

## ANALYSIS OF THE ROLE OF SOCIAL CAPITAL IN THE SUSTAINABILITY OF MSMEs AT THE KALIMADU CULINARY CENTER, GORONTALO CITY

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### ABSTRACT

This study aims to analyze the role of social capital in supporting the sustainability of Micro, Small, and Medium Enterprises (MSMEs) in the Kalimadu Culinary Center, Gorontalo City. The approach used was descriptive qualitative with five MSMEs as key informants, selected purposively based on age, type of business, and length of operation. Data collection techniques included in-depth interviews, participant observation, and documentation, while data analysis was conducted through thematic analysis to identify relevant patterns, themes, and categories. The results showed that social capital plays a significant role in MSME resilience through social networks between traders, customer trust, and community support. Strategies for utilizing social capital include collaboration, joint promotions, sharing supplier information, and forming small groups to monitor market trends. Obstacles encountered include conflicts of interest between traders, low participation of network members, and differences in priorities that limit the effectiveness of social capital.

**Keywords:** MSMEs, social capital, business sustainability, Kalimadu Culinary Center.

## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a key pillar of the Indonesian economy, contributing significantly to local economic growth, job creation, and income distribution (Tambunan, 2019). MSMEs are characterized by high flexibility, enabling them to adapt to changing market conditions and increasingly complex business competition (Kurniawan & Hidayat, 2021). MSMEs not only provide a source of income for entrepreneurs but also serve as a crucial instrument for economic equality within local communities.

The culinary sector is one of the most dynamic and rapidly growing MSME subsectors, particularly in urban areas. This is due to high public demand for ready-to-eat food and beverage products and constantly changing consumption trends (Sari, 2020). The Kalimadu culinary center in Gorontalo City is a strategic location accommodating a variety of micro and small businesses, ranging from traditional snacks and regional specialties to modern cuisine popular among the younger generation. These conditions make Kalimadu a representative location for researching business sustainability, particularly in the context of social interactions and the utilization of social networks among MSMEs (Rahman, 2022).

Social capital can be defined as a collection of social networks, norms, and trust that facilitate coordination and cooperation between individuals or groups to achieve common goals (Putnam, 2000). In the context of MSMEs, social capital encompasses various aspects, such as networks with fellow entrepreneurs, customer trust, community support, and interactions with government and supporting institutions. Social capital is not merely social relations but also a strategic resource that can significantly influence business resilience and sustainability (Nahapiet & Ghoshal, 1998).

Numerous studies have shown that social capital plays a crucial role in maintaining the sustainability of MSMEs, particularly through access to information, business opportunities, capital, and moral support from social networks (Lin, 2001; Coleman, 1988). Social capital also enables entrepreneurs to reduce business risks, increase competitiveness, and strengthen customer loyalty. However, the form and effectiveness of social capital utilization can vary depending on business characteristics, product type, location, and age. Therefore, a contextual understanding of social capital practices in the Kalimadu Culinary Center is essential to identify factors that support MSME resilience (Hadi & Setiawan, 2020).

Several previous studies have quantitatively highlighted the relationship between social capital and MSME performance. For example, studies in Yogyakarta and Surabaya showed that social networks positively influence MSME growth and performance (Wijaya, 2019; Prasetyo, 2021). However, these studies tend to ignore the subjective experiences of business actors and the informal social mechanisms that operate on the ground. This creates a research gap: the need to qualitatively examine how social capital is used, built, and utilized by MSMEs in urban culinary centers like Kalimadu, which have unique social and economic dynamics.

The advantage of previous research lies in the use of quantitative data that can map the statistical relationship between social capital and MSME performance, thus providing clear empirical evidence. However, this study has limitations due to its lack of direct exploration of business actors' experiences, informal strategies, and complex social interactions within the business environment (Suryanto, 2020). Therefore, a qualitative approach is needed to gain a deeper understanding of social capital practices, how MSMEs build networks, and the challenges they face in sustaining their businesses.

Based on the description above, the research questions can be formulated as follows: (1) What role does social capital play in supporting the sustainability of MSMEs in the Kalimadu Culinary Center? (2) What strategies do MSMEs use to leverage social capital to survive in business competition? (3) What obstacles or constraints do MSMEs face in building and utilizing social capital? These questions will be the focus of analysis in the results and discussion sections of the study.

This research aims to: (1) Analyze the role of social capital in the sustainability of MSMEs in the Kalimadu Culinary Center; (2) Identify the strategies implemented by MSMEs in utilizing social capital; and (3) Identify the obstacles faced in building social capital to support business resilience. These objectives are expected to provide both practical contributions for MSMEs and academically, adding to the literature on social capital in the context of urban MSMEs.

The urgency of this research lies in its ability to provide a deeper understanding of the role of social capital as a strategic resource for MSMEs, particularly in the urban culinary sector. The research findings are expected to serve as a reference for business actors, local governments, and creative economy practitioners in designing programs to strengthen social networks, support communities, and strategies for MSME sustainability in Gorontalo City (Santoso, 2021). This research also adds academic insight into how social capital operates contextually in urban culinary centers.

## **2. RESEARCH METHOD**

This study uses a descriptive qualitative approach to understand the role of social capital in the sustainability of MSMEs in the Kalimadu Culinary Center, Gorontalo City. This approach was chosen because it allows for in-depth exploration of the experiences and strategies of MSME actors in utilizing social networks and community support (Creswell & Poth, 2018). The research location was chosen purposively because Kalimadu is a center of diverse culinary MSME activities. Informants consisted of five MSME actors with the following characteristics: Lia, 23 years old, Bandayo Cemilan, business 3 years; Reini Rahayu, 29 years old, Pentol Dedidey, business 2 years;

Nur Rahmatiah, 30 years old, Pisang Ponkey, business 1 year; Indah Arif, 20 years old, Jflout, business 1 year and 5 months; and Bayu, 20 years old, Corndogh Gorontalo, business 1 year. Informants were selected taking into account variations in age, type of business, and length of operation, ensuring that the data obtained reflect the experiences of MSMEs in the research locations.

Data collection was conducted through in-depth interviews, participant observation, and documentation to explore social networks, community support, survival strategies, and obstacles faced by MSMEs. In-depth interviews served as the primary technique for obtaining information directly from informants, while participant observation observed social interactions between vendors and customers, and documentation included business activity records and relevant visual evidence. Data were analyzed using thematic analysis, with stages of data reduction, data presentation, and conclusion drawing, to fully illustrate the role of social capital in MSME sustainability (Braun & Clarke, 2019).

### 3. RESULT AND DISCUSSION

#### **The Role of Social Capital in Supporting MSME Sustainability**

Social capital is a collection of social networks, norms, and trust that enable individuals or groups to work together to achieve common goals. In the context of MSMEs, social capital can help entrepreneurs obtain support, market information, and build customer trust, which contributes to business sustainability (Putnam, 2000). An interview with an informant stated:

*"For me, good relationships with other traders and customers are very important. I often share information about raw material suppliers and promotional strategies. Without the support of my community, it would be difficult for my business to survive,"* said Lia, owner of Bandayo Cemilan.

The above interview is further supported by an interview with another informant:

*"My social network with fellow traders allows me to market my products more widely. We help each other when we receive large orders or when one of us needs logistical assistance,"* said Reini Rahayu, owner of Pentol Dedidey.

Both interviews demonstrate that MSMEs actively utilize social capital to strengthen their business resilience. Social interactions with fellow traders and customers not only provide access to information about suppliers and business opportunities but also provide crucial moral support, especially for businesses still in the development stage. These relationships enable MSMEs to feel more secure in facing daily operational challenges and enhance their ability to adapt to changing market conditions.

Furthermore, social capital serves as an effective risk mitigation mechanism. When facing obstacles such as raw material shortages, surges in demand, or price fluctuations, social networks enable MSMEs to support each other, share information, and find alternative solutions, thereby ensuring business continuity. Thus, social capital is not only a source of social support but also a strategic instrument that increases MSME flexibility and resilience in the face of intense competition.

The presence of social capital at the Kalimadu Culinary Center demonstrates that social relationships are not merely everyday interactions but also strategic resources that can strengthen the resilience and sustainability of micro-enterprises. MSMEs with broader social networks and strong relationships tend to survive longer and compete more effectively in the local market. These findings align with Wijaya's (2019) research, which demonstrated that social networks positively impact MSME performance, and Prasetyo's (2021) research, which emphasized that social capital facilitates the exchange of information and support among business actors, thereby enhancing business sustainability. The interview results also demonstrate the principles of social capital theory, namely that social networks, norms, and trust play a crucial role in supporting cooperation and coordination for mutual benefit (Nahapiet & Ghoshal, 1998). In the context of MSMEs, social capital enables business actors to access non-financial resources crucial for survival and growth amidst intense culinary competition.

### **Social Capital Utilization Strategies by MSMEs to Survive Competition**

Social capital utilization strategies in the context of MSMEs refer to how business owners use social networks, norms, and trust to support business continuity, expand markets, and mitigate business risks (Lin, 2001). These strategies include collaboration between vendors, information sharing, joint promotions, and leveraging community support to strengthen their market position. An interview with an informant revealed:

*"I usually participate in activities with other vendors, such as bazaars or joint promotions on social media. I also share supplier contacts and production tips to ensure the business runs smoothly," said Nur Rahmatiah, owner of Pisang Ponkey.*

The above interview is further supported by an interview with another informant:

*"We form small groups among vendors to monitor market trends and share experiences. This is very helpful, especially when there is price competition or high customer demand," said Indah Arif, owner of Jflout.*

Both interviews demonstrate that MSMEs actively utilize social capital to develop more effective and adaptive survival strategies. Collaboration and communication between vendors not only facilitate raw material procurement, production coordination, and marketing strategies, but also provide crucial moral support, boosting motivation, confidence, and overall business resilience. These established social relationships make MSMEs feel more secure in facing daily challenges and strengthen their sense of belonging within the vendor community at the Kalimadu Culinary Center. The strategy of leveraging social capital also serves as a business risk mitigation mechanism. A strong network enables MSMEs to anticipate operational challenges, such as raw material shortages, sudden demand, or market price fluctuations. With a reliable network, entrepreneurs can share information, seek alternative solutions, and quickly adjust business strategies. Utilizing social capital as a collective strategy demonstrates MSMEs' adaptability to intense culinary competition while increasing flexibility and innovation in running their businesses.

Furthermore, joint activities such as group promotions, participation in bazaars, and collaborative use of social media help strengthen business reputations, build customer loyalty, and expand market reach. This confirms that social capital is not simply a social relationship, but a strategic resource that is consciously used to enhance business competitiveness and sustainability. These findings are consistent with research by Hadi & Setiawan (2020), which showed that collaborative strategies based on social capital help MSMEs expand market access and strengthen business resilience. Research by Suryanto (2020) also found that social networks enable MSMEs to share resources, information, and experiences effectively in the face of business competition.

This strategy of utilizing social capital by MSMEs aligns with the principles of social capital theory, which states that social networks, norms, and trust enable individuals or groups to work together for mutual benefit (Nahapiet & Ghoshal, 1998). By consciously utilizing social capital, MSMEs gain not only social support but also access to non-financial resources essential for business sustainability and growth in a competitive and dynamic market.

### **Barriers or Challenges Faced by MSMEs in Building and Utilizing Social Capital**

Barriers to building and utilizing social capital in MSMEs include obstacles that hinder the formation of effective social networks, low trust among business actors, and limited access to community support or supporting institutions (Putnam, 2000). These obstacles can impact MSMEs' ability to maintain business continuity and face market competition. A field interview revealed:

*"Sometimes it's difficult to collaborate with other traders because of differing interests and price competition. Not all traders are willing to share information or supplier contacts," said Bayu, owner of Corndogh Gorontalo.*

Furthermore, the above interview was supported by the results of interviews with other informants:

*"Some fellow traders aren't active in our group, so social support is sometimes uneven. There are times when we have to find solutions on our own, especially when demand increases," said Indah Arif, owner of Jflout.*

Both interviews demonstrate that MSMEs actively utilize social capital to create effective survival strategies. Collaboration and communication between vendors not only facilitate raw material procurement, production coordination, and marketing strategies, but also provide moral support that boosts motivation, confidence, and overall business resilience. The established social relationships allow MSMEs to feel more secure in facing daily challenges and strengthen a sense of belonging within the vendor community at the Kalimadu Culinary Center.

This strategy also serves as a business risk mitigation mechanism. When facing issues such as raw material shortages, sudden demand, or price fluctuations, social networks enable MSMEs to support each other, share information, and quickly adjust operational strategies. Utilizing social capital as a shared strategy demonstrates MSMEs' adaptability to intense culinary competition and increases their flexibility in facing changing market conditions.

Furthermore, joint activities such as group promotions, participation in bazaars, and collaborative use of social media strengthen business reputations, build customer loyalty, and expand market reach. This confirms that social capital is not simply a social relationship, but a strategic resource that is consciously used to enhance business competitiveness and sustainability. These findings are consistent with research by Hadi & Setiawan (2020), which showed that collaborative strategies based on social capital help MSMEs increase resilience and market access. Suryanto's (2020) research also found that social networks enable MSMEs to share resources, information, and experiences to face business competition more effectively. This strategy of utilizing social capital by MSMEs aligns with the principles of social capital theory, namely that social networks, norms, and trust enable individuals or groups to work together for mutual benefit (Nahapiet & Ghoshal, 1998). By consciously utilizing social capital, MSMEs can access important non-financial resources that support business sustainability and growth in a competitive market.

#### 4. CONCLUSION

Based on the research results, it can be concluded that social capital plays a strategic role in supporting the sustainability of MSMEs in the Kalimadu Culinary Center, Gorontalo City. MSMEs leverage social networks, customer trust, and community support to strengthen business resilience, access information, and mitigate operational risks. These findings indicate that strong social relationships are a crucial resource for micro and small businesses.

Strategies for utilizing social capital by MSMEs include collaboration between vendors, joint promotions, sharing supplier information, and forming small groups to monitor market trends. These strategies enable MSMEs to survive intense competition and expand customer reach, while also strengthening the motivation and commitment of entrepreneurs.

However, obstacles limit the optimization of social capital, including conflicts of interest among vendors, low participation among network members, and differing priorities that reduce the effectiveness of social support. This suggests that social capital cannot function optimally without trust, commitment, and strong coordination among MSMEs.

Theoretically, this research reinforces the principles of social capital theory, namely that social networks, norms, and trust are important foundations for collaboration to achieve common goals (Nahapiet & Ghoshal, 1998). Practically, these findings have implications for MSMEs, local governments, and the business community to strengthen social networks, build trust, and encourage collaboration, so that the sustainability of MSMEs can be more assured and sustainable.

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