

Determinants of Success in Venture Capital Assistance Recipients in Yayasan Dana Sosial Al-Falah (YDSF) Surabaya

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Abstract—This study aims to discover the determinants that influence Independent Business Groups' (*Kelompok Usaha Mandiri*) success in their financing from Yayasan Dana Sosial Al-Falah (YDSF). The respondent's in this study are the recipients of the Capital Assistance for Independent Business Groups program from YDSF who are able to pay the loan. There were eight respondents in the preliminary test which was conducted with an in-depth interview. Meanwhile, there were 50 respondents in the main test. This study was conducted by using a qualitative approach with an exploratory factor analysis method. This study found that four factors contribute to the financing performance of the Capital Assistance for Independent Business Groups program in YDSF Surabaya. The factors are produced by the reducing process with the factor analysis method. The factors are the business strategy factor, human resources factor, YDSF's support factor and entrepreneurship competence factor. Further study can be initiated to investigate deeper regarding the most determining factor that influences the program's recipients' performance.

Keywords—Factor Analysis, Determinants, Independent Business Groups component

I. INTRODUCTION

The problem of poverty is an issue that happens in every country, especially in developing countries like Indonesia. One cause behind the high rate of poverty in developing countries is the large population. According to Abdurrahman al-Qadir (2001: 24), poverty is a great disaster for humanity and many civilizations have fallen because of poverty. Thus, the Prophet Muhammad stated that poverty was close to *kuafir* or infidelity. Therefore, Islam has paid high attention to lifting poor people out of poverty. Islam faces a very consistent struggle against poverty and has a mature concept used

to build a social order based on mutual help and aid which is implemented in the form of charity, *infaq*, and *sadaqah*. In Indonesia, the agency that is assigned to the implement centralised management of *zakat* is Badan Amil Zakat Nasional (BAZNAS). BAZNAS can work together with the Amil Zakat Institution (Lembaga Amil Zakat/LAZ) to carry out the management of *zakat*. The Amil Zakat Institution is an institution that helps BAZNAS in performing their duties and functions in relation to the collection, distribution, and utilization of *zakat*. Zakat agencies or institutions are spread across the Indonesian archipelago. The existence of these institutions provide access for people to pay *zakat*, *infaq* and *sadaqa*. In carrying out its functions to utilise *zakat*, *infaq* and *sadaqa*, LAZ in Indonesia has created a variety of programs to target *zakat*'s recipients (*mustahiq*).

Zakat funds are distributed only to eight *asnaf* or recipients which consist of: indigent; poor; *amil zakat*; converts; slaves; *gharim*; *fi sabilillah*; and *ibnu sabil*. Meanwhile, *infaq* and *sadaqa* distribution is more flexible because the distribution of *infaq* and *sadaqa* are not restricted to eight *asnaf* or recipient categories. *Zakat* funds and *infaq* can be used as venture capital assistance, scholarships, and other forms of empowerment. Not all *zakat* institutions separate cash acquisition from *zakat* and charity *infaq*.

One *zakat* institution that distinguishes between *zakat*, *infaq*, and *sadaqa* sources for the provision of venture capital is the LAZ Yayasan Dana Sosial Al-Falah (YDSF/Social Fund Foundation of Al-Falah). This institution has a humanity program with one of its sub-programs being the Independent Business Group (*Kelompok Usaha Mandiri/KUM*) which covers financing and business assistance. In this program,

YDSF utilises *infaq* funds that they collect for distribution to its beneficiaries by providing venture capital and business training. This program is expected to transform the recipients of *infaq* funds to becoming *muzakki* or donors in the future. But in reality, not all *infaq* recipients successfully manage their business.

This fact is in line with Mr. Rahmat's statement, who is a person in charge for Program financing assistance for independent business groups in YDSF. He stated that, "in 2012, default rate in YDSF's Business Assistance Program for Independent Business Group was nearly 20%." Based on his statement, it is concluded that not all *infaq* recipients successfully manage their business, with the settlement rate having reached 80%. Primiana (2009: 49) stated that a business is successful if it fulfills three elements, i.e. that the business capital has been met, as well as there being productive distribution and the achievement of organisational goals. From the description above, then comes in a thought regarding what factors affect success and the performance of the independent business group program recipients in YDSF Surabaya.

II. LITERATURE REVIEW

A. *Infaq*

Etymologically, *infaq* comes from the *anfaqa* which means to distribute certain treasure for the sake of something. On the other hand, in terms of shari'ah, *infaq* is terminologically defined as the issuance of wealth as instructed in Islam. *Infaq* is different from *zakat*; *infaq* does not recognize *nisab* or certain amounts of property that are determined by law. *Infaq* is not obligated to be paid to certain *mustahik*, but to anyone instead, such as parents, relatives, orphans, the poor, or those in need. According to Hafidhuddin (2002: 60), *infaq* is voluntary spending done by someone every time he gets sustenance, as much as he wants. *Infaq*'s understanding is broader and more general than *zakat*. *Infaq* does not specify the type, amount and timing of the wealth to be donated. God gives freedom to an asset's owner to determine what kind and amount of treasure he/she wants to transfer for *infaq*.

B. Empowerment

To empower communities, there are three sides to be considered (Sumodiningrat, Gunawan, 2002). First, is to create an atmosphere or climate that allows for the optimisation of developing society potential (enabling). Second, is strengthening the community-owned potential or power (empowering). Third, empowering also contains the meaning of protection. Currently, empowerment is only directed to worldly things such as wealth, the mastery of technology, the establishment of pre-qualified public facilities, etc. In the Islamic perspective of empowerment, it must have the characteristic of balance, which means that empowerment is not only focused on worldly and materialistic targets, but also faith, worship and morality.

Furthermore, Amrullah Ahmad said that empowerment in Islam is a form of development in Islamic societies as

a real action system which offers an alternative model for solving people's problems in the areas of society, the economy, and the environment in the Islamic perspective.

C. Zakat Management Institution

The Amil Zakat Institution or *zakat* management institution (Lembaga Amil Zakat/LAZ), according to Syarifudin (2012: 49) is based on the fact that "zakat management institutions are completely formed by the people that engaged in the field of promotion, education, social, or community of Muslims with legal status and protected by the government. Hafidhuddin (2002: 127-130) revealed that a person who is designated as *amil zakat* or *zakat* managers should meet some of the following requirements:

1. Muslims.
2. *Mukallaf* or healthy adults with a well mind, ready to take responsibility to take care of the affairs of the people.
3. Has trustworthy or honest characteristics.
4. Understand the laws of *zakat*.
5. Have the ability to perform their tasks as well as possible.
6. Serious and have determination in their duties.

D. Determinants of Business Performance

One problem that is often experienced by entrepreneurs is the lack of capital, especially associated with working capital. Working capital is money and goods used directly in business activities. Therefore, the management of working capital will contain a task to utilise working capital well in the sense of: (1) using it as efficiently as possible, using / removing the goods in an appropriate manner, in accordance with priority order to acquiring goods or other needs that are most useful; (2) attempting to obtain additional working capital from other sources appropriately (Subroto, 1979: 73). Based on these descriptions, it is clear that if the available capital is well managed, it will contribute greatly to the smoothness of operations in the business, so the expected goals can be achieved.

When viewed comprehensively within its surroundings, a business is a complex and independent entity. Business entities have a specific goal to be achieved. Thus, a business is also an institution or administration body which contains management or governance activities. Management term here means an activity that consists of planning, organising, mobilising, coordinating, and supervising the overall business factors available and when necessary, its infrastructures and human resources to achieve a goal that has been set. The person in charge of implementing this management system is called the manager. According to Soemanto (1984), to support the task as a manager, an operational manager must have the following characteristics: have high morals, have the mental attitude of an entrepreneur, have sensitivity to the environment and have business skills.

A business is successful if it has been achieving its objectives in accordance with a predetermined plan. Tulus Tambunan (2002: 14)

explained that there are two factors that influence the success of a business, namely internal factors and external factors. Internal factors are factors that originate from within the business. Internal factors include the quality of human resources, organisational tenure, organisational structure, management systems, participation, business culture, capital strength and business networks with outsiders.

External factors are factors that affect the success of the business coming from outside the business. External factors can be divided into two types, namely governmental and non-governmental factors. Governmental factors are such as the policies at the economic, political and democratic levels. Non-governmental factors include the economic system, social culture, society, labour system and labour conditions as well as the level of public education.

III. RESEARCH METHODOLOGY

A. Research Approach

This study used quantitative methods to reduce the multiple variables into several factors. The study was designed to find the factors that influence the success of the recipients of a venture capital assistance program for Independent Business Group Foundation, which is a program in YDSF Surabaya. Accordingly, this study is an exploratory research. According to Supranto in Monoarfa (2009: 6), exploratory research is about extracting facts that have occurred or to support a hypothesis. This occurs due to the inability to lift a hypothesis because the research problem is a new phenomenon. According to Sugiyono (2009: 38), variables are an attribute or the nature or value of people, objects or activities which have certain variations defined by the researchers to learn and then drawn conclusions from. This research will formulate 20 indicators which will be reduced to a lesser number of factors or variables. The variables to be studied are the factors that influence the success of the venture capital assistance program of the Independent Business Group Foundation, a program in YDSF Surabaya.

B. Definition of Variables

This study aimed to explore the factors that influence the success of the venture capital assistance program recipients in the independent business group, to determine the indicators that affect their success obtained from the process of extracting the data through a written interview in the preliminary test. The indicators were measured using a Likert scale that had been modified, i.e. answers in the middle were eliminated. The range of scale in the measurement starts from 1 to 4 being strongly disagree (1), disagree (2), agree (3), and strongly agree (4). The types and sources of data used in this study is an important factor in determining the data collection method. The types of data used in this research included primary and secondary data. Primary data is data obtained directly from the respondent through the distribution of questionnaires. The secondary data used in this study

was obtained through the Internet, journals, and other literature related to this research.

The characteristics of the population in this study are the recipients of the venture capital assistance program of the Independent Business Group in YDSF Surabaya who successfully recovered their loan funds. The number of samples in the preliminary test was eight respondents as a representation of the program's recipients.

IV. RESULT AND DISCUSSION

Eigenvalue and % Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.392	41.067	41.067	3.802	21.123	21.123
2	2.384	13.243	54.310	3.091	17.173	38.296
3	1.266	7.034	61.344	3.072	17.069	55.365
4	1.127	6.263	67.607	2.203	12.241	67.607

The results of the study in the table below shows there are four components that form the factors. Therefore there are four factors that are formed from the rotation factor. The component factors stopped at the eigenvalue of 1.127. The percentage of variance, i.e. the total variance explained the attributes of each factor of 67.607. This value is more than 50% so the formed factors from the factor analysis can be accepted.

Factor Rotation Calculation

	Component			
	1	2	3	4
X ₁	.195	-.283	.641	.050
X ₂	.210	-.044	-.043	.762
X ₃	.153	.683	.287	.099
X ₄	.219	.158	.854	.119
X ₅	.118	.197	.832	.062
X ₆	.070	.166	.437	.720
X ₇	.175	.424	.052	.638
X ₉	.142	.747	-.181	.161
X ₁₁	.648	.437	.187	.089
X ₁₂	.439	.406	.215	.544
X ₁₃	.520	.066	.514	.097
X ₁₄	.694	.173	.369	.318
X ₁₅	.596	.289	.303	.227
X ₁₆	.545	-.082	.487	.335
X ₁₇	.776	.163	.330	.082
X ₁₈	.791	.237	-.063	.182
X ₁₉	.188	.830	.042	.053
X ₂₀	.544	.680	.053	.144

Source: Research Result, 2017 (processed).

The indicators in the first factor that have a value of more than 0.5 are: ease in obtaining raw goods or merchandise (X11); worship devotion (X13); honesty in running activities (X14); always maintaining product quality (X15); services for customers (X16); perseverance in running business (X17); and having a strategy in their business (X18). The highest loading factor value lies in indicator 18 (X18) with a loading value of 0.791, which represents 'having a strategy in the business'. Based on the indicator composition, it is called or named as a factor of business strategy.

Indicators in the second factor that have a value of more than 0.5 are: the business location (X3); risk-taking in doing businesses (X9); managing the workforce (X19), and being sensitive to the market

situation (X20). The highest loading factor value lies in indicator 19 (X19) with a loading value of 0.830 that represents managing the workforce. Based on the indicator composition, the factor is called or the factor of Human Resources (HR).

Indicators in the third factor that have a value of more than 0.5 are: the provision of venture capital funding or the amount of infaq and sadaqa (X1); successful motivation from YDSF (X4); and the frequency of venture capital funds and charitable infaq received (X5). The highest loading factor value lies in all four indicators (X4) with a value of loading 0.854 that represents motivation for success from YDSF. Based on the indicator composition, this factor is called the YDSF support factor.

Indicators in the fourth factor that have a value of more than 0.5 are: mastery in the field of business (X2); training effort from YDSF (X6); business mentoring by YDSF (X7); and high optimism to improve their business (X12). The highest loading factor value lies in indicator number 2 (X2) with a loading value of 0.762, that represents mastery in the field of business. Based on the indicator composition, this factor is called the entrepreneurial competence factor.

Validity and Reliability Test

Factor	Indicator	Corrected Item-Total Correlation	Keterangan	Alpha Cronbach	Keterangan
Business Strategy Factor	X ₁₁	0,652	Valid	0, 886	Reliable
	X ₁₃	0,599	Valid		
	X ₁₄	0,806	Valid		
	X ₁₅	0,683	Valid		
	X ₁₆	0,619	Valid		
	X ₁₇	0,765	Valid		
	X ₁₈	0,634	Valid		
Human Resources Factor	X ₃	0,589	Valid	0,812	Reliable
	X ₉	0,586	Valid		
	X ₁₉	0,689	Valid		
	X ₂₀	0,723	Valid		
YDSF Assistance Factor	X ₁	0,489	Valid	0,776	Reliable
	X ₄	0,698	Valid		
	X ₅	0,659	Valid		
Entrepreneurship Competence Factor	X ₂	0,424	Valid	0,767	Reliable
	X ₆	0,638	Valid		
	X ₇	0,564	Valid		
	X ₁₂	0,653	Valid		

Source: Research Result, 2017 (processed).

Results from the calculations in the table above show that all of the indicators are reliable so the formed factors are therefore qualified and reliable as an influential factor in the success of the recipients in the venture capital assistance program of the Independent Business Group in YDSF Surabaya. There are four reliable factors, namely the business strategy factor, human resource factor, YDSF support factor and entrepreneurial competence factor.

A. Discussion

Having a business strategy can enhance the business/recipients to run the business well, and will

enable them to be able to repay the capital that they get from YDSF Surabaya.

Human Resources (HR) are a factor that affects the success of the recipients in the venture capital assistance program of the Independent Business Group in YDSF. Human Resources facilitate the program's recipients to manage their business successfully. According to Mujiyanti (2013: 10) in her research, human resources are a source of competitive advantage in addition to physical resources, technology and systems capabilities. Companies should really pay attention to the quality and competence of human resources by managing the human resources to be developed through education and training. This is considering the fact that in the field, the program's recipients received training and coaching that was organised by the YDSF. The purpose of training and coaching is improving the quality of the human resources of the program's recipients.

YDSF support is a factor for the success of the recipients on the venture capital assistance program of the Independent Business Group in YDSF Surabaya. Such support may be a motivation or come in the form of assistance directly to the recipient individually. From such support, it makes the program's recipients more successfully manage their business. According to Gottlieb (1983), support is information in verbal or non-verbal form, as well as advice, real help or behaviours given by people who are familiar with the subject within a social environment or in the form of the presence of things that can provide emotional benefit or affect the behaviour of the recipient. YDSF Surabaya gives full support to the beneficiaries of program for them to successfully run their business. Support can come in the form of working capital loans with qardul hasan (loan with no interest) contracts, business training, and business assistance.

Entrepreneurial competence is a factor for the success of the recipients on the venture capital assistance program of the Independent Business Group in YDSF Surabaya. Entrepreneurial competence leads to a more successful business. This fact is indicated in Akbar's study (2013: 153) who stated that entrepreneurial competencies owned by businessman can support the development of the business. Under these conditions, entrepreneurial competence means that the program can successfully help them to run the business properly.

V. CONCLUSION

The success of the recipients on the venture capital assistance program of the Independent Business Group in Yayasan Dana Sosial Masjid Al Falah Surabaya is influenced by four factors that have formed as a result of reduction from the factor analysis. The factors that have been formed are the business strategy factor, Human Resources (HR) factor, YDSF support factor, and entrepreneurial competence factor. Each factor was formed from the indicator with the highest loading score in the respective factor.

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