Moderating effect of social capital on community empowerment and economic well-being

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Abstract
Improving community economic well-being based on community empowerment plays an important role in rural development. This study aims to determine the ability of social enterprises in Indonesia (Village-Owned Enterprises/BUMDes) to improve the community's economic well-being through empowerment programs and the role of social capital in rural community development. At social conditions at the basic level, very little attention is paid to the development of deprived communities. Starting from the experience of rural community economic empowerment programs through the establishment of Village-Owned Enterprises (BUMDes) in Indonesia, this study will test three hypotheses: (1) whether there is an effect between community empowerment and the economic well-being of rural communities; (2) is there an effect between social capital and the economic well-being of rural communities; and (3) is the effect between community empowerment and economic well-being mediated by social capital? Multiple regression analysis is used to examine the effect between community empowerment and community economic well-being. This analysis highlights the central role of social capital in mediating the effect between community empowerment and economic well-being. Community empowerment is significantly related to social capital. These effects between social capital, community empowerment, and economic well-being apply to theories and measures of rural community empowerment.

Keywords: Economic well-being, Rural community, Social capital

JEL Classification: I38, M21, O18

INTRODUCTION
Social capital can be a useful concept for practitioners, researchers, and policymakers in bringing about the lost social sense. The most important feature of social capital is that trust, norms, and reciprocal effects arise from repeated and regular interactions limited by space and time in a community (Kay, 2005). In many communities, social capital with an interactional approach to community development can be a useful alternative (Bridger & Alter, 2006). In line with Theodori (2008), like society, the element of sustainable community development is social interaction. Therefore, the success of the rural community development process relies heavily on the willful actions of people in local meetings and social interactions to solve their local
problems, improve their quality of life, and shape their future. Trigillia (2001) states that social capital is an important aspect of local economic development.

Social capital is the ability of actors to benefit from relying on membership in social networks and other social structures (Portes, 1998). Meanwhile, according to Woolcock (1998), social capital is the level of social cohesion in society. It refers to the process between people building networks, norms, and social trust and facilitating coordination and cooperation. Fukuyama (1995) conceptualizes social capital as an informal norm that encourages mutually beneficial cooperation. Putnam (1993) defines social capital as a collection of horizontal associations between people that affect the productivity of local communities. Associations, including citizen engagement networks and social norms. Lang & Hornburg (1998) argue that social capital generally refers to mutual trust in society, norms, and networks that society can use to solve common problems. Putnam (2000) further suggests that social capital is a stock of social beliefs, networks, and values that people can take to improve their livelihoods and pursue common goals.

The concept of social capital needs to be understood in terms of systems and aspects of relations. Criticism of social capital originates from the understanding of the concept of social capital, which only focuses on aspects of relations as written by Harriss (2002). Esser (2007) has reminded that social capital also includes aspects of the system. It is possible because social capital as social relations, shared beliefs, and norms in development is about what the community knows and how people know, discuss, and build arguments (Berkes, 2009). Most of the work on social capital arguably focuses primarily on resources as capital but has demonstrated the importance of all kinds of social association in negotiating the ups and downs of daily life and with subjective assessments of well-being (Helliwell & Putnam, 2004).

Social capital is a social resource that can be seen as an investment in obtaining new resources in society. Therefore, social capital is believed to be one of the key components in mobilizing togetherness, mobility of ideas, mutual trust, and mutual benefit to achieve mutual progress, especially in the development of rural communities. Fukuyama (1999) states that social capital plays a very important role in the functioning and strengthening of society. On this basis, social capital can refer to norms or networks that allow people to take collective action (Fine & Lapavitsas, 2004). It should be remembered that social capital in question should not be separated from the capital in a literal economic sense and lose power relations (DeFilippis, 2001). Social capital is a condition that must be met to develop rural communities. So to evaluate the success of rural community development, social capital is considered a representation of the success of rural community development in improving the quality of life.

The empowerment of rural communities can be realized through active community participation facilitated by empowerment actors. The ultimate goal of the rural community empowerment process is to make community members independent to improve their family's standard of living and optimize their resources. According to Sarjiyanto (2017), in a broader sense, community empowerment is a process to facilitate and encourage people to position themselves proportionally and become the main actors in utilizing their strategic environment to achieve long-term sustainability. Empowerment is a value orientation for working in society and a theoretical for understanding the processes and consequences of efforts to control and influence decisions that affect a person's life, organizational functions, and the quality of people's lives (Zimmerman, 2000). Empowerment can have a different meaning in a given context in other contexts. In addition, as long as it can be developed in a study, it may
not be suitable for other contexts. It must be culturally appropriate to measure the increasing strength of community members (Hombrados-Mendieta & Gómez-Jacinto, 2001).

Community Empowerment is an effort to develop the potential and power of society by encouraging, motivating, and raising awareness of its potential and striving to develop it. Based on Zimmerman (2000), empowerment theory suggests ways to measure constructs in different contexts, study the empowerment process, and distinguish empowerment from other constructs, such as self-esteem, self-efficacy, or locus of control. A universal measure of empowerment may not be possible, but comparative research reveals that some empowerment indicators are more universal than others (Malhotra et al. 2002).

Labonte & Laverack (2001) define a capacity building as a form of increasing community empowerment and following up on issues related to community members. Community capacity has also been described as the combined influence of community commitments, resources, and skills, increasing community power and addressing local community problems. Civil society participation refers to society's individual and collective actions to identify and address local problems of concern to society (Peterson & Hughey, 2004). Butterfoss & Kegler (2002) explains that members' previous experiences with social problems will increase the level of commitment of each member.

The level of member participation varies in intensity, depending on the type of community coalition. Brakel et al. (2006) categorized these participants as active, occasional, and supportive community development programs. They suggest that flexible participation is needed when volunteering and working for social change in society. Cameron et al. (2010) observed that the core community group should consist of members committed to the same or similar problems and can solve problems, as in the organization of Village-Owned Enterprises (BUMDes). Meanwhile, Khwaja (2004) explains that organizational participation can be an important means of encouraging decision-makers to take community participation seriously and integrate their decisions according to community needs. Soler et al. (2014), the Participatory Empowerment Process has been relevant for the people involved: (a) it has made it possible to create a strong steering group; (b) better self-knowledge; (c) to identify evaluation tools and group activities; and finally, (d) provides visibility into the work being done and the forces behind community development projects.

Helping communities to gain expertise, confidence, and control over events and local development, as argued by Bebbington et al. (2006), is an example of community empowerment. Community empowerment is one of the advances most often associated with psychological and social development. It thus has become the center of attention for local development engagements and programs driven by local communities (Mansuri & Rao 2003). Abundant literature is available on community involvement and participation in rural studies (Mark 1998; David 1999; Ruth 2000; Jiggins 2007; Sally 2008; Berkhout et al. 2010; Steyaert & Beeton & Lynch. 2012), but the effect between community empowerment and social relations as a form of social capital is still limited to be investigated. Therefore, the empowerment process consists in recognizing the benefits that individuals and communities derive from the social interactions of community members in planning activities and decision-making operations, enhancing their abilities (Narayan & Shah 2000). This study is important to see whether there is a significant effect between community empowerment and its various dimensions on improving community well-being, especially on economic well-being in rural
communities as objects of empowerment.

Rural community development aims to improve well-being by strengthening communities consistent with the core principles: collective action, empowerment, social justice, participation, equality, anti-discrimination (Winterton et al., 2014). According to Mansari & Roa (2004), newer community-based development must be increased because it is the fastest-growing mechanism for assisting development. Community-driven development is an umbrella term for projects that actively involve community members in their design and management. And community-based development highlight community-driven development projects in which rural communities have direct control over key project decisions, as in the working mechanism of Village-Owned Enterprises (BUMDes). The success of rural community development, Gallardo (2015) provides a framework for the concept that economic development is often associated with two objectives: (1) creating jobs and wealth and (2) increasing community well-being. Community as a mechanism to address well-being at individual, social, and ecological rankings (Larson et al., 2015). Wiseman & Brasher (2008) states that people's well-being is a combination of social, economic, environmental, cultural, and political conditions identified by individuals and their communities as important for developing and fulfilling their potential well-being. Raphael et al. (2001) argued that the community well-being approach focuses on understanding community members about what makes them good or bad. Rural well-being directs attention to how the lives of individuals determine these indicators by considering whether and how basic human needs are met in society.

McCrea et al. (2014) rural communities strive to build prosperity and resilience in their local areas. The public well-being assessment aims to measure what is being experienced to take action in the public and social sectors and private partners to achieve the desired goals. However, since public well-being is a relatively new idea in social science, it still lacks a theoretical structure for explanatory purposes (Sung & Phillips, 2018). Well-being is also a double concept, depending on who uses the term (Gasper, 2010). Here, it is aligned with Atkinson (2013), who uses well-being to imagine the outcome of the complexity of effects. The countryside is often described as a homogeneous space, as reflected in the place-based policies enforced at the local-based level (Ray, 2000). At the same time, the indicators of well-being in the economic dimension are economic conditions based on data on; economic conditions, how adequate production and consumption are, business conditions, cost of living, income, and distribution (Attwood, 2013 and Musa et al., 2019).

Law No. 6/2014 on Villages provides legal protection for Village-Owned Enterprises as economic actors who manage the collective potential of villages to improve the well-being of village communities. Village-owned enterprises are one of the pillars of economic activity in the village that function as social and commercial institutions. Village-owned enterprises are social institutions that side with the community's interests by contributing to social services. Meanwhile, as a commercial institution, it aims to profit by offering local resources (goods and services) to the market (Law No. 32/2014). BUMDes can function as a mediator between community empowerment and individual change. With community empowerment through BUMDes in several villages in Indonesia, it is hoped to accelerate the improvement of rural communities' quality of life and well-being.

Empowerment is a process of increasing personal, interpersonal, or political power so that individuals, families, and communities can take action to improve their situation (Gutierrez, 1995). Community-based and grassroots organizations are
considered key actors in individual and collective efforts to change attitudes. One of the
organizations in rural areas to increase well-being and quality of life is Village-Owned
Enterprises (BUMDes). Indonesia has implemented a new approach to encourage and
drive the rural economy by establishing economic institutions managed by rural
communities through BUMDes. The notion of community empowerment, in all
formulas, has become an increasingly important component of urban and rural
development policies (Adamson 2010; Phillips et al., 2010). The term empowerment
becomes meaningful when the private agency impacts society (Soler et al., 2014).

Meanwhile, Dhesi (2000) social capital has become an important component of
many community development strategies. BUMDes that are successful are certainly
those that can forge synergistic cooperation both within and within its members,
including forging social effects outside the community. Following the concept of Dale
& Newman (2008), social capital is a necessary condition for realizing sustainable
community development because it increases ties that increase access to resources
outside the community. So based on this conception through this research, it will be
explored to what extent the role of social capital as a binder in rural communities,
empowerment as a capacity building process in rural communities, and its effect to the
level of community well-being as the goal of rural community development can be
achieved.

Community well-being has been linked to other policy objectives such as social
capital, community resilience, capacity, sustainability, and development (Dabson, 2011;
Goldenberg, 2008; Randall, 2010). Through this research, the economic well-being of
rural communities due to the economic development process through the Village-
Owned Enterprises (BUMDes) program will be linked to community empowerment and
social capital. So in this study, three research hypotheses will be answered and will be
statistically tested to see the effect of the variables and the theoretical implications for
the rural community development. The three hypotheses are compiled based on
problems and empirical considerations as well as in-depth theoretical studies, namely:

Hypothesis 1: Community empowerment has a positive effect on the economic well-
being of the community

Hypothesis 2: Social capital has a positive effect on the economic well-being of the
community

Hypothesis 3: Social capital moderates the effect of community empowerment on
community well-being

Based on the theoretical background and research hypothesis, the conceptual
research can be described in Figure 1.

Graph 1. The conceptual research
METHODS

Data collection, sampling techniques, and samples

Data collection was carried out by survey using a questionnaire. The sample in this research is BUMDes management in industrial areas and rural areas. The sampling technique used purposive sampling. Members of the population who can meet the requirements determined by the researcher, who have been active members or administrators for more than three years and are willing to be the sample, will be selected as samples in the study. The distribution of the samples in this study came from 6 districts across provinces, namely Central Java and East Java. Of the six districts the sample originates, 3 BUMDes represent industrial areas, and 3 BUMDes represent rural areas. From 300 questionnaires distributed to respondents, 249 respondents gave complete and feasible answers for data analysis. Thus, the response rate in this study was 83%.

Variable measurement

To measure each variable, set indicators through a list of questions that respondents must answer using a Likert scale (1-7). The Social Capital variable uses a contour that has been built by Onyx & Bullen (2000) by looking at indicators; participation in the local community (sc1), proactivity in a social context (sc2), feeling of trust and safety (sc3), neighborhood connection (sc4), tolerance of diversity (sc5), and value of life (sc6) to measure social capital in the community. The Community Empowerment variable uses the constructs of Ahmad & Talib (2014) and Soler et al. (2014) by looking at indicators; community capacity building (ce1), community participation (ce2), community access to information (ce3), community identity (ce4), community knowledge (ce5), and community organization (ce6). Meanwhile, the community well-being variable in this study is focused on economic well-being using the construct of Musa et al. (2019) by measuring indicators in the subjective well-being dimension, namely; family income (cwb1), cost of living (cwb2), residents income gap (cwb3), accessibility (cwb4), access to job /employment (cwb5), business activity (cwb6).

Data analysis

Descriptive analysis is used to analyze data to describe or describe the data that has been collected. Of the 249 respondents participating in the survey, 69% were male, and 31% were female. Based on education level, the majority of graduates from elementary to junior high school (47.6%), followed by middle and above level (43%) and tertiary education (5.6%). It was furthermore tested the validity, reliability, and hypothesis testing. The validity test was carried out by factor analysis using the KMO approach, the Measure of Sampling Adequacy, and the anti-image correlation value. At the same time, the reliability test is measured by looking at the Cronbach's Alpha value. Hypothesis testing in this study was carried out using hierarchical regression analysis techniques to determine whether to reject or accept the proposed hypothesis. Hierarchical regression analysis is used to examine the effect of community empowerment and social capital on community well-being and then examine the effect of the interaction between community empowerment and social capital on community well-being. The hierarchical regression formula in this study is as follows:
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 \ast X_2) + \epsilon \]

Notes:
- \( Y \) = community well-being
- \( X_1 \) = community empowerment
- \( X_2 \) = social capital
- \( \beta_0 \) = Intercept
- \( \beta_1, \beta_2, \beta_3 \) = coefficient of each variable
- \( \epsilon \) = Random Error

RESULTS AND DISCUSSION

The validity test in this study was carried out by factor analysis using the KMO approach, Measure of Sampling Adequacy, and anti-image correlation values. The validity test shows that all indicators in the variables in this study are declared valid and worthy to be continued in the next analysis.

Based on Table 1 shows that the KMO MSA value is 0.739 (> 0.5) with a significance level of 0.000, so it can be concluded that the variables in the study as a whole are declared valid. Meanwhile, the anti-image correlation matrix presents the correlation between indicators in the variables used.

Table 1. Value of KMO MSA, Chi-Square, Degree of Freedom, and Level of Significance

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .739 |
| Bartlett's Test of Sphericity | Approx. Chi-Square |
| | 3681.473 |
| df | 153 |
| Sig. | .000 |

Meanwhile, Table 2 shows that the correlation value between indicators in the variable shows the value that meets the minimum criteria for the KMO MSA value of 0.5. Thus all indicators in the variables in this study were declared valid.

Table 2. Anti Image Correlation

<table>
<thead>
<tr>
<th>cwb1</th>
<th>cwb2</th>
<th>cwb3</th>
<th>cwb4</th>
<th>cwb5</th>
<th>cwb6</th>
</tr>
</thead>
<tbody>
<tr>
<td>ce1</td>
<td>.795</td>
<td>-.562</td>
<td>-.232</td>
<td>-.098</td>
<td>.125</td>
</tr>
<tr>
<td>ce2</td>
<td>-.562</td>
<td>.758</td>
<td>-.201</td>
<td>-.280</td>
<td>-.193</td>
</tr>
<tr>
<td>ce3</td>
<td>-.232</td>
<td>-.201</td>
<td>.804</td>
<td>-.212</td>
<td>-.021</td>
</tr>
<tr>
<td>ce4</td>
<td>-.098</td>
<td>-.280</td>
<td>-.212</td>
<td>.761</td>
<td>-.342</td>
</tr>
<tr>
<td>ce5</td>
<td>.125</td>
<td>-.193</td>
<td>-.021</td>
<td>-.342</td>
<td>-.681</td>
</tr>
<tr>
<td>ce6</td>
<td>-.242</td>
<td>.291</td>
<td>-.407</td>
<td>-.017</td>
<td>-.185</td>
</tr>
<tr>
<td>sc1</td>
<td>.029</td>
<td>-.185</td>
<td>.499</td>
<td>-.024</td>
<td>.505</td>
</tr>
<tr>
<td>sc2</td>
<td>-.088</td>
<td>.145</td>
<td>-.091</td>
<td>.054</td>
<td>-.329</td>
</tr>
<tr>
<td>sc3</td>
<td>-.223</td>
<td>.133</td>
<td>-.324</td>
<td>-.266</td>
<td>-.198</td>
</tr>
<tr>
<td>sc4</td>
<td>.085</td>
<td>-.005</td>
<td>.047</td>
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<td>.349</td>
</tr>
<tr>
<td>sc5</td>
<td>.052</td>
<td>.422</td>
<td>-.003</td>
<td>.181</td>
<td>-.307</td>
</tr>
<tr>
<td>sc6</td>
<td>.241</td>
<td>-.120</td>
<td>.253</td>
<td>-.082</td>
<td>-.097</td>
</tr>
<tr>
<td>cwb1</td>
<td>-.257</td>
<td>.083</td>
<td>.129</td>
<td>.247</td>
<td>-.036</td>
</tr>
<tr>
<td>cwb2</td>
<td>-.089</td>
<td>.144</td>
<td>.094</td>
<td>.054</td>
<td>-.074</td>
</tr>
<tr>
<td>cwb3</td>
<td>.099</td>
<td>.085</td>
<td>-.167</td>
<td>-.050</td>
<td>-.016</td>
</tr>
<tr>
<td>cwb4</td>
<td>.083</td>
<td>.134</td>
<td>-.028</td>
<td>-.234</td>
<td>-.050</td>
</tr>
<tr>
<td>cwb5</td>
<td>-.105</td>
<td>.016</td>
<td>.102</td>
<td>.165</td>
<td>-.244</td>
</tr>
<tr>
<td>cwb6</td>
<td>.164</td>
<td>-.029</td>
<td>-.046</td>
<td>-.108</td>
<td>.200</td>
</tr>
</tbody>
</table>

As for the reliability test in the study using the Cronbach Alpha value, Cronbach’s Alpha value of 0.712 (> 0.6) indicates that the indicators used in the variables in this study are declared reliable, as in Table 3. Thus, the data collected from this study is suitable for processing at a later stage.
The next stage is data analysis in this study using multiple regression analysis. The results of multiple regression analysis are presented in Table 4.

Table 4. Results of data analysis with multiple regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff. (β)</td>
<td>t- stat</td>
</tr>
<tr>
<td>Constanta</td>
<td>0.334</td>
<td>4.122</td>
</tr>
<tr>
<td>Community Empowerment (CE)</td>
<td>0.920</td>
<td>44.634</td>
</tr>
<tr>
<td>Social Capital (SC)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CE → SC</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R²</td>
<td>0.890</td>
<td></td>
</tr>
</tbody>
</table>

*Dependent Variable: Community Well Being
*Significant level 0.01

The results of data analysis using multiple linear regression indicate that community empowerment has a positive effect on community well-being (0.920; 44.634). These findings support hypothesis 1, which proposes that community empowerment positively affects the community's economic well-being. Social Capital also positively affects community well-being (0.728; 6.519). This finding clouded hypothesis 2 that social capital has a positive effect on the economic well-being of society. In connection with the role of social capital as moderator, in this study, there was no moderating effect of social capital in adhering to community empowerment in community well-being (-0.018; -0.694). This finding does not support hypothesis 3, which is proposed that social capital moderates the influence of community empowerment on community well-being.

This study attempts to better understand rural development, the role of social capital in the community empowerment process, and its impact on community well-being. This study examines the contribution of social capital and empowerment to community well-being in rural community development. By selecting participants from community members who are already members of one of the community empowerment programs through BUMDes, this study finds several findings that expand the literature on rural development, particularly those related to empowerment and the role of social capital in rural community development. This study found that community empowerment affects the level of well-being. These results support the hypothesis that empowerment has a positive effect on the economic well-being of society. These results are consistent with research conducted by Theodori (2005), which found that community development is the concept of community interaction which can be seen as a process of building, strengthening, and maintaining community unity within the framework of empowerment. This meeting supports the concept of Green & Haines (2002) and Phillips & Pittman (2009) that community development is a planned effort to generate assets through increasing the capacity of communities to improve their well-being. These assets include several forms of public capital: physical, financial, environmental, human, and social.

Regarding the role of social capital, this study shows that social capital positively and significantly affects the well-being of society in rural community development.
These results support the hypothesis that social capital positively affects community well-being. In other words, the effect of collectivism and high social cohesion strengthens community well-being in the development of rural communities. High collectivist culture is characterized by strong ties and social interactions within a group. This culture means that group interests are above personal interests, and common goals are considered more important than individual achievement.

Meanwhile, the findings of this study state that social capital does not moderate the effect between community empowerment and community well-being in rural community development. This condition results in an orientation to the role of social capital as an active empowerment partner that contributes to prosperity. The addition of social capital strengthens the ability to explain community well-being.

In general, this study proves that together the aspects of empowerment and social capital affect community well-being in the rural community development. This study shows that social capital positively and significantly affects community well-being but does not moderate the effect between empowerment and well-being in rural community development. This finding confirms the concept of the role of social capital in development by DeFilippis (2001) that social capital should not be separated from the capital in a literal economic sense and lose power relations. Social capital must be inspired by the assumption that social networks are mutually beneficial because individuals' benefits, interests, and benefits are identical to those of groups. Strong social capital, organizations, or community groups can more easily determine what they want to do and how to manage other capital needs. Social capital cannot replace the more significant forms of capital, but it can help. The findings of this study are also in line with Labonte's (1999) study. Social capital and community development are many national interventions used to prevent market imbalances.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Improving community economic welfare based on community empowerment plays an important role in rural development. Departing from the experience of rural community economic empowerment programs through the establishment of Village Owned Enterprises (BUMDes) in Indonesia, multiple regression analysis was used to examine the effect of community empowerment on community economic welfare. The results of data analysis using multiple linear regression indicate that community empowerment has a positive effect on community welfare. This finding supports the theory that community empowerment positively affects the community's economic welfare. Social Capital also has a positive effect on people's welfare. This finding hypothesizes that social capital positively affects the community's economic welfare. Regarding the role of social capital as a moderator, in this study, there was no moderating effect of social capital in participating in community empowerment in community welfare. This finding does not support the proposed hypothesis that social capital moderates the effect of community empowerment on people's welfare.

Community empowerment is closely related to social capital. The effect between social capital, community empowerment, and economic well-being applies to theories and measures of rural community empowerment. This study tries to better understand...
rural development, the role of social capital in community empowerment, and community welfare. This study examines the contribution of social capital and empowerment to community welfare in rural community development. This study finds several findings that need to be developed regarding rural development, especially those related to empowerment and the role of social capital in the development of rural communities. This study found that community empowerment affected the level of welfare.

This research proves that together the aspects of empowerment and social capital affect the community's welfare in the development of rural communities. This study shows that social capital has a positive and significant effect on community welfare but does not moderate the influence between empowerment and welfare in rural community development. The findings of this study also prove that social capital and community development are among the many national interventions used to prevent market balance. Social capital can be a separate independent variable useful for practitioners, researchers, and policy makers and a sense of lost community.

Recommendations

Based on the study results, the role of social capital does not provide a moderating effect between economic welfare and community empowerment. However, partially and simultaneously, the role of social capital and community empowerment positively affects the community's economic welfare. So the recommendations from this study are; every empowerment program that is carried out aims to improve economic welfare and the need to empower non-economically, such as social capital in the community. Together, social capital can maintain the purpose of community empowerment programs, which ultimately is to increase economic and social welfare sustainability.

So that although the role of social capital does not directly affect economic welfare, the presence of social capital is very much needed in every community empowerment agenda. Further researchers need to conduct in-depth studies on the relationship of social capital, community empowerment, and economic welfare with qualitative and quantitative approaches.

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Law Number 32 of 2004 on Local Government in Article 213 paragraph (1) states that "The village can establish village owned enterprises in accordance with the needs and potential of the village".

Law Number 6 of 2014 about Indonesia Villages.


Winterton, R., Hulme Chambers, A., Farmer, J., & Munoz, S.-A. (2014). considering the implications of place-based approaches for improving rural community well-

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