

CAN ENTREPREUNERSHIP BEHAVIOR THROUGH INNOVATION INCREASE THE TRADITIONAL MARKET TRADERS' PERFORMANCE?

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ABSTRACT

The main purpose of this study is to study the innovation of market traders mediating the effect of entrepreneurial behavior on the performance of traditional market traders in the City of Banyuwangi and the City of Solo in Indonesia. Furthermore, the sample used was traditional market traders in Banyuwangi and Solo City consisting of 186 traditional market traders. The analytical tool used is Structural Equation Modeling (SEM). The results showed that entrepreneurial behavior and innovation were able to contribute to the business performance of traditional market traders and innovation of traditional market traders was able to form the entrepreneurial spirit of market traders, so as to improve the business performance of market traders independently and collectively.

Keywords: Entrepreneurship Behavior, Innovation, Traditional Marker, Traders Performance.

INTRODUCTION

Traders are likely one of the main market players for developing traditional market conditions, therefore, with many existing government programs in an effort to improve the performance of traders to be able to increase their turnover is a policy program that needs to be supported. Publicly-publicized government programs to improve the quality of economic growth through increasing the number of entrepreneurs. One of the published government programs is the National Entrepreneurship Movement (GKN) issued by the Ministry of Cooperatives & Small & Medium Enterprises (SMEs). Casson, et al. (2006) described entrepreneurship as an economic driving force and innovator for economic or state development. At present, the number of Small and Medium Enterprises (MSMEs) in Indonesia reaches 56 million business units under the guidance of Kemenkop. Referring to the definition where entrepreneurship is the ability of individuals who have innovations in creating things, working independently, and able to face risks and business opportunities (Casson, 2006). That they in working and doing business always face changes in the external environment that are as competitive as they are, so that they must be able to adapt to the values of institutions by changing with changing business governance for better business, independently or also in collaboration with other subjects.

Banyuwangi and Solo Cities are among the cities that have diversity in culture and community habits. The city of Banyuwangi in the eastern end of the province of East Java is experiencing rapid economic sector progress with the increasing tourism sector. While the City of Solo is located in the Central Java Province of Indonesia, it also has a diversity of cultures thereby increasing the economic and tourism sectors. Some traditional markets are developing in

these two cities, along with the improvement of the people's economy. Entrepreneurial behavior of market traders in the City of Banyuwangi and the City of Solo, in addition to being seen from the need for funds, the entrepreneurial attitude that arises in developing entrepreneurial behavior is an entrepreneurial act that reflects the entrepreneurial character that is owned, named perseverance, risk taking, being innovative, and being able to read opportunities. Therefore, the subject must be willing to devote resources to change; improve outdated governance in an integrated way. Among them are taking non-market strategies in their business environment-in the form of innovations on the "*Rules of the game*" that govern economic interactions (North, 1990: 3; Ostrom, 1990: 51; Williamson, 1991: 287), reconstructing relationships with permanent buyers as stakeholders (Grannovetter, 1985). Lack of understanding of entrepreneurial behavior among traditional market traders has the results in decreased business performance. This is because consumers will prefer products that are sold more quality and safer for them.

Research related to the effect of entrepreneurial orientation on business performance, among others, was conducted by Fauzul, et al. (2010), stating that there is a positive relationship between entrepreneurial orientation on business performance. Suci (2009) proved that entrepreneurial orientation has a positive effect on business strategy and business performance in small and medium businesses. Yeoh & Jeong (1995) found that entrepreneurship will have a positive effect on export performance through the performance of the export channel structure which is an important element of business strategy. This entrepreneurship was developed because based on entrepreneurship research it is positively related to economic growth. Therefore, the government provides full development support in creating and increasing the number of entrepreneurs. Entrepreneurship is believed to be the driving wheel of economic growth, and entrepreneurship is also considered an innovator in economic development.

The higher the percentage of the number of entrepreneurs in a country, the country's economy will grow well (Scumpeter in Casson et al., 2006). An entrepreneur is considered as an innovator because the entrepreneur has the ability to create new products that have added value through courage in taking risks, creativity, innovation, and the ability to manage and read the opportunities that exist. The ability of market traders in an effort to read the opportunity conditions and situations is known as an effort to increase sales turnover, so that the determinants of entrepreneurial behavior can be related to their business performance. Entrepreneurial behavior can be explained by what is desired and carried out by traditional market traders, then why traders do that, and how these actions can affect the performance of their businesses.

Market traders who have an entrepreneurial spirit are certainly able to compete by always innovating the creation of new products by adding added value and benefits to the products they sell. The initial concept of innovation is the development of economics and entrepreneurship (Rosli & Sidek, 2013). Innovation consists of elements of creativity, research and development (R&D), innovation in new processes, new products and new technologies (Lumpkin & Dess, 2001). Innovation is also seen as the process of creating ideas, developing inventions from products, processes to customer service (Thornhill, 2006). Ratnawati, et al. (2018) stated that good performance of SMEs will always innovate such as product innovation, process innovation and market innovation. Innovation provides many opportunities and opportunities for more development in facing new challenges. Zhang & Chen (2014) explain that innovation is a challenge in innovative practice. The results of the study revealed the importance of SME innovations (process and product innovations) which empirically contributed to the more innovative performance of SMEs. Serna, et al. (2016) explained that innovation has a positive impact on performance.

LITERATURE REVIEW

Entrepreneurial orientation is one of the antecedents of innovation (Alegre & Chiva, 2009) empirically Ireland et al. (2003) Covin & Slevin (1991) stated that entrepreneurial activities have a direct influence on product, process and administrative innovations. Entrepreneurial orientation can be pursued independently or collaboratively with non-market strategies through partnerships, proactive activities, or collective nature, based on adaptive, additive, or transformative strategic intentions of governance as a choice for implementing innovation. Collectively, for example by making a code of conduct as an additive approach, it is expected to play a role in helping to solve community problems and collective action, namely conditions where interdependence occurs between subject market participants by creating the potential to build shared value, so that it can easily be realized it is based on strong institutions (Olson, 1965), through collegial collective collegial strategies (Ostrom, 1990), where the subject actors [regulators and traders] interpret, understand and fully voluntarily bind themselves in compliance with written rules, norms and ethics of collective action, which opens wider opportunities to realize shared benefits and benefits that are fairplay through collaboration (Ostrom et al., 1994); Then, when involving external parties or other third parties in interacting and exchanging interests, there are collective sanctions to strengthen cooperation as a network management system (Jones et al., 1997). More than that, Avlonitis & Salavou (2007) and Atuahene-Gima & Ko (2001) stated that there is a positive influence between entrepreneurial orientation and innovation. Entrepreneurial orientation also plays a role in making strategic planning. Lumpkin & Dess (1996) provide an understanding that entrepreneurial orientation refers to a corporate orientation strategy to obtain the style, practice, and method of decision making.

Lesakova Libica (2009) stated that SME innovation is not only a very important determinant of successful SME development. SMEs are required to innovate because they are under pressure in market competition. Zhang & Chen (2014) explained that SME innovation is a challenge in innovative practice. SME innovation is faced with obstacles, impacts and strategies as an effort to improve the performance of SMEs. Rosli (2013) expresses the importance of SME innovation (process and product innovation) which emittically contributes to the performance of more innovative SMEs.

Tsang, et al. (1999) explained that performance can be measured through financial performance, customer satisfaction, internal processes and learning and business growth. Bititci, et al. (2005) in their research describes a business measured from: level of sales, sales costs, assets owned, brand image and fixed assets owned by SMEs.

METHODOLOGY

This research is an explanatory research or explanatory research that explains the causal relationship and hypothesis testing and empirically proves the influence of innovation on the performance of traditional market traders mediated by entrepreneurial behavior. The population used is traditional market traders in the Banyuwangi and Solo City areas by fulfilling several criteria of 389 MSME market traders. Based on a population of 389 market traders, using the Isaac and Michael table with a sampling error rate of 5% obtained a total sample of 186 MSME market traders consisting of 46 respondents are vegetable and fruit market traders, 52 meat and fish market traders, 50 staple traders and 38 clothing traders.

The data analysis used in this study is the Structural Equation Model (SEM). Furthermore, the research hypothesis testing, after the model meets the requirements, what need to be done next is the regression weight/loading factor test. This test is done the same as comparing the probability value with the error rate at the 5% level. If the probability value (p) < 0.05 indicates a significant effect and if $p > 0.05$ indicates has no significant.

FINDINGS

Following is the results of the initial SEM analysis in full which can be seen in Figure 1:

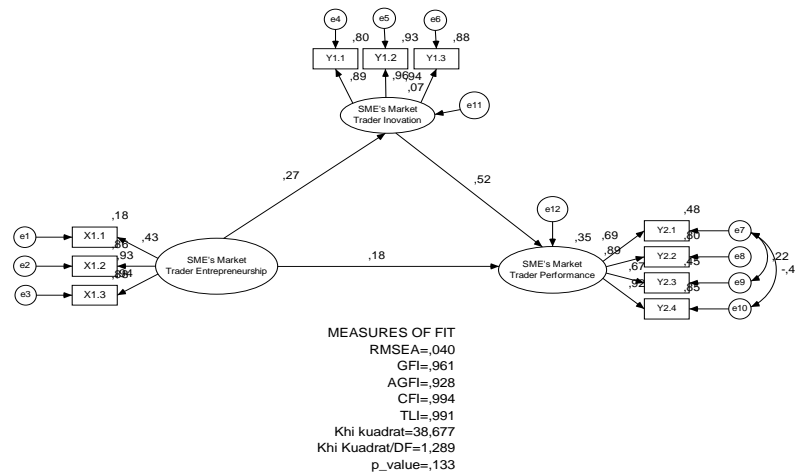


FIGURE 1
PATH ANALYSIS OF SEM ANALYSIS RESULT

Structural Equation Model (SEM) analysis using AMOS 6.0 is used to test the hypotheses proposed by researchers, the results of statistical analysis are shown in the following Table 1 and Table 2.

Relationship		Path Coefficient	C.r.	p-value	Note
SME's Market_Trader Inovation	← SME's Market_Trader Entrepreneurship	0.273	3.580	0.000*	Sig.
SME's Market_Trader Performance	← SME's Market_Trader Inovation	0.520	6.350	0.000*	Sig.
SME's Market_Trader Performance	← SME's Market_Trader Entrepreneurship	0.177	2.527	0.011*	Sig.

Note: * Significant at level 5%

The influence of entrepreneurial behavior on the innovation of traditional market traders is shown by the path coefficient of 0.273 with a Cr value of 3.580 at a significance level of 0,000. These results indicate that there is a significant influence of entrepreneurial behavior on the innovation of traditional market traders. Entrepreneurial behavior of market traders directly influences the innovations carried out by innovating on the products sold, for example with variations in products, product quality and product completeness. The influence of innovation of

market traders on the performance of traditional market traders is shown by the path coefficient of 0.520 with a Cr value of 6.350 at a significance level of 0.000. This shows the significant influence of innovation on the performance of traditional market traders. Innovation provides an opportunity for market traders to face obstacles and challenges so as to improve business performance. Innovation provides a challenge for market traders to develop more advanced by increasing the capacity of the products sold. The effect of entrepreneurial behavior on the performance of traditional market traders is shown by the path coefficient of 0.177 with a Cr value of 2.527 at a significance level of 0.011. This shows the significant influence of entrepreneurial behavior on the performance of MSME traditional market traders. Entrepreneurial behavior directly influences business performance by increasing profits, increasing the number and customer loyalty, increasing sales volume, increasing the quality and quantity of products sold by market traders.

The Effect Between Variable	Direct Effect	Indirect Effect Through Y_1	Total Effect
SME's Market_Trader Entrepreneurship on SME's Market_Traders' Innovation	0.273	-	0.273
SME's Market_Trader Entrepreneurship on SME's Market_Traders' Performance	0.520	$0.273 \times 0.520 = 0.793$	0.970
SME's Market_Trader Innovation on SME's Market_Traders' Performance	0.177	-	0.177

Based on Table 2, it can be explained that the indirect effect of entrepreneurial behavior on performance through market trader innovation has a total coefficient value of 0.970 and is greater than the direct effect of entrepreneurial behavior on market trader performance of 0.177. These results indicate that the innovation variable can mediate the effect of entrepreneurial behavior on the business performance of traditional market traders.

DISCUSSION

This study explains that entrepreneurial behavior of market traders can improve their business performance. This is indicated by the behavior of traders who try to be innovative in creating products that are sold as a form of product innovation or finding new distributions to increase their sales. Another entrepreneurial behavior carried out by market traders is by increasing the competitiveness of their products, both in terms of neater packaging, service to consumers to diversification (development) of products sold which is done by looking at the opportunities that exist. Through innovation must open up new opportunities to grow new values that are more productive, reduce the counterproductive atmosphere. Market traders have procedures for developing businesses and business values that are appropriate through cooperation, and can avoid illegal levies from individuals acting in the name of government regulations (Gupta & Lad, 1983; Ingram & Clay, 2000; Maitland, 1985), such as; avoid misuse of the weighing device, sale of expired products (commodities), products selling counterfeit and or non-standardized goods; The code of conduct as an additive innovation as part of this additional institutional structure in order to work well must be built consistent with other broader traditional market institutional environments (Ostrom, 1990).

In addition, the courage of market traders to bear business risks is also a manifestation of the business behavior they run, in an effort to seize business opportunities. Courage in taking risks will give positive results for SMEs, because it shows their openness to change, including new ways of working (Laforet & Tann, 2006). A market environment that has an institutional infrastructure to strengthen cooperation and transactions among market participants in it, such as cooperatives or joint ventures and capital procurement of raw materials as an innovation part of a collective strategy (Mair et al., 2012).

The increasing business performance of market traders with entrepreneurial behavior through the innovations carried out is proven in this study. The innovations made by traders, among others, are fast in adopting products sold in accordance with developments and competition, increasing production process innovations from goods sold by product recycling, and creating new sales systems in an effort to increase sales. The existence of an entrepreneurial spirit by carrying out several innovations, market traders are able to increase profits from their businesses, besides that, traders strive to always maintain the quality of goods sold and are able to meet buyer satisfaction.

CONCLUSION

The performance of market traders in Banyuwangi and Solo City was realized by the entrepreneurial entrepreneurship behavior through innovations. Some entrepreneurial behaviors carried out by traditional market traders are the ability to innovate by trying to develop products sold and business network systems, pro-active in increasing competitiveness and taking advantage of opportunities and dare to take risks. This is consistent with research conducted by Mafasiya, et al. (2010) explains that there is a positive relationship between entrepreneurial orientation and company performance, this statement is supported by the results of research conducted by Krauss et al., (2005) which concludes that overall entrepreneurial orientation has a positive and significant effect on the level of business growth, where the number of workers and evaluation of external success are indicators of performance. Donard Games (2019) stated that risk taking and innovation capability can be seen as a way to increase SME innovation which in turn will improve the financial performance of SMEs.

Innovation can improve the performance of traditional market traders by innovating products sold, by selling a variety of products and creating new products to sell to consumers. In addition, production process innovations and business network systems are also carried out by market traders by developing business network systems to be able to obtain and sell more of their products and to innovate in production processes by increasing the variety of goods sold. Through a code of conduct traders can take their own additive approach through proactive sharing of values with other parties according to the principles of sound production business. This step with consideration can open the space for obtaining positive externalities and or reduce negative externalities, such as; online access, maintenance of cleanliness and comfort or environmental safety. The collective strategy includes making associations with standards of behavior (Barnett & King, 2008; King & Soule 2007) Bilmana being a Code of conduct will be a guarantee for the formation of norms of better behavior not limited to the subject of economic actors in the market, but also for other parties who generally value responsible behavior (Kaul & Luo, 2016; Vogel, 2006).

At last, the results of this study are in line with research conducted by Nybakk (2012); Serna, et al. (2016); Saunila, et al. (2013); Ratnawati, et al. (2018) explained that there is a

significant influence of business innovation on the performance of SMEs. Innovation provides a real contribution to the performance of MSMEs by increasing profits, offering better quality products and increasing the total sales of market traders. This study has limitations with the number of respondents who have not been able to measure all the number of market traders, perceptions of market traders on the questionnaires distributed and the variables raised in this study are still unable to represent problems in improving the performance of market traders. Further studies are needed in more depth, especially with the non-positivistic paradigm; so that a more objective understanding can be obtained that can represent the problem and the discovery of solutions according to the point of view of the trader as an actor who knows and experiences the problem.

ACKNOWLEDGMENTS

This research was conducted by the researcher at University of Wisnuwardhana Malang. The researcher got support from Research Grant of Primary Research of Higher Education From Directorate of Research and Development, Ministry of Research and Higher Education of the Republic of Indonesia

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