

## **Analysis of Affecting Factors Restaurant Entrepreneur Income in Medan City**

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**Abstract:** *The purpose of this research is to analyze the factors that influence the income of restaurant entrepreneurs in the city of Medan. The research method used is the least squares method or Ordinary Least Square. The results of the study show that the variables of capital and labor have a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan. Likewise, working hours, length of business and income level have a positive and significant effect on the income of restaurant entrepreneurs in the city of Medan. Capital variables, labor, working hours, length of business, and education level simultaneously have a significant effect on the income of restaurant entrepreneurs in the city of Medan. The coefficient of determination of 0.9946 informs that together the variables of capital, labor, working hours, length of business, and level of education are able to explain the variable variation in entrepreneur income by 99.462%, while the remaining 0.538% is explained by other factors included in this research model.*

**Keywords:** *income, capital, labor, working hours, length of business, level of education*

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### **I. Introduction**

Developing countries including Indonesia certainly carry out development efforts. The development is carried out in various sectors including the economic sector, the political sector, the socio-cultural sector and others. The development effort was carried out to develop the economy in Indonesia in order to improve the standard of living of the people and lead Indonesia to enter the era of modernization.

Economic development is a process that causes people's income to increase over a long period of time. There are three important characteristics of economic development, namely a process of continual change, an effort to attract per capita income, and an increase in income per capita in the long run. Government policy in development is intended to change the way of thinking in order to understand the importance of development investment. Development will enhance the nation's cultural values, namely the creation of a better standard of living, mutual respect for each other, and avoiding arbitrary actions. The development goals are two stages. The first stage is to eradicate poverty and if this goal is achieved, proceed to the second stage, namely creating opportunities for citizens to live happily and fulfill all their needs (Sirojuzilam, 2005: 2).

In general, restaurants will go out of business if the turnover obtained is not as expected. That means, this is due to problems regarding the income of the restaurant entrepreneurs themselves. One that affects the income of restaurant entrepreneurs is a lack of capital. Capital is needed in increasing the income of restaurant entrepreneurs. However, there are still many restaurant entrepreneurs who experience capital problems. This can be caused also by the government's attention that is less responsive to the needs of entrepreneurs. The lack of capital certainly influences the results and innovations carried out by entrepreneurs. Another thing can be in the form of a suitable and quality workforce. The number of workers in accordance with what is needed makes the performance to be maximal. Quality human resources also contribute to the improvement of restaurant business development. In the end it will increase the income of restaurant entrepreneurs. Appropriate and flexible working time also affects income. The longer working time will certainly provide more opportunities for attracting visitors. Duration of business also affects the income of restaurant entrepreneurs. The longer the restaurant business stands, it will increase the income of entrepreneurs. This is because in general, businesses that have long been able to take more mature policies based on existing experience. This certainly can increase the income of restaurant entrepreneurs. The large variety of menus adds to its own interest to increase the income of entrepreneurs. Consumers are given the convenience of choosing a variety of menus offered according to the tastes of their respective consumers. The varied main menu makes consumers have various choices of restaurants to visit. This has a big effect on revenue turnover. Cost variables also affect the income of

restaurant entrepreneurs, the higher the costs incurred, of course, expect to obtain greater revenue in increasing the income turnover of restaurant entrepreneurs.

Seeing its potential, the authors are interested in examining the factors that influence the income of restaurant entrepreneurs in the city of Medan. The reason why this study was specified in the restaurant business, because of the fact that there is currently a restaurant business location in the city of Medan shows a fairly good growth, this can be seen from the increasing business location of restaurants that flood every protocol road and small road in the city of Medan.

The reason why the authors conducted research in the city of Medan is because Medan City is a developing area and has potential in the trade sector. The restaurant businessman referred to by the author in this study is based on the business group that does not have a business permit at the Medan City Office of Industry and Trade and its business class which is in the vicinity or on the roadside.

A study of the income of a restaurant entrepreneur is needed as a tool or a basis for knowledge that can be applied for consideration and taking policy steps in increasing the income of restaurant entrepreneurs. It is expected that with the increasing number of studies in the study of the restaurant business sector, this can contribute to the development of restaurant businesses. If restaurant income increases, in the end, of course it can contribute to the economy in the city of Medan.

## **II. Theoretical Review**

### **2.1 Restaurant**

A restaurant is a general term to refer to a gastronomic business that serves dishes to the community and provides a place to enjoy the meal and set a certain rate for food and service. Although most restaurants serve food on the premises, there are also restaurants that provide take-out dining services and delivery services to serve their customers. Restaurants usually specialize in the types of food they serve, for example Chinese food restaurants, Padang restaurants, fast food restaurants and so on.

Restaurants in Indonesia are also called restaurants. The restaurant is an infiltration word derived from French which is adapted by English; "restaurant" which comes from the word "restaurer" which means "restore". The existence of the restaurant became known since the 9th century in the Middle East before it appeared in China. In the Islamic world in the Middle Ages, there was a "restaurant where one can buy all types of food provided". This restaurant was mentioned by Al-Muqaddasi, a geographer born in 945 who lived in the Middle East in the late 10th century.

If observed the growth of good restaurant businesses in major cities in Indonesia, the number of people is very significant, so many people have opened restaurant investments. A variety of menus and types of ethnicity are offered, a variety of interior designs are displayed, this is a very proud development of this business. According to Raharjo (2008: 17-19) in general there are three types of businesses in food and beverages. Each type of business has different categories and characteristics, both in terms of investment and management. The three types of businesses are:

1. **Small-scale businesses** This type of business is small and usually in small-income groups. The characteristics of this business are the very limited types of menus and low prices, which is around Rp. 3000.00 - IDR 15,000 per person. The concept is simple, that is simply "eat, fill and go home". This type of business is not too concerned with service and cleanliness.
2. **Medium-scale business** This type of business is intended for circles at the middle economic level. In terms of price, it has a price level that is more expensive than small businesses with a range between Rp. 15,000 - Rp. 40,000.00 per person. The characteristics of a medium-scale business can be seen from a more varied menu, having employees to serve, the type of service is very simple, cleanliness is more attention, and usually has a large parking area. This type of business can be found at the Padang restaurant, franchise restaurant, cafe, restaurant, or restaurant in a cafe or in a mall.
3. **Large-scale business** Large-scale business is usually aimed at high economic and social circles. This type of restaurant can stand alone in certain areas or in five-star hotels. Usually this restaurant uses a special concept on services and menus offered, for example Italian restaurants, Japanese restaurants, pubs and restaurants, French restaurants or Indonesian restaurants.

### **2.2 Framework**

The income variable is caused by many factors and each factor is interrelated. The approach used to find out the factors that influence income is indeed quite a lot, but in this research the causative factors are limited to several variables. It can be seen that the income variable in this study is influenced by capital, labor, work time, length of business and level of education.

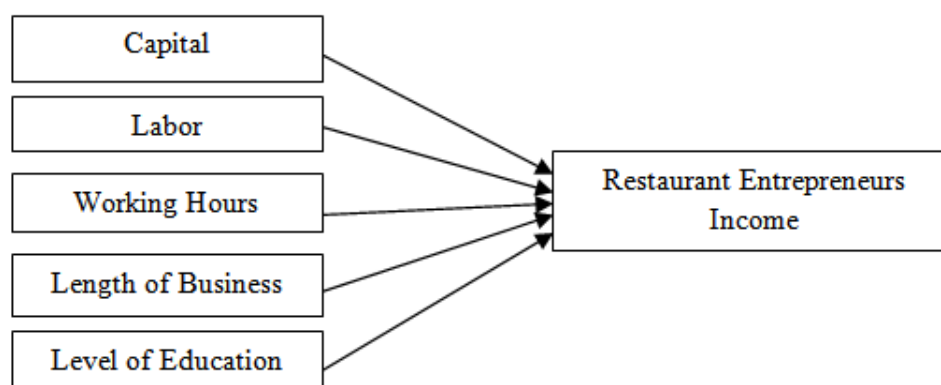
Capital is an important factor in doing business because capital has a very strong relationship with the success or failure of a business undertaken. Capital owned by a restaurant entrepreneur certainly provides flexibility for restaurant entrepreneurs to determine the menu of food to be sold.

Labor factor because theoretically the amount of labor will affect business income. By employing the number of workers in accordance with the needs will increase business income.

Working time in utility theory states that the time allocation of individuals is faced with two choices, namely working or not working to enjoy their free time. Research results of Wu Ajeng Chintya and Ida Bagus Darsana (2013), which prove the direct relationship between working hours and income level.

The old factor of business theoretically there is no discussion that this factor is a function of income. But in his activities the more experienced a restaurant entrepreneur, it will be able to increase business income.

The last factor in the level of education, the discussion of the problem of education will always be integrated into the approach of human capital. According to Simanjutak (2001) Basic Assumptions of Human Capital Theory is that one can increase income through education level, every additional one school year, meaning that one party increases one's work ability and income level, but this delays the receipt of income for one year in attending school that is.



**Figure 2.1 Thinking Framework**

### **2.3 Research Hypothesis**

Temporary conclusions that will be verified based on the formulation of the above problem are as follows:

1. Capital has a positive effect on the income of restaurant entrepreneurs in the city of Medan.
2. Labor has a positive effect on the income of restaurant entrepreneurs in the city of Medan.
3. Working Time has a positive effect on the income of restaurant entrepreneurs in the city of Medan.
4. Duration of business has a positive effect on the income of restaurant entrepreneurs in the city of Medan.
5. The level of education has a positive effect on the income of restaurant entrepreneurs in the city of Medan.

## **III. Materials and Method**

### **3.1 The Scope of Research**

The scope of this research is aimed at the income of restaurant entrepreneurs in the city of Medan, research conducted in all areas of the city of Medan that have a restaurant business. The variables studied were capital, labor, work time, length of business and level of education which is the independent variable and income of restaurant entrepreneurs as the dependent variable.

### **3.2 Operational Definition**

Based on the research title, "Analysis of Factors Affecting Entrepreneurs' Income in Medan City", the variables related to the title are as follows:

1. Total business revenue from overall sales obtained by a restaurant entrepreneur in one month (millions of rupiah).
2. Capital is the operational costs used by each respondent every month (millions of rupiah).
3. Labor is the number of all employees who work for restaurant (people) entrepreneurs.
4. Working hours are the length of time that is used for restaurant entrepreneurs every day, working time is calculated in units of hours every day.
5. Duration of business is the length of time the respondent attempts (in years)
6. Education Level is the last education taken by restaurant entrepreneurs.

#### **IV. Research Results and Discussion**

##### **1. Effect of Capital on Restaurant Entrepreneurs Revenues**

Capital variables have a positive effect on the income level of restaurant entrepreneurs in the city of Medan. The lowest entrepreneur capital is Rp. 30,000,000.00 and the highest is Rp. 48,000,000.00 with an average capital of Rp. 37,887,000.00 with an entrepreneur's gross income of Rp. 51,301,000, - per month.

This means that theoretical studies and previous research are in line with this research. Increased capital such as an increase in the number of goods or products traded owned by traders can increase the level of income. According to Handayani (2010) Revenue received by each individual or community group is highly dependent on ownership production factor. The greater the capital or production factors that are owned, the more likely the income received is higher (Samuji, 2012).

The results of this study are in line with the results of research from Putri (2015) which shows that there are 5 (five) independent variables (capital, length of business, working hours, parking and business locations) simultaneously having a significant influence on the income of entrepreneurs in Medan City. Princess Research (2015) shows the variable amount of business capital, the length of business and business location has a positive significant influence on the income of traders Sukawati Art Market in Gianyar Regency. The equation in this study shows that the use of business capital variables affects income.

##### **2. Effect of Workers on Restaurant Entrepreneurs Revenues**

The labor variable has a positive effect on the income level of restaurant entrepreneurs in Medan City. The employment of entrepreneurs is at least 1 person and at most 5 people. Labor is a very important factor in production, because labor is a factor driving the other input factors, without the presence of labor other factors of production will not matter. With the increase in labor productivity it will encourage an increase in income production will also increase.

The results of this study support the study of Tamrin (2006) which states that labor has a significant effect on income. The more labor the greater the informal business opportunity to earn income. Labor is an indicator of the size of the informal business operations, for example meatball sellers who have a workforce of 5 people, then the operation of the meatball seller is greater if the number of workers is only one person.

##### **3. Effect of Working Hours on Restaurant Entrepreneurs Revenues**

Working time variables have a positive effect on the level of income of entrepreneurs in restaurant businesses in the city of Medan. This means that working hours have a significant effect on the income of restaurant entrepreneurs in the city of Medan. The contribution of working hours in one day can increase the level of income of traders because the one who determines work time is the entrepreneurs so that they can set their own hours to earn their income.

This is in accordance with the results of previous research conducted by Putri (2015) relating to work time, namely the variable work time of employers influencing business income, the higher the time spent working / opening a restaurant, the higher the income received by restaurant entrepreneurs. This is also in line with the results of research by Wahyuno (2017), Handayani (2010) which proves that there is a direct relationship between working hours and income levels. The more hours of work carried out by employers in carrying out restaurant activities, the greater the chance of earning income that will be obtained by entrepreneurs.

##### **4. Effect of Business Times on Restaurant Entrepreneurs Revenues**

The old business variable has a positive effect on the level of income of restaurant entrepreneurs in Medan City. Entrepreneurs in restaurants in the city of Medan have sold 12.5 years on average. According to Osmani (2007) the longer the trading business is carried out then the potential to have regular customers has an effect on increasing the income of restaurant entrepreneurs in the city of Medan.

The results of the discussion note that the length of business as an indication of experience in trading. The old factor of business is also an influential factor because in the business activities of restaurants with increasingly long-term business (experienced), sellers are more experienced in the system or the way to run a business, long business plays an important role in the process of conducting trading business (Kuswantoro, 2013). Entrepreneurs who run a business have long understood the conditions of other restaurants so that based on their experience they have been able to implement marketing strategies that will have an impact on increasing income.

The results of this study are in line with the results of previous studies conducted by Putri (2015) stating that the old business variables have a positive and significant influence on the income of entrepreneurs.

## **5. Effect of Education Levels on Restaurant Entrepreneurs Revenues**

Educational level variables have a positive effect on the income level of restaurant entrepreneurs in the city of Medan. Restaurant entrepreneurs in Medan City have an average of 73 junior high school graduates (73%), this also coincides with the basic assumptions of Human Capital proposed by Simanjuntak (2001), which states that someone can increase income through improving education. With the higher level of education, it will also increase the income of restaurants in the city of Medan.

This result is in accordance with the results of research conducted by Lugiarto (2015), which has proven that the level of education has a large influence on the income of entrepreneurs. This can be seen from the level of education for Senior High School (SMA) of 16 people (16%) and education level of Diploma / Bachelor (D3 / S1) of 4 people (4%).

They can all get higher income because they are influenced by the level of education. There are entrepreneurs whose level of education is Elementary School (SD) only earns Rp. 39,000,000.00 per month, while employers of junior high school (SMP) level get Rp. 45,000,000.00 per month, for employers of Diploma / Bachelor level education (D3 / S1) can get Rp. 65,000,000.00 per month. All that is because, restaurants in the city of Medan for the level of education affect the income of restaurant entrepreneurs in the city of Medan.

## **6. Test F**

Based on the analysis above, prob value. F of 0.000000 < error rate ( $\alpha$ ) 0.05. Thus,  $H_0$  is rejected and  $H_a$  is accepted. This shows that capital, labor, working hours, length of business, and education level simultaneously have a significant effect on restaurant entrepreneur income (Y) in the city of Medan.

## **7. Test R<sup>2</sup>**

The coefficient of determination (R Square) of 0.9946 informs that together the variables of capital, labor, working hours, length of business, and level of education are able to explain variations in the variable Entrepreneur Income by 99.462%, while the remaining 0.538% is explained by other factors not included in this research model.

## **V. Conclusion**

1. Capital has a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan.
2. Labor has a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan.
3. Working hours have a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan.
4. Duration has a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan.
5. The level of education has a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan.

## **VI. Recommendation**

1. The capital factor has a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan, so it is recommended that entrepreneurs use capital maximally, through interviews that all traders use their own capital, and entrepreneurs have difficulty in obtaining additional funds as capital, then the entrepreneur should be able to make other sources of capital loans for example the Bank, Cooperative, BPR or other financial institutions.
2. Labor Factors have a positive and significant influence on the income of restaurant entrepreneurs in the city of Medan, so it is advisable for entrepreneurs to be able to maintain the existing workforce considering they work very long on the pretext of menambah wage labor.
3. Based on the results of data analysis in this study, the business hours factor of employers has a significant influence on the income earned by restaurant entrepreneurs in the city of Medan. Therefore, employers are expected to increase work time to trade in order to increase the income of entrepreneurs. But assuming the other influence variables remain.
4. The old factor of business has a positive and significant influence on the income of restaurant entrepreneurs in Medan, so it is suggested that entrepreneurs who have opened their businesses for a long time, the businessmen will sell, their restaurants will become more famous and have a brand or regular customers many have customers who are subscriptions, this will increase the income of restaurant entrepreneurs in the city of Medan.
5. By obtaining the results of research on the level of education that is significant to the income of restaurant entrepreneurs in the city of Medan, it is expected that entrepreneurs who have a better level of education are able to think strategically in carrying out their business.

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