

The Role of Entrepreneurial Leadership and Competence in Enhancing MSME Performance: A Case Study in Jember Regency

Septy Holisa Umamy^{1*}, Gardina Aulin Nuha²

^{1,2} Universitas Muhammadiyah Jember

Corresponding email: septyholisaumamy@unmuhjember.ac.id

| | | | |
|--------------|------------|-------------|-------------------|
| Submissions: | Revision: | Acceptance: | Available Online: |
| 18-03-2025 | 24-06-2025 | 01-07-2025 | 01-09-2025 |

Abstract - Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth, job creation, and social security, particularly in Jember Regency, where MSMEs constitute a significant portion of the business sector. However, various challenges, such as leadership effectiveness, entrepreneurial competence, and motivation, may impact their overall performance. This study aims to examine the influence of entrepreneurial leadership and competence on MSME performance, with entrepreneurial motivation as a mediating variable. A quantitative explanatory research design was employed, involving a survey of 101 MSME owners in Jember Regency using purposive sampling. The data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The findings indicate that entrepreneurial leadership significantly affects MSME performance, whereas entrepreneurial competence and motivation do not show a direct impact. However, both leadership and competence positively influence entrepreneurial motivation. Furthermore, motivation does not mediate the relationship between leadership or competence and MSME performance. These findings suggest that MSME performance is shaped not only by internal factors such as leadership and competence but also by external influences, including access to capital, government policies, and infrastructure support. Future research should explore additional variables such as innovation, digital marketing, and business strategies to provide a more comprehensive understanding of MSME growth and sustainability.

Keywords: Entrepreneurial Leadership, Entrepreneurial Competence, MSME Performance

1. Introduction

MSMEs in Indonesia not only increase Gross Domestic Product (GDP) but also create jobs and provide a social safety net for low-income communities. MSMEs contribute 60.5% to GDP and absorb 96.9% of the national workforce, demonstrating their central role in the economy. (Limanseto, 2022). These figures confirm that MSMEs are an important pillar that contributes greatly to economic growth and public welfare. MSMEs, owned by individuals or small business entities, often rely on non-bank financing due to limited access to credit. The flexibility of MSMEs in adapting to market needs allows them to survive and thrive, even amid economic uncertainty.

One of the main advantages of MSMEs is the freedom of their owners to make decisions and direct involvement in business operations. This allows MSME owners to have full control over the running of their businesses and can quickly adjust their business strategies according to market dynamics. In addition, MSMEs tend to be more responsive to the needs of local communities, allowing them to meet consumer needs more effectively. By adjusting products or services according to local preferences and needs, MSMEs not only strengthen the regional economy but also support the development of local communities. (Ambarwati, 2021).

Although MSMEs play an important role in the economy, MSMEs face various challenges that can hinder their growth and sustainability. Therefore, ongoing research is needed to understand these challenges, formulate effective strategies, and provide a basis for policies and programs to support MSMEs in Indonesia. The success of MSMEs is highly dependent on the leadership of their owners, who need high motivation and commitment to overcome challenges and take advantage of opportunities. Effective leadership not only improves MSME performance but also helps them remain competitive in the market, while weak leadership can hinder growth and even cause business failure. (Puwardi & Soelaiman, 2023). Research result (Nor-Aishah et al., 2020) and (Sawaeen & Ali, 2020) emphasized that leadership has a significant influence on the growth of MSME performance.

In addition to leadership, entrepreneurial competence is also an important factor that influences the performance of MSMEs. Competence, according to (Spencer, L.M., & Spencer, 1993), is the basic ability of individuals that supports effective performance. Entrepreneurial competencies include the ability to start a business, innovate, seek opportunities, and manage risks. Research (Sakib et al., 2022) and (Ramadhan & Wandu, 2023) shows that high entrepreneurial competence has a positive

relationship with MSME performance, increasing the owner's ability to take advantage of opportunities and face business challenges.

Entrepreneurial motivation also has a significant impact on MSME performance. High motivation encourages MSME owners to be more persistent and proactive. Research (Arisandy et al., 2024) and (Ramos, 2016) revealed that entrepreneurial motivation is a key factor in the success of MSMEs. In addition, the results of the study (Kusa et al., 2021) shows that entrepreneurial motivation contributes to increased performance through diversification of opportunities and differentiation motivation, and acts as a mediator that supports business success in MSMEs (Srimulyani & Hermanto, 2022). Sustainable SMEs require attention to the behavior of individual owners, such as leadership, entrepreneurial competence, and motivation. M. Bass's theory (1990) in Bass and Stogdill's Handbook of Leadership states that leaders are agents of change who influence others more than others influence themselves. Leadership occurs when leaders are able to change the motivation or competence of others in their group (Roni Harsoyo, 2022). Based on this theory, this study offers novelty by including entrepreneurial motivation as an intervening variable, which has not been widely combined in previous studies. Entrepreneurial motivation can bridge the relationship between leadership and competence on MSME performance.

Jember Regency has great potential in MSMEs playing a very strategic role in the economy of Jember Regency, both in terms of economic contribution and the number of very dominant business actors. Based on data DISCOPUM, (2023), there are around 612,000 business actors in Jember, most of which are micro businesses. The graph was released through the official portal of the Jember Regency Cooperatives Service (Jember, 2024) shows that micro businesses dominate the structure of business actors absolutely up to 100%, while cooperatives only contribute around 1,948 units, or in percentage terms it looks close to 0%. This indicates that micro businesses as part of MSMEs are the main backbone of the regional economy, while also reflecting the great potential of Jember Regency in developing this sector.



Figure 1. Micro Business Graph in Jember Regency

Therefore, strengthening MSMEs is an important priority, especially in terms of increasing human resource capacity, expanding market access, and supporting regulations and policies that are in favor. Sustainable development will enable MSMEs in Jember to contribute more optimally to the local and regional economy.

To support the development of this sector, Jember Regency has established an Integrated Business Service Center (PLUT) which plays an active role in providing training, mentoring, and business consultation to MSMEs. PLUT is a strategic means in answering the need to increase the capacity of business actors, especially through programs that encourage digital transformation, such as digital technology-based marketing training. This transformation is important so that MSMEs are able to adapt to changes in consumer behavior and expand market access in the digital economy era.

However, the success of digitalization is highly dependent on the internal readiness of MSMEs. Currently, many business actors still face challenges such as low managerial literacy, weak entrepreneurial leadership, limited competence in business management, and unstable and unfocused entrepreneurial motivation. These three aspects are important foundations for creating resilient, adaptive, and competitive MSMEs. Without strengthening these basic aspects, various training and mentoring programs tend not to produce maximum impact.

Thus, the development of MSMEs in Jember Regency not only requires technological intervention, but also an increase in the capacity of human resources as a whole. Expansion of training materials based on real needs in the field, strengthening business networks, and support for access to capital and institutions are strategic steps that must be taken. This effort is very important so that Jember MSMEs can grow sustainably and make a real contribution to the regional economy. This is in line with conditions at the provincial level, where MSMEs in East Java recorded a contribution of IDR 1,316.7 trillion or 58.36% of the provincial GRDP in 2023.

2. Research Methods

This study uses an explanatory quantitative approach that aims to test the causal relationship and influence between variables through quantitative data analysis. The data used consists of primary and secondary data, where primary data is obtained directly from Micro SME actors in Jember Regency through the distribution of questionnaires with purposive sampling techniques. The sample in this study amounted to 101 respondents, which were taken using purposive sampling techniques. The criteria for selecting samples are Micro SME actors who meet the minimum requirements of having at least one worker (outside the business owner) and a minimum monthly income of IDR 2,000,000. In addition, the respondents selected are business actors

who have been running their business for at least one year. The selection of this sample size is based on Roscoe's opinion (in Sugiyono, 2009), which states that a sample size of more than 30 and less than 500 is appropriate for most studies. If the sample is divided into subsamples, then a minimum sample size of 30 for each category is considered appropriate. In addition, in multivariate studies, the sample size should be several times (preferably 10 times) larger than the number of variables in the study. Based on these considerations, the number of samples used in this study is considered representative enough to test the relationship and influence between the variables studied. Data collection was carried out through a Google Form-based questionnaire, and the collected data were then analyzed using the Partial Least Square (PLS) method with the help of SmartPLS software version 3.0 (Ghozali, 2014). This analysis technique is used to measure the extent to which exogenous variables influence endogenous variables by involving intervening variables.

This study examines the relationship between several variables, namely the independent variables of Entrepreneurial Leadership (X1) and Entrepreneurial Competence (X2), the intervening variable of Entrepreneurial Motivation (Z), and the dependent variable of MSME Performance (Y). The Entrepreneurial Leadership variable is measured through four indicators according to (Syahputra, 2013), namely analytical skills, exemplary behavior, rationality and objectivity, and work instructions.

Apart from leadership, this study also measures Entrepreneurial Competence which consists of four aspects as stated by (Suryana & Burhanuddin, 2021), namely technical competence, marketing competence, financial competence, and human relation competence. Entrepreneurial Motivation as an intervening variable is measured based on several indicators put forward by (Wanto, 2014), namely the need for achievement, risk taking, tolerance for uncertainty, trust in oneself and others, self-confidence, independence, strong desire, and creativity. Meanwhile, MSME performance as a dependent variable is measured based on indicators proposed by (Rapih et al., 2015), namely sales growth, customer growth, and profit growth. This study was measured using a closed questionnaire based on a Likert scale of 1–5, where respondents were asked to assess the extent to which statements related to their business development were in accordance with the actual conditions they experienced. So the hypothesis in this study is:

1. H1: Entrepreneurial Leadership has an effect on the performance of MSME actors in Jember Regency
2. H2: Entrepreneurial Competence influences the performance of MSME actors in Jember Regency
3. H3: Entrepreneurial motivation influences the performance of MSME actors in Jember Regency
4. H4: Entrepreneurial leadership has an influence

on the entrepreneurial motivation of MSME actors in Jember Regency.

5. H5: Entrepreneurial Competence influences the entrepreneurial motivation of MSME actors in Jember Regency.

3. Results and Discussion

The results of the SEM-PLS data analysis that was carried out using Smart-PLS 3.0 software are as follows:

3.1 Respondent Identity

Table 1. Results of respondent identity distribution

| No | Characteristic | Category | Total | Percentage (%) |
|----|----------------------------------|------------------------|-------|----------------|
| 1 | Business Status | Alone | 87 | 86.14% |
| | | Family Owned | 14 | 13.86% |
| | | More than 4 years | 36 | 35.64% |
| 2 | Length of Business Establishment | 2 to 3 years | 23 | 22.77% |
| | | 1 to 2 years | 20 | 19.80% |
| | | 3 to 4 years | 13 | 12.87% |
| | | Less than 1 year | 9 | 8.91% |
| 3 | Level of education | High school/equivalent | 72 | 71.29%* |
| | | S1 | 27 | 26.73%* |
| | | S2 | 2 | 1.98% |
| | | < 2,000,000 | 37 | 36.63% |
| | | 2,100,000 – 3,000,000 | 6 | 5.94% |
| 4 | Income per Month | 3,100,000 – 4,000,000 | 25 | 24.75% |
| | | 4,100,000 – 5,000,000 | 6 | 5.94% |
| | | > 5,000,000 | 27 | 26.73% |

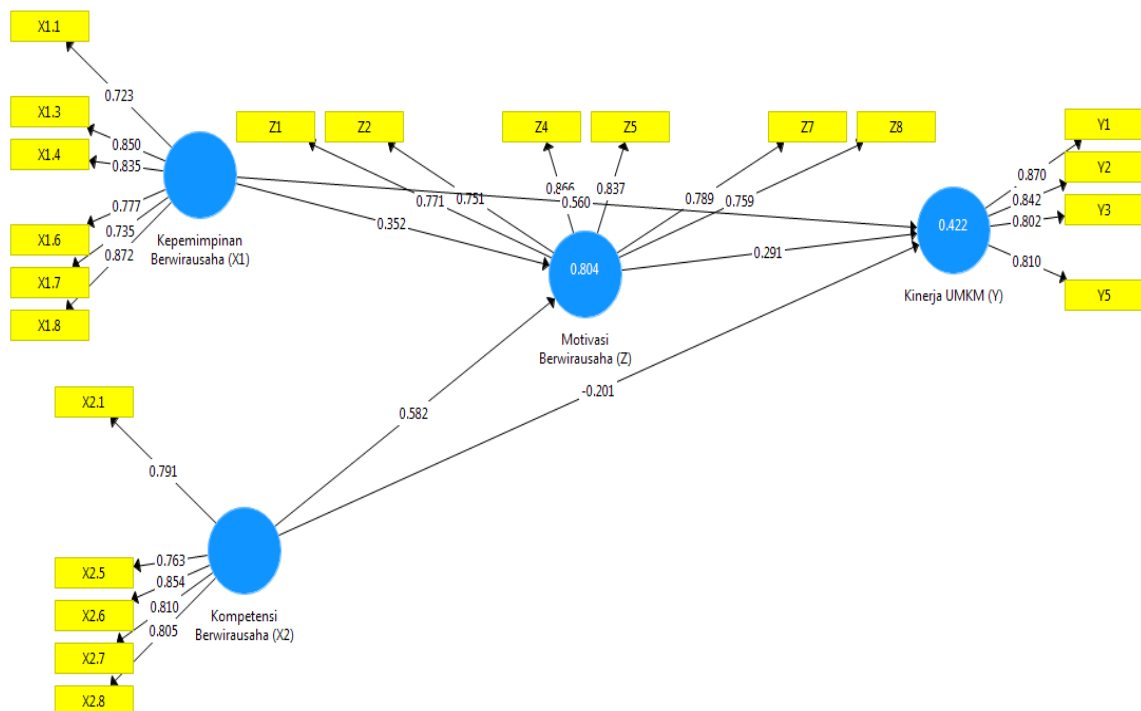
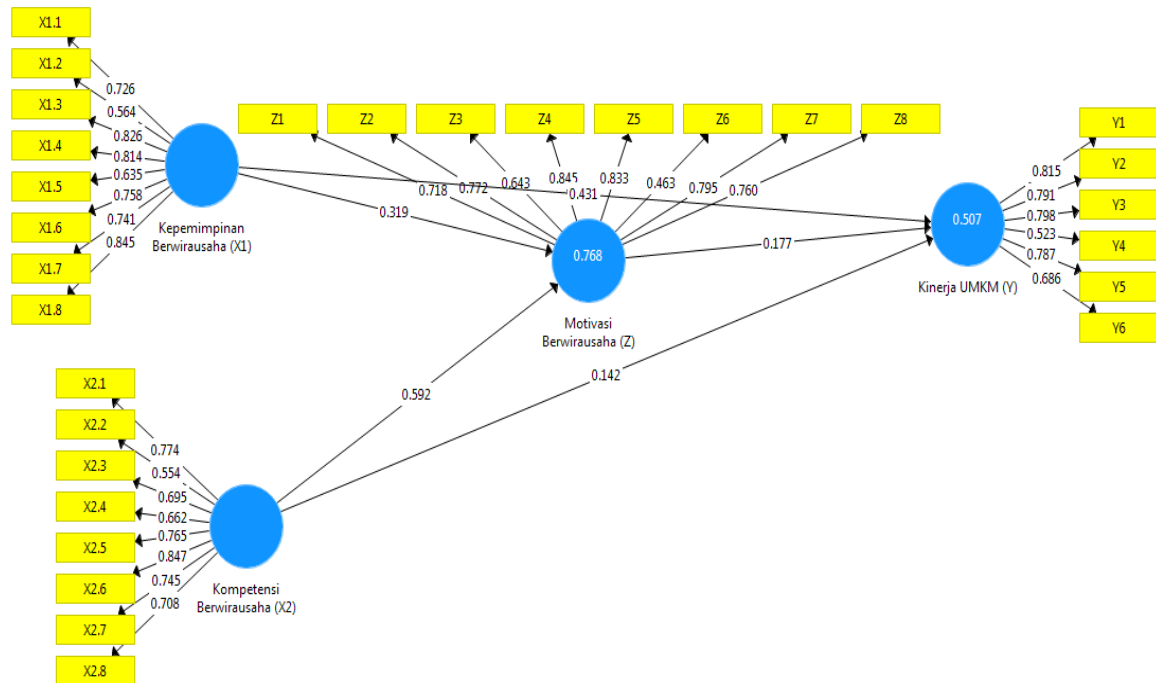
Source: Processed Data (2025)

Based on the data recapitulation results in table 1, the majority of respondents in this study were business actors who ran their businesses independently (themselves) at 86.14%, while the remaining 13.86% were businesses managed by families. In terms of the length of time the business was established, most respondents had run their businesses for more than 4 years (35.64%), followed by businesses that had been established for 2-3 years (22.77%), 1-2 years (19.80%), 3-4 years (12.87%), and less than 1 year (8.91%). In terms of education level, most respondents had a high school/equivalent educational background of 71.29%, followed by bachelor's degree graduates of 26.73%, and only 1.98% were master's degree graduates. In terms of monthly income, the majority of respondents earned income below IDR 2,000,000 (36.63%), then there were also respondents who earned IDR 3,100,000 – IDR 4,000,000 (24.75%), more than IDR 5,000,000 (26.73%), and groups with incomes of IDR 2,100,000 – IDR 3,000,000 and IDR 4,100,000 – IDR 5,000,000, each amounting to 5.94%.

3.2 Convergen Validity

Convergent validity aims to test the relationship between indicators and latent variables by comparing outer loading values to ensure that each

indicator consistently measures the intended construct. An outer loading value of more than 0.70 is considered valid. The following is a picture of the factor loading model in this study:



Based on Figure 2, the outer loading value in this study is:

Table 2 Convergent Validity Test Results

| | Entrepreneurial Leadership (X1) | Entrepreneurial Competence (X2) | MSME Performance (Y) | Entrepreneurial Motivation (Z) |
|------|---------------------------------|---------------------------------|----------------------|--------------------------------|
| X1.1 | 0.726 | | | |
| X1.2 | 0.564 | | | |
| X1.3 | 0.826 | | | |
| X1.4 | 0.814 | | | |
| X1.5 | 0.635 | | | |
| X1.6 | 0.758 | | | |
| X1.7 | 0.741 | | | |
| X1.8 | 0.844 | | | |
| X2.1 | | 0.774 | | |
| X2.2 | | 0.554 | | |
| X2.3 | | 0.695 | | |
| X2.4 | | 0.662 | | |
| X2.5 | | 0.765 | | |
| X2.6 | | 0.847 | | |
| X2.7 | | 0.745 | | |
| X2.8 | | 0.708 | | |
| Y1 | | | 0.815 | |
| Y2 | | | 0.791 | |
| Y3 | | | 0.798 | |
| Y4 | | | 0.523 | |
| Y5 | | | 0.787 | |
| Y6 | | | 0.686 | |
| Z1 | | | | 0.718 |
| Z2 | | | | 0.772 |
| Z3 | | | | 0.643 |
| Z4 | | | | 0.845 |
| Z5 | | | | 0.833 |
| Z6 | | | | 0.463 |
| Z7 | | | | 0.795 |
| Z8 | | | | 0.760 |

Source: Processed Data 2025

Based on Table 2, the outer loading value of most indicators is more than 0.70. However, there are 9 indicators, namely X1.2, X1.5, X2.2, X2.3, X2.4, Y4, Y6, Z3 and Z6, with an outer loading value less than 0.70. Therefore, the outer loading value of the 9 indicators is invalid, so further testing is needed so that all indicators meet the criteria for valid outer loading.

Before conducting further testing, invalid indicators (X1.2, X1.5, X2.2, X2.3, X2.4, Y4, Y6, Z3 and Z6) need to be eliminated first. After that, further testing is carried out so that all indicators meet the valid outer loading criteria. The following are the results of the further testing:

Table 3 Convergent Validity Test Results
Reestimation 1

| | Entrepreneurial Leadership (X1) | Entrepreneurial Competence (X2) | MSME Performance (Y) | Entrepreneurial Motivation (Z) |
|------|---------------------------------|---------------------------------|----------------------|--------------------------------|
| X1.1 | 0.723 | | | |
| X1.3 | 0.850 | | | |
| X1.4 | 0.835 | | | |
| X1.6 | 0.777 | | | |
| X1.7 | 0.735 | | | |
| X1.8 | 0.872 | | | |
| X2.1 | | 0.791 | | |
| X2.5 | | 0.763 | | |
| X2.6 | | 0.854 | | |
| X2.7 | | 0.810 | | |
| X2.8 | | 0.805 | | |
| Y1 | | | 0.870 | |
| Y2 | | | 0.842 | |
| Y3 | | | 0.802 | |

| | Entrepreneurial Leadership (X1) | Entrepreneurial Competence (X2) | MSME Performance (Y) | Entrepreneurial Motivation (Z) |
|----|---------------------------------|---------------------------------|----------------------|--------------------------------|
| Y5 | | | 0.810 | |
| Z1 | | | | 0.771 |
| Z2 | | | | 0.751 |
| Z4 | | | | 0.866 |
| Z5 | | | | 0.837 |
| Z7 | | | | 0.789 |
| Z8 | | | | 0.7659 |

Source: Processed Data 2025

After further testing based on Figure 3 and Table 3, all indicators were declared valid or feasible. Thus, the analysis can be continued to the next testing stage.

In addition to looking at the outer loading value, the convergent validity test can also be done by looking at the Average Variance Extracted (AVE) value. If the AVE value is more than 0.50, then the indicator is declared valid.

Table 4. Average Variance Extracted (AVE)

| Indicator | (AVE) |
|---------------------------------|-------|
| Entrepreneurial Leadership (X1) | 0.641 |
| Entrepreneurial Competence (X2) | 0.648 |
| MSME Performance (Y) | 0.691 |
| Entrepreneurial Motivation (Z) | 0.635 |

Source: Processed Data 2025

Table 4 shows that all variables, namely Entrepreneurial Leadership (X1), Entrepreneurial Competence (X2), Performance (Y), and Entrepreneurial Motivation (Z), have an AVE value > 0.50. This means that all latent variables in this study meet the convergent validity criteria.

3.3 Composite Reliability Test

Composite reliability is used to test the reliability or consistency of data measurement instruments, where respondents' answers to each statement show stability. If the composite reliability value is more than 0.70, then the construct is considered to have a high level of reliability. In addition, if the Cronbach's Alpha value is more than 0.70, then the instrument is declared quite reliable. These values are shown in Table 4.

Table 5. Composite Reliability Test

| Indicator | Composite reliability | Cronbach's Alpha |
|---------------------------------|-----------------------|------------------|
| Entrepreneurial Leadership (X1) | 0.914 | 0.887 |
| Entrepreneurial Competence (X2) | 0.902 | 0.865 |
| MSME Performance (Y) | 0.899 | 0.851 |
| Entrepreneurial Motivation (Z) | 0.912 | 0.884 |

Source: Processed Data 2025

Table 5 shows that all Composite Reliability and Cronbach's Alpha values are more than 0.70, which means that all variables in this study are

declared reliable.

3.3 Structural Model Test (Inner Model)

The following values of R square are shown in Table 6.

Table 6. R Square Value

| Indicator | R Square | Adjusted R Square |
|--------------------------------|----------|-------------------|
| MSME Performance (Y) | 0.422 | 0.404 |
| Entrepreneurial Motivation (Z) | 0.804 | 0.800 |

Source: Processed Data 2025

Table 5 shows that the UMKM Performance variable (Y) has an R-Square value of 0.422, meaning that it is influenced by Entrepreneurial Competence, Entrepreneurial Leadership, and Entrepreneurial Motivation by 42.2%, while 57.8% is influenced by other variables not examined in this study, such as financial literacy, entrepreneurial orientation, financial capital, and product innovation. Meanwhile, the Entrepreneurial Motivation variable (Z) has an R-Square value of 0.804, meaning that 80.4% is influenced by Entrepreneurial Competence and Leadership, and 19.6% by other factors, such as technological readiness, self-efficacy, and

entrepreneurial training.

PLS model evaluation can be done using the Stone-Geisser test (Q-Square Test). If the Q-Square value is more than 0, then the model has predictive relevance. Conversely, if the Q-Square value is less than or equal to 0, the model is considered to have less predictive relevance. The Q-Square value for predictive relevance can be measured by:

$$Q^2 = 1 - (1 - \text{Entrepreneurial Motivation } 2) \times (1 - \text{MSME Performance } 2)$$

$$= 1 - (1 - 0.804) \times (1 - 0.422)$$

$$= 1 - (1 - 0.646) \times (1 - 0.178)$$

$$= 1 - (0.354) \times (0.822)$$

$$= 1 - 0.290$$

$$= 0.71$$

The results of the Q-Square value in this study were 0.71 (> 0), so the model used has predictive relevance. This shows that the structural model designed to explain entrepreneurial motivation and MSME performance in Jember Regency is proven to be good and relevant.

3.4 Hypothesis Testing

Figure 4 shows the results of the hypothesis test in this study:

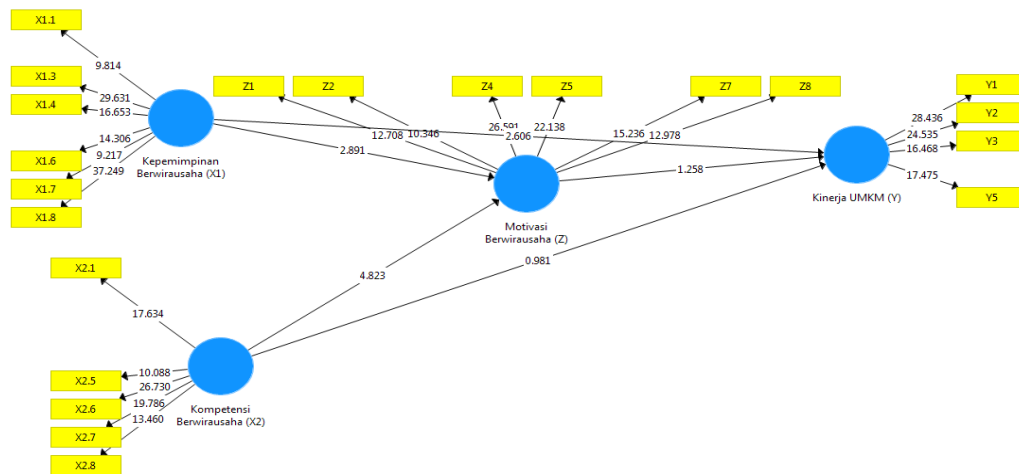


Figure 4. Research Path Diagram Output

Table 7 Direct Influence Results

| Hypothesis | T Statistics (O/Stddev) | P Values | Information |
|---|---------------------------|----------|-------------|
| Entrepreneurial Leadership (X1) -> MSME Performance (Y) | 2,606 | 0.009 | Accepted |
| Entrepreneurial Competence (X2) -> MSME Performance (Y) | 0.981 | 0.327 | Rejected |
| Entrepreneurial Motivation (Z) -> MSME Performance (Y) | 1,258 | 0.209 | Rejected |
| Entrepreneurial Leadership (X1) -> Entrepreneurial Motivation (Z) | 2,891 | 0.004 | Accepted |

| | | | |
|---|-------|-------|----------|
| Entrepreneurial Competence (X2) -> Entrepreneurial Motivation (Z) | 4,823 | 0,000 | Accepted |
|---|-------|-------|----------|

The influence of the relationship between exogenous latent variables on endogenous latent variables in the table above can be explained as follows.

a. The Influence of Entrepreneurial Leadership on MSME Performance

The test results show that entrepreneurial leadership has a significant effect on the performance of MSMEs in Jember Regency. This is evidenced by the T Statistic value of 2.606 (greater than 1.96) and P Value of 0.009 (smaller

than 0.05), so that the first hypothesis (H1) can be accepted.

Descriptive data supports this finding, where MSMEs with good leadership tend to experience increased sales, with an average score of 3.74 and 3.90 on the sales and business strategy indicators. In addition, the number of customers also increased, as seen from the scores of 4.00 and 3.80, indicating that the MSME market reach is expanding outside the region. On the other hand, business profits also grew, with a score of 3.76, and the ability to manage costs efficiently received the highest score of 4.32.

These findings indicate that leadership is not just an additional factor, but a key element in increasing the competitiveness and sustainability of MSME businesses. Business owners who have entrepreneurial leadership will be more responsive in making the right and fast decisions, especially when facing changing market dynamics. Decisions based on strong leadership help MSMEs adapt to economic changes, industry trends, and emerging business challenges.

Overall, entrepreneurial leadership has been shown to play an important role in improving the performance of MSMEs, both in terms of sales, customer expansion, and profit growth. Therefore, strengthening the leadership aspect is one of the important strategies in the development of sustainable MSMEs. The results of this study support research conducted by (Amalia, 2021) that entrepreneurial leadership has an influence on the performance of SMEs and the results of research from (Amarullah et al., 2023) that entrepreneurial leadership influences the performance of MSMEs.

b. The Influence of Entrepreneurial Competence on MSME Performance

The results of the hypothesis test show that the T Statistic value is 0.981, which is smaller than 1.96, and the P Value is 0.327, which is greater than 0.05, so the hypothesis in this study is rejected. This means that entrepreneurial competence does not have a significant influence on the performance of MSMEs in Jember Regency.

One of the main reasons for this finding is the possibility that the entrepreneurial competencies possessed by MSME actors have not been optimally applied in daily business operations. Many small business owners may have a basic understanding of entrepreneurship, but still face obstacles in implementing effective business strategies, such as financial management, digital marketing, and product innovation.

One of the main reasons for this finding is the possibility that the entrepreneurial competencies possessed by MSME actors have not been optimally applied in daily business operations. Many small business owners may have a basic understanding of entrepreneurship, but still face obstacles in implementing effective business strategies, such as financial management, digital marketing, and product innovation.

This can be related to the level of education of respondents, where the majority of MSME actors in Jember Regency have a high school education/equivalent (71.29%), while those with a bachelor's degree are only 26.73%, and those with a master's degree are 1.98%. This condition indicates that most MSME actors may not have sufficient formal education to understand and implement modern and systematic business management strategies.

In addition, external factors such as limited access to capital, tight market competition, lack of supporting infrastructure, and minimal policy support that encourages business development also play a role in inhibiting the influence of entrepreneurial competence on MSME performance. Many MSMEs in Jember Regency still rely on conventional methods in running their businesses, so that even though they have basic competence, they have not been able to take advantage of digital opportunities or adapt to changing market trends quickly.

Internal factors also cannot be ignored, such as lack of motivation and resistance to change. Some MSMEs are reluctant to develop further skills or try new approaches in their business. As a result, even though they have entrepreneurial potential and competence, this does not automatically contribute to improving their business performance.

Thus, the results of this study indicate that to improve the performance of MSMEs in Jember Regency, it is not enough to only strengthen entrepreneurial competence. Other supporting factors are also needed, such as access to financing, business assistance, technological innovation, and a conducive business environment. MSME empowerment strategies must be designed comprehensively, including through practical training, strategic partnerships, and policies that encourage the real application of entrepreneurial competence in daily business management. The results of this study are not in line with the findings put forward by (Dhamayantie & Fauzan, 2023), which states that entrepreneurial competence has a positive and significant influence on the performance of

MSMEs. In addition, the results of this study are also different from the research conducted by (Heryanti & Arnun, 2024), who found that entrepreneurial competence has a positive and significant effect on the performance of MSMEs in Telagasari District.

c. The Influence of Entrepreneurial Motivation on MSME Performance

The T-Statistic value of 1.258 and P-Value of 0.209 indicate that entrepreneurial motivation does not have a significant effect on the performance of MSMEs in Jember Regency. This finding indicates that the high enthusiasm and desire of MSME actors to develop are not enough to directly encourage increased business performance.

This condition can be explained through the local economic phenomenon in Jember Regency, where many MSMEs face declining purchasing power, declining sales turnover, and limited capital. In addition, waves of layoffs in the formal sector, changes in consumer preferences, and competition from products from outside the region are increasingly burdening the competitiveness of local MSMEs. In this situation, personal motivation tends to be insufficient without concrete support such as entrepreneurship training, access to technology, adaptive marketing strategies, and local government policies that favor MSMEs.

Motivation is also fluctuating and easily affected by external pressures. Even highly motivated MSMEs can experience stagnation or even business decline when facing structural obstacles. This shows that the performance of MSMEs in Jember Regency is more determined by a combination of internal capacity and supportive business environment factors, not just from motivational drives alone.

Therefore, to encourage sustainable improvement of MSME performance in Jember Regency, a comprehensive strategy is needed. In addition to building motivation and competence of business actors, it is also necessary to increase access to capital, infrastructure support, ease of licensing, and targeted business training based on local needs. The results of this study are in line with the findings put forward by (Bima et al., 2022), which states that entrepreneurial motivation does not affect business performance in the rattan creative industry in Pekanbaru. In addition, this study also supports the results of a study conducted by (Efriadi, 2023), which found that entrepreneurial motivation did not influence business performance at BUMDes in Kerinci Regency, as well as research (Maryadi et al.,

2024), which shows that entrepreneurial motivation does not have a significant influence on business performance.

However, the findings in this study are not in line with the results of research conducted by (Irwanto & Ie, 2023), which states that entrepreneurial motivation has a significant influence on the success of MSMEs in the F&B sector in West Jakarta. This difference indicates that factors that influence business performance can vary depending on the industry context, location, and characteristics of the business actors involved.

d. The Influence of Entrepreneurial Leadership on Entrepreneurial Motivation

The results of the hypothesis test showed that the T-statistic value was $2.891 > 1.96$ and the P-value was $0.004 < 0.05$, the hypothesis was accepted, meaning that entrepreneurial leadership had an effect on the entrepreneurial motivation of MSME actors in Jember Regency. This indicates that the stronger the leadership possessed by an entrepreneur, the higher their motivation in running and developing a business. Leaders who have a clear vision, are able to make strategic decisions, and provide inspiration to themselves and their teams tend to be more motivated to continue to innovate and face business challenges.

In addition, good leadership in entrepreneurship not only creates internal motivation for entrepreneurs, but also forms a supportive work environment. Leaders who are able to provide direction, build self-confidence, and create a positive work culture will encourage greater enthusiasm and commitment in running a business. This is in line with the leadership theory which states that an effective leader can motivate himself and others to achieve greater goals.

Furthermore, in the context of MSMEs in Jember Regency, many business actors face various challenges, such as limited capital, tight competition, and limited market access. With strong entrepreneurial leadership, entrepreneurs are able to face these obstacles with a more optimistic attitude and more mature strategies. Therefore, the results of this study confirm that effective leadership not only plays a role in business decision making, but is also a major factor in building sustainable motivation for MSME actors.

The results of this study are in line with the findings put forward by (Marditama, 2020), which

states that leadership spirit influences entrepreneurial motivation in students of the Faculty of Economics, Nurtanio University, Bandung. In addition, this study also supports the results of a study conducted by (Ketrianggi et al., 2024), which shows that leadership can increase entrepreneurial work motivation.

e. The Influence of Entrepreneurial Competence on Entrepreneurial Motivation

The results of the hypothesis test show that entrepreneurial competence has a significant influence on entrepreneurial motivation among MSME actors in Jember Regency. This can be seen from the T Statistics value of 4.823 which is greater than 1.96 and the P Values of 0.000 which is less than 0.05, so the hypothesis is accepted. This finding confirms that the higher the entrepreneurial competence possessed, the greater the individual's motivation in developing their business.

Entrepreneurial competence covers various aspects, such as understanding business strategies, skills in managing finances, the ability to adapt to market developments, and innovation in creating products or services. With adequate competence, MSME actors are more confident in facing business challenges, so they are encouraged to continue to develop and increase the competitiveness of their businesses. High motivation will emerge when individuals feel they have sufficient provisions to achieve success, so they are more proactive in seeking opportunities and facing risks.

Jember Regency has various mentoring and training programs for MSMEs organized by the local government, universities, and business organizations. MSME actors who actively participate in this training tend to have better competencies, which then have an impact on increasing their motivation to develop their businesses more professionally and sustainably.

Therefore, the results of this study confirm that strengthening entrepreneurial competencies, either through education, training, or direct experience in the field, can be a key factor in building sustainable motivation for MSME actors.

This finding is also consistent with research conducted by (Musa et al., 2024), which states that entrepreneurial competence has an influence on entrepreneurial motivation. The alignment of the results of this study further strengthens the evidence that leadership and entrepreneurial competence play an important role in building and increasing individual motivation in the world of entrepreneurship.

Table 8 Results of Indirect Influence

| | | | T Statistics (O/Stdev) | p Values | Informat ion |
|---------------------------------|----|------|--------------------------------------|-------------|-----------------|
| Entrepreneurial Leadership (X1) | -> | MSME | 1,132 | 0.258 | Rejected |
| Performance (Y) | | | | | |
| Entrepreneurial Competence (X2) | -> | MSME | 1,173 | 0.241 | Rejected |
| MSME Performance (Y) | | | | | |

Source: Processed Data 2025

f. The Role of Entrepreneurial Motivation as an Intervening Variable Between Entrepreneurial Leadership and MSME Performance

The results of the hypothesis test indicate that entrepreneurial motivation cannot act as an intervening variable. This is evidenced by the T Statistic value of 1.132 which is smaller than 1.96 and the P Values of 0.258 which is greater than 0.05, so the hypothesis is rejected. This finding indicates that even though someone has the motivation to become an entrepreneur, other more dominant factors are likely to have a greater influence on the performance of MSMEs.

Although the results of the hypothesis test show that entrepreneurial leadership has an influence on the performance of MSMEs in Jember Regency, entrepreneurial motivation cannot act as an intervening variable in the relationship. This can be caused by several factors. One of them is that entrepreneurial leadership tends to have a direct impact on MSME performance through strategic decision making, innovation, and operational efficiency without having to go through increasing motivation first. In other words, business leaders who have strong leadership are able to direct their business in a better direction directly, without having to depend on how high the entrepreneurial motivation of the actors is.

In addition, in the context of MSMEs in Jember Regency, entrepreneurial motivation is often influenced by external factors such as market conditions, business competition, and government policies. If these external challenges are not supportive, then even though business leaders have good leadership skills, the motivation of MSME actors can fluctuate and does not always contribute significantly to improving performance. High motivation is also not always followed by real actions that can improve business performance, especially if MSME actors face limitations in terms of resources, access to capital, and managerial skills. Therefore, although entrepreneurial leadership has been shown to have an effect on MSME

performance, the role of motivation as an intervening variable becomes less significant in this relationship.

g. The Role of Entrepreneurial Motivation as an Intervening Variable Between Entrepreneurial Competence and MSME Performance

The results of the hypothesis test presented in Table 7 show that the T Statistic value of 1.173 is smaller than 1.96 and the P Values value of 0.241 is greater than 0.05. Thus, the hypothesis is rejected, which means that entrepreneurial motivation cannot act as an intervening variable in the relationship between entrepreneurial competence and MSME performance in Jember Regency.

This finding indicates that even though MSME actors have good entrepreneurial competencies, this does not automatically increase their motivation to become entrepreneurs, which then has an impact on business performance.

In this situation, high motivation may not necessarily overcome these obstacles if it is not supported by other factors such as access to resources, strong business networks, and policies that are conducive to the growth of MSMEs. Thus, although competence can increase motivation, other factors outside of motivation have a greater influence on MSME performance, so that motivation cannot be a variable that bridges the relationship between competence and business performance.

The results of this study are not in line with the findings put forward by (Musa et al., 2024), which states that entrepreneurial competence has a positive and significant effect on productivity mediated by entrepreneurial motivation.

4. Conclusion

This study shows that entrepreneurial leadership has a significant influence on the performance of MSMEs in Jember Regency. This shows that business leaders who are visionary, adaptive, and able to make strategic decisions are able to encourage increased productivity, operational efficiency, and achievement of business growth. In other words, the higher the quality of entrepreneurial leadership, the higher the performance of the MSMEs produced.

On the other hand, entrepreneurial competence and entrepreneurial motivation do not have a significant direct influence on MSME performance. Although MSME actors have adequate technical, financial, marketing, and relationship capabilities (competence), as well as a strong spirit and desire to progress (motivation), this is not enough to have a direct impact on their business performance.

This finding strengthens the view that competence and motivation require the support of other factors in order to have an optimal impact on performance, such as leadership, business strategy, or access to external resources.

Furthermore, the results of the study also show that leadership and entrepreneurial competence have a significant effect on entrepreneurial motivation, which means that entrepreneurs who have good leadership and competence tend to have higher motivation in managing and developing their businesses. However, motivation is unable to mediate the influence of leadership and competence on MSME performance, which indicates that entrepreneurial spirit alone is not enough without concrete support such as capital, technology, or markets.

This confirms that MSME performance is not only influenced by internal factors, but also highly dependent on external factors such as access to business capital, government policy support, supporting infrastructure, and competitive market conditions. In addition, other variables that were not examined in this study, but have the potential to contribute to improving MSME performance, include financial literacy, entrepreneurial orientation, product innovation, and the use of digital technology. Therefore, in improving MSME performance sustainably, a holistic approach is needed that not only focuses on strengthening the capacity of individual business actors, but also on developing a business ecosystem that supports their growth.

Reference

- Amalia, MR (2021). Challenges of SMEs Facing the Covid-19 Pandemic: The Influence of Leadership and Training on Performance. *CAPITAL: Journal of Economics and Management*, 4(2), 91.
<https://doi.org/10.25273/capital.v4i2.8739>
- Amarullah, S., Maulidi, A., Syarifudin, E., & Fauzi, A. (2023). Journal of Social Sciences. *Journal of Social Sciences*, 10(10), 4607–4617.
- Ambarwati, T. (2021). Entrepreneurial Values and Entrepreneurial Commitment to MSME Performance with Business Strategy as Moderation. *Journal of Business and Management*, 8(1), 44–56.
<https://doi.org/10.26905/jbm.v8i1.5198>
- Arisandy, Y., Lami, L., Fanggidae, RE, & Nursiani, NP (2024). The Effect Of Entrepreneurial Motivation And Entrepreneurial Orientation On Business Performance (Study on Sector. *Relevance Journal: Economics, Management and Business*, 8(1), 11–17.
<https://jurnal.stiekrakatau.ac.id/index.php/relevansi/article/view/110>
- Bima, A., Hendriani, S., & Efni, Y. (2022). The Influence of Training, Entrepreneurial Motivation, and Entrepreneurial Spirit on

- Business Performance of Creative Rattan Industry Business Actors in Pekanbaru. *Bahtera Inovasi*, 5(2), 115–128.
<https://doi.org/10.31629/bi.v5i2.4013>
- Dhamayantie, E., & Fauzan, R. (2023). Strengthening Entrepreneurial Characteristics and Competencies to Improve MSME Performance. *Maneggio: Scientific Journal of Master of Management*, 6(2), 210–221.
<https://doi.org/10.24843/matrik:jmbk.2017.v11.i01.p07>
- Diskopum. (2023). Chatting with the Regent and UMKM. <https://ppid.jemberkab.go.id/berita-ppid/detail/ngobrol-bersama-bupati-dengan-umkm>
- Efriadi, R. (2023). Competitive Advantage in Bumdes in Kerinci Regency. *Journal of Applied Management and Finance (Mankeu)*, 12(02), 388–402.
- Ghozali, I. (2014). *Structural Equation Modeling, Alternative Method with Partial Least Square (PLS)* (4th ed.). Diponegoro University Publishing Agency.
- Heryanti, AH, & Arnun, AP (2024). The Influence of Entrepreneurial Competence on MSME Performance in Telagasari District (Study on Home Industry). *Scientific Journal of Wahana Pendidikan*, 10(11), 14–22.
<https://doi.org/10.5281/zenodo.12176560>
- Irwanto, A., & Ie, M. (2023). The Influence of Self-Efficacy, Entrepreneurial Knowledge, Entrepreneurial Motivation on the Success of F&B MSME Businesses in West Jakarta. *Journal of Managerial and Entrepreneurship*, 5(1), 259–267.
<https://doi.org/10.24912/jmk.v5i1.22674>
- Jember, P. (2024). Cooperative Service Data Statistics 2024. <https://portal-data.jemberkab.go.id/portal-86ebcf7f5ece4d2668535292012c30a0.html>
- Ketrianggi, A., Jasib, M. iqba. T. jasib, & Roslana. (2024). The Role Of Leadership In Improving Entrepreneurial Work Motivation. 1(3), 196–199.
- Kusa, R., Duda, J., & Suder, M. (2021). Explaining SME performance with fsQCA: The role of entrepreneurial orientation, entrepreneurial motivation, and opportunity perception. *Journal of Innovation and Knowledge*, 6(4), 234–245.
<https://doi.org/10.1016/j.jik.2021.06.001>
- Limanseto, H. (2022). The development of MSMEs as a critical engine of the national economy continues to receive government support. <https://www.ekon.go.id/publikasi/detail/4593/perkembangan-umkm-sebagai-critical-engine-perekonomian-nasional-terus-mendapatkan-dukungan-pemerintah>
- Marditama, T. (2020). The Influence of Leadership Spirit on Entrepreneurial Motivation (Case Study of Students of the Faculty of Economics, Nurtanio University, Bandung). *Manners*, 3(2), 169–180. www.beritasatu.com.
- Maryadi, A., Hermiati, NF, Purnamasari, P., Afandi, R., & Kosim, M. (2024). The Role Of Strategic Leadership In The Umkm Sector On The Relationship Between Entrepreneurial Skills And Entrepreneurial Motivation On Business Performance. 17(2), 783–795.
- Musa, JA, Wibawa, DP, & Saputra, D. (2024). The Influence of Entrepreneurial Competence and Education on the Productivity of Creative Economy Actors in Pangkalpinang City Mediated by Entrepreneurial Motivation. 9.
- Nor-Aishah, H., Ahmad, N.H., & Thurasamy, R. (2020). Entrepreneurial leadership and sustainable performance of manufacturing SMEs in Malaysia: The contingent role of entrepreneurial bricolage. *Sustainability (Switzerland)*, 12(8), 3100.
<https://doi.org/10.3390/SU12083100>
- Puwardi, SF, & Soelaiman, L. (2023). The Influence of Entrepreneurial Orientation and Entrepreneurial Leadership on the Performance of Culinary MSMEs in Taman Palem Lestari. *Journal of Managerial and Entrepreneurship*, 5(2), 466–473.
<https://doi.org/10.24912/jmk.v5i2.23417>
- Ramadhan, TG, & Wandu, D. (2023). The influence of human resource competence, entrepreneurial competence and work engagement on the performance of cracker MSME entrepreneurs in Serang City. *Indonesian of Interdisciplinary Journal*, 4(September), 1–10.
- Ramos, ALSC (2016). No Titleענף הקיווי: תמונת מצב. *Jumantik (Scientific Journal of Health Research)*, 66(1), 37–39.
- Rapih, S., Martono, T., & Riyanto, G. (2015). Analysis of the Influence of Human Resource Competence, Social Capital and Financial Capital on the Performance of MSMEs in the Garment Sector in Klaten Regency. *Journal of Independent Insan Education*, 1(2).
- Roni Harsoyo. (2022). Bernard M. Bass' Transformational Leadership Theory and Its Application in Improving the Quality of Islamic Educational Institutions. *Southeast Asian Journal of Islamic Education Management*, 3(2), 247–262.
<https://doi.org/10.21154/sajiem.v3i2.112>
- Sakib, MN, Rabbani, MR, Hawaldar, IT, Jabber, MA, Hossain, J., & Sahabuddin, M. (2022). Entrepreneurial Competencies and SMEs' Performance in a Developing Economy. *Sustainability (Switzerland)*, 14(20), 1–18.
<https://doi.org/10.3390/su142013643>
- Sawaeen, FAA, & Ali, KAM (2020). The impact of entrepreneurial leadership and learning orientation on organizational performance of SMEs: The mediating role of innovation capacity. *Management Science Letters*, 10(2),

- 369–380.
<https://doi.org/10.5267/j.msl.2019.8.033>
- Spencer, L. M., & Spencer, S. M. (1993). *Competence at Work*. Willey Publishers.
- Srimulyani, VA, & Hermanto, YB (2022). Impact of Entrepreneurial Self-Efficacy and Entrepreneurial Motivation on Micro and Small Business Success for Food and Beverage Sector in East Java, Indonesia. *Economies*, 10(1).
<https://doi.org/10.3390/economies10010010>
- Sugiyono. (2009). *Quantitative, Qualitative and R&D Research Methods*. Alfabeta.
- Suryana, AT, & Burhanuddin, B. (2021). The Influence of Entrepreneurial Competence on the Performance of Coffee MSME Businesses: A Theoretical and Empirical Review. *Agrisep Journal of Socio-Economic Problems of Agriculture and Agribusiness*, 20(1), 117–128.
- Syah Putra. (2013). Leadership Influence to successful business in the clothing industry at JL. about Medan. 4, 50–69.
- Wanto, SF (2014). The Influence of Independence and Entrepreneurial Motivation on Entrepreneurial Interests of Students of SMKN 1 Seyegen. *Journal of Vocational Education of Mechanical Engineering*, Yogyakarta State University, 2(3), 185–191.