



THE IMPACT OF SELF-EFFICACY TOWARDS ENTREPRENEURIAL ORIENTATION AMONG MSME IN DENPASAR, BALI

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Abstract

Current pandemic makes MSME owners have to be innovatively creating new products. It takes high entrepreneurial orientation to deal with this condition. According to Self-Efficacy Theory, individuals who have self-efficacy will bring up the three dimensions of entrepreneurial orientation, namely innovativeness, proactiveness, and risk-taking behavior. Self-efficacy is the ability of individuals to feel confident that they can control the individual's functions and events in the environment (Feist & Feist, 2010). This study's objective is to examine the effect of self-efficacy on entrepreneurial orientation in MSME in Denpasar, Bali. The sample used in this study was 50 MSMEs in Denpasar City which selected by purposive sampling. Data were collected through a modification of the self-efficacy instrument by Sherer, et al. (1982) ($r=0.832$) and adaptation of entrepreneurial orientation instruments by Covin, et al. (2020) ($r=0.609$). Data were analyzed using linear regression analysis. The results showed that self-efficacy significantly positively affected entrepreneurial orientation (sig. 0.00; $R^2=0.453$). Based on the results, individuals can train themselves to increase self-efficacy so that it will have an impact on increasing the entrepreneurial orientation.

Keywords: Self-Efficacy, Entrepreneurial Orientation, MSME, Linear Regression Analysis, Human Resources Management

INTRODUCTION

Bali is a tourism destination which is popular to excel with its natural beauty. The natural beauty of Bali is an attraction for both domestic and foreign tourists to visit. On March 11, 2020, the World Health Organization declared Covid-19 as a global pandemic. After this announcement, several countries banned foreigners from visiting their country, including the Indonesian government forbidding foreign tourists from visiting Indonesia (Soehardi, Permatasari, & Sihite, 2019). The strict implementation of health protocols in order to break the chain of the Covid-19 pandemic has almost break off human mobility. The number of departures and arrivals of international and domestic passengers from Ngurah Rai Airport in the second quarter of 2020 recorded a decrease of almost 100 percent, where international flights decreased by 99.45 percent and domestic flight decreased by 94.79 percent (Wijaya & Mariani, 2021).

The shrink in the tourism and travel business has an impact on Micro, Small, and Medium Enterprise (MSME) and disrupted many employment opportunities. Whereas tourism is a labor-intensive sector this far that absorbs more than 13 million workers. This does not include the multiplier effect that follows, including the derivative industry formed under it (Sugihamretha, 2020). This condition made ex-tourism employees think of ways to survive from this crisis, one of which was to start MSME.

MSME is a productive business owned by individuals and/or individual business entities that meet the MSME criteria. According to Indonesian law, MSME has these following criteria, which are having a maximum asset of 1 billion, a maximum turnover of 50 billion, and a maximum employee of 99 people (Tanjung, 2017). MSME outnumber large companies by a wide margin and also employ many more people. MSMEs also hold responsibility for driving innovation and competition in many economic sectors in Indonesia. The emergence of the current pandemic has forced MSME owners to creatively produce new products that attract more during this pandemic, due to the declining of people's purchasing power. It takes a high entrepreneurial orientation to deal with these conditions. Entrepreneurial orientation is described as the involvement of a company or a business that entering a new state (Lumpkin & Dess, 2001; Lee & Peterson, 2000). Entrepreneurial orientation is considered to have a significant role in the success of a business, so that the business can perform healthily (Mahmood & Hanafi, 2013; Zainol & Ayadurai, 2011). According to Lumpkin & Dess (1996) entrepreneurial orientation consists of the dimensions of autonomy, innovation, risk taking, proactiveness, and competitive aggressiveness.

According to Self-Efficacy Theory, self-efficacy will determine individual's behavior in problem solving. Bandura explain that self-efficacy is the ability of individuals to feel confident that they can control the individual's functions and events in the environment (in Feist & Feist, 2010). Self-efficacy can help a person to master the situation because of the beliefs that arise in

the individual's inner self. The expectations generated by self-efficacy are the strongest determinants of behavior change because they determine the initial decision to perform behavior, the effort expended, and persistence in the face of adversity (Bandura, 1977). Sherer, et al. (1982) revealed that there are 2 dimensions to measure self-efficacy in general situations, namely general self-efficacy and social self-efficacy.

Many previous studies that are similar but different from this study use self-efficacy and entrepreneurial orientation as the variables studied. Novariana & Andrianto (2020) stated that there is an indirect effect between entrepreneurial self-efficacy and entrepreneurial intentions mediated by innovative behavior. Results from another study indicated that both entrepreneurial self-efficacy and entrepreneurial orientation are associated with firm performance but in different and interesting ways (McGee & Peterson, 2017). The study itself explored self-efficacy and entrepreneurial orientation together as independent variables. Another study in Nigeria which also investigates entrepreneurial orientation as a variable, confirmed that entrepreneurial orientation has full mediation effect between entrepreneurial self-efficacy and Small Medium Enterprise (SME) development (Eniola, 2020).

This study is aimed to contribute to management science, especially human resource management regarding how self-efficacy affects entrepreneurial orientation. The result of this study is also expected to help increase entrepreneurial orientation in MSMEs in Denpasar, Bali to face the crisis.

LITERATURE REVIEW AND HYPOTHESIS

According to Bandura, self-efficacy is the belief in individual's ability to successfully accomplish something. It is an idea through itself, in addition to being assemble of Social Cognitive Theory. Self-Efficacy Theory is a subset of Social Cognitive Theory which describes that in most cases individuals will only attempt things they believe they can achieve and won't attempt things they believe they will fail in the other way. However, individuals with a high recognition of self-efficacy believe they can accomplish difficult task. They most likely don't keep away from the task because they didn't see it as a threat, they see it as a challenge to be mastered (Friedman, 1998). Self-efficacy is seen as a mental aspect that bridges between science and action (Rustika, 2012). Bandura (1977) stated that expectations of self-efficacy are the most powerful determinants of behavioral change because self-efficacy expectancies determine the initial decision to perform a behavior, the effect expended, and persistence in the face of adversity. Self-efficacy consists of 2 dimensions, namely general and social self-efficacy. Both dimensions are associated with increases in self-esteem. Belief in one's ability to perform behavior is one factor contributing to an individual's attitude toward oneself (Sherer, et al. 1982).

Entrepreneurship is the outcome of settled human components that allow creating, identifying, and utilizing market opportunities linked with the incremental development. These features enable entrepreneurs to comprehend and exploit familiar and known strategies on the prospects that are related to the market, and also trying to highlight new approaches and opportunities that lend efficiency in the same way (Alarjani, et al., 2020). Entrepreneurial orientation arrives from the concept of entrepreneurship, which measures individual's entrepreneurial degrees based on innovativeness, proactive, and risk-taking behavior (Miller, 1983). Innovativeness indicates the quality to pursue creativity by investing in research and development activities (Hossaina & Azmi, 2021). Proactiveness refers to the forecasting and taking actions on desires and demands in the future marketplace, thereby taking the fastest move beyond competitors (Lumpkin & Dess, 1996). Wang & Poutziouris (2010) note that risk taking behavior is a strategic orientation at company level which brings a prospective source of competitive advantage with positive and long term effects on worth and financial performance.

Based on Self-Efficacy Theory, behavior in problem solving is determined by individuals' self-efficacy. High self-efficacy tends to make individuals see problems as things that must be faced. It takes innovation and proactive behavior to solve the problem properly. This is in accordance with the three dimensions of entrepreneurial orientation, which contains of innovativeness, proactiveness, and risk-taking behavior. Bandura, et al. (1980) argued that the beliefs of individuals to effectively accomplish a particular task strongly affect their intention and conduct. Dimensions of entrepreneurial orientation is a background to intentions and behaviors (Kropp, Lindsay, & Shoham, 2008).

This is supported by previous study which states that entrepreneurial orientation is positively related to psychological capital (Sembiring & Amalia, 2018). According to Luthans, Youssef, & Avolio (2007) psychological capital is a positive psychological state of a person that develops and consists of the characteristics of self-efficacy in all tasks, optimism, hope, and the ability to be resilient, survive and advance when faced with challenges on a problem. Self-efficacy is also significantly correlated with entrepreneurial orientation according to Mohd, et al. (2014). Conceptual framework of this study can be shown by the Figure 1.

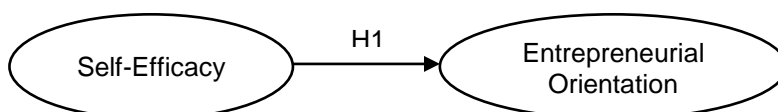


Figure 1. Conceptual Framework

Hypotheses

H1: Self-efficacy significantly has positive effect to entrepreneurial orientation.

METHODS

This is an inferential quantitative study. Quantitative study emphasizes analysis on numerical data processed by statistical methods. Inferential study works by examining the relationship between variables by testing hypotheses (Azwar, 2013). The purpose of this study was to find out how self-efficacy affects the entrepreneurial orientation of MSME in Denpasar, Bali.

The population of this study is 32026 MSMEs assisted by the Department of Cooperative in Denpasar, Bali (Department of Micro Small and Medium Enterprises Cooperatives of Denpasar City, 2019). This study was conducted on MSME owners in Denpasar, Bali, both male and female who have been running the business for more than one year. The sampling technique in this study is purposive sampling, where the sample is selected if it meets certain criteria (Rahyuda, 2016). The number of samples taken is calculated based on the number of variables in this study. The minimum expected number for each study variable is 15 samples in regression analysis, so that the minimum number of samples that must be taken in this study is 30 people (Field, 2009). The sample used in this study was 50 MSME owners in Denpasar, Bali

Self-efficacy was measured using a modified self-efficacy instrument from the research by Sherer, et al. (1982) which consists of 2 dimensions, namely general self-efficacy and social self-efficacy. From 23 statement items on the instrument, only 12 statement items were used in this study because the rest of it did not meet the criteria for total-score item discrimination (> 0.3). Reliability was measured by the Cronbach Alpha method with a value of 0.832, which indicates that the self-efficacy instrument in this study is reliable.

Entrepreneurial orientation was measured using an entrepreneurial orientation instrument adapted from the research by Covin, et al. (2020) which consists of 3 dimensions, namely innovative, proactive, and risk-taking. All items from the 9 statement items in the instrument were used in this study because they met the criteria for total-score item discrimination (> 0.3). Reliability was measured by the Cronbach Alpha method with a value of 0.609, which indicates that the entrepreneurial orientation instrument in this study is reliable.

Data were collected through the administration of self-efficacy and entrepreneurial orientation instruments on 50 MSME owners in Denpasar, Bali in December 2020. The data were processed using descriptive and linear regression analysis through the SPSS program. Prior to linear regression analysis, the classical assumption test was carried out in the form of normality test and linearity test.

RESULTS

Based on the results of data processing using descriptive analysis, there were 13 men (26%) and 37 women (74%) out of 50 samples in this study. The age of the sample ranged from

22 to 30 years. MSME owners mostly has been carried out their business for more than 3 years, which is 88% of the total sample studied.

Self-efficacy scores range from 35 to 55 with a mean of 43.76. Meanwhile, entrepreneurial orientation scores ranged from 29 to 45 with a mean of 38.04.

Table 1. Normality Test

	Unstandardized Residual
N	50
Asymp. Sig. (2-tailed)	.179

Before testing the hypotheses, the classical assumption test was carried out, which consisted of normality and linearity test. The normality test was carried out using the Kolmogorov-Smirnov formula with the significance value obtained was 0.179 (>0.05) shown in Table 1 which indicated that the distribution of the residual data in this study was in the form of a normal curve.

Table 2. Linearity Test

	Sig.
Deviation from Linearity	.059

The linearity test was carried out by looking at the significance value of the deviation from linearity from the regression analysis. Table 2 shows the significance value of 0.059 (>0.05) was obtained which indicates that there is a linear relationship between self-efficacy and entrepreneurial orientation.

Hypotheses Testing

Table 3. Hypotheses Testing

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	292.588	1	292.588	39.748	.000 ^b
	Residual	353.332	48	7.361		
	Total	645.920	49			

Based on the results, the significance value in Table 3 is 0.000 (>0.05). This shows that self-efficacy significantly affects entrepreneurial orientation. According to this, the hypotheses in this study can be accepted.

Table 4. R Square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673 ^a	.453	.442	2.71313

The value of the coefficient of determination of 0.453 in Table 4 shows that self-efficacy is able to explain entrepreneurial orientation by 45.3% and the remaining 54.7% is explained by other variables which is not studied in this research.

Table 5. Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.570	3.269		5.374	.000
	se	.468	.074	.673	6.305	.000

Based on Table 5, it is also found that the entrepreneurial orientation score can be predicted through the following formula.

$$Y = 17.570 + 0.468X$$

Where, Y describes entrepreneurial orientation and X describes self-efficacy.

The Effect of Self-Efficacy on Entrepreneurial Orientation

According to the results of data analysis in table 4, the R value of 0.673 is obtained. This shows that there is a strong relationship between self-efficacy and entrepreneurial orientation. It was also found that the value of R square is 0.453. This shows that the effective contribution of the self-efficacy variable to entrepreneurial orientation is 45.3%. The remaining 54.7% is the contribution of other variables that can explain entrepreneurial orientation.

These findings indicate that the higher the self-efficacy score, the entrepreneurial orientation score will also linearly increase. Entrepreneurial orientation is described as the involvement of a company or a business entering a new state, such as a crisis caused by a force majeure such as pandemic. This is supported by previous study which states that self-

efficacy is very important in human life, because self-efficacy determines and affects many aspects of our lives, including the potential to deal with stressors, to face new environments and work performance (Efendi, 2013).

The results of this study are supported by previous research which states that self-efficacy has a significant effect on entrepreneurial orientation (Junusi, 2021). Self-efficacy of SME's managers in Bali is able to significantly accumulate the increase of entrepreneurial orientation (Sriasih, et al., 2018). Another study also found that factors of self-efficacy positively and significantly influenced individual entrepreneurial orientation (Alias, et al., 2021).

Alwisol (2009) states that self-efficacy can be obtained or changed through one or a combination of four sources, namely performance accomplishments, vicarious experiences, social persuasion, and emotional/psychological states. Performance accomplishments are achievements that have been carried out from the past. Vicarious experiences are observations of the failures and successes of the others. Social persuasion is advice and guidance that can increase confidence about one's abilities. Emotional/psychological states are emotional levels when individuals face some situations.

One of the four sources must be raised or modified to increase self-efficacy. For instance, we can improve performance accomplishments by remembering past achievements, including the major achievements until the smallest achievements. In addition, individuals can also read biographies of successful people to get vicarious experiences and social persuasion. Lastly for the improvement of emotional states, individuals must be able to control their emotions while facing problems that are occurring.

CONCLUSION

Self-efficacy significantly positive influences entrepreneurial orientation among MSME in Denpasar, Bali. The higher the self-efficacy, the higher the entrepreneurial orientation. To deal with the current pandemic, a high entrepreneurial orientation is needed so that individuals can face the crisis well. For this reason, individuals can train themselves to increase self-efficacy so that it will have an impact on increasing entrepreneurial orientation. Self-efficacy can be increased by managing four important factors, namely performance accomplishments, vicarious experiences, social persuasion, and emotional/psychological states. Performance accomplishments is modified by recalling past achievements. Individuals can also look through successful people's life history to get vicarious experiences and social persuasion. Emotional states can be improved by learning to control emotions while encountering life's obstacles.

RESEARCH LIMITATIONS AND FURTHER STUDIES

This research agonizes from a few boundaries to be considered for future studies. The sample used in this study only covers MSME in Denpasar, Bali, so it cannot be generalized to a wider population. The number of research samples should be increased and divided proportionally between micro, small, and medium enterprises in the next research. This study only examines the effect of self-efficacy on entrepreneurial orientation, while other factors that can influence entrepreneurial orientation are not examined in this study. This study is also a cross-sectional study that only examines a phenomenon in a certain time. Future studies can use time-series models to explain how self-efficacy affects entrepreneurial orientation among MSME.

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