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. Communitydriven 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.

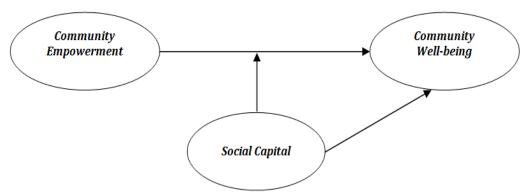
Community well-being has been linked to other policy objectives such as social capital, community resilience, capacity, sustainability, and development (Dabson, 2011; Goldenberg, 2008; Randall, 2010). Through this research, the economic well-being of rural communities due to the economic development 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:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 * X_2) + e$$

Notes:

Y = community well-being X1 = community empowerment

X2 = social capital $\beta 0$ = Intercept

 β 1, β 2, β 3 = coefficient of each variable

 $\varepsilon = Random Error$

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 Sai	.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

	ce1	ce2	ce3	ce4	ce5	себ	sc1	sc2 sc3	sc4	sc5	sc6	cwb1	cwb2	cwb3	cwb4	cwb5 cwb6
ce1	.759 ^a	562	232	098	.125	242	.029	088223	.085	.052	.241	257	089	.099	.083	105 .164
ce2	562	.758°	201	280	193	.291	185	.145 .133	005	.042	120	083	144	.085	.134	016029
ce3	232	201	$.804^{a}$	212	021	407	.149	091324	.047	.003	.253	.129	.094	167	028	.102046
ce4	098	280	212	.761 ^a	342	017	024	.054 .266	431	.181	082	.247	.059	050	234	.165108
ce5	.125	193	021	342	.681a	185	.050	329198	.349	307	.097	036	.074	016	.050	244 .200
ce6	242	.291	407	017	185	.578a	276	011 .325	.008	025	432	.190	.010	.036	.081	.042228
sc1	.029	185	.149	024	.050	276	.702ª	286155	.097	.008	.119	360	.058	064	026	025 .186
sc2	088	.145	091	.054	329	011	286	.741 ^a .183	258	.082	144	022	.131	005	115	.008049
sc3	223	.133	324	.266	198	.325	155	.183 .598a	639	.133	475	.229	.052	076	.116	.062157
sc4	.085	005	.047	431	.349	.008	.097	258639	.596ª	462	.099	018	173	.129	108	094 .125
sc5	.052	.042	.003	.181	307	025	.008	.082 .133	462	.799ª	407	195	006	.064	020	134 .126
sc6	.241	120	.253	082	.097	432	.119	144475	.099	407	.717 ^a	361	.277	133	.231	.089039
cwb1	257	083	.129	.247	036	.190	360	022 .229	018	195	361	.587ª	292	.030	151	.147172
cwb2	089	144	.094	.059	.074	.010	.058	.131 .052	173	006	.277	292	.766a	358	.075	087 .024
cwb3	.099	.085	167	050	016	.036	064	005076	.129	.064	133	.030	358	.851 ^a	227	143353
cwb4	.083	.134	028	234	.050	.081	026	115 .116	108	020	.231	151	.075	227	.871ª	258182
cwb5	105	016	.102	.165	244	.042	025	.008 .062	094	134	.089	.147	087	143	258	.815 ^a 518
cwb6	.164	029	046	108	.200	228	.186	049157	.125	.126	039	172	.024	353	182	518 .783ª

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.

Table 3. Reliability test results

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.712	.723	18

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

Variable	I	Model 1		Model 2			
v arrable	Coeff. (β)	t- stat	Sig.	Coeff. (β)	t- stat.	Sig.	
Constanta	0.334	4.122	0.000*	-0.205	-0.511	0.610	
Community Empowerment (CE)	0.920	44.634	0.000*	0.404	3.911	*0000	
Social Capital (SC)	-	-	-	0.728	6.519	*0000	
CE →SC	-	-	-	-0.018	-0.694	0.488	
R^2		0.890			0.956	_	

Dependent Variable: Community Well Being

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 wellbeing. 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 wellbeing. 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.

^{*)} Significant level 0,01

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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