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INNOVATION AS A MEDIATOR FOR FAMILY SUPPORT AND SOCIAL NETWORK TOWARDS WOMEN'S SMES PERFORMANCE

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ABSTRACT

Women's SMEs contribute to the economy, so attention to business performance is important to improve. Efforts to improve the performance of women SMEs require knowledge of the factors that play an important role in SME performance. This research was conducted on women SMEs in Belitung district by examining several factors that affect performance, namely social networks, family support and product innovation. In previous studies, there were differences in the results of several researchers on the influence of determining factors on performance, so this research will fill this gap as well as test the role of product innovation as a mediator of social networks and family support on business performance. By using the cross-section method, 113 women's SMEs were obtained who have been running a business for a minimum of 1.5 years and are engaged in the processing industry. Data analysis with Partial Least Square-Structural Equation Modeling (PLS-SEM), SmartPLS v.4.0 was used in data processing. The path coefficient results show that social network variables and product innovation have a positive and significant effect, while family support has no significant effect on SME performance. Product innovation partially mediates social networks towards women's SMEs performance, while product innovation fully mediates family support on women's SMEs performance. Family support has no significant effect towards women's SMEs performance, this illustrates that women's SMEs lack family support in their business activities.

Keywords: *Entrepreneurship, Product Innovation, MSME Performance*

1. INTRODUCTION

Entrepreneurial activity is one part that has an important role in the economy in many countries. By doing entrepreneurial activities, apart from being a form of work activity, it can also be a source of developing one's potential to develop in the future. In addition, new businesses that are pioneered, as well as allowing the absorption of labor, especially for developing countries. In entrepreneurship, most open small or medium-sized businesses that are in accordance with their ability to start their business.

Based on data from the Coordinating Ministry for Economic Affairs 2022, Small and Medium Enterprises (SMEs) play an important role in Indonesia's economic growth, with the number reaching 99% of business units. Included in the contribution to GDP reaching 60.5%, as well as in terms of national employment. With the important role of SMEs in the economy, business performance is an important concern. One of the challenges related to business performance is innovation, in addition to technology, digital literacy, financing and several factors that play a role in business.

The existence of SMEs in Indonesia is very important for improving the economy. This important role is shown in the aspects of employment opportunities, income distribution and development. In fact, the SME sector has shown resilient performance in facing critical times during the economic crisis (Huda et al., 2020). SMEs are quite flexible and can easily adapt to the ebb and flow and direction of market demand. Compared to other business sectors, the SME sector can create jobs faster, while it is quite diversified and plays a role in the trade

sector. Business sustainability is a major concern by improving performance, without business performance, SMEs will not be able to contribute.

Based on the results of research on SMEs and performance, performance development is a basic focus in policy making, because performance is a form of consequence of the success or failure of the business being carried out (Hossain et al., 2022) (Issau et al., 2021). Based on some of these studies, SME performance can be a measure of business sustainability. Research conducted on the focus of performance is important, where the results of the research can be input for policy makers.

The study conducted by (Robb and Watson, 2012), explains the performance faced by women, where women's performance is lower than men, because the business carried out is more on businesses with low returns, for example service businesses. Research conducted by (Marlow and McAdam, 2013), shows the poor performance of women-owned businesses, because businesses are still small by looking at several things such as sales, profitability, turnover and market share. Both research results show that women's performance is still low. Meanwhile, based on data from the Ministry of Cooperatives and SMEs, women are recorded as important actors in entrepreneurial activities in Indonesia, where there are 52% of the 63.9 million micro business actors are women. Meanwhile, 56% of 193 thousand small business owners, and 34% of 44.7 thousand medium business owners are women. Based on these figures, women have the potential and play an important role in development, although based on research, women SMEs still have several obstacles, including financial problems (Ragoobur and Kasseah, 2017) (Prijadi et al., 2020). Based on the results of previous research and with the development of SMEs in Indonesia, this study examines the determinants of the performance of women's SMEs, so that the results of factors that can improve the performance of women's SMEs can be obtained.

Research on women SMEs in this case focuses on several factors that intersect with women's activities in starting business activities, including family support and social networks. Business activities undertaken by women are mostly with the aim of increasing income, so family support is an important part of business activities. In addition, innovation is also one of the factors related to business performance. Innovation as introduced by Schumpeter consists of various kinds of innovation, including product, process, and organizational innovation, which is an important part of business growth and performance. Previous research shows that innovation is a factor that needs attention for SME performance (Jusufi et al., 2020) (Issau et al., 2021).

Research conducted by (Arshad et al., 2014) found that innovation affects business performance. Innovation in this case leads to product innovation, where in product innovation, important factors that must be considered are design, market research, product attributes and marketing or promotion. Innovation allows companies to adopt new ways of doing things, introduce products and respond to changes in the business environment. As research conducted by (Recica et al., 2018) where through product innovation, companies can increase product variety for customers. Research by (Matekenya and Moyo, 2022), small companies have a level of innovation in the form of new product introductions which improve company performance with low sales levels. As for (Issau et al., 2021) in research on process innovation, product innovation and market innovation, obtaining results where process innovation and product innovation have no significant effect on SME performance. Meanwhile, research conducted by (Cucculelli, 2013), obtained results where innovation is very important only in companies with high growth, as for companies managed by families, the relationship is less visible, and can

even strengthen the negative impact on performance. The difference in results from several studies is interesting to be carried out on women's SMEs in Indonesia.

SMEs owned by women, both those who have just started their business activities and those that have been operating for a long time, are mostly carried out as a source of additional family income, so family support is one of the factors that can encourage the growth of SME performance. Several studies have shown the effect of family support on performance (Neneh and Welsh, 2022). Meanwhile, research conducted by (Tundui and Tundui, 2021) obtained different results, where business performance experienced obstacles when there was family support.

In addition to family support, social networks will greatly support the growth of business performance, where social networks enable business owners to establish relationships and obtain information related to products, resources, technological advances, and other necessary information. Some research on the role of social networks on performance conducted by (Franco et al., 2016) obtained results where social networks can reduce costs and at the same time expand business so as to improve business performance. Research on the role of social networks directly on performance is obtained from the results of research by (Faroque et al., 2017) (Ismail, 2022).

Factors that determine business performance need to be well known, because it will be the basis for business owners to be able to pay attention to the determinants of performance in order to achieve business growth and sustainability. This research was conducted to fill the gap in the results of previous studies related to the effect of product innovation, family support on business performance, by conducting research on women's SMEs, as well as knowing several factors that determine the performance of SMEs, so that it can be information for SME owners and for policy makers. The novelty in this study is that innovation is able to mediate family support on performance.

2. LITERATURE REVIEW

In this research, the Resources Based View (RBV) theory is used which consists of various aspects of management such as human resource management, economics, entrepreneurship, marketing, and international business (Barney et al., 2021). In general, RBV studies are related to Sustainable Competitive Advantage (SCA), which is then related to performance (Dasuki, 2021) (Barney et al., 2021). Based on several previous studies, some of the applications of RBV are related to large companies, while currently small companies require the application of RBV to be able to achieve SCA, so that small business activities can also improve performance by implementing RBV. In his article, (Rangone, 1999) explains that RBV is related to small and medium enterprises (SMEs) to be related to performance, where innovation is one of the factors that plays a role in it.

Business performance is a manifestation of the journey of business activities carried out, either in the form of success or failure. Performance is often understood to have multidimensional measurements, so there is no definite measure to measure performance (Kotane and Merlino, 2016), which can be financial or non-financial measures. Performance measurement is generally based on profitability for small and micro enterprises, as it indicates financial health. However, measuring profitability using financial data in micro and small businesses requires caution (Tundui and Tundui, 2021). Furthermore, performance measurement is shifting from

the traditional approach towards continuous improvement through business process improvement (Kotane and Merlino, 2016).

Some previous studies on performance determinants include (Neneh, 2017) examining the mediating role of family-to-work enrichment (FWE) in the relationship between family support and women-owned business performance, using empirical data from 251 female entrepreneurs in South Africa, using multiple regression analysis to test direct effects and sobel tests to test mediation. From the test results obtained, family support has a significant effect on business performance and family-to-work enrichment can mediate family support on business performance. Other research on export performance was conducted by (Safari and Saleh, 2020), where research was conducted on the export performance of service sector SMEs in Vietnam with internal and external factors as determinants of exports and innovation, marketing strategy and business strategy as mediation. With 364 SME exporters as respondents, using CFA and SEM analysis to test all potential factors, the results obtained from 9 hypotheses, 2 hypotheses were not supported, namely export marketing strategies and innovation strategies were not significant as mediators of export performance.

Another study from (Welsh et al., 2018) examined the determinants of firm performance for women entrepreneurs in Egypt using variables of education level, management skills, age, social network, family support, gender-related personal problems, financial business startups, women's business performance. Using 117 female entrepreneurs in Egypt, using general structural equations (GSEM) to analyze the data, and the GSEM approach generalizes structural equation modeling (SEM), the results show that education level, management skills, and age each have a positive and significant effect on performance, while social networks, gender-related personal problems, and financial business startups have a negative and insignificant effect on performance, and family support has a positive but insignificant effect. (Hasan and Almubarak, 2016) conducted research in identifying the determinants of women's entrepreneurial performance in Bahrain, with variables of entrepreneurial orientation, human capital, entrepreneur goals & motives, SME characteristics, economic factors, socio-cultural factors, legal and administrative factors, opportunity recognition, and women's business performance. Using 120 respondents and using multiple regression analysis to test the direct effect, the results obtained Opportunity recognition has a positive and significant effect on women's business performance.

Social network is seen as a factor that has an influence on performance, as research has done before (Franco et al., 2016) (Agyapong et al., 2018) (Pratono, 2018) (Ismail, 2022). Research conducted by (Faroque et al., 2017) explains where social networks have an influence on innovation, in addition to performance. In this study social network is a network that refers to a form of internet-based application that allows individuals to build personal profiles to develop social relationships with whom to interact, with reference to (Pratono, 2018).

Family support, including emotional support, has an influence on business performance. Research on the effect of family support on performance (Neneh, 2017) (Neneh and Welsh, 2022), obtained the results of the role of family support on performance. While the results of research by (Isaga, 2019) and (Tundui and Tundui, 2021) obtained results where family support is less favorable to business performance. In this study, family support is in the form of emotional support, instrumental support for business and instrumental support at home, referring to (Neneh and Welsh, 2022).

Innovation is a very important factor in the development of business activities and business performance. Both the introduction of new products and the improvement of new products have an impact on business performance. Research related to innovation on performance (Recica et al., 2018) (Matekenya and Moyo, 2022) has significant influence. The definition of product innovation in this study is the introduction of new or significantly improved goods or services with respect to characteristics or uses (OECD, 2005).

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

Based on several studies that have been conducted and the role of innovation as mediation of family support and social networks on business performance, the research model and hypothesis in this study are as follows:

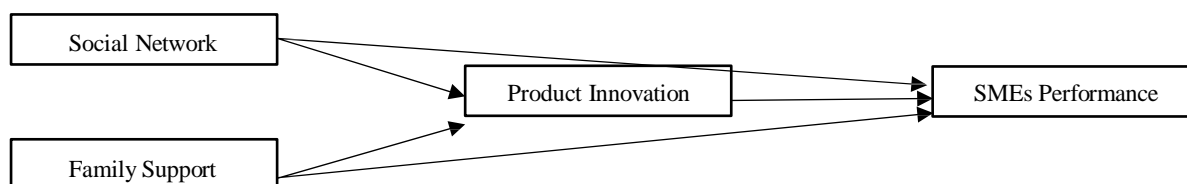


Figure 1. Research Model

Based on this model, the following hypothesis is formulated:

- H1: Social network has a positive effect towards women's SMEs performance
- H2: Family support has a positive effect towards women's SMEs performance
- H3: Product innovation has a positive effect towards women's SMEs performance
- H4: Social network has a positive effect on product innovation
- H5: Family support has a positive effect on product innovation
- H6: Product innovation positively mediates the effect of social networks towards women's SMEs performance.
- H7: Product innovation positively mediates the effect of family support towards women's SMEs performance.

4. RESEARCH AND METHODOLOGY

This study uses a quantitative and cross-sectional approach to explain how the influence between variables. This research was conducted on women SMEs in Belitung district. The sampling method used in this study was purposive sampling method with regards to certain criteria based on research objectives. The criteria used are women SMEs with a minimum business duration of 1.5 years, engaged in the processing industry business. Data collection through questionnaires was carried out using Google Form to women SMEs. Among the 170 questionnaires distributed, the questionnaire returned complete as many as 113 respondents.

Data analysis in this study used SEM structural equations as in the research of (Neneh, 2017) and (Welsh et al., 2018). Furthermore, in this study used Google Form to collect the data. Each variable is measured using a Likert scale, where each variable has its own indicators, and will be measured with a score ranging from 1-6, from one (strongly disagree) to six (strongly agree). All questionnaires regarding family support variables are measured from 8 indicators, social network is measured from 6 indicators, product innovation is measured from 5 indicators and business performance is measured from 8 indicators. The four variables and indicators of each

variable were adapted from (Cucculelli, 2013), (Ismail, 2022), (Pratono, 2018), (Azam, 2015), (Lu and Zhang, 2016), (Agyapong et al., 2016), (Karabulut, 2015), and (Issau et al., 2021).

Partial Least Square-Structural Equation Modeling (PLS-SEM). The data in this study were processed using the SmartPLS version 4.0 tool. Before we estimated the model, validity test, reliability test, R^2 test, and path coefficient estimation were calculated.

According to (Sekaran and Bougie, 2016), validity is a tool to test how well a research instrument has developed measurements in certain concepts to be measured. The validity of this study was measured using the SmartPLS version 4.0 data processing program where the program has two validity criteria, namely convergent validity and discriminant validity. Convergent validity is measured through indicators with outer loadings > 0.5 , and for average variance extracted (AVE) above 0.5 so that a variable is declared convergently valid. Meanwhile, according to (Garson, 2016), explaining the Heterotrait-Monotrait Ratio (HTMT) approach, there is a Heterotrait-Monotrait Ratio (HTMT) value must be less than 0.9 to ensure discriminant validity between variables. Furthermore, (Garson, 2016) explains the value of cross loadings, indicators are declared valid if they produce the highest outer loading value on their own variables compared to outer loading on other variables.

According to (Sekaran and Bougie, 2016) reliability is a measurement that shows the extent to which the measurement is without bias (error-free) and to ensure that measurements are consistent over time and various items in the instrument. variables are declared reliable if they have a value on composite reliability and Cronbach's alpha each above 0.6-0.7 have passed the reliability test, then if this value reaches 0.8-0.9, the variables in the study are declared very good and reliable (Hair et al., 2021).

According to (Hair et al., 2014) the value (R^2) is a measure of the prediction accuracy of the model, R^2 represents the combined effect of exogenous variables on endogenous variables, This effect ranges from 0 to 1, where 1 represents complete prediction accuracy, There are three categories in the R^2 value, namely the value 1-0.75 describes the substantial / strong effect. A value of 0.7499-0.50 describes a moderate/medium effect. A value of 0.499-0.25 describes a weak effect.

According to (Hair et al., 2014), the path coefficient value is standardized in the range from -1 to +1, with a coefficient close to +1 indicating a strong positive relationship while a coefficient close to -1 indicates a strong negative relationship.

While the hypothesis test aims to determine whether the hypothesis formed has significations or not. T-statistics signification value greater than 1.96 or p-values smaller than alpha 0.05, it can be concluded that hypothesis testing is not rejected, and has significations relationship.

5. FINDINGS AND DISCUSSIONS

Respondent Characteristics

By analyzing the data collected from questionnaire. Among all questionnaires distributed, 113 questionnaires were filled in completely and met the minimum requirement of having a business for 1.5 years. The age of majority of respondents was 35 - 44 years old, 49 people (43.36%) and majority respondents graduated from high school, 53 people (46.9%). From the 113 respondents, it is known that the majority of 36 respondents (31.86%) have been in

business for 1.5 - 3 years, while the smallest, 18 respondents (15.93%), have been in business for more than 9 years. Of the various industries, the top three are the food industry (82 SMEs), beverage industry (31 SMEs), and handicraft industry (25 SMEs). Most (106) of the financing for business activities came from personal sources, with only 17 using sources of financing from financial institutions.

Validity and Reliability Test

In Table 1, the AVE value is higher than 0.50, thus meeting the validity requirements. Similarly, the composite reliability value is shown where all have values above 0.7 so that it can be stated that all variables meet the reliability requirements. Thus, the data is valid and reliable.

Table 1. Validity and Reliability Test Results

Variable	Indicator	Composite Reliability	AVE
Social Network	6	0.907	0.620
Family Support	8	0.925	0.609
Product Innovation	5	0.930	0.727
SME Performance	8	0.951	0.707

Coefficient of Determination (R^2)

Table 2. Coefficient of Determination Test Results

Variable	R Square Adjusted
Product Innovation	0.435
SME Performance	0.547

Based on the table, it is stated that the adjusted R^2 value is 0.435 on product innovation. This indicates that 43.5% of the proportion of product innovation variables is explained by social networks and family support, and social networks and family support together have a weak influence on product innovation. Furthermore, the adjusted R^2 value is 0.547 on women's SMEs performance. It shows that 54.7% of the proportion of women's SMEs performance variables is explained by social network, family support, and product innovation. The influence of social networks, family support, and product innovation together have a moderate/moderate influence towards women's SMEs performance.

Path Analysis

Table 3. Path Analysis Test Results

Hypothesis	f^2	Coefficient	Sig.	Decision
H1 : Social network → SME Performance	0.198	0.385	0.000	Supported
H2 : Family Support → SME Performance	0.01	0.088	0.466	Not Supported

H3 : Product Innovation → SME Performance	0.190	0.388	0.000	Supported
H4 : Social network → Product Innovation	0.158	0.359	0.001	Supported
H5 : Family Support → Product Innovation	0.192	0.395	0.000	Supported

Table 4. Mediation Test Results

Variable	Coefficient	t- statistics	Sig
H6 : Social network → Product Innovation → SME Performance	0.139	2.598	0.009
H7 : Family Support → Product Innovation → SME Performance	0.153	2.572	0.010

Based on the calculation results in Table 3, it shows that all six hypotheses that have been formulated are accepted. However, the second hypothesis is rejected. Social network has a positive effect towards women’s SMEs performance, where the original sample is 0.385, the p-value is 0.000 which is smaller than 0.05, which means that the effect is significant. Thus, social networks have a positive and significations effect on women’s SMEs performance. Family support has a positive effect on women’s SMEs performance, with an original sample value of 0.088, but the p-values of 0.466, greater than 0.05, which means that it has no significations effect.

Product innovation has a positive effect on women’s SMEs performance, with an original sample value of 0.388, a p-value of 0.000 which is smaller than 0.05, which means that the effect is significations. Thus, H3 shows positive and signification results. Furthermore, for H4, Social network has a positive effect on product innovation. With an original sample value of 0.359, the p-values value is 0.001 (< 0.05) which means the effect is significations, it can be concluded that social networks have a positive and signification effect on product innovation. Family support has a positive effect on product innovation, because it produces an original sample value of 0.395. Furthermore, with p-values of 0.000 (< 0.05), statistically, H5 is accepted, where family support has a positive and significations effect on product innovation. Based on the calculation results in table 4, product innovation positively mediates the effect of social networks towards women’s SMEs performance. The sixth hypothesis is statistically accepted because it produces an original sample value of 0.139. Furthermore, it produces a p-value of 0.009 (< 0.05), thus product innovation mediates significantly. Statistically, product innovation partially mediates is positive and significations in the influence of social networks on women’s SMEs performance.

Product innovation positively mediates the effect of family support towards women’s SMEs performance. The seventh hypothesis is statistically accepted because the original sample is 0.153, this shows a positive result. For p-values of 0.01 (< 0.05), thus product innovation mediates significantly. Statistically, product innovation fully mediates, is positive and signification in the effect of family support on women’s SMEs performance.

Discussions

This study aims to investigate the effect of social network, family support and product innovation towards women's SMEs performance and test the role of innovation as a mediator of social network on women's SMEs performance, as well as product innovation as a mediator of family support towards women's SMEs performance. The results of the first hypothesis test (H1) show that social networks have a positive and significations effect. These results are in line with (Franco et al., 2016), (Faroque et al., 2017), and (Ismail, 2022). The results of this study indicate that close involvement and wider utilization of social networks both with customers, input providers and also with institutions for business owners play an important role in the performance of SMEs. By expanding the social network, business owners can have the ability to take advantage of opportunities, improve their ability to obtain the necessary information and knowledge related to efforts to improve business performance and increase opportunities in business activities.

Based on H2 testing, it is shown that family support has no significations effect on women's SMEs performance. This result is not in line with previous research conducted by (Neneh, 2017). However, the results of this study are in line with the results of research conducted by (Tundui and Tundui, 2021), where the results showed that family support is an obstacle to business performance. This can occur because business activities are generally carried out by men, while for women business owners have duties as housewives and business owners, so family support becomes insignificant. In addition, entrepreneurial activities carried out by women as housewives are not supported by the family due to the family's lack of understanding of the business being run.

The results of testing H3 are in line with previous research from (Arshad et al., 2014) and (Recica et al., 2018), where innovation has an influence on women's SMEs performance. Innovation is one of the factors that business owners need to have in order to maintain business sustainability as well as to remain able to compete with innovative actions taken, especially product innovation for customers and potential customers. As in (Rangone, 1999) research related to RBV Theory, where the role of innovation plays an important role in the performance of SMEs, therefore SMEs must be more proactive in introducing new products and being able to compete in initiatives to achieve competitive advantage and growth as the RBV theory of (Barney et al., 2001).

The results of the fourth hypothesis test (H4) show that social networks have a signification effect on product innovation. This is like the results obtained by (Jabeen et al., 2019), where social networks encourage innovation. Entrepreneurs with a good and continuous social network both with consumers and the environment of fellow entrepreneurs, can obtain information about developments in entrepreneurial activities with fellow business people and encourage product innovation, especially to be able to serve consumers.

Based on the results of the fifth hypothesis test (H5), it shows that family support for product innovation has a positive and signification effect. (Jabeen et al., 2019) found that family support can influence the decision to innovate. Family support in the form of emotional support, instrumental support and instrumental support at home provides an opportunity for women as entrepreneurs to focus more on running business activities, with input in the form of feedback on creative ideas from business actors, increasingly opens-up opportunities to improve business performance through product innovation.

Product innovation in the sixth hypothesis (H6), is able to partially and positively mediate the social network towards women's SMEs performance. With product innovation carried out by business actors, social networks still have a positive and significant effect on the performance of SMEs. This can be a factor that needs to be considered for business actors to further improve their ability to innovate products.

Finally, the results show that the seventh hypothesis test (H7) product innovation is able to fully and positively mediate family support on women's SMEs performance. Family support towards women's SMEs performance is directly insignificant, but through product innovation by business actors, family support has a positive and significant effect. This is important for business actors where family support is felt to play a lesser role in business actors in running a business, but with the product innovations made, constraints in family support are not the main obstacle in entrepreneurship. This proves that innovation has an important role in business performance as stated in the RBV theory of (Rangone, 1999).

From the research results obtained, it can help women SME owners in Belitung district to be able to improve factors that affect the improvement of SME performance, including product innovation and social networks. Product innovation will encourage the growth of SME performance, especially where SMEs are more in the food, beverage, and handicraft industries. These three industries will be able to survive and develop further if business actors can innovate products, so that they can serve consumers well. Thus, the results of previous research from (Marlow and McAdam, 2013), where women's performance is still low, while the growth in the number of women's SMEs in Belitung district has increased, the role of women's SMEs through performance can be pursued through increasing innovation and developing social networks as factors that play an important role in the performance of women's SMEs. For the local government, the results of this research are the basis for policy making regarding SME development, by providing assistances and training that can be carried out to encourage creativity in product innovation.

6. CONCLUSIONS

The objective this study is to examine several factors that influence performance. The results showed that social networks, innovation have an effect on SME performance, while family support has no significant effect on SME performance. Product innovation is able to partially mediate social networks on SME performance and product innovation is able to fully mediate family support on SME performance. These findings suggest that the performance of women's SMEs in Belitung district contributes to the regional economic development in this area. Other finding also suggest that women SME owners, especially in Belitung need to be able to increase product innovation, establish and develop social networks as an effort to improve business performance. In addition, the results of this study provide a contribution where product innovation mediates family support and social network. Thus, the results of this study confirm that the role of women's SMEs in Belitung plays important role in the regional and national economy. However, there limitations of this study. This includes the number of respondents in which media used to collect the data was by using WhatsApp media. This media can lead to untruthful answer or strategic bias.

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