THE INFLUENCE OF HUMAN CAPITAL AND SOCIAL CAPITAL AND THE ROLE OF GOVERNMENT ON IMPROVING GROUND COFFEE BUSINESS PERFORMANCE IN RURAL AREA

Muhammad Farrel Syabena[A], Yonariza[B], Nofialdi[C]

ABSTRACT

Purpose: This research aims to analyze the influence of human capital and social capital as well as the role of government on the performance of ground coffee businesses. The influence of human capital and social capital as well as the role of government on the performance of ground coffee businesses in rural areas is an effort to improve the skills of human resources so that they can increase the productivity and income of ground coffee agro-industry businesses in rural areas.

Theoretical framework: The focus is to see to how performance of the ground coffee business has a positive impact on the economy by creating jobs and contributing to local economic growth, especially in rural areas. everal concepts, such as: human capital, social capital and role goverment on perfomance ground coffe business to align with the direction of the study.

Design/Methodology/Approach: This study which is quantitative. The research location is Tanah Datar Regency. Data collection was carried out through surveys, field observations, and interviews using questionnaires. Respondents are ground coffee owners in Tanah Datar Regency. The number of research respondents was 104 ground coffee owners. Data analysis was carried out using SEM-PLS.

Findings: The research results found that the human capital of ground coffee processing businesses has a positive and significant relationship in influencing performance. The social capital of ground coffee processing businesses, it has a positive and significant relationship in influencing performance. The social capital of ground coffee processing businesses does not affect human capital. The role of government has a positive and significant relationship with human capital and has a positive and significant relationship with social capital.

Research, Practical & Social implications: This research concentrates on the influence of human capital, social capital, and the role of government on the performance of ground coffee businesses in rural areas.

Originality/Value: This research adds value to the body of knowledge because the results show that without human capital, social capital and the role of government, ground coffee business performance will not improve business performance in rural areas. This study determines that the performance of ground coffee businesses has a positive impact on the economy by creating jobs and contributing to local economic growth, especially in rural areas. Tanah Datar Regency is a region in West Sumatra that has the most businesses engaged in coffee processing, namely around 213 businesses.

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[A] Master in Program Agricultural Economics. Andalas University. Padang, Indonesia.
E-mail: farrelsyabena16@gmail.com Orcid: https://orcid.org/0009-0005-5026-5829
[B] Professor in Program Agricultural Economics. Andalas University. Padang, Indonesia.
E-mail: yonariza@agr.unand.ac.id Orcid: https://orcid.org/0000-0003-4667-744X
[C] Doctor in Program Agricultural Economics. Andalas University. Padang, Indonesia.
E-mail: nofialdi@agr.unand.ac.id Orcid: https://orcid.org/0000-0001-8509-4242

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INFLUÊNCIA DO CAPITAL HUMANO E DO CAPITAL SOCIAL, BEM COMO O PAPEL DO GOVERNO NA MELHORIA DO DESEMPENHO DOS NEGÓCIOS DE CAFÉ MOÍDO NAS ÁREAS RURAIS

RESUMO

Objetivo: Esta pesquisa tem como objetivo analisar a influência do capital humano e do capital social, bem como o papel do governo no desempenho dos negócios de café moído. A influência do capital humano e do capital social, bem como o papel do governo no desempenho dos negócios de café moído em áreas rurais é um esforço para aprimorar as habilidades dos recursos humanos, de modo a aumentar a produtividade e a renda das empresas agroindustriais de café moído em áreas rurais.

Referencial Teórico: O foco é entender como o desempenho do negócio de café moído tem um impacto positivo na economia, criando empregos e contribuindo para o crescimento econômico local, especialmente em áreas rurais. Vários conceitos, como capital humano, capital social e o papel do governo no desempenho do negócio de café moído, são considerados para alinhar com a direção do estudo.

Desenho/Metodologia/Abordagem: Este estudo, que é quantitativo, teve como local de pesquisa o Regency de Tanah Datar. A coleta de dados foi realizada por meio de pesquisas, observações de campo e entrevistas utilizando questionários. Os respondentes são proprietários de café moído no Regency de Tanah Datar. O número de respondentes da pesquisa foi de 104 proprietários de café moído. A análise de dados foi realizada utilizando SEM-PLS.

Resultados: Os resultados da pesquisa indicaram que o capital humano das empresas de processamento de café moído tem uma relação positiva e significativa na influência do desempenho. O capital social das empresas de processamento de café moído também apresenta uma relação positiva e significativa na influência do desempenho. O capital social das empresas de processamento de café moído não afeta o capital humano. O papel do governo possui uma relação positiva e significativa com o capital humano e uma relação positiva e significativa com o capital social.

Pesquisa, Implicações Práticas e Sociais: Esta pesquisa se concentra na influência do capital humano, capital social e no papel do governo no desempenho dos negócios de café moído em áreas rurais.

Originalidade/Valor: Esta pesquisa agrega valor ao corpo de conhecimento, pois os resultados mostram que sem capital humano, capital social e o papel do governo, o desempenho dos negócios de café moído não melhorará nas áreas rurais. Este estudo determina que o desempenho dos negócios de café moído tem um impacto positivo na economia, criando empregos e contribuindo para o crescimento econômico local, especialmente em áreas rurais. A Regência de Tanah Datar é uma região em Sumatra Ocidental que possui a maioria dos negócios envolvidos no processamento de café, totalizando cerca de 213 empresas.

Palavras-chave: Capital Humano, Capital Social, Papel do Governo, Desempenho Empresarial, Área Rural.

LA INFLUENCIA DEL CAPITAL HUMANO Y DEL CAPITAL SOCIAL, ASÍ COMO EL PAPEL DEL GOBIERNO EN LA MEJORA DEL RENDIMIENTO DEL NEGOCIO DE CAFÉ MOLIDO EN ÁREAS RURALES

RESUMEN

Propósito: Esta investigación tiene como objetivo analizar la influencia del capital humano y el capital social, así como el papel del gobierno en el rendimiento de los negocios de café molido. La influencia del capital humano y el capital social, así como el papel del gobierno en el rendimiento de los negocios de café molido en áreas rurales es un esfuerzo por mejorar las habilidades de los recursos humanos para que puedan aumentar la productividad y los ingresos de los negocios agroindustriales de café molido en áreas rurales.

Marco teórico: El enfoque es ver cómo el rendimiento del negocio de café molido tiene un impacto positivo en la economía mediante la creación de empleos y la contribución al crecimiento económico local, especialmente en áreas rurales. Se incorporan varios conceptos, como el capital humano, el capital social y el papel del gobierno en el rendimiento del negocio de café molido, para alinearse con la dirección del estudio.

Metodología: Este estudio es cuantitativo. La ubicación de la investigación es el Regencia de Tanah Datar. La recopilación de datos se realizó a través de encuestas, observaciones de campo y entrevistas utilizando cuestionarios. Los encuestados son propietarios de café molido en la Regencia de Tanah Datar. El número de encuestados fue de 104 propietarios de café molido. El análisis de datos se realizó utilizando SEM-PLS.

Hallazgos: Los resultados de la investigación encontraron que el capital humano de los negocios de procesamiento de café molido tiene una relación positiva y significativa en la influencia del rendimiento. El capital social de los negocios de procesamiento de café molido tiene una relación positiva y significativa en la influencia del rendimiento. El capital social de los negocios de procesamiento de café molido no afecta al capital humano. El papel del gobierno tiene una relación positiva y significativa con el capital humano y tiene una relación positiva y significativa con el capital social.

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Implicaciones de la Investigación: Esta investigación se centra en la influencia del capital humano, el capital social y el papel del gobierno en el rendimiento de los negocios de café molido en áreas rurales.
Originalidad/valor: Esta investigación aporta valor al cuerpo de conocimientos porque los resultados muestran que sin capital humano, capital social y el papel del gobierno, el rendimiento de los negocios de café molido no mejorará en las áreas rurales. Este estudio determina que el rendimiento de los negocios de café molido tiene un impacto positivo en la economía al crear empleos y contribuir al crecimiento económico local, especialmente en las áreas rurales. La Regencia de Tanah Datar es una región en Sumatra Occidental que tiene la mayor cantidad de negocios dedicados al procesamiento de café, aproximadamente 213 negocios.

Palabras clave: Capital Humano, Capital Social, Papel del Gobierno, Rendimiento Empresarial, Área Rural.

INTRODUCTION

The success and longevity of a business greatly depend on its performance. The quality of human resources and capital are crucial determinants of a business venture's success (Rapih, 2015). Various factors, including human capital, social capital, and government policies, can impact business performance (Felício et al., 2014). Human capital plays a vital role in economic growth as knowledge diffusion can drive innovation, leading to sustainable economic development as per the endogenous growth theory (Arrow, 1962; Lucas, 1988).

Researchers have shown a keen interest in exploring how human capital skills and capabilities can enhance organizational performance. The relationship between knowledge, skills, and human capital capacity with organizational performance has been extensively studied over the last two decades (Harris, C. M., & Brown, 2021;West, G. P., & Noel, 2009). Empirical evidence supports a positive correlation between human capital attributes, such as knowledge, skills, and capacity, and organizational performance (Al Khajeh, 2018; Irawan, D., Bastian, E., & Hanifah, 2019; Turulja, L., & Bajgoric, 2018). Previous literature has demonstrated a significant relationship between human skills and organizational performance (Al Kurdi et al., 2020) in the banking industry, human knowledge and organizational performance(Singh et al., 2021) in the micro, small-medium enterprise (MSME) industry, and human capacity and organizational performance (Martinez-Martinez et al., 2019).

The concept of social capital refers to the interactions that occur between companies and their stakeholders. These interactions, whether established, maintained, or dissolved, can greatly impact the exchange of information and resources (Yang, H., Cozzarin, B. P., Peng, C., & Xu, 2021). Social capital can be thought of as "unwritten resources existing in relationships" (Whipple, J.M., Wiedmer, R., K. Boyer, 2015) which have the potential to support a variety of relationship activities, including performance management. Furthermore, social capital can be leveraged to achieve strategic performance benefits, such as product and technology development within business relationships (Gelderman et al., 2016). However, research on all

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three dimensions of social capital is still limited (Matthews, R.L., Marzec, 2012). While many studies have explored the interrelationships between different dimensions of social capital (Carey, S., Lawson, B., Krause, 2011; Horn, P., Scheffler, P., Schiele, 2014), few have investigated the link between social capital and operational (Lawson et al., 2008; Horn, P., Scheffler, P., Schiele, 2014; Matthews, R.L., Marzec, 2012) or strategic performance (Carey, S., Lawson, B., Krause, 2011; Villena, V.H., Revilla, E., Choi, 2011).

The Government's policy for the sustainable growth of micro, small, and medium enterprises (MSMEs) focuses on enhancing the potential and active participation of these entities. According to Republic of Indonesia Law No. 20 of 2008, regional governments play a crucial role in promoting business development by providing incentives for MSMEs to adopt technology and preserve the environment. Furthermore, the Government is also striving to establish financing sources through banking credit and non-bank financial institutions.

Coffee entrepreneurs face multiple challenges, including inadequate workforce competency due to low levels of education and lack of financial management knowledge. Limited access to information and technology also restricts the growth of small businesses, weakening their role and competitive edge compared to other business actors. To address these issues, human and social capital must be developed to promote better business performance and growth. This research underscores the Government's role in influencing business performance and emphasizes the need for sustainable MSME development.

LITERATURE REVIEW

Human Capital

Human capital research in the early stages emphasised three dimensions; "education, training, and experience" (Titei, 2020). Focused on training and education as components of human capital and attributed disparities in human capital to individual income differences (Mincer, 1958) Likewise, in addition to education and training, identified health and internal migration as a human capital strand. Schultz believed that human capital can be developed through intentional financing while investing in their skills development and capability enhancement. Whereas Schultz further linked the disparity in productivity to "education, health, and training".

Human capital skills significantly influence organisational performance (Stiles & Kulvisaechana, 2003). According to (Jan Brinckmann, Nicholas Dew, Stuart Read, Katrin Mayer-Haug, 2019), human capital is essential for businesses to balance their market standing.

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The globalized technological advancements have significantly increased the competitive pressure, compelling businesses to promote their knowledge to ensure their continued survival (ikpe justice akpan, Paul Udoh, 2020).

Social Capital

Social capital is defined as the sum of resources a person has access to through his or her network (Bourdieu, 2018; Putnam, 1994) The cognitive dimension includes common conceptions, such as codes, goals, and norms, supportive to the social system ((Horn, P., Scheffler, P., Schiele, 2014; Tsai, W., Ghoshal, 1998). A shared culture of involved actors and common targets is an essential embodiment of cognitive capital (Villena, V.H., Revilla, E., Choi, 2011).

Lastly, the relational dimension reflects the relationship development between actors supported by interactions (Nahapiet, J., Ghoshal, 1998). Trust and common respect between actors are key elements of relational capital ((Carey, S., Lawson, B., Krause, 2011; Horn, P., Scheffler, P., Schiele, 2014; Whipple, J.M., Wiedmer, R., K. Boyer, 2015).

Role Of Goverment

The role of the government includes actions taken by government institutions or agencies to fulfill their responsibilities as public servants with the aim of improving the welfare of society (PRASTIKA, 2017). Identifies the effective roles of the government in the development of SMEs, which include roles as a facilitator, regulator, and catalyst. The government's presence in these various roles can stimulate the growth and development of micro, small, and medium enterprises with the potential for a positive impact on the income generated by these SMEs (Diva, 2009).

Performance Business

Business performance is greatly influenced by a company's ability to create value for its customers. Performance refers to the level of achievement or accomplishment of a company over a specific period. The performance of a company is a crucial factor in its development. The goals of a company, consisting of remaining in existence, earning profit, and achieving growth, can be realized when the company has good performance (Kotler, P. and Keller, 2016).

According to (G., 2004) organizational performance evaluation can be conducted through two main factors, namely productivity and the level of innovation. (Kasmir, 2016)

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defines productivity as the comparison between actual or physical results, such as goods or services produced, and the actual inputs used in the production process. Meanwhile, (Hasibuan, 2012) interprets work productivity as the ratio between output and input, with the requirement that the output must have added value and more efficient production techniques.

METHODOLOGY

In this study the population was 213 coffee processing MSMEs in Tanah Datar Regency. Determination of sample size using the Slovin formula (Sugiyono, 2015) Sovin's formula for determining is as follows:

$$n = \frac{N}{1 + N \, (e)^2} \tag{1}$$

Description:

n: Sample Size
N: Population Size
e: Margin errors in percentage, 7% margin of error was used for this study.

The total research population is 213, so by using the formula, the sample for this research is:

$$n = \frac{213}{1 + 213 \, (7\%)^2}$$

$$n = \frac{213}{1 + 213 \, (0.0049)}$$

$$n = \frac{213}{1 + (1.0437)}$$

$$n = \frac{213}{2.0437}$$

$$n = 104$$

After that, 104 samples were selected, which were taken using simple random sampling. The type of simple random sampling method used is the lottery or raffle method. The data collection method in this research requires data collected through methods such as questionnaires and interviews (Mardalis, 2008; Moleong, 2010). Data analysis used for this research uses the Structural Equation Model (SEM) analysis method with the variance-based

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SEM approach, commonly called Partial Least Square (PLS) (Hair, J. F., Hult, G., Ringle, C., Sarstedt, M., & Thiele, 2017;Ghozali, 2021).

RESULTS AND DISCUSSION

General Description of Respondent Characteristics

The general description of the characteristics of respondents includes gender, education level, age range of respondents and length of business. The following is Table 1 regarding the general description of the characteristics of the respondents.

Table 1. Respondent Characteristics

Characteristics		Frequency (People)	Percentage (%)
Gender	Female	66	63
	Male	38	37
Education Level	SD	12	12
	SMP	35	34
	SMA/SMK	47	45
	D3/S1	10	10
Age Range	25 – 35 Years	14	13
	36 – 45 Years	32	31
	46 – 55 Years	28	27
	56 – 65 Years	22	21
	Above 66 Years	8	8
Length of Business	1 – 15	34	33
	16 – 30	32	31
	31 – 45	23	22
	46 – 60	11	11
	Above 61	4	4

Source: Processed Data on Characteristics of Respondents 2023.

According to the data presented in Table 1, 38 individuals are male while the remaining 66 are female. It is noteworthy that the highest level of education achieved by ground coffee processors in Tanah Datar Regency is either senior high school (SMA) or vocational high school (SMK), accounting for 45% of the population. As a general rule, a coffee processor's education level correlates with their experience and skill in the coffee processing industry. The ultimate level of education attained by a business actor significantly influences their knowledge, experience, insight, and skills, which are all critical to developing a thriving business. As a person's education level increases, so does their knowledge, experience, insight, and skills.

In terms of age, the coffee processors range from 27 to 83 years old, as indicated in the table. Notably, the unproductive population comprises individuals under 15 years old, as they are not yet capable of producing goods or services through employment activities. In contrast, individuals between 15 and 64 years old are considered productive as they can contribute to the

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production process by producing goods and services. However, individuals beyond the age of 64 are no longer able to produce goods and services to sustain themselves.

The duration of a business is defined as the amount of time an entrepreneur or trader has been operating their business. The duration of a business can have an impact on the level of income, as an entrepreneur's experience and expertise in their field can affect their productivity. The longer an individual works in the trading business, the more knowledge they can gain about consumer preferences and behavior (Firdausa & Arianti, 2013). According to interview results, ground coffee processors in the Tanah Datar district are generally experienced, with an average business age range of 1-15 years for 34 individuals, or 33% of the total respondents. This can be attributed to the recent dominance of ground coffee businesses in Tanah Datar Regency, as well as the tradition of passing down ground coffee processing businesses from generation to generation.

Testing the Outer Model or Measurement Model

In this study, a reflective model was employed to evaluate the measurement model. This approach was chosen to measure latent variables or constructs that cannot be directly measured. The indicators were directed from the latent variables to the indicators.

Convergent validity is based on the idea that the manifest variables of a latent variable should be strongly correlated. To test the convergent validity of reflective indicators, the SmartPLS 3.0 program was used to determine the loading factor value for each latent variable indicator. Typically, a loading factor value of more than 0.7 is required for confirmatory research, while a value between 0.6 and 0.7 is considered acceptable for exploratory research. However, for early-stage research developing a measurement scale, a loading factor value of 0.5–0.6 is still deemed sufficient. In this research, a loading factor value limit of 0.5 was used. See the SEM-PLS research model image below.

Figure 1. Convergent Validity Test Result
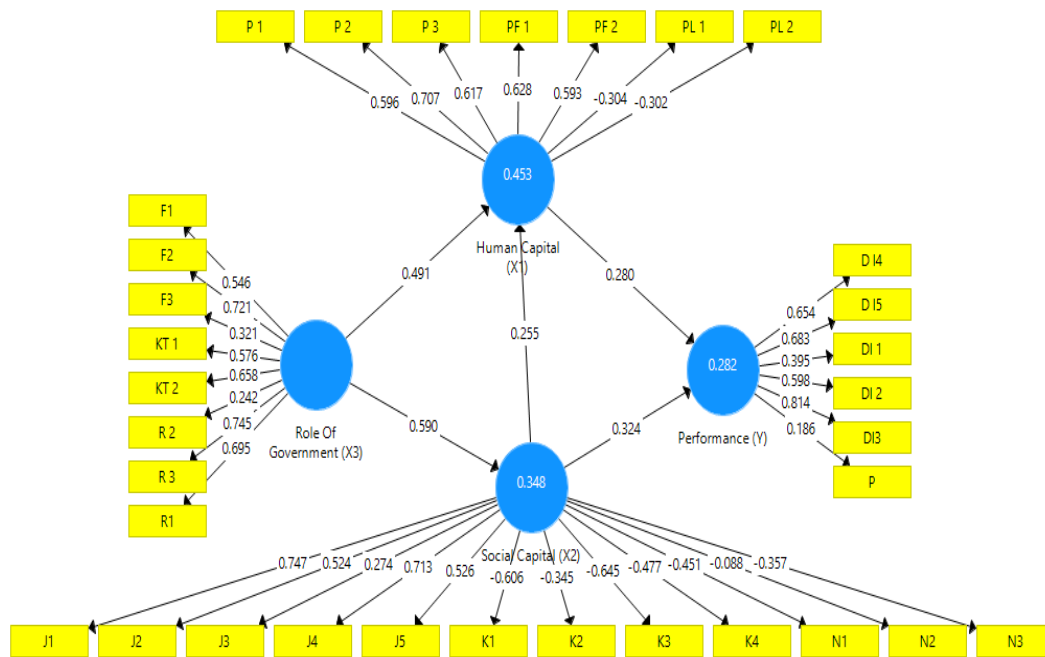
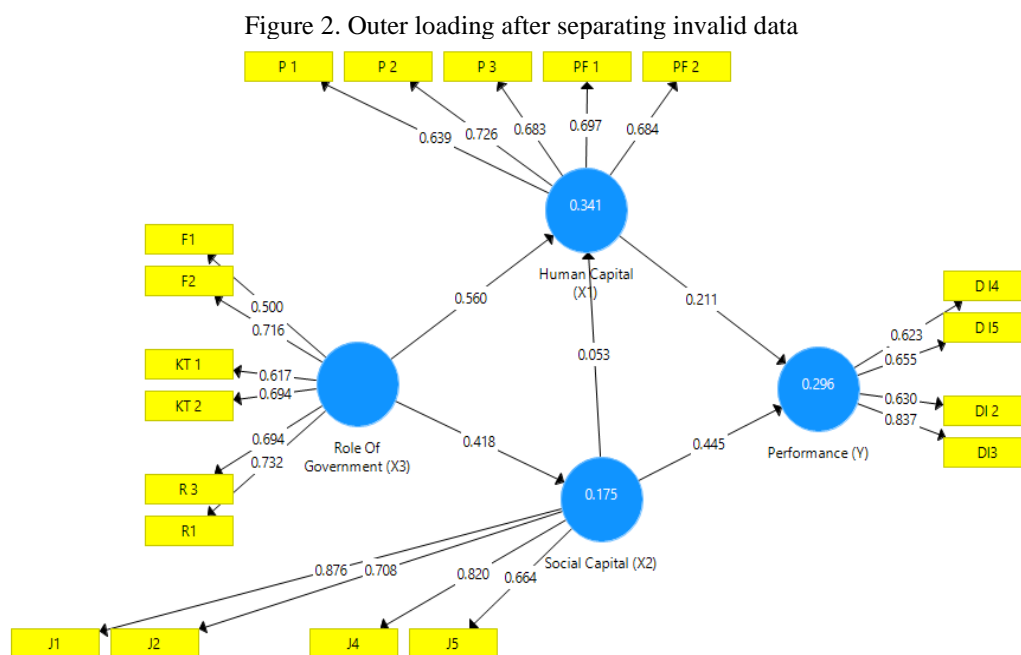Source: Results of 2023 Convergent Validity Testing.

Figure 1 illustrates the outer loading or path diagram formed using data input in CSV (comma-delimited) format from Microsoft Excel. The validity of each indicator can be observed by examining the loading factor value through the calculation feature in the PLS application, specifically the calculation using the PLS algorithm. This reveals the value and form of the data correlation that is processed by searching for the loading factor value in the SmartPLS application. Some indicators have values between 0.5 and 0.7, indicating their capability to measure the construct they form. Conversely, an indicator with a value less than 0.5 is considered incapable of measuring the construct it forms.

In the latent variable of human capital (X1), the training and formal education (PF) indicator has a loading factor value of > 0.5, satisfying the convergent validity criteria. The loading factor value on the training indicator (P1) is 0.646, (P2) is 0.646, (P3) is 0.733, and the formal education indicator (X1.2) has a loading factor value (PF1) of 0.688 and (PF2) of 0.675. Conversely, the other knowledge indicator (X1.3) has a loading factor value of <0.5, indicating it does not meet the convergent validity criteria. Consequently, the other knowledge indicators are invalid as measures of the latent variable of human capital; they are removed from the model, and the model is redefined.

The social capital latent variable (X2) can be formed by one indicator, the network indicator, which comprises statements (J1, J2, J4, and J5). The network indicator (J1) has a loading factor value of <0.5, namely 0.876, satisfying the convergent validity criteria.

Furthermore, in the statement (J2), the loading factor value is 0.708, (J4) is 0.820, and (J5) is 0.665. The trust indicators (K1, K2, K3, K4) and norm indicators (N1, N2, N3) have a loading factor value of <0.5, indicating that these two indicators do not meet the criteria for convergent validity; thus, they are removed from the model and repsification is carried out on them. From this description, it can be concluded that the latent variable social capital (X2) can be formed by one indicator, namely the network indicator. The regulator indicators (R1 and R3) have loading factor values of 0.746 and 0.667, respectively, satisfying the convergent validity criteria. Conversely, the regulator indicator in the statement (R2) has a loading factor value of <0.5, indicating that it does not meet the convergent validity criteria. The facilitator indicators in the statements (F1 and F2) have a loading factor value of > 0.5, satisfying the convergent validity criteria. However, the F3 statement has a value <0.5, indicating that it does not meet the convergent validity criteria. The catalyst indicators (KT 1 and KT 2) have a loading factor value > 0.5, satisfying the convergent validity criteria.

The productivity indicator (Y1.1) with the statements (L, M, and P) has a loading factor value of <0.5, indicating that the indicator does not meet the convergent validity criteria and is removed from the model. The innovation power indicator (Y1.2) with the statement (DI 2, DI 3, DI 4, DI 5) has a loading factor value > 0.5, indicating that the indicator statement meets the convergent validity criteria. The statement in DI 1 has a value loading factor < 0.5, indicating that it does not meet the convergent validity criteria and is removed from the model. The outer loading image below shows the valid data after removing invalid data.

Figure 2. Outer loading after separating invalid data

Source: Results of 2023 Convergent Validity Testing.

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In Figure 2, the outer loading is displayed, with each valid indicator included after removing any invalid indicators from the model. Once a path diagram consisting of valid indicators is formed, the next step is to utilize the calculation feature to determine the value of each indicator, followed by selecting the PLS Algorithm in the SmartPLS application.

To confirm that each concept of each latent variable is distinct from other variables, discriminant validity is conducted. This involves ensuring that different measures (manifest variables) of latent variables do not have a high correlation (Ghozali, 2021). Two methods can be used to conduct discriminant validity tests: comparing variable cross-loading values and comparing AVE (Fornell Larcker) square root values. This research employs the Fornell-Larcker test, which compares the square root of the AVE for each manifest variable with the maximum correlation value between the manifest variables in the model. A successful test is indicated by the square root value of the AVE for each manifest variable being greater than the maximum correlation value between the manifest variables in the model (Ghozali, 2021). Table 2 displays the results of the discriminant validity test.

Table 2. Discriminant Validity Test Result

	AVE Square Root (Fornell-Larcker Criterion)	Maximum Correlation Value
Performance	0,692	0,505
Human Capital	0,687	0,582
Social Capital	0,772	0,505
Government Role	0,664	0,582

Source: Processed Discriminant Validity Test Data with Fornell-Larcker Criteria (2023).

According to the table provided, it appears that the AVE square root value for each of the four performance indicators is greater than the maximum correlation value. Specifically, the human capital indicator has an AVE square root value of 0.687 which is greater than the maximum correlation value of 0.582, while the social capital and government role indicators both have values greater than 0.505. This observation aligns with the discriminant validity test criteria, indicating that the test has been successfully fulfilled.

To ensure the accuracy and consistency of variable measurements, reliability tests are conducted using two methods in Sem-PLS with the SmartPLS 3.0 program: Cronbach's alpha and composite reliability. However, it is recommended to use composite reliability over Cronbach's alpha due to the potential for underestimation. In confirmatory research, the composite reliability value should be greater than 0.7, while a value of 0.6-0.7 is still acceptable for exploratory research. Table 3 displays the results of the composite reliability test.

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Table 3. Composite Reliability Test Result

	Composite Reliability
Performance	0,783
Human Capital	0,817
Social Capital	0,854
Government Role	0,823

Source: Process of 2023 Composite Reliability Test.

Inner Model or Structural Model Testing (Structural Model)

Testing the structural model or inner model aims to see the relationship between latent variables. Structural model testing begins by looking at the R-Squares value for each endogenous latent variable as the predictive power of the structural model. Changes in the R-Squares value can be used to explain the influence of certain exogenous latent variables on whether endogenous latent variables have a substantive influence (Ghozali, 2021). R-Squares values of 0.75, 0.50, and 0.25 can be used to conclude that the model is strong, moderate, and weak. The results of PLS R-Squares represent the amount of variance of the variables explained by the model. The R-Squares test results can be seen in Table 4 below.

Table 4. R-Squares Value Testing

	R Square	Adjusted R Square
Performance	0,296	0,282
Human Capital	0,341	0,328
Social Capital	0,175	0,167

Source: Process of 2023 R-Squared Value Testing.

The R-squares values for the performance, human capital, and social capital variables are 0.296, 0.341, and 0.175, respectively. A higher R-Square value indicates a greater ability of the exogenous variable to explain the endogenous variable. Based on the results, we can conclude that the performance variable can be explained by the human capital and social capital variables by 28% (0.282), while the remaining percentage is explained by other variables not included in the model. Similarly, the human capital variable can be explained by social capital and the role of government by 33% (0.328), and the social capital variable can be explained by the role of government by 17% (0.175).

To calculate the Q-Squares predictive relevance value, we can use the R-Squares value obtained and apply it to the appropriate formula:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)(1 - R_3^2) \qquad (2)$$

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$$Q^2 = 1 - (1 - 0.296)(1 - 0.341)(1 - 0.175)$$
$$Q^2 = 1 - (1 - 0.0876)(1 - 0.1162)(1 - 0.0306)$$
$$Q^2 = 1 - (0.9124)(0.8838)(0.9694)$$
$$Q^2 = 1 - 0.7817$$
$$Q^2 = 0.218$$

Where:

R_1^2 : R-Squares value of the performance variable
R_2^2 : R-Squares value of the human capital variable
R_3^2 : R-Squares value of the social capital variable

Based on these calculations, the Q-Squares predictive relevance value is 0.118. The Q-Squares value has a value in the range $0 < Q^2 < 1$, so the Q-Squares value obtained is $0 < 0.218 < 1$ so it can be concluded that the model has predictive relevance.

Model Signification Testing

After that, model evaluation is carried out by looking at the significance value to determine the influence between variables through the bootstrapping procedure. The bootstrapping procedure uses the entire original sample for resampling.

Direct Effects Testing

If the path coefficient value is positive, it indicates that if the value of one variable increases, it will also increase the value of other variables, and vice versa if it is negative. If the p value is < 0.05 (alpha), then the hypothesis is accepted. The following results of direct influence testing can be seen in Table 5.

Table 5. Direct Effects Testing

	Original Sample	p-value
Human Capital -> Performance	0,211	0.035
Social Capital -> Performance	0,445	0,000
Social Capital -> Human Capital	0,053	0,621
Government Role-> Human Capital	0,560	0,000
Government Role -> Social Capital	0,418	0,000

Source: Process of 2023 Direct Effects Testing.

According to the table above, human capital (X1) has a positive and significant effect on performance (Y1), with a direct effect of 0.211 and a p-value of 0.035, rejecting Ho and

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accepting Ha. The results of this study indicate that the human capital of ground coffee processors in Tanah Datar Regency is relatively good, although most of them are only high school graduates. However, participating in training or technical guidance offered by the local government can help them improve their performance. Also, they can gain knowledge from their immediate family and parents who have long business experience, which can add to their knowledge.

Moreover, social capital (X2) also has a positive and significant effect on performance (Y1), with a direct effect of 0.445 and a p-value of 0.000, rejecting Ho and accepting Ha. This means that social capital plays a significant role in determining the performance, contributing 45% to influence the performance. Ground coffee processors in Tanah Datar Regency rely on their family to run the business, which expands their relationships and networks, leading to more significant partnerships in marketing ground coffee products.

The study also found that social capital has a positive but insignificant effect on human capital (X1), with a direct effect of 0.053 and a p-value of 0.621, accepting Ho and rejecting Ha. This implies that social capital has a negligible effect on human capital, contributing only 5% to influence human capital. Therefore, ground coffee processors in Tanah Datar Regency need to improve their social capital by expanding their network through training and sharing information related to the management of ground coffee processing businesses.

The government's role (X3) has a direct positive effect of 0.560 on human capital (X1) with a p-value of 0.000 < 0.05, which means that the null hypothesis (Ho) is rejected and the alternative hypothesis (Ha) is accepted. Consequently, it can be concluded that the government's role has a significant and positive relationship with human capital. In other words, the higher the government's role, the greater the human capital, with a contribution of 59% to influencing human capital. This research demonstrated that government policy moderates human capital, which implies that the government policy interacts with human capital as a moderator variable, thus strengthening the influence of human capital on business performance. In Tanah Datar Regency, ground coffee processors have received support from the government in their role as regulators, facilitators, and catalysts to help them improve their business operations. Although the assistance provided by the government is still low, it continues to carry out its role in enhancing business performance.

The government's role (X3) also has a direct positive effect of 0.418 on social capital (X2) with a p-value of 0.000 < 0.05, which means that Ho is rejected and Ha is accepted. Thus, it can be concluded that the government's role has a significant and positive relationship with

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social capital. The higher the government's role, the less social capital will have, with a contribution of 38% to influencing social capital. This research found that government policy moderates social capital on performance, which implies that SME entrepreneurs who have good social capital, such as trust, good relationships with consumers, cooperation with all parties, and prioritizing business interests, can achieve moderation in business performance policies.

Inderect Effect Testing

If the p-value < 0.05 (alpha) on the indirect influence coefficient, it can be concluded that there is an indirect influence between one variable on another variable through an intermediary variable (the hypothesis is accepted). The following results of indirect influence testing can be seen in Table 6.

Table 6. Inderect Effect Testing

	Original Sample	*p-value*
Social Capital -> Performance	0,011	0,644
Government Role -> Performance	0,309	0,000
Government Role -> Human Capital	0,022	0,665

Source: Process of 2023 Inderect Effects Testing.

Based on the table above, the coefficient value of the indirect influence of social capital (X2) on performance (Y1) is 0.011 (positive) with a p-value of 0.644 > 0.05, so Ho is accepted and Ha is rejected. It can be concluded that there is no indirect influence of social capital on performance. The coefficient value of the indirect influence of the government's role (X3) on performance (Y1) is 0.309 (positive) with a p-value of 0.000 < 0.05, so Ho is rejected and Ha is accepted. It can be concluded that there is an indirect influence of the role of government on performance. The coefficient value of the indirect influence of the role of government (X3) on human capital (X1) is 0.022 (positive) with a p-value of 0.665 > 0.05, so Ho is accepted and Ha is rejected. It can be concluded that there is no indirect influence between the role of government capital and human capital.

Total Effect Testing

Total influence is the sum of direct effect and indirect effect.

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Table 7. Total Effect Testing

	Original Sample	p-value
Human Capital -> Performance	0,211	0,035
Social Capital -> Performance	0,456	0,000
Social Capital -> Human Capital	0,053	0,621
Government Role -> Performance	0,309	0,000
Government Role -> Human Capital	0,582	0,000
Government Role -> Social Capital	0,418	0,000

Source: Process of 2023 Total Effect Testing.

The positive effect of human capital (X1) on performance (Y1) is statistically significant, with a 0.211 coefficient and p-value of 0.035. This suggests that there is a total influence of human capital on performance. Similarly, the positive effect of social capital (X2) on performance (Y1) is statistically significant, with a 0.456 coefficient and p-value of 0.000. Therefore, there is a total influence of social capital on performance. However, the positive effect of social capital (X2) on human capital (X1) is not statistically significant, with a 0.053 coefficient and p-value of 0.621. This suggests that there is no total influence of social capital on performance. On the other hand, the positive effect of the government's role (X3) on performance (Y1) is statistically significant, with a 0.309 coefficient and p-value of 0.000. Thus, there is a total influence of the role of government on performance. Similarly, the positive effect of the government's role (X3) on human capital (X1) is statistically significant, with a 0.582 coefficient and p-value of 0.000. That suggests there is a total influence of the role of government on human capital. Finally, the positive effect of the government's role (X3) on social affairs (Y2) is statistically significant, with a 0.418 coefficient and p-value of 0.000. Therefore, there is a total influence of the role of government on social affairs.

CONCLUSION AND RECOMMENDATIONS

The performance of ground coffee processing businesses is significantly influenced by the human capital they employ. Similarly, the social capital of these businesses also has a positive impact on their performance. However, the social capital of such businesses does not directly affect their human capital. On the other hand, the role of the government has a favorable and significant relationship with both human and social capital.

Based on the earlier analysis and discussion, the following recommendations are proposed To improve the performance of powdered coffee SMEs, coffee processors need to pay attention to human capital in terms of formal education to enhance capabilities and skills in coffee processing. Additionally, there is a need to enhance social capital in terms of

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networking to expand relations and broaden business networks for greater development than before. For the government, it is hoped that it will play a more significant role in empowering powdered coffee SMEs, whether as a regulator, facilitator, or catalyst. In the regulator role, the government is expected to enhance guidance in the form of legality for P-IRT (food industry business license) for powdered coffee processors. In the facilitator role, the government is expected to improve the provision of facilities and infrastructure in the form of packaging for powdered coffee processors. As a catalyst, the government is expected to revitalize mentoring and consultation for powdered coffee processors to ensure the success of their businesses. Additionally, powdered coffee processors must enhance their productivity to increase sales, profits, and capital in running their powdered coffee businesses.

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