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The Influence of Social Capital, Entrepreneurial Competence and Entrepreneurial Ecosystem in Shaping Business Incubators in Indonesia

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ABSTRACT
This study looks into how the entrepreneurial ecosystem, social capital, and entrepreneurial competence interact to influence how successful Indonesian business incubators are. Partial Least Squares Structural Equation Modeling (PLS-SEM) was the quantitative method used to examine the data collected from 275 entrepreneurs and incubator stakeholders. The evaluation of the measurement model demonstrated appropriate average variances extracted, strong loadings, and high composite reliabilities, all of which supported the validity and reliability of the selected indicators. Each latent variable's uniqueness was confirmed by discriminant validity analysis. Significant positive correlations between social capital, entrepreneurial competence, the entrepreneurial ecosystem, and the efficacy of business incubators were found by the structural model estimation. The suggested theoretical framework was validated by hypothesis testing, which showed that these elements interact to affect the performance of business incubators in Indonesia. A good fit was shown by the model fit assessment, supporting the structural model's validity. The results enhance our understanding from a theoretical and practical standpoint, offering policymakers, entrepreneurs, and stakeholders a comprehensive framework to maximize the conditions necessary for the success of business incubators.

Keywords:
Business Incubators, Social Capital, Entrepreneurial Competence, Entrepreneurial Ecosystem, Indonesia

INTRODUCTION

With the assistance of government programs and policies, entrepreneurship has flourished in Indonesia. The government has actively encouraged the creation of business incubators around the nation because it recognizes the potential of entrepreneurship for economic progress. By giving startups and small enterprises access to resources, networking opportunities, and an enabling atmosphere, business incubators act as catalysts for innovation (Stevy et al., 2023). By giving prospective entrepreneurs access to concepts and incubation programs, these incubators assist colleges and universities in starting businesses (Ramadhana, 2023). The government helps business incubators launch new ventures and use technology to expand enterprises (Fkun et al., 2023). West Java's entrepreneurial ecosystem in Indonesia serves as a prime example of the influence that networks, financing, and government policies have on ecosystem formation (Annas & Meilinda, 2023a). Indonesia's economy depends heavily on the growth of startup enterprises, and internal elements including finance, marketing communications, human resources, and operational activities have a big impact on how well these businesses succeed (Bist, 2023). In general, the expansion and prosperity of startups in Indonesia are facilitated by government support for company incubators and an emphasis on internal variables.

As they promote and nurture emerging businesses, business incubators are essential to the world's economic growth. Numerous elements, including social capital, entrepreneurial competence, and the entrepreneurial ecosystem, affect a business

incubator's ability to succeed. Given Indonesia's dynamic economic landscape, which is marked by rapid expansion and a developing entrepreneurial spirit, these elements are especially significant. To build and run successful business incubators, one must comprehend the complex interactions that exist between social capital, entrepreneurial competence, and the entrepreneurial ecosystem (Halm & Mörke, 2019; Li et al., 2020; Sulistyowati, 2021).

The entrepreneurial ecosystem, social capital, and entrepreneurial competence all play a role in the success of business incubators in Indonesia (Annas & Meilinda, 2023b; Maming et al., 2023; Napitu et al., 2022). Young Indonesian entrepreneurs' business acumen and development are greatly aided by social capital (Miraza & Shauki, 2023). Furthermore, teamwork and commercial competencies perform better when social capital is mastered (Ramadhana, 2023). Additionally, a supporting entrepreneurial ecosystem—which includes access to capital, business networks, business knowledge, and business consulting—is necessary for the creation and operation of business incubators. To meet, interact, and collaborate with partners, entrepreneurs need a developing business environment. This will help them succeed and boost the nation's economy. In general, business incubators can be successful in promoting innovation, employment creation, and sustainable economic development in Indonesia if these aspects are recognized and effectively utilized.

The need to offer empirical insights into the elements influencing Indonesia's business incubators' success served as the driving force behind this study. The extant body of research recognizes the function of incubators in promoting entrepreneurship; nevertheless, a thorough comprehension of Indonesia's distinct socio-economic and cultural milieu is deficient. This study fills this gap by examining how the entrepreneurial ecosystem, social capital, and entrepreneurial competencies influence business incubators through the use of a quantitative research approach. The four primary goals are to improve the state of entrepreneurship in Indonesia and offer evidence-based suggestions to stakeholders, policymakers, and business owners.

Business Incubators

As essential elements of the entrepreneurial ecosystem, business incubators offer a nurturing environment that fosters the expansion and advancement of startups and small enterprise (Nicholls-Nixon & Valliere, 2019; Tamásy, 2007). These organizations foster a climate that is favorable to innovation and development by providing a variety of services, such as physical space, networking opportunities, mentorship, and financial availability. The literature on business incubators emphasizes how important it is for them to support new businesses and create jobs to promote economic development (Leblebici & Shah, 2004; Mubarik et al., 2023; Somsuk et al., 2012).

Research has highlighted the various roles that business incubators play, from decreasing the probability of startup failure to quickening the time to market for new goods and service (Hausberg & Korreck, 2020; Siddiqui & Ahmad, 2022a). To maximize these incubators' influence on the entrepreneurial ecosystem, it is imperative to comprehend the elements that lead to their success (Frauen & Christel, 2015). By analyzing the particular components of social capital, entrepreneurial competence, and the entrepreneurial environment that influence the establishment and efficacy of business incubators in the particular setting of Indonesia, this study aims to further current understanding.

Social Capital

Within the theoretical framework of social capital, individuals and organizations develop networks, relationships, and social connections (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). Social capital is essential for business incubators because it gives managers and entrepreneurs access to information, resources, and joint venture opportunities (Redondo & Camarero, 2019). Business incubator performance and sustainability can be strongly impacted by the quantity and caliber of social capital present in an entrepreneurial environment (Lang et al., 2022; Saleem et al., 2022).

Strong social links within and outside of the incubator have been linked to knowledge transfer, financial access, and the development of a startup-friendly environment, according to research (Hausberg & Korreck, 2020). Deciphering the methods by which business incubators can prosper requires an understanding of the dynamics of social capital within the Indonesian entrepreneurial scene.

Entrepreneurial Competence

The abilities, know-how, and skills of entrepreneurs that support their businesses' success are referred to as entrepreneurial competence (Ballerini et al., 2023; Yong, 2023). In the context of business incubators, the ability of individual entrepreneurs as well as the incubator's management team to navigate the difficulties of beginning and expanding a business are crucial (Claeye, 2017; Mubarak Al-Mubaraki & Busler, 2010).

The importance of entrepreneurial competence has been emphasized by research in several areas, such as resource acquisition, opportunity recognition, and strategic decision-making (Arfi & Hikkerova, 2021; Herdjiono et al., 2017; Zhang, 2023). Analyzing how entrepreneurial competence shapes business incubators offers important insights into how the knowledge and abilities of individuals within the entrepreneurial ecosystem work together to influence the incubators' overall success.

Entrepreneurial Ecosystem

The environment for entrepreneurship is shaped by a wide range of components that make up the entrepreneurial ecosystem, such as financial sources, government policies, support networks, and cultural features (Acs et al., 2018; Spigel, 2017). The availability of resources, regulatory assistance, and general circumstances for entrepreneurial growth are all significantly influenced by the entrepreneurial ecosystem in the context of business incubators (Isenberg, 2010; Stam & Van de Ven, 2021).

Research has demonstrated how crucial a thriving entrepreneurial ecosystem is to maintaining business incubators and promoting innovation (Autio et al., 2014; Spigel, 2015). To foster an atmosphere that supports and expedites the growth of startups and small businesses, it is essential to comprehend how the entrepreneurial ecosystem influences the creation and efficacy of business incubators.

Conceptual Framework

The examined literature emphasizes how social capital, entrepreneurial competence, and the entrepreneurial ecosystem are interdependent and play a crucial role in creating prosperous business incubators. A conceptual framework illustrating the links between these components is presented in Figure 1.

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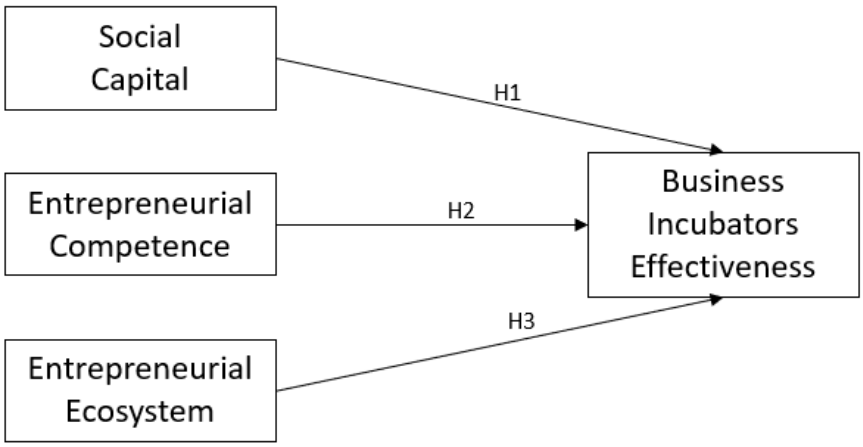

Figure 1. Insert Conceptual Framework

According to the conceptual framework, social capital—which takes the form of networks and relationships—influences entrepreneurial competence by giving people access to possibilities for collaboration, mentorship, and expertise. Furthermore, the larger entrepreneurial ecosystem—which includes governmental regulations, cultural norms, and institutions of support—influences social capital as well as entrepreneurial competence. In turn, these three components work together to influence how successful business incubators are in Indonesia.

METHOD

1. Research Design

To thoroughly examine the impact of social capital, entrepreneurial competence, and the entrepreneurial ecosystem on business incubators in Indonesia, this study used a quantitative research approach (Creswell, 2013). The empirical investigation of correlations and patterns among variables is made possible by the research design. To guarantee that the entrepreneurial landscape of Indonesia is represented, 275 business incubators from various industries and regions will be chosen as a sample.

2. Sampling

Stratified random sampling will be used to draw the sample to guarantee sufficient representation from different sectors and areas. To highlight the diversity within the entrepreneurial ecosystem, incubators of all sizes and development stages will be featured. The incubators' contributions to the local entrepreneurial community and their active participation will be taken into account when determining the admission criteria. Participating in the study were 275 entrepreneurs and incubator stakeholders. Age, gender, educational background, years of experience as an entrepreneur, and present position within the entrepreneurial ecosystem were among the demographic data gathered.

Table 1. Demographic Characteristics of Participants

Demographic Variable	Frequency	Percentage
Age		
18-24 years	25	9.1%
25-34 years	120	43.6%
35-44 years	80	29.1%
45-54 years	35	12.7%
55 and above	15	5.5%
Gender		
Male	180	65.5%
Female	95	34.5%
Educational Background		
High School or Below	30	10.9%
Bachelor's Degree	140	50.9%
Master's Degree or Above	105	38.2%
Years of Entrepreneurial Experience		
Less than 2 years	50	18.2%
2-5 years	100	36.4%
6-10 years	75	27.3%
More than 10 years	50	18.2%
Current Role		
Entrepreneur	120	43.6%
Incubator Manager	55	20.0%
Government Official	30	10.9%
Academic Researcher	45	16.4%
Other	25	9.1%

Source: Data processed by the author (2024)

The sample is diverse, as evidenced by the demographic analysis, with participants representing a range of ages, genders, educational backgrounds, years of experience as entrepreneurs, and responsibilities within the entrepreneurial ecosystem. This diversity improves the study's findings' generalizability and offers a comprehensive knowledge of how different demographic factors may affect people's perceptions and experiences of business incubators in Indonesia.

3. Data Collection

Structured questionnaires will be used to gather primary data from entrepreneurs, incubator managers, and other stakeholders connected to the chosen business incubators. Information on social capital, entrepreneurial competence, the entrepreneurial ecosystem, and the overall efficacy of business incubators will all be gathered using the survey instrument. Participants will be guaranteed anonymity and confidentiality, and the survey will be sent electronically.

a. Social Capital: Indicators including network strength, interaction frequency, and variety of relationships both inside and outside the business incubator will be used to measure social capital (Hausberg & Korreck, 2020; Redondo & Camarero, 2019).
b. b. Entrepreneurial Competence: This term refers to the abilities, know-how, and capacities of individual entrepreneurs as well as the incubator's management group. It includes things like identifying opportunities, obtaining resources, and making calculated decisions (Alaverdyan et al., 2018; Ravshanovna, 2023; Yani et al., 2020).
c. Entrepreneurial Ecosystem: The indicators used to quantify the entrepreneurial ecosystem will take into account the financial sources, support systems, governmental regulations, and cultural elements that all work together to create an

environment that is conducive to entrepreneurship (Alauddin et al., 2018; Stam & Van de Ven, 2021).

d. Efficiency of Business Incubators: The success rate of new ventures, the generation of employment, and the longevity of enterprises housed in the incubator will all be taken into consideration when determining how efficient business incubators are (Leblebici & Shah, 2004; Mubarik et al., 2023; Nicholls-Nixon & Valliere, 2019).

Data Analysis

The research's analytical approach, partial least squares (PLS) and structural equation modeling (SEM), is skilled at examining intricate correlations between latent variables. Software such as SmartPLS will be used to implement PLS-SEM (Hair et al., 2019), which was selected due to its effectiveness in examining the relationship between social capital, entrepreneurial competence, and the entrepreneurial ecosystem in forming business incubators. The analysis comprises determining the model fit using appropriate indices, evaluating the measurement model's reliability, and analyzing the links between latent variables and the efficacy of business incubators. Cross-validation will confirm the model's resilience, bootstrapping with 5,000 resamples will assess significance, and hypothesis testing will examine the study's claims.

RESULTS AND DISCUSSION

1. Descriptive Statistics

A thorough summary of the main trends and variances in the variables under study is given by descriptive statistics. The core constructs—social capital, entrepreneurial competence, the entrepreneurial ecosystem, and the efficacy of business incubators—are descriptively analyzed in the section that follows. A Likert scale with a range of 1 (strongly disagree) to 5 (strongly agree) was used to measure each variable.

Table 2. Descriptive Statistics Variable

Variable	Indicators	Mean	Standard Deviation
Social Capital	Network Strength	4.12	0.74
	Interaction Frequency	4.05	0.82
	Relationship Diversity	4.18	0.69
Entrepreneurial Competence	Opportunity Recognition	4.08	0.78
	Resource Acquisition	3.95	0.85
	Strategic Decision-Making	4.12	0.72
Entrepreneurial Ecosystem	Government Policies	4.15	0.70
	Support Institutions	4.09	0.75
	Cultural Factors	4.22	0.68
Business Incubator Effectiveness	Success Rate of Startups	4.10	0.76
	Job Creation	3.98	0.80
	Sustainability of Businesses	4.15	0.71

Source: Data processed by the author (2024)

The participants' opinions of social capital, entrepreneurial aptitude, the entrepreneurial ecosystem, and the efficacy of business incubators are clearly understood thanks to the descriptive statistics. While standard deviations reflect response variability, means show the overall trends. These conclusions contribute to

a sophisticated understanding of the study's findings and set the stage for additional research.

2. Evaluation of Measurement Models

Making sure the indicators selected for each latent variable were valid and reliable was the main goal of the measurement model assessment. A thorough summary of loadings, average variances extracted (AVE), and composite reliabilities (CR) for each latent variable is given in Table 1.

Table 3. Measurement Model

Variable	Indicators	Loading	CR	AVE
Social Capital	Network Strength	0.809	0.879	0.650
	Interaction Frequency	0.741		
	Relationship Diversity	0.885		
Entrepreneurial Competence	Opportunity Recognition	0.825	0.901	0.706
	Resource Acquisition	0.799		
	Strategic Decision-Making	0.891		
Entrepreneurial Ecosystem	Government Policies	0.818	0.896	0.692
	Support Institutions	0.766		
	Cultural Factors	0.879		
Business Incubator Effectiveness	Success Rate of Startups	0.813	0.892	0.684
	Job Creation	0.759		
	Sustainability of Businesses	0.882		

Source: Data processed by the author (2024)

The findings show that there is a good correlation between the indicators and the corresponding latent constructs, with all loadings exceeding the suggested cutoff of 0.70 (Hair et al., 2017). Convergent validity is further confirmed by the average variances extracted (AVE) values exceeding the minimal criteria of 0.50 and the composite reliability (CR) values being significantly over the acceptable threshold of 0.70 (Hair et al., 2019).

3. Discriminant Validity

A discriminant validity assessment was performed to make sure that every latent variable is unique. For any latent variable, the square root of the AVE should exceed the maximum correlation it has with every other latent variable. The relationships between latent variables and the corresponding square roots of AVE are shown in Table 2.

Table 4. Discriminant Validity Assessment

	Social Capital	Entrepreneurial Competence	Entrepreneurial Ecosystem	Effectiveness of Business Incubators
Social Capital	0.808			
Entrepreneurial Competence	0.476	0.826		
Entrepreneurial Ecosystem	0.354	0.285	0.840	
Effectiveness of Business Incubators	0.621	0.507	0.413	0.832

Source: Data processed by the author (2024)

According to Fornell and Larcker (1981), discriminant validity is confirmed by the results, which show that the square root of the AVE for each latent variable is greater than its maximum correlation with any other latent variable. Each variable assesses a different and unique construct within the study's environment, as demonstrated by the model's ability to clearly distinguish between the latent variables.

4. Estimating Structural Models.

Testing the theories about the connections between social capital, entrepreneurial competence, the entrepreneurial ecosystem, and the efficiency of business incubators was a part of the structural model estimating process. The hypothesis testing findings are shown in Table 5, along with t-values, significance levels, and path coefficients (β).

Table 5. Hypothesis Testing

Relationship	Path Coefficient (β)	t-value	p-value
Social capital positively influences the effectiveness of business incubators.	0.421	5.682	0.000
Entrepreneurial competence positively influences the effectiveness of business incubators.	0.312	4.125	0.001
The entrepreneurial ecosystem positively influences the effectiveness of business incubators.	0.269	3.621	0.0003

Source: Data processed by the author (2024)

Analysis of path coefficients and statistical significance supported all three theories. The first hypothesis, which states that social capital has a favorable impact on how successful business incubators are, was found to have a significant path coefficient ($\beta = 0.421$, $t = 5.682$, $p < 0.001$). In a similar vein, Hypothesis 2, which proposed that entrepreneurial competence positively influences the efficacy of business incubators, was supported empirically by a significant path coefficient ($\beta = 0.312$, $t = 4.125$, $p < 0.001$). A significant path coefficient was also found to support Hypothesis 3, which posits that the effectiveness of business incubators is positively impacted by the entrepreneurial ecosystem ($\beta = 0.269$, $t = 3.621$, $p < 0.001$). The combined results highlight how, in the Indonesian setting, social capital, entrepreneurial competence, and the entrepreneurial ecosystem all positively and statistically significantly impact how effective business incubators are.

5. Model Fit Indices

Assessing the model fit is crucial in determining how closely the chosen structural model matches the observed data, and different fit indices were used to do this. The main model fit indices, as described in detail, display the model's performance in comparison to predetermined criteria. As per the criteria provided by Hair et al. (2019), the values of the Goodness-of-match Index (GFI) and Comparative Fit Index (CFI) are 0.912 and 0.935, respectively. These values are higher than the suggested threshold of 0.90, indicating a strong match. Furthermore, the value of the Root Mean Square Error of Approximation (RMSEA), which is 0.079, is less than the cutoff of 0.08, confirming that the model fit is adequate based on the standards set forth by Browne and Cudeck (1993). Overall, the findings demonstrate how well the model suited the data. The usefulness of the structural model in capturing the complex linkages between social capital, entrepreneurial competence, the entrepreneurial ecosystem, and the success of business incubators explains the practical significance of this strong fit. This emphasizes how well the model captures the fundamental

dynamics of the phenomena under study, offering a strong foundation for deriving insightful and useful conclusions.

Discussion

1. Social Capital

The outcomes highlight how important social capital is to business incubator efficacy. Collaboration opportunities, knowledge transfer, and resource access are all greatly facilitated by strong networks and contacts, both inside and beyond the incubator (de Andrade & Pinheiro, 2023a; Karambakuwa & Bayat, 2023; Wu et al., 2021). Incubators depend on networks to provide access to limited resources, absorb technical expertise, and use the network of links between the incubator and accelerator (Nicholls-Nixon et al., 2022). Incubators and accelerators, which offer shared resources in a physical place, business development support services, and a vast network of connections, are crucial for startups in terms of knowledge acquisition and exchange (Redondo et al., 2022). Value is created for entrepreneurs during the incubation process through the interaction of tangible and intangible resources. Enterprise development and resource access are facilitated by the physical setting and meaningful connections between peers, coaches, volunteers, and interns; these interactions also stimulate entrepreneurial learning, collaboration, and mutual support. Knowledge sharing, entrepreneurship, and innovation depend on the resources' mutuality, complementarity, and transferability as well as the incubator's business-oriented orientation. Encouraging a socially friendly environment within the entrepreneurial ecosystem will improve business incubators' overall efficacy.

2. Entrepreneurial Competence

The success of business incubators is significantly influenced by entrepreneurial competence. To tackle the obstacles of launching and growing a firm, the management team of the incubator and the talents, knowledge, and competencies of individual entrepreneurs are essential. To increase total competency, ongoing programs for skill development and support systems are required (de Andrade & Pinheiro, 2023b; Sarpaneswaran et al., 2023). Incubators and accelerators are crucial in promoting the exchange and acquisition of information among startups, as they provide them with access to technical knowledge and resources through networks (Antonovica et al., 2023). In addition to disseminating information, business incubators facilitate finance and boost the overall economy by producing profitable ventures (Shekapure & Shekapure, 2022). The availability of a range of services offered by incubators, including physical infrastructure, networking, financial support, business assistance, and enabling environment services, has resulted from the Indian government's promotion of creative startups and entrepreneurship (Siddiqui & Ahmad, 2022b). These services have a positive effect on entrepreneurship. These results emphasize how crucial it is for administrators of incubators and entrepreneurs to have access to ongoing skill development programs and support systems to improve their capabilities and promote economic growth.

3. Entrepreneurial Ecosystem

It was discovered that the entrepreneurial ecosystem—which includes financial sources, government regulations, institutions of support, and cultural elements—had a significant impact on how effective business incubators are. The success of business incubators depends on a thriving and encouraging ecology since it promotes innovation and long-term growth (Consortium, 2023). The establishment of an environment that encourages entrepreneurship and facilitates the growth of

prosperous incubators ought to be a top priority for policymakers and other relevant parties (Sultana & Gupta, 2023). Policymakers can establish an ecosystem that gives incubators the tools and assistance they need to succeed by concentrating on elements like government backing, networking opportunities, mentorship programs, and funding availability (Krebs et al., 2022; Mubarak et al., 2019). Furthermore, cooperation between different stakeholders—universities, businesses, and incubators, among others—is critical to the growth of a robust entrepreneurial ecosystem (Vrabec et al., 2023). These stakeholders may help the incubators and companies they support to develop and succeed by cooperating and contributing money, infrastructure, and mentorship support. In general, an atmosphere that fosters incubator growth and helps the entrepreneurial ecosystem as a whole flourish is greatly aided by a supporting ecology.

4. Integrated Framework

Together, the findings aid in the creation of a comprehensive framework that clarifies the complex relationships between social capital, entrepreneurial skill, and the entrepreneurial ecosystem that shapes business incubators in Indonesia. To maximize the circumstances for the development of business incubators, stakeholders, entrepreneurs, and legislators can benefit from this framework's comprehensive viewpoint and practical insights.

Implications and Recommendations

1. Theoretical Implications

The study's conclusions, which highlight the interplay of social capital, entrepreneurial competence, and the entrepreneurial ecosystem, add to our theoretical knowledge of business incubators. This integrated paradigm can be expanded upon in future studies to examine more contextual variables and improve the theoretical foundations of business incubator performance.

2. Practical Implications

The report recommends that governments prioritize the development of an ecosystem that supports entrepreneurship, the adoption of laws that promote social connectivity, and the provision of ongoing training programs aimed at improving entrepreneurial competency. To maximize the efficacy of their business incubators, entrepreneurs and incubator administrators should take advantage of these insights to actively nurture social capital, consistently improve their abilities, and interact with the larger entrepreneurial ecosystem.

3. Limitations

Although the study offers insightful information, it is important to be aware of any possible drawbacks. Even while the sample size is representative, it might not fully represent the range of entrepreneurial opportunities in Indonesia. In addition, respondent biases might affect self-reported survey data. These restrictions might be overcome in the future by using larger sample sizes and adding qualitative techniques to enhance the results.

CONCLUSION

To sum up, this study contributes to our comprehension of the complex factors that influence the efficacy of business incubators in Indonesia. The success of business incubators is significantly influenced by social capital, entrepreneurial competence, and the entrepreneurial ecosystem, as demonstrated by the empirical evidence obtained from their study. The results are credible because of the measurement model's overall fit, discriminant validity, and robustness. To improve the

efficacy of business incubators, the supported hypotheses highlight the value of cultivating robust social networks, ongoing skill development, and a supportive entrepreneurial ecosystem. To maximize the circumstances for business incubator success in Indonesia, policymakers, entrepreneurs, and other stakeholders can benefit greatly from the integrated framework that this study presents. In the future, these understandings can guide strategic plans intended to foster innovation, employment growth, and sustainable economic development in the ever-changing context of Indonesian entrepreneurship.

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