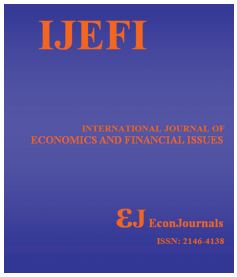

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Role of Entrepreneurial Culture as the Driver of Economic Growth

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ABSTRACT

The role and function of entrepreneurial culture get more important and is the main driver of sustainable regional and national economic growth in Indonesia. The specific purpose of this article is to explain the role of entrepreneurial culture as the driver of regional economic growth in Central Java, Indonesia. For the purpose of this research, a survey for primary data and recursive model of path analysis are employed. The research results show positive and significance influence of entrepreneurial culture and network as well as competition on regional economic growth. With the principle of "*tuna satak bati sanak*" culture as the basic behavioral pattern of their business, the social entrepreneurial network and entrepreneurial culture in the research area are strengthened. Therefore, with support of entrepreneurial culture, the growth of entrepreneurship in Indonesia will serve more to be the main driver of sustainable economic growth.

Keywords: Entrepreneurial Culture, Network, Competition, Regional Economic Growth
JEL Classifications: D91, L31, L51

1. INTRODUCTION

The relationship and influence of entrepreneurship on economic growth gets more interesting and important for researchers and decision makers to test continuously, (Kreft and Sobel, 2003; Armijos and Johnson, 2016; World Bank, 2016; Christian et al., 2017; Ferreira et al., 2017; OECD, 2018; Bjørnskov and Foss, 2018; Doran et al., 2018; Windapo, 2018). Currently, there are many acknowledgements that entrepreneurship serves to be the main driving factor of economic growth and development, (Coscia et al., 2017; GEM, 2018; Aparicio and Urbano, 2018; Beugelsdijk et al., 2018; Doran et al., 2018; Dumitru and Dumitru, 2018; Ogunlana, 2018; Tomak, 2018). Entrepreneurship plays even more important role in income and economic transformation process, supporting economic development, overcoming crisis, and alleviating poverty, unemployment, and inequality, (Prasetyo, 2008; Isenberg, 2014; Karadag, 2016; GEM, 2018; Sheila and Arinze, 2017; Bello et al., 2018; Kareem, 2018; Ogunlana, 2018; Naushad et al., 2018; and Tahir et al., 2018). In addition, micro, small and medium-sized enterprises (MSMEs') entrepreneurial growth is more considered the main driver of long-term local economic growth than the existing big foreign companies, (Bell, 2013). The research conducted by Ogunlana (2018) recommends future researchers to continuously focus on utilization of MSMEs as the stimulator of economic growth. The research conducted by Fritsch and Wyrwich (2014) concludes that regional entrepreneurial culture is an important resource for regional growth. Meanwhile, Beugelsdijk (2007) confirms the importance of entrepreneurial culture in explaining regional economic success.

Entrepreneurial culture through creativity culture plays an important role as the main driver of economic growth in the world both now and in the future (Toghraee and Monjezi, 2017; Werthes et al., 2017; Ratten and Ferreira, 2017). The research conducted by Ratten and Ferreira, (2017), concludes that regional innovation is the key strength behind entrepreneurial culture. This entrepreneurial culture is marked with increasing acknowledgements of the importance of arts for a region's

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economic development, (Ratten and Ferreira, 2017). For the past 5 years, researchers pay more attention to cultural industry and creative industry for their significance in the society and good role in regional development, (Konrad, 2013). Meanwhile, cultural industry and creative industry are the most rapid growing sectors, (Konrad, 2015).

Entrepreneurial culture in Indonesia constantly receives increasing support from the government, since its role is deemed able to generate new jobs and innovations, and may accelerate economic growth, (Prasetyo, 2008; 2017). MSMEs' entrepreneurship also serves to be the main driver of economic growth, employment and innovation in Europe, (EIB, 2015; Beugelsdijk et al., 2018). The main problem urgency is the increasingly important role of entrepreneurship and MSME in Indonesia, that raises question of what key factors are needed to drive entrepreneurial activities. The purpose of this research is to explain various important factors, namely entrepreneurial network, entrepreneurial culture and competition, as the driving factors of entrepreneurial growth and regional economic growth. The specific purpose of this article is to explain the role of entrepreneurial culture in driving the success of regional economic growth.

2. LITERATURE REVIEW

Entrepreneurial culture is, according to (Kuhlke et al., 2017), theoretically, pedagogically and practically intended to be a call to develop entrepreneurial skills in creative and cultural sectors to contribute more in economic development. Kuhlke also continues to emphasize this cultural sector value for the society. Besides, the economic value of creative sector also has remarkable social values, particularly through stimulation of various forms of art and preservation of cultural heritage, (Kuhlke et al., 2017 and Gehman and Soublière, 2017). The entrepreneurial culture in industrial sector in this article may be understood as the process and deliverables of creative and innovative ideas of MSME entrepreneurship-based business actors who passionately pursue their desire to gain better economic and mutual benefits. Moreover, entrepreneurial culture based creative economic and creative industrial concepts grow from the application of such creative and innovative ideas.

In economic theory, many factors may be used to reveal how great MSME entrepreneurship serves to be the driver of economic growth, (Ahlstrom and Bruton, 2010; Emile, 2011; Simpeh, 2011; Huggins, 2015; Kuhlke et al., 2017; Langroodi, 2017; Beugelsdijk et al., 2018; Braunerhjelm et al., 2018; Lang, 2018; Tomak, 2018). However, this article only presents two key factors as exogenous variables, namely; entrepreneurial network and entrepreneurial culture, (Huggins, 2015; Real, 2015; Kuhlke et al., 2017; Langroodi, 2017). Classical studies show that well growing entrepreneurial network contributes to entrepreneurial business, including in enhancing clean business growth (Horiuchi, 2017). Entrepreneurial culture is frequently viewed as an important element in economic success, (Beugelsdijk, 2007; Fritsch and Jordaan, 2018; Galambos, 2018). Meanwhile, the network theory, (Huggins, 2015), proposes that the properties of network is the key determinants of difference in regional economic growth. This means that in endogenous growth theory, the network capital, as the explanatory variable in the form of value investment, is able to acquire access to knowledge and deemed able to mediate the connectivity between entrepreneurship and innovation based regional economic growth.

The other factor explained in this article is endogenous variables; competition and regional economic growth. The argumentation is that a country's competition and sustainable regional economic growth matters always become the center of attention and represent the object of research frequently conducted in the economic theory and in practice, (Kiseľáková et al., 2018). The urgency of the next interesting research issue is how to drive competition and economic growth through network and entrepreneurial culture. Chen et al. (2018) has explained that many evidences have shown the key role of entrepreneurship in promoting economic growth. However, the potential relationship between entrepreneurship, social networking and economic development still needs exploration and thorough discussion. The research conducted by (Chen et al., 2018) finds that entrepreneurship and social networking have similar positive non-linear U shaped effect in China's regional economic growth. He asserts that social networking and entrepreneurship have positive effect which continuously enhances regional economic growth in most provinces. Traditional culture is far different from entrepreneurial culture. Theoretically, entrepreneurial culture which facilitates innovation is defined as a way of thinking and acting which generates corporate values and attitudes which tend to stimulate ideas and changes which may represent an enhancement in corporate function and efficiency (Real, 2015). Entrepreneurial culture is defined as from creating a culture to a culture of creation (Gehman and Soublière, 2017). The research conducted by Suddle et al. (2006) finds positive and significant relationship between entrepreneurial culture and newborn entrepreneurship.

In this research, entrepreneurial culture is defined as the outcome of dynamic and creative *cipta*, *rasa* and *karsa* of the entrepreneurs in the study. Theoretically, Schumpeterian's approach in economic growth, mainly driven by entrepreneurial innovation influenced by institutional environment, may be taken as the basic reference of this article (Langroodi, 2017; Aghion et al., 2015; Real, 2015; Lema et al., 2014). The research conducted by (Real, 2015) finds that entrepreneurial culture serves to be a moderating variable between human resource and innovation, in which highly valued employees are to generate more innovations for this type of cultural industry. The study in this article tends to employ fundamental microeconomic-rich data, particularly with the macroeconomic growth variable. Meanwhile, the operational dimension of regional economic growth variable in this article tends to employ Schumpeter's approach. The purpose is; to moderate the inequality issue between fundamental micro data and macroeconomic variable.

3. RESEARCH METHOD

For the purpose of analysis of this article, the survey's primary data which are taken as the main data, accompanied with secondary data, are required. The sample respondents in the survey are MSME entrepreneurs in Central Java province. The surveyed entrepreneurs are classified by micro enterprises, small enterprises

and medium enterprises clusters, hereinafter in this article referred to as MSMEs. However, for the purpose of macro variables, these fundamental micro data are not explained in detail. The representing samples in this research are 137 MSME entrepreneurs who are taken by a random sampling out of totally 585 MSME business actors. The data of endogenous variable of regional economic growth (REG) in this article are measured by dimension of ratio, index of total production output generated by each MSME business actors in the study. Moreover, the explanatory competition variable (c) is defined as entrepreneurial attempt to create unique products and services in order to enter their joint business market. This measurement dimension of competition variable is obtained based on the identification ratio of market opportunity which may be chosen, entered and served by the MSME entrepreneurs in the study, with basic principle of non-monopoly and anti-unhealthy competition practice policy.

Meanwhile, the explanatory exogenous variables of entrepreneurial network (networking) and entrepreneurial culture are measured based on the dimension of gini ratio, index of each cluster of type of MSME entrepreneurship in the study. Entrepreneurial network variable is defined as the connectivity of attempts in creating new values, or the MSME entrepreneurs' ability to access the environment. The dimension of connectivity with this network is measured by surveys on; social environment, economic and business environment and institutional political environment. Afterwards, the ratio of capability to connect with the environment serves to be the measuring dimension of networking (Nw) variable. The entrepreneurial culture variable may be taken an informal institution which reflects to what extent entrepreneurship is valued in the society, (Stam, 2018). The entrepreneurial culture (EC) variable in this article is defined more as the outcome of dynamic, creative and innovative cipta, rasa and karsa of MSME entrepreneurs acknowledged and valued by the society, measured based on gini ratio from the source of data of survey inquiries of; interest, spirit, how to start a business, diligence, work ethic, discipline, success, climate and attitude as well as acknowledgement and recognition by surrounding society.

Hereinafter, the analysis employs the econometric model of path analysis with recursive equation. The purpose of such model is to examine any direct influence, indirect influence and total influence of exogenous variables on endogenous variables. The structural form of equation model is arranged as follows.

$$C = \alpha_0 + \alpha_1 Nw + \alpha_2 EC + \varepsilon_1 \quad (1)$$

$$REG = \beta_0 + \beta_1 Nw + \beta_2 EC + \beta_3 C + \varepsilon_2 \quad (2)$$

$$REG = \mu_0 + \alpha_1 C + \varepsilon_3 \quad (3)$$

$$REG = \tau_0 + \tau_1 Nw + \tau_2 EC + \varepsilon_4 \quad (4)$$

The concerned main structural equation models of path analysis in this research are equations 1 and 2. Meanwhile, the equations 3 and 4 serve only to make rechecking. A path diagram of the research as presented in Figure 1 may be arranged based on the equations of recursive model of path analysis.

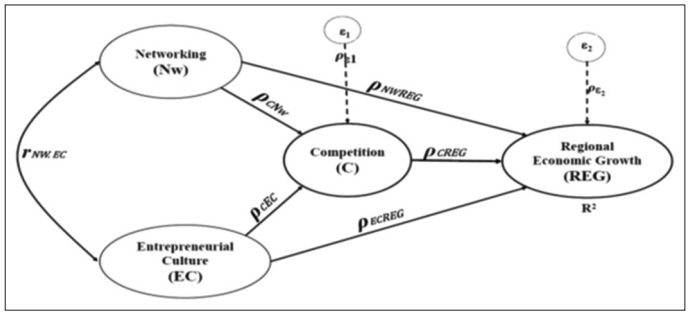
4. RESULTS AND DISCUSSION

4.1. Results of Recursive Model of Path Analysis

The research above has decided structural equation models in this path analysis. Based on equations 1 and 2 from chapter research method, the research results of this path analysis are presented in sequence below. Table 1 shows equation model-1 that entrepreneurial culture positively and significantly influences competition at confidence level 99% or significance level 1% (1-tail), while networking variable negatively and insignificantly influences competition. The research result shows that entrepreneurial network establishment tends more to be social-based or we may state it a social entrepreneurial network instead of a business network with adversarial competition among the entrepreneurs. In other words, the entrepreneurial network tends to be an alliance or collaboration in order to enhance mutual productivity and competitiveness instead of competition. This means that, in the research, no entrepreneurial network is formed for the purpose of adversarial competition, thus the bigger the entrepreneurial network is established among business actors in the research area will reduce more the competition among individuals and small groups. One form of this entrepreneurial network is the establishment of craftsmen's cooperatives, serving as an entity to accommodate their products.

Moreover, the result of equation model-2 (Table 1) shows that entrepreneurial culture variable still has positive and significant influence at confidence level 99% or significance level 1%. In addition, in the model, it seems that entrepreneurial culture factor also makes the first biggest contribution to regional economic growth. Based on the regression standardized coefficient values, entrepreneurial culture factor contributes 36.50% to regional economic growth, while each of the other two variables, namely competition and networking, positively and significantly influences regional economic growth at confidence level 95%. Based on the standardized coefficient values, competition and networking factors respectively contribute 19.50% and 17.40%. This research result supports previous researches conducted by Beugelsdijk, (2007) and Fritsch and Wyrwich (2014) which explain the importance of entrepreneurial culture's role as an important resource for the success of regional economic growth. This research result also supports the statement that competition is an important factor to drive regional economic growth, (Godfrey, 2010).

Figure 1: The path diagram research model of recursive model of path analysis



Based on Table 2, with determinant in model-1, the R^2 value is 0.531, which means that networking and entrepreneurial culture factors are able to explain the 53.10% competition condition and the remaining 46.90% is influenced by other factors out of model-1. Meanwhile, the R^2 value in model-2 is 0.409, which shows that networking, entrepreneurial cultural, and competition jointly only influence regional economic growth at 40.90% and the remaining is influenced by other factors out of the model. Both models are statistically significant. In Table 2, it also seems that the determinant of correlation (multiple R) in model-1 is 0.729 and in model-2 is 0.639, and thus we may state that the correlation between network, entrepreneurial culture, competition and regional economic growth variables is strong. The partial correlation values between variables are presented in Table 3. Compared to the determinant values, the entry of competition variable into model-2 may slightly weaken the level of influence and correlation between network and entrepreneurial culture and regional economic growth. However, the competition issue is not harmful, and only slightly weakens entrepreneurial network but does not weaken economic growth, since, partially, the regression coefficient value and correlation of entrepreneurial culture and network with economic growth remain positive, significant, big and strong. The evidence of argumentation may be viewed and controlled in the research results in Tables 1, 3 and 4.

In Table 3, it seems that entrepreneurial culture also has partially biggest and strong correlation value (0.610) with economic growth compared with other factors. The partial correlation value between entrepreneurial culture and competition of 0.729 is evidence that the competition strengthens their entrepreneurial culture principle; "*tuna satak bati sanak*" principle. In Table 2, the entry of competition element in determinant value slightly weakens the contribution of equation model-2 to regional economic growth. However, this weakening is expectedly only temporary and in short-term through weakening entrepreneurial network business, since the correlation value 0.729 is evidence that the competition does not weaken their entrepreneurial culture principle. The research result explains and supports previous research that most of them who take the cultural principle "*tuna satak bati sanak*" have their business more resistant to disturbance of economic crisis, (Prasetyo, 2017).

The main argumentation that competition factor is not harmful is the fundamental business principle culture "*tuna satak bati sanak*" taken as their business cultural principle. This means that they tend to take short-term, slight loss of selling their products, provided that they remain having long-term connection with customers. Besides after sale service, the strategy of business cultural principle "*tuna satak bati sanak*" evidently helps them survive the economic crisis. Such phenomena may become gap for any established conventional business economic theory. The research result gap phenomena are evidence of higher relevance of the development of entrepreneurial culture in art sector to be cultural industry with economic values, while maintaining the characteristics of cultural and art principles. The research result phenomena are almost similar to the "*Schumpeter effect*" and conform to the (push-pull factor) theory or similar to the push-versus-pull factor idea as an influence on interest in entrepreneurial model, (Christian et al., 2017; Dawson and Henley, 2016; and Zwan et al., 2016). The research result shows; push-factor means that they argue that there

Table 1: Results of regression analysis with two-path recursive model and structural equations-1 and 2

Equation model-1		Unstandardized coefficients		Standardized coefficients	t-Stk.	Significant	Correlations		
		B	Standard error	Beta			Zero-order	Partial	Part
1	(Constant)	0.089	0.027		3.301	0.001			
	Networking (Nw)	−0.015	0.069	−0.016	−0.214	0.831	0.419	−0.018	−0.013
	Entrepreneurial_ culture (EC)	0.692	0.069	0.738	10.083	0.000	0.729	0.657	0.596
Equation model-2		**Unstandardized coefficients**		**Standardized coefficients**	**t-Sat.**	**Significant**	**Correlations**		
		B	**Standard error**	**Beta**			**Zero-order**	**Partial**	**Part**
2	(Constant)	0.093	0.038		2.484	0.014			
	Networking (Nw)	0.197	0.093	0.174	2.113	0.036	0.471	0.180	0.141
	Entrepreneurial_ culture (EC)	0.408	0.122	0.365	3.338	0.001	0.610	0.278	0.223
	Competition (C)	0.232	0.116	0.195	1.999	0.048	0.534	0.171	0.133

a. Dependent variable equation-1; competition (C). b. Dependent variable equation-2; regional economic growth (REG)

Table 2: Results of determination analysis on predictor variable on endogenous economic growth

Equation model	R	R^2	Adjusted R^2	Standard. error of the estimate	Change statistics					Durbin-watson
					R^2 change	F change	df1	df2	Significant. F change	
1	0.729	0.531	0.524	0.147758	0.531	75.909	2	134	0.000	1.882
Equation model	**R**	**R^2**	**Adjusted R^2**	**Standard. error of the estimate**	**Change statistics**					**Durbin-watson**
					R^2 change	**F change**	**df1**	**df2**	**Significant F change**	
2	0.639	0.409	0.395	0.198425	0.409	30.642	3	133	0.000	1.766

Model-1: Predictors (constant, networking and entrepreneurial cultural). Endogen (competition). Model-2: Predictors (constant, networking, entrepreneurial cultural, and competition). Endogen (RE_Growth)

is no better employment choice, limited business capital, few/low skills, having spirit, existence of cultural heritage and acceptable to local community. Meanwhile, from the pull-factor, they have relationship, income, better employment prospect, something easy to do, small initial capital, good and interesting work environment, and quickly cashable products.

The research results in Table 4 strengthen the evidence of argumentation above, that entrepreneurial culture factor is able to serve as the main driver of regional economic growth. The regression standardized coefficient value is 0.509, showing the extent the entrepreneurial culture influences regional economic growth. Meanwhile, the research result explains that the entrepreneurial network adds more market information flow which cannot be made by the entrepreneurs in the research area. The bigger the information network, the stronger the sense of togetherness of the new entrepreneurship to mutually compete positively and increase their joint business's profit, thus any negative competition among them is reduced or weakened. This means that, the bigger and stronger the entrepreneurial network established, the more any unhealthy competition in MSME entrepreneurial business is weakened. The research result finds that, when there is information input and there is new trade market opportunity, the instinct of mutual cultural principle will arise to mutually strengthen resource allocation they have and help drive their economic activities to betterment for mutual advantage. Based on such phenomena, we may sate that MSME entrepreneurship serves a stronger and important role as the driver of regional economic growth in the research area through the entrepreneurial network and entrepreneurial culture.

Based on various research results in the table above, we may arrange a diagram of path analysis like that in Figure 2. Moreover, based on Figure 2, we may conclude a diagram and direction as well as path of each predictor variable towards endogenous regional economic growth variable. This means that, regional economic growth enhancement is driven by entrepreneurial culture at (0.365), driven by networking at (0.174) and driven by competition at (0.195). Furthermore, competition advancement, in driving economic growth, is also driven by entrepreneurial culture at (0.738). However, the entrepreneurial network path slightly weakens the influence of competition on economic growth path at (−0.016). The important argumentation of negative influence of entrepreneurial network on competition is the fundamental cultural principle "*tuna satak bati sanak*" in their business. This means that the entrepreneurial network established is not for adversarial competition, but to have a strategic alliance and collaboration to enhance their mutual productivity and competitiveness, and to eventually enhance economic growth. . The results of this study support previous research conducted (Prasetyo, 2014, 2019). Prasetyo research results (2014) state that productivity is the key to increasing competitiveness and economic growth. Increased innovation and productivity are believed to be able to increase state competitiveness and economic growth. The argument is that healthy competition full of innovation is believed to be able to encourage better productivity levels, and productivity is the key

Figure 2: Diagram results of the research of path analysis with two-path equation model (equations 1 and 2)

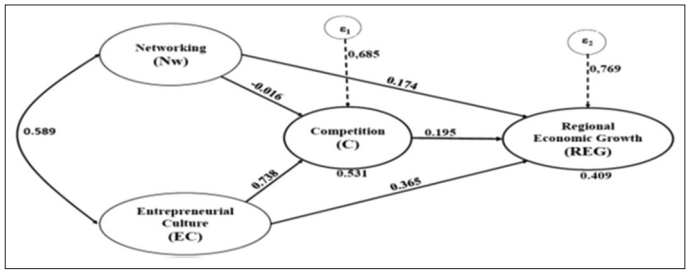


Table 3: Results of karl pearson partial correlation matrix coefficient, product moment equation-2

Model persamaan-2	RE_growth	Networking	Entrepreneurial_culture (EC)	Competition
Pearson correlation				
RE_growth (REG)	1.000	0.471	0.610	0.534
Networking (Nw)	0.471	1.000	0.589	0.419
Entrepreneurial_culture (EC)	0.610	0.589	1.000	0.729
Competition (C)	0.534	0.419	0.729	1.000

Model-2: Predictors (Constant, networking, entrepreneurial cultural, and competition). Endogen (REG). All value correlation is significant at the 0.01 level (1-tailed). n=137

Table 4: Results of rechecking model of regression analysis (control model) equation-3 and 4

Equation model-3	Unstandardized coefficients		Standardized coefficients	t-statistics	Significant	Correlations		
	B	Standard. error	Beta			Zero-order	Partial	Part
(Constant)	0.114	0.037		3.118	0.002			
Networking (Nw)	0.194	0.094	0.171	2.053	0.042	0.471	0.175	0.138
Entrepreneurial-culture (EC)	0.568	0.093	0.509	6.100	0.000	0.610	0.466	0.411
Equation model-4	**Unstandardized coefficients**		**Standardized coefficients**	**t-statistics**	**Significant**	**Correlations**		
	B	**Standard. error**	**Beta**			**Zero-order**	**Partial**	**Part**
(Constant)	0.183	0.035		5.255	0.000			
Competition	0.636	0.087	0.534	7.335	0.000	0.534	0.534	0.534

Endogen variable; RE_Growth

Table 5: Results of direct influence, indirect influence and total influence on regional economic growth

Variable	Direct influence	Indirect influence			Indirect influence	Total influence
		Networking	Entrepreneurial_culture	Competition		
Networking	0.0303		0.0374	0.0005	0.0379	0.0682
Entrepreneurial_culture	0.1332	0.0374		0.0525	0.0899	0.2231
Competition	0.0380	0.0005	0.0525		0.0530	0.0910
						0.3823

to increasing competitiveness and quality of economic growth, (Prasetyo, 2019). Based on the results of analysis above, we may calculate the direct influence, indirect influence and total influence as presented in Table-5.

Based on Table 5, it seems that entrepreneurial culture factor even convincingly, evidently makes the biggest direct influence (0.1332), indirect influence (0.0899) and total influence (0.2231) on regional economic growth. Meanwhile, competition and entrepreneurial network only have total influence on regional economic growth respectively (0.0910) and (0.0682). Based on the phenomena of research result, we may reconfirm the more important role of entrepreneurship and MSME as the driver regional economic growth in the research area through entrepreneurial culture. The existing bigger and stronger economic network and entrepreneurial culture enhance the number of new better, bigger and stronger MSME entrepreneurs, which drive the enhancement of regional economic growth. Therefore, this research result support previous research conducted by Suddle et al. (2006), which finds positive and significant relationship between entrepreneurial culture and newborn entrepreneurship. Moreover, based on the phenomena of research results, it is expected to reduce unemployment, poverty, income inequality and excessive urbanization issues. Therefore, the phenomena of MSME entrepreneurship's long-term economic activity process in the research area, driven by the main factor of entrepreneurial culture, are expected to serve more as the key driver of sustainable regional and national economic growth. The phenomena of research result also tend to be similar to the behavioral pattern called "*Schumpeter effect*," both the pull-effect and the push-effect. This means that, where there is employment, new entrepreneurship will emerge, and on the contrary, the emergence of entrepreneurship will reduce employment and enhance economic growth.

5. CONCLUSION

It is concluded that, entrepreneurial network, competition and, particularly, entrepreneurial culture factors in entrepreneurial and MSME sectors evidently play an important role as the even more quality and sustainable driver of regional economic growth. Therefore, it is recommended that any policy of economic development in Indonesia to be based on the function and role of enhancement of entrepreneurial and MSMEs' capacity as the quality driver of economic growth as the necessary and sufficient condition in economic development to enhance people's prosperity. The implementation of such policy should particularly be made through building people's character of entrepreneurial culture as a whole, consistently and sustainably. Moreover, other researchers are recommended to continuously study factors which may enhance the entrepreneurial cultures nationally, and to study human capital and social capital factors.

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