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Social Capital, Financial Capital, and Entrepreneurial Orientation: Keys to Performance in Indonesia's MSME Clothing Industry

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ABSTRACT
This paper embarks on an exciting journey through Indonesia's Micro, Small, and Medium Enterprises (MSME) clothing industry, unraveling the intricate tapestry of social capital, financial resources, and entrepreneurial orientation as the catalysts for success. Brace yourself for a captivating exploration of how these factors weave together to elevate the performance of businesses in this dynamic industry. Our research, based on an extensive and vibrant dataset, has yielded results that are nothing short of captivating. With all hypotheses embraced and accepted, our findings spotlight the undeniable synergy between social connections, financial backing, and entrepreneurial spirit in the realm of MSME clothing enterprises in Indonesia. These intertwined elements emerge as the warp and weft of the industry's success story. This research isn't just informative; it's a game-changer. It offers a treasure trove of insights for policymakers, industry enthusiasts, and budding entrepreneurs. It confirms that nurturing relationships, enhancing access to financial resources, and instilling a fearless entrepreneurial mindset are the keys to unlocking the full potential of Indonesia's thriving MSME clothing industry.

Keywords: Social Capital, Financial Capital. Entrepreneurial Orientation, Performance, MSME Clothing Industry

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in Indonesia's economy, contributing to 61.41% of the country's gross domestic product and employing 96.71% of the labor force (Kurniadi et al., 2022). The textile and clothing industry is one of the sectors where MSMEs are prevalent in Indonesia (Tambunan, 2019). According to East Asia Forum, The garment industry is highly dependent on exports, and in 2019, it contributed 11% to total manufacturing exports and 5% to total exports. This industry also employs 5.2 million workers, mostly medium skilled, low paid, and female. The impact of this industry is not only for the country economy but also for the entrepreneur it self. The clothing commodity is one of the commodities that can provide a sizable profit, as it is one of the basic needs of society. The sizable profit that this sector makes this industry play an important role in employment opportunities, income distribution, poverty reduction, and rural economic development (Pulungan et al., 2023).

Nevertheless, On top of its huge contribution to the economy and social life of Indonesian society, this industry faces many tough challenges. MSMEs in the clothing sector face challenges related to financial, human resources, marketing, operational, administrative, and organizational management (Anatan, 2023). In a financial context, MSMEs in the clothing industry have limited access to adequate credit and funding. They also face problems related to the high energy costs they have to spend to keep their business operations running and this is a significant challenge that has an impact on their performance (Irjayanti and Aziz, 2012). Specifically, this industry faces challenges such as decreasing demand due to competition from mass-produced products from developed countries, poor product quality, and lack of accurate data about the sector (Kurniadi et al., 2022)(Utomo et al., 2022).

Access to appropriate capital can help MSMEs in the clothing industry in Indonesia overcome some of the challenges they face. This includes social capital and financial capital. Apart from that, entrepreneurial orientation can also be a guide in reaching a solution for this sector. This orientation can be a way out in several ways, namely generating innovation, improving performance, exploring competitive advantages, and carrying out sustainable supply chain management. Entrepreneurial orientation is measured through innovativeness, proactiveness, risk-taking, and aggressiveness so that MSMEs in the clothing industry can use innovation to differentiate themselves from competitors and improve their competitiveness (Herlinawati et al., 2019). Entrepreneurial orientation has a positive effect on business performance. The combination of strategic resources and the entrepreneurial orientation of MSMEs owners also will improve or enhance competitive advantage (Susanti). Lastly, MSMEs can use entrepreneurial orientation to identify opportunities for sustainable supply chain management and implement them (Hartono, 2019).

Several researchers have shown interest in this topic by conducting and producing several important and insightful findings. Apart from being able to strengthen the arguments and findings of previous research, this research can also be complementary. The study by (Luo & Jiang, 2022) shows that social capital positively influences business performance among SMEs. However, the study does not explore the specific mechanisms through which social capital affects performance, leaving a research gap in this area. The other study conducted by (Sulistyani, 2022) examines the mediating role of self-efficacy in the relationship between social capital and entrepreneurial orientation. However, the study focuses on the Dayak ethnic entrepreneurship setting, leaving a research gap in the general MSME context. A research about the topic also conducted by (Diva, 2009) and analyzes the influence of the government's role orientation towards entrepreneurship and the role of social capital on the export performance of craft SMEs in Bali Province. However, the study does not explore the role of financial capital and entrepreneurial orientation in the performance of MSMEs. (Kussudyarsana et al., 2023) is also conducting research in this area by examines the effect of social capital, innovation, and capabilities on MSMEs' resilience in economic hard times. However, the study does not explore the specific mechanisms through which social capital and entrepreneurial orientation affect the performance of MSMEs in the clothing industry.

Theoretically, these gaps are the reason why this research needs to be carried out. This research can have a significant impact on the world of academics and practitioners. This research will provide some impacts for academics such as contribute to the existing literature on social capital, financial capital, and entrepreneurial orientation in the context of MSMEs in the clothing industry, which is currently limited, provide a better understanding of the specific mechanisms through which social capital, financial capital, and entrepreneurial orientation affect the performance of MSMEs in the clothing industry, which can be used to develop more effective policies and strategies for MSMEs, and helps help to fill the research gap in the role of financial capital in the performance of MSMEs, which is currently underexplored. Meanwhile, for practitioners in the field, this research can have an impact in the form of providing insights into the factors that contribute to the performance of MSMEs in the clothing industry, which can be used to develop more effective business strategies, helping MSMEs to identify the specific mechanisms through which social capital, financial capital, and entrepreneurial orientation affect

their performance, which can be used to develop more effective business models, and also helping policymakers to develop more effective policies and programs to support MSMEs in the clothing industry, which can contribute to the growth and development of the industry.

This research will proceed with reference to the aim of answering the following question: "What is the relationship between social capital, financial capital, and entrepreneurial orientation in the context of Indonesia's MSME clothing industry, and how do these factors collectively influence the performance of these businesses? " This question will be a reference and benchmark in this research so that it can produce findings that can answer the various existing gaps mentioned previously.

Literature Review And Hypothesis Development

1. MSME Clothing Industry in Indonesia

The MSME clothing industry in Indonesia plays a significant role in the country's economy, encompassing various sub-sectors, including apparel, textiles, and garments[3]. The industry's size is substantial, with approximately 5,000 large and medium-sized companies, as well as an additional 500,000 small and micro-enterprises actively participating in the textile sector[1]. These businesses collectively employ 5.2 million workers, primarily medium-skilled, low-paid, and female employees[6]. In terms of its economic impact, the textile industry contributes 6.12% to the GDP of Indonesia's manufacturing sector, accounting for 1.04% of the total national GDP (USDA).

The growth of the Indonesian textile sector is noteworthy, as it exhibited significant positive quarterly growth of 3.33% in the first quarter of 2022, with an annual growth rate of up to 12.45% year-on-year[1]. The future prospects for the industry appear promising, fueled by a growing domestic market, favorable government policies, and export opportunities[3]. Nevertheless, the sector faces challenges related to production costs, especially those associated with raw materials, energy, and labor (USDA). In terms of its contribution to the national economy, the textile industry is a substantial player, contributing 11% to total manufacturing exports and 5% to total exports in 2019[6]. It has been a key part of Indonesia's economy, and the country aspires to establish itself as a global center for the Muslim fashion industry[1]. Notably, the Indonesian Textile Association points out that Indonesia's textile exports account for only 30%, with the remaining 70% serving the local market[2].

The MSME clothing industry in Indonesia is a vital component of the nation's economy, characterized by a large number of companies and a significant workforce. While the industry has experienced notable growth, it grapples with challenges related to production costs and international competition. Nevertheless, its substantial contribution to the national economy, combined with a growing domestic market and export opportunities, underscores its continued importance.

Entrepreneurs in the MSME clothing industry in Indonesia contend with distinct characteristics, challenges, and opportunities. Notable features of this entrepreneurial landscape encompass the predominance of micro and small business owners, often reflecting the industry's diverse and fragmented nature (Riani et al., 2019). Significantly, women entrepreneurs play a pivotal role, frequently establishing businesses to augment family income, resulting in a considerable female presence within this sector. Moreover, these entrepreneurs typically possess medium-level skills and contend with relatively lower wages (Tahi & Tambunan, 2017). However, they

face substantial challenges, notably the perennial issue of limited access to financing, which hinders their capacity to invest and expand (ILO). Additionally, entrepreneurs grapple with formidable obstacles concerning production costs, encompassing expenses related to raw materials, energy, and labor, ultimately affecting their competitiveness (Anatan, 2023). Furthermore, the industry faces stiff competition from countries like China and Vietnam, known for their lower production costs. Nonetheless, opportunities abound in this dynamic landscape. The burgeoning domestic market within Indonesia presents a fertile arena for entrepreneurs to explore and expand their businesses, capitalizing on the nation's expanding consumer base (Riani et al., 2019). The Indonesian government has introduced supportive policies, including tax incentives and export financing, to foster industry growth, granting entrepreneurs access to valuable resources. Furthermore, the ongoing process of digital transformation offers entrepreneurs the chance to enhance their operations, access new markets, and adapt to evolving consumer preferences and market dynamics.

Entrepreneurs in the MSME clothing industry in Indonesia confront a unique blend of characteristics, challenges, and opportunities. The sector's substantial presence of women entrepreneurs, coupled with hurdles like constrained access to financing and rising production costs, shapes its identity. Nevertheless, the burgeoning domestic market, government support, and the promise of digital transformation present pathways for these entrepreneurs to thrive and prosper in this ever-evolving industry.

2. Social Capital and Entrepreneurship

Social capital is a multifaceted concept that encompasses assets generated and harnessed through distinct interpersonal relationships, networks, shared norms, and trust, facilitating collective action to achieve common goals (Turner, 2000)(Webster, 2017). This intricate concept consists of three interconnected dimensions. The first dimension, known as the Relational Dimension, gauges the quality of relationships among individuals, examining factors like the strength of ties, frequency of interactions, and the level of trust that underpins these connections. The second dimension, referred to as the Structural Dimension, delves into the pattern of relationships within a social network. This includes considerations of network size, diversity, the density of connections, and the degree of centralization within the network. The third dimension, known as the Cognitive Dimension, pertains to shared norms, values, and beliefs that foster cooperation and coordination among individuals, encompassing shared language, culture, and history (Turner, 2000)(Webster, 2017).

While additional dimensions of social capital have been proposed in scholarly discourse, such as social participation, social support, reciprocity, formal membership, altruism, and informal interaction(Liu et al., 2023)(Vâlsan et al., 2023)(Alecu et al., 2022), these are often intertwined with the three principal dimensions mentioned above. It is imperative to acknowledge that social capital is a complex and interrelated concept, and its assessment should not treat these dimensions as isolated entities. Instead, a holistic approach should be adopted, recognizing the interdependence and interconnectedness of these dimensions (Turner, 2000).

Social capital can facilitate access to resources, information, and support networks for entrepreneurs. Social capital refers to the resources that individuals or organizations can access through their social network. Entrepreneurs' social capital constitutes a key asset for small firms, but there is no consensus about the conditions under which social capital is most effective (Stam, 2014). Social capital can facilitate

access to resources, information, and support networks for entrepreneurs by several ways. Entrepreneurs with strong social capital can access resources such as funding, equipment, and facilities through their social networks (Xie et al., 2021)For example, they may be able to secure loans or investments from friends, family, or acquaintances who trust them and their business ideas (Crowley & Barlow, 2022). Entrepreneurs with strong social capital also can access information about market trends, customer needs, and industry developments through their social networks (Xie et al., 2021). For example, they may be able to get advice from experienced entrepreneurs or industry experts who are part of their social network (Hernández-Carrión et al., 2020). Entrepreneurs with strong social capital can access support networks that can help them overcome challenges and obstacles. For example, they may be able to get emotional support from friends and family who understand the stresses of entrepreneurship, or they may be able to get practical support from mentors or business partners who can help them navigate complex business issues (Daskalopoulou, 2020).

Research that attempts to measure the relationship between social capital and entrepreneurial outcomes has been carried out by several previous researchers. A study conducted by (Xie et al., 2021) found that the social capital of entrepreneurs facilitates the adoption of entrepreneurial behaviors by entrepreneurs, and is conducive to the innovation and growth of entrepreneurial enterprises and ultimately to the improvement of entrepreneurial performance. Another study found that social capital has significant positive impact on entrepreneurial intentions by forming perceived desirability, perceived self-efficacy, and perceived social norms towards entrepreneurship. Social capital plays a vital role in the start-up process of any business and is also supported by economic units (Makeel et al., 2022). A research conducted by (Kebede, 2017) found that social capital has a positive impact on enterprise outcomes, and controlling the potential endogeneity problem between structural holes and enterprise outcomes is important when examining the relationship between social capital and entrepreneurial outcomes. (Crowley & Barlow, 2022) presented a broad, but comprehensive social contextual framework incorporating many measures of social capital when examining the importance of social capital for business development. The work provides interesting results on the “bright and dark sides of trust” for entrepreneurship, answering calls for improved understandings on the positive and negative relationships between social capital and entrepreneurial activity. Based on the literature, we develop first hypothesis as follows: *h1: Social Capital is significantly influence the performance of Indonesia’s MSME Clothing Industry*

3. FInancial Capital and Entrepreneurship

Financial capital refers to the money and other financial resources that entrepreneurs use to start and grow their businesses. It is one of the most important factors for entrepreneurial activities, as it reduces liquidity constraints and provides a cushion that can help nascent firms survive during their formative years (Boudreaux & Nikolaev, 2019). This kind of capital plays a significant role in the profitability of firms and important for high profitability, so Entrepreneurs with sufficient financial capital have higher chances of success (Khan et al., 2019). Financial capital plays a crucial role in starting and growing a business in several aspects such as financial funding, investment decisions, and financial management.

Financial capital is necessary to fund a business, and access to funding can be a challenge for many entrepreneurs. One study found that initial financial capital is a predictor of new venture performance, indicating that having sufficient financial resources at the start can lead to better outcomes (Cheung et al., 2023). Another study found that women-owned small firms that had more financial capital were more profitable and grew faster than those with less financial capital (Coleman). Once a business has access to funding, it must make investment decisions that will help it grow. One article notes that financial capital is often guided by its real counterpart, meaning that it can influence the direction of the business (Dinets et al., 2020). Another study found that the impact of corporate capital structure on financial performance can be studied using convolutional neural networks (Luo & Jiang, 2022). Managing financial capital is important for the long-term success of a business. Another study found that the evolution of Business Angel Networks is influenced by a combination of financial capital, human capital, and social capital (Fili et al., 2013).

Several studies have been conducted to analyze the impact of financial capital on MSME performance. One study found that financial literacy has significantly positive effects on entrepreneurial participation and performance, and that industrial regulation positively moderates these effects (Li, 2020). Another study found that social capital and financial wellbeing are vital constituents of entrepreneurial intentions, and that financial intelligence also plays a role in entrepreneurial financial performance (Yao & Meng, 2022). A third study found that initial financial capital is a predictor of new venture performance, and that human and financial capital are important determinants of entrepreneurship (Khan et al., 2019). A fourth study found that financial capital is just one type of capital that businesses need, and that cultural capital (such as knowledge and skills) is also important for entrepreneurial success (Boudreaux & Nikolaev, 2019). Based on these literature, we develop second hypothesis as follows: *h2: Financial Capital is significantly influence the performance of Indonesia's MSME Clothing Industry*

4. Entrepreneurial Orientation and Performance

Entrepreneurial orientation is a strategic mindset characterized by innovativeness, proactiveness, and risk-taking (Kiyabo, 2020)(Wales, 2016)(Rezaei & Ortt, 2018). Innovativeness refers to the degree to which a firm is willing to introduce new products, services, processes, or technologies (Zhang et al., 2016). Proactiveness refers to the degree to which a firm is willing to take actions to seize opportunities, anticipate changes in the market, and act before competitors (Anwar et al., 2022). Meanwhile, risk taking refers to the degree to which a firm is willing to take risks, such as investing in new products or markets, or making significant changes to its business model (Clark, 2021).

Entrepreneurial orientation (EO) is a construct that has received significant attention in the literature on strategic management and entrepreneurship for more than three decades (Kiyabo, 2020). A study comparing China, Mexico, and Spain found that EO has a positive effect on firm growth in all three countries (Basco, 2020). Another meta-analytic review found that EO has a positive relationship with firm growth (Soares & Perin, 2020). Another study found that EO has a positive effect on firm profitability, and this relationship is partially mediated by innovativeness . A study found that EO has a positive effect on competitive advantage, which in turn has a positive effect on SMEs' performance, including market share (Kiyabo, 2020). It is worth noting that the relationship between EO and firm performance is complex and

can be influenced by various factors, such as the industry, firm size, and environmental turbulence (Hina, 2021)(Šlogar et al., 2023). Nonetheless, the literature suggests that EO is generally associated with positive firm performance outcomes.

Specifically in the clothing industry context, several studies have investigated the link between entrepreneurial orientation and performance in the MSME or clothing industry. A study conducted in Rajasthan, India, found that the direct impact of entrepreneurial orientation (EO) on firm performance was significant. Additionally, the relationship between EO and MSME performance was partially mediated by entrepreneurial competencies (Goyal, 2023). Another study used five dimensions of entrepreneurial orientation construct and three dimensions of competitive advantage to predict SMEs' performance. The study found that entrepreneurial orientation is an intangible firm resource that creates competitive advantage and eventually promotes firm performance (Kiyabo, 2020). A study conducted in Southeast Nigeria examined the effect of entrepreneurial orientation on the performance of selected small and medium-scale enterprises (SMEs). The study found that entrepreneurial orientation has a significant positive effect on SMEs' performance (Okoli et al., 2021). Study also conducted in in Nigeria and found a favorable association between entrepreneurial orientation, business financing, management, market practices, and MSME performance (Kyal et al., 2022). A systematic literature review conducted by (Kaushik, 2023) found that both entrepreneurial orientation and market orientation matter for MSMEs' performance. The review suggested that policymakers and practitioners should focus on developing entrepreneurial and market-oriented strategies to improve MSMEs' performance. Based on these literature, we develop third hypothesis as follows:*h3: Entrepreneurial Orientation is significantly influence the performance of Indonesia's MSME Clothing Industry.*

5. Conceptual Framework

Social capital, financial capital, and entrepreneurial orientation are all important predictors of performance in the MSME Clothing Industry of Indonesia. Social capital can bring benefits such as reducing systematic risk, reducing transaction costs, and boosting investment (Christy et al., 2022). Financial capital refers to the financial resources available to a company. Organizational mechanisms of MSMEs influence growth by generating or leveraging productive capital reserves (Kyal et al., 2022). Entrepreneurial orientation is key to the success of SMEs, and it determines their ability to compete in the market (Arjawa, 2016). A conceptual framework visualization of this study as follows:

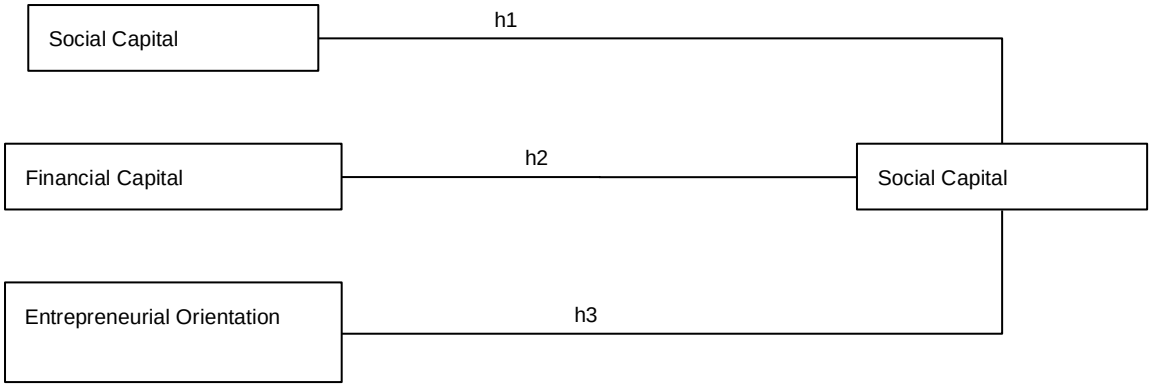

Figure 1. Conceptual Framewrok

METHOD

1. Design

The study used a quantitative design and measured four constructs using a 5-point Likert scale. A quantitative design is suitable for this research because it involves collecting numerical data that can be analyzed statistically. This type of design is useful for testing hypotheses and determining the relationships between variables (Luo & Jiang, 2022). The four constructs that are being measured in this research are social capital, financial capital, entrepreneurial orientation, and performance. A 5-point Likert scale is suitable for measuring these constructs because it allows respondents to indicate their level of agreement or disagreement with a statement. This type of scale is easy to use and can provide valuable data for statistical analysis (Kussudyarsana et al., 2023).

2. Sampling Technique

This research requires a sampling technique that can provide a representative sample of the MSME clothing industry in Indonesia. We use proportional cluster sampling as the most suitable sampling technique in this research. This technique involves dividing the population into clusters based on certain characteristics, such as geographical location or industry sector. Then, a random sample of clusters is selected, and all units within the selected clusters are included in the sample. This technique can be suitable for the research as it allows for a representative sample of the MSME clothing industry in Indonesia to be selected based on geographical location or other relevant characteristics (Arjawa, 2016). The research focuses on MSMEs in the Clothing Industry in Indonesia as the object and population of the study. The sample size for the research is 200 samples. This number is appropriate and follows the directions and suggestions of the researcher (Hair, 2017) who suggested that the minimum number of samples required for SEM analysis is 5-10 times the number of indicators.

3. Data Analysis

SEM is a statistical technique that allows researchers to test complex relationships between variables and is commonly used in social science research. Smart PLS is a software program that can be used to conduct SEM analysis. Therefore, it is possible that sEM PLS using Smart PLS could be a suitable method for analyzing data in this research. SmartPLS is suitable for the study because it is a software program that can be used to conduct Structural Equation Modeling (SEM) analysis. SEM is a statistical technique that allows researchers to test complex relationships between variables and is commonly used in social science research. SmartPLS is specifically designed for Partial Least Squares (PLS) SEM analysis, which is a type of SEM that is particularly useful when the research purpose is exploratory or when the sample size is small. SmartPLS is also suitable for analyzing non-normal data, which is often the case in social science research (Fauzi, 2022). Additionally, SmartPLS provides important insights into the strength and significance of the hypothesized model relationships, making it a useful tool for analyzing the relationship between social capital, financial capital, entrepreneurial orientation, and performance in Indonesia's MSME clothing industry (Dash et al, 2021).

RESULTS AND DISCUSSION

Result

1. Measurement Model Assessment

a. Cronbach's Alpha, Composite Reliability, and Convergent Validity of Construct

Table 1 below shows the questionnaire items distributed along with their validity and reliability.

Table 1. Item Questionnaires and Their Validity and Reliability

Variabel	Item	Code	Loading Factor
Social Capital	**CA=0,835, CR=0,883, AVE=0,603**		
	1. I have a strong network of friends and acquaintances to rely on in times of need.	SC1	0,835
	2. I am actively involved in various social or professional networks, such as clubs, organizations, or online communities.	SC2	0,894
	3. I have many close and meaningful relationships in my life.	SC3	0,872
	4. I trust my friends and associates to keep their promises and maintain confidentiality in our interactions.	SC4	0,827
	5. My values and beliefs often align with those of my social and professional connections.	SC5	0,821
Financial Capital	**CA=0,838, CR=0,893, AVE=0,678**		
	1. Our organization has consistently achieved a strong Return on Equity (ROE) in recent years.	FC1	0,887
	2. Our organization maintains a healthy Annual Debt Service Coverage Ratio (ADSCR) that ensures financial stability.	FC2	0,864
	3. Our organization's financial decisions have led to a positive Net Present Value (NPV) for our projects and investments.	FC3	0,828
	4. Our organization consistently achieves a strong Financial Internal Rate of Return (FIRR) on its investments and projects.	FC4	0,703
Entrepreneurial Orientation	**CA=0,819, CR=0,880, AVE=0,647**		
	1. In our organization, there is a high degree of autonomy and freedom for employees to make decisions.	EO1	0,764
	2. Our organization is highly competitive and strives to outperform rivals in the market.	EO2	0,703

Variabel	Item	Code	Loading Factor
	3. Our organization is known for its innovative approaches and constant pursuit of new ideas and solutions.	EO3	0,833
	4. Our organization is proactive in identifying and seizing new business opportunities.	EO4	0,803
	5. Our organization is willing to take calculated risks to achieve its goals and objectives.	EO5	0,774
Performance of MSMEs	**CA=0,869, CR=0,907, AVE=0,665**		
	1. Our MSME has experienced strong financial performance in recent years.	P1	0,765
	2. Our MSME actively promotes and implements innovative practices and solutions.	P2	0,837
	3. Our MSME consistently meets or exceeds production targets and standards.	P3	0,788
	4. Our MSME effectively markets its products or services and reaches its target customer base	P4	0,825

Convergent and discriminant validity calculations were performed in order to determine the validity of the instrument. Utilizing Cronbach's alpha (CA) and Composite Reliability (CR) values, instrument reliability is assessed. Every latent variable that has a CR and CA value greater than 0.70 is regarded as dependable. According to (Hair, 2017), the Average Variance Extracted (AVE) value, which must be greater than 0.50, is used to assess the validity of convergence.

b. Discriminant Validity (HTMT Ratio)

The discriminant validity of the measure was evaluated using the Heterotrait-Monotrait (HTMT) value. In PLS-SEM analysis, the HTMT ratio is more trustworthy in determining discriminant validity. The HTMT ratio result needs to be less than 0.90 for the instrument to be considered legitimate (Hair, 2018). The total value of the HTMT ratio for each latent variable is below 0.90, as shown in Table 2, indicating that this research instrument is appropriate for measuring the model created.

Table 2. *Discriminant Validity*

	EO	FC	P	SC
EO	0,777			
FC	0,666	0,824		
P	0,773	0,692	0,804	
SC	0,686	0,654	0,681	0,816

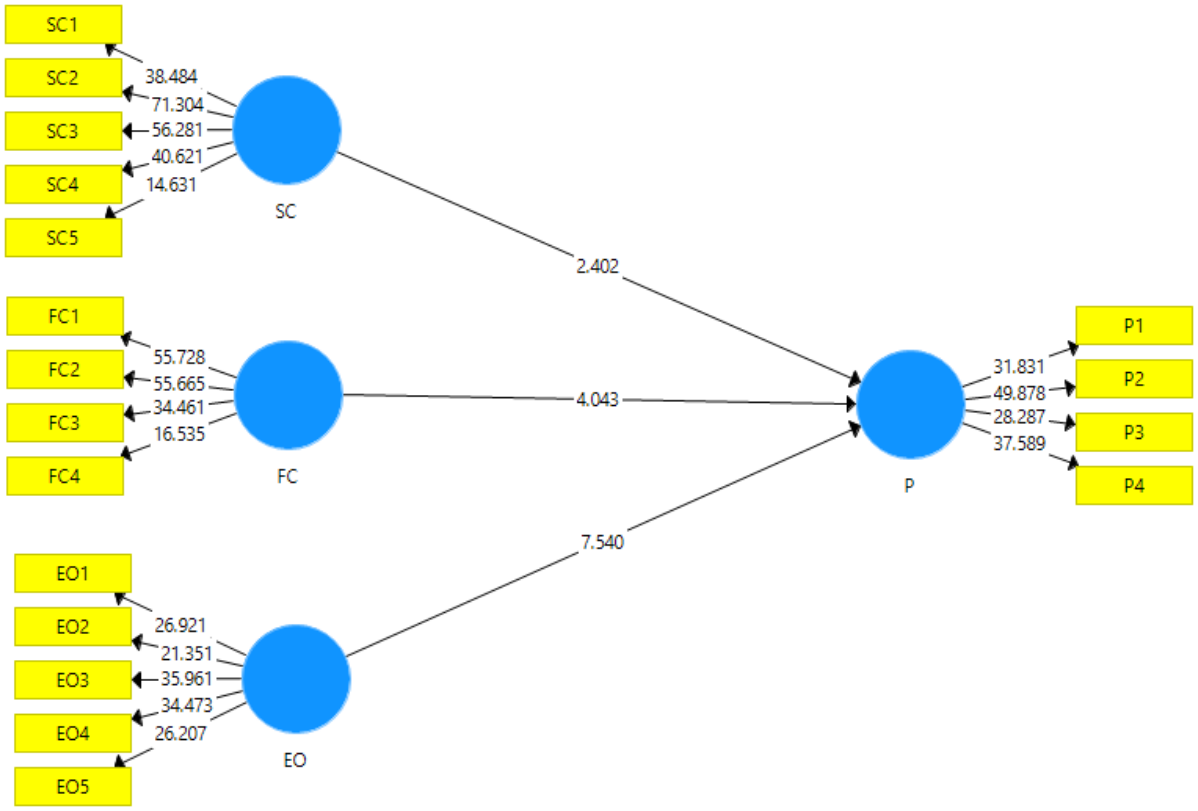

Figure 2. *Research Model*

2. Structural Model Analysis

a. Inner VIF Value

Table 3. Inner VIF Values

	EO	FC	P	SC
EO			2,238	
FC			2,072	
P				
SC			2,176	

The absence of the multicollinearity assumption between the concept and the indicator variables is a need for PLS-SEM. The inner VIF value can be determined using the PLS approach, which satisfies this requirement. According to (Hair, et al., 2018), if the Variance Inflation Factor (VIF) value is greater than 3, it is assumed that there is multicollinearity between the indicators. Table 3 demonstrates that the inner VIF value between the variables and the indicators is less than 3. This investigation came to the conclusion that multicollinearity is not assumed.

b. GoF

Table 4. *Research on GoF*

	Saturated Model	Estimated Model
SRMR	0,080	0,090
d_ULS	1,960	0,824
d_G	0,565	0,585
Chi Square	593,778	593,778
NFI	0,756	0,756

The combined performance of the outer and structural/inner models must then be evaluated using the model fit test (Hair et al., 2017). According to the SMARTPLS website, a

model must have RMS theta (Root Mean Square) values less than 0.102, SRMR (Standardized Root Mean Square) values less than 0.10 or 0.08, and an NFI value greater than 0,9 or close to 1 in order to be considered suitable (Roemer et al., 2021). According to Table 4, the model's predicted NFI value is 0.756 (very near to 1) and its SRMR value is 0.080 (less than 0,10). Not all index values must be used to approve a model. For the model to be considered fit, an SRMR value of less than 0.10 is supported (Hair et al., 2017).

c. Coefficient Determination

Table 8. *Blindfolding Test*

	SSO	SSE	Q^2(=1-SSE/SSO)
EO	1000,000	1000,000	0,547
FC	800,000	800,000	0,617
P	800,000	666,754	
SC	1000,000	1000,000	

The Blindfolding test assesses the value of Q2 to ascertain the degree of construct model predictive relevance (Hair et al., 2017). It may be inferred that the constructed model developed in this study is suitable to describe the occurrence if Q2 is more than 0.05. According to Table 6, the endogenous variable in this study had Q2 values that are greater than 0.05 (0,617). It may be said that the exogenous factors employed in this study to forecast the endogenous variables were accurate.

d. Hypothesis Test

Table 9. *Hypothesis Test*

	Original Sample	Sample Mean	STD DEV	T Statistics	P Values
EO - > P	0,476	0,477	0,063	7,566	0,000
FC - > P	0,251	0,248	0,063	3,967	0,000
SC - > P	0,190	0,192	0,079	2,409	0,016

The inner model analysis's final phase involves bootstrapping-based hypothesis testing. The study used 5,000 sub-samples to confirm the degree of relevance of the data in determining the relevance level of the structural model (Hair et al.,2017). The significance level for this study is set at 5–10%. It is a level of significance that is typically accepted in economics and management studies. Table 7 displays the discovery of a direct correlation between latent variables. Table 7 demonstrates the substantial effects of all direct links among the latent variables based on the model. Based on the table 7, we can conclude that all the hypothesis is accepted. Social capital has a significant positive influence with a p value smaller than 0.05, namely 0.000. Thus, higher social capital will increase the performance of MSMEs in the Clothing Industry and vice versa. Financial capital also shows the same results, namely a p value of 0.000, which shows that financial capital has a positive and significant effect, indicating that when MSMEs have better financial capital, they will also have better performance. Entrepreneurial orientation also has a p value that is smaller than 0.05, namely 0.016, indicating that the impact of entrepreneurial orientation on MSME performance goes hand in hand.

Discussion of Findings

The given result shows that social capital, financial capital, and entrepreneurial orientation have a significant positive effect on the performance of MSMEs in the Clothing Industry. The p-value for social capital is 0.000, for financial capital is 0.000, and for entrepreneurial orientation is 0.016, which indicates that these factors have a positive and significant effect on the performance of MSMEs.

Previous research has also shown that social capital has a significant and positive effect on the performance of SMEs (Ozigi, 2018)(Dar & Mishra, 2020). Social capital has some specific mechanisms through which this variable can affect the

performance of MSMEs in the clothing industry. Social capital can provide MSMEs with access to resources such as knowledge, human resources, technology, markets, finance, and non-finance. This can help MSMEs obtain the resources, information, and knowledge needed to improve their performance. Social capital can facilitate the flow of information and help business people to be innovative, which could ultimately improve business performance and sustainability (Temouri, et al. 2021). MSMEs with social capital can start and grow a business, even in economic hard times. Social capital can also increase cohesiveness within an organization, thereby increasing integration and competitiveness (Kussudyarsana et al., 2023). MSMEs are heavily reliant on personal relationships and social capital rather than compliance, formal systems, and structures (OECD, 2022). Social capital generates value through better supplier or customer relationships, quicker accessibility to new markets, and a reputation of trust. Social capital can influence the strength and direction of the relationship between dependence and operational performance (Celestini et al, 2022). Relational and cognitive social capital have a positive and significant effect on the performance of MSMEs in the manufacturing industry (Kanini et al., 2022).

Similarly, previous research has also shown that financial capital has a positive effect on the performance of SMEs. Social capital and financial capital are considered influential factors in the performance of SMEs (Dar & Mishra, 2020) so that the lack of finance and a weak business environment can hurt the growth of MSMEs, while access to finance can help them grow (Lakuma et al., 2019), financial capital can affect the performance of MSME through some ways such as access to finance, capital structure, and financial investment. MSMEs depend heavily on internal finance due to lack of transparency, lack of trading history, and high risk of failure, among other constraints. Lack of collateral can also limit the amount of credit allocated to MSMEs relative to other sectors. However, estimates indicate that there are no differences in access to finance, measured as working capital financed externally and as a share of sales on credit between MSMEs. There are differences in access to finance measured as a share of investment between micro firms and firms of larger sizes (small and medium) (Lakuma et al., 2019).

Capital structure refers to the combination of debt and equity that a company uses to finance overall operations and growth. By and large, empirical studies indicate that financing, capital structure, especially long-term and total debt ratios, negatively affect the performance of small and medium enterprises (SMEs) (Harash et al., n.d.) However, the relationship between capital structure and financial performance can vary depending on the country and the type of debt (Stephen Wagana & of Nairobi, 2014). Financial capital also can enable MSMEs to engage in financial investments, which can help them grow (Stoiljković et al., 2021).

Entrepreneurial orientation has also been found to have a positive effect on the performance of SMEs. The study found that bonding and bridging social capital have a significant positive effect on entrepreneurship performance (Xie et al., 2021). Another study found a favorable association between EO, business financing, management, market practices, and MSME growth performance. The results also suggested that government policy plays a significant role as a full moderator (Kyal et al., 2022). A study conducted in West Java Province found that EO has a positive and significant effect on the performance of SMEs. The study also suggested that market orientation is an important variable that can bridge the relationship between EO and SME performance (Manali et al., 2022). Finally, a study explored the impact of EO and

risk-sharing on organizational performance, and the influencing role of news media and public opinion. The study found that EO plays an important role in enhancing a firm's performance (Zhang et al., 2016).

3. Managerial and Policy

Based on the study results, there are several managerial and policy implications that can be drawn to improve the performance of MSMEs in the Clothing Industry. Since social capital has a significant positive influence on MSME performance, policymakers and managers can invest in building social networks and relationships that can help MSMEs access resources, information, and support from other businesses, customers, and stakeholders. Given that financial capital has a positive and significant effect on MSME performance, policymakers and managers can provide MSMEs with better access to financing, credit, and other financial resources that can help them grow and expand their operations. Since entrepreneurial orientation also has a positive impact on MSME performance, policymakers and managers can encourage MSMEs to adopt a more entrepreneurial mindset and culture that values innovation, risk-taking, and proactivity.

Overall, these managerial and policy implications can help MSMEs in the Clothing Industry improve their performance and competitiveness in the market. However, it is important to note that these implications should be tailored to the specific context and needs of each MSME, and that other factors such as market conditions, regulatory environment, and technological advancements should also be taken into account.

4. Theoretical Contribution

The study results suggest that social capital, financial capital, and entrepreneurial orientation have a significant positive impact on the performance of MSMEs in the Clothing Industry. The contribution of these study results to knowledge is that they provide evidence that social capital, financial capital, and entrepreneurial orientation are important factors that can influence the performance of MSMEs. This information can be useful for policymakers, entrepreneurs, and researchers who are interested in improving the performance of MSMEs. Policymakers can use this information to design policies that promote the development of social capital and financial capital among MSMEs. Entrepreneurs can use this information to identify areas where they can improve their social capital, financial capital, and entrepreneurial orientation to enhance their performance. Researchers can use this information to conduct further studies on the relationship between social capital, financial capital, entrepreneurial orientation, and MSME performance. Overall, the study results provide valuable insights into the factors that can influence the performance of MSMEs and can contribute to the development of strategies to improve their performance.

Limitation and Future Study Suggestion

Apart from being able to provide clear explanations and findings and covering and completing the shortcomings of previous research, this research is of course still very limited, especially in terms of sample quantity. The number of MSMEs in the clothing industry in Indonesia is very large and this research may not be able to definitively generalize the situation in Indonesia. Apart from that, further studies that discuss in depth through qualitative approaches such as in-depth interviews need to be carried out. The variables that are currently combined into a model can be separated again and studied in depth and comprehensively qualitatively.

CONCLUSION

The study found that social capital, financial capital, and entrepreneurial orientation all have a positive and significant impact on the performance of Micro, Small, and Medium Enterprises (MSMEs) in the Clothing Industry. Specifically, higher levels of social capital and financial capital are associated with better MSME performance. Similarly, a positive relationship exists between entrepreneurial orientation and MSME performance. These findings are supported by p-values smaller than 0.05, indicating the statistical significance of these relationships.

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