



Research Paper

## The Influence of Human Capital and Social Capital in Determining the Success of a Sugar Micro Business

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**ABSTRACT:** This study aims to determine the effect of human capital and social capital on business success (palm sugar-making micro-businesses in Donri-donri District, Soppeng Regency). This research uses quantitative research with a correlation approach. Data collection techniques are carried out by observation, documentation, and distributing questionnaires (questionnaires). The sample in this study were 66 respondents. The analysis technique used is multiple linear regression. Result the research shows that partially, the human capital variable has a positive effect on business success, and the social capital variable has a positive effect on business success, while simultaneously the human capital and social capital variables have a positive effect on the success of micro-businesses in making palm sugar in Donri-donri District, Soppeng Regency.

**KEYWORDS:** Human capital, social capital, business success

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### I. INTRODUCTION

The existence of a Micro, Small and Medium Enterprise (MSMEs) is one of the pillars of the Indonesian economy so that it cannot be eliminated or avoided. The existence of these small businesses is very useful in distributing the income of each individual. In addition, it can support an increasingly modern business creativity while maintaining an element of local wisdom or in the form of elements of tradition and culture from where the business is developing. This is an important focus in building a business, because in fact building or developing an MSMEs is different from developing a large company. Ahmad and Pi-Sheen (2009) state the fact that successful business management is not easy. MSMEs face common problems that interfere with their performance and survival rates.

The development of MSMEs is very strategic in driving the national economy, considering that their business activities cover almost all business fields so that the contribution of MSMEs is very large for increasing income for low-income groups of people. It is hoped that the increase in people's income will be in line with welfare. As an independent business organization, MSMEs have an important role in the economic and industrial growth of a country (Husband & Purnendu, 1999; Mahemba, 2003; Tambunan, 2005). In addition, SMEs have a contribution to employment (Tambunan, 2005). The contribution of MSMEs to employment, both in developed and developing countries, including Indonesia, has a significant role in overcoming the problem of unemployment.

One of the areas in South Sulawesi province, to be precise, in Soppeng Regency, Donri - Donri Subdistrict, has good traditional business prospects, as well as in this area running a business that is a source of income for the local community. A simple but high quality palm sugar management has been carried out by the people of Donri - Donri District for years. In general, the method of processing palm sugar in the Donri-donri sub-district, Soppeng Regency is still very simple. This simple processing causes the quality of palm sugar produced to be very diverse. The quality of sugar is varied and tends to be poor, causing palm sugar to be unable to compete at the national level, even though good quality sugar plays a very important role in supporting marketing. Processing method can affect the quality of the sugar produced.

Palm sugar processing business in the future has good prospects, but it must be supported by the presence of raw materials, sufficient land to support the palm sugar production process. Capital is used to buy various investment tools to start a business, then labor to make it easier for a job. It is hoped that success in

micro-businesses will provide development to regional to national economic growth which will later help reduce the number of unemployment that is still high in Indonesia. Unemployment, unequal income, and low growth economy is still a global problem faced by several countries especially developing countries like Indonesia. Experts believe in the answer for this problem lies in the percentage of entrepreneurs who are owned by a country. The ideal percentage for a country to be developed countries have at least 2 percent of entrepreneurs total population. experts believe in the answer for this problem lies in the percentage of entrepreneurs who are owned by a country. The ideal percentage for a country to be developed countries have at least 2 percent of entrepreneurs total population.

Some statistics show that the failure rate for small businesses in their first five years is more than 50%. The palm sugar business in Donri-donri Subdistrict, Soppeng Regency, is expected to be able to produce workers with good welfare, but to make this happen, it is hoped that this palm sugar business is needed with several dominant influences, namely in terms of social capital and human capital. Unger et al., (2011) defines human capital as individual expertise and knowledge acquired through investing in school education and experience.

Human capital has a central role in economic development, in addition to physical capital which has an effect on economic development. On the other hand, human capital tends to provide accumulative and long-term effects compared to physical capital. Meanwhile (Acemoglu & Autor 2005) defines human capital as something that is related to the knowledge or characteristics of workers possessed (either innate or acquired) that contribute, namely productivity.

One of the factors that influence entrepreneurial success is social capital. Kim and Aldrich (2005) describe social capital widely as a resource available to people through social relations. Social capital can influence success because information obtained from business acquaintances can sharpen perceptions entrepreneurship regarding managed businesses. the owner will affect the relationship between the outside environment well with other entrepreneurs, related agencies and institutions, suppliers, consumers and local society.

In human capital there is social capital. Social capital refers to aspects of social organization, such as beliefs, norms, and social networks that can facilitate collective action. Social capital theory refers to someone to benefit or benefit from social structures, networks social and membership (Portes, 1998). Social capital is emphasized on community togetherness to improve the quality of life together and to make better changes and adjustments continuously. The ability of the community to cooperate with each other cannot be separated from the role of social capital they have. The essence of social capital lies in how the ability of people in an entity or group to work together to build a network to achieve common goals.

Marketing is indeed an obstacle for many MSMEs in Indonesia. This is quite reasonable, because there are still many MSMEs that manage their business in a traditional strategic way. With the right marketing strategy, the ultimate goal of entrepreneurship will be achieved optimally, namely maximizing entrepreneurial profits. Basically, marketing is a strategy to increase added value for a product. In the midst of increasingly dense business competition, Enterprises, Micro, Small and Medium Enterprises must have advantages over competitors. In marketing, MSMEs products must know what consumers want so that they can bring the products that consumers want. Increasingly dense competition demands MSMEs to be smart in promoting and distributing products.

The results of previous observations emerged that researchers in the area where he lived were uneasy that there was a place where palm sugar was produced. But it is very concerned because the micro business does not have the maximum potential yet. If it is given support for its business, it can make the community more prosperous, especially in rural areas. So that the more advanced micro-businesses in rural areas and helping the government to improve micro-businesses are increasingly successful.

## **II. LITERATURE REVIEW**

### **Human Capital in determining the success of micro businesses**

Viewed at the individual level, human capital theory has a meaning as the accumulation of knowledge and skills obtained by someone from education, training or from life experiences (Hubbard, O'Brien & Rafferty, 2012). Another definition specifies that the concept of human capital is basically education or intellectual, skills and work experience (Yan et al., 2003).

Kor and Sundramurthy (2008) state that human capital refers to the current experience and past experiences of entrepreneurs that allow them to shape their thoughts and perceptions about the business being run. Human capital is a type of stock of knowledge or a set of skills acquired at school or at work through training and experience, but its benefits increase the value of workers in the workplace and or the productivity of a business where they work.

This thinking is consistent with research by McGregor et al., (2004) who re-explain thinking about the concept of human capital by linking it to a transitional model of employment relations for a new economy. It is

stated that it is necessary to rethink the various abilities required by workers for the performance of a business. The development of theory and modeling must include a variety of factors including specific types of human resources, issues of skills and abilities, industrial compliance, personnel behavior required by a modern job, and the concept of more appropriate skills. In short, the modernization of jobs requires a new concept through human capital. So that the hypothesis proposed is:

*H1: Human capital has a positive and significant effect on the success of micro businesses*

### Social capital in determining the success of micro businesses

In rural communities that have relatively strong social capital, the level of welfare of the community tends to be high and the process of socio-economic transformation takes place faster. According to Woolcock and Narayan (2000), social capital is a norm and network that allows people to do things together.

Syahyuti (2008) states that social capital in a society can be strengthened but requires the support of certain resources and in order to create good social and institutional relationships, community members must support it. Social capital acts as the glue that binds everyone in the community. In order for social capital to grow well, it requires the value of sharing, trust, and role organization that is expressed in personal relationships. The importance of social capital for entrepreneurs is also stated by Hunter (2004) where the sense of community created in groups encourages them to learn how to set and share goals, work in groups, learn by doing, and be responsible for their own decisions, learn together by being involved in dialogue, creating ideas, and constructing their own reality. Thus, the hypothesis proposed is:

*H2: Social capital has a positive and significant effect on the success of micro businesses*

Based on the theoretical basis above, the framework for this research can be described as follows:

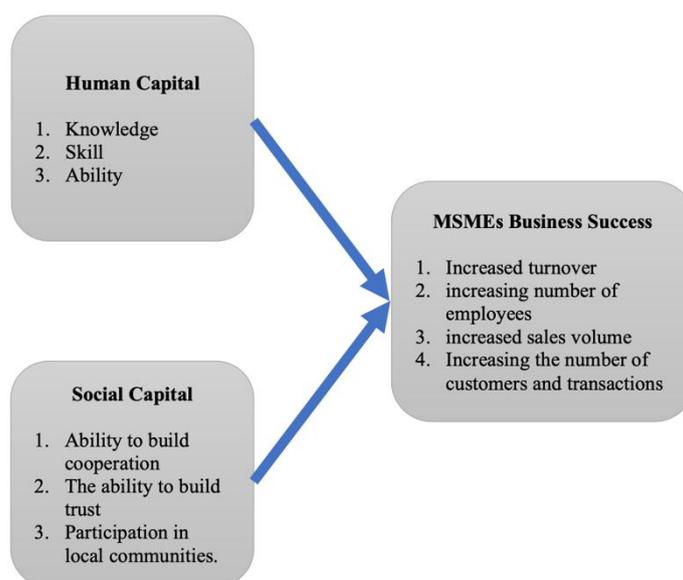


Diagram 1 Conceptual Framework

### III. METHODOLOGY

The research method used in this study is a quantitative approach, namely using in-depth data analysis in the form of numbers. The subjects in this study were palm sugar entrepreneurs in Donri-donri District, Soppeng Regency. In this study, the independent variables are human capital and social capital, while the dependent variable is business success.

Measurement of variables in this study is measured using a Likert scale. The population in this study were all palm sugar entrepreneurs in Donri-donri District, Soppeng Regency, where the population of this study were 66 palm sugar entrepreneurs. Based on the existing population, the sampling is done with saturated sampling theory. In accordance with the opinion of Sugiyono (2002) that saturated sampling is a sampling technique when all members of the population are used as samples. The data collection techniques used in this study were observation, interview, and documentation techniques. After the data is obtained, the next step is data analysis to determine the results of the research so that conclusions can be given from the results of the research conducted.

#### IV. RESULTS AND DISCUSSION

Based on the result data processing through the SPSS 21.0 program, test the validity of the instrument:

**Table 1** Instrument Validity Test

	Human Capital	Social Capital	Business Success
Total question items	9 items	9 items	12 items
Pearson Correlation	$r \geq r_{table}$ <b>all valid</b>	$r \geq r_{table}$ <b>all valid</b>	$r \geq r_{table}$ <b>all valid</b>
Correlation Probabilty	(sig) $\geq 0.05$ <b>all valid</b>	(sig) $\geq 0.05$ <b>all valid</b>	(sig) $\geq 0.05$ <b>all valid</b>

Source: Computed Data, 2020

Based on the calculation of r table in the basis of decision making with a significant level of 5%, namely  $r_{table} = N$  (number of respondents) in the distribution table r get the result of 0.201. Based on Table 1, the validity test on the success variable of micro business is declared valid for all statement items because the resulting r is greater than r table. So that all of these question items are suitable for use and can represent the success of micro-enterprises.

Based on the result processing data through the SPSS 21.0 program, the regression equation for this study is

$$Y_{BS} = 7.321 + 0.389_{HC} + 0.419_{SC} + e \tag{1}$$

Based on this equation, it can be seen that human capital and social capital have an effect on the success of micro-businesses. The results of hypothesis testing, either simultaneously or partially, can be seen in the following table.

**Table 2** Simultaneously Test The Hypothesis

	F	FTable	Conclusion
Simultaneous Test	5.918	3.14	H0 : <i>rejected</i> H1 : <i>accepted</i>

Source: Computed Data, 2020

**Table 3** Partially Test The Hypothesis

Variable	t	t table	Sig.	Conclusion
Human Capital	3.281	1.998	0.002	H0 : <i>rejected</i> Ha : <i>accepted</i>
Social Capital	0.151	1.998	0.880	H0 : <i>rejected</i> Ha : <i>accepted</i>

Source: Computed Data, 2020

From the simultaneous test results, the calculated F value is obtained 5.918 with a significance value of 0.004. This significance value is smaller than the  $\alpha$  value, namely 0.05, with an F table value of 3.14, so it can be concluded that Human capital and social capital have a significant positive effect on business success. These findings indicate that human capital and social capital influence the success of micro-businesses in making palm sugar in Donri-Donri District, Soppeng Regency simultaneously or collectively.

Based on the results of calculations presented in the SPSS output table, the t value for variable X1 = 3.281 with a significance of 0.002 is obtained. Because the significance value is less than 5% and the t value > t table (3.281 > 1.99834), so the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted.

Human capital affects the success of micro businesses. From the previous regression equation, it can be seen that the positive influence shown by the human capital variable owned by entrepreneurs on business success tends to be normal. Based on the results of the calculation using the SPSS program, it is known that the t value for the social capital is equal to 0.151 with a significance of 0.880. Because the significance value is smaller of 5% and the value of t > t table (0.151 > 1.99834), so that the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted. Based on these results, it can be concluded that the variable of social capital on the success of micro enterprises. The influence of this social capital variable is also positive, meaning that the higher the social capital owned by students, the higher the success of the business.

Human capital investment such as education and experience has the possibility to lead to knowledge and skills or not. According to Nakhata (2007) defining human capital as the knowledge and skills needed to improve performance and success accumulated by an individual during his life, including years of formal education and years of entrepreneurial experience. In human capital there is social capital, Thobias (2013) states that social capital owned by the community, such as trust, mutual cooperation, networks and attitudes, has a great influence on the development of entrepreneurial behavior, such as increased community trust manifested in honest behavior, orderly and cooperation based on shared norms. With the existence of social capital owned by rural communities, it will in turn encourage or influence business success. Erlihah (2007) states that a business is said to be successful in its business if after a certain long period of time the business has increased both in capital, business scale, results or profit, type of business or management. In other words, business success is very important in the continuity of the business that has been run. According to Wilkinson (2002), micro and small businesses will grow if the regulatory/policy environment supports, the macroeconomic environment is well managed, stable and predictable, information is reliable and easily accessible and the social environment encourages and appreciates the success of these businesses. then in turn it will encourage or influence the success of the business. Erlihah (2007) states that a business is said to be successful in its business if after a certain long period of time the business has increased both in capital, business scale, results or profit, type of business or management. In other words, the success of the business is very important in the continuity of the business that has been carried out.

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## V. RESULTS

Partially there is a positive and significant influence between human capital on the success of micro-businesses in making palm sugar in Donri-Donri District, Soppeng Regency, seen from the indicators of knowledge, skills, abilities. It is known that human capital is important for business actors to have good knowledge and experience in achieving business success. Partially, there is a positive and significant influence between social capital on the success of micro-businesses in making palm sugar in Donri-Donri District, Soppeng Regency, seen from the indicators of the ability to build cooperation, the ability to build trust, and the participation of local communities. It is known that social capital is important for business actors to use as a supporting tool. The greater the social capital owned by the business actor, the more successful the business is. Simultaneously, human capital and social capital have a significant effect on the success of micro-businesses in making palm sugar in Donri-donri District, Soppeng Regency. It is known that the two independent variables in this study really support business actors to see that these two variables involve external and internal factors.

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