Social Capital and Location as Determinants in Improving MSME Performance

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Article Info	Abstract
	Improving MSME (Micro, Small, and Medium Enterprises) performance is essential for business owners to increase their income and welfare. However, recently, the company's performance tend to decrease, particularly among MSMEs' businesses, resulting in a significant reduction in the country or region's economy and household income. Based on that reason, this research was conducted to examine the impact of social capital, location, and control variables on the MSMEs performance. Using incidental sampling technique, the authors collected data from as many as 131 samples located and opened a business in North Tangerang. The distributed instrument has been initially checked for its validity and reliability. Multiple regression was employed to analyze the data. The finding showed that social capital and location significantly determined the improvement of MSME performance. The greater the accumulation of social capital and precision of business location, the greater the company's performance. These findings contribute to providing important information considering social capital and location as determinant factors for future policies and business plans.

Abstrak

Peningkatan kinerja UMKM merupakan kebutuhan bagi pemilik usaha, karena akan meningkatkan pendapatan dan kesejahteraannya. Namun, akhir-akhir ini terdapat tren penurunan kinerja perusahaan, khususnya usaha UMKM. Akibatnya perekonomian negara atau daerah dan pendapatan masyarakat mengalami penurunan. Oleh karena itu, penelitian bertujuan untuk menguji pengaruh modal sosial, lokasi, dan variabel kontrol terhadap kinerja UMKM. Peneliti telah mengumpulkan data dengan teknik insidental sampling sebanyak 131 sampel yang berlokasi dan membuka usaha di wilayah Tangerang Utara. Instrumen yang didistribusikan kepada responden telah diuji validitas dan reliabilitasnya. Multiple Regression yang digunakan untuk analisis data. Hasil penelitian menemukan bahwa modal sosial dan lokasi menjadi penentu signifikan peningkatan kinerja UMKM. Semakin besar akumulasi modal sosial yang dimiliki dan semakin tepat dalam memilih lokasi, maka kinerja perusahaan akan meningkat. Dengan temuan ini, penulis berkontribusi dalam memberikan informasi penting tentang pelaku usaha mempertimbangkan modal sosial dan lokasi dalam penentuan kebijakan atau rencana usaha di masa yang akan datang.

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INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) are formidable fortress that contribute significantly to the development of global economy (Cosenz & Noto, 2015; Peter et al., 2019; Rapih, 2015), job creation, goods and services provision, tax and export revenues, economic growth, social stability, and economic diversity (Agyapong et al., 2017). In addition, MSMEs also contribute in improving welfare, building self-confidence, distributing income, and geographic situation (Zafar & Mustafa, 2017).

MSME is considered as the most dynamic business entity. It is essential to drive economic growth, overcome high unemployment and income inequality, and alleviate poverty through the creation of job opportunities (Heinicke, 2018; Zainol et al., 2018). Furthermore, one of the eminences of MSME over a big company, is the fast and flexible of the decision-making process (Linan et al., 2020). Studies revealed that the majority type of MSME in Indonesia is *necessity entrepreneur* or MSME with the initial reason of its founding was to fulfil the owners' life necessities (Utami & Muyaningsih, 2017), as it was considered to help solving the unemployment and poverty problem (Kim et al., 2018). The explanation above illustrates the importance of MSMEs for a country or region's economy.

According to empirical data recorded by The Ministry of Cooperatives and SMEs, from 2016 to 2019, the number of MSMEs in Indonesia increased, as did the labour absorption. The average growth rate of MSME was 3.03%, or 1.9 million units, with the employment rate being 2.37% or 2.7 million people. Based on these numbers, the MSME level of development was not proportional compared to employment absorption. Meanwhile, the development growth rate of regional MSMEs in Tangerang Regency during 2018 to 2020 was 16.958 units or 41.21%. The number of MSMEs was not in line with the performance development. Thus, the MSMEs' role in the economy had not been optimal. Compared to other countries such as South Korea, Japan, and China, the development of MSME in Indonesia was left behind (validnews.id, 2020), as it relied on the physical stands, direct selling, and resellers (Antaranews.com, 2020), as well as the limitation of the skill and technology (Chandrayanti et al., 2020).

Indications of the decline of business performance encouraged the authors to conduct deeper research on the factors that determine the MSMEs performance. Previous studies measured MSMEs performance and the success or business growth in term of profitability/finance, number of employee, and the return of capital and investment (Man et al., 2002; Simpson et al., 2012), as well as consumer satisfaction, employees' compensation, quality, depreciation, competitiveness, and the operational costs (Lima et al., 2021; Wright et al., 2005). This research measured the MSMEs performance by their profitability, productivity, and customer satisfaction.

Numerous previous studies have examined the determinant factors of MSMEs business performance, such as entrepreneurial aspects (motivation, optimism, self-efficacy, self-management), human resource competence (skills, abilities, knowledge), innovation (product creativity, technology), and business sustainability (growth, profitability) (Anggadwita & Mustafid, 2014). Other studies claimed that there were several factors correlated with performance such as: independence learning, entrepreneurial orientation, human capital, entrepreneurial competence, and entrepreneurial motivation (Apriyani et al., 2019; Muthalib et al., 2018; Zainol et al., 2018), marketing (Morgan, 2012), company capabilities (Abaho et al., 2016; Peter et al., 2019), self-efficacy and employee involvement (Carter et al., 2018), work ethic, skills (Bataineh, 2020; Sariwulan & Suparno, 2020), social capital and innovation (Agyapong et al., 2017; Akintimehin et al., 2019; Felício et al., 2014; Hameed et al., 2021; Pratono, 2018; Stam et al., 2014), and location (Fitriyani et al., 2019; Minai & Lucky, 2011; Setiaji & Fatuniah, 2018; Shah et al., 2018). Based on these studies, the authors are motivated to investigate the role of social capital and location in improving the MSMEs performance in the North Tangerang region.

Social capital is defined as a social relationship between individuals and groups resulting in social interaction, trust, reciprocity to increase cooperation and become a necessary resource for resilience in coping with various situations. Social capital has become an essential relational resource for dealing with, adapting to, and surviving the adverse changes, especially for resource-dependence livelihood (Gölgeci & Kuivalainen, 2019). Social life, economy, and politics will not exist

without social capital (Ha, 2021). Various researches have been conducted to investigate the correlation between social capital and business performance (Stam et al., 2014), resulting in a claim that the amount of social capital from the entrepreneur's personal network is critical for the efficiency of business performance. In addition, research by (Agyapong et al., 2017; Akintimehin et al., 2019; Felício et al., 2014) found that social capital had positive and significant impacts on business performance. While (Dai et al., 2015) argued that social capital had a positive effect on business performance in financial performance.

Another important variable that affects performance is the business location. Location was claimed to become a determinant factor for building new business and its future growth (Puspa et al., 2017; Wahyudi et al., 2014). Location was also a significant cost driver that has the power to influence business strategy (Fitriyani et al., 2019). As a result, deciding a business location must be viewed through economic attractiveness in an area, organizational interdependence, and technology, as well as the relevance of other considerations such as good location, research and development of the business (Rafii, 1995; Spring et al., 2017). In this study, location is a determinant factor in the development, succession, and performance of entrepreneurship (Dubé et al., 2016; Minai & Lucky, 2011). Setiaji & Fatuniah (2018) found a similar result, finding that one of the truly determining factors of the success and failed level of a business is the selection of a strategic and appropriate location. On the other hand, an investigation by Hermanto (2011) found that location did not significantly determine the performance of small industrial enterprises. From these previous research results, it showed inconsistency of research findings regarding the relationship between location and business performance.

Based on the description above, the authors proposed to modify how the social capital was measured and investigated its impact on the MSMEs performance. This research needed to be completed by combining social capital and location variables as well as other control variables, where the social capital variable utilized a new dimension (Akintimehin et al., 2019; Olatunbosun & Onuoha, 2020; Tasavori et al., 2018) in the middle of inconsistency between the variables of location and business performance. The authors then described the MSME performance based on the characteristics of demography, social, and MSME business. The authors were also re-assessing the impact of social capital and location toward the MSME performance in the North Tangerang area. The result of this study was expected to provide additional literature as an alternative to scientifically solve the problem of performance improvement; thus the research umbrella of economic literature was enriched, particularly business management majors. The authors also expected a real contribution from the research finding in the form of recommendation which was described in the discussion and conclusion section of this paper.

METHOD

To investigate the impact of social capital and location on the MSMEs performance, the authors used a cross-sectional survey approach. The population of this study was all beholders of various MSMEs' business type in the North Tangerang area, which number could not be determined. Therefore, the authors used incidental sampling to collect the data. Virtual questionnaire (Google form) was distributed through WhatsApp groups of the MSMEs' associations in the area. Before distributing the questionnaire, the authors had tested the instrument. There are 165 questionnaires have been filled and returned by the MSMEs beholders. From these questionnaires, the authors selected and sorted the questionnaire resulting in the final and processed questionnaires are 131 bundles/samples.

Variables are any observed objects in the research which values might be similar or different (Sekaran & Bougie, 2016). Each variable of this research was measured using a Likert scale ranging from 1-5 (disagree – strongly agree), both ordinal and nominal. The dependent variable was MSME performance (*MP*) containing the indicators of profitability, productivity, and customer satisfaction (Akintimehin et al., 2019; Anggadwita & Mustafid, 2014; Lima et al., 2021), as many as 10 questions were provided in each instrument. The author also classified the variable into "Good" criteria if the average score of MSME performance =1 and "Poor" if =0. Measurement of Social Capital variable (*SC*) was illustrated by consumer loyalty and trust, MSME supplies, and beholders' friends, families

and colleagues (Akintimehin et al., 2019; Olatunbosun & Onuoha, 2020; Tasavori et al., 2018). The variable of Location (*L*) utilized indicators of accessibility, environment, resource proximity, and security (Fu'ad, 2015; Ketokivi et al., 2017; Minai & Lucky, 2011), with a total of six questions.

The authors employed entrepreneurial competency control variable (*EC*) utilized by indicators of attitude, knowledge, ability, skill of recognition on opportunity, relation, and leadership (Ahmad et al., 2018; Hasanah et al., 2019; Tehseen et al., 2019) , there are 20 questions in this instrument. The Firm Age (*FA*) was measured by the range of: <5 years, 5-10 years, and >10 years (Akintimehin et al., 2019; Felício et al., 2014). The employee ownership variable (*EMP*) also used a dummy variable with "Yes" = 1, "No" = 0 (Carter et al., 2018). Business strategy variable (*BS*) used an indicator of the implementation of business strategy (Zizile & Tendai, 2018) represented by 4 questions (Likert Scale). This research also employed nominal scale: implemented = 1, not implemented = 0. The other control variable was marketing type (*MT*) that was measured by marketing digitalization (Morgan, 2012). If the MSME marketing was utilized with online = 1, and 0 = if only offline. The availability of the supply or main raw materials to produce the MSME products became the indicators of the Raw Material variable (*RM*) that used Likert Scale (Minai & Lucky, 2011) with number of questions are two items.

The pilot tests were conducted to assess the validity and reliability of the instrument so that the gained data would meet the requirement of a good data. The authors employed bivariate Pearson's correlation to test the validity and Cronbach's Alpha for reliability. The instrument's test involved 40 participants resulting in correlation coefficient, $r_{ij} = 0.552 - 0.932$ and significant value = 0.000 < 0.05. The research instrument for MSME performance, social capital, location, entrepreneurial competence, raw materials, and business strategies consisted of 56 questions are valid. The reliability test resulted in Cronbachs' Alpha value = 0.729 – 0.952 > 0.60 that means the research instrument was reliable.

Furthermore, the authors examined the effect of social capital, location, and control variables toward the MSME performance using multiple linear regression. The formulation of the main variable research hypothesis is that social capital and location partially have a significant effect on the performance of MSMEs. However, the authors initially tested the classical assumptions which included the residual normality test, multicollinearity, and heteroscedasticity test. The residual normality test was conducted using the Kolmogorov-Smirnov test (sig. > 0.05). The tolerance value > 0.1 and *VIF* < 10 based on multicollinearity test. Meanwhile, the Spearman Rho Bivariate Correlation test is used to heteroscedasticity. After the multiple regression met the classical assumption, the authors tested the suitability of the multiple linear regression model with R^2 and adjusted R^2. Using the t-test and sig. value < 0.1, 0.05, and 0.01, the assessment of each independent variables' ability to explain the MSME performance variables. In addition, the author used cross-tabulation to determine the general description of the participants' perception and condition regarding the research variables.

RESULTS AND DISCUSSION

The authors used a sample of 131 (87.72%) from 146 MSMEs questionnaires which were classified according to certain categories such as gender, company age, educational level, employee ownership, business place ownership, marketing type, and other variables. Furthermore, the authors conducted a cross-tabulation analysis between the MSME performance categories and the variables used in the study. The company's performance in the North Tangerang was in the "Good" category as much as 43.33% or less than the "Poor" category. The number of participants in this study who were female beholders was also less than the men beholder. Based on this number, the MSME performance owned by gender men with the categories of "Good: and "Poor" is higher than the performance of female MSMEs.

The owners of MSMEs in this area are commonly the immigrants who have and open the businesses by 61.83%. From the level of completed education perspective, it is dominated by the graduates of Junior High School (Indonesian, *SMP*) and Senior High School (Indonesian, *SMA*) by 26.72% and 33.59% respectively. The participants of the study generally do not employ online sales but they use offline sales by 58.54% and run their business by themselves by 60.31%. Furthermore,

in the age of company perspective is commonly more than ten years by 86.26%. From the standpoint of self-owned locations, it reaches 61.83%. Then, those who carry out the business plan well accomplish less by 46.56%. In the detailed description, Table 1 illustrates the data as follows:

Table 1. MSMEs' Performance and Socio-geo-demographic of the Participants

Variables (n = 131)	n (%)	MSME Performance n (%)		P (Sig.)
		Poor	Good	
MSMEs' Performance categorized by mean				
Poor	69 (52.67)			
Good	62 (47.33)			
Social Capital				***
Poor	71 (54.20)	16 (29.03)	44 (76.81)	
Good	60 (45.80)	53 (70.97)	18 (23.19)	
Location				***
Poor	68 (51.91)	15 (24.19)	47 (78.26)	
Good	63 (48.09)	54 (75.81)	15 (21.74)	
Gender				
Male	77 (58.78)	39 (61.29)	38 (56.52)	
Female	54 (41.22)	30 (38.71)	24 (43.48)	
Citizenship				
Native	50 (38.17)	24 (41.94)	26 (34.78)	
Migrant	81 (61.83)	45 (58.06)	36 (65.22)	
Education Level				
No School/Primary	29 (22.14)	15 (22.58)	14 (21.74)	
Junior High School	35 (26.72)	20 (24.19)	15 (28.99)	
Senior High School	44 (33.59)	22 (35.48)	22 (31.88)	
Universities	23 (17.56)	12 (17.74)	11 (17.39)	
Marketing Type				
Online	53 (40.46)	28 (40.32)	25 (40.58)	
Offline	78 (58.54)	41 (59.68)	37 (59.42)	
Employee				
Yes	52 (39.69)	27 (39.13)	25 (40.58)	
No	79 (60.31)	42 (59.42)	37 (59.42)	
Firm Age				*
< 5 years	13 (9.92)	10 (4.84)	3 (14.49)	
5 - 10 years	5 (3.82)	4 (1.61)	1 (5.80)	
> 10 years	113 (86.26)	55 (93.55)	58 (79.71)	
Business Strategic				***
Implement	61 (46.56)	24 (59.68)	37 (34.78)	
Unimplemented	70 (53.44)	45 (40.32)	25 (65.22)	
Place ownership				
Yes	50 (38.17)	29 (33.87)	21 (42.03)	
No	81 (61.83)	40 (66.13)	41 (57.97)	
Raw Material				***
Available	51 (38.93)	24 (43.55)	27 (34.78)	
Less available	80 (61.07)	45 (56.45)	(65.22)	

Source: Data Processing Result (2021); Note: *P < 0.1; **P < 0.05; ***P < 0.01 (P value by Pearson χ^2 test)

Table 1 illustrates that the performance of MSMEs is better indicated by the accumulation of social capital, the selection of ideal location, the age of the company, the business strategy, and the availability of main raw materials for production. The value of Chi-square test Pearson correlation is 5.290-33.219 and asymptotic significance (2-tailed) is $0.000 - 0.071 < 0.01 - 0.1$. Furthermore, table 2 describes that the performance of MSMEs in the North Tangerang commonly is quite good with an average score of 70.00%, an average score of social capital of 77.81% (quite good). The location variable produces the average score of 23.132 so it can be interpreted that the

location variable obtained the score by 75% or the company's location is quite ideal. For the detailed description, it is illustrated in table 2 as follows:

Table 2. Statistical Description

Variables (n = 131)	Mean	Std. Dev	Min	Max
MSMEs' Performance	33.367	7.244	18.367	47.759
Profitability	14.176	2.754	6.051	20.753
Productivity	9.436	2.479	4.772	13.643
Consumer Loyalty	9.735	2.453	3.000	13.363
Social Capital	51.434	9.063	24.205	68.650
Location	23.132	4.062	10.000	30.640
Entrepreneurship Competence	71.819	15.405	33.584	93.444
Firm Age	2.760	0.618	1	3
Price	9.025	1.576	4.000	11.163
Employee	0.400	0.495	0	1
Education Level	2.470	0.518	1	4
Dummy Marketing	0.405	0.493	0	1
Raw Material	7.799	1.671	4.000	11.163
Business Strategy	10.830	2.404	10.814	19.016

Source: Data Processing Result (2021)

Table 2 shows that the control of entrepreneurial competence generated the average score by 76.85% or in the fairly high category. The age of the company is generally more than 10 years. The business strategy variable obtains the highest score by 80% with the predicate of good business strategy. Meanwhile, the score for the availability of main raw materials for production is 77.15% or quite available. The number of MSMEs actors are female by 41.2%, online sales by 40.5%, and the native residence and self-owned business place by 38%.

The result of the residual normality test by using Kolmogorov-Smirnov is Asymp. Sig. (2-tailed) = 0.200 > 0.05 (all models) so that the residual data is normally distributed. Identification of *Multicollinearity* symptoms with a tolerance value of 0.296 – 918 > 0.1 and a value of *VIF* = 1.057 – 3.624 < 10, illustrated that there is no *Multicollinearity* problem occurred. Meanwhile, the result of *the heteroscedasticity test* using the *Spearman Rho Bivariate Correlation* showed that the value of sig (2-tailed) = 0.331 – 0.996 > 0.05 for all independent variables. It can be inferred that the regression model is free from heteroscedasticity problems. The regression model has completed the classical assumptions so that the authors can continue to analyze the data.

The authors have estimated the multiple linear regression to examine the effect of social capital, location, and control variables toward the performance domain such as profitability, productivity, consumer loyalty, and the performance of MSMEs. Table 3 illustrates that the F-stat values of profitability model (model 1) is 9.106, adjusted R^2 = 0.431, and p-value = 0.000 < 0.05. Simultaneously, the result indicated that at least the variables of social capital, price, employee ownership, online marketing, business strategy, and raw materials have a significant effect on the profitability domain of MSMEs' performance. These variables' ability in predicting the profitability domain of MSMEs' performance was 43.1%, and the rest was by other variables out of the model (See Table 3). In the productivity model (model 2), it obtained an F-test value = 26,771, adjusted R2 = 0.665, and P-value = 0.000 < 0.05. These results could be stated that at least there were variables of social capital, location, entrepreneurial competence, and prices that had a simultaneous effect on the productivity domain of MSME performance. The level of prediction of these variables in explaining the productivity domain of MSME performance was 66.5% and the rest was explained by other variables. While the consumer loyalty model produces a value of F-test = 35.503, adjusted R^2 = 0.726, and p-value = 0.000 < 0.05. It meant that at least there were variables of social capital, location, entrepreneurial competence, employee ownership, raw materials, and business strategies that simultaneously had a significant effect on the domain of consumer loyalty. These results showed that the ability of these variables to explain the domain of consumer loyalty was 72.6% and the remaining was explained by other variables (see Table 3). In the following table, it illustrates

the regression results from models 1, 2, and 3:

Table 3. Regression Results of MSME Performance Domains [Dependent Variables: Profitability (Model 1), Productivity (Model 2), and Consumer Loyalty (Model 3)]

Variables	Coefficients/Std. error of coefficients		
	Model 1	Model 2	Model 3
Social Capital	0.113***	0.135***	0.088***
	(0.040)	(0.026)	(0.024)
Location	0.547	0.773**	0.936***
	(0.550)	(0.366)	(0.327)
Entrepreneurship Competence	0.007	0.026 *	0.073***
	(0.023)	(0.015)	(0.014)
Employee	0.730 *	0.259	0.442*
	(0.402)	(0.267)	(0.239)
Firm Age	-0.044	-0.234	-0.207
	(0.323)	(0.215)	(0.192)
Price	0.531***	0.463***	0.375***
	(0.116)	(0.110)	(0.098)
Education Level	-0.161	-0.095	-0.109
	(0.192)	(0.127)	(0.114)
Dummy Marketing	-0.659 *	-0.040	0.016
	(0.395)	(0.263)	(0.235)
Raw Material	0.396***	0.071	-0.267***
	(0.128)	(0.079)	(0.071)
Business Strategy	-0.249**	-0.111	-0.228***
	(0.116)	(0.077)	(0.069)
Constant	3.998*	-1.981	2.306*
Obs	131	131	131
R^2	0.431	0.690	0.747
Adjusted R^2	0.384	0.665	0.726
F-stat	9.106	26.771	35.503
Sig. (2-tailed)	0.000	0.000	0.000

*Source: Data Processing Result, Note: * < 0.1; ** < 0.05; *** < 0.01*

The social capital variable generated a coefficient value of 0.088 – 0.135 and a significance value of P-value = 0.000 < 0.01. It could be inferred that the social capital variable had a significant effect on the domains of profitability, productivity, and consumer loyalty. The location variable obtained a coefficient of 0.773 and 0.936 and a significance value of P-value = 0.005 and 0.037 < 0.05 (see Table 3). It meant that the location variable has a significant effect on the domains of productivity and consumer loyalty. However, the probability model (model 1) showed the location variable coefficient value of 0.547 and the significance value of P-value = 0.332 < 0.05, then the location variable had no significant effect on the profitability domain. Meanwhile, the control variables that had a significant effect were price, employee ownership, raw materials, and business strategy on profitability domain. The variables of entrepreneurial competence and price also influenced on the productivity domain. Finally, the entrepreneurial competence, price, employee ownership, and raw materials variables significantly affected on the consumer loyalty domain.

Meanwhile, in model 4 (The General Model of MSME Performance), the F-stat value is 23.053 and the sig. value. (2-tailed) is 0.000 < 0.05, R^2 = 0.658, and the adjusted R^2 is 0.629 (see Figure 1). This means that the independent variable can explain the performance of MSMEs in the North Tangerang. In other words, at least the variables of social capital, location variables, entrepreneurial competence, and level of education significantly affected the performance of MSMEs. The ability level of the independent variable was 62.9%, and the remaining 37.1% was determined by other variables that are not used in this study (see Figure 1). More details can be seen in Figure 1 below:
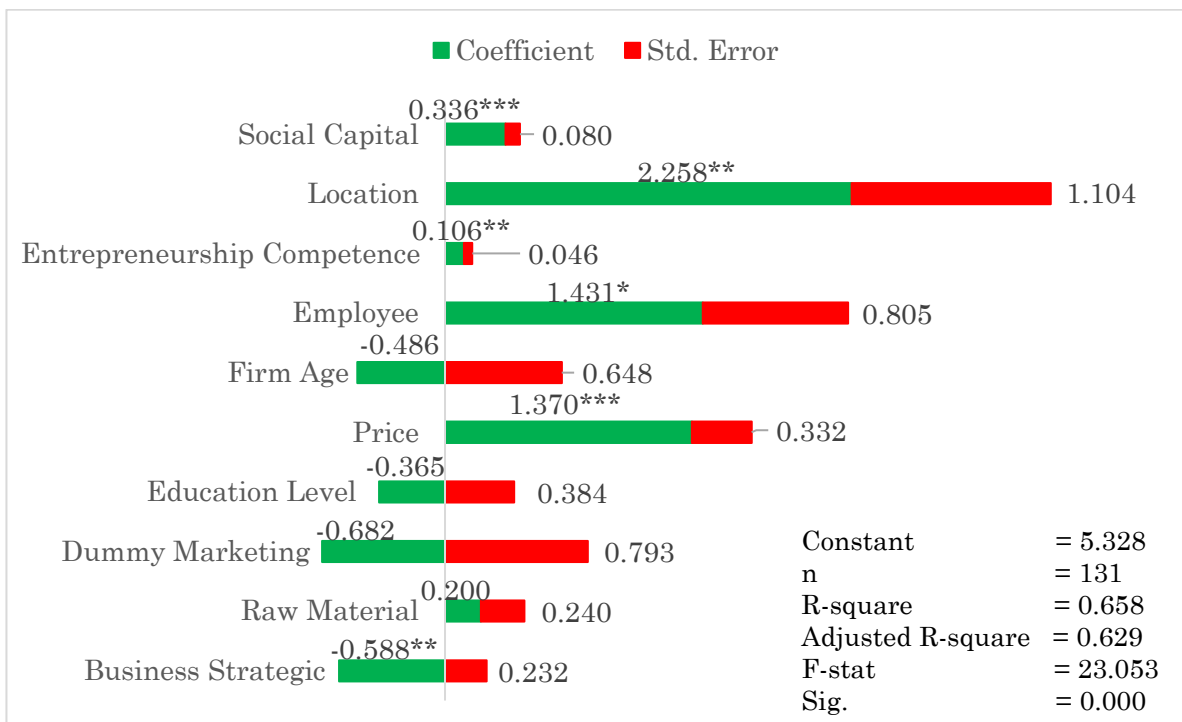
Figure 1. Regression Results of Model 4 (Dependent Variable: MSME Performance)

The estimation results of the MSME performance model (model 4) was the model chosen in predicting the effect of social capital and business location on the performance of MSMEs in North Tangerang. The results of the test for the effect of social capital, location, and control variables with multiple regression as shown in Figure 1 could be written as follows:

$$MP = 5.328 + 0.080SC + 2.258L + 0.106EC + 1.431EMP - 0.486FA + 1.370P - 0.365EDUC - 0.682MT + 0.200RM - 0.588BS \tag{1}$$

Equation (1) showed that the coefficient value of the social capital variable was 0.336 and the value of sig. = 0.000 < 0.01 (see Figure 1). It meant that there was a significant influence of social capital on the performance of MSMEs in the North Tangerang area. In other words, the higher the social capital owned by MSME actors, the better the MSMEs business performance will increase. The value of the business location variable was 2.258 and the value of sig. = 0.007 < 0.01; So it could be stated that the location of the business had a significant effect on the business performance of MSMEs. It proved that the better and more precise the selection of business locations, the higher the business performance of SMEs would be.

The control variables that had been shown to have a significant positive effect on improving the performance of MSMEs in the North Tangerang area are entrepreneurial competence (sig. 5%), employee ownership (10%), price (sig. 1%), and strategic business (negative, 5%). Other controls such as firm age variables, education level, type of marketing, and availability of raw materials did not significantly effect on improving the performance of MSMEs in the North Tangerang area.

The results of the regression estimation show that social capital has a significant effect on profitability, productivity, consumer loyalty, and MSME business performance. In other words, the higher the social capital owned by MSMEs, the level of profit, productivity, and consumer loyalty will tend to increase, so that MSME business performance in general also increases. Social capital is social interaction with either family or customers that generate trust for the smooth running of a business. If trust has the highest score in the social capital indicator, then good social capital is in the family that supports the ongoing business. According to research conducted by Tasavori et al., (2018), family relationships can improve business performance. Then the customer is also an important capital in the smooth running of the business. The ability of MSME actors to capitalize

and cultivate social capital in the form of consumer loyalty, trust, suppliers, friends, family, and colleagues can be an engine to boost the company's performance. In other words, the company's productivity level will increase, therefore, company profits will also increase. Entrepreneurs can even guarantee consumer satisfaction after buying their SMEs products.

The results of this study are consistent with previous studies which concluded that there is a significant correlation between social capital and the performance of MSMEs (Agyapong et al., 2017; Akintimehin et al., 2019; Pratono, 2018). It means that, as entrepreneurs, they should have good social capital so that their business continuity will have high performance. Previous findings that confirm this research were carried out by Basri et al. (2021), who concluded that social capital has a positive impact on small businesses in rural areas. Likewise, if social capital is disaggregated, internal social capital has a significant impact on non-financial performance, such as productivity and consumer loyalty (Akintimehin et al., 2019). On the other hand, the findings of this study are inconsistent with previous findings, which found that social capital, both internal and external, did not have a positive impact on improving company performance, especially its finances (Chang et al., 2011; Dai et al., 2015; Zhang & Fung, 2006). Also, the external social capital does not significantly affect both financial performances, such as profitability, and non-financial performance, such as productivity and consumer loyalty (Akintimehin et al., 2019). The latest findings also find that the social structure of capital is not statistically correlated with the company's operating performance (Ha, 2021; Purwati et al., 2021)

The selection of the right location and making it easily accessible to consumers can determine the company's performance. Determination of location is an option to locate a business (Lafuente et al., 2010) that can be reached from all directions, is in a safe environment, and is close to resources. The company's profits will increase if the right business location makes it easier for consumers to access their needs and businesses to become productive. The results of this study are able to prove that the location variable has a significant effect on all domains of performance and business performance of MSMEs. Business actors in this area have proven to be able to make the right decisions in determining the location. Location decisions are very likely to be influenced by the conditions and characteristics of the region or country, including low-cost labour, cheap natural resources, market size, and income level (Dunning, 1988), but also ease of access, the environment, proximity to resources, and security (Dunning, 1988). It has an impact on improving business performance (Fu'ad, 2015; Ketokivi et al., 2017; Minai & Lucky, 2011).

The results of this study are consistent with previous research which found that determining the right location has a significant effect on company performance (Minai & Lucky, 2011) and the location decision can even be used as a company-level strategy (Ketokivi et al., 2017). Other findings also confirm this research. The optimization of company profits and positive performance achievement depends on the ability of business owners to determine the best location decision (Dubé et al., 2016; Sridhar & Wan, 2010). Therefore, location is an important factor in business development and sustainability. The ease of reach and accuracy in choosing a place of business will affect the arrival of consumers and the location as a triggering factor for the emergence of significant costs so that they can be used to shape and determine the success or failure of entrepreneurial development and business activities. However, there are a small number of previous findings that are inconsistent with the findings of this study, including (Hermanto, 2011).

Our study has limitations and suggestions for future research. The results of the study found a strong correlation between social capital and location in improving the performance of MSMEs. However, these findings are aggregated and ignore differences in location or levels of social capital. Therefore, future research can work to examine the effects of these variables by accommodating differences in location and level of social capital with separate analytical models. Future researchers can also test these variables against each domain or MSME performance indicator, namely financial and non-financial. This is intended to make it easier for policymakers at the company level to maximize their performance. Another drawback is the use of the target population. The target population used does not distinguish between formal and informal MSMEs. Future researchers can test the difference between the target population of formal and informal MSMEs. It is intended to get information about the variables that are significant determinants used for formal and informal

MSMEs.

CONCLUSIONS AND SUGGESTION

We conclude that MSMEs in the North Tangerang area have a fairly good performance in the medium category. The test results found that social capital was proven to be able to determine the improvement of MSME performance. In other words, the high and low performance of MSMEs is very dependent on the ability of MSME entrepreneurs or actors to manage their existing social capital and their development potential. The location also has a positive and significant effect on MSME performance. It shows that location can be a determinant of increasing or decreasing MSME performance because the location is a strategy that can determine business continuity. Control variables that become significant determinants include entrepreneurial competence, employee ownership, and price. Other controls such as firm age variables, business strategy, type of marketing, and availability of raw materials did not have a significant effect on improving the performance of MSMEs in the North Tangerang area.

The results of this study strengthen previous studies that consider social capital to be influential in improving the performance of MSMEs, thereby increasing the strength of these variables in the MSME performance literature and complementing them, especially in the field of business economics. The empirical implication of this research is that business actors increase the potential for greater social capital as part of their social capital accumulation, namely by building strong social networks so that business performance always increases. Through strong social relationships, the businesses will be even better. Likewise, a business actor whose low performance level can be able to relocate their place of business to a better location with easy access to raw materials, minimum costs, and is easier for consumers to obtain. For business actors with better performances, they can expand their business by choosing the right strategic location so that they can improve their performance.

The government, as a policymaker, must continue give their support in the form of improving road access and internet network that can be accessed by residents in all areas of North Tangerang, to assist the MSMEs who have difficulty in improving their performances (MSME clinics), and to provide assistant staff from universities or sub-district/village governments. It is that MSME business actors can consult to solve the problems they face. For future works, the researcher can develop this work by disaggregating social capital and location variables according to rural and urban areas where there are still relatively few research results. In addition, the researcher also classifies the performance of MSMEs according to urban-rural and financial-non-financial, including distinguishing between formal and informal MSMEs in order to increase the area of generalization.

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