



Entrepreneurship Orientation and Financial Performance of Traditional Village Business Entities

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Abstract— Traditional village business entities in Bali need to have an entrepreneurial orientation to improve performance. The objectives of this study were to describe and understand the entrepreneurial orientation of traditional village business entities, to describe and understand the financial performance of traditional village business entities, and to analyze the relationship between entrepreneurial orientation and the financial performance of traditional village business entities. This research design is descriptive research. The subjects of this study were traditional village business managers consisting of seven managers of traditional village-owned business entities (BUPDA) and 30 managers of Village Credit Institutions (LPD) in Bali. The research instrument used was a questionnaire on entrepreneurial orientation and financial performance of traditional village businesses. The data were analyzed using percentage analysis techniques. The results showed that: 1) the entrepreneurial orientation of traditional village businesses was good; 2) the financial performance of the traditional village business was good; 3) entrepreneurial orientation is related to the financial performance of traditional village business entities.

Keywords— *entrepreneurship; performance; finance; traditional village*

I. INTRODUCTION

Traditional villages in Bali are customary law community units that have a role to organize and fostering the lives of traditional village communities and playing a role in the development process. Under the Bali Provincial Regulation number 4 of 2019, traditional villages are also tasked to realize the prosperity of traditional villages, including peace, prosperity, happiness, and peace. Therefore, traditional villages need to be nurtured, protected, fostered, developed, and empowered to realize the lives of Balinese indigenous people who are politically sovereign, economically independent, and have cultural personalities.

The establishment of the traditional village business is one of the efforts so that traditional villages can be economically independent. Traditional village businesses consist of traditional village owned business entities (BUPDA) and Village Credit Institutions (LPD). BUPDA is a business unit owned by a Traditional Village that carries out business activities in the real economy, services, and or public services, except for businesses in the financial sector, which are organized based on customary law and managed with modern

governance to improve the welfare and independence of the Traditional Village people. LPD is a Village Credit Institution belonging to a Traditional Village domiciled in Traditional Village area (Bali Provincial Regulation No. 4 of 2019).

As a business unit, traditional village business entities (BUPDA and LPD) need to have an entrepreneurial orientation to improve performance. Entrepreneurial orientation is a behavioral tendency shown by organizations to increase innovation and be proactive, and ultimately improve performance [1], [2]. Orientation Entrepreneurship drives internal processes and allows managers, especially small businesses, to be creative to gain a market advantage.

Traditional village business entities as businesses owned by Traditional Villages need to be studied for their entrepreneurial orientation with financial performance because traditional villages are more involved with traditional village affairs, not business affairs. Therefore, research on entrepreneurial orientation and its influence on the financial performance of traditional village enterprises is important.

II. LITERATURE REVIEW

A. Traditional Village Businesses

The customary village unit consists of the traditional village-owned business entities (BUPDA) and the village credit institution (LPD). BUPDA is a business unit owned by a Traditional Village that carries out business activities in the real economy, services, and or public services, except for businesses in the financial sector, which are organized based on customary law and managed with modern governance to improve the welfare and independence of the traditional village people. LPD is a Village Credit Institution belonging to a Traditional Village domiciled in the Traditional Village area. Further provisions regarding guidelines, mechanisms, and establishment of BUPDA are regulated by Regional Regulation (Bali Provincial Regulation No. 4 of 2019).

B. Entrepreneurship Orientation

Entrepreneurial orientation is a behavioral tendency shown by organizations to increase innovation and be proactive, and ultimately improve performance [1], [2]. An entrepreneurial orientation drives internal processes and enables managers, especially in small businesses, to be creative to gain market advantage.

According to Miller, there are various operationalizations, or dimensions of entrepreneurial orientation, namely innovation, risk-taking, and proactiveness. Innovativeness is primarily concerned with the extent to which a company can innovate as a whole from its business operations [2]. Innovation supports novelty, creativity, idea generation, and experimental processes in an organization [1]. Risk-taking is the extent to which an organization can encourage its desire to take action, even when the outcome is unknown [3]. Proactivity is a concept that describes an organization's ability to anticipate and predict future products and services and make efforts to provide them, even when consumers may not yet have knowledge of these products or features, or even when they are unknown in the industry [3]. Lumpkin and Dess suggested that proactiveness is central to organizational success, enabling profit by focusing on future goals supported by the ability to transform into new products or change existing ones, thus leading to high entrepreneurial activity [1].

C. Financial Performance

According to the Indonesian Institute of Accountants, financial performance is the company's ability to manage and control its resources. Financial performance describes the company's financial condition in a certain period. Financial performance is an illustration of the achievement of the company's success and can be interpreted as the results that have been achieved in various activities that have been carried out. Financial performance is an analysis carried out to see how far a company has implemented using financial implementation rules properly and correctly [4].

D. Previous Research

Several studies have conducted relating to entrepreneurial orientation and business performance. The results show that innovation, proactiveness and autonomy are significantly related to the performance of tourism companies, while risk taking and competitiveness are not [5]. Sustainable entrepreneurial orientation in an intrapreneurial context affects business performance [6]. The findings reveal that creativity and innovation, proactiveness and autonomy have a positive influence on entrepreneurial competence. In addition, autonomy and entrepreneurial competence have a positive effect on the performance of micro-enterprises. Then, entrepreneurial competence showed a mediating effect on the relationship between creativity, innovation, autonomy and microenterprise performance [7], [8].

The results also indicate that the entrepreneurial orientation dimension is related in a different way to the firm's functional performance [9]. The results reveal that firm size moderates the relationship between risk taking and performance, proactiveness and performance and innovation and performance [10], [11]. Migliori revealed the relationship between entrepreneurial orientation, market orientation and performance [12], entrepreneurial orientation and performance in SMEs. The mediating role of structural infrastructure capabilities [13], [14], entrepreneurial orientation, competitive advantage, and SME performance [15], [16]. Tajeddini also

revealed that entrepreneurial orientation plays a role in improving business performance [17]. There is a link between SME government support programs, entrepreneurial orientation, and performance [18]. Entrepreneurial orientation has a positive and significant effect on organizational commitment [19]. The influence of institutions is further moderated by the stage of economic development [20]. In the current era of technological change, banks must develop a clear vision of digitalization characterized by innovation, superior competition, and the courage to take risks [21].

III. RESEARCH METHODS

The design of this study is a descriptive study. This research is a descriptive study that describes the entrepreneurial orientation (innovativeness, risk-taking, proactiveness) and the financial performance of traditional village businesses (BUPDA and LPD) in Bali. The instrument used is a questionnaire on entrepreneurial orientation and financial performance. The research instrument uses 4 Likert scales, from 1 (not good) to 4 (very good). The sampling technique used is random. The subjects of this study were traditional village business managers consisting of seven managers of traditional village-owned business entities (BUPDA) and 30 managers of Village Credit Institutions (LPD) in Bali. The data were analyzed using percentage analysis techniques. The percentage rating ranges are presented in Table I.

TABLE I. ENTREPRENEURSHIP ORIENTATION AND FINANCIAL PERFORMANCE LEVEL

| Value Range | Level |
|-------------|-----------|
| 81%-100% | Excellent |
| 66%-80% | Good |
| 51%-65% | Average |
| 0%-50% | Poor |

IV. RESULTS AND DISCUSSIONS

The respondents of this study are 37 people consisting of 16 (43%) female and 21 (57%) male. Respondents came from seven (19%) BUPDA and 30 (57%) LPD. The characteristics of respondents can be seen in Table II as follow.

TABLE II. CHARACTERISTICS OF RESPONDENTS

| Classification | Amount | Percentage |
|------------------|--------|------------|
| Type of business | | |
| BUPDA | 7 | 19% |
| LPD | 30 | 81% |
| Gender | | |
| Male | 16 | 43% |
| Female | 21 | 57% |

A. Entrepreneurship Orientation

Entrepreneurship orientation of traditional village business entities (BUPDA and LPD) includes the dimensions of innovation, being proactive, and taking risks. In general, the entrepreneurship orientation of the traditional village

businesses (BUPDA and LPD) is good. The dimensions of traditional village business entities' innovation (BUPDA and LPD), the proactive entrepreneurship orientation, and the risk-taking dimension of entrepreneurship orientation are good. Innovation dimensions of BUPDA entrepreneurship orientation 79.8%, the proactiveness dimension 69.1%, and the risk-taking 73.8%. Innovation dimensions of LPD 78.1%, the proactiveness dimension 76.4%, and the risk-taking 78.1%.

TABLE III. INNOVATION DIMENSIONS OF ENTREPRENEURSHIP

| Innovation Indicators | BUPDA | LPD |
|--|-------|-------|
| 1. Cultural emphasis on innovation and Research and Development (R&D). | 75.0% | 77.5% |
| 2. High product recognition rate. | 78.6% | 77.5% |
| 3. Bold and innovative product development efforts. | 85.7% | 79.2% |
| Average | 79.8% | 78.1% |

TABLE IV. PROACTIVE DIMENSIONS OF ENTREPRENEURSHIP

| Proactive Indicators | BUPDA | LPD |
|---|-------|-------|
| 1. Initiative, proactive attitude. | 67.9% | 80.0% |
| 2. Tendency to be the first to introduce new technologies and products. | 75.0% | 73.3% |
| 3. Competitive attitude towards competitors. | 64.3% | 75.8% |
| Average | 69.1% | 76.4% |

TABLE V. TAKING RISK DIMENSIONS OF ENTREPRENEURSHIP

| Taking Risk Indicator | BUPDA | LPD |
|--|-------|-------|
| 1. Strong propensity for high-risk and high-return projects. | 57.1% | 72.5% |
| 2. An environment that requires courage from the company to achieve its goals. | 85.7% | 80.0% |
| 3. Aggressive and courageous attitude when faced with risks. | 78.6% | 81.7% |
| Average | 73.8% | 78.1% |

TABLE VI. DIMENSIONS OF ENTREPRENEURSHIP ORIENTATION

| Taking Risk Indicator | BUPDA | LPD |
|-----------------------|-------|-------|
| 1. Innovation | 79.8% | 78.1% |
| 2. Proactive | 69.1% | 76.4% |
| 3. Taking Risk | 73.8% | 78.1% |
| Average | 74.2% | 77.5% |

The result shows that BUPDA and LPD have a good cultural emphasis on innovation and Research and Development (R&D), a high product recognition rate, and bold and innovative product development efforts. BUPDA and LPD have an initiative, proactive attitude, and tendency to be the first to introduce new technologies and products, as well as a good competitive attitude towards competitors. BUPDA and LPD have a strong propensity for high-risk and high-return projects, a good environment that requires courage for the company to achieve its goals, and an aggressive and courageous attitude when faced with risks.

A competitive attitude towards competitors and a strong tendency to project-taking high-risk projects and high returns on BUPDA need to be improved. BUPDA is a new business

entity owned by traditional villages in Bali does not have as much experience as LPDs. Competitive attitude towards competitors has not been developed maximally. Likewise, the courage to take risks is still relatively low due to a lack of experience in high-risk projects with high returns.

B. Financial Performance

The financial performance of traditional village businesses (BUPDA and LPD) is good. Competitive position (75.0%), sales growth (78.6%), and profit growth/return on investment of BUPDA (71.4%) are good, and retention (ability to retain customers) (85.7%) is excellent. Sales growth (79.2%) and profit growth/return on investment (78.3%) of LPD are good. Competitive position (82.5%) and retention (ability to retain customers) is excellent (80.8%).

TABLE VII. FINANCIAL PERFORMANCE

| Performance | BUPDA | LPD |
|---|-------|-------|
| 1. Competitive position | 75.0% | 82.5% |
| 2. Retention (able to retain customers) | 85.7% | 80.8% |
| 3. Sales growth | 78.6% | 79.2% |
| 4. Profit growth/return on investment | 71.4% | 78.3% |
| Average | 77.7% | 80.2% |

In general, the entrepreneurial orientation of BUPDA and LPD is good, which means that BUPDA and LPD's innovation, proactiveness, and taking risk are good. The entrepreneurial orientation of LPD (77.5%) is better than that of BUPDA (74.2%). In terms of innovation, BUPDA is relatively better than LPD. On the other hand, in terms of proactiveness and risk-taking, LPD is better than BUPDA.

The financial performance of LPD and BUPDA are both in the good category, which means that LPD and BUPDA have a good competitive position, retention (able to retain customers), sales growth, and profit growth/return on investment. Retention (able to retain customers) BUPDA is better than LPD. On the other hand, in terms of competitive position, sales growth, and profit/return on investment growth, LPD is better than BUPDA. LPD's entrepreneurial orientation is better than BUPDA's, followed by better LPD's financial performance. This entrepreneurial orientation is related to the financial performance of traditional village business entities. Previous research found that innovation, proactiveness, and risk-taking affect performance [22], [23], [23], and [24].

V. CONCLUSION

The objectives of this study were to describe and understand the entrepreneurial orientation of Traditional Village businesses, to describe and understand the financial performance of Traditional village businesses, and to analyze the relationship between entrepreneurial orientation and the financial performance of Traditional Village businesses. The results showed that the entrepreneurial orientation of traditional village business entities was good. The financial performance of Traditional Village business entities was good. The entrepreneurial orientation is related to the financial performance of the Traditional Village business entities. The

effect of entrepreneurial orientation on financial performance needs to be analyzed further with inferential statistics. This analysis will provide evidence about the influence and significance of entrepreneurial orientation on financial performance. This analysis also will overview the contribution of entrepreneurial orientation to financial performance variation.

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