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Unleashing the Potential: Social Capital's Key Role in Empowering Songket Weaving SMEs and Fueling Economic Growth in Central Lombok

Triana Lidona Aprilani¹, Vegalyra Novantini Samodra², Donny Juliandri Prihadi³, Suci Emilia Fitri⁴, Imam Radianto Anwar SP⁵, Evi Maya Savira⁶

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Abstract

The objective of this study is to fill the knowledge gap regarding the role of social capital in sustaining Songket weaving SMEs and fostering economic empowerment in Central Lombok. The research design adopts an explanatory mixed-method approach, utilizing both quantitative and qualitative data collection methods such as observation, documentation, interviews, and in-depth interviews. Quantitative data is gathered using specific Likert scales and analyzed through SEM-PLS, while qualitative data is analyzed descriptively using purposive sampling. The study primarily focuses on female Songket weavers from Sade and Sukarara, two villages renowned for their weaving craft, with 20 and 30 informants respectively. The findings indicate a significant and direct influence of social capital on enhancing economic empowerment within Songket weaving SMEs. Financial, network, and moral support were identified as crucial factors in promoting economic independence. The study underscores the importance for policymakers and stakeholders to devise targeted interventions that comprehensively address the significance of social capital in advancing economic empowerment among Songket weaving SMEs in Central Lombok.

Keywords: Social capital, sustainable SMEs, Songket weaver, economic independence.

INTRODUCTION

Financial capital is an essential resource within the field of economics, and money functions as a medium for transactions. It is crucial to comprehend that the economy must continue expanding in order to meet its demands. Failure to progress can result in economic contraction (Dutta, 2006). In Indonesia, Micro, Small, and Medium Enterprises

1 Economic and Business Department, Al-Azhar Islamic University of Mataram, Indonesia
Post Doctoral Fellow at the Research Center for Domestic Government, BRIN, Indonesia, trianalidona0204@gmail.com, Orcid ID: 0000-0002-2560-1596

2 Lecturer in Islamic Education, Al-Azhar Islamic University of Mataram, Indonesia, vegalyranovantini@gmail.com, Orcid ID: 0009-0007-9570-4666

3 Department of Marine Sciences, Faculty of Fisheries and Marine Sciences, Padjadjaran University, Indonesia, donny.juliandri.prihadi@unpad.ac.id, Orcid ID: 0000-0002-4758-0538

4 Researcher of the National Research and Innovation Agency at the Research Center for Domestic Government, BRIN, Indonesia, suci018@brin.go.id, Orcid ID: 0000-0003-2670-7824

5 Researcher of the National Research and Innovation Agency at the Research Center for Domestic Government, BRIN, Indonesia, imamradianto@gmail.com, Orcid ID: 0000-0001-5906-4496

6 Researcher of the National Research and Innovation Agency at the Research Center for Domestic Government, BRIN, Indonesia, evim001@brin.go.id, Orcid ID: 0000-0003-4751-8619

(MSMEs) play a pivotal role in economic growth and act as a safety net for society during economic crises. Consequently, the presence of dependable and robust MSMEs is indispensable for economic advancement and serves as a buffer against global economic instability.

MSMEs make significant contributions to economic growth, employment generation, and the equitable distribution of development outcomes. They exhibit greater resilience in times of crisis compared to larger enterprises, which often experience periods of stagnation or even closure. Given their economic significance, the development of MSMEs is of utmost importance (Amalia et al., 2017). In Indonesia, MSMEs hold a unique position as they rely less on bank financing, thus reducing the risk of bad credit. They utilize labor-intensive technology and local resources to manufacture goods that are affordable to consumers (Juminawati et al., n.d.). MSMEs possess distinctive characteristics that set them apart from large businesses, including the level of education required for their workforce. Small-scale industries do not necessitate extensive formal education, and much of the labor force in this sector gains expertise through practical experience (learning by doing), influenced by historical factors (path dependence) (Saah, 2022; Soomro et al., 2019).

Maran (2022) states in their research that implementing various policies is crucial to attract more business angel investors and foster the growth of crowdfunding and venture capital investment in ASEAN. Also, it is suggested that these policies could include tax incentives, the creation of co-investment funds, investor-readiness training sessions, and media campaigns. Additionally, for the development of crowdfunding, strong regulatory frameworks, rule of law, control of corruption, and robust infrastructure are essential. Similarly, venture capital investment could benefit from dedicated legal frameworks, tax incentives, and relaxation of certain investment requirements for institutional investors.

The growth rate of SMEs in Indonesia has been increasing since the global crisis, with significant labor absorption (Indonesian Statistic, 2019). The number of SMEs has continued to increase year after year. The increase from 2012 to 2013 was 2.4 percent. The same percentage increase occurred from 2013 to 2014. The successive percentage increases from 2014 to 2018 were 1.8 percent, 1.98 percent, 1.65 percent, and 5.17 percent. The average percentage increase in the number of SME units over six years from 2012 to 2018 was 2.68 percent. Several researchers have found that social capital plays a role in increasing the number of SMEs. Despite the growth in SMEs, it is important to recognize the crucial role that women have historically played in sustaining family economies, particularly as subsistence economic actors. For instance, in Sukarara Village, women who work as songket weavers have been able to contribute economically to meet their various life needs.

Another example of the contribution of local communities to the economy is the case of Sade Village in Lombok Island, which has emerged as a leading tourist destination for cultural village tourism. The village has managed to preserve its local traditions, rural areas, and ancestral heritage while offering tourism activities that emphasize the cultural elements of the Sasak tribe (El Badriati et al., 2022). This has created added value for the village's tourism industry and enabled it to compete with other tourist destinations. Through such efforts, local communities can continue to contribute to the economy while also preserving their cultural heritage (Hasanah, 2019).

Songket weaver women in both Sade Village and Sukarara Village pursue their work as a cultural heritage of their ancestors that must be preserved as local wisdom values. However, the spirit or work ethos in carrying out their profession, whether it is motivated solely by cultural motives or other obligations, remains a complex issue. The complexity and different perspectives of experts on work ethos, especially regarding the work ethos of Sasak Muslim women, has sparked interest among researchers to examine the work ethos of Muslim songket weaver women in Sukarara, Central Lombok, their productivity,

and implications in shaping the independence of Muslim songket weaver women in Sukarara (Rasyad & Murdi, 2017).

This issue is very interesting to be raised so that the government has initiatives in preserving and developing sustainable tourism even at the international level, for several reasons. Firstly, every house in Sukarara Village has a traditional weaving tool called "nyesek" as a heritage of their ancestors, and there are several houses in Sade Village that also have traditional weaving tools. Secondly, Muslim songket weaver women still survive to work now, even with traditional tools in the midst of modernization. Thirdly, weaving is done to develop local wisdom values so as to obtain an award as one of the Tourism Villages in Central Lombok Regency. Fourthly, every generation, ranging from children, teenagers, and adults to the elderly, has weaving skills due to their social and cultural environmental factors. The government's role in developing community-based tourism that focuses on preserving and promoting traditional weaving practices in these villages can not only help preserve their cultural heritage but also provide economic opportunities for the local communities. By supporting sustainable tourism initiatives, the government can ensure that tourism activities are conducted in an environmentally friendly and responsible manner, benefiting both the local communities and the environment. This can also help to promote cultural understanding and appreciation among tourists, leading to a more inclusive and harmonious society. Ultimately, sustainable tourism can contribute to the long-term well-being and prosperity of these communities while preserving their cultural identity and natural resources for future generations to enjoy.

Hence, the objective of this research is to examine and uncover the significance of social capital in the long-term viability of MSME songket weavers, leading to enhanced economic self-sufficiency in Central Lombok. Furthermore, this study focusing on the role of social capital in sustaining MSME songket weavers in Central Lombok holds considerable potential for substantial contributions in various domains. Firstly, it can aid in identifying the fundamental factors that contribute to the sustainability of these small enterprises, particularly the social relationships, networks, and trust that are vital for their continued prosperity. Secondly, the study can offer insights into the challenges and opportunities encountered by MSME songket weavers in Central Lombok, informing the formulation of more effective policies and programs to support their growth and sustainability. Thirdly, it can contribute to the existing body of literature on social capital in the context of small business development in rural areas by providing valuable insights into the dynamics of social capital in such settings and its utilization to foster economic development and sustainability. Overall, this study has the potential to foster sustainable economic development in Central Lombok and similar rural regions, especially concerning the development of small businesses and social capital.

LITERATURE REVIEW

Social Capital Concept

Social capital encompasses institutions, relationships, attitudes, and values that guide and facilitate interactions among individuals, contributing to both social and economic development. It serves as a catalyst that individuals possess to unlock other forms of capital, such as human resources, physical resources, natural resources, and financial resources (Aprilani et al., 2021). As stated by Gannon & Roberts (2020), social capital refers to the collective strengths that individuals or groups develop by utilizing the social structure they believe can effectively and efficiently achieve individual and/or group objectives in conjunction with other forms of capital. The essence of social capital lies in the social connections established in people's everyday lives. These connections are a result of prolonged social interactions, leading to the formation of networks, cooperative

patterns, social exchanges, mutual trust, and the values and norms that underlie social relationships (Apfeld et al., 2022; Muringani et al., 2021).

Social capital can serve as an indicator to assess economic performance. At the macro level, indicators include the emergence of trust, civic norms, and aspects of social capital as foundational elements for economic development (Posner, 2021). The dimensions of social capital encompass everything that encourages communities to cooperate in pursuit of common goals based on a sense of togetherness, bound by shared values and norms (Dasgupta, Partha & Serageldin, 1999). There are six dimensions of social capital, namely (O'Donovan, 2017): (1) the number of members, (2) the diversity level of group/organization members, (3) the frequency of interactions, (4) the level of decision-making, (5) the level of contributions (financial and non-financial), and (6) societal orientation. Gannon & Roberts (2020) differentiate social capital into two complementary dimensions: structural and cognitive. Both dimensions share elements that foster collaborative behavior for mutual benefit.

O'Donovan (2017) identifies social capital through six dimensions: (1) habits (including formal and informal agreements), (2) shared goals (mutual respect between institutions), (3) bridging relationships (establishing trust and reciprocity), (4) social capital as an intermediary (trust-building within proximity systems), (5) intensity of relationships (the richness and mutual benefits derived from strong interpersonal connections), and (6) social location (building kinship ties to foster social capital resources). Maluccio et al. (2000) divide social capital into three dimensions: (1) household participation level in groups, (2) the function of groups for households, and (3) household trust level in groups.

Numerous studies have explored the concept of social capital in relation to collective endeavors. For instance, Mansuri & Rao (2012) investigation in Central Luzon, the Philippines, revealed that collective work not only helped uplift impoverished rural communities but also fostered social capital through the establishment of the "Ugnayang Magsasakang San Siomon (UMSS)" community organization. Similar patterns have been observed in various Latin American and Caribbean countries, including El Salvador, Jamaica, Venezuela, Colombia, Argentina, and Bolivia, where social capital has been linked to poverty reduction through initiatives such as the "Government, Business, and Community Partnership to Combat Poverty" program (Fiszbein & Lowden, 1999).

Another study by Brata (2004) in Yogyakarta emphasized the influential role of social capital in society. It highlighted that social capital in the form of networks proved valuable in accessing informal loans or assistance when formal government support was limited. This finding aligns with Van Bastelaer (2000) work, which identified social networks as a crucial resource for individuals in poverty who lack access to microcredit facilities, as they rely on such networks to meet their capital needs. Jennings & Sanchez-Pages (2017); Jumirah & Wahyuni (2018) further argued that an essential aspect to investigate regarding the failure of welfare programs and policies is the neglect in identifying the factors that determine the social capital within communities. Puspito et al. (2016), in a study on social capital in the Kuantan Brotherhood, emphasized that the presence of social capital in a community is a key component that fosters unity, solidarity, trust, and mutual benefits in achieving shared objectives.

Social Capital and Sustainability of SMEs

The strategic development of small and medium-sized enterprises (SMEs) in Indonesia is crucial for long-term impacts, such as job creation and the enhancement of regional and national economies (Nurhayati et al., 2012). One important factor that can enhance the performance of SMEs is social capital. A study examined the influence of entrepreneurship competence, entrepreneurship strategy, and social capital on sustainable competitive advantage, with business performance as the intervening variable. The findings indicated that entrepreneurship strategy and social capital have an impact on entrepreneur performance, with competitive advantage acting as the mediating variable

(Presutti et al., 2016). Social capital is closely associated with the relationships, norms, and beliefs that facilitate mutually beneficial coordination and cooperation.

Prasetyo (2013) discovered that micro and small entrepreneurs in the informal sector in the East Java region receive social capital dimensions of financial support, network support, and moral support, which are related to business performance. In this context, micro and small entrepreneurs in the informal sector play a significant role in the sustainability of SMEs. The social capital received by informal sector SME owners in the East Java region, as identified in the study, is linked to various indicators of business performance, including education level in relation to target customers and pricing, parental support, gender, promotion, and current products and discounts.

Recognizing the inherent challenge of the slow analysis of vast amounts of data within company informatics systems, Ștefănescu, Ștefănescu and Ciora (2009) advocates for the adoption of Business Intelligence (BI) applications as a solution, by doing so, managers can enhance their control over business processes, improve operational methodologies, and obtain timely analyses of performance parameters.

Gakh (2023) offers a holistic approach which provides a framework for understanding and assessing the multifaceted aspects of societal development highlighting the application of the Societal Patterns Evolution Model. This model encompasses patterns that represent various stages of societal development focused on applying SPEM to model the development of the three pillars of sustainability: economic, social, and environmental.

The role of social capital in the advancement of business organizations is supported by research findings. For example, Sözbilir (2018) found that the interaction between social capital elements promotes creativity and efficiency in companies in Turkey. This finding aligns with previous empirical evidence that social capital is a crucial organizational phenomenon that influences dynamics and outcomes, including company creativity. Similarly, Faccin et al. (2010)'s research on the local wine industry in Brazil revealed that bonding and bridging, as dimensions of social capital, strengthen the collaboration among wine entrepreneurs and contribute to increased production innovation. These findings are consistent with previous research by Birasnav et al. (2022), which demonstrated the continuous relationship between social capital and the competence and innovation of local wine production

The contribution of social capital to the progress of micro, small, and medium-sized enterprises (MSMEs) has also been examined in Thailand. Phuangrod et al. (2017) found that networking among small and medium-sized entrepreneurs can improve business performance. Networking involves social interactions and personal relationships, which form social capital among entrepreneurs. These networks facilitate business growth and resilience among small and medium-sized entrepreneurs in southern provinces of Thailand. Moreover, networking enables entrepreneurs to access information earlier than their competitors, providing the company with a competitive advantage.

METHODOLOGY

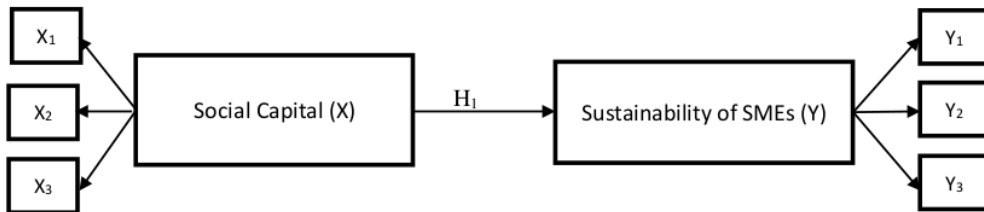
This study employs an explanatory design, which utilizes a two-phase mixed method. The main purpose of this design is to use quantitative data to provide clarification and shape the initial qualitative findings. Researchers can also employ the explanatory design to form groups based on quantitative results and subsequently follow up with qualitative research (Taguchi, 2018). According to Taguchi (2018), mixed methods refer to a research approach that combines both quantitative and qualitative methods to generate comprehensive, valid, reliable, and objective data.

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Various data collection techniques were utilized in this study, including observation, documentation, interviews, and in-depth interviews. Quantitative data was collected using Likert scales and analyzed through Structural Equation Modeling (SEM) using the SEM-PLS approach. On the other hand, qualitative data was obtained through purposive sampling. The primary data sources for this study were key informants who played a central role in the activities of specific entities. In this case, the key informants consisted of female weavers of songket fabric from two well-known villages: Sade (approximately 20 people) and Sukarara (approximately 30 people). The selection of this number of informants was based on the consideration that the informants should be community-based and therefore more homogeneous.

Given the research problems raised by the researchers, regression analysis methods were deemed insufficient, leading to the utilization of the SEM method. Structural Equation Modeling (SEM) is a widely used approach that addresses the limitations of regression methods. SEM can be categorized into two approaches: Covariance-Based SEM (CBSEM) and Variance-Based SEM, also known as PLS (Partial Least Squares) (Ringle et al., 2020). In this study, the PLS analysis tool was employed, with the path diagram illustrating the variables under investigation as depicted in Figure 1.

Figure 1. Research Framework



RESULTS AND DISCUSSION

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The quantitative analysis of the structural equation model examining the impact of social capital (X) on the sustainability of MSMEs operated by songket weavers (Y) indicates a weak correlation between the social capital (X) variable and the sustainability of the songket weavers' MSMEs (Y) variable, with a correlation coefficient of 0.581. Among the social capital (X) indicators, the X1.3 indicator shows the strongest correlation with a coefficient of 0.918. In terms of the sustainability of the songket weavers' MSMEs (Y), the Y1.2 indicator demonstrates the highest correlation with a coefficient of 0.901.

Outer Model

Duke et al. (2020); Nyika (2018) proposed that composite reliability is utilized to assess the internal consistency of reflective indicators. A composite reliability value above 0.7 is typically considered high, although it is not an absolute criterion. The findings of the composite reliability analysis are presented in the following Table 2.

Table 2. Reliability Test

Variable	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Social Capital (X)	0.825	0.877	0.893	0.738
Sustainability of SMEs (Y)	0.833	0.834	0.900	0.750

Source: Data Processed, 2022

Table 2 displays the composite reliability index for each variable, indicating that the social capital role (X) exhibits the lowest value with a loading factor of 0.893. Consequently, it can be inferred that all constructs containing reflective indicators fulfill the composite reliability criteria as their values exceed 0.7.

Inner Model

The assessment of the inner model encompasses various indicators, such as the R-Square index, Predictive Relevance (Q2), and Goodness of Fit Index (GOF). The suitability of the model is examined by examining the proportion of variance explained, as indicated by the R-Square index (R2) for endogenous latent constructs. The analysis of the R-Square coefficient is presented in Table 3 as depicted below.

Table 3. R-Square (R²)

	R Square	Note
Social Capital (X)	0.338	Moderate

Source: Data Processed, 2022

Table 3 illustrates that the relationship between the endogenous latent construct, indigenous community participation (X), can be considered "moderate" based on an R-Square value of 0.338, which exceeds the threshold of 0.33. The R-Square value in Table 3 indicates that the research model explains approximately 33.8 percent of the dependent variable and the structural equation model. The remaining 66.2 percent is attributed to external factors not accounted for in the model.

Direct Effect Hypothesis Testing

The examination of the direct effect hypothesis is determined by the value associated with each relationship between latent constructs, whether it is statistically significant or not. The significance level is determined by p-values, with values below 0.005 or $p < 0.005$ considered significant. A p-value below 0.05 indicates significance in both direct and indirect effects of the latent construct. On the other hand, if the p-value is above 0.05, it indicates that the latent construct is not significant. Table 4, presented below with corresponding explanations, provides the results of the direct effect test for the latent variables.

Table 4. Direct Effect of Latent Variables

Causality	Original Sample	Sample Mean	Std. Dev.	T Stat.	p-values
Social Capital (X) on Sustainability of SMEs (Y)	0.558	0.562	0.063	8.904	0.000

Source: Data Processed, 2022

Table 4 presents the analysis results on the impact of social capital on the sustainability of songket weaving MSMEs. The regression coefficient for the social capital variable is 0.558 (t-statistic = 8.904, p-value = 0.000), indicating a positive and significant influence. This implies that social capital plays a crucial role in improving the sustainability of songket weaving MSMEs. By effectively managing and leveraging social capital, the economic independence and long-term viability of these businesses can be further enhanced.

In addition to the quantitative analysis, the qualitative analysis conducted in Sade Village and Sukarara Village provides valuable insights into the experiences and perspectives of songket weavers. The findings reveal the deep commitment and pride that songket weavers have in their craft, which is deeply rooted in their culture and traditions. Their

dedication is evident through their regular engagement in work, punctuality, and the joy they derive from their craft. The significance of their cultural and artistic spirits cannot be overstated, as they consider songket weaving an integral part of their identity.

This qualitative analysis also sheds light on the challenges faced by women in terms of productivity and economic empowerment. Cultural expectations often confine women to routine domestic tasks, which can limit their productivity and opportunities for self-actualization. However, the songket weavers in Sade Village and Sukarara Village defy these stereotypes, exhibiting high productivity and a forward-looking mindset. This challenges the prevailing notion that women impede development due to their perceived lack of productivity.

Moreover, the study highlights the substantial economic resources possessed by women in the context of songket weaving. Involving 3,628 individuals out of the total population, songket weaving is a significant resource in the communities of Sade and Sukarara. The production of exceptional Sasak community songket, predominantly undertaken by Sasak women, contributes to the family, community, and regional economies of NTB. This underscores the importance of prioritizing women's economic development and leveraging their unique values and attributes for overall progress.

These findings align with prior studies emphasizing the significance of social capital in economic development, particularly within the MSME context (De Mel et al., 2008; Jennings & Sanchez-Pages, 2017; Sözbilir, 2018; Syahyuti, 2016). The social capital of songket weavers in Sade Village and Sukarara Village plays a pivotal role in sustaining their businesses and enhancing their economic independence. The strong network support, financial assistance, and moral encouragement they receive contribute to their success and the overall economic development of the community.

Based on these results, several recommendations can be made for policymakers and stakeholders in the songket weaving industry of Central Lombok. Firstly, policymakers should recognize the importance of social capital in improving the sustainability of songket weaving MSMEs. It is crucial to develop policies and programs that foster the growth of social capital, including initiatives such as network building, financial support mechanisms, and moral encouragement. Community-based organizations can serve as effective platforms for facilitating these efforts.

Furthermore, stakeholders in the industry should be encouraged to actively build networks and establish norms that promote cooperation and mutual support among songket weavers. Creating platforms for knowledge sharing, collaboration, and skill development can enhance the overall social capital within the community and lead to shared success and economic empowerment.

Lastly, the study emphasizes the significance of cultural heritage in economic development. Policymakers should consider investing in cultural preservation initiatives that not only protect and promote the unique artistry of songket weaving but also contribute to the broader economic growth of the region. By preserving cultural heritage and incorporating it into development strategies, policymakers can create a favorable environment for the sustainable growth of the songket weaving industry and its contribution to the local economy.

In conclusion, this study addresses the gap in understanding the role of social capital in sustaining songket weaving MSMEs and promoting economic empowerment in Central Lombok. The combined quantitative and qualitative analysis demonstrates the positive influence of social capital on the sustainability of these businesses. The findings underscore the importance of recognizing and harnessing social capital, prioritizing women's economic development, and investing in cultural preservation initiatives. These insights provide valuable guidance for policymakers, stakeholders, and future research endeavors in the songket weaving industry.

CONCLUSION

Financial capital and economic expansion are fundamental aspects of economics, with the failure to progress potentially leading to economic contraction. Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, particularly songket weavers in villages like Sade and Sukarara, play a crucial role in economic growth and resilience. These MSMEs contribute significantly to economic growth, employment, and equitable development outcomes. Given their economic importance, understanding their sustainability factors is essential. This research aims to examine the significance of social capital in sustaining MSME songket weavers in Central Lombok, leading to enhanced economic self-sufficiency.

The research objective is to identify the role of social capital in supporting the long-term viability of MSME songket weavers. This study seeks to contribute to various domains: identifying factors that sustain small enterprises, informing effective policies for growth, and expanding the understanding of social capital in rural business development. The research employs a mixed-method approach with quantitative analysis using Structural Equation Modeling (SEM) and qualitative insights from songket weavers in Sade and Sukarara Villages.

The findings indicate that social capital has a positive and significant impact on the sustainability of songket weaving MSMEs. Songket weavers exhibit strong commitment to their craft, reflecting cultural heritage and overcoming challenges to productivity. Social capital, characterized by networks, financial support, and encouragement, enhances their economic success. The study emphasizes the value of cultural preservation and women's economic empowerment within the songket weaving industry.

The contribution of this research lies in its comprehensive exploration of the role of social capital in sustaining songket weaving MSMEs. The findings provide insights for policymakers to develop initiatives that strengthen social capital, promote women's economic development, and preserve cultural heritage. The study enriches the understanding of social capital's significance in rural business development and cultural preservation.

However, the study has limitations. The research focuses specifically on songket weavers in two villages, potentially limiting generalizability. Additionally, while the mixed-method approach provides a holistic view, its application may vary in other contexts. Further research could explore different sectors and regions, expanding the understanding of social capital's role in sustaining MSMEs and promoting economic growth.

In conclusion, this research sheds light on the critical role of social capital in sustaining MSME songket weavers in Central Lombok. By fostering social connections, promoting cultural heritage, and empowering women, policymakers can contribute to the long-term economic development and cultural preservation of these communities. This study underscores the importance of social capital in rural economic growth and sustainability.

Disclosure Statement

The author(s) declare(s) that they have no competing interests.

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