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## The Relationship of Venture Capital, Creativity, and Business Location to the Success of MSMEs in Medan City

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### Abstract

The MSME sector (Micro, Small and Medium Enterprises) is now a strategic sector in driving economic growth, job creation, and poverty alleviation. The nature of MSMEs is flexible and supported by various social groups, both from the lower and middle classes, and small, micro and medium business actors who can easily participate in it. This study aims to determine the relationship of business capital, creativity, and business location to the success of MSMEs in Medan City. The type of research used is descriptive quantitative. The population used in this study are MSME players engaged in the culinary sector. The research method used is quantitative method and the data collection technique uses a survey method with a questionnaire. The sampling technique in this study used non-probability sampling with a purposive sampling approach using 42 respondents as a sample of the study. The results showed that the variables of Business Capital and Business Location had a positive and significant effect on Business Success while the Creativity variable showed an insignificant positive relationship with Business Success.

**Keywords:** Business Capital; Creativity; Business Location; Business Success; MSMEs

### 1. Introduction

The MSME sector (Micro, Small and Medium Enterprises) is now one of the strategic sectors in driving economic growth, creating jobs, and alleviating poverty. The flexible nature of MSMEs is supported by various social groups, both from the lower and middle classes, and SMEs or small entrepreneurs can easily participate in them. [In developed countries, the role of MSMEs is very important because they absorb more labor than large businesses and contribute more to GDP growth

The success of a business is characterized by positive business personnel welfare, work and positive sales profits. The success of a business is also inseparable from the factors that influence it, factors that influence a person to build a business include capital, creativity and business location [2].

MSMEs in the culinary sector, especially in Medan city, are flourishing and are in great demand by many people due to their versatility, large market level because everyone likes to eat, especially food that he has never tried, besides that the culinary business can also channel an entrepreneur's hobby. The following is the number of MSMEs registered with the Medan City Cooperative and MSME Office.

### 2. Literature Review

#### 2.1 Entrepreneurship Theory

Entrepreneurship is a creative and innovative ability that is used as the basis, tips and resources to seek opportunities for success. The core of entrepreneurship is the ability to create something new and different through creative thinking and innovative action to create opportunities

#### 2.2 Micro, Small and Medium Enterprises (MSMEs)

According to the [3], other definitions of MSMEs are as follows: [1]. Micro-enterprises are productive businesses owned by individuals or individual business entities that meet the criteria for micro-enterprises as regulated in this law. [2]. Small businesses are productive economic businesses that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of either directly or indirectly from medium or large businesses that



meet the criteria for small businesses as referred to in this law. [3]. Medium-sized enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of either directly or indirectly with small businesses or large businesses with a total net worth or annual sales as stipulated in this law.

Table 1: Number of Culinary MSMEs in Medan City 2024

District	Number of MSMEs
Medan Amplas	605
Medan Area	911
West Medan	718
New Medan	432
Medan Belawan	733
Medan Deli	1102
Medan Denai	288
Medan Helvetia	712
Medan Johor	494
Medan City	265
Medan Labuhan	693
Medan Maimun	338
Medan Marelan	621
Medan Perjuangan	643
Medan Petisah	533
Medan Polonia	314
Medan Selayang	775
Medan Sunggal	209
Medan Tembung	283
East Medan	725
Medan Tuntungan	832

Source: <https://medansatudata.pemkomedan.go.i>

### 2.3 Business Capital

Business capital is something that is used to establish or run a business. In other words, business capital can also be interpreted as all the resources needed to run a business, the resources in question are not only limited to cash but can also be in the form of fixed assets, expertise, networks and so on. According to [4] Capital is one of the important factors in production activities. Meanwhile, according to [5] Capital is company wealth consisting of wealth originating from outside the company / wealth that results from its own business activities.

### 2.4 Creativity

Creativity comes from "to create" which means "to make", so creativity can be defined as a person's ability to create something, either in the form of ideas, steps, or products. According to the Big Indonesian Dictionary (KBBI), creativity is the ability to create something. Meanwhile, according to [6] Creativity is the result of interactions between individuals and their environment, the ability to create new combinations, based on data, information or elements that have existed or are known before, namely all experiences and knowledge that a person has processed during his life.

### 2.5 Business Location

Business location is a place of activity where the business will be carried out [7], starting from the procurement of goods to the distribution of goods or sales to consumers. Determining the right business location has a huge impact on the sustainability, development and success of the business in the future.

### 2.6 Business Success

Business success is the achievement of predetermined business objectives or a situation where the business has increased from the previous results. According to [8] A business is said to be successful if after a certain period of time it has increased capital, business scale, profit, type of business or management.



### 3. Research Method

This research is a study that uses quantitative methods with an associative approach, according to [9] quantitative can be interpreted as a research method based on the philosophy of positivism. Which aims to determine the relationship between two or more variables by using data in the form of numbers as a tool to analyze the relationship between variables to be known. The relationship between variables to be studied is the success of MSMEs in Medan city. And this research takes research locations in the city of Medan, North Sumatra which will be aimed at MSME entrepreneurs in the culinary field.

Population is not just the number of objects studied, but includes all the characteristics, properties possessed by certain objects or subjects. The population of this study were MSME entrepreneurs in the culinary sector, both formal and informal businesses in the Medan city area with a Nonprobability sampling technique totaling 42 respondents, Nonprobability sampling is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as a sample. The data collection techniques in this study are primary in the form of questionnaires and secondary in the form of literature studies, books and others.

### 4. Results and Discussion

To see the relationship of each variable to the success of culinary MSME businesses in Medan city, it can be seen from the results of the structural model (inner model), namely the results of the coefficient of determination (R-Square) test. The following are the results of the coefficient of determination (R-Square) test;

Table 2. test results of the coefficient of determination (R-Square)

	R-Square	Adjusted R-Square
Business Success	0.633	0.604

Source: Data Processed by Researchers

Based on table 2, it can be seen that the coefficient of determination or R-square for the Business Success variable is 0.633. Based on existing criteria, the R-square value is 0.25 (low), 0.50 (moderate), and 0.70 (high). For the resulting Business Success variable, the value is 0.633, which is  $<0.70$ , so the variables of business capital, creativity and business location have a moderate (moderate) relationship to the business success variable. This means that the latent variables of Business Capital, Creativity and Business Location are able to explain or predict 63.3% of business success while the remaining 36.7% is influenced by other variables not used in this study.

### 5. Conclusion

Based on the results obtained in the research on the relationship between business capital, creativity and business location on the success of MSMEs in Medan city in the culinary sector using Smart PLS with inner and outer model tests, it can be concluded that: The business capital variable (X1) is significantly related to the business success variable (Y), this shows that the business capital variable is one of the reasons for MSME entrepreneurs in Medan city to achieve business success. Where the increasing capital will be able to increase the success of a business. The creativity variable (X2) is not significantly related to a business. business success variable (Y), this shows that the creativity variable is not one of the reasons for MSME entrepreneurs in Medan city to achieve business success. Where the more there is an increase in the creativity of an entrepreneur, it is not necessarily able to increase the success of a business. The business location variable (X3) is significantly related to the business success variable (Y), this shows that the business location variable is one of the reasons for MSME entrepreneurs in Medan city to achieve business success. Business Capital (X1), Creativity (X2), and Business Location (X3) are simultaneously able to provide a relationship of 63.3% to business success while the remaining 36.7% is influenced by other variables not used in this study.

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