Capital and Community Welfare of Micro, Small and Medium Enterprises in a Digital Economy Perspective

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ABSTRACT

This study aims to determine the effect of entrepreneurial capital, financial capital, and intellectual capital on the economic welfare of micro, small and medium enterprises in Makassar City. This study uses a quantitative approach with a sample of 44 micro, small and medium entrepreneurs in Makassar City. Data collection in this study was carried out using documentation and questionnaire techniques. The analysis technique used is descriptive statistics and multiple regression analysis statistics. Based on the analysis results, it can be concluded that there is a positive effect of entrepreneurial capital on the community's economic welfare, which indicates that the higher the entrepreneurial capital, the greater the economic welfare of the micro, small and medium enterprises in Makassar City. In addition to this, financial capital also has a positive and significant impact on the community's economic welfare. Thus, this shows that the greater the financial capital, the greater the level of the community's economic welfare of micro, small, and medium enterprises in Makassar City. These studies also show that intellectual capital has a positive and significant impact on economic welfare, implying that the greater the intellectual capital, the greater the economic welfare of the community of micro, small and medium enterprises in Makassar City.

Keywords: Entrepreneurial Capital, Financial Capital, Intellectual Capital, Economic Welfare

1. INTRODUCTION

In the industrial revolution 4.0, a "knowledge society" based society appeared, which was predicted to end poverty, inequality, and social injustice. Knowledge-based economic transformation will have an impact on people's welfare. However, socio-economic inequalities and social injustices have increased over the decades in several countries. These forms of marginalization are manifested in new aspects of social life. Several new conceptual indicators in terms of economic capital have been created that are mapped into the inaccessibility of ICT (information and communication technology) for most societies, especially for the community of micro, small and medium enterprises.

The level of income is still a significant factor in measuring society's level of welfare; with an increase in the level of income, the higher the level of community welfare \([1], \)[2] the development of community income levels can be seen from the income per capita or average income per population \([3], \)[4].

Economic growth is determined mainly by the regional economic dynamics, generally generated from small and medium-scale economic activities \([5], \)[6] This fact shows that small businesses constitute most community activities that contribute significantly to the population's income generation \([7]–[9]\).

The community's economic welfare in an area is influenced by the creativity of business actors in that area \([10]\). Increasing community business activities in an area requires the carefulness of the local community in developing business opportunities or business/business opportunities available in that area \([11]–[13]\). The potential or business opportunities can be realized into business/business or economic activities, which will improve the community's welfare \([14]\).

However, empirical facts show that there are still many obstacles faced by family households whose businesses are engaged in small and medium enterprises. In running a business, it is necessary to have entrepreneurial capital, namely human resources, who have creative, innovative, dynamic, and proactive abilities to overcome the challenges \([15]\). Besides, financial capital is also needed in the business world, which can be in machinery, equipment, supply, and physical facilities used by human resources to produce products \([16]\). An entrepreneur must also have the ability and knowledge to succeed in his business. It is...
accumulate in intellectual capital, knowledge, information, intellectual property, and experience that can be used to create wealth [17], [18].

This study is interdisciplinary because it examines the influence of entrepreneurial capital, financial capital, and intellectual capital on the household welfare of micro, small and medium enterprises in Makassar City. Each of these three aspects of capital can encourage entrepreneurs to continue doing things that can positively change society. Based on the welfare of society, especially for entrepreneurs, this study focuses on analyzing welfare as the main result from an entrepreneurial perspective [19].

2. METHOD

This study is included in the explanatory type, which is non-experimental and aims to analyze the effects of entrepreneurial capital, financial capital, and intellectual capital on the household welfare of micro, small and medium enterprises in Makassar City. This study uses a quantitative approach through parameter testing in answering the hypothesis. A closed-ended question was used to obtain data under the research design.

Entrepreneurial capital is a factor that shapes the environment of economic entities in a region and influences it, including the ability to create new businesses by referring to 2 indicators, namely innovation and the process of transferring knowledge [20] with the measurement scale used is ordinal. Financial capital is the ability of business actors to obtain business capital. With three indicators covering the ability of businesses to utilize internal capital, businesses’ ability to obtain external capital, and the level of business finance prospects [21], the measurement scale used is ordinal. Intellectual capital is classified as non-physical assets owned by micro, small, and medium enterprises. It focuses on creating company values and making intellectual capital one of the strategic assets owned by micro, small, and medium businesses. Intellectual capital combines knowledge ownership, applied experience, organizational technology, customer relations, and professional skills that give micro, small, and medium enterprises a competitive advantage in the market [22]–[26] with the ordinal scale used. The household welfare of micro, small, and medium enterprises is measured from subjective and objective measures. Subjective measures include life satisfaction, happiness, and psychological function, while objective measures include physical health and social welfare. These measures refer to various scientific disciplines and schools of thought [19]. This research was conducted by micro, small, and medium enterprises in Makassar City, spread across some districts, and their business activities are in the culinary sector. In contrast, the analysis unit used in the research sample data is micro, small, and medium enterprises in Makassar City running for at least two generations. This study’s population was 255 micro, small, and medium enterprises in the culinary sector in Makassar City. In comparison, the sample size was carried out considering data analysis requirements as many as 44 micro, small, and medium culinary sector entrepreneurs in Makassar City.

The data analysis uses a structural equation model to test the level of influence between variables based on latent variables. This study uses exogenous variables, including entrepreneurial capital, financial capital, intellectual capital, and endogenous variables, namely household welfare of micro-entrepreneurs. Each of these variables is formed from several indicators.

3. RESULT AND DISCUSSION

This study is an interdisciplinary study that focuses on examining the effect of entrepreneurial capital, financial capital, and intellectual capital on the community's welfare, especially households of micro, small and medium enterprises in Makassar City. An alternative model that describes the relationship between variables in this study and the manifest that constructs it can be seen in Figure 1.

The structural model has met the criteria for the fit of the model’s measurement. It can also be seen from the coefficient's value that meets the criteria for the structural model analysis. The researches structural model suitability test results can be seen in Table 1.

**Figure 1.** The fit of the Structural Research Model

The structural model has met the criteria for the fit of the structural model. It can be seen from the influence of exogenous variables on significant endogenous variables. The model's fit can also be seen from the coefficient's value that meets the criteria for the structural model analysis. The researches structural model suitability test results can be seen in Table 1.
Table 1. Final Research Model Fit

| Model Alignment | Coefficient | Criteria | Description          |
|-----------------|-------------|----------|----------------------|
| Chy-square ($X^2$) | 15.94       | Small (non-significant) | Good, fulfilled     |
| P-Value         | 0.77        | $\geq 0.05$ | Good, fulfilled       |
| Df              | 21          | -        |                      |
| CMIN ($X^2$/Df) | 0.75        | $\leq 2.00$ | Good, fulfilled      |
| RMR (standardized) | 0.02       | $\leq 0.08$ | Good, fulfilled      |
| RMSEA           | 0.00        | $\leq 0.08$ | Good, fulfilled      |
| GFI             | 0.97        | $\geq 0.90$ | Good, fulfilled      |
| AGFI            | 0.93        | $\geq 0.90$ | Good, fulfilled      |
| CFI             | 1.00        | $\geq 0.94$ | Good, fulfilled      |
| IFI             | 1.03        | $\geq 0.94$ | Good, fulfilled      |
| NNFI atau TLI   | 1.05        | $\geq 0.94$ | Good, fulfilled      |
| AIC (Model)     | 63.94       | Small, relative | Good, fulfilled     |

Base Table 1, all the levels of alignment have met the standard criteria as required. The lambda coefficient ($\lambda$), determination ($R^2$), and t-value of each manifest variable that constructs latent, endogenous, and intervening variables are shown in Table 2.

Table 2. Manifestations of the Research Structural Model Constructions

| No. | Variables | Manifestations | $\lambda$ | $R^2$ | t-value |
|-----|-----------|----------------|----------|------|---------|
| 1   | EC        | X1.4           | 3.70     | 0.13 | 5.46    |
|     |           | X1.5           | 2.31     | 0.32 | 7.17    |
| 2   | FC        | X2.1           | 2.25     | 0.40 | 5.56    |
|     |           | X2.2           | 2.75     | 0.16 | 4.78    |
|     |           | X2.5           | 2.43     | 0.08 | 5.40    |
| 3   | IC        | X3.1           | 1.46     | 0.58 | 1.37    |
|     |           | X3.2           | 1.46     | 0.58 | 2.50    |
|     |           | X3.4           | 2.47     | 0.36 | 3.74    |
|     |           | X3.6           | 3.73     | 0.23 | 2.75    |
|     |           | X3.11          | 2.52     | 0.42 | 3.27    |
| 4   | WB        | Y.2            | 1.04     | 0.02 | 0.89    |
|     |           | Y.3            | 1.04     | 0.02 | 1.97    |
|     |           | Y.4            | 2.57     | 0.26 | 6.42    |
|     |           | Y.5            | 3.64     | 0.45 | 7.43    |
|     |           | Y.6            | 3.71     | 0.72 | 4.69    |
|     |           | Y.7            | 3.36     | 0.53 | 2.98    |

Each manifest that constructs the variable meets the validity criteria, as evidenced by the standard loading value ($\lambda \geq 0.40$) and $R^2$ score $\leq \lambda$. Following the analysis results and the findings model, the coefficient of direct influence between variables is then tabulated.

Table 3. Direct Influence Between Variables

| No. | Test       | Influence Coefficient | t-value | Result          |
|-----|------------|-----------------------|---------|-----------------|
|     |            | Direct | Indirect | Total     |               |
| 1   | EC → WB    | 0.27   | -        | 0.27      | 4.12           | Positively Significant |
| 2   | FC → WB    | 0.08   | -        | 0.08      | 1.25           | Positively Significant |
| 3   | IC → WB    | 0.63   | -        | 0.63      | 6.75           | Positively Significant |

It can be said that the results of this study indicate that the welfare of micro, small and medium enterprises in the culinary sector in Makassar City is positively and significantly influenced by the entrepreneurial capital
variable. This shows a goal to be achieved: an added value for the community and especially for the community’s welfare. To increase business, especially in the culinary field in Makassar City, entrepreneurial capital also needs to be increased to create more innovative products, different from other products [27], [28].

Other findings in this study indicate a positive and significant influence between financial capital on the welfare of micro, small and medium enterprises in the culinary sector in Makassar City. It shows that financial capital has a positive and significant impact on improving the economic welfare of micro, small, and medium-sized businesses in the culinary sector in Makassar City. The relatively large capital will increasingly allow for higher income to be achieved. With a relatively large capital, it is possible to increase the quantity and variety of commodities to increase profit. To get a high income, it is necessary to prepare a more significant factor of production or capital must be large, which will impact one’s economic welfare [16].

Previous studies also discussed the welfare of micro, small and medium enterprises, especially in the culinary sector in Makassar City, which has a positive and significant impact on intellectual capital so that it impacts the economic welfare of the people who act as micro, small, and medium business actors in the culinary sector in Makassar City. Several aspects that have an impact on the culinary field in Makassar City, especially on micro, small and medium enterprises, namely (1) Skills and Professionalism, (2) Relationships to customers, (3) Knowledge aspects, (4) Technology in the organization, and (5) Applied experience [29]–[31]

4. CONCLUSION

Entrepreneurial capital, financial capital, and intellectual capital have a positive and significant effect on the welfare of micro, small, and medium-sized businesses in the culinary sector in Makassar City. This study’s findings have implications for the informal entrepreneurship education process, especially in forming entrepreneurial capital, financial capital, and intellectual capital in the family households of micro, small and medium-sized entrepreneurs in the culinary sector in Makassar City.

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