

The impact of social capital on a SME's productivity: evidence from Zambia

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Abstract

We use a unique survey data from Zambia collected by the World Bank to examine the impact of social capital on a small and medium enterprise (SME)'s productivity. Using membership in business and non-business associations as the measure of social capital, we find that when the owner of business has high social capital, the firm's productivity is higher. We also find that SME with high social capital has easier access to credit from families and suppliers, and are more likely to have a trade-credit relation with their customers. These results are robust to an extensive set of controls. Our results suggest that better access to credit due to high social capital might facilitate the growth of SMEs.