



THE ROLE OF GOVERNMENT PROGRAMS IN ELEVATING EAST JAVA MSMEs: COMMUNITY PARTICIPATION AND ENTREPRENEURIAL ATTITUDES AS INTERVENING

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ABSTRACT

Phenomenon/Issue: Following the COVID-19 pandemic, SMEs in East Java have struggled due to limited external support, leading to business declines, increased unemployment, and rising poverty rates.

Purpose: This study examines how government and community support affect SME success in East Java, with entrepreneurial attitudes as a moderating factor.

Novelty: Applying Social Cognitive Theory, this research uniquely explores how entrepreneurial attitudes amplify the effects of external support on business success, offering fresh insights into the interplay of external and individual influences in driving business performance.

Research Methods: This quantitative study analyzes data from SME owners in East Java to assess the roles of government support, community involvement, and entrepreneurial attitudes in achieving business success.

Results: Both government and community support have significant, positive impacts on SME success, particularly in areas such as licensing ease and network access. Entrepreneurial attitudes further enhance these effects, fostering adaptability and innovation that strengthen SME competitiveness.

Research Contributions: The study underscores the importance of government support, community involvement, and entrepreneurial mindset in bolstering SMEs in East Java, providing key policy recommendations for supporting post-pandemic economic recovery.

INTRODUCTION

In the current Society 5.0 era, Indonesia's micro, small, and medium enterprises (MSMEs) face significant challenges hindering economic recovery. A lack of collaboration among business players and limited government support are primary factors contributing to the stagnation and declining productivity of MSMEs, especially in East Java (Cueto et al., 2022; Fridayani & Chiang, 2022; Son et al., 2020). The impact of these issues extends beyond the MSME sector itself, generating broader economic problems such as rising unemployment and poverty levels, as well as disruptions to export-import distribution channels critical to national economic stability (Bhosale, Vijaya, 2021; Ivanov &

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Dolgui, 2021; Thomas & Okunbanjo, 2021). Despite these challenges, entrepreneurship remains a promising solution for creating new jobs and driving economic growth (Hui Lim & Ban Teoh, 2021; Moudry & Thaichon, 2020; Schmid et al., 2021). Cultivating entrepreneurial spirit within society can serve as an effective strategy to address economic issues like unemployment and poverty (Abed, 2021; Kamau, 2021). The success of MSMEs in overcoming post-pandemic challenges will largely depend on increased collaboration among business players and government support through policies that facilitate access to financing, training, and capacity building. Additionally, improvements in infrastructure to support business activities are crucial for ensuring MSMEs make a substantial contribution to long-term economic recovery and stability (Dwiastanti & Mustapa, 2020; Orobia et al., 2020).

The success of running a business today requires the role of the government and community support. The government can provide short-term solutions, followed by long-term strategies through programs designed to support entrepreneurial activities (Durst & Zieba, 2020; Suddaby & Jaskiewicz, 2020; Zhao et al., 2021). The Indonesian government is currently intensifying support for entrepreneurs through the Ministry of Cooperatives and Small and Medium Enterprises and the Ministry of Industry (Kemenperin), which have devised several strategies to assist business operators (Cervantes-Zacarés et al., 2022; Chaniago, 2021; Corrales-Estrada et al., 2021). Kemenkop UKM has provided at least three stimulus measures for entrepreneurs, including loan payment extensions, six-month tax relief for MSMEs, and cash transfers for micro-scale businesses. The government is connecting entrepreneurs with online technology stores to assist in marketing and selling products (Othman et al., 2020; Tilt et al., 2021). Additionally, the development of telecommunication infrastructure, internet access programs for rural areas, and the involvement of academia and large enterprises in mentoring on the introduction and use of production technology and digital media will revitalize partnership programs and foster collaborations with local industries supplying raw materials for production.

Collaboration among community members and business operators is essential (Margherita & Heikkilä, 2021; Moşteanu, 2020; Tiwari & Suresha, 2021). Coordinated cooperation based on regional approaches is a key element in business management, leveraging skills, experience, and resources. Community participation leads to a balance of roles in the social model serving the community in a particular area. Strengthening social relationships within the community will create opportunities for establishing institutions that can contribute to society and preserve its heritage (Sivarajah et al., 2020; Suresh et al., 2020). Community-based entrepreneurship represents businesses owned by the community aimed at improving their welfare. These community-based businesses are situated locally but are connected to a broader environment.

In addition to external factors of community support, entrepreneurs need to adopt a positive attitude toward change. Attitude is defined as a learned tendency to respond to an object or class of objects consistently, whether favorably or unfavorably (da Silveira et al., 2022; Gunawan & Sulaeman, 2020; Khare, 2023). In this research, attitude is viewed as the tendency to respond to stimuli in a consistent manner, whether positively or negatively. Based on the background description above, a problem has been identified concerning the decline in business success due to a lack of collaboration among various parties. To address this issue, the researcher examines business success using Social Cognitive Theory (SCT), which reveals the interaction between cognitive variables, environmental factors, and individual behavior (Li & Wu, 2019; Luthans, 2020; Wardana et al., 2024).

Based on the above description, several aspects present research gaps that have not been fully explored. These include the government's support for entrepreneurs in coordinating various interests based on regional approaches, which is a key element in business management by utilizing skills, experience,

and resources (Kisubi & Korir, 2021). Community participation leads to a balance of roles in the social model serving the community in a particular area. Efforts to strengthen social relationships within the community will create opportunities for establishing institutions that can contribute to society and preserve its heritage. Cooperation among communities and the coordination of various interests based on regional approaches are essential elements of business management. Entrepreneurs also need to adopt a positive attitude toward change. Attitude is defined as a learned tendency to respond to an object or class of objects consistently, whether positively or negatively (Nielsen, 2020; Nuringsih et al., 2020; Younis et al., 2020).

Based on the discussion above, this research presents novelty in external factors such as Government Support and Community Support, moderated by the internal factor of entrepreneurial attitude, to enhance the success of MSMEs in East Java. This novelty, derived from the literature gap, positions entrepreneurial attitude as a moderating variable, deepening the understanding of how this attitude affects the effectiveness of external support on the success of MSMEs, which has not been extensively explored previously. By integrating Social Cognitive Theory (SCT) and Resource-Based View (RBV), this study provides a holistic approach to analyzing the dynamics of MSME success, emphasizing the importance of synergy among cognitive variables, environmental factors, and resource capabilities. Furthermore, this research incorporates sustainability and social entrepreneurship perspectives, enriching the analysis with sustainable social and economic values, thereby making a significant contribution to the literature and practices in MSME development (Freeman et al., 2021; Hussain et al., 2020; Lukovszki et al., 2020).

The researcher is motivated to conduct this study due to the crucial role of the government in continuously providing both moral and material support to entrepreneurs to ensure the economic vitality of MSMEs. Additionally, entrepreneurs are expected to collaborate with one another within the business community. This research contributes in two ways: first, it provides valuable insights to the government for increasing the number of entrepreneurs, and second, it enhances the empowerment of social entrepreneurship communities in the region to remain productive (M. Fan et al., 2021; Glyptis et al., 2021; Suoniemi et al., 2020).

The novelty of this research also involves concepts from Social Cognitive Theory (SCT). On the other hand, community-based entrepreneurship represents a business institution owned by the community to realize the welfare of that community. Adomako et al., (2023); Lestari et al., (2020) emphasizes the importance of the organization's goals in creating sustainable values that incorporate political, social, and economic elements. This research can be further expanded by incorporating the Resource-Based View (RBV) theory. The RBV theory is highly relevant to research on government program development to enhance MSMEs in East Java, particularly considering the roles of community participation and entrepreneurial attitude as moderating variables. The RBV emphasizes the importance of unique resources and competitive advantages that can be created through the utilization of those resources (Gupta et al., 2019; Markus & Rideg, 2020; Nassuna et al., 2023). In the context of this study, RBV can help understand how the government leverages its resources and capabilities to support MSMEs while also considering the influence of community participation and entrepreneurial attitude on the effectiveness of MSME programs.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Government Support (X^1)

Government support is defined as the efforts made by the government to provide assistance, facilities, and policies aimed at strengthening the capacity and competitiveness of micro, small, and medium enterprises (MSMEs). Indicators of government support include: (1) the availability of training and counseling programs provided for MSME actors, (2) ease of access to financing through low-interest

loans or grants, (3) support for product marketing through online platforms and exhibitions, and (4) regulations that support the operations of MSMEs, such as tax reductions and administrative relaxations (T. Fan et al., 2021; Khare, 2023; Saura, 2021; Shaheer & Li, 2020).

Community Support (X^2)

Community support is defined as the contributions from community members or social groups in building networks, collaborations, and solidarity that benefit business actors. Indicators of community support include: (1) the level of community involvement in local business activities, (2) the existence of partnerships between MSME actors and the local community, (3) moral support and promotion of MSME products by the community, and (4) the establishment of groups or associations of MSMEs that assist one another (Hertel et al., 2021; Murphy et al., 2020; Nuringsih et al., 2020; Winterstorm et al., 2020).

Entrepreneurial Attitudes (Z)

Entrepreneurial attitudes are defined as the tendency of individuals to respond to business opportunities with a proactive, optimistic mindset and a readiness to face risks. Indicators of entrepreneurial attitudes include: (1) the willingness to take risks in starting or expanding a business, (2) the ability to innovate and seek solutions to encountered challenges, (3) the desire to learn and improve skills, and (4) the commitment to achieving long-term business goals (Agarwal et al., 2020; Gochhait & Pokharnikar, 2020; Hassan et al., 2020; Kisubi, 2021; Mahfud et al., 2020; Prabhu, 2020).

Business Success (Y)

Business success is defined as the achievements obtained by MSMEs in conducting their activities, which can be measured through various performance indicators. Indicators of business success include: (1) growth in revenue or profitability, (2) an increase in the number of customers and market share, (3) the sustainability of the business in the long term, and (4) a positive reputation in the market and among consumers (Corrales-Estrada et al., 2021; Fani & Subriadi, 2019; W. Lee & Kim, 2019; W. S. Lee & Kim, 2019; Schätter et al., 2019).

Grand Theory Social Cognitive Theory (SCT) and Resource-Based View (RBV)

This research is anchored in two grand theories: Social Cognitive Theory (SCT) and the Resource-Based View (RBV). SCT emphasizes the interplay between cognitive processes, environmental factors, and individual behavior, suggesting that entrepreneurial attitudes can significantly influence how MSME actors respond to government and community support. By integrating SCT, the study highlights how positive entrepreneurial attitudes can enhance the effectiveness of external support in driving business success. Meanwhile, RBV focuses on the unique resources and capabilities that businesses leverage to achieve competitive advantage. This theory is relevant for understanding how government initiatives and community collaborations can provide MSMEs with critical resources, thereby improving their operational effectiveness and sustainability. Together, these theories provide a comprehensive framework for analyzing the dynamics of government and community support in enhancing entrepreneurial success within the MSME sector (M. Fan et al., 2021; Freeman et al., 2021; Lestari et al., 2020; Lukovszki et al., 2020).

H1 The Effect of Government Support (X_1) on Business Success (Y)

H2 The Effect of Community Support (X_2) on Business Success (Y)

H3 The Influence of Entrepreneurial Attitude (Z) on Business Success (Y)

H4 The Effect of Government Support (X_1) on Business Success (Y) with Entrepreneurial Attitude (Z) as a Moderation Variable

H5 The Effect of Community Support (X_2) on Business Success (Y) with Entrepreneurial Attitude (Z) as a Moderation Variable

METHOD

Based on the research design regarding the influence of Government Support and Community Support on Business Success among MSME actors in East Java, with Entrepreneurial Attitudes as a moderating variable, this study adopts a quantitative approach. It employs descriptive and explanatory research methods that aim to explain the relationships among the research variables: the influence of Government Support (X1) and Community Support (X2), through the moderating variable of Entrepreneurial Attitudes (Z), on Business Success (Y) among MSME actors across East Java. The following is the research design:

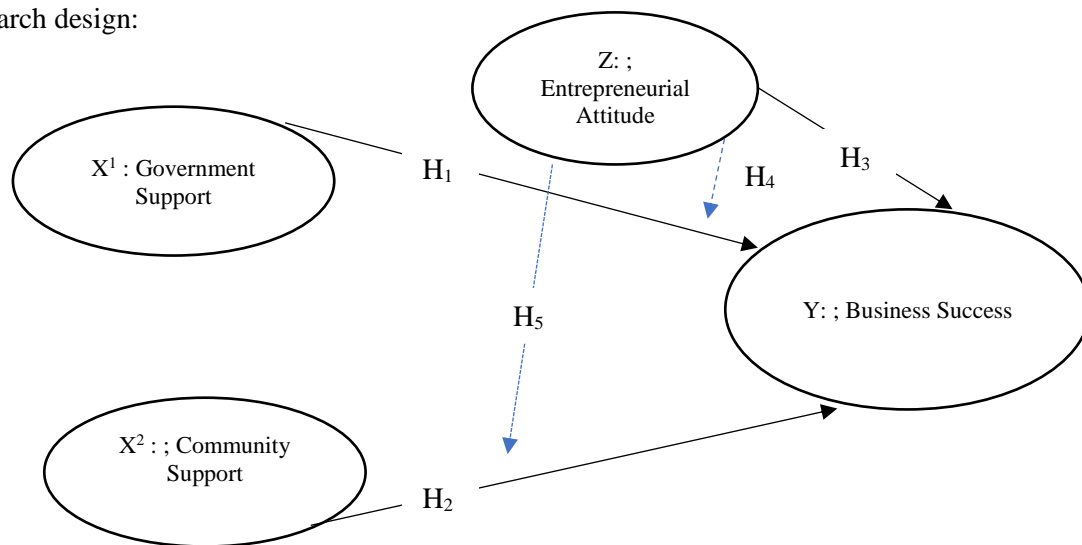


Figure 1 Research Framework
 Source: Researchers, 2024

This study is located in East Java, specifically in Pasuruan, Surabaya, Malang, and Mojokerto, with support from the Cooperative and MSME Office for data collection and digital marketing training provided by the East Java Communication and Information Office. The sample criteria used in this research are that business actors must have been running their businesses for at least two years and must own a mobile phone or use technology. Based on these criteria, the total sample size for this study consists of 221 participants. The instrument employed in this research is a questionnaire with closed-ended questions, allowing respondents to select from the answers provided by the researcher.

The indicators for Government Support (X1) include the availability of subsidy programs, accessibility of information, ease of licensing processes, training and development programs, market access, and legal protection, adapted from various studies. Community Support (X2) is assessed through indicators such as involvement in the community, perception of support, community networks and connections, access to community resources, cohesion and solidarity, collaborative activities, and recognition and appreciation, also drawn from multiple sources. Entrepreneurial Attitudes (Z) encompass interest in innovation, independence, willingness to learn, commitment, and opportunity orientation, as outlined in previous research. Finally, Business Success (Y) is measured by indicators including sales growth, profitability level, customer satisfaction level, customer retention rate, product or service excellence, operational efficiency, and employee engagement level. Data analysis will utilize Structural Equation Modeling (SEM) with Partial Least Squares (PLS), employing Smart-PLS 3.0 as the calculation tool for this research.

RESULTS AND DISCUSSIONS

Results

Model Evaluation of Measurement (Outer Model)

The measurement model, or outer model, aims to assess the validity and reliability of the model. Convergent validity of reflective indicators can be evaluated using SmartPLS 3.0 by examining the loading factor values for each construct indicator, with a threshold of > 0.70 . Discriminant validity relates to the principle that manifest variables of different constructs should not be highly correlated. This can be measured by ensuring that the cross-loading values for each variable are > 0.70 . Additionally, the average variance extracted (AVE) must be > 0.5 ; values below this threshold indicate a lack of convergent validity. Composite reliability in PLS-SEM can be assessed in two ways: (1) Cronbach's Alpha should be > 0.70 for confirmatory research, and (2) composite reliability (CR) should also exceed 0.70. The following table presents the values for convergent validity, discriminant validity, and composite reliability for the Government Support variable (X1).

Table 1 Measurement Results for Government Support (X1)

Code	Statement	Loading Factor	Cronbach's Alpha	CR	AVE
GS1	I feel that there are government subsidy programs that support my business	0.824	0.961	0.966	0.718
GS2	The subsidies provided by the government have helped the smooth operation of my business.	0.832			
GS3	I can easily access information regarding government assistance programs for SMEs.	0.861			
GS4	The government actively disseminates the necessary information to support the development of SMEs.	0.867			
GS5	The business licensing process facilitated by the government is very easy and straightforward.	0.853			
GS6	I feel supported by the ease of licensing provided by the government.	0.789			
GS7	The government provides relevant training for skill development as an SME player.	0.827			
GS8	I feel that the training provided by the government has enhanced my ability to run my business.	0.844			
GS9	The government facilitates broader market access for SME products.	0.882			
GS10	Government assistance in promoting my products significantly impacts my sales increase.	0.881			
GS11	I feel that my business is legally protected by regulations from the government that support SMEs.	0.856			

Source: Researchers, 2024

Based on the table above, it can be concluded that the Government Support variable (X1) meets the criteria for convergent validity after conducting a convergent validity test using SmartPLS 3.0. All indicator items have loading factors ranging from 0.789 to 0.882, exceeding the threshold of 0.70. According to the opinions of Chin (1998, 2010) and Hair et al. (2013), the 11 indicators for the Government Support variable (X1) pass the convergent validity test. Additionally, the Cronbach's alpha value for the Government Support variable (X1) is 0.961, which is greater than 0.70, and the composite reliability (CR) is 0.966, also exceeding 0.70, thus meeting the composite reliability test criteria (Chin, 1998; Chin, 2010; Hair et al., 2013). Furthermore, the average variance extracted (AVE) for the Government Support variable (X1) is 0.718, greater than 0.5, confirming its convergent validity (Chin, 1998; Chin, 2010; Hair et al., 2013). Therefore, it can be concluded that the Government Support variable (X1) meets the standards for convergent validity, discriminant validity, and composite reliability.

The following table presents the values for convergent validity, discriminant validity, and composite reliability for the Community Support variable (X2).

Table 2 Measurement Results of the Community Support Model (X2)

Code	Statement	Loading Factor	Cronbach's Alpha	CR	AVE
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CS1	I actively participate in various activities organized by the MSME community..	0.805	0.954	0.960	0.687
CS2	The MSME community in my area frequently organizes activities relevant to my business development.	0.753			
CS3	I feel that the MSME community provides significant support for my business development.	0.820			
CS4	The MSME community helps me overcome the challenges I face in my business.	0.824			
CS5	Joining the MSME community expands my business network with other entrepreneurs	0.856			
CS6	The connections I build through the MSME community provide better business opportunities.	0.852			
CS7	I gain access to important resources, such as training or information, through the MSME community.	0.787			
CS8	The MSME community I belong to has strong solidarity among its members	0.835			
CS9	The MSME community frequently organizes collaborative activities to encourage the growth of its members' businesses	0.869			
CS10	Collaborative activities in the MSME community help me work together with other entrepreneurs	0.793			
CS11	I feel that my business is recognized and appreciated by the MSME community I belong to.	0.912			

Source: Researchers, 2024

Based on the convergent validity test using SmartPLS 3.0, it was found that the 11 indicators of the Community Support variable (X2) have loading factors ranging from 0.753 to 0.869, which are all above 0.70. Therefore, following the opinions of Chin (1998, 2010) and Hair et al. (2013), these indicators meet the criteria for convergent validity. Additionally, as shown in Table 4.13, the Community Support variable (X2) has a Cronbach's alpha value of 0.954, exceeding the 0.70 threshold, and a composite reliability (CR) of 0.960, also above 0.70, thus fulfilling the composite reliability test (Chin, 1998; Chin, 2010; Hair et al., 2013). Table 4.13 further indicates that the average variance extracted (AVE) for the Community Support variable (X2) is 0.687, which is greater than 0.5, confirming convergent validity (Chin, 1998; Chin, 2010; Hair et al., 2013). Based on Table 13 and the previous descriptions, it can be concluded that the Community Support variable (X2) meets the criteria for convergent validity, discriminant validity, and composite reliability.

The following table presents the values for the convergent validity, discriminant validity, and composite reliability of the Entrepreneurial Attitude variable (Z).

Table 3. Measurement Results for the Entrepreneurial Attitude Model (Z)

Code	Statement	Loading Factor	Cronbach's Alpha	CR	AVE
EA1	I am always interested in finding new ways to develop my products or services.	0.721	0.944	0.953	0.670
EA2	Innovation is one of the key efforts I pursue for the sustainability of my business	0.836			
EA3	I feel capable of managing my business independently without relying too much on others.	0.862			
EA4	When facing business challenges, I prefer to solve them on my own.	0.708			
EA5	I am always ready to learn new things that can help develop my business.	0.941			
EA6	I often participate in training or activities that can enhance my entrepreneurial knowledge.	0.822			
EA7	I have a strong commitment to continue running my business despite facing many challenges	0.850			
EA8	My commitment to this business never wavers, even when I encounter difficulties	0.716			

EA9	I am always ready to seize new business opportunities that arise around me.	0.937
EA10	I actively seek business opportunities that can enhance my business	0.750

Source: Researchers, 2024

Based on the convergent validity test using SmartPLS 3.0, it was found that the 10 indicators of the Entrepreneurial Attitude variable (Z) have loading factors ranging from 0.708 to 0.941, all exceeding 0.70. Therefore, referencing the opinions of Chin (1998), Chin (2010), and Hair et al. (2013), the 10 indicators for the Entrepreneurial Attitude variable (Z) fulfill the criteria for convergent validity. Furthermore, as shown in the table, the Entrepreneurial Attitude variable (Z) has a Cronbach's alpha value of 0.944 (> 0.70) and a composite reliability (CR) of 0.953 (> 0.70), indicating it meets the composite reliability test (Chin, 1998; Chin, 2010; Hair et al., 2013). Table 14 also demonstrates that the average variance extracted (AVE) for the Entrepreneurial Attitude variable (Z) is 0.670 (> 0.5), thus meeting the criteria for convergent validity (Chin, 1998; Chin, 2010; Hair et al., 2013). Based on this table and the previous explanations, it can be concluded that the Entrepreneurial Attitude variable (Z) satisfies the requirements for convergent validity, discriminant validity, and composite reliability.

The following table presents the values for convergent validity, discriminant validity, and composite reliability for the Business Success variable (Y).

Table 4. Measurement Results for the Business Success Model (Y)

Code	Statement	Loading Factor	Cronbach's Alpha	CR	AVE
BS1	My business sales have experienced significant growth in recent years..	0.805	0.935	0.944	0.607
BS2	The growth of my sales reflects the success of the business strategies implemented.	0.775			
BS3	My business profits continue to increase over time.	0.792			
BS4	I am satisfied with the level of profit generated by my business.	0.768			
BS5	My customers generally feel satisfied with the products or services I offer.	0.827			
BS6	I often receive positive feedback from customers regarding my products or services.	0.741			
BS7	My customers tend to return to purchase the products or services I offer..	0.767			
BS8	My products or services have advantages compared to competitors.	0.777			
BS9	The innovations I implement make my products or services superior in the market.	0.783			
BS10	My business operates with high operational efficiency, thereby minimizing costs.	0.778			
BS11	I continuously improve operational processes to achieve better efficiency.	0.753			

Source: Researchers, 2024

Based on the convergent validity test using SmartPLS 3.0, 11 indicators for the Business Success variable (Y) have loading factors in the range of 0.741 to 0.827, which exceeds 0.70. Therefore, referring to the opinions of Chin (1998), Chin (2010), and Hair et al. (2013), the 11 indicators for the Business Success variable (Y) meet the criteria for convergent validity. Furthermore, as indicated in the table, the Business Success variable (Y) has a Cronbach's alpha value of 0.935, which is greater than 0.70, and a composite reliability (CR) value of 0.944, also exceeding 0.70. This confirms that it meets the composite reliability test (Chin, 1998; Chin, 2010; Hair et al., 2013). Table 15 also shows that the Business Success variable (Y) has an average variance extracted (AVE) of 0.607, which is greater than

0.5, thus fulfilling the convergent validity criterion (Chin, 1998; Chin, 2010; Hair et al., 2013). Based on the table and previous explanations, it can be concluded that the Business Success variable (Y) meets the criteria for convergent validity, discriminant validity, and composite reliability. In addition to the criteria previously discussed, the discriminant validity test in this study also refers to the criteria developed by Fornell-Larcker (1988). Based on Table 16, it can be seen that the Government Support (X1), Community Support (X2), Entrepreneurial Attitude (Z), and Business Success (Y) variables have cross-loading values greater than 0.70, indicating that these variables meet the criteria for discriminant validity (Fornell, 1988; Chin, 2009; Hair et al., 2013).

Table 5 Results of the Fornell-Larcker Discriminant Validity Test

	Community Support (X2)	Government Support (X1)	Business Success (Y)	Entrepreneurial Attitude (Z)
Community Support (X2)	0.829			
Government Support (X1)	0.555	0.847		
Business Success (Y)	0.715	0.685	0.779	
Entrepreneurial Attitude (Z)	0.645	0.461	0.775	0.818

Source: Researchers, 2024

In addition to using the Fornell-Larcker criterion (1988), this study also employs the criterion developed by Henseler et al. (2014) to test discriminant validity. Based on Table 6, the heterotrait-monotrait ratio (HTMT) values for each variable are less than 0.90. Therefore, it can be concluded that the variables of Government Support (X1), Community Support (X2), Entrepreneurial Attitude (Z), and Business Success (Y) meet the criteria for discriminant validity.

Table 6 Results of Heterotrait-Monotrait (HTMT) Ratio Discriminant Validity Test

	CS (X2)	GS (X1)	BS (Y)	EA (Z)	EA (Z) x GS (X1))	EA (Z) x CS (X2)
CS (X2)						
GS (X1)	0.571					
BS (Y)	0.747	0.713				
EA (Z)	0.666	0.469	0.813			
EA (Z) x GS (X1)	0.253	0.464	0.112	0.162		
EA (Z) x CS (X2)	0.478	0.198	0.316	0.531	0.290	

Source: Researchers, 2024

Structural Model Evaluation (Inner Model)

After evaluating the measurement model (outer model), the researcher proceeds to evaluate the inner model, also known as the structural model evaluation. As outlined in the research methodology, Hair et al. (2013, 2020) recommend five procedural steps for testing the structural model (inner model), which include: (1) testing for collinearity; (2) testing path coefficients; (3) evaluating the level of R-Square (R^2); (4) assessing effect size (f^2); and (5) testing for relevant predictive capability (Q^2).

Table 7 Variance Inflation Factor (VIF) Values

	CS (x2)	GS (X1)	BS (Y)	EA (Z)	EA (Z) x GS (X1)	EA (Z) x CS (X2)
CS (x2)			2.136			
GS (X1)			1.882			
BS (Y)						
EA(Z)			2.031			
EA (Z) x GS (X1)			1.391			
EA (Z) x CS (X2)			1.574			

Source: Researchers, 2024

The results from *bootstrapping* show the stability of the PLS-SEM test. In this study, the data was processed using 500 *bootstrapped samples*. The following table shows that the value of the path

coefficient (f_i) of the 7 positive relationships between the variables. The complete results of the path coefficient (f_i) test can be seen in the following Table 8 :

Table 8 Results of the Path Coefficient Test

Variable Relationship	Path Coefficient (p)
Community Support (X2) -> Business Success (Y)	0.250
Government Support (X1) -> Business Success (Y)	0.425
Entrepreneurial Attitude (Z) -> Business Success (Y)	0.489
Entrepreneurial Attitude (Z) x Government Support (X1) -> Business Success (Y)	0.240
Entrepreneurial Attitude (Z) x Community Support (X2) -> Business Success (Y)	0.089

Source: Researchers, 2024

The complete results of the R2 test variables of Community Support (X2), Entrepreneurial Attitude (Z), and Business Success (Y) can be seen in Table 20 below:

Table 9 R-Square Test Results (R2)

Variable	R Square
Business Success (Y)	0.803

Source: Researchers, 2024

Testing the Effect Size (f^2)

This study conducts an effect size test (f^2) to determine the extent of influence that latent predictor variables (exogenous latent variables) have on the structural model. According to Hair et al. (2013) and Chin (1998), f^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively. The results indicate that the f^2 value of the Entrepreneurial Attitude (Z) variable on Business Success (Y) is 0.597, reflecting a large effect size. Similarly, the f^2 value of Government Support (X1) on Business Success (Y) is 0.488, also indicating a large effect size. In contrast, the f^2 value of Community Support (X2) on Business Success (Y) is 0.149, indicating a small effect size. The complete results of the effect size test (f^2) for each latent predictor variable are presented in Table 10.

Table 10 F2 Size Effect Test Results

	CS (x2)	GS (X1)	BS (Y)	EA (Z)	EA (Z) x GS (X1)	EA (Z) x CS (X2)
CS (x2)			0.149			
GS (X1)			0.488			
BS (Y)				0.597		
EA (Z)					0.138	
EA (Z) x GS (X1)						0.024
EA (Z) x CS (X2)						

Source: Researchers, 2024

Testing Q2 Relevant Predictions

This study also conducted a Q2 relevant prediction test which aims to measure how well the observation values produced by the model, as well as the estimation of its parameters. A value of $Q^2 > 0$ (zero) indicates that the model has a *predictive relevance value*. A Q2 value of < 0 indicates that the model lacks *predictive relevance*. The formula used in this study is as follows: $Q2 = 1 - (1 - R2)$.

$$Q2 = 1 - (1 - R12) (1 - R22)$$

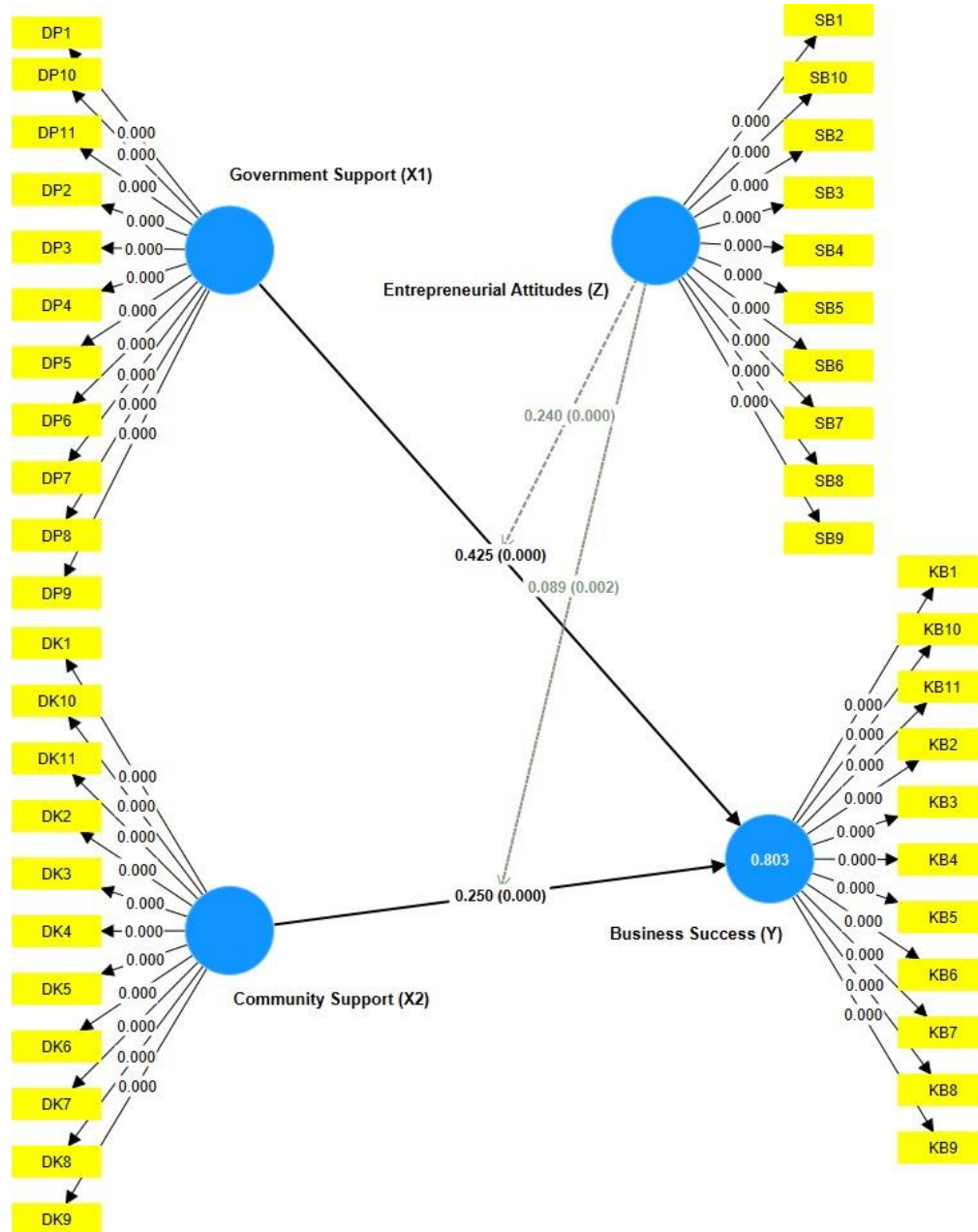
$$Q2 = 1 - (1 - 0.803)$$

$$Q2 = 0.803 > 0$$

Hypothesis Testing

The following model was obtained. The hypothesis test carried out in this study is divided into two stages, the first is direct influence testing and the second is indirect influence testing carried out through *bootstrapping* on Smart PLS 3.3.3 software. The path diagram of this study can be seen in Figure 1 below.

Figure 1 Path Diagram of the Research Theoretical Model



Source: Data Processing With PLS, 2024

Furthermore, hypothesis testing is carried out using statistical analysis of *t* or *t*-test (*t* calculation must be > 1.645), and the value of *p* (probability) must be less ($<$) than 0.050. If the results of data processing meet the required values, then the research hypothesis that has been submitted can be accepted. The testing of the research hypothesis will be discussed step by step according to the hypothesis proposed. This study proposes seven hypotheses, the discussion of which is described in the following section.

Table 11 Results of Hypothesis Testing

Direct Influence	T Statistics	P Values
Community Support (X2) -> Business Success (Y)	6.456	0.000
Government Support (X1) -> Business Success (Y)	7.025	0.000
Entrepreneurial Attitude (Z) -> Business Success (Y)	8.496	0.000
Entrepreneurial Attitude (Z) x Government Support (X1) -> Business Success (Y)	5.938	0.000
Entrepreneurial Attitude (Z) x Community Support (X2) -> Business Success (Y)	3.188	0.002

Source: processed by researchers, 2024

H1 The Effect of Government Support (X1) on Business Success (Y)

The first hypothesis of this study, Government Support (X1), has a positive and significant effect on Business Success (Y). The results of data processing obtained *t-values* on the influence of Government Support (X1) on Business Success (Y) in Table 22 of $7.025 > 1.645$, and *p-values* of $0.000 < 0.050$. Thus, it can be concluded that the first hypothesis of this study is accepted. This means that statistically Government Support (X1) has a positive and significant effect on the tested Business Success (Y).

H2 The Effect of Community Support (X2) on Business Success (Y)

The third hypothesis of this study is that Community Support (X2) has a positive and significant effect on Business Success (Y). The results of data processing were obtained *t-values* on the influence of Community Support (X2) on Business Success (Y) in Table 22 of $6.456 > 1.645$, and *p-values* of $0.000 < 0.050$. Thus, it can be concluded that the hypothesis of these two studies is accepted. This means that statistically Community Support (X2) has a positive and significant effect on the tested Business Success (Y).

H3 The Influence of Entrepreneurial Attitude (Z) on Business Success (Y)

The fifth hypothesis of this study is that Entrepreneurial Attitude (Z) has a positive and significant effect on Business Success (Y). The results of data processing obtained a *t-value* value on the influence of Entrepreneurial Attitude (Z) on Business Success (Y) in Table 22 of $8.496 > 1.645$, and a *p-value* of $0.000 < 0.050$. Thus, it can be concluded that the three hypotheses of this study are accepted. This means that statistically the Entrepreneurial Attitude (Z) has a positive and significant effect on the tested Business Success (Y).

H4 The Effect of Government Support (X1) on Business Success (Y) with Entrepreneurial Attitude (Z) as a Moderation Variable

The sixth hypothesis of this study states that Government Support (X1) has a positive and significant effect on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable. The results of testing the influence of Government Support (X1) on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable showed that the *t-value* in Table 22 was $5.938 > 1.645$, and the probability of 0.000 was smaller than 0.050 ($p < 0.050$). Thus, it can be concluded that the four hypotheses of this study are accepted. This means that statistically Government Support (X1) has a positive and significant effect on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable. A positive coefficient value means that Entrepreneurial Attitude (Z) strengthens the influence of Government Support (X1) on Business Success (Y).

H5 The Effect of Community Support (X2) on Business Success (Y) with Entrepreneurial Attitude (Z) as a Moderation Variable

The sixth hypothesis of this study states that Community Support (X2) has a positive and significant effect on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable. The results of testing the influence of Community Support (X2) on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable showed that the *t-value* in Table 22 was $3.188 > 1.645$, and the

probability was 0.002 which was smaller than 0.050 ($p < 0.050$). Thus, it can be concluded that the fifth hypothesis of this study is accepted. This means that statistically Community Support (X2) has a positive and significant effect on Business Success (Y) with Entrepreneurial Attitude (Z) as a moderation variable. A positive coefficient value means that Entrepreneurial Attitude (Z) strengthens the influence of Community Support (X2) on Business Success (Y)

Discussions

H1 The Effect of Government Support (X1) on Business Success (Y)

This study found that Government Support (X1) has an effect on Business Success (Y) in business actors throughout East Java. The better the Government Support (X1), the Higher the Business Success (Y) for business actors throughout East Java. Similarly, on the other hand, the worse the Government Support (X1), the worse the Business Success (Y) for business actors throughout East Java. The results of this study also show that Government Support (X1) is in the good category, as well as Business Success (Y) in business actors in East Java is also in the good category.

Good Government Support (X1) is marked by the availability of government subsidy programs that support business actors so that their business becomes smooth. The availability of information accessibility makes it easier for business actors to access information related to government assistance programs for MSMEs (Dumitriu et al., 2019; Kim, 2019; Vieira et al., 2019; Zhu, 2019). In addition, the government is actively disseminating information needed to support the development of MSMEs. Government support can also be in the form of an easy and uncomplicated licensing process. This will greatly help business actors with the ease of licensing from the government. The existence of training and development programs helps business actors to develop skills and improve their ability to run a business. Access to the market must also be opened as widely as possible so that business actors have access facilities to a wider market for MSME products. Government assistance in promoting products also has a great effect on increasing sales. The existence of legal protection helps business actors feel legally protected by government regulations that support MSMEs. These government supports are able to increase the business success of MSME actors. MSME actors are able to increase their sales growth which reflects the success of the business strategies implemented (Kim, 2019; Taiminen & Karjaluo, 2015).

H2 The Effect of Community Support (X2) on Business Success (Y)

This study found that Community Support (X2) has a significant effect on Business Success (Y) in business actors throughout East Java. The better the Community Support (X2), the Higher the Business Success (Y) for business actors throughout East Java. Similarly, vice versa, the worse the Community Support (X2), the worse the Business Success (Y) for business actors throughout East Java. The results of this study also show that Community Support (X2) is in the good category, as well as Business Success (Y) in business actors in East Java is also in the good category.

Good Community Support (X2) is characterized by the active involvement of MSME actors in the community. MSME actors are actively involved in various activities held by the MSME community. The MSME community also often holds activities that are relevant to the business development of MSME actors. In addition, the MSME community provides significant support for business development and helps in overcoming challenges faced in business. Joining the MSME community can expand business networks with other business actors (Al-kwafi et al., 2019; Terziev, 2019; Voronkova et al., 2019). Connections built through the MSME community provide better business opportunities. Through the MSME community, business actors get access to important resources, such as training or information. The MSME community helps business actors have strong solidarity between their members. Collaborative activities of MSME actors encourage the growth of their members' businesses, and help opportunities to collaborate with other business actors. The support from the MSME community is able to increase the business profits of its members over time. Customer satisfaction levels also increase, and provide positive feedback regarding the product or service (Guo & Zou, 2019; Petyukova & Railyan, 2019; Seyb et al., 2019).

H3 The Influence of Entrepreneurial Attitude (Z) on Business Success (Y)

This study found that Entrepreneurial Attitude (Z) has an effect on Business Success (Y) in business actors throughout East Java. The better the Entrepreneurial Attitude (Z), the Higher the Business Success (Y) in business actors throughout East Java. Similarly, vice versa, the worse the Entrepreneurial Attitude (Z), the worse the Business Success (Y) in business actors throughout East Java. The results of this study also show that Entrepreneurial Attitude (Z) is in the good category, as well as Business Success (Y) in business actors in East Java is also in the good category.

A good entrepreneurial attitude is characterized by a high interest in innovation. MSE actors are always interested in finding new ways to develop their business products or services, because this is the main key to business sustainability Independence in trying to also determine business success. MSME actors must be able to manage their businesses independently without relying too much on other parties and in facing business challenges, prefer to solve them themselves. Business success is also determined by the readiness of business actors to always learn new things that can help business development(Hassan et al., 2020; Kisubi & Korir, 2021; Liu et al., 2019). Entrepreneurial knowledge needs to be continuously improved by participating in training. Business actors must always be ready to seize new business opportunities that arise around them, actively looking for business opportunities that can increase their business.

H4 The Effect of Government Support (X1) on Business Success (Y) Moderated by Entrepreneurial Attitudes (Z)

Based on the results of the hypothesis test that has been carried out, it shows that there is a significant influence between Government Support (X1) which is able to create Business Success (Y) in business actors throughout East Java which is moderated by a positive Entrepreneurial Attitude (Z). This means that good Government Support (X1) can create Business Success (Y) moderated by Entrepreneurial Attitude (Z). Entrepreneurial Attitude (Z) has an effective role as a moderator between Government Support (X1) and Business Success (Y). A good Entrepreneurial Attitude (Z) strengthens the influence of Government Support (X1) on Business Success (Y).

The existence of a high interest in innovation, an independent attitude, readiness to learn, commitment and orientation to opportunities strengthen the influence of government support on the business success of MSME actors. With a combination of these factors, MSMEs are not only able to survive in the fierce market competition, but can also thrive and contribute significantly to the national economy. Effective government support combined with the spirit of innovation and independence from MSME actors, creates a conducive atmosphere for the growth and sustainability of MSME businesses(Gochhait & Pokharnikar, 2020; Prabhu, 2019, 2020).

H5 The Effect of Community Support (X2) on Business Success (Y) Moderated by Entrepreneurial Attitudes (Z)

Based on the results of the hypothesis test that has been carried out, it shows that there is a significant influence between Community Support (X2) which is able to create Business Success (Y) in business actors throughout East Java which is moderated by a positive Entrepreneurial Attitude (Z). This means that good Community Support (X2) can create Business Success (Y) moderated by Entrepreneurial Attitude (Z). Entrepreneurial Attitude (Z) has an effective role as a moderator between Community Support (X2) and Business Success (Y). A good Entrepreneurial Attitude (Z) strengthens the influence of Community Support (X2) on Business Success (Y).

The existence of a high interest in innovation, an independent attitude, readiness to learn, commitment and orientation to opportunities strengthen the influence of community support on the business success of MSME actors. With solid support from the community, MSMEs can more easily access the resources, networks, and information needed to grow. The combination of the spirit of innovation, independence, and community support creates an environment conducive for MSMEs to not only

survive, but also grow and contribute significantly to the local and national economy (Anwar et al., 2021; Faghih et al., 2019; Soomro et al., 2021).

CONCLUSION

Based on the discussion of the research results, it can be concluded that Government Support (X1), Community Support (X2), and Entrepreneurial Attitude (Z) all positively and significantly impact Business Success (Y). Specifically, as Government Support and Community Support increase, Business Success also tends to rise correspondingly. Additionally, Entrepreneurial Attitude acts as a moderating factor that enhances the influence of both Government Support and Community Support on Business Success. This suggests that fostering a supportive environment through government initiatives and community engagement is crucial for enhancing business performance.

In light of these findings, the researcher recommends that the government streamline licensing processes to ensure that MSME actors are legally protected and can operate more effectively. By reducing bureaucratic hurdles, the government can facilitate a more favorable business climate. Furthermore, it is essential for MSME actors to actively engage in various activities organized by the MSME community, as this involvement can help expand their networks and strengthen connections within the community, ultimately leading to increased access to valuable resources and support.

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