

EXPLORING THE IMPACT OF SOCIAL CAPITAL ON ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE

(Study on Members of MSMEs Communities in Malang)

Prakasa, Yudha

Lecturer of Business Administration Department, Universitas Brawijaya

Email: y.prakasa87@ub.ac.id

ABSTRAK

Studi ini menjelaskan hubungan antara modal sosial dan kinerja usaha dengan orientasi kewirausahaan sebagai variabel antara. Penelitian dilakukan di 4 (empat) komunitas Usaha Mikro, Kecil dan Menengah (UMKM) di kota Malang dengan populasi sebanyak 324 pelaku usaha. Penarikan sampel menggunakan teknik Proportional Cluster Random Sampling, melibatkan 90 responden yang tergabung dalam komunitas UMKM dan menggunakan kuesioner sebagai alat pengumpulan data. Hasil penelitian dapat diketahui bahwa modal sosial secara signifikan dapat memengaruhi orientasi kewirausahaan maupun kinerja usaha. Orientasi Kewirausahaan juga memiliki hubungan yang signifikan terhadap Kinerja Usaha. Modal Sosial memiliki pengaruh lebih besar terhadap Kinerja Usaha melalui Orientasi Kewirausahaan sebagai variabel antara.

Kata Kunci: *Modal Sosial, Orientasi Kewirausahaan, Kinerja Usaha, UMKM*

ABSTRACT

This research analyzes the relationship between social capital and business performance with entrepreneurship orientation as an intermediary variable. This research was conducted in 4 (four) communities of micro, small and medium enterprises (MSMEs) in Malang city with a population of 324 business actors. Proportional Cluster Random Sampling technique was applied, involving 90 respondents who are members of the MSMEs community. The data was gathered through questionnaires. The findings showed that social capital significantly affects entrepreneurial orientation as well as business performance. It is also found that Entrepreneurship Orientation has a significant influence on Business Performance. Lastly, it is found that the effect of Social Capital on Business Performance was mediated by Entrepreneurial Orientation.

Keywords: *Social Capital, Entrepreneurial Orientation, Business Performance, MSMEs*

A. INTRODUCTION

Putnam (1993) defines social capital formed a base on network, norms, and trusts among organizational members so as to cooperate in achieving organizational goals. Actually, a social capital concept in business can be illustrated as the occurrence of a relationship between business actors and material suppliers because of the trust among them and the relationship of the parties involved to obtain mutual benefits. This relationship is bound by prevailing norms, ease of relationship and pleasant experience so that the benefits gained will foster a sustainable relationship.

Indonesia is a country whose society is very collectivist (Hofstede, 1983) where the kinship relations of its members are very strong. Such societal characteristics have strong social capital and influence on institutional performance (Coleman, 1988 and Putnam, 1993). Nevertheless, Indonesia has a serious problem of poverty where 11.13% of the population is below the poverty line (BPS, 2016). The empowerment and entrepreneurial approach are believed to resolve social problems (Davidson and Burke, 2004). The concept of entrepreneurship can be developed through a social capital approach. Trust between business actors, reciprocal relationships based on trust is the basic capital in business development (Nahapiet & Ghoshal 1998; Burt 2009), including solidarity networks formed in groups (Woolcock, 1999; Narayan, 1999; Mattessich, 2009). Therefore, social capital can believe to increase the effectiveness of community empowerment, increase incomes, and poverty alleviation.

The construct of social capital is mostly associated with micro, small and medium enterprises (MSMEs). Studies have shown that social capital can significantly improve the performance of MSMEs (Chen, *et al.*, 2007; Boso, *et al.*, 2013; Felicio, *et al.*, 2014; Rapih, 2015). Previous studies based on the social capital framework also shown that trust-based social relationships contribute to indicators of business development (Nadvi 1999; Bowles & Gintis 2002; Molina-Morales & Martinez-Fernández 2010; Nam *et al.* 2010). Trust and reciprocal relationships in a group relationship will provide new ideas and information resources. Togetherness, honesty, egalitarianism, and trust developed in social

capital will strengthen networks between entrepreneurs (Nugroho and Setyawan, 2015).

The concept of social capital from Gelderman et al. (2016) used in this study, which divides social capital into 3 dimensions, namely: (a) structural, (b) cognitive, and (c) relational. The inspired concept of Nahapiet (1998) thought is more operational, so it is widely used by social capital researchers.

The study uses innovation, proactiveness, and risk-taking as an indicator of the entrepreneurial orientation [taken from Covin and Slevin (1989) and Ejdys (2016)]. While the indicator of business performance refers to Dimon (2013) that economic performance, environmental performance, and social performance can be used to measure MSMEs business performance.

B. THEORETICAL BACKGROUND

1. Social Capital and Business Performance

Putnam (1995) state that the construct of social capital is a theory that can explain the relationship between individuals and groups. According to Coleman (1988), types of social capital namely: (a) Structure of obligations, expectations, and beliefs; (b) information channels; and (c) the effective norms and sanctions of Coleman (1988). Furthermore, Nahapiet and Ghoshal (1998) divide social capital into three dimensions: (a) Structural dimension, this dimension is associated with communication patterns and impersonal relationships between parties in social life (Burt, 2000; Gelderman, et al., 2016); (b) The cognitive dimension, this dimension is related to the similarity of cultural views, business philosophy, goals, and visions shared by various parties in social capital. Culture can be defined as the norm or value embodied in the behavior of various parties in social capital (Inkpen and Tsang, 2005; Gelderman et al., 2016) thus placing common interests above individual interests (Coleman, 1990); (c) Relational dimension, this dimension refers to trust, friendship, respect, and interaction built sustainably by all parties in social capital (Kale et al., 2000; Gelderman, et al., 2016). This continuous interaction can reduce dependence on formal contracts (Zaheer and Venkatraman, 1995). The highly collectivist character of Indonesian society is also shaped by the strength of the relational capital.

Business performance is the effect of the process that converting various raw materials into valuable goods and services for targeted customers. Business performance, both large and small companies, can be measured from financial, economic, social, environmental, and business sustainability. Previous research has indicated that social capital plays a vital role in determining business performance as the findings of Chen et al (2007); Felicio, et al (2014); and Rapih (2015) which shows that the better the social capital, especially the MSME sector, the better the business performance. Furthermore, Dai, et al (2015) also found that social capital affects financial performance and organizational innovation. Therefore, the following hypothesis is proposed:

Hypothesis 1: Social Capital significantly affect Business Performance

2. Social Capital and Entrepreneurial Orientation

The entrepreneurship orientation is the core resource for enhancing the company's competitiveness sustainably (Conner, 1991). The characteristics of entrepreneurship, such as aggressive, innovative, independent and risk-taking, can determine the company's competitive advantage. Many experts identify entrepreneurial orientation in various dimensions. Boso, et al (2013) describes 5 (five) dimensions of entrepreneurial orientation, namely: autonomy, innovative, proactive, competitive aggressiveness, and risk taking. Furthermore, Covin and Slevin (1989) and Ejdys (2016) state that the entrepreneurship orientation consists of 3 (three) dimensions: innovation, proactive, and risk taking. Recent studies by Rhee, et al (2010) and Liu et al (2014) only use proactive and risk-taking as factors that shape the entrepreneurial orientation.

As known, personal value is an individual preference that has a very strong influence in shaping one's behavior. Robbin (2013) divides the values into two categories, instrumental and terminal. Instrumental value is a way for individuals to achieve goals, such as honesty, responsibility, creativity, ability, independence, and ambition. Furthermore, the terminal value is the desired ending state of the application of the instrumental value believed, such as self-esteem, security, innovation,

freedom, accomplishment, and happiness value. Nature, et al. (2015) found that personal values significantly affect entrepreneurial orientation. While social capital has an influence in shaping the value and behavior of a person so that the linkage between personal value, social capital, and entrepreneurial orientation becomes interested in. Previous studies (Chen, et al., 2007; Alarcon, et al., 2017) suggests that entrepreneurial orientation is determined by higher level of social capital so that the social capital as described is strongly influenced by the community value system.

Hypothesis 2: Social Capital significantly affect Entrepreneurial Orientation.

3. Entrepreneurial Orientation and Business Performance

Many organizational studies adopt contingency theory so there is no universality concept, therefore, the correlation among social capital and business performance is conditional. Özer and Tinaztepe (2014) use eleven indicators in appraising the performance of business organizations, namely: Qualified labor, Commitment, Job satisfaction, New product / service development capability, Product / service quality, Customer satisfaction, Sales growth, market growth, Return on sales, Return on assets, and Overall profitability. Previously, Dimon (2013) explained that there are 3 (three) indicators in assessing the performance of MSMEs, namely economic performance, environmental performance, and social performance. Furthermore, Dimon (2013) explains that social performance consists of labor practices and decent work, human rights, society, and product responsibility.

Accordingly, there is a positive correlation among social capital and business performance, but the effect will be stronger if the business actor has specific characteristics that support performance. The individual characteristic used in this research is entrepreneurial orientation. The past research has shown that entrepreneurial orientation significantly affect on organizational effectiveness (Fernandes-Mesa and Alegre, 2015; Martin and Javalgi, 2016; Nunez-Pomar et al., 2016; Vega-Vazquez et al., 2016). Previously, Chen, et al (2007); Boso, et al (2013); and also Mason, et al (2015) also

revealed that business performance is significantly affected by entrepreneurial orientation. It shows that business performance can be improved if the business actors have an entrepreneurial orientation. All these considerations, the hypothesis has been formulated:

Hypothesis 3: Entrepreneurial Orientation significantly affect Business Performance.

Based on the literature reviewed above, the model of hypothesis used in this research is:

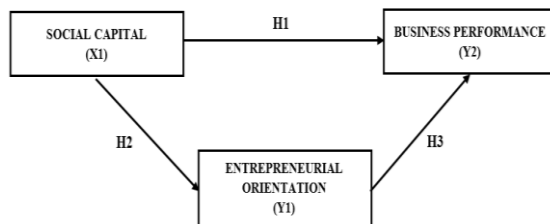


Figure 1. Model of Hypothesis

C. RESEARCH METHOD

This research uses research approach to the survey and quantitative method. In pursuance of the purpose of research, the approach used is descriptive explorative. This research is also aimed at explaining the influence among variables (explanatory) by doing a hypothesis test. The unit of analysis on this research is an individual or member of 4 (four) MSMEs community that located in Malang City, there are *Preman Super Community*, *Amangtiwi Community*, *Rajut (knitting) Community*, and *AMR (Amazing Malang Raya) Community*.

The population in the research were all members of 4 (four) MSME communities with the number of 324 business actors. Determination of samples using the Roscoe formulation, particularly at least 10 times the total of variables that utilized as a part of research. This examination utilized 30 times of the total of variables (three variables) so that the total sample of 90 respondents. The sampling technique used proportional cluster random sampling

Measurement scale using the Likert scale with the scale of point 1 (strongly disagree) to score 5 (strongly agree) to measure respondents' answers. The social capital variable consists of three indicators cited from Nahapiet *et al.* (1998) namely: the structural

dimension, cognitive dimension, and relational dimension. The entrepreneurial orientation variable consists of three indicators cited from Covin and Slevin (1989) and Ejdys (2016), namely: pro-active, risk-taking, and innovation. While the business performance variable consists of three indicators cited from Dimon (2013) Specifically the performance of social, economic, and environmental. Social capital is an independent variable, entrepreneurial orientation as an intermediary variable, and business performance as a dependent variable.

Furthermore, this research uses primary data and collected by distributing questionnaires to MSMEs community members. Primary data is used as a reference to analyze the hypotheses that have been developed. To strengthen the results of the analysis, this study also uses secondary data, specifically literature, legislation, and other related documents. This study uses SPSS 20.0 as statistical tools to ascertain the profile of respondents and descriptive analysis, and use Smart PLS 3.0 to analyze the statistical results of whether Social capital can significantly improve entrepreneurial orientation and enterprise performance on members of the MSMEs community in Malang.

D. RESULT AND DISCUSSION

1. Characteristics of Respondents

Based on the tabulation of data from questionnaires that have been spread to all respondents, respondents characteristics are presented in full through Table 1.

Table 1. Profil of Respondents

Criteria	Catagories	Frequency	Percentage (%)
Gender	Male	10	11,1
	Female	80	88,9
Age	≤25	1	1,1
	>25 – 30	4	4,4
	>30 – 35	13	14,4
	>35 – 40	19	21,1
	>40 – 45	11	12,2
	>45	42	46,7
Level Education	PM	1	1,1
	JHS	11	12,2
	SHS	42	46,7
	Diploma	9	10
	Bachelor	27	30
Business Established	>1yr – 2yr	25	27,8
	>2yr – 4yr	29	32,2
	>4yr – 6yr	13	14,4
	>6yr	23	25,6
	Fashion	11	12,2

Criteria	Categories	Frequency	Percentage (%)
Types of Business	Food/Culinary	50	55,6
	Craft	26	28,9
	Others	3	3,3
Number of Employees	<5 person	71	78,9
	5 – 20 persons	19	21,1
Revenue/month	< IDR 4.000K	52	57,8
	IDR 4.000K – 5.000K	24	26,7
	IDR 5.000K – 10.000K	8	8,9
	>IDR 10.000K	6	6,7

Source: processed primary data, 2016

Table 1 shows that 88.9% of respondents are female with an average age of 35 to 40 years, besides that, 46,7% respondents have education level in senior high school and have engaged in business activities for 2 to 4 years. Most of the respondents (55.6%) engaged in the food business sector, while the rest in the handicraft sector (28.9%), fashion (12.2%) and other sectors by 3.3%. Furthermore, refers to the total of labors and business revenue, the majority of respondents are Micro and Small Business level.

2. Descriptive Statistics

The descriptive statistical analysis is expected to understand the respondent's impression of all questions in the survey. Completely, descriptive statistical analysis of social capital (X), entrepreneurship orientation (Y1) and business performance (Y2) are clarified below.

2.1. Social Capital (X)

The social capital variable (X) consists of 18 questions divided into structural capital (8 questions), cognitive capital (5 questions), and relational capital (5 questions). Descriptive statistical results have shown that the mean value (variable) of Social Capital (X) is 4.29 indicating that social capital is very well applied by respondents in the MSMEs community. This is strengthened by the average structural value is 4.32 (very good), cognitive capital is 4.25 (very good) and relational capital is 4.30 (very good).

2.2. Entrepreneurial Orientation (Y1)

The Entrepreneurship Orientation Variable (Y1) consists of 11 questions divided into pro-active (4 questions), risk-taking (2 questions) and innovation (5 questions). Descriptive statistics results shown that the mean value (variable) of entrepreneurial orientation variables (Y1) is 4.09 which indicates that the respondents have a good

entrepreneurial orientation. This is strengthened by the average pro-active value is 4.13 (good), risk-taking is 3.92 (good) and innovation is 4.22 (very good).

2.3. Business Performance (Y2)

Business Performance Variables (Y2) consists of 17 questions consisting of economic performance (5 questions), environmental performance (5 questions) and economic performance (7 questions). Descriptive statistics results show that the average value (mean) Business Performance variable (Y2) is 4.02 which indicates that the MSMEs business actors have a great business performance. This is strengthened by the average economic performance value is 3.94 (good), environmental performance is 4.05 (good) and social performance is 4.08 (very good).

3. Statistics Analysis

3.1. Outer Model

The early step of statistical analysis in this study is to test the validity and reliability of research instruments by using outer model so that can be known the relationship between indicators and latent variables (Ghozali, 2008). Validity is tested using convergent validity and discriminant validity method, while reliability is tested using composite reliability method (Abdillah and Jogiyanto, 2015). The rules for convergent validity is outer loading > 0.7 , communality > 0.5 and Average Variance Extracted (AVE) > 0.5 (Chin, 1995 in Abdillah and Jogiyanto, 2015).

Refers to the test of convergence validity (outer loading) results, it is known that item Y1.2.1 from Entrepreneurial Orientation (Y1) has an outer loading value less than 0.7. It means that item Y1.2.1 (MSMEs community encourages its members to dare to take high-risk project) cannot be used to measure the entrepreneurial orientation variable, so the Y1.2.1 item is removed from the research model.

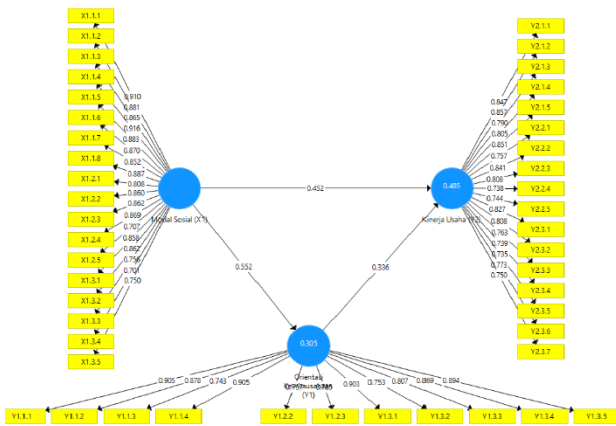


Figure 2. The result of Outer Loading Measurement

Figure 2 shows that each item that measures the variables of Social Capital, Entrepreneurship Orientation, and Business Performance has values above 0.7 so as to satisfy the convergent validity. Furthermore, the result of Average Variance Extracted (AVE) calculation shows that all research variables have value more than 0.5, Composite Reliability (CR) ≥ 0.7 and Cronbach's Alpha ≥ 0.6 . Table 2 shown that the convergent validity has satisfied.

Table 2. The result of AVE and CR measurement

	Cronbach's Alpha	rho_A	AVE	CR
Business Performance (Y2)	0,962	0,964	0,626	0,966
Social Capital (X1)	0,975	0,977	0,708	0,977
Entrepreneurial Orientation (Y1)	0,957	0,961	0,703	0,963

Source: processed primary data, 2016

Table 3. Discriminant validity of the construct

	Business Performance (Y2)	Social Capital (X1)	Entrepreneurial Orientation (Y1)
Business Performance (Y2)	0.791	0.638	0.585
Social Capital (X1)	0.638	0.841	0.552
Entrepreneurial Orientation (Y1)	0.585	0.552	0.839

Source: processed primary data, 2016

The second test to determine the validity of an item is done by comparing the roots of the average variance extracted (AVE) with the correlation among the same latent variables. Table

3 shows that the square root of AVE is larger than the correlations with other constructs. Diagonals (in bold) describe the average variance extracted while the other entries state the squared correlations. Furthermore, the result of discriminant validity test using cross loading parameter shows that correlation of social capital construct, entrepreneurship orientation, and business performance with all indicators have the higher value (in bold) compared with correlation construct of other variables. Table 4, Table 5, and Table 6 show the results of cross loading.

Table 4. Cross Loading of Social Capital

	BP (Y2)	SC (X1)	EO (Y1)
X1.1.1	0.594	0.910	0.503
X1.1.2	0.513	0.881	0.437
X1.1.3	0.540	0.865	0.456
X1.1.4	0.594	0.916	0.520
X1.1.5	0.580	0.883	0.473
X1.1.6	0.504	0.870	0.439
X1.1.7	0.492	0.852	0.456
X1.1.8	0.580	0.887	0.499
X1.2.1	0.506	0.808	0.460
X1.2.2	0.544	0.860	0.520
X1.2.3	0.540	0.862	0.425
X1.2.4	0.564	0.869	0.478
X1.2.5	0.502	0.707	0.431
X1.3.1	0.578	0.858	0.512
X1.3.2	0.575	0.862	0.537
X1.3.3	0.501	0.756	0.446
X1.3.4	0.447	0.701	0.377
X1.3.5	0.450	0.750	0.327

Source: processed primary data, 2016

Table 5. Cross Loading of Entrepreneurial Orientation

	BP (Y2)	EO (Y1)	SC (X1)
Y1.1.1	0.538	0.905	0.481
Y1.1.2	0.532	0.878	0.494
Y1.1.3	0.433	0.743	0.415
Y1.1.4	0.544	0.905	0.482
Y1.2.2	0.428	0.757	0.420
Y1.2.3	0.431	0.785	0.405
Y1.3.1	0.517	0.903	0.475
Y1.3.2	0.422	0.753	0.463
Y1.3.3	0.447	0.807	0.418
Y1.3.4	0.521	0.869	0.485
Y1.3.5	0.554	0.894	0.534

Source: processed primary data, 2016

Table 4. Cross Loading of Business Performance

	SC (X1)	BP (Y2)	EO (Y1)
Y2.1.1	0,564	0,847	0,486
Y2.1.2	0,541	0,857	0,515
Y2.1.3	0,603	0,790	0,553
Y2.1.4	0,483	0,805	0,472
Y2.1.5	0,532	0,851	0,511
Y2.2.1	0,558	0,757	0,450
Y2.2.2	0,555	0,841	0,489
Y2.2.3	0,475	0,808	0,483
Y2.2.4	0,450	0,738	0,356
Y2.2.5	0,535	0,744	0,402
Y2.3.1	0,530	0,827	0,478
Y2.3.2	0,416	0,808	0,488
Y2.3.3	0,404	0,763	0,409
Y2.3.4	0,449	0,739	0,511
Y2.3.5	0,489	0,735	0,367
Y2.3.6	0,447	0,773	0,478
Y2.3.7	0,483	0,750	0,368

Source: processed primary data, 2016

3.2. Inner Model

Inner model testing is needed to verify the correlation among constructs, significance values, and R-square of the research model (Ghozali, 2008). Table 5 shows that Social Capital Variable gives 30,5% effect to Entrepreneurship Orientation variables, while the remaining 69.5% is affected by other factors or variables that are not found in equation model in this research. While the variable of Social Capital and Entrepreneurial Orientation give effect to Business Performance variable equal to 47.3%, the rest of effect to Business Performance variable affected by other factor or variable not found in equation model in this research.

Table 5. R-Square Measurement

	R Square	R Square Adjusted
Business Performance (Y2)	0,485	0,473
Entrepreneurial Orientations (Y1)	0,305	0,297

Source: processed primary data, 2016

Q-Square calculation results also show that the value of Q-Square of 0.629519 > 0 so that in accordance with predictive relevance criteria. Specifically, this research model is feasible to use in prediction.

Table 6 verifies that all hypotheses are accepted. It is evident that all hypotheses in this study are accepted. First, social capital

significantly affects Business Performance with coefficient value is 0.452 significant at the alpha level of 5%. This is strengthened by the result of *T Statistics* value (4,150) is also greater than *t table* (1.96). That is, the better implementation of social capital in MSMEs community will have an impact on the increased business performance of members of the MSMEs community.

Table 6. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
SC (X1) -> BP (Y2)	0.452	0.472	0.109	4.150	0.000
SC (X1) -> EO (Y1)	0.552	0.571	0.070	7.874	0.000
EO (Y1) -> BP (Y2)	0.336	0.324	0.099	3.382	0.001

Source: processed primary data, 2016

Secondly, social capital significantly affects entrepreneurial orientation with coefficient value is 0,552 significant at the alpha level 5%. The result of *T Statistics* value [7,874 ≥ 1.96 (*t table*)] fortifies the effect of social capital on entrepreneurial orientation. Indeed, the better execution of social capital in MSMEs communities, the higher entrepreneurial orientation owned by MSMEs business actors. Third, Entrepreneurial Orientation significantly affects Business Performance with coefficient value is 0.336 significant at the alpha level of 5%. *T Statistics* value (3,382) which is greater than *t table* (1,96) also shows the effect of these two variables. This shows that the better the entrepreneurship orientation owned by MSMEs business actors will have an impact on the increasing of Business Performance.

Based on the original sample estimate value, social capital has the greatest impact on entrepreneurial orientation. Social capital also has a greater impact on business performance than on entrepreneurial orientation.

Table 7. Indirect Effects

	BP (Y2)	SC (X1)	EO (Y1)
Business Performance (Y2)			
Social Capital (X1)	0.185		
Entrepreneurial Orientations (Y1)			

Source: processed primary data, 2016

Moreover, social capital has indirect correlations of 0.185 on business performance through Entrepreneurial Orientation (Table 7).

In addition, social capital has an effect of 0.673 to Business Performance based on the sum of direct (0.452) and indirect effects (0.185). Finally, social capital effect on business performance will be higher if the MSMEs business actors have a good entrepreneurial orientation

4. Discussion

As we know, all hypotheses of this research are accepted. The first hypothesis, there is significant influence on Social Capital to Business Performance is proven acceptable (H1 accepted). These results indicate that the use of social capital in the MSMEs community will have a positive effect on the enterprise performance of community members. These findings support previous research conducted by Chen, et al (2007); Felicio, et al (2014); Rapih (2015), and Dai, et al (2015) which stated that the performance of MSMEs is influenced by social capital of MSMEs actors. Furthermore, Social Capital has a significantly higher impact on Business Performance if community members have a good entrepreneurial orientation.

The second hypothesis of this study is also acceptable (H2 acceptable): Social capital has influenced by Entrepreneurial Orientation. That is to say, the implementation of social capital in the MSME community will have a positive effect on the entrepreneurial orientation of community members. These findings reinforce research results from Chen, et al (2007) and Alarcon, et al (2017).

This study also prove that there is a significantly influence on Entrepreneurial Orientation to Business Performance (H3 accepted). These results state that the entrepreneurial orientation has a positively affect on business performance of community members. This supports the research of Chen, et al (2007); Boso, et al (2013); Fernandes-Mesa and Alegre (2015); Martin and Javalgi (2016); Mason, et al (2015); Nunez-Pomar, et al (2016); and Vega-Vazquez, et al, (2016) which reveal that Entrepreneurial Orientation is decidedly influenced by Business Performance.

E. CONCLUSIONS AND SUGGESTIONS

Conclusions

The results of this study indicate that the enterprise performance can be influenced by social capital and entrepreneurial orientation owned by MSMEs business actors.

1. Structural Capital, Innovation, and Social Performance have the largest contribution of each research variable based on descriptive analysis with consecutive values of 4.32 (very good), 4.22 (very good), and 4,02 (very good).
2. The result of hypothesis test proved that Social Capital has a significant influence on Entrepreneurial Orientation; Entrepreneurial Orientation a significant effect on Business Performance, and Social Capital a significant effect on Business Performance. Social Capital Variable and Entrepreneurship Orientation give influence to Business Performance variable equal to 47.3%, while 52,7% the rest is influenced by other factor or variable not found in equation model in this research

Suggestions

Based on the results of the research, to improve the competitiveness of MSMEs, the MSMEs community needs to strengthen the cognitive capital of community members, more daring to take business risks and improve economic performance.

Furthermore, cognitive capital and relational capital have to increase by MSMEs business actor as a way to improve entrepreneurial orientation and business performance.

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