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Hikmah knowledge capture insolvency on MSME responsibility and financial performance

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Article Info

Abstract

Purpose – This study aimed to determine the extent to which the model of Hikmah Knowledge Capture Insolvency can be used as a solution in increasing knowledge and understanding good business financial management as a form of financial accountability in realizing better financial performance in addition to fill research gaps from previous research results.

Design/Methodology/Approach – Respondents of this study were ATBM Weaving SMEs in Central Java. Researchers took three regencies as research objects, namely Jepara Regency, Pemalang Regency and Klaten Regency. A total of 110 respondents were selected by purposive sampling technique. The data was analyzed by using the Structural Equation Modeling (SEM) analysis technique with the application of Analysis Moment of Structural (AMOS.24).

Finding – The results of the study explained that the dimensions of entrepreneurial orientation in this research variable included innovativeness, risk taking and proactivity. These variables supported the realization of financial responsibility and financial performance through understanding the conditions of liquidity difficulties (Hikmah Knowledge Capture Insolvency).

Research Limitation/Implication – The measurement of Hikmah Knowledge Capture Insolvency in business financial management is only limited to SMEs weaving specifically ATBM.

Practical Implication – The realization of financial responsibility in entrepreneurship orientation through the Hikmah Knowledge Capture Insolvency.

Originality/Value – Using the basis of Capital Structure Theory, Knowledge Management through the concept of the Integrated Knowledge Management Cycle, and the values of Hikmah, the framework of this study is directed to address the influence between entrepreneurial orientation to financial performance through realization of Hikmah Knowledge Capture Insolvency and financial responsibility.

Keywords: Entrepreneurial orientation, innovativeness, risk taking, proactivity, hikmah knowledge capture insolvency, financial responsibility, financial performance.

Introduction

Micro, small and medium enterprises (MSMEs) in Indonesia are considered one of the most effective and successful businesses in improving people's welfare. There are many business opportunities that can be used as potential for superior business development through creativity.

Data shows an increase in the number of MSMEs by 1.98% in Indonesia from 64,194,057 units in 2018 and 65,465,497 units in 2019 (Ministry of Cooperatives and MSMEs processed by BPS, 2020). The number of MSMEs showed an increase. However, there are many problems. With the premise that MSMEs are still oriented on improving market success strategies, this has yet to be matched by increasing skills and expertise in managing their business finances. This hinders the growth of MSMEs. Al-Breiki & Nobanee (2019) explained that the financial management process has an important role in promoting business practices and sustainable business development. Knowledge here is the most superior resource (Widodo, 2015). A business actor must have these abilities such as Experiential Learning Theory (Kolbs, 2014), Organizational Learning (Nelson & Winter, 1982; Senge, 1990; Brown & Duguid, 1991; Drucker, 1995; Edvisson & Sullivan, 1996), Theory of Entrepreneurship (Rastogi, 2002) and Knowledge-Based Theory (Nonaka &Takeuichi, 1995).

Entrepreneurial orientation is currently considered the key to business continuity. Entrepreneurial orientation distinguishes a person's business venture which reflects its quality and management (Covin & Miller, 2014; García-Villaverde et al., 2014; Lumpkin & Dess, 1996, 2001; Miller, 1983; Wach, 2015; Wiklund & Shepherd, 2003) which considered a catalyst for entrepreneurial capacity development. Different studies lead to the competitiveness of companies (Alvarez-Torres et al. 2019). There are three dimensions developed by Miller (1983), namely: innovativeness, risk taking, and proactive proactivity. Entrepreneurial orientation has an important role in improving business performance.

The research gap that became the background in this study was found to be controversial as well as the limitations of the study results regarding the effect of entrepreneurial orientation (innovation, risk taking and proactive) on business financial performance. Regarding the controversy study results, Aktan & Bulut (2008) stated the influence of three dimensions of entrepreneurial orientation on financial performance. However, the effect is very low, only 18.9%. Asizah, et al. (2016) explained that entrepreneurial orientation moderated by entrepreneurship learning has a positive influence on MSME business performance. However, the results are different. Kurtulmus & Warner (2015) stated that there is a relationship between entrepreneurial orientation and the financial performance of MSMEs but it is not effective. Magaji, et al. (2017) also explained that there is a positive influence among the three dimensions of entrepreneurial orientation on financial performance. However, the results are different. This was conveyed by Karacaoğlu, et al. (2013) that corporate entrepreneurship with financial performance shows a negative relationship. The results of the study of Alvarez-Torres, et al. (2019; Abdulrab, et al., 2020; Anwar & Shah, 2020) are entrepreneurial orientations that affect financial performance but not associated with non-financial performance.

In addition, there are some limitations of the results of studies on the three dimensions of entrepreneurial orientation (innovativeness, risk taking and proactivity) from several researchers. Dirgiatmo, et al. (2019) explained that refer to the three dimensions of entrepreneurial orientation, only innovation has an influence on business performance. Alvarez-Torres, et al. (2019) explained that the entrepreneurial orientation strategy cannot be applied in every company. Thus, it takes the role of higher education institutions that focus on researching this issue. Hughes., et al. (2021) said that the realization of financial performance on an entrepreneurial orientation depends on the management of human capital and local conditions of the business. Furthermore, Cho & Lee (2020), conveyed that entrepreneurial orientation supports the realization of financial performance mediated by market orientation, not from learning orientation. To improve financial performance, new companies will require improvements in customer orientation, competitors as well as being proactive and innovative.

Phenomenon of Research Object

Entrepreneurial orientation can be realized through how business actors are always willing to increase their knowledge through acquiring new knowledge, managing existing knowledge. Thus, they can understand well and innovate actively. In addition, a business actor must be able to make decisions on all entrepreneurship problems, including being able to carry out better financial

management. Knowledge, skills and abilities in financial management possessed by a person will affect his financial attitudes and behavior.

The number of entrepreneurs who went bankrupt was not small. This is due to difficulties or limited funds, in addition to looking for other factors, including limited access to global markets, human resources, simple managerial systems, information technology and limited literacy levels. Actually, there are many policies and facilities provided by the government. In fact, the government has provided a solution to financial difficulties for the development of a business of this scale. However, the question is whether the funds received have been managed properly for business continuity or not.

Based on the research gap regarding the controversy and limited results regarding the effect of entrepreneurial orientation on financial performance and the phenomenon of problems in MSMEs, it was found that financial difficulties were caused by the non-optimal management of business finances. Therefore, a hikmah knowledge capture insolvency model is needed that has the potential to realize financial performance through increasing financial responsibility in entrepreneurship orientation.

Research Problem

The research problem in this study is "How does Hikmah Knowledge Capture Insolvency model have the potential to realize financial performance through financial responsibility in entrepreneurship orientation for MSMEs Weaving ATMB in Central Java Province." The research question is formulated as follows: (1). How is entrepreneurial orientation (innovativeness, risk taking and proactivity) able to increase the hikmah of knowledge capture insolvency? and (2) How is the hikmah of knowledge capture insolvency able to increase financial responsibility to achieve financial performance?

The aim of this research is to develop a model of Hikmah of Knowledge Capture Insolvency which is expected to fill the research gap of previous research with all the limitations of the results. This model is also expected to help increase the knowledge of good financial management as a form of accountability in the field of business finance to realize better business financial performance.

Literature Review

Capital Structure Theory

Capital Structure Theory was developed by Miller & Modigliani (1958). This theory is often associated with the performance and value to be achieved for the operations run by the company. This theory explains how companies obtain their funding sources based on changes in market participants. This theory also explains the optimal capital structure that affects the value of the company which comes from two components, namely: own capital and long-term debt. These two components are explained in two aspects of development, namely without tax and with tax. One of the developments of capital structure theory is the Trade-Off Theory. This theory was developed by Stiglitz (1969), Rubenstein (1973) and Haugen & Papas (1971), which stated that in determining optimal capital, it is necessary to pay attention to financial distress conditions. This theory was developed with the aim of explaining the fact that companies are usually financed mostly from debt and partly from equity. Companies will be more profitable if they use debt equity (Hovakimian, et al. 2001; Frank & Goyal, 2008; Harjito, 2011; Umidiana & Claudia, 2020).

Gamayuni (2011) explained that financial distress is caused by five things, namely: economic failure, business failure, technical insolvency, insolvency in bankruptcy and legal bankruptcy. To meet additional sources of business funds, MSME actors obtain more sources of funds through debt. Business actors need to improve their knowledge and understand how to manage sources of funds through debt properly so that financial distress and liquidity conditions can be understood properly through the meaning of hikmah approach, namely understanding (QS. Maryam, verse 12), knowledge (QS. Al- An'am, verse 89), hikmah (Surah An-Nahl, verse 125) which is translated through the act of ability and commitment, "capturing" the knowledge of liquidity conditions.

Knowledge Management: Integrated Knowledge Management Cycle

Knowledge management was first introduced at a management conference in Europe in 1986. Then it was developed by Barney (1991) through the concept of Resource-Based View which stated knowledge management related to the management of physical resources, organizational resources and human resources.

In the same year this concept was also developed by Grant (1991). He suggested to talk about Resource-Based View. This means that resources are converted into more valuable outputs through various capabilities in deploying these resources. This ability is explained through two dimensions, namely skills and process. Skills led to managerial ability while the process leads on how to manage knowledge management which includes: production of knowledge, integration of knowledge and application of knowledge. This dimension of integration of knowledge is used as the basis for the development of this research. The concept of knowledge management used as the rationale for the integration of the theory of this research is to use one of the dimensions of the integrated knowledge management cycle presented by Dalkir (2011) which is a simplification of the four cycles of knowledge management by the Wigg model (1993), the Meyer & Zack model (1996), the Bukowwitz & William model (2000), and the McElroy model (1999).

Dalkir (2011) through an integrated knowledge management cycle in the concept of knowledge management conveyed that the capture process is how knowledge is "captured" or codified through experience, competence, commitment and work done. Meanwhile, explicit knowledge must be identified, which includes data, information, documents, records, and files that may have been owned. This technique is used to acquire aspects of individual knowledge with the aim of reducing the loss of organizational knowledge. Social interaction can also be done in the early stages of this process. Nonaka & Takeuchi (1995) explained that social interaction is very important to gather knowledge by using face-to-face communication or sharing direct experiences through two roles between tutor and apprentice.

Entrepreneurial Orientation

Entrepreneurial orientation is one of the effective steps to describe the quality and governance style of an organization. Entrepreneurial orientation is also considered as a motivator that will always affect the survival and growth of MSMEs. Stevenson & Jarillo (2007) explained that entrepreneurial orientation is an entrepreneurial management concept in applying processes, methods and operational styles by acting entrepreneurially. Dess & Lumpkin (2005) also added companies that need to increase their success in corporate entrepreneurship must be entrepreneurially oriented. Entrepreneurial orientation is a characteristic at the company level because it reflects the behavior of the company (Covin & Slevin, 1989; Miller, 1983). More specifically, Miller (1983) introduced a specific dimension of entrepreneurial orientation on 3 (three) dimensions, namely innovativeness, proactiveness, and risk-taking courage.

Hikmah Knowledge Capture Insolvency

This study offers a new concept of the Hikmah Knowledge Capture Insolvency (HKCI) as shown in Figure 1.
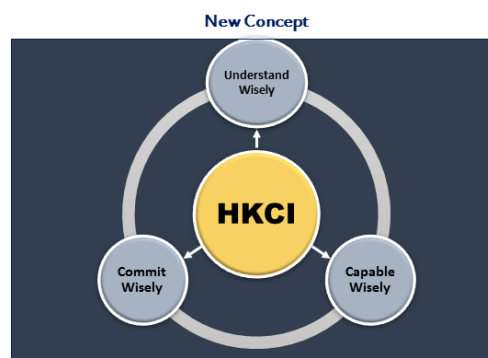

Figure 1. Concept of HKCI

Hikmah Knowledge Capture Insolvency (HKCI), is an understanding, ability and commitment that is wisely carried out in conditions of liquidity difficulties. The condition of liquidity difficulty is a condition where a person is not and/or has not been able to fulfill his maturing obligations due to several things, both from internal and external factors. If this condition is not met or resolved immediately, it will result in bankruptcy or business failure. Understand wisely means knowing or understanding correctly by using reason (intelligence or intelligence) about conditions of liquidity difficulties. Capable wisely means being able and having the ability to immediately make changes to better business financial management. Committed wisely means *istiqomah* and is responsible for making these changes. HKCI is measured through three indicators, namely understand wisely, capable wisely and commit wisely. The realization of HKCI is influenced by entrepreneurial orientation activities that are carried out well. Indicators in measuring entrepreneurial orientation use innovativeness, risk taking and proactivity (Miller, 1983).

Innovativeness

Innovation is a company's willingness to introduce newness and novelty through a process of experimentation and creativity aimed at developing new products and services as well as processes (Miller, 1983). Innovation is also used as a way to maintain competitive advantage (Aydin, 2018). This continuous innovation requires a well-planned knowledge management system. This enables an organization to excel in developing its products and services (Magnier-Watanabe, 2017). Knowledge here can be explained as an intangible asset which can later create good competencies and increase company value (Al-Dmour 2020).

Innovation is a technique, method or process in the production chain to provide benefits and convenience in service (Oliva, 2019). This is a must-have for entrepreneurs. Edward-Schachter (2018) explained the term digital financial innovation includes a variety of new business financial software programs, products and services aimed at enabling customers to interact and communicate with financial institutions more easily and efficiently. Business development innovations, especially business financial management, embody Hikmah Knowledge Capture Insolvency. Based on this explanation, the hypothesis proposed in this study is:

H1: The better the innovativeness, the more the Hikmah Knowledge Capture Insolvency will be realized.

Risk Taking

Courage to take risks is the company's willingness to decide and act without definite knowledge of possible opinions and speculations in risk, finance and business (Miller, 1983). The scale of MSMEs, entrepreneur risk taking is associated with a higher level of MSME performance, especially as evidenced by financial evidence that will affect the company's performance (Wiklund & Shepherd, 2003). Individuals will tend to be involved in risk-taking steps, based on their cognitive abilities and level of financial literacy (Jappelli, 2005). The nature of individualism has a strong role in terms of taking financial risk (Breuer et al., 2014; Bellucci., et al., 2019). In addition, this role is also carried out on the basis of personality, attitudes and beliefs as well as openness to experience which is often associated with financial asset management (Brown & Taylor, 2014; Bellucci., et al., 2019).

Based on the ability and level of literacy possessed in terms of taking financial risks, individuals are expected to understand the conditions of financial difficulties and always carry out financial accountability. From this explanation, the hypothesis proposed in this study is:

H2: The better the risk taking, the more the Hikmah Knowledge Capture Insolvency will be realized

Proactivity

Proactivity is a prospective characteristic that is forward-looking with foresight looking for opportunities in anticipate future demand (Miller, 1983). A business actor must have a business orientation by always behaving proactively if he wants his business to develop well. Rusetski (2011) explained proactive performance will impinge from motivation to act. This motivation is influenced

by cultural factor and procedural factor in company. Fay & Somentag (2012) defined proactive performance as starting action independently to solve problems and to find opportunity to foster performance function wholly. Fay & Somentag (2012) showed proactive performance is affected by job control and situational contrains.

The proactive concept refers to an organization's capability to predict and to act on consumer needs by offering new products and services that no one in the industry knows about (Kallmuenzer & Peters, 2018). Proactivity is the main internal factor of organizational success. This makes it possible to take advantage of the industry's first movers. This also indicates high entrepreneurial activity (Isichei et al., 2020). By increasing proactive behavior, business actors always respond and act on opportunities so that they have an impact on the realization of the Hikmah Knowledge Capture Insolvency. From the explanation above, the hypothesis proposed in this study is:

H3: The better the proactivity, the more the Hikmah Knowledge Capture Insolvency will be realized.

Financial Responsibility

The principle of responsibility is how companies comply with laws and regulations and carry out environmental responsibilities, so that they can run their business properly. In this study, the meaning of responsibility is directed at financial management activities (financial responsibility). How companies manage business finances well based on Islamic values.

One form of responsibility can be through a good commitment to the business financial management process. Starting from planning activities, recording, controlling and reporting business finances. The availability of an accounting information system and the capacity of competent human resources are also important factors. Endar et al. (2020) through their research explained that accounting information systems and human resource capacity have a positive effect on the financial management process in MSMEs.

The level of understanding of knowledge of liquidity difficulties is in line with the ability and commitment to change actions towards improvement, dare to take risks and always take advantage of existing opportunities to improve financial management, which are a form of responsibility for business actors in the field of financial management. From this description, the hypotheses proposed in this study are:

H4: The better the innovativeness, the better the financial responsibility.

H5: The better the risk taking, the better the financial responsibility.

H6: The better the proactivity, the better the financial responsibility.

H7: The more realized the Hikmah Knowledge Capture Insolvency, the better the financial responsibility.

Financial Performance

Lin & Kuo (2007) explained business performance as an indicator to determine the extent to which the business activities it carries out are right on target or objectives. This is related to aspects contained in business performance including financial aspects with indicators of company profits and assets, human resources aspects with indicators of number of employees and employee productivity, and marketing aspects with indicators of sales turnover and frequency of product changes (Nelly, 2021; Quantananda, 2015). Ahinful et al. (2021) explained that there is a significant relationship between the type of company ownership and financial performance. This is contrast to the results of research by Ismanto (2016) on the financial performance of MSMEs where financial performance is influenced by business orientation as measured by profit, income and assets.

This study explained that financial performance is influenced by hikmah knowledge capture insolvency and financial responsibility. The achievement of business financial responsibility shows that an increase in knowledge and understanding of business liquidity conditions is achieved. Operational activities are running well; thus, financial performance is also realized well. From this description, the hypotheses proposed in this study are:

H8: The more the Hikmah Knowledge Capture Insolvency is realized, the better the financial performance.

H9: The better the financial responsibility, the more the financial performance will be realized.

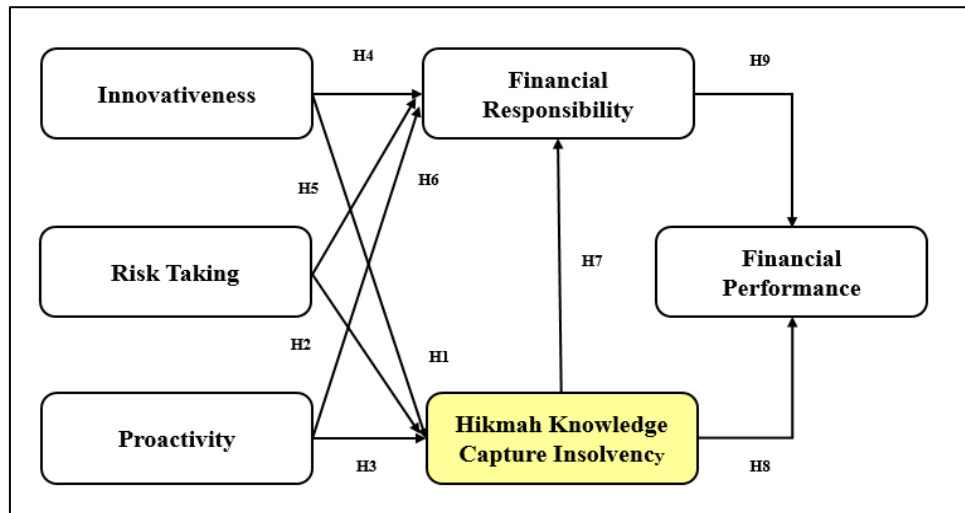To answer and analyze the proposed hypothesis, the empirical model developed in this study is described in Figure 2.

Figure 6. Research Empirical Model

Research Method

Types of research

This research is explanatory, that is, research that explains the relationship between variables. This study emphasizes the explanation of the relationship or influence among the variables studied through hypothesis testing (Hair, et al., 2010).

Variables

The variables studied were entrepreneurial orientation (innovativeness, risk-taking, and proactivity), hikmah knowledge capture insolvency, and financial responsibility as independent variables on financial performance as the dependent variable.

Innovativeness is measured by three indicators, namely making improvements, being creative, and being innovative (Miller, 1983). Three indicators measure risk-taking, namely risk taking as a positive attribute, risk taking using new ideas, and market exploration and experimentation opportunities (Miller, 1983). Proactivity is measured using three indicators: taking the initiative in every situation, detecting opportunities and taking action (Miller, 1983). Hikmah of Knowledge Capture Insolvency (developed in this study), uses three indicators, namely understanding wisely, capable wisely, and committed wisely. Financial Responsibility is measured using four indicators, namely financial planning, financial records, financial control, and financial reporting (Ahinful et al., 2021). Financial Performance is measured using three indicators, namely income, profit, and assets (Nanda, 2015; Ismanto, 2016).

Data Source

The data used primary and secondary data. In this study, the primary data was obtained from interviews with respondents related to the variables studied while the secondary data was respondent data (MSME actors) obtained from the MSME Service website. The data collection method was obtained from interviews and questionnaires.

Population and Sample

The research population was ATBM weaving SMEs in Central Java by choosing three areas where there were still many ATBM weaving business actors who were actively operating including Jepara Regency 631 units (Jepara Regency in Figures as of March 19, 2020), Pemalang Regency 169 units (Pemalang Regency as of 30 June 2019), and Klaten Regency as many as 1078 units (Klaten Regency in Figures as of 30 June 2019), with a total of 1878 business actors. The sample taken was 110 divided into three areas proportionally. Jepara Regency 45 respondents, Pemalang Regency 10 respondents, and Klaten Regency 55 respondents. The sampling technique used purposive sampling method with criteria including, actors/owners of ATBM weaving business (Non-Machine Weaving Equipment), the location was in three areas (Jepara Regency, Klaten Regency, and Pemalang Regency), the business was more than one year and still active, and had a workforce of less than 100 workers or in the category of small and micro scale businesses.

Analysis Techniques

Measurement of variables used an interval scale of 1 to 7. The description of variables used a range of 3 (three) categorizations, namely low (<3), medium (3-5), and high (>5). This categorization was based on the assumption that the population should be normally distributed (Ferdidand, 2006). Meanwhile, the analysis technique used a feasibility test of the Structural Equation Model (SEM) with Analysis Moment of Structure (AMOS) software.

Results and Discussion

Respondent Identity

The respondents of this study were 110 actors, the selected ATBM Weaving SMEs were taken from three districts in Central Java Province, namely Jepara Regency, Pemalang Regency and Klaten Regency. These three areas were taken as the object of research because it was considered that there were still many active weaving business actors. The number of research samples was 110 respondents from the results of the questionnaire distribution which were included in the appropriate category. The data obtained 45 business actors or 41 percent from Jepara Regency, 10 business actors or 9 percent from Pemalang Regency, and 55 business actors or 50 percent from Klaten Regency. A total of 110 respondents indicated that the average age was 25-34 years, the dominant gender was male who had a business for an average of 6-10 years, had an average workforce of 5-9 years in accordance with the scale of the business studied and was dominated by high school education or equivalent.

Variable Description

Respondents' answers to the indicators of the Innovativeness, Risk Taking, Proactivity, Hikmah Knowledge Capture Insolvency, Financial Responsibility and Financial Performance variables can be explained as being in the overall average score in the range of more than 5 (>5), or in high criteria, except for the Financial Responsibility variable, there was one measurement indicator that was in the moderate score range, namely financial reporting activities. Answers with high scores indicated that there was a good response from respondents where activities to improve the understanding of business liquidity conditions are very important, and most of them have implemented it, although the treatment is still in a simple form with the ability they have.

Data Normality Evaluation

Evaluation of data normality using univariate and multivariate data analysis, which is described in table 1.

Table 1. Data Normality Test

Variable	min	max	skew	c.r.	kurtosis	c.r.
X22	4.000	10.000	-.366	-1.636	-.730	-1.633
X21	5.000	10.000	-.280	-1.250	-.733	-1.638
X20	5.000	10.000	-.149	-.666	-.563	-1.258
X25	4.000	10.000	-.188	-.841	-.738	-1.650
X24	4.000	10.000	-.229	-1.026	-1.001	-2.239
X23	4.000	10.000	-.394	-1.762	-.595	-1.331
X12	5.000	10.000	-.065	-.289	-.849	-1.898
X10	4.000	10.000	-.250	-1.118	-.777	-1.738
X11	4.000	10.000	-.002	-.010	-.792	-1.770
X19	4.000	10.000	.116	.519	-.602	-1.346
X18	4.000	10.000	.212	.950	-.576	-1.289
X17	4.000	10.000	.115	.514	-.714	-1.597
X16	4.000	10.000	.165	.736	-.653	-1.459
X13	4.000	10.000	-.278	-1.245	-.919	-2.054
X14	4.000	10.000	-.137	-.611	-.714	-1.596
X15	4.000	10.000	-.264	-1.179	-.904	-2.022
X1	5.000	10.000	.122	.546	-.535	-1.196
X3	5.000	10.000	.327	1.463	-.721	-1.611
X4	5.000	10.000	.299	1.337	-.715	-1.598
Multivariate					1.854	.359

Source: primary data processed, 2021

The data normality test for this research analysis used the critical ratio (CR) criteria of ± 2.58 at a significant level of 0.01. From the results of data processing, it can be concluded that there was no deviant data. The normality test of the data for each indicator proved normal, and it can also be concluded that the data processed in this study had a normal distribution. Through the multivariate test, it can be seen that the total value of the critical ratio was 1.854 or in other words it had a specified level of significance. Hair et al. (2014) stated that normal data in multivariate must also be normal in univariate manner. On the other hand, if the overall data is univariately normal, it does not guarantee that it will be multivariately normal.

Instrument of Validity Test

In this study, the validity of the data was tested using a convergent validity test. This can be seen from the structural equation modeling by paying attention to each indicator coefficient in each construct which had a value greater than twice each of the standard errors (Ghozali, 2018).

Table 2. Test of Variance Extracted among Exogenous Variables

Indicator construct	Innovative			Risk Taking			Proactive		
	Std. Loading	Std. (Loading)²	Error	Std. Loading	Std. (Loading)²	Error	Std. Loading	Std. (Loading)²	Error
Innov1	0.750	0.562	0.440						
Innov2	0.740	0.547	0.547						
Innov3	0.900	0.810	0.190						
Risk1				0.820	0.672	0.328			
Risk2				0.750	0.562	0.440			
Risk3				0.960	0.921	0.079			
Proac1							0.780	0.608	0.392
Proac2							0.750	0.562	0.438
Proac3							0.860	0.739	0.261
$\Sigma\lambda$	2.390			2.530			2.390		
$\Sigma\lambda^2$		1.919			2.155			1.909	
$\Sigma\varepsilon j$			1.177			0.847			1.091
$(\Sigma\lambda)^2 + \Sigma\varepsilon j$		3.096			3.002			3.000	
AVE		0.619			0.717			0.636	

Source: primary data processed, 2021

This validity test used the basic provisions of the variance extracted (EVA) value above the cut-off value of 0.5. A high EVA value above the cut-off value of 0.5 indicated good convergence. The results of calculating the variance extracted exogenous variables in this study are presented in Table 2. The results showed that the value of the variance extracted exogenous constructs for the innovativeness, risk taking and proactivity variables had a high value, which was above the cut-off value of 0.50, namely innovativeness was 0.619, risk taking was 0.717 and proactivity was 0.636. Thus, it can be concluded the indicators of the exogenous construct used in the study.

Meanwhile, the results of the calculation of the variance extracted endogenous constructs in this study are presented in Table 3.

Table 3. Test of Variance Extracted among Endogenous Variables

Construction Indicator	HKCI			Financial Responsibility			Financial Performance		
	Std. Loading	Std. (Loading)²	Error	Std. Loading	Std. (Loading)²	Error	Std. Loading	Std. (Loading)²	Error
HKCI1	0.860	0.739	0.261						
HKCI2	0.830	0.689	0.311						
HKCI3	0.800	0.640	0.360						
FINRES1				0.800	0.640	0.360			
FINRES2				0.790	0.624	0.376			
FINRES3				0.940	0.883	0.117			
FINRES4				0.780	0.608	0.392			
FINPER1							0.850	0.722	0.278
FINPER2							0.740	0.547	0.453
FINPER3							0.750	0.562	0.438
$\sum\lambda$	2.490			3.310			2.340		
$\sum\lambda^2$		2.068			2.755			1.831	
$\sum \epsilon j$			0.932			1.245			1.169
$(\sum\lambda)^2 + \sum \epsilon j$		3.000			4.000			3.000	
AVE		0.689			0.688			0.610	

Source: primary data processed, 2021

The results of the endogenous construct variance extracted test showed that the endogenous construct variance extracted value for the HKCI, Financial Responsibility, and Financial Performance variables had the value above the cut-off value of 0.50. The value of the variance extracted from the HKCI variable was 0.689, the financial responsibility variable was 0.688, and the financial performance variable was 0.610. Based on the results of the variance extracted test, it can be concluded that the indicators of the endogenous constructs used in this study had met the variance extracted criteria.

Instrument Reliability Test

Reliability test was used to show the extent to which a measuring instrument can give relatively the same results when repeated measurements were made on the same object. The minimum reliability value of the dimensions forming the latent variable that can be accepted was 0.70. Construct Reliability was obtained from the formula of Hair et.al. (2014). The results of the instrument reliability test are presented in Table 4.

From Table 4, it can be explained that there was no reliability value smaller than 0.70. Likewise, in the variance extract test there was also no value below 0.50. The results of this test showed that all the indicators in the construct that were used as observed variables for the construct or its latent variable were able to explain the construct or latent variable formed.

Table 4. Reliability Test

No.	Variable	Indicator	Loading Factor	Std. Error	Construct Reliability	Variance Extract
1	Innovativeness	Innov1	0.750	0.440		
		Innov2	0.740	0.547	0.829	0.619
		Innov3	0.900	0.190		
2	Risk Taking	Risk1	0.820	0.328		
		Risk2	0.750	0.440	0.883	0.717
		Risk3	0.960	0.079		
3	Proactivity	Proac2	0.780	0.392		
		Proac2	0.750	0.438	0.839	0.636
		Proac3	0.860	0.261		
4	Hikmah Knowledge Capture Insolvency (HKCI)	HKCI1	0.860	0.261		
		HKCI2	0.830	0.311	0.869	0.689
		HKCI3	0.800	0.360		
5	Financial Responsibility	FinRes1	0.800	0.360		
		FinRes2	0.790	0.376	0.897	0.688
		FinRes3	0.940	0.117		
		FinRes4	0.780	0.392		
6	Financial Performance	FinPer1	0.850	0.278		
		FinPer2	0.740	0.453	0.905	0.610
		FinPer3	0.750	0.438		

Source: primary data processed, 2021

**Goodness of Fit of Full Model Hikmah Knowledge Capture Insolvency**

The results of goodness of fit full model from the Hikmah Knowledge Capture Insolvency are presented in Table 5.

Table 5. The Results of Goodness of Fit Full Model HKCI

No	Index of Goodness of Fit	Criteria	Estimated Value	Description
1	Chi-Square	Expected small	149.778	Good
2	Probability	≥ 0.05	0.291	Good
3	CMIN/DF	≤ 2.00	1.062	Good
4	GFI	≥ 0.90	0.885	Marginal
5	AGFI	≥ 0.90	0.845	Marginal
6	TLI	≥ 0.95	0.991	Good
7	CFI	≥ 0.95	0.993	Good
8	RMSEA	≤ 0.08	0.023	Good

Source: primary data processed, 2021

Based on the results of the feasibility test of the model presented in Table 5, it is known that the estimation results of the chi-square, probability, CMIN/DF, TLI, CFI and RMSEA criteria were in the expected value range, which was included in the good category. In the GFI and AGFI indexes, the results were not good, but the value was close to the cut off value or it can be said to be marginal fit, namely the condition of the suitability of the measurement model under the fit size criteria. However, it can still be continued in further analysis because it was close to the good fit criteria. Thus, the model is still acceptable (Limakrisna & Mardo, 2016). On this basis, it is concluded that this research model met the goodness of fit measure and can be continued in further analysis, namely hypothesis testing. While the full model of the Structural Equation Model (SEM) analysis is described in Figure 3.
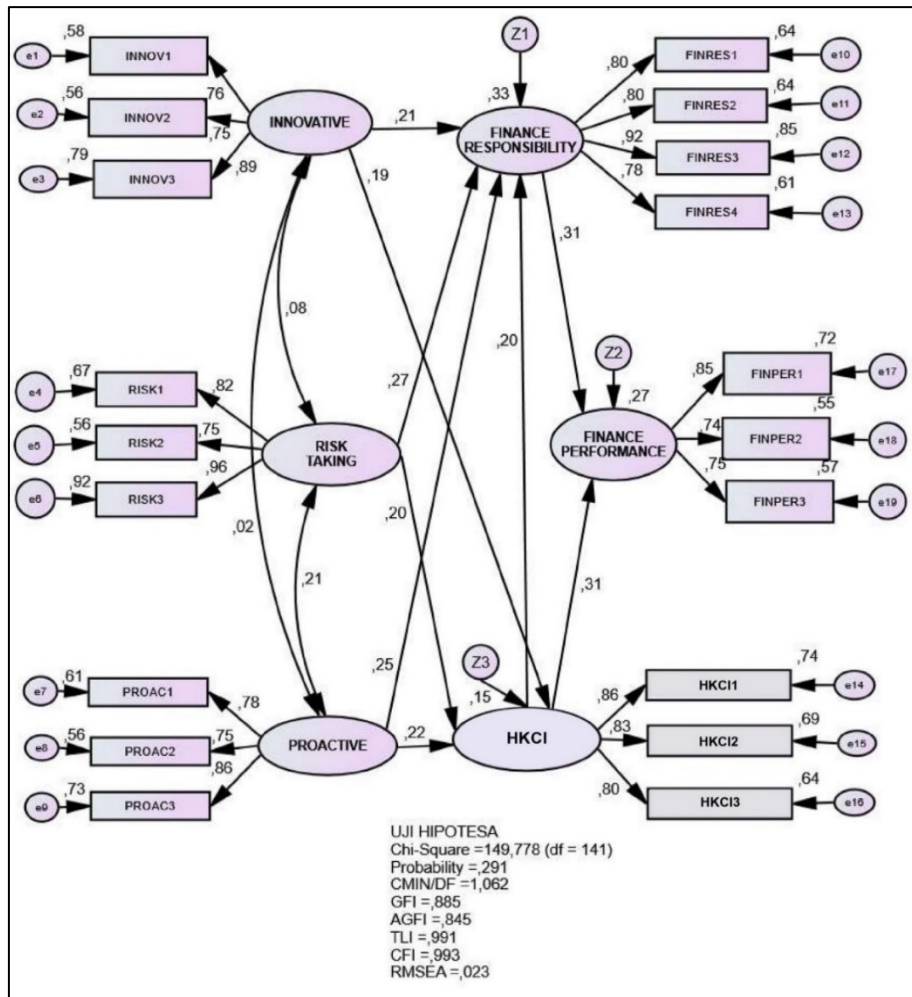
Figure 3. Full Model of Hikmah Knowledge Capture Insolvency

Hypothesis Test

Based on the processed data, the hypothesis proposed in this study showed that the relationship among variables was accepted by using the conditional limit for a significant probability value of 0.05 and the value of critical ratio (cr) ± 2.00. More complete results are presented in Table 6.

Table 6. Hypothesis Test Results Using Structural Equation Model (SEM)

Hypothesis	Relationship Between Variables	Estimation	Critical Ratio (cr)	Probability	Result Description
H1	Innovativeness → HKCI	0239	1.891	0.059 ±	Accepted
H2	Risk Taking → HKCI	0.196	2.012	0.044*	Accepted
H3	Proactivity → HKCI	0.265	2.170	0.030*	Accepted
H4	Innovativeness → Financial Responsibility	0.267	2.219	0.026*	Accepted
H5	Risk Taking → Financial Responsibility	0.272	2.901	0.004*	Accepted
H6	Proactivity → Financial Responsibility	0.300	2.562	0.010*	Accepted
H7	HKCI → Financial Responsibility	0.210	2.062	0.039*	Accepted
H8	HKCI → Financial Performance	0.338	2.904	0.004*	Accepted
H9	Financial Responsibility → Financial Performance	0.322	2.916	0.004*	Accepted

Source: primary data processed, 2021
Description: Cr ≥ ± 2.00 ; ±$p < 0.10$; *$p < 0.05$

Discussion

The acceptance of the hypothesis was that there was an influence among innovativeness, risk taking, and proactivity on the hikmah of knowledge capture insolvency which explains that SMEs weaving ATBM actors received a good response to always make improvements in all fields. The financial sector is no exception. The higher the knowledge obtained by a person, the more he understands about what is known and what should be done.

The acceptance of the hypothesis is that there is an influence between innovativeness, risk taking, and proactivity on hikmah of knowledge capture insolvency which explains that SMEs weaving ATBM actors received a good response to always make improvements in all fields. The financial sector was no exception. The higher the knowledge obtained by a person, the more he understands about what is known and what should be done. Researchers are all directed to always learn to know something; thus, the knowledge will increase.

The results of the acceptance of the hypothesis of the effect of proactivity on the hikmah of knowledge capture insolvency explained that the more active the initiative was taken in every opportunity and situation and acts in the supervision and control of business finances, the hikmah of knowledge capture insolvency is increasingly realized. Business actors will always think ahead through action and control. These results supported the statement of Miller (1983), which is proactive is a prospective characteristic that looks forward with foresight to look for opportunities to anticipate future demand, through the motivation to survive (Rutsetskli, 2011) and supervision and control at the limits owned (Sonnentag & Spychala, 2012).

The results of the acceptance of the hypothesis of the influence between the dimensions of entrepreneurial orientation (innovativeness, risk taking, and proactivity) on financial responsibility, explained that if the entrepreneurial orientation of ATBM weaving business actors is getting better, it will appear that the responsibility for managing business finances is getting better too. The meaning of "manage" can be seen in this explanation. Thus, business activities also go through a systematic mechanism. That is a form of responsibility that must be embedded.

The results of the acceptance of the hypothesis of the influence of the hikmah of knowledge capture insolvency on financial responsibility and financial performance indicated that having an understanding of the ATBM weaving business actor on financial management knowledge on liquidity conditions was very important. The more this is realized well, the better the financial performance will also be realized.

To increase knowledge of business liquidity conditions, there are several things that can be understood and carried out according to ability and commitment. First, always make a financial plan. The principle of making financial planning is part of the efforts that can be made to serve as guidelines and evaluations in running a business. Second, carry out financial recording activities. Third, overcome business financial difficulties. Cash is a reserve fund solution and an alternative to a policy. Fourth, if alternative debt is taken as a source of additional funds, take a careful attitude and action. Fifth, discipline in every debt payment.

From this explanation, it can be conveyed that it is very important for business actors to have an understanding of preventing the occurrence of business liquidity conditions. Behaving to always be committed and disciplined in holding an element of agreement and responsibility is one of the commendable and very wise traits. If this is implemented properly, financial performance will also be realized as well.

Limitations of the Research

The limitation of result occurs in this research. Analysis result of full model test using SEM-AMOS showed full model test analysis using SEM-AMOS. It was found that there were conformity test results with marginal values, namely the Goodness of Fit Index (GFI) value of 0.885 and the Adjusted Goodness of Fit Index (AGFI) value of 0.845, where both values were 0.90, which should be 0.90.

The value of square multiple correlations from hikmah of knowledge capture insolvency waws only 0.115. This showed that the indicators understand wisely, and are committed to

influence hikmah of knowledge capture insolvency by 11.5%. While 88.5% is more influenced than other factors that had not been explained in this researchd.

Theoretical and Practical Implication

The results explain the theoretical and practical implications. The theoretical implications of the findings are that hikmah knowledge capture insolvency models support the capital structure theory of Miller and Modigliani (1958) and the trade-off theory of Stiglitz (1968) and Rubenstein (1973). The optimal capital structure that affects firm value was obtained from two sources, namely equity and debt. In terms of the source of debt, the importance of understanding how to control debt is very much needed by business actors. Companies that continue to decide to increase debt (as a source of funding) will pay higher interest rates and are likely to lower net income and lead to financial difficulties. Meanwhile, the practical implication is that, through the hikmah knowledge capture insolvency models, business actors will increase their knowledge and understanding of the condition of business liquidity difficulties. Thus, they always make improvements in business financial management. In addition, responsibility and financial performance in entrepreneurship orientation are realized properly.

Conclusion

The dimensions of entrepreneurial orientation, including innovativeness, risk taking, and proactivity which were described as exogenous variables in this study had positive influence on hikmah knowledge capture insolvency. This was in line with Miller's (1983) statement that entrepreneurial orientation activities in business development were very important to improve business performance. By conducting an entrepreneurial orientation, business actors gained additional experience and knowledge.

The results of the positive influence among innovativeness, risk taking, and proactivity on financial responsibility through the achievement of hikmah knowledge capture insolvency explained that good financial responsibility will be achieved if an understanding of the knowledge of business liquidity conditions is also achieved and supported by good entrepreneurial orientation activities as well.

Future research requires an in-depth study to examine hikmah model of knowledge capture insolvency by involving several factors that affect the condition of financial distress, such as business failure, economic failure, technical insolvency (Cornett et al., 2009). It explained that financial difficulties do not only come from internal factors but also external factors. The external factors here are general economic conditions. In addition, studies directed at increasing knowledge in business management can also be applied, such as Experiential Learning Theory (Kolb, 2014). In other words, learning can be conducted through experience gained and learning model approach, or other approaches.

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QS. Maryam:12, *Hikmah means understanding*.

QS. Al-An'am:89, *Hikmah means knowledge*.

QS. An_Nahl:125, *Hikmah means fair and wisdom*

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