

# IMPLEMENTING PRODUCTIVE ECONOMIC ACTIVITIES

*by* Lilis Siti Badriah

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Dijan RAHAJUNI,  
Lilis Siti BADRIAH

Faculty of Economics and Business, Universitas Jenderal Soediman  
Ascaryan RAFINDA

Faculty of Economics and Business, University of Debrecen  
Faculty of Economics and Business, Universitas Jenderal Soediman

# IMPLEMENTING PRODUCTIVE ECONOMIC ACTIVITIES FOR THE POOR BASED ON SOCIAL CAPITAL

Case  
Study

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## Keywords

PNPM-M;  
Social Capital;  
Local wisdom;  
ZMET;  
Connector construct

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## JEL Classification

I38, P46, E65

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## Abstract

The aim of the Indonesian government in the economic field is to advance public welfare. The Program Nasional Pemberdayaan Masyarakat Mandiri (PNPM-M) or Community Empowerment National Program which covered 2007 - 2014, succeeded in reducing poverty in rural and urban areas, but still left problems unsolved including leaving revolving funds in the hands of the community, a high level of community dependence on loan funds scrolling, more than 50% of beneficiaries utilizing revolving loan funds for consumption. In an effort to realize prosperity, efforts should be made to divert the use of loan funds from consumption to productive activities. The socio-economic limitations of the poor are obstacles to productive economic activities. Social capital which is local wisdom in the community include trusts, rules (norms), and networks (networking) and can be used as a means to increase the independence and welfare of the community. The analysis used the ZMET model and obtained the construct connector to increase the economic productivity of the poor, namely: getting to know each other, helping each other, cooperating, or obeying the rules. Willingness to learn, cohesiveness, consistency, correct information or continuous activities come as natural consequences.

## BACKGROUND

The efforts of the government to alleviate poverty and reduce unemployment through the PNPM-M ended in 2014. The program succeeded in reducing poverty, but was not able to realize prosperity and equal income as more than 50% of the poor beneficiaries of programs both in rural and urban areas still live below the standard of decent living (Rahajuni et al., 2017). The 1945 Constitution which is the formal foundation for the establishment of the Indonesian state mandates that the aim of the establishment of the Indonesian state in the economic field is "to advance public welfare". Current conditions indicate that efforts are still needed to alleviate poverty and improve community welfare. Efforts to alleviate poverty in the economic sector of the PNPM-M program are carried out through revolving fund lending activities to support economic activities, especially productive economic activities. However, in its implementation, according to the research results of Rahajuni et al. (2018a) in the sample area of the PNPM Mandiri Rural program, a total of 27 respondents (29%) focused on consumption and in the sample Urban PNPM program, a total of 41 respondents (52%) used loan funds rolling for consumption. This means that the level of community participation in productive economic activities is still low. The end of the PNPM-M program still leaves a revolving loan fund in the hands of the community (Haryadi, Budiarti, Rahajuni, Lestari, Setyanto, 2016) and is still managed by the PNPM-M Program Activity Unit for rural areas and the Community Self-reliance Agency (BKM) for urban areas; however, as the program ended, community empowerment activities to carry out productive economic activities were reduced.

Based on the above phenomena, it is important to explore the community's perceptions deeper so that they are truly able to participate actively and empower themselves optimally in order to achieve a more decent standard of living. The community actually has social capital that can function as a reinforcement of the community itself. Community-owned social capital, such as trust, social networks (networks), and existing norms (norms) has a large influence on economic growth through a variety of mechanisms, such as an increased sense of responsibility towards the public interest, widespread participation in democratic processes, strengthening community harmony, and decreasing levels of violence and crime (Blakeley and Suggate in Suharto, 2009). This social capital can also function as a driver of empowerment in a community. Skidmore (2001) states that social capital can play a role in accelerating economic growth and improving

people's welfare. In community empowerment, integration between material capital (funds) and non-material capital (social capital) owned by the community is essential in order for the economic empowerment program of the poor to actually provide more tangible results. The economic empowerment of the community can be more optimal when the community is able to recognize their own potential. By recognizing the potential they have, they are expected to be able to utilize the available resources in the productive business activities that they run and to encourage the competitiveness that ultimately leads to greater benefits. Based on this, researchers are interested in examining efforts to empower poor people to carry out productive economic activities related to the conditions of the social capital of their communities.

## LITERATURE REVIEW

Poverty is a condition of a person or group of people who have not been able to fulfill their basic rights to maintain and develop life in dignity (Bapenas, 2009). These basic rights include: basic needs (emphasizing the inability to meet basic needs); poverty income (emphasizing the absence of ownership of assets and means of production), basic capability (emphasizing the limited basic ability to carry out minimal functions in society); social welfare (emphasizing the conditions that must be met in order to get out of poverty); and subjective needs (the perspective of poverty from the point of view of the poor themselves). This inability of society is due to the limited ownership of resources inherent in themselves such as knowledge and education, assets, social barriers such as fear, shame, and or because of other external factors such as access to capital and environmental support.

The discourse of empowerment arises when development leads to social interaction, economic inequality, degradation of natural resources, and alienation of society from factors of production by the authorities. According to Usman (2010) in order to implement a community empowerment strategy, the transformation of the role of the regional government is possible when the initiator turns into the facilitator. This change in the new paradigm is set in the development strategy to increase community empowerment through, among others: (a). Strengthening, improving and creating institutional capacity for production, income and expenditure; (b). Increasing and involving the community in development planning; (c). Distributing development results from, by and for the community facilitated by the Regional Government; and D). Increasing development which relies on human capacity

(capacity building) that is developed by the community through the chosen empowerment strategy.

In poor communities where material capital is difficult to have, the social capital owned by the community as a result of social relationships that are established among fellow members of the community is expected to stimulate them to carry out productive economic activities; these will increase their empowerment and their families' by reducing poverty and increasing prosperity. Putnam in Suharto (2009) defines social capital as the appearance of social organizations such as trust networks that facilitate coordination and cooperation for mutual benefit. Research related to social capital in relation to the income received by revolving loan beneficiaries in the PNPM-M Rural program (including trust, social networks, and existing norms understood by members) is able to increase income (Rahajuni et al., 2018b). The main disadvantage of the community in their efforts to increase income in relation to social capital lies in network utilization. Mubarak (2010) carried out research on community empowerment evaluation of the capacity building process in the Urban PNPM Mandiri activities in the Sastrodirjan Village of Pekalongan Regency; the research findings showed that empowerment succeeded in changing the level of community awareness and raising their awareness about playing a role in the development of the community. Changes in public awareness are not related to the age of the respondent, level of education and its role in PNPM, but are related to gender, where the role and involvement of women is still low and not optimal enough to support development at the community level.

#### RESEARCH METHODOLOGY

This research is a case study of the beneficiaries of the revolving loan fund of the former PNPM-M Rural program in Banyumas Regency. The research was conducted through a qualitative approach, analyzing the phenomena that occurred, explaining the relationship of variables based on the data and aiming at getting the meaning and implications of a problem to be solved (Sugiyono, 2009). The research focused on female beneficiaries of Savings and Loans who were already members of a productive economic activity group in Karangtengah village, Cilongok sub-district, Banyumas Regency.

The data used are primary data obtained by using in-depth interview techniques, Focus Group Discussions, observations and surveys carried out on respondents and responsible managers of activities from the district level to the Kelurahan level. The ZMET method (Purwanto, 2018) was

used to explore more in-depth data on receiving empowerment benefits.

The data analysis was done qualitatively; the collected data is processed using data reduction methods, data displays, and data categories. Data categorization is based on the method of comparative analysis; in addition data will also be presented in the form of tables filled with data from interviews and observations. Data quality testing was done using the source triangulation method, which is done by comparing and checking the degree of trust and validity of information obtained from different sources (Moleong, 2009).

#### RESULT AND DISCUSSION

The purpose of economic empowerment is to empower the potential of the community to increase income and welfare. Based on the results of interviews and observations all respondents want to be able to obtain income, increase income and welfare but they do not know how to start because of limited ownership of resources. In empowering respondents, they expect material and money assistance proven at every meeting in the context of socialization and training. The first thing they asked was about the presence or absence of transport money. This happens because they felt they lost / sacrificed the time by coming to meetings; this time should be spent on household activities, even though they actually do not work. Such conditions indicate that, economically, respondents can take into account the time value. However, respondents did not feel that empowerment activities were intended to raise their interests in efforts meant to increase income and alleviate poverty. Therefore community empowerment activities require processes that need to be carried out continuously. This is also supported by the willingness of the SPP beneficiary community to always get a loan that creates dependency.

The willingness to participate and be involved in empowerment activities is part of the community's social capital. The condition of respondents' social capital can be seen from their involvement in the socio-economic institutions. All respondents took part in socio-economic institutional activities: namely the Women's Savings and Loans group (SPP); this group is one of the PNPM-M Rural organisations that provides revolving fund loans for productive economic activities; 20% respondents participated in 2 social economic institutions namely PNPM and religion community; 11% attended 3 socio-economic institutions namely PNPM, religion community and Empowerment of Family Welfare (PKK); 11 % followed 4 social institutional activities, namely



PNPM, religion community, PKK and community meeting.

The respondent's understanding is related to the utilization of social capital in the socio-economic institutions in the field: 1). High trust; they are very hopeful about the continuity of the group; they trust the group administrators and believe in their fellow members; there is trust in the future characterized by an attitude of patience in dealing with problems related to productive economic efforts; 2). Compliance with rules (Norms); respondents understand the rules in their institutions and always try to comply with the rules. This high level of adherence is driven by hope and the presence of shame linked to social security. 3). Networking, cooperation in groups for the same interests in medium groups; it is relatively low for individual interests in Karangtengah village but it is high in Beji village. Cooperation with third parties in the category is very low.

In terms of empowerment and poverty alleviation, out of 92 respondents there are still 46.55% who live below the poverty line and 50% of respondents who do not engage in productive economic activities. This means that they utilize the revolving loan funds to meet the economic needs of the family. This indicates that the involvement of respondents in SPP institutions is a result of economic needs, even though they actually understand the rules. Their involvement in SPP in addition to economic pressure is also due to institutional needs, where one of the conditions for forming SPP groups is the number of members, 5-15 people.

Through ZMET analysis, it is known how trust level, understanding of rules, and networking are related to community empowerment and poverty alleviation efforts. Thus the respondents had to choose among 10 images related to empowerment, enthusiasm, success, the comfort of life, and well-being by exploring their subconscious to express the opinions and desires they expect from a condition. Six images were selected for the analysis of expectations and perceptions of empowerment through storytelling (25%); most of the respondents chose the following images: 1). People eagerly going up stairs; 2). People discussing; 3). people holding hands; 4). Natural peace of the environment; 5). Wheels; 6). Semar (character in Javanese mythology; 7). Bread (Figure 1).

The interpretations of the respondents' thoughts about the selected images are as follows: 1). Images of people passionately going up the stairs indicate that if you want to achieve goals, you need to do it gradually; you need to go step by step towards a higher direction, which should be stated with confidence from the beginning. People with good self-confidence can easily carry out the

activity step by step. To be able to increase confidence, we need to support each other and help each other. With this support and assistance, all participants have the motivation to achieve a common goal; 2). Pictures of people discussing: deliberation is one way to make agreements and regulations. Agreements and regulations must be understood and carried out together in order for the goals to be achieved; 3). Images of people holding hands show that community empowerment can be achieved well if there is good cooperation between fellow group members or a network of cooperation is forged with other parties; 4). Beautiful and comfortable settlements that are neatly arranged express everybody's desire to be able to realize an orderly, comfortable and prosperous life; 5). Wheel pictures suggest that activities must be carried out gradually and continuously; 6). Semar images (a character in Javanese mythology) represent the idea that in carrying out life activities there are already those who regulate these activities and there must be regulators; and 7). Images of bread illustrate the fulfillment of life's needs and well-being.

The respondents were asked to make connections between the images and their thinking/ perceptions regarding social capital with the aim of achieving the goals of community empowerment. The following statements were made by respondents (figure 2).

It is important that the goals to be achieved are explained in discussions revealing common interests (norms). They must be interesting and must provide welfare. The objectives that have been formulated in the implementation must be carried out with confidence in all stages. People with good self-confidence can easily go through these stages. To be able to increase confidence people need to support each other and help each other (networking). With this support and assistance, all participants have the motivation to achieve a common goal (figure 3).

To make the same steps, coordination needs to be done through discussions. Discussion (deliberation) is one way to make rules (norms) that are agreed upon and understood by all community. Through deliberation community can produce rules which must be agreed upon in a consistent and compact way so that various efforts to achieve goals are made without constraints. Role models or leaders who can be trusted by their members play an important role in maintaining consistency in carrying out the rules. Trustworthy personalities who can lead by setting examples, protecting, and having abilities in their fields are necessary in conducting activities in groups. If the leader is reliable, he will have an impact on the trust among individuals in the group. Family and group welfare can be achieved well if there is good cooperation among fellow group members or

if there is a network of cooperation with other parties (networking). Finally, if the process unfolds correctly, the goals are believed to be achieved (figure 4).

Beautiful and comfortable residential area that is neatly arranged illustrates everybody's desire to live an orderly, comfortable and prosperous life. These objectives can be effectively achieved if carried out together, in stages and continuously accompanied by high enthusiasm. Another detail that will make things move in the right direction is helping each other by means of a network of mutual cooperation (networking).

To make order in carrying out group activities, it is necessary to support the commitment of each individual to obey the rules. Rules made by common deliberation and commonly agreed upon are expected to encourage each individual's commitment. Through deliberations various group activities are carried out from planning to monitoring and evaluation. Trust and consensus agreement are keys to the success of cooperation. With good cooperation, it is expected that various obstacles can easily be surmounted so that the process of achieving goals becomes easier and faster.

Based on the findings of the research 15 constructs were obtained which could be considered as the core of participants' opinions regarding social capital in relation to community empowerment. The 15 constructs consist of the originator construct (original construct), connector construct (intermediate / connecting construct), and destination construct (destination construct). This is illustrated in the consensus map in Figure 5. Based on the consensus map in Figure 4, the destination construct is mutual trust and a peaceful and prosperous life. For a goal to be achieved 3 groups of constructs are necessary, each of which represents trust, understanding of rules, and networking.

Regarding trust, the originator of the construct is lack of confidence. But the desire to learn supported by cooperation and help from each other increases self-confidence and mutual trust among group members. As for the understanding of rules, the originator of the construct is deliberation. It is believed that rules made and agreed upon through consensus agreements consistently supported by all individuals within the group will create a life of peace. Regarding the network, the originator of the construct is hospitality. It is believed that friendship bring people together; they get to know each other better; information can travel faster; this will create adequate to make their business more smooth and successful so that they can enjoy profitable business and life.

## CONCLUSIONS AND RECOMMENDATION

Social capital can motivate the poor to increase their income and welfare through a series of processes that are carried out consistently in accordance with commitments that have been mutually agreed upon and carried out by all the parties involved in empowerment activities.

When implementing productive economic activities based on social capital for poor people, we need: similarity and unity of goals from various parties involved in empowerment, role models or trustworthy leaders able to protect and provide solutions that are appropriate to their fields, network collaboration and trust empowered parties.

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## APPENDICES

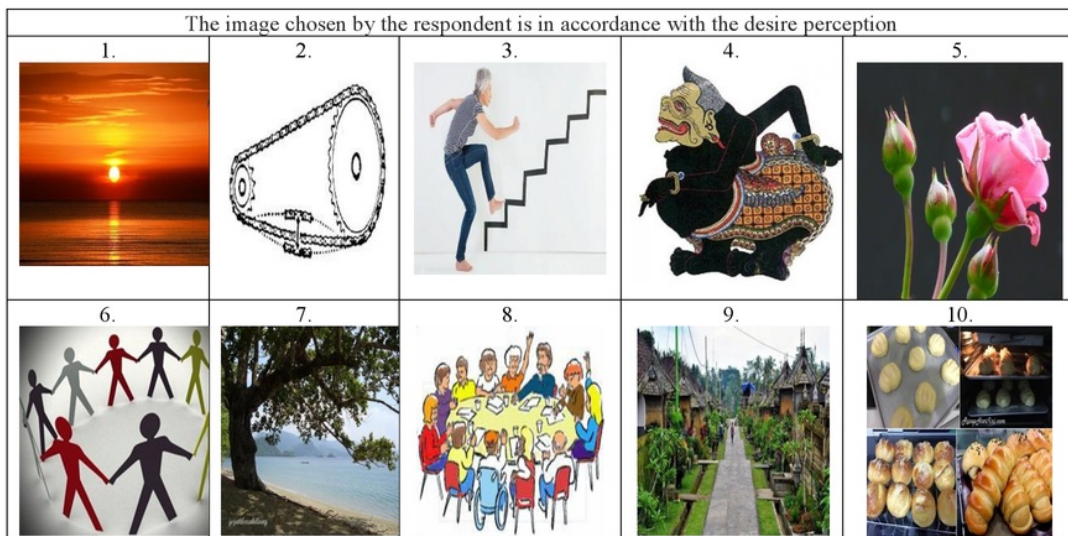


Figure 1. Exploration of Respondents' Perceptions Regarding Social Capital Through Selected Images

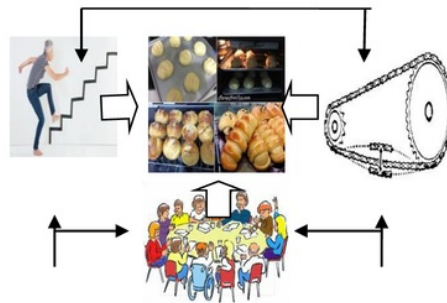


Figure 2. Series of pictures 1 that were chosen by respondents

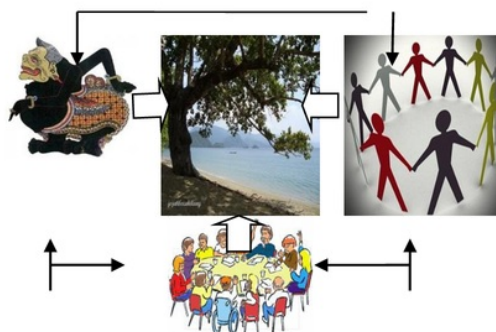


Figure 3. Series of pictures 2 that were chosen by respondents



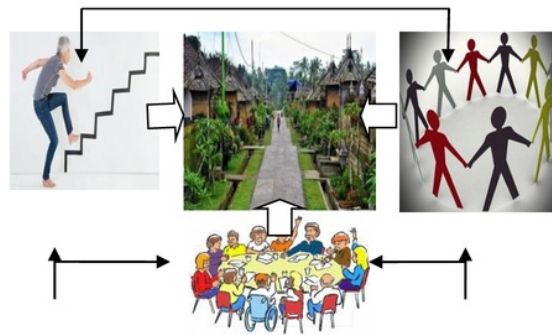


Figure 4. Series of pictures 3 that were chosen by respondent

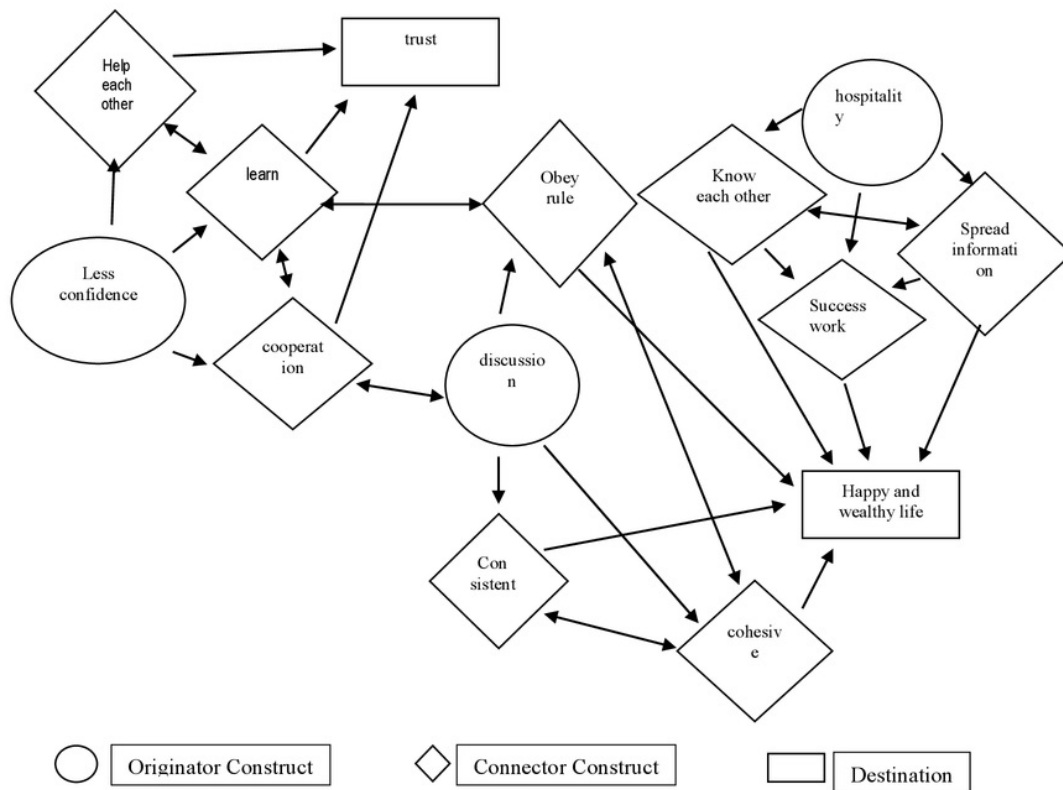


Figure 5. Consensus Map

# IMPLEMENTING PRODUCTIVE ECONOMIC ACTIVITIES

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