The Influence of Social Capital, Entrepreneurial Education Orientation, and Innovation on Business Performance in MSMEs Laundry Businesses in Jakarta

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Abstrak

Tujuan dari penelitian ini adalah untuk menguji pengaruh Modal sosial, Orientasi Kewirausahaan, dan Inovasi terhadap Kinerja Usaha. Teori yang digunakan dalam penelitian ini adalah teori *Resource-Based View* (RBV) yang didefinisikan sebagai sumber daya perusahaan yang bernilai tinggi, bersifat langka, sulit ditiru, dan tidak dapat tergantikan agar dapat mengoptimalkan daya saing perusahaan berkelanjutan sehingga menghasilkan kinerja yang maksimal. metode yang digunakan dalam penelitian ini adalah metode penelitian kuantitatif dengan ukuran sampel sebanyak 160. Penelitian ini menggunakan teknik *non-probability sampling* dengan teknik pemilihan sampel *purposive sampling*. Analisis data menggunakan metode *SEM-PLS* dan aplikasi *SmartPLS* versi 4, dengan dilakukan 2 tahap, yaitu pengujian *outer model* dan *inner model.* Hasil penelitian menunjukkan bahwa modal sosial, orientasi kewirausahaan, dan inovasi berpengaruh positif dan signifikan terhadap kinerja usaha.

Kata kunci: Modal Sosial, Orientasi Kewirausahaan, Inovasi, Kinerja Usaha.

Abstract

The purpose of this study is to examine the effect of social capital, entrepreneurial orientation, and innovation on business performance. The theory used in this study is the Resource-Based View (RBV) theory, which is defined as high-value, scarce, difficult to imitate, and irreplaceable company resources that can optimize sustainable company competitiveness to produce maximum performance. The method used in this study is a quantitative research method with a sample size of 160. This study used non-probability sampling with purposive sampling technique. Data analysis used the SEM-PLS method and SmartPLS version 4 application, with two stages, namely outer model and inner model testing. The results showed that social capital, entrepreneurial orientation, and innovation had a positive and significant effect on business performance.

Keyword : Social Capital, Entrepreneurial Orientation, Innovation, Business Performance.

INTRODUCTION

In the past few periods, the Indonesian economy has shown a quite significant increase amidst several global challenges such as inflationary pressure, the food crisis, and geopolitical uncertainty. In these conditions, the role of the domestic sector, particularly Micro, Small, and Medium Enterprises (MSMEs), is important to stabilize the Indonesian economy. As of May 2025, the number of MSMEs has reached approximately 66 million business units and absorbed more than 119 million workers by the end of 2024, giving the main pillar of the economy a strong position, although some MSME service sectors still face constraints in meeting the growing needs of the community. Recorded from the data of the Ministry of Cooperatives and MSMEs, the number of MSME actors in Indonesia is not yet balanced. Specifically, the service sector under the category of "other services," which includes washing and laundry services, occupies the fifth position with a total of approximately 1.91 million business actors. Consequently, this category is still considered low compared to the trade and food and beverage sectors. Meanwhile, consumer demand for laundry services is increasing due to changes in people's lifestyles, which now favour practical and efficient services. Therefore, this condition indicates an opportunity to encourage entrepreneurs to continue growing, but it has not been fully utilized by business actors.

Laundry MSMEs in Jakarta still face various challenges in improving business performance, particularly high competition and changing consumer preferences. As a result, business achievements in terms of customer acquisition, revenue growth, and business sustainability are still suboptimal. Several common constraints often occur, including entrepreneurs' lack of vision in seizing opportunities, limited social capital for maintaining business continuity, and insufficient use of technology, which has become a crucial factor in enhancing competitiveness. Therefore, there is a need for appropriate strategy adjustments to strengthen the position of laundry MSMEs in the market and achieve business sustainability.

According to patel (Putri et al., 2025), In modern life the laundry business plays a vital role due to the increasingly dense routines of people in their daily lives. The presence of this service simplifies and provides a practical solution for many who require professional washing services. Evolving lifestyles demand time efficiency due to daily activities such as work and education, leaving many people without time to do their own laundry. Consequently, the demand for laundry services is increasing, especially in large cities like Jakarta.

Based on the problem explanation discussed previously, this study has several objectives to analyze the influence of social capital, entrepreneurial orientation, and innovation on business performance in laundry MSMEs in Jakarta. Thus, the research objectives are as follows:

a. To examine the influence of Social Capital on Business Performance in Laundry MSMEs in Jakarta.
b. To examine the influence of Entrepreneurial Orientation on Business Performance in Laundry MSMEs in Jakarta.
c. To examine the influence of Innovation on Business Performance in Laundry MSMEs in Jakarta.

Research Questions

The research questions in this study are as follows:

a. Does the Social Capital variable influence Business Performance in Laundry MSMEs in Jakarta?
b. Does the Entrepreneurial Orientation variable influence Business

Performance in Laundry MSMEs in Jakarta?

c. Does the Innovation variable influence Business Performance in Laundry MSMEs in Jakarta?

Literature Review

He Resource-Based View (RBV) will be the theory used in this study. This is because the RBV theory explains internal resources, which align with social capital, entrepreneurial orientation, and innovation, serving as the main foundation for optimizing the business performance of laundry MSMEs in Jakarta. RBV is defined as firm resources that are valuable, rare, inimitable, and non-substitutable in order to optimize a firm's sustainable competitive advantage and thus yield maximum performance (Barney, 1991). The Resource-Based View was first proposed by (Wernerfelt, 1984), who presented the firm as a vehicle for primary resources consisting of tangible or intangible assets related to the firm itself. The Resource-Based View (RBV) perspective states that a business resource with an important role tends to be more difficult to imitate and that alternatives for its replacement are hard to find (Yadav et al., 2024).

According to (Purwati et al., 2020), Social Capital refers to the relationships between individuals or groups that enable effective collaboration to achieve common goals. Institutional support is obtained through active social contacts that support entrepreneurs in developing innovation, creativity, and reducing the risk of business failure. Social capital is a readily available resource through relationship networks, encompassing elements such as norms, trust, and networking that strengthen cooperation to support improved business performance (Akintimehin et al., 2019).

According to (Song et al., 2019), entrepreneurial orientation is an approach that forms a framework for business decision-making to achieve competitive advantage, and

shaping an entrepreneur's mindset in running their business. Entrepreneurial orientation contains essential elements for business success because it involves an understanding and awareness of strategic positioning and the factors that influence the evaluation of optimal performance potential.

According to Pradhikta (Nisak & Moko, 2024), Innovation can be defined as the process of change in initiating the creation of new products and improving services. Furthermore, Innovation can be an effort to transform opportunities into ideas that serve as a selling point (Sondra & Widjaja, 2021).

According to (Hartojo & Soelaiman, 2025), Business Performance is the achievement of objectives, measured by results in terms of both quantity and quality, as well as financial and non-financial indicators. Good business performance can be seen from the entrepreneur's ability to manage resources effectively and increase competitiveness. Thus, business performance explains the results of activities throughout the duration of the business run by the actors (Ferreras-Méndez et al., 2021; Kiyabo & Isaga, 2020; Truong et al., 2024).

Based on the descriptions above, the conceptual framework for this study is concluded as follows:
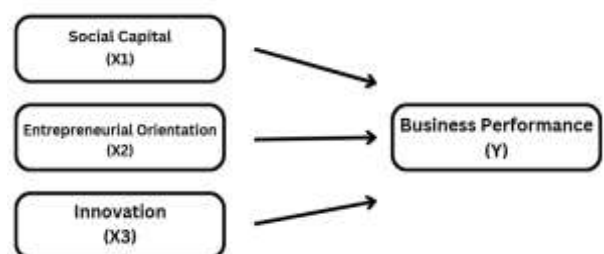

Figure 1. Conceptual framework

RESEARCH METHOD

Research Design

The method that will be used in this study is quantitative, in order to determine the extent of the influence of social capital, entrepreneurial orientation, and innovation—which serve as the independent variables—on

business performance, which serves as the dependent variable, in laundry MSMEs in Jakarta. According to (Ghozali, 2023), quantitative research uses methods involving numbers, measurement, and statistical analysis to test relationships between variables. The goal is to test hypotheses and generate research results that can be generalized. The data collection technique is descriptive, carried out by distributing questionnaires directly to the owners of laundry MSMEs in Jakarta. The data collection process uses the cross-sectional method, meaning it is conducted only during a specific period or only once.

Population

The population used in this study consists of the Owners of Micro, Small, and Medium Enterprises (MSMEs) in the laundry sector in Jakarta.

Sampling Technique

The method used in this study for the sampling process is non-probability sampling, meaning that not all members of the population have an equal chance of being selected as a sample (Sugiyono, 2023). Furthermore, another technique used to select samples and data sources is purposive sampling, which involves deliberate consideration and selection based on relevant criteria (Sugiyono, 2023).

Sample Size

According to (Roscoe, 1975), in determining sample size, Roscoe suggests that the sample size should be greater than 50 and less than 500. Therefore, this study will use a sample size of 160 samples. These samples represent MSME laundry owners in Jakarta.

Variable Operationalization and Instruments

In this study, the Likert scale will be used. The Likert scale score ranges from "Strongly Disagree" (1) to "Strongly Agree" (5), and this is used to measure respondent

feedback. The Likert scale is utilized to convert several variables to be measured into indicators. Each indicator is then transformed into instrument items in the form of a question or statement (Sugiyono, 2023).

RESULTS AND DISCUSSION

Validity

Based on the results of the loading factor values, it shows that the majority of the values are above 0.7. The convergent validity loading factor value is considered fulfilled if its value exceeds 0.7 (Hair et al., 2022). Since the values obtained exceed the specified threshold, no indicators from any variable are removed from the model. It is also explained that the highest indicator values are KU4 and KU6 (Business Performance) at 0.875, and the smallest indicator value is found in the MS3 (Social Capital) variable at 0.750. Thus, the indicators in this study are categorized as relevant and have met the validity test criteria.
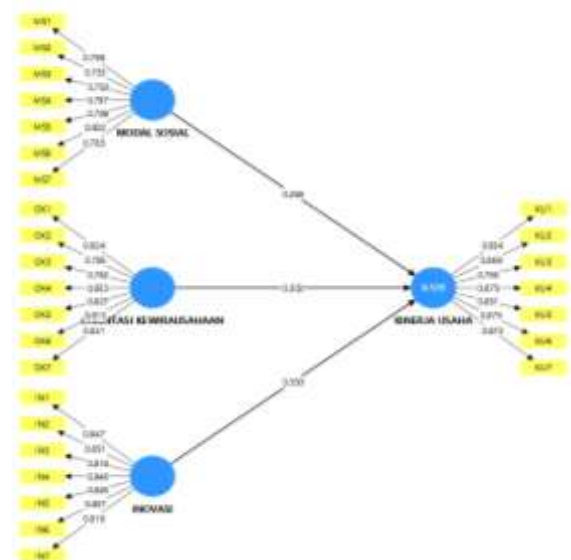

Figure 2. Loading Factor Value
Source: SmartPLS 4 Data Analysis Results

Based on the results of the Average Variance Extracted (AVE) values, it is shown that every variable tested has exceeded 0.5. Therefore, the variables in this study are considered relevant and can proceed to the next testing stage. The subsequent calculation uses the Fornell-Larcker Criterion testing

method, which shows that the value of each variable on the top row is the largest compared to the variable values on the bottom row, and the value on the far right of the bottom row is the largest compared to other variables in the left column. Furthermore, the cross-loading values in this study yielded valid results, as each variable has a higher value compared to the other variables. Lastly, the Heterotrait-Monotrait Ratio (HTMT) values for all variables are not more than 0.9. Therefore, the results of the indicators used in this study are considered valid. Thus, the validity test for the indicators of this entire study is deemed relevant and declared valid because they have met the specified requirements.

Reliability

Based on the calculation results, it is shown that the values of all constructs listed above are reliable because the Cronbach's Alpha and Composite Reliability values indicate good scores, which are greater than 0.7, with the details as follows: Cronbach's Alpha: social capital (0.894), entrepreneurial orientation (0.912), innovation (0.927), and business performance (0.936). Also, the Composite Reliability details are: social capital (0.898), entrepreneurial orientation (0.914), innovation (0.931), and business performance (0.940). Therefore, it can be concluded that all variables used in this study are declared reliable variables.

R-Square (R²)

Based on the calculation results, the R² (R-Square) value obtained is 0.539. This explains that the influence of social capital, entrepreneurial orientation, and innovation on business performance has a percentage influence of 53.9%, while the remaining 46.1% is influenced by other variables not included in this study. The R² result of 0.539 is considered moderate.

F-Square (F²)

Based on the calculation results, the effect size value from the innovation variable

to business performance reaches 0.133. This result indicates that the influence between these two variables is small. The value for the social capital variable to business performance reaches 0.104; this result also indicates that these two variables have a small influence. Furthermore, the effect size value from the entrepreneurial orientation variable to business performance reaches 0.139, which indicates a small influence between these two variables

Q-Square (Q²)

Based on the calculation results, the Q-Square (Q²) value shows that the variables of social capital, entrepreneurial orientation, and innovation have an influence on business performance of 0.518. This figure indicates that the model in this study has predictive relevance because the value produced is greater than 0 and shows a strong effect (strong predictive relevance).

Path coefficients

Based on the calculation, Innovation has a positive influence of 0.350 on Business Performance. Social Capital has a positive influence of 0.268 on Business Performance. Entrepreneurial Orientation has a positive influence of 0.302 on Business Performance.

Hypothesis

Table 1. Hypothesis Test Results
Source table: SmartPLS 4 Data Analysis Results

	T-Statistics	*P-Values*
Innovation => Business Performance	5.390	0.000
Social Capital => Business Performance	4.218	0.000
Entrepreneurial Orientation => Business Performance	4.991	0.000

Based on the results of the hypothesis test for H1, the social capital variable (X1) has a t-statistic value of 4.218 > 1.96 for p-values of 0.000 < 0.05. Therefore, there is a positive influence between the social capital variable (X1) and business performance (Y). From these values, the first hypothesis (H1) is stated as being accepted: "Social capital has a positive and significant influence on business performance" in this study.

The results of the hypothesis test for H2, the entrepreneurial orientation variable (X2), show a t-statistic value of 4.991 > 1.96 for p-values of 0.000 < 0.05. Therefore, there is a positive influence between the entrepreneurial orientation variable (X2) and business performance (Y). From these values, the second hypothesis (H2) is stated as being accepted: "Entrepreneurial orientation has a positive and significant influence on business performance" in this study.

The results of the hypothesis test for H3, the innovation variable (X3), show a t-statistic value of 5.390 > 1.96 for p-values of 0.000 < 0.05. Therefore, there is a positive influence between the innovation variable (X3) and business performance (Y). From these values, the third hypothesis (H3) is stated as being accepted: "Innovation has a positive and significant influence on business performance" in this study.

DISCUSSION

H1 : Social Capital has a Positive Influence on Business Performance

This study aligns with the research conducted by (Shofi et al., 2022), which argues that Social Capital has a positive and significant influence on business performance. This result explains that laundry MSME actors who have good social relationships, mutual trust, and extensive networks can influence the improvement of business performance in running their business. This is because social capital has a strong relational influence within the industry's interests in building business partners and customers. Thus, the relationship between these two variables can enable the business to gain broader market insights, understand consumer needs, and comprehend future business opportunities.

H2 : Entrepreneurial Orientation has a Positive Influence on Business Performance

This study aligns with the research conducted by (Yaskun et al., 2023), which argues that Entrepreneurial Orientation has a positive and significant influence on business performance. This result explains that laundry MSME actors who possess a daring attitude towards risk-taking can influence business performance when making business decisions to exploit opportunities and transform resources into superior performance. Entrepreneurial Orientation can be a process for developing entrepreneurial strategies to establish the business's vision and mission objectives and create a competitive advantage. Thus, every entrepreneur needs to implement entrepreneurial orientation in order to be able to respond to opportunities and changes in the business environment. Consequently, having a good entrepreneurial orientation has the potential to yield profits and achieve high business performance.

H3 : Innovation has a Positive Influence on Business Performance

This study aligns with the research conducted by (Nisak & Moko, 2024), which argues that Innovation has a positive and significant influence on business performance. This result explains that laundry MSME actors who can create innovations, such as in products, ideas, and strategies, can become an added value for customers and help the business performance of the entrepreneur to increase. Implementing innovation as a business strategy helps business actors expand their market share and adapt to market needs and trends.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the results obtained from the hypothesis testing and the discussion compiled by the author, the following conclusions can be drawn from this study:

a. Social capital has a positive and significant influence on business performance in Laundry MSMEs in Jakarta.

b. Entrepreneurial orientation has a positive and significant influence on business performance in Laundry MSMEs in Jakarta.

c. Innovation has a positive and significant influence on business performance in Laundry MSMEs in Jakarta.

Suggestions

Based on the results obtained from this research, several variables can be further developed to help laundry MSME owners in Jakarta improve their business sustainability, as follows:

a. Social Capital: Build shared ambitions and visions, such as having good cooperation by collaborating effectively to achieve common goals, so that every member becomes more focused in developing the success of their business.

b. Entrepreneurial Orientation: Every business actor must have the courage to implement new strategies for managing their business, such as daring to make risky decisions by responding to opportunities from changes in the business environment that will lead to success, as well as prioritizing cooperation in carrying out entrepreneurial activities proactively to achieve high business performance.

c. Innovation: Implementing new methods in the production process and service delivery becomes an opportunity for business actors to initiate new developments and provide added value to consumers. By encouraging innovation, they can better recognize consumer needs, design new opportunities, and enhance business competitiveness.

d. Business Performance: Having an improvement in service offering helps entrepreneurs assess how far the business development impacts the measured business strategy. Thus, every business actor can evaluate the extent of the successful business development achieved, including improvements in service quality and punctuality.

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