Social Capital, Knowledge Sharing, Innovation, and Performance of Coffee Producer SMEs in Purworejo, Central Java

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Submission date: 28-Apr-2023 10:59PM (UTC+0700)
Submission ID: 2078385670
File name: Performance_of_CoffeeProducer_SMEsin_Purworejo,_Central_Java.pdf (241.81K)
Word count: 6062
Character count: 34614

Social Capital, Knowledge Sharing, Innovation, and Performance of Coffee Producer SMEs in Purworejo, Central Java

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Submitted:
AGUSTUS 2022

Accepted:
OKTOBER 2022

ABSTRACT

Indonesian SMEs compete globally for profits, market share, and needed resources. However, the performance of SMEs can be influenced by current economic conditions, the Covid-19 pandemic has caused SME revenue turnover to decline due to economic constraints, a decrease in people's purchasing power, and the power of online marketing not maximized. The solutions that come to mind are the development of social capital, knowledge sharing, and applying innovation in business operations. This study aimed to determine whether social capital, knowledge sharing, and innovation have a direct or indirect effect on the performance of SMEs, especially in the coffee industry in Purworejo Regency, Central Java. Respondents in this study were 33 SMEs of the coffee industry in Purworejo, Central Java. Data were obtained from questionnaires and data analysis using the multiple regression method with F test, partial t-test, and coefficient of determination test (R2). The results show that social capital, knowledge sharing, and innovation significantly affect coffee SMEs' performance in the Purworejo industry. In contrast, partially, social capital and innovation have a significant effect on the performance of SMEs. On the other hand, knowledge sharing has no significant effect on the performance of SMEs.

***Keywords**: Social Capital, Knowledge Sharing, Innovation, SME Performance, Coffee Industry*

ABSTRAK

UKM Indonesia bersaing secara global untuk mendapatkan keuntungan, pangsa pasar, dan sumber daya yang dibutuhkan. Namun kinerja UKM dapat dipengaruhi oleh kondisi ekonomi saat ini, pandemi Covid-19 menyebabkan perputaran pendapatan UKM menurun karena kendala ekonomi, penurunan daya beli masyarakat, dan daya pemasaran online yang belum maksimal. Solusi yang muncul adalah pengembangan modal sosial, berbagi pengetahuan, dan menerapkan inovasi dalam operasi bisnis. Penelitian ini bertujuan untuk mengetahui apakah modal sosial, berbagi pengetahuan, dan inovasi berpengaruh langsung atau tidak langsung terhadap kinerja UKM khususnya industri kopi di Kabupaten Purworejo Jawa Tengah. Responden dalam penelitian ini adalah 33 UKM industri kopi di Purworejo, Jawa Tengah. Data diperoleh dari kuesioner dan analisis data menggunakan metode regresi berganda dengan uji F, uji t parsial, dan uji koefisien determinasi (R2). Hasil penelitian menunjukkan bahwa modal sosial, berbagi pengetahuan, dan inovasi berpengaruh signifikan terhadap kinerja UKM kopi di industri Purworejo. Sebaliknya, secara parsial, modal sosial dan inovasi berpengaruh signifikan terhadap kinerja UKM. Di sisi lain, knowledge sharing tidak berpengaruh signifikan terhadap kinerja UKM.

Kata Kunci: Modal Sosial, Berbagi Pengetahuan, Inovasi, Kinerja UKM, Industri Kopi

INTRODUCTION

Globalization makes the boundaries between countries seem invisible, thus allowing a trend to be very easily spread throughout the world due to the ease of information exchange, technological advances, and free trade. Indonesian SMEs face global competition to gain profits, market share, and resources. One of Indonesia's SMEs

JIMKES

Jurnal Ilmiah Manajemen Kesatuan
Vol. 10 No. 3, 2022
pp. 471-482
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v10i3.1469

competing is SMEs in the coffee processing industry. Indonesia has the opportunity to develop the coffee processing industry because it has a large market and is supported by abundant potential for raw materials by becoming the fourth-largest producer of coffee beans in the world, with an average annual coffee production of 700,000 tons (9% of world coffee production) so that national coffee production can continue to increase(ICO, 2021). Exports of processed coffee products provided a fairly large foreign exchange income in 2018, reaching USD 579.98 million, or an increase of 19.1% compared to 2017 (Ministry of industry, 2020). The impact of globalization has brought the trend of drinking coffee to increase in society for several years, which has occurred in various parts of the world and has caused coffee consumption to increase. According to the International Coffee Organization, world coffee consumption is projected to increase by 1.1% to 166.63 million bags or close to 10 million tons. Consumption in Asia and Oceania is predicted to grow by 1.5% to 36.5 million bags. Activities in the industry are processing raw materials in the form of coffee harvested by farmers and distributing them to suppliers and buyers in the form of finished or semi-finished products carried out by large companies and SMEs.

SMEs are one of the most important parts of a country's economy. The solution that comes to mind is developing social capital, sharing knowledge, and implementing innovation in running a business. Social capital, knowledge sharing, and innovation are the driving forces behind social and economic development in many countries and are increasingly being recognized as significant sources of competitive advantage. Previous research conducted by Kim & Shim (2018) has conducted research on SME actors in tourism clusters in Bomun, South Korea. The study results stated that social capital, which includes network density variables, relational social capital, and cognitive, social capital has a positive influence on knowledge sharing. Knowledge sharing among SMEs has a significant and positive effect on performance through innovation. In other words, in this study, social capital indirectly affects the performance of SMEs. Another study conducted by Vu Hoang (2014) shows that social capital positively affects innovation. Innovation also affects the company's performance. Building innovation through communication and new knowledge can improve company performance. Innovations made by the company can be in the form of creating new products or improving customer service to be superior to competitors. Innovative SMEs will leverage social capital to share and test ideas, identify new opportunities, detect trends in the changing business environment.

Performance measures the quality and quantity of work an employee achieves in carrying out his duties by the responsibilities given to him (Mangkunegara, 2000). Other researchers define performance as business growth in sales, revenue, and employees since the previous year (Bagnoli & Vedovato, 2014; Kim & Shim, 2018). Performance in a company is carried out by human resources, both elements of leadership and workers (Wibowo, 2010). Performance measurement needs to be done to determine that the implementation of performance is by the planned plan so that deviations can be avoided. The performance of the company referred to in this study is the performance of SMEs. The performance of SMEs can be influenced by current economic conditions, as in 2020 when the Covid-19 epidemic reduced SMEs' income turnover due to economic constraints, a decline in people's purchasing power, and a limited ability to maximize internet marketing.

Prior research has used objective measures, subjective measures, or both to assess business performance; however, obtaining data on SMEs performance is relatively difficult; therefore, it can use subjective measurements of respondents and self-reports by providing a questionnaire with a Likert type scale for all variables (Kim & Shim, 2018). Research conducted by Meflinda et al. (2018) concluded that the performance of SMEs is influenced by the existence of SME sustainability strategies and knowledge sharing. Another factor that affects the company's performance is social capital (Augusto Felício et al., 2014). When starting a business, you must have capital, where capital is not always synonymous with money or goods but also intangible capital such as intellectual capital,

social capital, moral capital, and mental capital (Suryana, 2007), which are generally owned by human resources. The quality of human resources that cannot be separated from the values and norms inherent in people's lives will encourage the improvement of the performance of SMEs (Meflinda et al., 2018).

Human resources are needed because they are strategic capital that is very important in the life of the company's organization(Syamni, 2010). Pierre Bourdieu first introduced the concept of social capital in the early 1980s, which means having all existing and potential resources through a well-maintained intuition network. Social capital is defined as social relations, systems, social norms, and social trust between other people or groups that positively impact people's lives (Meflinda et al., 2018). Social capital or social capital has a role in the industry's survival, especially for small and medium enterprises (SMEs)(Effendy, 2018). According to Field et al. (2010), the essence of the social capital theory lies in relationships. The relationship in question is that human resources will be connected in the operating organization or daily life and keep their relationship growing from time to time. As a result, they can work together to achieve goals they cannot achieve or are difficult to achieve alone. Through a series of networks, people are connected. They tend to share the same values as other network members, so the value obtained can be said to be a kind of capital in this network. It can be concluded that the more a person knows many people and the more people have the same opinion, the richer his social capital will be.

In addition to the social capital factor, another factor that is considered important in developing SMEs is knowledge sharing. Although every human has tacit knowledge in the form of intuition and cognitive knowledge, this type of knowledge usually has not been compiled in written form, so it will not be easy to know one person's tacit knowledge from another. Usually, tacit knowledge is accumulated through everyday experience when carrying out a job. Then tacit knowledge goes through a codification or straightforward process which has been represented into a written and structured form so that others easily know it. Explicit knowledge that is shared in a community is called knowledge sharing. Knowledge sharing transforms tacit knowledge into explicit knowledge through writings and reports (Probosari & Siswanti, 2017). According to Chen & Huang (2009), knowledge sharing refers to the extent to which employees share tacit and explicit knowledge with other organizational members. The success of the knowledge-sharing process depends on the behavior of employees (Teh & Yong, 2011). Knowledge sharing requires individuals to participate in the process actively and work with other organizational members (King, 2007). A study conducted by Davenport & Prusak (1998) stated that the main challenge faced by sharing knowledge is the natural tendency of individuals to protect the knowledge provided by others. Perceptions of knowledge management may differ, but the main goal is to share and gain knowledge. Knowledge involves gathering, structuring, storing, and accessing information to construct knowledge (Meflinda et al., 2018). The results of research by (Liao & Hu, 2007) state that the creation and transfer of knowledge within an organization is a very important factor in achieving organizational success and competitive advantage.

Innovation is the next factor after social capital and knowledge sharing that affects organizational performance. Innovation is an important factor in every development activity to improve the quality of products or services carried out by the company. According to law number 19 of 2002 (Undang-undang No 19 Tahun 2002), innovation is research, development, and/or engineering activities carried out to develop practical applications with new values and scientific backgrounds or apply existing science and technology to new methods of products or production processes. Innovation has been understood as a significant antecedent to improving organizational performance in a competitive business environment (Hjalager, 2010; Lai et al., 2014).

The focus of this research is to establish whether social capital, information sharing, and innovation have a direct or indirect effect on the performance of SMEs, particularly in the coffee industry in Purworejo Regency, Central Java. Four hypotheses will be tested. Respondents in this study were SME owners in the coffee industry in Purworejo, Central

Java. Data were obtained using a questionnaire, which was then analyzed using a quantitative approach, with a multiple regression method, using SPSS 25 software as a data processing application.

Conceptual Framework

The conceptual framework in this study is as follows:

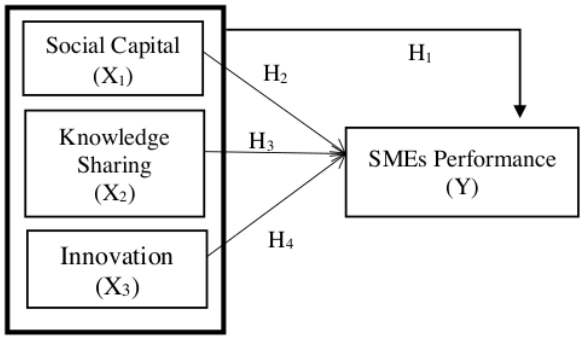

Figure 1. Research Framework

Figure 1 shows the proposed conceptual framework consisting of three independent variables, social capital, knowledge sharing, and innovation, and then the performance of SMEs as the dependent variable.

Research Hypothesis

After a complete literature review (Figure 1), a framework and hypothesis have been developed. Hypothesis of the research are:

H_1: Social capital, knowledge sharing, and innovation together positively affect the performance of SMEs.
H_2: Social capital positively affects the performance of SMEs.
H_3: Knowledge sharing positively affects the performance of SMEs.
H_4: Innovation has a positive effect on the performance of SMEs.

RESEARCH METHOD

This research is included in quantitative research with a survey method. Quantitative research refers to research whose data is in the form of numbers because the object of research can be a measure to analyze the relationship between research variables. The objective to be obtained is to examine the effect of social capital, knowledge sharing, and innovation on the performance of SMEs. The population in this study were owners or employees of Small and Medium Enterprises in the coffee industry in Purworejo, Central Java, amounting to 39 SMEs. The sampling technique in this study uses non-probability sampling, meaning that this sampling technique does not provide equal opportunities for each element or member of the selected population. In this study, the total population is 39, less than 100, so the samples taken are all (census) (Arikunto, 2006), where all population members are sampled.

The population is the object of research, a general area consisting of objects or subjects with certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2014). While the sample is part of the population taken on the condition that the sample must be truly representative (representing) the population under study. Data collection techniques used questionnaires to respondents in the form of questions from the research variable indicators. Each research variable and its indicators will be tested for validity and reliability. A validity test is a measuring tool that shows whether or not the questionnaire is accurate. The validity of the questionnaire was measured with the product-moment correlation coefficient used by a computer application, namely SPSS (Statistical Package for Social Science), and a significance level

of 0.05 (Ghozali, 2006). The instrument can be valid if all the questionnaire instruments tested are appropriate. According to Sekaran & Bougie (2017), the reliability test is to prove the consistency and stability of the measuring instrument so that the measurement results can be trusted. The decision-making method in the reliability test uses the 0.60 limits, which means a variable is said to be reliable if Cronbach's Alpha value is greater than 0.6 (Ghozali, 2006).

This study uses SPSS (Statistical Package for Social Science) with data analysis tools, namely multiple regression analysis for hypothesis testing 1,2,3,4. Relational social capital is about the individual connections people maintain in the network. The results of the study by Lefebvre et al. (2016) reveal that the structural, cognitive, and relational dimensions of social capital all have a positive effect on knowledge sharing among network members.

RESULT AND DISCUSSION

Descriptive analysis

The data collected came from questionnaires successfully filled out by 33 respondents from 39 questionnaires or a response rate of 84.6%. Activities in the coffee industry consist of farmers who directly sell raw coffee beans to collectors, farmers as well as coffee processors, coffee processors who obtain ingredients from collectors, coffee shop owners, and SMEs that process coffee into derivative products such as coffee chips. This study uses three independent variables consisting of social capital (X1), knowledge sharing (X2), and innovation (X3), and the dependent variable is the performance of SMEs (Y). Based on the results of the filling carried out by SMEs in the Purworejo coffee industry as respondents, they produced several characteristics.

Table 1. Characteristics of Respondents by Position

Position	Frequency	Percentage (%)
Owner	25	75,8%
Manager/ employee	8	24,2%
Total	**33**	**100%**

Source: Primary Data Processing Result, 2021

Table 1 shows the characteristics of respondents based on the position of the respondents. Most of the respondents 75.8% or 25 respondents are owners of SMEs and 24.2% or 8 respondents are employees of SMEs.

Table 2. Respondent characteristics based on number of employees

Number of employees	Frequency	Percentage (%)
0-5 employees	32	97%
6-10 employees	1	3%
Total	**33**	**100%**

Source: Primary Data Processing Result, 2021

Table 2 shows the characteristics of the respondents seen from the employees they have. The number of employees they have ranges from 0-5 employees (97%) as many as 32 SMEs and 6-10 employees (3%) as many as 1 SME.

Table 3. Characteristics of respondents based on length of business

Length of business	Frequency	Percentage (%)
1-5 years	32	97%
6-10 years	1	3%
Total	**33**	**100%**

Source: Primary Data Processing Result, 2021

Table 3 shows the characteristics of respondents based on the length of business. The respondents' business length ranged from 1 year to 5 years (97%) for as many as 32 SMEs. On the other hand, the length of business ranged from 6 years to 10 years (3%) for as many as 1 SME, so SMEs in the coffee industry in Purworejo is still relatively new. This fact shows that the social capital owned by SMEs, the process of sharing knowledge, and

the ability to develop innovations in products and services are still developing. Activities carried out in the Purworejo coffee industry consist of coffee production and processing.

Validity Test

A validity test is a measuring tool that shows whether we measure the correct variable. Validity proves the instrument, technique, or process used to measure the intended concept (Sekaran & Bougie, 2017).

Table 4. Validity test results

Variable	Item	Correlation coefficient	Nilai Sign. ≤ 0,05	Explanation
Social Capital	$X_{1.1}$	0,586	0,000	Valid
	$X_{1.2}$	0,631	0,000	Valid
	$X_{1.3}$	0,622	0,000	Valid
	$X_{1.4}$	0,504	0,003	Valid
	$X_{1.5}$	0,715	0,000	Valid
	$X_{1.6}$	0,643	0,000	Valid
	$X_{1.7}$	0,663	0,000	Valid
	$X_{1.8}$	0,705	0,000	Valid
	$X_{1.9}$	0,628	0,000	Valid
	$X_{1.10}$	0,653	0,000	Valid
Knowledge Sharing	$X_{2.1}$	0,791	0,000	Valid
	$X_{2.2}$	0,541	0,002	Valid
	$X_{2.3}$	0,751	0,000	Valid
	$X_{2.4}$	0,746	0,000	Valid
Innovation	$X_{3.1}$	0,628	0,000	Valid
	$X_{3.2}$	0,782	0,000	Valid
	$X_{3.3}$	0,744	0,000	Valid
SME Performance	$Y_{1.1}$	0,870	0,000	Valid
	$Y_{1.2}$	0,839	0,000	Valid
	$Y_{1.3}$	0,722	0,000	Valid

Source: Primary Data Processing Result, 2021

Table 4 is the result of the validity test using the Pearson Product Moment for the variables of social capital (X1), knowledge sharing (X2), innovation (X3), and SME performance (Y). There are twenty statement items in this study, the correlation coefficient shows positive results, and the overall significance level is 0.05, so the questionnaire in this study can be declared valid, meaning that all research instruments can be relied upon to measure all research variables.

Reliability Test

According to Sekaran & Bougie (2017), reliability is proving the consistency and stability of measurement instruments so that the results of a measurement can be trusted. The questionnaire will be reliable if the variables have Cronbach's Alpha equal to or more than 0.6.

Table 5. Reliability Test Results

Variable	*Cronbach's Alpha*	Explanation
Social Capital	0,754	Reliable
Knowledge Sharing	0,788	Reliable
Innovation	0,784	Reliable
SME Performance	0,829	Reliable

Source: Primary Data Processing Result, 2021

The reliability test results attached in Table 5 show that all statements in the questionnaire in this study are reliable with Cronbach's Alpha more than 0.6.

Coefficient of Determination Test (R^2)

The coefficient of determination (Adj. R_2) in the regression results shows how much the independent variable can explain the dependent variable. Based on table 6 above,

shows that the coefficient of determination (Adj. R_2) is 0.854. This means that the contribution of social capital, knowledge sharing, and innovation to the performance of SMEs is 85.4%, while the remaining 14.6% is explained by other variables not disclosed in this research model.

Table 6. Coefficient of Determination Test Results (R^2)

R	R Square	Adjusted R Square	Std. Error of the Estimate
.931[a]	.867	.854	.778

Source: Primary Data Processing Result, 2021

The coefficient of determination (Adj. R_2) in the regression results shows how much the independent variable can explain the dependent variable. Based on table 6 above, shows that the coefficient of determination (Adj. R_2) is 0.854. This means that the contribution of social capital, knowledge sharing, and innovation to the performance of SMEs is 85.4%, while the remaining 14.6% is explained by other variables not disclosed in this research model.

F Test (Simultaneous)

Table 7. F Test Results (Simultaneous)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	114.710	3	38.237	63.248	.000[b]
	Residual	17.532	29	.605		
	Total	132.242	32			

Source: Primary Data Processing Result, 2021

Based on table 7 F test to test the simultaneous effect on hypothesis 1, taking into account the calculated F value of 63,248 and a significance value of 0.000 ≤ 0.05, which means that H1 is proven. The regression model in this study which consists of the independent variables of social capital, knowledge sharing, and innovation has a joint influence on the dependent variable of the performance of SMEs in the Purworejo coffee industry.

t Test (Partial)

Table 8. t test results (Partial)

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Explanation
1	(Constant)	-4.911	1.291		-3.805	.001	Significant
	Modal Sosial	.206	.089	.463	2.297	.029	Significant
	Knowledge Sharing	.044	.148	.042	.295	.770	Not Significant
	Inovasi	.564	.195	.455	2.893	.007	Significant

a. Dependent Variable: Kinerja UKM

Source: Primary Data Processing Result, 2021

Based on table 8, the results of the t-test (partial) are as follows:

1. The t-count of social capital is 2.297, and a significant number of 0.029 indicates a p-number of 0.029 <0.05, so H2 is accepted, meaning social capital significantly and positively affects the SMEs' performance.
2. The t-count of knowledge sharing is 0.295, and the significant number is 0.770, which means that the p number is 0.770 > 0.05, so hypothesis 3 is rejected, meaning knowledge sharing does not affect the performance of SMEs.
3. The t-count of innovation is 2.893, and the significant number shows 0.007. Therefore, the p number is 0.007 > 0.050, so hypothesis 4 is accepted, meaning innovation significantly and positively affects the SMEs' performance.

The equation of multiple regression is:

$$\mathbf{Y= -4,911 + 0,206X_1 +0,044X_2 + 0,564X_3}$$

The equation can be described as follows:

1. The constant value (a) on the performance of SMEs shows a negative value of (-4.911), so if there is no change in the variables of social capital, knowledge sharing, and innovation, the magnitude of the performance of SMEs will be negative.
2. The regression coefficient for the social capital variable is 0.206, meaning that there is a positive influence which indicates that the higher the social capital owned by SMEs in the Purworejo coffee industry, the better the performance of SMEs.
3. The regression coefficient for the knowledge sharing variable was 0.044, meaning that there was a positive influence indicating that the higher the knowledge sharing applied by SMEs in the Purworejo coffee industry, the better the performance of SMEs.
4. The regression coefficient for the innovation variable is 0.564, meaning that there is a positive effect which indicates that the higher the innovation applied by SMEs in the Purworejo coffee industry, the better the performance of SMEs.

The effect of social capital, knowledge sharing, and innovation together on performance of SMEs.

This study which consists of the independent variables of social capital, knowledge sharing, and innovation, has a joint influence on the dependent variable of the performance of SMEs in the coffee industry in Purworejo, Central Java, so the conclusion of hypothesis 1 (H1) is proven. SMEs have social capital as the essential capital used to build networks in the community and create harmonious relationships to allow the exchange of knowledge from the knowledge-sharing process related to the business fields in the Purworejo coffee industry to motivate members in the network to innovate products and services, offered to consumers. Increasing social capital, knowledge sharing, and innovation together can improve the performance of SMEs in the industry. The current study is supported by previous research by Ali & Gölgeci (2021). When the social capital of SMEs is low, there is no significant difference in the performance impact and vice versa. However, when the social capital of SMEs is high, there is a significant difference in the performance of SMEs. Research by Kim & Shim (2018) also supports this study which states that social capital, which includes network density, relational social capital, and cognitive social capital affects knowledge sharing. Therefore, knowledge sharing affects SME innovation, which further innovation can affect SMEs' performance in Indonesia's tourism clusters. Regarding how to survive and sustain growth in a high-competition market, Liu (2017) research findings on social capital emphasize the benefits of cooperating with competitors, suppliers, and other potential business partners. This concept is similar to "co-opetition." It is present in many other business industries where companies need access to complementary resources to enhance their ability to innovate (Nasr et al., 2015). In other words, managers must recognize the need to maintain business ties because organizations can learn from competitors (Banerjee et al., 2015) and access new market information from business ties (Lai et al., 2014). The existence of knowledge that is shared becomes information for the recipient to bring the organization to increase the level of long-term competition

The effect of social capital on performance of SMEs

Based on the test results, the results show that social capital has a positive and significant impact on the performance of SMEs in the Purworejo coffee industry, so the conclusion of hypothesis 2 of this study is proven. The existence of social capital that is used to build a network between SMEs by forming a community that has the same vision and mission to maximize productivity in coffee processing in Purworejo is exceptionally influential on the performance of SMEs because this relationship, business actors can take advantage of the information obtained and can build cooperation with parties inside and outside the Purworejo coffee industry, and can realize the same vision and mission in the Purworejo coffee industry. Another research conducted by Liu (2017) shows that effectively accumulated social capital is essential for overall performance improvement, not only because it can link human capital and organizational capital with intellectual capital but because it can also generate mutual trust within the organization, increasing innovative capabilities. Organizational network connections can ultimately result in better organizational and market performance.

The effect of knowledge sharing on performance of SMEs.

Based on the results of the regression test, the results show that knowledge sharing does not affect the performance of SMEs. Therefore, the conclusion of hypothesis 3 is rejected, meaning that knowledge sharing does not affect the performance of SMEs in the Purworejo coffee industry. This insignificance is caused by the Purworejo coffee SMEs in this study being less able or still reluctant to exchange necessary information or share their business experiences because most SMEs are still relatively new, so the knowledge-sharing process occurs within SMEs in the Purworejo coffee industry has not been maximized. Therefore its influence on performance is not felt optimally as well as being aware of the risks that may arise from the existence of important information that should not be shared and considering others as competitors. Another study by Nurhayati et al. (2021) shows that knowledge sharing has no significant effect on SMEs' innovation performance. However, greater willingness to carry out the knowledge-sharing process, which includes donating knowledge and collecting knowledge, will improve performance in SMEs (Nurhayati et al., 2021). A person's knowledge is often associated with the level of education of its human resources. Human resources in large companies generally can have a higher level of education than human resources in SMEs. This fact can also hinder SMEs from obtaining knowledge (Nurhayati et al., 2021).

The effect of innovation on performance of SMEs.

Hypothesis 4 in this study is that innovation positively affects the performance of SMEs in the Purworejo coffee industry, so hypothesis 4 is accepted. It can be stated that there is a positive and significant influence between innovation and the performance of SMEs in the Purworejo coffee industry. The ability of SMEs to innovate is manifested in the form of constantly trying new ideas, new techniques in coffee processing, product innovation, and innovation to upgrade services for SMEs that open coffee shops so that it will attract customers. The result will improve SMEs' performance by increasing sales and income so SMEs can increase the number of employees. Every SME will try various innovations to increase the effectiveness and efficiency of production and reduce production costs to increase competitive advantage so that the survival of SMEs can last a long time. Innovation capability will affect the configuration of new flows and critical activities that lead to product, process, and system innovation (Lawson & Samson, 2001). In the innovation process, it is necessary to pay attention to the quality of products and services that will receive an assessment from customers because, according to Kotler (2005), product quality is the overall character of a product or service on the ability to satisfy stated/implicit needs. Meanwhile, Lupiyoadi (2001) states that consumers/customers will feel satisfied if the results of their evaluation show that the products they use are of high quality.

CONCLUSION

Conclusions that can be drawn based on the results of research and discussion on the effect of social capital, knowledge sharing, and innovation on the performance of SMEs in the study of SMEs in the coffee industry in Purworejo, Central Java, are as follows: Social capital, knowledge sharing, and innovation simultaneously or together influence the performance of SMEs in the coffee industry in Purworejo, Central Java, so the first hypothesis in this study is proven

Social capital has a positive and significant influence on the performance of SMEs in the coffee industry in Purworejo, Central Java, so the second hypothesis of this study is proven. Knowledge sharing does not affect the performance of SMEs in the coffee industry in Purworejo, Central Java, so the third hypothesis in this study is not proven. Innovation has a positive and significant impact on the performance of SMEs in the coffee industry in Purworejo, Central Java, so the conclusion of the fourth hypothesis in this study is proven.

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