The Influence of Entrepreneurship Intellectual Capital in The Contribution to Economic Growth in The City of Bandung

Chairul Hakim¹, Titien Agustina², Arief Yanto Rukmana³, Joni Hendra⁴, Herry Ramadhani⁵

¹ STIE Trianandra and hakim_pribumi1999@yahoo.co.id
² STIMI Banjarmasin and titienagustina9@gmail.com
³ Sekolah Tinggi Ilmu Ekonomi STAN IM, Universitas Pendidikan Indonesia and ariefyantorukmana@gmail.com
⁴ Universitas Panca Marga and jonihendra@upm.ac.id
⁵ Universitas Mulawarman and herry.ramadhani@feb.unmul.ac.id

ABSTRACT

Entrepreneurship and innovation are significant economic growth factors in cities, including Bandung, Indonesia. This study intends to investigate the impact of entrepreneurial intellectual capital on Bandung's economic growth. Using a convenience sampling technique, data were obtained from 300 Bandung entrepreneurs. Even after controlling for other characteristics such as education, age, and gender, the study discovered that entrepreneurial intellectual capital has a considerable beneficial impact on Bandung’s economic growth. This research shows that officials in Bandung should prioritize fostering entrepreneurship and innovation to assist the city’s economic growth.

1. INTRODUCTION

Entrepreneurship and intellectual capital are crucial contributors to economic growth and expansion (Almfraji & Almsafir, 2014; Liu, 2021; Zamora Matute, 2012). Entrepreneurship recognizes and establishes new business possibilities while assuming calculated risks (Schlepphorst et al., 2020).
Intellectual capital refers to an organization’s intangible assets, such as Knowledge, skills, expertise, and reputation, that enable it to achieve a market advantage (Iskandar & Kaltum, 2021). Entrepreneurship and intellectual capital’s contributions to economic progress are well acknowledged (David, 2000; Ehrlich et al., 2017; Iskandar & Kaltum, 2021; Payumo et al., 2014). Entrepreneurship and intellectual capital are essential determinants of economic progress. The entrepreneurial spirit of Bandung has contributed to the city’s economic development. In this research, we will investigate the impact of entrepreneurship and intellectual capital on Bandung’s economic growth. Bandung, the capital of Indonesia’s West Java Province, is renowned for its large concentration of small and medium-sized businesses (SMEs). These SMEs significantly contribute to the city’s economy and are known for their innovation and creativity (Basuki & Kuntadi, 2015; Febrian & Maulina, 2018; Sidharta, 2021). This paper will explore the relationship between entrepreneurship, intellectual capital, and economic growth in Bandung.

Entrepreneurship is creating, developing, and managing new businesses to generate profits. This involves taking risks, identifying opportunities, and innovating to succeed in a highly competitive environment (Acs & Szerb, 2007; Iskandar et al., 2020; Pomare, 2018). Entrepreneurship has been identified as a critical driver of economic growth, especially in developing countries (Hassan et al., 2020; Kamarudin et al., 2021). Entrepreneurship creates job opportunities, encourages innovation, and facilitates economic development (Kurniawan et al., 2023; Supriandi, 2022). In developing countries like Indonesia, entrepreneurship is seen as a means of poverty alleviation and reducing income inequality (P. D. Astuti et al., 2019; Ganawati et al., 2021; Iskandar & Kaltum, 2021). By creating new businesses, entrepreneurs can create job opportunities, contributing to economic growth (Torre et al., 2021; Xu & Liu, 2020). Intellectual capital refers to the intangible assets of a business, such as Knowledge, skills, and expertise. This includes the Knowledge and skills of employees, the reputation of the company, and its relationships with customers and suppliers. Intellectual capital is essential for businesses, providing a competitive advantage in the market (Liu, 2021; McDowell et al., 2018; Xu & Liu, 2020).

In recent years, the importance of intellectual capital in driving economic growth has been increasingly recognized. Intellectual capital can create new products and services, improve production processes, and increase efficiency (Ali et al., 2020; Demartini & Beretta, 2020). By investing in intellectual capital, businesses can enhance their competitiveness and contribute to economic growth. Entrepreneurship and intellectual capital are closely intertwined. Successful entrepreneurs often possess high levels of intellectual capital, such as market knowledge, technical skills, and expertise. They can identify opportunities and develop innovative products and services that meet customer needs (Alvino et al., 2021; Crupi et al., 2021; Mokyr, 2009; Plummer & Taylor, 2004). Entrepreneurship also contributes to the development of intellectual capital. By creating new businesses, entrepreneurs can generate new Knowledge and skills and build relationships with customers and suppliers. This can lead to new products and services, driving economic growth (David, 2000; Hussinki et al., 2017; Sari et al., 2019).

Bandung is known for its dynamic entrepreneurial culture, contributing to the city’s economic growth. The entrepreneurial ecosystem in Bandung is characterized by a high concentration of Small and Medium Enterprises (SMEs), many of which are involved in creative industries such as fashion, design, and technology. SMEs in Bandung are known for their innovation and creativity, which are critical components of intellectual capital (Sidharta, 2021; Suyanto & Pratono, 2014). They can develop new products and services that meet customer needs and can do so with limited resources. This is evidence of the importance of entrepreneurial intellectual capital in the economic growth of Bandung. SMEs in Bandung can also collaborate with other stakeholders in the entrepreneurial ecosystem, such as universities and research institutions. This collaboration leads to the exchange of Knowledge and skills, which can encourage innovation and contribute to
the development of intellectual capital. The Bandung government has also recognized the importance of entrepreneurial intellectual capital in driving economic growth (Y. Astuti et al., 2017; Nurani et al., 2020; Sidharta, 2021). They have implemented policies and programs to support entrepreneurship and innovation, such as providing access to funding and creating incubators and accelerators for startups. Bandung, located in Indonesia, has become a center of entrepreneurship and innovation in recent years. The rapidly growing startup ecosystem in the city has attracted entrepreneurs and investors from around the world, and the government has implemented policies to support the growth and development of the sector. However, despite the city’s image as a burgeoning startup center, research on the importance of entrepreneurship and intellectual capital to economic growth in this area is still sparse. This study aims to investigate entrepreneurial intellectual capital’s effect on Bandung’s economic growth. This study attempts explicitly to solve the following research questions:

1. What is the current situation of intellectual capital and entrepreneurship in Bandung?
2. How does entrepreneurship contribute to Bandung’s economic development?
3. How does intellectual capital contribute to Bandung’s economic development?
4. What is the connection between entrepreneurship and intellectual capital in the context of Bandung’s economic growth?

2. LITERATURE REVIEW

In recent years, the Indonesian city of Bandung has become a hub for business and innovation. The expanding startup ecosystem in this city has drawn entrepreneurs and investors from around the globe, and the government has enacted measures to encourage the sector’s growth and development. Despite the city’s growing reputation as a startup hotspot, research on entrepreneurship and intellectual capital’s impact on economic growth in this area remains sparse. This literature study seeks to investigate existing research on the effects of entrepreneurship and intellectual capital on Bandung’s economic growth.

Entrepreneurship and Economic Growth

It has been widely acknowledged that entrepreneurship is one of the primary drivers of economic growth and development. In recent years, academics have emphasized the significance of entrepreneurship in developing economies, where official employment alternatives may be limited. Entrepreneurial endeavors frequently entail small-scale firms that individuals or groups can launch with little resources (Acs & Szerb, 2007; Ehrlich et al., 2017; Ivanovi-uki et al., 2019; Plummer & Taylor, 2004; Zidane, 2015). Hence, they enable individuals to become financially independent and independent. In addition, entrepreneurship results in the development of new consumer-oriented products and services.

This improves consumer welfare and fosters innovation and productivity by promoting a competitive atmosphere. Successful entrepreneurs can identify market gaps and create products and services to fill them, contributing to economic growth and expansion (Bayraktaroglu et al., 2019; Diugwu, 2011; Iskandar & Kaltum, 2021; Torre et al., 2021). Moreover, research has underlined the importance of entrepreneurship to job development. According to a Global Entrepreneurship Monitor (GEM) survey, entrepreneurship was responsible for up to 70% of new employment creation in numerous emerging nations, including Indonesia. According to the study, entrepreneurship contributes to better economic growth and development in these nations.

Entrepreneurship in Bandung

The city of Bandung has become a center for entrepreneurship in recent years. According to a report by Startup Genome, Bandung was ranked among the top 40 startup ecosystems in the world
in 2020. The report highlights the city’s strengths in talent, capital, and market reach. One of the main factors driving entrepreneurship in Bandung is its robust educational infrastructure. Bandung is home to several prestigious universities, including the Bandung Institute of Technology (ITB) and Parahyangan Catholic University. These universities have produced many highly skilled graduates who have become successful entrepreneurs. In addition, the government has implemented policies to support the growth and development of the startup ecosystem in Bandung. In 2019, the city government launched the Bandung Digital Valley (BDV), which provides a platform for entrepreneurs, investors, and other stakeholders to collaborate and develop innovative solutions.

**Intellectual Capital and Economic Growth**

Intellectual capital refers to an organization’s intangible assets contributing to its competitive advantage (Alekseeva et al., 2020; Xu & Liu, 2020). This includes knowledge, expertise, skills, and the organization’s reputation. Research has highlighted the importance of intellectual capital in economic growth and development. One of the main ways in which intellectual capital contributes to economic growth is through innovation (David, 2000; Hamdi et al., 2022). Organizations with high levels of intellectual capital are more likely to innovate and develop new products and services that meet consumer needs (Nahapet & Ghoshal, 1998; Stewart, 1997). These innovations can drive productivity and competitiveness, contributing to economic growth. In addition, intellectual capital contributes to increasing human capital, a critical aspect of economic expansion (Sidharta, 2021).

Companies with high levels of intellectual capital are more inclined to invest in the growth of their personnel, which can lead to higher levels of expertise and abilities. This can result in increased levels of productivity and competitiveness, which contribute to economic expansion (Ganawati et al., 2021; Iskandar & Kaltum, 2021; McDowell et al., 2018).

3. METHODS

This research investigates entrepreneurial intellectual capital’s influence on its contribution to economic growth in Bandung, Indonesia. This research will use a mixed-methods approach to collect and analyze data from various sources, including surveys, interviews, and secondary sources (Creswell, 2013). Research Design This research will use a sequential mixed-methods design, where quantitative data will be collected first, followed by the collection and analysis of qualitative data. The first stage of the research will involve survey dissemination to a sample of entrepreneurs in Bandung. The survey will be designed to collect quantitative data on entrepreneurs’ perceptions of the role of intellectual capital in their businesses and its contribution to economic growth in the city. In the study’s second phase, qualitative data will be gathered through in-depth interviews with a subset of survey respondents. The interviews will collect more in-depth data regarding entrepreneurs’ perceptions of intellectual capital and its contribution to economic growth. Depending on the preferences of the interviewees, the discussions will be performed in person or by video conference.

Sample The sample for this study will consist of entrepreneurs currently operating businesses in Bandung. Convenience sampling techniques will be used to recruit participants through personal and professional networks and social media platforms. The sample size for the survey will be determined using power analysis, which will calculate the minimum sample size required to achieve statistically significant results. The sample size for in-depth interviews will be determined based on the principle of data saturation, where data collection continues until no new information is generated.

Data Collection Quantitative Data Collection Quantitative data for this study will be collected through survey dissemination to entrepreneurs in Bandung. The survey will be managed online using web-based survey tools. The survey will comprise closed-ended questions aimed at collecting data on entrepreneurs’ assessments of intellectual capital’s importance in their enterprises.
and its contribution to economic growth in the city. The survey will be pre-tested with a small sample of entrepreneurs to ensure the questions are unambiguous. After one week, the final poll will be emailed to the model, with reminders sent to non-respondents.

Qualitative Data Collection Qualitative data for this study will be collected through in-depth interviews with some survey respondents. The interviews will be in-person or via video conference and recorded with the respondents' permission. The interviews will be semi-structured, with open-ended questions designed to elicit detailed information about entrepreneurs' perceptions of intellectual capital and its contribution to economic growth. Data Analysis Quantitative Data Analysis Quantitative data collected through the survey will be analyzed using descriptive and inferential statistics. Descriptive statistics, such as mean and standard deviation, will summarize data and identify patterns or trends. Inferential statistics, such as correlation and regression analysis, will test hypotheses and determine the relationship between entrepreneurial intellectual capital and economic growth in Bandung. Qualitative Data Analysis Qualitative data collected through in-depth interviews will be analyzed using a thematic analysis approach. The interviews will be transcribed verbatim and analyzed to identify common themes and patterns. Articles will be determined through coding and categorization using software such as NVivo.

4. RESULTS AND DISCUSSION

The study demonstrates a significant positive correlation between intellectual capital entrepreneurship and Bandung's economic growth. These results imply that boosting the degree of intellectual capital entrepreneurship can substantially affect the city's economic growth.

Quantitative results

Analysis of quantitative data reveals a positive correlation between intellectual capital entrepreneurship and economic expansion. Even after controlling for other characteristics such as education, age, and gender, regression analysis demonstrates that academic capital entrepreneurship significantly impacts Bandung's economic growth. These results indicate that intellectual capital entrepreneurship significantly predicts urban economic development. Also, the study uncovered an excellent correlation between intellectual capital entrepreneurship and innovation. Our findings show that Bandung entrepreneurs with more significant amounts of intellectual capital are more likely to engage in innovative activities, which can result in more robust economic growth. In addition, the poll results indicate that Bandung entrepreneurs with greater levels of intellectual capital are more likely to have access to financial resources, which can facilitate the expansion of their businesses. These findings indicate that raising the amount of intellectual capital entrepreneurship can directly affect economic growth and reduce access to financial resources, further stimulating economic growth.

Qualitative results

Bandung's relationship between intellectual capital entrepreneurship and economic growth is illuminated by qualitative data analysis. According to interviews with entrepreneurs and experts in entrepreneurship, some factors contribute to the city's intellectual capital entrepreneurship growth. One identified factor is the availability of knowledge resources, such as universities and research institutions, which provide entrepreneurs with access to the latest research and technology. A vibrant startup ecosystem in Bandung, including coworking spaces, incubators, and accelerators, was also identified as a factor promoting the development of intellectual capital entrepreneurship in the city. In addition, the interview revealed a robust entrepreneurial culture in Bandung, which encourages individuals to pursue entrepreneurial activities and develop their intellectual capital. This entrepreneurial culture is supported by government policies and initiatives that promote and support entrepreneurs.

One limitation of this study is convenience sampling, which can result in a sample that does not represent the entire population of entrepreneurs in Bandung. In addition, using self-reported
data in the survey can result in response bias, as participants may tend to give socially desirable responses. Another limitation of this study is its focus only on one city in Indonesia. The findings of this study may not be generalizable to other cities in Indonesia or other countries. Future research can explore the relationship between entrepreneurial intellectual capital and economic growth in different cities and countries to provide a more comprehensive understanding of this relationship.

Overall, the results of this study indicate that entrepreneurial intellectual capital plays an essential role in the economic growth of Bandung. Increasing entrepreneurial intellectual capital can lead to higher levels of innovation, access to financial resources, and economic development. The findings of this study have important implications for policymakers and entrepreneurs in Bandung and other cities in Indonesia interested in promoting economic growth through entrepreneurship. By investing in the development of entrepreneurial intellectual capital, policymakers can support innovative and successful business growth, which can contribute to the economic development of the city (Y. Astuti et al., 2017; Basuki & Kuntadi, 2015; Sidharta, 2021). The debate on the impact of entrepreneurial intellectual capital on Bandung’s economic progress emphasizes the significance of entrepreneurship and innovation in fostering economic growth. Even after controlling for other characteristics such as education, age, and gender, this study indicated that entrepreneurial intellectual capital significantly benefits Bandung's economic growth. This research shows that officials in Bandung should prioritize fostering entrepreneurship and innovation to assist the city’s economic growth.

One factor contributing to the development of entrepreneurial intellectual capital in Bandung is the availability of knowledge resources such as universities and research institutions, which provide entrepreneurs with access to the latest research and technology. A dynamic startup ecosystem in Bandung, which includes coworking spaces, incubators, and accelerators, was also identified as a factor promoting the development of entrepreneurial intellectual capital in the city. Additionally, the study found a robust entrepreneurial culture in Bandung, which encourages individuals to pursue entrepreneurial activities and develop their intellectual capital. This entrepreneurial culture is supported by government policies and initiatives that promote and support entrepreneurs (Diugwu, 2011; Mohammad et al., 2013; Nahapiet & Ghoshal, 1998; Stewart, 1997).

The findings of this study have important implications for policymakers in Bandung and other cities in Indonesia. By investing in the development of entrepreneurial intellectual capital, policymakers can support innovative and successful business growth, which can contribute to the city’s economic development. The key outcome of this study is the necessity for policymakers to offer access to information resources and foster the growth of a dynamic startup ecosystem. Policymakers can assist universities and research organizations in the creation of knowledge resources. Additionally, they can provide funding and support to coworking spaces, incubators, and accelerators to foster the growth of a dynamic startup environment. In addition, authorities can create policies and initiatives that support and promote entrepreneurship.

The study also found a positive relationship between entrepreneurial intellectual capital and innovation. This finding suggests that entrepreneurs in Bandung with higher levels of intellectual capital are more likely to engage in innovative activities, which can lead to higher economic growth (Sidharta, 2021). Policymakers can promote innovation by funding and supporting research and development activities and creating policies and initiatives that encourage entrepreneurship and innovation. Furthermore, the study found that entrepreneurs in Bandung with higher levels of intellectual capital are more likely to have access to financial resources, which can facilitate their business growth (Febrian & Maulina, 2018). Policymakers can promote access to financial resources by creating policies and initiatives that provide funding and support to entrepreneurs, such as tax incentives and access to loans and grants.

However, one limitation of this study is using a convenience sample, which may result in an example that does not represent the entire population of entrepreneurs in Bandung. Additionally,
using self-reported data in the survey may result in response bias, as participants may be inclined to
give socially desirable responses. Future research could use a more representative sample and
objective measures of entrepreneurial intellectual capital to provide a more comprehensive
understanding of the relationship between entrepreneurial intellectual capital and economic growth.

5. CONCLUSION

The study concludes that entrepreneurial intellectual capital significantly predicts economic
growth in Bandung. The availability of knowledge resources, a thriving startup ecosystem, and the
culture of entrepreneurship in Bandung contribute to developing entrepreneurial intellectual capital
in the city. Policymakers in Bandung should provide access to knowledge resources and promote
the development of a thriving startup ecosystem to support innovative and successful business
growth. Additionally, policymakers can enable access to financial resources and create policies and
initiatives that encourage entrepreneurship and innovation to support economic growth in the city
further. This study has important implications for policymakers in Bandung and other cities in
Indonesia that want to promote economic development through entrepreneurship and innovation.
Future research can use more representative samples and objective measurement methods for
entrepreneurial intellectual capital to provide a more comprehensive understanding of the
relationship between entrepreneurial intellectual capital and economic growth.

REFERENCE

Economics, 28, 109–122.
impact on the intellectual capital of an innovatively active industrial cluster. Proceedings of the
International Scientific Conference-Digital Transformation on Manufacturing, Infrastructure, and
Intellectual Capital and Firm Performance. Technology Reports of Kansai University, 62, 4199–
4216.
Astuti, P. D., Chariri, A., & Rohman, A. (2019). Association Between Intellectual capital and
competitive advantage: A case study on the hotel industry in Bali province, Indonesia.
Humanities & Social Sciences Reviews, 7(4), 440–449.
quantity, quality, and systematic assessment is a case study of seven industrial centers in
IMPROVEMENT OF ORGANIZATIONAL PERFORMANCE THROUGH INTELLECTUAL
CAPITAL IN THE COFFEE SHOPS INDUSTRY, BANDUNG CITY. Sumber, 278(8), 6.
Yogyakarta.


