Social Capital, Entrepreneurial Success on SMEs facing The COVID-19 Pandemic in West Sumatera Indonesia

Primadona[1*]

[1] Department Business Administration, Politekknik Negeri Padang ,Indonesia

[*] Corresponding author:
Email: pdmamarafif@gmail.com

Abstract.
Social capital is a new science to see entrepreneurial success because it is a measurement of success not from assets and financial calculations. This study aims to see the effect of social capital on the entrepreneurial success of food SMEs in West Sumatra. This study uses a quantitative method with a questionnaire of 250 respondents consisting of 4 locations, namely Padang City, Bukittinggi City, Payakumbuh City and Padang Pariaman Regency. The requirements that will be used as respondents are SMEs that have been established for at least 5 years and are included in the successful category. The data was processed using Structural Equation Modeling (SEM) with the Amos application. The results showed that social capital had an effect on entrepreneurial success in food SMEs. All dimensions have a major contribution in the formation of the construct. Further research can be done by adding other variables to obtain a comprehensive research output with a larger number of respondents, especially in Small and Medium Enterprises (SMEs).

Keyword: Social capital, Entreprenerial success,SMEs,Quantitative

1. INTRODUCTION

Small and medium enterprises are one of the sectors that must be developed because they are the main drivers of the economy [1]. Currently, Indonesia has 65,465,497 SME units spread throughout Indonesia with employment of 119,562,843 people. However, with the Covid-19 pandemic, many SMEs have been affected and many have stopped doing their activities. Whereas Micro, Small and Medium Enterprises (SMEs) have contributed to the Gross Domestic Product (GDP) of 61.07% or Rp. 8,573.9 trillion, higher than large businesses which reached Rp. 5,464.7 trillion. Based on these conditions, the Covid 19 disaster is a risk that occurs to most SMEs and has indeed had a lot of impact on SMEs and even the current condition of many SMEs is closed. Under normal conditions, SMEs are businesses that are vulnerable to risk and are often weak in survival and eventually not a few die [2]. SMEs are established with limited capital and conditions so that they often experience obstacles in developing their business and along with the development of current needs until 2019 the government has helped SMEs a lot with various programs, both capital programs, coaching and even in business development programs, but with the current covid 19 pandemic. This makes everything that has been done unable to help SMEs to stay

standing and currently some SMEs survive no longer rely on capital as the main asset because many activities have experienced slumping conditions such as the banking sector as a funder and other sectors that have been contributing to the development SMEs. During this pandemic, other sectors are also being looked at as capital in the survival and development of SMEs. Social capital that already exists is also a priority to be developed. Social capital is not financial capital as the main capital in the development of SMEs but rather the capital created from the relationships that have direct benefits to SMEs. Interaction and establishing relationships in social relations are resources that SMEs must maintain and even improve. Social capital is a resource like any other resource that is able to contribute to SMEs. Establishing relationships and interacting with fellow owners or employees and even interactions with customers and suppliers is a strong way to build SMEs, especially during this Covid 19 period. In the context of social capital benefits can be obtained from the formation and maintenance of relationships, social capital also brings 'opportunities' for mutually beneficial collective action [3]. Some researchers place social capital at the individual level [4] and others at the community level [5]. This research is developing as [6] conceptualizing it as an intermediary of social resources that can be organized at various levels of networks such as informal networks [7], voluntary or faith-based associations, communities, at the city level, while at the national level and at the level of transnational social movements [8]. Therefore, poverty alleviation can be stimulated through social capital with different operating scales.

During the COVID-19 pandemic, where life is full of uncertainty and economic conditions are at a very low point, developing social capital as a strength for SMEs is a very important thing to do. Social capital will be a new hope in maintaining or developing a business. Strong social relationships will provoke businesses that will help each other to survive. Businesses on small businesses are very impactful in the event of a disaster, on small businesses if a disaster occurs it will be difficult to find opportunities and also difficult to cooperate and also because of low access to resources [9] so to survive it requires other resources such as social capital that needs to be increased in SMEs. Even the latest findings say that because SMEs are very vulnerable to disaster risk, the main strength is to look for other resources that will be able to fortify and provide strength for SMEs emphasizing the importance of community-based networks that can immediately help small businesses adapt and respond to disasters [10].

Under normal conditions (before the COVID-19 disaster) social capital was very capable of playing a role in improving business capabilities and was also able to play a role in all things, from generating joint capital to seeing joint opportunities for business. Now in this covid 19 pandemic, does social capital affect the success of entrepreneurs specifically for SMEs in Indonesia. In some information even social capital is able to increase the company's ability [11].

II. METHODS

Research Design and Data Collection Method

According to [12] research design is a way of describing and how data must be collected after it is analyzed in accordance with the research objectives to be achieved. A clear framework needs to be established in conducting research [13]. This type of research is survey research, the type of survey research is a process that holds data collection dominated by questionnaires or by structured interviews in more than one case, sometimes in a certain context can be more than one place to collect the basic research objectives and is also characterized by Quantitative data related to two or more variables are then examined to detect related patterns [12].

The data collection method uses a survey/questionnaire. Survey research is an information gathering technique that is carried out by compiling a list of questions posed to respondents in the form of a sample from a population. In survey research, researchers examine the characteristics or causal relationships between variables without any researcher intervention.

Data analysis

This study uses quantitative methods with data analysis using the SEM (Structural Equation Modeling) application with a total of 250 food SMEs respondents in West Sumatra. This research consists of 2 variables, namely social capital and entrepreneurial success. For data analysis in this study, the author applies the structural equation model (SEM) and the Analysis Moment of Structures Software (AMOS) approach. AMOS is used to model and test the hypotheses set out in this study. Before proceeding with the structural model, we first perform a confirmatory factor analysis using Smart AMOS software to assess the measurement model in terms of reliability and validity. Item reliability [14] and divergent convergent validity [15] were assessed through data analysis.

Research Indicators and Instruments

This study has 2 variables, namely social capital with 3 dimensions and entrepreneurial success with 4 dimensions. For more clarity, the following research indicators will be given:

Table.1 Research Indicators

NO	Variable	Definition	Dimension	Indicator
1	Social Capital (X1)	Social capital is a set of values that are hidden and derived from personal and organizational networks that are considered a source of value creation for	Relational	1. Based on social norms in entrepreneurship 2. Have honesty in entrepreneurship 3. Have confidence in running a business
			Cognitif	1. Having shared values 2. Integrate as a group member 3. Have a common goal

		Structural	1. Mempunyai jaringan usaha yang luas
	individuals and organizations (Nahaphit dan Ghosal, 1998)		2. Networking dalam berwirausaha
2	Entrepreneur Success (Y)	financial performance	1. Wages received 2. Own capital 3. Other income 4. Contribution of business partners 5. Source of capital 6. Have accurate financial records 7. Access to capital
	Entrepreneurial success is how the company is able to be controlled by the entrepreneur or its owner which can be seen from the performance and sustainability of the business and also from the profits obtained by the company (Laurent & Saroto, 2014).	Operational Performance	1. marketing factors such as sales promotion 2. good product competitive price 3. good customer service
		Satisfaction	1. Ability to manage personnel 2. Community involvement 3. Ability to manage HR 4. Reputation for honesty
		Knowledge	1. Entrepreneurial knowledge 2. Skills 3. Training received 4. Experience before business

Research Hypothesis

This study applies a two-step approach in the analysis of the structural equation model. In the first step, the evaluation of the measurement model was achieved by examining the unidimensionality, reliability, and validity of the latent construct using CFA. Therefore, the structural model can be tested as a preliminary test to test the hypothetical relationship between latent constructs in the proposed model [16]. Structural models (model hypotheses) describe the relationships between latent constructs, as presented earlier in this chapter. In other words, it aims to determine which constructs directly or indirectly affect the values of other constructs in the model [17]. The structural results of model testing will be presented in chapter five which can be found in the results of research conducted by testing the six hypotheses in this study. The second step of this structural equation model is to evaluate the structural model based on the hypotheses described. The author here uses SEM analysis with AMOS software to test the hypothesis [18], namely the hypothesis whether social capital has an effect on entrepreneurial success. This is what we will test with SEM analysis.

III. RESULT AND DISCUSSION

This study wants to reveal the effect of social capital on entrepreneurial success in food SMEs in West Sumatra. This research was conducted in 2021 by mentioning the conditions during the Covid 19 pandemic.

3.1. Results

The entire data that has been obtained through the survey results will then be processed for description using descriptive statistical techniques. In general, measurements using descriptive statistical techniques use measures of central tendency and spreading tendency. The central tendency itself consists of the mean, median, and mode. Meanwhile, the size of the tendency for the spread of data is calculated based on the standard deviation, variance, range, and so on. In this study, descriptive statistical analysis will be processed by displaying information on the average (mean) and standard deviation of each variable along with its indicators.

Table 1. The Mean value and standard deviation of social capital variables

Indikator	Minimum	Maximum	Mean	standard deviation
KGT (Conigtif)	4	10	8.47	1.48
STR (Structural)	3	15	12.10	2.05
RLS (Relational)	12	25	21.19	3.31

Based on the results obtained in Table 3.1, it can be seen that the social capital variable has an average value for each indicator of 8.47 (KGT), 12.10 (STR), and 21.19 (RLS). This means that the average respondents' answers to the social capital variable for each indicator are 8-9 for (KGT), 12-13 for (STR), and 21-22 for (RLS).

Table 2. The mean value and standard deviation of social capital variables

Indicator	Minimum	Maximum	Mean	standard deviation
KF (Financial Performance)	15	35	27.56	4.20
KO (Operational Performance)	7	15	12.72	1.94
KP (Satisfaction)	14	30	24.35	3.30
PGT (Knowledge)	41	75	61.70	8.72

Based on the results obtained in Table 3.2, it can be seen that the entrepreneurial success variable has an average value for each indicator of 27.56 (KF), 12.72 (KO), 24.35 (KP), and 61.70 (PGT).). This means that the average respondents' answers for the entrepreneurial success variable for each indicator are 27-28 for (KF), 12-13 for (KO), 24-25 for (KP), and 61-62 for (PGT). The measurement model of this study is confirmatory factor analysis (CFA).

The purpose of the measurement model is to determine the relationship between the observed variable and the latent variable. Furthermore, the structural model determines the relationship between latent variables and other latent variables. This determines whether the relationship between latent variables is directly or indirectly affected by

changes in the values of other latent variables in the model. For that we need analysis in Amos such as Convergent Validity, Discriminant Validity and Composite Reliability.

a. Convergent Validity

Based on the research data, the results of the outer model analysis in this study can be seen in Table 3.3.

Tabel 3. Hasil Analisis *Convergent Validity*

Variabel	**Indikator**	***Standardized Loading ≥ 0.50***	**AVE ≥ 0.50**	**description**
Social Capital	KGT	0.85	0.65	good validity
	STR	0.63		good validity
	RLS	0.91		good validity
Entreprenerial Success	KF	0.80	0.70	good validity
	KO	0.81		good validity
	KP	0.86		good validity
	PGT	0.88		good validity

Based on Table 3.3, it can be seen that each indicator has a different factor loading value. In the social capital variable, the highest factor loading value was obtained by the RLS indicator of 0.91. In the entrepreneurial success variable, the highest factor loading value was obtained by the PGT indicator of 0.88. Based on the research results, all indicators have a loading factor value > 0.5, this indicates that the indicator is valid or has met convergent validity so that it will be continued in the next test.

b. Discriminant Validity

In the AVE test, the first condition that must be met is that the AVE value must be greater than 0.5. Based on the results of Table 5.6, it can be seen that all variables have an AVE value greater than 0.5 and have an AVE square root value greater than 0, 7 so that the first condition is met. It can be said that the research model has met discriminant validity because the conditions are based on the provisions of the AVE root value > 0.7 AVE value > 0.5. For more details can be seen in table 3.4.

Table 4. Results of the Square Root Value of AVE

Variable	**AVE**	**AVE**
Social Capital	0,65	0,80
Entreprenerial Success	0,70	0,84

c. *Composite Reliability*

To test composite reliability, two methods are used, namely the Cronbach's Alpha method and the Construct Reliability method. Cronbach's Alpha is measuring the lower

limit of the reliability value of a construct while Construct Reliability is measuring the real value of the reliability of a construct. The minimum value that must be met for both Cronbach's Alpha and Construct Reliability is 0.7 (Abdillah & Hartono, 2015). The composite reliability results can be seen in Table 3.5.

Table 5. Composite Reliability Results

Variable	Cronbach's Alpha	Construct Reliability
Social Capital	0,73	0,84
Entreprenerial Success	0,79	0,84

Based on table 3.5, it can be seen that each variable has a value greater than 0.7. This shows that all the variables in this study are reliable. The value of 0.7 is the minimum limit value set in testing Composite Reliability. Based on the results of Composite Reliability contained in Table 3.5, Cronbach's Alpha and Construct Reliability have a value greater than 0.7 so that composite reliability meets the minimum requirements.

Data Processing Results
The results of data processing with SEM to determine the effect of social capital on entrepreneurial success based on CFA analysis can be seen in Figure 3.1.
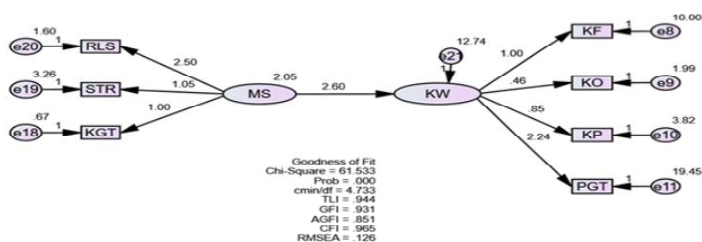

Fig 1. CFA Analysis Results

The purpose of Confirmatory Factor Analysis or CFA is to confirm or test the model, namely a measurement model whose formulation comes from theory. Thus, CFA can be said to have two focuses of study, namely: (1) whether the indicators conceptualized as unidimensionally valid (2) what are the dominant indicators forming the construct studied.

The standardized regression values in Table 5.8 show the loading factor of each indicator on its construct where all values are > 0.50 which means that these indicators are valid as indicators to measure the construct.

Tabel 6. Hasil *standardized regression*

			Estimate
KGT	<---	MS	.722
STR	<---	MS	.868
RLS	<---	MS	.642
KF	<---	KW	.943
KO	<---	KW	.853
KP	<---	KW	.861
PGT	<---	KW	.914
PGT	<---	KW	.934

This study is to see the effect, namely to see the effect of social capital on entrepreneurial success, it can be seen in table 3.7.

Table 7. Results of Direct Effect Hypothesis Testing

			Estimate	S.E.	C.R.	P	Label
KW	<---	MS	2.600	.231	11.257	***	
KGT	<---	MS	1.000				
STR	<---	MS	1.055	.096	11.010	***	
RLS	<---	MS	2.499	.138	18.128	***	
KF	<---	KW	1.000				
KO	<---	KW	.664	.027	17.331	***	
KP	<---	KW	.852	.044	19.352	***	
PGT	<---	KW	2.244	.111	20.172	***	

Hypothesis test

Social Capital has an effect on Entrepreneurial Orientation. Based on the research results shown in table 3.7, Social Capital has a positive and significant influence on entrepreneurial success, the reason is that the research results show that the estimate value is more than 0.5, meaning that it has a significant influence, the CR values are all above 1.96 and the P value is (* **) or equal to 0.000. The requirement for the estimate value is large from 0.5 – 0.7, while for CR it must be greater than 1.96 and for P it must be smaller than 0.05. Based on this, it can be concluded that the hypothesis is accepted because all the requirements are met so that the hypothesis can be accepted. The influence of the two research variables is said to be significant if the CR value is above 1.96 so that the relationship between the two variables is said to be significant.

3.2. Discussion

Based on the results of the analysis, social capital has a positive and significant effect on entrepreneurial success. This means that an increase in social capital have an impact on entrepreneurial success and vice versa if there is a decrease in social capital it can result in a decrease in entrepreneurial success in food SMEs in West Sumatra.
The results of this study support the research conducted by [19], namely to achieve entrepreneurial success supported by social capital, because it turns out that entrepreneurial success seen from social capital be measured from business performance such as profits from company financial statements or the relationship between groups. or between individuals or between SMEs and other SMEs, but here it turns out that we must also look at the influence of external aspects of SMEs, for example the interests of SMEs, the goals of SMEs and also the time factor and the mindset of entrepreneurs. in this study was not proven. Another study [20] revealed that entrepreneurial success is influenced by three variables, namely measured by financial capital, human capital and social capital. This study examines the performance of 215 Jamaican informal micro-enterprises, studying the effect of human capital, social capital, and owner's financial capital on the profitability of their businesses which are able to quickly create company success in terms of business development.

In this study, the authors see that social capital which has been built with values, norms, beliefs and networks as well as culture is no longer done. MSMEs with MSMEs compete against each other and even tend to be more concerned with personal interests than groups. Research conducted (Honig, 1998) found that different structural environments, even within single and small economies, may be difficult to assess the level of human, social, and financial capital aspects. As a result, business analysis includes segmentation according to whether or not the use of employees, and the sophistication of the technology used to make social capital play a role. Several factors are dominantly able to increase business profitability in all categories. Vocational training, for example, shows a consistently strong and positive effect in running a business and honesty in social capital so that trust greatly contributes to entrepreneurial success (Nahaphit & Ghosal, 1998) but in this study it was not proven that social capital had an effect on entrepreneurial success in food SMEs in West Sumatra. Research (Baron & Markma, 2003), as noted by Baron and Markman (2000), social capital may be only the smallest part of the success of entrepreneurs in managing a business. In particular, these authors note that social capital helps entrepreneurs gain access to venture capitalists, potential customers etc.), once such access is achieved, social entrepreneurs are competent and can play an important role in determining the outcomes they experience (e.g., whether they receive funds, obtain orders, attract key partners and employees, and so on). Thus, social competence may also be important and ultimately conclude that social capital has a role in entrepreneurial success, but this fact does not apply to food SMEs in West Sumatra.

IV. CONCLUSION

Food SMEs are SMEs that are very abundant in West Sumatra. Social capital is the main support for the development of existing SMEs. Trust, sincerity and togetherness are the main doors to success. Basically, entrepreneurship, especially the Minang ethnic, has so far been based on togetherness and networking, so that new entrepreneurs will develop and succeed. This study also proves that in the midst of Covid 19, many SMEs, especially food SMEs, have survived and even been able to overcome their problems. Social capital has a direct effect on entrepreneurial success, and for further research it is necessary to add other variables or by adding other dimensions in order to generate new strengths in this field.

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