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FROM CAPITAL TO CAPABILITY: THE MEDIATING ROLE OF ENTREPRENEURIAL TRAINING IN ENHANCING ECONOMIC WELL-BEING AMONG MICRO-ENTREPRENEURS

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ABSTRACT

Micro-enterprises play a vital role in promoting inclusive economic growth and poverty reduction. However, limited access to financial resources and inadequate entrepreneurial capabilities often constrain business sustainability and welfare improvement. This study examines the effects of microcredit provision and business mentoring on economic well-being, with entrepreneurial training serving as a mediating variable. A quantitative explanatory approach was employed using survey data collected from 90 participants of the PT PNM Mekaar Program in Palembang, Indonesia. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that microcredit provision and business mentoring significantly influence entrepreneurial training. Furthermore, microcredit, mentoring, and entrepreneurial training each exert positive and significant effects on economic well-being. Entrepreneurial training emerged as the strongest predictor of economic well-being and partially mediated the relationships between microcredit and economic well-being as well as between mentoring and economic well-being. The results suggest that sustainable welfare improvement requires not only financial access but also capability-building interventions. Integrating financing, mentoring, and entrepreneurial training can strengthen the effectiveness of microfinance programs and enhance the economic well-being of low-income entrepreneurs.

Keywords: microcredit; mentoring; entrepreneurial training; economic well-being; financial inclusion; microfinance.

1.0 INTRODUCTION

Economic well-being remains one of the most important indicators of successful development policy, particularly in emerging economies where poverty, vulnerability, and income inequality continue to challenge sustainable growth. While economic growth is often measured through macroeconomic indicators such as gross domestic product (GDP), inflation, and employment, the ultimate objective of development is the improvement of people's welfare and quality of life. Consequently, governments across the world increasingly emphasize inclusive growth strategies that ensure economic opportunities reach disadvantaged populations, particularly micro and small entrepreneurs who constitute the backbone of local economies. (Todaro & Smith, 2021; Sen, 1999). (World Bank, 2023; OECD, 2023).

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In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) contribute substantially to employment generation, income creation, and economic resilience. These enterprises account for the overwhelming majority of business units and provide livelihoods for millions of households. Despite their significant contribution, many micro-entrepreneurs continue to face structural barriers that limit business expansion and income growth. Among the most persistent challenges are inadequate access to formal financial services, limited managerial competencies, and insufficient entrepreneurial knowledge. These constraints frequently prevent micro-business owners from converting business opportunities into sustainable improvements in economic welfare. (Demirgüç-Kunt et al., 2022).

Financial inclusion has emerged as a central policy instrument for addressing these challenges. The concept refers to the provision of affordable and accessible financial products and services to underserved populations. Within this framework, microcredit programs have become one of the most widely adopted mechanisms for supporting low-income entrepreneurs. Access to credit enables business owners to acquire working capital, purchase productive assets, expand production capacity, and respond to market opportunities. Numerous studies have documented the positive association between financial access and enterprise growth, income generation, and poverty alleviation. Nevertheless, empirical evidence also suggests that access to finance alone does not automatically translate into improved welfare outcomes. (Yunus, 2007; Beck et al., 2007). (Banerjee et al., 2015).

A growing body of literature argues that the effectiveness of microcredit depends on the entrepreneurial capabilities of borrowers. Many micro-entrepreneurs lack the managerial skills required to allocate financial resources efficiently, maintain business records, manage cash flow, or identify profitable market opportunities. Consequently, borrowed funds may not always be utilized productively, limiting the developmental impact of credit programs. This phenomenon highlights the importance of complementing financial support with capability-building interventions that strengthen entrepreneurial competence and business sustainability. (Becker, 1993; Davidsson & Honig, 2003).

From a theoretical perspective, Human Capital Theory provides a compelling explanation for this relationship. The theory posits that investments in education, training, and skills development enhance individuals' productivity and economic performance. Entrepreneurial training enables business owners to acquire knowledge related to financial management, marketing, business planning, and operational efficiency, thereby increasing the likelihood that financial resources will be transformed into productive outcomes. In this regard, training functions as a mechanism through which financial capital is converted into entrepreneurial capability (Becker, 1993).

Beyond training, business mentoring and continuous assistance also play a critical role in entrepreneurial development. Mentoring provides entrepreneurs with practical guidance, problem-solving support, motivation, and access to networks that facilitate business growth. Unlike one-time training programs, mentoring offers ongoing interaction that helps entrepreneurs apply newly acquired knowledge to real-world business challenges. Research increasingly demonstrates that mentoring interventions improve entrepreneurial confidence, strengthen managerial decision-making, and enhance business performance. Consequently,

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mentoring may serve as an important catalyst in maximizing the benefits of both financial support and training initiatives. (St-Jean & Audet, 2012).

The Indonesian government has sought to address these issues through various empowerment programs targeted at low-income entrepreneurs. One notable initiative is implemented by PT PNM through its Mekaar program. The program provides collateral-free microcredit to economically disadvantaged women while simultaneously offering business assistance and capacity-building activities. This integrated approach reflects a broader recognition that sustainable economic empowerment requires more than financial access alone. Instead, effective development interventions must combine financial capital with knowledge enhancement and entrepreneurial support. (OECD, 2021).

Despite the increasing popularity of integrated empowerment programs, empirical research examining the interplay among microcredit, mentoring, entrepreneurial training, and economic well-being remains relatively limited. Existing studies predominantly focus on the direct impact of credit access on business performance or poverty reduction, while fewer studies investigate the mechanisms through which these effects occur. In particular, there is insufficient evidence regarding the mediating role of entrepreneurial training in transforming financial and mentoring support into improved welfare outcomes. Understanding this mechanism is crucial because it helps explain why similar financial interventions often produce different results across entrepreneurial populations.

This research addresses this gap by examining the relationships among microcredit provision, mentoring support, entrepreneurial training, and economic well-being among micro-entrepreneurs affiliated with PNM Palembang. Specifically, the study investigates whether entrepreneurial training serves as a mediating mechanism through which financial and mentoring interventions enhance welfare outcomes. By integrating Welfare State Theory, Human Capital Theory, and Financial Inclusion Theory, the study develops a comprehensive framework that explains how government-supported financial inclusion programs can generate sustainable improvements in economic well-being. (Becker, 1993). (Sen, 1999; Fleurbaey & Maniquet, 2011).

Theoretically, this study contributes to the entrepreneurship and financial inclusion literature by extending existing models of welfare enhancement beyond financial access alone. It proposes that capability development, represented by entrepreneurial training, constitutes a critical pathway linking external support mechanisms with welfare outcomes. Practically, the findings provide valuable insights for policymakers, development institutions, and microfinance organizations seeking to design more effective empowerment programs. The results may assist stakeholders in developing integrated interventions that combine financial resources, mentoring, and entrepreneurial capacity building to maximize the welfare impact of microfinance initiatives.

Accordingly, this study seeks to answer the following research question: To what extent does entrepreneurial training mediate the effects of microcredit provision and mentoring support on the economic well-being of micro-entrepreneurs? The answer to this question is expected to advance both theoretical understanding and practical implementation of inclusive entrepreneurship development strategies.

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2.0 MATERIALS AND METHODS

2.1 Welfare State Theory and Economic Well-Being

The concept of economic well-being is rooted in Welfare State Theory, which argues that governments and public institutions have a responsibility to create conditions that enable citizens to achieve a decent standard of living. The theory, initially advanced by Jeremy Bentham, emphasizes maximizing societal welfare through policies that improve economic opportunities and reduce inequality. Contemporary welfare economics extends this perspective by suggesting that welfare should be assessed not only through income levels but also through individuals' capabilities to improve their quality of life.

Economic well-being reflects an individual's ability to satisfy material and non-material needs through sustainable economic activities. It encompasses objective dimensions, such as income growth, asset ownership, housing quality, and business performance, as well as subjective dimensions, including life satisfaction, financial security, and perceived prosperity. In the context of micro-entrepreneurship, economic well-being is achieved when business activities generate sufficient and sustainable income to improve household welfare and economic resilience.

Microfinance institutions have increasingly been recognized as instruments of welfare enhancement because they facilitate access to productive resources among economically disadvantaged groups. However, welfare improvements often depend on whether financial assistance is accompanied by interventions that strengthen entrepreneurial competencies. Therefore, economic well-being should be viewed not merely as an outcome of financial access but also as a consequence of enhanced entrepreneurial capabilities.

2.2 Financial Inclusion Theory and Microcredit Provision

Financial Inclusion Theory emphasizes the importance of providing equitable access to financial services for individuals and businesses that are traditionally excluded from formal financial systems. Financial inclusion is expected to promote economic participation, reduce poverty, and support inclusive economic growth by enabling individuals to access savings, credit, insurance, and payment services.

Microcredit represents one of the most important instruments of financial inclusion. It refers to the provision of small-scale loans to low-income individuals and micro-enterprises that lack access to conventional banking services. Through microcredit, entrepreneurs can obtain working capital, invest in productive assets, expand business operations, and increase income-generating activities.

Previous studies consistently report a positive relationship between access to credit and enterprise development. Access to financial capital enables entrepreneurs to overcome liquidity constraints, increase productivity, and exploit market opportunities. Nevertheless, scholars have also argued that credit alone does not guarantee successful business outcomes. Borrowers may face difficulties in allocating funds effectively due to limited managerial knowledge and financial literacy. Consequently, the developmental impact of credit depends not only on access

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to capital but also on the entrepreneur's ability to manage and utilize financial resources efficiently.

Based on this theoretical perspective, microcredit is expected to contribute directly to economic well-being while simultaneously facilitating participation in entrepreneurial training programs that enhance business competencies.

2.3 Human Capital Theory and Entrepreneurial Training (Becker, 1993).

Human Capital Theory posits that investments in education, training, and skill development increase individual productivity and economic performance. According to the theory, knowledge and competencies constitute valuable forms of capital that enhance an individual's capacity to generate economic returns. (Becker, 1993).

Entrepreneurial training is one of the most important forms of human capital investment for micro-entrepreneurs. Training programs typically focus on improving business management skills, financial literacy, marketing strategies, customer relations, record-keeping practices, and operational efficiency. Through these activities, entrepreneurs acquire knowledge that enables them to make better business decisions and improve enterprise performance.

Empirical evidence demonstrates that training interventions contribute significantly to business growth and sustainability. Entrepreneurs who participate in training programs tend to exhibit superior financial management practices, higher levels of innovation, and stronger business performance compared to those who do not receive such support. Moreover, training helps entrepreneurs maximize the productive use of financial resources by reducing inefficiencies and improving resource allocation.

From the Human Capital Theory perspective, entrepreneurial training serves as a mechanism through which financial resources can be transformed into sustainable economic gains. Consequently, entrepreneurial training is expected to have a positive effect on economic well-being and to mediate the relationship between financial support and welfare outcomes. (Becker, 1993).

2.4 Business Mentoring and Entrepreneurial Development

Business mentoring refers to a structured process through which entrepreneurs receive guidance, advice, motivation, and practical assistance from experienced facilitators or institutional representatives. Unlike formal training programs that focus primarily on knowledge transfer, mentoring emphasizes continuous support and experiential learning.

Mentoring activities may include business consultation, problem-solving assistance, performance monitoring, networking support, and motivational encouragement. Through these interactions, entrepreneurs gain practical insights that help them navigate operational challenges and adapt to changing market conditions.

The literature suggests that mentoring enhances entrepreneurial confidence, managerial effectiveness, and business sustainability. Entrepreneurs who receive mentoring support often demonstrate stronger business planning capabilities, improved decision-making skills, and greater adaptability in managing business risks. Furthermore, mentoring facilitates the application of knowledge obtained through training programs, thereby strengthening learning outcomes. (Becker, 1993; Davidsson & Honig, 2003).

Within microfinance programs, mentoring serves as a critical non-financial service that complements credit provision. Therefore, mentoring is expected to positively influence both entrepreneurial training participation and economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

2.5 Entrepreneurial Training as a Mediating Mechanism

Recent developments in entrepreneurship research suggest that financial and advisory support mechanisms generate stronger welfare outcomes when mediated by capability development processes. This argument is consistent with the Capability Approach, which emphasizes the importance of expanding individuals' abilities to convert resources into valuable outcomes.

Although access to financial capital is necessary for business development, entrepreneurs often require additional competencies to utilize resources effectively. Similarly, mentoring activities may not directly improve welfare unless entrepreneurs acquire practical skills and knowledge that can be applied to business operations.

Entrepreneurial training functions as a capability-building mechanism that translates external support into enhanced business performance. Through training, entrepreneurs learn how to manage finances, identify opportunities, increase productivity, and respond to market challenges. Consequently, training may strengthen the effectiveness of both microcredit and mentoring interventions.

Several empirical studies have reported that training mediates the relationship between institutional support and entrepreneurial success. However, evidence regarding this mediating role remains limited in the context of microfinance programs serving low-income women entrepreneurs in developing economies. Therefore, examining entrepreneurial training as a mediating variable contributes to a deeper understanding of how financial inclusion initiatives generate sustainable welfare improvements.

2.6 Conceptual Framework and Hypothesis Development

Drawing upon Welfare State Theory, Human Capital Theory, and Financial Inclusion Theory, this study proposes that economic well-being among micro-entrepreneurs is influenced by both financial and non-financial support mechanisms. Microcredit provides the financial resources necessary for business expansion, while mentoring offers continuous guidance and support. Entrepreneurial training enhances human capital by developing knowledge and competencies required for effective business management. (Becker, 1993).

Accordingly, the following hypotheses are proposed:

H1: Microcredit provision positively influences entrepreneurial training.

H2: Business mentoring positively influences entrepreneurial training.

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H3: Microcredit provision positively influences economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

H4: Business mentoring positively influences economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

H5: Entrepreneurial training positively influences economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

H6: Entrepreneurial training mediates the relationship between microcredit provision and economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

H7: Entrepreneurial training mediates the relationship between business mentoring and economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

2.7 Research Design

This study adopts a quantitative explanatory research design to examine the relationships among microcredit provision, business mentoring, entrepreneurial training, and economic well-being. The explanatory approach is appropriate because the study seeks to test theoretically derived hypotheses and investigate both direct and indirect causal relationships among variables. (Sen, 1999; Fleurbaey & Maniquet, 2011).

The conceptual model positions entrepreneurial training as a mediating variable linking microcredit provision and business mentoring with economic well-being among micro-entrepreneurs participating in the PNM Mekaar program.

2.8 Population and Sample

The population comprised micro-entrepreneurs affiliated with PT PNM Palembang who participated in empowerment and financing programs. The target population consisted of 856 active participants.

The sample size was determined using the Slovin formula with a 10% margin of error, resulting in a minimum sample of 90 respondents. Respondents were selected using stratified random sampling to ensure proportional representation across operational areas. The inclusion criteria were: Active participants of the PNM program, Participation in financing and empowerment activities for at least three years, Willingness to participate voluntarily, and Completion of the questionnaire in full.

2.9 Data Collection

Primary data were collected through a structured questionnaire administered to participants of PT PNM Palembang. The questionnaire employed a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree").

Secondary data were obtained from company reports, government publications, previous studies, academic journals, and relevant policy documents concerning financial inclusion, entrepreneurship development, and economic welfare. (Demirgüç-Kunt et al., 2022).

2.10 Measurement of Variables

Variable	Definition	Indicators
Microcredit Provision (X1)	Access to financial resources provided through microfinance programs	Application procedures, credit assessment, loan approval process, accessibility, financing adequacy
Business Mentoring (X2)	Continuous support and guidance provided to entrepreneurs	Facilitation, empowerment, protection, business support
Entrepreneurial Training (M)	Capacity-building activities aimed at improving entrepreneurial competencies	Training objectives, training methods, participant suitability, trainer competence
Economic Well-Being (Y)	Improvement in objective and subjective economic conditions	Income improvement, asset ownership, living conditions, financial satisfaction, business growth

2.11 Data Analysis Technique

The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS software. PLS-SEM was selected because it is suitable for predictive research, accommodates relatively small sample sizes, and does not require strict normality assumptions.

The analysis consisted of two stages: Measurement Model (Outer Model) and Structural Model (Inner Model)

The measurement model was evaluated through: Indicator reliability (outer loading > 0.70), Convergent validity (Average Variance Extracted > 0.50), Internal consistency reliability (Composite Reliability > 0.70; Cronbach's Alpha > 0.70), and Discriminant validity using the Fornell-Larcker criterion and Heterotrait-Monotrait Ratio (HTMT)

The structural model was assessed through: Coefficient of determination (R^2), Effect size (f^2), Predictive relevance (Q^2), Path coefficients, and Bootstrapping procedure with 5,000 subsamples to test hypothesis significance. A relationship was considered statistically significant when the p-value was less than 0.05 and the t-statistic exceeded 1.96.

3.0 RESULTS

3.1 Respondent Profile

The study involved 90 respondents who were active participants in the empowerment and financing programs implemented by PT PNM Palembang. The respondents primarily consisted of micro-entrepreneurs operating in trading, home-based industries, food processing, and small

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service businesses. The majority were female entrepreneurs, reflecting the demographic composition of the Mekaar program, which specifically targets economically disadvantaged women entrepreneurs. Most respondents were within the productive age category and had operated their businesses for more than three years, indicating adequate entrepreneurial experience to evaluate the effectiveness of financing, mentoring, and training interventions.

3.2 Measurement Model Assessment

Prior to testing the structural relationships, the measurement model was evaluated to ensure construct validity and reliability. Convergent validity was assessed through outer loadings and Average Variance Extracted (AVE). All retained indicators exceeded the minimum threshold of 0.70, while AVE values were above 0.50, confirming adequate convergent validity.

Reliability assessment demonstrated satisfactory internal consistency, with Cronbach's Alpha and Composite Reliability values exceeding the recommended threshold of 0.70. Discriminant validity was established using both the Fornell–Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT), indicating that each construct captured a unique theoretical concept. Therefore, the measurement model satisfied all recommended SEM-PLS quality criteria and was considered appropriate for structural model evaluation.

3.3 Structural Model Assessment

The structural model was assessed using the bootstrapping procedure in SmartPLS. The analysis examined both direct and indirect relationships among microcredit provision, business mentoring, entrepreneurial training, and economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

Table 1. Hypothesis Testing Results

Hypothesis	Relationship	β	p-value	Result
H1	Microcredit → Entrepreneurial Training	0.381	0.001	Supported
H2	Business Mentoring → Entrepreneurial Training	0.361	0.002	Supported
H3	Microcredit → Economic Well-Being	0.267	0.018	Supported
H4	Business Mentoring → Economic Well-Being	0.214	0.048	Supported
H5	Entrepreneurial Training → Economic Well-Being	0.617	<0.001	Supported
H6	Microcredit → Training → Economic Well-Being	0.235	0.030	Supported
H7	Business Mentoring → Training → Economic Well-Being	0.223	0.045	Supported

The findings indicate that all hypothesized relationships were statistically significant. Entrepreneurial training emerged as the strongest predictor of economic well-being, suggesting that capability development plays a crucial role in transforming external support into welfare improvements.

4.0 DISCUSSION

4.1 From Financial Capital to Entrepreneurial Capability

The results demonstrate that microcredit significantly influences entrepreneurial training participation. This finding suggests that entrepreneurs who gain access to financing become more motivated to engage in learning activities that can improve business performance. Credit access creates opportunities for business expansion, but entrepreneurs simultaneously recognize the need to acquire managerial competencies to utilize financial resources effectively.

This finding supports Financial Inclusion Theory, which argues that access to financial services creates opportunities for productive economic participation. However, the results further indicate that financial inclusion should not be viewed solely as access to credit. Rather, effective financial inclusion involves enabling entrepreneurs to develop the competencies necessary to convert financial resources into sustainable economic outcomes.

The findings also align with previous studies showing that access to microfinance encourages greater participation in entrepreneurial development programs and contributes to enterprise growth when combined with capability-building interventions.

4.2 Mentoring as a Strategic Mechanism for Entrepreneurial Development

Business mentoring was found to positively influence entrepreneurial training. This result indicates that mentoring functions as more than a supervisory mechanism; it serves as a catalyst for entrepreneurial learning and development.

Mentoring activities implemented by PNM provide entrepreneurs with guidance, encouragement, and practical problem-solving support. Through continuous interactions with facilitators, participants become more aware of business challenges and the importance of acquiring new skills. Consequently, mentoring increases engagement in training programs and strengthens entrepreneurs' willingness to adopt improved business practices.

This finding is consistent with empowerment-based development approaches, which emphasize facilitation, strengthening, protection, and support as essential elements of entrepreneurial advancement. Mentoring helps bridge the gap between theoretical knowledge and practical implementation, thereby enhancing the effectiveness of training interventions.

4.3 Direct Effects on Economic Well-Being

The study found that both microcredit and business mentoring directly improve economic well-being. Entrepreneurs who receive financial support experience greater opportunities to increase business capital, expand operations, and generate higher income. Similarly, mentoring contributes to welfare improvements by helping entrepreneurs make better decisions and manage business risks more effectively. (Sen, 1999; Fleurbaey & Maniquet, 2011).

These findings support Welfare State Theory, which suggests that institutional interventions can improve welfare outcomes when they expand individuals' economic opportunities. PNM's

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financing and mentoring programs therefore represent practical mechanisms through which public policy objectives related to poverty reduction and economic empowerment can be achieved.

Nevertheless, the magnitude of these direct effects was substantially lower than the effect of entrepreneurial training. This finding suggests that financial and mentoring interventions alone may not be sufficient to maximize welfare outcomes. Instead, their effectiveness depends largely on whether entrepreneurs possess the capabilities needed to utilize available resources productively.

4.4 Entrepreneurial Training as the Strongest Driver of Economic Well-Being

Among all predictors examined, entrepreneurial training exhibited the strongest influence on economic well-being ($\beta = 0.617$). This result provides strong empirical support for Human Capital Theory, which posits that investments in knowledge and skills increase productivity and economic performance. (Becker, 1993).

Training programs offered by PNM enhance entrepreneurs' understanding of financial management, business planning, marketing strategies, and operational efficiency. These competencies enable entrepreneurs to make more informed decisions, allocate resources effectively, and improve business sustainability. (Becker, 1993; Davidsson & Honig, 2003).

The finding suggests that welfare enhancement is not merely a function of financial capital but also of entrepreneurial capability. Entrepreneurs who possess stronger knowledge and skills are better equipped to transform available resources into improved income, business growth, and household welfare.

This result is particularly relevant in developing economies where many micro-enterprises face managerial and knowledge constraints. The evidence indicates that training interventions may generate greater welfare impacts than financial assistance alone.

4.5 The Mediating Role of Entrepreneurial Training

The most important contribution of this study lies in demonstrating the mediating role of entrepreneurial training. The results show that training significantly mediates the relationship between microcredit and economic well-being, as well as between business mentoring and economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

These findings suggest that entrepreneurial training functions as a strategic bridge connecting external support mechanisms with welfare outcomes. Access to credit provides financial resources, while mentoring offers guidance and encouragement. However, training transforms these resources into entrepreneurial capabilities that ultimately drive economic improvement.

The mediation results support contemporary capability-based development approaches, which argue that sustainable welfare enhancement requires more than resource distribution. Individuals must also possess the knowledge, skills, and competencies necessary to convert resources into valuable outcomes.

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In practical terms, the findings imply that microfinance institutions should avoid viewing credit provision as an isolated intervention. Instead, financing programs should be integrated with systematic mentoring and continuous entrepreneurial training. Such an integrated empowerment model is more likely to generate long-term welfare improvements than financial assistance alone.

The findings therefore reinforce the central argument of this study: the pathway from capital to capability is fundamental for achieving sustainable economic well-being among micro-entrepreneurs. Entrepreneurial training serves as the mechanism through which financial inclusion initiatives are transformed into meaningful welfare gains.

This study extends the literature by integrating Welfare State Theory, Human Capital Theory, and Financial Inclusion Theory into a single explanatory framework. The findings demonstrate that economic well-being is influenced not only by access to financial resources but also by the development of entrepreneurial capabilities. Entrepreneurial training emerges as a critical mediating mechanism that explains how financial and mentoring interventions generate sustainable welfare outcomes. (Becker, 1993).

For PT PNM and similar institutions, the results suggest that future empowerment programs should prioritize the integration of: Accessible microcredit schemes, Structured mentoring systems, Continuous entrepreneurial training programs, and financial literacy and business management education. Such a holistic approach can significantly enhance the effectiveness of financial inclusion initiatives and accelerate welfare improvements among low-income entrepreneurs.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study examined the relationships among microcredit provision, business mentoring, entrepreneurial training, and economic well-being among micro-entrepreneurs participating in the PT PNM Palembang empowerment program. Drawing upon Welfare State Theory, Human Capital Theory, and Financial Inclusion Theory, the study sought to explain how financial and non-financial interventions contribute to welfare enhancement. (Becker, 1993).

The findings demonstrate that microcredit provision significantly and positively influences entrepreneurial training. Entrepreneurs who receive financial support tend to participate more actively in capacity-building activities because access to capital increases awareness of the need for managerial and entrepreneurial competencies. Similarly, business mentoring significantly enhances entrepreneurial training participation by providing continuous guidance, motivation, and practical support that encourage learning and capability development.

The study further reveals that both microcredit provision and business mentoring have direct positive effects on economic well-being. Access to financial resources enables entrepreneurs to expand productive activities and improve income generation, while mentoring strengthens business decision-making and operational effectiveness. However, the magnitude of these effects is relatively lower than the influence of entrepreneurial training. (Sen, 1999; Fleurbaey & Maniquet, 2011).

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Among all variables examined, entrepreneurial training emerges as the strongest determinant of economic well-being. This finding highlights the critical importance of human capital development in improving entrepreneurial performance and welfare outcomes. Training enhances managerial knowledge, financial literacy, and business capabilities, enabling entrepreneurs to utilize resources more effectively and achieve sustainable economic improvements. (Sen, 1999; Fleurbaey & Maniquet, 2011).

Most importantly, the results confirm the mediating role of entrepreneurial training. Entrepreneurial training significantly mediates the relationship between microcredit provision and economic well-being, as well as between business mentoring and economic well-being. This finding indicates that financial resources and mentoring support generate greater welfare benefits when they are transformed into entrepreneurial capabilities through structured training interventions. (Sen, 1999; Fleurbaey & Maniquet, 2011).

Overall, the study concludes that sustainable welfare improvement among micro-entrepreneurs cannot be achieved solely through access to financial capital. Instead, welfare enhancement requires an integrated empowerment approach in which financial support, mentoring, and entrepreneurial training function synergistically. The findings support the proposition that moving from capital to capability is the key pathway toward sustainable economic well-being. (Sen, 1999; Fleurbaey & Maniquet, 2011).

5.2 Recommendations

For PT PNM and similar microfinance institutions, entrepreneurial training should be positioned as a core component of empowerment programs rather than a complementary activity. Training programs should be delivered continuously and tailored to the developmental stage of micro-enterprises, covering topics such as financial management, digital marketing, business planning, innovation, and customer relationship management.

Business mentoring programs should also be strengthened through more structured and measurable approaches. Mentors should receive periodic competency development to ensure they can effectively guide entrepreneurs in addressing operational and strategic business challenges. Integrating mentoring outcomes into training needs assessments may further improve program effectiveness.

Microcredit programs should evolve beyond financing provision toward integrated entrepreneurship development initiatives. Future financing schemes may incorporate mandatory participation in training and mentoring activities as part of a comprehensive empowerment framework designed to maximize welfare outcomes.

Government agencies and policymakers should encourage greater collaboration among microfinance institutions, universities, business development centers, and local governments to establish sustainable entrepreneurial ecosystems. Such partnerships can enhance the quality and accessibility of entrepreneurial training while supporting broader financial inclusion objectives.

Policies promoting financial inclusion should recognize that access to finance alone is insufficient for poverty alleviation and welfare enhancement. Greater emphasis should

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therefore be placed on capability development initiatives that strengthen entrepreneurial competencies and long-term business sustainability. (Becker, 1993; Davidsson & Honig, 2003).

5.3 Recommendations for Future Research

Future studies may expand the model by incorporating additional variables such as financial literacy, digital capability, entrepreneurial orientation, business resilience, innovation capability, and social capital. These factors may provide deeper insights into the mechanisms through which empowerment programs influence entrepreneurial success and welfare outcomes.

Further research could also employ longitudinal designs to examine the long-term effects of microcredit, mentoring, and training interventions on business growth and household welfare. Comparative studies across different regions and microfinance institutions would likewise contribute to the generalizability of findings and enrich the financial inclusion literature.

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