

CHARACTERISTICS SOCIAL CAPITAL OF SMALL MICRO ENTERPRISES (SMES) IN PADANG CITY WEST SUMATERA INDONESIA

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ABSTRACT

The purpose of this study is to describe the characteristics of small and micro enterprises social capital in Padang City, West Sumatera. The strength of SMEs social capital in Padang City consist of trust, social network and social norms. This research was conducted in Padang City with purposive sampling as many as 150 business actors spread across six sub districts, namely Lubug Begalung District, Pauh District, Koto Tangah District, Kuranji District, Padang Utara District and Padang Barat District. The results of the study show that the social capital of trust in business actors is a sense of trust that is interwoven with fellow business actors. The social network formed in business actors is the ease in the production process and the social norms that are formed in business actors are religious norms and value which are the main things in running a business. Social capital in small micro enterprises in Padang City is a bonding social capital, which is embedded in each individual business actor.

Keywords: Social network, Social norms, Trust

INTRODUCTION

The existence of social capital in development is an equally important aspect of other aspects of capital, namely natural capital, physical capital and human capital (Schuller and Field 1998). The nature of social capital as capital value, which comes from improving economic performance obtained from a high trust network. The important thing in this social capital is the emphasis on networking as a social aspect and the emphasis on increasing value in the future as an aspect of capital or capital (Burt 2000). Emphasis on social aspects is very appropriate to be able to elaborate on broad economic performance. Social capital refers to social cohesion and the

internal culture of society, norms and values that govern interactions between the people and institutions where they are (Grootaert 1998).

This network relationship is considered as an important aspect for exchanging and transferring information in the context of small and medium enterprises (Uzzi and Gillespie 2002). Bonds in business networks will provide information, ideas, problem-solving skills, benefits from resources, access to new markets and skills development (Fuller Love and Thomas 2004). The strength of social capital trust, networks and norms are also able to improve the performance of small micro enterprises (SMEs). Research by De Chiara (2017) states that the power of social capital in the sustainability of small micro-enterprises is influenced by the network that is capable of being formed in the business itself.

One important factor in business continuity is social capital. Social capital is an intangible asset of an organization consisting of networks, beliefs and social norms that exist in the structure of the business (Fukuyama (2001); Nahapiet, J & Ghoshal, S. (1998); Putnam (2001). One result The study states that small micro-enterprises will develop if they get maximum support in social capital such as trust from various parties so that business people are able to access financial and non-financial support (Prasetyo et al. 2013).

The majority of West Sumatra residents are ethnic *Minang*. The life of the *Minang* community is very strong with an entrepreneurial spirit. The *Minang* community is entrepreneurial not only in their own area but almost spread throughout the regions of Malaysia, Singapore and Brunei Darussalam. *Minang* Entrepreneurship is not only in one field and even able to grow various business sectors such as food, trade and arriving at handicraft businesses. This is due to the fact that in the *Minang* community most of the business sectors developed are hereditary businesses and even the dominant businesses that are cultivated by the *Minang* community (Primadona 2016).

Some studies that show the strength of social capital that exists in this Minang community are Ramadhan & Maftuh (2015), saying that the *Minang* culture was able to create harmonious relations between Minang people overseas because of their high sense of solidarity. Wibisono (2012) states that Minangkabau ethnicity always utilizes the power of networks and reciprocity in trading so that they are able to survive overseas. Hastuti et al (2015) stated that the values of local wisdom were used by ethnic Minang Overseas traders in Jakarta. The value of this local wisdom cannot be separated from the history that is still inherent in the society of overseas traders (bonding social capital).

Efforts to improve finance, Johar (2016) states that the effectiveness of the Nagari white barn that supports social capital has three important aspects that contribute to trust, networks and

norms. Welsa (2017) stated in his research that the culture of *Minang* ethnicity had an impact on SMEs performance, namely culture had a significant effect on entrepreneurship, business ability, and business performance. The purpose of this study is to describe the characteristics of social capital that exist in small micro enterprises in Padang City, West Sumatra.

RESEARCH METHOD

This research was conducted in Padang City, West Sumatra Province. Determination of the sample of micro and small businesses is done by purposive sampling as many as 150 business actors. The instrument used to collect primary data regarding the components of social capital at the level of SMEs is a questionnaire divided into several groups of questions regarding trust, networks, and norms.

Trust Manifest Indicators

Trust is a form of desire to take risks in social relations based on the feeling that others will do as expected and do not harm themselves and their groups (Tabel 1).

Table 1: Manifest Description Variable

Manifest Variable	Description
Trust in external business	Trust consumers and suppliers
Trust of fellow business actors	Trust in fellow business actors
Trust in government	Trust in government policy
Trust in Nagari	Believe in the role Nagari
Trust in the business environment	Relation between actors and surrounding environment

Network Manifest Indicators

Granovetter (1985) state that strong ties between communities are needed for giving identity to family and community and shared goals (Table 2).

Table 2: Manifest Description Variable

Manifest Variabel	Keterangan
Participation in organizations	Participation in business organizations
Innovation in business	Innovation in business development
Ease of production process	Kontinuity of raw materials and auxiliary materials
Market entry convenience	Ease in product marketing
Ease of information	Easy of information
Ease of access to loans	Ease in business loans

Cooperation with the private sector

Ease to access CSR

Norms Manifest Indicators

Norms are shared values that govern the behavior of individuals in a community or group. Fukuyama (1999) states that social capital is an informal norm of an instant that can develop cooperation between two or more individuals (Table 3).

Table 3: Manifest Decription Variable

Manifest Variable	Description
Religious norms	The religious value adoptes by business actors
Norms to others	Collaboration with other people outside the business
Traditional norms	Traditional value in business
Norms with neighbors	Willingness to help neighbors
Norms with brother	Willingness to help brother

RESULT AND DISCUSSION

Trust in Small Micro Enterprises (SMEs) in Padang City

The strength of trust that occurs in business people in Padang City is in the case of a sense of trust in parties outside the business which includes trusting suppliers, customers, and the surrounding community. This network of cooperation can be seen when they give mutual assistance when they get into difficulties so they do not interfere with the production process activities. For example, when a business actor has difficulty with raw materials, they can easily obtain raw materials from other business actors. According to Hisrich and Peters (2008) the support of parents, family, close friends, will facilitate individuals as well as a source of strength when facing problems. Support from social factors influences individuals in their activities including business activities.

Trust in Padang City, SMEs related to the development of its biggest business is in the aspect of trust in fellow actors. This shows that business actors do not limit their relationship with other business actors, which is 89.33 percent, which is done to increase and strengthen business networks. In addition, support from the environment around the business also provides a high value as well, which is equal to 84 percent. Trust is also seen by business people on government programs, namely the Padang City Cooperative and UMKM Service in guidance programs, trainings, counseling, assistance in making business permits, assistance in promotional activities and exhibitions and assistance in venture capital.

Network in Small Micro Enterprises (SMEs) in Padang City

The business network formed by SMEs in Padang City is an attempt to build and strengthen its own business. The strength of this network is seen by how easy it is in the production process. This production process is related to the availability of raw materials and auxiliary materials. How the material is right and fast coming and in accordance with the expected quality. The convenience is because business people already have a network of cooperation with traders. The strength of the network in research is seen from the willingness of the actors in the organization. Business actors are individual actors who produce snacks typical of the city of Padang. Some of the business actors already have marketing outlets. For players who do not have an outlet they sell directly to customers and direct sales where consumers directly come to buy home.

The results of the study can show that the construction of micro-networks and meso networks in light food businesses in Padang City. Micro-networks are networks that are built between businesses and customers while for meso networks are relationships that are built by actors in the group. This meso network can also be seen through individual relationships with government institutions that support the existence of small micro enterprises (SMEs).

Social Norms of Small Micro Enterprises in Padang City

The results of the study show that the social norms and values that occur in SMEs in Padang City are strong religious values that support the development of their businesses. The *Minang* community with the majority are Muslim, they believe that what they do must be based on religion that can guide them in carrying out all their activities. Religious values cannot be separated from the traditional values that govern community life. This is in accordance with the philosophy of the *Minang* people that are '*Adat Basandi Syarak, Syarak Basandi Kitabullah.*'

In the research of norms of small micro enterprises actor indicated by manifest variables, among others, namely the willingness to help others, the ease of obtaining assistance from neighbors, the number of siblings / neighbors helping when in trouble, traditional values that have declined in business and religious values in trying.

CONCLUSIONS AND SUGGESTIONS

The indicator of the trust that influences the performance of small micro enterprises (SMEs) in Padang City is trust in fellow business actors. The network indicator that influences the performance of SMEs is the involvement of business actors in the organization. The norm indicator that influences the performance of MSEs is the willingness to help others related to business activities. The performance of SMEs is explained by three latent variables namely

production output, internal processes, and resource capabilities. The internal process of intellectual capital consisting of human capital, structural capital and relational capital contributed the most to the performance of SMEs in Padang City.

The trustworthiness of business actors is shown by the difficulties experienced can be overcome because of cooperation so that good communication between actors occurs. The established network is able to provide convenience in the production process, namely the provision of raw materials and ease of market information. Norms formed in business actors are based on religious and customary values that support business continuity, ease of obtaining assistance from neighbors and are willing to help both physically and materially in the community or organization. The strength of social capital of SMEs actors is bonding social capital and linking social capital.

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