






## Enterpreneurial Orientation and Sme's Performance in DKI Jakarta Province: The Role of Religiosity as A Moderator

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**Abstract.** Small and medium-sized enterprises (SMEs) are an essential contributor to emerging countries' economic growth, like Indonesia. The big role of SMEs can be seen from the contribution of SMEs to GDP (Gross Domestic Product), which is 61.07% or IDR 8,573.89 trillion. However, SMEs have been struggling to sustain their performance especially in the pandemic era. The contribution of SMEs for example in the provinces of DKI Jakarta, Bali and West Java experienced the worst contractions, amounting to -30.61 percent, -28 percent respectively -39 percent and -26.58 percent during the pandemic era. Thus, this study aims to re-examine the impact of SMEs' entrepreneurial orientation (EO) on tourism sme's performance. This study has also studied the mediating role of religiosity and tourism sme's performance. This study employed a structured questionnaire for data collection, with a cluster random sampling, where the unit of analysis is the manager or owner of SMEs. The data are analyzed using partial least square structural equation modeling (PLS SEM).

Keywords : Tourism SME'S Performance, Entrepreneurial Orientation and Religiosity

### 1. Introduction

Small and medium enterprises (SMEs) play essential roles in fostering economic growth and job creations (Al Qershi, 2021) ; (Susanto, et al., 2021) ; (Genc, et al., 2019) ; Kadam, et al, (2019) ; (Pratono & Mahmood, 2015). The Ministry of Cooperatives and SMEs said that the contribution of SMEs to GDP (Gross Domestic Product) is 61.07% or IDR 8,573.89 trillion ([ekon.go.id/](http://ekon.go.id/), 2021). This contribution of SMEs includes the ability to absorb 97% of the total existing workforce, and of the 97 percent of employment in the SME sector, 70 percent or more than 30 million SME jobs are in the tourism and creative economy sectors (<https://pedulicovid19.kemenparekraf.go.id/>, 2021). Therefore, SMEs exceptionally contribute to the economy.

Although SMEs exceptionally contribute to the economic growth, the contribution of SMEs to GDP has slightly downward by around 4 percent in 2021(Lestari, 2022). Senior Researcher at the Institute of Developing Entrepreneurship Sutrisno Iwantono said the decline could not be separated from the sluggish economic conditions due to the impact of Covid-19 and had a significant impact on the SME's sector (Fauzan, R., 2021).

The outbreak due to the spread of Coronavirus Disease 2019 (COVID-19) was declared by the World Health Organization or WHO as a simultaneous pandemic in all countries on

March 11 2020. There were 54,810 businesses (93.63 percent) especially in DKI Jakarta affected by the pandemic. Some of them had to change the type of business, and not run their business for a while (Dery, 2019). Only a small proportion of SMEs have been able to survive and seize opportunities during the pandemic, such as the pharmaceutical, medicinal and traditional medicine businesses, and the chemical and chemical goods businesses (Catalog 6104010, BPS DKI Jakarta, 2020).

Furthermore, it was stated by BPS (2020) that entering the second quarter of 2020, the impact of the pandemic on SMEs in the DKI Jakarta, Bali and West Java provinces experienced the worst contractions, respectively -30.61 percent, -28.39 percent and -26, respectively 58 percent. SMEs are considered to have been under too much pressure because the wheels of business have not moved optimally since the first quarter of 2020 (<https://economy.business.com/>, 2020). Business fields related to tourism experienced the deepest declined, namely accommodation, food and beverage, and transportation. The accommodation and food and beverage business sector fell to -22.02 percent in the second quarter of 2020 compared to 2019, while transportation contracted by -30.84 percent. Other SMEs in the tourism sector were also experiencing difficulties, namely motorbike, car and handicraft rentals (<https://economic.bisnis.com/>, 2020). The declining drift of their contributions were daunting for the economy. Many essential factors, including religiosity and entrepreneurial aspects, might have contributed to this circumstance. The Minister of Cooperatives and SMEs, Teten Masduki explained that SMEs need to innovate in creating science and technology innovation business products so they can compete in the digital era, so as to increase their entrepreneurial orientation (<https://swa.co.id/>, 2022).

Various previous studies have shown that entrepreneurial orientation is associated with increased performance. It is described that performance is an important aspect of an entrepreneurial orientation (Meekaewkunchorn et al., 2021; Basco et al., 2019; Juárez, 2020; Gupta and Wales, 2017; Al Makmun and Fazal, 2018). Other opinions say that entrepreneurial orientation and marketing capabilities have a positive effect on company performance moderated by competitive intensity (Martin, 2016). Another study presented by Bui et al. (2019) explained that core competencies moderate entrepreneurial orientation variables with performance. Gupta and Wales (2017) then revealed that studies regarding entrepreneurial orientation with performance still receive limited attention. In line with this, Isichei (2018) said that there are still limited studies regarding the effect of entrepreneurial orientation on performance through infrastructure capabilities (Supriadi et al., 2022). Then, Fadda (2018) stated that multidimensional entrepreneurial orientation has never been adopted among tourism business actors (Yusniarti et al., 2022). Consequently, the bias in how entrepreneurial orientation relates closely to studies of entrepreneurial orientation. While few researchers have actively attempted to link religion to business behavior (entrepreneurs or managers), this is more than just a philosophical discussion.

In addition to entrepreneurial orientation, the performance of SMEs is also determined by religiosity. Religiosity is not only manifested in worship, but also in carrying out other activities according to religious teachings. Not only from visible activities, but also activities that are not visible or occur secretly (Desiyanti & Kasim, 2020). But unfortunately, studies on religiosity are still limited (Eid and Gohary, 2015; Ng, et al., 2020).

Based on the background of the problems above, the researcher is interested in examining more deeply the role of religiosity as a moderator of the relationship between entrepreneurial orientation and the performance of SMEs in DKI Jakarta Province.

### **Hypothesis development**

#### **Entrepreneurial Orientation**

Torres, et al. (2019) revealed positive results on business performance. But on the contrary, Hernandez-Perlines and Hoch (2017) said that entrepreneurial orientation positively moderates the influence of community social responsibility on the performance of family firms. Then it was found that entrepreneurial orientation influences performance (Basco, et al. 2019; Prabu, 2019; Torres, et al. 2019 Meekaewkunchorn et al. 2021; Juárez, 2020; Gupta and Wales, 2017; Al Makmun and Fazal, 2018; Soares and Perin, 2020 and Torres, et al., 2019; Abu-Rumman, et al. (2021). Therefore, based on this previous research, the researcher proposes the following hypothesis:

*H1 Entrepreneurial orientation has a significant and positive effect on the performance of SMEs.*

#### **Religiosity**

Putri and Susanto (2021) said that religiosity does not moderate the influence between entrepreneurial orientation and the performance of SMEs at Pesisir Selatan Regency. This shows that the religiosity of SME owners is unable to strengthen the influence of entrepreneurial orientation on the performance of SMEs at Pesisir Selatan Regency, West Sumatra. Diab (2016) said that religiosity partially mediates the relationship between celebrity credibility and Purchase Behavior. Desiyanti & Kassim (2020) found that religiosity affects business performance and religiosity strengthens the relationship between financial literacy and business performance. Religiosity seems to moderate the relationship between environmental orientation and environmental marketing practices (Adi and Adawiyah, 2018). Thus, based on this previous research, the researcher proposes the following hypothesis:

*H2 : Religiosity moderates the effect of entrepreneurial orientation and SMEs Performance*

## **2. Methods**

This research is causative research. In this research, a closed ended questionnaire was administered to collect data through both online and offline survey and quantitative analysis was used to generalize the results. The proposed relationships are tested on a sample of 350 manager or owner of tourism SMEs in DKI Jakarta Province, using a purposive sampling. The analysis data was applying the PLS algorithm, bootstrapping, and blindfolding methods using Smart PLS 3.0.

**Operational measurement and definition*****Entrepreneurial orientation***

A multidimensional construct that describes the strategy-making process at the organizational level and includes dimensions, such as proactiveness, innovation, risk taking, competitive aggressiveness, and autonomy (Lumpkin and Dess, 1996).

***Religiosity***

Religiosity is the belief possessed by religious people (Islam) to carry out the Commandments and Prohibitions of Allah SWT in everyday life. There are indicators that have been tested by Eid & Ghohary (2015) as in my personal life, religion is very important; Islam helps me to have a better life ; The Dua'aa (supplication) supports me ; The Prophet Muhammad (peace-be-upon-him) is the role model for me ; Performing Hajj is one of my main priorities ; I believe that Allah (God) helps me ; I perform all my prayers ; I perform my prayers always on time ; I perform my daily prayers in the mosque regularly ; I perform the obligation of Zakat ; I read the Qur'an regularly and I fast the whole month of Ramadan.

**SME'S Performance**

Performance can be described as the results of individual work in a certain time.

**3. Result and Discussion**

Questionnaires were distributed to UKM owners or managers in DKI Jakarta Province. Based on the results of the analysis of the respondent's profile, it was shown that based on gender, the most respondents who filled out the questionnaire, namely 32 people, were male respondents. The remaining 8 people are female respondents. Based on the age of the largest respondents aged 20-39 years as many as 27 people. Based on the number of employees, the largest number of employees is 5-19 people, namely 28 out of 40 respondents. Then, based on the number of sales per year, the most is <300, namely 36 and the least is > 2.5 billion, as many as 4 respondents or only 3%.

Data analysis in hypothesis testing uses the smart-PLS 3 application. The results of the analysis will display the form of a measurement model (measurement model) and a structural model (structural model). The results of testing the measurement model include the convergent validity test, which can be seen from the loading factor value for each indicator in the construct, which must be more than 0.6 or better above 0.7, and the average variance extracted (AVE) value must be greater than 0.5 (Hair et al., 2019). Then, the value of Cronbach's alpha and composite reliability to test the reliability of the value must be greater than 0.7 for each construct. Next is to test the discriminant validity for the correlation between constructs compared to the AVE value. Based on the results of the measurement model analysis, it shows that the AVE value is greater than 0.5, this meets convergent validity. Then, the value of Cronbach's alpha and composite reliability is greater than 0.7, so this shows that all the constructs in this study are reliable. Then, the results of the discriminant validity test show that the AVE square root value is higher than the correlation value, so it

can be concluded that the estimated model is valid because it meets the discriminant validity criteria, as shown in Table 2.

**Table 2** Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Orientation	0,922	0,958	0,935	0,675
Moderating Effect 1	1,000	1,000	1,000	1,000
Religiosity	0,871	0,982	0,918	0,788
SME's Performance	0,887	0,895	0,914	0,639

**Table 2b** Discriminant Validity

	Entrepreneurial Orientation	Moderating Effect 1	Religiosity	SME's Performance
Entrepreneurial Orientation	0,822			
Moderating Effect 1	0,109	1,000		
Religiosity	0,224	-0,768	0,888	
SME's Performance	0,539	-0,215	0,384	0,799

### Structural Model

Structural model testing focuses on the relationship between constructs or hypothesis testing by looking at the analysis results of the path coefficient values as presented in Table 3.

**Table 3.** The results of the structural model for hypothesis testing

	Original Sample (O)	Samp le Mean (M)	Standa rd Deviation (STDEV)	T Statistics ( O/STDEV  )	P Values
Entrepreneurial Orientation -> SME's Performance	0,526	0,557	0,126	4,179	0,00 0
Moderating Effect 1 -> SME's Performance	-0,167	- 0,116	0,240	0,699	0,48 5

Table 3. shows the results of testing the hypothesis of a direct and indirect relationship. The results of testing hypothesis 1 indicate that entrepreneurial orientation has a positive and significant effect on the performance of SMEs with a coefficient value of 0.526 and a p-value of 0.000, meanwhile, the t-statistics is 4.179, which is greater than the t-table value, so it can be concluded that hypothesis 1 is accepted. Then testing the indirect relationship, namely the moderating effect of religiosity. Test results between religiosity as a moderator of the relationship between entrepreneurial orientation and SME performance. Based on the H2 test, religiosity does not moderate the relationship between entrepreneurial orientation and SME performance, when referring to p-values > 0.05 (t-statistics 0.699 > t-table 1.96), it can be concluded that the results are rejected. In hypothesis 1, entrepreneurial orientation has a coefficient that has a positive effect on the performance of SMEs. This means that the better the entrepreneurial orientation carried out by SMEs in DKI Jakarta Province, the performance of SMEs will increase. And vice versa, the lower the entrepreneurial orientation, the lower the performance of SMEs. This is in line with research conducted by Abu-Rumman, et al. (2021) revealed that entrepreneurial orientation is the main key to creating better business performance.

## CONCLUSION

Based on the results of the discussion regarding the effect of entrepreneurial orientation on the performance of SMEs moderated by religion, it can be concluded that entrepreneurial orientation has a positive and significant effect on the performance of SMEs in DKI Jakarta Province. That is, the higher the entrepreneurial orientation possessed by SMEs, the higher the performance produced by SMEs in DKI Jakarta Province. Conversely, if the entrepreneurial orientation is low, then the performance of SMEs in DKI Jakarta Province will also be low. Interestingly, religiosity has a negative and significant effect in explaining the relationship between entrepreneurial orientation and SME performance in DKI Jakarta Province. This indicates that religiosity has not had a significant impact on the relationship between entrepreneurial orientation and SME performance in DKI Jakarta Province.



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