**The Impact of Typology Capital on Community Empowerment Programs: Evidence from Rural Development in Indonesia**

**The Role of Working Capital, Social Capital, and Psychological Capital for Community Empowerment Programs**

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**Abstract**

The transition from an antique paradigm, where society was merely viewed as the object of development, to a new approach emphasizing community involvement and collaboration with local institutions highlights the significance of empowering and enriching societal quality. This evolution towards community empowerment is paramount for positive societal development in Indonesia, necessitating active participation from the community to attain the desired objectives. This study endeavors to ascertain the correlation between working capital, social capital, and psychological capital in community empowerment programs, as well as to discern which capital plays a more substantial role in empowering the community in Karangasem village. Utilizing a quantitative method, data was collected through questionnaires from 255 community beneficiaries of the empowerment program in Karangasem Village, Sukoharjo, Central Java, Indonesia. Structural Equation Modelling (SEM) was employed for analysis. The research indicates that various forms of working, social, and psychological capital significantly influence community empowerment programs. Working capital emerges as the most influential, with a noteworthy 78% significance, indicating its pivotal role in program implementation. Effective management and allocation of funds are imperative for capital utilization. Social capital, particularly networks, is vital in fostering community empowerment by enhancing internal and external connections. Psychological capital, characterized by optimism, fuels community engagement and commitment to empowerment initiatives, underscoring the importance of internal motivation in program success. These findings may serve as a basis for governmental and empowerment program managers to formulate policies to enhance community welfare.

**Keywords:** Working capital, Social Capital, Psychological Capital, Community Empowerment, Rural Development

**JEL Classification: O1; O18; O21; O34**

**Introduction**

The developmental disparity between rural and urban regions persists in Indonesia. From 2007 and 2018, urban residents witnessed incomes 1.7 times higher than the average earnings of rural residents. Significant income disparities present a potential risk to a nation's long-term development sustainability (Andari, 2020). The primary objective of rural development initiatives is to address national inequality by assessing the specific needs of village communities. This includes enhancing the accessibility to and quality of essential services, infrastructure, and environmental upkeep, leveraging local technical expertise and available resources.

Moreover, it involves fostering a sustainable agricultural economy on a manageable scale, adopting suitable technologies for economic advancement, and enhancing the overall peace and stability within the village community in accordance with its requirements (Yudha et al., 2020). In an effort to address the disparity problem, the Indonesian government has implemented community empowerment programs in rural areas. This initiative is perceived as a solution to bolster the local economy, wherein local governments and village communities collaborate in managing village potentials to boost rural economies (Rustiadi & Nasution, 2017; van Leeuwen & Földvári, 2016). The traditional approach to development programs views society as passive recipients rather than active participants, leading to limited involvement in development efforts.

In contrast, the emerging paradigm prioritizes community engagement and collaboration with local institutions (Sarjiyanto et al., 2022). The community plays a central role in realizing development, emphasizing the importance of enhancing empowered or capable communities, supported by (Archibald et al., 2016). Hence, community empowerment exerts a beneficial influence on community development (Sarjiyanto, Nugroho & Supriyadi, 2017). The community needs to participate adequately in order to achieve the required agenda, and these programs will lead to the evolution of regional development in Indonesia (Sarjiyanto et al., 2022).

In the societal context, empowerment denotes the ability of individuals to unite as a community to nurture collective empowerment. Community empowerment serves as a fundamental component enabling communities to adapt to dynamic changes, strive for self-development, and attain progress (Rachmawatie et al., 2021). Community empowerment is the government's effort to reduce the gap between community groups in order to solve socio-economic problems sustainably. The endeavor seeks to ameliorate societal conditions resulting from poverty, with the primary objective of empowering individuals to autonomously address a spectrum of challenges, thereby enhancing overall welfare (Surya et al., 2021). (Kurniawan & Cahyono (2020) support the idea that empowerment is vital for community development, as it allows communities to participate and augment their abilities to keep up with developmental progress.

To measure community empowerment, it can be evident through the presence of working capital, social capital, human capital, and technological capital (Yuliarmi, 2020). Working capital is the ownership of total assets in each period, and the working capital indicator is related to funding, such as capital, cash, inventory, receivables, and other assets (Kasmir, 2015). On the other hand, aligned with evolving perspectives on development, success is no longer solely contingent upon financial capital availability but also heavily influenced by other forms of development capital. This includes social capital, which manifests as social and economic networks within a society, facilitating mutually beneficial interactions among individuals and groups (Badaruddin et al., 2018). According to Alejandro Portes (2000), social capital is the ability to rely on its members in social networks and other structures or social interactions. Indicators of social capital are networks, norms, and trust. We also argue that psychological capital is crucial to the organization’s success. Psychological capital is an internal approach to optimizing an individual's potential with indicators of self-efficacy, optimism, hope, and resilience (Bakker, 2009). It also refers to the individual traits and qualities that facilitate the expression of positive resources and talents (Santisi et al., 2020). Hubscher-Davidson (2020) states that it has been linked to the psychology of sustainability owing to its capacity to bolster well-being within organizations and promote individuals' health and performance. Consequently, this study aims to examine the impact of working, social, and psychological capital on enhancing empowerment programs.

The village development, as the smallest unit of government, stands as the cornerstone of regional and national progress. Consequently, there exists a pressing necessity for comprehensive research and analysis to discern, address, and enact solutions for village development through community empowerment. This entails enhancing motivation, mental attitudes, and socio-economic interactions, as well as tapping into community resources and potential to foster openness and harmonization (Sulaiman et al., 2022). The Indonesian government has introduced a development strategy focused on giving villages more control, as seen in the passing of Law Number 6 of 2014 about villages. This makes the obligation of the village government to facilitate the empowerment of the local community. The objective of this legislation is to bolster rural communities by enhancing their knowledge, skills, and resources through a range of policies, programs, and support mechanisms. Its overarching aim is to foster societal autonomy across economic, social, cultural, and political spheres. These endeavors are tailored to address the foundational needs of villagers, with the overarching goal of expediting their developmental aspirations (Badaruddin et al., 2018). This policy is grounded in the premise that village communities possess an inherent understanding of their interests. By granting them the authority to determine the allocation of development aid, the program may yield superior outcomes. Over the long term, this empowerment could enhance their social capital, thereby facilitating economic development (Nguyen & Rieger, 2017). It also substantiates the notion that the community functions not merely as a passive recipient of development initiatives, but rather as an engaged participant in development processes. The community demonstrates agency by harnessing the resources inherent to the village, complemented by the infrastructure and services facilitated by governmental support.

The government and the community should work together to increase development by making the village develop by utilizing the village’s potential. Many efforts have been made to increase development by empowering village communities, such as villages are given the authority to form Village-Owned Enterprises (BUMDes), the Empowerment and Family Welfare (*Pemberdayaan dan Kesejahteraan Keluarga/PKK*) which focus on woman empowerment, the Integrated Service Centre (*Pos Pelayanan Terpadu/Posyandu*), and the Islamic Study Group (*Kelompok Pengajian*) and Youth Organization (*Karang Taruna*) to enhancing village development (Aritenang, 2021).

A previous study conducted by Mulema et al., (2021) argues that the empowerment of women requires an approach that enhances their capacity to discern and systematically manage interactions among resources, thereby fostering their influence and autonomy. The research, focusing on the empowerment of rural women through agricultural initiatives in Ethiopia, revealed that the provision of financial capital, whether in cash or in kind and allocated under women's names, augment their capacity to negotiate and assert independence. Consequently, this facilitates opportunities for collective endeavors and reinvestment in diverse research endeavors aimed at enhancing their well-being. Specifically, the interplay between social, human, and financial capital serves as a pivotal starting point for the empowerment of rural women in Ethiopia. Fahmi & Sari (2020) emphasize the importance of financial resources in improving life satisfaction, as exemplified in Kalibu.

Falah et al., (2022) found that the cultivation of social capital within a community can bolster its resilience and empowerment within society, facilitating the attainment of collective community objectives in Bandung. Rudito et al., (2023) also revealed that social capital plays a pivotal role in enhancing the effectiveness of corporate social responsibility (CSR) initiatives aimed at fostering community empowerment in developing nations. They argue that income not only enhances individual well-being but also cultivates social empathy within the village. Ramón-Hidalgo et al., (2018) found that individuals in Ghana involved in Community Based Natural Resource Management (CBNRM) who have greater access to social capital tend to report higher levels of empowerment. Social capital is an important aspect in empowering communities. Strengthening internal bonds and identities, fostering connections between diverse communities, and equipping them with the requisite skills and resources to engage effectively with external stakeholders are imperative endeavors. This approach facilitates the pursuit of autonomous objectives rather than solely reacting to external interventions (Edwards, 2019). According to Roa & Sanusi (2018), considering tangible factors such as physical, human, social, financial, and environmental capital, alongside intangible factors like motivation, trust, and mentoring, empowerment can be heightened, thus impacting the overall welfare of the community.

On the other hand, Haji et al., (2022) indicates a strong correlation between psychological capital and empowerment, suggesting that heightened levels of psychological capital coincide with increased emotional empowerment. Individuals exhibiting elevated psychological capital and empowerment demonstrate a propensity to confront challenges and persevere in tasks within their capacity, traits commonly associated with successful entrepreneurs. Additionally, to date, there has been no investigation into the combined effects of working capital, social capital, and psychological capital on community empowerment. Thus, there exists a compelling necessity for further elucidation of this interrelation. Previous scholarly inquiries predominantly relied on qualitative methodologies to tackle this matter. Our study endeavors to offer an innovative contribution by employing a quantitative approach.

In the administration of empowerment initiatives, challenges such as insufficient funding and limited resources frequently emerge. These factors contribute to a diminished impetus within communities to propel local development efforts forward. Research conducted in the Sidoarjo regency highlighted a conspicuous dearth of community engagement within the BUMDes program. This lack of participation stemmed primarily from inadequate outreach efforts by BUMDes administrators to disseminate information about the program among community members. (Zhafira & Choiriyah, 2022). The same issue is also faced by BUMDes in Siak Regency, in the development of BUMDes Rempak Maju Jaya, confronting the low capacity and competency of managing human resources that still lack of experience and entrepreneurial spirit, which has an impact on the stagnation of BUMDes business units (Jaya & Rafi, 2019). On the contrary, data acquired through interviews with BUMDes administrators in Kalikajar, Wonosobo, reveals that the village-owned enterprises (BUMDes) in Kalikajar are also facing operational inefficiencies stemming from inadequate capacity in managing funds and providing direction to the local community. Despite encountering myriad challenges in the development of village-owned enterprises (BUMDes) across diverse regions due to a dearth of knowledge, the proliferation of BUMDes in Indonesia has shown a consistent annual increase.

Sukoharjo Regency is situated in the Central Java Province of Indonesia. According to the Ministry of Villages in Indonesia, 94 legally established village-owned enterprises (BUMDes) are distributed across 70 villages. Nonetheless, several villages still lack such enterprises (BUMDes). Karangasem Village, located in Sukoharjo Regency, has become a tourist destination due to its abundant natural resources. Moreover, the village actively participates in the Family Welfare Empowerment program (PKK). The PKK Mobilization Team in Karangasem Village endeavors to enhance its competencies and contribute to the village's developmental objectives. This indicates that the community in Karangasem Village is empowered and mobilized towards the development of empowerment initiatives, notably through BUMDes and PKK, as endeavors to bolster the local economy.

Drawing from the aforementioned background, this study aims to examine the role of capital (namely, working capital, social capital, and psychological capital) in fostering community empowerment in Karangasem Village, Sukoharjo Regency. In accordance with this objective, three hypotheses are formulated: firstly, working capital significantly influences community empowerment; secondly, social capital plays a significant role in community empowerment; and thirdly, psychological capital significantly contributes to community empowerment. The Structural Equation Modeling-Partial Least Squares (SEM-PLS) technique is employed to analyze the data, revealing that working, social, and psychological capital exert notable effects on community empowerment endeavors. Particularly noteworthy is the significant impact of working capital, evidenced by its remarkable 78% significance level, underscoring its pivotal role in facilitating program implementation. These findings carry implications for governmental bodies and program administrators engaged in empowerment initiatives, offering insights to inform policy endeavors aimed at advancing community well-being. Subsequent sections of this paper will be organized as follows: Section 2 will delineate the research methodology, Section 3 will present and deliberate upon the findings, and lastly, Section 4 will furnish conclusions.

**Research Method**

The main objective of this research is to examine the influence of working capital, social capital, and psychological capital on community empowerment and to identify which capital has the most significant impact on community empowerment. This study will take place in Karangasem Village, Sukoharjo, Central Java, Indonesia, involving a survey of 255 residents, including 15 members of village-owned enterprises (BUMDES), 45 members of tourism management groups, 120 village youths, and 75 members of the Family Welfare Movement (PKK). The research sample was selected using the purposive sampling method. Data analysis will be conducted using the Partial Least Square Structural Equation Modelling (SEM-PLS) method. Partial Least Square (PLS) is a type of component-based SEM with formative and reflective model construct properties. PLS is a powerful analysis technique that can be applied to all data scales (Hair et al., 2014). The selection of SEM-PLS as a data analysis method is predicated upon the characteristics of the research object, the assumptions underpinning the model, and the advantages inherent in SEM, which enable the simultaneous testing of complex research models and the measurement of research variables that are not directly observable (unobserved variables). In addition, it can detect and calculate measurement errors (Ghozali & Latan, 2015). As for the analysis steps in Partial Least Square (PLS), three stages must be carried out, namely: 1) outer model analysis, 2) inner model analysis, and 3) hypothesis testing. The research variables consist of the dependent variable, community empowerment, and independent variables, namely working capital, social capital, and psychological capital, with their definitions and indicators shown in Table 1.

**Table 1** Variable’s Definition and Indicators

|  |  |  |
| --- | --- | --- |
| Variable | Definitions | Indicators |
| Community Empowerment | Community empowerment is a deliberate effort to facilitate local communities in planning, decision-making, and managing their local resources through collective action and networking, ultimately enabling them to achieve economic, ecological, and social self-reliance. | Capacity development, Participation, Freedom of Information, Community Identity, Local Knowledge, and Community Organization (Sarjiyanto et al., 2023; Soler Maso et al., 2014) |
| Working Capital | Working capital is investments made in current or short-term assets, such as cash, bank deposits, securities, accounts receivable, inventory, and other current assets. | Gross Working Capital, Cash, Capital, Receivables, and Inventory (Kasmir, 2015) |
| Social Capital | Social capital describes the interaction process among individuals who build networks, norms, and social trust and facilitate coordination and collaboration for mutual benefit. | Local reciprocity, Self-empowerment, Openness, Mutual respect, Heterogeneous relationships, Environmental trust, and Environmental solidarity (Alejandro Portes, 2000; Onyx & Bullen, 2000) |
| Psychological Capital | Psychological capital is a component of positive psychology possessed by every individual that serves to aid them in personal growth through self-efficacy, hope, optimism, and resilience within themselves. | Self-confidence, Hope, Optimism, Resilience (Bakker, 2009; Luthans et al., 2007; Syuhada, 2020) |

Based on the research background and objectives, hypotheses for this study can be formulated as follows:

*Hypothesis 1: Working capital has a significant influence on community empowerment in Karangasem Village.*

*Hypothesis 2: Social capital has a significant influence on community empowerment in Karangasem Village.*

*Hypothesis 3: Psychological capital has a significant influence on community empowerment in Karangasem Village.*

**Result and Discussion**

The research conducted in Karangasem Village with 255 respondents, as shown in Table 2, reveals that the number of female respondents is higher 74%, compared to male respondents, which is only 26%. The respondents' ages in this study are predominantly in the range of 31-80 years, constituting 60%. The majority of respondents in this study come from a high school educational background, accounting for 54%.

**Table 2** Demographic Characteristics of Respondents

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristic | Level | Frequency | Percentage |
| Gender | Male | 66 | 26% |
|  | Female | 189 | 74% |
| Age | 15-20 | 60 | 24% |
|  | 21-30 | 42 | 16% |
|  | 31-80 | 153 | 60% |
| Formal Education | Primary | 39 | 15% |
|  | Secondary | 30 | 12% |
|  | High School | 138 | 54% |
|  | Bachelor | 18 | 7% |
|  | Post-Graduate | 30 | 12% |
| Total |  | **255** | **100** |

Source: Author’s Calculation (2023).

After understanding the demographic distribution of the data, the hypothesis testing will be conducted using the SEM-PLS method with the analysis software Smart PLS 4. Next, we will conduct a model evaluation using two main types of model assessment. The first step, outer model testing, is performed to specify the relationship between latent variables and indicators, which involves validity testing conducted in two stages: convergent validity testing and discriminant validity testing.

**Table 3** The Result of the Convergent Validity Test

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Indicators | Outer Loading (O) | AVE\* | Description |
|  Working Capital | MK01 | 0.839 | 0.689 | Valid |
|  | MK02 | 0.861 |  |  |
|  | MK03 | 0.847 |  |  |
|  | MK04 | 0.835 |  |  |
|  | MK05 | 0.828 |  |  |
|  | MK06 | 0.766 |  |  |
|  | MK07 | 0.809 |  |  |
|  | MK08 | 0.810 |  |  |
|  | MK09 | 0.857 |  |  |
|  | MK10 | 0.870 |  |  |
|  | MK11 | 0.846 |  |  |
|  | MK12 | 0,709 |  |  |
| Social Capital | MS01 | 0,691 | 0,614 | Valid |
|  | MS02 | 0,745 |  |  |
|  | MS03 | 0.774 |  |  |
|  | MS04 | 0.787 |  |  |
|  | MS05 | 0.766 |  |  |
|  | MS07 | 0.699 |  |  |
|  | MS08 | 0.732 |  |  |
|  | MS09 | 0.784 |  |  |
|  | MS10 | 0,782 |  |  |
|  | MS11 | 0.837 |  |  |
|  | MS12 | 0.809 |  |  |
|  | MS13 | 0.797 |  |  |
|  | MS14 | 0.796 |  |  |
| Psychology Capital | MP01 | 0.747 | 0.666 | Valid |
|  | MP02 | 0.751 |  |  |
|  | MS03 | 0.814 |  |  |
|  | MP04 | 0.825 |  |  |
|  | MP05 | 0.784 |  |  |
|  | MP06 | 0.742 |  |  |
|  | MP07 | 0.854 |  |  |
|  | MP08 | 0.857 |  |  |
| Community Empowerment | PM01 | 0,660 | 0,608 | Valid |
|  | PM02 | 0,722 |  |  |
|  | PM03 | 0,785 |  |  |
|  | PM04 | 0,673 |  |  |
|  | PM05 | 0,748 |  |  |
|  | PM06 | 0,748 |  |  |
|  | PM07 | 0,647 |  |  |
|  | PM08 | 0,658 |  |  |
|  | PM09 | 0,837 |  |  |
|  | PM10 | 0,613 |  |  |
|  | PM11 | 0,721 |  |  |
|  | PM12 | 0,781 |  |  |
|  | PM13 | 0,582 |  |  |
|  | PM14 | 0,463 |  |  |

Indices: AVE = Average Variance Extracted\*

Source: Smart PLS Bootstrapping’s process (2023).

Table 3 shows the results of convergent validity testing, indicating outer loading values of research items >0.7, except for items MS01 with an outer model value of 0.691; MS07 with an outer model value of 0.699; PM01 with an outer model value of 0.660; PM04 with an outer value of 0.673; PM07 with an outer value of 0.647; PM08 with an outer value of 0.658; PM10 with an outer value of 0.613; PM13 with an outer value of 0.582; and PM14 with an outer value of 0.463. Thus, the mentioned items are considered invalid and are excluded from the testing. MK\_01 has an outer loading of 0.839, indicating that this item validly measures the working capital variable. The outer loading values for other items meet expectations with values >0.7. Therefore, the other items are considered valid. This indicates that these items can explain the constructs well. After assessing the loading factor values of research items, it is necessary to calculate the AVE value to continue the convergent validity test.(Hair et al., 2016), advised that the AVE should exceed 0.5, as an AVE below this threshold would suggest that more error remains in the items than the explained variance. The results shown in Table 3 indicate that the AVE values of all indicators are >0.05. Therefore, the variables in the above table can be considered valid. Therefore, it can be concluded that the data in this study statistically establish convergent validity. Next, we will conduct discriminant validity testing, starting by examining the cross-loading values in Table 4, which indicate that the cross-loading values of all items are > 0.70 for each construct or against their respective latent variables, higher than the correlation values between other constructs and latent variables.

**Table 4** Cross-Loading Value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Items | Working Capital | Social Capital | Psychology Capital | Community Empowerment |
| MK01 | 0,833 | 0,587 | 0,537 | 0,661 |
| MK02 | 0,865 | 0,628 | 0,526 | 0,680 |
| MK03 | 0,841 | 0,575 | 0,506 | 0,710 |
| MK04 | 0,845 | 0,607 | 0,579 | 0,690 |
| MK05 | 0,818 | 0,695 | 0,649 | 0,707 |
| MK06 | 0,772 | 0,650 | 0,623 | 0,702 |
| MK07 | 0,814 | 0,719 | 0,700 | 0,720 |
| MK08 | 0,824 | 0,588 | 0,584 | 0,696 |
| MK09 | 0,858 | 0,546 | 0,595 | 0,689 |
| MK10 | 0,876 | 0,597 | 0,666 | 0,721 |
| MK11 | 0,843 | 0,595 | 0,530 | 0,690 |
| MP03 | 0,708 | 0,714 | 0,812 | 0,725 |
| MP04 | 0,554 | 0,726 | 0,832 | 0,532 |
| MP05 | 0,463 | 0,565 | 0,811 | 0,489 |
| MP06 | 0,451 | 0,482 | 0,769 | 0,432 |
| MP07 | 0,612 | 0,703 | 0,873 | 0,526 |
| MP08 | 0,656 | 0,688 | 0,876 | 0,582 |
| MS03 | 0,625 | 0,759 | 0,660 | 0,571 |
| MS04 | 0,496 | 0,796 | 0,597 | 0,479 |
| MS05 | 0,465 | 0,761 | 0,632 | 0,494 |
| MS06 | 0,444 | 0,771 | 0,562 | 0,501 |
| MS09 | 0,596 | 0,786 | 0,580 | 0,601 |
| MS10 | 0,608 | 0,807 | 0,654 | 0,643 |
| MS11 | 0,686 | 0,852 | 0,644 | 0,628 |
| MS12 | 0,713 | 0,815 | 0,709 | 0,646 |
| MS13 | 0,528 | 0,824 | 0,674 | 0,567 |
| MS14 | 0,665 | 0,809 | 0,594 | 0,657 |
| PM02 | 0,642 | 0,527 | 0,549 | 0,748 |
| PM03 | 0,675 | 0,565 | 0,532 | 0,820 |
| PM05 | 0,637 | 0,599 | 0,549 | 0,763 |
| PM06 | 0,578 | 0,561 | 0,471 | 0,752 |
| PM09 | 0,665 | 0,608 | 0,509 | 0,846 |
| PM11 | 0,549 | 0,515 | 0,492 | 0,738 |
| PM12 | 0,776 | 0,613 | 0,586 | 0,787 |

Source: Smart PLS Bootstrapping’s process (2023).

Additionally, we confirmed the discriminant validity of the data using the Fornell and Larcker (1981) criterion. Bold values in Table 2, exceeding the off-diagonal values, indicate distinctions among latent constructs. The bold values correspond to the square roots of constructs’ AVEs, while off-diagonal values denote correlations among them. This demonstrates that discriminant validity is not an issue in our study. The specifics of the Fornell and Larcker criterion are outlined in Table 5.

**Table 5** Fornell-Lacker Value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  Variable | Working capital | Psychological Capital | Social Capital | Community Empowerment |
| Working capital | **0.836** |  |  |  |
| Psychological Capital | 0.783 | **0.816** |  |  |
| Social Capital | 0.768 | 0.815 | **0.784** |  |
| Community Empowerment | 0.835 | 0.754 | 0.748 | **0.780** |

Source: Smart PLS Bootstrapping’s process (2023).

**Table 6** Heterotrait-Monotrait Ratio (HTMT)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  Variable | Working Capital | Psychology Capital | Social Capital | Community Empowerment |
| Working capital |  |  |  |  |
| Psychological Capital | 0.848 |  |  |  |
| Social Capital | 0.798 | 0.892 |  |  |
| Community Empowerment | 0.896 | 0.843 | 0.807 |  |

Source: Smart PLS Bootstrapping’s process (2023).

We also assessed Discriminant validity using the Heterotrait-Monotrait Ratio (HTMT). According to Hair (2016) suggestion, the HTMT criterion should be standardized between 0 and 1 in PLS-SEM. Table 6 indicates that all HTMT values for each latent variable were below 1. In summary, the assessment of the measurement model reveals that reliability and validity are not problematic in our study.

**Table 7** Cronbach’s Alpha and Composite Reliability Value

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | Cronbach’s Alpha | Composite Reliability | Information |
| Working Capital | 0,957 | 0,957 | Reliable |
| Social Capital | 0,937 | 0,940 | Reliable |
| Psychology Capital | 0,910 | 925 | Reliable |
| Community Empowerment | 0,892 | 0,896 | Reliable |

Source: Smart PLS Bootstrapping’s process (2023).

Table 7 shows that the Cronbach's Alpha and Composite Reliability values ​​in this study range from 0.892 to 0.957. It can be concluded that working capital, social capital, psychological capital, and community empowerment are dependent and independent variables in this study and are reliable because Cronbach's Alpha and Composite Reliability values ​​are> 0.6 and 0.7.

**Table 8** Inner Variance Inflated Factor

|  |  |
| --- | --- |
|  | VIF |
| Working Capital -> Community Empowerment | 2,424 |
| Social Capital -> Community Empowerment | 3,23 |
| Psychological Capital -> Community Empowerment | 2,934 |

Source: Smart PLS Bootstrapping’s process (2023).

After the outer model testing is completed, we will proceed to conduct inner model testing, which is the next stage. Table 8 shows the estimation result that the inner VIF value is less than 5 points, which means that the multicollinearity level between variables is low. This outcome reinforces the robustness and unbiased nature of the parameter estimation in PLS-SEM.

**Table 9** R-Square Value (R2)

|  |  |  |
| --- | --- | --- |
| CONSTRUCT | R-square | Information |
| Community empowerment | 0.727 | strong observational validity |

Source: Smart PLS Bootstrapping’s process (2023).

Table 9 presents the R-squared values for the dependent variable of community empowerment. It shows that the R-square of the effective community empowerment variable is 0.727. It means that the community empowerment variable is 72% influenced by working capital, social capital, and psychological capital. In addition, the remaining 28% may be impacted by other factors. Table 10 displays a Q-Square score of 0.683, indicating that the model's Q-Square value exceeds 0. This suggests that the model exhibits strong observational validity.

**Table 10** Q-Square Value (Q2)

|  |  |  |  |
| --- | --- | --- | --- |
|   | Q-Square (Q²) | RMSE | MAE |
| Community empowerment | 0.683 | 0.581 | 0.459 |

Source: Smart PLS Bootstrapping’s process (2023).

**Table 11** F Square Value (F2)

|  |  |
| --- | --- |
| Variable | Community empowerment |
| Working capital | 0.609 |
| Social Capital | 0.068 |
| Psychological Capital | 0.044 |

Source: Smart PLS Bootstrapping’s process (2023).

Table 11 presents the F-square values, ranging from 0.609 to 0.044 in this study. The impact of working capital on community empowerment, with a value of 0.609, surpasses 0.35, indicating a significant influence. Meanwhile, the impacts of social capital and psychological capital on community empowerment, with values of 0.055 and 0.044, respectively, exceed 0.02 but are below 0.15, suggesting a relatively minor influence. Subsequently, we will conduct hypothesis testing, with the results shown in Figure 1. The results of SmartPLs bootstrapping are said to be influential if the T-Statistic is > 1.96. Furthermore, the criteria used in hypothesis testing are at a significance level of 5%, and the hypothesis can be said to be accepted if the P-value is <0.05.



**Figure 1** Path Analysis of Hypotheses Testing

Source: Smart PLS Bootstrapping’s process (2023).

**Table 12** Hypothesis Test Result

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Hypothesis | Hypothesis Statement | Original Sample(O) | P value | T statistic (|O/STDEV|) | 95% confidence interval path coefficient |
| **Lower limit** | **Upper limit** |
| H1 | Working capital -> Community empowerment | 0.571 | 0,000 | 10,664 | 0.470 | 0.679 |
| H2 | Social Capital -> Community empowerment | 0.178 | 0.014 | 2,394 | 0.023 | 0.315 |
| H3 | Psychological Capital -> Community empowerment | 0.167 | 0.017 | 2,450 | 0.040 | 0.29 |

Source: Smart PLS Bootstrapping’s process (2023).

Based on the 12, it is evident that working capital significantly influences community empowerment, as indicated by a path coefficient of 0.571. This suggests that an increase in the working capital variable leads to a positive impact on community empowerment. The bootstrap analysis yielded a t-statistic value of 10.664, resulting in a p-value of 0.000. Since the p-value is less than 0.05, the data strongly supports the hypothesis, indicating that working capital significantly affects community empowerment in Karangasem Village. This indicates that working capital has a significant influence on community empowerment in Karangasem Village. After that, we can see that social capital significantly influences community empowerment with a path coefficient of 0.178, indicating a positive influence of the social capital variable on community empowerment.

The bootstrap analysis yielded a t-statistic value of 2.394, and within the 95% confidence interval, the influence of social capital on community empowerment ranges from 0.023 to 0.315. The resulting p-value is 0.000, which is less than 0.05, thereby supporting Hypothesis 2. This indicates that Social Capital significantly affects community empowerment in Karangasem Village. It also shows that psychological capital significantly influences community empowerment with a path coefficient of 0.167, indicating a positive influence of the psychological capital variable on Community Empowerment. The bootstrap analysis yielded a t-statistic value of 2.450, and within the 95% confidence interval, the influence of psychological capital on community empowerment ranges from 0.040 to 0.299. The resulting p-value is 0.014, which is less than 0.05, thereby supporting Hypothesis 3. This indicates that Psychological Capital significantly affects community empowerment in Karangasem Village.

**Discussion**

**Working capital**

According to the findings of this research, perceptions regarding working capital positively impact community empowerment. This implies that effective management of working capital leads to an increase in community empowerment. Consistent with prior studies, effective working capital management ensures business sustainability. Poor working capital management can lead to inefficient asset utilization, significantly contributing to business failure. (Kasiran et al., 2016). Based on the data analysis results, it can be inferred that the most impactful indicators of working capital in empowering the community of Karangasem village are as follows:

**Table 13.** Indicators of Working Capital

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | Working capital | Loading Factor | Information |
| Capital/Assets | MK\_01 | 0.833 | Valid |
| MK\_02 | 0.875 | Valid |
|  | MK\_03 | 0.841 | Valid |
| MK\_04 | 0.845 | Valid |
| Cash | MK\_05 | 0.818 | Valid |
| MK\_06 | 0.772 | Valid |
| Supply | MK\_07 | 0.814 | Valid |
| MK\_08 | 0.824 | Valid |
| Receivables | MK\_09 | 0.858 | Valid |
| MK\_10 | 0.866 | Valid |
| MK\_11 | 0.843 | Valid |

Source: Smart PLS Bootstrapping’s process (2023).

Based on table 13, the most influential working capital indicator is MK\_02, with an outer loading of 0.875. This indicates that approximately 76% of any variation in working capital reflects on the capital indicator (0.875 x 0.875 = 76%). Working capital is a crucial liquidity source, highlighting the importance of effective management in community empowerment initiatives through BUMDes and PKK Programs. Proper allocation of working capital, obtained from governmental funds and other sources, tailored to meet community needs, is essential to enhance community income.

**Social Capital**

Table 14 shows that social capital positively affects the community empowerment program. This shows that social capital is important in developing the Karangasem Village community empowerment program. This research is supported by (Kesuma & Saputri, 2020) that trust, norms, and networks inherent in social capital play a significant role in fostering the sustainability of BUMDes

**Table 14.** Indicators of Social Capital

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | Social capital | Loading Factor | Information |
| Trust | MS\_01 | 0.730 | Valid |
| MS\_02 | 0.779 | Valid |
| MS\_03 | 0.789 | Valid |
| MS\_04 | 0.753 | Valid |
| MS\_05 | 0.757 | Valid |
| Network | MS\_06 | 0.739 | Valid |
| MS\_07 | 0.788 | Valid |
| MS\_08 | 0.797 | Valid |
| MS\_09 | 0.839 | Valid |
| MS\_10 | 0.813 | Valid |
| Norm | MS\_11 | 0.807 | Valid |
| MS\_12 | 0.803 | Valid |

Source: Smart PLS Bootstrapping’s process (2023).

According to the data analysis of social capital indicators, it is evident that the network indicator holds the highest value, with a loading factor of 0.839. This implies that approximately 70% of any changes in social capital are reflected in the network indicator (0.839 x 0.839 = 70%). Following closely are norms, with loading factor values of 0.87 and 0.803, respectively, and finally, the Trust indicator. Social capital plays a pivotal role in community empowerment programs. The high social capital is attributed to the active participation of each member, enabling the consistent implementation of empowerment initiatives. Additionally, mutual support among community members fosters a positive environment and a strong sense of camaraderie. Trust among community members alleviates internal pressures, promoting collaboration during regular meetings and interactions with administrators who provide guidance.

**Psychological Capital**

Table 15 shows that the perception of psychological capital positively affects Community Empowerment. It demonstrates that encouragement from individuals in terms of hope, optimism, resilience, and self-confidence influences the implementation of community empowerment programs.

**Table 15.** Indicators of Psychological Capital

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | Working capital | Loading Factor | Information |
| Self-confidence | MP\_01 | 0.782 | Valid |
| Hope | MP\_03 | 0.862 | Valid |
| Optimism | MP\_05 | 0.714 | Valid |
|  | MP\_07 | 0.872 | Valid |
| Toughness | MP\_08 | 0.838 | Valid |

Source: Smart PLS Bootstrapping’s process (2023).

The indicator with a notably high outer loading value is observed in the optimism indicator. Optimism demonstrates an outer loading value of 0.872, suggesting that approximately 76% of any variation in social capital is mirrored in the network indicator (0.872 x 0.872 = 76%). The study elucidates that psychological capital significantly impacts job performance and satisfaction. (Novitasari & Priyono, 2022). Resilience pertains to the capacity to respond effectively even when confronted with disruptions. The findings indicate that the Karangasem village community displays a relatively high level of resilience in dealing with changes. Optimism significantly correlates with responding to change, where hope and self-confidence are closely intertwined with individual determination to enact organizational changes. Based on the research findings regarding the role of capital types in community empowerment in Karangasem village, it can be inferred that working capital plays the most influential role in community empowerment. This conclusion is drawn from the data analysis results.

**Table 16.** Original Sample Result

|  |  |
| --- | --- |
|   | Original sample (O) |
| Working capital -> Community empowerment | 0.571 |
| Social Capital -> Community empowerment | 0.178 |
| Psychological Capital -> Community empowerment | 0.162 |

Source: Smart PLS Bootstrapping’s process (2023).

As evident from Table 16, the findings reveal that working capital exerts the greatest influence on community empowerment, with an original sample value of 57%. This underscores the pivotal role of funding streams in community empowerment initiatives. Following this is social capital, with an original sample value of 17%, indicating that external support or social connections contribute to community empowerment. Lastly, psychological capital registers an original sample value of 16%, suggesting that individuals' self-motivation influences community empowerment, encompassing factors such as attitude, resilience, self-confidence, hope, and optimism. The remaining 10% is influenced by types of capital beyond the scope of this research. Future studies can delve into this matter by incorporating larger sample sizes and additional variables to provide a more comprehensive understanding of community empowerment, particularly in village programs with longer observation periods.

**Conclusion**

This study examined the impact of different types of capital on community empowerment programs in Karangasem Village. Through the distribution of questionnaires and direct observations, it was found that various forms of capital, including working capital, social capital, and psychological capital, significantly influence community empowerment programs in the village. Working capital emerges as the most influential type of capital, accounting for 78% of the significance, with its primary indicator being capital itself. This suggests that the operation of village programs in Karangasem village is heavily influenced by capital, where increased capital leads to enhanced empowerment programs. Effective and efficient capital management is crucial, ensuring that increased capital flows are accompanied by appropriate fund allocation. The receivables indicator closely follows, representing ownership rights to transaction proceeds. Social capital serves as the second most influential type of capital in fostering community empowerment in Karangasem Village. Notably, networks emerge as the highest indicator of social capital, highlighting the importance of expanding community networks both internally and externally to enhance community empowerment. Psychological capital also significantly impacts community empowerment, serving as internal motivation for various empowerment initiatives. The distribution of questionnaires revealed that optimism is the indicator with the highest outer loading, indicating a high level of community optimism towards community empowerment programs. The limitations of this research include the fact that the scope of the research only takes three types of capital in the community (working capital, social capital, and psychological capital), while the research methodology uses a quantitative approach from data in the field through questionnaires. So, it is still open for future researchers to include other typologies of capital that develop in communities, such as cultural, human, political, and natural. Meanwhile, a qualitative research approach can also be used to gain an in-depth perspective.

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