Social Capital: The Main Determinant Of Msme Entrepreneurship Competitiveness

P. Eko Prasetyo, Andryan Setyadharma, Nurjannah Rahayu Kistanti

Abstract: Gaps in economic power have resulted in increasingly prominent inequality, thus requiring quality economic growth and good business competitiveness. The purpose of this study is to explain the important role of human capital and social capital as entrepreneurial capital competencies in promoting economic growth and business competitiveness. Cross-sectional data are used as the main material. Quantitative and qualitative material was collected from 125 representative samples of entrepreneurial households. The analysis model uses single and multiple recursive path analysis. The results of a single track model study show; a positive and significant increase in business competitiveness is influenced by factors; economic institutions, employment opportunities, economic growth, human capital and social capital. Meanwhile, social networking factors have a negative and significant effect on business competitiveness. In the dual track model, the contribution of human resource competencies is the main driver of quality economic growth, and the contribution of social capital competencies is a major determinant in enhancing entrepreneurial competitiveness. The recommended policy implications for reducing inequality and inequality require policies to improve the quality of economic growth and business competitiveness through enhancing human resource competencies and entrepreneurial social capital competencies as key drivers and determinants.

Keywords: Human capital, social capital, institutional, competitiveness and economic growth

1. INTRODUCTION

The quality of economic growth and increased competitiveness of competitiveness are increasingly needed. The quality of economic growth is a guarantee of alternative stability in entering a favorable international competitive position through economic diversification. The country's economic growth is related to energy consumption, both in terms of human resources and capital (Bilan, 2019b). Social, financial, and human capital are important factors that influence entrepreneurial success (Alvarez, 2001). Social capital is a modern concept that is introduced economically and socially in studying modern society (Iravani, 2010). In the modern economy there is a significant relationship between human capital and quality economic growth and competitiveness (Prasetyo, 2008, 2016, 2019a; Ali, 2018). In the concept of sustainable economic development social capital will strengthen human capital in promoting quality economic growth and competitiveness. The quality of economic growth and increasing competitiveness are increasingly needed. The quality of economic growth is a guarantee of alternative stability in entering a favorable international competitive position through economic diversification. The country's economic growth is related to energy consumption, both in terms of human resources and capital (Bilan, 2019b). Social, financial, and human capital are important factors that influence entrepreneurial success (Alvarez, 2001). Social capital is a modern concept that is introduced economically and socially in studying modern society (Iravani, 2010).

In a modern economy there is a significant relationship between human capital and quality economic growth and competitiveness (Prasetyo, 2008, 2016, 2019a; Ali, 2018). In the concept of sustainable economic development social capital will strengthen human resources in increasing economic growth and competitiveness. The results of Doh's (2011) empirical research, simultaneously controlling for theorized factors to influence entrepreneurship at the individual and state level shows that there is a positive relationship between social capital and entrepreneurship. The main problem is that the huge disparity in human capital and economic strength has resulted in increasingly prominent inequality, so that human capital competence and entrepreneurial capital social competence are needed as a solution to improve the quality of life of the poor to improve their welfare. The point is that entrepreneurial capital competence is an important factor in achieving the competence and performance advantages of Micro, Small and Medium Enterprises (MSMEs). The argument is; Without the strength of social capital and social wealth, the results of development that has been painstakingly constructed and has used up a lot of resources will be quickly destroyed again. That is, social capital competence or ability to interact socially can be an important solution in building social relations through the spirit of entrepreneurship based on the principle of uniqueness of social interaction "tuna satak bathi sanak" (Prasetyo, 2019a, 2019b). Social capital has played an important role in gaining access to entrepreneurship to have high social competence (Melissa, 2018). Entrepreneurial social competence is considered important and as a key to better business development and success (Meutia, 2013; Badriyah, 2015). Entrepreneurial social capital competence is considered as an important key, because it can contribute to the strengthening of the theory of Resurrection-based View (RBV) which states that there are assets not manifested from entrepreneurial social competence in building MSME business networks and MSME business performance. Meanwhile, the theoretical concept of causal relationship between social capital and social entrepreneurship still requires empirical verification (Madhooshi, 2015). He emphasized it in a fair and reasonable conclusion that there must be a two-way relationship and the reciprocal impact between social capital and social entrepreneurship. Thus, this argument further reinforces the

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purpose of the importance of this article, in which social capital as an actual and potential resource has played a key role in their subsequent success (Baron, 2014). The Badriyah's research (2015) weakness was that it only a case study of fish farm business owners in Lamongan Regency, East Java Province. Meanwhile, the weakness of the research of (Meutia, 2013) it did not observe all components of the creative industry and only focused on the handicraft industry in one province in West Java. Furthermore, the use social skills variable measured by certain conditions of feelings so that made the research impressively subjective was the weakness of Baron's research (2014). Meanwhile, (Melissa, 2018) did not use social capital competence as an independent variable; instead, it was used only as a dependent variable determined by relational social capital independent variable. The results of (Madhooshi, 2015) seemed a little more complete. However, the results of Madhooshi's research were still theoretical and still lack of verification of empirical data. The development of the hypotheses of this paper is to complement their research findings both empirically and theoretically. The novelty and urgency of this research paper is that it tends to use broader and more objective dimensions of social capital. Meanwhile, novelty and urgency in terms of the scope of the theory, this paper tends to focus more on exploring the strength of intangible capital which has not been studied much. The novelty of this paper in terms of the object of research is; that the object of research were not only focused on the handicraft industry but also focused on the performance of MSMEs in the bamboo handicraft, batik, food and doormat creative industries in both of the two provinces of Yogyakarta Special Region and Central Java provinces. The social capital variable in this research was measured by rigorous quantitative methodology using the Gini Index for more objective result. Quantitative and qualitative empirical materials in this research were collected by using sociological and geographical economic method. Meanwhile, the economic and cultural concept was used for data interpretation; mainly of informal, institutional and political economy, as well as economic cultural anthropology and geographical gravity. In addition, the methodology novelty of the concept of social capital competence variable in this research lies on the use of comprehensive approach from internal and external sides. Argumentatively, by internal and external comprehensive view will produce more empirical, natural, social relations that influence behavior and tend to be reciprocal causality, so that more productive benefits could be obtained in the economic field. In a theoretical and methodological sense according to Bilan (2017), this research is a good example because it integrates broader and more comprehensive inter disciplines theory and methodology. Furthermore, this article is also more empirical compared to the results of research by (Madhooshi, 2015). The focus of the discussion in this article is also different from the Zainol article, (2018). Zainol research, (2018) tend to focus more on human capital competencies in Kelantan Malaysia. This article discusses human capital and entrepreneurial social capital competences in Indonesia, and focuses its discussion on social capital competence. Solow economic theory model assumes human, social and financial capitals as additional capital. However, in an increasingly modern world today, human contribution and social capital have become the main capital entrepreneurship in the model of economic development, along with physical, nature and financial capitals. In this research, the aim of arousing social relation through the spirit of entrepreneurship based on the principle of the uniqueness of social interaction "tuna satak bathi sanak" is assumed to be the innovation of new social economic institution believed to further increase the competitiveness, economic growth and prosperity (Prasetyo, 2019a). The emergence of new economic-social institution means an increase in capacity and capability for social memory (Shvedovsky, 2016). The importance of social memory to understand community resilience and vulnerability has been highlighted in various fields of disciplines (Wilson, 2017). Mishchuk (2016) explained bearing in mind slow economic assets can be achieved only by improving human capital use; one of the modern and effective ways of developing effective knowledge management systems. Thus, the emergence of a new social-economic institution built from the social memory of the capital "tuna satak bathi sanak" can also be assumed as part of an effective knowledge management system. The main purpose of this article is to better explain the important role of human and social capital entrepreneurship competence innovation, as the determinant of improving the quality of sustainable economic growth, business competitiveness and prosperity. The argument is easy to understand that without this innovation, achieving the quality of sustainable economic growth in a sustainable manner will be difficult because it is considered still vulnerable to social disturbances and community resilience. Achievement of high economic growth generated through the formation of physical, natural and financial capital is easily obtained. However, these achievements are not adaptive and are less “fair” and remain vulnerable against justified sustainable development goals resilience concept (Eizenberg, 2016), because the achievement of economic growth built on the financial strength of capital has actually resulted in a lot of inequality and gap.

2. LITERATURE REVIEW

2.1. Human and social capital
Human capital and social capital as entrepreneurship drive (Madriz, 2018). Human and social capitals are the main keys in creating quality new products development to encourage quality economic growth and sustainable business competitiveness, (Prasetyo, 2020). The literatures on economic growth have underlined the importance of schools for human capital accumulation. However, many of them still ignore the contribution of public education to social capital. Recent literatures show that measurable dimensions of social capital have observed levels of trust, voluntary and social participation, proven to have a significant relationship with economic growth and welfare (Gradstein, 2010). In addition, they are able show a positive relationship between social capital and the factors associated with human capital; for example to find out how an entrepreneur can improve his skills and increase human capital and vice versa (Gradstein, 2010). Human capital theorists argue that human capital is manifested in individuals in the form of skills, knowledge, training, expertise, level of productivity, service quality, and income and influences their decisions in all areas of life. (Becker, 1994; Hossini, 2014; Prasetyo, 2019d). Cooper et al. (1994) explained that many specialized studies have been conducted to investigate entrepreneurial human resources and their subsequent impact on their business performance. Whereas, the latest literatures on human capital show that inadequate training results in low competitiveness which is related to the
sustainability and growth of the company (Zainol, 2018). A research conducted by (Zainol, 2018) tested the development of human resources (HR) on entrepreneurial competencies towards company performance. The results of the research revealed a positive relationship between development (HR) and entrepreneurial competence. At the same time, entrepreneurial competence is identified to improve company performance. At present, the role of entrepreneurial social capital has become an increasingly prominent topic in the business literature, and the debate is becoming increasingly complex (Casson, 2004; Dana, 2012). However, at present there is no mutually agreed operational definition of social capital, but many authors emphasize the importance of putting the operationalization on overall conceptualizations and definitions basis. The neoclassical human capital theory is based on the statement that human, social, and personal capitals, as well as material welfare are inseparable factors of human development (Sandona, 2013). Coleman (1990) defined social capital as an aspect of social structure that creates value and facilitates individual actions in that social structure. Recent advances in social capital theory (Coleman, 1990) have begun to provide better analysis of how individual social networks influence their careers in organization (Burt, 1997; Seibert, 2010; Baron, 2014). Woolcock (2001) viewed social capital as a cumulative capacity of social groups to work together and for the common virtue.

2.2. Social capital and competency social capital

The concept of social capital is actually not a new topic. However, social capital is a complex theory with multi dimensions, types, levels, and other determinants at the micro, meso and macro level. Based on various literature studies, a standard definition has not been found, but there are tendencies in similarity based on function, operational, and conceptualization and focus on social relations that have productive benefits. According to the author's literature study results, the concept of social capital can be grouped into three sides, namely external, internal and external and internal sides. The external side focuses more on social relations which are more determined by other factors outside the main actors (Bourdieu, 1986; Burt, 1997; Portes, 1998; Knoke, 2019). The internal side tends to focus more on the structure of social relations among the main actors on the basis of similarity of functions, beliefs, norms, trust, voluntary, and operationalss to achieve mutual productive benefit (Coleman, 1990; Fukuyama, 1995; Putnam, 1995, 2001; Portes, 1998; Thomas, 1999). Meanwhile, the external and internal side tends to focus more on cases of social relations that are more empirical, natural, behavioral influencing and tend to be reciprocal causality, and to have more productive benefits in the economic field (Nahapiet, 1998; Dasgupta, 2000, 2011; Woolcock, 2001, 2004, 2005, 2016). In this paper, the basis of the latter methodological approach is used more then others. That is, although in this paper the study is more focused on the micro perspective more deeply, but it still does not neglect meso and macro. In addition, it is also more focused on assessing social capital and social wealth, which tends to be more dynamic, flexible and intangible, so that it will be more complex if measured quantitatively. The concept of social capital and entrepreneurial social competence is becoming increasingly important to understand the development of contemporary economics in the era of globalization. Numerous literatures emphasize the importance of social capital and entrepreneurial social competence towards creating successful entrepreneurial performance (Prasetyo, 2020; Zainol, 2018; Melissa, 2018; Badriyah, 2015; Baron, 2014; Meutia, 2013; Berzina, 2011; Krebs, 2008). Social capital is the key to the success of 21st century organization (Krebs, 2008). The results of the research by Zainol (2018) explained that the development of human resources and entrepreneurial competence have a positive and significant influence on the performance of female micro-enterprises in Malaysia. Social competence is the key for entrepreneurs to achieve better business success. Social competence is able to mediate the full relationship between human resources and business success, (Badriyah, 2015). According to Baron (2014), personal competence plays an important role in the entrepreneurial process; the stronger its social competence, the greater its success and finances, assuming ceteris paribus. Competence can be defined as the ability to identify changes in the environment, accelerate responses and adapt to changes through commitment of resources possessed by the so-called social competence (Baron, 2014). Therefore, human resources can be associated with social capital competence to achieve business success.

3. METHODOLOGICAL APPROACH

3.1. Method and materials

The main data source in this research is micro-economic fundamental empirical data designed with cross-sections to measure macro variables of economic growth and competitiveness. This research method is designed with a recursive descriptive quantitative exploratory method. Quantitative and qualitative data materials were obtained from the recapitulation of 125 representative samples of entrepreneurial households. Simple random sampling technique was used to take 125 samples out of 256 MSMEs entrepreneurial household population of bamboo handicrafts, batik, foods and doormat creative industry sectors in Yogyakarta Special Region and Central Java provinces, Indonesia during the period of 2015-2019 total research. Data were collected by distributing questionnaires, conducting structured interviews and observations through economics, cultural anthropology and geography methodological approach. Furthermore, quantitative data is verified, coded and arranged in the form of cross tabulation. Meanwhile, triangulation technique was used to examine the reliability and validity of qualitative data. Furthermor, to interpret and explain the data produced, more complete methodological approach concepts are used, namely sociological economics and culture especially informal economy, institutional and political, as well as cultural anthropology and geographic gravity.

3.2. Main variables and measurement

The main variable of this article; human capital and social capital as exogenous variables capital competency in entrepreneurship. While the endogenous variables are economic growth and business competitiveness. The operational definition of social capital competence in this article is the reflection of social interaction behavior of sample respondents who demonstrate the ability to interact more consistently, effectively and efficiently with their environment. Such level of consistency, effectiveness and efficiency are measured through competency indicators as abilities to nurture and grow strong and diverse networks, utilize existing situations and resources, work together in groups, make
decisions, fulfill expectations, plan, manage and lead, and communication skills. For example, the results of the study found that if the confidence in communication skills in sample A was higher or better than sample B, it could be stated that sample A’s social capital competence was relatively higher than that of sample B. Such indicators were used because the approach dimension of beliefs or tolerance and sympathy or empathy indexes in this research are difficult to measure in exact unit. Furthermore, the material specifically needed for such main variables dimensions is relationship between entrepreneurial social behavior patterns which are built on the measurement dimensions of the unique principle of social interaction “tuna satak bathi sanak” as a social memory innovation to form a new social-economic institution. The operational definition of the principle of “tuna satak bathi sanak”; tuna (loss), satak (a little, let us say Rp1,000.00), bathi (gain / profit), sanak (relatives). The free translation is; “it does not matter to get a little loss as long as we can still be brothers” or (brotherhood matters a lot than profit). The term “tuna satak bathi sanak” is originally a Javanese proverb closely tied to trust, a sense of togetherness, tolerance, mutual respect, compassion and care as a Javanese cultural value which until now is still held firmly by most Javanese people. In traditional market structure, this principle has until now become one of the savior strategic behaviors for traders in traditional Javanese markets, especially in Central Java and DIY. They use the guideline on the cosmological principle that profit and loss has been set by the Creator. The principle that must be sought and maintained is brotherhood, or the principle of maintaining the balance. Based on the principle of balance, in this research the principle of “tuna satak bathi sanak” can be used as a measurement dimension that has ratio scale. They are aware that in the principle of financial economics, they get loss at that particular time, but they hope their business will last long and get profit in the long term. Because they believe they have loyal customers or brothers. This basic principle is a spirit that profit/money is not everything. By willing to sacrifice (lose) or just make a little profit does not matter, because the buyers will feel happy for they may pay less. Hopefully, these buyers will become their loyal customers in the long run. The emergence of this social-economic new institutional means there is an increase in social memory capacity and capability as the determinant of competitiveness and public welfare. The purpose of this explorative research design is to explain useful new ideas as business durability and important determinants in increasing business competitiveness. With the increasing competence of human capital collaboration with entrepreneurial social capital, it is assumed to be more able to encourage competitiveness and quality economic growth improvement for the welfare of society. This phenomenon is the novelty of research methods in this article. Methodologically, the use of “tuna satak bathi sanak” principle is the application of fundamental microeconomics and cultural sociology to measure macroeconomic variables economic growth and competitiveness. However, the phenomenon of micro into macro behavioral transition in this research is slightly different from the Dasgupta’s model, (2011). The fundamental difference lies in the family workforce in the economic subsystem which is still based on wage close to the characteristics of labor relations (Dasgupta, 2011). Meanwhile, in this research family labor in real terms are unpaid. When the market economy cannot develop properly, their entrepreneurial business still has “durability”, socialability, tenacity, trust and spirit and a good principle of togetherness to reduce unfair competition in carrying out the “tuna satak bathi sanak” business strategy. The “tuna satak bathi sanak” business and trade principle has become a basic principle of applied sociological-economics and cultural anthropology of small communities in traditional markets in the provinces of Central Java and Special Region of Yogyakarta. Since 1994, many field researchers have often encountered this unique phenomenon. The modification of Gini Index (GI) measurement is used for all variable dimensions in this research. The argument is that the general basic formula of GI value is simple, useful and widely known and is written as follows:

\[ I_{Gx} = 1 - \sum_{i=1}^{n} f_i (Y_i - Y_{i-1}) \]

Where; Glx (the Gini index of x variable); fi is the percentage (%) income receive by the class i household group variable; Yi is the percentage (%) of cumulative income of the class i household. The main x variables in this research are Human Capital Index, Social Capital Index, Economic Growth Index, and Business Competitiveness Index. This Human Capital Index (HCI) value is measured based on the unit of productivity relative to the benchmark-complete education, knowledge, skill or creativity, and full health, competence and attitude-with value ranges from 0 to 1. Index of Social Capital (SCI) is measured based on index units (1) attitude of trust or tolerance and reciprocity, and (2) sympathy and empathy; the value ranges from 0 to 1. The formula argument is simple namely through the possibility of production economy with “traditional human capital” through the principle of “tuna satak bathi sanak”. Human capital in this research article is sample’s MSMEs entrepreneurial unpaid family workers so that they are still survive in an uncondusive market economy condition. This human capital has collaborated with social capital so in a conducive market economy condition its role as main determinant of their competitiveness could be better. Many research activities have been carried out to transfer the understanding of entrepreneurial social capital competence determinants from applied theories of sociology of economics and cultural anthropology to obtain empirical support. Because basically it is difficult to measure social capital variable directly in exact units. The real measuring dimension elements that are most calculated into the patterns of social relations behavior in the life of the research sample are: good intention, sympathy, confidence, togetherness between individuals and families both internally in the form of social unit and externally or other factors outside the main actors. Furthermore, this behavior pattern can also make existing and formed social networks become more positive or negative. Based on the common goals in its social interaction and memory, this behavior pattern still focuses on efforts to have mutual productive benefits. However, at some specific turning points, the procurement of new social networks can be unproductive, if the initial and maintenance costs outweigh the additional benefits received.

3.3. Measurement and Development of Hypotheses

This paper wants to explain the development of new hypotheses about the important role of entrepreneurial social capital in economic growth and development. Where the entrepreneurial social capital index (ISC_E) referred to in this paper can be measured by the simple statistical model as follows:

\[ ISC_E = f \text{ in yi} (\text{Chi} + \text{Tri} + \text{Cri} + \text{Toi} + \text{Rei} + \text{Mci} + \text{Sii}) \]
Quantitative and qualitative empirical materials in this research were collected by sociological and geographical-economic methods. Whereas economic and cultural concepts; mainly informal economy, institutional and political economics and cultural anthropology of geographical gravitational economics were used to interpret the data obtained. In a theoretical and methodological sense, this research is a good example of the broad integration among disciplines (Bilan, 2017).

4. MAIN MODELS AND RESULTS

The main model of path analysis of the recursive form in this article is grouped into two models, namely one-way and two-way path models. The main analytical model in this article is a two-way path model built through experimental exploration research design. Meanwhile, the purpose of displaying the form of one-way path model is to further strengthen the evidence of argumentation in the process of forming a two-way path model, so that the process of selecting social capital variables as variables having important competence in increasing business competitiveness has stronger and tighter scientific arguments. The implication of the inclusion of the single track model in this article is to provide more scientific information, that the argument is chosen the main variables of human capital and social capital as entrepreneurial capital competencies, because these two variables, always have a positive relationship and significant influence, and always have a significant relationship very strong with business competitiveness and economic growth. Basically, there would be no problem if one-way or two-way path model is directly used without conducting experimental exploration design (Prasetyo, 2019a). However, the urgency and novelty of this article lies in its intention to explain the process of forming the two-way path model more scientifically.

4.1. Single recursive path analysis model

The aim of economics as a science is to detect and describe the dependence between various economic phenomena (Bilan, 2019a). The results of the study in table 1 are to detect and describe various factors that can affect the competitiveness of MSMEs entrepreneurial business in the research area. The research results show that the success of entrepreneurial competitiveness is determined by many factors. Positive and significant at a level of confidence above 90%, entrepreneurial competitiveness is much influenced by factors of human capital, social capital, institutional economics, employment opportunities and regional economic growth. Whereas, social network factors have a negative and
significant effect on increasing competitiveness. In table 1, it shows that institutional economics and employment opportunities factors have positively and significantly made the first and second biggest contribution to efforts to increase the competitiveness of MSMEs entrepreneurial business in the study area. However, in this article model the treatment of the position of two institutional economic factors and employment is not the main exogenous variable in supporting the competitiveness of entrepreneurial business.

Table-1: Multiple regression results: which affect competitiveness in the one-way path model

<table>
<thead>
<tr>
<th>Model (one-way path)</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t-stc</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.112</td>
<td>.029</td>
<td>-3.910</td>
<td>.000</td>
</tr>
<tr>
<td>Human_Capital Index (HCl)</td>
<td>.122</td>
<td>.069</td>
<td>1.771</td>
<td>.079</td>
</tr>
<tr>
<td>Social_Capital Index (SCI)</td>
<td>.205</td>
<td>.067</td>
<td>3.070</td>
<td>.003</td>
</tr>
<tr>
<td>Economic Institution Index (EII)</td>
<td>.429</td>
<td>.112</td>
<td>3.825</td>
<td>.000</td>
</tr>
<tr>
<td>Social Networking Index (SNI)</td>
<td>-.105</td>
<td>.060</td>
<td>-1.747</td>
<td>.083</td>
</tr>
<tr>
<td>Economic_Growth Index (EGI)</td>
<td>.168</td>
<td>.073</td>
<td>2.304</td>
<td>.023</td>
</tr>
<tr>
<td>Job Opportunity Index (JOI)</td>
<td>.247</td>
<td>.056</td>
<td>4.435</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Business_Competitiveness Index (BCI)

Source: primary data (processed).

When viewed from the results of the research in tables-1 and-2, especially for SCI values that are positive and significant both from the value of the regression coefficient and the correlation value. This means that the development of the hypothesis proposed in this paper is true and acceptable; that entrepreneurial social capital can provide an important role in enhancing entrepreneurial competitiveness and economic growth. Although in table-1, the correlation coefficient value on SCI is smaller than HCI. However, the SCI regression coefficient value in table-1 appears to be greater than the HCl value. That is, although the value of the relationship between social capital and competitiveness is not stronger than the index of human capital, but the role of social capital in increasing entrepreneurial competitiveness appears to be greater. The results of this research strengthen the author's argument above which states that no matter how much economic growth and development will be easily destroyed if the social capital owned is weak. Because weak social capital can increase the risk of development failure or can reduce competitiveness and economic growth. The argument underlying the negative influence of social networks on business competitiveness is when the "tuna satak bathi sanak" principle of business strategy was initially applied, the impact on existing social network was unproductive because the initial and maintenance costs exceeded the marginal benefit. However, these conditions are theoretically and empirically reasonable and natural, because the strategy of "tuna satak bathi sanak" can be considered as a barrier to entry strategy for rivals. As a defensive business strategy, it is natural that the principle strategy of "tuna satak bathi sanak" in the short term has an impact on the initial costs of maintenance that can exceed the marginal benefits. However, in the long term this principle is believed to be more productive, efficient and effective in increasing the competitiveness of its business. The result of this research is in line with the research conducted by Dana (2012) in that social capital sometimes increases and inhibits entrepreneurship. Social capital encourages entrepreneurship when people can access important resources through social network, thus saving their time and money. Meanwhile, social capital inhibitors occur when closed social network isolate potential entrepreneurs from accessing important resources, understanding safety, avoiding risk and forcing mental compatibility to network participants.

Table-2: Matrix coefficient value of the one-way Karl Pearson Product Moment model

<table>
<thead>
<tr>
<th>Model Variable</th>
<th>BCI</th>
<th>HCl</th>
<th>SCI</th>
<th>EII</th>
<th>SNI</th>
<th>EGI</th>
<th>JOI</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCI</td>
<td>1.000</td>
<td>.713</td>
<td>.688</td>
<td>.841</td>
<td>.476</td>
<td>.788</td>
<td>.757</td>
</tr>
<tr>
<td>HCl</td>
<td>.713</td>
<td>1.000</td>
<td>.510</td>
<td>.733</td>
<td>.390</td>
<td>.759</td>
<td>.524</td>
</tr>
<tr>
<td>SCI</td>
<td>.688</td>
<td>.510</td>
<td>1.000</td>
<td>.723</td>
<td>.559</td>
<td>.607</td>
<td>.483</td>
</tr>
<tr>
<td>EII</td>
<td>.841</td>
<td>.733</td>
<td>.723</td>
<td>1.000</td>
<td>.629</td>
<td>.746</td>
<td>.714</td>
</tr>
<tr>
<td>SNI</td>
<td>.476</td>
<td>.390</td>
<td>.559</td>
<td>.629</td>
<td>1.000</td>
<td>.435</td>
<td>.441</td>
</tr>
<tr>
<td>EGI</td>
<td>.788</td>
<td>.759</td>
<td>.607</td>
<td>.746</td>
<td>.435</td>
<td>1.000</td>
<td>.684</td>
</tr>
<tr>
<td>JOI</td>
<td>.757</td>
<td>.524</td>
<td>.483</td>
<td>.714</td>
<td>.441</td>
<td>.684</td>
<td>1.000</td>
</tr>
</tbody>
</table>

all values are significant at the 0.01 level (1-tailed) or significant at 99% confidence. N=125

Based on table-2, community institutional economics factors (EII) have the first strongest correlation value (0.841) and regional economic growth factor (EGI) has the second strongest correlation (0.788) with entrepreneurial business competitiveness (BCI). If the results in table-1 are compared to table-2, then the economic factors of community institutions are still consistently having the greatest level of correlation values and the greatest influence on the competitiveness of entrepreneurial businesses. This means that the economy of community institution is very relevant in increasing economic growth and economic competitiveness regionally as well as nationally. The results of this research support the results of
previous research conducted by Acemoglu (2005) and Lee (2010). The results of research by Acemoglu (2005) state that economic institutions determine incentives and barriers to economicactors and shape economic outcomes. Acemoglu emphasized that economic institutions encourage economic growth when the ruling political institutions allocate their effective power. Furthermore, the results of Lee’s research (2010) conclude that institutional economics is relevant for competitiveness, insofar as this concept is used as a reference for the purpose of increasing economic growth. The results of the research framework in figure-3 are formed based on the results in table-1 and table-2 above. Based on figure-3, the results of the study show the value of the path coefficient as an indication of the influence magnitude of each of the factors that affect the competitiveness of MSMEs entrepreneurial business in the study area. It appears that there are three most dominant factors affecting the competitiveness of entrepreneurial businesses, namely institutional economics factor (0.348), employment and business opportunity factor (0.276) and social capital factor (0.187). Where these three factors have a positive and significant effect at a 99% confidence level (1-tailed). That is, the process of increasing the competitiveness of entrepreneurial businesses is as follows: historically, the beginning of the institutional economics of the community has been able to provide opportunities for new entrepreneurial businesses in the region, thus providing employment and business opportunities for people in the research area. Furthermore, entrepreneurial efforts can have business survival and competitiveness because they are driven by social capital factor. However, this information has not been able to provide the actual factor plays role as the main determinant of economic growth and competitiveness. The results of the two-way path research were then built to trace and explain the question.

Based on the work of path analysis on figure-3 and table-3, it shows more obviously the magnitude of the direct effect, indirect influence and total influence and direction of each factor in influencing business competitiveness. There are three biggest factors that affect business competitiveness directly, indirectly and totally namely institutional economics, employment opportunities and social capital. In table-3, it shows that the total influence of institutional economic factors is 33.3%, with details of the direct effect of 12.1% and indirect effects of 21.2%. Figure-3 and table-3, shows that each arrow having the greatest influence value started from institutional economics factor which are then followed by employment and social capital factors. However, the three biggest factors in influencing business competitiveness still have to compete with economic growth and human capital factors, so it needs to be reviewed further using a two-way diagram to look for the main determinants in increasing the competitiveness of the business. In addition, there is also a clue that the indirect role of economic variables of institution outweighs their direct influence, so further study is needed to identify important direct and main factors that influence economic growth and competitiveness. In this article, the study of the contribution of theoretical and practical analysis is limited and only focuses on two main factors namely, human capital and social capital as the main capital competencies in entrepreneurship.

The argument is that competitiveness is a complex multi-dimensional concept, so there are many definitions of competitiveness with their respective levels of complexity. In relation to this research, the operational definition of economic competitiveness and state competitiveness tends to be used. Operational competitiveness in terms of micro-economy is the competitiveness of business unit in the regional area and operational competitiveness in a macro-economic scope is the competitiveness of regional or national economic business. This means that the competitiveness of the country's economy will be reflected in the competitiveness of its national economy and the competitiveness of the national economy will be reflected in the competitiveness of economic regional enterprises. Meanwhile, regional economic competitiveness will be reflected in the competitiveness of its business units in

![Path analysis results](imageURL)

**Table-3: Path analysis results; direct, indirect and total influence**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct Influence</th>
<th>Indirect Influence</th>
<th>Total Indirect Influence</th>
<th>Total Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCl</td>
<td>0.015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCI</td>
<td>0.035</td>
<td>0.012</td>
<td>0.012</td>
<td>0.016</td>
</tr>
<tr>
<td>EII</td>
<td>0.121</td>
<td>0.012</td>
<td>0.047</td>
<td>0.020</td>
</tr>
<tr>
<td>SNI</td>
<td>0.009</td>
<td>0.004</td>
<td>0.020</td>
<td>0.011</td>
</tr>
<tr>
<td>JOI</td>
<td>0.076</td>
<td>0.018</td>
<td>0.069</td>
<td>0.011</td>
</tr>
<tr>
<td>EGI</td>
<td>0.030</td>
<td>0.016</td>
<td>0.020</td>
<td>0.007</td>
</tr>
</tbody>
</table>

Source: primary data (processed)
the area. The competitiveness of the entrepreneurial business unit is the concentration capability of entrepreneurial business units to improve product growth and the capability in the strategy to survive. According to Kharlamova (2013), the competitiveness of national economy is a concentrated expression of economic, scientific, technological, organizational, managerial, marketing and other capabilities that are applied in goods and services, successfully ensuring competition capability with foreign goods and services competition domestically and internationally. National competitiveness is the ability of a country to achieve a high level of economic growth, ensuring a stable raise in real wage, promotion of domestic companies on the world market represented by high-performance groups that improve the quality of products and services that enable the creation of new jobs in the future.

4.2. Two-way recursive path analysis model

The main purpose of using this two-way path analysis regression model is to better track the actual determinants in increasing competitiveness. In one-way path model, institutional economics factor has been identified as the initial determinant of increasing business competitiveness, but they key factor of the main determinant of increasing business competitiveness has not been identified. The two-way recursive form path analysis is built on the information resulted from the one-way path above and the rigorous exploratory methods of the experiment, so that the best path analysis result as resulted by two-way path model is obtained. In accordance with the research method above, the structure of the two-way path analysis model is formed from the results of the regression function model 2 and 3. Meanwhile, the results of intended path analysis regression are presented in table-4. In table-4, the human capital factor in model-2 appears to have a positive and significantly greater influence that is equal to (60.8%) on economic growth, rather than the effect of human capital on competitiveness in model-3 which only has a positive influence and significant at 23.5%. In contrast, social capital factors were able to contribute more to competitiveness, which amounted to 31.4% in model-3, and social capital contributions to economic growth in model-2 were only 29.7%. This phenomenon shows that human capital competition factor is the main key of quality economic growth drive. Meanwhile, quality economic growth is also a main key of competitiveness and social capital competence factor is the main determinant of business competitiveness success.

By quantitative determinants, the statement argumentation is also reinforced by theresearch results in table-6. The determinant results of equation-1, equation-2 and equation-3 models are presented in table-6. In table-6 it is clearly seen that in complete one-way path model the value of R² is equal to 0.810 which means that all factors-Human capital, Social capital, institutional economic, social networking, job opportunity and economic growth- altogether contribute to business competitiveness as much as 81% and the remaining 19% is influenced by other factors outside the model. Whereas, the correlation value of multiple R determinant among these factors and business competitiveness is very strong (90%). Furthermore, in model-2 and model-3 the results of the mirrored R² and R multiple are also still large and good. In model-2 the value of R² is 64.1%. This means that collaboration between human capital competence factor and social capital competence is still able to contribute 64.1% to economic growth and the determinant correlation value is still very strong at 80.1%. Next in model-3 R² is 0.714, meaning collaboration between human capital competence and entrepreneurial social capital competence along with quality economic growth is still able to contribute 71.4% to business competitiveness and with the strong value of correlation determinant amounted 84.5%. The results of the statistical tests are significant, meaning that the arguments above are statistically important and acceptable.

Figure-4 and table-7 show the direct effect, the indirect influence and total influence of the main model of two-way path analysis. Figure-4 is the results of path analysis which show the direction and magnitude of the resulted effect. While table-7 is the recapitulation of the details of the results of the direct effect, indirect influence and total influence path analysis. In figure-4, it is seen that the collaboration of human capital and social capital competence is positive and significant as a key driver of quality economic growth. The quality economic growth is economic growth resulting from human capital and social

### Table-5: The matrix coefficient value "Karl Pearson Product Moment" on the two-way path model

<table>
<thead>
<tr>
<th>Model</th>
<th>Variable</th>
<th>EGI</th>
<th>HCI</th>
<th>SCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model-2</td>
<td>Correlation</td>
<td>EGI</td>
<td>1.000</td>
<td>.759</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HCI</td>
<td>.759</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SCI</td>
<td>.607</td>
<td>.510</td>
</tr>
<tr>
<td>Model-3</td>
<td>Correlation</td>
<td>BCI</td>
<td>1.000</td>
<td>.713</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HCI</td>
<td>.713</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SCI</td>
<td>.688</td>
<td>.510</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EGI</td>
<td>.788</td>
<td>.759</td>
</tr>
</tbody>
</table>

Model-2: Dependent Variable: EGI (Economic_Growth Index) Model-3: Dependent Variable: BCI (Business_Competitiveness Index)

### Table-6: Exogenous determinant values for endogenous variables BCI & EGI

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.900*</td>
<td>.810</td>
<td>.801</td>
<td>.111773</td>
<td>.810</td>
<td>84.114</td>
</tr>
<tr>
<td>2</td>
<td>.801*</td>
<td>.641</td>
<td>.636</td>
<td>.156297</td>
<td>.641</td>
<td>109.122</td>
</tr>
<tr>
<td>3</td>
<td>.845*</td>
<td>.714</td>
<td>.707</td>
<td>.135676</td>
<td>.714</td>
<td>100.536</td>
</tr>
</tbody>
</table>

a. Model-1: Predictors: (Constant), HCI, SCI, EII, SNI, JOI, EGI & Dependent: BCI
b. Model-2: Predictors: (Constant), HCI, SCI, & Dependent: EGI
c. Model-3: Predictors: (Constant), HCI, SCI, EGI & Dependent: BCI
capital competence and the results of this economic growth can improve welfare (reduce unemployment, poverty and inequality). Furthermore, the collaboration of human capital and social capital competence together with quality economic growth factor is the main determinant of increasing economic competitiveness and prosperity.

**5. CONCLUSION**

The important role of entrepreneurial social capital has empirically proven to be important and strong in encouraging entrepreneurial competitiveness and economic growth. In addition, the results of this study are theoretically able to contribute positively to the theoretical basis of the resection-based view; which states that there are assets that are not manifested from the competence of social entrepreneurs in building MSME entrepreneurial business networks and increasing the competitiveness of their businesses. In addition, the important role of collaboration in the competence of human resources and social capital in entrepreneurship has turned out to be stronger not only in promoting competitiveness, but also as the first and most important driver in promoting quality economic growth. If partially, the role of human capital is more important to encourage quality economic growth. Meanwhile, the role of social capital is more important to maintain and increase the competitiveness of entrepreneurial businesses, so the collaboration between the two resources will further strengthen the competitiveness and desired economic growth. Thus, the collaboration of human capital and social capital has become a new component to enhance quality economic growth and maintain business competitiveness. In addition, the results of this study also support previous research conducted by Bronisz, (2009) which states there is evidence of a strong relationship between social capital and economic development. However, the important thing that is more interesting and special is the emergence of the principle of "unity of hearts" as one of the new competency strategies developed as part of social capital in maintaining competitiveness in the short term and being able to gain competitive advantage in the long term. The recommendation of this research is that more in-depth and more extensive research is needed to test the strength of the basic principles of "tuna satak bathi sanak" to be the basis of building a strong new theory in social entrepreneurship.

**6 ACKNOWLEDGEMENT**

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