

Improving MSME Performance Through Entrepreneurial Spirit and Business Motivation

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ABSTRACT

A company must have business motivation and a strong entrepreneurial spirit. The aim of this research is to determine respondents' responses regarding the entrepreneurial spirit and motivation of the food processing MSME business in the city (2021). The method used in this through entrepreneurial spirit and business research is a descriptive and verification motivation. Based on the results of statistical calculations, the magnitude of the path coefficient shows that entrepreneurial spirit has the greatest influence on MSME performance compared to business motivation, which shows that aspects such as self-confidence, courage to take risks, and innovation related to entrepreneurial spirit are more influential in improving performance. MSMEs are more than just business motivation. The dimension of self-confidence emerged as the most dominant aspect of entrepreneurial spirit, while originality (creativity and innovation) was ranked lowest. To improve entrepreneurial performance, individuals should focus on strengthening their originality by cultivating creativity and innovation, while continuously increasing their self-confidence. Business motivation has a positive and significant effect on the performance of MSMEs.

Keywords: Business Motivation; Business Performance; Entrepreneurial Spirit; MSMEs; Path Analysis

INTRODUCTION

West Java Province has significant potential for Micro, Small, and Medium Enterprises (MSMEs) development in Indonesia, where MSMEs play a crucial role in improving the welfare of its people. Currently, with 8,214,262 MSMEs employing 13,911,531 out of the total 18,137,043 working population, the majority of business owners and workers are concentrated in West Java. This presents a substantial opportunity to boost income and provide jobs in the informal sector. However, the key challenge is to nurture entrepreneurial spirit and business motivation among MSME owners ([Central Agency of Statistics Indonesia \[BPS Indonesia\], 2023](#)).

Business performance is the outcome of a series of processes where various resources, including human and financial, are utilized. Improved company performance is reflected through active efforts to maximize profits, with profit levels varying based on the company's scale. A strong entrepreneurial drive and business motivation are essential for performance, as businesses are primarily established to generate income and profits ([Ardiyanti & Mora, 2019](#); [Meiliawati & Isharijadi, 2017](#)).

Currently, there are several strategic problems in food processing in line with developments and community needs. The results of the initial survey that researchers conducted regarding research variables on 20 food-processed MSMEs in the city of Bandung can be seen in [Table 1](#) below.

Table 1. Initial Survey Results Regarding Business Performance, Entrepreneurial Spirit, and Business Motivation in Food Processed MSMEs in Bandung City

No	Questions	Answers	
		Yes	No
1	Does your sales target always increase every year?	8 40%	12 60%
2	Have you experienced an increase in income compared to before?	14 70%	6 30%
3	Do you always expand the marketing area for the products you produce?	5 25%	15 75%
4	Do you have confidence in facing assignments or work?	16 80%	4 20%
5	Are you profit-oriented, persistent, and hard-working?	16 80%	4 20%
6	Do you dare to take risks?	18 90%	2 10%
7	Are you able to generate new ideas about products?	7 35%	13 65%
8	Are you able to produce something new and different from what is available now?	7 35%	13 65%
9	Do you always want to look different or always take advantage of differences?	14 70%	6 30%
10	Do you have the motivation to make big profits in the world of entrepreneurship?	20 100%	0 0%
11	Do you feel challenged to do a job that frees up all your creativity?	8 40%	12 60%
12	Do you always coordinate with departments within the scope of the company?	14 70%	6 30%

Based on the initial survey results in [Table 1](#), it can be seen from respondents who said that 60% of processed food sales did not increase each year due to the post COVID-19 pandemic which resulted in business actors being affected by their sales. 75% of business actors have not expanded the marketing area for the products they produce, because business actors only sell locally and do not market their products on social media or anything else. 65% of business people have not been able to generate new ideas about products. This shows that the majority of business actors only produce certain types due to the lack of ideas for creating new products, and 65% of business actors have not been able to produce something new and different from current products. Based on the initial survey results above, it can also be seen that 60% of business actors do not feel challenged to carry out creative activities, because most business actors focus only on profits.

The entrepreneurial spirit is the driving force behind entrepreneurship, reflected in a person's attitude and behavior, characterized by creativity and the determination to turn innovative ideas into reality. This spirit is essential for improving business performance and encouraging entrepreneurs to expand their businesses. The purpose of this guidance is to motivate entrepreneurs to grow their ventures while emphasizing the importance of an entrepreneurial mindset. A strong entrepreneurial spirit and business motivation are key to effectively managing a business, with the goal of advancing the tofu industry in Sumedang Regency. Entrepreneurs who possess both high motivation and a well-developed entrepreneurial spirit are more likely to achieve success in their businesses ([Adhitya, 2023](#); [Claudia & Sangen, 2020](#); [Sulastrri, 2017](#)).

Basically, there are 3 (three) main characteristics of motivation, namely effort, strong will, and direction/goal. Motivation can be defined as a condition where a person's effort and willpower are directed toward achieving certain results in the form of productivity, attendance, or creative work behavior. Motivation to make a profit is the main motivation for most entrepreneurs in establishing business entities that produce goods to meet society's needs. In selling its products, a company must not only have a business strategy to achieve its goals but also have good service quality. Basically, the entrepreneurial spirit in this research is formulated in a person's ability to have the personality to bear risks, take the initiative, create a vision, and mobilize other people to follow directions. It is not easy to learn or acquire these abilities. An entrepreneur must have an entrepreneurial spirit. Business success is not measured by how much wealth a person has accumulated but by looking at how a person forms, establishes, and runs a business from something that does not exist. Various studies show that there is a correlation between motivation and business performance ([Aini, 2015](#); [Habibah & Margie, 2024](#)).

This research aims to assess respondents' perspectives on the entrepreneurial spirit and business motivation within food-processing MSMEs in Bandung. It seeks to understand how these factors influence the growth and performance of these enterprises. The significance of this research focuses on the important role of entrepreneurial spirit and business motivation in improving the performance of MSMEs, especially in the food processing sector in Bandung City. This is significant because MSMEs play a crucial role in the Indonesian economy, especially in creating jobs and reducing poverty, so deeper knowledge of the factors that improve their performance is essential for economic development policies.

The significance of this research focuses on the important role of entrepreneurial spirit and business motivation in improving the performance of MSMEs, especially in the food processing sector in Bandung City. This is significant because MSMEs play a crucial role in the Indonesian economy, especially in creating jobs and reducing poverty, so deeper

knowledge of the factors that improve their performance is essential for economic development policies.

This research presents novelty in a comprehensive approach to measuring the impact of entrepreneurial spirit and business motivation on the performance of MSMEs in the food processing sector. This research combines descriptive and verification analysis with a quantitative approach, which has rarely been used before in the context of post-pandemic MSMEs in Indonesia, especially in the West Java region. Focusing on deeper variables such as self-confidence, courage to take risks, as well as creativity and innovation in the context of food processing MSMEs provides a more specific perspective compared to previous research. This research contributes to the entrepreneurship literature by strengthening empirical evidence about the importance of entrepreneurial spirit and business motivation in improving the performance of MSMEs. The results show that aspects such as self-confidence, innovation and the courage to take risks have a greater influence on MSME performance compared to business motivation alone. These findings offer valuable insights for policymakers, business people, and academics about the importance of developing programs to strengthen the entrepreneurial spirit and business motivation to increase the competitiveness of MSMEs in the future.

LITERATURE REVIEW

Business Performance

Business performance represents the achievement resulting from the interaction of various roles within an organization. Performance measurement is beneficial for providing feedback to help managers identify and address issues. Its main functions are monitoring, communication, and serving as a foundation for reward systems. Business performance is a key aspect of overall company performance, as it reflects the company's progress and success in market competition. It serves as a measure of marketing achievements, allowing companies to assess their success. Business performance is the outcome of a series of processes involving the use of resources, including human resources and financial assets. Environmental investment can enhance a company's reputation, positively impacting performance. Business performance is linked to employee morale, product quality, and overall business success, all of which are significantly related to entrepreneurial performance ([Meiliawati & Isharijadi, 2017](#); [Pujiastuti, 2018](#); [Purwanto & Trihudyatmanto, 2018](#); [Shortt, 1989](#); [Trihudyatmanto, 2017](#)).

Several internal and external factors influence the performance of small entrepreneurs. Internal factors include (1) Limited Resource Capabilities, (2) Educational Background, (3) Technical Skills, (4) Capital, (5) Marketing, (6) Operating Systems, (7) Information, (8) Mental Attitude, (9) Work Ethic, (10) Business Independence, (11) Self-Confidence, (12) Motivation, and (13) Other Internal Issues. Key business performance indicators related to these factors include sales growth, revenue growth, and market share growth ([Anggraeni, 2022](#); [Yasa et al., 2017](#)).

Entrepreneurial Spirit

Entrepreneurship is derived from the words "*wira*" and "*usaha*" in Indonesian. "*Wira*" refers to a warrior, hero, exemplary person, someone virtuous, brave, and of strong character, while "*usaha*" means effort, work, or action. An entrepreneur is someone skilled or talented in identifying new products, developing new production methods, organizing operations to create new products, managing capital, and marketing them. Entrepreneurship involves the ability to establish, manage, and grow a business. It is a response to business opportunities, carried out through actions that create productive, creative, and innovative organizations. Entrepreneurs are individuals who introduce new

goods and services or create new organizational forms that contribute to the economic system ([Negara et al., 2020](#); [Setiawan, 2018](#); [Wijayanti & Suryani, 2016](#)).

An entrepreneur is defined as an individual who possesses the spirit, attitude, behavior, and abilities of entrepreneurship. Entrepreneurship itself refers to the spirit, attitude, behavior, and abilities of a person in managing businesses or activities aimed at seeking, creating, and implementing new methods of working, technologies, and products. These efforts focus on increasing efficiency to provide better services and/or achieve greater profits.

The entrepreneurial spirit is the core of entrepreneurship, which essentially reflects a person's attitude and behavior, characterized by the ability to creatively bring innovative ideas to life. An entrepreneur must possess certain qualities, and there are key factors that contribute to becoming a successful entrepreneur in the future. These four factors are (1) Creativity, (2) Commitment, (3) Risk-taking, and (4) Appreciation, all of which are supported by various indicators such as self-confidence, being task and results-oriented, the courage to take risks, leadership, forward-thinking, and originality (creativity and innovation) ([Pujiastuti, 2018](#); [Soegoto, 2014](#); [Sulastri, 2017](#)).

Business Motivation

Business motivation is an entrepreneur's driving force that stems from both internal (intrinsic) and external (extrinsic) sources, guiding them to seek essential values in life. This motivation is rooted in belief and strong character, helping them achieve their desired goals. There are three key characteristics of motivation: effort, strong will, and direction/goal. Based on these traits, motivation can be defined as the condition in which a person's efforts and determination are focused on achieving specific outcomes, such as productivity, attendance, or creative work behavior ([Aini, 2015](#); [Setiawan, 2018](#)).

Several indicators of business motivation include having autonomy, which refers to taking actions aimed at achieving maximum results. The second indicator is the courage to act, which stems from an individual's personality and reflects the willingness to take risks in order to achieve success. Lastly, business motivation is reflected in the ability to make something happen, which involves taking actions that lead to new and innovative outcomes. Together, these indicators highlight the proactive and risk-taking nature of business motivation ([Yasa et al., 2017](#); [Yunal & Indriyani, 2013](#)).

Hypotheses Development

Research has consistently demonstrated the critical role of entrepreneurial spirit in enhancing the performance of MSMEs. Studies by [Adhitya \(2023\)](#), [Anggraeni \(2022\)](#), [Claudia & Sangen \(2020\)](#), [Pujiastuti \(2018\)](#), [Purwanto & Trihudyatmanto \(2018\)](#), [Setiawan \(2018\)](#), [Soares & Perin \(2020\)](#), and [Yasa et al. \(2017\)](#) collectively highlight that entrepreneurial spirit exerts a significant and positive influence on MSME performance. These findings underscore the idea that an entrepreneur's passion, creativity, risk-taking, and resilience are pivotal in driving the success and growth of MSMEs. The entrepreneurial mindset not only stimulates innovation but also enhances the ability to navigate challenges, adapt to market changes, and exploit new opportunities, all of which are vital for sustaining competitiveness in the marketplace.

In further support of these studies, [Aini \(2015\)](#), [Anggraeni \(2022\)](#), [Ardiyanti & Mora \(2019\)](#), [Claudia & Sangen \(2020\)](#), [Gemina et al. \(2016\)](#), [Pujiastuti \(2018\)](#), [Setiawan \(2018\)](#), [Sulastri \(2017\)](#), and [Yunal & Indriyani \(2013\)](#) conducted studies that also examined the impact of business motivation on MSME performance. Their studies reinforce earlier findings, emphasizing the consistent, positive effect of business motivation across different contexts and industries. These studies demonstrate that

MSMEs led by entrepreneurs with a strong business motivation tend to perform better, showing higher levels of growth, profitability, and market adaptability.

Based on these extensive research findings, the following hypotheses can be formulated:

- H1: There is a positive and significant influence of the entrepreneurial spirit on MSME performance.
- H2: There is a positive and significant influence of business motivation on MSME performance.

RESEARCH METHOD

This research utilizes a descriptive and verification methodology within a quantitative framework, aiming to investigate the impact of entrepreneurial spirit and business motivation on the performance of food-processing MSMEs in Bandung. The descriptive method focuses on analyzing the research findings to provide a detailed overview without drawing broad conclusions. In contrast, the verification method seeks to test the validity of these findings, assessing whether previously applied solutions, with or without modifications, can effectively address similar issues in different contexts.

The study adopts a survey approach, selecting samples from the population and employing questionnaires as the primary data collection tool ([Setiawan, 2018](#)). Through this method, both descriptive and verification analyses are conducted to achieve the research objectives. Descriptive analysis provides an in-depth examination of business performance through key variables such as work behavior and organizational commitment. This qualitative exploration sheds light on how these factors contribute to the overall business performance within the sample population.

On the other hand, verification analysis processes the questionnaire data quantitatively. Given that the initial data is ordinal, it must be converted to interval data to facilitate deeper analysis. This conversion is achieved through the Method of Successive Interval (MSI), which enhances the accuracy of the analysis. Following this transformation, correlation analysis is performed both partially and simultaneously to uncover the relationships between variables and to confirm the influence of work behavior and organizational commitment on business performance. By integrating descriptive and verification analyses, the research offers a comprehensive understanding of the factors influencing business performance, delivering valuable qualitative insights alongside quantitative evidence.

RESULTS

MSMEs have an important role in the Indonesian economy, especially in creating jobs and alleviating poverty. However, the challenges faced by MSMEs, especially in terms of competitiveness and business sustainability, require more attention. The entrepreneurial spirit and business motivation are important factors that can encourage the performance of MSMEs, especially in facing increasingly fierce competition and changing market dynamics. This research was conducted to explore more deeply how entrepreneurial spirit and business motivation can contribute to improving the performance of MSMEs, with a focus on the processed food sector in the city of Bandung. It is hoped that the research results will provide valuable insight for business actors, government, and related parties in formulating more effective strategies for developing MSMEs in the future.

The validity test results show that the entrepreneurial spirit variable is composed of six dimensions: self-confidence, task and results orientation, risk-taking, leadership, future orientation, and originality (creativity and innovation). The business motivation variable is measured by three dimensions: autonomy, courage to act, and the ability to make things happen. Additionally, the MSME performance variable is assessed through three dimensions: sales growth, income growth, and market share growth. The results confirm that all variables are valid, as the calculated t-value exceeds the threshold of 0.300.

Based on the results of reliability testing on the three research variables, the results obtained are shown in [Table 2](#) below.

Table 2. Reliability Test Results

No	Variables	Cronbach's Alpha	T Table	Category
1.	Entrepreneurial Spirit (X_1)	0.925	0.700	Reliable
2.	Business Motivation (X_2)	0.938	0.700	Reliable
3.	MSME Performance (Y)	0.932	0.700	Reliable

Source: Data processed by researchers (2024)

The reliability test results, determined using Cronbach's Alpha, indicate the internal consistency of the research instruments employed to measure the various variables. A Cronbach's Alpha value exceeding 0.700 signifies that the instrument is reliable, suggesting that the measurement results are trustworthy and likely to remain consistent upon repetition. According to the results presented in [Table 2](#), the reliability for each variable is as follows: the Entrepreneurial Spirit (X_1) demonstrates a Cronbach's Alpha value of 0.925, which is well above the threshold of 0.700, confirming the reliability of this measurement instrument. Similarly, Business Motivation (X_2) exhibits a Cronbach's Alpha value of 0.938, also exceeding the acceptable limit, indicating that this instrument is reliable as well. Lastly, MSME Performance (Y) shows a Cronbach's Alpha value of 0.932, again surpassing the 0.700 benchmark, thereby confirming the reliability of this variable's measurement tool. Overall, it can be concluded that the three research variables—Entrepreneurial Spirit, Business Motivation, and MSME Performance—exhibit a very good level of reliability, affirming that the instruments utilized to measure these variables are consistent and dependable throughout this research.

The results of data calculations show that all variables follow a normal distribution with p-value > 0.05 which is explained in [Table 3](#) below.

Table 3. Measuring Instrument Normality Test Results

		X1	X2	Y
N		98	98	98
Normal Parameters ^{a,b}	Mean	65.2551	64.7653	71.9286
	Std. Deviation	5.28626	4.51070	5.65002
Most Extreme Differences	Absolute	0.128	0.086	0.123
	Positive	0.128	0.086	0.123
	Negative	-0.085	-0.072	-0.060
Test Statistic		0.128	0.086	0.123
Asymp. Sig. (2-tailed) ^c		0.000	0.071	0.001
Monte Carlo Sig. (2-tailed) ^d	Sig.	0.000	0.072	0.001
	99% Confidence Interval	Lower Bound	0.000	0.066
		Upper Bound	0.061	0.071

Source: Data processed by researchers (2024)

[Table 3](#) shows that the Kolmogorov-Smirnov test results for all research variables, namely entrepreneurial spirit, business motivation, and MSME performance show a p-

value that is greater than the significance level ($p > 0.05$). The p values obtained for $X_1 = 0.061$, $X_2 = 0.079$, $Y = 0.071$, and Y indicate that the data used to measure the research variables has a normal distribution.

The following are the results of descriptive analysis of research results on the entrepreneurial spirit variable (X_1), formed with four dimensions, namely (1) self-confidence, (2) task and results-oriented, (3) courage to take risks, (4) leadership, (5) future-oriented, and (6) originality (creativity and innovation) as in [Table 4](#) below.

Table 4. Recapitulation of MSME Actors' Responses Regarding Entrepreneurial Spirit (X_1)

No	Dimension	Number of Statements	Average	Criteria
1	Self-Confident	3	4.03	Good
2	Task and Results-Oriented	3	3.96	Good
3	Courage to Take Risks	3	3.66	Good
4	Leadership	3	3.51	Good
5	Future-Oriented	3	3.58	Good
6	Originality (Creativity and Innovation)	3	2.65	Fairly Good
Total		18	3.56	Good
Standard Deviation			0.834	
Criteria			2.73—4.40	Fairly Good —Very Good

Source: Data processed by researchers (2024)

Based on the results of the descriptive analysis presented in [Table 4](#), the Entrepreneurial Spirit variable (X_1) is assessed through six dimensions, each revealing valuable insights into the characteristics of MSME players. The dimension of self-confidence is evaluated through three statements, yielding an average score of 4.03, which falls within the "Good" category, indicating that most MSME participants possess a high level of self-confidence in managing their businesses. The task and results-oriented dimension, measured by three statements as well, received an average score of 3.96, also categorized as "Good," suggesting that MSME players prioritize achieving their tasks and desired outcomes effectively. Furthermore, the courage to take risks dimension recorded an average score of 3.66, confirming that MSME operators are willing to confront risks, albeit not to a significant extent. In terms of leadership, this dimension achieved an average score of 3.51, indicating that MSME players generally exhibit satisfactory leadership skills in managing their teams and business resources. The future-oriented dimension, with an average score of 3.58, also falls within the "Good" category, reflecting that MSME players maintain a reasonably forward-looking perspective when planning their business futures. However, the originality dimension, encompassing creativity and innovation, received the lowest average score of 2.65, placing it in the "Fairly Good" category, highlighting a need for improvement in this area among MSME players.

Overall, the average score across the six dimensions of entrepreneurial spirit is 3.56, categorizing it as "Good." A standard deviation of 0.834 indicates that the variation in respondents' answers is relatively stable. These results demonstrate that while MSMEs generally exhibit a strong entrepreneurial spirit, there remains significant potential for enhancement, particularly in the realms of creativity and innovation. Consequently, while MSME actors are considered quite competent in self-confidence, results orientation, risk-taking, leadership, and future orientation, they should place greater emphasis on fostering originality in their business practices.

Furthermore, the results of the descriptive analysis of the research results on the Business Motivation variable (X2), are formed with three dimensions, namely (1) having autonomy, (2) having the courage to act, and (3) being able to make something happen as in [Table 5](#) below.

Table 5. Recapitulation of MSME Actors' Responses Regarding Business Motivation (X2)

No	Dimension	Number of Statements	Average	Criteria
1	Have Autonomy	6	3.97	Good
2	Dare to Act	6	3.36	Fairly Good
3	Capable of Making Things Happen	8	3.47	Good
Total		18	3.59	Good
Standard Deviation			0.815	
Criteria			2.78—4.41	Fairly Good — Very Good

Source: Data processed by researchers (2024)

The descriptive analysis results presented in [Table 5](#) provide insights into the Business Motivation variable (X2), which encompasses three main dimensions. The first dimension, "Have Autonomy," is evaluated through six statements, yielding an average score of 3.97, which falls within the "Good" category. This indicates that MSME actors generally perceive a strong sense of autonomy in managing their businesses, demonstrating their ability to make independent decisions effectively. The second dimension, "Dare to Act," received an average score of 3.36, categorizing it as "Fairly Good." This score suggests that while MSME actors exhibit some courage in taking action, their willingness to confront business challenges could be enhanced, highlighting an area where improvement is needed. The third dimension, "Capable of Making Things Happen," is measured through eight statements and achieves an average score of 3.47, placing it in the "Good" category. This result illustrates that MSME actors are capable of translating their ideas and plans into tangible actions within their businesses.

Overall, the average score across the three dimensions of business motivation is 3.59, which is categorized as "Good." A standard deviation of 0.815 indicates a relatively consistent variation in the responses from participants. The findings suggest that, in general, MSME actors possess a good level of business motivation; however, there are aspects, particularly the courage to act, that could benefit from further enhancement. Consequently, while MSME actors are relatively strong in terms of autonomy and their capability to implement their ideas, there is a need for greater emphasis on cultivating bolder and more proactive actions to effectively navigate the challenges of their business environments.

The results of research on the MSME Performance variable (Y), are formed with four dimensions, namely (1) sales growth, (2) income growth, and (3) market share growth as in [Table 6](#) below.

Table 6. Recapitulation of MSME Actors' Responses Regarding MSME Performance (Y)

No	Dimension	Number of Statements	Average	Criteria
1	Sales Growth	7	3.67	Good
2	Revenue Growth	7	3.22	Fairly Good
3	Market Share Growth	6	3.91	Good
Total		20	3.60	Good

Standard Deviation	0.938	
Criteria	2.66—4.53	Fairly Good — Very Good

Source: Data processed by researchers (2024)

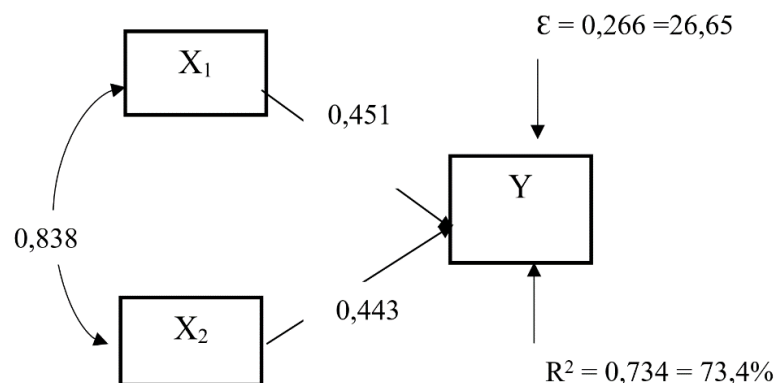
The research results presented in [Table 6](#) offer insights into the MSME Performance variable (Y), which consists of three main dimensions. The first dimension, "Sales Growth," is evaluated through seven statements and yields an average score of 3.67, categorizing it as "Good." This score indicates that MSME players generally experience positive sales growth in their businesses, reflecting effective sales strategies and customer engagement. The second dimension, "Revenue Growth," has an average score of 3.22, placing it in the "Fairly Good" category. This result suggests that while there has been an increase in revenue, the growth rate is not as robust as that of sales, highlighting an opportunity for improvement in enhancing overall revenue performance.

The third dimension, "Market Share Growth," is assessed through six statements and achieves an average score of 3.91, which is categorized as "Good." This outcome signifies that MSME players have been successful in expanding their market share, indicating that their products or services are gaining recognition and acceptance within the market. Overall, the average score across the three dimensions of MSME performance is 3.60, which is also classified as "Good." A standard deviation of 0.938 points to significant variation in respondents' answers, reflecting differing performance levels among MSME actors.

According to the established criteria, the performance of MSMEs in terms of sales growth, revenue, and market share is generally considered good, although there remains a need for further enhancement in revenue growth. Consequently, while MSME players demonstrate solid performance in sales growth and market share expansion, there is considerable potential to boost revenue growth to align more closely with improvements in other performance aspects.

Based on the results of calculations using statistics, the magnitude of the path coefficient is obtained as explained in [Figure 1](#) below.

Figure 1. Influence of Entrepreneurial Spirit (X1) and Business Motivation (X2) on MSME Performance (Y)



From the results of the correlation values and path coefficients that have been carried out, it can be seen the magnitude of the direct and indirect influence of Entrepreneurial Spirit (X1) and Business Motivation (X2) on MSME Performance (Y). The calculation results are as follows in [Table 7](#).

Table 7. Direct and Indirect Influence of Entrepreneurial Spirit (X1) and Business Motivation (X2) on MSME Performance (Y)

Variables	Direct Influence	Indirect Influence		Total Indirect Effect	Total Influence
		X ₁	X ₂		
Entrepreneurial Spirit (X1)	20.34%		16.74%	16.74%	37.08%
Business Motivation (X2)	19.62%	16.74%		16.74%	36.37%
Total	39.97%	16.74%	16.74%	33.49%	73.45%

Source: Data processed by researchers (2024)

According to the findings presented in [Table 7](#), the entrepreneurial spirit exerts a greater influence on the performance of MSMEs than business motivation. The results indicate that the entrepreneurial spirit plays a more critical role in determining MSME performance, highlighting that factors such as self-confidence, risk-taking, and innovation associated with the entrepreneurial spirit are more impactful than business motivation alone. Therefore, initiatives aimed at enhancing MSME performance should prioritize strengthening the entrepreneurial spirit.

The analysis reveals the direct and indirect influences of both Entrepreneurial Spirit (X1) and Business Motivation (X2) on MSME Performance (Y). The entrepreneurial spirit has a direct impact of 20.34% on MSME performance. Additionally, it contributes an indirect influence of 16.74% through the business motivation variable, leading to a total influence of 37.08%. This underscores the significant role the entrepreneurial spirit plays in improving MSME performance, both directly and indirectly via business motivation.

Conversely, business motivation demonstrates a direct influence of 19.62% on MSME performance. Similar to the entrepreneurial spirit, it has an indirect influence of 16.74% through the entrepreneurial spirit variable. Thus, the total influence of business motivation on MSME performance reaches 36.37%. When considered together, the direct influence of both variables (X1 and X2) on MSME performance totals 39.97%, while their combined indirect effect is 33.49%. This results in a cumulative influence of 73.45%, indicating a strong interplay between the two variables in determining MSME performance.

Overall, the entrepreneurial spirit (X1) has a slightly greater influence at 37.08% compared to business motivation (X2), which accounts for 36.37% of the variance in MSME performance (Y). The synergistic effect of both variables significantly enhances MSME performance, contributing to a robust total influence of 73.45%.

The following tables show the results of partial and simultaneous hypothesis testing.

Table 8. Partial Test of Entrepreneurial Spirit Variables (X1) and Business Motivation (X2) on MSME Performance (Y)

Structural	Path Coefficients	T _{Count}	T _{Table}	Hypothesis Test Results
ρ_{yX_1}	0.451	4.654	1.66	H ₀ is rejected. There is a positive and significant influence of entrepreneurial spirit on MSME performance.
ρ_{yX_2}	0.443	4.577	1.66	H ₀ is rejected. There is a positive and significant influence of business motivation on MSME performance.

Source: Data processed by researchers (2024)

Table 9. Simultaneous Testing of Entrepreneurial Spirit Variables (X1) and Business Motivation (X2) on MSME Performance (Y)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2274.169	2	1137.084	131.362	0.000 ^b
	Residual	822.331	95	8.656		
	Total	3096.500	97			
a. Dependent Variable: MSME Performance						
b. Predictors: (Constant), Business Motivation, Entrepreneurial Spirit						

Source: Data processed by researchers (2024)

Based on the calculation in [Table 9](#), the calculated F value is 131.362, where the criterion for rejecting H0 is if F calculated is greater than F Table or $F_0 > F_{Table}$, with degrees of freedom $v_1=1$ and $v_2 = 100-2-1$ and a confidence level of 95%, then from the F distribution table obtained Ftable value = 2.68. Because 131.362 is greater than 2.68, The rejection of H0 in [Table 8](#) and acceptance of H1 and H2 indicate that there is a significant linear relationship between entrepreneurial spirit and business motivation and their impact on MSME performance. This suggests that both factors play a crucial role in driving the performance of MSMEs.

DISCUSSION

Based on the results of the research, which involved distributing questionnaires to 98 food-processing MSMEs in Bandung City, along with the findings from descriptive analysis and an in-depth study of the respondents' answers, the following discussion will explore their relationship to applicable theories and the phenomena observed. The results are in line with the studies by [Adhitya \(2023\)](#), [Aini \(2015\)](#), [Anggraeni \(2022\)](#), [Ardiyanti & Mora \(2019\)](#), [Claudia & Sangen \(2020\)](#), [Gemina et al. \(2016\)](#), [Pujiastuti \(2018\)](#), [Purwanto & Trihudyatmanto \(2018\)](#), [Setiawan \(2018\)](#), [Soares & Perin \(2020\)](#), [Sulastri \(2017\)](#), [Yasa et al. \(2017\)](#), and [Yunal & Indriyani \(2013\)](#).

Descriptive Analysis of the Entrepreneurial Spirit

Based on [Table 4](#) above, it can be analyzed that the entrepreneurial spirit variable has good average results. In this entrepreneurial spirit variable, the largest dimension is the dimension of self-confidence and the lowest dimension is originality. This indicates that in the entrepreneurial spirit variable, the self-confidence dimension stands out as the most dominant aspect. On the other hand, originality (creativity and innovation) is the lowest aspect. This shows that individuals tend to be stronger in terms of self-confidence, which may influence their courage in taking risks and making decisions, however, the aspect of originality requires more attention so that creativity and innovation in the entrepreneurial spirit can be increased, thereby strengthening overall entrepreneurial ability.

Self-confidence is one of the main characteristics of a successful entrepreneur. Confident entrepreneurs have a strong belief in their ability to achieve goals and face challenges. They are able to take risks and remain optimistic in the face of uncertainty. High self-confidence allows Entrepreneurs to manage the stress and pressure, which often comes with running a business. This is important to maintain high performance in the long term ([Ries, 2017](#); [Scarborough & Cornwall, 2016](#)).

Originality involves creativity and innovation which are the essence of entrepreneurship. Innovative entrepreneurs will be able to create new products, services, or processes that are different from those already existing on the market, which in turn can bring competitive advantages. Creativity and innovation are key to maintaining business

relevance in a rapidly changing environment. Entrepreneurs who are able to combine creativity with good execution skills are more likely to be successful in the long term ([Hisrich & Peters, 1989](#); [Schumpeter, 2021](#)).

Descriptive Analysis of Business Motivation

Based on [Table 5](#) above, it can be analyzed that the business motivation variable has good average results. In the business motivation variable, the largest dimension is obtained, namely having autonomy, and the lowest dimension is being brave. This indicates that in the Business Motivation variable, the dimension of having autonomy stands out as the most dominant. On the other hand, the dimension of being brave is the lowest. This shows that individuals in business tend to have a strong motivation to run their business with autonomy and freedom in decision-making. However, they may lack the courage to take a firm stance, which can become an obstacle in facing challenges or competition. Therefore, efforts are needed to increase courage in behavior so that business motivation is more balanced and effective.

Autonomy is one of the basic human needs in motivation theory. In the context of entrepreneurship, having autonomy means that entrepreneurs have the freedom to organize and direct their business according to their personal vision and goals, which is very important for business satisfaction and sustainability. Courage in acting as part of achievement motivation. In the context of entrepreneurship, courage is needed to take measured risks and face uncertainty in business ([McClelland, 2010](#); [Ryan & Deci, 2017](#)).

Descriptive Analysis of MSME Performance

Based on [Table 6](#) above, it can be analyzed that the MSME Performance variable has good average results. The largest dimension of MSME performance is the market share growth dimension and the lowest dimension is the revenue growth dimension. This indicates that in the MSME performance variable with a good average, the market share growth dimension stands out as the most dominant. In contrast, the income growth dimension is the lowest. The MSME players in the sample tend to be successful in expanding their market share, through marketing strategies or improving product quality, however, revenue growth has not been fully in line with market share growth, which could indicate challenges in converting increased market share into increased revenue. Therefore, a strategy that is more focused on increasing sales efficiency and profitability is needed to strengthen the financial performance of MSMEs.

Market share growth is an important indicator in measuring business performance, including MSMEs. Market share growth indicates a company's ability to improve its position in the market, which is often the result of effective marketing strategies and customer satisfaction. Market share growth shows how well a company competes in its existing industry. MSMEs that are able to increase market share usually have clear competitive advantages, such as better product or service differentiation. Revenue growth is a direct measure of a business's financial success. Although market share is important, steady revenue growth indicates the ability of MSMEs to monetize their market share and achieve profitability ([Davidsson, 2024](#); [Day & Moorman, 2010](#); [Kotler & Keller, 2021](#)).

The results of the verification research reveal that the entrepreneurial spirit has a positive and significant effect on MSME performance. This indicates that a strong entrepreneurial spirit significantly enhances MSME performance. When entrepreneurs possess high levels of confidence, creativity, innovation, risk-taking, and independent business management, MSME performance tends to improve. This highlights that entrepreneurial traits such as innovation, courage, and autonomy play a direct role in the success and growth of MSMEs. Additionally, business motivation also has a positive and significant impact on MSME performance, meaning that when entrepreneurs are highly motivated—

driven by the desire to achieve goals, innovate, and tackle challenges—MSME performance increases significantly. The combined influence of entrepreneurial spirit and business motivation is equally positive and significant, demonstrating that these two factors work synergistically to improve MSME performance. Together, the entrepreneurial spirit, characterized by creativity, innovation, risk-taking, and business motivation, driven by goal achievement and overcoming obstacles, contribute to the overall success of MSMEs ([Anderson & Eshima, 2013](#); [Gemina et al., 2016](#); [Soares & Perin, 2020](#)).

Improving the performance of MSMEs requires a combination of fostering an entrepreneurial spirit and enhancing business motivation. These two factors play a pivotal role in enabling MSME owners to navigate challenges, innovate, and grow their businesses sustainably ([Gadi et al., 2024](#); [Kuek et al., 2023](#); [Melia et al., 2024](#)).

Entrepreneurial Spirit and MSME Success

An entrepreneurial spirit refers to the mindset, skills, and behavior associated with the willingness to take risks, innovate, and pursue business opportunities despite uncertainties. For MSMEs, which often face limited resources and market competition, fostering an entrepreneurial spirit is essential for survival and growth. Entrepreneurs who exhibit this spirit are more likely to identify gaps in the market, adapt to changing consumer preferences, and capitalize on new opportunities.

Risk-Taking and Innovation

MSMEs must adopt risk-taking as a core value. In the rapidly changing business environment, entrepreneurs need to innovate, whether by introducing new products, improving existing services, or adopting more efficient processes. Taking calculated risks allows MSMEs to stay competitive. For example, small retailers might experiment with digital payment systems or e-commerce platforms to reach a broader audience. While these initiatives carry risks, successful adoption can significantly boost sales and customer engagement.

Creativity and Problem-Solving

Entrepreneurship often involves solving problems creatively, especially when resources are scarce. MSME owners with an entrepreneurial mindset actively seek solutions to operational challenges, such as reducing costs or managing inventory effectively. By encouraging employees to participate in creative problem-solving, MSMEs can generate innovative ideas that lead to improved performance. Moreover, this mindset fosters a culture of continuous improvement, which is crucial for long-term success.

Business Motivation and MSME Growth

Business motivation refers to the internal and external factors that drive entrepreneurs to achieve business objectives. It encompasses personal goals, such as financial independence or business expansion, as well as external incentives, like market competition and customer demand. Strong motivation is a critical factor in overcoming obstacles and pursuing sustainable growth.

Setting Clear Business Goals

A motivated entrepreneur sets clear, measurable goals for their business. These goals might include increasing market share, improving product quality, or expanding into new regions. By setting specific objectives, MSME owners can create actionable strategies and remain focused on long-term growth. For instance, an entrepreneur may aim to increase annual sales by 20%, which would require implementing marketing campaigns, improving customer service, and exploring new sales channels.

Maintaining Resilience and Persistence

The ability to remain resilient in the face of setbacks is an essential component of business motivation. Many MSMEs face financial challenges, stiff competition, and regulatory hurdles. Entrepreneurs who maintain high levels of motivation are more likely to persist despite these difficulties. They view challenges as opportunities for learning and development, which enables them to recover from setbacks more quickly. For instance, an MSME that experiences a temporary decline in sales due to market disruptions can adapt by exploring alternative revenue streams or diversifying their product offerings.

Building a Supportive Ecosystem

Entrepreneurial spirit and motivation can be enhanced through a supportive ecosystem that provides MSMEs with access to mentorship, training, and financial resources. Government programs, incubators, and business associations play a critical role in nurturing entrepreneurship by offering resources that foster innovation and resilience.

Training and Capacity Building

Entrepreneurship training programs provide MSME owners with the knowledge and skills they need to innovate and grow their businesses. These programs often cover essential topics such as financial management, digital marketing, and product development. For example, MSMEs in the food industry may benefit from workshops on food safety standards and packaging innovations. By equipping entrepreneurs with practical knowledge, these initiatives boost their confidence and motivation to implement new ideas.

Access to Finance and Resources

Financial support is critical for MSMEs to scale their operations. Entrepreneurs with strong motivation are more likely to seek out funding opportunities, whether through government grants, microfinance, or venture capital. Access to finance allows businesses to invest in new technology, hire skilled employees, and expand their market reach, all of which contribute to improved performance.

CONCLUSION

The self-confidence dimension emerges as the most dominant aspect of the entrepreneurial spirit, while originality (creativity and innovation) ranks as the lowest. To enhance entrepreneurial performance, individuals should focus on strengthening their originality by fostering creativity and innovation, while continuing to leverage their self-confidence. Business motivation has a positive and significant impact on MSME performance. Entrepreneurs with high motivation are more effective in designing and executing business strategies, better equipped to face risks, and more adept at seizing market opportunities. Therefore, strong business motivation is crucial for improving MSME performance. The average performance of MSMEs is good, with market share growth being the most prominent aspect, while revenue growth is the weakest. The success in expanding market share reflects effective marketing strategies or improved product quality. Market share growth is a key indicator of an MSME's ability to strengthen its market position, often driven by competitive advantages and customer satisfaction.

The entrepreneurial spirit has a powerful and significant impact on improving MSME performance. Entrepreneurs with a strong entrepreneurial spirit, encompassing self-confidence, creativity, innovation, and risk management, tend to achieve better business outcomes. Similarly, business motivation also positively and significantly influences performance. Entrepreneurs with high motivation—driven by goals, innovation, and a willingness to face challenges—are more successful in business strategy implementation. When entrepreneurial spirit, including creativity, innovation, and risk-

taking, is combined with business motivation focused on drive and purpose, these factors work synergistically to boost MSME performance. This synergy fosters growth and development, with entrepreneurial spirit providing vision and strategy, and business motivation driving execution and results.

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