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STRUCTURAL MODELING OF THE ROLE OF SOCIAL CAPITAL THROUGH ENTREPRENEURSHIP ORIENTATION ON THE BUSINESS PERFORMANCE OF VILLAGE CREDIT INSTITUTIONS (LPD) IN JEMBRANA REGENCY OF BALI OF INDONESIA

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Abstract

LPD is a local wisdom that is managed by, from and for the special community in Bali. The current LPD business performance in Jembrana Regency is still relatively simple and has not used the concept of modern entrepreneurship. Through cooperative behavior, synergy and high entrepreneurial orientation in LPD managers, it is hoped that there will be an increase in the performance of LPD businesses in Jembrana Regency. The purpose of this research is to analyze the role of social capital of LPD managers through their entrepreneurial orientation towards the performance of LPD businesses in Jembrana Regency. Through a research sample of 98 respondents from LPD managers in Jembrana Regency (with the help of Smart PLS 3.0 software) the following results were obtained; (1) the social capital of the LPD manager directly plays a positive role and it is not significant to the LPD's business performance but significant to its entrepreneurial orientation, while entrepreneurial orientation has a positive and significant effect on LPD business performance, (2) through full mediation, entrepreneurial orientation, capital social in total has a positive and significant effect on LPD business performance in Jembrana Regency of

Bali. The results of the study are expected to be able to provide an overview in formulating rural economic development strategies for LPD managers and supervisors in Jembrana Regency, Bali of Indonesia.

Keywords: Business Performance of LPD, Entrepreneurship Orientation, PLS-SEM, Social Capital

INTRODUCTION

Village Credit Institutions (LPD) are microfinance institutions based on traditional and cultural villages, which are specific and develop in the Province of Bali. The LPD is one of the local wisdoms that is managed by, from and for community members. The background to the formation of the LPD as a locomotive for development in the village is the role of the village community based on the cooperative, participatory and collaborative principles of the village community Therefore, the LPD's business performance will be heavily influenced by the social capital capacity and entrepreneurial culture of the managers and supervisors in the village concerned in the development of the rural economy (Putra, 2009). Through collaborative behavior, synergy and high entrepreneurial orientation for managers and supervisors. It is hoped that the LPD will increase the LPD's business performance in Jembrana Regency, Bali.

The relationship between social capital and economic development has actually become an interesting academic discourse. The presence of social capital such as honesty, tolerance, cooperation, and mutual trust (trust) among citizens contributes very positively to the creation of social harmony and is an important basis for the growth of economic capital (Durlauf and Fafchamps, 2005). According to Putnam in Manning (2015), the wealth of social capital in the local area besides promoting democracy also fosters sustainable economic growth. Social capital has a great influence on economic development and entrepreneurial orientation through various mechanisms (Fukuyama, 2000). The high capacity of social capital is a driver of business innovation and knowledge. The determinant factor of the process of economic growth in development that is often overlooked is the way economic actors interact which is highly influenced by social capital (Vipriyanti, 2011).

The basic premise of the object of this research is that the role of social capital is expected to be able to improve the business culture (entrepreneurial orientation) of LPD managers and supervisors so that the outcome can improve LPD business performance in Jembrana Regency, Bali. The emphasis in the field of mathematics on the object of this research is to examine structural models or relationships using SEM (Structural Equation Modeling). The research objective is expected to be able to provide an overview of the

determination of LPD business performance in Jembrana Regency. Furthermore, structural analysis is expected to be able to contribute to stakeholders in formulating rural economic development strategies through the LPD in Jembrana Regency of Bali.

RESEARCH METHODOLOGY

The research data were taken from 64 LPDs in Jembrana Regency Bali and selected were 1 or 2 managers (business actors) from each LPD (98 respondents). Primary data were collected through structured interviews using a questionnaire according to indicators. Meanwhile, the indicators for the latent variables (constructs) of social capital, entrepreneurial orientation and business performance are almost the same as the indicators in the study (Gandhiadi, 2019). The research model is designed using indicators that match the questionnaire as shown in Figure 1.

The research instrument (questionnaire) testing used the product moment correlation validity test and the Cronbach Alpha (α) reliability test technique on the initial 30 questionnaire data. The purpose of this test is to measure the feasibility of the research instrument used using SPSS (Hamed T, 2016). The data analysis then used analysis steps according to SEM-PLS (Hair et al, 2017) (Manley et al, 2020) with the help of Smart PLS 3.0 software in the following research model design (Figure 1).

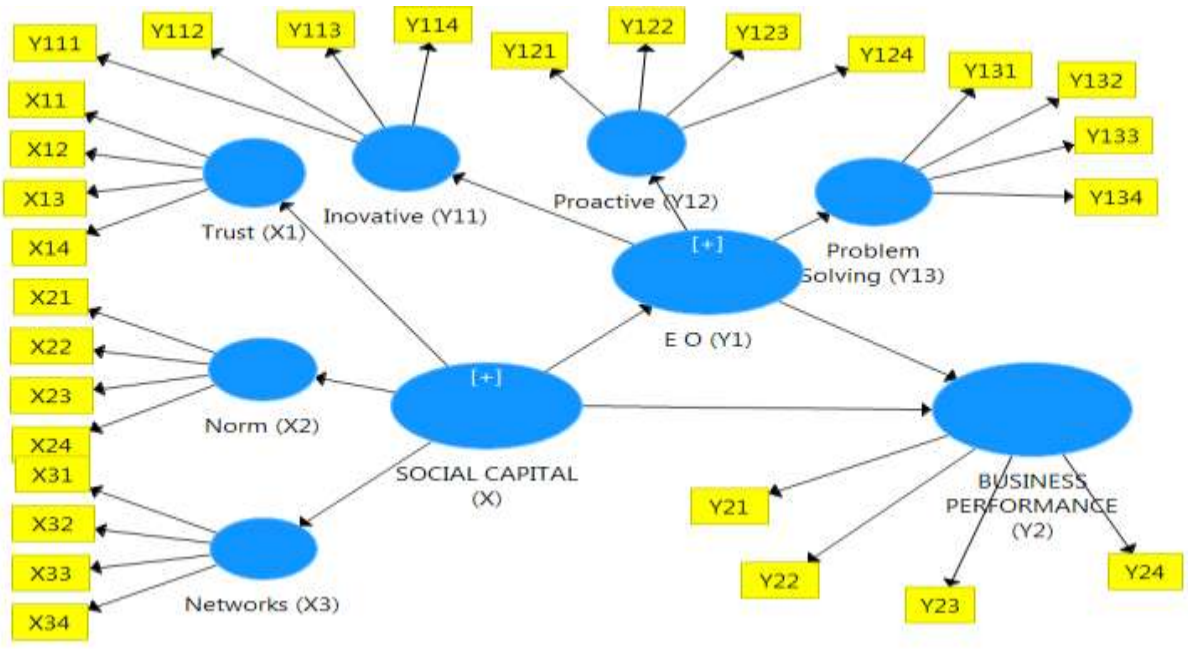

Figure 1. Research Model

RESULTS AND DISCUSSION

The SPSS output shows that the value for all the constructs used has met the minimum threshold value of 0.7. This means that the research instrument (questionnaire) used is feasible and reliable. The validity test of all indicators shows that the correlation value with total items is more than 0.40 which means that all indicators are valid (Hamed T, 2016). Based on the results of testing the research instruments which are all valid and reliable, the research can be continued by taking questionnaire data for 98 respondents using all the indicators that have been compiled. Furthermore, testing and analysis is carried out according to the data analysis stages using SEM.

Testing the measurement model (outer model) is carried out by taking into account the value of Composite Reliability (CR), Average Variance Extracted (AVE), and outer loading. CR is a measure of internal consistency between reflective indicators of constructs that conform to the CR value criteria. The AVE value that meets the requirements must be greater than 0.5 or significant in a certain statistical test level. While the outer loading value of the reflective indicator is used to determine the indicator's contribution to the construct. An indicator is stated to have a good contribution if the outer loading value is at least 0.708 or significant in a certain statistical test level.

The results of reflective measurement model testing were obtained after processing the research data using the Smart PLS 3.0 software tool. The results of data processing using Smart PLS 3.0 software with the Bootstrapping method are shown in Table 1.

Table 1. Testing Results of the Reflective Measurement Model

CONSTRUCT	*AVE & P Value*	*CA (α) & P Value*	*CR & P Value*	Item	*Outer Load*	*P Value*
				X11	0,783	0,000
Trust	0,551	0,727	0,830	X12	0,720	0,000
R^2= *0,847*	*P=0,000*	*P=0,000*	*P=0,000*	X13	0,769	0,000
				X14	0,693	0,000
				X21	0,587	0,000
Norm	0,535	0,706	0,819	X21	0,741	0,000
R^2= *0,814*	*P=0,000*	*P=0,000*	*P=0,000*	X23	0,745	0,000
				X24	0,831	0,000
				X31	0,756	0,000
Networks	0,641	0,813	0,877	X32	0,786	0,000
R^2= *0,897*	*P=0,000*	*P=0,000*	*P=0,000*	X33	0,812	0,000
				X34	0,846	0,000

Social Capital	0,511 *P=0,000*	0,904 *P=0,000*	0,920 *P=0,000*	X1	0,920	0,000
				X2	0,902	0,000
				X3	0,947	0,000
Innovative R^2= *0,838*	0,641 *P=0,000*	0,789 *P=0,000*	0,864 *P=0,000*	Y111	0,831	0,000
				Y112	0,806	0,000
				Y113	0,722	0,000
				Y114	0,771	0,000
Proactive R^2= *0,813*	0,685 *P=0,000*	0,846 *P=0,000*	0,897 *P=0,000*	Y121	0,842	0,000
				Y122	0,870	0,000
				Y123	0,821	0,000
				Y124	0,773	0,000
Problem Solving R^2 = *0,798*	0,698 *P=0,000*	0,856 *P=0,000*	0,902 *P=0,000*	Y131	0,823	0,000
				Y132	0,817	0,000
				Y133	0,806	0,000
				Y134	0,775	0,000
E O R^2 = *0,758*	0,533 *P=0,000*	0,919 *P=0,000*	0,934 *P=0,000*	Y11	0,949	0,000
				Y12	0,919	0,000
				Y13	0,828	0,000
Business Performance R^2= *0,654*	0,779 *P=0,000*	0,905 *P=0,000*	0,946 *P=0,000*	Y21	0,889	0,000
				Y22	0,812	0,000
				Y23	0,939	0,000
				Y24	0,886	0,000

Table 1…

Based on Table 1, it can be seen that the CR and AVE values of all latent variables have met the required threshold, namely 0.708 and 0.50. There are still several indicators with outer loading values below 0.708, but all indicators in Table 1 are maintained because they are significant with P value = 0.000. Taking into account the values of CR, AVE and outer loading in testing the measurement model (outer model) shown in Table 1 have met the requirements, meaning that all indicators and constructs in this study are valid and suitable for analysis in structural model testing (inner model). The output results for the measurement model are shown in the Figure 2.

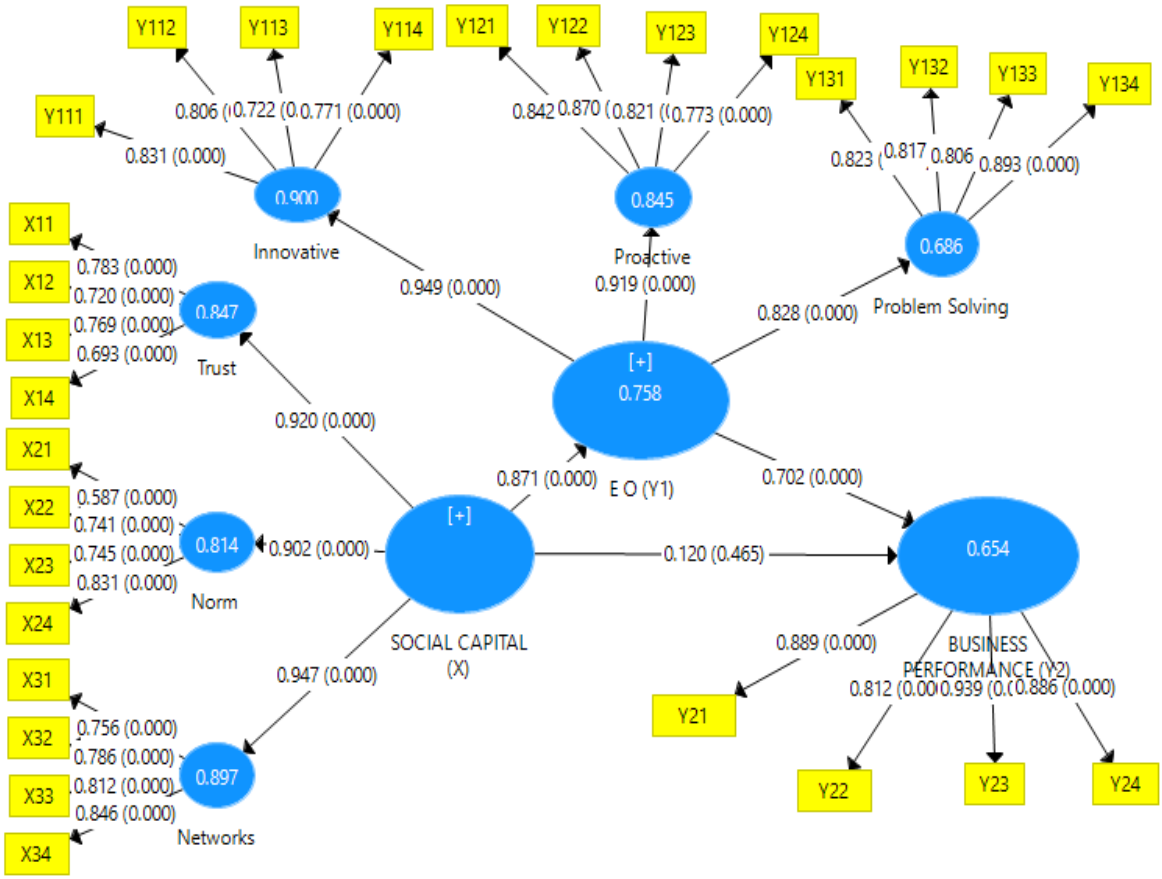

Figure 2. Path Analysis, R_Square And P_Values

The structural model (inner model) is evaluated using the R-square for the dependent variable (endogenous) and the significance value is tested based on the P-value for each path (path) as shown in Figure 2. Inner model testing is related to seeing the relationship between latent constructs by analyzing the estimated results of the path coefficient and its level of significance..

Table 2. R_Square

CONSTRUCT	R_SQUARE
Business Performance (BP)	0.654
Entrepreneurship Orientation (EO)	0.758

The value of R square as in Table 2 can be used to calculate the value of Q^2 or the Stone Geiser Q-Square test, namely, $Q^2 = 1 - [(1 - 0.758) (1 - 0.654)] = 1 - 0.084 = 0.916$

The Q^2 calculation result of 0.916 is said to have a high predictive prevalence, so the resulting structural model is very suitable to be used to predict. A value of 0.916 means that the variation of latent variables in LPD business performance of 91.6 percent can be explained by

variations in latent variables of social capital through entrepreneurial orientation of the LPD managers in Jembrana Regency of Bali, while the remaining 8.4 percent is explained by other variables outside the model structural. The structural model equation for the endogenous construct estimation of LPD business performance can be modeled as follows.

Business Performance = 0.120 (Social Capital) + 0.702 (Entrepreneurial Orientation) + Error

Analysis of the direct influence between constructs (latent variables) can explain the relationship between constructs on the research variables. The research variables referred to include social capital, entrepreneurial orientation and business performance. The direct effect is expressed by the coefficient of all latent variable arrows (Figure 2) with one end with a significance level through the P value of 5 percent. According to Figure 2, it can be seen that the direct effect of the social capital construct is positive and insignificant on business performance, but significant on entrepreneurial orientation. Furthermore, the entrepreneurial orientation construct has a positive and significant effect on business performance. Indeed, the two constructs have a positive effect, but only entrepreneurial orientation is significant on business performance. This means that social capital has significantly increased the entrepreneurial orientation of LPD managers but has not significantly improved LPD business performance in Jembrana Regency.

The results are calculated to examine the indirect and total effects in the construct using Smart PLS 3.0 software with the Bootstrapping method are shown in Table 3 and Table 4.

Table 3. Indirect Effect

RELATIONSHIP	Original Sample	Standard Dev.	T_Stat	P_vAL	RESULTS
X_1(SC) → Y_2(BP) via Y_1(EO)	0,661	0,134	4,572	0,000	Significant

Table 3 shows that the exogenous construct of social capital through mediation of entrepreneurial orientation has a positive and significant indirect effect on business performance. This means that the entrepreneurial orientation of the LPD managers is able to fully mediate the social capital construct to improve the performance of LPD businesses in Jembrana Regency.

Table 4. Total Effect

RELATIONSHIP	Original Sample	Stand Dev.	T_Stat	P_vAL	Result	description
X_1(SC)→ Y_2(BP)	0,7310	0,059	12,443	0,000	Significant	Full Mediation

Table 4 shows that the total effect between constructs in the structural model is significant at the 5 percent test level. In total, the exogenous constructs of social capital have a positive and significant effect on endogenous constructs of business performance. Because the direct effect of the social capital construct is not significant but the indirect effect is significant on the LPD business performance in Jembrana Regency of Bali, full mediation occurs by the entrepreneurial orientation construct.

CONCLUSION

1. The measurement model obtained is valid and feasible, while the structural model is good with Q2 (Stone Geiser Q-Square) which is 0.916 said to have a high predictive prevalence so that the resulting structural model is very suitable to be used to predict. The structural equation model obtained is,

Business Performance = 0.120 (Social Capital) + 0.702 (Entrepreneurial Orientation) + Error

2. The role of social capital directly has a positive and significant effect on the entrepreneurial orientation of LPD managers, but has not significantly improved LPD business performance. Meanwhile, the entrepreneurial orientation of the LPD managers has a positive and significant effect on the business performance of the LPDs in Jembrana Regency of Bali of Indonesia.

3. In total, social capital has a positive and significant impact on LPD business performance which is fully mediated by the entrepreneurial orientation of the LPD managers in Jembrana Regency of Bali of Indonesia.

Although the role of social capital has not had a direct impact on improving LPD performance, it still needs to be implemented in enhancing the entrepreneurial culture of LPD managers. The results of this study are expected to provide an overview in formulating a rural economic development strategy for LPD managers and supervisors in Jembrana Regency of Bali of Indonesia.

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