International Journal of Business, Law, and Education
E-ISSN : 2747-134X
Publisher: IJBLE Scientific Publications Community Inc.
Volume 5, Number 1, 2024
https://ijble.com/index.php/journal/index

Establishing an Entrepreneurial Environment in Indonesia: Impact of CEO Social Capital, Marketing, and Financial Capabilities on the Performance and Sustainability of MSMEs

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ABSTRACT
This study investigates the complex dynamics of creating an entrepreneurial ecosystem in Indonesia by examining the influence of CEO social capital, marketing capability, and financial capability on business performance. It also explores business performance implications for the sustainable business practices of MSMEs (Micro, Small, and Medium Enterprises) and the broader entrepreneurial ecosystem. A quantitative approach was used, incorporating quantitative data collected through offline and online surveys of 504 samples. Structural Equation Modeling - Partial Least Squares (SEM-PLS) 4 was used for data analysis. This study supported the hypothesis that CEO social capital, marketing, and financial capability significantly influence business performance. In addition, strong evidence was found for a positive relationship between business performance and sustainable business practices and the influence of sustainable business practices on the entrepreneurial ecosystem. This study underscores the multifaceted nature of entrepreneurship in Indonesia, where CEO social capital, effective marketing strategies, financial stability, and sustainable business practices are interconnected elements that contribute to firm success and the overall vitality of the entrepreneurial ecosystem. These findings have implications for policymakers, entrepreneurs, and stakeholders who want to encourage entrepreneurship, support MSMEs, and strengthen Indonesia's entrepreneurial ecosystem for sustainable economic growth and development.

Keywords:
CEO Social Capital; Marketing Capability; Financial Capability; Ecosystem Entrepreneurial; Sustainability

INTRODUCTION

Entrepreneurship is a potent economic development catalyst in industrialized and developing nations that fosters innovation, job creation, and economic expansion. Especially in the Micro, Small, and Medium Enterprises (MSMEs), Indonesia has recently seen a boom in entrepreneurial activity (Payumo et al., 2014; Purbasari et al., 2020). These MSMEs have great potential to tackle urgent problems like unemployment and economic growth (N. T. P. Sari & Kusumawati, 2022). Nevertheless, for entrepreneurship to flourish and have a long-lasting effect, it needs to be supported by a supportive environment that supports innovation, gives access to resources, and promotes cooperation among different stakeholders (Bărbulescu et al., 2021; Prabhu, 2020). As a framework for comprehending the complex web of circumstances that affect entrepreneurship, the idea of an entrepreneurial ecosystem has gained popularity (Grujić, 2019; Isenberg, 2016). The ecosystem comprises various actors, such as business owners, financiers, governmental bodies, institutions of higher learning, and support groups, all crucial to promoting entrepreneurial activity (Hechavarria & Ingram, 2014).

Fostering entrepreneurship, especially in the MSME sector, is essential to tackling Indonesia's severe problems with unemployment and economic development

(Kurniawan et al., 2023). It is critical to have an ecosystem that recognizes and supports the many components of entrepreneurship as a driver of economic progress (Ipmawan et al., 2022). As the largest Muslim nation in the world with a sizable population, Indonesia offers tremendous growth potential in several industries, including the MSME sector (Kadarisman, 2019; Wahyuningtyas et al., 2018). The MSME sector employs Most of the workforce, accounting for around 60% of Indonesia's GDP (Alfiyah et al., 2022). However, despite having 3.4 million MSMEs, Indonesia still has issues with low tax compliance, with only 1.8 million active MSMEs taxpayers (Kurniawan et al., 2023).

The three critical elements of this ecosystem—CEO social capital, marketability, and financial capability—each of which plays a specific and significant role—are the dynamics of the emergence of the entrepreneurial ecosystem in Indonesia. Through their networks and connections, CEO social capital can assist MSME owners in gaining access to resources such as knowledge, skills, and financial support (Andriani, 2013). According to (Agyapong et al., 2017), social capital can favor organizational innovation, which is essential to the expansion and performance of MSMEs. The identification and exploitation of new opportunities by MSME owners with the aid of CEO social capital can result in the creation of ground-breaking goods, services, and procedures. According to research (Hongyun et al., 2019; Mansour et al., 2018), a favorable association exists between CEO social capital and dynamic competencies essential to business performance. MSME owners can strengthen their companies' capacity to react to shifting market conditions and preserve a competitive advantage using their social capital (Febrian & Maulina, 2018). According to (Estrin et al., 2016; and Woolcock Narayan, 2000), CEO social capital can assist MSME owners in forming alliances with other companies, suppliers, and clients that foster greater collaboration, resource sharing, and mutually beneficial outcomes. In order to help MSMEs acquire clients, partners, and investors, CEO social capital can help establish trust and improve their reputation (Andriani & Christoforou, 2016).

Effective market positioning, consumer engagement, and market dynamics adaptation depend on having strong marketing capabilities (Dhameria et al., 2021). Product development, market motivation, and marketing agility are some of these abilities (Jung & Shegai, 2023). Product development skills are inside-out (IO) entrepreneurial marketing skills that assist businesses in creating and launching new products (Khan et al., 2022). According to Cavazos-Arroyo and Puente-Diaz (2019), market-driving capabilities are inside-out (OI) capabilities that concentrate on spotting and taking advantage of fresh market possibilities. According to (Davis et al., 2002), marketing agility is a boundary-crossing element that moderates the link between resources and capabilities. Financial capacity, on the other hand, is a catch-all phrase that refers to the variables that influence how well financial decisions are made (Febrian & Maulina, 2018). The focus of traditional definitions of financial competence has shifted from knowledge and skills to opportunities and motivation in recent years (French et al., 2021; Taylor, 2011). Financial aptitude is crucial for sustained growth and resilience in the face of economic problems (Huang et al., 2015).

Business relationships, organizational management, resource management, production and marketing management, and business spirit and motivation can all have an impact on a company's sustainability in addition to these other factors (Can & Bello, 2022; Gyimah & Adeola, 2021; Jatmiko et al., 2021). The development of MSMEs can also be significantly influenced by the entrepreneurial ecosystem, which

is the collection of interdependent actors and circumstances that foster entrepreneurship (Grujić, 2019; Sussan & Acs, 2017). In most cases, people, technology, capital, and infrastructure comprise this ecosystem's four core parts (Kraus et al., 2019). Technology business incubators (TBIs) are one example of a company performance factor where these components interact statistically significantly (Lindholm Dahlstrand & Politis, 2013).

Although these characteristics have been studied separately in previous studies, it is critical to comprehend how they interact within the specific framework of Indonesia's entrepreneurial environment. Furthermore, as the foundation of the Indonesian economy, guaranteeing the viability of MSMEs is crucial. This study aims to offer insights and actionable strategies to promote entrepreneurship and ensure the sustainability of MSMEs, thereby contributing to the larger objectives of Indonesia's entrepreneurial ecosystem. It examines the interactions between CEOs' social capital, marketing, and financial capabilities and their impact on business performance.

The research problem encompasses a comprehensive examination of various factors influencing the business landscape of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Firstly, the study delves into the impact of CEO social capital on the business performance of MSMEs in the country. Additionally, it explores the correlation between marketing capability and the overall business performance of these enterprises. Furthermore, the investigation extends to the influence of financial capability on the business performance of MSMEs in Indonesia. The research also addresses the reciprocal relationship between MSME business performance and business sustainability, emphasizing their interconnectedness within the Indonesian context. Moreover, the study scrutinizes the intricate linkages between MSME business performance and the creation of entrepreneurial ecosystems in Indonesia. Lastly, the research assesses how the sustainability of MSMEs affects the development and formation of entrepreneurial ecosystems in the Indonesian business environment. In essence, this comprehensive exploration aims to provide valuable insights into the multifaceted dynamics shaping the success and sustainability of MSMEs and their role in fostering entrepreneurial ecosystems in Indonesia

Literature Review And Hypothesis Development

The literature evaluation lays a foundation for comprehending essential factors and their interaction in developing an entrepreneurial ecosystem in Indonesia. According to this paradigm, CEOs' social capital, marketing, and financial skills affect business success, which cascades on MSMEs' sustainability and the health of the larger entrepreneurial ecosystem. Understanding these links is essential for developing effective policies and strategies since these interconnections among the various factors have a significant role in determining the entrepreneurial landscape in Indonesia. Numerous research have been done on the entrepreneurial ecosystem. As shown in Figure 1 below, the interplay between social capital, marketing factors, funding factors, and financial considerations are the elements that determine how the framework is constructed.

Figure 1. Ecosystem Entrepreneurial Framework
Source: (Isenberg, 2016; Sussan & Acs, 2017)

a. Linkages between CEO Social Capital, Marketing Capability and Financial Capability of MSMEs

According to (Andriani & Christoforou, 2016), CEO social capital refers to the networks, contacts, and relationships that CEOs of entrepreneurial businesses develop over time. These networks include professional organizations, alum contacts, mentorship bonds, and business partnerships. According to (Chell, 2007; Redondo & Camarero 2019; Woolcock & Narayan, 2000), CEO social capital opens doors to critical resources like finance, knowledge, and commercial prospects. The social capital bonding, bridging, and linking concepts are part of the social capital theory framework presented in (Andriani, 2013) research. According to research, CEOs with high social capital are better at spotting and seizing opportunities, overcoming obstacles, and ultimately generating higher firm performance.

H1: Social capital is suspected to be a significant factor in MSME business performance.

A company's ability to compete successfully in the market is significantly influenced by its marketing capacity (Jung & Shegai, 2023; Nasution et al., 2022; D. Sari et al., 2023). Market research, product creation, branding, advertising, and customer relationship management are just a few of the skills and resources that make up marketing competencies. Strong marketing capabilities enable businesses to recognize client needs, create cutting-edge goods or services, and persuasively present their value proposition to target customers. Research (D. Sari et al., 2023) demonstrates that the markers for gauging this variable include identifying actual clients and markets, rivals, commercial trends, and revenue accuracy. This skill is critical in developing nations like Indonesia, where market dynamics and consumer tastes continually shift (Khouroh et al., 2020).

H2: Marketing capability is suspected to be a significant factor in MSME business performance.

Financial resources, managerial procedures, and finance availability are all factors that affect a company's financial capabilities (Taylor, 2011). A company must have strong financial capabilities to maintain daily operations, invest in development prospects, and manage financial crises. Indicators for measuring financial aptitude, such as financial literacy, loan access, and functional finance, have been offered by (Huang et al., 2015) research. According to research, financially sound businesses are better equipped to weather economic downturns and embrace expansion opportunities (Febrian & Maulina, 2018).

H3: Financial Capability is suspected to be a significant factor in MSME business performance.

b. Relationship between MSME Performance, Sustainability in creating an entrepreneurial Ecosystem

Micro, Small, and Medium-Sized Enterprises (MSMEs) are crucial in developing the Indonesian economy and generating jobs. However, MSMEs frequently struggle with regulatory impediments, market access, and financial access issues (Duncombe & Heeks, 2005; Hamdana et al., 2021; Wulandari et al., 2020). For long-term economic stability and prosperity, the MSME sector must achieve sustainability. According to (Can & Bello, 2022; Sobir, 2018; Verma, 2019), sustainable MSMEs can maintain their operations, adjust to shifting market conditions, and promote social and environmental well-being. In the context of MSMEs, sustainability comprises the VRIN (Valuable, Rare, Imitable, Non-Subtitable) aspects that (Barney, 1991) articulated.

H4: MSME business performance is suspected to be a significant factor in MSME business sustainability.

The idea of an entrepreneurial ecosystem has become a crucial foundation for comprehending the intricate processes that underlie entrepreneurship in a place or sector of the economy (Kraus et al., 2019; Mansour et al., 2018; Metcalf et al., 2021). An entrepreneurial ecosystem is not merely a collection of different actors but also a dynamic network where businesses, investors, governmental bodies, schools, and other support groups collaborate to promote entrepreneurship (Duan et al., 2021; Sussan & Acs, 2017). New companies' development, growth, and innovation depend heavily on this ecosystem.

H5: MSME performance is expected to be a significant factor in creating an entrepreneurial ecosystem in Indonesia.

The sustainability of MSME businesses and the entrepreneurial ecosystem are mutually beneficial (Grujić, 2019). Sustainable MSMEs gain from ecosystem resources and assistance, and their sustainability efforts help the ecosystem stay healthy and resilient (Bărbulescu et al., 2021). Given their connection, sustainability promotion is crucial for fostering a thriving and long-lasting entrepreneurial ecosystem (Sussan & Acs, 2017).

H6: The sustainability of MSME businesses is predicted to be a significant factor in creating an entrepreneurial ecosystem in Indonesia.

c. Research Gap and Conceptual

A conceptual framework has been created to direct this research (Figure 1). This paradigm shows how CEOs' social capital, marketing skills, and financial skills interact and affect business success, the sustainability of MSMEs, and the larger entrepreneurial ecosystem in Indonesia. There is a significant research vacuum in the

body of literature when we examine the dynamics of the development of the entrepreneurial ecosystem in Indonesia, as well as the variables that affect firm performance, the sustainability of MSMEs, and the larger entrepreneurial ecosystem. While individual studies have looked at the CEO's social capital, marketing, and financial skills as elements influencing firm performance, their interaction in the particular setting of Indonesia's entrepreneurial ecosystems has received less attention. Furthermore, little research has been done on how these elements, crucial to Indonesia's economic development, affect MSMEs' sustainability.

The existing literature frequently analyzes these elements separately, making comprehending the intricate relationships between them challenging. By conducting a thorough analysis of CEOs' social capital, marketing skills, and financial skills in the particular Indonesian context and how they collectively influence firm performance, MSME sustainability, and the larger entrepreneurial ecosystem, this study aims to close this gap. Furthermore, despite MSMEs being regarded as essential players in the Indonesian economy, research frequently concentrates on large businesses. This study closes another significant research gap by recognizing the value of comprehending the unique possibilities and difficulties MSMEs face in the entrepreneurial environment.

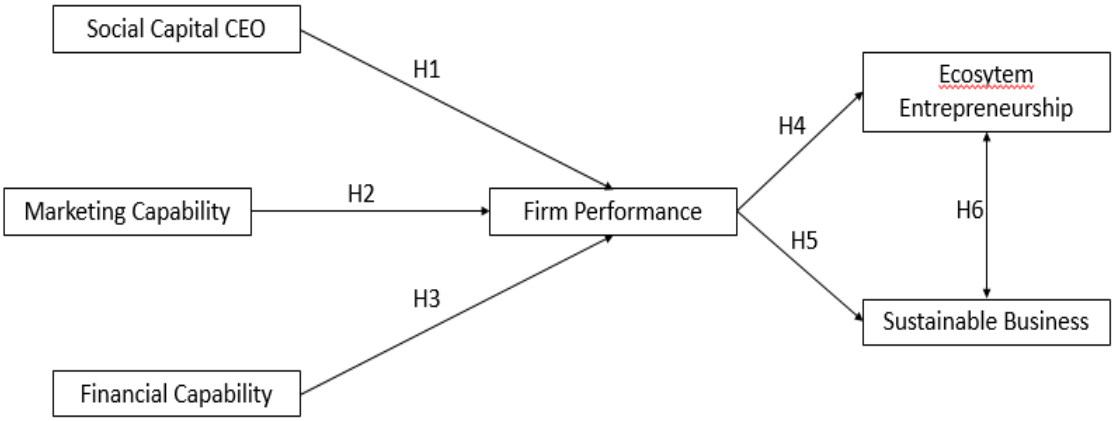

Figure 2. *Model Conceptual Research*
Source: Results Researcher Mapping Study Literature (2023)

METHOD

Primary data was obtained through a self-reported survey with offline and online data-gathering methods to address the study's objectives. The online survey was implemented using the digital platform Google. In the meantime, to complete the offline survey, the author and enumerators—students—were employed to deliver questionnaires directly to potential participants in this study after receiving training on how to understand the objectives of participants in order to minimize any potential respondent bias or confusion that might arise when filling out the questionnaire. The process took roughly seven weeks, beginning on July 3, when the questionnaire was disseminated for the first time, and concluding on August 14, 2023. Because of the authors' and enumerators' laborious efforts, 542 data were acquired from MSME owners.

Large provinces, including DKI Jakarta, Banten, West Java, East Java, Central Java, South Sulawesi, and Bali, and cities and districts, produced the most

respondents for this online poll. At the same time, demographics that have been questioned online are not included. Data was acquired via online surveys through several social media sites, including WhatsApp, Facebook, and Instagram. The author intends to ensure confidentiality by not using the respondent's complete name and other identifying elements. This study adopted a purposive technique where participants were selected based on relevant criteria, including:

Table 1. *Criteria Sample*

Defined Criteria	N	Based on the data obtained
Potential respondents are the legal owners or core management.	504	Fit Criteria
The respondent's business has at least one to five employees following the criteria in the latest Government Regulation Law of the Republic of Indonesia, namely No. 07 of 2021, which contains the criteria for MSMEs.	504	Fit Criteria
Have Financial Records	504	Fit Criteria
Because they are unlikely to be returned, researchers avoided choosing ultra-micro companies like street vendors with tiny carts or tents.	504	Fit Criteria

Source: Primary Data, 2023

Measurement and Definition of Variables

First, the study's indicators were assessed to determine perceptions using a Likert scale of 1 to 5. Before being legally derived, this questionnaire underwent a trial stage and was initially distributed to management and entrepreneurial researchers with high-caliber publications on Scopus and PhD education. Thirty temporary samples were then chosen and tested against the test items. With a total of 25 questions, this study aims to investigate the relationship between the independent variables social capital (SOC), marketing capability (MCA), and financial capability (FCA), as well as the dependent variables MSME performance (BFO), business sustainability (SUB), and entrepreneurial ecosystem (ECE).

Analyzing data

PLS-SEM, which combines partial least squares and structural equation modeling, was used to analyze the research data. The SMARTPLS version 4 tool was used to conduct the PLS-SEM analytical method. The Confirmatory Composite Analysis (CCA) approach strengthened this research. To guarantee the robustness of the model design and latent variable indicators employed in this work, this method is based on a solid theoretical foundation established in prior research. Examining the outer and inner models is necessary in the two-stage analysis process required by the PLS-SEM methodology. The outer model consists of several statistical analyses designed to assess the validity and coherence of the constructs used to create the various survey instrument indicators.

Convergent and discriminant validity are the two methods used to evaluate the instrument's validity. The instrument's reliability is assessed using the Composite Reliability (CR) and Cronbach's Alpha (CA) measures. Any latent variable that exhibits CR and CA values more than 0.70 is regarded as dependable when using the CCA technique. Additionally, (Hair et al., 2019) devised the Average Variance Extracted

(AVE) measure, which must surpass 0.50, to be used for the CCA Method's convergent validity assessment.

Table 2. *Validity and Reliability of Questionnaires*

Variabel	Code	Loading Factor	Cronbach Alpha	Composite Reliability	Average Variance Extracted
Social Capital	SOC.1	0,825			
	SOC.2	0,880	0,825	0,896	0,741
	SOC.3	0,877			
Marketing Capability	MCA.1	0,807			
	MCA.2	0,859	0,848	0,897	0,658
	MCA.3	0,828			
	MCA.4	0,819			
Financial Capability	FCA.1	0,883			
	FCA.2	0,942	0,877	0,924	0,803
	FCA.3	0,862			
Business Performance	BPO.1	0,758			
	BPO.2	0,820			
	BPO.3	0,838	0,893	0,919	0,653
	BPO.4	0,741			
	BPO.5	0,851			
	BPO.6	0,835			
Sustainable Business	SUB.1	0,824			
	SUB.2	0,875	0,831	0,888	0,665
	SUB.3	0,748			
	SUB.4	0,809			
Ecosystem Entrepreneurial	ECE.1	0,803			
	ECE.2	0,757			
	ECE.3	0,871	0,875	0,909	0,668
	ECE.4	0,859			
	ECE.5	0,791			

Resource: Data Analysis Result, 2023

Furthermore, it is clear from Table 3 that every indicator item examined for this study displays a loading factor value higher than 0.70. The high loading factor value highlights that all indicators accurately represent their respective structures. Table 2 further shows that all latent variables studied in this study have comprehensive reliability (CR) and composite reliability (CA) values of more than 0.70. The average variance extracted (AVE) value for each latent variable in this investigation is more significant than 0.50. These ratio values illustrate the validity and reliability of the instruments created from this study's latent variables and indicators.

Table 3. *Discriminant Validity Research*

	SOC	MICA	FCA	BPO	SUB	ECE
SOC						
MICA	0,199					
FCA	0,117	0,297				
BPO	0,298	0,277	0,660			
SUB	0,395	0,468	0,461	0,712		
ECE	0,231	0,537	0,401	0,693	0,197	

Source: Processing data analysis, 2023

The Heterotrait-Monotrait Coefficient (HTMT) is used as a statistical tool to evaluate the research instrument's discriminant validity. It is essential to remember

that the HTMT ratio gives a more suitable method for assessing discriminant validity in PLS-SEM analysis, as demonstrated by the work of (Ringle et al., 2012). The HTMT ratio must be kept under 0.90 to prove the instrument's validity. Table 3 shows that each latent variable's HTMT ratio value is less than 0.90, demonstrating the validity of the research instrument for evaluating the built-in model.

The goal of the internal or structural assessment is to determine how well the conceptual model predicts the variance of the independent variables. Four measurement analyses are carried out to achieve this. The importance of the combined effect of exogenous and endogenous components was assessed using the R-square (R2) value, which denotes the coefficient of determination. Additionally, the bootstrap technique was used with a subsample of 5000 to evaluate the statistical significance of the direct and indirect path coefficients. The t-statistic, also known as the p-value, is used in this assessment, and a value of less than 0.1 is needed to prove a statistically significant association between latent variables. The research approach defined by (Hair et al., 2019) was used to test the hypotheses presented in this study at this level. The robustness of the overarching structural model was then validated, and the effectiveness of the measurements and structural model was assessed using a Goodness of Fit analysis. This analysis evaluates the strengths of the SRMR, NFI, and Chi-Square ratio values. Along with those mentioned above, this study also uses predictive relevance analysis with the blindfolding approach, which is based on cross-validated redundancy described in detail by (Hair et al., 2017) Sarstedt and Straub in 2012. Reviewing and analyzing the use of Partial Least Squares Structural Equation Modeling (PLS-SEM) in the context of structural equation modeling is the primary goal of this study.

RESULTS AND DISCUSSION

The demographics of the 504 research respondents who were polled online and offline are shown in Table 5. The demographic information reveals that the respondents to our study had a wide range of business experience and educational backgrounds. Notably, nearly one-fifth of the participants (19.84%) had less than five years of experience in the company, demonstrating the existence of new business owners and startups in Indonesia's entrepreneurial ecosystem. Significantly, most responders (44.44%) had completed senior high school, demonstrating that entrepreneurship is not just for people with advanced degrees. The range of educational backgrounds among entrepreneurs, which can contribute to a vast pool of knowledge and expertise in the business landscape, is further highlighted by the tiny fraction of others who have bachelor's (21.83%), master's (8.33%), and even doctoral degrees (5.95%).

Most respondents (76.19%) represented single proprietorships or family-owned enterprises. The research sample includes a diverse spectrum of business profiles. Most small and family-owned enterprises highlight their significant contribution to Indonesia's entrepreneurial ecosystem. Additionally, the majority (22.02%) operate as Commanditaire Vennootschap (CV) companies, reflecting the sample's partnership-based firm presence. Interestingly, just a tiny percentage of respondents (1.79%) work for corporate entities or Perseroan Terbatas (PT), suggesting that larger businesses operate in the entrepreneurial space. The variety of business characteristics highlights the intricacy of the firms fostering Indonesia's economic expansion.

Data on business revenue and total assets provide insight into the sampled enterprises' financial standing. Small businesses predominated in the sample, as evidenced by most respondents (79.56%), who reported yearly business sales of IDR 2 billion or less. Additionally, nearly half of the companies (48.21%) stated that their total assets were worth IDR 1 billion or less. This information indicates the existence of micro and small businesses, a crucial component of Indonesia's entrepreneurial ecosystem. Last but not least, the geographic distribution of respondents reveals a varied presence across various Indonesian provinces, with Jakarta (31.75%) and Java (Central, West, East) (25.79%) emerging as critical cities. This distribution emphasizes the study's national reach and the inclusion of companies from various locations, which helps to provide a thorough knowledge of Indonesia's entrepreneurial environment.

Table 3. *Demographic of Respondent*

Business Experience	**N**	**%**
<5 years	100	19,84
6-10 years	120	23,81
11-15 years	80	15,87
16-20 years	90	17,86
>20 years	114	22,62
Business Profile	**N**	**%**
Individual or Family	384	76,19
CV	111	22,02
Corporate or PT	9	1,79
Business Income	**N**	**%**
2.000.000.000.00	401	79,56
2.000.000.000.00-15.000.000.000.00	88	17,46
15.000.000.000.00-50.000.000.00	15	2,98
Geographic Distribution	**N**	**%**
Jakarta	160	31,75
Banten	70	13,89
Java (West, Central, East)	130	25,79
Sumatra	80	15,87
Bali and Nusa Tenggara	24	4,76
Kalimantan	40	7,94
Sulawesi	36	7,14
Maluku and Papua	4	0,79
Education Background	**N**	**%**
Junior High School	98	19,44
Senior High School	224	44,44
Bachelor's Degree	110	21,83
Master's Degree	42	8,33
Doctoral Degree	30	5,95
Total Employee	**N**	**%**
1-5 employee	220	43,65
6-20 employee	178	35,32
>20 employee	106	21,06
Total Assets	**N**	**%**
1.000.000.000.00	243	48,21
1.000.000.000.00-5.000.000.000.00	178	35,32
5.000.000.000.00-10.000.000.000.00	83	16,47

Source: Primary Data, 2023

Required for PLS-SEM

(Ringle et al., 2012) Advises that it is required to confirm that the outlier data is missing before the data analysis test is carried out, at least in the state of study employing PLS-SEM. As the author has stated, the sample for this study consisted of 504 samples. Initially, 750 questionnaires were issued, but 246 had missing or blank answers, meaning that the elements in this study did not match the criteria. After this procedure, 504 respondents comprised the final sample used in this study. The guideline for this research sample of 504 is based on (Hair et al., 2017), which states that the ratio of samples to indicators when utilizing the SEM-PLS approach must be 5–10 times higher. According to Table 2 in the preceding subchapter, there are 25 indicators present in each variable of this study, necessitating a minimum sample size of 250 respondents to respond to Suggestion (Hair et al., 2017). Based on this, this study is relevant to the conditions at hand.

The multicollinearity assumption between each variable contributing to the construct must be disregarded for the PLS-SEM test to pass the following requirement. If the VIF (Variance Inflation Factor) value is less than 3,000, this requirement is deemed met, as mentioned in (Hair et al., 2017).

As shown in Table 4, each variable and indicator has an inner value VIF < 3.00, allowing the author to make the premise that multicollinearity assumptions are unfounded.

Table 4. *Inner VIF Values*

Variable	VIF
Social Capital	2,194
Marketing Capability	1,661
Financial Capability	2,309
Business Performance	1,740
Sustainable Business	1,833
Ecosystem Entrepreneurial	2,744

Resource: Data Analysis Result, 2023

(Hair et al., 2019) asserts that in order to measure the combined effectiveness of the structural model/inner model and the outer model, a model fit assessment is crucial. The SMARTPLS website, according to (Ringle et al., 2012), lays forth precise standards for judging model fit. Theta RMS (Root Mean Square) value must be less than 0.02, SRMR (Standardized Root Mean Square) value must be less than 0.02, SRMR (Standardized Root Mean Square) value must be less than 0.10 or 0.08, or the NFI value must be greater than or close to 0.9.

Table 5 reveals that the estimated model's NFI value is 0.876, indicating a high level of fit and that the SRMR value is 0.062, falling below the suggested criterion of 0.10. According to the research findings, the model developed for this study satisfies the Goodness of Fit presumptions.

Table 5. *Model of Fit*

	Saturated Model	Estimated Model
SRMR	0,062	0,072
d_ULS	0,665	1,214
d_G	0,308	0,311
Chi Square	1933,702	1929,433
NFI	0,876	0,875

Source: Data Analysis Result, 2023

Internal Structure Model

Calculating the coefficient of determination is the first stage in structural model analysis. This test is determined by the PLS algorithm step's coefficient of determination R-square (R2) value. The R2 ratio level can be divided into three categories, namely strong (0.75), medium (0.50), and weak (0.25), according to (Hair et al., 2019). It may be concluded that the model created in this study is appropriate to describe the occurrence if the Q2 value is less than 0.05.

The R2 value for business performance is 0.443, as seen in Table 8. The sustainable business variable's value is 0.583 as well. The entrepreneurial ecosystem is at 0.692. In this investigation, the three endogenous variables (PFO, SUB, and ECE) have Q2 values greater than 0.05 (0.059, 0.06, and 0.052), as shown in Table 8. It is possible to conclude on the adequacy of the exogenous variables utilized to predict the endogenous variables in this study.

Table 6. *R Square*

	R Square	R Square Adjusted
Business Performance	0,443	0,059
Sustainable Business	0,583	0,064
Ecosystem Entrepreneurial	0,692	0,052

Source: Data Analysis Result, 2023

Research on Hypothesis

Using bootstrapping approaches, the final part of the inner model analysis procedure involves verifying the hypotheses. As described (Hair et al., 2019), experts employed 5,000 sub-samples to ensure the level of data stability as they assessed the structural model's level of relevance. Significant values in this exploratory investigation ranged from 5% to 10%. This shows that economic and management research has a universally accepted threshold of relevance.

Table 7. *Hypothesis Test*

	Original Sample	Sample Mean	STD DEV	T Statistics	P Values	Result
SOC -> FPO	0,387	0,287	0,056	3,261	0,002	Support
MCA -> FPO	0,430	0,436	0,077	5,584	0,000	Support
FCA -> FPO	0,617	0,611	0,125	4,931	0,000	Support
BPO -> SUB	0,887	0,892	0,020	45,074	0,000	Support
SUB -> ECE	0,088	0,085	0,045	22,305	0,000	Support

Source: Data Analysis Result, 2023

The following conclusions can be taken from Table 10 above. The findings provide substantial evidence in favor of Hypothesis 1, which holds that CEO social

capital positively impacts business performance. According to data analysis, a considerable link exists between CEO social capital and business performance, suggesting that business owners with large networks of contacts are more likely to succeed in their endeavors. The statistics also significantly support Hypothesis 2, which holds that marketing competency positively impacts firm performance. According to a statistical study, there is a substantial correlation between marketing capabilities and company performance, meaning that companies with effective marketing strategies, engaged customers, and a strong market position are more likely to achieve favorable business results. These results highlight the significance of efficient marketing techniques in navigating Indonesia's cutthroat corporate environment.

The data analysis offers convincing evidence in favor of Hypothesis 3, which holds that financial capacity has a favorable impact on business success. According to the findings, a considerable link exists between financial competence and business success, indicating that companies with sound financial management strategies and resources are better positioned to operate at greater levels. This research emphasizes how crucial financial stability is to preserving and enhancing firm success, particularly in economic difficulties. The findings support Hypothesis 4, which asserts that performance positively influences sustainable business practices. The statistical research reveals a significant correlation between sustainable business practices and business performance, suggesting that successful businesses are more likely to adopt sustainable practices. The correlation between company success and sustainability initiatives is shown by this finding, which emphasizes that successful organizations are more likely to have a good impact on social and environmental factors.

The findings also substantially support Hypothesis 5, which asserts that sustainable company practices favorably impact the entrepreneurial ecosystem. The findings strongly link a more general entrepreneurial ecosystem and sustainable company practices. This shows that companies prioritizing sustainability not only enhance their own performance but also positively impact Indonesia's broader entrepreneurial climate. In the ecosystem, sustainable enterprises frequently promote creativity, teamwork, and long-term economic growth. Therefore, hypotheses H1, H2, H3, H4, and H5 are accepted. In conclusion, the data from this study provided strong support for the study's hypotheses and confirmed the connections between CEO social capital, marketing capabilities, financial capabilities, business performance, and sustainable business practices.

Discussion

The strong support for Hypothesis 1 underscores the critical role of CEO social capital in shaping business performance. Entrepreneurs with extensive networks and relationships are better positioned to access resources, information, and opportunities in the entrepreneurial ecosystem (Andriani, 2013; Hausberg & Korreck, 2020). These findings emphasize the importance of cultivating social capital among entrepreneurs to enhance business success, which aligns with previous research (Agyapong et al., 2017; Yani et al., 2020). Strong support for Hypothesis 2 highlights the importance of marketing capabilities in influencing business performance. Firms with effective marketing strategies, customer engagement, and market positioning tend to achieve better results (Nasution et al., 2022; PérezCabañero et al., 2015). This aligns with the view of (Cavazos-Arroyo & Puente-Diaz, 2019; Dhameria et al., 2021; Jung & Shegai,

2023) that firms need to prioritize marketing efforts to navigate the competitive landscape effectively.

The strong support of Hypothesis 3 reaffirms the critical role of financial capability in business performance. Firms with sound financial resources and management practices are more likely to succeed, especially in challenging economic conditions. This finding aligns with the view (Munyuki & Jonah, 2022; Nguyen et al., 2021) of the importance of financial literacy and access to funding for entrepreneurs. Strong support for Hypothesis 4 suggests alignment between business performance and sustainable practices. Successful firms are likelier to engage in sustainable business practices, highlighting the link between economic success and sustainability (Barney, 1991; Febrian & Maulina, 2018). This underscores the potential for businesses to contribute positively to social and environmental well-being (Iskandar & Kaltum, 2021). Strong support for Hypothesis 5 emphasizes the role of sustainable businesses in shaping the broader entrepreneurial ecosystem. Sustainable practices benefit individual firms and foster innovation, collaboration, and long-term economic growth within ecosystems (Bărbulescu et al., 2021; Qoriawan & Apriliyanti, 2022; Sussan & Acs, 2017).

Creating an ecosystem to foster entrepreneurship, support MSMEs, and strengthen Indonesia's entrepreneurial ecosystem for sustainable economic growth requires a multifaceted approach. One of the critical components in fostering entrepreneurship in Indonesia is the entrepreneurial ecosystem, which includes policies, markets, finance, support, human resources, and culture (Margiono & Feranita, 2021; Qoriawan & Apriliyanti, 2022). This ecosystem is critical to creating a conducive business climate for entrepreneurs. The synergy between the government and the private sector in microfinance programs is becoming more apparent in Indonesia. Microfinance programs, which offer loans of up to USD 691, are seen as the best solution for a country dominated by MSMEs (Dhewanto et al., 2021). These programs help empower the development of the entrepreneurial ecosystem in Indonesia and provide policy recommendations to improve the microfinance sector, particularly for Micro and Small Enterprises (Iqbal & Subhan, 2022). Another essential aspect of growing entrepreneurship in Indonesia is the role of social capital (Mansour et al., 2018; Neumeyer et al., 2019). Research shows that social capital significantly improves subjective well-being, which can impact urban residents compared to rural residents (Andriani & Christoforou, 2016). This suggests that developing social capital in rural areas can help improve well-being and support entrepreneurship (Andriani, 2013).

In addition, the role of CEOs and their characteristics can also influence business success in Indonesia. For example, research has shown that accounting skills and financial capital positively influence the financial performance of MSMEs (Buallay et al., 2019; Daat et al., 2021; Dalwai & Salehi, 2021). In addition, busy CEOs are associated with higher financial reporting quality (Sun et al., 2023; Zhang et al., 2023). This highlights the importance of having competent and dedicated CEOs in driving business performance and developing entrepreneurship in Indonesia. In addition, the digital age presents new opportunities for entrepreneurs, especially women, to thrive in the Indonesian market (Anggadwita et al., 2017; Riantoputra & Muis, 2020). Integrating digital technology into business models can help improve the competitiveness of MSMEs and support a sustainable women's entrepreneurship ecosystem (Sussan & Acs, 2017).

CONCLUSION

This research study investigated the complex web of factors that shape the entrepreneurial ecosystem in Indonesia and uncovered valuable insights into the relationships between CEO social capital, marketing capabilities, financial capabilities, firm performance, sustainable business practices, and the broader entrepreneurial environment. The findings of this study carry significant implications for various stakeholders and policymakers. The results support the hypotheses, confirming that CEO social capital, marketing capability, and financial capability are important drivers of firm performance. Entrepreneurs with extensive networks and relationships, effective marketing strategies, and substantial financial resources are more likely to succeed in Indonesia's competitive business landscape. In addition, the research also highlights the symbiotic relationship between firm performance and sustainable business practices, emphasizing the role of successful businesses in advancing sustainability.

In addition, this research also shows an interesting relationship between sustainable business practices and the entrepreneurial ecosystem. Sustainable businesses thrive individually and contribute positively to the broader entrepreneurial environment, fostering innovation, collaboration, and economic growth.

In conclusion, this study offers a comprehensive perspective on developing entrepreneurship in Indonesia. It underscores the importance of nurturing social capital, improving marketability, promoting financial literacy, and encouraging sustainable business practices. These strategies can collectively strengthen the entrepreneurial ecosystem in Indonesia, creating a conducive environment for businesses to thrive and contribute to sustainable economic development. As Indonesia journeys in developing entrepreneurship and supporting MSMEs, these findings provide valuable guidance for policymakers and stakeholders looking to shape a vibrant and sustainable entrepreneurial landscape such as:

a. Policymakers should consider utilizing the findings of this study to formulate strategies that encourage social capital, support marketability, improve financial literacy, and promote sustainable business practices. These interventions can create an enabling environment for entrepreneurship to flourish.
b. Entrepreneurship education and training programs can equip entrepreneurs with the necessary skills and knowledge to succeed. Collaborative efforts between educational institutions, government agencies, and industry stakeholders are recommended to expand such programs.
c. Stakeholders should work collaboratively to develop a vibrant entrepreneurial ecosystem. This includes creating supportive networks, providing access to finance, and fostering a culture of innovation and sustainability.

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