

**THE ROLE OF SOCIAL CAPITAL IN SUPPORTING SUSTAINABILITY
WOOD PROCESSING INDUSTRY****Ilkhamna Ariski¹, Nur Kasanah²**¹²Universitas Islam Negeri Kiai Ageng Muhammad Besari Ponorogo; IndonesiaCorrespondence E-mail: areelham@gmail.com**Article History**

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Abstract

The wood processing industry in Bora plays a strategic role in strengthening the local economy and providing employment opportunities for the surrounding community. This study aims to analyze the role of social capital in supporting business sustainability in the wood processing industry at UD Ngudi Seni Gembol, Bora. This research uses a qualitative descriptive method with a case study approach. The research was conducted at UD Ngudi Seni Gembol, Bora Regency. The data used comprises primary and secondary data collected from business owners, workers, consumers, and related stakeholders. Data collection techniques include in-depth interviews, direct observation, and documentation. Data analysis was carried out using data reduction, data presentation, and conclusion drawing. The results show that social capital plays a significant role in strengthening trust, social norms, and social networks among business actors, consumers, and the community. Strong relationships help maintain production stability, expand market access, and increase customer loyalty. Despite challenges such as high logistics costs and industry competition, strong social capital supports business resilience and drives a 225.6% increase in revenue. Therefore, social capital becomes an important asset that supports the sustainability and competitiveness of the wood processing industry. This study concludes that strengthening social networks, maintaining trust, and developing collaborative norms are essential strategies to ensure long-term business sustainability and economic contribution in the Bora wood processing industry.

Keywords

Bora, Business Sustainability, Social Capital, Wood Processing Industry.



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INTRODUCTION

The wood processing industry in Indonesia plays a strategic role in supporting the national and regional economies by adding value to natural resources. Blora Regency is one of the areas with great potential in the forestry sector, especially for teak, which is known for its high quality. Almost half of Blora Regency's area is dominated by state and community forests, which serve as a source of raw materials for the wood processing industry. The existence of this industry not only contributes to increased Gross Regional Domestic Product (GDP) but also creates jobs and improves the welfare of local communities. Therefore, the development of the wood processing industry is important for increasing the regional economy's competitiveness and encouraging the sustainable growth of the local resource-based industrial sector.

Despite having great potential, the wood processing industry in Blora Regency faces various challenges in maintaining business sustainability. Increasingly fierce market competition requires business actors to improve product quality, production efficiency, and innovative marketing strategies. In addition, low consumer trust, weak work norms that support collaboration, and limited social networks among business actors are obstacles to industrial development. These conditions can hinder the stability of product production and distribution, affecting the competitiveness of local industries. Therefore, a strategy is needed that not only focuses on economic and technological factors but also considers social factors that support the sustainability of the wood-processing industry.

One factor that could strengthen the industry's sustainability is social capital, including trust, social norms, and social networks. Social capital plays a role in encouraging cooperation, collaboration, and innovation needed to address market dynamics. Strong social relationships can expand access to information, technology, and product marketing opportunities. A high level of trust between business actors can also increase transaction efficiency and reduce work conflicts. In addition, positive social norms can create a conducive business environment to support increased productivity and work quality. Thus, social capital is an important factor in strengthening the resilience of community-based industries and increasing long-term business sustainability.

Previous research has shown that social capital has an important role in supporting business sustainability in various industrial sectors. Azara (2024) found that social capital through customer networks and local partnerships can improve the performance and sustainability of home

laundry businesses in Jember Regency. Saputro et al. (2020) also show that social capital strengthens the sustainability of the batik creative industry through social relations among business actors. Adnandi and Andriyani (2024) stated that social networks, trust levels, and social norms can increase the resilience of small and medium businesses. In addition, Nikmah and Rahmawati (2020) found that social capital plays a role in improving the business performance of the tempeh chips industry through strengthening social networks. Research by Ekarini (2020) also shows that social capital contributes to improving the welfare of players in the baby shoe home industry

Although various studies have examined the role of social capital in business sustainability, most research has focused on the creative industry sector and micro, small, and medium-sized enterprises using a quantitative approach. Research examining social capital in the context of the wood processing industry remains relatively limited, particularly those that use a qualitative approach to understand in depth the dynamics of social relations among business actors. In addition, previous research has highlighted the impact of social capital on business performance and the welfare of business actors. At the same time, studies on its contribution to the sustainability of natural resource-based industries remain limited. Therefore, this research has novelty by examining the role of social capital in supporting the sustainability of the wood processing industry through a qualitative approach based on a field study approach, this study aims to analyze the role of social capital which includes beliefs, social, norms, and social networks in supporting the sustainability of the wood processing industry at UD Ngudi Seni Gembol, Blora Regency. This research is expected to make an academic contribution to the development of social capital studies in the natural resource-based industrial sector and to provide practical recommendations for business actors and local governments to strengthen the competitiveness of the wood processing industry. In addition, the results of this research are expected to serve as a reference for developing sustainable strategies to empower local industry, thereby improving community welfare and regional economic growth.

METHODS

This study uses a field research design with a descriptive, qualitative approach. Field research involves directly observing the conditions and socio-economic activities of the research object to provide an in-depth picture of the phenomenon being studied. A qualitative approach is

used to comprehensively understand the role of social capital in supporting the sustainability of the wood processing industry through social interactions, values, and working relationships between business actors. This research was conducted at UD Ngudi Seni Gembol, located on the Bora–Cepu Highway at Km 15, Jiken Village, Jiken District, Bora Regency. The selection of the research location is based on the sustainability of the business, which has been operating since 1997, has a good business reputation, and is active in export activities through agents and in participation in creative economy exhibitions.

The research data consists of primary data and secondary data. Primary data were obtained directly from research informants, including business owners, workers, and consumers of UD Ngudi Seni Gembol. Primary data were collected through in-depth interviews to obtain information on employment relations, social networks, and business sustainability. In addition, observations are conducted to examine activities, social interaction patterns, and work environment conditions. Documentation techniques are also used to complete research data through business archives, production records, and other supporting documents. Meanwhile, secondary data are obtained from various sources, such as scientific articles, research reports, reference books, and information relevant to social capital studies and industrial sustainability.

Data analysis in this study uses qualitative analysis techniques, including data reduction, data presentation, and conclusions. Data reduction is carried out by sorting and focusing on information that is relevant to the formulation of the research problem. Data are presented in descriptive narratives and tables to facilitate understanding of the research findings. Furthermore, conclusions are drawn from data interpretation by linking field findings to social capital theory and the concept of industrial sustainability. The data triangulation technique is used to increase the validity of research by comparing data from interviews, observations, and documentation, thereby ensuring accurate, scientifically accountable data.

RESULTS AND DISCUSSION

Results

This research aims to identify and analyze the role of social capital in supporting the sustainability of the wood processing industry at UD Ngudi Seni Gembol. The wood processing industry, as a natural resource-based business sector, is influenced not only by economic and

technical factors of production but also by the quality of social relations among business actors. Based on in-depth interviews, field observations, and business documentation, this study found that the industry's sustainability is highly dependent on the strength of social interaction among business owners, labor, raw material suppliers, consumers, and government agencies. These social relations form a system of cooperation that maintains the stability of production and product distribution and expands market access.

Social capital in this study is analyzed through three main elements, namely beliefs, social norms, and social networks. Trust is the foundation for building harmonious working relationships and increasing loyalty between business actors. Social norms shape a work culture based on values of responsibility, togetherness, and commitment to maintaining production quality. Meanwhile, social networks enable business actors to access information, technology, and cooperation opportunities that can increase business competitiveness. These three elements are interrelated and form a social system that contributes to the sustainability of the wood processing industry.

The results of the study show that the implementation of social capital has a real impact on business stability and improvement of production performance. Strong working relationships among actors are able to increase operational efficiency and create a conducive work environment. In addition, government support through training and business assistance has also strengthened the social network of industry players. Thus, social capital not only serves as a means of building social relationships but also becomes an important strategy in maintaining the sustainability of the wood processing industry. A summary of the research findings on the implementation of social capital and its impact on business sustainability is presented in the following table.

Table 1. The Role of Social Capital Elements in the Sustainability of the UD Ngudi Seni Gembol Industry

| No | Elements of Social Capital | Form of Implementation | Impact on Sustainability |
|----|----------------------------|---|--|
| 1 | Trust | A harmonious working relationship between owners, workers, suppliers, and consumers | Improve production stability and consumer loyalty |
| 2 | Social Norms | Values of togetherness, responsibility, and work commitment | Strengthen long-term working relationships |
| 3 | Social Networks | Relationships with suppliers, consumers, and local governments | Expanding market access and business development support |

Source: Data processed by researchers, 2025

Based on Table 1, trust is the dominant factor in maintaining production stability and working relationships at UD Ngudi Seni Gembol. The results of the interviews show that the relationship between business owners and workers is built through open communication and mutual respect, thus creating a conducive work environment. Trust is also built between business actors and raw material suppliers, enabling the production process to run smoothly despite limited resources. From the consumer side, responsive service and consistent product quality increase customer loyalty. This condition shows that trust plays a role in maintaining production continuity while strengthening the business's position in the face of competition in the wood processing industry.

In addition to trust, social norms also play an important role in forming a pattern of sustainable cooperation. The results of the study show that the norms of togetherness, responsibility, and work commitment are the foundation for building professional relationships between business actors. This norm is reflected in workers' mutual assistance and in businesses' commitment to maintaining the welfare of the workforce. The existence of social norms encourages the creation of stable, long-term working relationships with minimal conflict. This contributes to increased productivity and higher-quality production results. Social norms also foster a sense of belonging to the business, motivating workers to maintain work quality and support the business's overall sustainability.

The social network element in this study shows a significant role in expanding market access and business development. The relationship established among business actors, consumers, suppliers, and the Blora Regency Industry and Manpower Office has a positive impact on industrial sustainability. Government support through training and business assistance helps increase production capacity and business management. Social networks also make it easier for business actors to obtain market information and new cooperation opportunities. The real impact of the strong social network is evident in the 223.6% increase in UD Ngudi Seni Gembol's turnover over the past year. This shows that social networks contribute to increasing the competitiveness and business sustainability of the wood processing industry.

Discussion

The study's findings show that trust is the main factor in strengthening the sustainability of the wood processing industry at UD Ngudi Seni Gembol. A working relationship based on

mutual trust among business owners, workers, suppliers, and consumers creates production stability and sustainable product distribution. Trust enables work coordination to run more efficiently because each party understands their roles and responsibilities without always relying on strict supervision. This condition also helps minimize the potential for work conflicts that can hinder the production process. In a community-based industry, strong social relationships are an important factor in creating a sustainable work system. This aligns with the concept of social capital, which emphasizes trust as the foundation of cooperation. Putnam (2000) explained that a high level of trust in society can increase the effectiveness of social interactions and encourage sustainable economic growth. Thus, trust not only functions as a social value but also becomes a strategic factor in increasing the durability and sustainability of community-based industries.

The trust built in UD Ngudi Seni Gembol is evident not only in the company's internal relationships but also in its external relationships with raw material suppliers and consumers. Long-term relationships with suppliers help maintain raw material availability despite fluctuations in market prices and supply. From the consumer's side, trust is reflected through loyalty to the products produced. Consumers who feel consistent product quality, friendly service, and open communication tend to maintain long-term cooperative relationships. This reinforces the argument that trust directly impacts marketing success and business sustainability. Fukuyama (1995) stated that social trust can reduce transaction costs because employment relationships depend not only on formal contracts but also on moral commitments between business actors. Thus, trust is an important instrument in creating operational efficiency and increasing industry competitiveness.

This research also shows that trust plays a role in strengthening the performance stability of small and medium enterprises. Nahapiet and Ghoshal (1998) stated that trust-based social capital can increase the effectiveness of information and knowledge exchange in business organizations. In the context of UD Ngudi Seni Gembol, the open exchange of information between business owners and workers facilitates production coordination and improves the quality of work. In addition, trust also encourages workers to show high loyalty and responsibility to their work. These findings corroborate previous research that a high level of trust in business organizations contributes to the stability of business performance and sustainability. Thus, trust

not only serves as an adhesive for social relationships but also increases productivity and business resilience in the face of market dynamics.

In addition to trust, social norms also shape a work culture that supports industrial sustainability. The social norms that develop at UD Ngudi Seni Gembol are reflected in the value of togetherness, responsibility, and high work commitment between business actors. These norms create harmonious working relationships and increase solidarity between workers. Coleman (1988) explained that social norms in social capital function as a mechanism for controlling individual behavior in a social group. Positive norms can improve work coordination and create a stable business environment. In this study, social norms encourage workers to maintain production quality and the business's reputation. The existence of social norms also strengthens workers' sense of ownership in the business, leading them to be more committed to supporting the sustainability of the wood processing industry.

Strong social norms also play a role in improving work motivation and workforce well-being. Work relationships grounded in the value of togetherness foster a conducive work atmosphere and encourage productive work. Adler and Kwon (2002) stated that social norms in organizations can increase trust and cooperation, leading to higher work productivity. In this research, social norms not only strengthen internal business relationships but also improve the quality of interactions between business actors and consumers. Consumers who value responsibility and professionalism in service tend to place greater trust in the products produced. This shows that social norms can serve as an indirect strategy to strengthen the business's image and increase the industry's competitiveness.

However, social norms in some studies are considered capable of limiting innovation when traditional work patterns are too conservative. In this study, social norms serve as a means of collective learning, encouraging business actors to adapt to market changes. Through open communication and close cooperation, business actors can develop more innovative production and marketing strategies. This condition shows that social norms, when accompanied by information disclosure, can strengthen business adaptability. Thus, the sustainability of the wood processing industry at UD Ngudi Seni Gembol is influenced not only by economic and technological factors but also by the strength of social relationships built on positive social beliefs and norms.

The results of this study also show that social norms can increase work motivation and labor welfare. A working relationship grounded in the value of togetherness fosters a sense of belonging to the business, leading workers to be more committed to the quality of production. This aligns with research showing that social norms in business organizations can increase productivity and workforce stability (Adler & Kwon, 2002). However, other studies have shown that overly strong social norms can limit innovation by fostering a tendency to maintain old work patterns. In the context of this research, social norms function as a means of collaboration and learning, thereby strengthening businesses' adaptability to market changes. Thus, the findings of this study indicate that strengthening communication and information disclosure.

The social network element in this study has proven to have an important impact on access and strengthening business development. The relationships established among business actors, consumers, suppliers, and local governments provide significant support for industrial sustainability. Granovetter (1973) explained that social networks function as a means of information exchange and as a source of micro-opportunities that can increase business capacity. A strong social network allows business actors to obtain raw materials more easily and develop a broader marketing strategy. Previous research has also shown that social networks play an important role in increasing the competitiveness of small and medium enterprises through strengthening market access and business collaboration (Woolcock, 2001). The findings of this study strengthen the case because they show that SRKs contribute to improving business performance.

The impact of social networks in this study is evident in the 223.6% increase in UD Ngudi Seni Gembol's turnover over the past year. The increase shows that social networks not only strengthen product marketing but also increase the presence of businesses in the wood processing industry. These findings align with research indicating that social networks can improve distribution efficiency and expand market reach through word-of-mouth promotion (Bourdieu, 1986). However, other research suggests that reliance on local social networks can limit the expansion of businesses into broader markets. In this study, government support through training and business assistance helps expand business networks, thereby reducing costs. This shows that the synergy between social networks and institutional support can improve the industry's sustainability.

Although social capital makes a significant contribution to business sustainability, this study also finds various challenges faced by industry players. These challenges include high logistics costs, operational risks associated with heavy equipment, and fluctuations in market demand driven by changing economic conditions and digitalization. Woolcock and Narayan (2000) explain that social capital can function as an adaptation mechanism in dealing with changes in the economic environment. In this study, harmonious social relations help business actors obtain market information and more effective production strategies. These findings corroborate previous research that social capital plays a role in increasing business resilience to economic crises through cooperation and information exchange among business actors.

Overall, this study confirms that social capital has a strategic role in improving the sustainability of the wood processing industry. Trust, social norms, and social networks have been proven to strengthen production stability, increase consumer loyalty, and expand market access. This finding is in line with Putnam's (2000) theory, which emphasizes that the quality of community social relations greatly influences the success of local economic development. This research also makes an empirical contribution by showing that social capital not only helps build social relationships but also increases the competitiveness of community-based industries. Therefore, strengthening social capital through business collaboration, government support, and the development of marketing networks is an important strategy for maintaining the sustainability of the wood processing industry in the future.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that the management of the waqf. has consistently applied Islamic business ethics in its operational activities. Based on the discussion, it can be concluded that the Mapan Jaya Ponorogo Building Depot has consistently applied Islamic business ethics in its operations. The application of the principle of monotheism is reflected in viewing business activities as part of worship, so that business orientation is not solely about pursuing profits but also about maintaining spiritual values. The principles of honesty are manifested through the delivery of product information openly and accurately; the principle of trust through the fulfillment of orders according to the agreement; the principle of fairness through the treatment of all customers equally; and the principle of

responsibility through the willingness to accept complaints and replace damaged goods. The application of these values must enable the building of customer trust and loyalty. The strength of this research lies in the in-depth excavation of field data through interviews, observations, and documentation. However, this study has limitations in the scope: it focuses on a singled aspect and has not quantitatively measured customer loyalty.

As a recommendation, further research is suggested to expand the study's scope to several related areas to obtain a more comprehensive understanding of the application of Islamic business ethics. In addition, advanced research can combine qualitative and quantitative methods to measure customer loyalty levels objectively. From a practical perspective, the Mapan Jaya Ponorogo Building Depot needs to continue strengthening internal coaching, especially for new employees, to ensure consistent understanding and application of Islamic business ethics. While applying Islamic business ethics may reduce short-term profit margins, its positive impact on trust, customer loyalty, and business sustainability is much greater. Therefore, leadership consistency in maintaining Islamic ethical values is the key to ensuring that business ethics is not only a slogan but is truly internalized in the company's work culture.

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