

The Role of Community Empowerment as Mediator on the Relationship Between Psychological, Social, and Financial Capital on Rural Community Well-Being

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Abstract

Community well-being is a key indicator of successful development. Community empowerment is a pivotal strategy for significantly boosting well-being, with primary goals to enhance community capacity and leverage various forms of existing capital within the community, including psychological, social, and financial capital, particularly in rural areas. This investigation focuses on how psychological, social, and financial capital enhance community well-being. This study employed a quantitative approach to explore the impact of an empowerment program in Karangasem village, Sukoharjo, Central Java. Data was gathered through questionnaires, with responses from 255 community beneficiaries. To analyze the data, SEM-PLS was utilized, leveraging the advanced capabilities of Smart PLS software, and the study reveals that while these forms of capital alone do not significantly impact well-being, their positive effects are amplified when mediated by community empowerment programs. Empowerment initiatives optimize community resources, enhancing capacity, productivity, and social networks, ultimately reducing poverty and rural development. The findings underscore the importance of integrated empowerment strategies in leveraging community capital for sustainable well-being improvements.

Keywords

Community empowerment; community well-being; financial capital; psychological capital; social capital

Introduction

Community well-being is a crucial indicator of successful development globally, including in Indonesia, and is the key goal of the United Nations' 2030 SDGs. Other than that, exploring community well-being is vital for grasping societal progress, with strong evidence suggesting that enhancing community well-being is crucial for addressing individual mental health challenges (Dorji et al., 2023). Indonesian government consistently dedicated efforts to foster balanced development in rural areas by implementing diverse programs to empower rural communities and enhance their overall well-being (Rustiadi & Nasution, 2017; van Leeuwen & Földvári, 2016).

Since community empowerment is considered a practical approach to improving well-being, especially in underdeveloped areas, it has gained significant traction as a strategy for progress. One example of this initiative is the enactment of Law Number 6 of 2014 on Villages. The regulation focuses on community empowerment, which involves enabling individuals or communities to harness their inherent capabilities and take effective action, even in the face of challenges, obstacles, or power domination; this can be accomplished by offering extensive opportunities for residents who are the focal point of development, to autonomously oversee their affairs using their natural resources, human potential and available tool for the collective well-being (Putri et al., 2020). By advancing this empowerment program, it is anticipated that the achievement of development goals will be accelerated (Handoyo et al., 2021; Santoso et al., 2019). According to Badaruddin et al. (2021), community empowerment involves restoring or enhancing a community's ability to act with dignity and uphold their rights and responsibilities. It is about enabling community members to have their voices heard and to actively participate in planning and decision-making processes that impact their community.

While boosting community capacity, community empowerment also seeks to harness the diverse forms of capital already present within the community, such as psychological capital, social capital, and financial capital, through increasing community participation in rural development by fostering a sense of community and togetherness (Del Arco et al., 2021). Previous study conducted by Okun (2020) and Poots and Cassidy (2020) argued that psychological capital plays a crucial role in shaping and improving community well-being. Psychological capital encompasses positive mental attitudes such as optimism and resilience, which can significantly influence how individuals tackle challenges and seize opportunities (Pathak & Joshi, 2021).

Badaruddin et al. (2018) found that to empower a village community, it is essential to make effective use of the existing social capital within the community, which is represented by social networks and trust, acts as a bridge for effective collaboration among community members, which intends to yield improved outcomes for the overall well-being of all residents. On the other hand, financial capital significantly correlates with community well-being; it assures a rural community's capability to meet its daily necessities. It refers to the funds, savings, and other financial assets accessible to the community (McCrea et al., 2014). According to Fahmi and Sari (2020) and Surya et al. (2021), financial resources are crucial for enhancing life satisfaction and reducing mental health problems, directly improving rural community well-being.

However, the interaction between these three types of capital, their impact on community well-being, and the role of community empowerment in moderating this influence remains

insufficiently understood. We believe that community empowerment enhances the capacities of individuals and groups within the community and fosters an environment conducive to maximizing the positive impact of existing capital. According to data from Statistics Indonesia, Sukoharjo Regency ranks second lowest in poverty rate and fourth highest in original village income among districts in Central Java. Karangasem village, located within Sukoharjo Regency, exhibits two distinct community characteristics. Residents living near the mountainous areas have typical rural characteristics, while those residing further from the mountains, closer to the city center, exhibit sub-urban traits. This duality makes Karangasem village an ideal research subject, representing rural and sub-urban community types.

Consequently, any empowerment programs implemented there will likely yield results applicable to specific communities and a broader range of societal contexts. Research on the impact of psychological, social, and financial capital on community well-being in Sukoharjo is essential for understanding how to utilize the available potential effectively. By examining how psychological, social, and financial capital contributes to community well-being, this study aims to provide insights necessary for designing more effective and integrated empowerment strategies. Such research will aid in formulating policies and programs that are better suited to local needs and conditions, ultimately fostering sustainable improvements in community well-being in Sukoharjo Regency.

Literature review

Community well-being is a combination of social, economic, environmental, cultural, and political elements that individuals and their communities consider essential for flourishing and achieving their fullest potential. It is a sense of fulfillment and contentment encompassing various aspects of life, including material comforts, community connections, emotional well-being, and overall health and safety (Mathew & Nimmi, 2022). Human well-being encompasses various dimensions, such as economic stability, self-esteem, and social and environmental factors. As a comprehensive concept, it encompasses subjective and objective dimensions of overall quality of life and the factors that affect it. Subjective dimensions reflect how individuals perceive their conditions, while objective dimensions are independently observable. Subjective well-being is typically measured by asking individuals to rate their overall life satisfaction and consider the factors that might influence it. This approach, therefore, considers personal experiences and aids in understanding and communicating people's interpretations, priorities, and needs (Rimmer et al., 2021).

A previous study by McCrea et al. (2019) considered factors such as emotional connection to the place, the quality of social and physical surroundings, and the availability of services and amenities. It can also be understood as the perceived standard of living a community provides or the belief that one's community offers a desirable environment. Cloutier et al. (2019) concurred that community well-being arises from a variety of interconnected factors that collectively shape a community's overall quality of life, including the relationships within neighborhoods, including walkability, noise and crime levels or community garden and social factors, including socioeconomic status, family dynamics, social cohesion and capital, residential stability, place attachment, and racial/ethnic composition.

Community empowerment is seen as a crucial pathway to achieving overall well-being, as it enables community members to gain power and influence, ensuring their contributions are acknowledged in decisions that impact their collective welfare (Badaruddin et al., 2021). Sen's

(1999) capability theory states that a person's capabilities reflect their ability or power to meet basic needs. Thus, the higher a person's capabilities, the greater their chances of well-being (Kuhumab, 2018). Supported by Surya et al. (2021), empowerment transforms a community by addressing poverty and enabling people to overcome challenges independently. It is about equipping individuals with the tools and resources they need to improve their well-being and build a better future for themselves. It is also regarded as a vital tool for enhancing the capacities and assets of local communities, both at the individual and group levels. Strengthening community capacities facilitates greater involvement in the development process and empowers individuals to influence decisions made by local institutions that directly impact their lives. At the individual level, empowerment encompasses three main components: collaborative efforts to enhance skills and capabilities, effective management of local resources, and active participation in decision-making processes (Ahmad & Abu Talib, 2015). Kurniawan and Cahyono (2020) also supported the idea that empowerment is vital for community development, as it allows communities to participate and augment their abilities to keep up with developmental progress.

Various studies have agreed that, in the long term, community empowerment positively impacts the communities that receive it. Community empowerment initiatives, such as the sustainable food reserve program implemented in East Java, Indonesia, have successfully reduced malnutrition in vulnerable communities and empowered them to improve their livelihoods. This program has also enhanced community consumption patterns, ensuring balanced food intake and strengthening five livelihood capitals. As health and economic conditions improve, the opportunities for these communities to achieve greater well-being are also increased (Wijaya et al., 2021). Community empowerment through the Badan Usaha Milik Desa (BUMDes) Sri Rejeki, a village-owned enterprise in East Java, significantly improved the local economy (Widiatmaka & Wibawani, 2022). Establishing BUMDes as a form of community empowerment in Maryke Village, Indonesia, also contributed to direct job creation, minimized palm oil waste, and developed a recycling bank as a platform for community creativity (Andriani, 2022). This highlights the vital role of community empowerment in advancing regional development and increasing opportunities for community well-being.

Furthermore, community empowerment is often tied to the capacities of the community, such as organizational, infrastructural, and personal abilities, as well as the various types of capital they can access, like psychological, social, and financial resources enabling them to achieve greater well-being (Fischer & McKee, 2017). In this research, we will focus on the base capital owned by the community, including psychological capital, social capital, and financial capital. Psychological capital defined by Çavuş and Gökçen (2015), Dóci et al. (2023), Luthans and Youssef (2004), and Nolzen (2018) as individual's psychological capacity, which can be assessed, developed, and utilized to enhance performance, encompasses key resources such as self-efficacy, hope, optimism, and resilience. This positive psychological state is characterized by having the confidence (self-efficacy) to tackle and invest the effort needed for challenging tasks, maintaining a positive outlook (optimism) on current and future success, persevering toward goals, and adjusting strategies when necessary (hope) to achieve success, and the ability to sustain, bounce back, and even grow more decisive when faced with adversity (resilience).

Psychological capital plays a crucial role in shaping and advancing well-being by creating mechanisms that encourage positive thoughts and emotions, thus influencing both individual lives and broader societal values (Romaní Rivera et al., 2024). Okun (2020) believed that psychological capital offers a distinct strategy for harnessing employee positivity and well-

being to achieve exceptional performance. Malinowski and Lim (2015) demonstrated that psychology positively affects community welfare through various factors such as self-confidence, resilience, optimism, hope, and non-reactivity. Avey et al. (2010) suggested that psychological capital, over time, presents a significant potential framework to affect well-being and gain a deeper insight into its influence on more evident occupational health results. Psychological capital has also been acknowledged as an essential personal psychological resource that greatly influences work-related outcomes like performance, commitment, and satisfaction by equipping individuals with the vital resources to flourish and manage workplace challenges and stress, and psychological capital enhances overall well-being (Tyne et al., 2024).

Collective social capital positively impacts individual well-being within the community (Portela et al., 2013). Putnam defined social capital as elements of social organization, such as trust, norms, and networks that improve social efficiency by promoting coordinated actions. Additionally, it boosts the returns on investment in both physical and human capital (Wang et al., 2021). Likewise, Bourdieu defined social capital as the collection of actual or potential resources from being part of a stable network of relationships, where mutual recognition and acquaintance play a key role. It also consists of connections that, under certain conditions, can be converted into economic capital and even institutionalized as a form of nobility (Musavengane & Kloppers, 2020). These definitions highlight the critical role of social relationships in gaining access to vital resources. The central idea is that individuals and communities can benefit when strong connections are built through group involvement and participation.

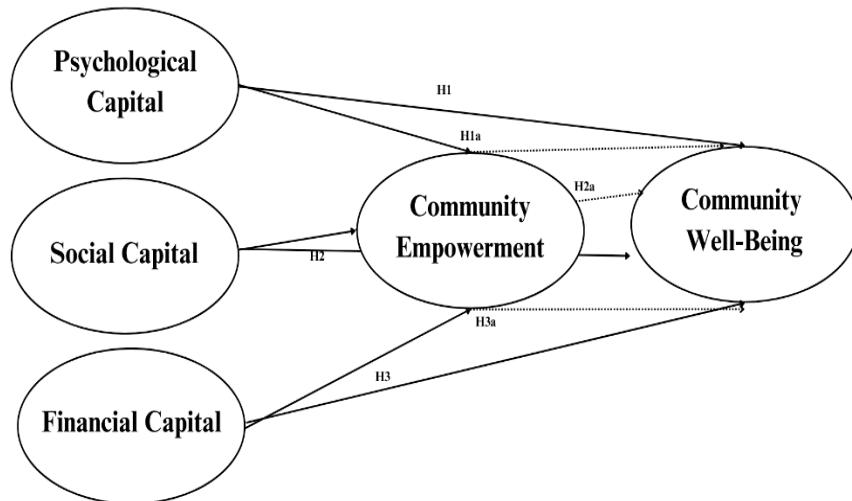
According to Halstead et al. (2022), higher social capital resources can potentially diminish poverty, one of the measurements of community well-being. Implementing policies that foster an environment that reinforces social networks and promotes the exchange of social support can potentially improve the health and well-being of rural populations (Yip et al., 2007). Philip et al. (2022) recommended that enhancing cultural, social, and symbolic capital could be a key goal for youth well-being programs. Zhang et al. (2023) identified a beneficial connection between Chinese farmers' happiness and their income and social capital. Similarly, Ramón-Hidalgo et al. (2018) found that individuals in Ghana involved in Community Based Natural Resource Management (CBNRM) with high access to social capital often report higher levels of empowerment. Nugroho et al. (2022) also concluded that social capital enhances residents' subjective well-being. Individuals enjoy stronger social connections, trust, and security when social capital is high. Consequently, their happiness and overall satisfaction with life tend to rise. It also shields community members from psychological stressors like economic downturns, environmental disasters, health issues, and food insecurity.

Lastly, financial capital refers to the monetary resources and assets employed to fulfill livelihood goals, primarily encompassing cash, loans, and borrowed funds allocated for production and consumption (Niu et al., 2023). While neither savings nor loans directly represent productive capital, they contribute to household assets inventory as they can be converted into other forms of capital or used directly for consumption (Suminah et al., 2023). We believe that financial capital could also influence the community's well-being. A previous study by Fahmi and Sari (2020) emphasized the importance of financial resources in improving life satisfaction, as exemplified in Kalibu. They argued that income enhances individual well-being and cultivates social empathy within the village. This is realized through mutual aid, communal learning, and philanthropic activities, leading to a comprehensive enhancement in life satisfaction and happiness across the community.

Rahman and Siddik (2018) found that financial capital greatly influences the char dwellers' well-being on the riverine islands along the Ganges River, situated within the Chapai Nawabganj District of Bangladesh. In their research about empowering rural women through agricultural initiatives in Ethiopia, Mulema et al. (2021) found that receiving financial capital under the name of the women enhances women's capacity for negotiation and maintaining self-sufficiency, which will create opportunities for collective efforts and reinvestment that contribute to their well-being. Sukmana et al. (2018) revealed that the government's proactive role in advancing the tourism sector significantly contributes to community well-being by bolstering the financial capital of the village community through increased tourist arrivals.

Given the importance of community well-being for a nation's progress, efforts must be made to enhance it. Supported by Badaruddin et al. (2021) and Surya et al. (2021), we consider community empowerment essential for improving well-being, as it enables individuals to gain influence, participate in decision-making, and contribute to their community's welfare. Additionally, according to Ahmad and Abu Talib (2015) and Kurniawan and Cahyono (2020), empowerment helps alleviate poverty by equipping people with tools for self-sufficiency and building local capacities at both individual and group levels. This approach enhances skills, manages resources effectively, and promotes active participation in development. Thus, as the community becomes more empowered, it enhances the potential of their psychological, social, and financial capital to improve overall well-being. This indicates that community empowerment can mediate the influence of psychological, social, and financial capital on community welfare. The research framework is illustrated in Figure 1 below:

Figure 1: Research Framework



Research methods

We employed a method previously used by Hair et al. (2014) whereby the research sample size is determined by multiplying the number of indicators by a factor of 5. This study uses 45 indicators to investigate the influence of psychological, social, and financial capital on community well-being and the moderating effect of community empowerment. Therefore, the calculation is as follows:

$$n = \text{indicators} \times 5$$

This calculation resulted in a required sample size of 225. We used a purposive sampling method for sample selection. Subsequently, we considered the number of community empowerment participants present, which was 255. As this exceeded the required sample size, we distributed questionnaires to all 255 community empowerment participants. These participants comprised 15 members of village-owned enterprises (BUMDes), 45 tourism managers, 120 village youths (karang taruna), and 75 Family Welfare Movement (Pembinaan Kesejahteraan Keluarga, or PKK) members. Consequently, we used data from all 255 respondents for our research. Moreover, potential biases in the data collection process were carefully addressed.

Self-reported data, although valuable, can be influenced by social desirability and recall biases. To minimize these biases, several strategies were implemented. Firstly, the anonymity of respondents was guaranteed to encourage honest and uninhibited responses. Secondly, the questionnaires were tested and refined to ensure clarity and reduce the likelihood of misinterpretation—the demographic characteristics of the 255 respondents in the study. Regarding gender, the majority (74%) were female, while 26% were male. The respondents' ages were as follows: 24% were between 15 and 20 years old, 16% were between 21 and 30, and the largest group (60%) was between 31 and 80. Over half (54%) had completed high school in terms of educational attainment. Other educational levels included primary school (15%), secondary school (12%), a bachelor's degree (12%), and a diploma (7%). The respondents' primary occupations varied, with the most significant proportion (55%) falling into the "Others" category. Among specific occupations, 17% were farmers, 12% were traders and entrepreneurs, and 5% were civil servants.

We collected research data using an instrument validated in previous research. This research is causal; thus, the obtained data must be analyzed quantitatively. According to Zelmiyanti and Anita (2015), causative research aims to determine how one factor influences other factors. This study can be said to be a type of causative research that establishes a causal relationship between dependent variables and individual variables. The SEM-PLS with Smart PLS as data processing software is used in this study for data analysis. This study seeks to provide evidence of a causal relationship between the independent variable of psychological capital, social capital, and financial capital and the dependent variable of community well-being. Additionally, we examine how community empowerment is a mediating factor in the impact of these capitals on community well-being. The operational definitions and indicators for the variables are detailed in Table 1.

Table 1: Definition of Operational Variables and Indicators

Variable	Definition	Indicator
Community Wellbeing	A sense of fulfillment and contentment that combines social, economic, environmental, cultural, and political elements, enabling individuals and communities to flourish and achieve their fullest potential across all aspects of life (Mathew & Nimm, 2022)	Family income, cost of living, income disparity among residents, home ownership, housing affordability, access to employment opportunities, energy efficiency, and business activity (Musa et al., 2019)
Psychological Capital	An individual's psychological capacity can be assessed, cultivated, and leveraged to enhance performance. This overarching concept includes key psychological resources: self-efficacy, hope, optimism, and resilience (Nolzen, 2018)	Self-efficacy, hope, optimism, resilience, and personality (Luthans & Youssef, 2004; Nolzen, 2018)

Variable	Definition	Indicator
Social Capital	The set of resources and benefits obtained through trust, norms, and networks that enhance social efficiency and boost returns on investments in physical and human capital. It also includes resources from stable relationships, where mutual recognition is key. These connections can sometimes be converted into economic capital and even institutionalized as social status (Musavengane & Kloppers, 2020; Wang et al., 2021)	Participation in the local community, proactivity in social contexts, trust and safety, neighborhood connections, tolerance of diversity, and the value of life (Onyx & Bullen, 2000; Poortinga, 2012; Story et al., 2015)
Financial Capital	The monetary resources and assets employed to fulfill livelihood goals primarily encompass cash, loans, and borrowed funds allocated for production and consumption (Niu et al., 2023)	Investments in current assets or short-term assets, including cash, bank deposits, securities, receivables, inventory, and other liquid assets (Sarjiyanto et al., 2022)
Community Empowerment	Efforts to restore or enhance a community's ability to act with dignity and to uphold their rights and responsibilities. It is about enabling community members to have their voices heard and to actively participate in planning and decision-making processes that impact their community (Badaruddin et al., 2021)	Capacity building, participation, access to information, identity, knowledge, and organization (Ahmad & Abu Talib, 2016)

Results

Measurement model analysis

Data analysis was performed using *SmartPLS 4* software. This process involved two key stages: first, testing the outer model, and second, evaluating the inner model.

Outer model testing

First, we started with convergent validity, which examines how well the items of a construct collectively align with the latent construct by sharing common variance. As with Wani et al. (2022), we used two parameters to measure convergent validity: the AVE value and outer loading. Hair et al. (2021) advised that all factor loadings should be statistically significant to establish convergent validity and have values of 0.5 or higher. Furthermore, concerning the AVE parameters, it is recommended that the AVE should be greater than 0.5 value under this threshold, which indicates that the items may contain more error than the explained variance.

Table 2 displays the results of the convergent validity test. The outer loading values ranged from approximately 0.704 to 0.874, and the AVE values exceeded 0.5. Consequently, these results confirm that the data in this study demonstrate statistical convergent validity.

Table 2: The Result of the Convergent Validity Test

Variable	Indicator	Outer Loading (O)	AVE
Community Wellbeing	cwb01	0.743	0.600
	cwb02	0.787	
	cwb03	0.765	
	cwb04	0.776	
	cwb05	0.800	
	cwb06	0.874	
	cwb07	0.838	
	cwb08	0.765	
	cwb09	0.704	
	cwb10	0.738	
	cwb11	0.713	
Psychological Capital	pc01	0.729	0.579
	pc02	0.722	
	pc03	0.803	
	pc04	0.776	
	pc05	0.706	
	pc07	0.792	
	pc08	0.794	
	sc03	0.723	
Social Capital	sc04	0.775	0.568
	sc05	0.725	
	sc06	0.723	
	sc09	0.747	
	sc10	0.734	
	sc11	0.753	
	sc12	0.774	
	sc13	0.802	
	sc14	0.774	
	wc02	0.721	
	wc03	0.795	
Financial Capital	wc05	0.736	0.569
	wc06	0.738	
	wc09	0.817	
	wc11	0.711	
	wc12	0.758	
	ce03	0.747	
	ce04	0.784	
Community Empowerment	ce05	0.723	0.596
	ce06	0.778	
	ce08	0.751	
	ce09	0.787	
	ce10	0.811	
	ce11	0.809	
	ce13	0.777	
	ce14	0.752	

Note: AVE = average variance extracted

Second, we demonstrate the discriminant validity test result in Table 3. According to Hair et al. (2021), discriminant validity means that the outer loading value of related constructs exceeds the cross-loading values of unrelated constructs. Fornell and Larcker (1981) stipulated that a construct must demonstrate a stronger correlation with itself than any other construct – the analysis of the SmartPLS output. In discriminant validity using the Fornell-Larcker criterion, the primary condition for fulfillment is that the square root of the Average Variance Extracted (AVE) for each construct must be greater than the correlations between that construct and other constructs in the model.

In Table 3, the numbers on the diagonal (0.772, 0.775, 0.761, 0.753, 0.754) represent the square roots of the AVE for each respective construct, while the numbers off the diagonal (0.583, 0.752, 0.522, 0.708, etc.) represent the correlations between pairs of constructs. To meet the Fornell-Larcker criterion, each value on the diagonal of the table (the square root of the AVE) must be greater than all the correlation values between constructs that are in the same row and column as that diagonal value. For example, for “Community Empowerment” (0.772), this value must be greater than 0.583 (correlation with Community Wellbeing), 0.752 (correlation with Psychological Capital), 0.522 (correlation with Social Capital), and 0.708 (correlation with Financial Capital). If all comparisons meet this condition for each construct, then discriminant validity based on the Fornell-Larcker criterion is fulfilled, indicating that each construct measures a distinct concept and does not significantly overlap with other constructs, thereby strengthening the validity of the measurement model.

Table 3: Discriminant Validity with Fornell-Larcker Criterion

Variables	Community Empowerment	Community Wellbeing	Psychological Capital	Social Capital	Financial Capital
Community Empowerment	0.772				
Community Wellbeing	0.583	0.775			
Psychological Capital	0.752	0.466	0.761		
Social Capital	0.522	0.519	0.715	0.753	
Financial Capital	0.708	0.491	0.635	0.653	0.754

Following the validity test, a reliability assessment was performed using Cronbach's alpha and composite reliability, with a threshold set at 0.700. Table 4 shows that all variables exceeded the threshold, with Cronbach's alpha values greater than 0.700 and composite reliability values exceeding 0.800. Cronbach's Alpha is deemed acceptable and reliable if it exceeds 0.700, while composite reliability is considered robust when it surpasses 0.800 (Handayani et al., 2023). Therefore, each variable in this study satisfied the reliability criteria, indicating that the measurement model demonstrates strong discriminant validity and is reliable and relevant for exploring the structural relationships among variables. With this, we can proceed to the following data analysis phase: inner model testing, which includes assessing R-squared (R^2) and conducting the goodness-of-fit (GoF) test, as later detailed in Tables 5 and 6.

Table 4: Reliability Test Result

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Community Empowerment	0.925	0.926	0.937	0.596
Community Wellbeing	0.933	0.934	0.943	0.600
Psychological Capital	0.879	0.886	0.906	0.579

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
Social Capital	0.915	0.917	0.929	0.568
Financial Capital	0.873	0.876	0.902	0.569

Note: AVE = average variance extracted

Inner model testing

As previously noted, inner model testing, or structural model analysis, examines the relationships among the evaluated constructs. This involves measuring R^2 and GoF to analyze how variables interact. The R^2 values between 0.33 and 0.67 indicate a moderate model; below 0.33 are deemed weak, and those above 0.67 are classified as strong (Chin, 1998). As shown in Table 5, the R^2 value for community empowerment was 0.877, signifying that the model explains 88% of the variation in community empowerment. Similarly, community well-being had an R^2 value of 0.344, indicating a more moderate explanatory power for this construct.

Table 5: R-Squared Measurement

Endogen Variable	R^2	R^2 Adjusted
Community Empowerment	0.879	0.877
Community Wellbeing	0.355	0.344

Note: R^2 = R-squared

In this study, simultaneous hypothesis testing within SEM was performed using the GoF test. A strong GoF result suggests that the model fits well in both a simultaneous and structural context. Vinzi et al. (2004) supported this approach, noting that a robust GoF value can significantly validate an SEM model. The GoF Index ranges from 0 to 1, with higher values indicating a better model fit (Sahoo, 2019). According to Fornell and Larcker (1981), a GoF, a value above 0.355 is considered high. The calculation of the GoF value is detailed in the following formula.

$$GoF = \sqrt{AVE \times R^2}$$

$$GoF = \sqrt{0.582 \times 0.617}$$

$$GoF = 0.599$$

In this research, we calculated the GoF based on the geometric average of the AVE value and R^2 . The result was 0.599, which indicates that the model in this study is classified as high. Table 6 shows the results of the GoF measurement. Based on the calculation, the R^2 value falls between 0 and 1 and is higher than 0.355. This suggests that the structural model employed in this study was a firm fit and that the GoF is accurate and meaningful.

Table 6: Goodness of Fit Measurement

Variable	AVE	R^2
Community Empowerment	0.596	0.879
Community Wellbeing	0.600	0.355
Psychological Capital	0.579	
Social Capital	0.568	

Variable	AVE	R ²
Financial Capital	0.569	
Mean	0.582	0.617

Note: AVE = average variance extracted; R² = R-squared

Hypotheses testing

Table 7 illustrates the results of hypothesis testing. The analysis reveals that the effect of psychological capital on community well-being is not supported, with a *p* value of 0.699 (greater than 0.05) and a t-statistic of 0.387 (less than 1.96), indicating that psychological capital does not significantly impact community well-being. Similarly, the effect of financial capital on community well-being is also unsupported, evidenced by a *p* value of 0.137 and a t-statistic of 1.493, both failing to meet the significance threshold. The impact of social capital on community well-being is insignificant, with a *p* value of 0.302 and a t-statistic of 1.034. The lack of significant impact may suggest that the existing levels of psychological, social, and financial capital within the community are insufficient to provide the well-being necessary for their lives.

Table 7: Hypothesis Testing Result

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	<i>p</i> value
Community Empowerment - > Community Wellbeing	0.568	0.554	0.151	3.763	.000
Psychological Capital - > Community Empowerment	0.140	0.139	0.043	3.264	.001
Psychological Capital - > Community Wellbeing	0.036	0.037	0.092	0.387	.699
Social Capital - > Community Empowerment	0.729	0.729	0.048	15.201	.000
Social Capital - > Community Wellbeing	-0.129	-0.112	0.125	1.034	.302
Financial Capital - > Community Empowerment	0.143	0.144	0.046	3.111	.002
Financial Capital - > Community Wellbeing	0.151	0.149	0.101	1.493	.137

Note: Significant at the 5% level (*p* < .05)

Furthermore, we also investigated whether the capital possessed by the community to date would have an impact on the success of the community empowerment programs that will be implemented. The result shows that psychological capital does have a significant effect on community empowerment, as indicated by a *p* value of .001 and a t-statistic of 3.26. Social capital also significantly affects community empowerment, supported by a *p* value of .000 and a t-statistic of 15.201. Finally, financial capital significantly affects community empowerment, with a *p* value of .002 and a t-statistic of 3.111. Although it has not yet yielded significant results for community well-being, the initial capital possessed by the community can play a role in helping to enhance the success of the empowerment programs provided by the government.

The mediation effect is evident in the specific indirect effects, which are assessed using a threshold of *p* value of .05 and a t-statistic of 1.96. Table 8 presents the mediation analysis

results, revealing that community empowerment significantly mediates the effect of psychological capital on community well-being, with a p value of .022 (less than .05) and a t-statistic of 2.299 (greater than 1.96). This indicates that community empowerment plays a key role in this relationship. Similarly, community empowerment also mediates the effect of social capital on community well-being, demonstrated by a p value of .000 and a t-statistic of 3.881.

Furthermore, community empowerment mediates the influence of financial capital on community well-being, with a p value of .028 and a t-statistic of 2.212. These findings highlight the critical role of community empowerment in linking various forms of capital to community well-being. They suggest that initiatives to enhance community empowerment are essential for translating the available capital into tangible benefits for the community. As such, policymakers and program designers should consider integrating empowerment strategies into their frameworks to ensure that the potential of these different forms of capital is fully realized. This approach not only enhances individual well-being but also contributes to the overall resilience and strength of the community.

Table 8: Mediation Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	p value
Financial Capital -> Community Empowerment -> Community Wellbeing	0.081	0.081	0.037	2.212	.028
Social Capital -> Community Empowerment -> Community Wellbeing	0.414	0.402	0.107	3.881	.000
Psychological Capital -> Community Empowerment -> Community Wellbeing	0.080	0.078	0.035	2.299	.022

Note: Significant at the 5% level ($p < .05$)

Thus, these results indicate that, on their own, psychological, social, and financial capital do not significantly influence well-being. However, when mediated by community empowerment programs, these forms of capital positively impact community well-being. Community empowerment optimizes these capitals, enhancing community capacity, productivity, and social networks, ultimately improving overall well-being. The findings underscore the importance of empowerment initiatives in effectively mobilizing community resources to reduce poverty and drive rural development.

Discussion

We employ SEM-PLS as our analytical method to explore the impact of psychological, social, and financial capital on community well-being and examine the role of empowerment programs in mediating psychological, social, and financial capital influence on community well-being from 255 respondents in Karangasem village Sukoharjo.

Impact of psychological, social, and financial capital on community well-being

Based on the hypothesis testing results, it is shown that psychological, social, and financial capital lacks a significant impact on the well-being of rural communities. Fahmi and Sari

(2020) explained that financial resources play a crucial role in increasing life satisfaction, and they are intimately connected to the rising well-being of the community if approached participatively through a community empowerment program. The inadequacy of the basic capital held by the community to enhance well-being necessitates support to utilize the capital effectively. This can be achieved through empowerment initiatives, as noted by Rachmawatie et al. (2021) and van Leeuwen and Földvári (2016), who argued that community empowerment is a practical approach to enhancing well-being.

The role of community empowerment as a mediator

Therefore, we investigated how community empowerment influences the correlation between psychological, social, and financial capital and well-being. The results indicate that community empowerment programs mediating the correlation between psychological capital and community well-being play a crucial role in optimizing the psychological capital of the community, which will impact the enhancement of community capacity. Consequently, communities can take practical steps to increase productivity, economy, and community well-being. Per Chawa et al. (2017), community empowerment programs aim to reduce poverty levels and improve the well-being of rural communities. This research also reinforced the findings of Poots and Cassidy (2020) that individuals who possess hope, optimism, ego resilience, and efficacy are more likely to feel sufficiently prepared to address challenging environments and maintain their well-being.

This study also found that community empowerment programs mediate the correlation between social capital and community well-being. Community empowerment aims to cultivate an environment that enhances social networks and encourages the exchange of social support, showing the potential for improving the health and well-being of rural communities (Yip et al., 2007). Therefore, the findings of this research imply that community empowerment programs play a crucial role in optimizing social capital to strengthen the community's social networks. Community empowerment can build collective awareness among communities to take effective action and enhance community capacity in facing challenges that impact community well-being. Community development is influenced by local culture, especially social capital (Sarjiyanto et al., 2023). Per Halstead et al. (2022), communities with high social capital will enhance well-being and reduce poverty. Putri et al. (2020) also explained that community empowerment enables individuals or communities to leverage their inherent abilities and take effective action, even in the face of challenges, obstacles, or power dominance.

Lastly, community empowerment mediates the correlation between financial capital and community well-being. The goal of community empowerment programs is to enhance the capacity and bargaining position of the community. Community empowerment programs enable individuals to acquire knowledge and skills, cultivate attitudes, and participate in self-directed actions (Monkman et al., 2007; Sarjiyanto et al., 2022). Therefore, the results of this research indicate that community empowerment programs are essential for maximizing the productivity of the community's financial capital. Consequently, boosting community productivity will contribute to improvements in both the economy and community well-being.

Conclusion

The primary goal of this research is to explore the impact of psychological, social, and financial capital on community well-being in Karangasem Village, Sukoharjo, using SEM PLS analysis. The results reveal that these forms of capital alone do not significantly influence well-being. However, when mediated by community empowerment programs, psychological, social, and financial capital positively affect community well-being. Community empowerment optimizes these capitals, enhancing community capacity, productivity, and social networks, ultimately improving well-being. The result emphasizes the significance of empowerment initiatives in effectively utilizing community resources to reduce poverty and enhance rural development.

Limitations and future research

We recognize several limitations, such as its focus on Karangasem Village, which restricts the applicability of the findings to other regions in Indonesia. The cross-sectional design restricts causal conclusions and long-term impact assessment of community empowerment programs. The study's narrow focus on psychological, social, and financial capital overlooks other essential forms, such as human, cultural, and natural capital. Dependence on self-reported questionnaires introduces possible biases, and the quantitative approach may miss nuanced, context-specific insights. Future research should expand geographically, incorporate longitudinal studies, and include additional forms of capital. A mixed-methods approach and consideration of external factors like government policies and economic conditions would offer a more thorough insight into community well-being and empowerment programs.

Institutional review board statement

This study was approved by the Local Wisdom Group Research, Faculty of Economics and Business, Universitas Sebelas Maret (No. 071/RG KL/FEB UNS/XI/2024).

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