

# Identification of Influential Factors on the Performance of Multipurpose Cooperatives (KSU) in Jembrana Regency of Bali during the Covid-19 Pandemic Using SEM

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## ABSTRACT

Multipurpose Cooperative (KSU) is a cooperative that provides several services at once, for example selling consumer goods, providing savings and loan services, etc. The current performance of KSU's business in Jembrana Regency has not been able to play an optimal and has not used the concept of modern entrepreneurship. Factors that influence the performance of cooperatives are determined social capital, entrepreneurial activity of cooperative human resources and the role of the government. This factors which will be used as a reference for the analysis of KSU's business performance in Jembrana Regency during the Covid-19 pandemic. The purpose of the study was to analyze the determination of performance of KSU in Jembrana Regency in the Covid-19 pandemic condition using SEM (Structural Equation Modeling). The results of this study state that structurally the exogenous construct of social capital and the role of the government has a positive (weak) but not significant effect on the endogenous construct of KSU business performance in Jembrana Regency. Only the entrepreneurial orientation construct has a positive (moderate) and significant effect on the

business performance of KSU in Jembrana Regency of Bali. Recommendations to relevant local governments: 1) should be more intense and measurable in providing training, providing stimulus and formulating good policies for improving KSU management, and 2) promoting the implementation of social capital capacity in KSU management in Jembrana Regency of Bali.

**Keywords:** Business Performance, Multipurpose Cooperative, Social Capital, Entrepreneurship Orientation, The Role of Government

## 1. INTRODUCTION

Cooperatives are the pillars of economics in Indonesia, as well as Multipurpose Cooperatives (KSU). The newly enacted Job Creation Law has simplified the process of establishing and being responsible for a cooperative business unit. The regulator has been improved nationally, what is the role of human resources (HR) as cooperative managers in the lowest unit? This study aims to examine the determinants of KSU's business performance in Jembrana Regency

from the management side in the high Covid-19 pandemic situation.

Factors that influence the performance of cooperatives are influenced by internal factors (participation of members, entrepreneurial activities of cooperative human resources) and external factors (the role of government) will be used as a reference for KSU's business performance. The participation of members is a determining factor for KSU's performance, so that every management activity must actively involve members in planning, increasing cooperative capital, etc. In addition, the quality of human resources including managers, supervisors, and employees is also a determining factor for KSU's business performance.

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 among citizens contributes very positively to the creation of social harmony and becomes an important basis for the growth of economic capital [1]. According to Putnam [2], the wealth of social capital in the local area in addition to promoting democracy also fosters sustainable economic growth. Social capital has a great influence on economic development and entrepreneurial orientation through various mechanisms [3].

The measure of entrepreneurial success so far has prioritized the element of creativity and character of the entrepreneur itself, not so many have included elements of social capital as a supporting element. The high capacity of social capital is a driver of business and knowledge innovation [2]. The determining factor in the process of economic growth in development that is often ignored is the way economic actors interact which is strongly influenced by social capital [4]. The World Bank Group's view states that the scope of the social and political environment that forms social structures and norms is more likely to allow for the

development of social capital [5]. The grouping of sources and dimensions of social capital is strongly influenced by the approach method used in measuring social capital. In general, there are three main groups of social capital, namely: (1) Trust, (2) Norms, and (3) Networks.

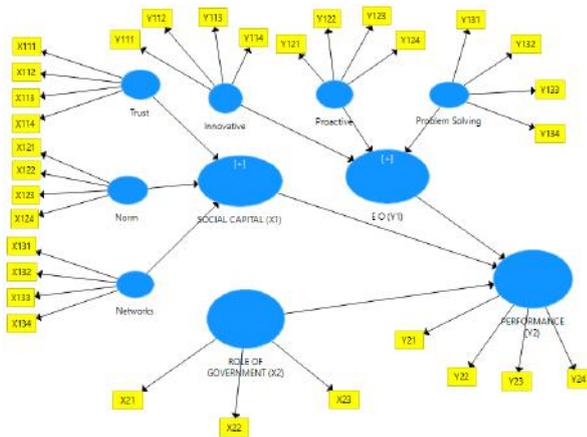
It is necessary to study the determinants that affect the business performance of KSU in Jembrana Regency. The results of this study are expected to be a strategy and policy for KSU management to improve economic development in Jembrana Regency of Bali. The basic premise of the object of this research is that the role of government, social capital, and entrepreneurial orientation are considered as influential constructs in measuring KSU's business performance in Jembrana Regency of Bali. The study in this study uses SEM (Structural Equation Modeling) to analyze the model or structural causality. It is also necessary to study in a structured manner the dominance of factors that affect KSU's business performance in Jembrana Regency of Bali.

## 2. METHOD AND PROCEDURE

The research data was taken from 40 active KSUs in Jembrana Regency of Bali and selected 2 or 3 managers (business actors) from each KSU (approximately 90 respondents). Primary data was taken through structured interviews using a questionnaire according to indicators. While the indicators for latent variables (constructs) of social capital, the role of government, entrepreneurial orientation and business performance are almost the same as the indicators in the study [6]. The research model is designed using indicators according to the questionnaire as shown in Figure 1 and Table 1.

The research instrument test (questionnaire) used the product moment correlation validity test and the Cronbach Alpha ( $\alpha$ ) technique reliability test on 30 initial questionnaire data. The purpose of this test is to

measure the feasibility of the research instrument used using SPSS 27 [7]. The data analysis then used the analytical steps according to SEM-PLS [8], [9] with the help of Smart PLS 3.0 software on the following research model design (Figure 1)



**Fig 1. Research Design**

**Table 1. Laten Variable. indicators**

Second order	First order	Indicators
<b>Social Capital (X1)</b> [2], [6]	Trust (X11)	X111: Most people care X112: Belief in religious figures X113: Mutual trust towards other employees X114: Trust in other business partners
	Norm (X12)	X121: Harmony according to <i>Tri Hitta Karana</i> X122: Compliance with existing rules X123: Ease of seeking capital assistance X124: Ease of obtaining management coaching assistance
	Networks (X13)	X131: Network density X132: Cooperation with friends/employees (bonding) X133: Cooperation with fellow KSU (bridging) X134: Cooperation with other business partners (linking)
	Government Role (X2)	X21: Facilitator X22: Catalyst X23: Regulator

Entrepreneurship Orientation (Y1), [6]	Innovative (Y11)	Y111: Initiative ability Y112: Diligently looking for new opportunities or models Y113: Persistence Y114: Curiosity is high
Performance (Y2)	Proactive (Y12)	Y121: Proactively looking for members, consumers and markets Y122: Proactively design new types of businesses Y123: Proactive on product promotion Y124: Proactively mobilize support from other parties
	Problem Solving (Y13)	Y131: Assertiveness; firmness of action Y132: Confident Y133: Systematic planning Y134: Dare to take decisions and take risks
	Government Role (X2), [6]	X21: Facilitator X22: Catalyst X23: Regulator
	Networks (X13)	X131: Network density X132: Cooperation with friends/employees (bonding) X133: Cooperation with fellow KSU (bridging) X134: Cooperation with other business partners (linking)

<b>Business Performance (Y2), [10]</b>	Y21: Increasing the number of business turnover
	Y22: Increase in type/quantity of business
	Y23: Increase in operating income
	Y24: Profitability

Research hypothesis:

H1: Social capital has a positive and significant effect on KSU's business performance in Jembrana Regency.

H2: The role of the government has a positive and significant effect on the business performance of KSU in Jembrana Regency.

H3: Entrepreneurship orientation has a positive and significant effect on KSU's business performance in Jembrana Regency.

### 3. RESULTS AND DISCUSSION

The test results with SPSS show that the value of for all constructs used has met the minimum threshold value of 0.70. This means that the research instrument (questionnaire) used to measure the construct is feasible and reliable (reliable). The validity test of all indicators shows that the correlation value with the total item is more than 0.40. which means that all indicators are valid [7]. Based on the results of testing research instruments. all of which are valid and reliable. the research can be continued by collecting questionnaire data for 90 respondents using all the indicators that have been prepared. Furthermore. testing and analysis are carried out according to the stages of data analysis using SEM.

**Table 2. Results of The Reflective Measurement Model**

Construct	AVE	CA ( $\alpha$ )	CR
Trust	0.614 (p=0.00)	0.789	0.863 (p=0.00)

		(p=0.00)	
		0.701	
Norm	0..529 (p=0.00)	(p=0.00)	0.817 (p=0.00)
Networks	0.618 (p=0.00)	0.793 (p=0.00)	0.865 (p=0.00)
Government Role	0.692 (p=0.00)	0.775 (p=0.00)	0.870 (p=0.00)
Innovative	0.483 (p=0.00)	0.636 (p=0.00)	0.786 (p=0.00)
Proactive	0.600 (p=0.00)	0.777 (p=0.00)	0.857 (p=0.00)
Problem Solving	0.662 (p=0.00)	0.829 (p=0.00)	0.887 (p=0.00)
Business Performance	0.637 (p=0.00)	0.784 (p=0.00)	0.865 (p=0.00)

Testing the measurement model (outer model) is carried out by taking into account the values of Composite Reliability (CR). Average Variance Extracted (AVE). and outer loading. CR is a measure of internal consistency between reflective indicators of constructs that are in accordance with the criteria for the value of CR 0.708. The AVE value that meets the requirements must be greater than 0.5 or significant in a certain statistical test level. While the value of the

outer loading of the reflective indicator is used to determine the contribution of the indicator to the construct. An indicator is declared to have a good contribution if the outer loading value is at least 0.708 or significant in a certain statistical test level [9]. The results of the reflective measurement model test were obtained after processing the research data for 90 respondents (sample) using the Smart PLS 3.0 software tool. The final results of reflective measurements are as reflected in Table 2.

Y132	0.81	18.94 (s)
Y133	0.84	25.01 (s)
Y134	0.76	12.21 (s)
Y21	0.89	43.31 (s)
Y22	0.87	28.38 (s)
Y23	0.94	52.02 (s)
Y24	0.35	2.61 (s)

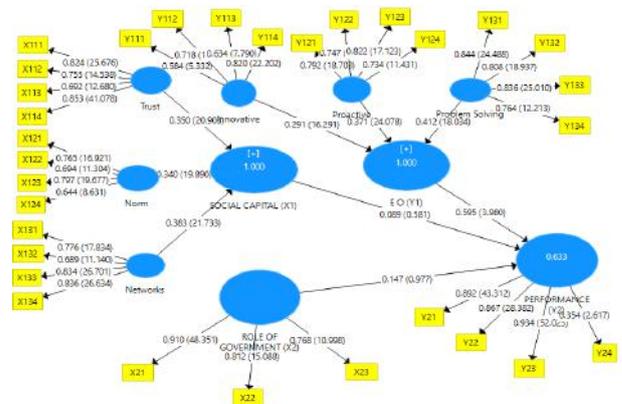
Note: "s" means significant at the 5% test level

Source: Primary Data (2021); Processed

**Table 3. Results of The Value of Outer Loading**

Item Code	Outer Loading	T-Statistic
X111	0.82	25.67 (s)
X112	0.75	14.54 (s)
X113	0.69	12.68 (s)
X114	0.85	41.07 (s)
X121	0.76	16.92 (s)
X122	0.69	11.30 (s)
X123	0.79	19.67 (s)
X124	0.64	8.63 (s)
X131	0.77	17.83 (s)
X132	0.69	11.14 (s)
X133	0.83	26.70 (s)
X134	0.84	26.63 (s)
X21	0.91	48.35 (s)
X22	0.81	15.09 (s)
X23	0.77	10.99 (s)
Y111	0.58	5.33 (s)
Y112	0.72	10.63 (s)
Y113	0.63	7.79 (s)
Y114	0.82	22.20 (s)
Y121	0.79	18.70 (s)
Y122	0.75	10.82 (s)
Y123	0.82	17.12 (s)
Y124	0.73	11.43 (s)
Y131	0.84	24.49 (s)

Based on Table 2. 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 an outer loading value below 0.708, but all indicators in Table 1 are maintained because they are significant at the 5% test level. Taking into account the values of CR, AVE and outer loading on the measurement model test (outer model) shown in Table 2 it has met the requirements, meaning that all indicators and constructs in this study are valid and suitable for analysis on structural model testing (inner model). The value of outer loading (Table 3) on each construct has a high value (above 0.6; except for indicators Y111 and Y24 but these two indicators are still significant at the 5% test level). This means that each indicator has a high meaning or dominance to build its construct. The output results for the measurement model are shown in Figure 2.



**Fig 2. Path Analysis with T-Statistic Value**

The structural model (inner model) was evaluated using R-square for the dependent variable (endogenous) and its significant value was tested based on the P-values on each path (path). The test of the inner model aims to see the relationship between the constructs by analyzing the estimation results of the path coefficient and its level of significance [8]. The R-square value for the KSU business performance construct as shown in Figure 2 is 0.633

The result of the R-square calculation of 0.633 has a moderate predictive prevalence. so that the resulting structural model is quite feasible to use for analyzing and predicting. In this case, 63.3 percent of the variation in the endogenous construct of KSU business performance can be explained by variations in the exogenous construct of social capital, the role of government and the entrepreneurial orientation of KSU managers in Jembrana Regency of Bali. The remaining 36.7 percent is explained by other factors. The structural model equation for the estimation of the endogenous construct of KSU's business performance can be modeled as follows,

$$\text{Business Performance} = 0.089 (\text{Social Capital}) + 0.147 (\text{Government Role}) + 0.595 (\text{Entrepreneurship Orientation}) + \text{Error}$$

Analysis of direct influence between constructs can explain the relationship between constructs on research variables. The direct effect is expressed by the coefficient (path) of all arrows of the latent variable (Figure 2) with one end analyzed through the T Statistic value on the 5 percent significance test (the significant limit of the T test on the T statistic value is above 1.96).

**Table 4.** Path Coefficient

Relations	Path	T_Statistic	Results
X <sub>1</sub> (SC) → Y <sub>2</sub> (P)	0.089	0.581	Not Significant
X <sub>2</sub> (RG) → Y <sub>2</sub> (P)	0.147	0.977	Not Significant
Y <sub>1</sub> (EO) → Y <sub>2</sub> (P)	0.595	3.980	Significant

Source: Primary Data (2021); Processed

Table 4 shows that the direct influence of the social capital construct and the role of the government has a positive but not significant effect on the business performance of KSU in Jembrana Regency (hypotheses H1 and H2 are not met). Only the entrepreneurial orientation construct has a positive and significant effect on KSU's business performance (hypothesis H3 is met).

If we examine the structural model as shown in Figure 2. the causality relationship between exogenous constructs and endogenous constructs in KSU in Jembrana Regency has a moderate path coefficient (less than 0.6) and even tends to be weak (less than 0.3). This condition deviates somewhat from the concepts, theories and empirical facts; which the role of government, social capital and entrepreneurial orientation should have a strong and significant causal relationship in improving the performance of a business entity. The results of research like this may be due to the still high Covid 19 pandemic condition in Jembrana Regency and the situation of Restrictions on the Implementation of Community Activities. As a result, the movement of KSU's business is limited and the government's access to KSU managers is also somewhat cut off.

## 4. CONCLUSION AND SUGGESTIONS

### 4.1 Conclusion

1) The result of R-square calculation of 0.633 has a moderate predictive prevalence, so that the resulting structural model is quite suitable to be used to analyze the causality of constructs and the structural equation model obtained is, Business Performance = 0.089\*Social Capital + 0.147\*Government Role + 0.595\* Entrepreneurship Orientation + Error.

2) Social capital factors and the role of government have a positive but not significant effect on KSU's business performance in Jembrana Regency of Bali

and only the entrepreneurial orientation factor of KSU managers has a positive and significant effect on KSU's business performance in Jembrana Regency of Bali.

#### 4.2 Suggestion

- 1) The social capital capacity of KSU managers in Jembrana Regency is actually high. so it is necessary to increase the implementation of the role of social capital in being able to improve business performance for KSU in Jembrana Regency of Bali.
- 2) The role of the relevant local government must be more intense in providing training (facilitator), providing stimulus (catalyst) and formulating good policies (regulator) for improving the management and management of KSU in Jembrana Regency of Bali.

#### 5. ACKNOWLEDGMENTS

We would like to thank Udayana University through Faculty Mathematics and Natural Sciences who have provided financial assistance with the Research Implementation Assignment Agreement Letter Number: B/1334/UN14.2.8.II/PT.01.05/2021, date May 31<sup>st</sup> 2021

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