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## **The Role of Social Capital in the Management of Payakabung Village Enterprises in South Sumatera Province**

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### **Abstract**

Payakabung Village as the best village related to village financial management has good institutional social capital. Hence, it makes the village community builds Village-Owned Enterprises (BUMDes) to increase the socio-economic through local potential. However, even though Payakabung Village has many achievements and potentials, the community still has not good knowledge in managing this potential so that the role of social capital is needed to increase the Payakabung BUMDes, create an impact on the social community and economic activities. The method of this study used a qualitative descriptive based on the community of Payakabung Village and its BUMDes. The primary data sources were obtained from direct interviews, field observations, and literature studies. Meanwhile, the validity of the data obtained by the triangulation technique through comparing the data. The results of this study showed, the Payakabung BUMDes already had superior distinctive products developed, for example, citronella oil, oyster mushrooms, and toman fish ponds. In its management, social capital played an important role in Payakabung BUMDes' success. On the other hand, social capital had an impact on economic and social activities at the Payakabung BUMDes. The social capital element in BUMDes is providing capital assistance to increase the community socio-economy, collaborating with partnerships to maximize local potential and improve transparent and accountable good village governance. We give the suggestions for BUMDes to improve their partnership cooperation so that the assistance provided is not only limited to providing funds but also giving requires mentoring and entrepreneurship training for local businesses.

Keywords: *Social Capital, Economy, BUMDes, Payakabung, South Sumatra Province.*

### **Abstrak**

Desa Payakabung sebagai desa terbaik dalam pengelolaan keuangan desa memiliki modal sosial kelembagaan yang baik sehingga masyarakat desa membangun Badan Usaha Milik Desa (BUMDes) untuk menggerakkan sosial ekonomi masyarakat di desa melalui potensi lokal. Namun dengan prestasi dan banyaknya potensi yang ada masyarakat belum memiliki pengetahuan yang baik dalam mengelola potensi yang ada sehingga diperlukan peran modal sosial untuk menggerakkan BUMDes Payakabung agar berdampak terhadap kegiatan sosial dan ekonomi masyarakat. Penelitian ini menggunakan metode deskriptif kualitatif, berbasis pada masyarakat Desa Payakabung dan BUMDesnya. Sumber data primer yang diambil melalui wawancara secara langsung, observasi ke lapangan dan studi literature. Validitas data diperoleh dengan Teknik triangulasi dengan membandingkan data yang diperoleh. Hasil penelitian ini menunjukkan BUMDes Payakabung sudah memiliki produk khas unggulan yang dikembangkan yaitu minyak serai wangi, jamur tiram dan tambak ikan toman. Dalam pengelolaannya modal sosial berperan penting dalam keberhasilan BUMDes Payakabung. Modal sosial berdampak pada kegiatan ekonomi dan sosial pada BUMDes Payakabung. Unsur modal sosial dalam BUMDes yaitu memberikan bantuan modal untuk menggerakkan sosial

ekonomi masyarakat, menjalin kerjasama dengan kemitraan untuk memaksimalkan potensi lokal dan meningkatkan tata kelola pemerintahan desa yang baik secara transparan dan akuntabel. Kami menyarankan BUMDes untuk memaksimalkan kerjasamanya dengan kemitraan agar bantuan yang diberikan tidak hanya sebatas pemberian dana, tetapi perlu adanya pendampingan dan pelatihan kewirausahaan bagi pelaku usaha lokal.

Kata Kunci: Modal Sosial, Ekonomi, BUMDes, Payakabung, Sumatera Selatan

## INTRODUCTION

In Indonesia, the regional autonomy policy starts in 1999, which states that the central government's handover of authority and power to regional governments can autonomously manage their potential. The aim is to use the budget effectively and efficiently in implementing the government service system to all levels of society. One of the indicators to succeed in implementing regional autonomy is realizing regional independence by maximizing its potential (Apriana & Suryanto, 2010; Nadir, 2013).

In order to reduce the level of dependence of regional governments on the central government, the region's ability needs to be improved through a "movement" that could enhance their economic growth independently. For that reason, the "Village Fund" policy emerged, which was regulated through Law No. 6 of 2014. This law's enactment aims to provide opportunities for the village government to implement autonomy as village rights. This authority's implication is to regulate, manage, and organize village resources for community economic development, one of which is through forming an organization that will later be managed independently by the village (Syafingi et al., 2020).

Government programs for villagers are essential to improve their living standards and can even provide resilience when the economy is in decline (Boonperm et al., 2013; Kaboski & Townsend, 2005). Several countries in the world, such as India, Nepal, Philippines, Thailand, Senegal, Zambia, Bolivia, have implemented community-based development programs. Indonesia is also doing the same thing (Arifin et al., 2020). Therefore, the Village Fund Program launched, which has become one of the primary sources of village development until now. Therefore, a strategy for using these funds is urgently needed to line with the villagers' wishes without violating the rules. These funds are allocated for several main sectors, including building village hall buildings, mosques, capital lending, compensation for the poor, and aid for the sick or dead (Syafingi et al., 2020).

This policy also provides an opportunity for village governments to carry out inter-village cooperation. The regulation states that inter-village cooperation can be conducted by joint business development in order to develop the economy and competitiveness. This cooperation can be carried out in various community activities such as public empowerment, public services, and village development, security, and order. This cooperation is regulated in a joint agreement between the village chief through deliberation (Priyono & Anggraini, 2019). Thus, the implementation of this policy fosters and directs the village's ability as best as possible. It is no longer an object of development but a subject and spearhead of action to improve public welfare (Kementerian Keuangan, 2017).

Since 2015, the government has disbursed funds amounting to 187 trillion rupiahs from the state revenue and expenditure budget (APBN) for village funds. Most of the funds were used to build village infrastructure. Only a few of the funds are allocated to rural economic development (Fahrial et al., 2019).

The first stage in building the rural economy is to facilitate the public to carry out economic activities as the primary step to increase livelihoods and reduce poverty. The second step is to carry out business development by taking the initiative directly and involving business groups. This step is essential to overcome barriers to specialization in the market context. The

third step is regional development, which refers to the overall planning and management of the economy and physics of an area (Helmsing, 2003). Rural economic development must be conducted by building inter-sectoral interests (government, private sector, producers, and public), by optimizing local resources (human, natural, and social) in a community. Special attention must be paid to the economic growth of low-income households and small businesses (Parnell et al., 2006). Rural economic development initiatives mobilize actors, organizations and resources, and develop new institutions and local systems through dialogue and strategic action (Helmsing, 2003).

One of the new approaches that are expected to stimulate the rural economy is the formation of economic institutions fully managed by villagers, based on local potential. The economic institution referred to is a Village-Owned Enterprise (BUMDes). The villagers and the village government jointly manage Micro-scale community enterprises in this village. The management is separated from the management of the village government. The goal is to improve the village economy and community services, manage village potential, create markets and jobs, and increase villagers' business and income (Arifin et al., 2020; Fatimah, 2018). BUMDes is expected to become a strategic institution in improving the village community-based social economy for social change. Therefore, the villagers will continue to strengthen the village economy based on the village's needs and potential (Ikhwanisyah et al., 2020). BUMDes, as a social business, has the ability to empower the community's socio-economy. The primary role of BUMDes is to help members or customers build their assets through local business activities and carry out productive activities through savings and loans (Prabowo, 2014; Sanderson, 2002).

Various benefits will be obtained by developing BUMDes. However, several findings indicated in its implementation, BUMDes had not provided the big benefits as expected. There are enormous benefits that either the public or the government could obtain if they develop the BUMDes. The question is, does the strategic function following reality? Several findings indicate that in its implementation, it has not provided the expected enormous benefits. It is evident from several studies that BUMDes have not offered many opportunities for people to get jobs (Arifin et al., 2020). Besides, BUMDes is also facing several problems, including unclear ownership of the institution, membership issues, governance, relatively low quality of human resources, difficulties in developing the economy, lack of access to financial resources, and limited access (Tunberg, 2014). Another problem that is no less important is the lack of entrepreneurial spirit and their knowledge to develop their business.

Social capital in Payakabung village affects the Payakabung BUMDes establishment and development. The strong desire of the village community to create an institution in their group that aims to improve the village community's socio-economy is an important element in social capital (Santi & Wulandari, 2018). Social capital has an important role in improving community empowerment and management to improve prosperity (Hakim et al., 2019; Ife et al., 2008). Social capital is not only limited to majority groups but also minority groups who are connected with togetherness and aim to build social life (Coleman, 2011). Social capital is one of the ideal economic activity strategies (Syahyuti, 2008). Social capital also encourages economic empowerment through economic activities (Mampanini, 2016). Social capital will be considered economical if it can help individuals or groups to access financial sources, obtain information, get jobs, start businesses, and reduce transaction costs (Tonkiss et al., 2000).

To understand the role of social capital in managing BUMDes, we will analyze the role of social capital in managing Payakabung Village BUMDes, Indralaya Utara District, Ogan Ilir Regency, South Sumatra Province. From the data obtained, it showed that Payakabung Village is the "best village" in South Sumatra related to village fund management. This achievement was given by the Ministry of Finance through the Directorate General of Treasury of South Sumatra Province in 2018. Thus, it can be said that this village has good institutional social

capital in managing village funds, hopefully, it is following the village funds' management and allocation intended for BUMDes and have been established since 2018 to improve community-based socio-economics.

BUMDes Payakabung was established based on the agreement and discussion between the village community and village apparatus. This establishment is based on the Decree of the Village Head Number 41/20 / SK. BUMDES / PYK / VI / 2018 dated June 25, 2018, concerning the Payakabung BUMDes establishment. The Payakabung BUMDes' members are village communities that aim to improve the socio-economic community of Payakabung Village through the local potential. This village has a lot of local potentials conducted by the community to support its economy, for example, citronella oil, oyster mushrooms, and toman fish ponds. The total village funds have been allocated for BUMDes as a capital for the community since its inception until this year amounted to IDR 615 million. This fund is allocated for the products capital participation of small-scale businesses in Payakabung Village (Dini, 2020; Sari, 2020; Subandi, 2020).

However, these potentials have not been accompanied by people's knowledge in managing businesses professionally, so that people cannot develop their businesses to become independent and change their socio-economic conditions (Rohmania, 2020). The role of social capital in moving the Payakabung BUMDes is important as an effort to improve the community's economy. This study will look at how the role of social capital in the BUMDes Payakabung management to improve the rural communities' socio-economy for social change.

## **RESEARCH METHOD**

This research is a descriptive-qualitative study based on the people of Payakabung Village and its BUMDes. This study is a non-hypothetical study so that in the research steps, there is no need to formulate a hypothesis (Arikunto, 2006). The first stage of this research is to analyze the potential of small businesses owned by the people of Payakabung Village, manage their businesses, and contribute to developing economic independence. Furthermore, the researcher will look at the role of social capital to improve Payakabung BUMDes so that its impactful on the social and economic activities of the community.

This study took primary data sources through interviews with several informants. Interviews were conducted directly with several village officials, namely the Village Head, Village Secretary, Head of the Welfare Section of the Village Government, Head of BUMDes, BUMDes Management, small and medium business actors, and the public. The results of the interviews were then arranged verbatim with tables, which were then analyzed verbatim, then setting grouping themes and developing psychological dynamics. Furthermore, observations were made to examine field conditions. Observations in Payakabung Village are carried out by recording the findings that can describe the situation in the field, especially regarding the governance of BUMDes in Payakabung Village. Data is also obtained through literature studies, results from previous studies, journals, regulations, guidelines, and other documents. This study's secondary data are document archives and reports obtained from the management of BUMDes Payakabung Village.

The data collection techniques in this study are using observation methods, interviews, and documentation studies. This technique aims to study documents, regulations, reports, and notes related to the object under study directly or indirectly. The data analysis technique in this qualitative-descriptive study uses the *interactive model* data analysis techniques proposed by Miles and Huberman. According to Miles and Huberman, "activities in data analysis includes data reduction, display data, and conclusion drawing/verification." (Sugiyono, 2014).

## **RESULT AND DISCUSSIONS**

### **Payakabung Village Potential**

This section will explain the potential possessed by Payakabung Village in developing the local economy and fostering the interest of villagers to improve the social economic community. The most important thing to maximize is to explore the village's potential, either in the form of agricultural products or the skills of the villagers (Widjajani et al., 2015).

Payakabung Village is a village in North Indralaya District, Ogan Ilir Regency, South Sumatra Province. The area of this village reaches 35.75 square kilometers or 4,151.09 hectares. This vast land consists of 23.45 kilometers (70%) of land. Meanwhile, the area of waters or swamps is around 13.45 kilometers (30%). This village's vision is "to make economic development towards public welfare and develop the productive economy of the people." Its mission is to "build facilities that support the smooth-running of economic activities, especially industry or household, agriculture and trade" (Payakabung, 2020).

This village has several small industries that they have started to develop since 2017. Their potential includes making citronella oil, oyster mushrooms, toman fish farming, and others. Of the several potentials that exist, citronella cultivation is the top priority. This small industry has been developed since 2017, until now. The existence of this industry makes Payakabung Village the only village that does this in Indralaya. This industry's raw materials consist of citronella stalks, clove leaves, Cananga flowers, patchouli, fragrant roots, and other ingredients. It will produce citronella oil, massage oil, a mixture to make soap, hand-sanitizer, citronella syrup, and citronella tea after processing. This oil production can be exported to the United States, Japan, and Europe. There are still few business actors in this field, so they have ample opportunities to develop. It is expected that this business will continue to grow so that Indonesia has the potential to become a leading citronella oil producer. The management of this citronella oil industry has not been managed professionally in Payakabung. Resident process raw materials only by relying on makeshift equipment, such as simple distilleries, so that the results are not flawless. Besides, the price also fluctuates according to market conditions, and automatic profit is also unstable. An example is in this production should within two months of starting their business, they can profit from five million rupiahs. However, with lower prices, their profit was only one million six hundred thousand rupiahs per month. Thus, entrepreneurs are hoping for price stability. in the absence of price stability, it is difficult for people to depend on their income from this business (Hermanto, 2020; Rohmania, 2020).

Another developed-potential is the cultivation of oyster mushrooms, which has been running since 2015. Unfortunately, this business has failed and was revived in 2017 until now. The demand for oyster mushrooms was relatively high at that time, so their production was quickly absorbed. For example, the product in a day can reach 100 kilograms, and all of them are successfully absorbed by the market. This condition lasted for quite a long time until 2019. Unfortunately, the market demand has plummeted, along with the emergence and development of the Covid 19 Pandemic. Oyster mushroom cultivation is carried out by the nursery method, preparing brood-stock for further cultivation. From the initial process to harvest, it takes about two and a half months. The obstacles faced by small business managers are generally caused by their lack of knowledge about how to manage and process, and package products so that they can last a long time due to the short lifespan of the mushrooms (Supandi, 2020).

Another potential of this village is the cultivation of toman fish, which will later be used as fishing objects, and fishing competitions that can be followed by the general public. This toman fish pond belongs to residents who were developed by the toman fish community in the village. Until now, toman fish seeds are still in a vast pond. The number of toman fish seeds is currently a thousand heads. This year, with the construction of a clean waterline, the toman fish pond will be given a separator for each age of toman fish seeds so that they can be

appropriately reproduced. However, currently, the harvest done for this fish is only for fishing; it has not been traded on the market.

From the explanation above, it is evident that the people of Payakabung have a high entrepreneurial spirit. The potential they have can be developed into a business that can improve the economy. Several studies have shown that public programs for villagers are essential to improve their living standards and become support when the economy goes down (Boonperm et al., 2013; Kaboski & Townsend, 2005). The high interest of villagers to do entrepreneurship can be a support for their economy and be able to prosper (Widjajani, 2008). Researchers seem to focus on community entrepreneurship, especially those related to social entrepreneurship, social economy, cooperatives, and the civil economy (Peredo & Chrisman, 2017). As a business, entrepreneurship has proven capable of developing society and being used as a means of promoting development goals. It can also improve the quality of life and institutionalize society development results through increasing internal capacity (Ranjan, 2015; Zeuli & Radel, 2005).

The high public interest in entrepreneurship is usually not followed by the ability to do the entrepreneurship itself. In general, small businesses have difficulty developing the economy and facing critical times. They were also often having lack access to financial resources, limited infrastructures, and technology (Tunberg, 2014; Wessels & Nel, 2016). A study states that entrepreneurship's success in an area depends on governance, financial resources, human capital, and technology. Thus, it is clear that the problems of capital, infrastructure, technology, and low human resources are the main obstacles (Arifin et al., 2020).

The opinions above, if it is associated with Payakabung Village, is it compatible? The businesses they have developed are generally facing some obstacles due to human resources issues, limited knowledge, due to the low level of public education. As a result, their businesses are underdeveloped, and it is not easy to be used as the primary support for their economy. They tend to be less able to market their products; they also do not have a network to collaborate with stakeholders. The development of citronella and oyster mushroom products, for example (Hermanto, 2020; Rohmania, 2020; Supandi, 2020).

Toman fish cultivation has not produced significant results. Although in the beginning, toman fish cultivation was to fulfill the desires of fishers, so it could be used as a fishing competition at the provincial level. BUMDes, as the facility provider, has provided six fish ponds to be used as nursery locations. This step was stopped due to the Covid 19 outbreak, so the funds that were initially for fish breeding were transferred to the Covid-19 social assistance funds (Subandi, 2020; Sari, 2020). Toman fish has excellent potential if it is developed, especially with the support of existing rivers, which are suitable for the development of freshwater fish farming. This fish is a type of fish from the snakehead fish tribe and is highly nutritious (Purbiyanti et al., 2018). This fish is also potential to be exported abroad because many countries need this fish processed product.

Although Payakabung Village has enormous potential, it still not able to develop optimally because of the obstacles it faces. The main obstacle is a lack of knowledge to build entrepreneurship so that it becomes professional. For this reason, it is crucial for the active role of BUMDes Payakabung, together with several related stakeholders. The variety of businesses and the land size (cultivation of fish, mushrooms, citronella oil, and others, require reasonable assistance, especially from related institutions, including marketing issues. Training and ongoing mentoring are also needed to be continuously monitored so that any problems or obstacles that arise can be immediately resolved. Another strategy is BUMDes seeking through Corporate Social Responsibility (CSR), which can help develop innovation and creativity of local products and additional capital assistance.

### **The Role of BUMDes in Village Entrepreneurship**

The research that has been conducted shows that more than half of the villages that received Village Funds have established BUMDes. It is a vast number, but its utilization is not optimal; it is only limited to financing, trading, distribution, and public facilities management. The low level of utilization by this institution's community has resulted in BUMDes not being maximized in developing their potential. Since its presence in 2015, BUMDes have not provided job opportunities for villagers, so it is necessary to improve management and community participation in efforts to strengthen BUMDes (Arifin et al., 2020). A village that has BUMDes as a social business should have the ability to empower the community's socio-economy. Because the primary role of BUMDes is to help its members or customers build their assets, this institution also carries out productive activities through savings and loans (Handono Eko Prabowo, 2014).

Social capital has an important role in improving community empowerment and management to improve prosperity (Hakim et al., 2019; Ife et al., 2008). Social capital is obtained socially by community groups' internal efforts. The organizations created by villagers and the village government have helped social capital growth, along with local regulations that have succeeded in reducing economic inequality (Krishna, 2007).

The strong desire of the community in taking the action for their group is an important element in social capital. Proactive community action gives good contributions in various stages. It is not only aims to increase material wealth for society but also to strengthen kinship relations, increase kinship intensity and realize goals and wishes that want to be achieved (Santi & Wulandari, 2018). It can be done by Payakabung Village community participation in the village development process, includes the participation in planning, implementation, decision making, optimizing the role of village youth, and community empowerment to develop the village economy.

Payakabung Village is an organization that has social capital in its activities. In its implementation, the Payakabung Village community creates a social network that has a relationship involving a group of people with values and norms. This network was established by the village community and village apparatus to create Payakabung BUMDes. The development of BUMDes begins with social capital which is influenced by village traditions developed by the community. This tradition is a kind of community identity based on religion, culture, and local wisdom which is a built-in community interaction tradition in the village (Nasution et al., 2015). Social capital is also reflected in rural communities' local wisdom (Mirayani, 2014). Some local wisdom is a village tradition such as regular social gathering (arisan), cooperation, association, and *paseduluran* in the village to create poverty alleviation in the village (Satlita et al., 2017). Therefore, social capital has a strong influence in improving villagers in BUMDes activities in the village (Djaha et al., 2018).

Payakabung Village established BUMDes based on the result of meetings and deliberations with the villagers on January 16, 2017. The formation was based on Village Head Decree No. 140/19/BUMDes/I/2017, January 17, 2017. Furthermore, based on Village Head Decree Number 41/20/SK.BUMDES/PYK/VI/2018, June 25, 2018, the management of the BUMDes Mandiri Desa Payakabung was formed. The members as BUMDes customers come from Payakabung Village society who wants to develop their local businesses. The network's creation with BUMDes partners is carried out by associations socialization to create a community mindset to jointly build and develop village potentials that are owned and aim to improve poverty.

Social capital has an impact on economic and social activities at BUMDes Payakabung. Social capital is encouraged to empower people through profitable economic activities (Mampanini, 2016). The formation of BUMDes, it has different way from general economic institutions, so that the creation and performance of BUMDes can make a significant

contribution to improving the community, as well as the development of a capitalistic business system in rural areas which can disrupt the community life values (Santi & Wulandari, 2018). The initial capital participation for BUMDes comes from the Village Fund budget of Rp. 137,310,000, -. A fund of fifty million is earmarked for the participation of citronella business capital in the same year to villagers who own the business. Funds were spent in the form of citronella seeds and organic fertilizers (Payakabung, 2020).

Another BUMDes budget is allocated for the capital of oyster mushroom cultivation of thirty-five million rupiahs. This oyster mushroom business has been running since 2015, at that time, this business failed, so that it had a vacuum. Since the existence of BUMDes, this business has since risen again in 2017 until now. BUMDes prepares all the needs of the community, including the provision of land. There are several obstacles in the management of oyster mushrooms, including water problems and less professional management. Business actors generally only focus on making products so that they produce finished goods, but they do not have the resources to do product marketing. The marketing is only carried out in traditional markets in villages and districts. Meanwhile, marketing in cities is only conducted when the business actors participating in district-level small and medium enterprise product exhibitions (Dini, 2020; Sari, 2020; Subandi, 2020).

Social capital is a resource that involves connections and relationships that are regulated in norms based on mutual trust and cooperation to achieve mutual benefits for the society's productivity (Coleman, 1988; Putnam, 1995). The collaboration carried out by several parties allows social capital to be able to create economic activities based on mutual trust by various parties (Mampanini, 2016). Some of the collaborations carried out by the Payakabung BUMDes are collaborating to provide capital assistance for the Payakabung Village community. The result of this collaboration is creating the Payakabung BUMDes that succeeded in obtaining assistance, for example, citronella seeds and greening the land through plant cultivation for climate control amounting to IDR 50 million from PLN in 2019. This support was provided on the condition that they had to give a wastewater management installation. Unfortunately, the results were not as expected because the quality of citronella oil produced was low and making it difficult to market. This case caused a significant loss. They also do not receive guidance and training in managing budgets. Facing the various obstacles above, BUMDes Payakabung collaborates with supermarkets to market products from their village. Even in 2020, BUMDes Payakabung made BUMDes Mart by collaborating on a franchise basis with Indo Grosir. Later, their products can be marketed in Indo Grosir. Indo Grosir will also open a branch in Payakabung Village. For this reason, the Payakabung BUMDes has prepared five shophouses built using the Village Fund to market local products. With this cooperation, Indo Grosir also provides training and assistance in managing employees from the people of Payakabung Village. The Village Government is also cooperating with the Indralaya Utara District to not giving operational permits if other mini-markets open branches in the village (Sari, 2020; Subandi, 2020; Dini, 2020).

Social capital plays an important role in the Payakabung BUMDes to develop the socio-economic community in Payakabung Village. However, BUMDes still need support and assistance from the community, like village apparatus organizations, partners, and the community to improve the village socio-economy. The institutional governance of the Payakabung BUMDes is also create following the Village Medium Term Development Plan, Village Development Work Plan, Village Owned Enterprise Income, and Expenditure Budget in a transparent and accountable way. Social capital encourages the BUMDes independence strategy to succeed in realizing common interests.



## CONCLUSION

Apart from having the developed potential, Payakabung Village also has institutional social capital. They have BUMDEs that develop distinctive superior products to be developed to improve their social community and economy. These products consist of fragrant lemongrass oil, oyster mushroom cultivation, and toman fish ponds. However, community entrepreneurial development is not followed by appropriate knowledge professionally. The role of social capital in the Payakabung BUMDEs has been created by the community since 2017 and be able to become village business partners to develop their products to develop local products. On the other hand, products that should be developed to foreign markets can only be marketed in the regions. Hence, assistance needs carried out continuously by stakeholders can be the best solution to improve an entrepreneurial spirit in rural communities. The provision of CSR funds needs to be followed by a process of mentoring, training, and product development so that it can be marketed professionally. By maximizing the role of BUMDEs in improving village entrepreneurship, hopefully, it can help village governments to reduce poverty and improve the prosperity of rural communities using local economic development. This study contributes academically to the understanding of the role of social capital in improving the rural communities' economy through the development of local potential which is expected to create social change. Whereas, in its development, there is not only a village development dimension but a lot of community and institutional influences in it. This study has several limitations such as it only analyses the role of social capital in a village for improving the socio-economic community, whereas the broad elements of social capital can be developed in the village development context.

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