# The Influence of Entrepreneurship Ecosystem Toward Trust-Building Process of Garut Burayot Center, Indonesia

Dini Turipanam Alamanda[1*], Ayuni Ayuni[2], Wati Susilawati[3], Intan Alya Khoerunnisa[4]

[1,2,3,4]Faculty of Economics, Garut University
manda@uniga.ac.id

**ABSTRACT.** Trust is an essential factor that can encourage MSMEs to join clusters. One of the MSME centres that have the potential to develop into clusters is the Burayot Centre, located in Garut Regency, West Java, Indonesia. The purpose of this study is to analyze the influence of the entrepreneurial ecosystem on the process of building trust in the Garut Burayot Center. The entrepreneurial ecosystem is vital in facilitating business growth and development in the centre. This study used a quantitative research method using the questionnaire as a data collection instrument. The research sample was a saturated sample of 40 MSME entrepreneurs from the Garut Burayot Center. The data were then analyzed using PLS-SEM with the help of SmartPLS 4.0 software. The results show that the entrepreneurial ecosystem has significantly influenced the trust-building process in the Garut Burayot Center. Conducive environmental factors, solid institutional support, and good interaction between stakeholders are essential factors that help build trust between business actors at the Garut Burayot Center. The findings have important implications for the Garut Burayot Center stakeholders and similar industrial centres. Improving the entrepreneurial ecosystem and strengthening the trust-building process can effectively drive business growth and success in small and medium industrial centres such as Garut Burayot Center.

*Keywords:* *Cluster industry, MSME, Trust-building process, Entrepreneurship, Business Ecosystem*

## 1  INTRODUCTION

Technology, information, and digital developments will create transformations in various aspects, so the need to adapt and innovate is a challenge for all industries in the era of Society 5.0 (Kadarisman et al., 2022). One of the issues in the period of Society 5.0 is that trust is an essential factor in entrepreneurship (Carayannis & Morawska-Jancelewicz, 2022). Trust positively affects economic growth (Gozgor, 2022). Some researchers emphasize the importance of trust in entrepreneurship programs (Kritikos, 2022). Trust is the primary basis in business, based on transactions between two or more parties who trust each other (Chen et al., 2023). Trust is the most critical component in the success of a business, professional, and work relationship, as well as an important factor for everyone to hold in carrying out their responsibilities; the level of trust for each person varies depending on the person who needs trust (Siegrist, 2021). Trust is important because an organization wants to collaborate effectively (Siegrist, 2021). As it is known that MSME is one of the industrial sectors strongly influenced by trust in its business dynamics, barriers to MSMEs include a need for more public trust (Scupola, 2003). The ability of MSMEs to develop is still limited due to a lack of guidance and public trust in MSMEs. Trust is still a problem. Conceptually, many people know about trust, but it takes work to implement directly in the MSME sector (Alamanda et al., 2022).

Garut Regency has much regional potential, even some of which have the status of centres and industrial areas. Of the many MSME centres, Garut Regency has encouraged MSMEs to develop their businesses to move up the ranks. Based on this statement, the role of MSMEs in the Garut Regency is significant and deserves further development. Centres and clusters are a way to increase the value of MSMEs. Cluster development is a choice to accelerate MSME development because it involves all stakeholders (Gamba, 2019). One centre that has the potential to develop into a cluster is the Burayot Center. The number of Burayot centres that are still sustainable is approximately 40 Burayot brands spread across Jalan Raya Cipanas, Leles to Kadungora, Garut Regency.

Most Burayot producers are in Leles District, Cangkuang Village, and Kp.Ciakar Village. Initially, Burayot was one of the special foods for Eid, circumcisions, and weddings. Still, Burayot has become a centre for Garut

Regency souvenirs marketed commercially by MSME actors (Hermansyah et al., 2022). The expected solution is to implement an entrepreneurial ecosystem that maps stakeholders with their respective roles in business and considers opportunities or threats. Isenberg (2016) said that the components of the entrepreneurial ecosystem consist of government (policy), human capital, financing, and the market. These components interact and influence one another (Spiegel et al., 2016). In addition, it is crucial to pay attention to the relationship between stakeholders in the entrepreneurial ecosystem (Yi et al., 2022). Based on this background, this study analyses the entrepreneurial ecosystem's influence on the Garut Burayot Center's trust-building process.

## 2   METHODOLOGY

### 2.1   Research Characteristics

The research method used in this study is quantitative with a descriptive and verification approach. The descriptive method is used because this research intends to describe and form a systematic picture of the entrepreneurial ecosystem and the trust-building process. Based on the objectives, this study uses a verification method that aims to determine the influence of the entrepreneurial ecosystem on the trust-building process. Meanwhile, based on the researcher's involvement, the researcher did not intervene in the data; the data is by the facts resulting from the distribution of the questionnaires. The data uses an individual unit of analysis, namely the owner or producer of Burayot in Garut Regency. The time of implementation in this study is cross-sectional.

### 2.2   Data Collection

The questionnaire uses a 5-point Likert scale measurement with a Likert scale of 1 to 5. In this study, the population used was all Burayot centres in Garut Regency. Based on Hair et al. (2019), the minimum for PLS-SEM is 33 to 100 samples. Therefore, researchers took a sample with a saturated sample technique due to the limited and relatively small population. Thus, the sample used in this study is a saturated sample involving 40 Burayot business owners as a research sample.

### 2.3 Analysis Techniques

Valid and reliable data were then analyzed using Partial Least Square, an alternative method of estimating the Structural Equation Modeling (PLS-SEM) processing model with the help of SmartPLS version 4.0 software. This PLS-SEM analysis tests the research hypothesis, namely that the entrepreneurial ecosystem as an exogenous variable influences the trust-building process as an endogenous variable. There are three algorithms in the SmartPLS analysis, namely, the outer model, the inner model, and hypothesis testing. Some outer model analysis techniques are convergent validity, measuring the value of the loading factor with latent variables and indicators where the expected value is > 0.7 (Hair et al., 2019). Then, discriminant validity is carried out; at this testing stage, the value of the cross-loading factor is measured by comparing the constructed value, which must be more significant with the value of the other constructs (Hair et al., 2019). Composite validity is also measured to measure the reliability value, which is considered high if > 0.7. another test is Cronbach's alpha to strengthen the reliability test, with criteria > 0.60 for all constructs (Hair et al., 2019).

The inner model tests and describes the relationship between latent variables based on substantive theory. As for some analysis techniques on the inner model $R^2$ test, effect size ($F^2$), and predictive relevance ($Q^2$). The criteria for limiting the value of $R^2$ in three classifications, namely 0.67 as substantial, 0.33 as moderate, and 0.19 as weak. The $F^2$ value's measurement is that 0.02 has a negligible effect, 0.15 has a moderate effect, and 0.35 has a significant influence (Hair et al., 2019). Moreover, in the $Q^2$ test, which aims to determine how well the values are obtained, if the values are 0.02 small, 0.15 moderate, and 0.35 large, this can only be done for endogenous constructs with reflective indicators.

## RESULT AND DISCUSSION

### 4.1 *Outer Model*

Based on Figure 1, testing the validity of reflective indicators shows that changes to one indicator in a construct can affect other indicators in the same construct (or be removed from the model). Although several indicators still have a loading factor value below 0.7, an outer loading value between 0.5 and 0.6 still meets the requirements for convergent validity. Figure 1 shows no indicators with outer loading values below 0.5, so all indicators can be considered valid for research use and accepted as variable measurements. After being tested, all indicators on the research variables have the most significant cross-loading values on the related variables and are higher than those on other variables. Thus, the indicators used in the study have good discriminant validity in forming their respective variables. Table 1 shows that the Cronbach's alpha and composite reliability values of each construct are above 0.6 and 0.7, respectively. Therefore, it can be concluded that all constructs in this study can be considered reliable.
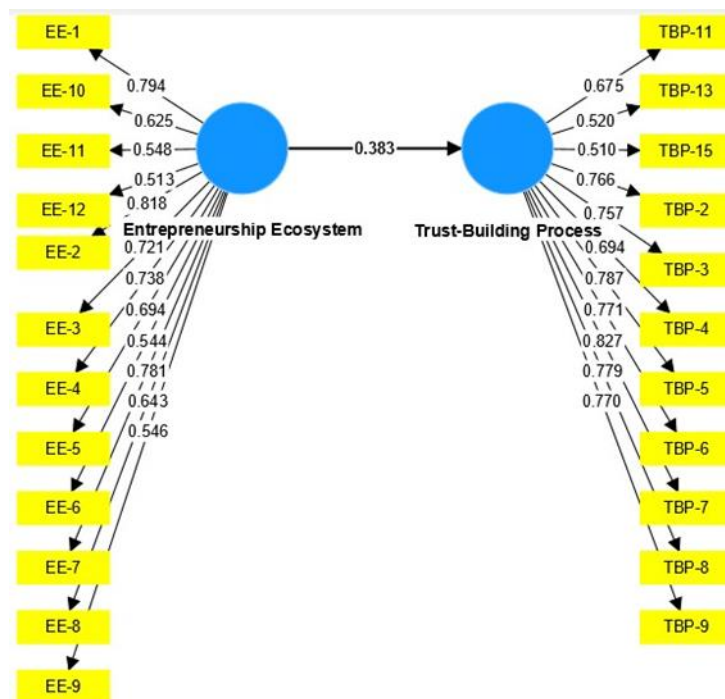


Figure 1. Loading Factor

Table 1. Construct Reliability Result

|                              | Cronbach's Alpha | Composite Reliability |
|------------------------------|------------------|------------------------|
| **Entrepreneurial Ecosystem** | 0.889           | 0.907                  |
| **Trust-Building Process**    | 0.906           | 0.934                  |

### 4.2 *Inner Model*

In evaluating this structural model, $R^2$ is used for the endogenous construct and the significance of the structural path coefficient. The significance value is measured through the path coefficient value on the inner model. Based on Figure 2, the value of the t statistic shown by the entrepreneurial ecosystem on the trust-building process is 2.003, in addition to the p-values of 0.045 or <0.05. The description explains that all variables in this model have a path coefficient with a positive number of 0.383, which means that the greater the path coefficient value of an exogenous variable on an endogenous variable, the stronger the influence between these variables.
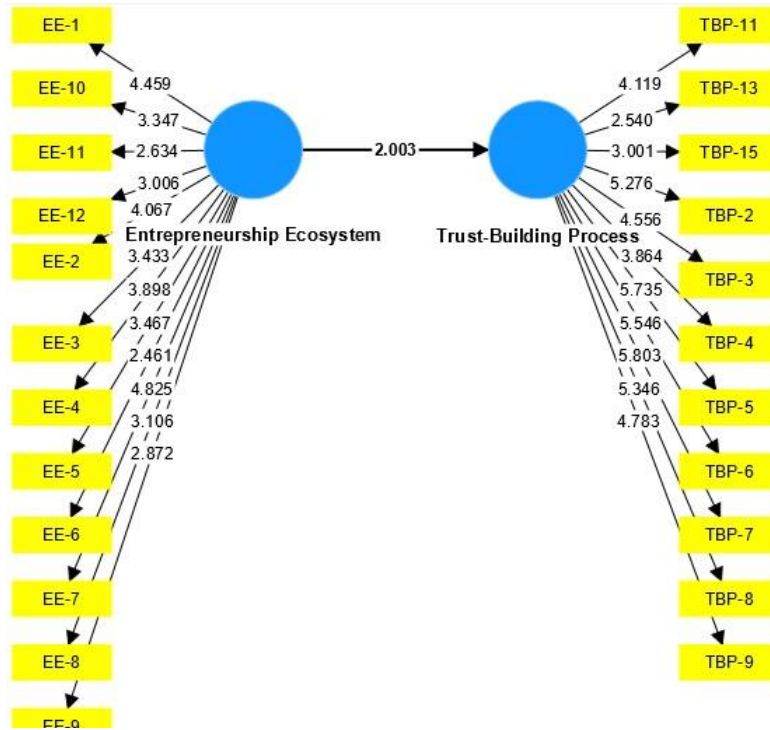
Figure 2. Inner Model

Based on the data processing results, $F^2$ is 0.172, and the entrepreneurial ecosystem has a medium or moderate influence on the trust-building process. $F^2$ and $R^2$ can also be used to predict the contribution of the variable ($\xi$) to the variable ($\eta$). The $R^2$ value is 0.147, or equivalent to 14.7% as a percentage. This indicates that 14.7% of changes in endogenous variables can be explained by changes in exogenous variables included in the research model. The remaining 85.3% can be explained by other factors not included in the model.

Furthermore, after testing the $F^2$ and $R^2$ values, a Fit model test was conducted by looking at the Normed Fit Index (NFI) value. NFI measures model fit with a comparative basis to the baseline or 0. If the NFI value < 0.957, the model is on a comparative basis and by the baseline. The results of the assessment of the standard criteria for the value of the reflective model on the inner model are summarized in Table 2.

Table 2. Inner Model Criteria Assessment

| Criteria | Standard | Result |
|---|---|---|
| $F^2$ | 0.35 = strong<br>0.15 = medium<br>0.02 = weak | Trust-building process = 1.72 (medium) |
| $R^2$ | 0.67 = strong<br>0.33 = moderate<br>0.19 = weak | Entrepreneurship ecosystem = 0.147 (weak) |
| NFI Model | Score NFI < 0.957 = model is fit | Entrepreneurship ecosystem = 0.48 (fit) |
| $Q^2$ | $Q^2 > 0$, the model has predictive | Trust-building process = 0.03 (medium) |

### 4.3 Discussion

The results of this study align with previous research; according to Ghio et al. (2019), the entrepreneurial ecosystem positively influences trust. This research emphasizes the importance of trust in maintaining the entrepreneurial ecosystem and, if not implementing trust, it will have an unproductive impact on economic development. An excellent entrepreneurial ecosystem is a willingness to trust each other to engage with other entities that contribute to each other and collaborate between stakeholders to improve entrepreneurial performance, productivity, and success.

A conducive entrepreneurial ecosystem can create an environment that supports business growth at the Garut Burayot Center. An environment with good infrastructure, easy accessibility, and guaranteed security will give businesses a sense of trust in running their business. The existence of support from government agencies, financial institutions, and educational institutions in the entrepreneurial ecosystem will strengthen the confidence of business actors in the Garut Burayot Center. This support can be through financial assistance, training, mentoring, and access to a broad business network. In addition, good interaction between business owners, workers, government, educational institutions, and financial institutions at the Garut Burayot Center will build mutual understanding, trust, and strong cooperation. Collaboration between stakeholders will create a conducive business climate and increase trust among MSME players.

With a solid trust-building process, business actors at Garut Burayot Center will be more likely to work together on joint projects, share resources and support each other in business development. This collaboration can generate innovation, efficiency, and mutual benefits. Trust built between business actors will encourage them to share knowledge, experience, and valuable information. This will accelerate technology transfer, improve the quality of products and services, and expand business networks at Garut Burayot Center. A good trust-building process will help businesses in Garut Burayot Center gain better access to capital, raw materials, and labour. In addition, with high trust, it will also be easier for business actors to enter new markets, establish partnerships with other companies, and attract investment. In addition, the government and related stakeholders must improve infrastructure and security at the Garut Burayot Center—provision of adequate facilities, increased accessibility, and handling relevant environmental issues.

## 3   CONCLUSION

The results of the study indicate that there is a positive influence between the entrepreneurial ecosystem and the trust-building process. That is, the better the entrepreneurial ecosystem in the Burayot Center, the higher the level of trust building between all stakeholders involved in the Burayot Center. Conversely, the lower the entrepreneurial ecosystem element, the lower the process of building trust in the Burayot centre. Suggestions for Burayot MSME actors on human resources and financing or business capital are essential elements in the entrepreneurial ecosystem, making the Burayot Center an advantage for creative industries in Garut Regency so that it can attract tourists and be known more widely. In addition, burayot business actors must also be able to collaborate with burayot business actors whose goal is to strengthen cooperation networks and encourage the dynamics of the entrepreneurial ecosystem to be more developed and sustainable.

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