Influence of social capital on the tourism growth: An empirical analysis from micro, small, and medium-sized tourism firms

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ABSTRACT

The purpose of this research is to investigate the influence of social capital (human capital, structural capital, and relational capital) on the growth of micro, small and medium-sized tourism enterprises. A survey was administered to 275 managers, owners, and executives who were chosen at random to take part. Data was analysed using structural equation modelling via SmatPls4, which tested research hypotheses. The results of this study demonstrated that relational, structural, and human capital all strongly contributes to the expansion of tourism. Businesses must successfully and appropriately communicate their values, norms, and goals to their partners and consumers in order to use their human, structural, and relational capital. This depends on the partners' and customers' backgrounds and knowledge bases.

INTRODUCTION

The tourism industry has been particularly badly struck by the recent COVID-19 pandemic, thus it is necessary to build competitive firms with the best work practices, procedures, and structure forces (Bama & colleagues, 2022). Therefore, in addition to developing competitive enterprises, business evaluation is required to ascertain and assess the business performances by looking into the goods and services, capital, and financial value, as well as innovation. According to Lyu et al. (2022) social capital affects organisational performance, which in turn affects company performance. The relevance of social capital for enterprises is evident in the twenty-first century, but knowledge of this is still limited, particularly across nations, and some have not implemented it in terms of structural, relational, and human capital (Faeni et al., 2023). Consequently, this study contributes to the clarification of the rationale behind conducting this research as well as the growth and development of social capital, which is rather deficient in the ASEAN tourist sector. ASEAN tourist firms are concerned with social capital.

Companies need to hire the best employees, give them training, and impart knowledge on them in order to stay competitive. The primary problem is usually ignorance about the source, function, and impacts of social capital in the travel and tourism sector (Rocca & Zielinski, 2022). In order to enable the dimension of social capital in the tourism sector, a model must be implemented. This study estimates the influence of social capital on the Southeast Asian tourism sector and investigates how social capital has affected the growth of the region's tourism industry using insights from the social capital theory. In order to examine the influence of social capital on the expansion of tourism, this study integrates the resource dimensions of knowledge capital and social capital.

LITERATURE REVIEW

Human capital and tourism growth

Social capital includes human capital in the form of a well-trained, respectful, well-managed team that can handle the challenges of international tourism. The ability of an organisation to develop workers with knowledge, skills, attitudes, mindsets, and a thorough awareness of the workings of the system is referred to as human capital (Atiku &Lawal, 2022).Since employees are the ones who own human capital, it tends to be mobile and does not belong to any particular firm and can be a strategic source of innovation and creativity for businesses, human capital is a company's greatest asset (Sanjaghi et al., 2022).For more effective resource allocation, tour operators require data on human capital. An organization's most innovative quality is its capacity to employ its human capital—a combination of skills, knowledge, and abilities that can boost organisational effectiveness—to adapt to changes in the external environment (Atiku and Lawal, 2022).

Hypothesis 1: The growth of the tourism industry is positively impacted by human capital.

Structural capital and tourism growth

One of the three fundamental components of social capital, structural capital consists of databases, organisational protocols, and the infrastructure that supports human capital (AlQershi et al., 2022).Rules, policies, and procedures make up an organization's infrastructure.Patents and trademarks are only two types of social property.Structural capital is also an essential component of organisational performance because processes, internal cultures, management, technological know-how, and other factors all contribute to an organization's increased performance (Pangidoan &Nawangsari, 2022). Thus, scholars are looking at structural capital as a part of social capital that greatly enhances organisational success.

Hypothesis 2: The growth of the tourism industry is positively impacted by structural capital.

Relational capital and tourism growth

Relational capital refers to the worth of a company's relationships with its suppliers, clients, and other external stakeholders (Ramírez-Solis et al., 2022).Good customer service is one of the characteristics that contribute to a strong relationship with customers. Supplier relationships are those that exist between customers and potential suppliers. Taking steps to improve connections while making a purchase is a component of managing supplier relationships. Companies take steps to improve their relationship with investors, such as providing them with accurate information to aid in decision-making (Salehi & Zimon, 2021).Contrarily, client capital is comprised of several elements, including market share, profit per customer, and rates of customer retention. For example, relationship capital is often impacted by the manner in which a company and its clients interact with one another. Relational capital is knowledge that is available through a variety of relationships inside an enterprise. Building strong relationships with all of these parties is crucial since they contribute significantly to the efficacy of the firm, and relational capital is based on how a company interacts with its internal and external stakeholders (Chowdhury et al., 2022). Relational capital is an essential component of social capital that researchers must take into account in order to improve organisational performance.

Hypothesis 3: The growth of the tourism industry is positively impacted by relational capital.

Research model
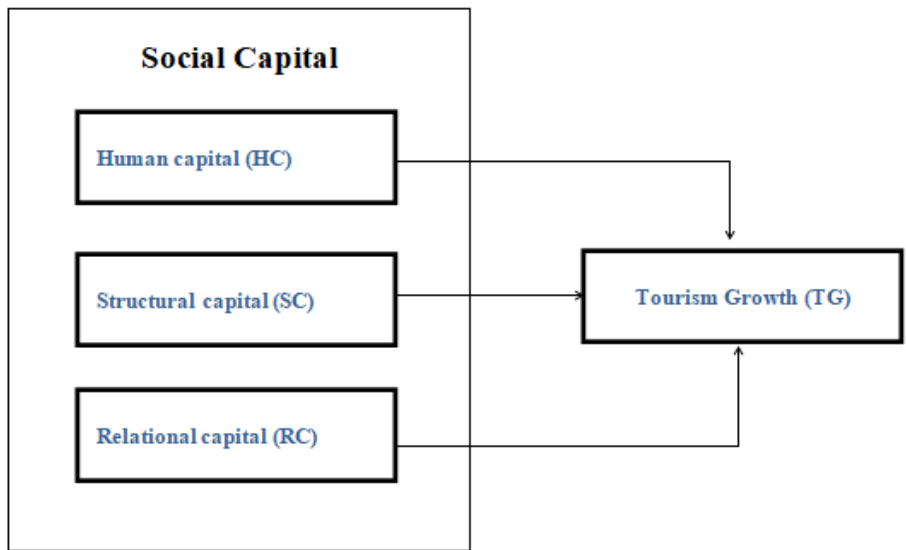
RESEARCH METHODS

We investigate the components of social capital and how they affect the expansion of tourism in the geographical context of Jammu & Kashmir. Owners of micro, small, and medium-sized tourism businesses as well as managers who own or operate them in the industries were the intended respondents in a survey designed to gather primary data for this study. A self-administered questionnaire was collected in person after it was delivered. For a variety of reasons (e.g., the respondents were not the intended informant, or the questionnaire contained incomplete questions), 26 of the 293 responses that we got were deleted. There were 275 valid replies in the sample as a whole. In order to assess the constructs and other question outcomes, a pre-test involving 32 micro, small, and medium-sized tourism businesses was also administered. A few modifications were made to the initial version of the questionnaire in response to the pre-test results. These included changing the introduction, restating a couple points, and coming up with potential responses to the questions. Table 1 shows the source of the research instrument, while Table 2 shows the respondents' details.

No.	Construct	Source	No. of items
Table 1(Source of Research Instrument)			
1.	Human capital (HC)	(Annamalah et al.,2023)	05
2.	Structural capital (SC)		06
3.	Relational capital (RC)		06
5.	Tourism Growth (TG)		05

Table2(Respondent Details)			
Gender	Male	183	66.54%
	Female	92	33.45%
Education	10+2	50	18.18%
	Graduate	90	32.72%
	P.G	135	49.09%
Age	< 30 years	138	50.18%
	30 – 50 years	105	38.18%
	>50 years	32	11.63%
Sector	Hotels	85	30.90%
	Travel agencies	60	21.81%
	Guest houses	50	18.18%
	Restaurants	34	12.36%
	Houseboats	46	16.72%

EXAMINATIONS OF DATA

Evaluation of the measurement model

SmartPLS 4.0 software is used to analyse data using the Partial Least Square (PLS) technique in order to verify the hypothesis and validate measurements. Four key elements form the basis for evaluating the measurement model: internal consistency (composite reliability), indicator reliability (outer loadings), convergent validity (average variance extracted, or AVE), and discriminant validity (Hair et al., 2019). Maintaining significant item loadings is necessary for the construct in the measurement model. It is anticipated that the indicator outer loadings will exceed 0.708. The factor loadings (sometimes called outer loadings) of the constructs and the measurement model used in the investigation are shown in Figure 1.As seen in Figure 1, the item loadings of all the indicators are greater than the 0.708 threshold. Table 3 displays the values for Cronbach's alpha, AVE, and composite reliability. These were used to evaluate the constructs' reliability and validity. Convergent validity and construct reliability were attained, as evidenced by the study's findings, which also showed that all of the constructs' AVE values were greater than 0.5 and the composite reliability values were greater than 0.6. Reflective models for discriminant validity are examined in the next assessment criterion. The results of the Fornell-Larcker criterion in Table 4 demonstrate that the square root of AVE for the constructs is higher than the correlation value for the other inter-constructs. Discriminant validity is thus also attained.

Evaluation of the structural model

Hair et al. (2018) state that VIF values (shown in Table 5) should examined before the structural model evaluation, for the present they was found to be less than 3. Thus, multicollinearity is not a problem. Furthermore, estimates of path coefficients and R2 were critical to the assessment of the structural model (Hair et al., 2019). The estimated values for path linkages in the structural model must be assessed in terms of sign and magnitude. Bootstrapping was used to assess the suggested association's relevance. The structural model, path coefficients, t-values, p-values, and R2 value are displayed in Figures 2 and 3.The R2 of endogenous latent values is the primary statistic used to evaluate the structural models. Chin (1998) classified R2 values of 0.67, 0.33, or 0.19 for endogenous latent variables in the inner route model as significant, moderate, or weak. The endogenous latent variable TG was found to have a moderate R-square value of 0.479 in this investigation. One of the most important criteria for evaluating the structural model is the path coefficient estimates. It is shown that, all exhibit t-values >1.96 and p values < 0.05 at the five percent significant level.As a result, the data supports the alternative hypotheses H1, H2, and H3. A summary of the findings from testing hypotheses is shown in Table 6.
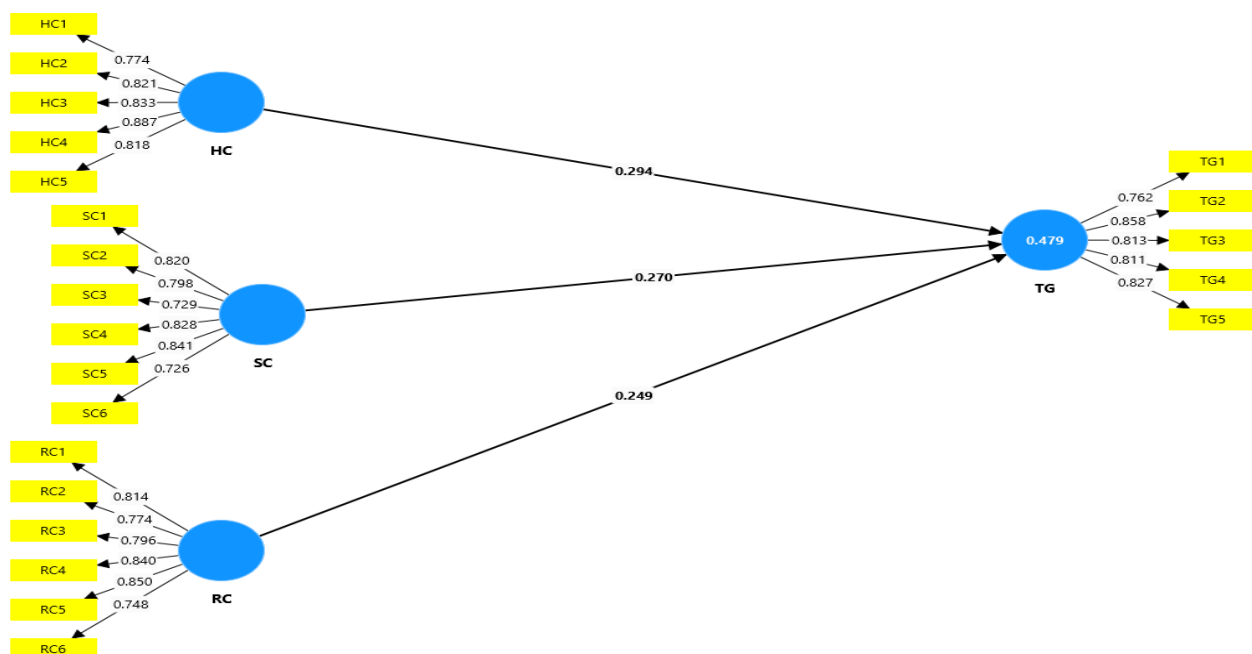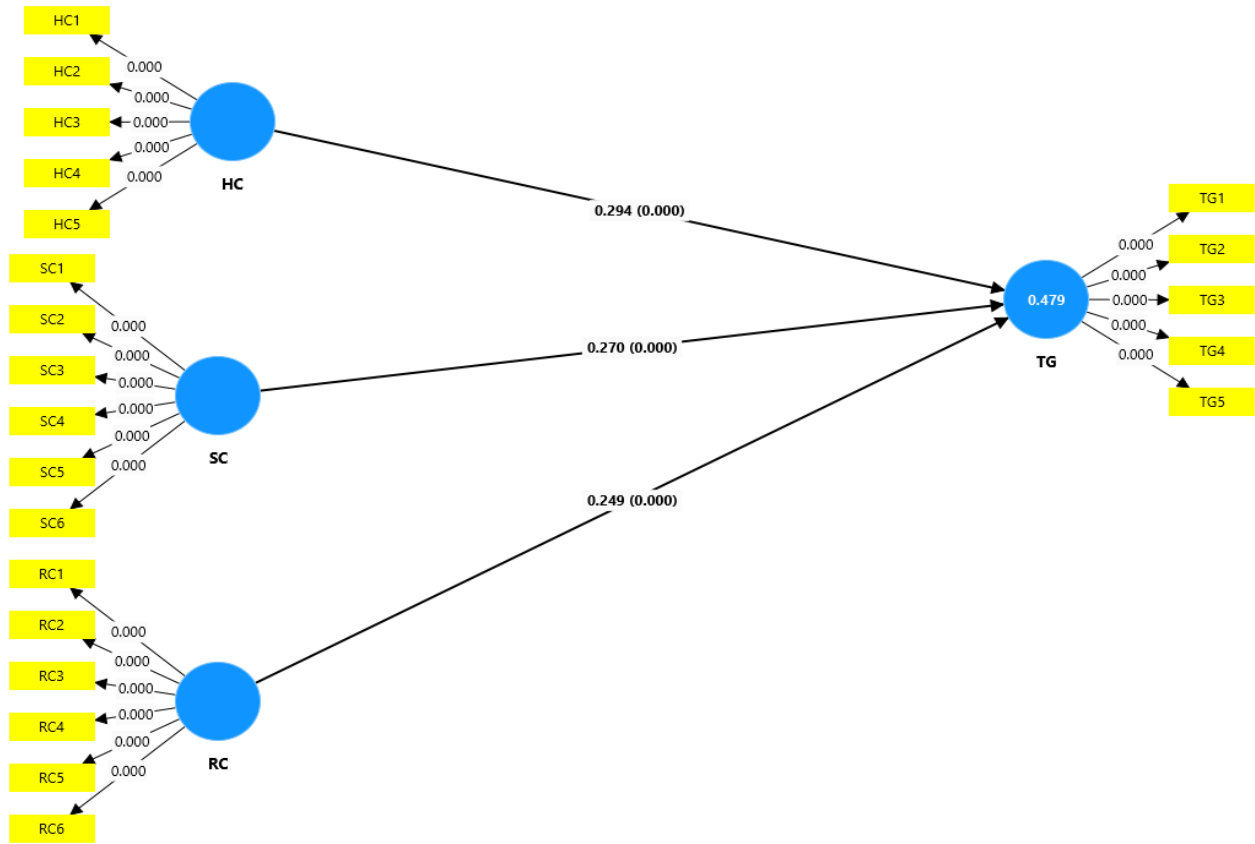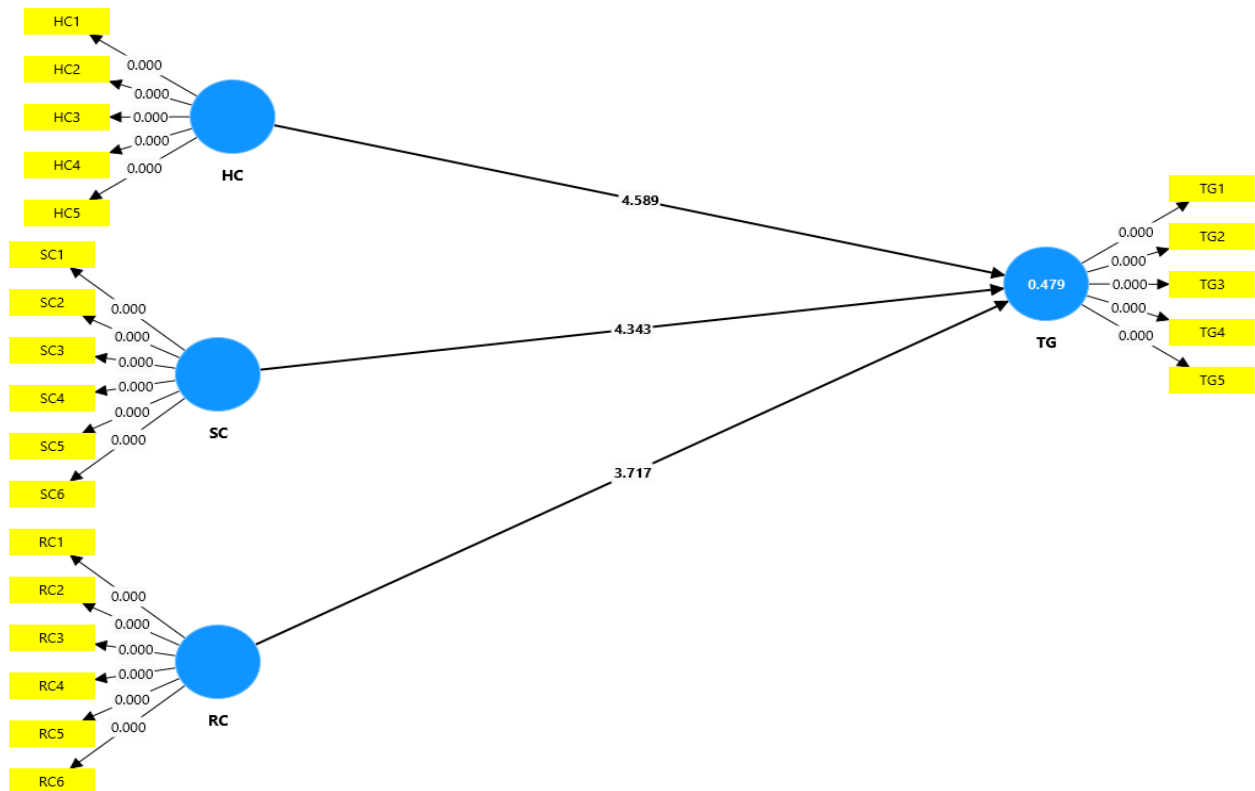

Figure 1

Figure 2

Figure 3

Table 3 (Estimates of Cronbach's alpha, Composite reliability and Average variance extracted)			
	Cronbach's alpha	**Composite reliability**	**Average variance extracted**
HC	0.884	0.887	0.685
RC	0.891	0.894	0.647
SC	0.88	0.884	0.627
TG	0.873	0.875	0.664

Table 4 (Fornell-Larcker Criterion Estimates)				
	HC	**RC**	**SC**	**TG**
HC				
RC	0.662			
SC	0.665	0.659		
TG	0.679	0.654	0.664	

Table 5 (Construct wise VIF Estimates)				
	HC	**RC**	**SC**	**TG**
HC				1.780
RC				1.759
SC				1.768
TG				

Table 6 (Estimates of Hypothesis testing)		
	T statistics	**P values**
HC -> TG	4.589	0.000
RC -> TG	3.717	0.000
SC -> TG	4.343	0.000

DISCUSSIONS

A quantitative methodology was used in this work to test the proposed relationship relationships. Given that higher TG is correlated with higher HC, SC, and RC, the study's findings were deemed intriguing. The positive (p = 0.000) HC–TG relationship supported H1. The results validated the theory that the workforce's technical advancement could boost productivity in the tourism sector, and technology investments are expected to pay off in the long run with both financial and nonfinancial benefits (Salehi et al., 2023). Human capital theory can also be expanded to include the goal of maintaining a high standard of operational, social, and organisational abilities at all times.

Furthermore, a significant association (p = 0.000) between SC and TG was found in the data, confirming H2. This implies that one way to assess the structural capital of a tourism business is to read about the objectives and plans of the organisation. A model for assessing the structural capital in tourism sectors may be helpful in order to recognise and foster the culture, evaluate and report, and support the requirement for transparency (Guo et al., 2022).

Additionally, RC positively leads to TG (p = 0.000), supporting H3, according to the results. This illustratessince micro, small, and medium-sized tourism firms can support a culture that encourages employees to interact with the company's most significant external stakeholders, the theory should also concentrate on how strong relationship capital helps workers (Mio et al., 2022). Relational capital is largely composed of trust, however values should also be included in the theory since they direct organisational goals (Damberg et al., 2022).

Theoretical and practical contributions

Our theoretical understanding of the significance of HC, SC, and RC for TG in developing country contexts as well as in the tourism and hospitality sector is advanced by the current study. The rigorous study methodology can be adopted by other small tourism and hospitality enterprises to generalise its findings. With an emphasis on micro, small and medium-sized tourism firms, the empirical findings of the research model being presented advance our understanding of HC, SC, and RC that influence TG in tourism and hospitality-related businesses.It is important for these firms to meticulously cultivate their competitive advantages to guarantee their sustained presence within the progressively inventive and technologically advanced tourism and hospitality supply chain. The current study provides actual evidence that by putting HC, SC, and RC into practice, tourism and hospitality businesses may increase tourism growth. Understanding the causal relationships between the research constructs improves understanding of the elements that lead to tourism-related TG. To uncover global evidence of managers' attitudes on promoting SCA in the tourist and hospitality industries, researchers could build on the proposed study approach.

As human capital appears to be playing a bigger role in determining an employee's success, managers must integrate this new viewpoint into their HRM. Training programmes should prioritise information and skills, but they should also place equal emphasis on attitude and emotional control. The tourism-related industry may want to consider using mindfulness meditation and other interventions, such as expedition-style activities, to increase staff productivity which in turn leads to tourism growth.Moreover since it is essential to the industry's long-term survival, players in the tourist sector must invest in and improve its structural capital. The notion of structural capital has the potential to significantly impact a company. If the business wants to succeed in the long run, it is especially crucial that it recognise these repercussions and deal with them well given the current state of the market.Relational capital plays a major role in the networking and marketing efficiency of tourism firms, since companies that prioritise their existing relationships have found success in the marketplace. Consequently, these elements might facilitate players' future ability to exchange implicit information, enabling them to seize a multitude of possibilities. The intricate nature of tourism-related economic operations, when combined with information flows, or knowledge integration through alliance linkages through learning, results in the development of relational capital, which is a crucial part of social capital. Therefore, strategic alliances can enable knowledge integration, improve performance, and facilitate access to valuable resources.

Limitations and Future Scope

This investigation has several limitations because we only used one cross-sectional random sample technique due to time and budget constraints. A longitudinal method should be used in future studies. The results of our study can't be applied to other tourism businesses in J&K because it was limited to micro, small, and medium-sized businesses. Future research can concentrate on big tourism companies, such as five-star hotels. To increase the results' generalizability, more research could be done in India's other states. Furthermore, other variables, including mediating and moderating variables, might also be involved in the growth of tourism, which could be seen as a weakness of the current study.

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