

# The Role of Community Economic Empowerment to Social Capital and the Implication of Community Welfare in Karawang Regency West Java Indonesia

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## Abstract

This study to purpose the success of the community economic empowerment program (PNPM Independent Rural) to social capital and its implications for the welfare of the community, especially the disadvantaged community in Karawang Regency, West Java Province Indonesia. Selection of Karawang Regency with the consideration of Karawang Regency has the largest number of pre-prosperous families in West Java Province Indonesia. This research is explanatory with research population using PNPM Independent Rural profile data in West Java Province 2013-2015 with 23 districts and 242 villages as well as village research samples with a research analysis tool using Path Analysis with LISREL. The results prove that there is a relationship between community economic empowerment, social capital, and community welfare. Economic empowerment of society has a positive effect directly on the welfare of society, social capital positively affects the welfare of society and economic empowerment of society related directly and positive to society prosperity through social capital.

**Keywords:** Community Empowerment, Social Capital, Community Welfare

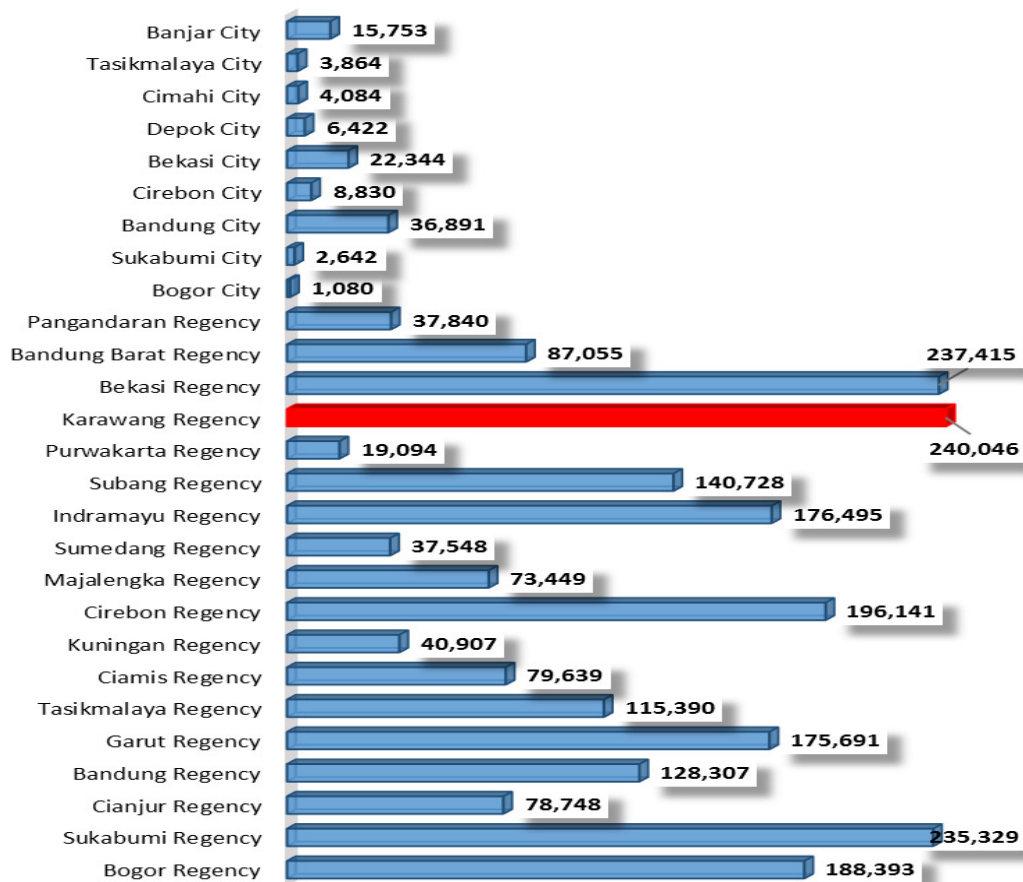
## 1. Introduction

Implications of economic policies that have character populist focused on the goal of reducing poverty, unemployment, disparities between regions, improving the quality of human life which is reflected in the rights of society, an increase in quality of the environment and their managed natural resources as well as support adequate infrastructure. The next step to poverty rate is focused on developing productive economic assets for the underprivileged family. The real form that can be done by helping the disadvantaged families who have small business with a high entrepreneurial spirit is strived for capital assistance in the form of physical capital, human capital in the form of community economic empowerment, improving skills to try, as well as increasing the role of social capital.

Indonesia is an agrarian country, which has a leading sector is agribusiness which one of them is agriculture. Currently agricultural development has contributed greatly to national development, both direct contributions such as in the formation of GDP, employment absorption, income generation, foreign exchange through export and inflation suppression, as well as indirect contributions through the creation of conditions conducive to the implementation of development and relationships synergic with other sectors. According to Arifin (2001), in the economic crisis situation triggered by the monetary crisis that occurred in the late 90s, the agricultural sector again acts as a saving sector of national development, by: 1) its role in providing basic staple food needs; 2) its role in the acquisition of foreign exchange through export; 3) its role as a recruitment worker returning to rural areas as a result of the impact of the crisis; 4) Its role in tackling the increasing poverty of the community; 5) Its role in the control of inflation; and 6) With a positive growth rate, the agricultural sector plays a role in maintaining the national growth rate. According Irawan (2005), agricultural position will be very strategic if there is a change in the mindset of people who tend to view agriculture as the only producer (output) of into a mindset that sees multi-function of agriculture.

Karawang Regency is known as the national rice granary and is listed as the second largest rice producer area after Indramayu Regency Indonesia. Currently paddy fields in Karawang Regency begin to be threatened along with the development of industrial sector in the area as well as threats from the surrounding area. Bodetabek Regency (Bogor, Depok, Tangerang and Bekasi) as buffer capital city could not accommodate anymore and have an impact on the surrounding area, especially the Karawang Regency adjacent to the area. Ease of access through the path Pantura and geographical location located in two major cities of Jakarta and Bandung resulted in this area became a strategic buffer area to become one of the economic centers so that the economic sectors became growing.

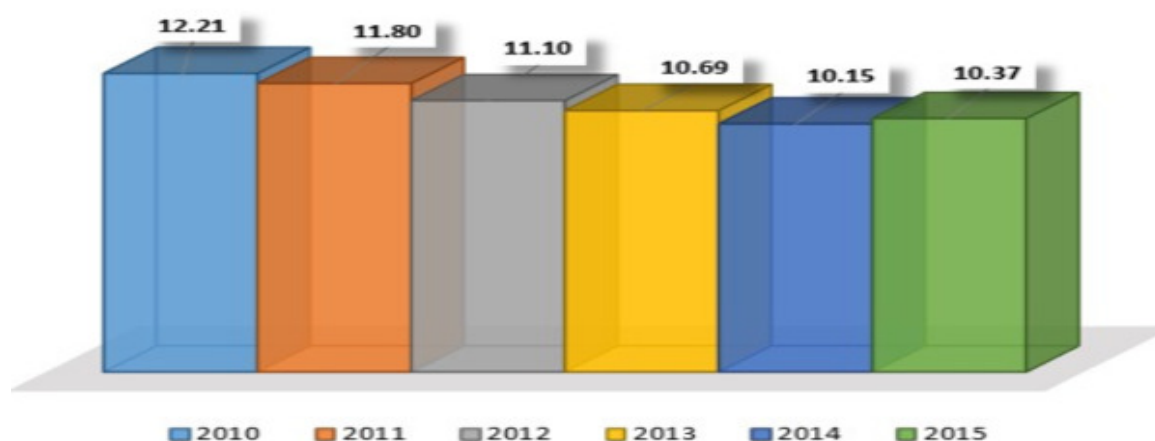
Karawang Regency in the province of West Java is now a Regency that was ranked first by the number of disadvantaged families as much as 240 046 families (Central Bureau of Statistics West Java Province, 2016). Based on data from disadvantaged total population in West Java in 2016 as much as 4.168 million population, or 15.01% of the total population disadvantaged in Indonesia (Central Bureau of Statistics West Java Province, 2016). While based on a lot of disadvantaged families in the province of West Java's much 2,288,215 families spread in 18 Regency and as many as 101.910 disadvantaged families spread across eight cities.



Source: Central Bureau of Statistics West Java Province, 2016

Figure 1. Number of Pre-prosperous Families of West Java Province Indonesia by Regency and City by 2015

Dynamically, that is, from time to time, poverty in the Karawang Regency has decreased from 2010 to 2015. Based on data of Central statistic Karawang year 2016 levels of poverty in the Karawang Regency reached 10.37 percent in 2015. The number in 2015 increased by 0.22 percent compared to 2014, amounting to 10.15 percent of which is presented in Figure 2. Increasing the number of poverty serve as the basis for future Karawang Regency government in reducing poverty communities.



Source: Central Bureau of Statistics Karawang Regency Indonesia, 2016

Figure 2. Number of Disadvantaged People of Karawang Regency (Percent) Year 2010-2015

The number of pre-prosperous population in Karawang Regency is relatively large enough to give impact to the slow progress of the economy in the area. One of the efforts to overcome this is through development intervention programs such as the National Program for Empowerment of Rural Communities (PNPM Independent Rural), where one of the mechanisms of community empowerment program used by PNPM Independent in the effort to accelerate poverty alleviation and expansion of employment opportunities in rural areas.

According to (Kusnadi, 2009: 96), the institutional approach as a basis to choice empowerment activities several advantages as follows: 1) expand the resource capability and increase the scale of creative economy businesses in the communities; 2) enhancing collective bargaining power in accessing capital, markets, technology and policies; 3) develop the coordination and partnership capacity in the management of collective economic activities to support economic dynamics; 4) facilitate control over joint economic travel. On the basis of them, social institutions established by the Indonesian government through PNPM program is a very valuable development capital for society Karawang Regency. Within the framework of integrated development, the success of the PNPM Independent Rural program needs to be supported by the empowerment of social complexes and within the framework of social institutions or cultural institutions that live and grow in society. The concept of empowerment in the discourse of community development is always connected with the concept of independence, participation, networking, and justice. Basically, empowerment is attached on the strength of the individual and social levels. According to Rappaport (1987) defined empowerment as a psychological understanding of the influence of individual control of the social state, political power and rights according to law. Meanwhile Ardlle (1989), defines empowerment as a decision-making process by people who consequently implement the decision. In this case empowerment is a way that can be a process, program or method is shown to help people lead to better social conditions. According Dunhan (1965: 6) formulated welfare society as activities organized with the aim of improving the welfare of socially through the provision of assistance to people to meet needs in areas such as family life and children, health, social adjustment, leisure, the standards of life and social relationships. In general, low income families have the characteristics of weak social networks to inter-institutional (*inter linkage institution*) that exist, both horizontally and vertically. Weak access to economic networks and other social capital is largely because they do not have sufficient social requirements, such as lack of education, knowledge, and communication skills. Social capital is one of the basic capital less attention so far. On this basis, the efforts of economic empowerment of people through institutional development must be based on a full understanding of the variety and social capital they have, so that the development process will be more appropriate.

Thus, it is important to do research in order to analyze the extent to which the role of the economic empowerment and social capital in order to encourage the improvement of public welfare Karawang Regency in West Java province Indonesia.

## 2. Literature Review

Research influence, empowerment society and social capital and its influence on the welfare of society has been done. But it is generally done separately, that is, some research focuses only on the influence of social capital on welfare and other research groups focused on the empowerment of society's influence on the welfare of society. Research related to the economic empowerment of society has also been done, in among Mahyudi (2004) and Meriana (2008). In general, however, the resulting research has not included social capital as part of empowerment and sees its influence on welfare. Research was conducted on several coastal communities in different areas. Some studies have not found the effectiveness of social capital improvement programs and some other studies have not found the effectiveness of empowerment programs.

The effectiveness of the program in terms of the different indicators, such as social and economic welfare (Mahyudi, 2004: 92) and earnings (Meriana, 2008: 108). Some studies related to the community economic empowerment program showed a positive influence on the improvement of people's welfare. Results of a study conducted by Mahyudi (2004) that through the economic empowerment can improve high welfare for society. Furthermore, the result of Meriana (2008) study on fishermen in West Lampung area found that through the provision of loan assistance for venture capital has been able to raise people's income by 6.254.767 rupiahs / year or an increase of 61.05% / year, other than that of all respondents admitted that the respondents / fishermen able to meet their basic needs after utilizing and empowerment. Utilization of the right and right target as one of the determinants of the success of fishermen in improving the living conditions of fishermen.

The study of the influence of social capital on the welfare of the community is divided into two groups, namely groups at the individual level and communal level. The study of social capital within the scope of which is done individually by Fafchamps and Minten (1999), Narayan and Pitchett (1999), Isham and Kahkonen (1999) and Narayan and Cassidy (2001). Research own capital within the scope of communal in they are carried out by Kawachi et al. (1997), Esman, et al (1999) and Kawachi et al. (1999).

There are several research gaps linked to social capital and welfare. The gaps are related to social capital, performance measures, gap methods and outcome gaps. Some studies use different indicators to measure social capital, such as: the level citizens of participation, trust, group membership, the quantity and quality of local groups, social cohesion and social networking. Brehm and Rahn (1997: 132) measure social capital from citizen engagement, interpersonal trust and trust in government. Isham and Kahkonen (1999: 77) measure the social capital of membership (quantity and quality of local groups). Esman, et al (1999: 121) to measure social capital of structural aspects (network and role) and cognitive (norms, values attitudes and beliefs).

As explained as as that research on social capital in relation to the welfare of society has been done (Narayan and Cassidy, 2001: 54) and is generally found that social capital is a positive impact on improving the welfare of society and could be perceived by the public. All these benefits have been demonstrated to affect the magnitude of individual income (Narayan and Prichett, 1999: 55, Grootaert, 1999: 76), may influence collective action at the communal level (Narayan 1995, 48 and Molinas 1998: 33) some has another effect.

Social capital as well as source capital power human and physical capital have an impact on production (Binam et al, 2004: 154). Several studies linked social models to reduce poverty and welfare improvement (at which was commissioned by: Narayan and Pritchett (1999) and Ishan and Kahkonen (1999).

### 2.1. Economic Empowerment

Suharto (2005: 58) said that the empowerment refers to the ability of people, particularly vulnerable and weak that they have the strength or the ability to: 1) meet their basic needs so that they have the freedom; 2) reaching productive resources that enable them to improve income and obtain goods and services they need; 3) participate in the development process and decisions that affect them. Suharto (2005: 64-66) suggested that indicators of empowerment that is used to determine the focus and operationally empowerment objectives are: 1) Freedom of mobility; 2) The ability to buy small commodities; 3) The ability to buy large commodities; 4) Engage in making household decisions; 5) relative freedom from the domination of the family.

### 2.2. Social Capital

Fukuyama (1995: 38) defines, social capital as a set of shared values or informal norms among the members of a group that allows intertwined cooperation among group members. Referring to Ridell (1997: 98) there are five indicators of social l modes, namely *trust, norms, networks*, and group participation.

### 2.3. Public Welfare

Grootreat (1999: 41) defines the welfare of society is an order of life and livelihood of social material and spiritual benefits are suffused with a sense of safety, decency and peace of the inner and outer, which make it possible for every citizen to convene an attempt to fulfill the needs of physically, spiritually and social as well as possible. Indicators welfare society under Act No. 11 of 2009 on welfare is the spiritual and material needs. Material requirement in question is the need for food, clothing, shelter and health. Then the spiritual needs connect with education, then the security and the tranquility of life.

## 3. Research Methods

This study is referred to as explanatory research, as it aims to clarify the relationship between two or more symptoms, or variable (Nachmias & Nachmias, 1987). Analysis Path Analysis research model, in where such techniques are used to analyze the causal relationship that occurs in multiple regression if the independent variables affect the dependent variable the not only directly but also indirectly (Retherford, 1993). The research location is in the Karawang Regency, West Java Province Indonesia with consideration of a Regency that has the largest number of pre-tied price in Provincial West Java. Research population using data profile PNPMP Independent in Rural Areas of West Java province in 2013 until 2015 with the number of program beneficiaries as much as 23 sub-Regency and 24 two villages. A total of 242 villages become the target population in the study. The research sample some obtained 151 villages usage Slovin formula with an error rate of 5%. The sampling technique in research using simple random sampling. Before Path Analysis in this study, performed classical assumption beforehand. The classical assumptions used are normality test, heteroscedasticity test, and multicollinearity test. The path analysis model in this research is as follows:

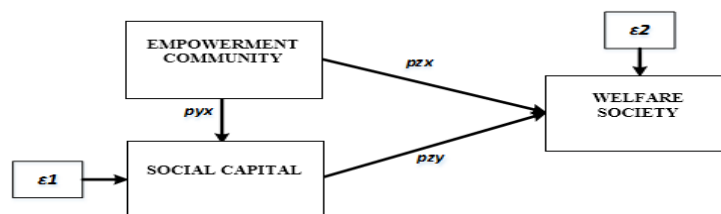


Figure 3. Path Analysis Model

## 4. Results

Analysis of the data used in this study using path analysis in path analysis using LISREL, the results can be seen from the following matrices. BETA based matrix, it can be seen that the magnitude of the path coefficient between variable Y (social capital) and the variable Z (welfare community) directly by 0.907. Based on the matrix GAMMA, can know the magnitude of the path coefficient between variables X (economic empowerment) and Y (capital social) directly 0.680. Meanwhile, the magnitude of the path coefficient between variables X

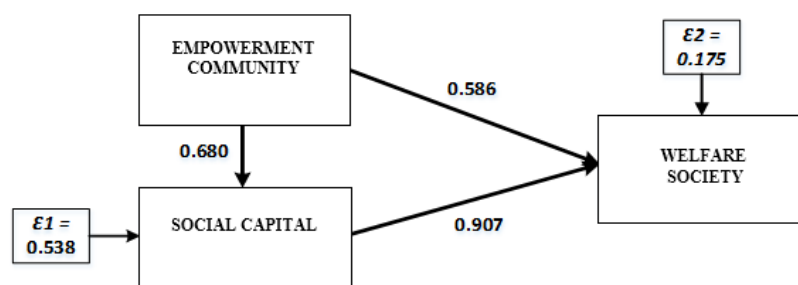
(economic empowerment) and the variable Z (welfare society) directly by 0.586. Based Indirect Standardized matrix of X on Y, we can know the magnitude of the path coefficient between variables X and Z indirectly, that is equal to 0.617. Meanwhile, the magnitude of the path coefficient between variables X (economic empowerment) and the variable Z (welfare society) in total is 1.203.

The coefficient of the path of other variables that affect the value of the variable Y (Social Capital) at 0.538. In addition, note also that the magnitude of the path coefficients of other variables that affect the value of the variable Z (Public Welfare) of 0.175. Here is a table that provides a summary of path analysis results:

Table 1. Path Analysis Results

Variables	Path Coefficient	Influence			t sig
		Directly	Indirect	Total	
X to Y	0.680	0.680		0.680	0.005
X to the Z	0.586	0.586	0.617	1.203	0.000
Y to Z	0.907	0.907		0.907	0.030
e1	= 0.538				
e2	= 0.175				

Source: Primary data processed



Source: Primary data processed

Figure 4. Test Result Influence of X, Y and Z

Based on t-test results, it is known that all hypotheses are acceptable. T test in this study compare between t sig and t variable. A variable is said to have a significant influence when  $t < t_{sig}$ . The first hypothesis states that the economic empowerment (X) directly affects the social capital (Y). t arithmetic on the variable X to Y for  $0.005 < 0.05$ , then  $H_0$  is rejected and  $H_a$  accepted. The second hypothesis is the direct effect of the economic empowerment (X) with the welfare of society (Z). t count on the variable X of  $0.000 < 0.05$ , then  $H_0$  is rejected and  $H_a$  accepted. The third hypothesis mentioned that social capital (Y) has a significant positive effect on the welfare of society (Z). t arithmetic on the variable Y of  $0.030 < 0.05$ , so  $H_0$  is rejected, and  $H_a$  accepted. The fourth hypothesis states that the economic empowerment (X) indirect effect on the welfare of society (Z) through social capital (Y) as an intervening variable. The hypothesis test results stated economic empowerment (X) and social capital (Y) has an influence on the welfare of society (Z). On the economic empowerment and social capital, t sig are both smaller than t. So it can be said economic empowerment indirectly have an impact on people's welfare.

## 5. Discussion

### 5.1 The economic empowerment of the community directly affects the welfare of the people

Analysis that has been done, the economic empowerment has a positive effect directly against the welfare of the community. The positive influence on the economic empowerment of communities that directly affect the welfare of the community can be due to the freedom of activity, have the ability to buy small commodities and large, their involvement in making decisions of households and their relative freedom from the domination of the family in the community in the Regency of Karawang Indonesia. The relationship between the variables the economic empowerment of the people's welfare in line with previous studies conducted by Suharto (1992: 67), empowerment is a series of activities to strengthen power or empowerment of vulnerable groups in society, including individuals who experience poverty. Sipahelut (2010) states that the economic empowerment of the community is done by providing PNMP program through the provision of venture capital, the establishment of coastal stores, the existence of microfinance institutions and the provision of SPDN.



### ***5.2. Economic empowerment directly affects social capital***

In the analysis of the economic empowerment direct positive impact on social capital. Community empowerment program is done by the government of Karawang Regency is relatively successful in because the program is physical and can be felt directly by the beneficiary community. This study is also in line with the statement Collier (in 2008) the social capital as the community's ability to perform the association (relationship) with each other and then become a very important force, not only for economic power but also in every aspect of social existence other. Thus, community groups that have been strong because there are community leaders who play a role, growing stronger and pressing on other groups that categorized weak. The welfare of the community becomes uneven.

### ***5.3. Social capital directly affects the welfare of the people***

In this study, Karawang Regency society, have social capital in a positive improve the welfare of its people. Therefore, in the analysis of the results note that social capital has a direct positive effect on the welfare of society. The relationship between social capital variables and community welfare is explained in the previous study by Suwandi (2007) that social capital variable, either directly or indirectly, positively affects the people's welfare. Putnam (in Tridoco, 2013) states that social capital is a future of social organization such as reciprocity, networking, norms, social trust and group participation that can facilitate coordination and cooperation for mutual benefits. The better the welfare of the community, the better the quality of life. When society Karawang Regency has a high level of social capital, will push the level of welfare of siblings so they no longer belong to underprivileged families.

### ***5.4. Economic empowerment affect the welfare of society through social capital***

From the analysis that has been done, the economic empowerment of the people have a positive effect on the welfare of society through social capital. The analysis results directly in this study is the economic empowerment positive effect on the welfare of the people and with their social capital increases able to increase its influence on the welfare of the community. Of the total coefficient, the indirect effect of the economic empowerment of the welfare of the community also has a positive effect. Tangible evidence of social capital as an intervening role can also be seen in the value of total coefficient greater than the coefficient values directly. So it can be seen that social capital is able to mediate the economic empowerment of the people's welfare. The relationship between the economic empowerment of the welfare community through social capital are also described in a previous study conducted by Anggoro (2009) that social capital has a very important role than the empowerment in improving the welfare of the community. Cahyono (2014), said that community empowerment without strong support from social capital cannot increase the welfare of the community.

## **6. Conclusion**

From the research that has been done, it can be concluded that there is a relationship between economic empowerment community, social capital, and social welfare. The relationship that occurred in this research is direct and indirect relationship. The economic empowerment of the community directly affects the public welfare. This is because there is a significant role of the economic empowerment of communities in improving the welfare of the people in the Karawang Regency. Meanwhile, the economic empowerment of the community directly affects directly to social capital. The positive influence because people in the region feel ability purchasing power of people both small and large can be increased.

Furthermore social capital positively affects the welfare of society. The higher social capital owned by the community will be the better the welfare of the community. While the empowerment of the community economy is directly and positive towards the welfare of society by through social capital as intervening variable. Involvement of the social capital as an intervening variable is caused society which accept the program can declare flood social capital factors can improve the network and the participation of groups that exist in the region.

## **7. Implications**

The findings of this study describes social capital factors exist that can improve people's welfare. Theoretically this study can be used as a reference source that can contribute positively or negatively on the relationship of economic empowerment and social capital in community welfare. In addition, the results of this research can increase knowledge, experience and insight, as well as materials in the application of science to improve the welfare of society, especially in areas that have high levels of relatively high income families.

For the Regional Government of Karawang Regency can enhance the role of the economic empowerment and social capital for improving welfare. Management of economic empowerment through the National Program for Community Empowerment in Rural Areas (PNPM) can now be enjoyed positive results for society Karawang Regency in improving well-being. Enhancement the public welfare is not only created by the

helplessness of society, but the role of social capital in the possession in community can also be improved so that the purchasing power of small or large can be further increased.

## 8. Limitations

Limitations of this study on the economic empowerment indicators. Researchers do not fully adopt indicators presented by Suharto (2005), it is done considering adjust to the situation under study. There are three indicators that are not used in this research, namely legal and political awareness, involvement in campaigns and protests and economic security and contribution to the family.

This research needs to be done further development about economic empowerment of society and social capital that able to positively influence to society prosperity. Researchers can then develop a measuring tool that further illustrates how high social capital owned by respondents. Development of measuring tools can be by finding the right questions with the condition of research so that no need to delete items that are not appropriate. The next researcher can also conduct time series research by looking at changes in the welfare of the community, so that it can be investigated what factors can influence changes other than social capital and develop the cultural factors of society connected to the welfare of the community.

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