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Rural entrepreneurship capital and firm performance: Perspective of young enterprenurs

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ABSTRAK

Penelitan ini mengkaji secara spesifik hubungan antara modal kewirausahaan daerah dan kinerja perusahaan dalam perpektif teori berbasis sumber daya. Kami menggunakan beberapa jenis modal-finansial, sosial, manusia dan budaya-untuk mendukung penelitian. Peneliti menggunakan beberapa komponen modal seperti keuangan, sosial, manusia dan budaya yang menyusun modal kewirausahaan daerah. Pengujian model menggunakan model persamaan struktural sebagai alat bantu untuk mengukur hubungan tersebut. Unit analisis dari penelitian ini merupakan pelaku usaha muda daerah yang berdomisili di Propinsi Jawa Timur: Kabupaten Malang, Bojonegoro, dan Tuban. Penelitian ini menggunakan pendekatan kuantitatif dengan melibatkan 733 pelaku usaha muda dengan teknik purposive sampling. Hasil penelitian menemukan bahwa tidak semua jenis modal kewirausahaan mampu mempengaruhi kinerja perusahaan. Ketiga unsur yang dimaksud adalah modal budaya, sosial, dan manusia. Temuan lainnya menunjukkan modal finansial tidak lagi menjadi pertimbangan utama yang mendukung aktivitas berwirausaha.

ABSTRACT

This research specifically aims at examining the relationship between rural entrepreneurship capital and firm performance in the perspective of resource-based theory. Four types of capital (financial, social, human and cultural) are employed using a structural equation model approach as a tool to measure the relationship. The unit of analysis of this study is the rural youth entrepreneur domiciling in the province of East Java, namely in the regencies of Malang, Bojonegoro, and Tuban. By using a quantitative approach and a purposive sampling technique involving 733 youth entrepreneurs, the study finds that only three types of capital that are [significantly] able to influence firm performance: cultural capital, social capital, and human capital. The study also finds that no longer is financial capital considered a major factor that supports entrepreneurial activities.

INTRODUCTION

With so many social problems remaining unsolved in rural areas in developing countries, the monumental concept of rural entrepreneurship has seemed to undergo transformation or invite much rethinking. Fortunato (2014) states that rural areas have huge economic potentials and promising future. For the potential to actualize, however, it has to be stimulated with proper instruments. A study by Istiqomah and Adawiyah (2018) finds that rural entrepreneurship has the potential to fill in the gap caused by a decreasing rural economy as a consequence of rapid urbanization. This is especially true as young people generally perceive that the economy in urban areas is better than that in rural. Rural entrepreneurship is also seen as an effective alternative that can increase a rural economy rather than just used to develop urban entrepreneurship that is already matured (Pato & Teixeira, 2016). Abundant resources in rural areas can and will act as an essential factor in economy of a country.

Korsgaard, Müller and Tanvig (2015) argue that rural entrepreneurship seems to have been trapped in a mistaken notion that it emphasizes on profit. This explains why economic development through rural entrepreneurship has not been progressing as significantly as expected. Rural entrepreneurship should be directed on the interconnectedness and utilization of any existing rural resources that are being either partially or discordantly utilized. Meanwhile, the potential of rural resources has been scientifically proven as a significant factor that can develop rural entrepreneurship (Erikson, 2002). This finding is further strengthened by Audretsch and Keilbach (2004), who stress upon the importance of entrepreneurship capital toward regional economy: the bigger entrepreneurship capital, the more potential it will contribute to the economy. It is in this light that rural entrepreneurship capital has been regarded as a key factor in regional advancement.

However, academic discussions specifically on the topic of rural entrepreneurship capital are still rare. In principle, such discussions would result similar concepts related to entrepreneurship capital since the difference lies only in their regional contexts: rural and urban. Indeed, entrepreneurship capital is usually discussed in urban rather than rural contexts, such as explained by Castaño, Méndez, and Galindo (2015) and Poon, Thai and Naybor (2012). These studies emphasize on the role of entrepreneurship capital as an essential rural resource to encourage individual- or organisational entrepreneurship in rural areas. Nowadays, deeper understanding of entrepreneurship capital has inspired scholars to conduct studies on the forms of resources that support entrepreneurship.

Still, the forms of urban/rural entrepreneurship capital that continues being developed have tended to be only partially discussed by scholars. Aldrich and Meyer (2014), for instance, heavily discussed on entrepreneurship capital in the forms of relationship, trust, and social network that bring about positive benefits to the society. Another study, conducted by Castaño et al. (2015), explains the role of cultural capital

act as a highlighted instrument to encourage competitive entrepreneurship. Other studies have focused on entrepreneurship capital in the forms of financial capital Orser, Riding and Manley (2006) and human capital Felício, Couto and Caiado (2014) in relation toward entrepreneurship. The fact that different forms were discussed separately has tended to offer us fragmented or incomplete understanding of rural entrepreneurial capital. It is, therefore, important to have a study that discusses rural entrepreneurship capital in a more integrated manner.

This study endeavors to investigate more forms that compose rural entrepreneurship capital. In addition, the study also aims to analyze the relationship between the forms of rural entrepreneurship capital and entrepreneurial behavior as represented by firm performance in order for us to understand about what forms or types of capital – financial, social, human and cultural – to encourage entrepreneurship in the context of the rural economy, as well as their respective influence. The focus of this study is on young entrepreneurs since they are potential and are more promising to develop businesses (Damon, Bronk, & Porter, 2015). The study is set to contribute to extending the concept of entrepreneurship in the perspective of resources from previous scholars who explained forms of entrepreneurship capital. The findings of this study are expected to be able to be used as a reference for stakeholders in search of more resources that young entrepreneurs require so as to encourage these young people to increase their firm performance. This study is conducted in three different rural areas in East Java Province, Indonesia.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Rural Entrepreneurship Capital

The concept of rural entrepreneurship capital is similar to that of entrepreneurship capital since the two concepts are merely distinguished by the geographical location of entrepreneurial activities. As explained by Korsgaard et al. (2015), the understanding of regional entrepreneurial activities is more emphasized on the location rather than the concept. Faggio and Silva (2014) try to add by comparing urban and regional entrepreneurship. Despite the different output, the concept of entrepreneurship that these scholars used has the same basic principles. Such emphasis on location has also been put forward by other scholars such as Castaño et al. (2015) and Poon et al. (2012), who explain the important role of entrepreneurship capital in certain areas. Thus, rural entrepreneurship capital is no different when compared to the general concept of entrepreneurship capital.

Erikson (2002) underlines the importance of entrepreneurship capital, including rural entrepreneurship capital, in competitive business competition. Capital acts as the main requirement for organizations to grow and develop (Barney, 2016). Yet with the increasingly turbulent competition, organizations require other

competencies that they only rarely own. These competencies are scarce, and this scarcity is a weapon for organizations to continue to survive amid business competition. Creating scarce competencies requires adequate capital; one way to realize it is through innovation. Innovation could bring companies to survive and grow (Jaakkola, 2014).

Scott (2012) argues that capital is transformed to be a multi-interpretation in its development. For capitalist thinkers, capital is very close to the factors of production such as labor, economic capital, and infrastructure. However, understanding about capital has become broader, from being seen to being invisible. Castaño et al., (2015) have interpreted the importance of social and cultural aspects as the driving force for entrepreneurial activities and also the economy even though their research showed that the economic aspects played a dominant role. Factors that are not seen as to push the economy are considered as a measurable economic capital that cannot be seen, but it can only be felt.

Firm Behavior and Performance

The firm performance is transformed as the main factor for the organization and is taken into consideration when the organization plans strategies and restructuring activities. Organizational performance is a vital object because it is concerned with the sustainability and success of the company (Beneke, Blampied, Dewar, & Sorianos, 2016). Shan, Song and Ju (2015) in their study stated that entrepreneurial performance becomes a new concept that has become a concern for experts because, besides finance, more attributes are considered. Some experts explained the measurement of entrepreneurial performance which the financial data is compared with non-financial data. Furthermore, some experts encouraged the use of non-financial data because the data is hard to obtain. Bayarçelika and Özşahin (2014) further emphasized the importance of using primary data and secondary data. However, this type of data will cause further problems based on subjectivity and objectivity of data.

Financial performance is the most appropriate instrument to measure firm performance (Gerschewski & Shufeng, 2014). This instrument is the most objective instrument although data availability is not optimal, especially for relatively new firms (Hughes & Morgan, 2007). Based on previous entrepreneurship studies, financial performance can be measured by the company's operational base such as efficiency, growth, and profits generated. Efficiency illustrates how companies can control all expenses to produce goods produced. In all situations, all companies must be able to control their expenses.

Gerschewski and Shufeng (2014) in their study stated that measurement of financial performance can be done in various ways. Although the availability of data is limited, certain business classifications can still be carried out in a research using primary and secondary data. The study also explained several dimensions used in financial performance, including efficiency, growth, and profit generated. Efficiency

describes the extent of a company can manage its finances with limited assets and investments. Then growth is used to measure the effectiveness of a company's business, and the extent of its product can be accepted by the community. Finally, the profit generated will measure the extent of a business owner manages his business and balances between income and expenditure (Beneke et al., 2016).

Rural Entrepreneurship Capital and Firm Performance

The relationship between entrepreneurship capital and organizational performance prompts several researchers to conduct studies about this relatonship. However, it is difficult to find one that explicitly addresses this issue (Roomi, 2011; E. Shaw, Marlow, & Carter, 2009). From economic perspective, placing more capitals or commodities is an effort to get higher returns (Audretsch & Keilbach, 2004). Prieur and Savage (2013) argued that capital is a factor of production which if combined with other factors, especially labor, will provide added value for a product or service. In factors of production, capital has been taken into account in addition to labor and resources. This explanation is based on the development of a resource theory which states that sufficient resources will elevate competitiveness (Barney, 2016).

According to Kellermanns, Walter, Crook, Kemmerer and Narayanan (2014), by having better resources, the organization will gain more room to make improvements. On the other hand, there was another opinion that stated that by having limited resources does not mean that organizations cannot perform better. Realistic view expressed by Wei, Song and Wang (2017) consider that in conducting their business, entrepreneurs will always be overshadowed by limitations but it does not necessarily mean that they will not be able to perform well. However, capitalists always argue that by having more capital, they can get better results.

Financial Capital

The biggest challenge for nascent entrepreneurs is limited access to capital, specifically financial capital (Dunn & Holtz-eakin, 2000). The limitations are not always in the amount of capital but also in other financial options to start and develop their business. To develop a business, sufficient funds are needed to finance business investments and also to be used as working capital. In his study, Uzzi (2015) argued that financial capital is not the only sufficient capital for entrepreneurs to create or develop their business. The ability to build network and social capital can be used by entrepreneurs as catalysts to get loan from financial institutions. Individuals with good networking skills or sufficient social capital can usually optimize the financial challenges that they face (Franzen & Hangartner, 2014). From the perspective of financial capital as explained above, a hypothesis can be made:

H1: A rural young entrepreneur with an adequate financial capital will give a positive impact on firm performance.

Social Capital

Social capital is a form of capital that can be easily understood and well known. Scott (2012) defines briefly that social capital is a collection of relationships with individuals or other organizations by having mutually beneficial goals. The quality of relationships can be measured by the magnitude of network linkages with each other and additional benefits in the context of other capitals for individuals. According to Scott, the size of the value of social capital can be measured by the basic foundation of social capital, namely trust. Another definition of social capital has been given by Robert Putnam in Gelderblom (2018) which defines social capital related to social organizations, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions. There are many ways to measure social capital. Stam, Arzlanian and Elfring (2014) explained in their study that to measure the level of social capital can be seen from three dimensions of capital, i.e. social support, a sense of togetherness, and the level of individual participation in the social environment. Therefore, from the perspective of the concept of social capital that has been explained, a hypothesis can be made:

H2: A rural young entrepreneur with an expansive social capital will give a positive impact on firm performance

Human Capital

Human capital has a close relationship with capabilities (Felício et al., 2014). Capabilities are not only about the expertise of individuals but also in a broader context. It is important to manage people who are also part of the organization which is also part of human capital. Measures of human capital on entrepreneurship are divided into three parts, namely attachment to business, ability to innovate and also organizational ability. Erikson (2002) in his study states that the key to entrepreneurship is the ability to acquire resources within an organization, including human capital. In addition, Unger, Rauch, Frese and Rosenbusch (2011) define the utilization and management of human capital is the key to the success of organizations. From the perspective of human capital concept which has been explained above, a hypothesis can be drawn up:

H3: A qualified rural young entrepreneur with strong human capital will give a positive impact on firm performance.

Cultural Capital

Scott (2012) claims that there has been an expansion of understanding about capital which capital is no longer considered as something that can be felt directly and seen. Capital is not only related to output but also related to input and process areas.

In economics, factors that contribute to assets can be assessed as a concept that enriches assets. The concept of an economic culture model has become very relevant to serve as a capital that can affect the performance of an individual, an organization and even a region. The expansion of understanding about cultural capital also applies to human capital. The contribution of cultural capital is considered as an important capital in the development of human capital (Prieur & Savage, 2013). From the perspective of the concept that has been explained, a hypothesis can be made:

H4: Arural young entrepreneur with a solid cultural capital will give a positive influence on firm performance

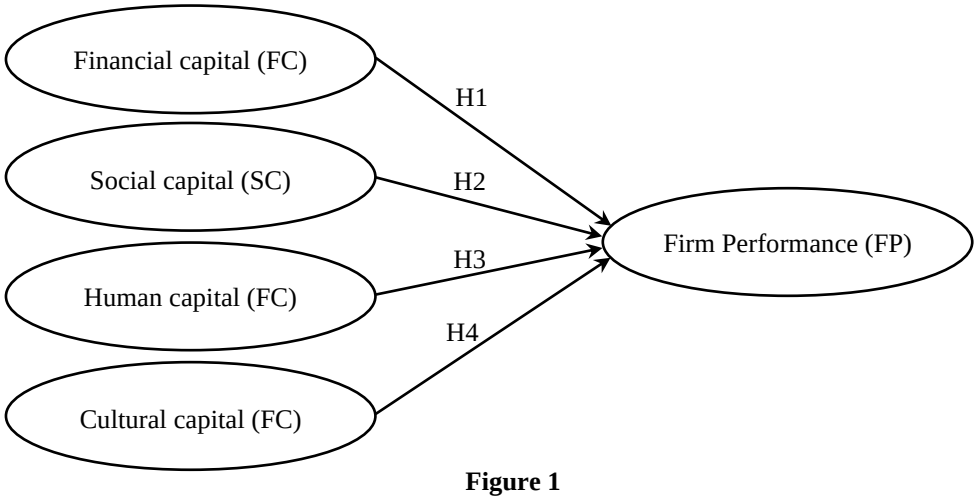

Figure 1
Research Framework and Hypothesis Development

RESEARCH METHODS

This study uses a quantitative approach with purposive sampling technique. The unit of analysis of this study are young entrepreneurs from three districts in East Java Province, namely Malang, Bojonegoro, and Tuban. Data were collected by distributing questionnaires directly to the respondents to be filled in. The reason for using young people as respondents was because of their potential. Young people have been known for their original ways of thinking and their willing to take risks. Besides, the existence of rural entrepreneurs was considered as one way to inhibit the increasing urbanization (Bosworth, 2009). The university network and youth group institutions called “Karang Taruna” were used to facilitate data collection.

The study uses a Likert scale from 1 "Strongly disagree" to 5 "Strongly agree". The scale was chosen because the scale of five or more options gives better results than a scale with less than five options (Weijters, Cabooter, & Schillewaert, 2010). The development of research instruments was based on several previous studies and then adapted to their native language. This adjustment was made to make it easier for respondents to understand the intent of the statement and also to reduce the occurrence

of misinterpretations that would risk the validity of the data. The details of the research instrument shown in Appendix 1.

In the financial capital construct, the research instrument refers to the study conducted by Orser et al. (2006) and Dunn and Holtz-eakin (2000). Sub-construct arrangement was developed from literatures and modified to suit the object of the research. From previous studies, the researcher considered that the dimensions of financial capital were more emphasized on access to capital and capital adequacy. The researcher concluded that to measure financial capital, three dimensions must be met, namely, financial supply, financial option or access and strategy. The sub-construct formed, among others, are “I usually have enough capital to run my business even though it is not my own capital”, “I always have an option to obtain capital from my connection”, and “I always have a strategy to have enough capital to run my business”. The development of research instruments on social capital refers to previous studies conducted by Stam et al. (2014) and Castaño et al. (2015). Instruments were developed based on the dimensions of social capital, namely, social support, sense of community, and individual participation in their social environment. From each dimension, a statement was developed and in turn three sub-constructs were produced. The three sub-constructs are “I always support others to move forward”, “I feel a sense of togetherness in my environment” and “I always participate in organizing events in the environment”.

To measure human capital, the researcher refers to several previous studies (Crook, Todd, Combs, Woehr, & Ketchen, 2011; Felício et al., 2014). Human capital instruments not only include individual abilities such as expertise that they possess to develop their businesses but also managerial ability to capitalize an organization’s assets. The sub-construct must include individual abilities and organizational abilities so that it results three dimensions of measurement i.e. self-engagement, organizational capability, and the ability to innovate. The three dimensions that are considered have become the right benchmark of human capital for micro and small businesses. The three sub-constructs produced are “I have a strong attachment to the business that I am running now", " I have a capacity to manage an organization " and "I have a sufficient innovative skill to help an organization."

Prieur and Savage (2013) reaffirmed the previous definition of cultural capital which consists of embodied state, objectified state, and institutionalized state. The interpretation according to Castaño et al. (2015), the definition consists of educational background, entrepreneurial network, and support from the social environment. Therefore, the cultural capital of sub-construct used are “I have sufficient education background to run a business”, “My environment has a strong relationship with entrepreneurship” and “My family and my close colleagues always support me in running a business”. Family support and social environment are considered as important because relationship and creation of perceptions in the community are products of culture that is inherent in one’s social environment.

The lack of data from several business groups such as micro and small businesses required many researchers to rethink in the making of their research instruments. Gerschewski and Shufeng (2014) explain that the problem of data availability can be used as the basis for compiling the research instruments. Their study confirms that financial performance should be adjusted to the availability of data and also to the data perspective. In their study, researchers convinced that it is better to use financial performance in measuring organizational performance because it is considered as a more objective measurement. Financial performance can be measured using efficiency, growth and profit margin. Through a slight modification, the instruments developed are "My firm usually achieves its return on assets" , "Target of sales is usually achieved" and "My firm usually achieved the net profit margin "My firm is usually satisfied with return on assets", "Target of sales growth is usually achieved" dan "My firm usually achieves its net profit margin".

Table 1
Research Instrument

Dimensions	Sub-constructs/ statements	Code
Financial supply	I usually have enough capital to run my business even though it is not my own capital	FC_1
Financial option	I always have an option to obtain capital from my connection	FC_2
Strategy	I always have a strategy to have enough capital to run my business	FC_3
Social support	I always support others to move forward	SC_1
Sense of community	I feel a sense of togetherness in my environment	SC_2
Participation	I always participate in organizing events in the environment	SC_3
Self-engagement	I have a strong attachment to the business that I am running now	HC_1
Organizational capability	I have a capacity to manage an organization	HC_2
Ability innovate	I have a sufficient innovation skill to help an organization	HC_3
Educational levels	I have sufficient education background to run a business	CC_1
Entrepreneurship links	My environment has a strong relationship with entrepreneurship	CC_2
Role of family	My family and my close colleagues always support me in running a business	CC_3
Efficiency	My firm is usually achieves its return on assets	FP_1
Growth	Target of sales growth is usually achieved	FP _2
Profit margin	My firm usually achieves its net profit margin	FP _3

ANALYSIS AND DISCUSSION

From all questionnaires distributed to respondents, 733 questionnaires were collected and considered as valid data. Among the three districts as the target of this study as the profile of respondents, Malang district contributes 263 respondents or 35.87% of the total respondents. It is followed by Tuban and Bojonegoro with contributions of 253 (34.10 %) and 217 (29.60 %) respondents, respectively. Classification of respondents is based on gender which it shows that 396 respondents (54.02 %) are male and the remaining 337 respondents (45.98 percent) are female

respondents. Based on educational background, most respondents had secondary tertiary education (middle and high school) with a total of 532 or 72.58 %, and 123 and 78 respondents with high and basic education, respectively. Table 2 specifically describes the profile of research respondents.

Data Testing

The testing of data produces valid and reliable data. All constructs that are built can meet the criteria required, CR> 0.6 and AVE> 0.5 (Hair, Black, Babin, & Anderson, 2010). Based on data validity, all constructs can meet the requirements required for Financial Capital (FC) of 0.646, SC of 0.644, Human Capital (HC) of 0.651, CC of 0.647, and Firm Performance (FP) of 0.706. Each construct can fulfil data reliability requirements, FC of 0.806, Social Capital (SC) of 0.806, HC of 0.806, Cultural Capital (CC) of 0.0808, and FP of 0.854. All constructs can generate values above 0.8, which means it exceeds the minimum requirements specified. FP can come out as the construct with a dominant value. This implies that when filling out the construct, most respondents understood properly and believed in the sub-constructs proposed. All results of the data testing indicates that the data can be proceeded to the next processes.

Table 2
Validity and Reliability Test Result

	FC	SC	HC	CC	FP
C.R	0.806	0.806	0.820	0.808	0.854
AVE	0.646	0.644	0.651	0.647	0.706

Validity test on discriminant data shows that it matches the requirement criteria. The testing that is based on discriminant validity, basically it is intended to test the prediction level of the construct variable compared to other construct variables (Henseler, Ringle, & Sarstedt, 2015). The measurement criteria used are value of the indicator which the construct variable must be greater than the correlation with other construct variables. The test results show that the value of the correlation variable of indicator variable with its constructive variable is greater than the correlation with other variables, i.e. FC of 0.803, SC of 0.804, HC of 0.814, and CC of 0.805. By comparing the correlation with other construct variables, the calculated construct variable exceedes the required criteria, i.e. FC and SC correlation of 0.091, FC and HC of 0.167, FC and CC of 0.094, SC and HC of 0.104, SC and CC of 0.051, and HC and CC of 0.113. Thus, it can be concluded that the measured indicator variable can predict the construct variable. Details of the discriminant validity test can be seen in Table 2.

Goodness-of-Fit

In the process of model test, the model generated can meet the rules of statistical calculation requirements. Some indicators are used to test the suitability of the data. The chi-square usually is used to measure model fit although chi square has

a high sensitivity. Because the number of samples are too large, the indicator becomes less likely to be used. Therefore, to find out the suitability of the model, several other indicators are needed. Some indicators that can be used are NFI, CFI, TLI, RMR, RMSEA, and GFI, as shown in Table 3.

Table 3
Goodness-of-Fit Index

Fit Indicator	Match Level Target	Result	Decision
NFI	> 0.92	0.939	Good fit
CFI	> 0.92	0.955	Good fit
TLI	> 0.92	0.941	Good fit
RMR	≤ 0.08	0.019	Good fit
RMSEA	< 0.08	0.059	Good fit
GFI	> 0.90	0.950	Good fit

The results of data testing show that the model has met the suitability indicators. Data show that NFI can produce a value of 0.939, CFI of 0.955, TLI of 0.941. All three indicators can meet the minimum required, which is 0.92. The same results also occurrs in other indicators, which RMR and RMSE can produce values of 0.019 and 0.059 respectively where the maximum requirement is 0.08. Finally, the GFI indicator produces a value of 0.950 which the minimum compliance requirement is above 0.90. Thus, it can be concluded that the model developed is appropriate and can be used.

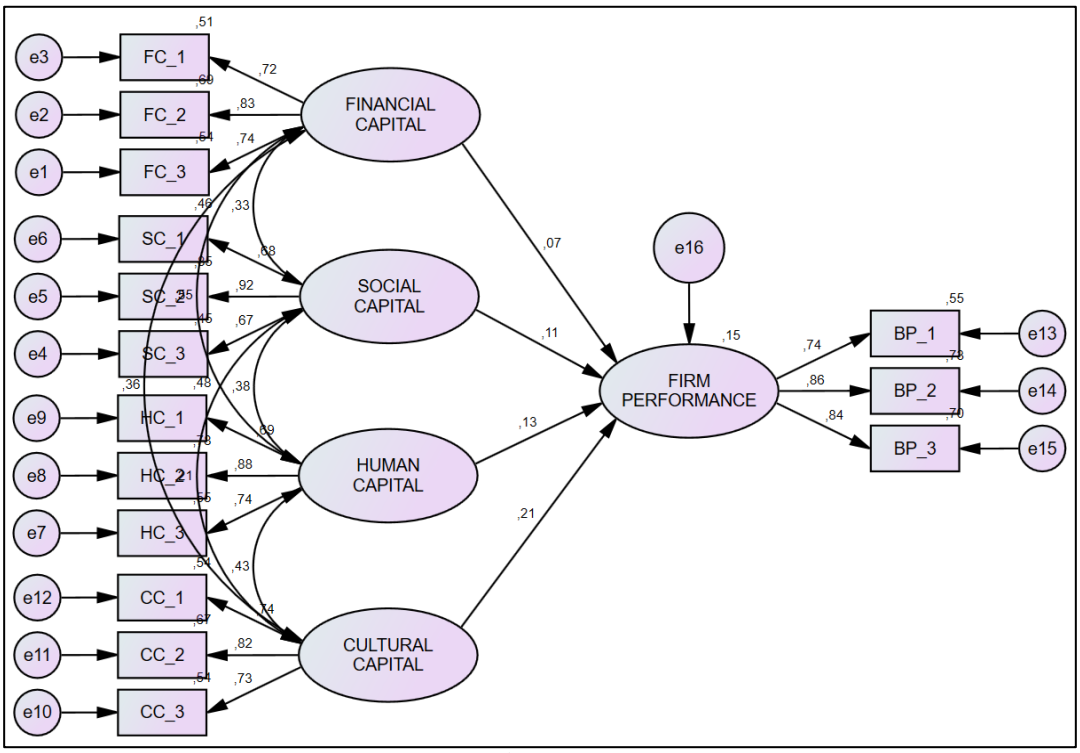

Figure 2
Structural Equation of Model Output

Hypothesis Test

The analysis produces different hypotheses for variables, as shown in Table 4. Only three of the four hypotheses that are accepted i.e. Ha2, Ha3, and Ha4. Whereas, Ha1 is rejected because FC P-value cannot meet the specified requirements with a minimum significance of 95 percent or <0.05. The FC and FP relationships can only produce a value of 0.185 of which this value exceeds the required minimum value. Conversely, in the other three constructs – SC, HC and CC – can meet the required minimum value. The P-value that is generated in the relationship between the SC and FC constructs is 0.16, whereas, HC and FP is 025, CC and FP is 0.000. Of the three constructs, only CC and FP relationship that has an absolute value, P-value <0.001. While the other two variables can only meet the minimum significance or <0.05. However, it can be concluded that SC, HC, and CC can have a significant impact on FP.

Table 4
Hypothesis Result

Hypothesis	Relationship			Estimate (U)	Estimate (S)	P-Value	Decision
Ha1	FC	--->	FP	0.063	0.073	0.185	NS
Ha2	SC	--->	FP	0.103	0.109	0.016	S*
Ha3	HC	--->	FP	0.111	0.128	0.025	S*
Ha4	CC	--->	FP	0.213	0.214	0.000	S***

(S) Supported; (NS) Not Supported
Significant at 0.05, or 95% (two-tailed),Significant at 0.01, or 99%,***significant in 0,001 or 99.9%*

The hypotheseses test results indicate that the relationship between CC and FP has the strongest relationship compared to other variables. This statement is proven by the correlation coefficient value of CC and FP that has the largest value, 0.214. The second contributor in the multivariate regression model shows that the relationship between HC and FP is the next strongest relationship with a coefficient of 0.128. Then, it is followed by the relationship between SC and FP with a coefficient value of 0.109. Finally, FC is the smallest contributor to structural model equations. The relationship between FC and FP can only produce a coefficient of 0.073. The magnitude of the coefficient has a strong relationship with the P value. The smaller of P values, the greater of coefficient value. This conclusion is shown by the coefficients on each variable on FP which the stronger of the relationship between variables, the greater of the coefficient value of variables.

Discussion

The results of the study show that entrepreneurship capital has an influence on firm behaviour represented by firm's financial performance. These findings are in line with several previous studies (Audretsch & Keilbach, 2004; Castaño et al., 2015; Erikson, 2002). However, the results show that not all types of capital have a strong influence on firm performance. In-depth findings show that of the four elements in entrepreneurship capital, only three elements that can provide significant influences,

namely cultural capital, social capital and human capital. These results further strengthen the third role of capital as a driver of corporate performance as shown in several previous studies (Prieur & Savage, 2013; Shaw, Park, & Kim, 2013; Stam et al., 2014). The element of financial capital for young entrepreneurs at the research location is not considered as the main capital to support the firm performance. These results contradict with results from previous researchers who consider financial capital to be very important in influencing entrepreneurial performance.

Financial capital is considered not to be the main capital in the firm performance because, by having limited capital, young enterpreneurs can make use other sources as alternatives for financial capital (Uzzi, 2015). Entrepreneurs consider that other capitals such as social capital, human capital, and cultural capital can be converted into financial capital as long as they have a good quality capital. With so many options in funding available, both formal and informal fundings, they can be alternative choices for young entrepreneurs who have no sufficient financial capital. The perspective of modern young entrepreneurs has opened new funding options even though not many of them can access formal funding such as banking. As the last option, young entrepreneurs can make use several forms of loan from family, relatives, and even close friends.

Other forms of capital besides financial capital have been understood by most young entrepreneurs to have essential roles and leverage for firm performance (Aldrich & Meyer, 2014; Unger et al., 2011). Education as part of cultural capital has a dominant role for rural young entrepreneurs in the three districts in East Java province. Education is an important part that helps rural young entrepreneurs to reach their achievements. In addition, family support and entrepreneurial networks are also important parts of success. In rural environments, the social environment has a significant influence on individual behavior, including entrepreneurial behavior. The negative viewpoint of entrepreneurship in rural areas has a significant influence on young entrepreneurial behavior. Entrepreneurship networks and communities are important nodes for youth entrepreneurs to develop their businesses. In Indonesia, establishing independent business ventures for entrepreneurs is not considered as the primary alternative profession for the rural communities. Some rural communities prefer self-employment such as farming or fishing or to be civil servants.

CONCLUSION, LIMITATION AND RECOMMENDATION

The results of this study show that rural entrepreneurship capital has a strong impact on the behavioural performance of rural young entrepreneurs, represented by firm performance. Specifically, three out of four elements of rural entrepreneurship capital have significant relations to firm's behavior. Sequentially, cultural capital appears to be dominant over other entrepreneurship capitals which are characterized by the magnitude of the coefficient value. Then, it is followed by social capital and

human capital. Although financial capital has a positive effect, it does not have a significant influence on the business performance of young entrepreneurs. It can be concluded that education, family support and entrepreneurial networks in the rural environment are very meaningful for young entrepreneurs in rural areas. According to them, entrepreneurship will be successful if individuals have sufficient education, broad entrepreneurial networks, and a strong family support.

This study is expected to be able to contribute to theoretical and applied perspectives. From a theoretical perspective, this study can be enrich resource-based theories and the concept of rural entrepreneurship capital. The finding that financial capital is not a priority for young entrepreneurs has made this study different from several previous studies. From an applied perspective, this study can be a reference for stakeholders to formulate entrepreneurship capital needed to improve young entrepreneurs. For academics, these results can be an illustration to be used for further studies and also for improvement in the learning process to increase entrepreneurship among young people. Different methodological approaches can be used to produce more objective data and research results.

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APPENDIX

Research Questionnaire

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	I usually have enough capital to run my business even though it is not my own capital	☐	☐	☐	☐	☐
2	I always have an option to obtain capital from my connection	☐	☐	☐	☐	☐
3	I always have a strategy to have enough capital to run my business	☐	☐	☐	☐	☐
4	I always support others to move forward	☐	☐	☐	☐	☐
5	I feel a sense of togetherness in my environment	☐	☐	☐	☐	☐
6	I always participate in organizing events in my environment	☐	☐	☐	☐	☐
7	I have a strong attachment to the business that I am running now	☐	☐	☐	☐	☐
8	I have a capacity to manage an organization	☐	☐	☐	☐	☐
9	I have a sufficient innovation skill to help an organization to move forward	☐	☐	☐	☐	☐
10	I have sufficient education background to run a business	☐	☐	☐	☐	☐
11	My environment has a strong relationship with entrepreneurship	☐	☐	☐	☐	☐
12	My family and my close colleagues always support me in running a business	☐	☐	☐	☐	☐
13	My firm usually achieves its return on assets	☐	☐	☐	☐	☐
14	Target of sales growth is usually achieved	☐	☐	☐	☐	☐
15	My firm usually achieves its net profit margin	☐	☐	☐	☐	☐