J. J. (2012). Kreativitas dan inovasi penentu kompetensi pelaku usaha kecil. [Creativity and innovation determine the competence of small business actors]. *Jurnal Manajemen Teknologi*, *11*(1). https://elib.unikom.ac.id/files/disk1/631/jbptunikompp-gdl-dedenawaha-31522-3-jurnala-).pdf

Tahi Hamonangan Tambunan, T. (2011). Development of small and medium enterprises in a developing country: The Indonesian case. *Journal of Enterprising Communities: People and Places in the Global Economy*, *5*(1), 68–82. https://doi.org/10.1108/17506201111119626

ter Braak, A., & Deleersnyder, B. (2018). Innovation cloning: The introduction and performance of private label innovation copycats. *Journal of Retailing*, *94*(3), 312–327. https://doi.org/10.1016/j.jretai.2018.06.001

Utaminingsih, A. (2016). Pengaruh orientasi pasar, inovasi, dan kreativitas strategi pemasaran terhadap kinerja pemasaran pada UKM kerajinan Rotan di Desa Teluk Wetan, Welahan, Jepara [The influence of market orientation, innovation, and marketing strategy creativity on marketing performance in Rattan craft SMEs in Teluk Wetan Village, Welahan, Jepara]. *Media Ekonomi Dan Manajemen*, *31*(2), 77–87. http://jurnal.untagsmg.ac.id/index.php/fe/article/view/411

Undang-undang No. 20 tahun 2008 tentang usaha mikro, kecil dan menengah [Law No. 20 of 2008 concerning micro, small and medium enterprises]. (2008). https://www.ojk.go.id/sustainable-finance/id/peraturan/undang-undang/Documents/Undang-Undang%20Nomor%2020%20Tahun%202008%20Tentang%20Usaha%20Mikro,%20Kecil,%20dan%20Menengah.pdf

Vijaya, D. P., & Irwansyah, M. R. (2017). Pengaruh modal psikologis, karakteristik wirausaha, modal usaha dan startegi pemasaran terhadap perkembangan usaha UMKM di Kecamatan Bulelengtahun [The effect of psychological capital, entrepreneurial characteristics, business capital and marketing strategy on the development of MSME businesses in Bulelengtahun District]. *Jurnal Pendidikan Ekonomi*, *5*(1), 45–51. https://doi.org/10.23887/ekuitas.v5i1.15571

Visnjic, I., Wiengarten, F., & Neely, A. (2014). Only the brave: Product innovation, service business model innovation, and their impact on performance. *Journal of Product Innovation Management*, *33*(1), 36–52. https://doi.org/https://doi.org/10.1111/jpim.12254

Yunal, V. O., & Indriyani, R. (2013). Analisa pengaruh motivasi berwirausaha dan inovasi produk terhadap pertumbuhan usaha kerajinan gerabah di Lombok Barat [Analysis of the influence of entrepreneurial motivation and product innovation on the growth of pottery crafts businesses in West Lombok]. *AGORA*, *1*(1). https://publication.petra.ac.id/index.php/manajemen-bisnis/article/view/250/0

Zimmerer, T. W., & Scarborough, N. M. (2008). *Kewirausahaan dan manajemen usaha kecil [Entrepreneurship and small business management]* (5th ed., Vol. 1). Salemba Empat.