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Original Research

Effect of Social Capital on Bank's Financial Performance: Does Competitive Advantage Have the Mediating Role?

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Abstract

The study sought to explore the effect of Social Capital (SC) on banks' financial performance and whether this effect is mediated by competitive advantage (CA) or not. Secondary data were collected from banks' nine years' annual reports (2014-2022). By stratified sampling method, 20 commercial banks in Bangladesh were selected. Findings revealed that the influence of SC on ROA and NIAT is significant and CA mediates between them. For one unit increase in SC, ROA and NIAT will increase by 0.274 and 0.508 units respectively. However, there is no significant effect of SC on ROI. SC has a significant impact on CA also. One unit increase in SC results in a 0.822 unit increase in CA and vice versa. The findings of the study will have implications for policymakers like Bangladesh Bank, government, bankers, depositors, borrowers, and other stakeholders as enrichment of social capital is likely to improve banks' financial performance through the attainment of CA.

Keywords: Competitive Advantage, Financial Performance, Social Capital.

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Introduction

The concept of 'Social Capital' (SC) was inflicted on the societal theories of Karl Marx (1818-1883) and Max Weber (1864-1920) (Watson and Papamarcos, 2002). After the 1990s, it has got enormous attention in multi-disciplines or areas. During the 1990s and 2000s, the issue got a wide range of popularity in social science disciplines and political areas (Tasdemir, et al., 2014). SC is constantly gaining great importance as the centre of competitive advantage (CA) in the organizational arenas. The CA of an organization is defined as an attribute which gives the organization superior value and facilitates outperforming its competitors. SC can be broadly referred to as the infliction of a combined set of social factors encompassing trust; reciprocity; cooperation; shared norms, ideas, innovation; social relationships, and solidarity networks performed by social communities (individuals or organizations). According to Ofori and Sackey (2010), SC is a network of links that foster goodwill, cooperation, common norms and language, social trust, and a feeling of reciprocal duty from which individuals may draw value. These social interactions facilitate the creation of external resource combinations by creating new opportunities and exploring new capabilities for the firm (Blyler and Coff, 2003). When the social network evolves, information flows, and knowledge transfers among different entities of society, it paves the opportunity to get strategic mutual benefits to each other from this external resource. Nowadays, as a newer thought, global firms are treating SC as a strategic weapon and extensively focusing on this resource due to the usefulness of its components in creating CA (Pennings et al., 1998; Hitt and Yucel, 2002) and in turn, yielding economic value. Through exercising new and dynamic capabilities derived from SC, firms can achieve opportunities to position themselves in the business environment. From this ground, the study intends to address the implications of SC on firms in Bangladesh by exploring the effect of it on firms' performance.

In Bangladesh, there is no study on the issue of linking the association between SC and firms' performance through CA although researchers from many countries have already started to give tremendous emphasis on the issue. Prior studies focused on searching only the direct relationship between SC and firms' performance. Lack of in-depth investigation in mediating effect creates ambiguities and hurdles to reach to a clear conclusion and for that reason, it cannot be indisputably uttered whether SC has any effect on firms' performance or not. The present study considered the mediating effects of CA to explore the relationship between SC and firms' performance to alleviate the research gaps. In the current global context, the banking industry of Bangladesh is facing a heap of challenges because every year, the banking industry is extending its area in a wide range chronologically. The number of banks is soaring up swiftly. The competition among them is rising and creating rivalry situations in the industry. In this circumstance, to sustain in this competitive environment, the banks have to be strategic in their policy investments and exact means of gaining competitive benefits which would affect financial performance in the long run.

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Literature Review and Hypotheses Development

Components of Social Capital (SC)

Putnam (1995) termed SC from the reciprocation view, consisting of connections, social standards, trust in the community, collaboration, and collaboration for the benefit of everyone. It is the application of inter-unit resource exchange (Tsai and Ghosal, 1998). Forming as the set of those constituents, SC acts as the indicator of social relationships which in turn, provide competitive advantages. The components of SC were extracted through a detailed review of related literature.

Solidarity Networks to Form Social Capital: SC can be formed especially through reciprocity or interaction with external entities of firms. It creates opportunities for the owners, employees, and the business itself (Davidsson and Honig, 2003) and is presumed to be the enabler of diversified possibilities to connect with people and engage with them (Adler and Kwon, 2002). Networking ties with external organizations such as customers, suppliers, investors, government institutions, and competitors (Dyer and Singh, 1998) i.e., solidarity networks can make firms' management and administration more operative, skilled, knowledgeable and when required, can be engaged itself in strategic alliances, which have momentous value for the organization.

Trust of Communities to Form Social Capital: Being an implicit set of beliefs, trust is widely observed as an essential component of SC which makes firms more confident. Trust can be regarded as a precondition or product of social capital (Nahapiet and Ghoshal, 1998; Adler and Kwon, 2002). Coleman (1988) also contends mutual trust is a crucial component of social capital that may serve as a foundation for future commitments and aspirations. By building trust and allegiance with social entities, firms have ample opportunities to make a strong path of communication and collaboration which have extensive value to the organizations.

Diffusion of Innovation to Form Social Capital: Frank et al. (2004), Sharma and Vij (2019) and Monge et al. (2008) sought that diffusion of innovation has a crucial role in building SC for a firm. Organizations with continuous innovation can improve processes, produce ongoing advancements that enable businesses to thrive, expand more rapidly, operate more efficiently, and, eventually, turn a profit over non-innovators. (Atalay, et. al., 2013).

Transferring of Knowledge to Form Social Capital: Transferring or exploration of knowledge is considered a great dimension of SC. It is the source of generating new knowledge, products and services (Filieri and Alguezaui, 2014; Smedlund, 2008). It allows firms to discover newer thoughts and ideas, along with ample opportunities for accessibility to relevant information. Lucas (2005) opined that it supports the significance of relational, structural, and cognitive social capital.

Organizational Reputation to Form Social Capital: Reputations are socially constructed and therefore deserve to be considered as a form of social capital (Lee, 2008; Jackson, 2019). Social reputation and organizational image build social capital by creating loyalty towards the organizational products and services. Lee (2008) and Munjuri

(2013) have built the corporate reputation literature on the premise that corporate reputation is tightly linked to firm performance.

Supportive Infrastructure to Form Social Capital: Supportive infrastructure is the set of stock of social infrastructure, containing favorable political aid, supportive financial institutions, community involvement, economic stability and overall support of stakeholders. Through supportive social infrastructure, organizations can benefit by utilizing diverse opportunities and strengthening the possibilities of future benefits (Burt, 2004; Bhandari and Yasunobu, 2009).

Social Capital and Firms' Financial Performance

The present state of the literature on SC especially involves seeking the connection between SC and firms' financial performance. Because, in challenging global business, it is high time to find out the newer business concepts, ideas and innovations so that strategic advantage can be gained. Looking back to the previous literature, it is found that most of the researchers found a positive relationship between SC and firms' financial performance. Several researchers support the significant contribution of SC to improve firms' financial performance although the dimensions vary from one to another (Agyapon et al., 2017; Fatoki, 2011; Lee, 2008; Munjuri, 2013; Okafor, 2012; Tran et al., 2018; Roxas, et al., 2017). Junwei, et al. (2007) viewed SC from the resource-based view of organizations for acting as a key pillar of corporate performance. As a value-creating tool, SC has the competencies to generate a business-friendly environment and outperform its rivals through strong relational ties. According to Rhee and Ji (2010), SC has been grounded in three dimensions to make the linkage i.e., structural, relational and contextual dimensions. On the other hand, Oliveira (2013) analyzed the influence of SC from the horizontal networking context to show the impact on performance.

Henseler et al. (2016) claim that information sharing between partners in the supply chain, a component of SC, may lower demand unpredictability, inventory levels, and costs associated with supply and demand matching, all of which boost a company's performance. The impact of both internal and external social capital on the financial and non-financial performance of 650 enterprises in the Nigerian informal sector was examined by Akintimehin et al. (2019). The study found that social capital had a significant impact on business performance when firm age was used as a controlling variable. Internal social capital had a noteworthy impact on both financial and non-financial performance, while external social capital had no significant impact on either. Wijaya et al. (2019) studied the impact of SC on company performance by examining business enterprises in the Indonesian region of Bali. The findings demonstrated that SC significantly and favorably affects a firm's ability to do business. In their study, Mahanavami et al. (2019) looked at and clarified the direct and indirect effects of social, relational, and human capital on the financial performance of Bali's rural credit banks. According to a study, social capital significantly improved the rural credit banks' financial performance in Bali Province.

Zhang et al. (2022) examined the effects of human and social capital on the stock exchange-listed corporate value of Pakistani businesses. There was a statistically significant correlation and influence of SC on the corporate value of manufacturing firms.

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In their 2021 study, Putra et al. looked at how social and human capital affected the financial strategy performance and the long-term viability of 134 people's credit banks in Bali, Indonesia. The findings demonstrated that social and human capital significantly and favorably impacted the performance of financial strategies.After analyzing the performance of 203 small business units, Yuliarm et al. (2021) discovered that, with a 1% confidence level, social capital and SMEs' finance had a beneficial impact on SMEs' performance. Yasni et al. (2023) looked at transformational leadership and SC as variables affecting the success of 216 village-owned businesses in Indonesia's Riau Province. The results showed that transformational leadership and SC have a major beneficial impact on an organization's success. Menike (2020) investigated how social capital affected Sri Lanka's Small Enterprises' (SEs') performance as a rising economy. The findings indicated that whereas relational social capital had a statistically significant negative influence on SE performance, structural and cognitive social capital had a favorable and statistically significant beneficial impact on SE performance. Since the study selected return on assets, return on investments and after-tax profit as the indicators for evaluating firms' financial performance, based on the above argument, the following hypotheses have been developed:

H1a: Social capital has a significant impact on firms' return on assets (ROA).

H1b: Social capital has a positive influence on firms' return on investment (ROI).

H1c: Social capital positively affects firms' net income after taxes (NIAT).

Social Capital and Competitive Advantage (CA)

The concept SC is growing its attention to the corporate world for creating competitiveness and in turn for gaining superior value from stakeholders. With the spread of corporate benefits derived from SC, firms are taking it as a magnificent source of CA. Worldwide, many organizations figure out SC from a resource-based view due to the enjoyment of operational, strategic, marketing and human resource CA. SC, consisting of different social interactions, relationships and bonding, creates ample opportunities for getting operational benefits for the firms (Berzina, 2011). When organizations exercise SC practices, it allow strategic benefits. A strong relationship with competitors paves the way to exchange views, ideas, access to information and innovation which favors to make superior strategy. Besides, some studies found the importance of SC in the marketing competitiveness of firms. In the marketing area of the organization, SC also creates cohesive social networks (Requena et al., 2011) which generate marketing capacity i.e., marketing competitiveness (Rouzies et al., 2010). Social connection also provides scope for making the organization's employees knowledgeable. Pasban and Nojedeh (2016) narrated that the business must set itself apart from its rivals by hiring workers who are more talented and skilled than those of the rivals to have a CA. In their research on Indonesian businesses, Wijaya et al. (2019) demonstrated that social capital significantly and favorably affects CA. A model that explains the overall impact of SC and absorptive capacity on a company's CA was presented by Chepsergon and Nkaabu (2021). Data from 272 Kenyan commercial bank employees who met specific criteria were processed. According to this study, SC significantly and favorably influences both CA and absorptive ability. The effect of internal social capital on CA at Jordanian banks was

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studied by Al-Daibat (2017). The sample was 480 workers. According to regression analysis, SC has a statistically significant impact on Jordanian banks' CA. Therefore, the study hypothesizes:

H2: Social capital practice creates a competitive advantage for firms.

Competitive Advantage (CA)and Financial Performance:

Competitive advantage as a mainstream source provides the opportunity to move forward than the competitors. It is not the same as the performance itself, but it may increase firms' financial performance (Ma, 2000) because by having a CA, firms can lead in the market and underlie superior performance (Cheng, 2011). If an organization is not facilitated by CA, it can remain quite far from its rivals' position. CA has a favorable and considerable impact on a firm's business success, as demonstrated by Wijaya et al. (2019). From 2010 to 2016, 30 Indonesian manufacturing businesses' financial performance and company value were studied, and the impact of CA was elucidated by Wijayanto et al. (2019). The findings indicated that business value and financial performance are positively and significantly impacted by CA. The direct and indirect effects of CA on the loan performance of microfinance institutions in Pakistan were studied by Uddin and Siddiqui (n.d.). According to a study, CA has a major and favorable influence on loan performance. The above discussion proposes the following hypotheses:

H3a: Competitive advantage has a significant impact on increasing firms' ROA.

H3b: Competitive advantage positively affects firms' ROI.

H3c: Competitive advantage has influences on firms' NIAT.

Social Capital, Competitive Advantage and Firms' Financial Performance

The practices of SC can build bridges among the communities of society which leads to a cohesive relationship among groups. Additionally, it can help with market expansion and competitive positioning (Park and Luo, 2001, Al-Daibat, 2017; Robertson et al., 2019). Competitive positioning can lead the firms to be competitively advantaged through favorable competencies which in turn positively influence the firms' performances. The following figure shows the conceptual framework.

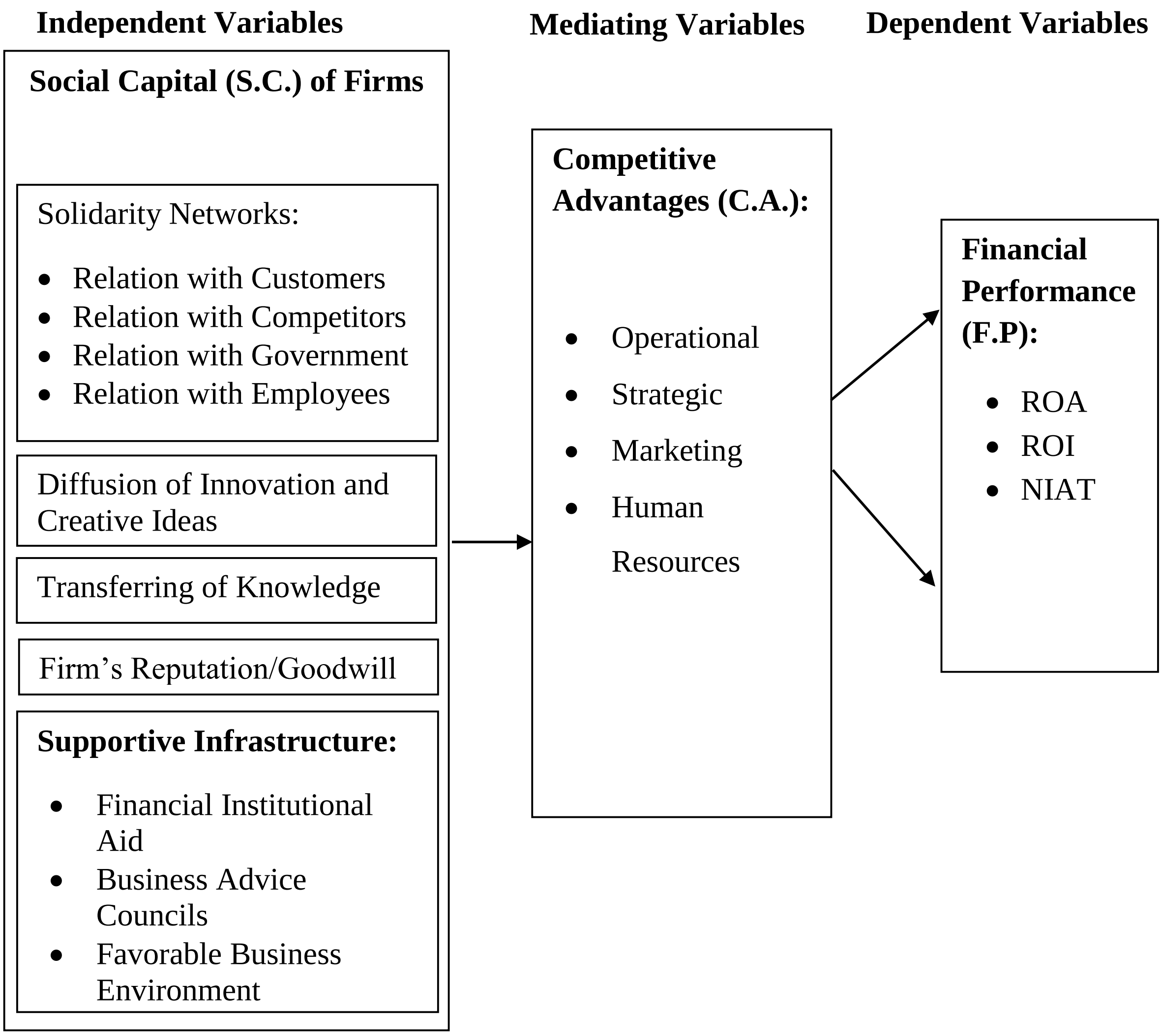

Figure 1. Relationships among SC, CA and Firms' Financial Performance

Pranto and Mahmood, (2014); Lee (2008); Putri and Yuniawan, (2016); Konak and Secilmis, (2018); Hsu and Chen (2019); and Oliveira (2013) harmonized with the fact that SC has the implicit value in working together with both the internal and external communities of the firms and through building an associative relatedness with these communities, firms can achieve societal productive benefits, which have a significant impact on improving firms' financial performance. CA has been demonstrated by Wijaya et al. (2019) to be a key mediator between SC and commercial performance of enterprises. The objective of Boonchukham et al. (2023) was to investigate how CA affects a company's ability to operate its intellectual capital. The 164 service group businesses listed on the Stock Exchange of Thailand comprised the sample group. An implicit connection between intellectual capital and business performance was discovered to be influenced by CA, as assessed by increase in revenue. The above discussion proposes the following hypotheses:

H4a: Competitive advantage has a mediating role between SC and firms' ROA.

H4b: Competitive advantage mediates between SC and firms' ROI.

H4c: Competitive advantage has a mediating role between SC and NIAT.

Objectives

The core objective of the present study is to examine the effect of social capital on banks' financial performance in Bangladesh. The specific objectives are:

i. To find out the constituents/factors to form social capital.

ii. To explore whether there is any mediating effect on the relationship between social capital and firms' financial performance.

Methodology of the Study

The research approach was, quantitative and type of research was exploratory.

Sample Design

The study population consists of all 59 scheduled banks of Bangladesh, divided into three strata i.e., state-owned banks, conventional private banks and Islamic private banks. A stratified sampling method was applied to select 2 state-owned banks, 14 conventional private banks and 4 Islamic banks. Data were collected from 86 branches of 20 banks. From each branch, 3 managers (Head of Branch, Operation Manager and Public Relations Manager) were surveyed and total respondents became 258 (3 x 86).

Data Collection Design

Both primary and secondary data were used for the implementation of the study. Primary data were collected through personal, telephone, and e-mail interview processes. To measure SC and CA, a Likert scale with a scale of five points was used to obtain data from managers where more values indicate more level of disagreement and vice versa. The study ensured the reliability and validity of the questionnaire and kept relevancy in choosing questions in the questionnaire. Secondary data was used for measuring the financial performance of firms. Data related to these determinants was gathered from the financial statements of sample banks. The study gathered nine (9) years of data (2014-2022) on ROA, ROI and NIAT and the average composite scores of these three indicators were computed separately.

Operationalization of Variables

The study considers SC as an independent variable, CA as the mediating variable and firms' financial performance as the dependent variable. For constituting SC, the study has taken into account solidarity networks (SN), trust in communities (TR), diffusion of innovation (DI), transferring of knowledge (TK), organizational reputation or goodwill (ORG), reciprocity and supportive infrastructures (SI). The composite value of these variables represents the independent variable SC. Operational CA (OPR), strategic CA (STR), marketing CA (MRK) and human resources CA (HR) are the indicators of overall competitive advantage. ROA, ROI, and NIAT are the indicators of financial performance.

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Data Analysis Procedures

Mean, variance, and standard deviation were used to describe variables. In addition, for testing hypotheses, Pearson's product-moment correlation and regression analysis were applied since it can help to make inferences and to understand the direct or indirect impact of independent variables on dependent variables (Sarstedt and Mooi, 2014; Kumari and Yadav, 2018). As the study is going to examine the mediation effect between the independent and the dependent variable, the universally accepted and commonly used Baron and Kenny's (1986) mediation analysis approach was followed.

Table 1. Baron and Kenny Mediation Approach

Steps	Description of Steps	Visual Depiction
Step 1	The result variable and the causative variable need to be correlated. By taking this action, it is proven that there is an impact that may be mediated.	$X \xrightarrow{C} Y$
Step 2	The mediator and causal factors are connected. Here, the mediating variable is treated as the outcome variable.	$X \xrightarrow{A} M$
Step 3	The result variable is impacted by the mediator. Create a regression equation with Y as the criterion variable and X and M as the predictors.	$M \xrightarrow{B} Y$
Step 4	The effect of X on Y controlling for M should be zero to prove that M fully mediates the X-Y link.	$X \xrightarrow{c'} Y$ $M \xrightarrow{b} Y$

Source: Baron and Kenny (1986)

Table 1 shows that if all four of these steps are met, it can be concluded that the X-Y connection is entirely mediated by the variable M, and if steps 1-3 are met but the Step 4 does not permit, it is concluded that partial mediation happens.

Results and Discussion

Analyzing the factors that buildup Social Capital

Table 2 shows that the mean composite score of solidarity network is 2.3561 and individual components' mean score varies from 2.14 to 2.77. The individual components' standard deviation ranges from 0.839 to 0.99 which indicates that component-wise variation is less. From the score it is evident that networking with external parities contributes to build up SC. The mean composite score of trust in communities is 2.2975 while the individual components' mean score varies from 2.17 to 2.49. The individual components' standard deviation ranges from 1.08 to 1.15 which indicates that component-wise variation is less. From the score it is evident that developing mutual trust in communities contributes to build up SC. The mean composite score of diffusion of innovation is 2.6405 while the individual components' mean score varies from 2.49 to

2.81. The individual components' standard deviation ranges from 1.15 to 1.41 which indicates that component-wise variation is moderate. From the score it is evident that diffusion of innovation of banking services contributes to build up SC. The mean composite score of transfer of knowledge is 2.2132 while the individual components' mean score varies from 1.96 to 2.53. The individual components' standard deviation ranges from 1.04 to 1.18 which indicates that component-wise variation is moderate. From the score it is evident that transfer of thoughts and ideas regarding banking practices contributes to build up SC. The mean composite score of organizational reputation and goodwill is 2.4599 while the individual components' mean score varies from 2.3 to 2.64. The individual components' standard deviation ranges from 1.14 to 1.2 which indicates that component-wise variation is moderate. From the score it is evident that corporate image contributes to build up SC. The mean composite score of supportive infrastructure is 2.6502 while the individual components' mean score varies from 2.36 to 2.92. The individual components' standard deviation ranges from 1.15 to 1.29 which indicates that component-wise variation is moderate. From the score it is evident that transfer of thoughts and ideas regarding banking practices contributes to build up SC.

Table 2: Descriptive Statistics and Reliability Measures

Constructs	Item	Mean	Variance	S.D	Composite Scores	Cronbach's α	Cronbach's α
SC	SN1	2.14	.911	.955	2.3561	.826	.942
	SN2	2.77	.979	.990			
	SN3	2.25	.707	.841			
	SN4	2.27	.705	.839			
	TR1	2.17	1.182	1.087	2.2975	.796	
	TR2	2.21	1.339	1.157			
	TR3	2.49	1.325	1.151			
	TR4	2.33	1.170	1.082			
	DI1	2.52	1.675	1.294	2.6405	.779	
	DI2	2.49	1.325	1.151			
	DI3	2.73	1.551	1.245			
	DI4	2.81	1.996	1.413			
	TK1	2.19	1.413	1.189	2.2132	.814	
	TK2	1.96	1.104	1.050			
	TK3	2.53	1.285	1.133			
	TK4	2.17	1.084	1.041			
	ORG1	2.33	1.319	1.148	2.4599	.984	
	ORG2	2.30	1.395	1.181			
	ORG3	2.57	1.304	1.142			
	ORG4	2.64	1.454	1.206			
	SI1	2.88	1.504	1.226	2.6502	.801	
	SI2	2.36	1.329	1.153			
	SI3	2.43	1.585	1.259			
	SI4	2.92	1.675	1.294			
CA	OPR1	2.19	1.262	1.123	2.6550	.791	
	OPR2	2.46	1.253	1.119			

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Constructs	Item	Mean	Variance	S.D	Composite Scores	Cronbach's α	Cronbach's α
	OPR3	2.90	1.479	1.216			
	OPR4	3.07	1.796	1.340			
	STR1	2.34	1.472	1.213	2.5475	.825	
	STR2	2.43	1.405	1.185			
	STR3	2.90	1.520	1.233			
	STR4	2.52	1.690	1.300			
	MRK1	2.31	1.446	1.202	2.5633	.775	
	MRK2	2.55	1.221	1.105			
	MRK3	2.82	1.628	1.276			
	HR1	2.23	1.407	1.186	2.4302	.918	
	HR2	2.43	1.483	1.218			
	HR3	2.64	1.408	1.192			

In Table 2, the mean value shows an average significant value in the range of 2.14 to 3.07. Again, the values of variance of all variables are in the range of 0.705 to 1.996 which are lower than the mean scores proving that the data points are rarely scattered which is a good sign. All the Cronbach's alpha scores of the variables are above the value of 0.70 which means the data are reliable.

Relationship of Social Capital with Competitive Advantage and Financial Performance:

Table 3. Correlation Matrix

Construct	SN	TR	DI	TK	ORG	SI	OPR	STR	MRK	HR	ROA	ROI	NIAT
SN	1	.70**	.44**	.72**	.19**	.21**	.18**	.32**	.42**	.55**	.36*	-.21*	-.21*
TR		1	.49**	.75**	.25*	.17**	.54**	.16**	.44**	.57**	-.20*	-.22*	.18**
DI			1	.60**	.22**	.10*	-.10*	.13*	.35**	.45**	.18*	-.29*	.31**
TK				1	.04*	.10**	.34**	.13*	.45**	.60**	.14*	.14**	.20*
ORG					1	.78**	.78**	.70**	.28**	-.25*	.33**	.24**	-.21*
SI						1	.61**	.62**	.28**	-.11*	.22**	.24**	-.18*
OPR							1	.57**	.36**	-.23**	.31**	.34**	-.22*
STR								1	.11**	.24**	.11*	.60*	-.206*
MRK									1	.33**	.16*	.25**	-.12*
HR										1	.24**	.26*	.698**
ROA											1	.67**	.412*
ROI												1	.116**
NIAT													1
**. Correlation is significant at the 0.01 level (2-tailed).													
*. Correlation is significant at the 0.05 level (2-tailed).													

The interrelationships exist among the variables and these are significant at 0.01 or 0.05 level. Field (2013) suggested that a pair of items with bivariate correlation would be removed which carry scores greater than 0.8 because high scores are the indicators of multicollinearity. Since there are no scores greater than .80 it ensures no multicollinearity

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among the variables. So, all the items remained. Table 3 shows the correlation of SC with indicators of CA and FP.

Effect of Social Capital and Competitive Advantage on Financial Performance

The study employed regression analysis for testing the ascertained hypotheses H1a, H1b, H1c, H2, H3a, H3b, H3c, H4a, H4b and H4c.

Hypotheses Testing When Dependent Variable is ROA

Step-1: (X⟶Y). The first step of Baron and Kenny's (1986) mediation analysis is that the causal variable must be correlated with the outcome variable and the equation of regression analysis for the first step is $Y= \beta_0 + \beta_1 X + e$

H_{1a}: Social capital has a significant impact on firms' return on assets (ROA).

To test the hypothesis (H1a), the study employed a simple regression equation where X represents social capital and Y represents ROA.

Table 4. Social Capital and ROA

Model Summary [a]						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.563	.317	.280	.43297	
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.569	1	1.569	8.371	.010[b]
	Residual	3.374	18	.187		
	Total	4.944	19			
Coefficients						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.306	.286		1.070	.299
	SC	.274	.095	.563	2.893	.010
a. Predictors: (Constant), Social Capital			b. Dependent Variable: ROA			

In Table 4, R square is .317 which represents that the SC explains 32% variance in ROA. ANOVA (p-value = .010<.05) indicates that the outcome variable (ROA) is considerably well predicted by the regression model. For every unit increase in SC, a 0.274 unit increase in ROA is predicted. Furthermore, SC is statistically significant. Overall results shown by the table prove that SC has a significant impact on firms' ROA. So, hypothesis 1a is confirmed and satisfies the first condition of Baron and Kenny's (1986) mediation approach.

Step-2: (X⟶M). The second step of Baron and Kenny (1986) for mediation analysis is that the mediator and causative factors are associated. Here, the mediating variable is

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treated as the outcome variable. The equation of regression analysis for the second step is $M = \beta_0 + \beta_1 X + e$.

H$_2$: Social capital practice creates a competitive advantage for firms

For knowing the impact, the study employed the simple regression equation where X denotes SC and M denotes CA. The R square value in Table 5 proves that SC explains 86% variance in CA. ANOVA (p-value = .000<.05) indicates that the model is significant. Besides, for every unit increase in SC, a .822 unit increase in CA is predicted. Furthermore, the p-value for the predictor is .000 indicating that SC is statistically significant. In this regard, the hypothesis testing result shows that H2 is supported and satisfies the second condition of Baron and Kenny's (1986) mediation approach.

Table 5. Effect of Social Capital on Competitive Advantage

Model Summary [a]						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.927	.859	.852	.35751	
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.073	1	14.073	110.10	.000[b]
	Residual	2.301	18	.128		
	Total	16.373	19			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.644	.236		2.730	.014
	SC	.822	.078	.927	10.493	.000
a.Predictors: (Constant), SC b.Dependent Variable: CA						

Step-3 and Step-4: (M $\longrightarrow$ Y) & (X $\longrightarrow$ M $\longrightarrow$ Y). The 3rd step of Baron and Kenny's (1986) mediation analysis is conducting simple regression analysis with M (mediating variable) predicting Y (dependent variable) to test that M is a significant predictor of Y. The regression equation for this step is $Y = \beta_0 + \beta_1 M + e$. The 4th step is conducting a multiple regression analysis with X and M predicting Y and the regression equation for this step is $Y = \beta_0 + \beta_1 X + \beta_2 M + e$. In this step, if mediation exists, the significant relationship of X on Y measured in step 1 is greatly reduced or disappears.

H$_{3a}$: Competitive advantage has a significant impact on increasing firms' ROA

To know the impact, the study employed the simple regression equation where M denotes CA and Y denotes ROA. To find out the mediating role, the study employed a multiple regression equation where X denotes SC, M denotes CA and Y denotes ROA.

H$_{4a}$: Competitive advantage has a mediating role between SC and firms' ROA

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Table 6 presents the third step which revealed the impact of CA on ROA. The R square value is.268. ANOVA (p-value = .019 <.05) proves the goodness of fit of the model. For a unit increase in CA, a .285-unit increase in ROA is predicted. In addition, CA has a significant impact on firms' ROA (p=.019). So, hypothesis 3a is confirmed and satisfies the third condition of Baron and Kenny's (1986) mediation approach. The next part of the table tests the influence of SC on ROA in the presence of CA. Here, the fourth step exhibits that SC is statistically insignificant (p = 0.285>.05). The hypothesis that CA has a mediating role between SC and firms' ROA is confirmed.

Table 6. Mediating Effect of Competitive Advantage on ROA

Model Summary									
Model	R	R Square	Adjusted R Square	Std. error of the estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.518	.268	.269	.44819	.268	6.611	1	18	.019
2	.564	.318	.237	.44548	.049	1.219	1	17	.285

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.328	1	1.328	6.611	.019
	Residual	3.616	18	.201		
	Total	4.944	19			
2	Regression	1.570	2	.785	3.955	.285
	Residual	3.374	17	.198		
	Total	4.944	19			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1*	(Constant)	.237	.344		.688	.500
	CA	.285	.111	.518	2.571	.019
2**	(Constant)	.316	.253		1.249	.379
	CA	.467	.294	.429	1.588	.039
	SC	.288	.260	.590	1.108	.285

*Predictor: (Constant), CA**Predictors:(Constant), CA, SC; Dependent Variable: ROA

Hypotheses Testing When Dependent Variable is ROI

Step-1: (X⟶Y). To test the hypothesis (H1b), the study employed simple regression equation X represents social capital and Y represents ROI.

H_{1b}: Social capital has a positive influence on firms' return on investment (ROI)

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Table 7. Social Capital and ROI

Model Summary [a]							
Model		R	R Square	Adjusted R Square		Std. Error of the Estimate	
1		.0705	.141	0.952		0.004722	
ANOVA							
Model		Sum of Squares	df	Mean Square		F	Sig.
1	Regression	.014	1	.014		2.9787	.282[b]
	Residual	.085	18	.0047			
	Total	.099	19				
Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	-.017	.025			-.252	.611
	SC	.054	.027	.131		.339	.282
a. Predictors: (Constant), SC			b. Dependent Variable: ROI				

Table 7 reveals that β is not significant which suggested that the model could not be utilized to observe how SC affected ROI. SC has no significant effect on firms' ROI. So, it is obvious that H1b is not supported. Since the first condition of Barron and Kenny's mediation analysis method has not been confirmed through the H1b, the study cannot go for testing the consequent steps. So, H3b and H4b have not been tested.

Hypotheses Testing When Dependent Variable is NIAT

Step-1: (X⟶Y). To test the hypothesis (H1c), the study employed simple regression equation X represents social capital and Y represents NIAT.

H_{1c}: Social capital positively affects to increase firms' profits (NIAT)

Table 8: Social Capital and NIAT

Model Summary [a]							
Model		R	R Square	Adjusted R Square	Std. Error of the		
1		.451	.203	.159	1.0812207		
ANOVA							
Model		Sum of	df	Mean Square	F	Sig.	
1	Regression	5.369	1	5.369	4.593	.046[b]	
	Residual	21.042	18	1.169			
	Total	26.411	19				
Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	1.034	2.060		1.449	.164	
	SC	.508	.237	.451	2.143	.046	
a. Predictors: (Constant), Social Capital				b. Dependent Variable: NIAT			

In Table 8, R square is .203 which clarifies that SC explains 20.3% variance in NIAT. ANOVA (p-value= .046<.05) ensures the goodness of fit to model. For a 1 unit increase in SC, a .508 unit increase in NIAT is predicted. SC has a statistically significant positive effect on increasing firms' NIAT (p = .046). So, H1c is supported and satisfies the first condition of Baron and Kenny's (1986) mediation approach.

Step-2: (X→M). To avoid repetition, step 2 has been omitted because in Barron and Kenny's mediation analysis approach, the connection between the independent and the mediation variable is to be measured and the relationship between SC and CA has already been measured in H2 indicating positive relationship between the two which satisfies the second condition of Barron and Kenny's mediation analysis method. So, the study is going to the third and fourth steps.

Step-3 and 4: (M → Y) & (X → M→ Y). To know the influence, the study employed the simple regression equation where M denotes CA and Y denotes NIAT.

H_{3c}: Competitive advantage influences firms' NIAT

H_{4c}: Competitive advantage has a mediating effect between the relationship of SC and firms' NIAT

To find out the mediating role, the study employed the multiple regression equation where X denotes SC, M denotes CA and Y denotes NIAT.

Table 9: Mediating Effect of Competitive Advantage on NIAT

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.59	.350	.315	2.08033	.351	9.728	1	18	.006
2	.64	.420	.351	2.02384	.069	2.019	1	17	.041

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regressio	2.099	1	2.099	4.781	.006
	Residual	7.900	18	.439		
	Total	9.999	19			
2	Regressio	5.368	2	2.684	4.734	.041
	Residual	9.631	17	.567		
	Total	14.999	19			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1^{*}	(Constant	.604	.598		1.01	.032
	CA	.554	.514	.354	1.07	.006
2^{**}	(Constant	.787	.588		1.33	.059
	CA	.681	.334	.057	2.03	.020
	SC	.154	.183	.276	.841	.041

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*Predictor: (Constant), competitive advantage, **Predictors: (Constant), competitive advantages and social capital; Dependent Variable: NIAT

Table 9 shows the R square value of 0.35 indicating that CA explains 35% variance in NIAT. The regression model shown in ANOVA is statistically significan (p-value =.006>.05). The table shows that for every unit increase in CA, a .554 unit increase in NIAT is predicted and CA is statistically significant. Therefore, it is proved that hypothesis 3c is confirmed and satisfies the third condition of Baron and Kenny's (1986) mediation approach. The next part of the table investigates the influence of SC on NIAT including CA. In the table, the fourth step reveals that the β coefficient is statistically significant since .041<.05 when CA is controlling the regression model. Therefore, hypothesis 4c that CA has a partial mediating role between SC and firms' NIAT is confirmed.

Summary of Findings

By testing hypotheses, the result of H1a and H1c indicate that the practice of social capital has a statistically significant impact on firms' ROA and NIAT respectively. If a firm practices SC, the ROA of the firm increases which has also been found by Rhee and Ji, (2010); Roxas et al. (2017); and Nahapiet and Ghoshal (1998). These findings also conforms with the findings of Akintimehin et al. (2019), Wijaya et al. (2019), Mahanavami et al. (2019), Zhang et al. (2022), Yuliarm et al. (2021), Yasni et al. (2023), and Menike (2020) who revealed that SC has significant positive impact on business performance. But, in the case of H1b, the testing result shows a different picture. H1b is not confirmed which provides evidence that SC does not influence in increasing firms' ROI which conforms with the study of Akintimehin et al. (2019) in case of external capital. In the study, H2 was set for showing the relation between SC and CA of firms which is confirmed with the studies of Berzina (2011), Rouzies et al. (2010), Al-Daibat (2017), Wijaya et al. (2019), and Chepsergon and Nkaabu (2021). So, the study sought that by practicing SC, firms can attain a competitive advantage. The results of H3a and H3c prove that CA has a positive significant impact on increasing firms' ROA and NIAT respectively which is confirmed with the studies of Wijaya et al. (2019), Wijayanto et al. (2019). But, the study found that there is no relationship between CA and firms' ROI. The study confirms hypotheses H4a and H4c which indicates that CA has a significant mediating role between SC and firms' ROA and NIAT respectively which is confirmed with the studies of Wijaya et al. (2019), and Boonchukham et al. (2023).

Policy Implication and Conclusion

It is evident from analyzing data that when CA is not considered as predictor then SC has considerable positive affect on banks' ROA and NIAT. It indicates that enriching SC would enhance the profitability of banks to a significant extent. This finding has both practical and policy implications. The government, central bank, policymakers, social & educational institutions, firms of financial services industry can use this study's findings in order to design plans, objectives and strategies in such a way that it enrich SC. All the stakeholders of the banks will be positively affected through their better financial performance. Research findings show evidence that higher application of SC practice leads to the increase of firms' ROA. But in the case of ROI practice of SC cannot increase firms' ROI. On the other hand, for increasing firms' NIAT, practices of SC act as a crucial component. SC has also a significant impact in increasing competitive advantage. In the competitive edge, the practice of SC leads firms to gain superior advantage and provides scope for eroding risk in conducting business. Again, CA has a noteworthy influence on growing the ROA of firms. The study also found that CA stimulates to grow of NIAT of firms. The mediation test shows that CA mediates the influence of SC on firms' ROA. Through the application of SC, firms can enjoy CA. By gaining CA, firms can increase ROA. The study cannot conclude anything regarding the mediation effect of CA between SC and ROI since H1b is not supported. In the case of NIAT, the mediation test shows that CA mediates the influence of SC on firms' NIAT. If firms exercise SC, CA can be achieved. In turn, the competitive benefits lead to higher levels of firms' performance. The limitation of the study is that it does not focus on non-financial firms of Bangladesh and does not go beyond the time period 2014-2022. Besides it, the study does not reveal the effect of SC on firm value or non-financial performance. Future studies can be undertaken on non-financial firms of other emerging nations with an extended time period. Furthermore, the mediating effect of human or intellectual capital between SC and performance can also be explored as this capital is closely associated with SC.

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