

Entrepreneurship, Performance, and Welfare: Role of Village-Owned Enterprise's Resources and Social Capital

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Abstract

Research on the determinants of entrepreneurship and performance of micro-small business actors (MSEs) has been carried out, but research on the role of entrepreneurship and performance on the welfare of MSE actors is limited. This study analyzes the role of BUMDes resources and social capital on Artisans' entrepreneurship, performance, and welfare. Data were collected by observation, questionnaires, and in-depth interviews and analyzed using Partial Least Square. The results show that BUMDes resources have not played a role, while social capital has been proven. The implications of research on BUMDes management and Village Community Empowerment Institutions must further introduce the existence of BUMDes. This will increase the interaction of BUMDes managers with the village community. The Ministry of Industry and Trade should work together to create an association of artisans of export products. The next researcher is advised to examine the role of the government.

Keywords: Entrepreneurship, Performance, Welfare, BUMDes

Kewirausahaan, Kinerja dan Kesejahteraan: Analisis Peran Sumber Daya dan Modal Sosial Badan Usaha Milik Desa

Abstrak

Penelitian tentang penentu kewirausahaan dan kinerja pelaku usaha mikro-kecil (UMK) telah dilakukan, namun penelitian tentang peran kewirausahaan dan kinerja terhadap kesejahteraan pelaku UMK terbatas. Penelitian ini menganalisis peran sumber daya BUMDes, dan modal sosial terhadap kewirausahaan, kinerja, dan kesejahteraan Pengrajin. Data dikumpulkan dengan observasi, angket, dan wawancara mendalam, dianalisis menggunakan Partial Least Square. Hasilnya menunjukkan sumber daya BUMDes belum berperan, sementara modal sosial telah terbukti. Implikasi penelitian manajemen BUMDes dan Lembaga Pemberdayaan Masyarakat Desa harus lebih memperkenalkan keberadaan BUMDes. Hal ini akan meningkatkan interaksi pengelola BUMDes dengan masyarakat desa. Departemen Perindustrian dan Perdagangan bekerja sama sebaiknya membuat asosiasi pengrajin produk ekspor. Peneliti berikutnya disarankan untuk meneliti peran pemerintah.

Kata Kunci: Kewirausahaan, Kinerja, Kesejahteraan, BUMDes

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INTRODUCTION

Micro Small Enterprises (MSE) have been a crucial driver of economic growth in Indonesia. Some previous research focuses on the determinants of MSE's entrepreneurship and

performance, but research on the role of entrepreneurship and performance in MSE's welfare was limited. Ate, Pandanus leaves, and wood statue craftsmen were MSEs that received special attention from the Karangasem Regency Government due to the export products that benefited the tourism industry. Nonetheless, craftsmen's life was not yet prosperous.

Empirical findings on MSE performance and welfare determinants revealed that micro-financial institutions play a crucial role in boosting the income and welfare of MSE owners (Meilani et al., 2018). In Norway, the network as a social capital dimension may drive company performance growth (Habersetzera et al. 2018) . Social capital can increase the farmers' welfare in Wonosobo (Cahyono, 2014). Networking as a social capital dimension can increase MSE's tourism innovation and performance in Korea (Kim & Shim, 2018). Different results were found (Yuliarmi and Marhaeni, 2015); according to their findings, social capital has no bearing on home handicraft industry empowerment in Bali. Social capital was very important, but other variables were needed. This research was motivated by an anomaly that craftsmen in Karangasem Regency were producers of supporting tourism or export products, but they were not welfare yet, and inconsistency result of previous research.

The purpose of this study is to deeply analyze the role of 1) Village-Owned Enterprises/VOE's resources, social capital to entrepreneurship; 2) VOE's entrepreneurship, social capital, and resources to business performance; 3) VOE's resources, social capital, entrepreneurship and business performance to the welfare of artisans; 4) Entrepreneurship as mediation on the effect of VOE's resources and social capital to business performance; 5) Entrepreneurship as mediation on the contribution of social capital and VOE's resources to the welfare of craftsmen; 6) Business performance as mediation on the contribution of VOE's resources, social capital, and entrepreneurship to the welfare of artisans in Karangasem Regency. This research is important because its findings will help the Karangasem Regency to make policies, especially for increasing the welfare of craftsmen.

Social welfare has been defined as a state of human well-being that exists when social problems are managed, when a human need is met and when social opportunities are maximized. By definition, social welfare depends on the satisfaction of three conditions: meeting needs, the management of social problems, and the enhancement of opportunities (Adivar et al., 2010). The measure of welfare should use a multidimensional formulation. These dimensions include material living standards (income, consumption, and wealth), health, education, individual activities, including work, political voice, and governance, social relationships and environment (present and future conditions), and insecurity, both economic and physical (Agung and Kartika, 2018). The dimension of existential well-being is related to life satisfaction and the level of mental and psychological health. Welfare can be stated as a condition where all needs, material, social, and spiritual, are fulfilled (Tsung et al., 2002).

VOE is one of the microfinance institutions in the village that helps MSE by providing funds with easier access and procedures. Its closeness to the community helps empower

communities, especially those who are less able to increase the productivity of their microenterprises (Meilani et al., 2018). VOE-similar institutions have been developed in several countries, such as Japan, Thailand, the Philippines, and China. Japan has introduced OVOP (One Village One Product). The OVOP Concept was discovered in a city called Oita around 2001, a concept of economic and social development for rural communities (Diefenbach, 2016). OVOP means a sub-district produces at least one superior product. This concept was later adopted by China under the name OBOP (One Barangay One Product), in Malaysia under the name One Village One Product Moment, and in Thailand, it was called OTOP (One Tambon One Product) (Rosmeli, 2018).

Research Findings on the role of VOE in the welfare of communities stated that VOE brought significant changes in the economic and social fields. Shifting social values and also changes in patterns of interaction between citizens occur (Sri, 2016). VOE's sustainability depends on its ability to manage the organization, as VOE is in a situation that necessitates ambidextrous management to become a social business organization. If VOE focuses on social considerations, it must be realized that the principle of mutual cooperation and volunteerism requires a strong commitment to bind the parties that manage it. If VOE is directed to be a professional business organization, it will result in a transactional pattern of relations and a lack of ownership of the social capital that shapes it (Kusuma and Purnamasari, 2016). VOE plays several roles, including encouraging the growth and development of economic activities in the village income and reducing the movement of people from rural to urban areas (Sinarwati, 2019). Indicators used to measure BUMDes resources include the amount of capital, number of workers and workforce competence (Sinarwati and Suarmanayasa, 2023).

Social capital is about solidarity, confidence and facilitating the running of a business, which are factors derived from social relationships involving family, friends, workmates and others. Such relationships provide access to valuable resources such as information, influence and solidarity, which enable action (Eduardo, 2014). Networking is one of the social capital dimensions that has proved significant to MSE performance in Romania (Alexandra and Corina, 2017). Referring to the definition and research findings, social capital is a combination of norms, mutual cooperation and networks as intangible assets that are actual and potential resources. Trust, exchange of information and norms are variable indicators of social capital (Sinarwati et al, 2020).

Entrepreneurship is the key word for producing rapid changes in today's changing world (Mahsa, 2016). Entrepreneurship contributes to the success of the company (Mahmood, 2013). Research on the role of entrepreneurship on a company's performance was done by (Yulia and Elena, 2015) that innovation is significant to a company's performance. Companies with market orientation can achieve their targets and market position more than their competitors so that they can improve their business performance (Kumalaningrum, 2012). A craft entrepreneur was characterized by a low level of education and a lack of managerial experience, who was reluctant to use outside help and was reactive to changes in market demand rather than proactive in generating new business. Craft

entrepreneurs have characteristics similar to farmers (Asmit & Koesrindartoto, 2015). Entrepreneurship is the courage to do business and always make innovations.

According to empirical literature, there are significant differences in performance indicators. Company performance can be measured using both objective and subjective metrics. The term "objective performance measurement" refers to quantitative indicators, whereas subjective performance measurement is based on the expert team's subjective opinion. Customer satisfaction and global success generated by managers and owners are examples of non-financial measures (Cemal and Esin, 2015). Profit, capital, and worker growth are financial indicators used to assess MSE business performance (Kumalaningrum, 2012). Performance measurement can be in the form of sales growth and return on investment (ROI) (Mahmood, 2013). Material, social and spiritual well-being is used as a variable indicator of well-being (Sinarwati et al, 2020).

METHOD

The research population consisted of ate, pandanus leaves, and wood sculpture artists who had interacted with VOE in Karangasem Regency. The determination of the sample was done using the saturated sample method. Because all populations were used as samples, the sample consisted of 122 craftsmen.

Data was collected using questionnaire and documentation methods and analyzed using quantitative analysis techniques using Structural Equation Modeling Partial Least Square (SEM-PLS). Reasons for using SEM-PLS: 1) the relationship between variables tested was complex, and there were relationships in both regression and factor analysis. 2) the research variable was a latent variable reflected by its indicator. 3) The research sample was a small sample of 122 craftsmen. The research variables were VOE's resources, social capital, entrepreneurship, performance, and welfare of craftsmen. Identification of types, indicators and sources of variables reference were presented in Table 1.

Table 1. *Identification of Research Variables*

Construct	Indicator	Source
VOE's resources (X ₁)	a) The number of VOE's capital (X _{1.1})	Sayuti (2011); Ridwan (2013); Widodo (2016); Sanatana (2018)
	The number of VOE's Employ (X _{1.2})	
	b) The quality of VOE's Employ (X _{1.3})	
Social Capital (X ₂)	Exchange business information (X _{2.1})	Widodo (2012); Thobias and Rogahang, (2013); Cahyono (2014) Tohani; Sumarno and Suryono (2015)
	a) Trust (X _{2.2})	
	b) Norm (X _{2.3})	
	c) Value (X _{2.4})	
	d) Proactive Actions (X _{2.5})	
Entrepreneurship (Y ₁)	a) Innovation (Y _{1.1})	Mahsa (2016) Mahmood (2013)
	b) Creativity(Y _{1.2})	
	c) Courage to bear business risk (Y _{1.3})	
	d) Service (Y _{1.4})	
	e) Independence(Y _{1.5})	

Construct	Indicator	Source
Business Performance (Y ₂)	a) Increasing number of sales (Y _{2.1})	Kumalaningrum (2012); Mahmood (2013)
	b) Increasing number of using capital (Y _{2.2})	
	c) Increasing number of using employees (Y _{2.3})	
Welfare of craftsmen (Y ₃)	a) Material welfare (Y _{3.1})	Anthony (2016)
	b) Social welfare (Y _{3.2})	
	c) Spiritual welfare (Y _{3.3})	

FINDING AND DISCUSSION

The testing technique used to test the instrument's validity is the Pearson bivariate correlation, correlating each item's score with the total score. The test used a one-tailed right-side test with a significance level of 0.05. Table 2 summarizes the results of the instrument validity test for each research variable.

Table 2. *Research Instrument Validity Test Results*

Construct	Indicator	Correlation of total score	
		Pearson Correlation	Sig.
VOE's resources (X ₁)	X _{1.1}	0,753	0,000
	X _{1.2}	0,936	0,000
	X _{1.3}	0,920	0,000
Social Capital (X ₂)	X _{2.1}	0,808	0,000
	X _{2.2}	0,925	0,000
	X _{2.3}	0,878	0,000
	X _{2.4}	0,895	0,000
	X _{2.5}	0,574	0,000
Entrepreneurship (Y ₁)	Y _{1.1}	0,745	0,000
	Y _{1.2}	0,900	0,000
	Y _{1.3}	0,926	0,000
	Y _{1.4}	0,865	0,000
	Y _{1.5}	0,904	0,000
Business Performance (Y ₂)	Y _{2.1}	0,989	0,000
	Y _{2.2}	0,994	0,000
	Y _{2.3}	0,980	0,000
Welfare of craftsmen (Y ₃)	Y _{3.1}	0,789	0,000
	Y _{3.2}	0,861	0,000
	Y _{3.3}	0,826	0,000

The results of the Pearson bivariate analysis show that the correlation of all indicator items with the total score items was significant (<0.05), so it can be concluded that the research instrument was valid. The reliability test uses Cronbach's Alpha analysis, the data was said

to be reliable if Cronbach's Alpha > 0.7 and can still be tolerated if it > 0.6. The reliability test results are presented in Table 3.

Table 3. *Research Instrument Reliability Test Result*

Construct	Cronbach's Alpha
VOE's resources (X ₁)	0,843
Social Capital (X ₂)	0,863
Entrepreneurship (Y ₁)	0,919
Business Performance (Y ₂)	0,988
Welfare of craftsmen (Y ₃)	0,735

Table 3 shows that the Cronbach's Alpha value for all items is > 0.7, so it was concluded that all instrument items were reliable. The method used to see the validity of the discriminant is to look at the square root of each construct's average extracted variance (RSAVE) with freedom between constructs and other constructs, as presented in Table 4.

Table 4. *Root Square Average Variance Extracted (RSAVE) and Construct Correlation*

Construct	X ₁	X ₂	Y ₁	Y ₂	Y ₃
X ₁	0,944				
X ₂	-0,008	0,887			
Y ₁	0,098	0,414	0,854		
Y ₂	0,086	0,474	0,607	0,959	
Y ₃	0,138	0,604	0,572	0,626	0,818

Table 4 shows that based on the value of the square root over AVE with the correlation of latent variables greater than the variance along with other constructs, the test results on the construct are declared valid. For example, the value of square roots over AVE construct X1 with a correlation to construct X1 was 0.944, where the value is greater than the value of the variance with other constructs, namely, with construct X2 valued at -0.008; with the Y1 construct valued at 0.098; with the Y2 construct valued at 0.086; with the Y3 construct worth 0.138. This study proposes sixteen (16) hypotheses, which were then grouped into six (6) hypotheses consisting of the first group up to group three hypotheses, which show directly between variables, while the group four to group six hypotheses indicate indirectly between variables. The hypothesis test results, which examine the direct relationship between exogenous and endogenous variables and the mediated relationship between endogenous variables, are presented in Table 5 to Table 10.

Table 5. *The direct effect of VOE's Resources and Social Capital on Entrepreneurship*

	Original Sample	Standard Deviation	T Statistics	P Value
VOE's Res (X ₁) → Entr (Y ₁)	0,101	0,120	0,840	0,401
Soc Cap (X ₂) → Entr (Y ₁)	0,415	0,088	4,726	0,000

Table 6. *Direct Effect VOE's Resources, Social Capital, and Entrepreneurship to Performance*

	Original Sample	Standard Deviation	T Statistics	P Value
VOE's Res (X ₁) → Perf (Y ₂)	0,041	0,073	0,557	0,578
Sos Cap (X ₂) → Perf (Y ₂)	0,271	0,059	4,612	0,000
Entr (Y ₁) → Perf (Y ₂)	0,490	0,058	8,438	0,000

Table 7. *Direct Effect VOE's Resources, Social Capital, Entrepreneurship and Performance on Welfare*

	Original Sample	Standard Deviation	T Statistics	P Value
VOE's Res (X ₁) → Welf (Y ₃)	0,092	0,090	1,028	0,304
Sos Cap (X ₂) → Welf (Y ₃)	0,366	0,095	3,865	0,000
Entr (Y ₁) → Welf (Y ₃)	0,224	0,134	1,673	0,905
Perf (Y ₂) → Welf (Y ₃)	0,308	0,093	3,326	0,001

Table 8. *Indirect Effect of VOE's Resources and Social Capital on Performance by Entrepreneurship*

	Mediator	Original Sample	Standard Deviation	T Statistics	P Values
VOE's Res (X ₁) → Perf (Y ₂)	Y ₁ (Entr)	0,050	0,061	0,808	0,419
Sos Cap (X ₂) → Perf (Y ₂)	Y ₁ (Entr)	0,204	0,045	4,556	0,000

Table 9. *Indirect Effect of VOE's Resources and Social Capital on Well-Being by Entrepreneurship*

	Mediator	Original Sample	Standard Deviation	T Statistics	P Value
VOE's Res (X ₁) → Welf (Y ₃)	Y ₁ (Entr)	0,050	0,055	0,919	0,359
Sos Cap (X ₂) → Welf (Y ₃)	Y ₁ (Entr)	0,239	0,065	3,698	0,000

Table 10. *Indirect Effect of VOE's Res, Social Capital, and Entrepreneurship to Well-Being by Performance*

	Mediator	Original Sample	Standard Deviation	T Statistics	P Value
VOE's Res (X ₁) → Welf (Y ₃)	Y ₂ (Perf)	0,013	0,025	0,502	0,616
Sos Cap (X ₂) → Welf (Y ₃)	Y ₂ (Perf)	0,084	0,037	2,269	0,024
Entr (Y ₁) → Welf (Y ₃)	Y ₂ (Perf)	0,151	0,058	2,621	0,009

The hypothesis test results in Tables 5 to 10 are briefly summarized in Table 11. Table 11 shows that of the sixteen (16) hypotheses grouped into six (6) hypothesis groups formulated in this study, nine hypotheses were successfully supported by data and seven hypotheses were not successfully supported by data. Nine hypotheses tested the direct effect, and seven hypotheses tested the indirect effect or the role of mediation between variables. There were three non-mediating relationships, three partial mediations, and one full mediation.

The influence of VOE's resources was positive but not significant to the entrepreneurship of artisans in Karangasem Regency. This means that the capital, the

number of employees, and the quality of employees in VOE have not yet contributed to innovation and creativity, encouraging business risk-taking and promoting the independence of craftsmen. The majority of craftsmen did not know VOE business to provide loans. They know that the VOE business only sells stationery and groceries. Craftsmen meet the capital needs of their friends or borrow from village credit institutions when they need additional capital to innovate and be creative in developing new products, even though they have to pay higher loan interest.

Table 11. *Summary of Hypotheses Results Test*

No	Relationship between variables	Results of the hypotheses test	Type of mediation in indirect relation
1	$X_1 \rightarrow Y_1$	Positive not significant	
	$X_2 \rightarrow Y_1$	Positive significant	
2	$X_1 \rightarrow Y_2$	Positive not significant	
	$X_2 \rightarrow Y_2$	Positive significant	
	$Y_1 \rightarrow Y_2$	Positive significant	
3	$X_1 \rightarrow Y_3$	Positive not significant	
	$X_2 \rightarrow Y_3$	Positive significant	
	$Y_1 \rightarrow Y_3$	Positive not significant	
	$Y_2 \rightarrow Y_3$	Positive significant	
4	$X_1 \rightarrow Y_1 \rightarrow Y_2$		Not Mediation
	$X_2 \rightarrow Y_1 \rightarrow Y_2$		Partial mediation
5	$X_1 \rightarrow Y_1 \rightarrow Y_3$		Not mediation
	$X_2 \rightarrow Y_1 \rightarrow Y_3$		Partial mediation
6	$X_1 \rightarrow Y_2 \rightarrow Y_3$		Not mediation
	$X_2 \rightarrow Y_2 \rightarrow Y_3$		Partial mediation
	$Y_1 \rightarrow Y_2 \rightarrow Y_3$		Full mediation

The increasing information exchange activities, mutual trust, adherence to norms, values, and proactive actions of craftsmen will also increase innovations, creativity, courage to bear business risk, service, and independence of craftsmen in Karangasem Regency. This result is in line with the research finding Erwin and Rogahang (2013); Cahyono (2014); (Fernandez et al, 2017), Phuangrod and Lerkiatbundit, (2017); (Muslikah and Tri, 2018); (Fikret, 2018) and Meek William R, Pacheco Deshree F (2009). Previous research findings supported by this study's findings are business actors who exchange information, have a high level of mutual trust and adhere to agreed norms and values, which will increase innovation, creativity, and courage to bear business risks.

The influence of VOE's resources was positive but not significant to the business performance of craftsmen. This finding is not in line with Sabrina (2018). The number of VOE's capital, employees, and quality of employees have not yet been able to increase the number of sales, capital, and craftsmen employees in Karangasem Regency. The reasons for these conditions are: 1) craftsmen who need additional capital prefer to contact village credit institutions than VOE even though its interest rates are higher, but craftsmen said that

they were accustomed to borrowing funds in village credit institutions and already had the contact number of village credit institution employees, so the process was quick and easy. 2) The VOE business of providing loans is unknown to the craftsmen. They know VOE business only sells stationery and groceries.

Social capital influences business performance in a positive and significant way. When they run their business by exchanging business information, helping each other provide capital loans in cash or raw materials, and providing marketing information because they trust each other, the number of sales, capital, and craftsmen labour increases. This research finding supports (Habersetzera et al, 2018) the finding that networks as social capital indicators can drive corporate business growth in Norway. (Rina, 2018) examined the small milkfish presto industrial center in Tambakrejo and discovered that social capital contributed to improving the performance of MSE. These results also support the findings of (Daud and Shah, 2017) those who found that trust was proven to be able to improve the export performance of MSE in Malaysia, but these results contradict the findings of (Yuliarmi and Marhaeni, 2015) those who discovered that social capital had no bearing on the empowerment of the household handicraft industry.

The creativity done by woodcarving craftsmen created a new mask design and created new types of sculpture, especially animal-themed ones. Pandanus woven craftsmen create new models and sizes of bags. Craftsmen increased sales, capital, and labour by designing new products that received positive responses from consumers.

The findings of this study back up previous research (Yohanes, 2010) conducted at Agribusiness MSE in Papua, finding the courage to bear risk, innovation, hard work, and creativity to increase production volumes, sales volumes and the ability to make a profit. (Sok Phyra, Aron O'Cass, 2013) found innovation increased MSE's performance in Australia, (Vertoka Yulia, Simonenka Elena, 2015) found innovation positive and significant to the entity's performance.

The number of capitals, employees, and quality of VOE employees were not significant to the welfare of craftsmen in Karangasem Regency. The welfare of craftsmen was measured by increasing profit, social care, active participation in village development, and availability following religious ceremonies. This finding was not in line with (Sri, 2016) those who found that the presence of VOE brought economic and social changes. This finding, when viewed from improvement in the economic field, did not succeed in supporting (Diefenbach, 2016) those who found that OTOP, similar to VOE in Thailand, could increase the community's economy. The presence of VOE as one of the microfinance institutions that has not been able to play a role in the welfare of craftsmen was not in line with (Mohamed and Faris, 2018) those who found microfinance institutions able to increase borrowers' welfare in Morocco.

The reason VOE's resources are not significant to the welfare of craftsmen was that the number of capital, number of employees, and quality of employees in VOE were not used by the craftsmen in doing their business, even though they created an innovation that increased the number of sales and profit, all of them didn't contribute by the VOE.

Social capital is positive and significant to the welfare of craftsmen. Craftsmen's compliance with norms, mutual trust, sharing of information, maintaining honesty, and work based on local wisdom made craftsmen feel that they had material, social, and spiritual welfare life. This finding aligned with (Cahyono, 2014) those who found social capital able to increase farmers' welfare in Wonosobo. The other research that was supported by this study was (Sanatana, 2018) who found that social capital able to increase farmers' welfare in the Simantri group in Bali. Mutual trust and cooperation between Caribbean communities are able to help the communities get out from natural disasters, so they are more welfare (Huggins Monique Constance, Dillard Marika, 2015). Participation, proactive action and trust positively contributed to reducing community poverty (Amin, 2016). This finding contradicted with (Gandhiadi GK, 2015), who stated that there was no direct correlation between social capital and the welfare of communities.

Entrepreneurship directly was not significant to the welfare of craftsmen; this happened to cause an increase in sales, which wasn't followed by an increase in profit. Craftsmen serve consumers order events, though an increase in sales was not followed by an increase in profit. The craftsmen's orientation was not only looking for profit, but they also cared about the continuity of cooperation with customers, suppliers of raw materials, and continuity of salaries received by employees because craftsmen think doing business was the same as doing "*yadnya*" (make sincere sacrifices sacred).

Doing *yadnya* or *meyadnya* that craftsmen have was based on local wisdom they call *mangde sami polih* (all of the stakeholders got profit). *Meyadnya's* concept in doing business means innovating and creating creativity; the craftsmen aim to earn profit not only for themselves but also for employees, customers, and raw material suppliers. The results of an in-depth interview with Mrs Desak Sekarini, one of the craftsmen in Weliang Village Abang District Karangasem Regency, were presented below:

"I made new products whose sizes and colours were different. Previously, my products were in one colour, but now they are colourful. Product innovation and creativity increase sales, using capital and labour, but I didn't get an increase in profit, even though it isn't a problem. In my opinion, doing business is the same as doing *yagnya* or *metadata*, and all of the stakeholders get income; in the Balinese language, we call it *made sami polish*. My employees got salaries, raw material suppliers got orders, and retail traders in the market could sell".

Local wisdom *mangde sami polih* was based on stakeholder theory. This theory states that the company is not an entity that only operates for the benefit of the company but must also provide benefits for all stakeholders (owners, employees, suppliers, customers, lenders, the government, and other parties such as the people who are part of the company's social environment) (Bryson, 2001). *Meyadnya* and *mangde sami polih* local wisdom were implemented by the craftsmen was a reason direct entrepreneurship was not significant to the welfare of craftsmen in Karangasem Regency.

This finding was not in line with those (Pawan, 2010) who found that household creativity increased the ability to help them from poverty. The other research findings that contradicted this research were (Victor and Ayvar, 2017) that the creativity of business

actors encourages social welfare in Mexico. Entrepreneurial culture is positively significant to regional economic growth in the center of Java (Eko, 2019).

The result of this research stated that the business performance of craftsmen, with indicators of increasing sales, increasing capital use, and increasing employee use, is directly positive and significant to the welfare of craftsmen. The increase in sales resulted in increased profits and increased opportunities to participate in social and spiritual activities.

This finding was in line with (Wardhani, 2013) those who found that the development of business capacity with indicators of marketing expansion, capital growth acceleration, and information development was positive and significant to economic welfare with indicators of income, consumption, saving and assets of entrepreneur footwear in Waru District, Sidoarjo Regency. Other research results that were also supported by this research were (Silawati and Utama, 2016), (Asyiah, 2018).

Entrepreneurship did not mediate the contribution of VOE's resources on the performance of craftsmen because the VOE's capital, employees, and employee quality were not utilized to increase innovation and creativity, so the increasing craftsmen's sales were not caused by VOE's resources. Entrepreneurship mediates the effect of social capital on craftsmen's performance because they collaborate, share information about where to buy cheaper raw materials of the same quality, and share information about customers. The craftsmen had high trust in each other, their raw material suppliers, and their customers. They frequently obtain raw materials on credit due to their high trust in suppliers. In the form of high trust with customers, they were brave to send their products to customers even though customers had not paid yet.

Craftsmen uphold norms and values in doing their business. Norm was agreed upon and adhered to by craftsmen, who were setting selling prices and sharing information about suppliers and customers. The values held by craftsmen in doing their business were honesty and local wisdom, and they started doing business the same way they did *meyadnya*. *Mangde sami polih* local wisdom means all stakeholders got profit, which made craftsmen brave enough to bear the business risk and design new products.

This result supported by Kim & Shim (2018) who found tourism MSE in Korea sharing information with mediation by innovation is positive and significant to the business performance of tourism MSE in Korea. (Tiana et al., 2017) In China, creativity as an indicator of entrepreneurship mediated the effect of social capital on business opportunities as an indicator of business performance MSE.

Entrepreneurship didn't mediate the effect of VOE's resources on the welfare of the craftsmen because VOE hasn't been able to achieve the three opportunities it should be able to achieve. Three opportunities that have not been achieved were: 1) local government that has the obligation and desire to realize a strong village government where VOE were ideally able to spearhead the driving force of the people's economy that strengthens small business in the village, 2) VOE has not been touched by a donor program that has facilitated its development through mentoring, 3) VOE management hasn't been able to manage the people's businesses to fight for economic improvement in the village.

Other conditions that have caused VOE not to play a role in the village community especially craftsmen in Karangasem Regency, VOE hasn't been able to do ambidextrous management namely management with dexterity using both hands to become a social business organization. VOE as a social business organization means that running a VOE business was expected to benefit from consideration of costs and benefits, while the VOE social organization was run on the principle of mutual cooperation and volunteerism so that the commitment of VOE managers to work socially was needed. These results were not in line with Sri (2016), Diefenbach (2016) and Meilani et al. (2018).

Entrepreneurship mediated the contribution of social capital to the welfare of craftsmen. This result shows that information changes, trust, norms, values, and proactive action had caused innovation, and creativity of the craftsmen that have impacted increasing of profit and increasing of time to participate in social and spiritual activities.

Difference result from Gandhiadi GK (2015), who researched MSE in Jembrana Regency, Bali Province found that trust, norm and network as social capital indicators through entrepreneurship orientation with indicator innovation and proactive action were insignificant to MSE's actors. Subjective welfare indicator was used by Gandhiadi GK (2015) living standard satisfaction, health satisfaction, personal relationship satisfaction, and life security in the future satisfaction.

The effect of VOE's resources on the welfare of craftsmen was not mitigated by performance. The number of sales, employees, and employee quality in the VOE did not increase profit or time spent participating in social and spiritual activities. Performance mediates the effect of social capital on the welfare of craftsmen. Craftsmen work with high mutual trust with fellow craftsmen, employees and raw material suppliers. They uphold agreements on selling prices and exchange information on where to buy raw materials and where to buy products. High social capital is able to encourage increasing sales, increasing the use of capital, and increasing the use of labour as indicators of craftsmen's performance.

The increase in craftsmen's business performance leads to increased profit and time to participate in social and spiritual (religious ceremonies) as an indicator of material, social and spiritual craftsmen's welfare. Good craftsmen's social capital encourages an increase in their performance, increasing their welfare. This was the reason for supporting the hypothesis that, indirectly, social capital has a significant positive effect on welfare through performance.

Performance mediated the effect of entrepreneurship on the welfare of craftsmen. Craftsmen fill their spare time by creating new product design examples to increase consumer interest, resulting in increased sales. Increased sales, followed by increased profits, made craftsmen more enthusiastic about participating in social and spiritual activities in the community. Innovation and creativity encourage increasing sales, increasing of using capital, and increasing of using labor it leads to an increase in craftsmen's welfare. This condition was justification for research finding entrepreneurship to the welfare of craftsmen through performance. This research supported (Putu, 2016) that found the performance of village credit institutions mediated the effect of entrepreneurship on communities' welfare in Bali Province.

CONCLUSION

According to the research results and discussion, some conclusions of this research are: 1) VOE's resources directly was positive but not significant to entrepreneurship, social capital directly positive and significant to entrepreneurship, 2) VOE's resources directly was positive but not significant to performance, social capital directly positive and significant to performance, 3) VOE's resources directly was positive but not significant to craftsmen's welfare, social capital directly positive and significant to craftsmen's welfare, entrepreneurship directly was positive but not significant to craftsmen's welfare, and performance positive and significant to craftsmen's welfare, 4) Entrepreneurship didn't mediate the effect of VOE's resource to craftsmen's performance, entrepreneurship mediated the effect of social capital to craftsmen's performance, 5) Entrepreneurship didn't mediate the effect of VOE's resource to craftsmen's welfare, entrepreneurship mediated the effect of social capital to craftsmen's welfare, 6) Performance didn't mediate the effect of VOE's resources to craftsmen's welfare, performance mediated the effect of social capital to craftsmen's welfare, performance mediated the effect of entrepreneurship to craftsmen's welfare.

The research suggests several follow-up actions: The Karangasem Village Community Empowerment Agency should improve awareness of the Village-Owned Enterprise (VOE) by establishing and activating a VOE management forum. On the other hand, craftsmen can benefit from maintaining and strengthening their social capital. Future research is recommended to include more specific indicators of VOE resources and explore external factors, such as government policy, that might influence the performance and well-being of the craftsmen.

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