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Social Economic Condition and Social Capital In Relation To Income: Case Study of Rural Empowerment National Program Beneficiaries in Indonesia

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Abstract: Economic growth and increasing per capita income as the development's success indicator contain several weaknesses. The purpose of this research is to evaluate the Rural Community Empowerment National Program, which is an economic development program that has a goal to increase income and reduce unemployment for the poor especially in rural areas. The research conducted in Banyumas Regency, Central Java Province, Indonesia. We evaluate the program by three indicators, the welfare improvement of program beneficiaries, equal income distribution and social capital condition which consist of trust, norms, and network. The result shows that as overall the program can be classified as a success. The program beneficiaries have higher income level compared to Standard of Decent Living in Banyumas Regency; the Gini index is moderate in 0.38. Furthermore, we also show that in our research social capital which consists of trust, norms, and network influence the level of income of program beneficiaries. The implication of this research shows that to improve social, economic empowerment, social capital needs to be improved, supervision and program sustainability are also imperative.

Keywords: rural empowerment national program, poverty alleviation, income distribution, social capital, productive economy.

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I. Introduction

Poverty and unemployment are economic problems and disease that require ongoing treatment. An integrated, planned and sustainable approach is needed to solve this problem, not only by the government but also with the community cooperation. One of the government programs in poverty alleviation implemented between 2007 and 2014 was Program Nasional Pemberdayaan Masyarakat (PNPM) or National Program of Community Empowerment. This program was divided into two focus area, urban and rural. Through this program, the community is encouraged and facilitated to be able to optimize their potential and the surrounding environment to be efficient and economically independent.

The research conducted by Rahajuni (2009, 2010) on the impact of rural PNPM shows that the program was able to contribute to the increase of income of the poor but was not able to position them to the decent living condition. Furthermore, Rahajuni and Badriah (2011) on their research also shows that quantitatively the productive economic activities of beneficiaries were in low category and the level of people's participation in productive economic activity was still low. More than 50% of program beneficiaries used revolving funds for consumptive used.

Administratively, Rural PNPM in Banyumas has successfully loaned the revolving funds for 118 billion IDR. However, the success of community empowerment program should also be seen by how the program can improve community empowerment in many ways. If the program focuses on economic empowerment then the success of the program can be viewed from the economic indicator, such as increase in per capita income, increase welfare level and income distribution. Strong understanding of the beneficiaries of undertaken program activity is also important. According to Swasono (2014), national development is the national empowerment of Indonesian people to be more productive, tough and independent. Therefore, not only economic capital is required for the development, but must also social-cultural capital.

In the community empowerment, the integration between material-capital (fund) with non-material-capital (social capital) is needed to create a real result. Social capital has a large influence on economic growth through various mechanisms, such as increased sense of responsibility towards the public interest, widespread participation in the democratic process, strengthening of community harmony, and decreasing levels of violence

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and crime (Blakeley and Suggate, 1997 in Suharto, 2009). This social capital can also serve as a trigger for empowerment within a community. Skidmore (2001) stated that social capital could play a role in accelerating economic growth and improving people's welfare. Wijayanti (2011) states that the role of the ability of the empowerment actors will be effective to improve the empowerment of the community if the previous community increased its empowerment. If poverty is judged by the inability of the community to meet its basic needs due to lack of purchasing power, then through community empowerment program facilities and social capital, we expect that poverty level can be reduced.

Rural PNP is a program to increase the welfare and employment opportunities of the poor in rural areas by accelerating poverty alleviation in an integrated and sustainable way. Program integration can be seen from how the Central Government, Provincial Government, District Government, Regency and Village, organizers of activities and beneficiary are work together. The vision of Rural PNP is the achievement of the welfare and independence of the rural poor. In the Rural PNP Operational Technical Guidelines, welfare means the fulfillment of basic needs of the community. Welfare by the Central Bureau of Statistics is not only fulfilled basic needs but also the need for decent living, measured by the income which equivalent to the purchasing power to meet the needs of a decent living (KHL). Independence means being able to organize themselves to mobilize the resources that exist in their environment in the implementation of the program. The ability to mobilize these resources is largely determined by their internal factors such as their belief in the program, their understanding of the rules of program implementation and discipline in carrying out activities within the program. It is also determined by external factors that are program implementers and supporting institutions.

The PNP was ended in 2014, but to date, there are still many issues that have not been fully addressed. According to Haryadi et al., (2016) at the level of activity managers at the sub-district level there are various patterns of program handling PNP Panca program, each manager of activities at the sub-district level, choose the form of management pattern in accordance with the agreement between the organizers of activities with local institutions in an effort to save funds revolving loan. On the other hand, the level of community dependence on the program is very high, institutional program at the community level already exists but its position is limited to coordinate the implementation of lending (Dijan R, Suprpto, Rusmusi, 2014). These conditions are associated with the presence of institutional sustainability of the program needs to be seen how the impact of the program on beneficiaries.

II. Research Methods

This research was conducted in Banyumas regency. We use purposive sampling. We only chose a village that has the highest number of Social Community Group (Kelompok Sosial Masyarakat/KSM), and by this criteria, we have 86 respondents in total. We used mixed method, quantitative and qualitative method. To collect the quantitative data we use questionnaires while for qualitative we used in-depth interview techniques, observation, and Focus Group Discussion. We used triangulation techniques by checking data from several different sources on the same problem using two strategies (1) checking the degree of confidence in the findings of several data collection techniques such as observation, in-depth interviews, questionnaires, and FGDs; (2) check the degree of confidence of multiple data sources with the same method. The analytical methods used are described in table 1.1

Table 1. Variables and Indicators

Variables	Indicators
Social conditions	<ol style="list-style-type: none"> 1. Level of education 2. Type of work 3. Participation of beneficiaries to the social activities.
Economic conditions	<ol style="list-style-type: none"> 1. The income per capita is calculated by dividing the amount of family income and the number of dependent family members 2. The poverty level is calculated by comparing family income per capita and income above the poverty line based on National Economic Census on September 2016 which is 350.420 IDR. 3. Welfare level is calculated by comparing the income per capita with Standard of Decent Living in Banyumas Regency which is 1.350.000 IDR. 4. Income distribution is calculated using Gini Coefficient: $GC = 1 - \sum_{i=1}^n (X_{i+1} - X_i) (Y_i + Y_{i+1})$ <p>GC = Gini Rate Coefficient X_i = Proportion of number of cumulative households in class i Y_i = Proportion of cumulative households in class i Gini Coefficient Criteria:</p> <ul style="list-style-type: none"> • Inequality income distribution low when $GC < 0.3$ • Inequality of moderate income distribution when GC is between $0.3 - 0.4$

	<ul style="list-style-type: none"> • Inequality of high-income distribution when $GC > 0.4$
Social Capital	<ol style="list-style-type: none"> 1. Respondents involvement in social activities 2. Trust is measured by the respondent's perception about their confidence in the program, their preference, and expectation about the program. 3. Respondents' understanding of rules (norms) is measured by the respondents' understanding of group rules such as obligation and sanction, procedures to borrow money and group meeting. 4. Disciplines are measured by the respondents' obedience toward the rules and or agreement. <p>The social capital indicators are measured using scale: 0-20 very low category 21 - 40 low category 41 - 60 medium category 61 - 80 high category and 81 -100 categories are very high</p>
The influence of Social Capital on Income	<p>Using regression formula: $Y = a + BX_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$ Y: income X1: the length of the program of empowerment X2: level of confidence of respondents to the program X3: understanding and implementation of existing norm in program X4: networks or relation owned by respondent in conducting the productive economic activity, with trust level or $\alpha = 0,05$</p>

III. Results And Discussion

1). The social conditions of program beneficiaries are seen from the age, education level, type of work, and respondent's participation towards social cohesion:

a. Age of respondent

The age of the respondents was range from 26 years old to 74 years old, in this study the age of the respondents were grouped into three groups. First age group, consists of 26 - 40 years old respondents and the number is 40 respondents (47 percent), second age group between 41 - 56 years old with 40 respondents (47 percent) and the third age group of 57 - 70 years with 6 (six) persons (6 percent). Since the age of pension n in Indonesia is 58 years, so most of the respondents, which is 84 people or 91 percent are in productive age. Therefore, we believe it is necessary to empower them to be able to conduct productive economic activities to increase their family income and welfare.

b. The education level of respondents

The education level of 55 respondents (64 percent) mostly graduated from primary school, 19 respondents (22 percent) are high school graduate, 11 people (13 percent) junior high school graduate and one (1) respondent (1 percent) is a college graduate. Based on educational level, the form of empowerment that is needed is activities that might improve their skills to manage existing resources.

c. Type of work

The type of respondent's work is grouped into 4 (four) categories. First, homemakers, are those who follow the activity of saving and loan but not doing a productive economic activity to increase family income. There are 45 homemakers or (52 percent), they are potential and able to do economic activities to increase family income. Aside from homemakers there are also 22 respondents (20 percent) who work as micro-entrepreneurs, they have trading activities, such as producing and selling snacks and selling daily needs. Respondents works as laborers are 17 people (20 percent), namely as domestic servants and farm workers, the remaining 2 (two) people (1 percent) as village officials.

d. Social activities followed by the respondents

Our respondents engaged in various social activities such as family welfare empowerment organization (Pembinaan Kesejahteraan Keluarga/PKK), and or group of spiritual and savings groups which perform productive economic activities. On average, each respondent attended more than three (3) social activities. Their participation in social activities varies between 1 (one) year to 10 years, overall 75 percent of respondents (65 people) has joined social activities for more than 4 (four) years. Aligned with empowerment efforts, the number and length of participation of respondents in social organizations can open the insight and an opportunity to increase knowledge and skills to conduct productive economic activities. However, because the motivation of their participation in organizing is only based on the socialization needs and also as a way to make it easier to get the loan so that the motivation to conduct the productive economic activity is very low.

2. The economic condition of the respondent is seen from the income per capita family member, poverty level, welfare level and income distribution :

a. Per capita income of respondents

The average income per capita of the respondent family is IDR 688,796.14 (USD 48) the number of families whose income per capita is below the per capita income of the average respondent is 60 percent or 52 respondents. Family whose income per capita is below per capita average have approximately 5 (five) member of family dependent, while respondents whose per capita income is above the average have 3 (three) member of family dependents. Thus we conclude that, the more dependents family the smaller the per capita income.

b. Respondents' Poverty Line

The poverty rate of respondents is calculated by comparing the income per capita of family members with income above the rural poverty line based on the result of the Indonesian national socioeconomic survey conducted in September 2016, which is to Rp 350,420 (USD 24.4). Of the total number of respondents whose income per capita are below average, there are 52 percent or 27 people whose income per capita were below the poverty line. However, it does not mean that the rest of the respondents who are free from poverty, they are still categorized as vulnerable poor respondents because if there is inflation in the economy, then they are the first group who are prone to become poor.

c. Level of welfare of respondents

The welfare rate is calculated by comparing the income per capita of the respondent with the equivalent income for the fulfillment of decent living needs (*Kebutuhan Hidup Layak/KHL*). In Indonesia, the basic determination of KHL is regulated in Presidential Regulation No.78 of 2015 Article 4, which states that a reasonable income is the amount of income or income of Workers / Laborers from their work to be able to adequately meet the needs of the Workers / Workers and their families. In Banyumas Regency, KHL in 2016, was IDR 1,350,000.00 (USD 94). Some respondents who earn per capita income above the needs of decent living were only 12 respondents or 18 percent. Therefore it is still needed various efforts to improve welfare, by increasing economic empowerment.

d. Revenue Distribution

The inequality level of income distribution is calculated according to Gini index (IG) by dividing the respondent into 5 (five classes) each 20% is at the moderate level of 0.38. According to Oshima if IG ratio is between 0.3 to 0.4, then inequality is at a moderate level.'

3. Social Capital

According to Trempel (2011), people want to involve themselves in the empowerment program if they feel they benefited from the empowerment program. The success of the empowerment program is measured by the benefits that the beneficiaries receive. In the PNPM program, one of the benchmarks of sustainability is the increase in income to alleviate poverty. Thus, beneficiaries should also seek to increase their income through productive economic activities and develop their ability to collaborate with program facilities. Trust with program facilities, understanding of beneficiary programs and networks are the basic capital that will assist the program in directing the productive economic activities of beneficiaries to achieve program objectives. These are part of the social capital that can strengthen the achievement of program objectives. Assessment of social capital condition is done through the assessment of the respondent's perception of the program :

a. The average of respondents involved in various social organizations, most of the respondents involved in 6 (six) groups of social organizations. There are regular social gathering group called *DasaWisma* which consist of 10 (ten) homemakers, family welfare empowerment organization or *Pembinaan Kesejahteraan Keluarga/PKK*, religious group activities, and group of PNPM. The reasons why respondents engage in so many activities are for socialization, for entertainment, for easy lending, while only few who think that it is to increase productive economic activity.

b. Respondents' trust in the program, in the form of a sense of fun towards the program, and the expectations of respondents to the program average 3.7 means in medium to high category. Most respondents expect the rolling loan program to continue, to maintain the sustainability of lending respondents always try to repay the loan in a timely manner by for example borrowing again from other sources of lending.

c. Understanding of the rules of the program have average of 2.7 means in the low to medium category, this happens in the utilization of the loan means that many loans that target utilization is not appropriate, not for productive economic activity.

d. Respondents network in conducting productive economic activities , average respondent's perception of 3.0 means ownership of the network of respondents in moderate condition, that is only around the group itself.

5 4. The influence of Social Capital on Income

The influence of income and social capital is perceived by multiple regression analysts . The research variables are:

a. Revenue = Y;

b . The duration of the respondent becomes a member of KSM = X1;

c. Respondent's trust in program = X2;

d. Understanding respondent to KSM rule = X3;

e . Network of respondents in conducting productive economic activities = X4. Confidence level (df) = 5% .

Regression test results, as follows:

$$Y = 5.09 + 1.78 X1 + 1.75 X2 + 4.22 X3 + 1.40 X4$$

$$(4.39) (1.628) (5.89) (2.16) (5.34)$$

$$N = 86; \text{ Adjusted } R\text{-squared} = 0.71; F_{\text{hit}} = 29.89; F_{\text{tab}} = 3.65 \quad t_{\text{tab}} = 1.98$$

Based on the results of the regression test overall (test F) the social capital that includes the length of the respondent became a member of KSM, the confidence level of respondents to the program, understanding and compliance of respondents to the rules of the program and the network of the respondents in doing productive economic activities influence the respondents' income. This is seen in the overall test $F_{\text{hit}} = 29.89$ greater than $F_{\text{tab}} = 3.65$. Partial regression (t-test) variable level of confidence of respondents to the program (X2), comprehension and adherence to the rules of the program (X3) and the network of the respondents in productive economic activity (X4) are statistically significant. It can be seen from the result of t_{hit} variable X2, X3, and X4 which show bigger than t_{tab} . While the variable length of the respondent to a member (X1) has no significant effect. This condition occurs because the respondent beneficiaries utilize the fund for consumptive activities. Moreover majority of them were in low education level, that cause them to have low motivation to create productive economic activities. The process of empowerment program will be effective if the program also engage in monitoring activities.

Although the success of the empowerment program can not only be seen from the increase in income, but economically in the poverty alleviation program the income is the benchmark. With the income, people will have the purchasing power to meet the daily needs. The increase in income will increase spending power, but an effort to increase revenue must be done through a series of productive economic of the beneficiaries of the program. The ability to conduct productive economic activities on respondents is influenced by the level of social experience they have. Social capital affects income through beneficiary responses in the behavior of allocating and utilizing economic stimulation programs through productive economic loans from programs. Therefore, to streamline the empowerment program needs to be accompanied by efforts to increase the capability of social capital, and mentoring

IV. Conclusions And Recommendations

Conclusion

a). PNPM program through revolving lending activities for productive economic activities can alleviate poverty and raise public incomes.

b). The distribution rate of the students receives the program in the medium/medium category.

c). Income beneficiaries of the program affected their ability to collaborate benefits of the program with their social capital in the form of confidence in the program, an understanding of the rules of the program and network of productive economic activities that they can develop.

Suggestions

The success of the community empowerment program is not only determined by the quality of the program, but also by: a). The accuracy of the target; b). Ability to develop social capital from both sides; c). Assistance and d). Program sustainability as an effort to make changes is a continuous process.

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