

Organizational Culture, Social Capital, Financial Literacy, and SME Performance in Coastal Economy: Evidence from Kenjeran, Indonesia

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ABSTRACT

This study examines the effects of organizational culture, social capital, managerial capability, and financial literacy on SME performance in coastal economic settings, with evidence from Kenjeran, Surabaya, Indonesia. Despite extensive research on SME performance, prior studies remain fragmented and predominantly focus on urban and formal sectors, limiting understanding of how intangible resources operate in informal and coastal environments. Using a quantitative approach, data were collected from 60 seafood processing SMEs and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that financial literacy, managerial capability, and social capital have significant positive effects on SME performance, while organizational culture does not have a significant effect. These findings indicate that the effectiveness of intangible resources is context dependent, where relational and capability-based resources, particularly social capital, play a more dominant role than formal organizational structures in coastal SMEs. This study contributes to the refinement of the resource-based view by demonstrating that not all intangible resources have equal relevance across different contexts. From a practical perspective, the findings suggest that policies aimed at improving SME performance in coastal areas should prioritize strengthening social networks, enhancing financial capability, and supporting adaptive managerial practices in informal economic environments.

Keywords: *organizational culture; social capital; financial literacy; managerial capability; SME performance; coastal SMEs.*

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INTRODUCTION

Small and medium enterprises (SMEs) play an essential role in economic development, particularly in developing countries where they contribute to employment creation and income distribution. In Indonesia, SMEs are widely recognized as a backbone of the national economy and a key driver of regional growth (Hardiyanti & Si, 2022). This is especially evident in coastal areas, where economic activities are closely tied to natural resources and community-based livelihoods. The Kenjeran coastal area in Surabaya represents one such setting, where seafood processing SMEs operate within a highly dynamic and resource-dependent environment (Aminullah et al., 2017). Despite their importance, understanding what drives SME performance in such contexts remains a challenge, particularly due to the informal and uncertain nature of these businesses (Sopha et al., 2021). Coastal SMEs often face significant obstacles, including low digital literacy and limited access to capital, which hinder their ability to innovate and grow (Doktoralina et al., 2025).

In recent years, the resource-based view (RBV) has been widely used to explain differences in firm performance by focusing on internal resources and capabilities (Sameera, 2018). Within this perspective, intangible resources such as organizational culture, social capital, and financial literacy have received increasing attention. Organizational culture is often associated with internal alignment and adaptability (Mahfouz & Muhumed, 2020), while social capital enables access to networks and trust-based relationships (Pena-López & Sánchez-Santos, 2017). Financial literacy, on the other hand, supports better financial management and decision-making (Hastings et al., 2013). Together, these resources are generally considered important drivers of SME performance. To enhance the performance of coastal SMEs, it is crucial to address the challenges they face, such as dependence on natural resources and low digital literacy, which limit their growth potential (Nurein, 2022). Addressing these challenges requires targeted interventions, including training programs to improve digital skills and access to financial resources, fostering a more resilient and competitive SME sector.

However, SMEs do not operate under uniform conditions. In many developing regions, including coastal areas, businesses face structural limitations such as restricted access to finance, limited infrastructure, and weak institutional support (Nurein, 2022; Halkos et al., 2018). In the case of Kenjeran, these challenges are further shaped by environmental uncertainty, fluctuating raw material availability, and seasonal demand patterns (Nindiani et al., 2022). As a result, SMEs often rely on informal practices and adaptive strategies, which may influence how internal resources actually translate into performance outcomes (Wasim & Adewole, 2025).

Although prior studies have examined the role of intangible resources in SMEs, several limitations remain (Demartini & Beretta, 2020). Much of the existing literature tends to focus on urban or formal business settings, while coastal and resource-dependent SMEs receive relatively little attention (Surni et al., 2024; Béné, 2020). In addition, previous studies often analyze variables such as organizational culture, social capital, financial literacy, and managerial capability separately, making it difficult to understand how these factors interact in practice (Sara et al., 2023). The role of organizational culture is also not always consistent, particularly in informal business environments where formal structures are limited (Xiaoxing, 2021). These gaps suggest that the relationship between intangible resources and SME performance may be more context-specific than previously assumed.

This study seeks to address these issues by examining multiple intangible resources within a single framework, focusing on SMEs in the coastal area of Kenjeran, Surabaya. By integrating organizational culture, social capital, managerial capability, and financial literacy, this research aims to provide a more comprehensive understanding of SME performance in an informal and resource-dependent context. In addition, the study offers new insight by showing that organizational culture does not have a significant effect on performance, suggesting that its role may differ depending on the business environment.

Overall, this study contributes to the literature by highlighting that the importance of intangible resources is not universal, but varies across contexts. In coastal SMEs, relational and capability-based resources, particularly social capital, appear to play a more central role than formal organizational mechanisms. These findings provide a more nuanced understanding of SME performance and offer useful implications for both theory and practice. This study addresses these gaps by offering three key contributions. First, it integrates multiple intangible resources, namely organizational culture, social capital, managerial capability, and financial literacy, within a single analytical framework, thereby providing a more comprehensive explanation of SME performance. Second, it provides empirical evidence from coastal SMEs in Kenjeran, Indonesia, a context that remains underexplored in the literature. Unlike prior studies that predominantly focus on urban or formal SMEs, this study explicitly examines coastal and community based SMEs characterized by high uncertainty, resource dependency, and informal business structures. Third, it reveals that organizational culture does not have a significant effect on SME performance in informal settings.

This finding contributes theoretically by challenging the universal applicability of the resource based view and demonstrating that the effectiveness of intangible resources is highly context dependent. In particular, the results highlight that relational resources such as social capital may play a more dominant role than structural organizational resources in shaping SME performance within informal and coastal economies.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This study is grounded in the resource based view (RBV), which posits that firm performance is determined by valuable, rare, inimitable, and non substitutable resources (Barney, 1991). In the context of SMEs, these resources are predominantly intangible and embedded in capabilities and relationships rather than formal organizational structures. Recent developments in RBV further emphasize that the value and effectiveness of resources are highly context dependent, particularly in informal and resource constrained environments (Tehseen et al., 2019; Kiyabo & Isaga, 2019).

This implies that not all intangible resources contribute equally to firm performance, and their effectiveness may vary depending on the institutional and contextual environment. Accordingly, this study conceptualizes organizational culture, social capital, managerial capability, and financial literacy as complementary yet potentially unequal dimensions of intangible resources that jointly shape SME performance.

Organizational Culture and SME Performance

Organizational culture refers to shared values, norms, and beliefs that guide behavior within an organization (Schein, 2010). Within the RBV framework, organizational culture is considered a strategic intangible resource that can enhance coordination, internal alignment, and adaptability (Moran & Meso, 2011). Empirical studies have shown that a strong organizational culture can improve firm performance by fostering innovation, strengthening commitment, and supporting long term sustainability (Dasgupta, 2014).

However, the effectiveness of organizational culture is not uniform across contexts. In informal and micro scale SMEs, particularly those embedded in community based environments, organizational culture is often implicit and not institutionalized into formal systems (Husriadi et al., 2024). As a result, its influence on performance may be indirect or contingent on other resources. In such settings, cultural values may overlap with relational dynamics such as trust and shared norms, which are more directly captured by social capital (Bizzi, 2015). Understanding the interplay between these intangible resources can provide insights into enhancing SME performance in diverse contexts.

This raises important questions regarding whether organizational culture remains a dominant resource in informal SME contexts. Therefore, while organizational culture is theoretically expected to enhance performance, its actual effect may be context dependent and potentially weaker compared to other intangible resources.

H1: Organizational culture has a positive effect on SME performance.

Social Capital and SME Performance

Social capital refers to networks, trust, and shared norms that facilitate cooperation and resource exchange among individuals and organizations (Nahapiet and Ghoshal, 1998). Within the RBV perspective, social capital represents a relational resource that enables firms to access external knowledge, information, and financial opportunities that are otherwise difficult to obtain (Navas et al., 2019).

Empirical evidence consistently demonstrates that social capital enhances SME performance by reducing transaction costs, improving access to information, and strengthening resilience in uncertain environments (Prabandari & Yulianti, 2023; Ghi et al., 2024). In informal and community based contexts, social capital becomes particularly critical as it substitutes for formal institutions and governance mechanisms (Seferiadis et al., 2015).

In coastal SMEs, where business activities are deeply embedded within local communities and characterized by high uncertainty and resource dependency, social capital is expected to play a dominant role. It not only facilitates access to external resources but also supports cooperation and collective adaptation. Compared to internal structural resources, relational resources such as social capital may exert a stronger influence on performance in such contexts.

H2: Social capital has a positive effect on SME performance.

Managerial Capability and SME Performance

Managerial capability refers to the ability of business owners or managers to effectively plan, organize, and control business activities (Koontz & Weihrich, 1986). Within RBV, managerial capability is a core firm specific resource that enables efficient resource allocation and strategic decision making.

Empirical findings on the relationship between managerial capability and SME performance remain mixed. Some studies find that managerial competence enhances performance through improved efficiency, adaptability, and strategic responsiveness (Ofori-Amanfo et al., 2022; Timothy, 2022). However, other studies suggest that its impact may be limited in informal or micro scale enterprises, where decision making is often driven by experience and social norms rather than formal managerial practices (Herrera et al., 2025).

These mixed findings indicate that the effectiveness of managerial capability is context dependent and may interact with other resources such as financial literacy and social capital. In coastal SMEs, where formal managerial training is often limited, managerial capability developed through experiential learning may still play an important role, particularly when combined with relational and financial capabilities.

H3: Managerial capability has a positive effect on SME performance.

Financial Literacy and SME Performance

Financial literacy refers to the ability to understand and apply financial knowledge in managing business activities (Lusardi & Mitchell, 2014). It is a critical capability that enables SME owners to manage cash flows, control costs, and make informed financial decisions.

Recent studies provide strong evidence that financial literacy improves SME performance through better financial behavior and decision making (Musthafa et al., 2023; Hakim et al., 2018). It also enhances financial inclusion, facilitates access to finance, and reduces financial vulnerability in uncertain environments (Patwardhan, 2018; Emily, 2024).

Within the RBV framework, financial literacy can be viewed as a knowledge based capability that enhances the effectiveness of other resources. For instance, managerial capability becomes more effective when supported by adequate financial knowledge, while social capital may facilitate access to financial resources that require financial literacy to manage effectively. Thus, financial literacy not only directly influences performance but also strengthens the impact of other intangible resources.

H4: Financial literacy has a positive effect on SME performance.

RESEARCH METHODOLOGY

This study employs a quantitative approach using a cross-sectional survey design to examine the effects of organizational culture, social capital, managerial capability, and financial literacy on the performance of seafood processing SMEs in the coastal area of Kenjeran, Surabaya, Indonesia. A quantitative approach is appropriate as it enables systematic testing of relationships among variables using statistical techniques and supports theory-driven empirical analysis.

The population of this study consists of all seafood processing SMEs operating in the Kenjeran coastal area. A purposive sampling technique was applied to select respondents based on the following criteria: (1) operating in the seafood processing sector, (2) having been in operation for at least one year, and (3) being directly involved in managerial and financial decision-making processes. Based on these criteria, a total of 60 SME owners or managers were selected as respondents.

The sample size of 60 respondents is considered adequate for Partial Least Squares Structural Equation Modeling (PLS-SEM). According to Hair et al. (2021), PLS-SEM is particularly suitable for exploratory research and studies with relatively small sample sizes. The “ten times rule” suggests that the minimum sample size should be at least ten times the maximum number of structural paths directed at a construct. In this study, SME performance is influenced by four independent variables, resulting in a minimum requirement of 40 observations. Therefore, the sample size used exceeds the recommended threshold.

Moreover, PLS-SEM is appropriate for prediction-oriented research and theory development, especially in contexts characterized by limited data availability and non-normal data distributions (Hair et al., 2021). Given the specific focus on coastal SMEs in Kenjeran, the sample size reflects the actual population characteristics and provides sufficient statistical power to estimate the proposed model. Thus, the methodological choice is not only statistically justified but also contextually appropriate.

Primary data were collected through structured questionnaires distributed directly to respondents. All measurement items were adapted from established studies to ensure content validity. Responses were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The variables and their measurement indicators are presented in Table 1.

Table 1. Variables and Measurement Indicators

Variable	Indicators	Sources
Organizational Culture	Work values, discipline, leadership	Schein (2010); Hartnell et al. (2019)
Social Capital	Business networks, social norms, trust	Nahapiet and Ghoshal (1998); Boudreaux et al. (2021)
Managerial Capability	Planning, organizing, controlling	Koontz and Weihrich (2010); Man et al. (2008)
Financial Literacy	Financial recording, cost understanding, access to finance	Lusardi and Mitchell (2014); Koomson et al. (2021)

Source: Developed by the authors

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. This method is suitable for analyzing complex relationships among latent variables and is robust for small sample sizes and non-normal data distributions (Hair et al., 2021).

The analysis was carried out in two stages. First, the measurement model (outer model) was evaluated to assess reliability and validity. Indicator reliability was assessed using outer loadings with a threshold of 0.70. Internal consistency reliability was evaluated using Cronbach's alpha and composite reliability, with acceptable values above 0.70. Convergent validity was assessed using Average Variance Extracted (AVE), with a minimum threshold of 0.50.

Second, the structural model (inner model) was evaluated to test the hypothesized relationships. This evaluation involved examining path coefficients, the coefficient of determination (R^2), and predictive relevance (Q^2). The significance of the relationships was assessed using a bootstrapping procedure with 5,000 resamples.

Despite its methodological rigor, this study has several limitations that should be acknowledged. First, the use of purposive sampling may introduce sampling bias, as the selected respondents may not fully represent the broader population of SMEs. Second, the relatively small sample size limits the generalizability of the findings beyond the specific context of coastal SMEs in Kenjeran. Third, the cross-sectional design restricts the ability to capture dynamic changes over time and limits the ability to establish causal relationships.

In addition, the reliance on self-reported data may introduce common method bias, as responses are based on the perceptions of SME owners or managers. However, this approach remains appropriate given the exploratory nature of the study and the difficulty of obtaining objective financial data from informal SMEs.

All data collection procedures were conducted ethically. Participation was voluntary, and respondents were informed about the purpose of the study. The confidentiality of the data was ensured, and all information was used solely for academic purposes..

RESULT AND DISCUSSION

1. Measurement Model Evaluation

The measurement model was evaluated to assess indicator reliability, internal consistency reliability, and convergent validity. Following Hair et al. (2021), outer loadings should exceed 0.70, composite reliability should be above 0.70, and Average Variance Extracted (AVE) should be above 0.50.

The results indicate that all indicators meet the recommended threshold, with loadings ranging from 0.738 to 0.932. All indicators are also statistically significant ($p < 0.05$), confirming that they adequately represent their respective constructs.

Table 2. Measurement Model Results

Construct	Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Financial Literacy	FL1	0.898	0.842	0.900	0.751
	FL2	0.773			
	FL3	0.922			
Managerial Capability	MC1	0.916	0.818	0.917	0.846
	MC2	0.923			
Organizational Culture	OC1	0.932	0.887	0.930	0.816
	OC2	0.876			
	OC3	0.901			
Social Capital	SC1	0.916	0.827	0.893	0.736
	SC2	0.738			
	SC3	0.908			
SME Performance	SP1	0.790	0.815	0.878	0.643
	SP2	0.796			
	SP3	0.810			
	SP4	0.810			

Source: SmartPLS 4 Processing Results

All constructs demonstrate good internal consistency reliability, with Cronbach's alpha and composite reliability values exceeding 0.70. In addition, all AVE values are above 0.50, indicating that each construct has sufficient convergent validity.

Overall, the measurement model satisfies the recommended criteria, suggesting that the constructs used in this study are both reliable and valid for further analysis in the structural model.

2. Structural Model Evaluation

After confirming that the measurement model meets the required reliability and validity criteria, the structural model was subsequently evaluated to examine the relationships among constructs and to test the proposed hypotheses. In the context of PLS-SEM, this evaluation primarily focuses on the magnitude and significance of the path coefficients, which are assessed using a bootstrapping procedure. Following the recommendations of Hair et al. (2021), a structural relationship is considered statistically significant when the T-statistic exceeds 1.96 and the p-value is below 0.05 in a two-tailed test. This approach ensures that the estimated relationships are not only statistically reliable but also meaningful for interpretation.

To provide a clearer representation of the relationships among variables, the structural model generated using SmartPLS is presented in Figure 1. The figure illustrates the standardized path coefficients linking financial literacy, managerial capability, organizational culture, and social capital to SME performance. These coefficients indicate both the strength and direction of the relationships, allowing for a comprehensive understanding of how each construct contributes to performance outcomes.

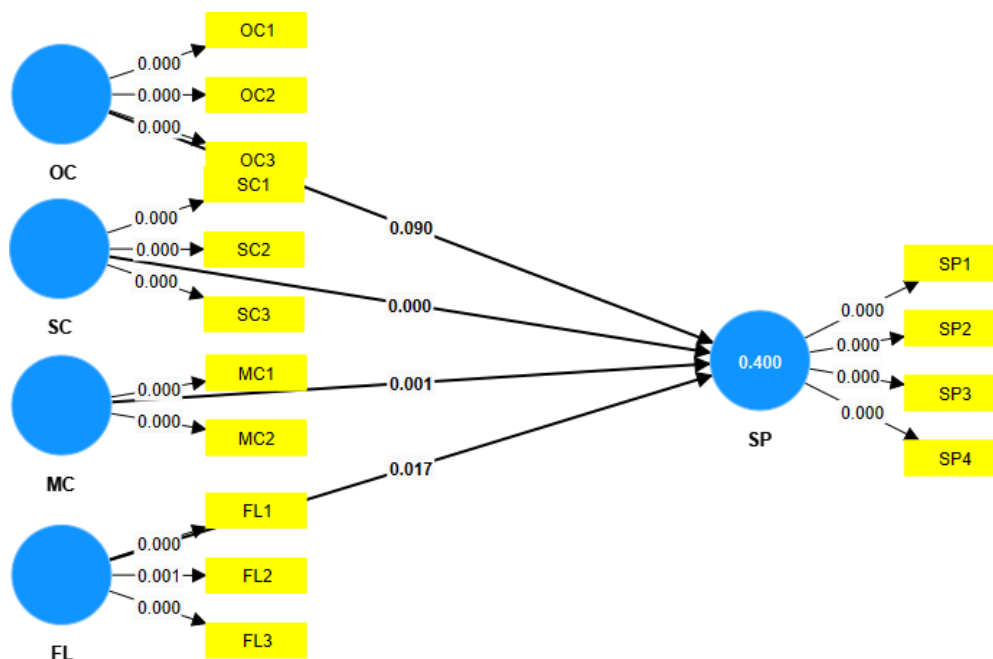


Figure 1. Structural Model Results

The empirical results of the structural model are summarized in Table 3. Overall, the findings reveal that three of the four hypothesized relationships are statistically significant, indicating that financial literacy, managerial capability, and social capital play important roles in influencing SME performance. In contrast, organizational culture does not demonstrate a statistically significant effect, although the direction of the relationship remains positive.

Table 3. Path Coefficients

Relationship	Coefficient	T-Statistic	P-Value	Result
FL → SP	0.285	2.394	0.017	Supported
MC → SP	0.352	3.320	0.001	Supported
OC → SP	0.176	1.698	0.090	Not Supported
SC → SP	0.415	4.325	0.000	Supported

Source: SmartPLS 4 Processing Results

A closer examination of the results shows that financial literacy has a positive and statistically significant effect on SME performance. This suggests that business owners with higher levels of financial knowledge are better equipped to manage financial resources, plan expenditures, and make strategic decisions that enhance business outcomes. Although the effect size is moderate, the significance of this relationship highlights the importance of financial capability as a foundational element for business sustainability.

Managerial capability exhibits a stronger positive effect on SME performance compared to financial literacy. This finding indicates that the ability of managers to effectively coordinate, plan, and control business activities is a key determinant of success in SMEs. Firms with higher managerial capability are generally more responsive to environmental changes, more efficient in resource utilization, and better positioned to exploit market opportunities. The relatively higher coefficient also suggests that managerial competence plays a more direct role in shaping performance outcomes.

Among all variables, social capital demonstrates the strongest influence on SME performance. This result underscores the critical role of networks, relationships, and trust in the SME context. Social capital enables firms to access valuable external resources, including information, partnerships, and market opportunities, which may not be available internally. In many cases, SMEs rely heavily on informal networks to overcome resource constraints, making social capital a key strategic asset. The strength of this relationship indicates that external connectivity is not merely supportive, but central to improving business performance.

In contrast, organizational culture shows a positive but statistically insignificant effect on SME performance. This suggests that while organizational culture may contribute to shaping internal behavior and values, its direct impact on performance is not sufficiently strong in this context. One possible explanation is that SMEs often operate with relatively informal structures, where organizational culture is not yet deeply embedded or systematically implemented. As a result, its influence may be indirect or contingent on other factors, such as leadership or organizational maturity.

Taken together, these findings highlight the relative importance of different factors in driving SME performance. While internal capabilities such as financial literacy and managerial capability remain essential, external relational factors represented by social capital appear to play a more dominant role. This indicates that SMEs not only need to strengthen internal competencies but also actively develop and maintain external networks to achieve sustainable performance.

3. Discussion

The findings of this study provide a nuanced understanding of SME performance within coastal and informal economic contexts, where structural limitations coexist with strong relational dynamics. The results indicate that financial literacy, managerial capability, and social capital significantly influence SME performance, whereas organizational culture does not demonstrate a statistically significant effect. This pattern reinforces the emerging perspective that in developing economies, particularly within micro and informal enterprises, performance is less dependent on formal organizational systems and more strongly shaped by intangible capabilities and relational assets. Recent empirical studies emphasize that SMEs operating in uncertain and resource-constrained environments rely heavily on knowledge-based competencies and social embeddedness to sustain their performance and adaptability (Mongan et al., 2025; Nursetiana et al., 2022). In this sense, the findings align with contemporary extensions of the resource-based view, where intangible and socially constructed resources are increasingly recognized as primary drivers of firm performance in non-formalized business settings.

The significant influence of financial literacy on SME performance confirms that financial knowledge remains a critical capability for ensuring business sustainability, particularly in environments characterized by unstable income streams and limited institutional support. Financial literacy enables entrepreneurs to better manage liquidity, plan expenditures, evaluate investment risks, and access financial services more effectively. This finding is consistent with recent studies demonstrating that financial literacy contributes directly to improved firm performance through enhanced financial decision-making and strategic resource allocation (Amjad-ur-Rehman et al., 2025; Agyapong & Attram, 2019). However, the effect size observed in this study suggests that financial literacy alone is not sufficient to drive optimal business outcomes. Contemporary literature increasingly highlights that financial literacy must be complemented by behavioral capabilities and digital financial access to produce a stronger impact on SME performance (Dwyanti, 2024; Mabula & Ping, 2018). In micro-enterprise contexts such as Kenjeran, the translation of financial knowledge into practice often depends on experience, discipline, and access to supportive ecosystems, which explains why the effect, although significant, is not dominant.

Managerial capability also emerges as a significant determinant of SME performance, highlighting its role as a core strategic resource in small business environments. This finding supports recent research emphasizing that managerial competencies, including adaptive decision-making, problem-solving, and experiential learning, are critical in enhancing firm efficiency and competitiveness. In contrast to large firms that rely on formal management systems, SMEs depend more heavily on the personal capabilities of their owners or managers to navigate market uncertainty and operational challenges. Zacca & Dayan (2018) and Rakkang et al. (2025) argue that managerial capability forms part of intellectual capital that directly contributes to SME success, particularly in knowledge-driven and dynamic environments. Furthermore, recent studies suggest that managerial capability is closely linked to the ability to integrate financial knowledge into actionable strategies, thereby strengthening the overall impact of financial literacy on firm performance (Ichim, 2025; Mabula & Ping, 2018). In the context of coastal SMEs, where formal training is often limited, managerial capability developed through experience becomes a key factor in sustaining long-term business performance.

The most dominant variable identified in this study is social capital, which strongly reinforces the argument that relational resources play a central role in SME performance, especially in informal and community-based economies. Social capital facilitates access to information, financial resources, market opportunities, and collaborative networks, which are essential for SMEs facing structural constraints. Recent empirical studies consistently show that SMEs with strong social networks demonstrate higher levels of resilience, innovation, and adaptability in uncertain environments (Sirine, 2024; Lubis et al., 2025). In the context of Kenjeran, social capital manifests through strong interpersonal trust, collective norms, and community-based collaboration, which function as an informal support system that compensates for the lack of formal institutional backing. This finding aligns with contemporary perspectives that view social capital as a substitute for formal governance mechanisms in informal economies, enabling coordination, cooperation, and resource sharing among business actors (Kebede, 2018; Faisal et al., 2025).

A particularly important and novel contribution of this study lies in the finding that organizational culture does not significantly influence SME performance. While this result appears to contradict mainstream organizational theory, which emphasizes the role of culture in shaping organizational outcomes, it is consistent with recent contextual studies on micro and informal enterprises. In such settings, organizational culture tends to be implicit, informal, and embedded in daily practices rather than formally articulated or institutionalized. As a result, its direct effect on performance is often difficult to capture through quantitative measurement. Recent studies highlight that in micro-scale enterprises, cultural values such as trust, cooperation, and shared norms are more accurately represented as elements of social capital rather than as formal organizational culture constructs (Ntoto et al., 2024; Husriadi et al., 2024). This suggests that fostering social capital may be more critical than traditional cultural elements for enhancing performance in informal SME contexts.

Moreover, the overlap between organizational culture and social capital provides a strong explanation for the non-significant result observed in this study. In informal SME contexts, relational dynamics often dominate structural and cultural dimensions, leading to a situation where the influence of culture is indirectly embedded within social capital. This suggests that organizational culture does not disappear, but rather operates through relational mechanisms that are more directly measurable and impactful. Recent literature supports this interpretation by emphasizing that in community-based business environments, relational capital tends to outweigh formal organizational elements in determining firm performance (Prabandari & Yulianti, 2023; Ouzký & Machek, 2023). Therefore, the insignificant effect of organizational culture should not be interpreted as a lack of relevance, but rather as an indication of its indirect and context-dependent role.

From a theoretical perspective, this study contributes to the development of SME research by reinforcing the relevance of resource-based and knowledge-based views in informal economic contexts. It highlights that intangible resources, particularly social capital and managerial capability, are more influential than formal organizational structures in driving SME performance. This finding supports recent arguments that SME success is increasingly determined by intellectual capital, relational capabilities, and adaptive competencies rather than traditional structural factors (Weaven et al., 2021; Shaukat et al., 2024). In addition, the study provides empirical evidence that organizational culture may not always function as a direct determinant of performance, especially in micro-scale and informal business settings.

From a practical standpoint, the findings suggest that efforts to improve SME performance should prioritize strengthening financial literacy and managerial capability through targeted and context-specific training programs. In addition, policies that facilitate networking, collaboration, and community-based business development are essential to enhance social capital, which has been shown to be the most influential factor in this study. Recent research also emphasizes that integrated approaches combining financial education, digital literacy, and social empowerment are the most effective strategies for supporting SME growth and sustainability in developing regions (Chibueze, 2022; Akpuokwe et al., 2024). These implications are particularly relevant for coastal SMEs, where economic activities are deeply embedded in social structures and local cultural practices.

Despite its contributions, this study has several limitations that should be acknowledged. The focus on a specific geographic area may limit the generalizability of the findings to other contexts with different socio-economic characteristics. Additionally, the relatively small sample size suggests that future studies could benefit from larger datasets to improve statistical robustness. Furthermore, this study examines only direct relationships between variables, indicating that future research could explore more complex models involving mediating or moderating effects, particularly in relation to digital capability and innovation. Nevertheless, these limitations do not diminish the value of the findings, but rather provide opportunities for further research to deepen the understanding of SME performance in informal economic environments.

CONCLUSION

This study examines how organizational culture, social capital, managerial capability, and financial literacy influence SME performance in coastal economic settings, focusing on SMEs in Kenjeran, Surabaya. The results show that financial literacy, managerial capability, and social capital play significant roles in improving SME performance, while organizational culture does not have a significant effect. This suggests that in informal business environments, organizational culture may not operate as a primary strategic resource in the same way it does in more formal organizations.

The findings also indicate that the effectiveness of intangible resources depends on the context in which SMEs operate. In coastal and informal settings, relational and capability-based resources appear to be more influential than formal organizational structures. In particular, social capital stands out as a key factor, as it helps SMEs access resources, build trust, and cope with various structural limitations.

From a theoretical perspective, this study contributes to the development of the resource-based view by showing that the importance of intangible resources is not universal but varies across different contexts. The results highlight the need to consider environmental and institutional conditions when explaining SME performance.

From a practical perspective, the findings suggest that efforts to improve SME performance in coastal areas should focus on strengthening social networks, improving financial literacy, and enhancing managerial capabilities. Approaches that rely solely on formal organizational development may be less effective in such environments.

This study has some limitations, particularly the relatively small sample size and its focus on a specific coastal area, which may limit the generalization of the findings. Future research could expand the scope to other regions and explore how different contextual factors, including market conditions and institutional support, influence SME performance over time.

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