



## STRENGTHENING OF SOCIAL CAPITAL IN RELATION TO PERFORMANCE AND WELFARE OF SMALL INDUSTRY ACTORS IN THE BANGLI REGENCY, BALI PROVINCE

BY

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### Abstract

This study aims to: 1) analyze the influence of social capital and performance on the welfare of small industry actors in the Bangli Regency and 2) analyze the moderating effect of social capital on the relationship between performance and the welfare of small industry actors in the Bangli Regency. The population of small industries in the Bangli Regency is 1,288 units (Department of Industry and Trade, Bali Province, 2020). Using the Slovin formula, the sample size was determined to be 305 small industry actors. The sampling technique used was Stratified Random Sampling based on the sub-districts. Accidental sampling was utilized to determine the sample units for the interviews. Data collection methods included: 1) non-participant observation to collect secondary data by observing and recording information from documents sourced from the Bureau of Statistics and related departments; and 2) structured interviews to collect primary data from interviews with small industry actors using a pre-prepared questionnaire. The data analysis technique employs quantitative analysis with an associative approach. The intended structural equation was  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_1X_2 + e_1$ . The study concludes that performance and social capital have a positive and significant impact on welfare. Social capital moderates and strengthens the influence of performance on the welfare of small industry actors in the Bangli Regency, Bali Province. It is recommended that social networks be enhanced, particularly in obtaining information related to both the process and marketing of produced products.

**Keywords:** small industry, social capital, business performance, welfare of small industry actors

## I. INTRODUCTION

The tourism sector is a leading sector in Bali Province, supported by other subsectors, such as small industries. Small industries, predominantly household businesses, dominate economic activities in Bali Province. Bali has undergone a structural economic shift from being agriculture-dominant to a service sector-dominant tertiary sector. This shift from primary to tertiary sectors is due to the prioritization of tourism as a leading sector in Bali.

There was an economic slowdown during the COVID-19 period of 2019-2021, particularly in 2020-2021, where growth was negative and well below the national economic growth. Therefore, Bali Province must urgently transform its economic development, not solely focusing on the tourism sector, but also considering supporting sectors such as

agriculture and small industries, which affect both forward and backward linkages.

Small industries have been proven to positively impact other sectors, with most of Bali's export products being from the processing industry. The processing industry also plays a role in enhancing Bali's economic performance from the supply-side perspective (Bank Indonesia, 2019). It is crucial to focus on the performance of small industry entrepreneurs, as it impacts household welfare; optimal performance can increase welfare (Samosir, 2016). Business performance significantly and positively influences entrepreneurs' subjective welfare (Gandhiadi et al., 2017).

Greater attention is needed for small processing industries, as they contribute to the Gross Regional Domestic Product (GRDP) of Bali Province. The contribution to GRDP from 2015-2019 to very fluctuating and tended to decrease. Comparing the Sarbagita Region with the non-Sarbagita areas,



the contribution of the processing industry to GRDP in the non-Sarbagita area is much lower than in the Sarbagita Region. Bangli Regency, a non-Sarbagita area, has the second lowest contribution after Karangasem Regency compared to other regencies/cities, both in the Sarbagita Region and among the non-Sarbagita areas (BPS Province of Bali 2020).

There is a significant disparity between Sarbagita and non-Sarbagita areas in terms of GRDP growth, the industrial sector's contribution to GRDP, and welfare levels. Compared to other regencies/cities, despite an increase in the Human Development Index (HDI) during 2020-2022, the Bangli Regency ranked second lowest after the Karangasem Regency and below the Bali Province HDI. This indicates that the welfare level in the Bangli Regency is still low compared to other regencies/cities (BPS Province of Bali, 2020-2022).

Small and medium-sized industries in the processing sector require production factors. Production factors influence business performance. Optimal business performance, strengthened by local wisdom in the form of social capital, can also improve the welfare of small industry actors. Social capital, along with other forms of capital, play a vital role in empowering small industries. This can be demonstrated by honest behavior, hard work, high work ethics, adherence to norms and regulations, and reluctance to violate their existence, representing social capital (Yustika, 2012).

Networks formed among small industry actors, consumers, and raw material suppliers must be maintained to increase business productivity. Like other forms of capital, productivity can also be determined by social capital (Coleman 1988). The role of social capital in small industries is to help build strong connections with others to enhance business capabilities and, thus, perform better (Hongyun, 2019). High social capital can assist small industries in gaining access to financial institutions, marketing, production, and business information (Yuliarmi, 2021).

### 1.1. Research Objectives

This study specifically aims to 1) analyze the impact of social capital and performance on the welfare of small industry actors in Bangli Regency, and 2) analyze the moderating effect of social capital on the relationship between performance and the welfare of small industry actors in Bangli Regency.

## II. LITERATURE REVIEW

A literature review and empirical review are crucial to support the conducted research, as they can form the basis for hypothesis formulation. References to empirical studies and the literature reviewed empirically are outlined as follows:

### 2.1. Welfare

The welfare of individuals or communities is influenced by many factors, originating both within the individual or community and externally. If people can optimally enhance their potential, they can meet all material and nonmaterial needs in their economic and social activities. Individuals capable of enhancing their potential can interact with others and the environment. The achievement of community welfare

was indicated by the Human Development Index (HDI). One macro indicator used to determine HDI is Gross National Income (GNI), which provides an overview of the income of a community in a particular region. If the income of a community in a region increases, there will be an increase in HDI, and consequently, an improvement in welfare. To achieve better development levels, economic development must be undertaken to achieve higher welfare levels (Arsyad, 2017).

Community welfare can be measured using various approaches, including income, health, education, and security, and can be studied using the Human Development Index (Maxton & Randers, 2016). Welfare, as defined by the United Nations Development Program (UNDP), encompasses the ability to participate in public decision-making and the expansion of choices in life. Bappenas, an Indonesian agency, similarly defines welfare as a state in which individuals and groups, both men and women, can fulfill their basic rights to live with dignity. The 1945 Constitution of Indonesia also emphasizes welfare as a condition wherein all individuals and groups, regardless of gender, can exercise their basic rights to maintain and improve their quality of life. Governments play a crucial role in promoting community welfare. To achieve this, welfare policies, including those related to education, health, and job creation, must be implemented, with the welfare state in mind. As Todaro (2011) states, the welfare of a region depends on the availability of human and other resources that interact during the development process to foster economic growth and enhance welfare.

Welfare can be viewed from two approaches: objective and subjective welfare. Subjective welfare can describe various aspects of life, including employment, economic activities, independence levels, life enthusiasm, and leisure. According to Milligan et al. (2006), objective welfare is a measure of the average standard of living of individuals or communities and can be assessed using economic, social, or other relevant indicators. On the other hand, subjective welfare is determined by an individual's perception of their happiness, which can be influenced by their work environment (Luthans et al., 2007). When an individual finds their work environment attractive, enjoyable, and challenging, they are likely to feel happy and perform optimally (Wright & Bonett, 2007). Diener et al. (2005) further clarify that subjective welfare includes an individual's evaluation of their life, which encompasses cognitive assessments of life satisfaction and affective assessments of emotions such as happiness, tranquility, and life satisfaction. Indicators of subjective welfare include (1) fulfillment of life needs, (2) fulfillment of medical expenses (health), (3) fulfillment of life aspirations, (4) fulfillment of personal safety, (5) having good interpersonal relationships, (6) having good relationships with other communities, (7) having savings for the future, and (8) being able to perform religious activities well (OECD, 2013).

### 2.2. Social Capital

Social capital describes the characteristics of social organizations, such as networks, norms, and beliefs, which facilitate coordination and mutually beneficial cooperation.

Entrepreneurs can develop social capital by creating networks that provide external sources of information, support, finance, and expertise, thus enabling mutual learning and assistance (Cope et al., 2007). Social capital is evident in an individual's ability to interact effectively with others and maintain positive relationships with their environment (Krishna and Uphoff, 1999). Those with strong social capital can drive improvements, promote empowerment, and contribute to their overall well-being.

Social capital is a valuable asset that enhances happiness and overall well-being (Dowling & Fang, 2007). Different forms of social capital, including bonding, bridging, and linking, can play significant roles in empowering disadvantaged communities (Babaei et al., 2012). Specifically, social capital built on trust and expectations, such as securing loans or credit, can provide a competitive advantage to individuals who are perceived as honest and reliable (Yustika, 2012). Furthermore, social capital can impact the entrepreneurial mindset of businesses and their leaders (Gandhiadi et al., 2017).

According to Yuliarmi et al. (2020), social capital and cooperative empowerment have a significant and positive impact on the welfare of cooperative members in Denpasar. Social capital also enhances the positive influence of cooperative empowerment on community welfare. This finding is in line with Chegini et al. (2012), who argued that social capital is a valuable asset for organizations, as it can improve productivity and professionalism, ultimately leading to better social and economic outcomes for all parties involved.

Indicators of social capital, such as values, networks, and trust, were identified by Hasbullah (2006) and used in this study. Values refer to beliefs that have traditionally been considered important and true within a community. Networks are dynamic structures of social capital that take the form of cooperative connections between individuals and groups. These connections facilitate communication and interaction, foster trust, and enhance cooperation (Putnam, 1993). As defined by Fukuyama (1995), trust is the expectation that arises in society as a result of honest, orderly, and cooperative behavior based on widely accepted norms. Social capital may be broadly characterized as a collective asset consisting of shared norms, beliefs, networks, social connections, and institutions that encourage mutually beneficial cooperation and collective action (Bhandari, 2009).

### 2.3. Performance of Small Industries

The relationships between performance and an organization's strategic goals, customer satisfaction, and economic contribution are significant. Performance is determined by factors such as ability, effort, and support as indicated by Armstrong (2004) and Mathis and Jackson (2001). Business performance measurement is achieved by an organization, and it is essential to measure the outcomes of strategy implementation. According to Anthony and Govindrajana (2001), good performance outcomes are the standard for future performance measurement.

Performance refers to the periodic evaluation of an organization's operational effectiveness, components, and employees, based on pre-established goals, standards, and criteria. It assesses the quality and quantity of work that employees can achieve while performing tasks based on their responsibilities. Performance appraisal is crucial for any company as an evaluation process for all its activities (Mangkunegara, 2001).

Several factors significantly influence the performance of an industry or a business. These factors were correlated with each other. Political and legal factors significantly impact infrastructure as they are largely influenced by local and federal government leaders' political and legal commitments (Cherkos, 2018). Similarly, effective leadership plays a crucial role in business performance, as reflected in the utilization of technological, marketing, and entrepreneurial development factors. Industry performance is determined by the output or evaluation of a company's work, which is achieved by an individual or group through task and role division over a specific period according to the company's established standards (Mutegi et al., 2015).

Entrepreneurs must strengthen their orientation in driving the organization to achieve the desired results by improving the performance of small industries. Relationships established through intra and extra-industry formed through social capital can enhance performance. The formation of relationships, social networks, trust, and cooperation affect business performance. Munizu (2010) developed several performance indicators for SMEs, including 1) sales growth increases, 2) capital growth increases, 3) additional labor each year, 4) improvement in market and marketing growth, and 5) improvement in business profit/gain. Zaenal (2012) measures performance using several indicators, including 1) growth in the number of customers, that is, an increasing number of customers or consumers using the product; 2) growth in the number of sales; 3) increasing quantity of product sales; 4) growth in the number of assets, both fixed and non-fixed; and 5) growth in profits, calculated in nominal money (Rupiah), which is increasing.

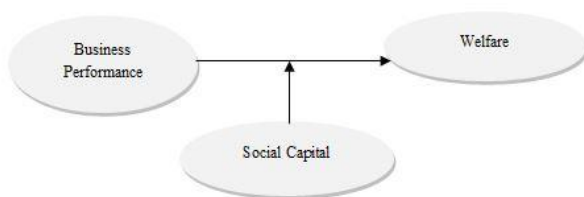
If the indicators that measure performance increase, it means that the strategy has been implemented well. Dimensions in business performance also include financial performance, operational performance (time, quality, and flexibility dimensions), how a company delivers products to external parties (consumers), and cultural aspects of the work environment (human resources dimension) (Smith, 2001). The performance of small and medium enterprises is an accumulation of the results of strategy implementation activities conducted by Small and Medium Industry (SMI).

### 2.4. Research Conceptual Framework

The goal of welfare is to determine the general level of well-being of individuals or groups in a community, which is typically measured using economic or social indicators (Milligan et al., 2006). Luthans et al. (2007) assessed subjective welfare by examining the presence or absence of happiness. Subjective welfare refers to an individual's overall

evaluation of their life, which includes both cognitive assessments of life satisfaction and affective (emotional) assessments, such as what people commonly refer to as happiness, contentment, and life satisfaction (Diener et al., 2005). Strong social capital can promote welfare and empowerment (Krishna & Uphoff, 1999). Social capital, which encompasses bonding, bridging, and linking, can contribute to greater happiness and welfare (Dowling & Fang, 2007). The three dimensions of social capital—bonding, bridging, and linking— affect the empowerment of disadvantaged individuals (Babaei et al., 2012). Social capital, characterized by increased work ethics, mutual trust, information sharing, and a strong sense of community, can improve performance and enhance competitiveness. Conversely, decreased social capital can lead to a decline in business performance and disrupt operations. Information sharing plays a critical role in mediating the relationship between the three dimensions of social capital and company competitiveness.

Social capital can have an impact on the entrepreneurial mindset of businesspeople and can lead to an increase in their subjective well-being, which is positively related to optimal performance (Gandhiadi, 2018). Samosir (2016) found that high performance can result in greater well-being. Yuliarmi et al. (2020) demonstrated that social capital and cooperative empowerment can significantly and positively impact the well-being of cooperative members and that social capital can enhance the positive influence of cooperative empowerment on community well-being in Denpasar City. Social capital can enhance productivity and professionalism, offering opportunities to improve quality of life (Chegini et al., 2012). Social capital can be defined as a collective asset that encompasses shared norms, beliefs, networks, social relations, and institutions that facilitate mutually beneficial cooperation and collective action (Bhandari, 2009).



**Figure 1: Conceptual Framework of the Research “Strengthening Social Capital in Relation to Performance and Welfare of Small Industry Actors in Bangli Regency**

Social capital positively influences business performance (Perkasa, 2018), and Oluwabusola (2019) finds that social capital significantly affects non-financial performance. Oliveira J.F. (2013) conducted research on the role of social capital in horizontal networks among entrepreneurs, creating an information flow that can improve company performance. The utilization of local resources in synergy with the creative industry can increase community welfare (Purnomo, 2016). Other research reinforcing that social capital positively influences business performance includes the study by Nasip et al. (2017); Muslikah et al. (2018), Warmana and Widnyana (2018), Hallam et al. (2018), Analia et al. (2019), Boudreaux

et al. (2021), Harun et al. (2021). The Conceptual Framework of the Research, based on the theories and empirical data outlined, is depicted in Figure 1.

### 2.5. Research Hypotheses

- 1) Social capital and performance positively influence the welfare of small industry actors in Bangli Regency.
- 2) Social capital moderates the influence of performance on the welfare of small industry actors in the Bangli Regency.

## III. RESEARCH METHODS

### 3.1. Research Design

This study was designed using a quantitative approach with an associative nature, utilizing latent variables for both independent and dependent variables. The performance of small industry actors is strengthened by social capital to achieve welfare. Social capital is considered a variable affecting welfare and a moderating variable influencing the impact of performance on welfare. The first step involves identifying the problem and formulating a problem statement. A preliminary study related to the field phenomena was conducted. Hypotheses are formulated based on theory and empirical evidence, and variables are identified as independent, dependent, and moderating variables.

### 3.2. Research Location

This research will be conducted in the Bangli Regency, as existing small industries have significant potential for development. The number of workers and other available production factors can enhance the performance and ultimately improve the welfare of small industry actors.

### 3.3. Identification and Operational Definition of Variables

The dependent variable is welfare (Y), where the welfare of small industry actors is a condition that can be indicated by respondents' welfare indicators. These indicators include the ability to meet family education needs (Y11), the ability to meet family health needs (Y12), the ability to conduct religious ceremonies (Y13), and the ability to increase income from business (Y14). The performance variable (X1) is the performance of small industry actors, measured using the following indicators: the ability to increase sales volume (X11), the ability to maintain and increase the number of customers (X12), the ability to sustain the business (X13), and the ability to create and maintain a working environment (X14). The social capital (X2) of small industry actors was measured using the following indicators: trust (X21), mutual cooperation (X22), and social network (X23).

### 3.4. Types and Sources of Data

The data used in this study are primarily quantitative and include the number of small industry actors, the contribution of the processing industry sector to the GRDP, and HDI. Both primary and secondary sources were used in this study. Primary data were collected directly in the field using the prepared questionnaires. Secondary data were obtained from agencies, such as the BPS Province of Bali (2020).



**3.5. Population, Sample, and Sample Determination**

Small industries in the Bangli Regency were the focus of this study, totaling 1,288 units (Department of Industry and Trade, Bali Province, 2020). The sample size was determined using Slovin's formula, resulting in 305 sample units, each of which was represented by a single small industry actor. Thus, there were 305 respondents in total. Stratified Random Sampling was used based on geographic areas, namely sub-districts. Accidental sampling was employed to determine the sample units for the interviews. The distributions of the four sub-district populations are presented in Table 1. The formula used to calculate the sample size is as follows:

$$n = \frac{N}{1 + Ne^2}$$

**Description:**

n = Sample Size, N= Population Size. e = Critical Value (5%)

Thus, the total sample size was 305 individuals, and the sample distribution is shown in Table 1.

**Table 1 Number of Population and Sample**

No	Sub-District	Population (people)	Sample (people)
1	Bangli	495	117
2	Susut	113	27
3	Tembuku	579	137
4.	Kintamani	101	24
Total		1.288	305

Source: Department of Community Empowerment of Bangli Regency, 2020

**3.6 Data Collection Methods**

The research uses a combination of data collection methods as follows (Jogiyanto, 2004): 1) a non-participant observation method to collect secondary data by observing and recording information from documents sourced from the BPS and related departments; and 2) the structured interview method used to collect primary data through interviews with small industry actors using a pre-prepared questionnaire.

**3.7 Validity and Reliability Test of Instrument**

The validity and reliability of the research instrument were assessed using validity and reliability tests, respectively. A corrected item-total correlation validity test was used to evaluate the instrument's validity. Meanwhile, Cronbach's alpha test was employed to determine reliability, which was considered good if the coefficient was ≥ 0.7, as indicated by Sugiyono (2012) and Sarwono and Narimawati (2015).

**3.8 Data Analysis Techniques**

This study uses quantitative analysis with an associative approach. The quantitative analysis included descriptive statistics and inferential analyses. Moderation regression analysis was used in this study (Hair et al., 2010). The intended structural equation is as follows:.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_1X_2 + e_1$$

..... (1)

**IV. RESULTS AND DISCUSSION**

**1) Characteristics of Respondents by Age and Education Level**

Generally, the age of respondents was very productive, ranging from 19 to 64 years, accounting for about 98 percent, with only 2 percent no longer productive and a small portion above 64 years. From a survey of 305 small industry actors as respondents, Table 2 shows that the very productive age group is the main capital in the production process for small and medium industry actors.

**Table 2. Characteristics of Respondents by Age and Education Level.**

No.	Age Group (Years)	Frequency	
		Frequency	Percentage %)
1	< 30	26	8,52
2	30-34	42	13,77
3	35-39	53	17,38
4	40-44	57	18,69
5	45-49	52	17,05
6	50-54	38	12,46
7	55-59	22	7,21
8	60-64	13	4,26
9	65+	2	0,66
Total		305	100,00

Education Level Completed			
No	Education Level	Frequency	Percentage (%)
1	Tidak Tamat SD	36	11,80
2	SD	35	18,03
3	SLTP	126	41,31
4	SLTA	86	28,20
5	Diploma/Sarjana	2	0,66
Total		305	100,00

Source: Primary Data from Research 2023

Based on the respondent characteristics according to the education level from Table 2, the average education level of small industry actors is junior high school, accounting for about 41 percent, senior high school education for about 28 %, incomplete primary or primary education for the rest, and only a small portion (about 0.66 percent) with a diploma/degree. Education level was calculated based on the highest level of completed education.

**2. Inferential Analysis Results**

**Table 3 Inferential Analysis Results**

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Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>Business Performance (X1) -&gt; Welfare (Y)</b>	0,508	0,499	0,049	10,443	<b>0,000</b>
<b>Social Capital (X2) -&gt; Welfare (Y)</b>	0,433	0,441	0,051	8,561	<b>0,000</b>
<b>Social Capital * Business Performance -&gt; Welfare (Y)</b>	0,000	0,000	0,000	2,283	<b>0,023</b>

Source: Primary Data Analysis Results 2023

Based on the analysis in Table 3, business performance and social capital significantly and positively affect the welfare level of small industry actors, as indicated by t-statistic values of 10.443 and 8.561, respectively, with a significance (p-value) of  $0.000 < 0.05$ . This means that small industry actors are capable of performing well. Similarly, small industry actors have strong social capital when running their businesses. Social capital moderates the influence of business performance on the welfare level of small industry actors, as indicated by a t-statistic value of 2.283 and significance value of  $0.023 < 0.05$ . Social capital strengthens the positive influence of business performance on the welfare of small industry families in the Bangli Regency.

Maintaining and enhancing the performance of small industry actors is crucial for achieving better welfare. The better the business performance, the better is the welfare level experienced by small industry actors. Similarly, with the social capital of small industry actors, the stronger the social capital, the more capable they are to enhance welfare. Social capital strengthens the influence of business performance on welfare. The results obtained using the PLS path are shown in Figure 2.

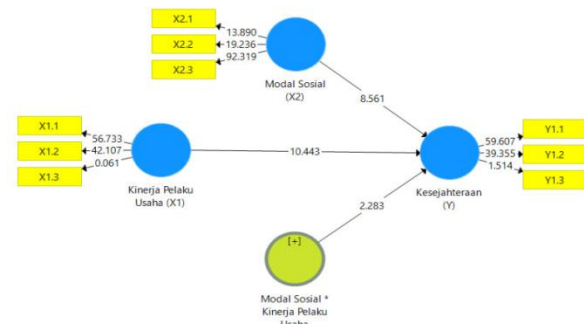


Figure 2: Analysis Results of the Inner Model of the Influence of Business Performance, Social Capital, and Social Capital Moderation on the Welfare of Small industry Actors in Bangli Regency

3. Discussion

The passage delves into the relationship between the performance of small industry actors and social capital and how it affects welfare. Additionally, it explains how social capital influences welfare as a mediating factor in the relationship between performance and welfare.

(1) Influence of Small industry Performance on Welfare

The welfare level of small industry actors was proxied using three indicators: improvement in family health, family education, and the ability to conduct religious activities due to increased family income. Statistical analysis shows that business performance positively and significantly influences the welfare levels of small industry families. The better the business performance, the more it enhances the family welfare. Entrepreneurs who can increase their monthly income are capable of conducting religious activities and experience welfare. The religious activities they undertake are numerous and require considerable funding, yet they can be carried out because the costs vary according to each individual's ability. Respondents perceive that through their business, they can meet health needs because, if they fall ill, they can afford healthcare services, such as clinics, hospitals, or nearby doctors. Through their business efforts, entrepreneurs perceive that they can meet family education needs because of the view that education is very important. Likewise, efforts to improve business performance by increasing sales volume and customer numbers and maintaining business sustainability are perceived to increase income, thereby improving family welfare. This research is supported by Gandhiadi (2018), who finds that business performance positively and significantly affects entrepreneurs' subjective welfare. Optimal performance can enhance welfare (Alansori and Erna 2022, Samosir et al., 2016).

(2) Influence of Social Capital on Welfare

The analysis results show that social capital positively and significantly affects the welfare of small industry actors in the Bangli Regency. The stronger the social capital built from trust, mutual cooperation, and the formation of broader social networks, the more it impacts the improvement of perceived welfare. Many previous studies have researched social capital as an intangible input capable of improving both the business

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performance and welfare of the entrepreneurs studied. Yuliarmi et al. (2020) showed that social capital positively and significantly affects the welfare of cooperative members. Social capital has a significant impact on the survival of small brass handicraft businesses in the Klungkung Regency (Yuliarmi & Marhaeni, 2020). Additionally, their study revealed that social capital has a positive and significant effect on SME performance.

### (3) Role of Social Capital in Moderating the Influence of Performance on the Welfare of Small Industry Actors

Social capital played a dual role as both an independent variable and moderator. As an independent variable, social capital positively and significantly affects the welfare of small industry actors in the Bangli Regency. Social capital also moderates the influence of performance on the welfare of small industry families in the Bangli Regency. This research is supported by Yuliarmi et al. (2020), who found that social capital can strengthen the positive influence of cooperative empowerment on the welfare of cooperative members in Denpasar. Social capital has a significant moderating effect on the influence of transaction costs on the survival of small brass handicraft businesses in the Klungkung Regency, as per Yuliarmi and Marhaeni (2020). Furthermore, Meitriana et al. (2022) highlight that strong social capital enables better cooperation among community members and enhances the performance of small and medium-sized enterprises. Additionally, social capital empowers individuals and significantly affects the well-being of traditional market vendors in Denpasar, as per Yuliarmi et al.'s (2023) findings.

## V. CONCLUSIONS AND RECOMMENDATIONS

Performance and social capital significantly and positively influence the welfare of small industry actors in Bangli Regency. Better performance of small industry actors leads to improved welfare. Social capital strengthens the influence of performance on the welfare of small industry actors in the Bangli Regency. Small industry actors feel that to achieve a higher level of welfare, indicated by the ability to meet family health and educational needs and the ability to conduct religious activities, income increase is essential. The recommendation of this research is to enhance innovation capabilities so that small industry actors can increase their competitiveness with other similar entrepreneurs and to maintain and expand broader social networks through online marketing of their small industry products.

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