

# The Role of Pela Gandong Local Wisdom in Strengthening Human Capital and the Financial Performance of MSMEs in Maluku

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## Abstract

*The financial performance of SMEs in Maluku is influenced not only by financial and technical factors but also by social capital embedded in local wisdom, such as Pela Gandong, which emphasizes solidarity, trust, and mutual cooperation. This study aims to analyze the role of Pela Gandong in strengthening human capital and enhancing the financial performance of SMEs in Maluku. This research employs a quantitative explanatory approach with a population of all SMEs in Maluku, and a sample of 234 respondents selected through purposive sampling based on the criteria of operating for at least two years and understanding the values of Pela Gandong. Data were collected using structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (SEM-PLS). The results indicate that Pela Gandong has a significant positive effect on human capital ( $\beta = 0.645$ ;  $p < 0.001$ ) and SME financial performance ( $\beta = 0.389$ ;  $p < 0.001$ ), and human capital mediates the effect of Pela Gandong on financial performance ( $\beta = 0.542$ ;  $p < 0.001$ ). The novelty of this study lies in integrating local wisdom as strategic social capital within the Social Capital Theory framework to measure its tangible economic impact on SMEs, which has been rarely examined empirically. The findings highlight the importance of leveraging local culture-based empowerment as a strategy to improve human capital, strengthen business networks, and enhance financial performance, offering new insights for local economic policies in Maluku.*

**Keywords:** *Pela Gandong, Human Capital, SME Financial Performance.*

## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of regional and national economies due to their critical role in job creation, income generation, and the strengthening of local economic resilience. The financial performance of MSMEs serves as a primary indicator of business sustainability, reflecting entrepreneurs' capacity to manage resources efficiently, generate profits, and survive within a highly competitive business environment (Dewi & Pandin, 2021; Astini et al., 2025). Moreover, financial performance also mirrors the effectiveness of managerial decision-making and the ability of firms to adapt to market dynamics (Patty & Rumtutuly, 2024). Nevertheless, empirical studies indicate that MSME financial performance is influenced not only by financial and technical factors, but also by social and cultural dimensions as well as the quality of human resources possessed by business actors (Zalayeta & Aisa, 2025).

Despite the extensive emphasis on financial and technical determinants such as financial literacy, access to financing, and accounting systems, the current management literature still exhibits limitations in explaining the sustainability of MSMEs, particularly in geographically fragmented and structurally constrained regions such as archipelagic areas. In regions like Maluku, MSMEs often operate under conditions of limited market access, high logistical costs, weak institutional support, and fragmented financial infrastructure. These structural constraints reduce the explanatory power of conventional financial variables in predicting long-term business sustainability. Empirical inconsistencies are frequently observed, where MSMEs with adequate financial access and technical capability still fail to sustain their operations. This suggests that purely financial approaches are insufficient and highlights a critical research gap, namely the need to incorporate socially embedded and non-financial factors to better explain MSME resilience in archipelagic economies.

From the perspective of Social Capital Theory, social capital is understood as a set of resources embedded within social networks, norms, and trust that facilitate effective collective action among individuals and groups (Syahra, 2003). Social capital functions as an informal mechanism that enhances coordination, reduces transaction costs, and broadens access to information and economic support. In addition, social capital fosters long-term relational stability within business communities. In the context of MSMEs, social capital has been empirically proven to contribute positively to business performance through increased cooperation, solidarity, and trust among economic actors (Alfiansyah, 2023; Nurul Janah et al., 2024).

In Indonesia, social capital is often manifested in the form of local wisdom, encompassing value systems, norms, and social practices that have evolved historically within communities. Local wisdom functions not merely as a socio-cultural instrument but also as an economic asset that can be mobilized for community-based empowerment and development (Ishak, 2024; Rahadi et al., 2025). These local values frequently serve as behavioral guidelines for economic activities in managing enterprises and resources. Numerous studies indicate that local wisdom strengthens business sustainability, enhances market orientation, and promotes inclusive economic collaboration at the MSME level (Hasan et al., 2025; Suranto et al., 2025).

In the context of Maluku, one of the most prominent forms of local wisdom is *Pela Gandong*, a system of kinship and cross-community social bonds that emphasizes solidarity, trust, mutual cooperation, and collective responsibility. *Pela Gandong* has long been recognized as a form of social capital that plays a crucial role in maintaining social cohesion and facilitating post-conflict reconciliation (Hasudungan, 2022; Suswandari et al., 2021), as well as fostering solidarity across religious and social groups (Debby Makaruku et al., 2025). These bonds generate strong and enduring social relationships, reflecting dense networks, norms of reciprocity, and shared trust as core elements of social capital.

Beyond the Social Capital perspective, the strategic relevance of *Pela Gandong* can be further explained through the Resource-Based View (RBV). RBV posits that firms achieve sustainable competitive advantage through resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991). In this context, *Pela Gandong* represents an intangible cultural resource that fulfills these criteria. It is valuable because it enhances coordination, trust, and economic cooperation. It is rare due to its unique historical and cultural embeddedness in Maluku. It is inimitable because it is deeply rooted in long-standing social traditions and cannot be easily replicated. It is non-substitutable because formal institutional mechanisms cannot fully replace the relational trust and solidarity embedded within it. Therefore, *Pela Gandong* can be conceptualized

not merely as a cultural value but as a strategic intangible asset that contributes to MSME competitiveness and sustainability.

Furthermore, the values embedded in *Pela Gandong* have the potential to strengthen the human capital of MSME actors through mechanisms of collective learning, informal knowledge transfer, and the formation of a community-based work ethic. Intensive social interactions among community members enable continuous exchanges of entrepreneurial experience and best practices. Prior studies demonstrate that human capital, reflected in the skills, knowledge, and competencies of MSME owners, exerts a significant influence on firms' financial performance (Astini et al., 2025; Zalayeta & Aisa, 2025). In the Maluku context, findings by Amaliah (2025) similarly indicate that local cultural values shape economic behavior and business performance through collectively transmitted knowledge and social practices.

However, most existing studies still position local wisdom primarily as a social context or normative value without explicitly examining its role as social capital that mediates or strengthens the relationship between human capital and MSME financial performance. This limits the analytical exploration of the economic function of local wisdom. In addition, although RBV has been widely applied in strategic management, its integration with culturally embedded social capital in the MSME context, particularly in archipelagic regions, remains limited. Consequently, the role of intangible cultural resources such as *Pela Gandong* in influencing firm-level performance has not been comprehensively examined.

Moreover, existing studies on *Pela Gandong* have largely focused on multicultural education, organizational behavior, and social cohesion (Hasudungan, 2022; Pattipeilohy et al., 2024). These studies primarily emphasize its social and normative roles. Empirical research that directly links *Pela Gandong* to the strengthening of human capital and the financial performance of MSMEs remains very limited (Rumtutuly et al., 2025). This indicates a significant research gap, particularly in explaining the mechanisms through which *Pela Gandong*, as a form of social capital and an intangible strategic resource, can be transformed into economic value that generates measurable impacts on MSME financial performance.

Building on this gap, the present study aims to analyze the role of *Pela Gandong* as local social capital in strengthening human capital and enhancing the financial performance of MSMEs in Maluku. Grounded in Social Capital Theory and the Resource-Based View, this study positions *Pela Gandong* as a socially embedded resource that facilitates the development of individual capacities, strengthens business networks, and enhances the effectiveness of economic actions. Conceptually, the study examines the relationships among *Pela Gandong*, human capital, and MSME financial performance as an integrated causal mechanism.

The main contribution of this study lies in integrating the local wisdom of *Pela Gandong* into both the Social Capital and RBV frameworks, as well as linking it empirically to MSME financial performance, an area that has received limited scholarly attention. By incorporating local cultural dimensions as strategic intangible assets, this research extends the scope of MSME and strategic management studies. It demonstrates that culturally embedded resources can function as sources of sustainable competitive advantage by strengthening human capital and enhancing MSME competitiveness.

Empirically, this study is expected to provide evidence that *Pela Gandong* has a positive effect on human capital and that human capital significantly improves MSME financial performance. Furthermore, *Pela Gandong* is expected to have an indirect effect on financial performance through human capital. These findings have important practical implications for the development of culturally grounded MSME empowerment policies,

particularly in archipelagic regions, as well as theoretical implications for extending the integration of Social Capital Theory and the Resource-Based View in explaining MSME performance.

## **2. LITERATURE REVIEW**

### **2.1 Social Capital Theory**

Social Capital Theory posits that social capital constitutes a set of resources derived from social networks, norms, and trust that facilitate collective action and coordination among individuals in the pursuit of shared objectives (Syahra, 2003). Beyond its function as a mechanism of social cohesion, social capital operates as a productive asset that can be mobilized in economic activities. In particular, trust and norms of reciprocity serve as key transmission mechanisms through which social capital generates economic value.

From an economic perspective, trust embedded within social relationships reduces transaction costs by minimizing the need for formal contracts, monitoring, and enforcement mechanisms. In business environments characterized by uncertainty, information asymmetry, and repeated interactions, trust enables economic actors to rely on informal agreements, thereby lowering negotiation costs, reducing opportunistic behavior, and accelerating decision-making processes. This mechanism is particularly relevant for MSMEs, where formal institutional support and legal enforcement are often limited. Consequently, social capital substitutes for weak formal institutions by providing relational governance based on trust and shared norms.

In the context of Micro, Small, and Medium Enterprises (MSMEs), social capital plays a strategic role due to the limited financial, technological, and institutional resources typically faced by small-scale entrepreneurs. Strong social networks allow MSME actors to access critical information, informal financing, supply chain linkages, and market opportunities at lower cost. More importantly, trust-based relationships reduce the risk of default, facilitate flexible payment arrangements, and enhance cooperation efficiency among business partners. Empirical evidence confirms that social capital positively influences MSME performance by improving coordination, strengthening collaboration, and reducing operational inefficiencies arising from high transaction costs (Alfiansyah, 2023; Nurul Janah et al., 2024).

### **2.2 Local Wisdom of Pela Gandong and MSME Human Capital in Maluku**

Grounded in Social Capital Theory, the local wisdom of Pela Gandong can be conceptualized as a form of social capital embedded within the social networks, norms, and trust structures of Maluku society. The values of kinship, solidarity, and mutual cooperation create a high-trust environment that facilitates economic interactions among MSME actors. Trust functions as a key mechanism that reduces transaction costs by minimizing the need for formal contracts, lowering monitoring and verification costs, and limiting opportunistic behavior. MSME actors within Pela Gandong networks tend to engage in flexible transactions such as informal credit, delayed payments, and resource sharing while maintaining operational efficiency. This is consistent with the view that social capital enhances coordination and cooperation efficiency among economic actors (Syahra, 2003; Alfiansyah, 2023) and strengthens business performance through trust-based relationships (Nurul et al., 2024). In the Maluku context, local wisdom has also been shown to reinforce solidarity and collective economic behavior, thereby supporting sustainable business practices (Hasudungan, 2022; Debby et al., 2025).

Furthermore, Pela Gandong facilitates continuous learning and capability development through intensive social interaction among MSME actors. From the perspective of Organizational Learning, knowledge is created and transferred through

experience sharing and collective learning processes within a community. Informal interactions enable the exchange of tacit knowledge, managerial practices, and problem-solving strategies that are not formally codified. Over time, this process strengthens human capital by improving skills, knowledge, and entrepreneurial competencies. This is supported by findings that knowledge sharing and community-based learning significantly influence individual performance and capability development (Amaliah, 2025), while human capital remains a key determinant of MSME performance (Astini et al., 2025; Zalayeta & Aisa, 2025). Therefore, Pela Gandong not only reduces transaction costs through trust-based mechanisms but also serves as a platform for knowledge creation and human capital development among MSME actors.

H1: The local wisdom of Pela Gandong has a positive effect on MSME human capital in Maluku.

### **2.3 Human Capital and MSME Financial Performance in Maluku**

Human capital represents a critical asset for MSMEs, as it reflects the level of knowledge, skills, experience, and competencies of entrepreneurs in managing business activities. Strong human capital enables MSME actors to enhance productivity, manage finances more effectively, and make rational, long-term-oriented business decisions. Moreover, the quality of human capital determines firms' capacity for innovation and their ability to adapt to changes in the business environment. A growing body of empirical evidence demonstrates that improvements in human resource quality are closely associated with enhanced MSME financial performance, including profitability and business sustainability (Dewi & Pandin, 2021; Astini et al., 2025; Zalayeta & Aisa, 2025). Accordingly, human capital is expected to have a positive effect on MSME financial performance.

H2: Human capital has a positive effect on the financial performance of MSMEs in Maluku.

### **2.4 Local Wisdom of Pela Gandong and MSME Financial Performance in Maluku**

Beyond its role in strengthening human capital, Pela Gandong as a form of social capital also has the potential to directly influence MSME financial performance. The values of trust and solidarity embedded in Pela Gandong can enhance customer loyalty, strengthen business relationships, and reduce the risk of conflict and transaction costs in business activities. These conditions contribute to business stability and the continuity of economic relationships among market actors. Social Capital Theory emphasizes that social networks and norms of trust enhance the effectiveness of economic coordination and organizational performance. Empirical findings indicate that social capital directly contributes to business performance through increased collaboration and the stability of economic relationships (Alfiansyah, 2023; Nurul Janah et al., 2024). Accordingly, Pela Gandong is expected to exert a direct positive effect on the financial performance of MSMEs.

H3: The local wisdom of Pela Gandong has a positive effect on the financial performance of MSMEs in Maluku.

### **2.5 The Mediating Role of Human Capital in the Relationship between Pela Gandong and MSME Financial Performance in Maluku**

Furthermore, Social Capital Theory explains that social capital not only exerts a direct influence on economic performance but also enhances the effectiveness of human capital. Strong social capital creates a conducive environment for skill development, knowledge exchange, and the formation of a productive collective work ethic. Intensive

social interactions accelerate learning processes and facilitate the internalization of positive work values. In the context of MSMEs in Maluku, the values embedded in Pela Gandong are expected to improve the quality of human capital, which in turn leads to enhanced financial performance. Accordingly, human capital serves as a mediating mechanism that explains how Pela Gandong is transformed into tangible economic outcomes (Syahra, 2003; Amaliah, 2025).

H4: Human capital mediates the relationship between the local wisdom of Pela Gandong and the financial performance of MSMEs in Maluku.

### 3. METHOD

This study employs a quantitative research design with an explanatory approach aimed at examining the causal relationships among the local wisdom of Pela Gandong, human capital, and the financial performance of MSMEs in Maluku. The research was conducted in Maluku Province, a region characterized by strong sociocultural foundations where Pela Gandong, a cross-community kinship system, remains actively practiced in both social and economic life. The study utilizes primary data collected through structured questionnaires administered to MSME owners or managers. Based on regional government reports and MSME statistics, the number of MSMEs in Maluku is estimated to reach tens of thousands of business units, indicating a large and heterogeneous population.

A purposive sampling technique was employed to ensure that respondents possess characteristics aligned with the research objectives. The selection criteria include MSMEs that have been operating for at least two years, business owners or managers who are directly involved in decision-making processes, and respondents who understand or actively participate in Pela Gandong social interactions. These criteria ensure that respondents are both economically active and socially embedded within local cultural practices. A total of 234 respondents were obtained, which is considered adequate for analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM), given its suitability for complex models and moderate sample sizes.

Data collection was conducted both offline and online using a five-point Likert scale, with all variables measured as latent constructs. Pela Gandong was operationalized through trust, solidarity, mutual cooperation, and social networks; human capital through knowledge, skills, experience, and competencies; and MSME financial performance through revenue growth, profitability, cost efficiency, and business sustainability. Data analysis was performed using PLS-SEM, including the evaluation of the measurement and structural models through validity, reliability, and bootstrapping procedures. To address potential Common Method Bias (CMB), Harman's single-factor test was conducted and indicated that no single factor dominates the variance. Procedural remedies such as ensuring respondent anonymity, simplifying questionnaire language, and reducing item ambiguity were also implemented to enhance data quality. The strength of this approach lies in its integration of local wisdom into the Social Capital Theory framework and its ability to simultaneously analyze direct and indirect relationships among variables.

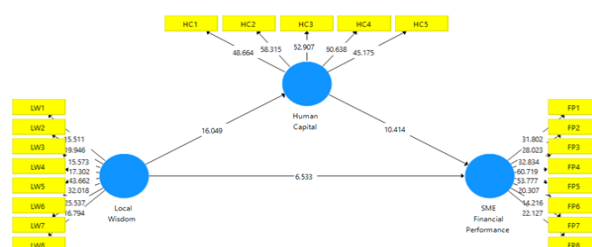


Figure 1. Conceptual Framework

#### 4. FINDINGS AND DISCUSSION

Table 1. Construct Reliability and Validity

	<b>Outer Loadings</b>	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
<b>HC1</b>	0.904			
<b>HC2</b>	0.915			
<b>HC3</b>	0.900	0.949	0.960	0.829
<b>HC4</b>	0.924			
<b>HC5</b>	0.911			
<b>LW1</b>	0.683			
<b>LW2</b>	0.757			
<b>LW3</b>	0.728			
<b>LW4</b>	0.696	0.889	0.911	0.563
<b>LW5</b>	0.825			
<b>LW6</b>	0.830			
<b>LW7</b>	0.768			
<b>LW8</b>	0.699			
<b>FP1</b>	0.804			
<b>FP2</b>	0.761			
<b>FP3</b>	0.798			
<b>FP4</b>	0.869	0.908	0.926	0.611
<b>FP5</b>	0.855			
<b>FP6</b>	0.711			
<b>FP7</b>	0.668			
<b>FP8</b>	0.765			

Based on Table 1, all indicators employed in this study demonstrate adequate reliability and validity. The outer loadings for the Human Capital construct range from 0.900 to 0.924, while those for Local Wisdom and Financial Performance are mostly above 0.70. Although several indicators of Local Wisdom and Financial Performance fall slightly below the 0.70 threshold, these values remain acceptable within the context of exploratory research. Cronbach's Alpha values for Human Capital, Local Wisdom, and Financial Performance are 0.949, 0.889, and 0.908, respectively, indicating high internal consistency. This is further supported by the high Composite Reliability values for all constructs, namely 0.960 for Human Capital, 0.911 for Local Wisdom, and 0.926 for Financial Performance, confirming the reliability of the measurement instruments. Furthermore, the Average Variance Extracted values for all constructs exceed the recommended threshold of 0.50, with values of 0.829 for Human Capital, 0.563 for Local Wisdom, and 0.611 for Financial Performance. These results confirm satisfactory convergent validity. Overall, the measurement model assessment indicates that the constructs used in this study possess strong reliability and validity, thereby justifying their suitability for subsequent structural model analysis.

Table 2. Discriminant Validity- Heterotrait-Monotrait Ratio (HTMT)

	<b>Human Capital</b>	<b>Local Wisdom</b>	<b>SME Financial Performance</b>
<b>Human Capital</b>			
<b>Local Wisdom</b>	0.674		
<b>SME Financial Performance</b>	0.835	0.779	

Based on Table 2, the results of the discriminant validity assessment using the Heterotrait Monotrait Ratio indicate that all HTMT values are below the recommended threshold of 0.90, which is commonly applied as the criterion for establishing discriminant validity (Henseler et al., 2015). The HTMT value between Human Capital and Local Wisdom is 0.674, between Human Capital and SME Financial Performance is 0.835, and between Local Wisdom and SME Financial Performance is 0.779. These values indicate that each construct is empirically distinct from the others, thereby confirming satisfactory discriminant validity among the constructs. Accordingly, the indicators employed are able to measure their respective constructs exclusively without conceptual overlap, supporting the robustness and reliability of the measurement model for subsequent structural model analysis.

Table 3. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
<b>Human Capital -&gt; SME Financial Performance</b>	0.542	0.547	0.052	10.414	0.000
<b>Local Wisdom -&gt; Human Capital</b>	0.645	0.653	0.040	16.049	0.000
<b>Local Wisdom -&gt; SME Financial Performance</b>	0.389	0.386	0.059	6.533	0.000

Based on Table 3, the results of the path coefficient analysis indicate that all relationships in the structural model are statistically significant. The effect of Human Capital on SME Financial Performance shows a path coefficient of 0.542, with a T statistic of 10.414 and a p value below 0.001, indicating that Human Capital contributes positively and significantly to MSME financial performance. In addition, Local Wisdom has a positive and significant effect on Human Capital, with a path coefficient of 0.645, a T statistic of 16.049, and a p value below 0.001. This finding suggests that the implementation of local wisdom embodied in Pela Gandong strengthens the human capital of MSME actors. Furthermore, Local Wisdom also exerts a direct positive effect on SME Financial Performance, as indicated by a path coefficient of 0.389, a T statistic of 6.533, and a p value below 0.001. This result confirms the significant contribution of local wisdom to MSME financial performance. Overall, these findings confirm that all hypothesized relationships are positive and statistically significant. The results also support the critical role of Human Capital as a partial mediator in the relationship between Local Wisdom and MSME financial performance.

## Discussion

The findings of this study demonstrate that the local wisdom of Pela Gandong plays a significant role in strengthening the human capital of MSMEs in Maluku. The measurement model confirms that all constructs meet the required standards of reliability and validity, supporting robust empirical analysis (Hair et al., 2022). These results reinforce the perspective of Social Capital Theory, which emphasizes that trust, social networks, and shared norms facilitate knowledge exchange and collective learning, thereby enhancing individual competencies (Syahra, 2003; Alfiansyah, 2023). In this context, Pela Gandong operates as a socially embedded mechanism that enables MSME actors to access resources, information, and support through trust-based relationships.

The structural model reveals that local wisdom has a strong positive effect on human capital ( $\beta = 0.645$ ;  $p < 0.001$ ), while human capital significantly influences MSME financial performance ( $\beta = 0.542$ ;  $p < 0.001$ ). These findings indicate that *Pela Gandong* enhances human capital through collective learning, informal knowledge transfer, and the internalization of shared work values. This is consistent with prior findings that knowledge sharing and community-based learning significantly improve individual performance (Amaliah, 2025), and that human capital is a key determinant of MSME performance (Astini et al., 2025; Zalayeta & Aisa, 2025). Thus, the role of *Pela Gandong* extends beyond social cohesion and functions as a mechanism that transforms cultural values into productive economic capabilities.

Beyond its indirect effect, local wisdom also exerts a direct and significant influence on MSME financial performance. This finding suggests that trust, solidarity, and mutual cooperation embedded in *Pela Gandong* contribute to stronger business networks, improved coordination, and reduced transaction costs. Previous studies indicate that local wisdom enhances market orientation and customer relationships (Hasan et al., 2025) and strengthens organizational behavior through shared cultural values (Pattipeilohy et al., 2024). In addition, social capital improves business performance by fostering cooperation and reducing inefficiencies (Nurul Janah et al., 2024). These results confirm that *Pela Gandong* functions not only as a cultural norm but also as a strategic economic resource.

When compared to similar studies in different cultural contexts, the magnitude of the path coefficients in this study appears relatively stronger. Studies on MSMEs in urban contexts such as Jakarta and other regions in Indonesia tend to emphasize financial literacy, financial inclusion, and technological adoption as primary drivers of performance, often reporting moderate effects (Ossi et al., 2025; Maharani & Jibrail, 2025). In contrast, the higher coefficient observed in this study ( $\beta = 0.645$ ) suggests that culturally embedded social capital such as *Pela Gandong* plays a more dominant role in shaping human capital in regions where formal institutional support is limited. Similarly, studies on local wisdom in other regions show positive but less structurally integrated effects (Ishak, 2024; Rahadi et al., 2025). This comparison highlights the uniqueness of the Maluku context, where strong kinship-based systems create deeper social embeddedness and more effective knowledge transfer mechanisms.

This study also addresses a critical research gap by positioning local wisdom as a measurable economic factor. Previous research has largely focused on the social and normative roles of *Pela Gandong* without explicitly linking it to human capital and financial performance (Hasudungan, 2022; Debby Makaruku et al., 2025). By integrating Social Capital Theory with the Resource-Based View, this study demonstrates that *Pela Gandong* can be understood as an intangible resource that contributes to competitive advantage, consistent with the argument that valuable, rare, and inimitable resources drive firm performance (Barney, 1991). This finding also aligns with studies emphasizing the role of local wisdom and collaborative systems in achieving sustainable MSME development (Fitriana et al., 2025; Suranto et al., 2025).

### **Managerial Implications**

From a managerial perspective, the findings suggest that MSME owners should not rely solely on financial and technical capabilities but also actively leverage local cultural values such as *Pela Gandong* to enhance business performance. MSME actors are encouraged to strengthen trust-based relationships within their communities by actively participating in social networks and maintaining long-term cooperative ties. This approach can reduce transaction costs, improve access to informal resources, and increase

operational efficiency. In addition, entrepreneurs should utilize *Pela Gandong* as a platform for collective learning by engaging in knowledge sharing, mentorship, and collaboration with other MSME actors to improve skills and managerial competencies.

Furthermore, MSME owners should strategically integrate cultural values into their business practices by fostering customer trust, building long-term partnerships, and improving service quality based on principles of solidarity and mutual cooperation. This can enhance customer loyalty and market competitiveness. Policymakers and local institutions are also encouraged to design MSME empowerment programs that incorporate local wisdom through community-based training, collaborative networks, and culturally grounded capacity-building initiatives. This is particularly important in regions such as Maluku, where social cohesion and cultural values play a central role in economic activities (Rumtutuly & Atahau, 2023).

## **5. CONCLUSION AND RECOMMENDATION**

### **Conclusion**

This study confirms that the local wisdom of *Pela Gandong* plays a strategic and significant role in improving the financial performance of MSMEs in Maluku, both directly and indirectly through human capital. The empirical results show that *Pela Gandong* strengthens human capital, which in turn enhances financial performance, while also exerting a direct influence on business outcomes. These findings indicate that trust, solidarity, and mutual cooperation embedded in *Pela Gandong* function as effective economic mechanisms that reduce transaction costs, improve coordination, and strengthen business networks. In the context of archipelagic regions characterized by limited formal institutional support, such socially embedded resources become critical determinants of MSME sustainability and competitiveness.

From a theoretical perspective, this study contributes by integrating Social Capital Theory with the Resource-Based View, demonstrating that *Pela Gandong* can be positioned as an intangible strategic asset that supports sustainable competitive advantage. The study also advances the literature by empirically validating local wisdom as a measurable economic factor rather than merely a cultural or normative construct. This provides a more comprehensive understanding of MSME performance, particularly in regions where economic activities are deeply embedded in social and cultural structures.

### **Recommendation**

Based on these findings, MSME owners are encouraged to actively leverage *Pela Gandong* by strengthening trust-based relationships, expanding social networks, and engaging in continuous knowledge sharing within their communities. These efforts are essential to enhance human capital, improve managerial capabilities, and support better financial performance. In addition, MSME actors should integrate cultural values into their business strategies, particularly in building long-term partnerships, improving customer relationships, and fostering collaborative business practices that enhance resilience and competitiveness.

At the policy level, local governments and relevant institutions should design MSME development programs that incorporate local wisdom as a central element. This can be implemented through community-based training, collaborative learning platforms, and culturally grounded capacity-building initiatives that align with local social structures. For future research, it is recommended to expand the model by incorporating additional variables such as digital capability, innovation, or financial inclusion, as well

as conducting comparative studies across different cultural contexts to strengthen the generalizability and theoretical development of MSME research.

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