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SOCIAL CAPITAL IN INDONESIA: LITERATURE REVIEW

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ABSTRACT

Social capital and human capital are two interconnected and mutually reinforcing concepts. Social capital refers to social networks, interpersonal relationships, social norms, and trust within a community, while human capital emphasizes knowledge, skills, education, experience, and individual attributes that enhance productivity and economic value. Recent research indicates that an increase in human capital, such as higher education, improved skills, and broader experiences, can enhance the development of social capital within communities. This is because individuals with high human capital are more likely to engage in social activities and build relationships with others. Strong social capital can also promote the development of human capital through cooperation, access to information, and extensive social networks. This is because social capital can facilitate the sharing of information, resources, and support. Therefore, social capital and human capital are two crucial concepts that should be considered in economic and social development efforts. By enhancing both of these concepts, we can create more productive, prosperous, and sustainable societies.

Keywords: *Social Capital, Human Capital, Economic Development Social Development*

INTRODUCTION

In the turbulent modern era, the concepts of social capital and human capital have emerged as two important components in the understanding and analysis of societal and economic development. Social capital refers to the social networks, norms, trust, and interactions between individuals in a society, while human capital emphasizes the knowledge, skills, experience, and attributes of individuals that enhance their productivity and quality of life (Putnam, 1995; Schultz, 1961). These two concepts, although different in their functional aspects, have a significant impact on economic, social and human development. Social capital creates the basis for collaboration, participation, and cooperation in society. It forms social networks that facilitate the exchange of information, resources, and support between individuals (Coleman, 1988). Strong social capital can trigger sustainable economic growth through increased productivity and quality of social relationships. On the other hand, human capital enables individuals to contribute more effectively to society and the economy. Through education, training and skills development, quality human capital can increase productivity, innovation and competitiveness (Becker, 1964).

These two concepts, although often treated separately in the academic literature, have strong links in development. Social capital can help build human capital through access to education and employment opportunities through strong social networks. Conversely, higher human capital can increase participation in social life and contribute to healthy social capital (Woolcock & Narayan, 2000). Recent studies have revealed the complex dynamics between social capital and human capital, especially in the context of rapid global change. The digital age, environmental challenges and social change have triggered a re-reflection on how these concepts interact and influence future developments (World Bank, 2019). Therefore, in this discussion, we will explore more deeply the interaction between social capital and human capital and its relevance in dealing with the various challenges and opportunities faced by societies and economies in this changing era.

In explaining the concept of social capital, Putnam (1995) has underlined the importance of social networks, norms, trust, and interactions between individuals in society as key elements of social capital. Schultz (1961) highlighted the human capital aspect, emphasizing the knowledge, skills, experience and attributes of individuals that contribute to increased productivity and quality of life. These citations provide a strong theoretical foundation for understanding the essence of each concept in community and economic development. According to Amanda & Adriani (2021) locus control which is an aspect of personality has a positive value and has a significant effect on self-efficacy. Human capital has a positive and significant effect on business success, the better the value of aspects of human capital in a person, the higher the level of success of a person in entrepreneurship. The positive direction of influence can be interpreted that the better one's knowledge and experience will support their success in entrepreneurship. Riswanto et al. (2014) human capital has a positive influence on business success. Personality has a positive and significant influence on business success. These results indicate that the better a person's level of personality, the better the level will be.

The importance of social networks in facilitating the exchange of information, resources and support between individuals has been expressed by Coleman (1988), who supported the concept of social capital as the basis for collaboration and cooperation in society. Woolcock and Narayan (2000) explain that quality human capital can increase participation in social life and make a positive contribution to healthy social capital. What people are actually able to produce is inseparable from the capital they have, such as knowledge, expertise and many other values that enable the movement of financial and physical capital. This capital is human capital that must continue to be created to create innovation. Meanwhile, performance is divided into two parts, namely individual performance and organizational performance. Individual performance is the work of an employee both qualitatively and quantitatively given work standards, while organizational effectiveness is a combination of individual and group effectiveness (Mangkunegara 2005, Trisnaningsih 2007).

RESEARCH METHODS

The research method uses literature review. The literature review research method is a research approach focused on investigating and analyzing literature, information sources, and other published works relevant to a particular research topic. The main purpose of this method is to understand what previous researchers already know and have written about a particular topic, and to integrate these findings into the conceptual framework of the research being conducted. In the literature review we write one by one previous articles related to social capital with different sub-problems, different research methods, and we identify the conclusions of each study.

RESULTS AND DISCUSSION

Social Capital

Differences in views on social capital between sociologists and economists are still limited to conceptual considerations in their respective fields. Lawang (2005: 9) capital has a very important function in the process of producing goods and services in the economic sector, especially in the long term. which consists of: financial capital, human capital, and physical capital. Financial capital is the symbols and rights associated with credit and money that indicate social relationships and the task of directing and obtaining budgets for economic activities that function to organize opportunities.

Ostrom (1992:172) analyzes the concept of social capital as too abstract to distinguish it from the other three economic capitals, namely:

- ✓ Social capital is not consumed due to use, but rather due to non-use;
- ✓ Social capital is not easy to find and measure;
- ✓ Social capital is difficult to build by external means; and
- ✓ National and regional governing bodies greatly influence the level and type of social capital available to individuals to continue long-term development work.

Different conceptual views on social capital are theoretical strategies that connect sociological discourse with economic issues. Because discussions related to the study of community development cannot be separated from various disciplinary studies to explain the nature of social action. Economists and some sociologists see the existence of social capital as a reminder of the tradition of the functioning of the Parsonian group (Siregar, 2004: 25). In this case, capital is represented by the size of the network and the amount of capital (financial, cultural or symbolic) owned by interconnected individuals or groups. Thus, social capital is a collective resource shared by members of a particular group with clear boundaries, exchange obligations and mutual recognition between related individuals or groups. The amount of resources accumulated within an individual or group as a result of a network of reciprocal relationships is called social capital (Beni et al., 2018). The ability of people to work together to achieve common goals in different groups and organizations is defined by James Coleman of Fermando View (2021) as social capital. Therefore, social capital is a component that plays an important role in the relationship between MSME performance and the smooth running of the Yogyakarta economy.

Human resource social capital can certainly encourage cooperation between individuals and community groups as well as the exchange of information in the hope of improving company performance and development. Social capital refers to the resources that develop within a person or group of people, such as trust, social norms, and social networks that enable them to work together. Trust, networks and social norms are the three components of social capital (Kawulur et al., 2017).

In general, organizations focus exclusively on maintaining financial capital, also known as physical assets. However, when the information revolution began to talk about the ability to make capital measurable, grow and disappear when employees leave the organization where they work, the information revolution began to talk about the ability to make capital measurable, grow and disappear when employees . also left the company. the organization where they work. Employees can then be considered as organizational assets with intangible assets (Subramony et al., 2018). The human element emerges as a possible influence on business success; In fact, companies that want to compete and develop must now focus on their human resources as drivers of competitive advantage (Sudaryo et al., 2018). The ability of personnel to apply knowledge and skills in their work provides a competitive advantage for the company. In contrast, human resources do not expire after they are used to produce goods. Human resources are the only resources that have the ability to learn and develop (Kasmawati, 2017). Thus, employee empowerment enables maximum human resource potential and the best contribution to product production (Pristiyono and Sahputra, 2019).

Human Capital

Human resources are defined as the people themselves who are personally lent to the company with their individual talents, commitment, knowledge and experience. Although not only as individuals, but also as a work group that has personal relationships both inside and outside the company (Stewart 1997, Totanan 2004). According to Malhotra and Bontis (Rachmawati and Wulani, 2004), human capital is a combination of knowledge, skills, innovation and ability. skills, innovation and human ability to carry out tasks to achieve value results. The creation of added value generated by human resources during the implementation of tasks will bring sustainable income to the company in the future. Human resources are an added value for the company every day through motivation, commitment, competence and teamwork efficiency, added value that can be provided by employees: developing the company's expertise, transferring knowledge from employees to the company and in a changing culture. Management (Mayo 2000, Rachmawati et al. 2004). Andrew Mayo Onkodihardjos (2008:40) defines "human capital", as a combination of genetic inheritance, education, experience and behavior related to life and business." Based on the opinion above, it can be concluded that human capital is all related to a person and all of it has the ability to create value for a person. .organization to achieve its goals.

Human capital emerged because the role of human resources in the organization changed from being just a burden to becoming an asset/capital. The concept of human capital examines the added value that employees (humans) can provide to the organizations where they work. Chatzkel stated that human resources are the true differentiating factor and foundation of an organization's competitive advantage. Human capital theory, as proposed by Ehrenberg and Smith, states that employees have a set of skills that can be “rented” to their organizations. According to Larkani (2008:57), human capital was born based on the phenomenon that in the 21st century, awareness of business management among personnel is increasing. Companies have realized that company performance is not only determined by capital in the form of finance, machinery, technology and fixed capital, but is mainly influenced by intangible capital, namely human resources.

According to Scarborough and Elias (2009:61), the concept of human capital must be seen as a bridge that defines the relationship between human resource management practices and company performance. They show that human capital has a dynamic, implicit, atypical, and contextual definition. These qualities make up a person's capital difficult to estimate. Individual flexibility and creativity, the ability to develop lifelong skills and respond to different situational contexts are very important human resource characteristics from the perspective of corporate performance. They argue that human capital theory refers to people and skills, while physical capital theory refers to plant and equipment. As business people, people have a productive work ethic, skills, creativity, discipline, professionalism, and the ability to use, develop and manage science and technology, as well as leadership skills. In real life, humans play an important role in productivity and advanced production tools and are necessary for resources.

Quality human resources (HR). Individual employee performance greatly influences the success of the organization. Human success in business. The direction of positive influence can be interpreted as the higher the need for achievement and the position of control a person has, the more concentrated he or she will be in realizing the vision and mission of the company being controlled. Aji (2021) states that entrepreneurial characteristics or personality have a positive and significant effect on business success in Kasihan, Bantul, Yogyakarta. Bahri and Arda (2019) stated that entrepreneurial personality traits or personalities have a positive and significant impact on the success of Generation Z small businesses. Widjajan et al (2021) also emphasized that entrepreneurial personality traits have a positive and important impact on business success during the pandemic.

Le and Visant (2013) found that self-efficacy has a positive and significant effect on the business success of clothing shop owners in Tanah Abang, a wholesale center in Jakarta. Renaningtyas (2017) stated that self-efficacy has a positive and significant effect on business success. Human capital has a positive but not significant effect on business success which is mediated by self-efficacy as a mediator variable. These results show that the better the human capital aspect in a person, the higher the self-efficacy for achieving business success, although the effect is not very significant.

The direction of the positive influence can be interpreted as meaning that the trader has a sufficient personality in terms of the need for achievement and locus of control, in this case this personality factor influences the high level of self-confidence in his trading abilities, so that trading participants will feel confident. Try as hard as possible to influence success. An attitude of never giving up and not believing in luck makes a person believe in his abilities, so that he gets up to try to achieve the vision and mission he has set for himself.

Social Development

Social development is a response to economic development which has long dominated the development model. In current developments, the economic development paradigm must of course be balanced with the social development paradigm; as a dichotomy that complements and complements each other. Todaro (1994) economic systems must be analyzed and placed in the context of the general social system of a particular country and of course also in the international global context. The relevant social system is a link between economic and non-economic factors. Economists have realized that economic development cannot be measured only by the growth of income or per capita income, but also based on how that income exists. It is assumed that the rapid growth of GNP (Gross National Economic Product) per capita flows down (trickle-down effect) to society at large in the form of employment and other economic opportunities. Problems such as poverty, unemployment and income distribution are considered secondary issues and may even trivial. as opposed to “accomplishing growth tasks”.

Therefore, it is natural that community participation is considered less important when developing social work methods that emphasize community organization. This method also tends to separate society from development (community development) which is too oriented towards developing village communities. Various empirical facts show that rapid economic growth does not guarantee equal distribution of development results. In short, economic growth is a "centralized" fact, while equitable social development is more "distributed" to all levels of society. Thus, it can be said that the concept of bottom-up flow effects is considered a conventional development paradigm. In contrast, the social development model is more nuanced. The bottom-up strategy to meet the needs of the lower community (grass roots) seems to be more in line with the reality on the ground. However, in the end, top-down concepts cannot touch all the lives of the wider community, but bottom-up policies can also become a political development just because of one's own wishes.

From the literature review, several important points can be concluded regarding the factors that influence social capital, human capital and economic growth:

Social Capital:

1. Definition of Social Capital: Social capital includes social networks, norms, beliefs, and interactions between individuals in society.
2. Function of Social Capital: Forms the basis for collaboration, participation and cooperation in society.
3. Impact of Social Capital: Can trigger sustainable economic growth through increasing productivity and the quality of social relations.

Human Capital:

1. Definition of Human Capital: Refers to an individual's knowledge, skills, experience, and attributes that increase productivity and quality of life.
2. The Role of Human Capital: Enables individuals to contribute more effectively to society and the economy.
3. Interaction of Social Capital and Human Capital: Social capital can help build human capital through access to education and employment opportunities through strong social networks.

Influence Factors of Social and Human Capital:

1. Interrelationship of Social and Human Capital: Both are interrelated and have a significant impact on economic, social and human development.
2. Complex Dynamics: Recent research reveals complex dynamics between social capital and human capital, especially in the context of global change, the digital era, environmental challenges and social change.

CONCLUSION

This article discusses the relationship between social capital and human capital in the context of economic and social development. Here are the conclusions of this article:

- ✓ Social capital and human capital are two concepts that are interrelated and influence each other in the development of society and the economy.
- ✓ Social capital includes social networks, social norms, trust, and interactions between individuals in a society, while human capital includes knowledge, skills, education, experience, and individual attributes that increase

productivity and economic value.

- ✓ Recent research shows that increasing human capital, such as higher education, better skills, and broader experience, can increase the development of social capital in communities.
- ✓ Individuals with high human capital are more likely to engage in social activities and build relationships with others, thereby strengthening social capital.
- ✓ Conversely, strong social capital can increase human capital development through cooperation, access to information, and extensive social networks.
- ✓ Both of these concepts, social capital and human capital, have a positive impact on economic and social development, and both need to be considered in efforts to create a more productive, prosperous and sustainable society.
- ✓ By understanding the importance of the link between social capital and human capital, we can design more effective policies and programs to improve economic and social development in various communities and societies.

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