

AUTHENTIC LEADERSHIP FOR SOCIAL CAPITAL DEVELOPMENT AMONG RURAL ENTERPRISE MANAGERS IN THE FACE OF DIGITAL ERA CHALLENGES

Adi Indrayanto¹, Ade Irma Anggraeni², Oman Rusmana³

Department of Management, Faculty of Economics and Business, Universitas Jenderal Soedirman, Purwokerto, Central Java, Indonesia

*Email: adi.indrayanto@unsoed.ac.id

Abstract. Technological disruption presents challenges and the potential erosion of social capital, reshaping the landscape of village-level economic empowerment. In this context, authentic leadership plays a pivotal role. Leadership that enables rural enterprises to recognize their potential and establish strong, productive groups is essential. This study investigates the role of authentic leadership in managing community social capital through rural enterprises. Authentic leadership reflects followers' legitimate belief in a leader's sincerity, guided by moral judgment, integrity, and consistency. Using a mixed-methods approach, this research highlights the urgency of strengthening village-based economic empowerment models in the digital era. Findings are beneficial not only for rural enterprises but also for policymakers and practitioners in advancing sustainable rural development.

Keywords: Authentic Leadership; Social Capital; Rural Enterprise; Digital Era

1. Introduction

Rural enterprises (BUMDes) are designed to support community-based economic empowerment by utilizing local resources and enhancing collective participation. However, digital transformation and technological disruption present challenges that risk weakening traditional forms of social capital. Authentic leadership, rooted in moral integrity and transparency, is essential for maintaining trust, collaboration, and solidarity within rural communities. Prior studies demonstrate that authentic leadership fosters trust and creativity in organizations (1). Furthermore, digital leadership has been found to enhance collaboration during technological disruption (3). This study examines the intersection of authentic leadership, social capital, and the digital era in rural enterprises in Indonesia.

2. Methods

This research adopts a mixed-method approach. Surveys of BUMDes managers and community members were conducted to measure authentic leadership, social capital, and digital readiness. Semi-structured interviews and focus group discussions (FGDs) were held to gain deeper insights into leadership practices and community perceptions. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) for quantitative testing and thematic analysis for qualitative interpretation.

3. Results And Discussion

The survey data collected from BUMDes managers and members (n=150) were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Cronbach's alpha values ranged between 0.78 and 0.86, indicating good internal consistency. Average Variance Extracted (AVE) values were above 0.5. HTMT ratios < 0.85. Authentic Leadership → Digital Era Adoption: Significant positive effect ($\beta = 0.62$, $p < 0.001$). Digital Era → Social Capital:

Strong positive effect ($\beta = 0.59$, $p < 0.001$). Authentic Leadership $\rightarrow$ Social Capital: Not significant ($\beta = -0.11$, $p > 0.05$). Mediation Analysis: The digital era fully mediated the relationship between authentic leadership and social capital (VAF = 84%). This indicates that while authentic leadership increases trust and credibility, its influence on social capital is only meaningful when integrated with digital adoption.

Results indicate a significant positive relationship, showing that authentic leaders encourage digital adaptation. Digital platforms enhance networks, transparency, and participation, reinforcing both bonding and bridging social capital. The direct influence was not significant, suggesting that digital transformation mediates this relationship. These findings reinforce that leadership authenticity alone is insufficient; it must be integrated with digital strategies. This aligns with Sacavém et al. (4), who emphasize digital competencies as crucial in the leadership toolkit.

FGDs were conducted with BUMDes leaders, administrators, and community members (n=20). Participants emphasized that authentic leaders who were transparent about decision-making fostered higher levels of trust. However, in the absence of digital platforms, this trust remained limited to internal members. The use of WhatsApp groups, Facebook pages, and village apps enabled leaders to extend trust-building beyond internal actors to reach villagers and external partners. This created stronger *bridging social capital*. Some respondents reported difficulty adapting to digital tools, particularly older members. Authentic leaders served as mentors, providing guidance to build confidence.

Digital practices (e.g., online financial reporting, e-marketplace for BUMDes products) enhanced accountability and increased external networks. This finding triangulates with the SEM results, confirming the mediating role of digital-era adoption. The SEM results quantitatively confirm that digital adoption is the key mediator, while FGDs qualitatively explain how digital tools extend trust and collaboration. Authentic leadership lays the moral foundation. The digital era provides the technological infrastructure. Social capital emerges as the combined outcome of both. This reinforces the conclusion that authentic leadership alone is insufficient; it requires strategic integration of digital practices for rural enterprises to thrive in the modern era.

4. Conclusion

Authentic leadership is vital for maintaining and developing social capital within rural enterprises, particularly amid the digital-era challenges. However, leadership effectiveness is maximized when combined with digital adaptation strategies. This research contributes theoretically by bridging authentic and digital leadership literatures, and practically by offering a framework for rural enterprise leaders and policymakers.

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