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Article

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MANAGEMENT | RESEARCH ARTICLE

Improving public welfare through strengthening social capital and cooperative empowerment

Ni Nyoman Yuliarmi^{1*}, Maryam Dunggio² and I Nyoman Mahaendra Yasa¹

Abstract: A cooperative is an institution that aims to improve the welfare of its members and society. The relatively large number of cooperatives has not been able to provide a maximum contribution in improving welfare. The purpose of this research is to: 1) analyze the influence of social capital and the empowerment of cooperatives on the welfare of community members of cooperatives in Denpasar City, 2). analyzing social capital that moderates and strengthens the influence of cooperative empowerment on the welfare of cooperative members in Denpasar City. The research was conducted in the city of Denpasar, where the sample used was the members of the Multipurpose Cooperative (KSU) in Denpasar City as many as 177 people. Data analysis was performed using the SEM-PLS method. The results of data analysis conclude that social capital and the empowerment of cooperatives have a positive and significant effect on the welfare of the community who are members of cooperatives and social capital can strengthen the positive influence of cooperative empowerment on the welfare of the community in Denpasar City.

Subjects: Business; Management; Human Resource Management

Keywords: Cooperatives; public welfare; cooperative empowerment; social capital

1. Introduction

Based on data from the Central Statistics Agency/BPS (2015), the Denpasar City Human Development Index (HDI) in 2014 was 81.65 and the Gini ratio value was 0.3809. This indicates that the level of welfare of the people in Denpasar City is relatively good at the macro level, but inequality of welfare still occurs between low-income and high-income people. This occurs because the economic conditions of the lower middle class in Denpasar City are still relatively low. One of the contributing factors is the role of economic actors, among others, cooperatives are



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PUBLIC INTEREST STATEMENT

The relatively large number of cooperatives in Denpasar City has not contributed significantly to improving the economic condition of the community. The objective of cooperatives to improve the welfare of members and society has not been fully achieved. This is due to the inadequate empowerment of cooperatives in encouraging their members to be more productive and maximize their potential to be more advanced and develop.

not maximized. The relatively large number of cooperatives in Denpasar City has not contributed significantly to improving the economic condition of the community. The objective of cooperatives to improve the welfare of members and society has not been fully achieved. This is due to many factors, including the lack of maximum empowerment of cooperatives in encouraging their members to be more productive and maximize their potential to be more advanced and develop.

If the condition of the community has not been able to meet their needs, has not been able to overcome social problems in living their daily lives, and has not been able to increase the opportunities to achieve a better life optimally, then the community cannot be said to have been prosperous. Welfare can be felt subjectively and can also be determined objectively based on the conditions experienced by the community both socially and economically. Sen (2008), explains that the essence of welfare is the ability or capability. Welfare will be easier to achieve if humans have the ability and are able to maximize this ability to achieve a better social and economic life. The potential that is owned can be maximized properly if humans have the will, either from within themselves or the will due to intervention from outside humans. These interventions, among others, can be carried out by socio-economic institutions, namely cooperatives. This organization consists of people/individuals who have a common awareness to work together and help each other to progress together. Awareness of working together and also helping to help is an indication of social capital in cooperative organizations. If in an organization such as a cooperative is able to show a condition that is seen as a social aspect, including a sense of mutual trust between members in the organization's environment, the existence of a network that is formed can facilitate cooperation aimed at mutual progress and obtaining mutual benefits, then this condition can be said a reflection of social capital.

Research conducted by Knack and Keefer (1997) states that social capital, namely trust and cooperation in society at a macro level, has a significant impact on economic activity in the aggregate. This contrasts with research conducted by Sabatini (2007) which states that strong kinship ties do not have a positive effect on economic development. Macro conditions are an aggregate of micro conditions that occur in society. Therefore, it is necessary to do empirical research in a smaller scope with different situations, how social capital has an impact on the strengthening of an organization, and the welfare of its members. Meanwhile, based on the results of research conducted by Dunggjo (2017), it is known that social capital affects the empowerment of cooperatives, the empowerment of cooperatives has an effect on public welfare, and social capital partially mediates the effect of cooperative empowerment on public welfare. Therefore, it is important to carry out further research on the effect of cooperative empowerment on the welfare of people who are members of cooperatives in Denpasar City with social capital as a moderating variable.

Social capital which is strengthened by the values of local wisdom is deemed necessary to be explored more deeply. Strengthening social capital is very important to be explored further because it is believed to be able to strengthen the influence of cooperative empowerment to improve the welfare of its members. The province of Bali which is rich in local culture has unique values that can strengthen the existence of organizations such as cooperatives. The cooperative leader appointed by the members as someone who is believed to be able to move the cooperative in the future must have values that uphold truth and honesty which are believed to be able to improve the welfare of its members. Many cooperatives in Bali Province, including in Denpasar City, have the difference that they do not reflect the business in accordance with the cooperative concept. There are several local cultures such as "Catur Guru" which is believed to strengthen the role of social capital in cooperatives. The four obedience that must be followed as local wisdom from Catur Guru are Guru Swadyaya (God Almighty), Guru Wisesa (Government/Leader), Guru Pengajian (Teacher at school), and Guru Rupaka (both parents). In this study, because it raises the welfare of the community members of the cooperative, of the four adherence to Catur Guru which is taken as an indicator of social capital as local wisdom is Guru Wisesa, which reflects the wisdom of obedience to the leader who is given the trust of the members in managing the cooperative. This study aims to: 1) analyze the effect of social capital and cooperative empowerment on the welfare of cooperative members in Denpasar City, 2). analyzing

social capital that moderates and strengthens the influence of cooperative empowerment on the welfare of cooperative members in Denpasar City.

From the managerial perspective, through the results of this research it is hoped that the leadership and management of cooperatives will have a major role in increasing productivity and professionalism, which will have an impact on all members or parties related to the organization so that they have a better social and economic life and have the ability to improve their quality of life.

2. Theory, conceptual framework, and research hypothesis

2.1. Public welfare

Welfare is a condition of fulfilling the life needs of each individual or society, both material and non-material. Public welfare is closely related to individual welfare. Welfare measurement can be done objectively or subjectively. Milligan et al. (2006) stated that objective welfare is the welfare of an individual or group that is measured based on certain agreed measures related to economic, social, and other measures. Suandi (2007), explains that subjective welfare is the level of individual welfare that is measured personally in the form of satisfaction and happiness. Happiness can be described and analyzed by asking the person concerned on how to satisfy his life. Individuals are good judges of their overall quality of life (Frey & Stutzer, 2004). Veenhoven (2015) clearly states that subjective well-being has the same meaning as happiness.

Everyone individually hopes for a more prosperous life. Likewise, the goal of a country is to be able to ensure that its people are prosperous. Welfare becomes an ideal and hope for every individual and every society, even every country. Ideally, a prosperous country can be seen from the conditions of a prosperous society and state (Soetomo, 2014). Sen (2008) states that the essence of welfare is capability, namely human capabilities related to increasing life expectancy, freedom from illiteracy, health, and education in society. The higher the capabilities possessed by each human being, the greater the human ability to maximize the opportunities he has in order to meet all his needs.

Ismail et al. (2014) stated that the measurement of welfare must pay attention to the balance between material and non-material elements. The material element consists of the fulfillment of basic human needs which consist of physical needs, namely food, clothing, and shelter, as well as social needs, namely education, health, communication, and transportation. Meanwhile, the fulfillment of non-material elements is related to the fulfillment of spiritual needs, the safety of the soul, and the purity and perfection of reason.

Many factors determine the well-being of an individual or society, both those originating from within the individual itself or those originating outside the individual. Material and non-material needs will be met if humans have the ability to maximize their potential to carry out economic and social activities. The potential possessed by humans will be maximized if they are able to interact with the environment and others. The existence of social capital becomes an enhancer and impetus for humans to have better abilities so that people have the opportunity to improve their welfare.

Result of the study by Putri et al. (2019) shows the role of government, community participation, social capital and destination quality directly have a positive and significant impact on public welfare. The results of the research and data analysis show that social capital which has indicators of trust, networks and norms has a positive and significant effect on the public welfare. Likewise the research results from Xu et al. (2018) stated that bonding social capital is positively associated with common members' economic benefits. Bridging social capital generates beneficial outcomes for the financial and social performances of cooperatives.

The welfare of individuals or society is closely related to individual abilities/capabilities. Capability can be defined as the ability or empowerment of individuals or organizations that are able to create welfare for individuals or for society. Empowerment is the result of an empowerment process so that there is an

increase in the ability and independence of the community in improving the quality of life and welfare (Mardikanto & Soebiato, 2015).

2.2. Cooperative empowerment

Empowerment refers to the ability of individuals to have the ability to meet basic needs and participate in the development process (Suharto, 2014). Meanwhile, Mardikanto (2003) states that empowerment is a process of social, economic, and political change that aims to empower and strengthen the capacity of the community which can be done through cooperation in order to achieve a more independent and participatory life so that sustainable prosperity can be realized. Empowerment is also intended to be related to institutions, not only regarding individual members of society. Inculcating modern cultural values such as hard work, being independent, open, efficient, having a responsible attitude is a key part of this empowerment (Farida et al., 2017).

Based on the descriptions of the experts, it can be said that an empowerment process will produce more empowered individuals/organizations/communities. In other words, it can be said that the result of empowerment is empowerment. Therefore, to measure individual or community empowerment, several things can be seen, including: (1) increasing individual or community output or capacity, (2) participation, (3) creativity, and (4) independence.

Empowerment of individuals/communities, among others, can be built by increasing the capacity of each individual through cooperative organizations. The concept of empowerment from within oneself (self-empowering) helps individuals who are members of cooperatives to maximize their abilities so that it will have an impact on improving the welfare of members and in turn have an impact on the welfare of the community.

Humans are social creatures that cannot live without interacting with other humans and their environment in a society. Human interaction with the surrounding environment is important because it will have an impact on increasing human opportunities to lead a better social and economic life. The interaction between humans and between humans and their environment, if it is positive and has a good and productive impact, it can be said to be social capital. As stated by Field (2016), social capital can be said to be capital if it produces resources that can be used to empower individuals and groups so that they can achieve their goals more effectively.

2.3. Social capital

Theories or concepts about social capital are often referred to from Putnam, 1993; Coleman, and also Fukuyama (1995) who discuss more social capital formed from social values that exist in society such as mutual trust, reciprocal relationships between individuals, networks, norms, and values. the value of local wisdom. Social capital describes an organizational social condition, which consists of trust, reciprocity, and networks that bridge coordination and cooperation for the common interest. Likewise, it is explained that in social capital a network is formed which aims to increase the effectiveness of cooperation in an organization. Social capital is described as a set of values, both formal and informal, in a group of individuals who have the opportunity to create cooperation for common interests.

Social capital is an asset because it will be an added value for an organization in increasing productivity and professionalism. If an organization is more professional and productive, it will have an impact on the members or parties related to the organization. Thus, the relevant parties will have a better social and economic life or have opportunities to improve the quality of life (Chegini et al., 2012).

2.4. Cooperatives

Indonesia is a country that has a diversity of cultures and ethnicities. Each region has a unique value of local wisdom which becomes a resource that can be used to improve the quality of life of its people. The life of the people in Bali Province is very thick with the local culture which has been passed down from generation to generation and is believed to contain the truth. Community

behavior in organizing and establishing relationships between communities in a certain organizational environment is applied as a behavior capable of enhancing and strengthening the manifestation of social capital as an intangible asset that is very widely developed. Likewise Denpasar City, as the capital city of Bali Province, has a variety of local wisdom, including the teaching values of Guru Wisesa. This local wisdom value really helps an organization to develop. Samba (2016), explains that the teachings of Guru Wisesa require people to obey leaders in society and also informal organizations/institutions. Local wisdom values, when integrated with other social values in society, will have an impact on the progress of an organization.

Cooperatives, having shared values that exist in society, have a positive impact, which is able to encourage the formation of socio-economic organizations or institutions that are aimed at mutual interests, mutually aiming to achieve mutual welfare with members. Cooperatives, according to the Law of the Republic of Indonesia number 25 of 1992: are “business entities whose members are individuals or cooperative legal entities based on their activities based on the principles of cooperatives as well as people’s economic movements based on the principle of kinship”. The cooperative aims specifically to improve the welfare of members and in general to improve the welfare of the community. Cooperatives are organizations that are able to empower themselves (self-empowering). This is because cooperatives are institutions whose members are people or individuals who have a sense of togetherness and a desire to help each other for the common interest.

Cooperatives have basic values as well as ethical values whose existence must be maintained so that the continuity of the business or cooperative activities is maintained and the objectives of the cooperative can be achieved. The basic values of cooperatives include self-help, democracy, equality, justice, and solidarity. Meanwhile, the ethical values of cooperatives include honesty, openness, social care, and caring for others. The existence of these values helps cooperatives in increasing their ability or empowerment. Thus, cooperatives will be better able to encourage its members to be more productive and have a better quality of life (Parkash, 2003).

Cooperatives have functions in the economic and social fields. The function of cooperatives in the economic sector, among others, is to foster business motives that are humane, honest, open, and prioritize common interests for the welfare of members. Meanwhile, the social functions of cooperatives, among others, strengthen and maintain the spirit of brotherhood, kinship, and togetherness and care for others. These functions are what differentiates cooperatives from other organizations. Therefore, the benefits of cooperatives are always related to social and economic aspects (Baswir, 2013). In relation to the social aspect, Deng and Hendrikse (2014) suggest that cooperatives are able to maintain the existence of social capital so that the competitive advantage of cooperatives is maintained.

2.5. Research conceptual framework

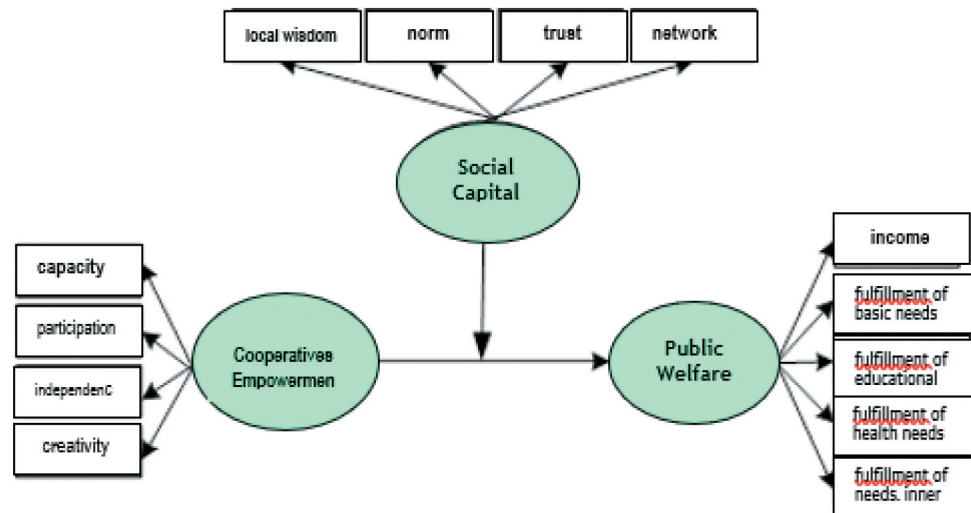
Based on the literature review on welfare theory, cooperative empowerment, and social capital, it can be described the relationship between these variables in the framework of the research concept. Meanwhile, social capital is a variable that accommodates the influence of cooperative empowerment and public welfare. An overview of the conceptual framework of this research can be seen in Figure 1.

This study has 3 (three) latent variables, namely social capital (X1), cooperative empowerment (X2), and public welfare (Y). Each latent variable is described by its indicators. The latent variables of social capital are explained by indicators: local wisdom (X11), norms (X12), trust (X13), and networks (X14). The latent variable indicator for cooperative empowerment (X2) is explained by indicators: cooperative capacity (X21), participation (X22), independence (X23), and creativity (X24). Meanwhile, the latent variable of public welfare (Y) is explained by 5 (five) indicators, namely: income (Y1), the fulfillment of basic needs (Y2), fulfillment of educational needs (Y3), fulfillment of health needs (Y4), and fulfillment of needs. inner (Y5).

2.6. Research hypothesis

The hypothesis of the study can be described as the following:

Figure 1. Research conceptual framework on the role of social capital in moderating the influence of cooperative empowerment on public welfare.



- (1) Social capital and the empowerment of cooperatives have a positive effect on the welfare of people who are members of cooperatives in Denpasar City
- (2) Social capital moderates and strengthens the influence of cooperative empowerment on the welfare of people who are members of cooperatives in Denpasar City.

In this study, cooperative empowerment is an independent variable, public welfare is the dependent variable, and social capital is a moderating variable. But before looking at the moderating role of the social capital variable on the public welfare variable, it is also important to know the direct effect of social capital on public welfare, because social capital as mentioned in the literature is one of the important factors in improving public welfare.

3. Research methods

This research is designed in the form of associative quantitative research, because it follows the steps in associative quantitative research (Sanusi, 2011), starting from determining problems, formulating objectives, conducting literature reviews, both theoretically and empirically, formulating hypotheses, classify and define research variables, compile research instruments, determine data collection methods, conduct hypothesis testing and draw conclusions based on the results of the analysis on hypothesis testing.

This research was conducted in Denpasar City, which consists of 4 districts, namely West Denpasar, East Denpasar, North Denpasar, and South Denpasar. This study uses primary data obtained through interviews using a research instrument in the form of a questionnaire, which has been tested for its validity and reliability. The number of samples taken was 177 members of the Multi-Purpose Cooperative (KSU) using the Slovin method, from 28,159 members as a population (Bali Province Cooperative and UKM Office, 2015). Data analysis in this study used quantitative data analysis methods Structural Equation Modeling—Partial Least Square/SEM—PLS (Solimun & Nurjannah, 2017).

The data collection method in this study is a survey using questionnaire as a research instrument. Determination of the score for each answer to the statements contained in the questionnaire will have five choices called a Likert scale. The sample used is the members of the Multipurpose Cooperative (KSU) in Denpasar city, Bali province, Indonesia as many as 177 people. This sample is obtained from the probability sampling method with random sampling technique. Determination of the number of research samples using the Slovin formula as follows:

$$n = \frac{N}{1 + Ne^2} \quad n = \frac{28159}{1 + 28159(0,075)^2} = 177$$

4. Results and discussion

4.1. Statistical analysis results

Processing data in this study using SmartPLS software version 2.0. The outer model test is done to see the validity and reliability of each indicator against the latent variable. The convergent validity test is conducted to test how big the correlation between the indicator and the latent variable is. Convergent validity test provisions according to Hair et al. (2006), namely: if the outer loading is > 0.5, the relationship between the indicator and the latent variable is considered significant; if the outer loading value is 0.4, the relationship between the indicator and its latent variable is considered good; and if the outer loading value is 0.3, it can be considered that it meets the minimum level. Convergent validity is used to see the validity of the research data where the outer loading value in this study is presented in Table 1.

Based on the outer loading value and the t statistical value presented in Table 1, it can be said that all indicators used in this study are valid because they have an outer loading value > 0.4 and have a statistical t value > 1.96.

The discriminant validity test is conducted to determine how much the indicators of each variable can explain the variable compared to other variables. The criteria for measuring discriminant validity can be done by looking at the cross-loading value between indicators with latent variables > from the cross-loading value between indicators and other constructs (Fornell & Larcker, 1981). Based on the value of the Cross Loading value in Table 2, it can be said that all indicators can explain or have a strong correlation with their respective variables compared to other variables. Therefore, it can be stated that all indicators and variables meet the requirements of discriminant validity.

A reliability test was conducted to measure the consistency and accuracy of the instrument in measuring latent variables. The reliability of a latent variable can be seen from the value of Cronbach's Alpha and Composite Reliability. Cronbach's Alpha and Composite Reliability value criteria that meet the reliability requirements are greater than 0.7. However, for exploratory research, the Cronbach's Alpha and Composite Reliability values of 0.6–0.7 are still acceptable

Table 1. Outer loading value of each research variable indicator

| Relationship Between Variables | Original Sample (O) | T Statistics (O/STERR) |
|--|---------------------|--------------------------|
| X ₁₁ <- Social capital | 0,778 | 15,144 |
| X ₁₂ <- Social capital | 0,772 | 15,014 |
| X ₁₃ <- Social capital | 0,758 | 15,883 |
| X ₁₄ <- Social capital | 0,443 | 4,239 |
| X ₂₁ <- Cooperative empowerment | 0,831 | 38,236 |
| X ₂₂ <- Cooperative empowerment | 0,857 | 55,819 |
| X ₂₃ <- Cooperative empowerment | 0,841 | 43,785 |
| X ₂₄ <- Cooperative empowerment | 0,749 | 22,701 |
| Y ₁ <- Public welfare | 0,888 | 65,517 |
| Y ₂ <- Public welfare | 0,855 | 42,132 |
| Y ₃ <- Public welfare | 0,923 | 70,025 |
| Y ₄ <- Public welfare | 0,888 | 65,799 |
| Y ₅ <- Public welfare | 0,757 | 25,308 |

Source: Data processed, 2020

Table 2. The value of cross loading indicators against constructs

| | X1 | X2 | Y |
|-----------------|-------|-------|-------|
| X ₁₁ | 0,778 | 0,249 | 0,198 |
| X ₁₂ | 0,772 | 0,110 | 0,175 |
| X ₁₃ | 0,785 | 0,283 | 0,196 |
| X ₁₄ | 0,443 | 0,043 | 0,167 |
| X ₂₁ | 0,183 | 0,831 | 0,504 |
| X ₂₂ | 0,264 | 0,857 | 0,585 |
| X ₂₃ | 0,220 | 0,841 | 0,531 |
| X ₂₄ | 0,165 | 0,749 | 0,484 |
| Y1 | 0,361 | 0,583 | 0,888 |
| Y2 | 0,222 | 0,568 | 0,855 |
| Y3 | 0,304 | 0,566 | 0,923 |
| Y4 | 0,142 | 0,559 | 0,888 |
| Y5 | 0,088 | 0,499 | 0,757 |

Source: Data processed, 2020

(Ghozali & Latan, 2014). To see the reliability of the research data, Composite Reliability and Cronbach's Alpha were used. Based on the values of Composite Reliability and Cronbach's Alpha in Table 3, it can be said that all the latent variables studied meet the reliability requirements.

The relationship between latent variables in a study can be said to be a structural model/inner capital. Inner model testing can be done by evaluating the R-square value. The criteria for the fit of the model using the R-square according to Chin (1998), namely: the R² value of 0.67 indicates that the model created can be categorized as "good"; R² value of 0.3 indicates that the model made is included in the "moderate" category, and R² value of 0.19 indicates that the model made is included in the "weak" category. Based on the results of data analysis in this study, the R² value was 0.425. This indicates that the research model made is included in the moderate category.

4.2. Hypothesis testing

Hypothesis testing is done using the t-statistical test through the bootstrap resampling procedure. If the value of t count > t table then H1 is accepted and H0 is rejected. The t table value used in this study was 1.645 (one-tailed test, with an alpha value of 0.05). Based on the results of data analysis, the t-value (t-statistic) for the first and second hypothesis testing is presented in Table 4. The statistical t value for the effect of social capital on the welfare of people who are members of cooperatives in Denpasar City is 2,626 (greater than t table, namely 1,645). Therefore, it can be said that social capital has a positive and significant effect on the welfare of people who are members of cooperatives in Denpasar City, where the path coefficient value is 0.108. The t-statistic value for testing the hypothesis of the effect of cooperative empowerment on the welfare of the community who is a member of the cooperative is 17.787 (greater than the t table, which is 1.645). Thus, it can be said that the empowerment of cooperatives has a positive and significant effect on the welfare of people who are members of cooperatives in Denpasar

Table 3. The value of composite reliability and Cronbach's Alpha

| Latent Variable | Composite Reliability | Cronbach's Alpha |
|---|-----------------------|------------------|
| Social Capital (X ₁) | 0,789 | 0,630 |
| Cooperative Empowerment (X ₂) | 0,892 | 0,837 |
| Public Welfare (Y) | 0,936 | 0,914 |

Source: Data processed, 2020

Table 4. Path coefficient and t-statistic values

| | Original Sample (O) | T Statistic |
|--|----------------------------|--------------------|
| X ₁ (social capital) -> Y (public welfare) | 0,108 | 2,626 |
| X ₂ (cooperative empowerment) -> Y (public welfare) | 0,616 | 17,787 |
| X ₁ *X ₂ -> Y (public welfare) | 1,223 | 2,334 |

Source: Data processed, 2020

City with a path coefficient value of 0.616. The second hypothesis is related to social capital moderating the effect of cooperative empowerment on the welfare of the cooperative members' community. It can be seen from the interaction value between social capital and cooperative empowerment shown by the path coefficient of 1.223 and the t statistical value of 2.334 which is greater than 1.646. Meanwhile, the influence of the interaction between social capital and cooperative empowerment on welfare has a positive value, this shows that the social capital variable is a variable that strengthens the positive influence of cooperative empowerment on public welfare. In other words, it can be said that social capital is a pure moderating variable.

4.3. Discussion

Based on the results of data analysis, it is known that social capital and cooperative empowerment have a positive and significant effect on the welfare of people who are members of cooperatives in Denpasar City. If the social capital owned by cooperative members is getting better, the welfare of the members will be better. Likewise with the empowerment of cooperatives, if the empowerment of the cooperative is getting better, the welfare of the people who are members of the cooperative will also get better.

Meanwhile, based on the results of testing the interaction between social capital and the empowerment of cooperatives, where social capital is positioned as a moderating variable, the results show that social capital can strengthen the influence of cooperative empowerment on public welfare in Denpasar City. The existence of social capital will increase or increase the empowerment of cooperatives. Thus, cooperatives have a better ability to carry out their functions so that it will have an impact on increasing the welfare of their members.

The beginning of the formation of cooperatives was based on the desire of the community or a group of individuals to help each other for the common interest. In addition, a sense of togetherness will form a network which will then become the starting point for the cooperative. A strong network is an indication of social capital. This condition is very important at the beginning of the cooperative's establishment and also for the survival of the cooperative. This is in line with what Coleman (1988) states that networks can increase the efficiency of cooperation within an organization or company.

The social capital owned by cooperative members in Denpasar City is relatively good. The members of the cooperative have a relatively good sense of togetherness so that members can work together to further advance the cooperative. In addition, cooperative members in Denpasar City have a strong belief that cooperatives can help their members to be more prosperous. Members' trust in cooperatives and a sense of togetherness among members are initial capital and are very important for the sustainability of the cooperative. The same thing was conveyed by Deng and Hendrikse (2014) that it is important for cooperatives to continue to maintain the existence of social capital so that the competitive advantage of cooperatives is maintained.

Based on the research results, local wisdom in Denpasar City which is used as an indicator of social capital, namely the compliance of members to cooperative leaders as a representation of obedience to the teachings of Guru Wisesa is relatively good, although not as good as other components of social capital, namely networks, trust, and norms. Even so, respect for the

leadership of the cooperative as a reflection of Guru Wisesa is still maintained and maintained. Cooperative members give trust to the cooperative leader to run the cooperative owned by the members. If there is a deviation from the agreement that has been designed since the beginning of the cooperative, it can lead to distrust of cooperative members to their leaders. Moreover, until there is a deviation in the behavior of the leader which results in losses to the cooperative he leads, of course, it has an impact on the distrust of cooperative members to their leader. If something like this happens, it can be said that the social capital of the cooperative is low.

Although there is a heterogeneous condition of the cooperative understudy, which also reflects the condition of local wisdom with cultural values that are also co-operative which can be shown by the perceptions shown by respondents as members of cooperatives in Denpasar City, the value of trust in the leadership by giving respect as the leader of the cooperative to run the cooperative, it has been maintained so far. The values of local wisdom as the teachings of Guru Wisesa are still respected and maintained because they contain a value that is believed to be able to improve the welfare of members of a cooperative, even though they have different cultural backgrounds, this belief is well preserved.

Adherence to the teachings of Guru Wisesa is the obedience of the community in Bali Province towards leaders in society or in a formal organization. This becomes the capital for the cooperative to progress and develop because all activities and policies taken by the cooperative leadership will be supported by its members. In addition, the results of the study indicate that the compliance of cooperative members with existing norms in society is still relatively good. This, among others, can be seen from the honest behavior of cooperative members in conducting every transaction in the cooperative. If the members of the cooperative still adhere to the norms of honesty, the sustainability of the cooperative's business can still be well maintained.

Networks, members "trust in cooperatives, honest behavior of members, and members" obedience to Guru Wisesa's teachings are indications of strong social capital in cooperative organizations in Denpasar City. This social capital strengthens the empowerment of cooperatives. Without strong social capital, the cooperative will not function optimally so that the purpose of the cooperative to improve the welfare of members and society will be difficult to achieve.

A strong network between cooperative members that are formed because of togetherness and members' trust in the cooperative will increase the cooperative's ability to provide goods/services needed by members. This can happen because members who have a sense of trust and togetherness will tend to conduct goods/service transactions in the cooperative. Thus, cooperative business activities will continue and experience improvement. This condition will have an impact on the ability of cooperatives in encouraging their members to carry out productive economic activities so that the socio-economic life of cooperative members will increase.

Members "compliance with leaders and members" compliance with honesty norms will have an impact on the ability of cooperative organizations to serve their members. Cooperative organizations are becoming more advanced and developing so that cooperatives become more independent and creative in running their businesses. Cooperatives that are trusted by members and also supported by members tend to have more of their own capital than outside capital. If the cooperative is more independent and creative, the cooperative has a greater opportunity to carry out innovative business activities according to the needs of its members. This will encourage members to be more productive and not only use cooperatives for consumptive economic activities.

Cooperative empowerment will encourage members to be more productive. This will have a good impact on improving the social and economic conditions of members in a sustainable manner. Thus, cooperative members in Denpasar City can fulfill all their needs, both material ones, namely increasing income, meeting basic needs, education, health, and non-material needs, namely inner needs such as recreational activities. Therefore, the objective of cooperatives to

improve the welfare of members and society can be achieved. In addition, cooperatives will have a bigger role in the Indonesian economy. The results of this study are in line with Chegini et al. (2012), that social capital is an asset of an organization in increasing productivity and professionalism, has an impact on members or parties related to the organization so that they have a better social and economic life or have opportunities. in improving the quality of life.

Based on the results or findings of this study, it can be seen how important the trust of cooperative members is to the leadership and management of cooperatives to run the cooperative so that it continues. If there is a deviation from the agreement that has been designed since the beginning of the cooperative, it can lead to distrust of cooperative members to their leaders. Especially if there are deviations that result in losses to the cooperative, of course it will result in the loss of trust of cooperative members in their leaders. If something like this happens, it can be said that the social capital of the cooperative is low and this will have an impact on the welfare of cooperative members.

5. Conclusion and recommendation

Based on the results of research and discussion, it can be concluded that:

- (1) Social capital and cooperative empowerment have a positive and significant effect on the welfare of people who are members of cooperatives in Denpasar City.
- (2) Social capital as a moderating variable that can strengthen the positive influence of cooperative empowerment on public welfare in Denpasar City.

The recommendation given is that the cooperative leadership should uphold the trust given by the members to lead the cooperative so that it can improve the welfare of the community as members of the cooperative. Increase adherence to the teachings of Guru Wisesa because it can strengthen the role of social capital in the empowerment of cooperatives to improve the welfare of members.

6. Limitation and future research

This research was only conducted on cooperatives in Denpasar City, especially regarding the cooperative empowerment and social capital in relation to public welfare. In fact, public welfare is influenced by complex factors, so there are many other factors that could be integrated into the research model. Research is also only conducted in Denpasar-Bali, which means that it is possible to carry out research in areas outside Bali with a more developed model. In addition, research can be carried out at financial institutions other than cooperatives.

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