

UDC 332

**THE ROLE OF BUMDES, INTELLECTUAL CAPITAL, AND SOCIAL CAPITAL
ON SMALL INDUSTRIES AND HOUSEHOLDS OF SMALL INDUSTRIAL ENTERPRISES
PERFORMANCE IN BANGLI REGENCY**

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ABSTRACT

Small industry has a big enough role in encouraging development of regions. Bangli Regency has a fairly developed number of small industries, which indicates huge potential in the area that can be developed to increase regional GRDP and to improve household welfare, especially the improvement of welfare for small industry entrepreneurs and their impact on community independence. This research was conducted to explain the role of BUMDes, intellectual capital, social capital on the performance of small industries and the welfare of business actors. This research was conducted in Bangli Regency with a sample size of 250 respondents using purposive sampling and accidental sampling methods. Data collection was obtained from the results of distributing questionnaires using a five-point Likert scale which was used to measure 14 indicators using the SEM PLS analysis method. The results showed that the role of BUMDes, intellectual capital and social capital had a positive and significant effect on the performance of small industries. Furthermore, intellectual capital, social capital, the performance of small industries have a positive and significant effect on the welfare of small industry entrepreneurs, while the role of BUMDes does not have a positive effect on the welfare of small industry entrepreneurs. This means that a multidisciplinary approach can be used to solve economic problems such as improving performance and community welfare. The concepts that can be used to increase the productivity and welfare of society are social capital, institutional hierarchy and corporate governance.

KEY WORDS

The role of BUMDes, intellectual capital, social capital, small industry, household welfare.

Sectors that play a role in the economy of Bali are the tourism sector, the agricultural sector, as well as the small industry and handicrafts sector. The province of Bali has experienced a structural shift in the economy which was previously dominated by the agricultural sector but has changed to the tourism services sector. However, the vulnerability of the tourism sector to security and health issues at the local, national and international levels suggests that Bali Province does not rely solely on its dominance in the tourism sector as the leading sector. Bali Province must immediately transform its economic development by leading to the development of a horticulture-based processing industry, so that the development of a horticulture-based processing industry will have an impact on its forward linkage and backward linkage. The processing industry is able to provide added value to the primary sector and as a supplier to the needs of the tertiary sector.

The attention of the Bali provincial government to the processing industry still tends to be weak. It can be seen from the fluctuating distribution of the processing industry to the GRDP value of Bali Province. Based on data from BPS, in 2015 the processing industry provided a distribution rate of 6.5 percent but this figure decreased in 2016 to 6.39 percent. The distribution value of the processing industry weakened further in 2017 with a contribution of 6.06 percent, decreased again in 2018 to 6.01 percent, and finally in 2019 it only reached 6.05 percent. This indicates that the manufacturing industry is not yet a leading sector for the economy in Bali Province.

Overall, the contribution of the processing industry in regencies / cities in Bali Province has increased every year. However, Bangli Regency has the lowest average contribution

value among regencies / cities in Bali Province, which is 4.31 percent. The contribution of the manufacturing sector in Bangli Regency has tended to decline over the past 5 years. This indication indicates that the prospects in the industrial sector in Bangli Regency are getting weaker due to the decline in added value generated from year to year. The low contribution of the processing industry in Bangli Regency is reflected in the low level of productivity of small industries.

The causes of changes in the productivity of small industries can be caused by weak human resources in the field of management, unprofessional organizations, weak mastery of technology and marketing, and low entrepreneurial quality of business actors. The problems of small industries are more complicated if they do not have adequate capital, while obtaining capital in microfinance institutions must take into account the income earned (Tetteh Anang et al, 2015). This problem must be resolved so that it does not become a prolonged problem. Breakthroughs are needed to help increase the productivity of small industries.

To overcome the problems faced by small industries, the government is aggressively implementing programs that can protect the needs of the community. One of them is by establishing a village business entity, namely Village-Owned Enterprises (BUMDes). The formation of BUMDes in Bangli Regency is getting more intense because of the Bangli Regency regional regulation Number 5 of 2012 concerning guidelines for the formation and management of Village-Owned Enterprises. 2015 was a milestone in the rise of BUMDes along with an increase in village funds allocated by the central government to villages. Based on the results of observations, it shows that there is a situation where various assistance and programs have been implemented by BUMDes to advance the potential of the village. Most of the programs carried out are in the form of capital loans to small industry entrepreneurs without collateral. In addition, BUMDes provides a small loan interest for loans with a large enough amount. So that with an increase in business capital, it is hoped that an increase in household welfare will occur. There is not much data available regarding the impact of BUMDes on the welfare of small industries and households. So this study wants to see the role of BUMDes in small industries and to improve household welfare in Bangli Regency.

Although various programs have been run by the government. However, to increase the productivity of community businesses it cannot only be borne by an institution. Business actors need to be aware of other types of capital that play a role in increasing productivity. Boordeou also said that economic capital is not the capital of all capital, so that other characteristics of capital are needed which can support to increase the productivity of society. Supporting capitals that have been widely discussed in literary studies that can increase the use of resources and potential are social capital and intellectual capital.

Small industry rarely understands the importance of intellectual capital as a valuable asset in business. Even though by paying attention to intellectual capital owned by small industries, intellectual capital can form knowledge, ability to develop business innovation, increase employee competence, product innovation, and form a competitive advantage in small industries (Abdulaali, 2018). Intellectual capital is a factor that affects performance (Brinker, 2000). Intellectual capital can be said to be the hidden value of business (Ulum, 2009). Another factor that needs to be considered in maintaining the existence of small industries is social capital, with indicators namely mutual cooperation, trust and norms (Yuliarmi, 2020). The role of social capital in small industries is to help build strong connections with others to increase business capabilities so that they can perform better (Hongyun, 2019). Strengthening social capital is very important to explore further because social capital is believed to be able to strengthen the influence of empowering small industries to improve the welfare of their members.

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LITERATURE REVIEW

The definition of BUMDes according to Maryunani (2008: 35) is a village business institution managed by the community and village government in an effort to strengthen the village economy and build community social cohesion that is formed based on the needs and potential of the village. So BUMDes is a business institution that has the function of doing business in order to get a result such as profit or profit. The presence of BUMDes in the midst of society is not only for running a business unit or managing regional original resources as a source of Regional Original Income. The presence of BUMDes can act as an intermediary for small businesses to get capital assistance. According to Samadi, et al (2015) loan funds originating from BUMDes have helped small business units to increase the income of business actors and there has been a change in the economy by its users. According to TNP2K (2020) BUMDes can also become partners of MSEs to act as distributors or marketing of village MSE products. In line with that, BUMDes can also become partners for farmers to distribute agricultural products and become suppliers of local food needs. BUMDes also provides access to facilities and infrastructure in small business development, such as forming village markets and providing training to business actors regarding business development so that they can grow and develop. Capital that must be met by an entrepreneur is not only about financial capital, but there is also non-financial capital that an entrepreneur needs to have in order to run his business so that it can run and develop better, one of which is social capital. Social capital or social capital is a resource that is seen as an investment to obtain new resources. The thing that is emphasized in social capital is the potential of groups and patterns of relationships between individuals in a group and between groups, with a space of attention to the beliefs, networks, norms and values that are born from group members and become group norms (Ibid). According to Putnam, social capital theory emphasizes mutual trust between members of society and society as a

whole towards their leaders. Social Networks (networks of civic engagement) that exist in society are needed to encourage community productivity. According to Fathty (2019) social capital is an alternative form of modality that is beneficial for the community to obtain both economic and social benefits. Strong social capital facilitates small industries to gain access to the financial, marketing, production and information sectors (Yuliarmi et al, 2020).

Intellectual capital is the intellectual material of knowledge, information, intellectual property rights, experience that can be used to create wealth (Soetedjo and Mursida, 2014). Furthermore, Ulum (2009: 21) identifies intellectual capital as the hidden value of business. The term "hidden" is used here for two related things. First, intellectual capital, especially intellectual assets or knowledge assets, are assets that are not seen in general like traditional assets and the two such assets are usually not visible on the financial statements. Knowledge can develop because of the role of human resources who get knowledge through the organizations, activities, and infrastructure they have learned. Furthermore, this knowledge undergoes transmission and spread from one member to another, and in the end it affects the productivity of workers. The knowledge contained in the company or organization is ultimately inherent and becomes the values of the organization and company. Knowledge cannot stand alone or be created by the company itself without the initiative of the individuals involved in the organization. It can be concluded that human resources are an important element in organizational processes and form intangible resources. According to Subandi (2012), the term industry can be economically defined as the activity of processing raw materials into finished goods or semi-finished goods. According to Van Looy (2016), there is no standard standard in measuring business performance, measurement must always be adjusted to the needs of the appraisal entity. Measuring performance can be done by looking at aspects of the performance system, financial system and non-financial aspects. A similar thing is explained by A Chariri and Iman Ghozali (2007), that company performance can also be measured using financial information or also using non-financial information, namely customer satisfaction with services provided by the company. Even so, most company performance is measured by financial ratios within a certain period. Henceforth, this study uses performance indicators according to Munizu (2010), namely: increased sales growth, increased capital growth, better market and marketing growth, better profit / operating profit growth. Poerwadarimta (1996), states that prosperity is a sense of security, security, and prosperity (apart from everything that disturbs peace and so on). So that the meaning of welfare includes security, safety (pleasure in life and so on) and prosperity. Meanwhile, according to Erwidodo and Trewin (2011), social welfare in a very broad sense includes various actions and policies carried out by humans to achieve a better standard of life. This better standard of living is not only measured by mere economic and physical terms, but also takes into account the social, mental and spiritual aspects of life. People can have a better standard of living if they take advantage of the human capital they have. Someone who has good human capital has a greater opportunity to improve his welfare (Olagunju, 2019). Research results from Cahyono (2012) show that improving community welfare can not only be done through economic empowerment, but also through increasing social capital from organizational functions in society, and through strengthening the values of public trust. So that the strengthening of social capital can increase mutual respect and benefits. This means that strengthening social capital can have a positive impact on improving community welfare. In improving business performance, sustainable economic and non-economic factors are needed (Todaro and Smith, 2006). One of the non-economic factors that should be considered is social capital. Strong social capital facilitates small industries to gain access to the financial, marketing, production and information sectors (Yuliarmi et al, 2020). Social capital not only improves business performance but also plays a role in improving community welfare (Masumi Saha, 2015). Another non-economic capital that should be considered is intellectual resources. Intellectual capital is a variable that plays an important role in improving business performance positively and significantly (Brinker, 2000). The same results were obtained by Yeni Absah (2018) and Shamsudin (2013) that intellectual capital has a positive and significant effect on business performance. Olagunju (2019) adds that people who have high human capital have a greater opportunity to improve

their welfare. Apart from non-economic factors that are interesting to study in improving industrial performance and welfare. The institutions formed by the government also have an important role in improving industrial performance and community welfare. The results of research from Kirowati (2018) show that the benefits of developing BUMDes can be felt by villagers in terms of creating new businesses, absorbing labor, improving community welfare, contributing to village development and having a direct impact on the rural economy and community culture.

With reference to the background of the problem, theoretical studies and empirical studies as previously described, in this study there are 5 latent constructs, namely BUMDes performance, intellectual capital, social capital, business performance and the welfare of business actors. It can be concluded that there is an influence between the performance of BUMDes, intellectual capital and social capital on business performance. Besides that, there is also an influence between the performance of BUMDes, intellectual capital, social capital and business performance on the welfare of small industrial households.

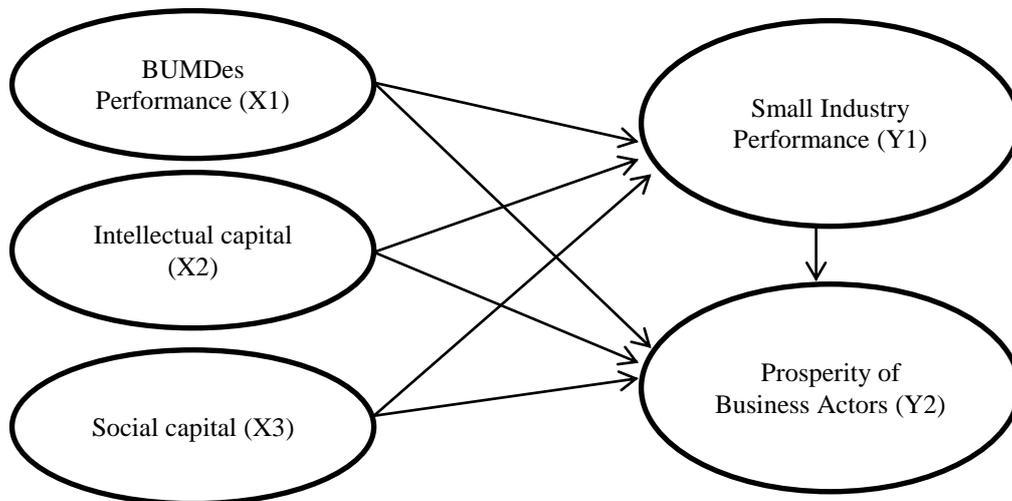


Figure 1 – Conceptual Framework

Based on the background, problem formulation and literature review, the research hypothesis is formulated as follows.

- 1) The performance of BUMDes, Intellectual Capital, and Social Capital has a positive effect on the Performance of Small Industries in Bangli Regency;
- 2) The performance of BUMDes, Intellectual Capital, Social Capital and Small Industry Performance has a positive effect on the Household Welfare of Small Industry Entrepreneurs in Bangli Regency;
- 3) The performance of BUMDes, Intellectual Capital, and Social Capital affects the Household Welfare of Small Industry Entrepreneurs through the Performance of Small Industries in Bangli Regency.

METHODS OF RESEARCH

The data analysis technique used in this study is SEM using Partial Least Square (PLS) software with Smart PLS 3 to explain whether or not there is a relationship between latent variables, namely BUMDes Performance, Intellectual Capital, Social Capital, Small Industry Performance and Household Welfare. The research location was conducted in Bangli Regency, Bali Province, Indonesia. The focus of this research is small industries which are coordinated by BUMDes and get capital assistance, skills improvement assistance, and market expansion from BUMDes. So that the type of data used is qualitative data and quantitative data. The sample used in the study was 250 business units, which

were obtained from the Slopin formula from the total population of IKM in Bangli Regency, which amounted to 4213 units and the target population, namely small industries in Bangli Regency, which was 1288 units. The sampling technique used was stratified random sampling and the interview technique used was accidental sampling.

Determination of the number of research samples using the Slovin formula as follows:

$$n = \frac{1288}{1+1288 \cdot 0.06^2} = 228$$

rounded to 250

After the data was collected, the validity and reliability tests were conducted to test the research instruments used. Then proceed with descriptive analysis and path analysis with Partial Least Square PLS (component based SEM)

RESULT AND DISCUSSION

To test the extent to which the collected data did not deviate from the variable description, a validity test was conducted. The validity test in this study used the Corrected Item Total Correction by comparing the t-count and t-table values with the real level $\alpha = 0.05$. Furthermore, the result of t table is 0.361 while all variables get $t_{count} > t_{table}$ which indicates that all items have valid results, so that all instrument items can be used in research. Furthermore, to see the reliability test, it can be seen based on the Cronbach s' alpha value and results are greater than 0.7, which means that a latent variable can be said to have good reliability (Sarwono and Narimawati, 2015). After testing the validity and reliability, all variable items were analyzed descriptively and the average result was 4.35, which means that all variable criteria are very good to be continued.

Table 1 – Outer Loading Value

Variable	Instrument	R _{xy}	AVE	Composite Reliability	Cronbach's Alpha	VIF
X1	X1.1	0.925	0.837	0.959	0.935	4.108
	X1.2	0.957				3.542
	X1.3	0.929				4.974
X2	X2.1.1	0.956	0.878	0.958	0.951	4.872
	X2.1.2	0.939				
	X2.1.3	0.919				
	X2.1.4	0.914				4.498
	X2.2.1	0.906				
	X2.2.2	0.913				
	X2.3.1	0.949				4.288
	X2.3.2	0.883				
	X2.3.3	0.921				
X3	X3.1.1	0.914	0.895	0.962	0.941	4.827
	X3.1.2	0.947				
	X3.2.1	0.959				4.82
	X3.2.2	0.846				
	X3.2.3	0.878				4.912
	X3.3.1	0.885				
X3.3.2	0.883					
Y1	Y1.1	0.928	0.91	0.956	0.902	3.875
	Y1.2	0.913				2.841
	Y1.3	0.92				2.627
Y2	Y2.1	0.933	0.886	0.939	0.931	3.461
	Y2.2	0.886				3.826
	Y2.3	0.919				4.227

To test the outer model, the Convergent validity test, discriminant validity test, composite reliability test and multicollinearity test were conducted. Convergent validity can be seen from the Average Variance Extracted (AVE). In this study, the AVE value of all items is 0.5, which

means that the convergent validity requirements are met. Furthermore, to ensure that the model does not have a problem with discriminant validity, a comparison of the square root of average variance extracted (AVE) values between constructs and other constructs is carried out. Based on the square root value of AVE, the respective values are 0.915 (X1); 0.937 (X2); 0.946 (X3); 0.954 (Y1); 0.941 (Y2) which is greater than the correlation of each construct, meaning that the model has no problem when viewed from discriminant validity. Testing the outer model is continued with the composite reliability test and a value of > 0.6 is obtained, which means that there is no reliability problem. Furthermore, based on the results of the Variance Inflation Factor (FIV) value, the value <5 is obtained, which means that the construct does not have a linear relationship between other constructs.

Before testing the hypothesis, it is necessary to evaluate the inner model which aims to determine the goodness of fit of the model using the R-square (R²) and Q-square (predictive relevance) methods. The results obtained were Y1 of 0.816 and Y2 of 0.854 which indicated that the R-Square (R²) value of all variables was greater than 0.50 so that the model formed was included in the strong criteria.

The Q-Square (Predictive Relevance) value can be calculated as follows:

$$Q^2 = 1 - (1 - R^2_1) (1 - R^2_2)$$

$$Q^2 = 1 - (1 - 0,816) (1 - 0,854)$$

$$Q^2 = 1 - (0,184) (0,146)$$

$$Q^2 = 1 - (0.026864)$$

$$Q^2 = 0,973 \text{ atau } 97\%$$

The calculation of Q-Square produces a value of 97% which means that the model has a very good value. This means that 97% of the relationship between variables can be explained by the model. Based on the results of the above calculations R² and Q², the model can be continued with hypothesis testing analysis.

To answer the hypothesis in this study, a test of the α value of 0.05 was carried out between the variables X1, X2, X3 on Y1 and Y2. Based on Table 2, the results of X1, X2, X3 against Y1 are positive and significant. The results of X2, X3, Y1 against Y2 are positive and significant. While X1 against Y2 is not positive and significant.

Table 2 – Path Coefficients Mean, STDEV, T-Statistic, P-Values

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Value
Y1>Y2	0,697	0,697	0,085	8,163	0,000
X2>Y1	0,412	0,421	0,087	4,725	0,000
X2>Y2	0,245	0,255	0,076	3,218	0,001
X3>Y1	0,289	0,261	0,142	2,032	0,043
X3>Y2	0,263	0,257	0,086	3,069	0,002
X1>Y1	0,263	0,283	0,120	2,192	0,029
X1>Y2	-0,257	-0,260	0,086	2,982	0,003

Furthermore, to see the mediation relationship between X1, X2, X3 against Y2 through Y1, it can be seen in the indirect effect coefficient. Based on the results of the analysis presented in Table 3, it shows that there is an indirect relationship between intellectual capital (X2) and people's welfare (Y2) which is mediated by the performance of small industries (Y1) which get a tcount of 5.565 with a P value of 0.000. This means that the performance of small industries is able to mediate intellectual capital on people's welfare because the P value is <0.05. Furthermore, the relationship between social capital (X3) and social welfare (Y2) which is mediated by the performance of small industries (Y1) gets a tcount of 1.903 > t table of 1.651. Because the value of t count is greater than t table, it means that the performance of small industries is able to mediate social capital to community welfare with a P value of 0.058. Meanwhile, the performance of BUMDes (X1) on public welfare (Y2) which is mediated by the performance of small industries (Y1) gets a tcount of 2.081 with a P value of 0.038. This means that the performance of small industries is able to mediate BUMDes in community welfare because the P value is <0.05.

Table 3 – Indirect Effects (Mean, STDEV, T-Statistics, P-Value)

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X2>Y1>Y2	0,288	0,290	0,052	5,565	0,000
X3>Y1>Y2	0,202	0,186	0,106	1,903	0,058
X1>Y1>Y2	0,184	0,197	0,088	2,081	0,038

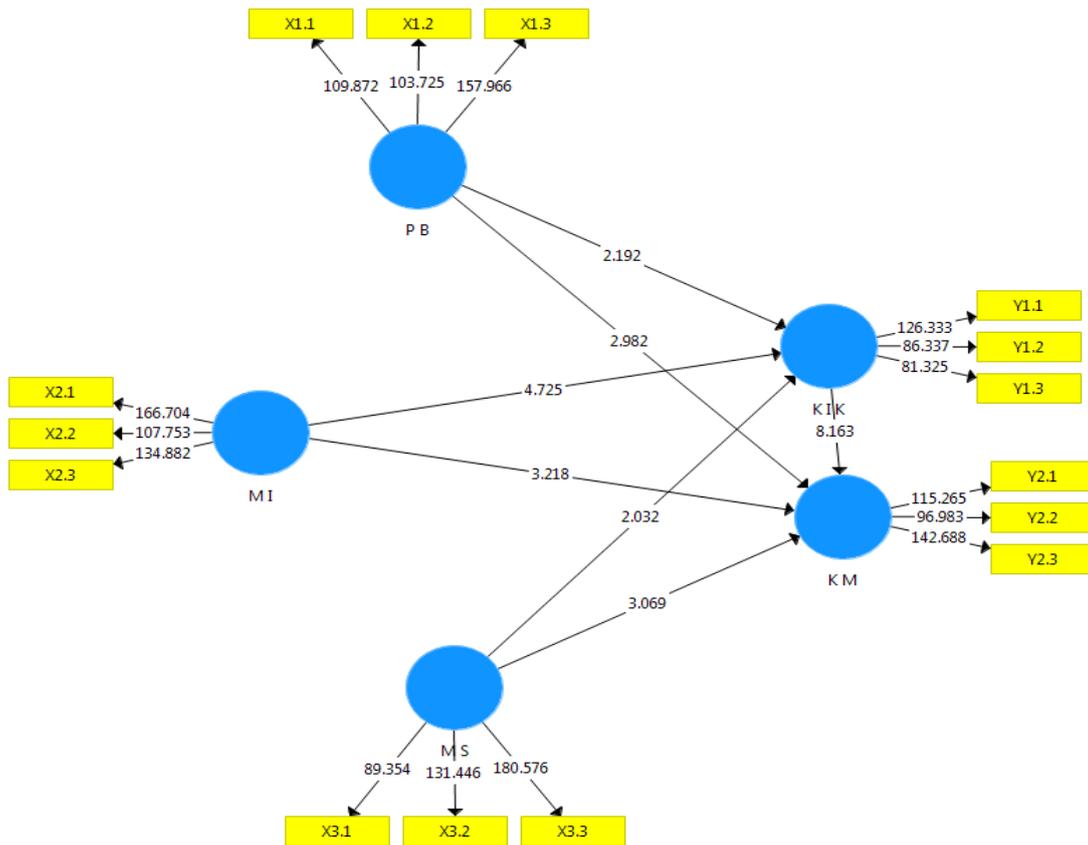


Figure 2 – Path Diagram – PLS Output

Based on the results obtained from hypothesis testing using PLS, it proves that the performance of BUMDes has a positive and significant effect on the performance of small industries in Bangli Regency (H1). The capital loan assistance for entrepreneurship and marketing training provided by BUMDes greatly impacts the improvement of the performance of small industries in terms of income, capital growth and product marketing. The presence of BUMDes in helping small industries is very much felt, especially in terms of capital. Capital assistance from BUMDes with small returns is very helpful for business actors to increase productivity. In addition, because small industry entrepreneurs feel an obligation that needs to be paid, this forces business actors to continue producing. The same research results were obtained by Darwita and Redana (2018) which stated that the performance of BUMDes had a positive influence on the performance of small industries. It can be said that BUMDes has a positive impact on increasing community businesses, and provides a stimulus for increased productivity to the local community, even though it is still on a small scale.

However, the role of BUMDes performance does not have a positive effect on household welfare in Bangli Regency. The performance of BUMDes which consists of 3 indicators, namely production cost assistance, entrepreneurship training and marketing assistance from BUMDes has not been able to improve the household welfare of small industry entrepreneurs in Bangli Regency. Assistance obtained from BUMDes cannot be enjoyed directly to meet needs, but assistance from BUMDes can only be felt after it is used

to build a business and the benefits of its welfare will only be felt after the business is running and developing. BUMDes performance does not have a positive effect on the public welfare variable (H2), the results of this study are not in accordance with the initial hypothesis that BUMDes performance has a positive effect on community welfare. This research is supported by research conducted by Anggraeni (2016) that the existence of BUMDes inevitably brings changes in the economic and social fields. The existence of BUMDes does not directly benefit the residents' welfare. However, the presence of BUMDes is felt to have quite an impact on small industries but has not been able to improve the welfare of the community.

Based on the results obtained from hypothesis testing using PLS, it proves that social capital has a positive and significant effect on the performance of small industries in Bangli Regency. The social capital variable is divided into 3 indicators, namely trust, mutual cooperation and social networking. Trust, mutual cooperation and social networks have an impact on improving the performance of small industries in terms of income, capital growth and product marketing. It can be explained that business reputation and business credibility are things that need to be maintained because business reputation will affect the marketing aspects of the product and the income received. Mutual cooperation in all activities can provide more production value which can be enjoyed together to enlarge the business (Marx in Suseno, 2001). As well, forming or being in a network related to the small industrial businesses they do provide ample opportunities to expand the business. It can be concluded that social capital has a positive and significant effect on the performance of small industries (H1), this research is in line with the research of Perkasa (2018) which also states that social capital has a positive effect on business performance. The role of social capital is very helpful for the progress of small industrial businesses to survive and improve business performance even though it is only limited to getting profit and maintaining business (Setiyaningsih at all, 2015).

Based on the results obtained from hypothesis testing using PLS, it proves that social capital has a positive and significant effect on the performance of small industries in Bangli Regency. The social capital variable is divided into 3 indicators, namely trust, mutual cooperation and social networking. Trust, mutual cooperation and social networks greatly impact the household welfare of small industrial entrepreneurs from the aspects of improving health, increasing education and income. Good business reputation and credibility greatly affect the welfare level of small industrial entrepreneur households. In addition, mutual cooperation in small industries is very necessary to accelerate handicraft products so as to improve the welfare of the community. As well as access to information and technology, make it easier for small industries to get information and improve the welfare of the community. It can be concluded that social capital has a positive and significant effect on the social welfare variable (H2), this research is supported by Cahyono (2012) which states that social capital has a positive influence on household welfare. If the norm of household social capital is increased, the greater the strengthening of the level of household welfare (Sukrisna et al, 2018). The importance of maintaining trust as social capital has also been discussed by Yuliarimi et al (2021), that the loss of trust indicates low social capital and will have an impact on welfare.

Based on the results obtained from hypothesis testing using PLS, it proves that intellectual capital has a positive and significant effect on the performance of small industries in Bangli Regency. The intellectual capital variable is divided into 3 indicators, namely human capital, structural capital and customer capital. It can be concluded that intellectual capital has a positive and significant effect on the performance variables of small industries (H1), this study supports research conducted by Shamsudin (2013) which states that intellectual capital has a positive influence on the performance of small industries. This research is supported by Sari (2020) that intellectual capital consisting of human capital, customer capital, and structural capital has a positive and significant effect on SME business performance. The existence of indicators of formal education, business experience, management skills, business motivation, the ability to process information with technology, product innovation and business promotion makes a company have resources that can

support improving their performance. In addition, the importance of resources, networks, and relationships between interested parties helps the company to run its business in a sustainable manner. The same thing is expressed in the research of Wajdi et al (2018) and Astuti (2017).

The role of intellectual capital on household welfare also has positive and significant results, these results are based on hypothesis testing using PLS. The intellectual capital variable is divided into 3 indicators, namely human capital, structural capital and customer capital. Human capital which consists of formal education for small industry entrepreneurs, past business experience, management skills and business motivation is deemed sufficient to improve the welfare of small industry entrepreneurs. Structural capital which consists of a conducive corporate culture structure, the ability to process information and information technology greatly assists business actors in improving their welfare. Furthermore, customer capital which consists of efforts to improve product quality, development of business innovation and promotion has a profound impact on the household welfare of small industry entrepreneurs in Bangli Regency. This research supports research conducted by Wibowo, M. (2019) which states that intellectual capital, namely human capital, has a positive influence on the performance of small industries. Olagunju (2019) adds, people who have high human capital have a greater opportunity to improve their welfare

In improving the performance of small industries, it does not only require raw materials as the main factor. Bangli Regency has abundant natural resources that can be utilized and processed into goods that have economic added value. In the midst of the abundance of natural resources owned by Bangli Regency and the high creativity of the community as evidenced by the various kinds of handicraft industries in the Bangli area, it turns out that they have not contributed significantly to the PDRB of Bangli Regency. The presence of BUMDes in the community is the right step. BUMDes provide business encouragement to the community and make it easier for small industries to obtain capital loans and marketing assistance. However, BUMDes has not succeeded in helping to improve the welfare of small industrial households. Small industries really need guidance from the government on the efforts needed to improve their business, meaning that the role of local government and local institutions is needed to form synergy with small industries.

Apart from economic factors, to help improve the performance of small industries and the welfare of the community, things that need to be considered are non-economic factors, such as social capital and intellectual capital. The stronger the non-economic capital owned by small industries, can affect the existence and sustainability of the business in the long run. Educational background, business experience, business management, customer loyalty, social networks that are formed outside of the business, mutual cooperation in running a business and business credibility are things that need to be considered to improve performance and ultimately have an impact on the welfare of small industrial households. . Small industry players must pay attention to these factors if they want to maintain their business in the long term

CONCLUSION

Based on the research results, several conclusions were obtained in the study as follows: The performance of BUMDes has a positive and significant effect on the Small Industry Performance variable, the presence of BUMDes has a positive impact on small industries; Intellectual capital has a positive and significant effect on the Small Industry Performance variable, there is a relationship between intellectual capital and performance improvement in small industries; Social capital has a positive and significant effect on the Small Industry Performance variable, social capital has a positive impact on small industry; The performance of BUMDes does not have a positive effect on the variables of the welfare of small industry entrepreneurs, the presence of BUMDes has not been able to have a positive impact on the welfare of small industry entrepreneurs; Intellectual capital has a positive and significant effect on the variables of the welfare of small industry entrepreneurs, intellectual capital owned by business actors has a positive effect on improving the welfare of

small industry entrepreneurs; Social capital has a positive and significant effect on the variables of the welfare of small industry entrepreneurs, social capital owned by business actors has a positive effect on improving the welfare of small industry entrepreneurs; The performance of small industries mediates the effect of BUMDes performance, intellectual capital, social capital on the welfare of small industry entrepreneurs. BUMDes performance, intellectual capital, social capital have a positive influence on improving the welfare of business actors.

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