

The Role of Government Policies in Moderating the Influence of Social Capital and Human Capital on the Performance of SMEs in Denpasar

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ABSTRACT : *This study aims to answer the main problem, namely how is the role of government policy in moderating the relationship between social capital and human capital which is still not consistent in influencing the performance of SMEs. This research was conducted on UKM in Denpasar City. The analysis technique used to answer the hypothesis is PLS-SEM analysis, with the help of SmartPLS 3.0 Software. This research was conducted to determine the phenomenon of the use of intangible resources and its impact on the performance of SMEs in Denpasar City. The results of the study show that social capital and government policies have a significant positive effect on the performance of SMEs. Another finding in this study is that human capital, as well as the interaction of both social capital and human capital towards government policies, has no effect on the performance of SMEs in Denpasar City.*

KEYWORDS - *Social Capital, Human Capital, Government Policy, SME Performance*

I. INTRODUCTION

Micro, Small and Medium Enterprises (SMEs) are an integral part of the economic progress of a region, including economic development in the city of Denpasar, which is strongly supported by the existence of SMEs. Therefore, the Denpasar City Government is committed to advancing SMEs by providing infrastructure, business development, and skills training for workers in accordance with the mandate of Law Number 20 of 2008 concerning SMEs. There are contradictory findings on SMEs at this time, on the one hand SMEs are considered a formidable economic force, especially during times of crisis because of their role. Strategic in absorbing labour and providing employment opportunities for the community. But on the other hand, there are empirical facts for SMEs which show that SMEs have not shown improved performance and competitiveness (Pramuki & Kusumawati, 2020; Yuliantari & Pramuki, 2021).

Anyualatha Haridison (2021) states that social capital can increase individual awareness of the many opportunities that can be developed for the benefit of society, for example the ability to solve the complexities of various common problems, encourage rapid changes in society, foster collective awareness to improve the quality of life and look for opportunities that can be utilized for prosperity (Maulatuzulfa, 2022). Prima Donna (2015) states that the use of social capital and human capital as elements of intellectual capital is believed to participate in entrepreneurial activities which can further improve the performance of SMEs (Santoso et al., 2019).

Research result Maulatuzulfa (2022) shows that human capital and social capital have a direct influence on performance in SMEs in Sidoarjo. Azis and Artists (2022) found that social capital can improve the performance of SMEs in Denpasar City through entrepreneurial orientation. However, the results of research on the effect of social capital on performance show different results. Elvina (2016) proves that the social capital variable does not have a significant influence on the sustainability of culinary MSME businesses in the city of Medan. Asmara et al., (2018) also shows that social capital has no effect on performance. Furthermore Sombolayuk et al., (2019) added that although the literature on social capital has increased significantly in recent years, other variables are needed to clarify the conceptual business capital in the sustainability of a business.

Kantohe et al., (2021) explained that the higher the quality of human resources, the higher the efficiency and productivity of a country. Whereas individuals who make personal investments, such as attending education and training, will have an impact on improving the quality of work and productivity. However, other variables are also needed to clarify or strengthen inconsistent relationships regarding the role of personal investment in increasing productivity.

The existence of inconsistencies in research results creates research gaps to motivate further research. Researchers develop this relationship by adding the role of government policy variables with contextual factors as moderating variables. This study aims to answer the main problem is whether the role of government policy

is able to moderate the relationship between social capital and human capital on the performance of SMEs which is still inconsistent. That regional economic development strategies, especially SMEs need to pay attention to the role of government intervention (government policies) and the dynamics of local community life regarding social resources (social capital), human capital in addition to physical capital. Divas (2009) states that the government's role in effective and optimal SME development is manifested as: a) facilitator in entrepreneurship training, b) catalyst in empowering and capitalizing creative communities and c) regulator in policies that facilitate the development of creative businesses and investments. The urgency of this research is expected to be able to produce a framework that describes how the role of social capital and human capital is moderated by the role of government policy in improving the performance of SMEs.

II. LITRATURE REVIEW

Theory of Resource Based View (RBV)

This study uses the Resource Based View (RBV) theory as the grand theory. Theory of Resource Based View (RBVI) was introduced by (Barney, 1991). This theory explains that internal resources in the form of intellectual capital are the main factors that can increase competitiveness as a competitive advantage Satya & Pramuki (2021). It can be justified that organizations can use the intellectual capital approach as a tangible asset in improving their performance. Intellectual capital in this study is in the form of social capital and human capital

SME performance

Performance appraisal is one way that can be done by management in order to fulfil its obligations to funders and also to achieve the goals set by the company. Performance is a general term used for some or all of the actions or activities of an organization in a period with reference to standard amounts such as past or projected costs, on the basis of efficiency, accountability or management accountability and the like. Broadly speaking, the company's performance is divided into two, namely market performance and financial performance (Pramuki & Kusumawati, 2020; Satya & Pramuki, 2021)

Social Capital

Anyualatha Haridison (2021) states that, the volume of social capital owned by a person depends on the size of the network of connections that he can mobilize and on the volume of capital (economic, cultural, or symbolic) he has. This means that, although relatively irreducible to the economic capital owned by a particular agent, or even by all connected agents, social capital is never wholly independent of agents because exchanges shape identities with one another. Furthermore, a close and long-lasting relationship is an equally vital bond: social capital represents an aggregate of actual or potential resources associated with long-lasting network ownership,

Human Capital

Human capital exists within human workers, if the people who make up the organization are increasingly getting recognition for their contribution and importance to the success of the organization. In fact, it is human capital that makes workers a unique resource for the organization. This uniqueness has made human capital a source of organizational efficiency and effectiveness, and is also considered an organizational strategic resource (Threesa & Budiarti, 2021).

The Role of Government Policy

Islami et al., (2021) stated that the negative impact of Covid-19 required MSMEs to rearrange their business strategy to accommodate the effects of the pandemic. The government should play a role in protecting MSMEs from a deeper downturn, by making policies so that MSMEs can maintain their viability and avoid layoffs in their businesses. It is time for MSMEs to get treatment priority because they support the national economy and play an important role in expanding employment absorption. Assistance provided to MSMEs will also encourage national economic improvement and reduce unemployment. This rescue step is a manifestation of the strategic program and government support in empowering MSMEs.

Government policy is a way or steps taken by the government so that a policy can achieve its goals. The goal here is participation in developing the MSME sector so that it can be economically competitive and even globally competitive. The role of government policy in developing government is reflected in the following form. 1) Government facilities support businesses, 2) government programs support business, 3) interest rates for loans support businesses, 4) government guidance supports businesses, 5) SME regulations protect business activities.

III. METHODE

The unit of analysis in this study is the SME business actors in Denpasar City. The data source is obtained through a survey. This research was conducted in Denpasar City. The population in this study were registered and active SME business actors at the time of the study. As for the number of SMEs that are registered and active until now, it cannot be determined with certainty. Furthermore, the minimum sample size that we carried out was a non-probability method using an approach of 5 X the number of indicators (Hair. at.al

2012). The number of indicators used in this study is 21 so that the total sample required is 105 samples. The sampling technique is purposive sampling method, the sample is determined by certain criteria consisting of 1) having a business license,

All instruments were measured using a Likert scale of 1 to 5 which indicated a strongly disagree opinion (STS) for the smallest value to strongly agree (SS) for the highest score. Social Capital variable is measured by indicators 1) Can be trusted, 2) Have good relations with fellow entrepreneurs 3) Collaboration in Doing Business, 4) have a business network and 5) Prioritize Public / Customer Interests. Human Capital Variables are measured by 5 indicators viz 1) Education Plays an Important Role for Business, 2) Skills facilitate business, 3) Experience supports business, 4). Training helps development, 5) Utilizing technology to create excellence. Variable Government policy is measured by 5 indicators viz 1) Government facilitators support businesses, 2) Government programs support businesses, 3) Loan interest rates support businesses. 4) Government guidance supports businesses 5) SME regulations protect businesses. SME Business Performance is measured by indicators 1) increased revenue, 2) increased number of customers, 3) Success in achieving targets 4) High activity of entrepreneur’s supports success. The data analysis method chosen to answer the objectives of this study is to use the PLS SEM method which has its own reliability, which is more flexible, can be used in models with small sample size data, reflective and formative indicators.(Hair et al., 2014) able to analyse models with great complexity (100-1000 indicators)(Ghozali, 2021).

IV. RESULT AND DISCUSSION

Data collection in the study was carried out using a survey method, in which as many as 105 SMEs in Denpasar City responded by filling out a research questionnaire. All questionnaires are completely filled out and can be processed further. The characteristics of the respondents in this study were as follows: 1) the age characteristics of the respondents in this study were dominated by respondents aged under 30 years by 48 respondents (45.7%), 2) the characteristics of the education level of the respondents in this study were dominated by the education level of high school as many as 68 respondents (64.7%), 3) the characteristics of the length of business of the respondents in this study were less than 5 years by 61 respondents (58.1%) 4) the sex characteristics of the respondents in this study were dominated by males by 66 respondents (62.8%) .

To measure validity and reliability, you can use the role of growth based on the indicators a) convergent validity, b) discriminant validity, and c) composite reliability and Cronbach alpha. The test results show that the outer loading value of all indicators for each variable is above 0.6, so that it meets the valid requirements based on convergent validity criteria. Outer loading results also show that the AVE value of all constructs is > 0.50 and value√AVE of each construct ranges from 0.782 to 0.906 which is greater than the correlation value which is between 0.551 to 0.665 so that it meets the valid requirements based on discriminant validity criteria. With regard to reliability measurement, it shows that the value of composite reliability and Cronbach Alpha for each construct has shown a value greater than 0.60 so that it fulfils the reliable requirements based on composite reliability criteria. The results of path analysis testing in hypothesis testing can be presented in the following table.

Relations Between Variables	Coefficient	T.Statistics	P.Values	Information
Social Capital -> MSME Performance	0.225	2,666	0.004	Significant
Human Capital -> MSME Performance	0.131	1.314	0.095	Not significant
Government Policy -> MSME Performance	0.475	4,888	0.000	Significant
KP<>Social Capital -> MSME Performance	0.060	0.443	0.329	Not significant
KP<>Human Capital -> MSME Performance	0.162	1,390	0.083	Not significant

The Positive Influence of Social Capital on SME Performance

Based on the research results show that social capital has a significant positive influence on the performance of SMEs. Business actors who have social capital tend to be high will be able to find interesting ideas to take steps in starting their own business compared to business actors who have social capital which tends to be low. Social capital can be said to be a resource that is attached to social relations and can be explored and used for several specific purposes, but social capital is something that cannot be touched (intangible). Social capital is a conceptual means of understanding the theoretical orientation of social action by linking components from sociological and economic perspectives. Social capital has been used to explain various topics, such as economic growth, school performance,

The Positive Influence of Social Capital on SME Performance

Human capital does not have a strong influence on the performance of SMEs, the level of education, experience and lack of knowledge possessed by SMEs is still low in improving business development. The majority of SME actors in this study are high school, meaning that they are still not able to specifically manage a business properly, given that the knowledge they acquire is still limited. So that the participation of the Office of Cooperatives and SMEs in this case is still very much needed, especially in providing training, mentoring and coaching regarding improving self-quality in the form of knowledge so that they are able to develop their business.

Positive Influence of Government Policy on SME Performance

Government policies have a strong influence on the development of SMEs in Denpasar City. The policies made by the government are felt to be able to provide protection for UKM players in Denpasar City, so that with the protection of the businesses that have been carried out so that they can continue to exist and be able to survive. Government policies that have a significant impact on the growth and development of SMEs in Denpasar City are providing credit relaxation and restructuring for SMEs, tax incentives and others.

The Moderation Role of Government Policy on the Relationship between Social Capital and Human Capital on SME Performance

The interaction of government policies with social capital on the performance of SMEs shows that government policies weaken the relationship between social capital and the performance of SMEs in Denpasar City. The inability of government policies to strengthen social capital relations in influencing the performance of SMEs is suspected that the policies made by the government have not been fully able to increase the social capital owned by SMEs. This increase in social capital is meant by the government being able to provide a media liaison between business actors and their prospective buyers, providing policies related to the development of business networks that have not been optimally carried out by the government, and this will have an impact on the performance of SMEs in Denpasar City. Another finding in this study is that government policies also weaken the relationship between human capital and the performance of SMEs in Denpasar City. The inability of government policies to strengthen this relationship is suspected to have not been optimal in government policies made related to the self-development of business actors. Learning media, lack of entrepreneurship training and still not optimal assistance provided by the government to business actors has resulted in not maximizing the human capital possessed by business actors so that it will directly impact the performance of SMEs which has not been maximized.

V. CONCLUSION

The results of the study show that social capital and government policies have a significant positive effect on the performance of SMEs. Another finding in this study is that human capital, as well as the interaction of both social capital and human capital towards government policies, has no effect on the performance of SMEs in Denpasar City. The results of this study suggest the government to always provide learning facilities (training, mentoring) in an effort to increase the human capital of SMEs. In addition, government policies that have not optimally supported SMEs should be given more attention.

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