

# Social Capital Dimensions and Financial Resilience: A PLS-SEM Study of Malaysian Women-Owned MSMEs

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## Abstract

This study examines the influence of social capital on financial resilience among women-owned micro, small, and medium enterprises (MSMEs) in Malaysia. This research grounded in Social Capital Theory, focusing on three core dimensions of social capital which are trust, ties, and tolerance to understand how interpersonal and network relationships shape women entrepreneurs' capacity to withstand financial shocks. Data were collected through a structured questionnaire distributed randomly to 230 women-owned MSMEs across Malaysia and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4. The empirical results reveal that trust and tolerance significantly enhance financial resilience, while ties demonstrate an insignificant relationship. These findings suggest that financial resilience is not simply a function of network size but rather the quality of relationships and mutual understanding within social networks. This study provides valuable insights for policymakers and development agencies in designing targeted interventions that strengthen the social and financial capacities of women entrepreneurs. It also contributes to the growing body of literature on women's entrepreneurship by highlighting the role of social capital in building economic resilience in developing economies. Suggestions for future research and policymaking are also discussed.

**Keywords:** social capital, financial resilience, women entrepreneurs, MSMEs, trust, ties, tolerance, SmartPLS, Malaysia

## 1. Introduction

The sustainability of women-owned micro, small and medium enterprises (MSMEs) is increasingly recognized as a cornerstone of inclusive economic growth and gender empowerment in Malaysia. According to SME Corporation Malaysia (2023), women entrepreneurs represent a growing segment of the MSME sector, contributing significantly to national employment, household income and local economic stability. However, despite their contributions, women-owned MSMEs often face ongoing challenges such as limited access to finance, market volatility and limited digital participation (OECD, 2022; UNDP Malaysia, 2023). These challenges are exacerbated by external shocks such as the COVID-19 pandemic, inflationary pressures and supply chain disruptions that threaten the survival and sustainability of small enterprises.

Financial resilience, defined as the ability to withstand, adapt to, and recover from financial stresses or economic shocks (OECD, 2021), has become a critical factor in business sustainability. For women entrepreneurs, financial resilience goes beyond simply saving or accessing credit; it encompasses strategic adaptability, psychological strength, and social support mechanisms (Sabri et al., 2022). The extent to which women entrepreneurs can continue their operations during crises often depends on their ability to mobilize available social and financial resources within their social networks.

In this context, social capital plays a pivotal role. Social capital refers to the resources available through social networks and relationships that facilitate collaboration and teamwork (Putnam, 2000; Nahapiet & Ghoshal, 1998). In the entrepreneurship literature, social capital is viewed as a non-financial asset that supports business growth through trust, shared standards, and networking (Anderson & Jack, 2002). For women-owned micro, small and medium-sized enterprises (MSMEs), these social structures often compensate for limited access to formal finance or institutional support (Ledhem & Moussaoui, 2023).

This study uses a three-dimensional framework of social capital; trust, bonding, and tolerance to examine how each contributes to financial resilience. Trust represents the reliability and integrity of relationships that foster cooperation (Fukuyama, 1995). Bonding refers to the strength and diversity of relationships that entrepreneurs maintain with family, peers, and business partners (Granovetter, 1985). Meanwhile, tolerance encompasses openness and acceptance of diverse perspectives and risks, which encourages collaboration and innovation (Adler & Kwon, 2002). Collectively, these dimensions influence how entrepreneurs obtain information, resources, and emotional support during times of uncertainty.

Although social capital is theoretically relevant, empirical studies examining its multidimensional impact on financial resilience are still limited, especially in the Malaysian context and among women-owned MSMEs. Previous studies have largely focused on financial inclusion (Rahman et al., 2021), access to credit (Nor et al., 2022), and business performance (Zainudin et al., 2020) but have not adequately addressed how social ties and trust-based networks protect women entrepreneurs from financial instability. Hence, this study seeks to fill this gap by investigating the effect of social capital dimensions; trust, ties, and tolerance on financial resilience among women-owned MSMEs in Malaysia using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings aim to provide valuable insights for policymakers, financial institutions, and development organizations to strengthen the resilience of women entrepreneurs through social network enhancement and community-based capacity building.

## 2. Literature Review

Social capital has emerged as an important intangible asset that enhances the adaptive and absorptive capacity of micro, small and medium-sized enterprises (MSMEs), particularly those led by women in developing economies. It represents a form of non-financial but strategic capital embedded in social relationships, community norms and trust networks that enable individuals and organizations to access resources, share knowledge and maintain cooperation (Nahapiet & Ghoshal, 1998; Putnam, 2000). Essentially, social capital consists of cognitive and structural dimensions where the cognitive element involves shared values, trust and reciprocity, while the structural element reflects the network patterns that link individuals and groups (Bourdieu, 1986; Coleman, 1988). For women entrepreneurs, such capital is crucial in overcoming systemic barriers such as limited collateral, limited access to credit and gender bias in the formal financial sector (Lenz et al., 2025).

Social capital has been widely recognized as a critical driver of entrepreneurial outcomes including innovation, performance, and crisis adaptability (Aldrich & Cliff, 2003; Stam et al., 2014). By embedding

entrepreneurs in mutually supportive networks, social capital fosters trust, collaboration, and information exchange, which collectively increase firms' resilience to shocks (Ayala & Manzano, 2014). In Malaysia, women-owned SMEs play an increasing role in driving local community and employment development, especially in rural areas where informal relationships often replace institutional financial mechanisms (SME Corp Malaysia, 2023). During crises such as the COVID-19 pandemic, many women entrepreneurs rely on social networks to maintain business operations, obtain informal financing, and adapt to digital platforms (Lenz et al., 2025; Hazudin et al., 2022). However, the mechanisms by which social capital strengthens financial resilience among women-owned SMEs remain underexplored in the empirical literature.

### **2.1. Trust and Financial Resilience**

Trust is a foundational component of social capital that underpins the stability and functionality of social networks. Fukuyama (1995) defines trust as the expectation of honest and cooperative behavior within a community, which reduces transaction costs and promotes teamwork. In entrepreneurship, trust facilitates resource sharing, collaboration, and joint problem-solving (Anderson & Jack, 2002). Female entrepreneurs with higher levels of trust are more likely to engage in cooperative arrangements, share market information, and receive emotional and financial support from peers and family networks (Doern, 2016; Tiwari and Shastri, 2023). Trust also serves as an informal insurance mechanism: during economic turmoil, trusted networks can provide loans, business credit, or referrals when the formal financial system is inaccessible (Müller and Korsgaard, 2018). Therefore, trust not only fosters social cohesion but also enhances the financial resilience of businesses by ensuring access to emergency resources and emotional stability.

Recent evidence suggests that trust-based networks protect entrepreneurs from institutional uncertainty and regulatory inefficiencies (Arend, 2024). In the Malaysian context, where many small enterprises in rural and semi-urban areas operate in the informal economy, interpersonal trust replaces formal contracts and collateral requirements (Rahman et al., 2021). As a result, trust emerges as an important factor in business continuity and psychological resilience in an uncertain environment.

### **2.2. Social Ties and Financial Resilience**

Social ties, whether strong or weak constitute another dimension of social capital that influences the flow of information and resources. Granovetter's (1985) theory of embeddedness distinguishes between bonding ties, which are strong, emotionally close relationships (e.g., family, close friends), and bridging ties, which connect entrepreneurs to external or heterogeneous networks (e.g., suppliers, customers, financial officers). Bonding ties offer immediate support and mutual assistance, especially during crises, while bridging ties provide access to new markets, innovation opportunities, and knowledge spillovers (Hazudin et al., 2022).

Empirical evidence suggests that both forms of bonding contribute differently to resilience. Bonding ties enhance short-term survival through emotional and practical support, whereas bridging ties foster long-term adaptability by expanding market horizons (Bernier & Meinen-Dick, 2014; Aldrich & Meyer, 2015). For women entrepreneurs, especially those in rural Malaysia, social ties often function as informal financial systems through revolving savings and credit associations, peer mentoring, and community-based cooperatives. These mechanisms help maintain liquidity and reduce vulnerability during economic downturns (Arend, 2024). However, overreliance on kinship ties can limit exposure to diverse sources of information, suggesting the need for a balance between internal solidarity and external connections.

### 2.3. Tolerance and Financial Resilience

Despite the lack of consideration of the concept of tolerance in business research studies, it represents the opening of the area and the knowledge of life and the knowledge of the actors. Tolerance is manifested through the qualities of empathy, reciprocity, and social solidarity that promote the overall decision-making process and social solidarity that promotes the overall decision-making process and community cohesion (Bullough et al., 2014). It also encourages the tolerance of business owners to adopt diversity in thought and practice, which facilitates cooperation and conflict resolution across borders and economies (Adler & Kwon, 2002).

In Malaysian women's enterprises, tolerance is often expressed through communal sharing systems such as kutu groups, neighbourhood exchanges, or mutual assistance schemes that enable women to juggle domestic and business responsibilities (Hazudin et al., 2022). Such systems create a safety net that enhances resilience and adaptive capacity, two important components of financial resilience. Moreover, tolerance fosters psychological well-being by reducing interpersonal conflict, which in turn sustains entrepreneurial motivation under stress (Bernier & Meinzen-Dick, 2014).

### 2.4. Summary of Literature Gap

In summary, the literature review confirms that trust, social ties, and tolerance are important for the resilience-building process, as they enhance the capacity of women entrepreneurs to access resources, manage uncertainty and maintain operations during crises. However, most existing studies have discussed this relationship conceptually rather than empirically. There is still a lack of quantitative evidence confirming how different dimensions of social capital interact to influence financial resilience in the context of Malaysian women-owned MSMEs. Accordingly, this study contributes to the literature by empirically testing this relationship using PLS-SEM techniques, thus providing a solid understanding of how social capital dimensions operate in a developing economy framework.

## 3. Conceptual Framework

Social Capital Theory (SCT) provides the theoretical foundation for this study. Based on the work of Bourdieu (1986), Coleman (1988), and Putnam (2000), this theory proposes that social relationships and networks serve as valuable resources that can be mobilized to achieve individual and collective goals. These social structures generate mutual trust, reciprocity, and information exchange, which in turn enhance cooperation and problem solving within communities (Nahapiet & Ghoshal, 1998). In an entrepreneurial setting, social capital serves as an intangible asset that allows business owners to access credit, share knowledge, and navigate financial uncertainty more effectively than those without such relationships (Anderson & Jack, 2002).

This study conceptualizes social capital as a multidimensional construct encompassing trust, ties, and tolerance. Each dimension represents a unique yet interrelated aspect of relationship resources. Trust forms the cognitive basis of social capital, reflecting the confidence that others will act reliably and fairly, thus facilitating cooperation and information sharing (Fukuyama, 1995; Tiwari & Shastri, 2023). In the context of women-owned SMEs, high levels of trust in business networks and communities encourage cooperative behavior, peer support, and sharing of informal credit channels (Doern, 2016).

In contrast, ties represent a structural dimension of social capital and refer to the strength and diversity of entrepreneurs' relationships. Based on Granovetter's (1985) distinction between binding (strong) and bridging (weak) ties, entrepreneurs benefit from both: binding ties offer emotional and material support during crises, while bridging ties provide access to new market information, suppliers, and customers

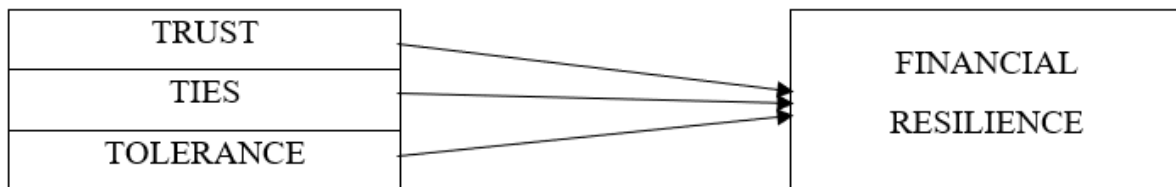
(Hazudin et al., 2022). The interaction between these two types of ties is crucial for business resilience, as it determines the flow of resources and opportunities (Aldrich & Meyer, 2015).

Besides, tolerance represents the openness of relationships and cultures that allows diverse individuals to work together despite differences in background or beliefs. It encompasses values such as empathy, reciprocity, and social solidarity (Bullough et al., 2014). In women’s entrepreneurial networks, tolerance fosters inclusive participation, mutual aid, and collective learning. For example, communal schemes such as kutu (rotating savings groups) or neighborhood sharing systems demonstrate how relationships based on tolerance help women manage the dual roles of business owners and caregivers (Hazudin et al., 2022). The resilience of such relationships reduces isolation and strengthens adaptive capacity during financial stress.

Financial resilience, in this context, refers to the ability of entrepreneurs to survive and recover from economic shocks through adaptive financial behavior, diversified income strategies, and effective resource management (OECD, 2021). Previous studies have shown that social capital protects against financial vulnerability by increasing entrepreneurs’ access to informal support, collective problem-solving, and shared coping mechanisms (Müller & Korsgaard, 2018). However, existing studies report mixed findings about which specific components of social capital exert the strongest influence (Stam et al., 2014; Arend, 2024).

Guided by SCT, this study proposes that trust, ties, and tolerance each have direct positive effects on financial resilience among Malaysian women-owned MSMEs. Figure 1 illustrates the conceptual framework underlying this hypothesized relationship, which serves as the empirical basis for subsequent data collection and analysis using PLS-SEM.

**Figure 1: Conceptual Framework of Social Capital Enhancing Financial Resilience**



## 4. Methodology

### 4.1 Research Design

This study employed a quantitative research design to empirically examine the relationship between social capital dimensions; trust, ties, and tolerance towards financial resilience among women-owned MSMEs in Malaysia. A quantitative approach was chosen because it allows for hypothesis testing and generalization of findings across a larger population (Creswell & Creswell, 2018). By using a structured survey-based method, this research ensured systematic data collection and statistical rigor, in line with similar entrepreneurship studies using latent constructs (Hair et al., 2022).

The chosen analytical technique was Partial Least Squares Structural Equation Modeling (PLS-SEM), conducted using SmartPLS version 4.0. PLS-SEM is well suited for exploratory research with complex models and smaller sample sizes (Hair et al., 2019). It allows for simultaneous assessment of both measurement and structural models, ensuring construct reliability and validity while testing direct relationships between independent and dependent variables. The selection of PLS-SEM is further justified

because this study aims to predict and explain the outcome variables reflective of financial resilience which are influenced by various latent dimensions.

#### 4.2 Population and Sampling

The study population consisted of women-owned SMEs operating in rural and urban areas in Malaysia. Women entrepreneurs are defined as individuals who own at least 51% of the enterprise and actively participate in its management and decision-making processes, in line with the SME Corp Malaysia classification (2023). A random sampling technique was used to ensure the participation of businesses that met the ownership and operational criteria. This method was appropriate given the focus of the study on a specific subgroup of entrepreneurs experiencing different socioeconomic challenges (Sekaran & Bougie, 2020).

A total of 218 valid responses were collected from the distributed questionnaires. The sample size exceeded the minimum threshold required for PLS-SEM analysis, according to the “10 times rule” (Hair et al., 2019), which recommends having at least ten observations per indicator or path in the most complex construct. Respondents were drawn from a variety of sectors including retail, services, food and beverage, and handicrafts, to ensure representation of the Malaysian SME landscape.

#### 4.3 Instrumentation and Measurement

The instrument of this study was a structured questionnaire divided into several sections that measured demographic details and constructs of interest. All items were adapted from scales validated in previous studies to ensure content validity and comparability. Respondents indicated their agreement with each statement on a 5-point Likert scale, ranging from 1 (“strongly disagree”) to 5 (“strongly agree”).

- **Trust** was measured using items adapted from Tiwari and Shastri (2023) and Elshaer and Saad (2022), which focus on honesty, reliability and mutual support in the network.
- **Ties** were adapted from Granovetter (1985) and Rahim et al. (2024), which encompass both bonding and bridging relationships that provide business and emotional support.
- **Tolerance** items were based on Ahsan et al. (2021), which emphasize openness, reciprocity, and community solidarity.
- **Financial Resilience** was measured using adapted items from OECD (2021) and Sabri et al. (2022), which assess respondents’ ability to withstand financial shocks, manage liquidity, and adapt business strategies.

Prior to the main survey, a pilot study was conducted with 30 respondents to ensure clarity and reliability of the questionnaire. Cronbach’s alpha values for all constructs exceeded 0.70, confirming internal consistency reliability (Hair et al., 2022).

#### 4.4 Data Collection Procedures

Data were collected over a period of half a year using a mixed-mode approach, combining online and face-to-face distribution. The online questionnaire was administered via Google Forms to reach urban entrepreneurs, while printed copies were distributed in rural areas through local business associations and women’s entrepreneur networks. Participation was voluntary, and respondents were informed of the purpose of the research, the confidentiality, and the anonymity of their responses. Ethical approval for data collection was obtained from the researcher’s institutional review board.

#### 4.5 Data Analysis

Data analysis followed the two-step PLS-SEM approach as recommended by Hair et al. (2022).

##### 1. Measurement Model Assessment:

Reliability and construct validity were assessed through composite reliability (CR), average variance extr-

acted (AVE), and external loadings. Discriminant validity was confirmed using the Fornell-Larcker criterion and the Heterotrait-Monotrait ratio (HTMT), ensuring the distinction between constructs.

**2. Structural Model Assessment:**

The relationship between social capital dimensions and financial resilience was then tested. Path coefficients, coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive validity ( $Q^2$ ) were examined to determine the explanatory power of the model. Bootstrapping with 5,000 resamples was performed to test the statistical significance of the hypothesized relationship.

All analyses were conducted using SmartPLS 4 software, which provides graphical output for model visualization and interpretation.

**5. Results**

**5.1 Measurement Model Assessment**

Before testing the structural relationships, the measurement model was assessed to ensure the reliability and construct validity. As shown in Table 1, all constructs showed satisfactory levels of internal consistency and convergent validity. Cronbach's alpha values ranged between 0.874 (Tie) and 0.917 (Trust), exceeding the recommended threshold of 0.70 (Nunnally & Bernstein, 1994). Similarly, Composite Reliability (CR) values exceeded the benchmark of 0.70, indicating that each construct exhibited stable and reliable measurement indicators (Hair et al., 2022).

Convergent validity was examined through Average Variance Extracted (AVE), with all constructs recording values above 0.50, confirming that more than 50% of the variance in the indicators was captured by their respective latent variables (Fornell & Larcker, 1981). The results confirmed that all reflective items loaded strongly on the intended constructs, establishing internal reliability and convergent validity.

**Table 1: Measurement Model Results**

Constructs	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
<b>FINANCIAL RESILIENCE</b>	0.914	0.930	0.933	0.671
<b>TIES</b>	0.874	0.939	0.906	0.659
<b>TOLERANCE</b>	0.896	0.921	0.922	0.704
<b>TRUST</b>	0.917	0.933	0.938	0.753

To test discriminant validity, the Heterotrait–Monotrait ratio (HTMT) was computed, following the guidelines by Henseler et al. (2015). As shown in Table 2, all HTMT values were below the conservative threshold of 0.85, ranging between 0.658 and 0.827. The highest inter-construct correlation was observed between Ties and Tolerance (HTMT = 0.827), while the lowest value (0.658) was noted between Trust and Tolerance. These results confirm that each construct is empirically distinct, thereby meeting the requirement for discriminant validity.

**Table 2: HTMT Discriminant Validity Matrix**

CONSTRUCTS	FINANCIAL RESILIENCE	TIES	TOLERANCE	TRUST
<b>FINANCIAL RESILIENCE</b>				

<b>TIES</b>	0.658			
<b>TOLERANCE</b>	0.753	0.827		
<b>TRUST</b>	0.691	0.738	0.699	

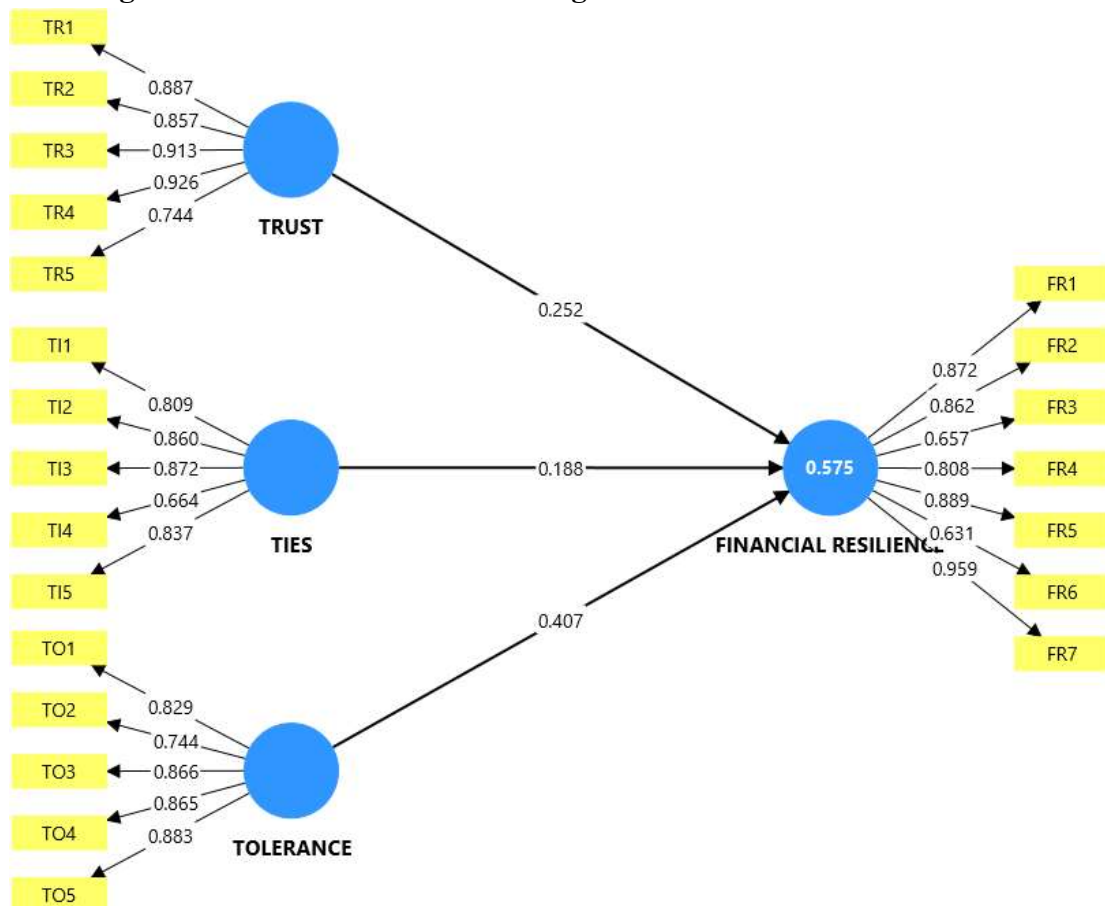
In summary, the measurement model fulfils all reliability and validity criteria, indicating that the constructs; Trust, Ties, Tolerance, and Financial Resilience are appropriately measured and suitable for subsequent structural analysis.

### 5.2 Structural Model Evaluation

After establishing the adequacy of the measurement model, the structural model was assessed to evaluate the hypothesized relationships among the study constructs. The model’s explanatory power was assessed using the coefficient of determination ( $R^2$ ), while the significance of relationships was examined via bootstrapping with 5,000 subsamples.

The  $R^2$  value for Financial Resilience was 0.575, suggesting that approximately 57.5% of the variance in financial resilience can be explained by the three dimensions of social capital: trust, ties, and tolerance. According to Hair et al. (2022), this value indicates a moderate level of explanatory power, demonstrating that social capital plays a substantial role in enhancing women entrepreneurs’ financial resilience.

**Figure 2: Structural Model Showing Path Coefficients and  $R^2$  Values**



As presented in Table 3, the path coefficient analysis revealed that Tolerance had the strongest and most statistically significant positive influence on financial resilience ( $\beta = 0.407$ ,  $t = 3.350$ ,  $p = 0.001$ ). This

finding implies that women entrepreneurs who maintain tolerant, inclusive, and cooperative relationships within their communities are more capable of adapting to financial pressures. Trust also exerted a significant positive effect ( $\beta = 0.252, t = 2.442, p = 0.015$ ), supporting the notion that dependable and trustworthy social relationships contribute to business stability during crises. Meanwhile, Ties exhibited a marginally significant effect ( $\beta = 0.188, t = 1.958, p = 0.050$ ), suggesting that while social connections matter, their influence may depend on the quality rather than the quantity of network relationships.

**Table 3: Structural Model Results**

Path	$\beta$ (Beta)	t- Value	p- value	Interpretation	R <sup>2</sup>
TRUST -> FINANCIAL RESILIENCE	0.252	2.442	0.015	Significant	0.575
TIES -> FINANCIAL RESILIENCE	0.188	1.958	0.05	Marginal	
TOLERANCE -> FINANCIAL RESILIENCE	0.407	3.35	0.001	Highly Significant	
R <sup>2</sup> (FINANCIAL RESILIENCE)					

To further interpret the contribution of each predictor, effect size ( $f^2$ ) analysis was conducted. As shown in Table 4, tolerance demonstrated a medium effect ( $f^2 = 0.173$ ), while trust ( $f^2 = 0.069$ ) and ties ( $f^2 = 0.032$ ) recorded small but meaningful effects. These findings underscore that tolerance manifested through empathy, cooperation, and inclusivity plays the most prominent role in strengthening women entrepreneurs’ financial resilience. This aligns with prior research suggesting that socio-emotional and community-based support systems enhance adaptive capacity and recovery (Bullough et al., 2014; Arend. 2024).

**Table 4: Effect Size ( $f^2$ )**

PREDICTOR -> FINANCIAL	$f^2$ EFFECT SIZE	INTERPRETATION
TRUST	0.069	Small
TIES	0.032	Small
TOLERANCE	0.173	Medium

Overall, the results provide empirical support for the hypothesized model, confirming that trust, ties, and tolerance are integral to building resilient business behavior among Malaysian women-owned MSMEs. While all three dimensions contribute to financial resilience, tolerance emerges as the most influential determinant, highlighting the importance of social empathy and collective solidarity in sustaining small businesses amid financial adversity.

**5.3 Predictive Relevance ( $Q^2$ predict)**

To evaluate the model’s out-of-sample predictive ability, the PLSpredict procedure was performed in SmartPLS 4. The results, summarized in Table 5, demonstrate that all  $Q^2$ \_predict values exceeded the 0.15 threshold (Hair et al., 2022), indicating satisfactory predictive relevance. Specifically, several financial resilience indicators; FR1 (0.465), FR5 (0.424), and FR7 (0.476) displayed high predictive relevance, while FR3 (0.174) and FR6 (0.229) showed small to medium relevance.

These findings suggest that the model has robust predictive performance in estimating financial resilience outcomes for new or unseen data. Hence, the structural model not only fits the observed data well but also possesses practical predictive utility, supporting its external validity and generalizability among women-owned MSMEs in Malaysia.

**Table 5: Predictive Relevance ( $Q^2_{predict}$ )**

	$Q^2_{predict}$	Interpretation
<b>FR1</b>	0.465	High
<b>FR2</b>	0.362	Medium to High
<b>FR3</b>	0.174	Small to Medium
<b>FR4</b>	0.361	Medium to High
<b>FR5</b>	0.424	High
<b>FR6</b>	0.229	Medium
<b>FR7</b>	0.476	High

Overall, the results validate the study’s theoretical expectations under Social Capital Theory (Putnam, 2000). Trust and tolerance form the cognitive and relational bases of social capital that foster collective resilience, while ties provide the structural network through which these resources circulate. The findings affirm that quality social relationships particularly those grounded in tolerance and trust are critical for women entrepreneurs to navigate financial disruptions and sustain business operations.

The significant explanatory power ( $R^2 = 0.575$ ) and acceptable predictive relevance further confirm the robustness of the proposed model. These results provide a foundation for the subsequent discussion of practical and theoretical implications.

## 6. Discussion

The findings of this study reaffirm the important role of social capital in shaping the financial resilience of women-owned SMEs in Malaysia. Among the three dimensions examined; trust, ties, and tolerance both trust and tolerance demonstrated significant positive effects on financial resilience, while ties exhibited only a marginal relationship. These findings provide further empirical support to the arguments proposed by Anderson and Jack (2002) and Bullough et al. (2014), which emphasize that the quality of social relationships is a more influential factor in fostering entrepreneurial resilience than the quantity of social relationships.

### 6.1 Trust and Financial Resilience

The significant positive relationship between trust and financial resilience underscores the importance of reliability, integrity, and mutual confidence in business and social networks. Trust enhances cooperation between entrepreneurs, suppliers, and community members, thereby reducing transaction costs and uncertainty (Fukuyama, 1995). For women entrepreneurs, trust serves as an emotional and economic buffer: it allows them to access informal financial assistance, share important business information, and cooperate in times of scarcity (Doern, 2016).

In line with Social Capital Theory (Putnam, 2000), trust facilitates collective efficacy, that is, the belief that working together leads to mutual success. During financial shocks, such as the COVID-19 pandemic, trusted relationships within local communities provide women entrepreneurs with emotional reassurance

and peer-driven coping mechanisms (Lenz et al., 2025). Trust-based networks thus function as a form of informal insurance, replacing the institutional safety net that women may lack due to limited access to credit or collateral (Rahman et al., 2021).

The current findings align with previous studies showing that trust fosters resilience by improving entrepreneurs' sense of belonging and shared responsibility (Müller & Korsgaard, 2018; Tiwari & Shastri, 2023). In the Malaysian context, this suggests that interventions aiming to enhance financial resilience should not only focus on capital or training but also strengthen trust-based ecosystems among women entrepreneurs through mentorship, peer groups, and cooperative associations.

### 6.2 Tolerance and Financial Resilience

The results of the study further revealed that tolerance had the strongest positive impact on financial resilience. These findings highlight the openness of relationships and inclusiveness that underpin sustainable entrepreneurial networks. Tolerance, conceptualised as empathy, social solidarity and a willingness to work together across diversity (Bullough et al., 2014), enables entrepreneurs to form coalitions of support that transcend ethnic, religious and socio-economic backgrounds, which is particularly relevant in the multicultural context of Malaysia.

Entrepreneurs who demonstrate higher tolerance are better positioned to mobilize collective action and manage conflict constructively, thereby increasing group cohesion and access to shared resources. This supports Adler and Kwon's (2002) argument that social goodwill, based on mutual respect, strengthens trust and cooperation. In practice, tolerant networks enable information dissemination, joint problem solving, and collaborative work, especially among women who must balance business and domestic responsibilities (Hazudin et al., 2022).

The strong effect of tolerance found in this study may also reflect the communal nature of rural Malaysian societies, where informal cooperation through mechanisms such as *kutu* (rotating savings groups) or joint childcare is embedded within daily economic practices. Such systems reduce financial vulnerability and enhance adaptive behavior (Bernier & Meinen-Dick, 2014). These results emphasize that resilience-building programs should incorporate social values such as empathy and inclusiveness as integral components of entrepreneurship development.

### 6.3 Ties and Financial Resilience

In contrast, ties were found to have a weaker and only marginally significant relationship with financial resilience. This suggests that simply having extensive ties does not necessarily translate into significant financial benefits. While the size of the network may provide potential access to information and opportunities, the depth and trust in those ties are more critical determinants of resilience (Granovetter, 1985; Aldrich & Meyer, 2015).

The finding resonates with the concept of "network redundancy," where entrepreneurs maintain numerous superficial ties that yield little support in times of crisis (Anderson & Jack, 2002). For women-owned MSMEs, especially in resource-limited environments, maintaining a large but weak network may be time-consuming and emotionally taxing, with limited returns compared to cultivating a small circle of trusted and tolerant peers.

This observation is consistent with Rahim et al. (2024), who found that rural Malaysian entrepreneurs benefit more from bonding ties (close family or peer relationships) than bridging ties (broad, distant networks). Therefore, the limited impact of ties in this study does not negate the relevance of such ties but rather suggests that the strength and quality of ties outweigh their quantity. This insight calls for policy

initiatives that promote meaningful social interactions through business clusters, women entrepreneur cooperatives, and microfinance community groups.

#### 6.4 Theoretical Implications

The findings contribute to Social Capital Theory by validating the multidimensional role of trust, ties, and tolerance in shaping financial resilience. Specifically, the results extend the theoretical discourse by identifying tolerance as a distinct but powerful dimension that complements traditional cognitive (trust) and structural (ties) forms of social capital. This supports emerging perspectives that emotional and value-based connections rooted in empathy, patience, and moral solidarity are equally critical in sustaining entrepreneurial ecosystems (Bullough et al., 2014; Arend. 2024).

Moreover, by employing PLS-SEM, this study empirically substantiates the relational mechanisms proposed in Social Capital Theory within the context of Malaysian women entrepreneurship. The significant explanatory power ( $R^2 = 0.575$ ) demonstrates that social capital is a key predictor of financial resilience, reinforcing its centrality in the Resource-Based View (RBV) of sustainable entrepreneurship.

#### 6.5 Practical Implications

Practically, the study findings suggest that women entrepreneurs should be encouraged to invest in relationship-building activities that increase trust and tolerance rather than focusing solely on expanding the size of their networks. Business associations, NGOs and government agencies can design capacity-building programs to enhance social and emotional intelligence, conflict resolution, and collaborative problem-solving skills among women entrepreneurs and MSME owners.

For policymakers, integrating social capital enhancement into national entrepreneurship strategies such as through *Women Entrepreneur Development Programmes (WEDPs)*, *TEKUN Nasional*, and *SME Corp initiatives* can strengthen resilience among vulnerable enterprises. Additionally, community-based digital platforms could be leveraged to foster peer-to-peer trust and mutual learning, particularly for women in rural regions where social support systems are central to business continuity.

#### 6.6 Summary

In conclusion, the study highlights that trust and tolerance are essential social resources that foster financial resilience among Malaysian women-owned MSMEs, while **ties** alone are insufficient without depth and reliability. This reinforces the idea that resilient entrepreneurship depends on the moral fabric of relationships grounded in faith, empathy, and collective purpose rather than on sheer network size.

Ultimately, these findings call for a paradigm shift in resilience-building strategies: from resource accumulation toward relationship cultivation, where women entrepreneurs thrive through cooperation, compassion, and shared strength.

### 7. Conclusion

This study set out to examine the influence of social capital through its three core dimensions of trust, ties, and tolerance on financial resilience among women-owned MSMEs in Malaysia. Drawing upon Social Capital Theory (Putnam, 2000), the findings highlight that trust and tolerance are the most critical elements in strengthening women entrepreneurs' capacity to withstand and recover from financial adversity. Although social ties also contribute to resilience, their influence appears to depend more on quality than quantity, reinforcing that deep, meaningful, and reliable relationships matter more than mere network size. The significant role of trust underscores the importance of reliability and mutual confidence in entrepreneurial ecosystems. Trust-based networks enable women entrepreneurs to access informal financial support, share information, and foster cooperation when formal institutions are limited or

inaccessible (Doern, 2016; Tiwari & Shastri, 2023). Meanwhile, tolerance as an expression of openness, empathy, and social solidarity emerged as the strongest predictor of financial resilience. Tolerant relationships promote inclusivity and collective problem-solving, especially vital for Malaysian women balancing multiple social and business responsibilities (Bullough et al., 2014; Hazudin et al., 2022). Together, these findings highlight that relational depth and emotional intelligence are indispensable assets in developing financially resilient enterprises.

The insignificance of ties suggests that network quantity alone does not ensure resilience. Instead, the quality and strength of interpersonal bonds marked by trust and tolerance determine the extent to which social capital can be mobilized in times of crisis. This finding adds nuance to Granovetter's (1985) embeddedness theory, demonstrating that bonding and bridging ties must be underpinned by mutual understanding to yield tangible resilience benefits.

From a theoretical perspective, this study extends Social Capital Theory by empirically validating *tolerance* as a vital relational dimension, complementing traditional constructs of trust and ties. The results contribute to a richer understanding of how social resources interact to influence financial behavior and adaptive capacity among entrepreneurs. Moreover, by applying Partial Least Squares Structural Equation Modeling (PLS-SEM), this research demonstrates that social capital offers measurable explanatory power ( $R^2 = 0.575$ ) in predicting financial resilience affirming its role as a strategic, non-financial resource within the broader Resource-Based View of entrepreneurship.

Practically, the study offers several implications for stakeholders. Policymakers, development agencies, and financial institutions should design capacity-building initiatives that foster interpersonal trust, social tolerance, and peer support among women entrepreneurs. This could include mentorship programs, cooperative savings schemes, and networking platforms that emphasize empathy, ethical conduct, and collaboration. Government initiatives such as *TEKUN Nasional*, *SME Corp Malaysia*, and *Amanah Ikhtiar Malaysia* can integrate social capital development into their entrepreneurship support modules to build both economic and emotional resilience.

For women entrepreneurs, the findings emphasize the need to nurture trustworthy and tolerant relationships that provide emotional and informational resources, enabling them to adapt during financial shocks. Training modules in financial literacy, digital adoption, and social leadership can further strengthen their preparedness for economic disruptions.

Despite its contributions, this study acknowledges several limitations. The cross-sectional design restricts causal interpretation, and self-reported data may be influenced by subjective bias. Future research should consider longitudinal approaches to observe how social capital and financial resilience evolve over time, particularly during economic downturns or recovery phases. Moreover, researchers could incorporate mediating and moderating variables such as digital adoption, financial literacy, or psychological resilience to better explain the mechanisms linking social capital and financial outcomes.

In conclusion, this study provides empirical evidence that financial resilience is deeply embedded in the social fabric of relationships. Trust and tolerance form the moral and emotional backbone of resilient entrepreneurship, enabling women to not only survive crises but also sustain growth in uncertain environments. As Malaysia continues to pursue inclusive economic recovery, fostering socially cohesive and empathetic entrepreneurial ecosystems will be key to ensuring the sustainability of women-owned MSMEs and their broader contributions to national development.

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