

# **Creating value added in the coffee industry in kerinci: government policy, capital structure, social capital, entrepreneurial ecosystem and global market competition**

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## **Abstract**

This study examines value-added development in the coffee company in Kerinci, with a focus on the relationships between capital structure, social capital, the entrepreneurial ecosystem, and the competitive worldwide market. This work employed a quantitative approach with a survey of 185 samples serving as the main data collection instrument, and SEM-PLS 4 was used for data analysis. The results validated the hypothesis that policy measures, optimal capital structure, and robust social capital underpin the expansion of the entrepreneurial ecosystem. Furthermore, it has been demonstrated that a robust entrepreneurial ecosystem plays a critical role in enabling coffee entrepreneurs to compete globally and create value. By illuminating the complex dynamics of the coffee industry in Kerinci and providing helpful advice for industry participants, including policymakers, this study advances the body of knowledge.

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**Keywords:** value added, government policy, capital structure, social capital, entrepreneurial ecosystem, global market competition

## **INTRODUCTION**

In the coffee business, sustainability is important, and fostering an entrepreneurial environment can be quite beneficial. This can be accomplished in a number of ways, such as by using coffee by-products, implementing holistic management practices, and increasing consumer value and brand loyalty (Lazuardi et al., 2021; Lopez et al., 2021; Yadava et al., 2022). According to one study, improving customer value and brand loyalty had a major impact on how consumers perceived value and brand loyalty in unmanned coffee shops. This was accomplished by emphasizing perceived product quality and brand experience (Bae & Jeon, 2022). This implies that concentrating on these elements might be advantageous for the coffee business as a whole. The agriculture sector, which includes the coffee industry, has embraced a holistic management strategy. This method entails researching the product's overall supply chain, from coffee growers to wholesalers or merchants. It also entails streamlining the implementation of technology, enhancing coffee sales and marketing, and tackling typical issues facing the industrial sector (Arre et al., 2021). Utilizing coffee byproducts is an additional tactic that can boost sustainability and offer value. Using biomass from coffee pulp, for example, can result in lower energy use, a decrease in CO<sub>2</sub> emissions, and higher economic value. It is advised that this approach be widely used as it encourages the development of green coffee (Rahmah et al., 2023).

Additionally, farmers who participate in collective marketing may receive greater prices and added value. Numerous parties are involved in this, including exporters, federated farmer groups, wholesalers, traders, and farmer groups. Although the cost of handling during the marketing process increases when more players are involved, producers and involved actors also benefit from better rates and value added (Noer et al., 2020).

In Kerinci, Indonesia, the coffee business is a vital component of the local and international economy, serving as a cornerstone of the region's economic environment. Kerinci has become a significant player in the world coffee industry and is renowned for its distinct topography, which yields premium coffee beans (Nizori et al., 2021; Stofya, 2023; Wahyuni et al., 2020). Beyond its economic importance, the coffee industry in Kerinci is deeply ingrained in the community's social fabric, supporting and sustaining a large number of people.

The coffee sector in Kerinci has been confronted with changing possibilities and difficulties in recent times, which has led to a critical analysis of the elements influencing its value-adding activities. Value addition, which is the process of improving the quality and value of coffee products through a variety of techniques, is essential for the region's economic impact, competitiveness, and sustainable growth (Kaido et al., 2021; Syofya, 2022). Through an examination of the relationships between capital structure, social capital in the entrepreneurial ecosystem, government laws, and the dynamics of global market competitiveness, this study aims to provide light on the complexities of value-added creation in the Kerinci coffee business.

Despite playing a crucial role in both the local and global economies, the Kerinci coffee sector faces a number of intricate obstacles that prevent it from realizing its full potential for value addition. A detailed examination is necessary due to the complex interplay that exists between government policies, capital structure, social capital in the entrepreneurial ecosystem, and the dynamics of global market rivalry (Baihaqi et al., 2020; Nguyen & Vo, 2021; Rusdianto et al., 2018). Government policies greatly influence the environment in which coffee firms operate. These policies might range from trade agreements to land-use rules. It is unclear how these rules will affect the sector's capacity for innovation, adoption of sustainable practices, and access to international markets (Kurniawan et al., 2023). In the absence of a thorough comprehension of the function of policies, the industry may encounter a regulatory environment that either stimulates or impedes value-added endeavors.

The capital structure of coffee firms is becoming more and more significant in determining their capacity to make investments. It's unclear how much financial choices match up with initiatives for quality enhancement, value addition, and technology adoption (Kartika et al., 2023; Mubeen et al., 2020). Uncertainty in this area could make it more difficult for the sector to make wise financial decisions, which could impede innovation and expansion (Mubeen et al., 2022).

It's unclear how social capital fits into the entrepreneurial environment. Despite the fact that cooperation, trust, and network connectivity are essential to Kerinci's coffee sector, little is known about the intricate dynamics of social capital and how they affect activities that generate value (Absah et al., 2018; Nasip et al., 2017; Purwati et al., 2021; Widjjaningsih et al., 2022). To create a strong ecosystem that promotes innovation and the sharing of resources, a greater comprehension of these relationships is essential (Kraus et al., 2019; Metcalf et al., 2021).

It is becoming increasingly important to comprehend the dynamics of global competitiveness as the Kerinci coffee industry grows into new markets. If the sector lacks understanding of customer preferences, trade agreements, and pricing patterns, it may find it difficult to handle the opportunities and problems posed by the global market.

The turning point that the Kerinci coffee industry is facing makes this study urgent. A proactive strategy to generating added value is necessary given the rapid changes in global market dynamics, as well as the developing preferences and demands for sustainability from consumers (Munir et al., 2023; Tubagus, 2018). Its urgency is underscored by the possible fallout from bad decisions made at the business and policy levels.

The local economy in Kerinci benefits greatly from the coffee business. Any inefficiencies or lost possibilities for value addition could cause the economy to stagnate and hinder the sector's capacity to produce revenue and jobs (Dar & Mishra, 2020). The industry's comprehension of global dynamics has a direct bearing on how competitive Kerinci coffee goods are in the age of global markets. If the area doesn't adjust to worldwide trends, it can wind up on the periphery of the global coffee market (Baihaqi et al., 2020).

The necessity for the Kerinci coffee sector to align itself with ecologically conscious procedures underscores the urgency of this study, given the growing global scrutiny of sustainability standards. Without this kind of synergy, the industry runs the danger of losing its market share and suffering reputational harm. In order to effectively manage the intricacies of the entrepreneurial ecosystem, coffee companies in Kerinci require practical understanding. Developing financial structure optimization and an understanding of the function of social capital are essential for fostering adaptation and resilience in the face of unforeseen obstacles.

In summary, the goal of this research is to provide a more nuanced knowledge of the various factors that affect value addition in the Kerinci coffee business. Through the deciphering of the complex interrelationships among government policies, capital structures, social capital, and global market dynamics, this research aims to offer significant perspectives that go beyond the confines of academia. These perspectives should have practical implications for improving value-added activities and ensuring the long-term viability of the Kerinci coffee industry.

## LITERATURE REVIEW

### Government policy

Government regulations have a major influence on how the coffee business operates. The research now in publication emphasizes the significance of laws pertaining to trade agreements, taxes, land use, and environmental regulations. According to research by (Camenzuli & McKague, 2015; Sari & Kusumawati, 2022), growers can adopt ecologically friendly production techniques by adopting supporting land-use policies that favor sustainable coffee growing practices. Furthermore, trade agreements have been observed to affect price structures and market access, which in turn affects the competitiveness of regions that produce coffee (Zulfikri, 2023). Comprehending the intricate correlation between governmental policies and the coffee sector is imperative in pinpointing the domains that want reinforcement and enhancement to augment activities with added value.

H1 :government policy is expected to be a significant positive factor for the entrepreneurial ecosystem

H2 : government policy is expected to be a significant positive factor for global market competitiveness

### Capital structure

One key factor influencing coffee companies' ability to provide value is their financial structure. Prior studies by (Desai et al., 2021; Indra et al., 2021) stressed the significance of having an ideal capital structure that complements corporate strategy. According to research, companies can invest in technology, quality enhancement, and market expansion when they have well-structured money (Djuwendah & Mujaddid, 2019; Li et al., 2008; Mappadang, 2020). On the other hand, an unsuitable capital structure may limit the ability to make investments, which would impede growth and innovation (Desai et al., 2021; Mappadang, 2020). A thorough comprehension of the ways in which value-

added processes are impacted by capital structure is necessary to inform financial decisions in the Kerinci coffee sector.

H3 : capital structure is expected to be a significant positive factor on entrepreneurial ecosystem

H4 : capital structure is expected to be a significant positive factor for global market competitiveness

### **Social capital**

A vital part of the entrepreneurial ecosystem in the coffee business is social capital, which is described as the connections and networks that enable group action. (Coleman, 1988; Nahapiet & Ghoshal, 1998; Putnam, 1994) groundbreaking research emphasizes the significance of shared norms, reciprocity, and trust in building social capital. Empirical studies conducted by (Hongyun et al., 2019; Kadek et al., 2019; Xie et al., 2021) demonstrate that robust social networks enhance resource accessibility, knowledge sharing, and cooperative innovation within entrepreneurial environments. Understanding the dynamics of social capital is essential to encouraging co-innovation and collaboration in the context of the Kerinci coffee sector, which in turn promotes a robust and adaptable entrepreneurial environment.

H5 : social capital is predicted to be a significant positive factor on the entrepreneurial ecosystem

H6 : social capital is predicted to be a significant positive factor for global market competitiveness

### **The relationship between entrepreneurial ecosystem and competitive global market to increase value added**

The dynamics of the worldwide market have a significant impact on the competitiveness of coffee-producing regions. Studies by (Phiri, 2020) highlight how certification programs affect market access and how global value chains work. Global pricing trends and consumer preferences have a big impact on how well coffee products succeed abroad (Harwiki et al., 2018; Prasetyani et al., 2020). To create strategies that increase value-added operations, ensure product uniqueness, and strengthen the Kerinci coffee industry's position in the market, a firm understanding of these global market dynamics is essential.

An area's social, political, economic, and cultural components work together to create an entrepreneurial ecosystem that fosters the growth and development of creative start-ups and motivates aspiring business owners and other stakeholders to take on the risks of launching, financing, and supporting high-risk endeavors (Felch & Sucky, 2022). This ecosystem is a networked collection of elements that support entrepreneurship, including financial capital, policy, and networks (Alam et al., 2023).

The ecosystem of entrepreneurs is crucial to value addition. It makes it easier for successful entrepreneurs to emerge who support local economic growth, which is essential for the existence of an entrepreneurial ecosystem (Audretsch & Belitski, 2021). The stages of the entrepreneurial process, such as the development of entrepreneurial intention, exploration, and exploitation, are supported by the ecosystem (Alam et al., 2023). The ecosystem boosts the region's value added and develops the economy by encouraging an atmosphere that is favorable to entrepreneurship.

The global market's competitiveness has multiple effects on the entrepreneurial ecosystem. Global and socioeconomic challenges are having a significant impact on the entrepreneurship ecosystem. These challenges are manifested through many global problem instances and behavioral aspects (Satalkina & Steiner, 2020). The market data processing agile marketing systems are what make the entrepreneurial structures

competitive. As a result, it's critical to regularly adjust to shifting local market conditions while monitoring trends and directions globally (Kamel, 2018).

A variety of economic stakeholders from various stages, such as the public and private sectors, non-governmental organizations, and other organizations and individuals that can effectively and enrichly support the establishment and maintenance of an entrepreneurial culture, comprise the components of the entrepreneurial ecosystem (Kamel, 2018). An significant and more recent kind of entrepreneurial assistance is provided by accelerators, which are founded by various groups, including non-profits, local and national governments, universities, and even foreign government agencies with distinct objectives (Oh et al., 2022).

H3 : entrepreneurial ecosystem is expected to be a significant positive factor on entrepreneurial ecosystem

H4 : capital structure is expected to be a significant positive factor for global market competitiveness

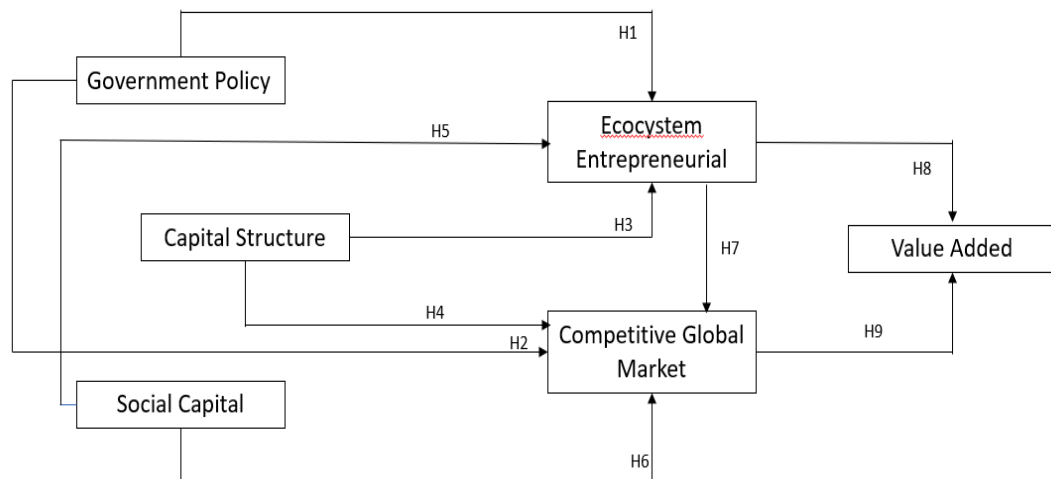
H3 : capital structure is expected to be a significant positive factor on entrepreneurial ecosystem

**Research gaps and novelty**

While the body of research on the various aspects of capital structure, social capital, government policy, and global market competition is quite helpful, there is a clear deficiency in in-depth analyses that incorporate these variables within the framework of particular coffee-growing regions. Because of the special qualities and difficulties faced by Kerinci's coffee business, a thorough investigation of these interconnected components is necessary to produce recommendations tailored to the particular context for improving value-added activities.

**Conceptual framework**

This study proposes a conceptual framework that blends social capital, capital structure, government policy, and global market rivalry, drawing on ideas from the literature. A thorough understanding of the mechanisms influencing the value-added process is based on how these components interact in the Kerinci coffee business (Fig. 1). The research design, data gathering, and analysis will be guided by the conceptual framework, which offers an organized method for revealing the complexities of the value-creation processes in the Kerinci coffee business.



**Figure 1.** Conceptual and hypotesis research

**METHODS**

This study fits into the applied research category, which has guidelines for data types and aims. Therefore, surveys are utilized as a method for data collecting in the quantitative research plan. The production of value added for coffee entrepreneurs in Kerinci, as well as how to foster an entrepreneurial ecosystem and capitalize on their advantages in the global market, are the primary foci of this research. Initially, the documentation study, literature method, and survey (questionnaire) were used to gather the data for this study. Furthermore, the Partial Least Squares technique was employed to evaluate the data using the Smart-PLS version 4 structural equation model. This study's hypothesis was developed through the use of the inductive literature review approach. The use of inductive and non-quantitative research methodologies is especially beneficial in applying appropriate approaches to support the study of micro, small, and medium-sized firms and entrepreneurship, claim (Dana & Dana, 2005).

The demographic under investigation for this study is Indonesia's Kerinci Regency's coffee entrepreneurs. Owing to the varied makeup of coffee entrepreneurs, a stratified random selection method was employed to guarantee participation from various industries and geographical areas. The sample size for SEM-PLS research is determined by applying the available statistical techniques. The study ran for four weeks, from August 28, 2023, to September 28, 2023, during which time the author disseminated the data offline. Five of the author's students served as enumerators; however, in order to prevent potential respondents from being confused about the questions, the enumerators had received training regarding the objectives and questionnaires that would be delivered. Out of the 250 questionnaires that were issued, 185 of them were returned fully completed, while 65 were not. The business name and owner's name were concealed in order to uphold ethics in this study, as agreed upon by the author, enumerator, and possible responders. These are the study's demographics, as seen in Table 1.

**Table 1.** Respondent demographics

<b>Business Experience</b>	<b>n</b>	<b>%</b>	<b>Education Background</b>	<b>N</b>	<b>%</b>
< 5 years	67	36%	Senior High School	39	21%
6 to 10 years	56	30%	Bachelor's Degree	76	41%
11 to 15 years	35	19%	Master's Degree	42	23%
> 15 years	27	15%	Doctoral Degree	28	15%
Scale Business	n	%	Total Employee	N	%
Small	63	34%	1-5 employee	89	48%
Medium	84	45%	6-10 employee	64	35%
Large	38	21%	> 10 employee	35	17%

Source : Primary data by researcher (2023)

Table 1 presents the demographic breakdown of the study participants, which includes: Three-quarters of the respondents had less than five years of experience in the commercial world. This can be a reflection of the high number of recent entrants or new business owners in the Kerinci coffee sector. Thirty percent of those surveyed said they had worked in business for six to ten years. This illustrates how most firms are stable and long-lasting. 19% of those surveyed said they had worked in business for 11–15 years. This could be a sign of a well-established industry. Only 15% of those surveyed have worked in business for more than 15 years. They might be well-established and highly skilled businesspeople.

Twenty-one percent of the participants had completed their senior year in high school. This demonstrates the range of educational backgrounds among coffee business owners. A bachelor's degree was held by the majority of respondents (41%) which

suggests that many business owners have completed more formal schooling. A master's degree was held by almost 23% of respondents, indicating the range of higher education levels among business owners. Only 15% of the respondents were doctorate holders. This may be an indication of the most educated entrepreneurs' involvement.

Of those surveyed, 34% were small company owners. This can be an indication of the existence of small business owners in the Kerinci coffee sector. Medium-sized firms were held by the majority of respondents (45%), indicating sustainability and growth in this industry. Only 21% of the respondents operated large-scale firms. These have the potential to significantly boost the regional economy.

48% of enterprises employ one to five people. This can be an indication of the existence of micro- or small-scale companies in the coffee sector. Six to ten employees make up 35% of enterprises. This illustrates the expansion and magnitude of medium-sized enterprises. Only 17% of companies employ more than ten people, which suggests that they make a major contribution to the creation of jobs.

### Data analysis

Partial least squares (PLS-SEM) and structural equation modeling were utilized in SMARTPLS version 4 to examine the research data. The Confirmatory Composite Analysis (CCA) method, which is grounded in the current theoretical framework and guarantees the robustness of the latent variable indicators and model design, reinforced this research. The PLS-SEM methodology involved two stages of analysis to assess the outer and inner models. The survey tool's concept validity and indicator coherence were evaluated using a variety of statistical analyses. Two distinct metrics, convergent and discriminant validity, were used to assess the validity of the instrument. Measures of instrument dependability included Cronbach's alpha (CA) and Composite dependability (CR). A latent variable is considered dependable, according to the CCA technique, if both the CR and CA values are higher than 0.70. Convergent validity, as determined by the Average Variance Extracted (AVE) metric in the CCA Method, is deemed good if the result is over 0.50, per the recommendations stated by (Hair et al., 2019).

There are 26 questions in the questionnaire utilized in this study, and Table 2 enumerates the prerequisites for validity and reliability. Using the partial least squares approach, convergent validity was ascertained and utilized to assess the validity of the questionnaire. Convergent validity, as defined by (Hair et al., 2019), is the degree to which an index accurately reflects a dimension; the validation criterion is established at an AVE (Average Variance Extracted) value greater than 0.5. The factor loadings over the 0.70 criterion are displayed for each questionnaire item in the table. Furthermore, all of the construct composite reliabilities were greater than 0.70, and the AVE values were consistently higher than the expected 0.50.

**Table 2.** Discriminant Validity

	GOV	CPS	SOC	ESE	GMA	VAD
Government Policy	1					
Capital Structure	0.241	1				
Social Capital	0.712	0.373	1			
Entrepreneurial Ecosystem	0.534	0.343	0.391	1		
Competitive Global Market	0.433	0.287	0.268	0.343	1	
Value Added	0.212	0.544	0.179	0.319	0.421	1

Source: The researcher's primary data (2023)

When assessing the discriminant validity of research instruments, a reliable statistical method is the Heterotrait-Monotrait Coefficient (HTMT). In PLS-SEM investigations, the HTMT ratio—which Ringle et al., 2012—is a more useful metric for

evaluating discriminant validity. It is crucial to ensure that the HTMT ratio stays below 0.90 in order to ensure the validity of the instrument. The study presented in Table 3 shows that the HTMT ratio value for each latent variable is less than 0.90, suggesting the validity of the research instrument employed to evaluate the model. Measuring how well the conceptual model predicts the variance of the independent variables is the aim of structural or internal evaluation. Figure 2 displays the sequential model as well as the internal model.

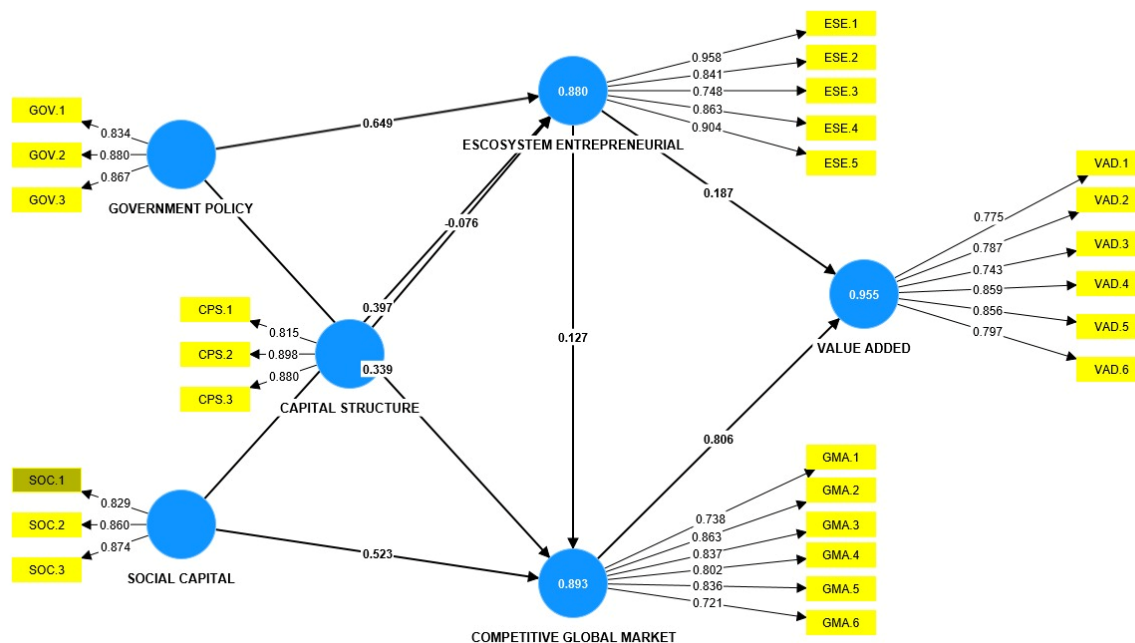


Figure 2. Internal Model Assessment

## RESULTS AND DISCUSSION

Verifying that there is no indication of multicollinearity in any of the variables that comprise the construct is the second essential criteria in the PLS-SEM testing phase. This hypothesis is accepted as true if the Variance Inflation Factor (VIF) value is less than 3,000 (Hair et al., 2017, 2019). To make sure the study's findings are independent of the multicollinearity assumption, a detailed display of the findings is provided in the table below. As per (Hair et al., 2017), the multicollinearity assumption criteria employed in this investigation satisfactorily fulfill the essential requirements. The internal Variance Inflation Factor (VIF) value of every construct derived from this investigation is less than 3,000. In particular, it was discovered that the variables with VIF values less than 3,000 belonged to the entrepreneurial environment, competitive global market, capital structure, and social capital. Moreover, when constructing the value added construct, the dependent variables with VIF values less than 3,000 comprise the construct between the entrepreneurial ecosystem and the competitive global market.

Furthermore, it is recommended that Goodness of Fit (GoF) be a significant factor for assessing the model utilized in this study. The SMARTPLS website provides useful benchmarks for evaluating model fit, in accordance with Hair et al.'s 2017 and 2019 guidelines. Model fit has to be evaluated in order to evaluate the overall effectiveness of the external, interior, and structural models. Consequently, less than 0.02, 0.10, or 0.08 is the ideal value for theta root mean square (RMS) and standardized root mean square (SRMR). Furthermore, the NFI (numerical fit index) needs to be at least 0.9.



The study's GoF result shows the estimated model's SRMR value, which is 0.082 below the suggested threshold of 0.10, and its NFI value, which is 0.852, showing a high degree of fit. These findings imply that the research model satisfies the goodness of fit assumptions.

**Inner model architecture**

The coefficient of determination (R-square), which measures a model's internal structure, can be used to calculate the degree to which external factors affect the dependent variable. The R2 value of the dependent latent variable of the structural model that surpasses 0.67 indicates that the influencing independent factors have a good influence on the influenced dependent variable, according to studies like those conducted by (Chin, 1998; Hair et al., 2017). Moderate results fall between 0.33 and 0.67, and weak results fall between 0.33 and 0.19.

The study's findings demonstrate that the independent factors, the entrepreneurial ecosystem ( $R^2 = 0.632$ ), added value ( $R^2 = 0.594$ ), and the competitive global market ( $R^2 = 0.623$ ), respectively, explain around 63.2%, 59.4%, and 62.3% of the variability in the related variables. Strong explanatory power in the model is indicated by the modified  $R^2$  values ( $R^2 = 0.664$ ,  $0.632$ , and  $R^2 = 0.672$ ), which take the complexity of the model into consideration. The research concluded that the model had significant predictive value for the route model in predicting out-of-sample outcomes, as evidenced by Hair's Q2 value being greater than zero (Entrepreneurial Ecosystem = 0.532, Value Added = 0.514, Competitive Global Market = 0.617). As advised by (Hair et al., 2017), this study assessed the model by utilizing the Q2 redundancy measure, with an emphasis on the reflective component.

**Hypothesis test by bootstrap**

The R-square ( $R^2$ ) value, often known as the coefficient of determination, is an essential instrument for evaluating the combined effect of exogenous and endogenous factors. Using a subsample of 5000, the bootstrap method was applied to determine the statistical significance of the direct and indirect path coefficients. Because the evaluation uses t-statistics, also known as p-value, a value smaller than 0.1 must be utilized to indicate statistical significance in the link between latent variables.

**Table 4.** Hypothesis Test Results

Variable	Original Sample	Sample Mean	STDEV	T-statistic	p-Values	Results
GOV -> ESE	0.339	0.328	0.072	4.707	0.000	Yes
GOV -> GMA	0.649	0.671	0.142	4.565	0.000	Yes
CPS -> ESE	0.252	0.253	0.109	2.755	0.004	Yes
CPS -> GMA	0.524	0.521	0.097	5.267	0.000	Yes
SOC -> ESE	0.523	0.534	0.086	6.050	0.002	Yes
SOC -> GMA	0.397	0.377	0.132	3.008	0.000	Yes
ESE -> GMA	0.724	0.721	0.064	9.134	0.000	Yes
ESE -> VA	0.336	0.332	0.071	7.130	0.000	Yes
GMA -> VAD	0.806	0.816	0.060	13.499	0.000	Yes

Source: Primary data by researcher (2023)

Table 4 indicates that there is a significant correlation (T-statistic = 4.707, p-value = 0.000) between government policy and the entrepreneurial ecosystem. This outcome demonstrates how government initiatives and support can have a positive impact on the

growth of the entrepreneurial ecosystem within the Kerinci coffee sector. Government policies and the competitiveness of the global market are significantly correlated (T-statistic = 4.565, p-Value = 0.000). The competitive stance of the Kerinci coffee sector in the worldwide market is largely dependent on government policy.

Capital structure and the entrepreneurial ecosystem are significantly correlated (T-statistic = 2.755, p-Value = 0.004). The condition of the entrepreneurial ecosystem in Kerinci may be impacted by decisions made about a company's financial structure, though not as much as by other factors. Global market competitiveness and capital structure are significantly correlated (T-statistic = 5.267, p-Value = 0.000). Decisions about a company's finance structure have a big impact on how competitively able Kerinci's coffee firms are on the international scene.

The entrepreneurial ecosystem and social capital are significantly correlated (T-statistic = 6.050, p-Value = 0.002). The expansion of the entrepreneurial ecosystem is facilitated by social connections in the Kerinci coffee industry, underscoring the significance of social networks in the advancement of businesses. Global market competitiveness and social capital are significantly correlated (T-statistic = 3.008, p-Value = 0.000). In order to increase Kerinci coffee products' competitiveness on a worldwide scale, social relationships are also crucial.

The entrepreneurial ecosystem and competitiveness in the global market have a highly significant link (T-statistic = 9.134, p-Value = 0.000). Gaining an advantage over competitors in the global market requires the strategic development of the entrepreneurial ecosystem. Value created and the entrepreneurial ecosystem are significantly correlated (T-statistic = 7.130, p-Value = 0.000). An growth in coffee products' added value is supported by a robust entrepreneurial ecosystem, which benefits the sustainability of businesses.

Value-added and worldwide market competitiveness are significantly correlated (T-statistic = 13.499, p-Value = 0.000). An rise in the added value of Kerinci coffee products is positively connected with success in the worldwide market. The significant p-values support the acceptance (approval) of all hypotheses.

This study demonstrates how the entrepreneurial ecosystem, capital structure, social capital, and government policy all work together to make the Kerinci coffee business more valuable and competitive in the global market. For the coffee industry in the area to grow, a thorough and coordinated approach must be put into place.

### **Discussion**

The hypothesis testing results provide valuable insights into the intricate workings of the Kerinci coffee market, emphasizing the roles of capital structure, social capital, government regulations, the entrepreneurial ecosystem, added value development, and global market competitiveness. In this discussion, the results are integrated with previous studies and relevant theoretical models.

### **Government policies and entrepreneurial ecosystem**

The entrepreneurial ecosystem and government policies are positively and significantly correlated, which is in line with other studies emphasizing the critical role that supportive regulatory frameworks play in fostering entrepreneurial activity (Fkun et al., 2023; Gah et al., 2020; Isenberg, 2016). Prior research has underscored the importance of governmental measures, such as market assistance, high standards laws, and subsidies, in shaping the entrepreneurial environment (Acs et al., 2018; Sussan & Acs, 2017). The findings are consistent with these theories, showing that an environment of supportive

policies encourages the development of the entrepreneurial ecosystem and creates the foundation for the prosperity of coffee entrepreneurs in Kerinci.

### **Capital structure, social capital, and industry competitiveness**

The resource-based view (RBV) theory (Barney, 1991; Wernerfelt, 1984) is bolstered by theories concerning the influence of social capital and capital structure on the competitiveness of the national and international markets. If companies have access to valuable, unusual, and distinctive resources, they can acquire a sustainable competitive advantage, according to RBV. In the context of Kerinci's coffee industry, the financial resources represented by the capital structure and the social networks represented by the social capital seem to be essential components of competitive advantage. This is in line with previous research that stressed the importance of financial structures in determining industrial competitiveness (Astuti et al., 2019; Febrian & Maulina, 2018; Jeong & Chung, 2023), and the role that social capital plays in entrepreneurship (Andriani & Christoforou, 2016; Sun et al., 2023).

### **Entrepreneurial ecosystem, global market competitiveness, and value creation**

The resource orchestration hypothesis (Teece, 2012) and the ecosystem method (Acs et al., 2018) both have a strong body of evidence to support their theories about how the entrepreneurial ecosystem, competitiveness in the global market, and added value creation interact. (Feld, 2020; Isenberg, 2016; Stam & Van de Ven, 2021) defines the entrepreneurial ecosystem as a complex web of interconnected people and resources that influences how competitively positioned companies are on the international stage. The notion that an ecosystem of support provides the tools and resources businesses need to compete globally aligns with the growing body of research demonstrating the beneficial relationship between enhanced global market competitiveness and a robust entrepreneurial ecosystem (Kraus et al., 2019; Metcalf et al., 2021; Qoriawan & Apriliyanti, 2022). Furthermore, the outcomes validate the resource orchestration hypothesis, which suggests that the creation of added value is facilitated by the effective utilization and incorporation of resources within the entrepreneurial ecosystem (Kraus et al., 2019).

### **Implications for practice and policy**

The study's findings are applicable to Kerinci's business owners, decision-makers, and industry players. To capitalize on the advantageous connections the study found, owners of coffee businesses should focus on strengthening their financial frameworks, creating social networks, and engaging in global markets. To establish an environment that is conducive to the long-term expansion of the coffee industry, think about formulating and implementing policies that support the entrepreneurial ecosystem. These implications are part of a broader discussion about the role ecosystems play in promoting entrepreneurship and the significance of supportive policies in shaping industry dynamics (Acs et al., 2018; Isenberg, 2010, 2016; Kraus et al., 2019; Mason & Brown, 2014; Sussan & Acs, 2017).

### **Limitations and directions for future research**

Despite providing useful information, the study has some shortcomings. The study's cross-sectional design provides an overview of the correlations; future research can look at how those dynamics evolve over time. Additionally, the study focuses on specific elements of the entrepreneurial ecosystem; other components might be included

in a more comprehensive analysis. Furthermore, caution should be used when applying the study's findings to other contexts due to the unique nature of the coffee sector in Kerinci. Subsequent research avenues could delve deeper into the specific ways that social capital, financial institutions, and political restrictions impact the entrepreneurial ecosystem. Longitudinal studies may offer a detailed picture of how these relationships evolve over time. Research on the institutional and cultural elements affecting the coffee industry in different places can also lead to a deeper understanding.

### **Conclusion and suggestions**

As a result, this study clarifies the important variables affecting the development of added value in Kerinci's coffee sector. The study's conclusions highlight how crucially capital structure, social capital, government regulations, and the entrepreneurial ecosystem shape how competitive coffee entrepreneurs are on the world market. The interdependence of these variables is confirmed by the positive associations found, underscoring the necessity of a comprehensive strategy for sustainable development in the coffee industry. For coffee entrepreneurs, this means making the most of financial mechanisms, building social networks, and participating actively in international marketplaces. It is recommended that policymakers develop and put into effect policies that promote the entrepreneurial ecosystem and create an atmosphere that is favorable to innovation and value creation. This research offers a path for further inquiries into the areas of value creation and industry resilience, as the coffee industry in Kerinci navigates the challenges of a dynamic global market.

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