Jurnal Aplikasi Bisnis dan Manajemen (JABM), Vol. 11 No.2, May 2025
Permalink/DOI: http://dx.doi.org/10.17358/jabm.11.2.431

Available online
http://journal.ipb.ac.id/index.php/jabm

SOCIAL CAPITAL AND PERFORMANCE OF SMES: THE MEDIATING ROLE OF RISK-TAKING

Erni Masdupi[*)1], Rizuwan Abu Karim[**)], Rosyeni Rasyid[*)], Firman[*)], Ilham Thaib[*)]

[*)]Department of Management, Faculty of Economics and Business, Universitas Negeri Padang
Jl. Prof Hamka, Air Tawar, Padang, 25131, Indonesia
[**)]Faculty of Economics and Business, Universiti Teknologi MARA (UiTM)
Kampus Alor Gajah, KM 26 Jalan Lendu, 78000 Alor Gajah, Melaka, Malaysia

Article history:
Received
30 October 2024

Revised
5 February 2025

Accepted
21 February 2025

Available online
31 May 2025

Abstract:

Background: Small and Medium Enterprises (SMEs) are necessary for the Indonesian economy, including SMEs in West Sumatra. They still face various challenges, such as unstable performance and a lack of skills in analyzing risk-taking. A superior business has strategic resources. Resources that can be relied on to achieve stable performance are unique and difficult to imitate.
Purpose: The study aims to assess the pertinence of the measurement model with the data and analyze the influence of risk-taking in mediating the nexus of social capital and performance.
Design/methodology/approach: Data were collected from 254 managers or owners of SMEs in tourism and the creative economy in West Sumatra. This study employed SEM-AMOS to test the research hypothesis and model.
Finding/Results: The results show that the hypothesized measurement model is valid and significant. Social capital is a significant determinant of SMEs' performance and risk-taking. However, risk-taking as an intervening variable of social capital and performance could not be approved in this study.
Conclusion: This study concludes that related parties need to pay attention to non-physical resources such as their social capital, which indicates how they have trust, networking, and values that would contribute to the SMEs' performance.
Originality/value (state of art): Previous studies on the determinants of SMEs' performance have only focused on financial/physical resources but have not considered intangible resources, such as social capital and risk-taking.

Keywords: Risk-taking, Social Capital, Performance, SMEs, SEM-AMOS

How to Cite:
Masdupi E., Karim R. A., Rasyid R., & Thaib I. (2025). Social Capital and Performance of SMEs: The Mediating Role of Risk-Taking. Jurnal Aplikasi Bisnis Dan Manajemen (JABM), 11(2), 431. https://doi.org/10.17358/jabm.11.2.431

[1] Corresponding author:
Email: emasdupi@fe.unp.ac.id

INTRODUCTION

Small and Medium Enterprises (SMEs) in the Tourism and Creative Economy sector in West Sumatra are currently quite developed, capable of increasing tourist visits, expanding job opportunities, and absorbing more workers, thereby encouraging West Sumatra's economic growth. The Ministry of Cooperatives and SMEs in 2022 stated that the number of SMEs in West Sumatra was ranked eighth compared to other provinces in Indonesia. There are around 296,052 SME units in this province. This illustrates the importance of the contribution of the SME sector in West Sumatra to the development of the Indonesian economy. Even though they can create job opportunities and contribute to increasing people's income, SMEs in West Sumatra still face various challenges. Some of them include a lack of competitive advantage and performance, and a lack of skills in analyzing social capital and risk-taking.

This study employs the Resource-Based View (RBV) to support the model. RBV states that exploring the resources could create a competitive advantage and lead the company be better performance and sustain the business (Barney, 2015). RBV emphasizes that organizations that use unique tangible and intangible resources create a competitive advantage for superior company performance (Barney, 2015). There are two dimensions of resources. (Robbins & Merry, 2002), namely, tangible and intangible social capital and risk-taking.

Social capital is a resource possessed by a business. It could be indicated by networks, norms, and trust that provide mutual benefit through coordination and cooperation (Aidoo, Agyapong & Mensah, 2020; Dudley, 2021). Social capital determines entrepreneurial practices. Transaction costs between entrepreneurs, information search costs, and bidding costs could be reduced by a high level of social capital. (Doh & Zolnik, 2014). According to Putnam (2000), SMEs have a significant role in building social capital and strengthening social networks in business. SMEs with high social capital have extensive and quality business networks, high trust from various parties, and more collective norms or behavior in making strategic decisions. Social Capital is an important component of entrepreneurial performance (Stam, Arzlanian, & Stam, 2014). Social capital influences performance (Knack & Keefer, 1997).

According to Tsai & Ghoshal (1998), a company's performance will increase and provide value through empowering social capital. It could reflect channels and environments for the business. A business with excellent trust can achieve more than other businesses without trust (Coleman, 2009). Social capital can play an important role in the decision-making of managerial. Competitive advantage could result from trust-based relationships between economic agents (Humphrey & Schmitz, 1998). It can be summarized that the social capital of SMEs will relate to good performance.

The high level of social capital allows SMEs to use materials and assets and seize opportunities appropriately. Then, SMEs build trust and lead the firm toward riskier projects. Ferris, Javakhadze, & Rajkovic, (2017) Highlighted that the possibility of information asymmetry could be reduced by social capital. This helps to mitigate arising risk-taking of the incidence and consequences of failure. Risk-taking is the extent to which SMEs and managers demonstrate a willingness to make bold and risky strategic decisions and resource investments with the possibility of costly failure (Ferris, Javakhadze, & Rajkovic, 2017) (Miller & Friesen, 1978). Risk-taking has a significant influence on company performance. SMEs must make strategic decisions, even though they are risky. High risk means a higher return (Folta, 2007).

Furthermore, social capital influences a company's attitude towards risk and management style. According to Sanders (2007); and Greve (2003), performance and competitiveness could be driven by risk taking. It is a critical component of decision-making. Social capital influences attitude toward risk-taking. These are not only aligned to maximize shareholder wealth but also with other parties, such as suppliers, creditors, employees, customers, and society. Higher social capital, such as honesty and trust, impacts on brave managerial actions in taking risks. With interaction and trust, SMEs become more innovative, proactive, and risk-taking. Having a wide network and learning a lot about other parties makes SME owners have a bolder and more aggressive attitude in dealing with decision-making situations that involve uncertainty. Risk-taking influences the company's performance. Social capital SMEs will provide strategic decisions regarding risk-taking that have a high probability of success.

Social capital available within the company will increase external networks and trust, and result in high levels of knowledge required to understand current and future market conditions. Organizations are better able to make strategic decisions guided by this knowledge, although risky, high-risk decisions relate to a higher probability of success. However, the costs associated with taking risks exceed the benefits in certain contexts, as a cause of prevalent information asymmetries (Fatoki, 2011). This phenomenon can produce positive economic results by preventing SMEs from taking risks uncarefully. This will maintain the stability of business continuity. The stability of business continuity indicates good performance. Thus, risk-taking is one of the intermediary factors through which social capital influences performance.

Finally, SMEs with high social capital will have a much better advantage, because, first, high social capital in terms of networks, either with close friends/ business partners/family/government, or banks, will open easy access to financing without collateral, easy requirements, and low interest rates (Aidoo, et al. 2020; Dudley, 2021). This indicates that social capital has a role that is no less important than financial capital. SMEs with high social capital are involved in proactive innovation that can beat competitors and will also trigger a brave attitude in taking risks with a rare possibility of failure (Ferris, Javakhadze, & Rajkovic, 2017). However, social capital studies on SMEs may not yet exist in Indonesia, especially West Sumatera. Therefore, there is a need for a study that examines the role of risk-taking in explaining the nexus between social capital and SME performance.

Previous studies have only focused on the impact of tangible assets on the performance of listed companies on the stock exchange. This study includes intangible assets, such as social capital and risk-taking, in determining SME performance. This paper studies the social capital in SMEs of the tourism and creative economy sector in West Sumatra, and it is not conducted on the former. This may become a research novelty.

This study employed a deductive quantitative approach to accomplish the aim of the research. This study is a cross-sectional survey design, employing structural equation modeling (SEM) with AMOS software. The purpose of the study is to test the effect of social capital upon performance with risk-taking as a mediating variable in SMEs in West Sumatera.

METHODS

This study is classified as quantitative research. This research uses primary data. The data were obtained from questionnaires distributed to Creative Economy SMEs in West Sumatra. Determining the minimum sample size refers to the opinion of Hair (2018), which states that the sample size must be adjusted to the number of indicators or question items on the questionnaire. This research uses 18 question items, so the sample size is 18 x 10 = 180. Based on this formula, it can be seen that the minimum sample size is 180, but the sample for this research is 254 tourism and creative economy SMEs in West Sumatra. This study has three constructs with 18 questions (such as in Table 1). Performance has 5 indicators (Li, Huang, & Tsai, 2009). Social capital is measured by 8 indicators (Aidoo, 2020; Pham & Talavera, 2018), and risk-taking with 5 indicators (Aidoo et al. 2020; & Li et al. 2009). This study was measured using a Likert scale of 1-5 (1 = strongly disagree, 5 = strongly agree).

Table 1. Operational Variables

Description	Variables	Operational variables	Number of Items	Scale
Exogenous Variable	Social Capital	A series of informal values or norms shared among members of a community of SMEs that are interconnected and based on trust, norms, and networking.	8	Likert Scale
Exogenous Variable	Risk-Taking	A brave and aggressive action in making decisions in uncertain business conditions, the ability to explore and experiment, and a liking for high-risk projects.	5	Likert Scale
Endogenous Variable	Performance	The financial performance of SMEs in the last three years compared to competitors.	5	Likert Scale

This study employed a cross-sectional survey design and a convenience sampling approach to collect data from managers or owners of SMEs in Padang, Bukittinggi, and Pariaman in 2023. Third cities have many SMEs in tourism and the creative economy. To accomplish this, researchers contacted them through various means, such as government tourism office, Micro, Small and Medium Entreprises office or personal phone numbers, email and social media platforms including instagram, facebook, and also visit and distribute a structured questionnaire directly.

Structural Equation (SEM) is used as a statistical tool in this study. SEM is a two-step approach. A measurement model through Confirmatory Factor Analysis (CFA) was executed before running a Structural Model. CFA aims to make sure the model can fulfill validity and reliability, while the structural model assesses the hypothesis. Once the measurement model is fit and valid, a structural model can be carried out. It is called a two-stage approach. The measurement model was conducted to ensure all indicators can measure their respective constructs, while the structural model examines the relationship between constructs. The research hypothesis could be formulated based on the theories and related research that have been explained previously:

H1: Social Capital significantly relates to the Performance of SMEs in West Sumatra

H2: Social Capital has a significant positive effect on the risk-taking of SMEs in West Sumatra

H3: Risk-taking has a significant positive effect on the performance of SMEs in West Sumatra

H4: Social capital influences the performance of SMEs in West Sumatra, mediated by risk-taking

The model is shown in Figure 1, which was developed based on relevant theory and previous research.

RESULTS

Before SEM by AMOS was executed, the outlier, normality, multicollinearity, and heteroscedasticity tests were first carried out.

Outlier Test

The initial data for this research were 271 SMEs in the tourism and creative sectors. Data screening is executed, such as an outlier test. The outlier test is a condition of data that has unique characteristics and looks very different from other data (Tileng, 2015), which the data is farther from the center point. This study tests for outliers using Mahalanobis distance. The Mahalanobis distance value was 42.312. All data that have a Mahalanobis distance value above 42.312 are considered outliers. The outputs of the data processing revealed that there were 17 outliers so they were removed from the study. Therefore, the final sample is only 254 SMEs in the tourism and creative economy.

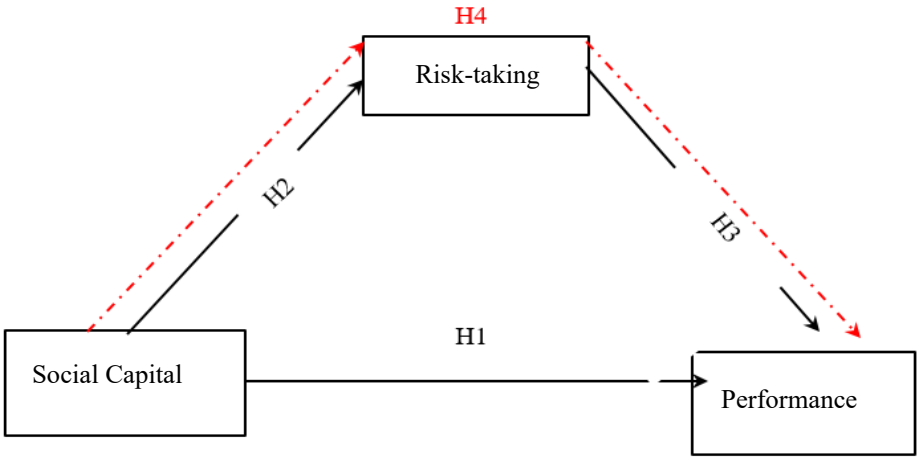

Figure 1. Theoretical framework

This study has respondents from 254 SMEs. They were located in three cities, such as 83.6%, Padang, 11.6% in Bukittinggi, and 4.8% in Pariaman, and represent the tourism and creative economy sectors. The number of assets of SMEs is 88.6% to be between IDR50,000,000–500,000,000 and 11.4 % between IDR500,000,000–10,000,000,000. The last education of respondents is 2% elementary school, 6.8% junior high school, 52.4% senior high school, 36% bachelor and 2.8% postgraduate. The survey participants were 40% male and 60% female; 10.4% reported their age to be between 20 and 30, 22.8% between 31 and 40 years, and 38.8% between 31 and 40 years, and 28% reported being over 50.

Normality Test

Then, this study assesses the normality data using Kolmogorov-Smirnov. If the residual error is insignificant with a p-value of more than 0.05 (Ghozali, 2016), data is normally distributed. The result found Kolmogrov-Smirnov is of 0.052 with a significance level of 0.100>0.05. Therefore, the data is normally distributed.

Multicollinearity Test

The next step is to assess multicollinearity, which aims to look at the existence of a strong correlation between the exogenous variables (Gujarati, 2007). The variance inflation factor (VIF) and tolerance values are utilized to assess the multicollinearity. The results show that there is no multicollinearity happen since the VIF value is less than 10 and the tolerance value is greater than 0.1.

Heteroscedasticity Test

Heteroskedasticity means that there are variable variants in the model that are not the same or are not constant (Gujarati, 2007). Heteroscedasticity is assessed by looking at the pattern of data variance. Heteroscedasticity has occurred if the data variance forms a certain pattern. Heteroscedasticity does not happen, since there is no clear pattern, and the dots spread above and below the number 0 on the Y axis in Figure 2.

Measurement Model

After the research data meet all assumption tests, the main analysis tool, namely SEM, is executed. A measurement model through CFA is highly recommended before carrying out a structural model. Overall, CFA could fulfill the acceptable fit, which means the model fits with the data as explained in Table 2. Overall, CFA could fulfill the goodness of fit indices –GOF (RMSEA = 0.072 <0.08; GFI = 0.90 <= 0.90; TLI = 0.942 > 0.9; and CFI = 0.954 > 0.90). This means the model fits with the data. The model can explain empirical information about the data collected. (Rachbini et al. 2019). Chi-square alone is inappropriate. (Bagozzi & Yi, 1988) To reject a model. Chi-square is very sensitive to sample size. A Type I error, in which there is a rejection of the null hypothesis, might be due to a significant chi-square. Therefore, this study decided whether the model fit, utilizing other GOF indices, such as those in Table 2. This was stated Tanaka (1993), and Tomarken & Waller (2003).

Assessing convergent validity could be used in several ways, such as loading factor, variance extracted, critical ratio, and construct reliability (Tabachnick & Fidell, 2007). In Table 3, it can be seen from the results of processing the AMOS output data that all indicators have standardized loading (SL) > 0.30 and are significant at the 1% level with CR > 1.96, with loading values ranging from 0.448 to 0.942. Therefore, the overall measurement model of social capital, risk-taking, and performance can achieve the cut-off values. This explains that the model could fulfill convergent validity, and this means indicators can also reflect their respective latent variables. The standardized factor loading of more than 0.3 means that convergent validity could be achieved. This means that the indicators for each construct can explain their respective latent variables (Tabachnick & Fidel, 2007).

Table 3 explains that the construct reliability and variance extracted could fulfill cut-off values for each variable. Construct reliability is 0.844 > 0.70 for social capital, 0.885 > 0.70 for risk-taking, and 0.925>0.70 for performance. Meanwhile, the variance extracted is for social capital variables (0.519 > 0.50), risk-taking (0.617 > 0.50), and performance (0.726 > 0.50). Therefore, the overall measurement model of social capital, risk-taking, and performance is reliable. The correlations between social capital and risk-taking (r = 0.56); social capital and performance (r = 0.36); and risk-taking and

performance (r = 0.25) are less than 0.08. This means the discriminant validity of the construct could also achieve the required values. The construct of social capital, risk-taking, and performance explains their respective indicators better than other constructs. So, it can be concluded that the overall CFA of social capital, risk-taking, and performance has met the convergent validity, discriminant validity, and construct reliability.

Structural Model

The Structural Model of SME performance in the tourism and creative sector is shown in Figure 3. The structural model was modified by correlating the error with the highest modification index to reduce the Chi-Square, as suggested by the AMOS program. The correlated errors are e1 and e4; e1 and e6; e1 and e8; e2 and e4; e11 and e12; e11 and e13; e12 and e13; e15 and e17; and e17 and e18 (Byrne, 2016). Square Multiple Correlation (SMC) is used to determine the effect of the exogenous variables on the endogenous variable (Kurniawan et al. 2024). The result shows that SMC for SMEs' performance is 0.13, which indicates the ability of exogenous variables to explain variance in an endogenous variable as much as 13 percent. The rest is mentioned by other variables not included in this study.

Hypothesis Testing

Hypothesis testing in this research is used to answer research questions and analyze structural model relationships. Table 4 explains the results of the hypothesis testing.

Social capital affects SMEs' Performance

Table 4 reveals that social capital significantly affects the performance of SMEs in the tourism and creative economy at the 1% level with a coefficient of β=0.323. The higher the social capital of SMEs in West Sumatra, the more the business performance will increase. Therefore, H1 was supported. Good social capital among SMEs is shown by employees who have integrity and are willing to share information. SMEs have networks with other business actors and carry out routine interactions with them. This condition can improve SME performance. The more social networks owned by SMEs, the higher their performance, and it is easier to develop the SMEs. The results are consistent with Aidoo et al. (2020) and Lorenz (1999) which found that social capital has a significant positive impact on SMEs' performance. Social capital can be seen through trust, networking, and norms. The findings of the study are not in line with Meflinda et al. (2018) that social capital has an insignificant effect on SME performance.

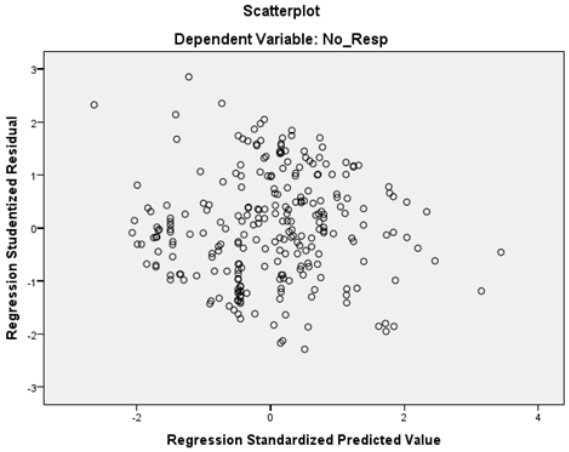

Figure 2. Heteroscedasticity test

Table 2. Goodness of Fit (GOF) Overall CFA

Goodness of Fit Index	Cut–Off Value	Estimated Results	Evaluation
Chi-Square	Expected to be small	277.808	-
DF	-	121	-
Probability	≥0.05	0.000	Marginal Fit
RMSEA	≤0.08	0.072	Better Fit
CMIN/DF	≤2.00	2.296	Marginal Fit
GFI	≥0.90	0.894	Marginal Fit
AGFI	≥0.90	0.851	Marginal Fit
TLI	≥0.90	0.942	BetterFit
CFI	≥0.90	0.954	BetterFit

Noted: GFI: Goodness of fit index; AGFI: Adjusted GFI; CFI: Comparative fit index; TLI: Tucker Lewis index; RMSEA: The root mean square error approximation (Byrne, 2001; Hair et al. 2018).

Table 3. Output of Overall CFA

Latent	Indicators	SL	SL2	Error (1-SL2)	S.E	CR	Prob.
Social Capital	SC8	0.661	0.437	0.563	0.116	11.388	0
Social Capital	SC7	0.875	0.766	0.234	0.091	10.443	0
Social Capital	SC6	0.769	0.591	0.409	0.089	9.4	0
Social Capital	SC5	0.791	0.626	0.374	0.15	9.261	0
Social Capital	SC4	0.428	0.183	0.817	0.199	6.155	0
Social Capital	SC3	0.456	0.208	0.792	0.188	6.205	0
Social Capital	SC2	0.576	0.332	0.668	0.083	8.207	0
Social Capital	SC1	0.46	0.212	0.788	0.083	6.262	0
	Σ	5.016	3.354	4.646			
	Construct Reliability	0.844					
	Variance Extracted		0.519				
Risk-Taking	RT1	0.909	0.826	0.174	0.044	24.294	0
Risk-Taking	RT2	0.951	0.904	0.096	0.044	24.294	0
Risk-Taking	RT3	0.589	0.347	0.653	0.059	10.593	0
Risk-Taking	RT4	0.835	0.697	0.303	0.054	18.991	0
Risk-Taking	RT5	0.559	0.312	0.688	0.085	9.876	0
	Σ	3.843	3.087	1.913			
	Construct Reliability	0.885					
	Variance Extracted		0.617				
Performance	P1	0.914	0.835	0.165	0.042	30.711	0
Performance	P2	0.979	0.958	0.042	0.033	30.711	0
Performance	P3	0.942	0.887	0.113	0.036	27.695	0
Performance	P4	0.893	0.797	0.203	0.043	22.656	0
Performance	P5	0.388	0.151	0.849	0.087	6.483	0
	Σ	4.116	3.629	1.371			
	Construct Reliability	0.925					
	Variance Extracted		0.726				

Table 4. Hypotheses Testing

Hypotheses	Estimate	S.E	CR	P	Decisions
Direct Effects					
H1: Performance (P) ← Social Capital (SC)	0.323	0.096	3.964	0.000	Accepted
H2: Risk-Taking (RT) ←Social Capital (SC)	0.560	0.148	7.565	0.000	Accepted
H3: Performance (P) ← Risk-Taking (RT)	0.070	0.044	0.894	0.371	Rejected
Indirect Effect					
H4: Performance (P) ← Risk-Taking (RT) ← Social Capital (SC)					Rejected*

*Note: Since P ← RT is insignificant, then H4 is rejected (Baron and Kenny,1986)

Social Capital Influences Risk-Taking

Social capital has a positive and significant influence on risk-taking at the 1% level (β= 0.560, p-value 0.00< 0.01). Therefore, the second hypothesis is accepted. The higher the Social Capital owned by SMEs in West Sumatra, the more courageous the SME owners will be in taking risks. SMEs ' trust, networking, and norms will make SMEs more willing to take business risks. SMEs that have honest employees, have extensive networks with other businesses, and create friendly relationships with each other, thereby gaining good trust from businesses based on their reputation. With interaction and trust, SMEs become more innovative, proactive, and brave in taking risks.

Having a wide network and learning a lot about other parties makes SME owners have a bolder and more aggressive attitude in dealing with decision-making situations that involve risk/uncertainty. The finding supports the resource-based view theory that good management of resources, such as social capital, could make SMEs bear risk. Social capital is shown by networking, trust, and norms of SMEs, encouraging them to bear risk and achieve business goals. This study is by the research conducted by Ferris et al. (2017) who found that social capital has a significant positive impact on risk-taking.

Risk-Taking Relates to Performance

Risk-taking and performance of SMEs have an insignificant positive relationship with coefficient β = 0.070, p-value 0.371> 0.01, therefore, hypothesis 3 is rejected. Risk-taking insignificantly affects the performance of SMEs in West Sumatra. This means that the braver SMEs are in taking risks, the more opportunities they have to be captured, so it is hoped that SME performance will increase. These findings indicate that SMEs in West Sumatra are brave with risks and aggressive, which greatly influences company performance. Nevertheless, the findings could not be applied to SMEs in West Sumatra, since the p-value is 0.371 > 0.01. SMEs in the tourism and creative economy sector still have low risk-taking in making decisions in business uncertainty. SMEs still lack of ability to explore and try something new in their business and do not like high-risk projects. This condition causes risk-taking, but does not have a significant effect on SME performance. The finding is not consistent with the study of Folta (2007); Jeje (2020); Danso et al. (2016).

The nexus of Social Capital and Performance with Risk-Taking as mediation.

According to Baron and Kenny (1986), if the relationship between exogenous and mediator (SC--RT); and mediator and endogenous (RT--P); are both significant, even though the exogenous-to-endogenous relationship (SC--P) is not significant, then this model means fully mediated. If the exogenous variable significantly influences the endogenous variable (SC-P), it is indicated that the model is partially mediated. This study proved that social capital had a significant and positive impact on performance and risk-taking, but risk-taking had an insignificant positive effect on performance. Therefore, H4 was rejected. Social capital could directly increase the risk-taking (Ferris et al. 2017) and performance of SMEs (Jeje, 2020; Ding et al. 2023). Norm and ability to build relationships with other businesses could create some opportunities for SMEs, and hence could encourage their performance.

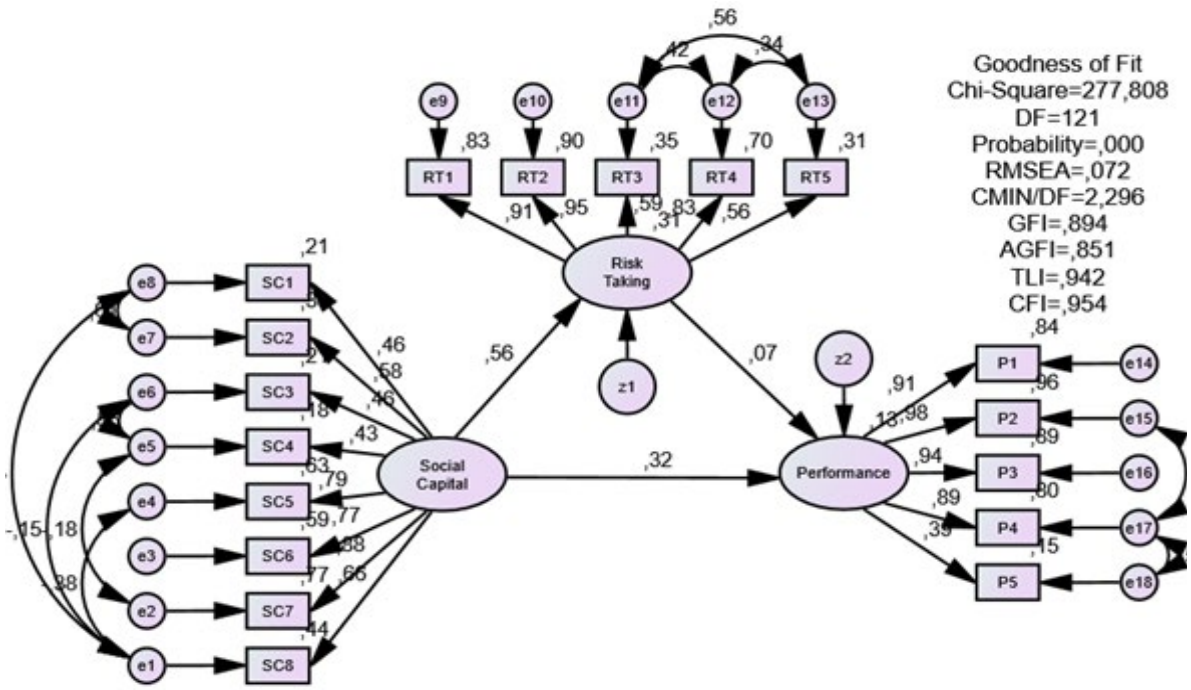

Figure 3. Structural Model

Getting trust from the stakeholders would encourage the SMEs to take some opportunities and bear the risk. However, risk aversion from SMEs causes risk-taking that can not mediate the association of social capital and performance. The social capital of SMEs, such as the ability to create networking with suppliers, banks, and other stakeholders, influences risk-taking, but if they can not bear the risk, then it will not impact performance. Nevertheless, this study could not support (Fatoki, 2011) and (Ferris et al. 2017) who stated SMEs with high social capital are involved in proactive innovation that can beat competitors and will also trigger a brave attitude in taking risks with a rare possibility of failure.

Managerial Implication

The results of this study certainly have implications for business practices, or in other words, provide managerial implications for SMEs in efforts to improve their performance. First, SME owners or managers must pay more attention to intangible assets such as social capital. Social capital has been proven to be a significant determinant of SME performance. Managers must improve their ability to build networks with suppliers, government, and financial institutions. The networks and norms of SMES will make it easier for SMEs to obtain financing, unsecured credit, and low interest rates. Trust obtained from third parties will also create new opportunities for SMEs. Increased business opportunities will affect SME performance. Managers must also note that the determinant of risk-taking in SMEs is social capital because social capital has a significant association with risk-taking. Another implication for the stakeholders, such as the government, could also encourage the social capital of SMEs through training and workshops about how to build the network, trust, and how to manage the risk for SMEs.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study accepted the measurement model as hypothesized, which means that it fits with the data. All indicators of constructs were significant and could achieve convergent validity. It means that all indicators could represent each construct. The study reveals that social capital significantly affected the performance and risk-taking of SMEs, but risk-taking could not mediate the nexus of social capital and performance. The study implied that to increase the performance of SMEs, owners should consider intangible resources such as social capital.

Recommendations

This study only employs two exogenous variables, such as social capital and risk-taking, and one endogenous variable (performance). Future research could be conducted on big companies that look at other variables in determining performance, for example, financing choice, servitization, and Industry 4.0. Future research could also add control variables like company size and age.

ACKNOWLEDGEMENTS

The authors would like to thank UNP and DRTPM.

FUNDING STATEMENT: This research is supported by the Directorate of Research, Technology and Community Service, Directorate of Higher Education (Grant number: 2330/UN35.13/LT/2023).

CONFLICTS OF INTEREST: The authors declare no conflict of interest.

REFERENCES

Aidoo, S. O., Agyapong, A., & Mensah, H. K. 2020. Social capital and performance of SMEs: The role of entrepreneurial orientation and managerial capability. Africa Journal of Management, 6(4), 377–406. https://doi.org/10.1080/23322373.2020.1830698

Bagozzi, R. P., & Yi, Y. 1988. On the evaluation of structural equation models. Journal of the Academy of Marketing Science, 16(1), 74–94. https://doi.org/10.1007/BF02723327

Barney, J. 2015. Firm resources and sustained competitive advantage. International Business Strategy: Theory and Practice, 17(1), 283–301. https://doi.org/10.1093/oso/9780199277681.003.0003

Baron, R. M., & Kenny, D. A. 1986. The Moderator-Mediator Variable Distinction in Social Psychological Research. Conceptual, Strategic, and Statistical Considerations. Journal of

Personality and Social Psychology, 51(6), 1173–1182. https://doi.org/10.1037/0022-3514.51.6.1173

Byrne, B. M. 2016. Structural Equation Modeling With AMOS. In Structural Equation Modeling With AMOS. https://doi.org/10.4324/9781315757421

Coleman, J. S. 2009. Social capital in the creation of human capital. Knowledge and Social Capital, 94, 17–42. https://doi.org/10.1086/228943

Danso, A., Adomako, S., Damoah, J. O., & Uddin, M. 2016) Risk-taking Propensity, Managerial Network Ties and Firm Performance in an Emerging Economy. Journal of Entrepreneurship, 25(2), 155–183. https://doi.org/10.1177/0971355716650367

Ding, K., Shu, L., & Li, H. 2023. The Impact of Social Capital on the Entrepreneurial Performance of University Business Incubators: The Moderating Roles of Entrepreneurs' Risk-taking and Managers' Proactive Behavior. Asian Journal of Business Research, 13(3), 138–159. https://doi.org/10.14707/ajbr.230161

Doh, S., & Zolnik, E. J. 2014. Social capital and entrepreneurship : An exploratory analysis. May. https://doi.org/10.5897/AJBM11.095

Dudley, E. 2021. Social capital and entrepreneurial financing choice. Journal of Corporate Finance, 70(July), 102068. https://doi.org/10.1016/j.jcorpfin.2021.102068

Fatoki, O. O. 2011. The Impact of Human, Social and Financial Capital on the Performance of Small and Medium-Sized Enterprises (SMEs) in South Africa. Journal of Social Sciences, 29(3), 193–204. https://doi.org/10.1080/09718923.2011.11892970

Ferris, S. P., Javakhadze, D., & Rajkovic, T. 2017. CEO social capital, risk-taking and corporate policies. Journal of Corporate Finance, 47, 46–71. https://doi.org/10.1016/j.jcorpfin.2017.09.003

Folta, T. B. 2007. Uncertainty rules the day. Strategic Entrepreneurship Journal, 1(1–2), 97–99. https://doi.org/10.1002/sej.7

Ghozali, I. 2016. Structural Equation Model Concepts and Applications with the AMOS 24 Program (Ketu Edition). Diponegoro University Publising Agency.

Gujarati, D. 2007. Dasar-Dasar Ekonometrika (Edisi Keti).

Hair, J. F. 2018. When to use and how to report the results of PLS-SEM. European Business Review.

Humphrey, J., & Schmitz, H. 1998. Trust and inter-firm relations in developing and transition economies. Journal of Development Studies, 34(4), 32–61. https://doi.org/10.1080/00220389808422528

Jeje, K. 2020. Risk Taking and Perfomance of Small and Medium-sized Enterprise: Lessons from Tanzanian Bakeries. Kaos GL Dergisi, 12, 1–22. https://doi.org/10.1016/j.jnc.2020.125798%0Ahttps://doi.org/10.1016/j.smr.2020.02.002%0Ahttp://www.ncbi.nlm.nih.gov/pubmed/810049%0Ahttp://doi.wiley.com/10.1002/anie.197505391%0Ahttp://www.sciencedirect.com/science/article/pii/B9780857090409500205%0Ahttp:

Knack, S., & KeeferPhilip. 2011. Does Social Capital Have an Economic Payoff ? A Cross-Country Investigation Author (s): Stephen Knack and Philip Keefer Source : The Quarterly Journal of Economics , Vol . 112 , No . 4 (Nov ., 1997), pp . 1251-1288 Published by : The MIT Press Stable. Quarterly Journal of Economics, 112(4), 1251–1288.

Kurniawan, B., Umitahrizah, M., & Violinda, Q. 2024. The Impact of Subjective Norms and Entrepreneurship Education on Student Entrepreneurial Intentions. Jurnal Aplikasi Bisnis Dan Manajemen, 10(1), 62–70. https://doi.org/10.17358/jabm.10.1.62

Li, Y. H., Huang, J. W., & Tsai, M. T. 2009. Entrepreneurial orientation and firm performance: The role of knowledge creation process. Industrial Marketing Management, 38(4), 440–449. https://doi.org/10.1016/j.indmarman.2008.02.004

Lorenz, E. 1999. Trust, contract and economic cooperation. Cambridge Journal of Economics, 23(3), 301–315. https://doi.org/10.1093/cje/23.3.301

Meflinda, A., Mahyarni, M., Indrayani, H., & Wulandri, H. 2018. The effect of social capital and knowledge sharing to the small medium enterprise's performance and sustainability strategies. International Journal of Law and Management.

Putnam, R. D. 2000. Bowling Alone : America's Declining Social Capital. 6(1).

Rachbini, W., Hatta, I. H., & Evi, T. 2019. Determinants of trust and customer loyalty on C2C e-marketplace in Indonesia. Jurnal Aplikasi Bisnis Dan Manajemen, 5(3), 530. https://doi.org/https://doi.org/10.17358/jabm.5.3.530

Robbins, & Merry. 2002. Manajemen. New Jersey.

Sanders, W. M. G. 2007. Swinging For The Fences : The Effects Of Ceo Stock Options On Company Risk Taking And Performance. 50(5), 1055–1078.

Stam, W., Arzlanian, S., & Elfring, T. 2014. Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators. Journal of Business Venturing, 29(1), 152–173. https://doi.org/10.1016/j.jbusvent.2013.01.002

Tabachnick, & Fidel. 2018. Exploring Multivariate Statistics. Research Methods in Public Administration and Nonprofit Management, 233–250. https://doi.org/10.4324/9781315181158-21

Tanaka, J. 1993. Multifaceted conceptions of fit in structural equation models. In K.A. Bollen, & J.S. Long (eds.),. Testing structural equation models Newbury Park.

Tomarken, A. J., & Waller, N. G. 2003. Potential Problems with "Well Fitting" Models. Journal of Abnormal Psychology, 112(4), 578–598. https://doi.org/10.1037/0021-843X.112.4.578

Tsai, W., & Ghoshal, S. 1998. Social capital and value creation: The role of intrafirm networks. Academy of Management Journal, 41(4), 464–476. https://doi.org/10.2307/257085