

# Transforming Financial Performance In Culinary SMEs: The Impact Of Organizational Culture And CSR On Financing Decisions

Dewa Ayu Inten Mahaputri<sup>1</sup>, Ni Luh Anik Puspa Ningsih<sup>2\*</sup>, Ni Wayan Sitiari<sup>3</sup>  
<sup>1,2,3</sup>*Faculty of Economic and Business, Warmadewa University, Indonesia,*  
\*Corresponding author email: kinapuspa168@gmail.com

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## Abstract

Small and Medium Enterprises (SMEs) play a crucial role in supporting Indonesia's economy, including in Bali Province, which is widely recognized as a national tourism hub. Among the dominant sectors, culinary SMEs significantly contribute to employment and economic growth. However, these enterprises continue to face challenges in maintaining financial performance due to limited innovation, digitalization, and access to financing. This study aims to examine the influence of organizational culture and Corporate Social Responsibility (CSR) on financing decisions and financial performance among culinary SMEs in Bali, with financing decisions serving as a mediating variable. A quantitative approach was employed using Partial Least Squares (PLS) as the analytical tool. The respondents consisted of 100 owners or managers of culinary SMEs in Bali, selected through a structured questionnaire survey. The findings reveal that organizational culture does not have a significant effect on either financial performance or financing decisions, suggesting that local cultural values, such as *jengah*, *taksu*, and *menyamabraya*, have not yet been effectively translated into financially impactful business strategies. Conversely, CSR demonstrates a positive and significant influence on both financial performance and financing decisions, indicating that social and environmental commitment enhances trust and improves access to funding for SMEs. Furthermore, financing decisions have a positive and significant impact on financial performance, serving as a mediating mechanism in the relationship between CSR and financial performance.

**Keywords:** *Organizational Culture, Corporate Social Responsibility, Funding Decisions, Financial Performance, SMES*

## INTRODUCTION

Small and Medium Enterprises (SMEs) play a crucial role in supporting economic growth and maintaining the stability of Indonesia's economy, including in Bali Province. As one of the country's leading tourist destinations, Bali not only depends on the tourism industry but also regards SMEs as one of the key pillars driving regional economic development. SME activities in Bali encompass various sectors such as culinary, handicrafts, textiles, services, and trade. The presence of SMEs has made a tangible

contribution to job creation, regional economic growth, and the overall economic resilience of local communities ([Lubis & Salsabila, 2024](#)). According to the Head of the Bali Provincial Office for Cooperatives and SMEs, approximately 91–96% of SMEs currently operate in the culinary sector ([Tribune Bali., 2025](#)). This finding is consistent with the view that food consumption has become an integral component of the tourist experience when visiting Bali ([Palupi, 2019](#)).

The culinary sector plays an essential role as it is directly linked to both tourism and community needs; however, its performance remains suboptimal. According to data from the Bali Provincial Office for Cooperatives and SMEs (2024), the performance of SMEs in Buleleng Regency has reached only 21.50%. This condition is mainly attributed to declining sales turnover, limited market access, lack of product innovation, and challenges in digital transformation. Similar issues are also observed across other regencies, each with its own unique characteristics and constraints. Meanwhile, Karangasem Regency recorded the lowest performance, at only 4.20%, primarily due to limited human resources and low product competitiveness. These problems across various regencies indicate that, overall, the performance of SMEs in Bali has not yet reached an optimal level.

This phenomenon indicates that the performance of culinary SMEs in Bali has not yet been accompanied by sustainable performance ([Sitiari et al, 2024](#)). Although the trend still suggests potential business opportunities in the culinary sector, supported by digitalization, online food delivery platforms, and changes in consumer lifestyles that drive demand for ready-to-eat and innovative food products, the stagnation has become increasingly evident in 2024. During this period, the culinary SME sector in Bali experienced a significant decline, with the number of active enterprises decreasing to around 51,593. This situation reflects serious managerial challenges, particularly in terms of internal organizational performance and governance.

Based on the Resource-Based View (RBV) theory, a firm's superior performance depends on its ability to manage internal resources that possess strategic value namely, those that are valuable, rare, inimitable, and non-substitutable. In the context of SMEs in Bali, these internal resources are reflected in the implementation of organizational culture rooted in local values ([Reino et al, 2020](#)). One distinctive cultural foundation is the concept of Tri Hita Karana, which embodies the philosophy of harmony between humans and God (*parahyangan*), among fellow humans (*pawongan*), and with the natural environment (*palemahan*) ([Azis et al, 2024](#)). The application of Tri Hita Karana values in business practices can be seen through the internalization of Balinese work culture principles such as *jengah*, *taksu*, and *menyama braya* ([Sitiari et al, 2023](#)). The value of *jengah* fosters a spirit of achievement and motivation to continuously innovate in business; *taksu* represents integrity and sincerity in delivering quality service; while *menyama braya* emphasizes harmonious social relationships, mutual assistance, and environmental awareness. These cultural values provide a competitive advantage for culinary SMEs in Bali, particularly in creating authentic, locally nuanced customer experiences. Therefore, an organizational culture grounded in Tri Hita Karana values can serve as a vital internal resource that contributes to the sustainable enhancement of SMEs' financial performance.

Based on the Resource-Based View (RBV) theory, one of the internal factors influencing a company's financial performance is Corporate Social Responsibility (CSR) ([Pradnyani et al, 2024](#)). CSR is not solely oriented toward financial profit but also encompasses social and environmental responsibilities ([Ahmad et al, 2024](#)). In practice,

SMEs can implement CSR initiatives through the use of environmentally friendly packaging, proper food waste management, the empowerment of local labor, and participation in community-based activities. Concern for consumers can be demonstrated through product transparency, food safety certification, and the innovation of healthy menu options. Meanwhile, responsibility toward employees can be reflected in providing fair wages, ensuring a safe working environment, and offering opportunities for self-development. The sustainable implementation of CSR enables SMEs to enhance financial performance, strengthen their reputation, and foster harmonious relationships with stakeholders.

Financial performance plays a vital role in achieving business success; therefore, it is essential to examine the various factors that may influence it. In addition to financial aspects, non-financial factors also play an important role in shaping the competitiveness of SMEs. A strong organizational culture reflected in discipline, quality orientation, and teamwork encourages service consistency and accelerates innovation. Similarly, CSR practices that are proportional to the capacity of SMEs, such as ensuring employee welfare, reducing waste, and building partnerships with local communities, help foster market trust, strengthen reputation, and enhance customer loyalty. In this regard, the present study seeks to examine the relationship between non-financial variables (organizational culture and CSR) and their effects on financing decisions and financial performance.

Financing decisions vary across different types of firms. Publicly listed companies generally find it easier to access funding sources, whereas Small and Medium Enterprises (SMEs) must often rely on their own capital, particularly when starting a business. Several studies on SMEs and financing decisions are closely related to capital structure theory, suggesting that SMEs tend to follow the principles of the pecking order theory. According to this theory, funding needs are first fulfilled through internal financing; if additional funds are required, external financing is then considered ([Sulistianingsih & Santi, 2023](#)). SMEs typically utilize internal sources of funds such as owners' equity and retained earnings before seeking external financing options like loans. They prefer using internally generated funds because these sources are perceived as low-cost and do not increase financial liabilities. However, when internal funds are insufficient, SMEs resort to external financing through debt ([Wang et al, 2023](#)).

Financial research generally examines the relationships among financial variables. This study focuses on culinary SMEs, which typically do not have audited financial statements. Therefore, perception-based data were used as an alternative measurement approach. This differs from financial studies on large corporations, which commonly rely on quantitative data derived from audited financial ratios. The present study is important to understand how organizational culture and CSR influence financing decisions made by investors or financial institutions, and how both factors contribute to improving the financial performance of culinary SMEs in Bali.

## **LITERATURE REVIEW**

### **Resource Based View Theory**

The Resource-Based View (RBV) theory posits that a firm's resources encompass all assets, capabilities, organizational processes, firm attributes, information, and knowledge that are controlled by the company and enable it to formulate and implement strategies that improve efficiency and effectiveness in the marketplace ([Setiawan et al, 2024](#)).

According to this perspective, differences in firm performance are primarily determined by the uniqueness of resources and capabilities rather than by the characteristics of the industry structure ([Husnah et al, 2025](#)).

### Pecking Order Theory

The Pecking Order Theory posits that firms prioritize internal financing sources, such as retained earnings, before resorting to debt financing, and ultimately issuing equity as the final alternative ([Schoenmaker & Schramade, 2023](#)). This theory provides a conceptual framework for understanding corporate financial decision-making behavior. According to [Myers \(1984\)](#), the pecking order theory suggests that there is no specific optimal debt-to-equity ratio; instead, firms follow a hierarchical financing preference aimed at minimizing financing costs and reducing information asymmetry ([Frank et al, 2020](#)).

### Financial Performance

Financial performance refers to a company's success, achievement, or ability to create value for the firm and its shareholders through effective and efficient management practices ([Rahayu, 2020](#)). According to ([Hutabarat, 2021](#)), financial performance represents an analytical process conducted to assess the extent to which a company has properly implemented financial management principles and procedures. [Liow \(2023\)](#) defines financial performance as the outcome or added value achieved by comparing actual results with expected performance under prevailing conditions

### Organizational Culture

Organizational culture refers to a pattern of basic assumptions created, discovered, or developed by a group within an organization to address issues of external adaptation and internal integration. This culture functions as a behavioral guideline for organizational members and serves as a framework for decision-making ([Sitorus et al, 2025](#)). It can also be defined as a set of norms established within an organization that guides employees in carrying out their duties and responsibilities. Furthermore, organizational culture represents the behavioral patterns of human resources within the organization, manifested through shared beliefs, attitudes, and practices that are transmitted across generations.

In the context of Small and Medium Enterprises (SMEs), particularly those operating in highly competitive markets, organizational culture acts as a significant non-financial asset. The integration of work values, effective communication, and leadership aligned with the business vision can enhance competitiveness. Therefore, a well-managed organizational culture can serve as a key driver in achieving financial performance indicators such as sales growth, profitability, and business sustainability. Previous studies by [Reino et al \(2020\)](#), [Sitiari et al \(2023\)](#), [Dung & Tuan \(2023\)](#), and [Amoa-Gyarteng & Dhliwayo \(2024\)](#) found that organizational culture has a positive and significant influence on financial performance.

**H1: Organizational culture has a positive and significant effect on financial performance.**

[Guan \(2025\)](#), concluded that organizational culture influences financing decisions and significantly affects the growth and profitability of SMEs. Likewise, [Sitorus et al \(2025\)](#) emphasized that a well-established organizational culture fosters more effective financial decision-making processes. In a similar vein, [Umair & Dilanchiev \(2022\)](#)

demonstrated that organizational culture plays a pivotal role in the practical implementation of comprehensive quality management within SMEs, including the ability to secure government funding, which subsequently enhances financial performance.

**H2: Organizational culture has a positive and significant effect on financing decisions**

### **Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) is a concept that has become increasingly important in contemporary business practices. It encourages companies not only to comply with legal and regulatory requirements but also to play an active role in building a better society and promoting environmental sustainability ([Bayasut & Zakarias, 2024](#)). CSR represents a strategic approach that integrates social, environmental, human rights, and consumer interests into a company's core operations and business strategy. It aims to foster socially responsible and environmentally conscious actions as part of a company's broader commitment to society ([Fallah et al., 2022](#)).

The successful implementation of CSR can have a significant impact on improving business performance ([Ghanbarpour & Gustafsson, 2022](#)). Supporting this view, [Chen et al \(2024\)](#) as well as [Li et al \(2024\)](#) found that firms with a higher level of CSR engagement tend to exhibit a positive relationship with financial performance.

**H3: Corporate Social Responsibility (CSR) has a positive and significant effect on financial performance**

Corporate Social Responsibility (CSR) is also considered an influential factor in the use of business debt. SMEs often take their commitment to CSR programs into account when making decisions related to external financing. Financial institutions and investors tend to be more supportive of companies that demonstrate clear and sustainable CSR initiatives. The use of debt among SMEs is influenced by various factors, including the level of trust from lenders and the firm's reputation. SMEs that effectively implement CSR are generally perceived as more trustworthy by investors and financial institutions, which enhances their ability to secure funding ([Tan & Zhu, 2022](#)).

According to [Hsu et al \(2023\)](#) firms with stronger CSR performance tend to rely less on debt financing and gradually reduce their debt levels over time. Similarly, [Tandiawan \(2022\)](#) found that companies actively engaged in CSR are more trusted by investors and creditors, making it easier for them to obtain funding, either through equity or debt.

**H4: Corporate Social Responsibility (CSR) has a positive and significant effect on financing decisions**

### **Funding Decisions**

Financing decisions are a key component of corporate financial management policies that involve the selection of appropriate sources of funding to support a company's operational and investment activities ([Amal & Masdjodjo, 2021](#)). These decisions entail analyzing available financing options, whether through debt or equity to ensure effective allocation of capital for both working capital and fixed asset investments ([Jesilia & Purwaningsih, 2020](#)).

In the effort to enhance financial performance, the relationship between financing decisions and financial outcomes has been shown to be strong. Empirical evidence from

[Rajindra et al \(2020\)](#), [Halim & Suhartono \(2021\)](#), and [Deska \(2022\)](#) indicates that financing and working capital policies have a positive and significant effect on financial performance.

**H5: Financing decisions have a positive and significant effect on financial performance**

The importance of financial performance in achieving business success highlights the need to examine the various factors that influence it. In addition to financial aspects, non-financial factors also play a crucial role in shaping the competitiveness of SMEs. A strong organizational culture reflected in discipline, quality orientation, and teamwork encourages service consistency and faster innovation. A positive organizational culture can influence how owners or managers manage their businesses, including in financing decisions. Strong cultural values guide the selection of financing sources that are aligned with business strategies, efficient, and sustainability-oriented. Therefore, the better the organizational culture implemented, the more appropriate the financing decision-making.

Optimal financing decisions, whether through internal or external capital provide adequate financial support to enhance production capacity, product innovation, and market expansion. This is supported by studies conducted by [Reino et al \(2020\)](#), [Dung & Tuan \(2023\)](#), and [Amoa-Gyarteng & Dhliwayo \(2024\)](#), which found that organizational culture has a significant effect on financial performance. Thus, financing decisions act as an intervening variable that bridges the relationship between organizational culture and financial performance. A strong organizational culture motivates management to make sound financing decisions, which in turn enhances the financial performance of culinary SMEs in Bali.

**H6: Financing decisions mediate the effect of organizational culture on financial performance.**

A strong reputation and positive corporate image can influence financing decisions, as investors and lenders tend to place greater trust in businesses with sound governance, lower risk, and sustainable prospects. CSR serves as a positive signal to external parties, demonstrating that the business is committed to long-term goals and capable of managing non-financial risks. Consequently, SMEs gain broader access to financing opportunities and more favorable funding conditions.

This is supported by studies conducted by [Reavis et al \(2021\)](#), [Tandiawan \(2022\)](#), and [Hsu et al \(2023\)](#), which revealed that CSR positively influences financing decisions. Optimal financing decisions, whether derived from internal or external capital, have a direct impact on financial performance. Adequate funding enables businesses to expand production capacity, develop innovative products, improve operational efficiency, and broaden market reach. These improvements are ultimately reflected in financial performance indicators, including sales growth, profitability, and firm value.

Empirical evidence from [Febryanti \(2021\)](#), [Deska \(2022\)](#), and [Wanyoik & Kalundu \(2022\)](#), also demonstrates that financing decisions positively affect financial performance. Therefore, financing decisions function as an intervening variable that bridges the relationship between CSR and financial performance. CSR builds a trustworthy image that facilitates access to capital, and the obtained capital, when managed through sound financing decisions, helps drive optimal financial outcomes.

**H7: Financing decisions mediate the effect of CSR on financial performance.**

## **METHOD**

This study employs a quantitative research approach. Data were collected by distributing structured questionnaires containing closed-ended questions to respondents in order to obtain quantitative data. The research was conducted within the scope of culinary MSMEs in Bali Province, encompassing various types of businesses such as food stalls, restaurants, cafés, catering services, roasteries, and bakeries or pastry shops. The questionnaire was measured using a five-point Likert scale, and a total of 100 respondents were selected as the sample. The data analysis techniques used in this study include descriptive statistical analysis and inferential statistical analysis. Inferential analysis was carried out using Partial Least Squares (PLS), a variance-based Structural Equation Modeling (SEM) method. PLS was chosen because it enables the integration of the structural model, which represents the theoretical relationships among latent variables, and the measurement model, which represents the relationships between latent variables and their observed indicators. Inferential analysis was conducted using Partial Least Squares (PLS), which is a variance-based Structural Equation Modeling (SEM) approach. PLS is employed because it integrates the structural model, representing the theoretical relationships among latent variables, with the measurement model, which reflects the relationships between latent variables and their corresponding indicators.

## **RESULT AND DISCUSSION**

The respondents in this study were predominantly female entrepreneurs aged 18–30 years, who served as both owners and managers of their businesses, with the majority holding Diploma or Bachelor’s degrees. This indicates that the culinary MSME sector in Bali is largely dominated by young entrepreneurs who are in the early stages of their entrepreneurial careers, characterized by a strong spirit of innovation but still developing their business expertise and managerial experience. The relatively high level of education reflects sound managerial competence and financial literacy among the respondents. Furthermore, the dominance of owners who also act as managers suggests that most culinary MSMEs in Bali still operate on a small scale with a simple organizational structure. The respondents’ perceptions of the variables, organizational culture, corporate social responsibility (CSR), funding decisions, and financial performance, are presented as follows:

**Table 1. Descriptive Analysis**

<b>Variable</b>	<b>Item</b>	<b>Average</b>	<b>Category</b>
Organizational Culture	9	4.59	Excellent
<i>Corporate Social Responsibility</i>	6	4.11	Good
Funding Decisions	3	4.18	Good
Financial Performance	3	3.74	Good

Source: Data Processed 2025

Based on the descriptive results presented in Table 1, it is shown that the Organizational Culture variable obtained the highest mean score of 4.59, which falls into the very high

## Transforming Financial Performance In Culinary SMEs: The Impact Of Organizational Culture And CSR On Financing Decisions

(excellent) category. Meanwhile, the variables of Corporate Social Responsibility (CSR), Financing Decision, and Financial Performance recorded mean scores of 4.11, 4.18, and 3.74, respectively, all of which are classified in the high (good) category. These findings indicate that all variables in this study are perceived positively by the respondents. The subsequent inferential analysis results are illustrated in the following figure:

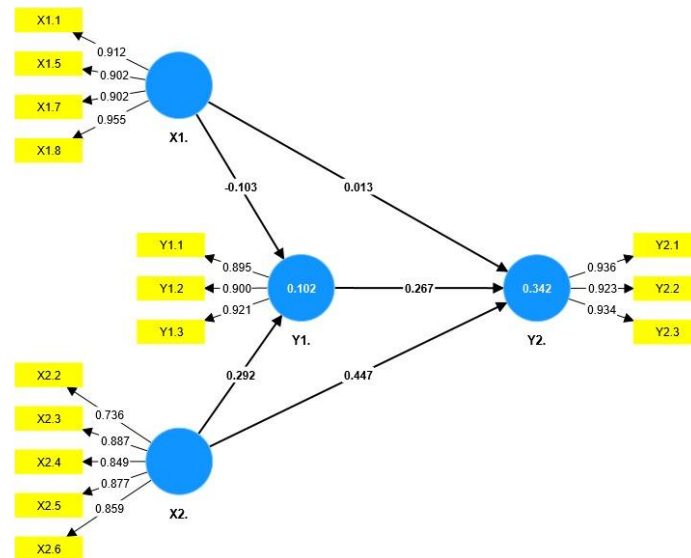


Figure 1. PLS Model

Source: Data Processed 2025

The convergent validity of the measurement model with reflective indicators was evaluated by examining the correlation between the item scores and the construct scores generated using PLS. Reflective measures are considered acceptable if they have a correlation greater than 0.70 with the construct being measured. The results of the convergent validity test show that, for the Organizational Culture (X1) variable, only four indicators X1.1, X1.5, X1.7, and X1.8, were valid, with outer loading values exceeding 0.70. For the Corporate Social Responsibility (X2) variable, indicator X2.1 was removed because its loading value was below 0.70, while the remaining five indicators were valid. The Financing Decision (Y1) variable had three valid indicators, and the Financial Performance (Y2) variable was also valid. Therefore, all variables met the convergent validity criteria. In addition, an alternative approach to assessing discriminant validity involves comparing the square root of the Average Variance Extracted (AVE) for each variable with the correlations between that variable and others in the model. Discriminant validity is considered satisfactory when the square root of the AVE for each variable exceeds its correlations with other variables in the same model, or when the AVE value itself is greater than 0.50, as recommended.

**Table 2. Hypothesis Test Results**

Hypothesis	Influence between variables	Original Sample (O)	P Values	Description
H <sub>1</sub>	Organizational Culture (X1) -> Financial Performance (Y2)	0,013	0,187	H <sub>1</sub> rejected
H <sub>2</sub>	Organizational Culture (X1) -> Funding Decisions (Y1)	-0.103	0,912	H <sub>2</sub> rejected
H <sub>3</sub>	CSR (X2) -> Financial Performance (Y2)	0,447	0,004	H <sub>3</sub> accepted
H <sub>4</sub>	CSR (X2) -> Funding Decisions (Y1)	0,292	0,000	H <sub>4</sub> accepted
H <sub>5</sub>	Funding Decisions (Y1) -> Financial Performance (Y2)	0,267	0,011	H <sub>5</sub> accepted
H <sub>6</sub>	Organizational Culture (X1) -> Funding Decisions (Y1) -> Financial Performance (Y2)	-0,027	0,244	H <sub>6</sub> rejected
H <sub>7</sub>	CSR (X2) -> Funding Decisions (Y1) -> Financial Performance (Y2)	0,078	0,057	H <sub>7</sub> accepted
Determination			<i>R-square</i>	<i>R-square adjusted</i>
Funding Decisions (Y1)			0.135	0.117
Financial Performance (Y2)			0.422	0.404
Goodness of Fit			0.500	

Source: Data Processed 2025

The R Square value for the Financing Decision (Y1) variable is 0.102, indicating that 10.2% of the variation in Financing Decisions can be explained by Organizational Culture and Corporate Social Responsibility, while the remaining 89.8% is explained by other factors outside this research model. This value falls into the weak category, meaning that the influence of Organizational Culture and CSR on Financing Decisions is still limited. This may be due to the presence of more dominant external factors that determine SME financing decisions, such as capital structure, access to financial institutions, business experience, or government credit policies.

The R-square value for the Financial Performance (Y2) variable is 0.422, which means that 42.2% of the variation in Financial Performance can be explained by Organizational Culture, Corporate Social Responsibility, and Financing Decisions, while the remaining 57.8% is explained by other variables not included in the model, such as product innovation, digitalization, market competition, or operational efficiency. This value falls into the weak-to-moderate category, indicating that while the influence of the tested constructs is meaningful, other external factors have a significant role in affecting the financial performance of culinary SMEs in Bali.

The Q<sup>2</sup> value of 0.500 shows that the research model has a moderately strong predictive relevance. The model can explain approximately 50% of the data variance predicted by the relationships among the latent variables, while the remaining 50% is explained by other factors not included in the model. These results indicate that the exogenous variables, Organizational Culture (X1) and Corporate Social Responsibility (X2), have a fairly good ability to explain the endogenous variables Financing Decision (Y1) and Financial Performance (Y2). Therefore, the structural model used in this study

can be considered to have good predictive accuracy and is suitable for further testing of relationships among latent variables.

### **The Influence of Organizational Culture on the Financial Performance of Culinary SMEs**

The analysis results indicate that organizational culture, consisting of *jengah*, *taksu*, and *menyamabraya* has a positive but insignificant effect on the financial performance of culinary SMEs in Bali, and thus, the hypothesis is rejected. This finding suggests that the implementation of organizational culture values derived from Balinese local wisdom has not yet provided a direct impact on improving financial performance, whether in terms of revenue growth, cost efficiency, or business profitability. This means that although local cultural values such as *jengah* (a motivational spirit and a sense of shame in failure), *taksu* (spiritual energy and self-confidence in one's craft), and *menyamabraya* (a sense of kinship and solidarity) are internalized by culinary SME owners in Bali, their application has not been effectively translated into operational strategies or managerial actions that could enhance financial outcomes.

This finding indicates that organizational culture in Bali's culinary SMEs still functions primarily as a guideline for behavior and social ethics rather than as a strategic resource that drives financial performance. These cultural values tend to play a greater role in fostering workplace harmony, employee loyalty, and positive social relationships but have not yet been optimally integrated into business processes such as financial management, marketing, or product innovation areas that directly affect profitability.

This result is inconsistent with the Resource-Based View (RBV) theory, which posits that internal organizational resources, including culture, can become a source of sustainable competitive advantage when managed effectively. In this context, organizational culture has not yet been leveraged as a unique strength that differentiates Balinese culinary SMEs from competitors and generates tangible economic value.

However, this finding aligns with studies conducted by [Ningsih et al \(2022\)](#), and [Sitiari et al \(2023\)](#) which found that organizational culture has a positive but insignificant effect on the financial performance of culinary SMEs in Bali. This suggests that these cultural values primarily strengthen the social and moral dimensions of the organization, while their direct influence on financial outcomes remains limited.

### **The Influence of Organizational Culture on Funding Decisions of Culinary SMEs**

The analysis results indicate that organizational culture comprising *jengah*, *taksu*, and *menyamabraya* has a positive but insignificant effect on funding decisions among culinary SMEs in Bali, thus leading to the rejection of the second hypothesis. This finding suggests that SME owners and managers still base their funding decisions primarily on financial considerations and capital accessibility rather than on internal cultural values. Although organizational culture may shape work behavior and social interactions within the business environment, its influence on strategic decisions, such as the choice of funding sources, remains limited.

From the Resource-Based View (RBV) perspective, this result is inconsistent with the theory's premise that organizational culture represents an intangible resource that can strengthen the organization's ability to make effective decisions. The findings reveal that local cultural values have not yet been optimized as strategic capabilities capable of influencing financial decision-making processes. Consequently, organizational culture within Bali's culinary SMEs has not played a substantial role in shaping funding

decisions. These cultural values tend to emphasize work ethics and social relationships rather than strategic aspects of financial management.

Furthermore, viewed from the Pecking Order Theory, funding decisions are determined by the hierarchy of financing preferences beginning with internal funds, followed by debt, and finally equity based on the firm's financial condition and market information, not cultural factors. Therefore, the influence of organizational culture on funding decisions is relatively minor compared to financial and market considerations.

This finding is consistent with the study conducted by [Mardika \(2022\)](#), which also reported that organizational culture exerts a positive but insignificant effect on funding decisions. This reinforces the notion that the cultural values of *jengah*, *taksu*, and *menyamabraya* among culinary SMEs in Bali remain more oriented toward ethical conduct and social harmony rather than being integrated into strategic financial decision-making.

### **The Influence of Corporate Social Responsibility on the Financial Performance of Culinary SMEs**

The analysis results reveal that corporate social responsibility (CSR) has a positive and significant effect on the financial performance of culinary SMEs in Bali, indicating that the third hypothesis is accepted. This finding suggests that well-implemented CSR activities can generate tangible improvements in SMEs' financial outcomes. Empirically, this implies that SMEs engaging in socially responsible practices such as maintaining consistent product quality in line with customer expectations, using eco-friendly packaging made from recyclable materials, managing waste by separating organic and inorganic components, participating in local social and religious activities (e.g., donations to community ceremonies), employing local Balinese workers, and sourcing raw materials from local producers, tend to experience increased sales and profitability.

This result aligns with the Resource-Based View (RBV) theory, which conceptualizes CSR as a strategic capability and reputational resource capable of generating sustainable competitive advantage. Properly managed CSR initiatives serve as intangible assets that are difficult for competitors to replicate, thereby creating long-term economic value for the firm.

The findings of this study are consistent with those of [Ahmad et al \(2024\)](#), [Li et al \(2024\)](#), [Chen et al \(2024\)](#), and [Pradnyani et al \(2024\)](#) all of whom found that CSR has a positive and significant effect on financial performance. These results further indicate that CSR not only enhances financial outcomes but also reduces reputational risks and strengthens business legitimacy, ultimately leading to improved financial performance among SMEs.

### **The Influence of Corporate Social Responsibility on the Financing Decisions of Culinary SMEs**

The analysis results indicate that corporate social responsibility (CSR) has a positive and significant effect on financing decisions, meaning that the fourth hypothesis is accepted. This finding suggests that the higher the level of CSR implementation, the better the financing decisions made by culinary SMEs in Bali. It implies that SMEs actively engaging in social responsibility initiatives tend to build stronger reputations among stakeholders, including financial institutions and investors. Such positive

reputations foster greater trust from capital providers, thereby enabling SMEs committed to CSR to gain easier access to funding.

From the Resource-Based View (RBV) perspective, CSR can be considered an intangible resource that contributes to competitive advantage. CSR practices help develop a company's reputation, legitimacy, and positive image, elements that are difficult for competitors to imitate. These reputational assets strengthen the firm's internal capabilities and enhance its bargaining position in external relationships, particularly in financing contexts. With a strong reputation, firms are perceived as more credible and trustworthy by banks and investors, which leads to more favorable financing decisions.

Furthermore, this finding is consistent with the Pecking Order Theory, which posits that firms choose financing sources based on the level of trust and the availability of information. According to this theory, financing decisions are influenced by the degree of information asymmetry between managers and external parties. When firms consistently implement CSR, stakeholder trust increases and transparency improves, thereby reducing information asymmetry and lowering barriers to external financing access. These findings are in line with studies conducted by [Tandiawan \(2022\)](#), [Hsu et al \(2023\)](#), and [Novianti & Adji \(2023\)](#) all of which demonstrate that the implementation of CSR has a positive and significant impact on financing decisions.

### **The Influence of Financing Decisions on the Financial Performance of Culinary SMEs**

The analysis results indicate that financing decisions have a positive and significant effect on the financial performance of culinary SMEs in Bali, meaning that the fifth hypothesis is accepted. This finding demonstrates that SMEs capable of managing their financing efficiently and aligning their capital structure with business conditions tend to achieve better financial performance. Appropriate financing decisions can minimize the cost of capital and financial risks while enhancing the SMEs' ability to expand their operational activities.

Based on the respondents' answers, most prefer to use internal funds rather than debt. This finding aligns with the Pecking Order Theory, which explains that firms prefer financing sources in a hierarchical order starting with internal funds, followed by debt, and finally equity. SMEs that effectively manage this financing hierarchy tend to maintain an efficient capital structure and achieve more stable financial performance. The results of this study are consistent with previous findings by [Rajindra et al \(2020\)](#), [Halim & Suhartono \(2021\)](#), [Febryanti \(2021\)](#), and [Nohong et al \(2021\)](#), which also conclude that financing decisions have a positive and significant influence on financial performance. These findings suggest that financing decisions serve as a crucial link between financial strategy and overall business performance among SMEs.

### **The Role of Financing Decisions in Mediating the Influence of Organizational Culture on the Financial Performance of Culinary SMEs**

The analysis results indicate that organizational culture does not have an indirect effect on financial performance through financing decisions; therefore, the sixth hypothesis is rejected. This finding suggests that financing decisions do not mediate the relationship between organizational culture and financial performance. Empirically, this implies that the application of organizational cultural values rooted in Balinese local wisdom *jengah* (a sense of motivation and self-pride to excel), *taksu* (spiritual power and self-confidence in business), and *menyamabraya* (brotherhood and solidarity) has not yet

been translated into financial policies or funding strategies that enhance financial performance.

Although most respondents rated the indicators of organizational culture as “very good,” their responses regarding financing decisions indicate that cultural aspects do not significantly influence how they make funding choices. This finding contradicts the Resource-Based View (RBV), which positions organizational culture as an intangible resource capable of creating sustainable competitive advantage. According to RBV, culture should serve as an internal capability that enhances organizational performance; however, within the context of culinary SMEs in Bali, cultural values have not met this criterion.

Local cultural values such as *jengah* and *menyamabraya* indeed foster a positive work ethic, yet they have not been internalized as strategic resource management practices that could improve financial decision-making or capital efficiency. From the Pecking Order Theory perspective, this result can also be explained by the fact that financing decisions among SMEs are primarily determined by financial considerations, such as capital structure and funding sources rather than internal cultural values. SME owners tend to prioritize repayment capacity and financial risk over social or cultural factors when determining their financing choices. Overall, these findings indicate that the values of *jengah*, *taksu*, and *menyamabraya* function more as moral and social guidelines that shape individual integrity and responsibility within the organization, rather than as strategic drivers influencing financial decision-making. Consequently, organizational culture does not exert a significant indirect effect on financial performance through financing decisions among culinary SMEs in Bali.

### **The Role of Financing Decisions in Mediating the Influence of Corporate Social Responsibility on the Financial Performance of Culinary SMEs**

The findings reveal that corporate social responsibility (CSR) has a positive indirect effect on financial performance through financing decisions, indicating that the seventh hypothesis is accepted. This result implies that financing decisions play a partial mediating role in the relationship between CSR and financial performance. The responses from the survey further support this finding, showing that most culinary SME owners in Bali have demonstrated a strong sense of social responsibility. The majority of respondents scored highly on CSR practices such as using environmentally friendly packaging (e.g., recyclable materials), managing waste through proper separation of organic and inorganic waste, participating in local social activities (e.g., donations for religious ceremonies), employing local Balinese workers, and prioritizing raw materials from local producers. These socially responsible practices enhance the firms’ reputation, which in turn improves access to external financing at lower capital costs, thereby strengthening financial standing and ultimately enhancing financial performance.

From the Pecking Order Theory perspective, this result is highly relevant. The theory posits that a firm’s financing structure depends on the level of information asymmetry between internal parties (management) and external parties (investors or creditors). The implementation of CSR serves as a mechanism to reduce information asymmetry, as socially responsible practices signal transparency, accountability, and commitment to sustainability. Meanwhile, from the Resource-Based View (RBV) perspective, CSR is considered a form of reputational capital, an intangible resource that provides a sustainable competitive advantage. Effective CSR fosters a positive corporate image, customer loyalty, and harmonious relationships with stakeholders, which

collectively enhance the firm's ability to obtain financing more efficiently and strengthen its overall financial capacity.

These findings emphasize that the implementation of CSR not only has a direct positive impact on financial performance but also influences how firms manage their financing decisions. In other words, the more frequently CSR is implemented, the better the financing decisions made, ultimately leading to improved financial performance among culinary SMEs in Bali.

## **CONCLUSION**

Based on the findings and discussions presented, it can be concluded that organizational culture has a positive but not significant effect on financial performance, and it also shows no significant effect on financing decisions among culinary SMEs in Bali. Meanwhile, corporate social responsibility (CSR) has a positive and significant effect on both financial performance and financing decisions of culinary SMEs in Bali. Furthermore, financing decisions have a positive and significant effect on financial performance. Financing decisions do not mediate the relationship between organizational culture and financial performance; however, they partially mediate the relationship between CSR and financial performance. This means that CSR not only has a direct positive impact on financial performance but also indirectly affects it through financing decisions.

Based on these conclusions, several recommendations can be proposed. For culinary SME owners in Bali, it is suggested to integrate Balinese local cultural values such as *menyama braya* (togetherness and social harmony), *jengah* (positive competitive spirit), and *taksu* (sincerity and spiritual strength in work) into daily operations and work systems. Embedding these values is essential not merely as slogans but as a means to strengthen business identity, foster employee loyalty, and enhance organizational commitment. In terms of corporate social responsibility (CSR), SMEs are encouraged to implement socially responsible programs consistently, such as using locally sourced materials, managing food waste properly, and participating in community-based activities. Moreover, promoting social and environmental initiatives through social media is recommended to enhance public image and build stronger trust among consumers and investors. Regarding financing decisions, business owners are advised to be more selective in choosing sources of funds by considering the cost of capital, risk level, and repayment capacity. Regular evaluations of the capital structure are necessary to maintain a healthy balance between equity and debt. The adoption of digital financial recording applications can also help monitor cash flow and funding effectiveness. With respect to financial performance, SME owners are encouraged to participate in training and mentoring programs organized by local governments, cooperative agencies, and business incubators to improve financial literacy and analytical capabilities. Profits should ideally be reinvested in long-term investments, such as product development, market expansion, and business digitalization, to strengthen competitiveness and ensure sustainable growth.

For future research, the findings indicate that the financing decision variable was explained by only 13.5% of the variation in organizational culture and CSR, while the remaining variance is influenced by other factors. Similarly, financial performance was explained by 42.2% of the variables studied, leaving 57.8% influenced by external factors. Therefore, future studies are encouraged to include additional variables such as innovation, entrepreneurial orientation, financial literacy, business strategy, or external environmental factors. Expanding the research scope to other SME sectors or different

regional contexts is also recommended to obtain more comprehensive results. Furthermore, the use of a mixed-methods approach (quantitative and qualitative) is suggested to explore non-financial factors that may not be fully captured by quantitative models.

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