The Implications of Entrepreneurial Self-Efficacy (ESE) and Social Capital on Product Innovation Capability of SME's Performance in Jatinangor Higher Education Area, West Java, Indonesia

Komarudin[1,*] Suryana[2]

[1] *Universitas Pendidikan Indonesia*
[2] *Universitas Pendidikan Indonesia*
*Corresponding author.Email: komarudin468@upi.edu

ABSTRACT

The presence of reliable SMEs (small and medium-sized enterprises) is a great necessity, especially in the ef-fort to absorb labour and its contribution to the growth of the gross domestic product. Through micro and small enterprises (MSME) that continue to develop, the country's economy will be strengthened in an attempt to improve the welfare of people. In a fairly dynamic market situation, the viability of small and medium-sized enterprises (SMEs) must continue to be sustained and improved more comprehensively by enhancing competitiveness and business performance. Product creativity, entrepreneurial self-efficacy (ESE) and social capital are considered to affect the successful market. This research aimed to determine the impact of entrepreneurial self-efficacy (ESE) and social capital on product innovation, and its implications for SME performance in the Jatinangor Higher Education Region, West Java. The results of the research indicated that, entrepreneurial self-efficacy (ESE) and social capital had a positive and significant impact on the capacity of innovation product at the same time, and that there were direct and indirect effects of entrepreneurial self-efficacy (ESE) and social capital on the performance of SMEs in the Jatinangor Higher Education Sector, West Java.

Keywords: Micro and Small Enterprises, Competitiveness, Business Performance, Entrepreneurial Self-Efficacy.

1. INTRODUCTION

Empowerment of Micro, Small and Medium Enterprises (MSMEs) is an integral part of national development which aims to create a just and prosperous society. The existence of MSMEs has an important role in the Indonesian economy where the proportion of this sector is estimated at around 99% of the total business actors in Indonesia [1]. As an integral part of Indonesian MSMEs, the existence of small, micro and medium enterprises in the Jatinangor Higher Education Area, Sumedang, West Java, Indonesia must get attention so that they can continue to grow and develop in supporting this educational area which the central government uses as a national strategic area. This designation has turned the region into a new growth magnet. The establishment of universities such as IPDN and Ikopin and the existence of other several large universities that moved their campuses from the city of Bandung such as UNPAD and ITB, have created and developed several MSMEs that support the activities of students studying in this area. Micro, small and medium enterprises such as culinary, photocopy stalls and binding services, boarding house services, laundry services, micro retail and other business ventures.

The presence of such reliable MSMEs plays an essential role, especially in the effort to absorb work forces and contribute to increasing gross domestic product. By doing so, they will be able to strengthen the country's economy in an effort to improve people's welfare. In a fairly dynamic market condition, the sustainability of MSMEs must be maintained and improved in order to increase the competitiveness and performance of the MSMEs.

Therefore, it is needed to strengthen and to foster the MSMEs by making this area to be a center for the growth in creative economy-based MSMEs especially in Garut.

1.1 *Entrepreneurial Self-efficacy (ESE)*

Entrepreneurial Self-efficacy is an entrepreneur's belief in their ability to do something well in achieving goals. It is needed by someone who wants to do entrepreneurship. Besides, an entrepreneur must have confidence and a strong mentality to build a business. If an entrepreneur does not have this mentality, he or she will not be able to face the various challenges in entrepreneurial world. Reference [2] notes that self-efficacy affects motivation and ability to be involved in certain activities while reference [3] states that self-efficacy determines the career choice that the individual will undertake. There are four sources of self-efficacy. They come from mastery experience (experience of mastering something), vicarious experiences (social modeling), social persuasion (social persuasion) arousal (physical and emotional conditions). In addition, mastery experience can be understood as someone's experience in mastering a certain field.

1.2 *Social Capital*

Currently, there are many companies that use social capital in various business activities. [4] stated that the concept of social capital has become a research topic in various fields (multidisciplinary) in recent years. The concept of social capital has also begun to be applied in the discipline of entrepreneurship and several other disciplines related to socio-economics. It is supported by [5] that states that the presence of social capital in doing business will make it easier for business people to find ideas and develop opportunities for entrepreneurship. Also, innovation will also become easier to do with social capital. According to [6] Businessmen who have social capital in entrepreneurship have a greater tendency to succeed than those who do not have social capital. As a part of the social system, entrepreneurship also requires social support and the surrounding environment.He further states that a conducive environment becomes a dynamic factor in separating in order to support entrepreneurial success. According to [7], social capital can be defined as the characteristic of social organizations, such as norms, beliefs, and social networks that facilitate coordination and cooperation for mutual benefits.

1.3 *Product Innovation*

Innovation becomes a machine that can make a business exist and can even achieve a competitive advantage. As a result of creativity, innovation and creativity are indispensable in developing new products and services. It is a line with [8] that entrepreneurship is a creative and innovative process that create added value for goods and services which then gives rise to various advantages including competitive advantages. Meanwhile, [9] states that innovation is the most important character in entrepreneurship. Through innovation, the company will make adjustments to the goods and services offered according to the very dynamic needs of consumers. As the result, consumers will always look for other products based on their needs. Thus, continuous innovation is needed to maintain a company's existence in the market. Reference [10] suggests that the innovation made by companies is aimed at securing the sustainability of the company in the future.

According to [11] companies must pay attention to several principles, including; analysis of opportunities that exist today and in the future, looking for new things that can satisfy consumers, simple but focused, starting small and easy to do immediately, and strengthening leadership in creating an innovation . As the result, the leader of the company will make various efforts to save the company through innovation. [12] in his research suggests that there was a complementary relationship between entrepreneurship and innovation. He further states that the combination of the two is essential part for organizational success and sustainability in a highly dynamic business environment.

Reference [13] page 240, describe several indicators of a product invasion, namely; 1) Line extensions, in which the product is not truly new, but is new to the market; 2) New goods, i.e. products that are new to the business but not to the market; 3) Both the business and the industry are unfamiliar with the commodity. Meanwhile, innovation has 4 (four) characteristics, namely: 1) It has uniqueness / special meaning that an innovation has distinctive characteristics in the sense of an idea, program, order, system, including the possibility of expected results; 2) It has as a characteristic or novelty element, in the sense that an innovation must have characteristics as a work and ideas that have a level of originality and novelty; 3) The innovation program is implemented through a planned program, in the sense that an innovation is carried out through a process that is not rushed, but innovation is carefully prepared with a clear and planned program in advance; 4) The innovation that is rolled out has a purpose. In addition, the innovation program that is carried out must have a direction to be achieved, including the direction and strategy to achieve that goal.

1.4 *MSME performance*

In measuring the performance of the business, the most important problem is determining the criteria or dimensions. Job criteria are the most important factor in measuring performance because it can be measured the extent to which the work has been accomplished according to predetermined standards. Reference [14]

state that performance is basically what employees do or don't. Performance appraisal is a process of assessing the work of personnel using it as instruments by comparing them with standardized aspects. By doing so, we can find out whether the job is appropriate or not with the previously prepared job descriptions. The criteria for measuring the performance of MSMEs are usually assessed from their financial, marketing, operational and human resource performance. The most basic thing in evaluating the performance of MSMEs is the profitability and growth rate of MSMEs [15].

2. METHODS

2.1 *Research purposes*

To empirically investigate and analyze:

1) Entrepreneurial Self-efficacy of MSME entrepreuners in the High Education Ara of Jatinangor

2) Social capital of MSME entrepreneurs in the High Education area of Jatinangor.

3) The extent of the impact on the innovation of MSME products of entrepreneurial self-efficacy and social capital in the Jatinangor Higher Education area.

4) The degree of the effect of product innovation in the success of MSMEs in the Jatinangor Higher Educaton area.

2.2 *Research Aims*

1) To be an early indicator in mapping the potential of human resources in developing MSMEs in the Jatinangor High Education Area.

2) To contribute in supporting the government of Sumedang Regency to make Jatinangor Higher Education areas as a creative economy-based MSMEs development area.

3) To become an empirical reference for studies on entrepreneurial self-efficacy.

2.3 *The participants*

Subjects of the research were the MSMEs holders (entrepreneurs) in the Jatinangor Higher Education Area, particularly those engaged in the culinary sector, binding services and photocopying services. Those subjects consisted of entrepreneurs who opened their businesses along and around the Jatinangor street, from the Cikuda area to Cibeusi, and had started their businesses for more than 5 years, and employed several people. The questionnaires were distributed to about 76 MSMEs and 67 were returned from the recent data. Besides, the primary data was collected by field study while

secondary data was obtained by conducting from library research and the documents. In addition, Survey methods are used in collecting data, namely by the use of a standardized questionnaire set for the respondents. The format of the questionnaire consists of two main parts, the first section deals with general questions about the business' characteristics and the second part contains questions about the main research problems.

2.4 *Technique of Data Analysis*
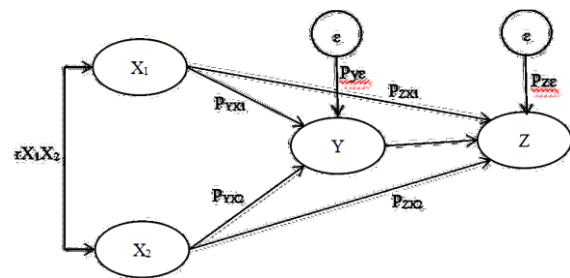
2.4.1. *Path Analysis*

Figure 1 Path analysis

For the structural relationship equation, the path diagram is expressed by the following equation (1-4).

–   Influence X1 to Z throught Y :

Direct inflluence

$$n = \frac{N}{1+N(e)^2} X1 \ Z \ \Omega \ Y = PZX1. \ PYX1. \ PZY \qquad 1)$$

Indirect influence

$$X1 \ Z \ \Omega \ X2 \ \Omega \ Y = PZX1.rx1x2. \ PYX1. \ PZY \qquad 2)$$

–   Influence X2 to Z throught Y :

Direct inflluence

$$X2 \ Z \ \Omega \ Y = PZX2. \ PYX2. \ PZY \qquad 3)$$

Indirect influence

$$X2 \ Z \ \Omega \ X1 \ \Omega \ Y = PZX2. \ rx1x2. \ PYX1. \ PZY \qquad 4)$$

–   Influence X2 to Z through Y

Direct influence

$$X2 \ Z \ \Omega \ Y = PZX2. \ PYX2. \ PZY \qquad 5)$$

Indirect influence

$$X2 \ Z \ \Omega \ X1 \ \Omega \ Y = PZX2. \ rx1x2. \ PYX1. \ PZY \qquad 6)$$

2.4.2. *T test*

The t test is used to see the effect partially between exogenous and endogenous variables. Based on the results of the t test, a result will be obtained in the form of t count which will be compared with t table.

If:

– The value *t*count <*tt*able means that Ho is rejected and Hi is accepted, meaning that there is no partial effect.

2.4.3   F Test

Simultaneous test (F test) is used to see the effect simultaneously between exogenous variables and endogenous variables. F test can be done by comparing Fcount with Ftable.

For the F test, the criteria used are:

– If Fcount> Ftable, accept Ho, reject Hi

– If Fcount <Ftable, accept Hi, reject Ho.
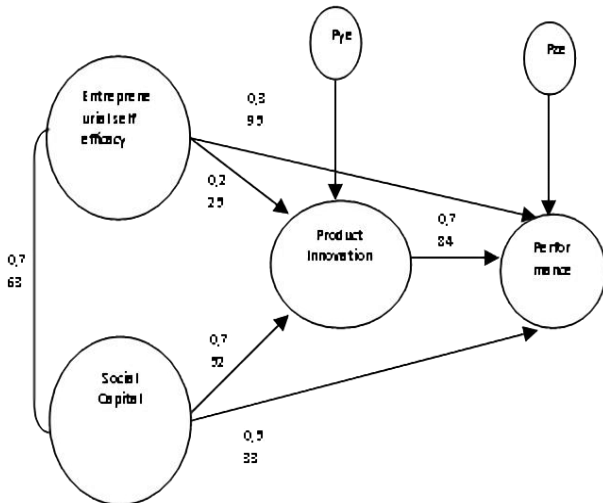
3. RESULTS AND DISCUSSION

Figure 1 Calculation of the effects of entrepreneurial self-efficacy

The calculation of the effects of entrepreneurial self-efficacy (ESE) and social capital on performance through product innovation is as follows (1-4)

a. Effect of ESE (X1) on performance (Z) through Product Innovation (Y)

b. X1 Ω Y Z = (PZX1) (PYX1) (PZY) = 0.395 x 0.225 x 0.784 = 0.06968

c. The influence of social capital (X2) on performance (Z) through product innovation (Y)

d. X2Ω Y Z = (PZX2) (PYX2) (PZY) = 0.535 x 0.752 x 0.784 = 0.31542

e. The total influence of ESE and social capital on the performance of MSMEs through

Product innovation = 6,968% + 31,542% = 38,510%

– The value *t*count> *ttab*le means that Ho is accepted and Hi is rejected, meaning that there is a partial effect

3.1. T test and F test

The hypothesis states that ESE and social capital had a partial and significant effect on product innovation in MSMEs in the Jatinangor Higher Education Area, with the following test results table 1.

Table 1. Value of t Value and t Table of ESE and Social Capital on Product Innovation

Variable	t value	t table	Sig.
ESE	*3,286*	*1,66864*	*0,002*
Social Capital	*10,989*	*1,66864*	*0,000*

Source: processed data

In the table above, it can be seen that:

The t value for ESE was in 3.286 while the t table value was in 1.66864, and the significant value was below 0.05 (0.002). The t value> the t table value (3.286> 1.66864), then the hypothesis which states that ESE had a partial and significant effect on product innovation in MSMEs in the Jatinangor Higher Education Area was accepted.

The t value for social capital was 10.989, the t table value was 1.66864, and the significant value was below 0.05 (0.000). The value of t count> the value of t table (10.989> 1.66864), then the hypothesis which states that social capital had a partial and significant effect on product innovation at MSMEs in the Jatinangor Higher Education Area was accepted.

The hypothesis states that ESE and social capital had a joint and significant effect on product innovation in MSMEs in the Jatinangor Higher Education Area. The test results are as follows table 2.

Table 2. Value of F Count and F Table of ESE and Social Capital for Product Innovation

Variable	F Count	F table	Sig.
ESE and Social Capital	223,344	3,99	0,000

Source: processed data

In the table above, it can be seen that the calculated F value was in 223.344 while the F table value was in 3.99, and the significant value is below 0.05 (0.000). The calculated F value> the F table value (223,344> 3.99), then the hypothesis which states that ESE and social capital had a joint and significant effect on product innovation at MSMEs in the Jatinangor Higher Education Area was accepted.

The hypothesis states that ESE and social capital have a partial and significant effect on the performance of MSMEs in the Jatinangor Higher Education Area. Following are the test results table 3.

Table 3. Value of t Count and t Table of ESE and Social Capital towards the Performance/ result

Variable	t Count	t table	Sig.
ESE	4,205	1,66864	0,000
Modal Sosial	5,698	1,66864	0,000

Source: processed data

In the table above, it can be seen that:

The t value for ESE is 4.205, the t table value was in 1.66864, and the significant value was below 0.05 (0.000). The t value> the t table value (4.205> 1.66864), then the hypothesis which states that ESE had a partial and significant effect on the performance of MSMEs in the Jatinangor Higher Education Area was accepted.

The t value for social capital was 5.698, the t table value was 1.66864, and the significant value was below 0.05 (0.000). The value of t count> the value of t table (5.698> 1.66864), then the hypothesis which states that social capital had a partial and significant effect on the performance of MSMEs in the Jagtinangor Education Area was accepted.

The hypothesis states that ESE and social capital had a joint and significant effect on MSME performance in the Jatinangor Education Area. Following are the test results table 4.

Table 4. Value of t Count and t Table of ESE and Social Capital towards Performance

Variable	t count	t table	Sig.
Product innovation and social capital	*103,739*	*3,99*	*0,000*

Source: processed data

In the table above, it can be seen that the calculated F value was in 103.739, the F table value was in 3.99, and the significant value is below 0.05 (0.000). The calculated F value> the F table value (103,739> 3.99), then the hypothesis which states that ESE and social capital had a joint and significant effect on MSMEs performance in the Jatinangor higher education area.

The hypothesis states that product innovation had a partial and significant effect on the performance of MSMEs in the Jatinangor Higher Education Area. Following are the test results table 5.

Table 5. Value of t Count and t Table of Product Innovation and Performance of MSMEs

Variable	t Count	t Tabel	Sig.
Product Innovation	10,177	1,66864	0,000

Source: processed data

In the table above, it can be seen that the t value for product innovation was in 10.177, the t table value was in 1.66864, and the significant value is below 0.05 (0.000). The value of t count> the value of t table (10.177> 1.66864), then the hypothesis which states that

product innovation has a partial and significant effect on the performance of MSMEs in the Jatinangor Higher Education area was accepted.

4. CONCLUSIONS

1) The ESE and social capital have a partial and significant impact on product innovation MSMEs in the Jatinangor Higher Education Area.

2) The ESE and social capital have a simultaneous and significant impact on innovation product at MSMEs in the Jatinangor Higher Education Area.

3) The ESE and social capital have a partial and significant impact on MSME's performance in Jatinangor Higher Education Area.

4) The ESE and social capital have a simultaneous and significant impact on MSME's performance in the Jatinangor Higher Education Area.

5) The innovation product has a partial and significant impact on the performance of MSMEs in Jatinangor higher education area.

6) The influence of entrepreneurial self-efficacy and social capital on the performance of MSMEs in innovation product had total influence of 38.51%.

REFERENCES

[1] "Business actors in Indonesia," 2012. [Online]. Available: https://www.bps.go.id/%09%0A.

[2] S. Barakat, M. Boddington, and S. Vyakarnam, "Measuring entrepreneurial self-efficacy to understand the impact of creative activities for learning innovation," Int. J. Manag. Educ., vol. 12, no. 3, 2014, doi: 10.1016/j.ijme.2014.05.007.

[3] N. E. Betz and D. A. Luzzo, "Decision-making self-efficacy scale," J. Career Assess., vol. 4, no. 4, 1996.

[4] S. Agyei-Mensah and A. De-Graft Aikins, "Epidemiological transition and the double burden of disease in Accra, Ghana," J. Urban Heal., vol. 87, no. 5, 2010, doi: 10.1007/s11524-010-9492-y.

[5] S. Shane and T. Stuart, "Organizational endowments and the performance of university start-ups," in Management Science, 2002, vol. 48, no. 1, doi: 10.1287/mnsc.48.1.154.14280.

[6] B. L. Wolfe and R. H. Haveman, "S ocial and n onmarket b enefits from," Education, no. 1977, 1964.

[7] R. D. Putnam, "Social capital and public affairs," Bull. Am. Acad. Arts Sci., vol. 47, no. 8, 1994, doi: 10.2307/3824796.

[8] R. Agarwal, D. Audretsch, and M. B. Sarkar, "The process of creative construction: knowledge spillovers, entrepreneurship, and economic growth," Strateg. Entrep. J., vol. 1, no. 3–4, 2007, doi: 10.1002/sej.36.

[9] P. Larsen and A. Lewis, "Confronting barriers to innovation," Int. J. Entrep. Innov., vol. 7, no. 2, 2006, doi: 10.5367/000000006776928645.

[10] M. A. Crumpton, "Innovation and entrepreneurship," Bottom Line, vol. 25, no. 3, 2012, doi: 10.1108/08880451211276539.

[11] M. A. Hitt, R. D. Ireland, S. M. Camp, and D. L. Sexton, "Strategic entrepreneurship: entrepreneurial strategies for wealth creation," Strateg. Manag. J., vol. 22, no. 6–7, 2001, doi: 10.1002/smj.196.

[12] L. Chen and H. Zhao, "Gene expression analysis reveals that histone deacetylation sites may serve as partitions of chromatin gene expression domains," BMC Genomics, vol. 6, 2005, doi: 10.1186/1471-2164-6-44.

[13] B. A. Lukas and O. C. Ferrell, "The effect of market orientation on product innovation," J. Acad. Mark. Sci., vol. 28, no. 2, 2000, doi: 10.1177/0092070300282005.

[14] R. L. Mathis and J. H. Ackson, HR Management. Jakarta: Salemba., 2002.

[15] E. Ardyan, "Market sencing capability and smes performance: The mediating role of product innovativeness success.," DLSU Bus. Econ. Rev., vol. 25, no. 2, pp. 79–97.