CORPORATE SOCIAL CAPITAL AND CORPORATE PERFORMANCE OF LISTED COMPANIES: TAKING COMMERCIAL CREDIT AS AN MEDIATING VARIABLE[*]

Yani Liang
Student in Master of Business Administration Program,
International Chinese College, Rangsit University, Thailand
E-mail: yaniliang22@gmail.com

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Abstract

The COVID - 19 virus influence hug problem in people's health, economic in the society, and risk, because we have to use aimed at curbing the spread of liquidity and activity restrictions. The situation of COVID-19 pandemic is worse than social crisis of 2008, which caused huge job loss and the fall of global GDP. At the meantime, China's listed companies also face extreme challenge than before with less liquidity, less income and higher cost. Based on previous studies, researcher found that the increase of corporate social capital will increase the performance of one company, especially the financial performance. Then, the commercial credit is playing a significant relation between corporate capital of social and the performance in one company.

During this study, quantitative research methods and questionnaire survey methods were adopted to obtain the original data to measure the corporate social capital, business credit, and Corporate performance of listed companies in China. After research, there are 300 questionnaires were distributed to the managers of China's listed companies and shareholders, and 219 respondents participated and completed the survey properly. In the end, researcher found the demographic factors of respondents including gender, education, length of hours worked, location, and industry of work. the researchers also found that there is an important relationship between corporate social capital, business credit, and firm performance, more importantly, business credit plays a mediating effect between firm performance and capital in the society.

Keywords: Corporate Social Capital; Commercial Credit; Corporate Performance; Mediating Effect

Introduction

The COVID - 19 virus caused the significant health, economic, and risk in the society, the only way that we can use is aimed at curbing the spread of liquidity and activity restrictions. More specifically, by the end of March 2021, COVID - 19 pandemic has killed more than 134.6 million cases and more than 2.91 million people. According to the IM Garcia - Sanchez and Garcia - Sanchez (2020), they point out that the impact on the economic crisis in 2008, quantitative fall in GDP in Jail loses over 195 million jobs between 2 and 3 points per month, this situation creates serious liquidity problems and the emergence of corporate survival. But now, the COVID-19 pandemic is even worse.

In this grim scenario, many Chinese listed companies witnessed temporary layoffs due to managers' decision to hope that their businesses could withstand the losses in this global pandemic in the future and seek better returns. However, the reduction of blind lay-offs may result in a company's social capital, organizational performance, and business credibility. These

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key factors decrease may lead to less competitive company in the future. Therefore, caused by a pandemic crisis has changed the company pursues its economic, social, and environmental goals, must put more emphasis on its role in society, they must pay more attention to improve its social capital and business credit increase the company's performance in the future in order to get more in return.

2019 coronary virus disease (COVID-19) caused by the global pandemic highlights the commercial credit for a well-functioning market and the importance of financial stability, but the more common trust and the role of social capital in the economic life of the discussion are not new. Many researchers have pointed out that commercial credit to the importance of corporate social capital and enterprise performance.

According to previous studies, Corporate social capital and the significant positive correlation between corporate performance and commercial credit of enterprise is the intermediary role between social capital and enterprise performance. If a company has good business credit, it can gain more trust in the market, it can strengthen the corporate social capital, and then improve the performance of a company.

2. Materials and Methods

The broader concept of social capital has been explaining and interpreted by many researchers. For example, Linus, Servaes, and Tamayo (2017) point out that social capital is seen as a collective action and cooperation of the result, which can lead to positive results, such as financial growth, better organizational performance, lower transaction costs, and more efficient allocation of resources. They also point out that commercial credit can be called the trust between the two companies have an important relationship with the social capital of the company. Commercial credit, increase the contact between the two companies and trust institutions, personnel, etc. Then, the researchers said, the enterprise level of social capital and business credit has a positive impact on corporate performance. From August 2008 to March 2009 during the financial crisis, they used a non-financial enterprise data to prove that social capital in 1673, the relationship between the commercial credit and corporate performance. The research results show that commercial credit or trust strengthened the enterprise crisis period of the relationship between social capital and performance. Their findings also support the Guiso, Sapienza, and Zingales (2008), and Albuquerque, Durnev, and Koskinen (2013) study. What's more, Koka and Prescott (2002) also indicated the importance of social capital. They informed that companies can get different benefit from it social network, one of them are information benefits, it come from information volume, information diversity and information richness, and those benefits can improve the companies commercial credit and performance.

Based on previous studies, the corporate social capital come from it's social networks, such as supplier, customer, government, competitors and other stakeholders in it's network. According to Bian and Lei (2015), they pointed out that, in China, corporate social capital strongly rely on guanxi (networks), the network based corporate social capital had strong positive relationship toward corporate performance, or it plays for boosting corporate performance with many different supply form different stakeholders.

In past studies, the interpretation of commercial credit is not consistent. In his research on Narayana(2000), he explained that the bank's credit to commercial enterprises is to provide funds for business transactions and, moreover, it is a kind of trust between the company and the bank. More importantly, some researchers prefer to refer to a firm's commercial credit as "trust", such as Lins, Servaes, and Tamayo(2017). They said they believed it could be used as credit between trading companies and banks. Based on previous studies, the researchers concluded that good word of mouth can be measured commercial credit, the ability to pay

responsibility, trust of others to a minimum percentage of the company. For a company to borrow money, buy the product, and it is important to conduct business in different industries.

Hasan and Habib (2019), point out that the United States the relationship between capital of social and the enterprise to use credit of commercial. They estimate that the capital of social and the enterprise use credit of commercial directly or indirectly related to the degree. Using the United States a large number of data samples, they found strong evidence, proof company headquarters is located in social capital intensive county with no commercial credit: this finding, statistics, and economic are of great significance. Our result also explains that the capital of social directly or indirectly (through the channels of financial constraints) influence the use of commercial credit.

Previous studies have offered multiple explanations for corporate performance. Harrington(2001) believes that financial performance is one of the important symbols of enterprise performance, which includes financial return, cash flow, profit, an increase of enterprise members, and space. Based on the good business performance, the company has enough ability to investigate different types of crises in the future. Finally, this study found that corporate social capital and corporate performance have a strong relationship with each other. His idea also supported the idea of Peng and Luo (2000), who indicated the relationship between social capital of company and its performance. Based on above studies, researcher conclude following four hypotheses:

H1: There is a significant relationship between social capital and commercial credit.

H2: There is a significant relationship between social capital and corporate performance.

H3: There is a significant relationship between commercial credit and corporate performance.

H4: Commercial credit plays a mediating effect between social capital and corporate performance.

In this study, quantitative research methods and questionnaire survey methods were adopted to obtain the original data to measure the corporate social capital, business credit, and corporate performance of listed companies in China.

In this study, two data are used primary data and secondary data. Zikmund and Carr (2003) pointed out that the original data is designed specifically for the research project data collection and analysis directly. The researchers receive the raw data of the research project directly. In this study, mainly by distributing questionnaires to collect data will be in China, the listed company managers and shareholders. Secondary data collection is assisted by others, not by specific collection research questions. For this study, the researchers will collect data from many sources, such as Emerald, textbooks, articles, and websites. These references will provide a strong foundation and all of the second-hand data associated with this study.

Descriptive research methods are used in this study to describe the characteristics of population or phenomenon. It can find out the cause of occurrence characteristics, but can not find how it happened. The researchers collected data from respondents selecting survey techniques. The survey is a research method in which researchers obtain the factual opinions and attitudes of respondents by means of questionnaires. Secondly, according to Zikmund and Carr (2003) study, survey technology is systematically collect data from respondents, in order to understand and predict the target certain aspects of crowd behavior, these aspects can provide a fast, cheap, effective and accurate method to evaluate information about people.

In order to collect data, the researchers designed a questionnaire and distributed it to the managers of China's listed companies and shareholders. There are three parts of the questionnaire survey. The first section includes screening information, used to identify the

managers and shareholders of listed companies in China. The second part is about the perception of China's listed companies of managers and shareholders of the company's corporate social capital, commercial credit, and corporate performance. The third section is about demographic factors including gender, education, length of hours worked, location, and industry of work.

Results

A total of 300 questionnaires are distributed to the managers of China's listed companies and shareholders, and 219 respondents participated and completed the survey properly. In this study, data were analyzed using the Social Science Statistical Software Package (SPSS). Data analysis has two sections, the first section is descriptive analysis, analyzed the demographic factors, the second is the regression analysis. This section analyzes the relationship between each different variable. Those researchers also tried this software for each variable in testing the reliability of the analysis. In this research, researchers use descriptive statistical methods to summarize the basic characteristics of the data. Frequency and percentage were used to calculate and analyze the sample demographic data. So, after analysis, the results are showing with following paper.

Table 1 Summary of Basic Information

Subject	Options	Frequency	Percentage
Gender	Male	126	57.5%
	Female	93	42.5%
Length of working	1 year (inclusive)	41	18.7%
	1-3 years (inclusive)	62	28.3%
	4-6 years (inclusive)	54	24.7%
	Over 6 years	62	28.3%
Education level	Associate college or	35	16%
	below	92	42%
	Undergraduate	92	42%
	Graduate or above		
Work Industry	Real Estate	48	21.9%
	Finance	20	9.1%
	Education	20	9.1%
	Transportation	20	9.1%
	Production	29	13.2%
	Services	38	17.4%
	Agriculture	20	9.1%
	Others	24	11.0%
Position	Managers	161	73.5%
	Stockholders	58	26.5%

According to the statistical results shown in table 1, the number between the male and female ratios is similar, 57.5% and 42.5% respectively. Then, the respondents' length of working years is between 1 and 6 years, or more than 6 years. There are length of working 1 year (inclusive) accounted for 18.7% of the total, and the respondents' length of working 1-3 years (inclusive) accounted for 28.3% of the total. The respondents' length of working 4-6 years (inclusive) proportion has reached 24.7%. The respondents' length of working over 6 years accounted for 28.3% of the total. That means this surveyed managers and stockholders,

in Chinese listed companies, has good experience. Third, with 16% of home decoration ceramic tile with college degrees or below buyer, the buyer of the 42% have a college degree or bachelor's degree, and 42% of buyers of a graduate degree or above. This proportion is in line with the current situation. Generally speaking, the higher level of education, the better work, and the stronger the ability to manage the companies. There are more then 80% managers or stockholders of Chinese listed companies own undergraduate degree or above. It can be seen from Table 1 that the distribution of respondents' occupations is relative to the reality. Most of the respondents are managers of Chinese listed companies, there are 73.5% of total, because in reality, the numbers of managers is more than the stockholders in listed companies. According to the statistical results shown in table 1, the proportion is 21.9% respondents with working industry from real estate industry. And the proportion is 17.4% respondents with working industry from service industry.

In this research, the value of KMO measurement is 0.927, greater than 0.7, and the value of Bartlett's sphericity test is 5680, the corresponding significance level sig = 0.000 < 0.05. According to the data, KMO and Bartlett's sphericity test has passed, means that the data conforms to the normal distribution, meets the conditions of factor analysis, and can be analyzed in the next step. What's more, the Cronbach's Alpha measurement value of questionnaire is 0.916, greater than 0.7, which means this questionnaire is reliable and consistent, and can be analyzed in regression analysis.

In the following part, Studies have shown that test results using SPSS software each assumption and the assumption to make a decision whether important. Pearson correlation coefficient analysis to analysis in the next section. Below show the details of these four assumptions and the results of the analysis

Table 2 Summary of Hypotheses Testing Result

Hypothesis	Significant Value (alpha)	Correlation Coefficient	Result
H1: There is a significant relationship between social capital and commercial credit.	0.000	0.890	Hypotheses 1 is supported
H2: There is a significant relationship between social capital and corporate performance.	0.000	0.909	Hypotheses 2 is supported
H3: There is a significant relationship between commercial credit and corporate performance.	0.000	0.890	Hypotheses 3 is supported
H4: Commercial credit plays a mediating effect between social capital and corporate performance.	0.000	0.927	Hypotheses 4 is supported

According to sheet 2, the all results shows p-value is equal to 0.000 (p-value <0.05), it is means all hypothesis is supported. Therefore, there is a significant relationship between each variable. Based on above table, all Pearson's Correlation value is more than 0.8, and shows there is a strong relationship between each variable.

What's more, Pearson's Correlation value for hypothesis 2 is 0.909, that means social capital and corporate performance has a strong significant relation. And the Pearson's Correlation value for hypothesis 4 is 0.927, the number 0.927 is higher than 0.909, that means commercial credit plays a mediating effect between social capital and corporate performance.

Based on above information, the results indicated that social capital, commercial credit, and corporate performance has a strong positive relationship between each other, the stronger corporate social performance the higher commercial credit and corporate performance.

Discussion

Corporate performance and corporate social capital have always been the key areas of research by countless field of management of scholars. To improve the performance of the company, adjust the management structure of the company or implementation of diversified development strategies has received more and more attention from companies. With the scarcity of resources, companies need to fully accumulate social capital in order to make the development of the company enter the next stage, so that the company can obtain better performance and development.

In China, social capital is playing a very significant factors for companies to get more advantages and competitiveness than others. Just as Bian and Lei (2015) informed that, in China, social capital also can be called as "guanxi", it also can be explained as the link or network between different people. In China, companies need to care about the relationship between them and their stakeholders (government, supplier, customer and other related partners), they can get more advantages than competitors. For example, if one company can get better police from government, get lower buying price from supplier, get loyal customer and get the trust from all partners, then, the company's financial performance has much larger opportunities is better than other companies. So, based on the results and analysis, researcher conclude that there is a significant and positive relationship between corporate social capital and corporate performance. What's more, if companies have better social capital, they have more trust from others, and they can get more opportunities and chance can get loan or liability from other. So, there is a significant relationship between.

Conclusion

The COVID - 19 pandemic caused the loss of many companies in the world. Chinese listed companies also facing extreme challenge than before. Corporate social capital is the most important element for listed companies to get more competitiveness in the market. Based previous studies, There are many researchers who show that social capital is an important relationship between business credit and firm performance. What's more, they also indicated that commercial credit is playing mediating role between capital of social and performance of corporate, it can strengthen the role of social capital and cause higher corporate performance for companies.

In this study, quantitative research methods and questionnaire survey methods were used to measure the relationship between social capital, commercial credit and corporate performance. There are 219 questionnaires were collected from the managers and shareholders from Chinese listed companies. In the end, researcher found that all results support all hypothesis.

For further research, other researchers can compare the difference between Chinese listed and American listed companies, to compare the difference between different countries, and those difference can be culture, financial system and others. What's more, further researcher also can increase the number of respondents and industries, to show the difference between different industry which may rely on different level social capital and commercial credit to cause different level corporate performance.

Acknowledgments

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