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DETERMINANT FACTOR ANALYSIS OF FINANCIAL PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES WITH SOCIAL CAPITAL AS A MODERATING VARIABLE DURING COVID-19 IN ACEH, INDONESIA

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Abstract:

This study analyzes the problem factors affecting Micro, Small, and Medium Enterprises (MSMEs) performance with social capital variables. The problems are related to developing MSMEs' financial and non-financial performance and are considered inseparable from various internal and external influences. This research is a quantitative-qualitative research with primary data. The utilization of questionnaires and interviews as methods for data collection. The data analysis technique used was a statistical analysis based on partial least squares (PLS). The study's results found that internal and external factors had a significant positive effect on the financial performance of MSMEs. The E-commerce factors and social capital significantly positively affected the financial performance of MSMEs. However, the colonial capital did not strengthen the relationship between internal variables, external, and E-commerce on the financial performance of MSMEs.

Key words: *Internal factor, external factors, e-commerce factors, financial performance, MSMEs, Social Capital*

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) in Aceh, Indonesia, as in many other areas, face unprecedented challenges during the COVID-19 pandemic. The economic impact of the pandemic has hit various sectors, but MSMEs, with limited

resources, maybe the most vulnerable. They are facing operational challenges, and MSMEs are also struggling financially, with many experiencing liquidity difficulties and declining revenues.

The development of Indonesian MSMEs based on business unit indicators from 2016 to 2019 has decreased yearly. The COVID-19 pandemic has further worsened the condition of MSME development, causing a decrease in the number of MSMEs, and the contribution of MSMEs to Indonesia's GDP has also decreased drastically. The problems experienced are caused by changes in the consumption patterns of goods and services in the community during the pandemic from offline to online, where MSMEs experience labor problems and product distribution obstacles, as well as difficulties in producing raw materials due to government policies that impose lockdowns, Large-Scale Social Restrictions (LSSR) or Community Activities Restrictions Enforcement (CARE).

Micro, Small, and Medium Enterprises (MSMEs) in Aceh experienced development from 2014 to 2019. The Banda Aceh City area increased from 463 (2014) to 9975 (2019) by around 44.7%, and Bireuen Regency increased by about 7000, previously only 100 MSME units. Southwest Aceh also increased by 1,000 units in 2019. However, the fact is that the expected improvement has not followed the increase in the number of MSMEs in Aceh in business quality and productivity. Such conditions indicate that the profit level is still relatively low, the products produced are not well diversified, and the services provided cannot provide maximum customer satisfaction. Various literature shows that business organizations, including MSMEs, and their business activities are influenced by internal and external aspects (Kurnia et al., 2019). In other words, the development of the financial and non-financial performance of MSMEs is thought to be inseparable from various internal and external influences. It is an exciting study to contribute thoughts to the development of MSMEs.

The study showed that external factors affect internal factors and MSME performance, while internal factors significantly affect MSME performance. Previous researchers, such as Munizu (2020), Purwaningsih and Kusuma (2015), and Sudiarta et al. (2014) also obtained research results that were identical to those of previous researchers that internal factors affected the performance of MSMEs.

In addition to internal and external factors that affect the performance of MSMEs, social capital and e-commerce are also factors. Social capital is an essential aspect of social life that is expected to change social dynamics in various aspects of activity. Social capital does not only concern certain aspects, but social capital continues to grow from the quantity and quality aspects that involve various elements in interconnected community life. Research on social capital in the Aceh context focuses on improving employee performance (Nurfajri & Ariyanto, 2019) and organizational citizen behavior (Amri & Nurmala, 2021). No study specifically examines the relationship between social capital and MSME performance. Thus, social capital for further research can be used as one of the factors that can affect the performance of MSMEs.

Further research on the effect of e-commerce on the performance of MSMEs has been conducted by Ardiani et al. (2018), showing that MSMEs that have used e-commerce (Chocolate Banua) have higher sales results and a more comprehensive marketing network than Chocolate Sakaya. Ahmad et al. (2015) stated in their research that e-

commerce provides relative benefits, providing perceptions of compatibility, e-commerce knowledge, management attitudes towards e-commerce, and external change agents as statistically significant elements of e-commerce. Testing the effect of internal and external factors on the performance of MSMEs in different locations, business types, and methods is an important study to evaluate the development of MSMEs (Radzi et al., 2017). In addition, the role of social capital factors is also recommended to be re-analyzed for their influence on business performance because previous research only analyzed at the individual level (Husain, 2017). Therefore, by re-analyzing the role of internal, external, and social capital factors on MSME performance, it is hoped that it will be a model for active MSME actors in improving their business performance.

Based on the theoretical review, the results of previous studies, and the theoretical framework on the factors that affect financial performance, the research hypothesis developed in the study is to evaluate the development of MSMEs with social capital. Internal, external, and e-commerce factors, as well as social capital, have a positive and significant effect on the financial performance of MSMEs, and social capital strengthens the influence of internal, external, and e-commerce factors on the financial performance of MSMEs.

Finally, in the context of Aceh, which has a rich history, culture, and social dynamics, the findings from this study can guide other regions in Indonesia or countries with similar characteristics. As such, this study's significance goes beyond Aceh's geographical boundaries, contributing to the global literature on MSMEs, social capital, and crisis adaptation. In this context, this study aims to analyze the determinants of the financial performance of MSMEs in Aceh during the COVID-19 pandemic by considering social capital as a moderating variable. By understanding the relationship between the determinants of economic performance and how social capital can influence the relationship, policymakers, and MSME owners can formulate more effective strategies to address future challenges and increase business resilience in a crisis.

2. Methodological

Research Design

This research uses methods or aspects that are very important and significantly influence the success or failure of a study, especially for collecting data. The approach method used in this research is the descriptive approach method. This descriptive method is a method that aims to determine the nature and more profound relationship between two variables by observing certain aspects more precisely to obtain data that is by the existing problems with the research objectives, where the data is processed, analyzed, and processed further based on the theories that have been studied so that the data can be used to conclude (Sugiyono, 2008).

Sample and Population

The population in this study was several MSME players registered with the Office of Cooperatives and MSMEs in Banda Aceh and Aceh Besar Regency, totaling 4,501 MSMEs. This study took a sample using the Slovin formula; the number of samples

obtained was 367. It is considering the requirements for using the minimum sample using the SmartPLS analyzer, which is 100 samples (Hair JR et al., 2014). This amount meets the criteria for the minimum requirements of SmartPLS. Then the sample will be taken using the purposive sampling method, which is determined based on the essentials: (1) MSMEs that are used as samples are those that have used digital media in conducting transactions (e-commerce); (2) MSME capital is limited to those above Rp 50 million to Rp 10 billion; (3) respondents are those who understand and understand the financial condition of MSMEs; and (4) at least one year of respondents have worked in digital MSMEs.

Data Collection

The data collection technique used is collecting data from the Office of the MSMEs and Cooperative Office of Aceh. This literature study is carried out by reading, studying, and analyzing literature, articles, journals, and previous research results and making direct observations by distributing questionnaires directly to respondents. Respondents are MSME owners and understand finance.

Data Analysis

Data analysis is used to answer problem formulations or test hypotheses that have been formulated. Data management in this study will use Smart PLS Software 3.2.7 Structural Equation Modeling (SEM), a method used to cover the weaknesses found in the regression method. According to experts, Structural Equation Modeling (SEM) research methods are grouped into two approaches, namely the covariance-based SEM (CBSEM) approach and variance-based SEM or Partial Least Square (PLS).

3. Results

Characteristics of respondents

Based on the data obtained in this study, the percentage return rate is 35%. It occurred due to the low level of participation of respondents and also the constraints of researchers who were unable to go directly to the MSMEs location due to the imposition of the status of Community Activities Restrictions Enforcement (CARE) by the government due to the quality of the COVID-19 emergency area. However, based on the minimum sample size requirements required by the analytical tool, namely Smart PLS, The number of samples that meet the minimum criteria is 100 (Hair JR et al., 2014). In this study, the number collected was 129, so $129 > 100$, so the data is suitable for analysis.

Table 1 Description of data and characteristics of research respondents

Variabel Data	N	Percent	Valid Percent
Genre			
- Man	25	19.4	19.4
- Woman	104	80.6	80.6
Total	129	100.0	100.0

Age

- <25 years	6	4.7	4.7
- 26 – 30 years	15	11.6	11.6
- 31 – 35 years	57	44.2	44.2
- 36 – 40 years	52	39.5	39.5
Total	129	100.0	100.0

Education

- High school/equivalent	6	4.7	4.7
- Academy/Diploma	15	11.6	11.6
- Bachelor's degree	57	44.2	44.2
Total	129	100.0	100.0

Online shopping

- More than 1-5 times a month	24	18.6	18.6
- More than 6-10 times a month	40	31.0	31.0
- More than 11 times a month	39	30.2	30.2
- Only if necessary	26	20.2	20.2
Total	129	100.0	100.0

Online Shopping Site Visits

- Once	12	9.3	9.3
- Twice	49	38.0	38.0
- More than twice	68	52.7	52.7
Total	129	100.0	100.0

Table 1 reports the characteristics of the respondents based on the assessment of gender, age, education, online shopping, and online shopping site visits. Data from the elements of respondents are considered a basis for knowing the dominance of the respondents' identity in this study. Furthermore, the respondents' data were subjected to descriptive analysis to describe the respondents' answers and provide an overview of the financial performance of MSMEs in Aceh.

Description of Internal Variables

To determine the implementation of internal variables, indicators are used, namely: human resources aspects (selection, work experience, awarding, division of tasks), financial aspects (own capital, loan capital, business ability to make a profit), production and operational aspects (use of raw materials, availability and maintenance of machinery and equipment, utilization of modern technology), and market and marketing aspects (market segmentation, product quality, pricing, promotional activities). Based on the results of the calculation, the respondents' answers regarding the internal variables were as follows:

Table 2 Respondents' Perceptions of Internal Variables

No	Question Items	SD	D	N	A	SA	Average	Remarks
1	Get rewards for those who excel	-	4	21	91	13	3.88	Agree
2	Prioritizing the use of one's capital	-	4	29	92	4	3.74	Agree
3	Using quality raw materials	-	7	39	79	4	3.62	Agree
4	Has its segment in the e-commerce market	-	2	43	81	3	3.66	Agree
5	Always promote to increase the number of customers	-	7	36	83	3	3.64	Agree
Average							3.77	Agree

Note: SD (Strongly Disagree); D (Disagree); N (Neutral); A (Agree); SA (Strongly Agree). Source: Primary data processed, (2021)

Based on **Table 2** overall, the average perception of respondents on internal variables is 3.77 (agree/good category). Respondents expressed their agreement to reward workers in Aceh digital MSMEs who excel in developing their businesses and to prioritize developing businesses with their capital. The role of own capital is one of the good startups for digital businesses, which in principle, do not require large capital. In addition, one element approved by respondents is that promotion must be one of the strategies for binding and increasing the number of customers who shop at Aceh digital MSMEs.

Description of External Variables

In order to assess the incorporation of external variables according to respondents' responses, various indicators were employed. These indicators encompassed government policy dimensions (such as coaching, information provision, and access to business licenses), social and economic factors (including community income levels, consumer demands, regional culture, and community characteristics), as well as aspects related to the role of relevant institutions (such as capital assistance, training, and monitoring). Measurement of external variables based on these indicators uses a questionnaire measuring instrument by providing respondents with five closed statement items in the form of a Likert scale. Respondents' answers are as follows:

Table 3 Respondents' Perceptions of External Variables

No	Question Items	SD	D	N	A	SA	Average	Remarks
1	Easy to apply for a business license	-	6	32	88	3	3.68	Agree
2	always try to fulfill consumer demand and needs	-	6	34	89	-	3.64	Agree
3	Easy to get capital assistance	-	1	34	86	8	3.78	Agree
4	Digital MSMEs are in line with the characteristics of today's society	-	2	19	86	22	3.99	Agree
5	Continuously monitor the financial condition of the business regularly	-	9	33	78	9	3.67	Agree
Average							3.76	Agree

Note: SD (Strongly Disagree); D (Disagree); N (Neutral); A (Agree); SA (Strongly Agree). Source: Primary data processed (2021).

The data processing results in **Table 3** show that the third indicator, namely digital MSMEs by the characteristics of today's society, has the largest average of all indicators,

namely 3.99 (agree/good category). It illustrates that digital MSMEs are currently one of the most promising startup businesses to be developed in Aceh. The ease of obtaining licenses, obtaining additional capital, and the ability of digital MSME businesses to meet the current needs of consumers are other alternative factors that support the operation of this external variable on the financial performance of MSMEs. In addition, according to respondents, digital MSMEs make it easier to monitor their financial conditions regularly because they can be accessed widely and in detail.

E-Commerce Variable

E-commerce variables are measured based on respondents' answers using indicators, namely: Internet Access (Easy to access), Ease of Information (Transactions are easy to do), HR Capabilities (The service process is fast and safe), Managerial Responsibility (Capital in e-commerce does not require high funds). Measuring e-commerce based on these indicators uses a questionnaire measuring instrument by giving respondents five closed statement items in a Likert scale. Based on the calculation results, the respondents' answers regarding e-commerce were given to the respondents as shown in **Table 4** below.

Table. 4 Respondents' Perceptions of E-Commerce Variables

No	Question Items	SD	D	N	A	SA	Average	Remarks
1	Easy access and shopping through e-commerce	-	7	41	74	7	3.63	Agree
2	Easier transactions in online stores	1	12	47	67	2	3.44	Agree
3	Fast and secure service process	-	1	19	67	42	3.16	Agree
4	Capitalization in e-commerce does not require high funds	-	7	38	81	3	3.62	Agree
5	E-commerce makes shopping simpler and faster	-	6	31	90	2	3.68	Agree
Average							3.69	Agree

Note: SD (Strongly Disagree); D (Disagree); N (Neutral); A (Agree); SA (Strongly Agree). Source: Primary data processed, (2021).

Based on **Table 4**, it can be seen that the average value of the e-commerce variable is 3.69 (agree/good category). Respondents agreed that Aceh's digital MSMEs have brought about changes and the sensation of more straightforward and faster online shopping. In addition to easy access to all MSME product needs, the services provided also do not require a long time because they can be accessed at any time according to consumer desires. Then, the respondents also agreed and confirmed that it turned out that the capital factor in this e-commerce did not require high capital.

Social Capital Variable

The assessment of social capital variables based on respondents' answers used indicators, namely: Bridging Ties (Structural which reflects an extensive network of relationships that facilitate the exchange of information that supports a more efficient and effective work situation), joining problem-solving Solving (Relational which reflects mutual trust, togetherness, and care to help work cohesiveness), Shared Value (Cognitive which

reflects the same understanding of the vision and collective goals to be achieved to support intergroup cooperation and organizational performance). Measurement of social capital based on these indicators uses a questionnaire measuring instrument by giving five closed statement items in the form of a Likert scale to respondents, and the results are as follows:

Table 5 Respondents' Perceptions of Social Capital Variables

No	Question Items	SD	D	N	A	SA	Average	Remarks
1	The social structure of today's society requires a type of business that reflects the power of extensive networks to facilitate the efficient and effective exchange of information.	-	5	33	82	9	3.74	Agree
2	MSMEs' relationships with customers should reflect mutual trust and care.	-	2	25	98	4	3.81	Agree
3	It is essential to understand the collective vision and goals so that business outcomes can be consumerized.	-	4	32	88	5	3.73	Agree
4	Care for consumers	-	8	55	64	2	3.47	Agree
5	Always working together and compact as a reflection of a sense of togetherness.	-	4	30	92	3	3.73	Agree
Average							3.69	Agree

Note: SD (Strongly Disagree); D (Disagree); N (Neutral); A (Agree); SA (Strongly Agree). Source: Primary data processed, (2021).

Based on **Table 5**, the average value of 3.69 is a form of agreement from respondents that the social capital variable can be used as one of the factors that will affect the financial performance of Aceh digital MSMEs. However, the findings provide several alternative solutions related to respondents' approval of this social capital factor. Respondents agreed that it is important to build relationships with consumers to increase mutual trust and care. Then, with the conditions of today's digitalization era, the social structure of society requires a type of business that reflects the strength of a wide network to facilitate efficient and effective information exchange, especially digital-based MSME businesses. In addition, according to respondents, an element that is no less important to consider is the importance of understanding the collective vision and goals so that business achievements can be fulfilled as desired by MSME stockholders.

Financial Performance Variables of MSMEs

Assessment of financial performance variables based on respondents' answers used indicators, namely: Production Output (Increased sales), Internal Process (Increased profits, Increased business capital, Increased customers and Business goals and targets achieved), Process Capability (Ability to profit in meeting needs). Measurement of financial performance based on these indicators uses a questionnaire measuring instrument by giving six closed statement items in the form of a Likert scale to respondents, and the

results are as follows:

Table 6 Respondents' Perceptions of Financial Performance Variables

No	Question Items	SD	D	N	A	SA	Average	Remarks
1	Always trying to increase sales	-	3	21	103	2	3.81	Agree
2	Always try to increase sales profit	-	2	31	86	10	3.81	Agree
3	Looking for alternatives to increase business capital	-	6	41	80	2	3.60	Agree
4	Always oriented to increasing customers	-	3	31	88	7	3.77	Agree
5	Business goals and targets are achieved with a specific time target	-	5	42	76	6	3.64	Agree
6	Trying to get profit to be able to meet the needs of stockholders	-	13	55	61	-	3.37	Agree
Average							3.67	Agree

Note: SD (Strongly Disagree); D (Disagree); N (Neutral); A (Agree); SA (Strongly Agree). Source: Primary data processed, (2021).

The research results in **Table 6** show that the statements with the highest average score values are Always trying to increase sales and Always trying to increase sales profits. Sales are related to product turnover on the digital MSME page, and profits are related to the income earned by Aceh digital MSMEs. Of course, the findings of the survey results, according to respondents, can occur if the achievement of business targets following the predetermined timeframe can be realized, there is an increase in business capital and an orientation to continue to be able to increase the number of customers shopping at Aceh digital MSMEs.

Data Quality Assay

Data is processed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) method. Quantitative data analysis using statistical analysis with SEM-PLS tools consists of two stages. The first stage is carried out to see the validity and reliability of the measuring instrument manifested by the data collected. After these two things are fulfilled, the second stage is carried out to analyze the data following the proposed hypothesis.

Validity and Reliability Analysis

Convergent Validity Test: The Convergent Validity Test aims to determine the validity of each relationship between indicators and their constructs or latent variables. The convergence validity of the measurement model with reflexive indicators is assessed based on the correlation between the item score or component score and the latent variable score or construct score estimated by the SmartPLS program. Convergent validity test parameters in the PLS measurement model with reflexive indicators can be measured based on the loading factor with a rule of thumb > 0.7 . The loading factor value with a rule of thumb between 0.5 and 0.6 can still be used (Yamin and Kurniawan (2011); Haryono (2017) or using AVE and community parameters > 0.5 or T statistics ≥ 1.96 and a P value ≤ 0.05 . **Figure 1** reports the construct scores from the SmartPLS analysis. The summary factor loadings for each indicator are reported in **Table 7**.

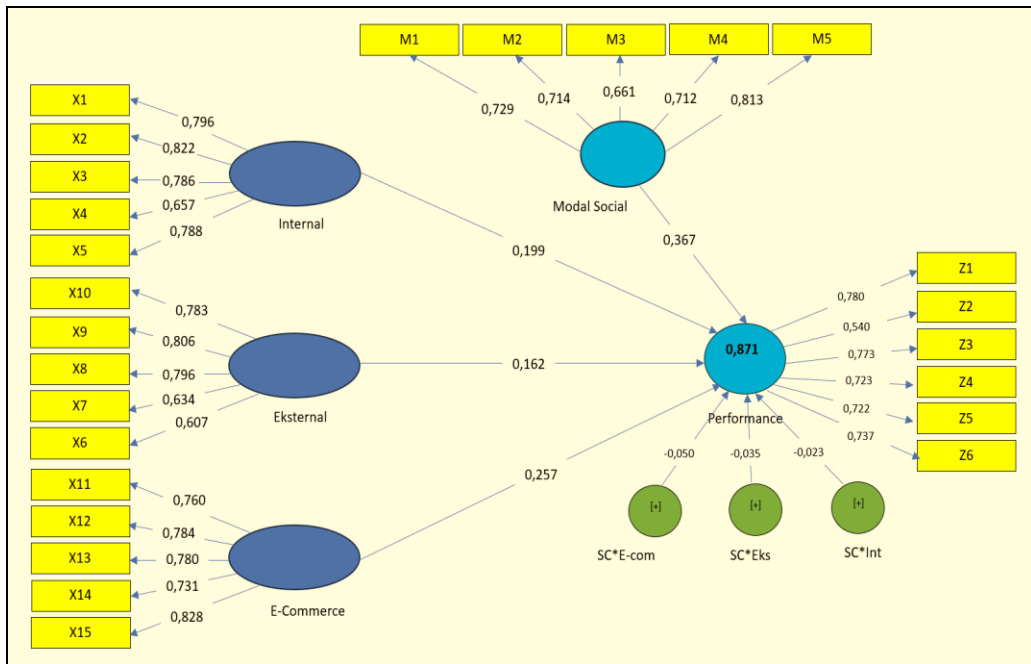


Figure 1. still shows several construct indicators with a loading factor value below 0.7, namely X4, X8, X9, M3, and Z2.

Table 7 Summarized Outer Loading Values

Code	Loading Factor	T Statistics	P Value	Remarks
M1 <- Social Capital	0.729	19.029	0.000	Valid
M2 <- Social Capital	0.719	14.280	0.000	Valid
M3 <- Social Capital	0.661	10.674	0.000	Valid
M4 <- Social Capital	0.712	12.238	0.000	Valid
M5 <- Social Capital	0.813	24.970	0.000	Valid
X1 <- Internal	0.796	17.047	0.000	Valid
X2 <- Internal	0.822	20.421	0.000	Valid
X3 <- Internal	0.786	18.409	0.000	Valid
X4 <- Internal	0.657	11.453	0.000	Valid
X5 <- Internal	0.788	19.916	0.000	Valid
X6 <- Eksternal	0.806	20.448	0.000	Valid
X7 <- Eksternal	0.798	21.137	0.000	Valid
X8 <- Eksternal	0.634	8.593	0.000	Valid
X9 <- Eksternal	0.607	8.246	0.000	Valid
X10 <- Eksternal	0.783	22.885	0.000	Valid
X11 <- E-Commerce	0.760	18.603	0.000	Valid
X12 <- E-Commerce	0.784	20.859	0.000	Valid
X13 <- E-Commerce	0.780	21.462	0.000	Valid
X14 <- E-Commerce	0.731	14.263	0.000	Valid
X15 <- E-Commerce	0.828	26.252	0.000	Valid
Z1 <- Financial Performance	0.780	20.118	0.000	Valid
Z2 <- Financial Performance	0.540	7.475	0.000	Valid
Z3 <- Financial Performance	0.773	19.038	0.000	Valid
Z4 <- Financial Performance	0.723	15.751	0.000	Valid
Z5 <- Financial Performance	0.722	16.839	0.000	Valid
Z6 <- Financial Performance	0.737	16.776	0.000	Valid

Discriminant Validity Test: Discriminant validity, which includes cross-loading, AVE root value, and latent variable correlation coefficient, compares the correlation coefficient value of indicators or questionnaire items in the construct block with the correlation coefficient in other columns (Haryono, 2017). Discriminant validity relates to the principle that different construct measures should not be highly correlated. The discriminant validity test is assessed by comparing cross-loading, AVE root value, and latent variable correlation coefficient with the correlation between constructs.

Table 8 Cross Loading Value

Code	<i>Social Capital</i>	<i>Internal</i>	<i>External</i>	<i>E-Commerce</i>	<i>Financial Performance</i>
M1	0.729	0,336	0,218	0,236	0,249
M2	0.719	0,374	0,322	0,293	0,312
M3	0.661	0,252	0,219	0,124	0,175
M4	0.712	0,375	0,360	0,296	0,397
M5	0.813	0,463	0,275	0,149	0,300
X1	0,491	0,796	0,372	0,365	0,427
X2	0,225	0,822	0,231	0,183	0,076
X3	0,406	0,786	0,403	0,318	0,354
X4	0,227	0,657	0,383	0,234	0,245
X5	0,308	0,788	0,358	0,276	0,190
X6	0,354	0,379	0,806	0,380	0,159
X7	0,347	0,330	0,798	0,319	0,392
X8	0,457	0,420	0,634	0,301	0,302
X9	0,249	0,321	0,607	0,236	0,198
X10	0,405	0,341	0,783	0,345	0,323
X11	0,390	0,396	0,449	0,760	0,232
X12	0,319	0,349	0,404	0,784	0,313
X13	0,361	0,253	0,373	0,780	0,325
X14	0,568	0,256	0,416	0,731	0,306
X15	0,521	0,382	0,392	0,828	0,414
Z1	0,353	0,312	0,245	0,329	0,780
Z2	0,230	0,221	0,180	0,204	0,540
Z3	0,294	0,419	0,266	0,351	0,773
Z4	0,435	0,482	0,332	0,410	0,723
Z5	0,331	0,381	0,248	0,328	0,722
Z6	0,273	0,345	0,277	0,252	0,737

Based on **Table 8**, namely the results of cross-loading, it shows that the correlation of latent constructs in predicting indicators on each variable is much better than other variable indicators. Thus, the discriminant validity test has been fulfilled. Next, comparing the root value of AVE and the latent variable correlation coefficient with the correlation between constructs is examined. These values will be compared through **Table 9** and **Table 10**.

Table 9 AVE and Root AVE Values

Variable	AVE	AVE
E-Commerce (X3)	0,604	0,777
External (X2)	0,534	0,731
Internal (X1)	0,596	0,722
Financial Performance (Z)	0,514	0,717
Social Capital (M)	0,531	0,730

Table 10 Latent Variable Correlation Values

Variable	X3	X2	X1	Z	M
E-Commerce (X3)	1,000				
External (X2)	0,639	1,000			
Internal (X1)	0,566	0,615	1,000		
Financial Performance (Z)	0,456	0,509	0,540	1,000	
Social Capital (M)	0,514	0,462	0,455	0,305	1,000

Based on **Table 9**, the root AVE value is greater than the AVE value, and **Table 10** shows that the latent construct correlation in each variable is much better than other variables. Thus, discriminant validity has been fulfilled.

Reliability Test: Evaluation of the construct reliability value with reflective indicators in PLS-SEM using two methods, namely composite reliability and Cronbach's alpha. The reliability test proves the instrument's accuracy, consistency, and persistence in measuring constructs. The reliability test results can be seen in **Table 11**.

Table 11 Composite Reliability and Cronbach's Alpha Values

Variable	Cronbach's Alpha	Composite Reliability
E-Commerce (X3)	0,836	0,884
External (X2)	0,778	0,850
Internal (X1)	0,829	0,880
Financial Performance (Z)	0,809	0,863
Social Capital (M)	0,777	0,849

Based on **Table 11** shows the construct reliability value (Composite Reliability) for each construct, where all values are more significant than 0.7. This indicates that variables with composite reliability > 0.7 have a high variable reliability. In addition, variable reliability can also be seen from the Cronbach's Alpha test results, where the value for each variable looks greater than 0.7. From some of the results of the above analysis incorporated in the outer model/measurement model analysis, it appears that the model is valid and reliable.

Structural Model Analysis (Inner Model)

In the structural model evaluation stage, we will analyze the structural model, test the research hypothesis, and analyze the coefficient of determination. The structural model analysis will present a path coefficient decomposition, namely calculating the direct, indirect, and total effects of exogenous variables on endogenous variables. Hypothesis testing will be analyzed by looking at the significant relationship value between constructs as indicated by the T-statistic value ≥ 1.96 . Then, the model is said to be fit if it has a P value ≤ 0.05 .

Direct Effect: The significance of the estimated parameters provides beneficial information about the relationship between the research variables. The basis used in testing the immediate effect hypothesis is the value contained in the path coefficient output as estimation output for structural model testing. The significance of each path is summarized in **Table 12** below:

Table 12 Path coefficients

Variable Analysis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	p-value
External (X2) → Financial Performance (Z)	0,162	0,173	0,073	2,213	0,027
Internal (X1) → Financial Performance (Z)	0,199	0,197	0,068	2,915	0,004
Social Capital (M) → Financial Performance	0,367	0,366	0,095	3,876	0,000
E-Commerce (X3) → Financial Performance	0,257	0,249	0,100	2,581	0,010

Table 12 shows the results of the Smart PLS path coefficient analysis, which states the significance of the direct effect between variables. It is stated that there is a positive and significant influence if the t-statistical value > 1.96 or the p-value < 0.05. The following **Figure 2**, which is schematically according to **Table 12**.

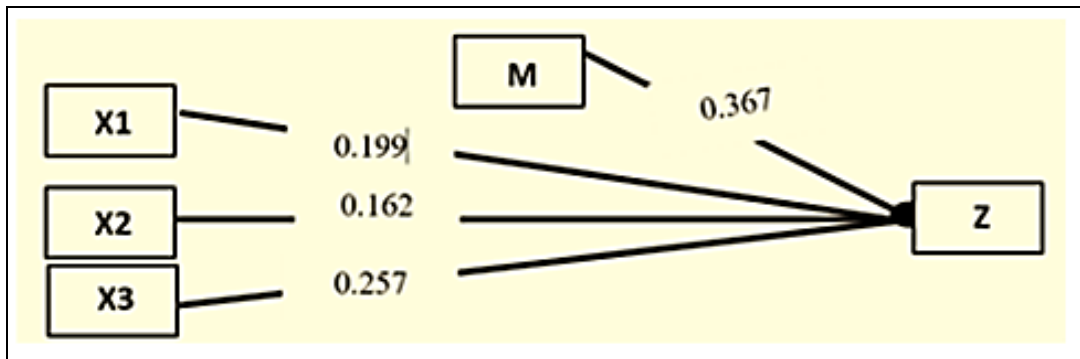


Figure 2 Results of Direct Effect Calculation

Based on the direct effect as shown in **Table 12** and **Figure 2**, namely (1) the results of testing the direct effect obtained the coefficient value of the internal variable on the financial performance variable of 0.199, (2) the results of testing the direct effect obtained the coefficient value of the external variable on the financial performance variable of 0.162, and (3) the results of testing the direct effect obtained the coefficient value of the e-commerce variable on the financial performance variable of 0.257. In addition, the results of testing the direct effect obtained from the coefficient value of the social capital variable on the MSME financial performance variable are 0.367.

Indirect Influence (Moderation Effect), To assess the significance of the influence of the moderation effect, namely through the results of the analysis of the p-value < 0.05, which in this study is shown in the moderation effect variable, namely SC*Int, SC*Ex, and SC*E-Com. This relationship analysis is carried out by first resampling the sample using bootstrapping. Bootstrapping is intended to minimize the problem of the non-normality of research data. The significance of indirect effects can be seen in **Table 13** below:

Table 13 Specific indirect effects

Variable Analysis		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	p-value
SC*Ecom(X2)→ Performance (Z)	Financial	0,05	0,048	0,072	0,690	0,491
SC*Eks(X1)→ Performance (Z)	Financial	-0,035	-0,034	0,075	0,470	0,639
SC*Int→ Performance	Financial	-0,023	-0,024	0,077	0,300	0,765

Based on the results of the calculation of **Table 13**, it can be explained by the influence of the moderating effect (reinforcing variable). Namely, the statistical test results for the influence of internal variables on the MSME financial performance variable reinforced by social capital obtained -0.023, the statistical test results for the influence of external variables on the MSME financial performance variable reinforced by social capital obtained -0.035, and the statistical test results for the influence of e-commerce variables on the MSME financial performance variable reinforced by social capital obtained 0.05.

Research Hypothesis Assesment

The final step that is carried out after all parameters have been tested the value is known, and it is concluded that the data is feasible is to determine whether the hypothesis can be accepted or rejected. To confirm the idea, apart from looking at the path coefficient, you must also look at the t-statistic value. The t-statistic value obtained must be tested again by comparing the t-statistic value with the t-table. If the t-statistic value > t-table, the hypothesis can be accepted. The effect of research variables on the financial performance of MSMEs is explained below.

The statistical test results in Table 12 show that the coefficient value of internal variables on financial performance is 0.199 with a t-statistic value of 2.915 > t-table (1.96), and the significance level is 0.004 < 0.05 (meeting the criteria below 5%). These results show that the effect of internal variables is positive and significant on the financial performance of MSMEs, so it follows the proposed hypothesis that internal factors affect the financial performance of MSMEs.

The statistical test results in **Table 12** obtained a coefficient value of 0.162 for external variables on financial performance with a t-statistic value of 2.213 > t-table (1.96) and a significance level of 0.027 < 0.05 (meeting the criteria below 5%). These results show that the effect of external factors is positive and significant on the financial performance of MSMEs, which means that it follows the second hypothesis that external factors affect the financial performance of MSMEs.

The statistical test results in **Table 12** obtained the coefficient value of the e-commerce variable on the financial performance of 0.257 with a t-statistic value of 2.581 > t-table (1.96) and a significance level of 0.010 < 0.05 (meets the minimum requirement below 5%). These results show that the effect of e-commerce variables is positive and significant on the financial performance of digital MSMEs in Aceh, which means that it follows the third hypothesis proposed, namely that the e-commerce factor affects the financial performance of MSMEs.

The statistical test results in **Table 12** obtained the coefficient value of the social capital variable on the financial performance of MSMEs is 0.367 with a t-statistic value of $3.876 > t\text{-table} (1.96)$ and a significance level of $0.000 < 0.05$ (following the minimum requirement of a significance value below 5%). These results show that the effect of social capital variables is positive and significant on financial performance. It follows the fourth hypothesis: that social capital affects the financial performance of MSMEs.

Mainstreaming Social Capital. The results of statistical testing in **Table 13** for the influence of internal, external, and e-commerce variables on the financial performance of MSMEs reinforced by social capital obtained the significance value of each influence between variables, namely 0.491 for SC*E-com → Financial Performance, 0.639 for SC*Ex → Financial Performance, and 0.765 for SC*Int → Financial Performance. These results show that the moderating variable of social capital could not strengthen the influence of internal, external, and e-commerce variables on the financial performance of digital MSMEs in Aceh. The significance level of the moderating variable is obtained above $5\% < 49.1\%, 63.9\%, \text{ and } 76.5\%$ so that the social capital factor cannot be used as an amplifying factor for internal, external, and e-commerce variables on financial performance. This means that hypothesis 5 is rejected.

Coefficient of Determination (R2)

The R-square (R2) goodness of fit analysis for the PLS model shows the dependent variable's determination level on the independent. The more enormous R2 value indicates a better level of determination. The R2 value is close to 1, with the value limitation criteria divided into three classifications: 0.67 = substantial, 0.33 = moderate, and 0.19 = weak. Based on the estimation results, the R-square value of the financial performance variable is 0.871. This means that internal, external, e-commerce, and social capital variables have contributed to or influenced the financial performance variable by 87.1%. The remaining influence of each independent variable on the dependent variable is influenced by other factors not discussed in this study.

Analysis of Predictive Relevance (Q2)

Predictive relevance analysis (Q2) is used to see the structural model's relative influence on the dependent variable's observed measurements. The value of predictive relevance, $Q2 > 0$, shows evidence that the observed values have been well reconstructed. Thus, the model has predictive relevance. Calculate Q2, and the formula can be used (Hair JR et al., 2014): $Q2 = 1 - (1 - R12)(1 - R22) \dots (1 - Rn2)$; $= 1 - (1 - 0.871)$; $= 1 - 0.129$; $= 0.871$.

The Q2 calculation results show that the Q2 value = 0.871. According to Ghazali (2014), the Q2 value can be used to measure how well the model produces the observed value and the parameter estimate. A Q2 value greater than 0 (zero) indicates that the model is said to be good enough, while a Q2 value of less than 0 (zero) indicates that the model lacks predictive relevance. In this research model, the construct or endogenous latent variable has a Q2 value greater than 0 (zero) so that the predictions made by the model are considered relevant.

Correlation Coefficient Analysis/Influence Measure (F2)

Correlation Coefficient Analysis/Effect Size (F2) is used to assess how strong the influence of the independent variable is on the dependent variable. The F2 assessment criteria are as follows: $F2 = 0.02$ (categorized as weak influence); $F2 = 0.15$ (moderate influence); and $F2 = 0.35$ (strong influence). Based on the results of the analysis of the F2 assessment criteria, it can be explained as follows:

- a. The effect of external variables on financial performance, $F2 = 0.05$ (sufficient). It shows that external variables will positively impact financial performance, so an increase in this variable will improve overall financial performance.
- b. The effect of internal variables on financial performance variables, $F2 = 0.078$ (sufficient). These results indicate that internal variables positively influence the financial performance variable, so an increase in this variable will improve overall financial performance.
- c. The influence of the social capital variable on the financial performance variable, $F2 = 0.155$ (strong). In general, this result shows that the correlation between the two is relatively strong, so an increase in the social capital variable will be able to increase the financial performance variable.
- d. The effect of e-commerce variables on financial performance variables, $F2 = 0.087$ (moderate). This result shows that the e-commerce variable has a sufficient correlation with the financial performance variable. It can be concluded that an increase in the e-commerce variable will be able to increase the financial performance variable.

5. Discussion

Discussion of research results based on data analysis obtained from structural model testing to determine the relationship between variables in this study. The results of this study indicate the suitability of several theories or the results of previous research by experts. However, not all hypotheses in this study are accepted or have different views on the theory and results of prior research. The discussion of the research results will be described as follows:

The Influence of Internal Factors on the Financial Performance of MSMEs

The statistical testing results show that the effect of internal variables is positive and significant on the financial performance of MSMEs, so it is in accordance with the proposed hypothesis that internal factors affect the financial performance of MSMEs. The results of this study indicate that internal factors have a positive and significant effect on the financial performance of digital MSMEs in Aceh. The Resource-Based View (RBV) Theory concerns internal factors that become fundamental variables of the company and its implementation. This theory states that the heterogeneity of firms in the industry is an important factor that shapes competitive advantage among firms. This theory also reveals that if all companies in the industry have the same resources, they will not have a competitive advantage that varies to diversify their strategies among companies. Besides, these internal factors can increase the efficiency and effectiveness of the entity and affect performance.

The results of this study align with research proposed by Hanggraeni et al. (2019), which explains that internal factors have a significant positive effect in determining the overall performance of a company. Internal factors such as innovation, technology, operational activities, strengthening human resources, and marketing affect industry performance, while industry structure is still essential in company performance. It also focuses more on the company's strategy to have a competitive advantage and its positioning strategy in a competitive market. Recognizing that the market structure is constant, the market winner is the firm that is more attractive compared to other firms. Based on this theory, low cost and differentiation are the two main features needed to build a better position for the entity compared to others. So it is hoped that MSME actors can pay attention to internal factors that are the advantages of MSME products that are marketed so that they can compete in the market and improve the financial performance of MSMEs.

Furthermore, Febrian and Kristianti (2020) show that internal factors positively affect the development of MSMEs. The results of this study also confirm the previous findings conducted by Aryani et al. (2020), showing in their research that internal factors positively contribute to the performance of MSMEs, so internal factors significantly affect the performance of MSMEs. In addition, the result of this study also supports previous findings by Ratnawati and Hikmah (2013); Husain (2017); Aryani et al. (2020); Siagian et al. (2019).

The Effect of External Factors on the Financial Performance of MSMEs

The statistical testing results show that external factors' influence is positive and significant on the financial performance of MSMEs, which means that it follows the second hypothesis that external factors affect the financial performance of MSMEs. Thus, it can be concluded that external factors positively and significantly affect the financial performance of digital MSMEs in Aceh.

The results of this study follow the findings of research conducted by Sentiago and Hidayatulloh (2019), Febrian and Kristianti (2020), and Aryani et al. (2020), which state that external factors affect the performance of MSMEs. The research findings reconfirm that the dominant indicators in shaping external factors are the ease of obtaining business licenses, efforts to meet consumer demand and needs, ease of securing capital assistance, digital MSMEs following the characteristics of today's society, and continuously monitoring business financial conditions regularly. In the financial field, the owner must separate his personal and business assets and have a financial record of his business to track his profit and loss as the basis for his future business strategy. Referring to the theory of the concept of a business entity or business unit is important because it aims to prevent company transactions from being mixed up. The implication of this concept is that a certain economic unit must be distinguished financially from other economic units, so periodic financial monitoring is necessary.

External factors include financial institutions, customers, suppliers, and local and central government. Entrepreneurs will be successful if they can utilize the existing network around the company so that it will be easier to get support as a source of business capital, market access, and market intelligence. Furthermore, the findings of this study also

reinforce the findings of research conducted by Dananjaya and Kuswanto (2015), explaining in this study that the external environment directly affects performance through networks in small and medium enterprises (SMEs). If the company can adjust to the external factors it faces, its performance will be better. Furthermore, companies that successfully align their strategies with the external environment they face will show better performance than companies that are less successful in aligning their strategies. In addition, networks between individuals or organizational groups need to be reviewed regarding the number of interactions carried out and the familiarity between groups in the network. Closeness seems to be very important among various organizations and even significantly influences the overall performance of the company.

Munizu (2020) states that External factors of a company provide many challenges faced by a company to attract or obtain the necessary resources and to market its goods and services profitably. Research conducted by Tambunan (2022) also explains that two internal and external factors generally determine the success or failure of a company. External factors that also determine the success and failure of a business include government factors such as economic policy, politics, and the level of democratization, as well as external factors such as the economic system, socio-cultural culture of the community, the labor system, and labor market conditions, infrastructure conditions, and the level of public education. In addition, the global environment also affects business success or failure.

The Effect of E-Commerce on the Financial Performance of MSMEs

Based on the results of statistical testing, the effect of e-commerce variables is positive and significant on the financial performance of digital MSMEs in Aceh, which means that it follows the third hypothesis proposed, namely that the e-commerce factor affects the financial performance of MSMEs. Thus, it can be concluded that e-commerce factors have a positive and significant effect on the financial performance of digital MSMEs in Aceh. The findings of this study are supported by research conducted by Ahmadi et al. (2020) and Wulandari et al. (2020), which state that e-commerce factors affect the financial performance of digital MSMEs in Bandung, Indonesia.

The findings of this study also confirm that aspects of easy access and shopping through e-commerce, ease of transactions in online stores, fast and safe service processes, e-commerce capital that does not require high funds, and e-commerce shopping that is simpler and faster are some aspects that support the development of Aceh's digital MSMEs for the better in the future. The internet and e-commerce are changing how companies operate by redefining how operations design and develop products, procurement, production, inventory, distribution, sales service support, and even marketing. In this process, e-commerce changes the roles and relationships of various parties, namely sellers and buyers.

The benefits of e-commerce on the economy are classified into enterprise, price, and productivity. The combination of technological and market forces has forced companies or MSME players to decide what strategies they must take to remain competitive and compete with other companies. Referring to the decision theory from Aulia (2020), decision-making is choosing the best alternative among several options to achieve

the desired results. Therefore, decision theory will require companies or MSME actors to consider the possibilities and consequences of several decisions that have been evaluated.

Research conducted by Triandra et al. (2019) indicates that e-commerce positively affects the performance of MSMEs, where the higher the degree of use or utilization of e-commerce, the higher the performance of MSMEs on average. In general, the presence of e-commerce is one of the most effective solutions for entrepreneurs, especially MSMEs, to penetrate the global market, which will increase business power and impact operational and financial performance. Other benefits provided by e-commerce are helping to create a client database, speeding up access to information, saving costs, and improving the quality of customer service (Huy et al., 2012).

Furthermore, Rahayu and Day (2015) mention the benefits of MSMEs adopting information technology, including increased marketing and efficient and effective communication. Information technology has helped organizations achieve more efficient, effective, innovative, and globally competitive growth. From this research, it can be concluded that e-commerce is needed and needs to be improved to improve the performance of MSMEs.

The Effect of Social Capital on the Financial Performance of MSMEs

The statistical testing results show that social capital has a positive and significant effect on financial performance, which means that it follows the fourth hypothesis, namely that social capital affects the financial performance of MSMEs. The results of this study explain that networks, norms, and trust have a positive and significant effect on the financial performance of Aceh digital MSMEs. Referring to the theory of Putnam (1995), the concept of social capital is part of the social life of networks, norms, and trust. High mutual trust will encourage higher economic performance, provided that it can build healthy competitive conditions. Norms will have a positive impact if the possibility of developing creativity is greater than the possibility of weakening work ethics. Networks will have a positive impact if the effect of protection on rent-seeking behavior is more significant than the crowding out of working time.

This study's findings follow research conducted by Analia et al. (2020), which found that social capital in the form of trust, networks, and norms is proven to affect the performance of MSMEs in Padang City, West Sumatra Province. The results of his study illustrate how the uniqueness and character of the Minang community build substantial social capital in the form of mutual trust, networks, and norms. As a result, the performance of MSME groups in Padang City is excellent. It can be seen from the flow of information and technology conveyed directly to other group members when one or several members receive training. Internal relationships between group members are well established, so the information distribution process is well conveyed.

Furthermore, Stam et al. (2014) stated that social capital positively affects the performance of MSMEs. It shows that increasing social capital will improve the performance of MSMEs. These studies show social capital as a resource embedded in MSMEs and the ability of social capital to enhance the performance and sustainability of

MSMEs. Thus emphasizing the important role of social capital in MSME production, and social capital is proven to affect the activities of suppliers and buyers.

Social capital is capital businesses can obtain through establishing better networks with others in the market, conducting repeat transactions with partners, and maintaining high trust between the company, stakeholders, and other partners. As a result, business performance will improve, and products and services will be more innovative. This social capital involves associations between MSMEs and various individuals, usually facilitated by shared history, trust, respect, and friendship.

Financial Social Capital of MSMEs

The statistical test results show that the effect of the moderating variable of social capital is not able to strengthen the influence of internal, external, and e-commerce variables on the financial performance of digital MSMEs in Aceh, so the social capital factor cannot be used as an amplifying factor for internal, external, and e-commerce variables on the financial performance of digital MSMEs in Aceh.

This finding is in line with previous research by Stam et al. (2014), Hite and Hesterly (2001), Nugroho and Setyawan (2015), Atmaja and Purnamawati (2020), that indeed the social capital factor has a more substantial influence as the dependent variable, and this can be seen in Table 5.15, which shows the magnitude of the impact of the social capital factor on the financial performance of digital MSMEs in Aceh 36.7% with a significant level of 0,000. Thus, it can be concluded that, based on the findings of this study, it is recommended that the role of social capital factors be stronger when used as an independent variable than as a moderating variable. In addition, for internal, external, and e-commerce factors, the depth of research can be tested again using different methods other than quantitative, which is expected to increase the magnitude of the influence of these three factors on the financial performance of digital MSMEs in Aceh.

Customary institutions strengthen MSMEs

Social capital after the 2004 Aceh tsunami has undergone a significant transformation of socio-cultural change. The process of socio-cultural change resulted in a new interpretation of the socio-cultural values practiced in community life. The performance of these new values has implications for implementing MSMEs studied in this research. The shifts and differences in the meaning of these values can be described as follows:

Customary institutions referencing the local community for various aspects (including the economy) have shifted and weakened in function. Traditional institutions (*Geuchik*) that facilitate and mobilize the community to work together (*gotong royong*) to develop community-initiated MSMEs have begun to fade. This is due to external cultural references that are increasingly accessible and used as alternative references rather than the communal experiences and practices that have been lived. For example, the concept of cooperation (shared values) has shifted in the economic aspects built by the community (UMKM). Marketing of MSME products now utilizes social media rather than marketing with community involvement so that the values of togetherness to support these MSMEs are reduced.

The leaders of adat institutions, especially those who live near the coast of West Aceh and the city of Banda Aceh, have been replaced by people who do not have a strong understanding of local customary aspects and tend to refer to modern knowledge in responding to current conditions. Thus, they do not prioritize the old values that are believed to be the glue of the community. *Geumaseh* (generous) and *seutia* (loyal) are highly commendable traits and behaviors the community has long practiced. Currently, these traits and values are starting to fade because the orientation of MSMEs is more toward achieving profits than a family approach. The shift in communal values (tie connection) has also changed due to the large number of migrants in Aceh after the tsunami and the displacement of local people (among other things, due to marriage), which distances a person from the community values practiced so far.

6. Conclusion

This research has the potential to provide valuable insights into the factors influencing the financial performance of MSMEs in Aceh during COVID-19 and the impact of social capital as a moderating variable. So that it can become literature in developing MSMEs in pandemic conditions. Based on research findings, it shows that the financial performance of MSMEs is very dependent on internal factors, where internal factors increase the financial success of MSMEs. Meanwhile, external factors that increase the financial success of MSMEs can directly influence MSME financial performance, and government, socio-cultural and institutional policies can improve it. Apart from that, E-commerce has an influence on improving the financial performance of MSMEs.

This research supports the theory that social capital increases the financial success of MSMEs. The greater the trust a corporation or organization has, the wider its business network will be. In this way, the social capital and performance of MSMEs can increase. Social capital cannot increase the impact of internal, external and e-commerce variables on the financial success of MSMEs.

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