

UDC 334

THE EFFECT OF SOCIAL CAPITAL DIMENSION ON THE PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES WITH AN INDUSTRIAL FIRM AS THE CONTROL VARIABLE: A STUDY ON THE TARGET MSME OF THE INTEGRATED BUSINESS SERVICES CENTER OF COOPERATIVES AND MSME IN BATU CITY

Lia Della Ayu Zonna*, Nuzula Nila Firdausi, Mawardi M. Kholid

Master's Program of Business Administration, Faculty of Administrative Science,
University of Brawijaya, Malang, Indonesia

*E-mail: dellaayuzonalia@yahoo.com

ABSTRACT

The purpose of this study is to know how social capital affects the performance of Micro, Small, and Medium Enterprises (MSME) with an industrial firm as a control variable. The social capital theory states that MSME is composed of three dimensions: the structural dimension, the relational dimension, and the cognitive dimension. The second objective of the study is to know the relationship between each dimension of social capital and the performance of MSME with firm industry as control variable. The population of this study is MSME listed as members of APKB (Association of Employers in Batu City), a community under the PLUT K-UMKM Batu, East Java, with a total sample of 58 respondents. The sampling technique used is the simple random sampling. Data analysis used is a multiple linear regression analysis. The result of the study shows that social capital consisting of structural dimension, relational dimension, and cognitive dimension simultaneously influence the performance of MSME. The structural dimension partially has no effect and is negative to the performance of MSME. The relational dimension partially has a significant effect on the performance of MSME. The cognitive dimension partially does not affect the performance of MSME. The dimension of social capital simultaneously affects the performance of MSME controlled by the industrial firm. The structural dimension partially has no effect and is negative to the performance of MSME controlled by industrial firm. The relational dimension partially has a significant effect on the performance of MSME controlled by the industrial firm. The cognitive dimension partially does not affect the performance of MSME controlled by the industrial firm. The industrial firm affects the performance of MSME.

KEY WORDS

Social capital, structural dimension, relational dimension, cognitive dimension, small and medium enterprises, performance, industrial firms.

The development of MSME has contributed considerably in the economy of a country, not to mention Indonesia. In Indonesia, the sector plays a big role in the economic field. Based on the Central Bureau of Statistics, within the period of 1997-2013, the number of companies categorized as MSME reached 99.99% of the total business units in Indonesia. In addition, the employment opportunities created by MSME are far bigger than the large companies or business do (Tambunan, 2009). The Central Bureau of Statistics confirms that 97% of the workforce in Indonesia is absorbed by MSME. Therefore, MSME are expected to continue to help to reduce unemployment whose numbers tend to increase every year.

Referring to the large contribution of MSME, the sector itself is facing various issues leading to weak competitiveness. The issues include lack of access to information, such as market information, marketing expertise, information related to legal licensing and bureaucracy, and most importantly the difficulty of accessing information on funding, loans or credit (Isaac, 2005; Tambunan, 2009). Limited access to information has made MSME to not able to clearly direct the development of its business—this has led to some stagnancy. The ability to access such information becomes an important capital for MSME, not only for economic life but also for other social aspects. Such capital is included in social capital.

Social capital is a set of processes of interpersonal relationships sustained by networks, values, norms, and social beliefs that enable efficient and effective coordination and cooperation among members of a group for mutual benefit (Cox 1995, Fukuyama, 1995). Social capital is a resource required by individuals or groups to have a more durable network of institutional relationships to recognize and value each other. In such relationships, strong attachment and mutual trust based on certain similarities is a major adhesive factor that can be called social capital. Just as in running a business, one entrepreneur will definitely relate and interact with other entrepreneurs—this is the underlying of social capital—as humans are social beings. The relationship between entrepreneurs is so far less calculated, because some studies explained that social capital can affect the performance of a business especially on MSME (Partanen *et al.*, 2008; Pinho, 2011; Prasad *et al.*, 2012; Camps and Marques, 2013; Stam *et al.*, 2013; Castillo and Smida 2015; Clarke *et al.*, 2016). Kimbal (2015) emphasizes that societies with strong social capital can provide many positive contributions to the survival of small businesses. In contrast to previous research, Felicio *et al.* (2014) have found that social capital does not affect the performance of MSME. Pratono and Mahmood (2014) also mentioned that in the context of MSME in Indonesia, social relationships with strong internal and external networks could have a negative impact on company performance.

In addition to examining the effect of social capital on the performance of MSME, the researchers also use a control variable that is the industrial firm to help find out whether a difference exists in term of performance of MSME to avoid bias in conclusions. In addition, according to Stam *et al.* (2013), the strength of social capital performance in MSME depends on the age and type of MSME.

LITERATURE REVIEW

Structural Dimension. The structural dimension is defined as the pattern of relationships between the organizers about who must be reached and how to reach those people. This dimension reflects a wide network of relationships that facilitate the exchange of information and improve the quality of information so as to make work more efficiently and effectively. Nahapiet and Ghoshal (1998) divide the structural dimension into two, i.e. network ties and network configurations. Network ties are the strength of networking ties between members both inside and outside the organization. Network ties act as channels of information transmission that provide access to resources, improve the efficiency of information diffusion, and minimize redundancy (Prasad *et al.*, 2012). Network configuration is a description of the various activities related to building and maintaining the network. The structural dimension, in several previous studies, has shown a positive effect on the performance of MSME (Partanen *et al.*, 2008; Prasad *et al.*, 2012; Camps and Marques, 2013; Clarke *et al.*, 2016). Meanwhile, Chengke and Junshu (2013) mentioned that the relationship between the structural dimension of social capital and performance is not significant.

Relational Dimension. This dimension focuses on the specific relationships that individuals have, such as respect and friendship that can influence the behavior of business actors in making decisions. The relational dimension is measured by trust, norms, obligations, and identification (Partanen *et al.*, 2008; Prasad *et al.*, 2012; Camps and Marques, 2013). Trust is a willingness to take risks in the social relationships based on feelings of confidence that others will do something as expected. Economic activities built with trust will create positive interactions, which will be mutually beneficial to each other. Norms are a set of rules, understandings, values, and expectations that are believed and executed by a group of people—these are expected to be obeyed. The presence of norms becomes very important in business activities, as norms will help to realize healthy economic activities. Obligation is a commitment to perform certain actions in the future. Obligation can be a substitute for a formal contract involving the responsibility of a person or group in carrying out mitigation efforts with a hope to reduce disaster risk based on trust. Identification is a process whereby individuals perceive themselves as one part with others. Strong identification can enhance

information exchange and encourage individual willingness to work together, communicate, and share knowledge (Mani and Lakhal, 2015). Relational dimension plays an important role in starting and maintaining social relationships as well as business relationships, and even in playing strategic alliances in MSME (Pertanen *et al.*, 2008).

Cognitive Dimension. The cognitive dimension is defined as a common understanding of the collective goals to be achieved so as to support cooperation among social capital actors. This dimension refers to a resource that describes the similarities between social capital actors such as a shared language, shared interpretations, and shared orientations (Nahapiet and Ghoshal, 1998). A shared language is used to exchange knowledge and information to make it easier. Shared language can facilitate MSME access in networking and help them in building relationships. (Prasad *et al.*, 2012; Camps and Marques, 2013). Shared interpretations are indirect communication, but such communication can be easily understood. Shared interpretations concern the meaning, impression, opinions, or views of an object resulting from profound thought and strongly influenced by the background of the person doing the interpretation. Shared interpretations have a positive influence on the company's ability to create joint knowledge in adapting and innovating MSME (Pertanen *et al.*, 2008). Shared orientations are the underlying view to determine the attitude (direction, place, and so forth) between individuals. Shared orientations become important in MSME as the same purpose will make it easier to achieve individual goals or even common goals. Members of a group with shared orientations will be deeply committed to achieving the goals of both individual and collective goals (Mani and Lakhal, 2015).

Industrial firm. The industrial firm is defined as the difference of concentration and the field of business undertaken by the company in conducting its business. Each company has its own industrial firm and all types of businesses have unique characteristics. Each industrial firm certainly has different sources of profit and risk, so the company policy will also be different. According to Stam *et al.* (2013), the strength of social capital performance in MSME depends on the age and industrial firm of the MSME. Ashari *et al.* in Suwito and Herawaty (2005) also state that the industrial firm has a significant effect on earning management. Meanwhile, Suwito and Herawaty (2005) found no significant influence between the industrial firm and earning management because each industrial firm has the same goal.

MSME Performance. Performance refers to the success rate of MSME as a whole during certain period in carrying out its duty compared with predetermined standards, targets, or criteria. In relation to social capital, Clarke *et al.* (2016) use growth, internationalization, and competitiveness in measuring the performance of MSME. Prasad *et al.* (2012) use financial operational, operational performance, and time-based performance to measure performance. Felicio *et al.* (2014) use sales, profits, firm size, general performance, and performance relations. Mani and Lakhal (2015) use net profit, sales growth, cash flow, and growth of net worth.

According to the explanation, the hypotheses of the study are as follows:

H1: There is a significant simultaneous effect between social capital variables consisting of structural dimension, relational dimension, and cognitive dimension on the performance of MSME.

H2: There is a partially significant effect between social capital variables consisting of structural dimension, relational dimension, and cognitive dimension on the performance of MSME.

H3: There is a significant simultaneous effect between social capital variables consisting of structural dimension, relational dimension, and cognitive dimension on the performance of MSME on the industrial firm consisting of food and beverage industry and handicraft industry.

H4: There is a partially significant effect between social capital variables consisting of structural dimension, relational dimension, and cognitive dimension on the performance of MSME on the industrial firm consisting of food and beverage industry and handicraft industry.

METHODS OF RESEARCH

The study uses an explanatory method with a quantitative approach. The sample consists of 58 MSME in the field of food and beverage industry and handicraft industry in Batu City. A multiple linear regression analysis is used for hypothesis testing. The instruments is a questionnaire using Likert scale with a range 1 to 5. Structural dimension is measured by 18 items developed by Ferri *et al.* (2009), Peltier and Naidu (2012), Pinho (2013), and Clarke *et al.* (2016). The relational dimension is measured by 18 items developed by Ferri *et al.* (2009), Carr *et al.* (2011), Peltier and Naidu (2012), and Pinho (2013). The cognitive dimension is measured by 11 items developed by Pertanen *et al.* (2008), Ferri *et al.* (2009), and Carr *et al.* (2011). Performance is measured by 8 items developed by Mani and Lakhali (2015) and Widyaningrum *et al.* (2017). The hypotheses in this study are shown in Figure 1.

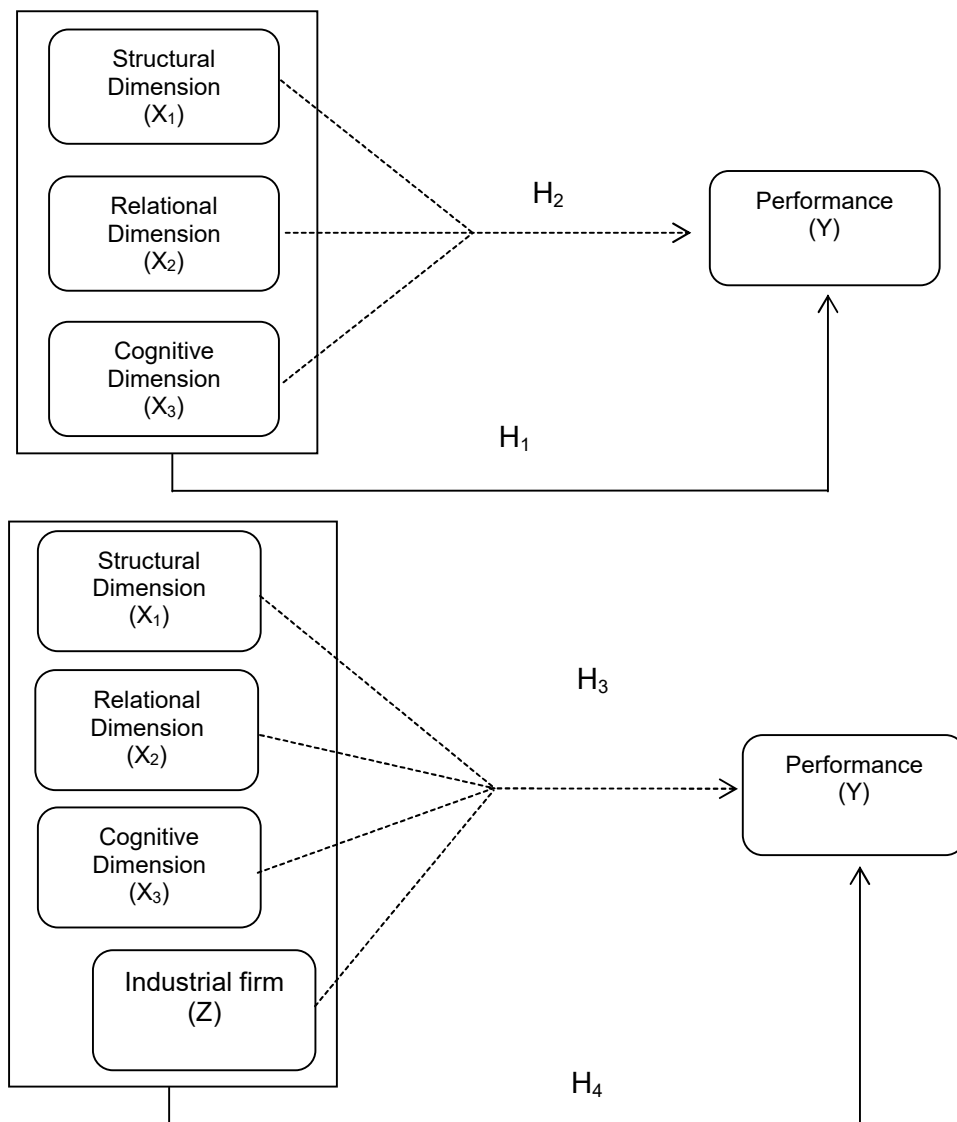


Figure 1 – Research Hypotheses

Note:
—————>: Simultaneous effect
----->: Partial effect

RESULTS AND DISCUSSION

Regression Equation:

Table 1 – Regression Equation

Model	Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.553	8.801		1.540	0.129
	X1	-0.087	0.113	-0.103	-0.769	0.445
	X2	0.312	0.090	0.476	3.464	0.001
	X3	0.037	0.126	0.037	0.292	0.771
2	(Constant)	3.388	9.835		0.344	0.732
	X1	-0.051	0.111	-0.061	-0.460	0.647
	X2	0.302	0.088	0.460	3.447	0.001
	X3	0.146	0.133	0.146	1.097	0.278
	Z	2.862	1.373	0.272	2.084	0.042

Based on Table 1, the following regression equation (Model 1) is resulted:

$$Y = 13.553 - 0.087 X_1 + 0.312 X_2 + 0.037 X_3$$

Model 2 as follows:

$$Y = 3.388 - 0.051 X_1 + 0.302 X_2 + 0.146 X_3 + 2.862 Z$$

Coefficient of Determination (R²). To know the contribution of the independent variable (structural dimension, relational dimension, and cognitive dimension) to the dependent variable (performance), R² value in Model 1 is used. Model 2 shows the contribution of the independent variable to the dependent variable by using a control variable (industrial firm).

Table 2 – Coefficient of Correlation and Determination

Model	R	R Square	Adjusted R Square
1	0.452	0.204	0.160
2	0.514	0.265	0.209

Table 2 shows the adjusted R² value in Model 1, which is 0.160. It means that 16% of performance will be influenced by the independent variables, namely structural dimension, relational dimension, and cognitive dimension; while the remaining 84% of performance is influenced by other variables not discussed in this study. The adjusted R² value in Model 2 is 0.209. This means that 20.9% of performance will be influenced by independent variables, namely structural dimension, relational dimension, cognitive dimension, and industrial firm; while the remaining 79.1% of performance is influenced by other variables that are not discussed in this study.

Hypothesis Testing:

F test. The F test is used to determine whether the results of the regression analysis are significant or not, or the model is appropriate or not.

Table 3 – F Test

Model	-	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	200.962	3	66.987	4.622	0.006
	Residual	782.693	54	14.494		
	Total	983.655	57			
2	Regression	260.242	4	65.061	4.767	0.002
	Residual	723.413	53	13.649		
	Total	983.655	57			

Based on the result of F test in Table 3, the value of F count for Model 1, consisting of the structural dimension, relational dimension, and cognitive dimension to performance, is 3.777. The F table ($\alpha = 0.05$; db regression = 3: db residual = 54) is equal to 2.776. Because F count Model 1 > F table or the value of sig F equal to $0.006 < \alpha = 0.05$ then the regression analysis model in this study is significant, it means hypothesis 1 accepted. Next, the value of F count for Model 2, consisting of the structural dimension, relational dimension, and cognitive dimension to performance controlled by industrial firm consisting of food and beverage industry and handicraft industry, is 4.767. The F table ($\alpha = 0.05$; db regression = 3: db residual = 54) is equal to 2.776. Because F count in Model 2 > F table or the value of sig F is equal to $0.002 < \alpha = 0.05$, then the regression analysis model in this study is significant, it means that hypothesis 3 is accepted.

t Test. The t test is used to find out whether each of the independent variable partially has a significant effect on the dependent variable. The result of t test is shown in Table 4.

Table 4 - t Test

Model	Variable	t	Sig.	Note
1	(Constant)	1.540	0.129	
	X ₁	-0.769	0.445	Not significant
	X ₂	3.464	0.001	Significant
	X ₃	0.292	0.771	Not significant
2	(Constant)	0.344	0.732	
	X ₁	-0.460	0.647	Not significant
	X ₂	3.447	0.001	Significant
	X ₃	1.097	0.278	Not significant
	Z	2.084	0.042	Significant

Based on the t test result for Model 1 in Table 4, the t test between X1 (structural dimension) with Y (performance) shows t count of -0.769. The t table ($\alpha = 0.05$; db residual = 54) is equal to 2.005. Because t count < t table or $-0.769 < 2.005$ or sig t value (0.445) > $\alpha = 0.05$ then the effect of structural dimensions on performance is not significant and negative. The t test between X2 (relational dimension) with Y (performance) shows t count of 3.464. The t table ($\alpha = 0.05$; db residual = 54) is equal to 2.005. Because t count > t table or $3.464 > 2.005$ or sig t value (0.001) < $\alpha = 0.05$ then the effect of the relational dimension on performance is significant at alpha 5%. The t test between X3 (cognitive dimension) with Y (performance) shows t count of 0.292. The t table ($\alpha = 0.05$; db residual = 54) is equal to 2.005. Because t count < t table or $0.292 < 2.005$ or sig t value (0.771) > $\alpha = 0.05$, then the effect of cognitive dimension on performance is not significant at alpha 5%. Accordingly, hypothesis 2 is rejected.

Furthermore, the t test result for Model 2 shows that the t test between X1 (structural dimension) with Y (performance) on the industrial firm (Z) of food and beverage industry and handicraft industry shows t count of -0,460. The t table ($\alpha = 0,05$; db residual = 53) is equal to 2.005. Because t count < t table or $-0.460 < 2.005$ or sig t value (0.647) > $\alpha = 0.05$, then the effect of structural dimension on performance controlled by the industrial firm is not significant and negative. The t test between X2 (relational dimension) with Y (performance) on industrial firm (Z) of food and beverage industry and handicraft industry shows t count of 3.447. The t table ($\alpha = 0.05$; db residual = 53) is equal to 2.005. Because t count > t table or $3.447 > 2.005$ or sig t value (0.001) < $\alpha = 0.05$, then the effect of the relational dimension on performance controlled by the industrial firm is significant at alpha 5%. The t test between X3 (cognitive dimension) with Y (performance) on the industrial firm (Z) of food and beverage industry and handicraft industry shows t count of 1,097. The t table ($\alpha = 0.05$; db residual = 53) is equal to 2.005. Because t count < t table or $1.097 < 2.005$ or sig t value (0.278) > $\alpha = 0.05$, then the effect of the cognitive dimension on performance controlled by the industrial firm is not significant at alpha 5%. The t test between Z (industrial firm) with Y (performance) shows t count of 2.084. The t table ($\alpha = 0.05$; db residual = 53) is equal to 2.005. Because t count > t table or $2.084 > 2.005$ or sig t value (0.042) < $\alpha = 0.05$, then the effect of the

industrial firm on performance is significant at alpha 5%. Accordingly, hypothesis 4 is rejected.

DISCUSSION OF RESULTS

Based on the hypothesis testing, it is found that 2 (two) hypotheses are accepted and 2 (two) other hypotheses are rejected. The result of the statistical test shows that F count for Model 1 (the structural dimension, relational dimension, cognitive dimension to performance) and Model 2 (the structural dimension, relational dimension, cognitive dimension to performance controlled by the industrial firm) are significant. Based on this analysis, it can be concluded that in this study, independent variables consisting of structural dimension, relational dimension, and cognitive dimension simultaneously affect performance before controlled by the industrial firm and after controlled by the industrial firm consisting of food industry and beverage and craft industry.

The results of this study are in line with the ones by Stam *et al.* (2013) that social capital plays a significant role to the performance of MSME. In addition, it is explained that the strength of social capital performance in UMKM depends on the type of the industry. In line with the study, this study uses two types of industries consisting of the food and beverage industry and the handicraft industry as the control variables and are included together with independent variables to see the effect simultaneously on the performance of MSME. F test results have increased from 3.777 to 4.767 for F count--this is an indication that the industrial firm as a control variable can affect the structural dimension, relational dimension, and cognitive dimension on the performance of MSME.

For statistical test results partially, this study has conducted a t test to show the relationship between the structural dimension with performance both without the industrial firm and with the industrial firm. The result of t test shows that t value for Model 1 and Model 2 is not significant and negative. This indicates that the structural dimension has the opposite relationship with the performance of MSME. The results are in accordance with Chengke and Junshu (2013) that although many studies show a positive relationship between the strong ties of the structural dimension and performance, it is possible that the relationship of both shows not significant one. Pratono and Mahmood (2014) also mentioned that in the context of MSME in Indonesia, social relationships with strong internal and external networks can have a negative impact on company performance. Burt (1992) also explains that strong ties between individuals may not be useful in obtaining different information or sources because MSME basically need to improve their networking relationships to provide new sources of information (Pinho, 2011). Therefore, when there is no new source of information in a relationship, it is possible that the relationship between the structural dimension and the performance of MSME can be negative. In addition, the excessive cost of maintaining greater social capital is also the reason why the relationship between social capital dimension and MSME performance is not always positive (Alguezaui and Filieri, 2010). Giving too much information which comes from larger social capital can have a negative impact on company performance (Ahmadi, 2011).

The second partial test is to know the relationship between relational dimension with performance either controlled by industrial firm or not. The t test performed on Model 1 and Model 2 shows a sig t value of 0.001, which is significant at alpha 5%. This means that the performance of MSME is significantly influenced by the relational dimension whether controlled by industrial firm or not. The results of this study support previous research showing that the relational dimension has an effect on the performance of MSME (Pertanen *et al.*, 2008; Prasad *et al.*, 2012; and Camps and Marques, 2013). Trust, norms, obligation, and identification are indicators of relational dimensions found to have a significant effect on MSME performance. Trust is found as one of the indicators that have a high influence on the performance of MSME. Trust can make members of an organization or community rely on each other (Mani and Lakhal, 2015). The mutual trust between community members in MSME is considered to give a positive value to their business performance. Another indicator that affects MSME performance is norms. Most MSME actors reveal that obeying the norms

in the community is considered to have a positive value for their business performance. Norms can shape the quality and quantity of social interactions (Prasad *et al.*, 2012). The next indicator is obligation, which also affects the performance of MSME. Mani and Lakhali (2015) reveal joint obligation serves to support the relationship between members. In addition, commitment to the community can encourage network ties stability. Members with higher commitments tend to have higher satisfaction with the performance of their business. In accordance with the results of this study, obligations as community members and similar commitment with community members produce a positive value. The last indicator is identification. Strong identification within a group can improve the exchange of information and encourage individual willingness to cooperate, communicate, and share knowledge (Mani and Lakhali, 2015). Members of a group that have higher identification with the group tend to be more satisfied with the company's performance (Mahto *et al.*, 2010 in Mani and Lakhali, 2015). This is in accordance with the results of this study, where most owners or employers reveal if they believe that they are part of the community.

The result of the third partial test shows that the relationship of cognitive dimension with performance for Model 1 and Model 2 is not significant at alpha 5%. This means that the performance of MSME can be influenced insignificantly by the cognitive dimension either before or after controlled by the industrial firm or by increasing the cognitive dimension, the performance of MSME will experience an unreal increase. This result differs from the one by Prasad *et al.* (2012), Camps and Marques (2013), and Mani and Lakhali (2015) found that the cognitive dimension of social capital positively affects the performance of MSME. In this study, MSME employers reveal that a shared language is important in the community as they will find communication easy, but this shared language does not significantly affect the performance, as disagreement of meaning between one member and the other may happen when they communicate. Communication involving two or more people using the media, or not, will occur when they share a language, yet it does not necessarily mean that they will be able to produce similarities in meaning (Lestari and Malik, 2009). Shared interpretations also become an important factor in the cognitive dimension. In this study, it is explained that employers consider the shared interpretations important in a relationship because it can facilitate MSME employers to understand others, yet shared interpretations do not cause significant improvement in performance. In addition, employers reveal if shared goals, vision, and commitment is important in a community, but the results show that these do not significantly affect the performance of MSME. This is possible because there is no common purpose or vision or commitment among members of the community so they cannot achieve a common goal that ultimately affects their business performance. Mani and Lakhali (2015) state that members of a group with shared orientations will be deeply committed to getting together in pursuit of goals, both shared goals and individual goals. Mahto *et al.* (2010) in Mani and Lakhali (2015) also explains that shared values, shared beliefs, vision, and common goals can help members of a group to commit to their business goals which will impact their business performance.

Partial statistical test is then conducted to examine the relationship between the industrial firm and MSME performance. The result of t test shows that the performance of MSME can be influenced significantly by the industrial firm. This means that different types of business will lead to different business performances. This is in line with the results of the research conducted by Stam *et al.* (2013) which explains that the performance of social capital in MSME depends on the industrial firm. In this study, the industrial firm for MSME consist of two types. The first is the food and beverage industry of 47 business units and the second is the handicraft industry with 11 business units. The results of this study indicate that the different types of business leads to different performances. In the context of social capital, the industrial firm can affect the performance of MSME.

Performance improvement is one of the impact of social capital and its dimensions. The employers reveal that by joining the community they experience an increase in their business performance. Such performance improvements include increased corporate earnings, greater market coverage, increased number of customers and new customers, increased sales volume, reduced marketing operational costs substantially, and reduced cost

of getting new consumer targets. This is because employers who are members of the community of the Integrated Business Services Center of Cooperatives and MSME have a commitment, mutual trust, same vision and goals so they help each other to improve the performance of their business. The result is that most MSME employers agree that business increases after they join the community.

CONCLUSION

To examine the simultaneous effect of each independent variable (structural dimension, relational dimension, and cognitive dimension) and control variable (the industrial firm) on MSME performance, F-test is used. The results of the multiple linear regression analysis confirm that independent variables and control variables have a significant effect simultaneously on the performance of MSME. Thus, the hypothesis stating the simultaneous effect of the independent variables and control variable on performance is acceptable.

To examine the partial effect of each independent variable (structural dimension, relational dimension, and cognitive dimension) and control variable (the industrial firm) on MSME performance, t-test is used. The results confirm two (2) variables have a significant effect on the performance of MSME, i.e. relational dimension and industrial firm, and the two (2) other variables have no significant effect on the performance of MSME, i.e. structural dimension and cognitive dimension.

The t-test results confirm that the relational dimension variable has the biggest value of t count and beta coefficient. Thus, this variable has the most powerful effect compared with other variables against the performance of MSME.

LIMITATION AND SUGGESTIONS

The sample of this study is limited to MSME in Batu, Indonesia. Differences in different socio-economic cultures can have a different impact on company performance.

This study only focuses on two types of business, i.e. food and beverage industry and handicraft industry, thus future researchers need to examine the effect of social capital on different types of business or industries.

The t test results show that two of the research hypotheses, i.e. the structural dimension and cognitive dimension, do not significantly influence the performance of MSME. This can be used as a reference for further research.

This study examines the dimensions of social capital on the performance of MSME as measured by sales, profits, and business growth rate based on perceptions of employers of MSME. Future researchers are then expected to examine the impact of the social capital dimension by adding other indicators of MSME performance such as MSME financial statements.

REFERENCES

1. Ahmadi, A. (2011). Social Capital for Knowledge Management. *Interdisciplinary Journal of Contemporary Research Business*, 3(7), 957-972
2. Alguezaui, S., & Filieri, R. (2010). Investigating The Role of Social Capital in Innovation: Sparse Versus Dense Network. *Journal of Knowledge Management*, 14(6), 891-909.
3. Burt, R. S. (1992). *Structural holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.
4. Camps, S & Marques, P. (2013). Exploring how social capital facilitates innovation: The role of innovation enablers. *Technol. Forecast. Soc. Change*.
5. Carr, J. C., Cole., Michael, S., Ring, J., Blettner, D. P. (2011). *A Measure of Variations in Internal Social Capital Among Family Firms*. Baylor University, Texas.
6. Castillo, R. & Smida, A. (2015). The formation of organizational social capital into technology-based micro enterprises. *Contaduría y Administración*, 60(S1), 57-81.

7. Chengke, Y. & Junshu, D. (2013). A Literature Review of The Effect of Social Capital – From The Personal Network Perspective. *International Journal of Business and Social Science*, 4(12), 251-259.
8. Clarke et al. (2016). SMEs and Social Capital: Exploring The Brazilian Context. *European Business Review*, 28(1), 2 – 20.
9. Cox, E. (1995). *A Truly Civil Society*. Sydney: ABC Books.
10. Felício et al. (2014). Human Capital, Social Capital and Organizational Performance. *Management Decision*, 52(2), 350-364.
11. Ferri, P. J., Deakins., & Whittam, G. (2009). The measurement of social capital in the entrepreneurial context. *Journal of Enterprising Communities: People and Places in the Global Economy*, 3(2), 138-151.
12. Fukuyama, F. (1995). *Trust: Social Virtues and The Creation Of Prosperity*. London: Hamish Hamilton
13. Ishak, E. (2005). Artikel: Peranan Informasi Bagi Kemajuan UKM. Yogyakarta: Kedaulatan Rakyat.
14. Kimbal, R. W. (2015). *Modal Sosial dan Ekonomi Industri Kecil Sebuah Studi Kualitatif*. Yogyakarta: Deepublish.
15. Lestari, E., & Maliki, M. A. (2009). *Komunikasi Yang Efektif*. Jakarta: Lembaga Administrasi Negara.
16. Mani, Y. & Lakhal, L. (2015). Exploring the family effect on firm performance: The impact of internal social capital dimensions on family firm performance. *International Journal of Entrepreneurial Behavior & Research*, 21(6), 898-917.
17. Nahapiet, J. & Ghoshal, S. (1998). Social capital, intellectual capital and the organizational advantage. *Academy of Management Review*, 23(2), 242-66.
18. Partanen et al. (2008). Social capital in the growth of science-and-technology-based SMEs. *Industrial Marketing Management*, 37(5), 513–522.
19. Peltier, J. W., & Naidu, G.M. (2012). Social Network Across The SME Organizational Lifecycle. *Journal of Small Business and Enterprise Development*, 19(1), 56-73.
20. Pinho, J.C. (2011). Social Capital and Dynamic Capabilities in International Performance of SMEs. *Journal of Strategy and Management*, 4(4), 404-421.
21. Pinho, J.C. (2013). The e-SOCAPIT Ccale: A Multi-Item Instrument For Measuring Online Social Capital. *Journal of Research in Interactive Marketing*, 7(3), 216-235.
22. Prasad et al. (2012). Sustaining Small Businesses in The United States in Times Of Recession. *Journal of Advances in Management Research*, 9(1), 8 – 28.
23. Pratono, A. H. & Mahmood, R. (2014). Social Capital and Firm Performance: Moderating Effect of Environmental Turbulence. *Asian Social Science*, 10(19), 59-68.
24. Stam et al. (2013). Social Capital of Entrepreneurs and Small Firm Performance: A Meta-Analysis of Contextual and Methodological Moderators, *Journal of Business Venturing*, 29(1), 152–173.
25. Suwito, E., & Arlee, H. 2005. Analisis Pengaruh Karakteristik Perusahaan terhadap Tindakan Perataan Laba yang dilakukan oleh Perusahaan yang Terdaftar di Bursa Efek Jakarta. Simposium Nasional Akuntansi VIII Solo. 15-16 September.
26. Tambunan, T. T. H. (2009). *UMKM di Indonesia*. Bogor: Ghalia Indonesia Kementerian Koperasi dan UKM
27. Widyaningrum et al. (2017). Analysis of Factors Affecting The Decision to Adopt Information Technology and Its Impact on Business Performance: Study on SMEs. *Russian Journal of Agricultural and Socio-Economic Sciences*, 2(62), 164-173.