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The role of human capital in establishing new institutional economics and competitiveness

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Abstract
To optimize the benefits of demographic bonus, it is necessary to have the right policy and commitments from all stakeholders so that the demographic bonus can become the capital for development instead of a burden. The purpose of this article is to explain the importance of the role of human capital and social capital in establishing a new institutional economics and improving competitiveness towards the golden generation. This research used explorative research methods and descriptive quantitative. The method of analysis used was the path analysis model. The results showed that the important role of human capital, social capital and social networks in which they could encourage the formation of a new institutional economics. Further, the new institutional economics would encourage increased competitiveness of regional and national businesses. The results of this study confirm that the important role of human capital can be a key factor in realizing the formation of a new institutional economics. However, its role to increase business competitiveness has not been optimized, so that the role of new institutions for improving business competitiveness also has not been optimized. It is recommended for further research to be able to involve various important factors such as; entrepreneurship, productivity and regional economic growth and employment opportunities so that the further research can have increasingly better policy implications.

Keywords: human capital, social capital, social networking, institutional dan competitiveness

1. Introduction

The Integration of human resources (HR) quality development toward the Indonesian golden generation in in 2045 is a long-term strategy that must be prepared as early as possible. The problem of demographic bonus in Indonesia is a challenge as well as opportunity and advantage that must be optimized to move towards a progressive golden generation of Indonesia in 2045. To move towards a productive, globally competitive, golden generation with comprehensive and competitive intelligence, demographic bonuses must be managed, directed, and utilized optimally so that it can become a major development resource and not a burden on development. Demographic bonus is the population of productive age between 15 years and 65 years in a country exceeding the number of non-productive population. In Indonesia, this demographic bonus will peak in 2030 and is expected to be 62%. The demographic bonus will have a positive impact on Indonesian economic growth and economic development if it can be managed properly and wisely. The "East Asian Tigers" case study proves that demographic bonuses can contribute to the acceleration of economic growth, (Bloom, 1998) [5]. Demographic bonuses in all European countries have a stronger influence on economic growth than in other EU member states (Majdzinska, 2015) [14].

The Excess labor from demographic bonus clearly requires a better quality economic growth and also, well-managed demographic bonus will encourage economic growth. Without good and right policies in encouraging economic growth and economic development, then the demographic bonus will actually become a burden for the development. To be able to build quality economic growth, human capital is needed as the main driver (Prasetyo, 2008) [15]. In Saudi Arabia, the demographic bonus has provided advantage in the ongoing economic growth, (Harkat, 2017) [10]. The result of Harkat's study (2017) [10] suggest that necessary policies that must be standardized to achieve high economic growth among all economic sectors must be related to health, human capital, education, and the supply of jobs. Likewise in Africa and East Asia, demographic bonus or "demographic dividends" have driven economic growth and development, (Lehohla, 2017) [13]. Lehohla, (2017) [13] explained that developing human capital through investments in social infrastructure (schools & hospitals) can significantly increase demographic dividends. Likewise investment in economic structures, because reliable, affordable transportation, communication, water and electricity help exporters and other businesses become more competitive internationally. Meanwhile, Harkat, (2017) [10] particularly on education policy, suggests that the focus is not only on improving access, but there should be coordination between the education program, the training program, and the labor market, to better ensure better use of human resources. In addition, other policies must target the identification of economic and industrial sectors that are between the growth phases, promote pro-growth policies, and expand investment, both nationally and internationally. This is needed to ensure the supply of skilled and unskilled labor.

Basically, the Indonesian people are determined to build good economic growth. Since the era of the SBY administration, there have been known of some pro-economic growth policies called the triple track strategy (pro growth, pro poor and pro job), which are pro-growth economic policy strategies to reduce poverty and unemployment. Meanwhile, during the Jokowi's administration, the pro-economic growth policy has been

reaffirmed by what is better known as the four-track policy strategy (pro growth, pro jobs, pro poor and pro equity), i.e. policy strategies that encourage economic growth to reduce unemployment, poverty and inequality. Unfortunately, the expected growth target under the SBY administration averaged 7% during his reign was a failure (Prasetyo, 2011). Similarly, during the Jokowi administration which targeted economic growth of an average of 6% would also be threatened with failure (Prasetyo, 2019) [17]. The central issue failure is because Indonesia's economic growth is not driven by the potential capacity of quality human resources factors that are built on the basis of human capital and social capital. The urgency of the purpose of this research article is to explain more broadly about the potential role of human capital and social capital as a key in driving quality economic growth and sustainable competitiveness. Therefore, President Jokowi has realized and determined during his second administration that has committed to build the capacity of Indonesian human resources on a large scale. According to President Jokowi (2019), a country will not be able to progress if the infrastructure and human resources are not ready. To support this policy, President Jokowi has prepared a Pre-Work Card, for junior high school, high school, vocational high school graduates, and colleges who do not have a job yet to be given training, so they have the provision to advance to the world of work.

The novelty is that in fact, SBY and Jokowi's administration efforts towards economic success have been linked to a number of factors such as; educated workforce, increasingly dynamic and innovative business sector, and industrial policies that support key sectors and the global economy. However, these efforts are insufficient to be able to further realize the optimization of demographic bonus to become the main capital of development. For this reason, novelty is required in the economic growth that should be stronger and better qualified to be able to absorb all the workforce that is growing and optimally utilized the demographic bonus. The novelty and urgency of this article is to further explain the preparatory effort through the potential role of human capital and social capital in building new institutional economics (NIE), in order to encourage economic growth to become more quality and stronger. The argument is, the success in the development of the State will be largely determined by human capital and social capital factors as well as institutional factors that exist in Indonesia.

2. Literature Review

Economists have long recognized that economic growth is closely related to a society's ability to improve; social capital, human capital, physical capital, and accessible technology. The relevance of social capital and human capital is not only in their role for the creation and development of knowledge for companies, but also in important effects on the promotion of sustainable policies (economic, social, or even environmental) that can affect organizations and various environments, (Simon, 2018) [21]. The latest analysis of the long-term performance of countries has made a major contribution to the analysis of the causes of economic growth, and considers; the important role of human capital and institutions in the pursuit of quality economic growth, (Acemoglu, 2014; Lee, 2016) [1, 12]. Acemoglu, (2014) [1] suggested that future research needs to focus on variations of other sources that are more credible to better understand the interrelationship of how human capital contributes to economic and social development and interacts with institutions. This argument is supported by the results of a study (Raja, 2014) [18] which stated that; if natural capital, physical capital and human capital constitute the wealth of the nation, then social capital is something that contributes more towards harmonious growth. The results of the Research by Estrin, (2016) [8] have also stated the need to strengthen the importance of the ability of human capital to enter entrepreneurship, and institutions act as important contingencies. That is, this phenomenon strengthens the argument of human capital theory towards social entrepreneurship.

The connection between human capital, social capital, entrepreneurial culture, institutional economics, productivity, in enhancing quality economic growth and competitiveness are increasingly attractive be studied further and implemented for economic development that can prosper the community. Human capital, social capital and Institutional are recognized as significant factors in economic growth nowadays, (Prasetyo, 2008, 2017, 2019; Acemoglu, 2014; Raja, 2014; Savioli, 2016; Lee, 2016; Kaasa, 2016; Elert, 2017; Ali, 2018; Simon, 2018; Bosma, 2018; Acs, 2018; Barbosa, 2019) [15, 16, 17. 1, 18, 20, 12, 11 2, 4]. The results of research by (Prasetyo, 2008) [15] explain the role of technology and human capital investment as a driver of quality economic growth. In addition, it was also found out that productivity is the key to competitiveness and economic growth, (Prasetyo, 2017) [16]. The results of research by Estrin's, (2016) [8] have found that specific entrepreneurial human capital is relatively more important in commercial entrepreneurship, as well as general human capital in social entrepreneurship, and the effect of human capital depends on legal institutional rules. Meanwhile, the results of Savioli's research (2016) [20] confirm that social capital develops together with institutions and individuals. Furthermore, human relations within support the economic growth, sustainable development and social progress (Savioli, 2016) [20].

Whereas, the results of Kaasa's (2016) [11] research, showed institutional trust and community participation, which have not received much attention in the literature, being the most important for productivity. It was further emphasized that the choice to improve institutional quality would greatly help productivity, but people's perceptions of institutional quality, trust in institutions and sense of participation were even more important. The results of research by Bosma (2018) [6] found a positive relationship between these institutional variables and GDP growth per capita that operates through all types of entrepreneurial activities. Whereas, Acs, (2018) [2], conceptually and empirically analyzes to balance the relationship between economic growth, input factors, institutions, and entrepreneurship. You do this by establishing a national entrepreneurship system (NSE) as a resource allocation system that combines institutions and groups of human into a system for institutions in 46 countries which is complementary and interdependent. The results of the research found out the support for the role of the entrepreneurial ecosystem in economic growth. Furthermore, Urbano, (2019) [22] has conducted 25 years of research on; institutionalization, entrepreneurship and economic growth. The results of Urbano's research, (2019) [22] both conceptual and the policy implications can be summarized into two things. First, to consider the integrated model primarily; institutions,

entrepreneurship and economic growth, the results can further improve the research in the field of entrepreneurship and economics and increase economic performance. Second, it is useful for formulating public policy strategies especially strengthening the competitiveness of new sustainable businesses and improving the living standards of entrepreneurs and the whole community. He also emphasized that the results of the research also recommend an analysis of interactions between; institutions, entrepreneurship and economic growth, and recommends further research on what institutional factors are conducive for entrepreneurship to spur economic growth.

Meanwhile, Lee (2016) [12] states that now there is no doubt that institution is an important determinant of long-term economic growth or prosperity. However, the variability pattern of annual growth rates poses some major difficulties for the analysis of long-term performance and its association with other institutions or factors, so it is not enough just by seeing differences across countries at one point in time. The consequence of the importance of institutions as the determinant of the long-term growth performance of countries is relative to policy reforms and other factors, such as geography and culture is still a broad open question, (Lee, 2016 [12]). Barbosa's research results (2019) show that social capital has a stronger influence on the relationship between institutions and entrepreneurship. They have built growth models with institutional variables and show the importance of pursuing the causality and endogenization of the institutional variables themselves, (Lee, 2016) [12]. Elert, (2017) [7] stated about entrepreneurial responses to institutions and found a causal relationship between the two. Meanwhile, the results of research by Foss's (2016) have actually stated the otherwise, that institutions will influence entrepreneurial activities through the conditions of entrepreneurial action itself.

The results of research by Prasetyo's (2019) [17], have concluded that, entrepreneurial network, competition and especially entrepreneurial cultural factors in the entrepreneurship sector and MSMEs have been proven to be able to play an important role as the drivers of a more qualified and sustainable regional growth. The research results (Prasetyo, 2019) [17] also recommended that any policy regarding economic development in Indonesia must be based on the function and role of increasing the quality of human resources, social capital and entrepreneurship as a driver of quality and sustainable economic growth as a necessary and sufficient condition in development an economy which is able to bring prosperity for the people. The results of the research also emphasized that the implementation of the policy must be carried out immediately, especially through the policy of consistent and continuous entrepreneurial culture building of society as a whole,. Furthermore, it is recommended that other researchers continue to study various factors that can enhance the culture of entrepreneurship nationally, and the need to continue to be assessed through human capital and social capital. Thus, there is no doubt that institutions, human capital, social capital, and entrepreneurship based on the local potential wisdom of the Indonesian people themselves are important determinants and at the same time the main drivers of economic growth and prosperity in the short and long term in a continuous and sustainable manner.

3. Research Method

Based on the type of data and the depth of the analysis level, the type of research in this article belongs to the type of quantitative descriptive research that is designed with an exploratory research model that is explanatory. The main source of data is primary data which is supplemented by secondary data. Sources of qualitative and quantitative primary data obtained through various disciplinary approaches namely; economics-sociology, economics-culture, and economics-geography. The primary data is collected through a survey of selected respondent households that have productive MSME entrepreneurship in Central Java and DIY Provinces. From a number of primary data results from this survey, then recapitulated based on the nature and type of quantitative data and selected a total of 125 sample respondents of MSME entrepreneurship households used in this quantitative analysis. The measurement dimensions used in all of these quantitative variables are strictly measured based on the Gini ratio index method which is commonly known by scientists. Whereas, the quantitative analysis method in this article uses a path analysis model of correlation recursive form with a double path equation.

In this quantitative analysis three main variables are proposed namely; human capital, institutional and competitiveness as core variables which are discussed deeper in this article, assuming without reducing the meaning and role of other variables in the proposed model. Furthermore, to make it easier to understand in this path analysis, the methodology must first be arranged in the form of structural equations used. In the path analysis structural equation model, the variables described can be referred to as endogenous variable and explanatory variable can be called as exogenous variables. In the dual structural model in this article, the competitiveness variable is considered as the main endogenous variable and the second endogenous variable or can be called a moderator variable is an institutional variable. Meanwhile, the explanatory variables (exogenous) selected in this article are; human capital, social networks and social capital variables. Based on these types of variables, the path analysis structural equation form can be arranged as follows.

$$Y = \rho YX1.X1 + \rho YX2.X2 + \rho YX3.X3 + Ɛ1 \ldots\ldots \quad (1)$$

$$Z = \rho ZX1.X1 + \rho ZX2.X3 + \rho ZY.Y + Ɛ2 \ldots\ldots\ldots \quad (2)$$

Where;

X1 is the human capital variable, X2 is the social capital variable, X3 is the networking variable, Y is the institutional variable, Z is the competitiveness variable, ρ is the value of the path analysis coefficient used and Ɛ is the residual variable which is random. Furthermore, based on the structural form of the above equation, a path analysis diagram can be arranged as in Figure-1 below.

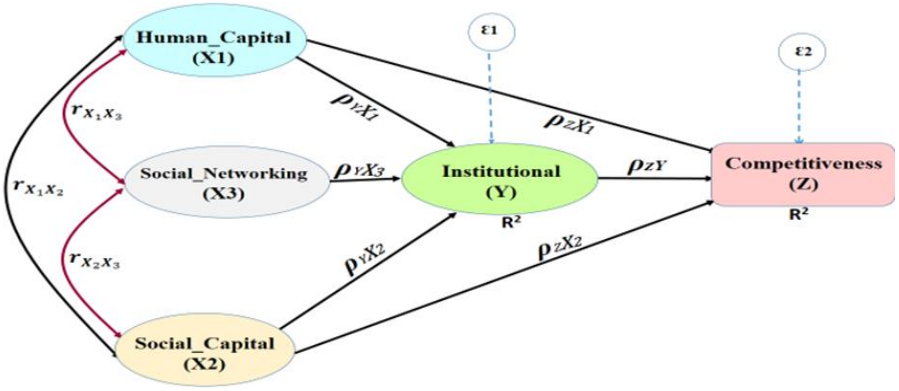

Fig 1: A recursive form correlational path analysis model with a double path equation.

The operational definitions of the variables used for the purposes of quantitative data in this analysis can be briefly explained as follows. The human capital (X1) variable is defined as the level of human resource capability of workers in the entrepreneurial venture, which is observed based on indicators both formal and informal, such as level; education, knowledge, experience, skills and expertise as well as reliability, elegance, skills, discipline and tenacity, which are then measured by the Gini ratio index dimension. The operational definition of social capital variables in general represents the level of ability of social connections or interactions and all the benefits that can be generated by sample respondents. The indicators used to measure the level of social connections and benefits tend to refer to opinions that have been widely agreed upon by social economists such as; level of trust of citizens / community / state, personal relationship (sympathy & empathy), involvement or tolerance, and consistency. The social network variable is a reflection of the level of connectedness (a person or business) through both direct and indirect links that the sample respondents can have. This social network indicator seen from; connectivity with neighbors, rivals, workers, markets, the wider community, including the ability to access business and risk information. The measuring dimension of social network variables is the index of the likelihood and impossible ratio of such connectivity. The entrepreneurship variable referred to in this article is operationalized as an ecosystem of social entrepreneurship and productive entrepreneurship. Indicators of social entrepreneurship ecosystems and productive entrepreneurship are measured based on the ratio of the level of output produced and the growth of business output in each of the sample respondents' entrepreneurial areas. Whereas, for endogenous variables, institutions (institutions) are operationalized as rules of play that are adopted and used in their business activities, both formal and informal institutions. The measuring dimension used is the level of the index of this ratio between institutions that are economic benefits and those that are economic constraints. Furthermore, all dimensions of measuring variables (Xn) in this study used a modified measurement model from the formula of the Gini index index value (IGX) as follows. Where X is the measured variable.

$$IGx = 1 - \sum_{i=1}^{n} f_i \, (Y_i - Y_{i-1})$$

Then, based on figure-1, and the measurement dimensions above, the research objectives in this article can be identified namely; to analyze the direct effect, the indirect effect and the total effect on business competitiveness. The argument used in the quantitative analysis of the path analysis model in this research is to further strengthen and be more confident in the answers in describing and the process of exploring the problems and solutions in this article. In addition, the advantage in this path analysis is that it can already be used standardized coefficient values and at the same time can reduce the case of multicollinearity. Basically there are three forms of path analysis models namely; (1) correlated path model; (2) mediated path model; and (3) independent path model, but in this article the correlated path model tends to be chosen. The argument is because in addition to exploring the influence of factors also to dig deeper into the level of relationship between factors, (Prasetyo, 2019) [17]. Whereas, the recursive form of the model is a one-way track model rather than reciprocal, so that it is easier to understand.

4. Results and Discussion

As explained in the research method above, that in this article a path analysis model with recursive form so that there is no expansion of access to the results and discussion of causality. Although it can be possible that a case of causality can also occur. However, the results and discussion in this article are compliant with the choice of the form of the recursive model that has been determined in the research method above. With the results of this path analysis it becomes easier to find out and analyze along which paths the external injection can be in enhancing the competitiveness of entrepreneurial ventures. The choice of the main track in the value that can give the first greatest total results to the level of success of business competitiveness. However, to be able to know more about the answers, in this article, the path analysis process must be carried out as can be seen in Tables 1 to Table 3 and from Figure 1 to Figure 3 below.

Based on the values in table-1, it shows that in the model-1 the factor that gave the first biggest contribution or influence to the institution was the human capital factor, because the standard coefficient value was positively the highest at 0.456. This means that in model-1, the human capital factor can affect institutions or rules that are positively positive and significant at level-1 (99%), which is 45.6 percent. Where the value of the human capital coefficient is the first largest standard coefficient when compared to the standard coefficient of other explanatory factors. Empirically, in this research there is also the strength of human capital in forming a new institutional

economy which they think will be better. The second largest factor contribution is from social capital factor which is 34.7 percent and the smallest contribution to the institution is from social network factor which is only 25.7 percent. The third contribution or influence of the exogenous factors to institutional edogen factors is partially positive and significant at level-1 (99%). Furthermore, in table-1 in model-2 it also appears that the existing institutional factors were able to provide the first greatest influence or contribution to the competitiveness variable of entrepreneurial business. Because the standardized standard coefficient positively and significantly from the factor of development is able to give the highest value that is equal to 0.556. That is, institutional factors can affect the increase in business competitiveness by 55.6 percent. Meanwhile, the magnitude of the influence of the second exogenous factor on a positive and significant increase in competitiveness is obtained from the human capital factor of 21.6 percent and from the social capital factor of 17.6 percent. This means that the phenomenon can be stated that the human capital factor can be the main key in shaping the new institutional economy and encouraging business competitiveness.

Furthermore, if it is seen that the effect is reflected from the value of R2 in the model-1 structure is 0.747 and the value of R2 in model-2 is 0.743. This means that model-1 and model-2 are good. Because in model-1, the three factors of human capital, social network and social capital together are able to influence institutions at 74.7 percent and the rest of 25.3 percent are influenced by other factors outside of model-1. Likewise in model-2, institutional factors, human capital and social capital together are able to influence the level of business competitiveness of 74.3 percent and the remaining 25.7 percent are influenced by other factors outside the model-2. Thus, based on the results in table-1 it can be stated that in order to improve the new economic institutions that exist in society which are most driven by the human capital factor as the main factor. Meanwhile, to improve the competitiveness of the largest businesses driven by institutional factors. The meaning is that human capital is the main key in efforts to improve institutional and business competitiveness in the research area. Where, increasing the capacity of human capital will be even stronger to encourage the improvement of existing institutions, and subsequently these institutions will encourage increased business competitiveness.

Table 1: Results of multiple regression equation models structural -1 and structural-2

Model		Unstandardized Coefficients		Standardized Coefficients	t-stc.	Sig.
		B	Std. Error	Beta		
1	(Constant)	.152	.023		6.729	.000
	Human_capital (X_1)	.370	.044	.456	8.479	.000
	Social_capital (X_2)	.308	.053	.347	5.807	.000
	Social networking (X_3)	.236	.051	.257	4.606	.000
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t-stc.**	**Sig.**
		B	**Std. Error**	**Beta**		
2	(Constant)	-.131	.033		-3.999	.000
	Human_capital (X_1)	.215	.068	.216	3.180	.002
	Sosial_capital (X_2)	.193	.073	.176	2.635	.010
	Institutional (Y)	.685	.104	.556	6.582	.000

a. Dependent Variable: Institutional (Y); N = 125; Nilai R^2 = 0.747; Adj_R^2 = 0.740; Dw = 1.562

b. Dependent Variable: Competitiveness (Z); N = 125; Nilai R^2 = 0.743; Adj_R^2 = 0.737; DW = 1.975

Furthermore, based on the study of the level of relationship between the factors used in this path analysis model, is it still consistent with the results of the influence analysis in table-1 above? Based on the results of the research in table-2, for model-1, it can be seen that the level of the first largest partial correlation with institutional factors is still consistently obtained from the correlation value between human capital and institutions, which is 0.733. This means that a positive and strong partial correlation has occurred and is significant at level-1 (99%) of 73.3 percent between human capital and institutional factors. Likewise, in model-2 in table 2, it appears that the largest value of the first partial positive correlation is positive, strong and significant at level-1 (99%) is found in the correlation between institutional factors with business competitiveness that is equal to 84.1 percent. This means that there has been a strong partial correlation between institutional factors and competitiveness. Furthermore, the correlation value reflected in table-2 is also strong, because the R_mutiple value is 86.4 percent in model-1 and 86.2 percent in model-2. Thus, it can be stated that the two influence models in table-1 and the correlational model in table-2 are good, strong and consistent and significant.

Table 2: Results of Karl Pearson Product Moment partial matrix correlation

Model-1		Institutional	Human_capital	Social_capital	Social_networking
Pearson Correlation	Institutional (Y)	1.000	.733	.723	.629
	Human_capital (X_1)	.733	1.000	.510	.390
	Social_capital (X_2)	.723	.510	1.000	.559
	Social_networking (X_3)	.629	.390	.559	1.000
Sig. (1-tailed)	Institutional (Y)	.	.000	.000	.000
	Human_capital (X_1)	.000	.	.000	.000
	Social_capital (X_2)	.000	.000	.	.000
	Social networking (X_3)	.000	.000	.000	.

Model-2		Competitiveness	Human_capital	Sosial_capital	Institutional
Pearson Correlation	Competitiveness (Z)	1.000	.713	.688	.841
	Human_Capital (X_1)	.713	1.000	.510	.733
	Sosial_Capital (X_2)	.688	.510	1.000	.723
	Institutional (Y)	.841	.733	.723	1.000
Sig. (1-tailed)	Competitiveness (Z)	.	.000	.000	.000
	Human_Capital (X_1)	.000	.	.000	.000
	Sosial_Capital (X_2)	.000	.000	.	.000
	Institutional (Y)	.000	.000	.000	.

Note: N= 125; The value of model-1's R_multiple = 0.864 and model-2's R_multiple =0.862

Furthermore, based on the recapitulation of the results in table-1 and table-2, it can produce the value of the path analysis framework diagram referred to in this article as shown in Figure-2 and the matrix coefficient value in Table-3. In figure-2, the values contained in the injection pathway are the recapitulation values of table-1 and table-2. Meanwhile, the matrix values in table 3 are the product of the values in the diagrams. If seen based on the pictures it can be described that the direction of the external injection path to the internal variables in the path analysis model, then it can be seen the largest injection value both directly, indirectly and in total. Based on the diagrams, it can also be seen that the largest external (exogenous) injection from certain factors.

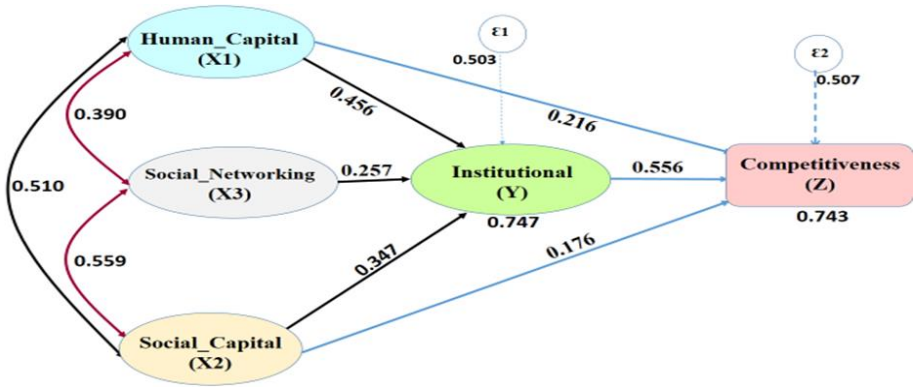

Fig 2: The results of the path analysis model of the correlation form of the recursive form with the double path equation system

Figure-2 described the size of the first largest injection of exogenous variables to increase business competitiveness is, apparently derived from good institutional factors; in total, their direct and indirect effects through factors; human capital, social capital and social networks. Where, the total influence is 40.3 percent which consists of 30.9 percent direct influence, and the indirect effect is 9.4 percent. However, institutional factors assume that the human capital factor is a competitive factor. That is, because the magnitude of the strength of the first institutional factor has been directly formed or given from the human capital factor. Therefore, the strength of the institutional factor also still depends quite large on the influence of the human capital factor. Meanwhile, for the value of these values in a recapitulation and detail is in table-3.

Table 3: The results of recapitulation of direct, indirect and total effects on business competitiveness

Variable	Direct Effect	Indirect Effect				Indirect Effect	Total Effect
		X_1	X_2	X_3	Y		
Human_capital (X_1)	0.047		0.019	0.012	0.055	0.086	0.133
Social_capital (X_2)	0.031	0.019		0.014	0.034	0.067	0.098
Social_networking (X_3)	-	0.012	0.014		0.005	0.031	0.031
Institutional (Y)	0.309	0.055	0.034	0.005		0.094	0.403
Total							0.665

***Source*:** Primary data (processed)

Furthermore, table-3 shows that the magnitude of the second largest injection factor to the factor of increasing total business competitiveness is obtained from the human capital factor of 13.3 percent, which consists of the amount of indirect effect of 8.6 percent and the direct effect at 4.7 percent. Meanwhile, the amount of the third injection factor increasing competitiveness is from the social capital factor which is 9.8 percent, which consists of an indirect effect of 6.7 percent and the direct effect of only 3.1 percent. The argument is still the small contribution directly from the human capital factor to competitiveness because based on the model, the largest contribution from the human capital factor is greater for the formation of new development factors. Meanwhile, Table 3 shows that social network factors only have an indirect injection rate of increasing competitiveness, which is only 3.1 percent. Based on the recapitulation results in table-3 and the description in figure-2, it can be stated that the magnitude of factors that directly influence the factor of increasing competitiveness is still quite small, so it is assumed that there are still many other factors that can contribute significantly in addition to several explanatory factors in the path model, for example; factors of entre-preneurship, employment opportunities, productivity factors and regional economic growth in the respective regions.

5. Conclusion

Based on the results of the path analysis, it can be stated that the factors of human capital, social capital and social networks are already strong enough to build and shape new economic institutional factors in the community. However, the magnitude of these explanatory factors, both directly and indirectly, was not strong enough to encourage business competitiveness. Furthermore, the role of the new institutional factors formed based on the three explanatory factors is also less optimum. That is, although the role of the new institution has been able to increase competitiveness well, but its role still cannot be considered as a maximum, so the results of this research have not been able to have a good policy identification. Based on these results it can be assumed that there are still several other factors playing significant role in increasing competitiveness in addition to the new institutional factors namely; entrepreneurship, productivity and employment opportunities and the economic growth of the region itself. However, the results of this research are reasonable because it is a result of initial research within the framework of increasing entrepreneurial business competitiveness.

6. Suggestion and Recommendation

The research suggests and recommends to further examine various other factors involved in improving competitiveness, so that it can create better policy implications. Based on the research results and conclusions, it is recommended that business competitiveness can be significantly improved and examined more intensively through several other important factors, such as; factors of entrepreneurship, efficiency, productivity, employment opportunities, new product development, standardization, and regional economic growth in the regions concerned, both partially and comprehensively.

7. Acknowledgement

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