

ANALYSIS OF MSMEs BUSINESS PERFORMANCE BASED ON INTELLECTUAL AND SOCIAL CAPITAL USING SEM-PLS: A CASE STUDY IN GORONTALO CITY

Fadila Hafid*

Universitas Negeri Gorontalo, Indonesia

Sri Indriyani S. Dai

Universitas Negeri Gorontalo, Indonesia

Ivan Rahmat Santoso

Universitas Negeri Gorontalo, Indonesia

Sri Endang Saleh

Universitas Negeri Gorontalo, Indonesia

Radia Hafid

Universitas Negeri Gorontalo, Indonesia

***Corresponding Author**

Radia Hafid

radiahafid@ung.ac.id

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ABSTRACT

MSMEs play a strategic role in regional economic development; however, many MSMEs in Gorontalo City still face limitations in managerial capacity, financial literacy, and network access, which impact their business performance. This study aims to analyze the financial and non-financial performance of MSMEs in Gorontalo City and to examine the direct and indirect effects of intellectual capital and social capital on business performance. This research employed a quantitative correlational approach with data collected through a questionnaire distributed to 100 MSME owners selected using the Slovin formula. Descriptive statistics and SEM-PLS were used to analyze the data. The results show that MSMEs' financial performance is categorized as poor, while their non-financial performance is fairly good. Intellectual capital has a positive and significant direct effect on social capital but does not significantly affect business performance. Social capital has a positive and significant effect on business performance and serves as a mediator that strengthens the influence of intellectual capital on business performance. These findings indicate that optimal management of intellectual and social capital is essential for improving MSME sustainability. Strengthening managerial competencies and expanding social networks can support the enhancement of both financial and non-financial performance among MSMEs in Gorontalo City.

Keywords: MSME Business Performance, Intellectual Capital, Social Capital, SEM-PLS

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic and vital role in supporting national economic growth, job creation, and regional competitiveness. Business performance becomes a key indicator for MSMEs to survive and grow amid increasing economic and technological challenges. According to Zuliyati, Budiman, & Delima (2017) business performance reflects the achievements of an enterprise in a given period and represents the foundation for organizational sustainability. Strengthening MSME performance is therefore essential in maintaining business continuity, particularly in a rapidly changing environment driven by digital transformation and increasing market competition.

One of the important determinants of MSME performance is intellectual capital (IC), which consists of knowledge, skills, and intellectual assets embedded in human resources, organizational processes, and customer-related capabilities. Prior studies show that IC positively contributes to innovation, competitiveness, and financial outcomes (Hutabarat & Hadita, 2021; Purwati, Budiyo, & Suhermin, 2021) describes IC as a critical intangible asset that provides competitive advantages, while empirical studies in various countries reinforce its significant relationship with business success (Crema & Verbano, 2016; Nimtrakoon, 2015; Vazquez-Avila, Sanchez-Gutierrez, & Mejia-Trejo, 2015). However, findings are not always consistent; some studies reveal a weaker or non-significant relationship between IC and business performance, especially in regions where managerial capacity and knowledge application remain limited (Muda, Rahman, Hamzah, & Saleh, 2020). This inconsistency suggests the need for contextualized research.

In addition to intellectual capital, social capital (SC) is another important element influencing MSME performance. Social capital encompasses networks, trust, norms, and social relationships that enable cooperation and resource exchange. Previous studies show that SC enhances access to information, markets, and support systems, thereby strengthening business performance (Akintimehin et al., 2019; Felício, Couto, & Caiado, 2014; Pantu, Dai, & Santoso, 2023). Rahmatiah (2017) emphasizes that social capital enables communities and business actors to build strong ties that support economic development, while studies in Indonesia and other emerging economies demonstrate the positive effect of SC on business outcomes (Agyapong, Agyapong, & Poku, 2017; Tan, 2017).

The relevance of IC and SC becomes more pronounced in the context of MSMEs in Gorontalo City, where empirical observations indicate that MSME development is progressing yet not optimal. The increasing number of MSMEs has not been accompanied by increased business quality or improved managerial practices. Financial reporting remains minimal, access to capital is limited due to low-quality bookkeeping, and technology adoption for operations and marketing is still underutilized (Pantu et al., 2023).. These conditions illustrate the importance of examining the roles of IC and SC in improving MSME capabilities in Gorontalo City, especially considering the lack of strong partnerships, limited market access, and insufficient financial literacy among business owners.

Although prior studies have addressed the relationships among intellectual capital, social capital, and business outcomes in various contexts, research specifically exploring these relationships within MSMEs in Gorontalo City remains limited. Moreover, the mechanism through which IC influences business performance **through** social capital is

still understudied, particularly in developing regions where social relationships often serve as compensatory mechanisms for limited formal resources.

Given these considerations, this study investigates MSME business performance in Gorontalo City by examining the roles of intellectual capital and social capital, including the mediating function of social capital. Findings from this study are expected to strengthen theoretical understanding of the interplay between intangible resources and MSME performance while also providing practical insights for policymakers and MSME actors to enhance competitiveness and business sustainability.

THEORETICAL FRAMEWORK AND EMPIRICAL STUDY

MSMEs Business Performance

Business performance is directed at the level of achievement of a company in a certain period. The performance of a company is a very important factor in the development of the company. As stated Cho & Lee (2018) business performance can be classified into two categories, financial business performance and non-financial business performance. This study attempts to elaborate on several indicators developed by Lee & Tsang (2001) and Cho & Lee (2018) as well (Iyibildiren & Karasioglu, 2018) in measuring business performance using financial performance indicators (sales growth, profit growth, and asset growth) and non-financial performance (employee growth rate and marketing/customer growth potential and customer perspective). MSMEs business performance refers to the evaluation of the results or achievements obtained by an MSME business in running its operations. This includes several factors that reflect how well the business operates and generates profits. MSMEs business performance can vary greatly, depending on the industry, location, size, and business objectives. MSME business performance evaluations are usually carried out periodically to identify areas that need improvement and to develop appropriate improvement strategies.

Intellectual Capital

According to Ulum (2017), IC is the entire asset in a company that plays a role in achieving high competitiveness. This intellectual asset is not physically visible but is a combination of human factors, processes, and customers that create a competitive advantage for the company. In the information and knowledge era, IC is considered one of the most valuable intangible assets. Intangible assets are rights, privileges, or controls owned by the company. These assets tend to be attached to the company, have an unlimited useful life, and can experience significant valuation due to competitive factors. (Subramanyam, 2014). Nimtrakoon (2015) states that IC is significantly positively related to the margin ratio and return on assets of the company. High IC is related to financial performance in several countries such as Mexico (Vazquez-Avila et al., 2015), East Asia (Zhang, Duc, Burgos Mutuc, & Tsai, 2021), and Italia (Crema & Verbano, 2016). IC also mediates the relationship between strategic alliances and organizational performance in Portuguese high-tech SMEs (Ferreira & Franco, 2017). A positive and statistically

significant relationship between IC and the company's Return on Assets (ROA) (Mubaraq & Ahmed Haji, 2014). Likewise, IC positively influences strategic flexibility, which then increases the profitability and sales of SMEs in Indonesia (Muchtar, Qamariah, & Fadli, 2018).

Social Capital

In general, SC was initially understood as a form in which society places trust in the community and individuals as part of it. They create rules of mutual agreement as a value in their community. Here the aspirations of the community begin to be accommodated, and local communities and networks are adapted as a capital for community development and community empowerment (Rahmatiah, 2017). SC as an actual and potential resource owned by a person comes from an institutionalized social network and continues continuously in the form of mutual recognition and introduction (or in other words: membership in a social group) that provides its members with various forms of collective support. Several previous studies have shown SC with business performance in both developed and developing countries (Akintimehin et al., 2019; Dai, Mao, Zhao, & Mattila, 2015; Felício et al., 2014; Lakse Mudiyansele, 2020). Some studies are more dominant in developed countries such as Indonesia (Tan, 2017), Africa (Agyapong et al., 2017) and Taiwan

Previous research shows that intellectual capital and social capital contribute significantly to the competitiveness and performance of MSMEs. Intellectual capital enhances knowledge, innovation, and managerial capability, while social capital strengthens networks and access to resources. Several empirical findings also indicate that social capital can act as a mediating factor that connects the benefits of intellectual capital to business outcomes, especially in developing regions where informal relationships play a dominant role. Based on this theoretical foundation, this study analyzes how intellectual capital and social capital jointly influence the business performance of MSMEs in Gorontalo City.

RESEARCH METHODS

This study employed a quantitative explanatory correlational design to analyze the direct and indirect effects of intellectual capital and social capital on MSMEs' business performance. The research was conducted in Gorontalo City, and data were collected using a structured questionnaire distributed to MSME owners. This design is appropriate for examining causal relationships among latent variables measured simultaneously in a single cross-sectional period.

The population of this research consisted of 14,507 MSMEs operating in Gorontalo City. The sample size of 100 respondents was determined using the Slovin formula. A purposive sampling technique was applied with the following criteria: (1) MSMEs actively operating within Gorontalo City, (2) businesses that have been running for at least one

year, and (3) owners or managers directly involved in business decision-making. These criteria ensured that respondents had sufficient experience and understanding of the operational condition of their businesses.

Data were collected through a Likert-scale questionnaire ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). The instrument consisted of three latent variables: Intellectual Capital, Social Capital, and MSMEs’ Business Performance. Intellectual Capital was measured using 15 indicators adapted from Ulum (2017) and supported by previous empirical studies on human, structural, and customer capital. Social Capital was measured using 15 indicators adapted from Rahmatiah (2017), Felício et al. (2014), and Akintimehin et al. (2019), encompassing trust, networks, and social interaction norms. MSMEs’ Business Performance was measured using 15 indicators referring to financial and non-financial dimensions developed by Lee & Tsang (2001), Cho & Lee (2018), and Iyibildiren & Karasioglu (2018).

Data analysis employed Structural Equation Modeling–Partial Least Squares (SEM-PLS). This technique was chosen because it is suitable for relatively small sample sizes, does not require normally distributed data, and supports complex models involving reflective indicators and mediation effects. The analysis consisted of two stages: evaluation of the outer model and evaluation of the inner model. The outer model assessment included convergent validity (outer loading > 0.6, AVE > 0.5) and reliability evaluation using Composite Reliability (CR > 0.7) and Cronbach’s Alpha (α > 0.7). The inner model analysis examined R-square values, path coefficients, and the significance of structural relationships through the bootstrapping procedure with 5,000 resamples.

The research design illustrating the relationship among variables is presented in Figure 1.

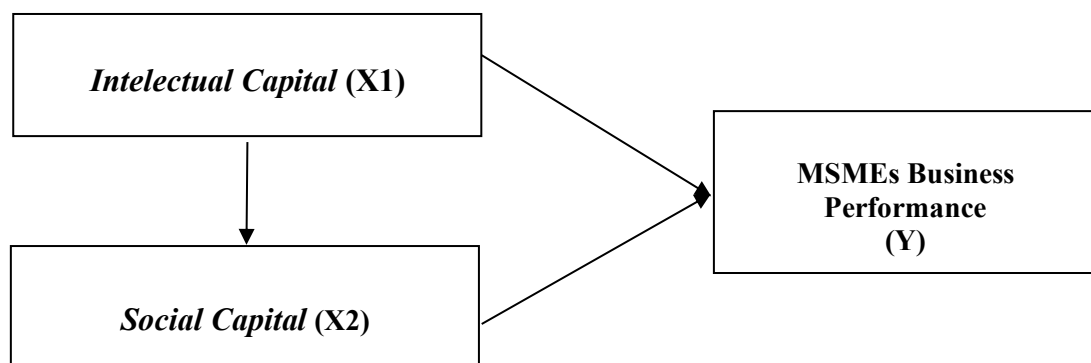


Figure 1: Research Design

The model shows that Intellectual Capital (X1) is hypothesized to influence Social Capital (X2) and MSMEs’ Business Performance (Y), while Social Capital also influences MSMEs’ Business Performance. The arrows indicate the direction of the causal assumptions tested in this study.

RESULTS AND DISCUSSION

Descriptive Analysis of Research Variables

Table 1. Descriptive Statistics of Research Variables

Variable	Score (%)	Category
Intellectual Capital	83.51	Fairly Good
Social Capital	83.52	Fairly Good
Business Performance	70.68	Fairly Good

The descriptive analysis was conducted to provide an overview of the three main research variables, namely Intellectual Capital, Social Capital, and MSMEs' Business Performance. The results show that Intellectual Capital has an average achievement score of 83.51%, which falls into the fairly good category. This indicates that MSME owners in Gorontalo City possess adequate knowledge, skills, and managerial ability to support business operations.

Social Capital also shows a similar pattern, with an average score of 83.52% categorized as fairly good, reflecting strong social networks, trust, and cooperative relationships among MSME actors, customers, suppliers, and communities. Meanwhile, MSMEs' Business Performance obtained an average score of 70.68%, categorized as fairly good, although the financial performance indicators remain relatively low compared to non-financial performance. This suggests that while MSMEs are capable of maintaining customer relationships and operational continuity, they still face challenges in profit generation, financial management, and reporting.

Overall, the descriptive results indicate that MSMEs in Gorontalo City demonstrate relatively strong intellectual and social resources, although further improvements are needed to enhance financial performance and business sustainability.

Pre-Requirements Analysis (Outer Model)

Table 2. Convergent Validity of Measurement Model

Variable	Lowest Loading	AVE	Status
Intellectual Capital	0.906	0.847	Valid
Social Capital	0.827	0.734	Valid
Business Performance	0.883	0.811	Valid

The convergent validity results indicate that all constructs meet the required criteria, as reflected by AVE values exceeding 0.50 and the lowest outer loading values being above 0.60. This confirms that the indicators used in this study adequately represent their respective latent variables.

Table 3. Reliability Analysis of Research Variables

Variable	Lowest Loading	AVE	Status
Intellectual Capital	0.906	0.847	Valid
Social Capital	0.827	0.734	Valid
Business Performance	0.883	0.811	Valid

The reliability analysis shows that all constructs demonstrate strong internal consistency, with Composite Reliability (CR) and Cronbach's Alpha values exceeding the recommended threshold of 0.70. These results confirm that the measurement model is reliable and suitable for further structural analysis.

Inner Model

The results of the analysis are presented in the following image:

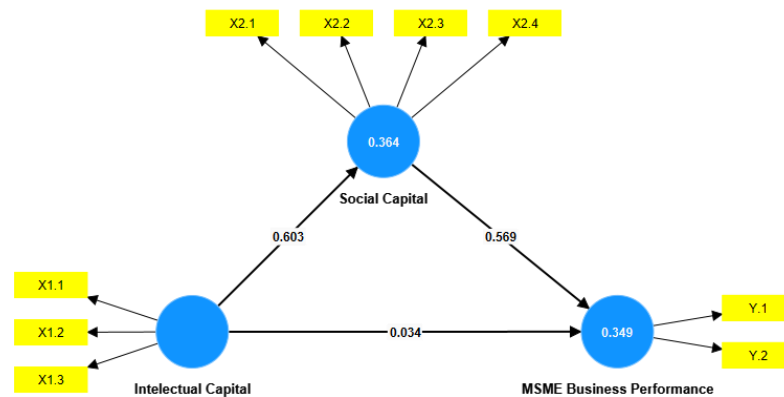


Figure 2. PLS Algorithm

Based on the table above, the determination results can be described as follows:

1. Influence of IC on SC

Overall, it can be interpreted that the R Square value is 0.364, which means 36.40% of the influence of IC on SC. While the remaining 63.60% is influenced by other variables outside the research model.

2. The Influence of IC and SC on MSME Business Performance

Overall, it can be interpreted that the R Square value is 0.349, which means that 34.90% of the influence of IC and SC on the performance of MSMEs businesses. While the remaining 65.10% is influenced by other variables outside the research model. The results for each variable show that the most dominant variable in influencing the performance of MSMEs businesses is the SC of MSMEs actors at 56.90%, then the lowest is the IC variable at 3.40%.

Hypothesis Testing Result

The results of hypothesis testing in the form of structural equations can be presented in the following figure:

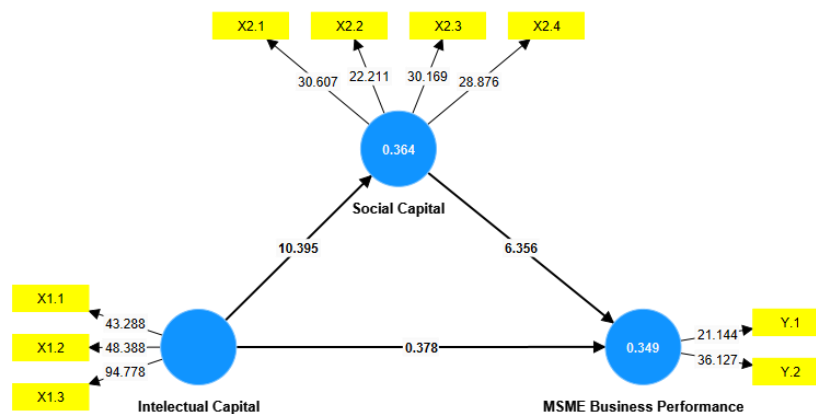


Figure 3. Hypothesis Testing Results

Based on the image above, the results of the hypothesis testing can be described. The research hypothesis can be declared accepted if the P-value < 0.05 . For more detailed results, the hypothesis testing is classified in the following description:

Direct Influence

Table 4. Results of Direct Effect Hypothesis Testing

No	Exogenous	Endogenous	Hypothesis	t-Value (p-Value)	Decision
1	IC	SC	Positive and significant influence	10,395 (0,000)	H1 accepted
2	IC	MSMEs Business Performance	Positive influence is not significant	0,378 (0,706)	H2 rejected
3	SC	MSMEs Business Performance	Positive and significant influence	6,356 (0,000)	H3 accepted

Source: PLS Processing, 2024

Based on the direct influence hypothesis testing table above, the analysis results can be described as follows:

a. The influence of IC on SC

The t-statistic value of the influence of IC on SC obtained a result of 10.395 with a probability value (P-value) of 0.000. The P-value is smaller than the probability value of 0.05 ($0.000 < 0.05$), so H_{a1} is accepted, which means that IC has a positive and significant effect on SC MSMEs.

b. The influence of IC on MSMEs business performance

The t-statistic value of the influence of IC on SC obtained a result of 0.378 with a probability value (P-value) of 0.706. The P-value is greater than the probability value of 0.05 ($0.706 > 0.05$), so H_{a2} is rejected, which means that IC has a positive but insignificant effect on the performance of MSME businesses.

c. The influence of SC on MSMEs business performance

The t-statistic value of the influence of SC on the performance of MSME businesses obtained a result of 6.356 with a probability value (P-value) of 0.000. The P-value is

smaller than the probability value of 0.05 ($0.000 < 0.05$), so Ha3 is accepted, which means that SC has a positive and significant effect on the performance of MSMEs businesses.

Indirect Influence

The results of the hypothesis testing for indirect effects are presented below:

Table 5. Results of Indirect Effect Hypothesis Testing

No	Exogenous	Mediation	Endogenous	Path Coefficient	t-Value (p-Value)	Decision
1	IC	SC	MSME Business Performance	0,378	5,683 (0.000)	H4 accepted

Source: PLS Processing, 2024

Based on the indirect influence hypothesis testing table above, the results of the analysis can be described, namely the t-statistic value of the indirect influence of the IC variable is 5.683 with a probability value (P-value) of 0.000. The P-value is smaller than the probability value of 0.05 ($0.000 < 0.05$), so Ha4 is accepted, which means that IC through SC has a positive and significant effect on MSME business performance.

DISCUSSION

The performance of MSMEs businesses is reviewed from financial and non-financial performance.

The results of descriptive testing on MSME business performance found that the MSME business performance variable in Gorontalo City which is in the fairly good category indicates that in general, small and medium business actors in this region have been able to achieve decent performance standards in running MSMEs business actors. Business performance covers various aspects such as increased sales, market share growth, operational efficiency, and product innovation. The fairly good category indicates that most MSMEs have succeeded in maintaining business stability, although there are still challenges that need to be overcome to achieve a higher level of performance. MSMEs actors in Gorontalo tend to have good abilities in managing daily operations and capturing local market opportunities but still need a stronger strategy for product and service expansion and diversification.

The financial performance of MSMEs that are in the poor category indicates that most business actors still face obstacles in terms of financial management and profitability. This can include low-profit margins, difficulties in managing cash flow, and lack of access to adequate capital or financing sources. Weak financial performance is often caused by a lack of knowledge in managing business finances effectively, as well as challenges in obtaining credit or funding from formal financial institutions. To overcome this problem, MSME actors need to focus more on cost management, increasing operational efficiency, and a better understanding of long-term financial planning.

On the other hand, the non-financial performance of MSMEs in Gorontalo City is in the fairly good category, which shows that although there are still shortcomings financially, MSMEs actors have succeeded in achieving positive achievements in non-financial aspects. Non-financial performance includes aspects such as customer satisfaction, product innovation, customer loyalty, and good relationships with suppliers and the community. MSMEs that are able to maintain customer satisfaction and have innovative products are usually easier to survive in the market, even if the financial benefits of MSME actors are not yet optimal. By focusing on product and service quality, MSME actors can improve the reputation and business value of MSMEs actors, which can ultimately support improved financial performance in the future.

This result is in accordance with the opinion of Cho & Lee (2018) MSMEs (Micro, Small, and Medium Enterprises) business performance refers to the evaluation of the results or achievements obtained by an MSME business in running its operations. This includes a number of factors that reflect how well the business operates and generates profits. MSMEs business performance can vary greatly, depending on the industry, location, size, and business objectives. MSMEs business performance evaluations are usually carried out periodically to identify areas that need improvement and to develop appropriate improvement strategies. Optimizing business performance, both in financial and non-financial aspects, is essential to achieving long-term sustainability and growth. Financial performance reflects the economic health of a company, such as profitability and cash flow, which are important to support operations and investments. Meanwhile, non-financial performance, such as customer satisfaction, product quality, and innovation, contributes to reputation and competitiveness. The combination of the two creates a solid foundation for the company to adapt to market changes, improve efficiency, and meet stakeholder expectations, thus driving sustainable growth.

The Influence of Intellectual Capital on Social Capital

The results of the first hypothesis test found that IC has a positive and significant effect on the Social Capital of MSMEs in Gorontalo City. A positive effect means that the better the IC, the better the social capital of MSMEs in Gorontalo City. IC, which includes knowledge, skills, and managerial abilities, enables MSMEs to run their businesses more efficiently and effectively. When MSMEs have a deep understanding of their business and master good operational strategies, MSMEs can more easily build strong social relationships with various stakeholders. For example, a good understanding of customer needs, the ability to innovate, and communication skills improved through IC will help strengthen trust and improve the quality of relationships with customers, business partners, and the surrounding community.

This result is in line with the statement from Daat, Sanggenafa, & Larasati (2021) that IC has a significant influence on the development of SC in MSMEs. IC which consists of knowledge, skills, and innovation, enables MSMEs entrepreneurs to build strong networks with stakeholders, including customers, suppliers, and local communities. By having in-depth knowledge of the market and consumer needs, entrepreneurs can create mutually beneficial relationships, where information and resources can be shared effectively. In addition, IC also includes communication and collaboration skills, which

are very important in building trust and solid social ties. This can increase community involvement and create the support networks needed for MSMEs growth.

The Influence of Intellectual Capital on the Business Performance of MSMEs

The results of the second hypothesis test found that IC has a positive and insignificant effect on the business performance of MSMEs in Gorontalo City. The positive influence means that the better the IC will have a good impact on improving the business performance of MSMEs in Gorontalo City, but this good impact is not so significant. IC includes the assets of knowledge, skills, innovation, and managerial abilities of business actors. When MSMEs have strong intellectual resources, MSME actors are better able to manage their business more efficiently, make the right decisions, and innovate in products or services. Increasing IC also helps MSME actors face market competition, develop more effective strategies, and optimize the use of limited resources. This will create better stability and business development, as well as open up opportunities for long-term growth. However, even though the positive impact exists, the increase has not been significantly felt by most MSMEs.

These results are in line with statements from Prakasa, (2022) and Muda, Rahman, Hamzah, & Saleh (2020) that IC, which includes knowledge and skills, enables MSMEs to identify new opportunities and respond to market needs more quickly. When MSME owners have a good knowledge of products and industry trends, MSMEs actors can create products that better meet customer expectations, which ultimately contributes to increased sales and profitability. In addition, processes supported by strong IC, such as information management systems and product development, can improve operational efficiency and reduce costs.

Although intellectual capital contributes to knowledge and managerial capability, MSMEs in Gorontalo may not utilize these capacities into strategic decision-making due to limited financial literacy, lack of technology adoption, and weak operational documentation. This condition weakens the direct impact of intellectual capital on business performance. These contextual limitations imply that intellectual resources owned by MSMEs are not yet effectively transformed into operational or strategic improvements, which explains the insignificant direct effect found in this study.

The Influence of Social Capital on the Business Performance of MSMEs

The results of the third hypothesis test found that SC has a positive and significant effect on the business performance of MSMEs in Gorontalo City. The positive influence means that the better the SC, the better it will provide benefits to improve the business performance of MSMEs in Gorontalo City. SC encompasses social networks, trusts, norms, and mutually beneficial relationships between businesses and various stakeholders, such as customers, business partners, communities, and governments. When MSMEs have strong and supportive social relationships, MSME actors can more easily gain access to various resources such as market information, technical assistance, and collaboration opportunities. A good relationship with customers, for example, can increase loyalty and satisfaction, which will ultimately lead to increased sales and business growth. Thus, SC is an important foundation for the sustainability and development of MSMEs in Gorontalo.

These results are in line with statements from Mursid, Suharno, & Priatna (2018) that the SC has a profound influence on the business performance of MSMEs by improving the ability of MSMEs actors to collaborate and establish mutually beneficial relationships. When MSMEs have a strong social network, MSMEs actors can better access information, resources, and support from various stakeholders. Good relationships with customers, suppliers, and local communities allow MSMEs to better understand market needs and respond with appropriate products or services. The trust built-in social networks also reduce transaction risk and creates an environment conducive to innovation, thereby increasing the chances of business success.

In the context of Gorontalo, strong social networks serve as an alternative resource for MSMEs to overcome their limited formal financial access. MSME owners often rely on trust-based relationships with suppliers, customers, and local communities to maintain operations, obtain market information, and access informal credit. This condition reinforces the dominant role of social capital, making it more influential than intellectual capital in improving business performance.

The Influence of Intellectual Capital Through Social Capital on the Business Performance of MSMEs

The results of the fourth hypothesis test found that IC through Social Capital has a positive and significant effect on the business performance of MSMEs in Gorontalo City. This result means that the SC can be a good intervening variable because it can increase the influence of IC on the business performance of MSMEs in Gorontalo City, namely that initially the IC was not significant to become significant after being intervened by the SC. When the IC of MSMEs actors does not have a significant impact on business performance, the presence of the SC can change these dynamics. SC, which includes social networks, trust, and collaboration, can create an environment that supports the application of knowledge and skills that businesses have. With good relationships with business partners, customers, and communities, MSME actors can more easily share information, experiences, and resources, so that the use of IC can be more optimal. In other words, SC serves as a bridge that connects intellectuals with real practice in the field, making IC's contribution to business performance more visible and significant.

These results are in line with statements from Kussudyarsana, Maulana, Maimun, Santoso, & Nugroho (2023) that when MSMEs have a strong IC, MSMEs actors can develop the knowledge and skills needed to build more productive social relationships. For example, MSME owners who are skilled in marketing and communication will be better able to establish good relationships with customers and business partners. These skills enable MSME actors to collaborate effectively, share knowledge, and create networks that support business growth. In other words, intellectual capital serves as the foundation for building an SC, which in turn can improve business performance. SC enables MSMEs to establish partnerships and collaborations with other businesses. This collaboration can be in the form of joint product development, joint marketing, or other mutually beneficial business projects (Atmaja, Purnamawati, & Sujana, 2020; Triono, Chandra Kirana, & Fadhillah, 2021). kind of partnership can open up new opportunities and expand the market share of MSMEs. Strong, trusting, and supportive relationships are

more valuable than just the number of contacts (Dar & Mishra, 2020).

SC built from intellectual capital plays an important role in creating an environment that supports innovation and growth. When MSMEs can access information and resources through their social networks, MSMEs actors are better able to adapt to market changes and take advantage of new opportunities. Thus, the influence of intellectual capital on the business performance of MSMEs is not only direct but also occurs through SC channels. This emphasizes the importance of managing both intellectual and social capital to achieve optimal performance in MSMEs.

This finding indicates that social capital functions as a channel that enables intellectual capital to be translated into practical business advantages. MSMEs with strong relational networks are more likely to apply their knowledge and skills effectively because social ties make it easier to access resources, share information, and implement collaboration. Therefore, social capital enhances the usefulness of intellectual capital, enabling it to contribute indirectly to performance outcomes.

CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

Based on the results of the research and discussion in the previous chapter, several research conclusions can be drawn as follows: 1) The business performance of MSMEs in Gorontalo City for financial performance indicators is in the poor category with a score of 67.07% and for non-financial performance indicators has a score of 75.26% which is in the category of quite good; 2) IC directly has a positive and significant effect on SC MSMEs; 3) IC directly has a positive or insignificant effect on the business performance of MSMEs; 4) Social Capital directly has a positive and significant effect on the business performance of MSMEs; 4) IC through SC has a positive and significant effect on the business performance of MSMEs in Gorontalo City.

Based on the results of the research and the conclusions of the research, the suggestions of this study are as follows: 1) The government needs to improve training and assistance programs for MSMEs with a focus on IC development, such as managerial training, financial management, and the use of digital technology. In addition, the government must strengthen social networks between MSMEs through the formation of communities or cooperatives that support collaboration, information sharing, and joint marketing. This step can improve the financial performance of MSMEs that are still not good and maximize the potential of SC to encourage business growth; 2) MSMEs actors need to improve their knowledge and skills, especially in the field of financial management and product innovation, to increase business competitiveness. In addition, they should actively build social networks with business partners, communities, and consumers to expand market access and strengthen cooperation. By making maximum use of intellectual and SC, MSME actors can improve the financial and non-financial performance of their businesses; 3) Bank Indonesia can support MSMEs through a curation program that includes the selection and development of high-potential MSMEs in certain sectors. The program should include financial literacy training, access to affordable financing, and promotional assistance at the national and international levels. By integrating intellectual

capital strengthening and SC through curation, Bank Indonesia can help MSMEs increase their competitiveness and contribute to the regional economy.

This study has several limitations, first, the data used for this study is self-reported by business owners, where respondents in the survey give their assessment of the company's performance without access to detailed financial statements, the concept of IC and financial performance is quite complex involving the subjectivity of respondents' perceptions. The suggestion for the next research is to increase the number of respondents not only involving business owners but also company management who understand financial statements. Second, the research design in this study does not allow for the development of causal relationships and the construction of more sophisticated statistical models, because the data is only obtained from the perspective of the owner so there is no evidence of data reliability. Therefore, the results of this study are only indicative and do not provide a solid foundation for generalization.

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