

RELATIONAL CAPITAL INFLUENCE ON BUSINESS PERFORMANCE: THE MODERATING ROLE OF ISLAMIC WORK ETHICS

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Abstract: *This paper draws on resource-based theory (RBV) to examine the impact of relational capital and Islamic work ethics on business performance through the moderating role of Islamic work ethics in small and medium-sized enterprises (SMEs). SMEs make up 38.4% of Malaysia's gross domestic product. Despite the significance of this sector, it has received insufficient focus in terms of relational capital and its integration with Islamic work ethics for assessing organizational performance. This study employs a cross-sectional design, and data are gathered through questionnaires that are completed by SME entrepreneurs. The convenient sampling method is utilized, selecting participants from a sampling frame consisting of entrepreneurs in Kelantan, Malaysia. The sampling frame used in this study is SME entrepreneurs registered with the Malay Chamber of Commerce Malaysia Kelantan (DPMMK), an organization signifying and attending the Malay businesspeople in Kelantan. A total of 445 entrepreneurs engaged in SMEs across various districts in Kelantan are invited to complete the questionnaires. PLS-SEM is used in performing data analyses for this study. The results reveal that Islamic work ethics have a significant and positive influence on business performance, but relational capital has no relationship with business performance. Furthermore, Islamic work ethics significantly moderates the relationship between relational capital and business performance. The development programs and policies should focus on improving the relational capital and Islamic work ethics of SME entrepreneurs. In particular, this study generates greater awareness among SME entrepreneurs on relational capital and Islamic work ethics as they would espouse initiatives and form successful businesses.*

Keywords: *Relational Capital, Islamic Work Ethics, SME, Business Performance, Resource-based Theory*

Introduction

Amidst a dynamic business landscape marked by intense global competition, small and medium-sized enterprises (SMEs) wield significant influence on the economies of numerous countries. Their impact is particularly noteworthy in emerging economies, as they substantially contribute to national income, as measured by Gross Domestic Product (GDP) (Huynh, 2022). In Malaysia, SMEs make up 38.4% of the country's gross domestic product. (SMEinfo, 2022). While anticipating government assistance and support in the form of incentives and facilitation, SMEs should also prioritize the enhancement of their business capacity and capabilities. This proactive approach is essential for ensuring economic independence, survival, and growth. To thrive in the current market, companies must navigate numerous challenges that significantly impact their operational business. Business performance, encompassing both financial and non-financial aspects, pertains to the attainment of organizational objectives crucial for survival in the competitive landscape (Rehman et al., 2019). The ability of SMEs to engage in collaboration and establish partnerships with diverse stakeholders is crucial in the contemporary business landscape (Saputra, 2022). Such collaborative efforts enable SMEs to sustain their operations, accelerate business growth, and enhance overall performance. Indeed, SME performance is substantially enhanced by factors such as relational capital, the quality of value co-creation, voluntary knowledge sharing, and the strength of network collaboration (Saputra & Pratomo, 2023). Furthermore, the climate of employee relations and organizational performance is significantly related to Islamic work ethics (Badar et al., 2023). Islamic work ethics refers to the business endeavors of entrepreneurs aimed at generating profits to attain elevated performance and significant success (Ali and Al-Owaihan, 2008). Earlier studies have emphasized the connection between Islamic work ethics and organizational performance (Idrus et al., 2023; Mohammad 2018).

This study seeks to investigate the inconsistencies in empirical findings regarding the impact of relational capital and Islamic work ethics on the performance of SMEs. While numerous studies have explored the connection between the variables, the results, and underlying process relationships remain unexplained, creating ambiguity. Some studies assert a positive impact of relational capital on business performance (Cabrilo & Dahms, 2018; Ramírez-Solis et al., 2022), while others report no such effect (Agostini et al., 2017; Behyan et al., 2011). Moreover, various studies have demonstrated a positive association between Islamic work ethics and behaviors such as job performance (Hassi et al., 2021), job satisfaction (Gheitani et al., 2019), organizational citizenship behavior (MK Alhyasat, 2012), and well-being (Haq et al., 2020). However, there is a lack of research exploring the relationship between Islamic work ethics and business performance. Consequently, further investigation is necessary to investigate the relationships between relational capital, Islamic work ethics, and business performance.

Despite the growing interest in relational capital and Islamic work ethics in recent times, prior studies indicate a scarcity of research on these variables and their influence on business performance in Malaysia. There is a need for additional research on the outcomes of relational capital (Saputra & Pratomo, 2023) and Islamic work ethics (Hassi et al., 2021) in various nations. The research questions are: What is the influence of relational capital and Islamic work ethics on SME business performance? Does Islamic work ethics moderate the relationship between relational capital and SME business performance? In response to these research queries, we put forth a model that explores the impact of relational capital and Islamic work ethics on business performance in SMEs. Our model also incorporates the moderating role of Islamic work ethics (see Figure 1).

The study adopts the Resource-Based View (RBV) to develop a comprehensive model that elucidates the intricate relationship among relational capital, Islamic work ethics, and business performance. Therefore, this study intends to investigate the influence of relational capital and Islamic work ethics on SME business performance and to examine Islamic work ethics as the moderating factor in the relationship between relational capital and SME business performance. This research carries significant implications for management and human resources, emphasizing the implementation of Islamic work ethics and fostering relational capital to enhance business performance.

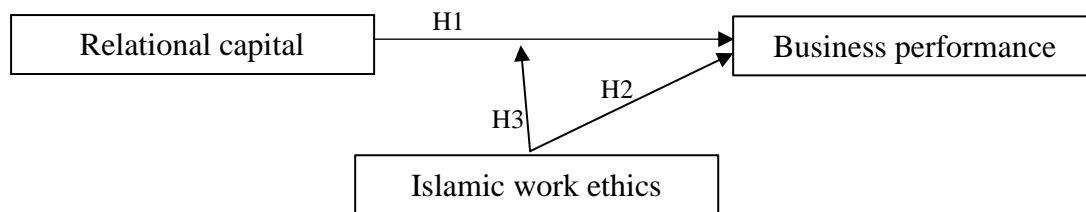


Figure 1: Research Model

Source: Created by Authors

The structure of the paper is as follows: Section 2 provides the theoretical background and hypotheses; Section 3 outlines the methodology, and Section 4 presents the results. Finally, Section 5 delves into the discussion, implications, and limitations of the study.

Theoretical Background and Hypotheses Development

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) posits that an organization's success hinges on the distinct resources it possesses and controls in comparison to other organizations (Amit & Schoemaker, 1993). Barney (2001) stated that for a focal organization to establish a competitive edge over others, these resources must meet criteria such as being valuable, rare, non-interchangeable, and imperfectly replicable. Competitive advantage is defined as the situation where a firm is implementing a value-creating strategy not concurrently employed by current or potential competitors. Therefore, competitive advantage arises when resources are diverse (i.e., distributed unevenly and deployed differently across firms) and durable (i.e., not easily obtainable or reproducible by competitors). Resources possessing these attributes contribute value to an organization.

Relational Capital, Islamic Work Ethics, and Business Performance

Relational capital primarily denotes the significance of the connections established by a company with its stakeholders. Through the cultivation of relationships with various entities such as customers, suppliers, and customers, enterprise develops its relational potential. This potential is essentially the cumulative value of these associations. As a component of corporate intellectual capital, relational capital contributes positively to the overall business performance of the company (Drewniak et al., 2023). Furthermore, trust within relationships involving the stakeholders facilitates the exchange of information by diminishing the time and cost associated with monitoring. This, in turn, leads to effective communication, as it eliminates the perceived necessity to conceal sensitive information (De Clercq & Sapienza, 2006). In this study, the terms trust, commitment, and socialization are employed to elucidate the influence of relational capital on business performance. Hence, we posit that:

H1: Relational capital influences business performance.

Islamic work ethics refer to a set of ethical concepts that organize and direct employees' attitudes and behaviors in the workplace so that they are congruent with the lessons of the Holy Quran and the teachings of Prophet Muhammad SAW (Ali,1988). In general, Islamic work ethics emphasize the importance of cooperation, creativity, dedication, hard work, and honesty (Aldulaimi, 2020; Mohammad et al., 2018). These attributes are crucial for organizational success and enhanced performance. Badar et al. (2023) mention that Islamic work ethics positively impact organizational performance and employee relations climate. Therefore, we hypothesized that:

H2: Islamic work ethics influences business performance.

Chahardehi et al. (2015) proposed that organizations should prioritize professional ethics and the enhancement of intellectual capital, including relational capital, to improve individual and organizational efficiencies and better achieve organizational goals. The research indicates a positive and significant relationship between professional ethics and elements such as trust, honesty, veracity, obedience to safety rules, and commitment to organizational policies (Rahgozar, Samimi & Molaei, 2014). Similarly, Bontis and Serenko (2009) conducted a study on the financial services industry, exploring the antecedents and consequences of intellectual capital. They discovered significant positive relationships among intellectual capital, employee commitment, relational capital, and business performance. Consequently, given the presence of Islamic work ethics, it is presumed that the relationship between relational capital and business performance would be positive. This assumption stems from the ethical principles ingrained in Islamic culture, such as trust, trustworthiness, and cooperativeness, which are significant attributes of Islamic firms. Thus, it is hypothesized that:

H3: There is a positive relationship between relational capital and business performance among SME entrepreneurs who exhibit a high level of Islamic work ethics.

Research Methodology

This study employed a cross-sectional design, and data were gathered through questionnaires that were completed by SME entrepreneurs. The convenient sampling method was utilized, selecting participants from a sampling frame consisting of entrepreneurs in Kelantan, Malaysia. The sampling frame used in this study is SME entrepreneurs registered with the Malay Chamber of Commerce Malaysia Kelantan (DPMMK), an organization signifying and attending the Malay businesspeople in Kelantan. A total of 445 entrepreneurs engaged in SMEs across various districts in Kelantan, were invited to complete the questionnaires. The questionnaire was meticulously crafted with straightforward and unbiased language to ensure respondents could easily understand the questions and provide answers based on their perceptions. Questions were adapted from previous studies with slight modifications as necessary. The questionnaire was organized into several sections. Respondents used a seven-point scale (ranging from 1 = strongly disagree to 7 = strongly agree) to indicate how accurately each statement described their business.

Given the exploratory nature of this study, variance-based structural equation modelling was employed, specifically the partial least squares (PLS) estimation method. The primary goal was to maximize the variance explanation in the dependent constructs of the structural equation model. PLS was chosen due to its robustness as a causal modelling technique, allowing for

simultaneous estimation of measurement and path coefficients. This approach aligns with the recommendation of Hair et al. (2013), making it well-suited for PLS modelling.

Summary of Findings

Descriptive and Inferential Analysis

Table 1: Respondents' Profile

	Demography	Frequency (n=445)	Percent (%)
Gender	Male	368	82.7
	Female	77	17.3
Age	20 - 30 years old	1	0.2
	31-40 years old	88	19.8
	41-50 years old	198	44.5
	51-60 years old	135	30.3
	more than 60 years old	23	5.2
Status	single	43	9.7
	married	395	88.8
	divorced	7	1.6
Business experience	0-5 years	140	31.5
	6-10 years	169	38
	11-15 years	65	14.6
	16-20 years	48	10.8
	more than 20 years	23	5.2
Years of involvement in this business	1-5 years	64	14.4
	6-10 years	209	47.0
	11-15 years	71	16.0
	16-20 years	50	11.2
	more than 20 years	51	11.5
Average monthly sales	RM1,000-RM10,000	60	13.5
	RM10,001-RM30,000	84	18.9
	RM30,001-RM50,000	77	17.3
	RM50,001-RM70,000	35	7.9
	RM70,001-RM100,000	48	10.8
	more than RM100,000	141	31.7

Table 1 illustrates the demographic details of the surveyed respondents. A significant majority of the participants are male entrepreneurs, accounting for 82.7% of the total. Regarding age distribution, 44.5% fall within the 41-50 years category, while 30.3% belong to the 51-60 years range, and 19.8% are in the 31-40 years bracket. Schröder (2023) employed ten-year periods to classify individuals into different generations, namely Generation Y (born after 1980), Generation X (1970 to 1980), and Boomers (1960 and earlier). These generational cohorts exhibit distinctive characteristics that significantly impact human resource practices. According to Alaql et al. (2023), Generation X and Y are characterized as being technologically proficient, team-oriented, and flexible. The study findings reveal that 44.5% of the respondents are aged

between 41-50 years, placing them within the Generation X and Y cohorts. This suggests that the age of the respondents is likely to influence both relational capital, Islamic work ethics, and business performance. Moreover, a significant portion of the respondents, specifically 88.8%, are married, with 9.7% being single and only 1.7% divorced. Grover & Helliwell (2019) discovered a positive correlation between marriage and well-being. Given that the majority of participants are married, it is plausible that they would make better business decisions. This aligns with the idea that partners can offer unique social support, assisting each other in overcoming life's challenges, especially in the realm of entrepreneurship.

More than half of the entrepreneurs have less than 10 years of business experience, with 14.6% working for 11 to 15 years, 10.8% for 16 to 20 years, and 5.2% for over 20 years. Almost all respondents possess business experience, indicating resilience and adaptability to turbulent economic competitiveness. Additionally, these figures suggest that entrepreneurs leverage their knowledge and experience for personal success, contributing to greater entrepreneurial achievement. In any business organization, sales play a pivotal role in generating revenue. The respondents recognized that, regardless of the effectiveness of their business operations and the progressiveness of their management techniques, having a well-established sales mechanism is indispensable; without it, all other aspects become futile. This understanding is supported by the research findings, which reveal a broad distribution of average monthly sales, with 301 companies, or 67.6%, reporting turnovers ranging from RM30,001 to over RM100,000. In essence, both descriptive and inferential statistics offer distinct insights into the nature of the data, enabling researchers to thoroughly analyze them and draw meaningful conclusions.

Assessment of Normality

In statistical analysis, multicollinearity is typically identified by a high-level correlation among independent variables, often defined as being above 0.9 (Hair et al., 2021). In the present study, all correlation measures observed are below 0.9, as indicated in Table 2. This finding suggests that there is no issue of multicollinearity in the dataset under consideration.

Table 2: Correlations among variables

Correlations	mean RC	mean IWE	mean BP
meanRC	1		
meanIWE	.448**	1	
meanBP	.466**	.482**	1

** Correlation is significant at the 0.01 level (2-tailed).

Moreover, following the approach outlined by Hair et al. (2021), we evaluate multivariate normality by examining skewness and kurtosis values. Skewness measures the degree of symmetry in the distribution of a variable, indicating whether the data is skewed to the left or right. On the other hand, kurtosis assesses the distribution's shape, specifically whether it is too peaked or centered (Pallant, 2020). In a normal distribution, both skewness and kurtosis values are expected to be around zero. Values outside the range of -1.0 to +1.0 suggest significant departures from normality (Hair et al., 2021). We employed Webpower, a statistical power analysis tool developed by Cain et al. (2017), to obtain skewness and kurtosis values for the data. Table 3 reveals that business performance exceeds the established cutoff rate, indicating a departure from normal distribution. Conversely, two other values (Relational capital and Islamic work ethics) fall within the range indicative of a normal distribution of data. Thus, it is evident that not all the data in this study adhere to the acceptable range for normal distribution.

Consequently, the data aligns with the requirements for employing PLS-SEM, a nonparametric statistical method that does not demand adherence to normality assumptions. Importantly, in situations where multivariate normality is a concern, PLS-SEM is considered a preferable option for analysis (Hair et al., 2021).

Table 3: Output of skewness and kurtosis calculation

	Skewness	Kurtosis
BP	-0.8587000	1.6596696
RC	-0.2591973	-0.2478517
IWE	-0.3345948	-0.8779992

Notes: BP: Business performance; RC: Relational capital; IWE: Islamic work ethics

Construct Validity and Reliability Analysis

The variables of relational capital, Islamic work ethics, and business performance all exhibit values exceeding 0.7, indicating high reliability. Given that Cronbach's alpha values for all items have excellent reliability coefficients ranging from 0.866 to 0.876 (see Table 4), this study considers all items as reliable (Nunnally, 1978; Hair et al. (2013). Regarding composite reliability, the indicators show varying loadings for all items, with values consistently surpassing 0.7. Indicators are considered reliable if their values exceed 0.7 (Hair et al., 2013). Convergent validity, which implies that a set of indicators represents the same underlying construct, is demonstrated through their unidimensionality. The average variance extracted (AVE) value for all items should be greater than 0.5 to indicate sufficient convergent validity (Hair et al., 2012). In this study, Table 4 shows that all AVE values for items are above 0.5, confirming satisfactory convergent validity.

Table 4: Reliability Measures

Variables	No. of items	Cronbach's alpha	Composite reliability	AVE
RC	8	0.876	0.859	0.555
IWE	11	0.867	0.922	0.518
BP	12	0.866	0.938	0.581

Notes: BP: Business performance; RC: Relational capital; IWE: Islamic work ethics

The cross-loading values, as observed in the data, are notably lower than the outer loadings, indicating robust discriminant validity (see Table 5. Hair et al. (2013) emphasize that discriminant validity can be assessed by examining the cross-loadings of the indicators. In addition, we employ the Heterotrait-Monotrait Ratio (HTMT) technique, developed by Henseler et al. (2015), to assess discriminant validity. As illustrated in Table 6, all values meet the criteria of $HTMT_{.85}$ (Kline, 2023) and $HTMT_{.90}$ (Gold et al., 2001). This indicates that discriminant validity has been established. Furthermore, the results of HTMT inference demonstrate that the confidence interval does not include a value of 1 for any of the constructs.

Table 5: Loadings and Cross Loadings

	BP	IWE	RC
BP01	0.739	0.389	0.298
BP02	0.781	0.439	0.301
BP03	0.774	0.391	0.310
BP04	0.754	0.408	0.320
BP05	0.738	0.426	0.455
BP06	0.815	0.401	0.406
BP07	0.697	0.293	0.280
BP09	0.731	0.464	0.482
BP10	0.762	0.339	0.351
BP11	0.762	0.336	0.361
BP12	0.822	0.441	0.409
IWE02	0.271	0.706	0.432
IWE03	0.320	0.733	0.442
IWE04	0.363	0.782	0.413
IWE05	0.350	0.787	0.461
IWE06	0.354	0.770	0.400
IWE07	0.384	0.740	0.433
IWE09	0.437	0.694	0.330
IWE10	0.474	0.729	0.400
IWE11	0.428	0.741	0.408
RC05	0.394	0.488	0.797
RC07	0.394	0.450	0.852
RC08	0.397	0.434	0.833

Notes: BP=Business performance, IWE=Islamic work ethics, RC=Relational capital

Table 6: Heterotrait-Monotrait Ratio (HTMT)

	BP	IWE	RC
IWE	0.550		
	CI.90		
	(0.464, 0.613)		
RC	0.562	0.668	
	CI.90	CI.90	
	(0.468, 0.645)	(0.589, 0.735)	

Notes: BP=Business performance, IWE=Islamic work ethics, RC=Relational capital, CI=Confidence interval

The Influence of Exogenous Constructs on Endogenous Constructs

Table 7 shows the R^2 value is 0.522, indicating that 52.2% of the variance in business performance was explained by the constructs, namely Islamic work ethics and relational capital. Therefore, concerning Hair's et al. (2012) suggestion, the explained variance of business performance can be described as moderate. Moreover, Henseler & Chin (2010) argue that researchers should assess the effect sizes of specific exogenous constructs on the endogenous construct through f^2 analysis, which complements the information provided by R^2 . Referring to Cohen's (2013) guideline, it is evident from the analysis that Islamic work ethics (0.047) exhibit small effects in contributing to the R^2 for business performance. In contrast, relational capital shows no discernible effect at all in this context. Next is the outcome of Predictive Relevance

(Q^2) after the blindfolding procedure. Q^2 value for business performance ($Q^2=0.279$) is more than 0, indicating that the model has ample predictive relevance. By comparing the Q^2 value to 0, the predictive relevance of an endogenous construct is indicated (Hair et al., 2016). q^2 effect size is computed for the Q^2 values. Hair et. al. (2013) claims that the q^2 effect size of an exogenous construct and its relationship to an endogenous construct in the structural model employ the same essential values for assessment used for the f^2 effect size. Equal to the f^2 , q^2 also has been measured by the guideline provided by Cohen (2013) in which 0.02, 0.15, and 0.35 represent small, medium, and large effects of the exogenous latent variable respectively. Islamic work ethics (0.017) have a small q^2 effect size or small predictive relevance for the endogenous construct (business performance), while relational capital does not have a q^2 effect size.

The first hypothesis of this study explores the relationship between relational capital and SME business performance. However, the obtained results indicate that relational capital has an insignificant relationship with SME business performance ($\beta = -0.005$, t-value = 0.102). As a result, H1 is rejected. The f^2 (0) value signifies no effect size of relational capital on the relationship between the variables under investigation.

Furthermore, the results of the study reveal that Islamic work ethics indeed have a significant relationship with SME business performance ($\beta = 0.21$, t-value = 4.344). Therefore, H2 is accepted. The f^2 (0.047) value suggests a small size of the impact of Islamic work ethics on business performance, indicating a modest effect size in the relationship between these variables.

Table 7: Hypothesis Testing for Direct Relationships between Relational Capital, Islamic Work Ethics and SME Business Performance

Hypotheses	Associations	Beta (β)	Std. Error	t-values	Confidence Interval		Decision	R^2	f^2	Q^2	q^2
					Lower Level (LL)	Upper Level (UL)					
H1	Relational Capital-> Business Performance	-0.005	0.053	0.102	-0.106	0.097	Rejected	0.522	0	0.279	0.01
H2	Islamic Work Ethics-> Business Performance	0.21	0.048	4.344*	0.106	0.304	Accepted		0.047		0.017

Notes: ** $p < 0.01$, * $p < 0.05$

Moderating Effect of Islamic Work Ethics

As recommended by Hair et al. (2013), the study employed the product-indicator approach to test the moderation hypothesis for the continuous moderating variable. The product-indicator approach involves multiplying the mean-centred indicator of relational capital with each indicator of Islamic work ethics. The results of the hypothesis testing for moderation (interaction results) are presented in Table 8. For the third hypothesis, the results indicate a significant relationship ($\beta = 0.169$, t-value = 2.541) at a 0.05 significance level. Therefore, H3 is accepted. This implies that Islamic work ethics moderates the relationship between relational capital and SME performance. Specifically, relational capital exhibits a positive and significant relationship with SME business performance among Bumiputera entrepreneurs who demonstrate a high level of Islamic work ethics. The plot for the two-way interaction effects of relational capital and Bumiputera SME business performance is illustrated in Figure 2.

Table 8: Hypothesis Testing for Moderation (Interaction Results)

Hypotheses	Association	Beta (β)	Std. Error	t-values	Confidence Interval		Decision
					Lower Level (LL)	Upper Level (UL)	
H3	RC*IWE -> BP	0.169	0.067	2.541*	0.034	0.295	Accepted

Notes: ** $p < 0.01$, * $p < 0.05$

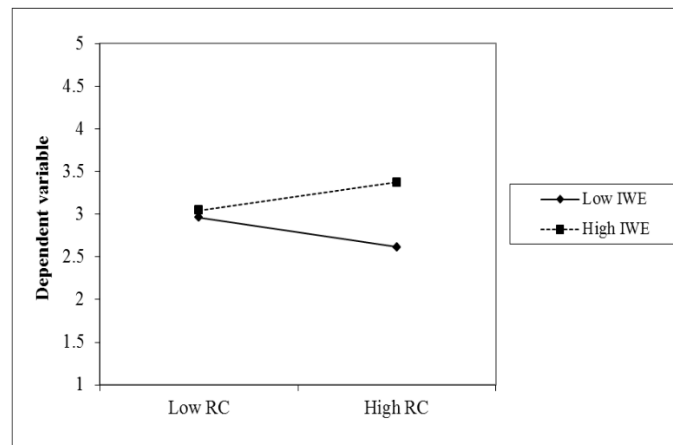


Figure 2: Relational Capital Interaction Plot

Notes: IWE=Islamic work ethics, RC=Relational capital

Discussion and Conclusion This study aimed to investigate the influence of relational capital and Islamic work ethics on SME business performance and to examine Islamic work ethics as the moderating factor in the relationship between relational capital and SME business performance. RBV theoretical insights implied that entrepreneurs possessing a unique capability with high relational capital and Islamic work ethics should be able to obtain and safeguard sustainable competitive advantages in an ever-changing environment. Such distinctive capabilities are valuable, rare, challenging to replicate, and hard to substitute.

For the first objective of the study, the outcomes on relational capital diverge from the assertions of Muftiasa et al. (2023) and Astuti et al. (2023), who assert that relational capital has a substantial impact on firm performance. However, the findings of this study align more closely with the conclusions drawn by Sohel Rana & Hossain (2023) and Zin (2017), where relational capital does not influence organizational performance. It is important to note that the variance in results could be attributed to various factors and specific causes cannot be hypothesized, as the outcomes of intangible resources research are contingent upon diverse research samples. The findings indicate that Kelantan SME entrepreneurs have not fully utilized their relational capital, an essential intangible asset for value creation. Furthermore, aligning with the findings of this study, Islamic work ethics have been shown to have a positive impact on employee performance (Udin, 2023), and organizational commitment (Alam Muhajir & Rusli, 2023), ultimately contributing to business performance. Ahmad (2010) emphasizes that the environment in Kelantan has played a crucial role in shaping the cultural landscape of business individuals, establishing Islam as the predominant culture among traders. Islamic teachings and values extend beyond business activities to include areas such as welfare and community services. As SME entrepreneurs are interconnected, developed, and committed to their work while adhering to the ethical principles of Islam, they exhibit efficient and effective job performance, leading to an overall improvement in their business performance.

As for the second objective, remarkably, the introduction of Islamic work ethics as a moderator has altered the outcome of the direct relationship between relational capital and the business performance of SME entrepreneurs. The initially negative and insignificant relationship between relational capital and business performance ($\beta = -0.005$, t -value = 0.102) has now transformed into a positive and significant relationship. This finding underscores the statistical nature of a moderating variable, influencing the direction of the relationship between an independent and a dependent variable. The evidence indicates that SME entrepreneurs with a high level of Islamic work ethics strategically leverage relational capital, creating a platform for improved negotiation with external parties and, consequently, leading to enhanced business performance.

Indeed, the study's findings offer valuable insights for entrepreneurs, government officials, and policymakers in shaping strategic plans for the sustainable utilization of resources and creating values, competitive advantages, and the long-term survival of firms. The study recommends that SMEs focus on improving their efficiency in relational activities and work ethics to achieve enhanced firm performance and sustainable growth.

Nevertheless, this study is subject to several limitations that impact the validity of its findings. The study's sample size was constrained to 445 respondents from Kelantan due to time and resource constraints. The data collection was confined to SME entrepreneurs registered with DPMMK, making it challenging to generalize the results to individuals in different industries. Expanding the study to include diverse industries could provide additional support for the findings. Additionally, the study focused exclusively on SME entrepreneurs in Kelantan, introducing the potential for a single-source bias and limiting the generalizability of the findings to states with distinct cultures. Thus, caution is warranted when applying these findings to all states in Malaysia. While the findings contribute to our understanding of the significance of relational capital and Islamic work ethics for business performance, further research is needed to compare these findings with similar predictors in other states.

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