

# Institutional Transformation and Its Impact on Sustainable Community Development Program

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## Abstract

Institutions are not static but always adapt to change. Institutional transformation has two dimensions: (1) changes in interest among economic actors who triggered institutional transformation, and (2) institutional change is deliberately designed to regulate economic activity. In this context is the institutional rules, formal and informal rules, which is implemented by Activity Management Unit (UPK) as the implementing organization empowerment to carry out community development activities. The study was conducted using a qualitative approach with a case study method to the institutional transformation of the organization implementing the empowerment that took place during the independence. The results show that institutional transformation is not just a difference in form, quality, state from time to time of an institution, but also the differences in the quantity of an institutional activity triggered by the common interests of the perpetrators. UPK institutional transformation as organizations implementing empowerment that took place during the independence has implications: (1) Implementation of development programs in the field were not always as expected, the fact it gave birth to the dependence of the organization implementing the program funds and assistance from the government to continue to do empowerment; (2) The pattern of community development through the establishment of the organization only gives added value to the board in managing the organization and to engage in other activities; (3) Institutional transformation carried out aimed to guarantee activities that bring in revenue for the organization implementing the empowerment and incentives for administrators; (4) Sustainability implementing organization embodied empowerment by focusing on the goal orientation of commercial activities in the form of the ability to generate profits through financial intermediation that beat should embrace social mission, and (5) Management of organizational empowerment is a form of management resulting from the relationship between formal rules and informal rules.

**Keywords:** institutional transformation, implementing organizational empowerment, community empowerment

## 1. Introduction

Implementation of community development programs in Indonesia are using a uniform approach to embed institutional blueprint for a variety of different local conditions. All empowerment program always comes with new institutions that are prepared to implement the program with consideration to adapt to the demands and needs of the program (Soetomo, 2011).

In addition, at any empowerment program in Indonesia is almost certainly begins with quantifying the economic interests of the various parties. As a result, programs become ineffective empowerment and integrated. The success of the program was described in the quantification of rigid, predictable in the short term (1-2 years) and its success is calculated when the program is running. Yet historically, the engineering program (project) and exist only to give hope when they were tested and when the government is still manageable, but retreat and collapses when handed over to local authorities, while management submitted, when the funding stopped, and when the political map shifted and changed relay leadership. This is based on the fact that the presence of new institutions into the system and rural social structure does not always have a positive impact, even tend to lead to conflict. That is, the presence of the new institution will automatically enliven and increase the tension of competition among institutions that had been there. In fact, little more will the social order that has long awakened (Soetomo, 2011).

Without denying the sides of the empowerment program success, but the facts on the ground indicate that the trend of increasingly unclear empowerment programs toward the goal and turned into a seizure of goods or arena rent seeking certain parties. Although any empowerment program of monitoring and evaluation, but only limited to the preparation of the next program. While the analysis of the system has not been done. This has resulted in information about healthy or not, failure and success of an empowerment program becomes inaccurate. This was stated Prasetyantoko et al (2012) that the context of decentralization in the context of poverty reduction has not been fully in line with expectations. Studies conducted noted that poverty reduction in six areas investigated more driven by the state-distribution through the allocation of funds. Local governments use the funds to serve people, to help finance the poor, and mobilizing community empowerment jargon. While on the other hand, local governments ignore the power of community-based local emancipation village much driven by initiative, leadership, and local movements, as well as be able to sow the local potential sources of

collective prosperity.

In line with this, Boni Sutoro and Eko Kurniawan (in Prasetyantoko et al, 2012) who carried out a study in 5 (five) districts / cities namely: Serdang Bedagai, Gunungkidul, West Lombok, Gowa, and Ambon. This studies indicate that the presence of direct cash assistance (BLM) has indeed been successful as a stimulus that moves governmental organizations. At the same time they learn to manage the funds in a transparent and accountable. BLM has led to a variety of significant output in the form of rural infrastructure funds to the coffers of the Activity Management Unit (UPK). Yet another fact is happening is the BLM always dealing with local elites also not in the sense of corruption, but the manipulation in the formation of groups and the distribution of funds. BLM does not take advantage of existing local institutions, but to form new groups. This group was formed as well as channeling funds to achieve the common goal of learning. Model approach groups tasked instant channel funds appears to be formed not on the basis of local emancipation, but more due solely to obtain the benefit of BLM. The groups will remain stable throughout the program and the money is still there. When the program has been finished and the money is not there, the groups will shut itself such groups ever formed in the past. Who have completed the program always leave the group and become a burden to the village. The village head usually act as foster parents groups formed the government. When able, the group will be maintained. If not able, the group will be left to die.

From the above description shows that over time, the implementation of community development programs will lead to a permanent pressure within the organization for implementing change, creating new institutional. This institutional transformation can be a long adjustment to the institutional or the establishment of new institutions. On the one hand, these changes might happen as a result of gradual changes that are independent and are not aware of the existing institutions and on the other hand due to the influence of external factors and stakeholders to create new institutions.

Community empowerment according to Chambers (1995) is a concept that summarizes the economic development of social values. This concept reflects a new paradigm in development, ie, that is people-centered, participatory, empowering, and sustainable. This concept is broader than merely meet the basic needs or provide a mechanism to prevent further impoverishment.

While Ife (2002) provides a definition of empowerment as giving "power" or strength to the group so that they can use to take action and redistribute those who do not have. so that they have the power to do. In this context it is clear that the process of empowerment occurs continuous distribution of power from one party to the other party so that all members will have the power. The scope of actions or activities in this empowerment includes all aspects of human life. In practice, the empowerment contains two terms, namely: (1) Give power or authority to delegate to others, and (2) Provide the ability or empowerment (Wrihatnolo, 2007).

Empowerment is basically giving strength to those who are less or helpless (powerless) in order to memilliki be authorized strength of self-actualization. Self-actualization is one of the fundamental needs of human beings. Empowerment is not only lead to a mere individual but also collective (Hikmat, 2001).

According to Korten (in Himat, 2001), there are three grounds for changes in the structural and normative community-centered development, namely: *First*, focus the thinking and actions of government policy on creating conditions that encourage and support people's efforts to meet the needs of -the need themselves and to solve their own problems at the individual, family and community. *Second*, develop the structures and processes of an organization that functions according to the rules of self-organization. *Third*, develop systems of production and consumption are organized territorially based on the rules and ownership and local control.

Institutional development is a form of empowerment. By developing the system based institutional and socio-cultural values, then it means building a foundation for collective action is an essential strategy to improve the bargaining position with outside parties (Syahyuti, 2003).

According to Uphoff (1986), two main approaches in the institutional development are individually and organisationally. Individual approach is by introducing knowledge, as well as increased awareness and behavior to each individual. While the organizational approach is through social engineering by focusing on aspects of changing roles, structures, and procedures.

Individual approach in the form of training to increase knowledge and skills. Approach is the assumption that the individual has the individuals who qualified the social change will be easily introduced. Aspects of the material in the individual changes are: increased knowledge, improved skills, motivation, self-confidence, increase self-actualization, and others.

One approach that can be applied to strengthen the performance of a social group is through a process of social learning. In this approach, all members of the group learn together, in addition to improving their individual capacity, also increased interaction between each other. Expected to be obtained improvements in terms of cooperation, improvement, commitment to goals, or may change the structure of which is seen better. The entry of new institutions to replace the old institutional role should be done carefully. In this context Soelaiman (1998) suggested that the intervention needs to consider: (1) an increase in the role and functions of institutions without changing the structure, position, and the role of the characters; (2) the pattern of participatory

approaches; (3) always involves persona concerned institutions, and (4) the preparation of a model based on scientific and practical considerations appropriate circumstances, conditions, and readiness of the officers in the field.

There are two main roads how institutions are formed, namely through institutional aspects or through organizational aspects. The first occurred in the institutional road-institutional nature and as the principal grows by itself (Uphoff, 1986), whereas the second road arena the need is felt. Or we can say, the former is natural and second road is engineering.

Institutional form naturally, begins with the maturation of a norm, as part anyway. A norm will be formed gradually starting from a mere way of behaving, increased to a habit, become code of conduct, and steady when it became customary (Koentjaraningrat, 1997). This is called the process of institutionalization, the process that new norms to be part of the institution. So a norm is said to have been institutionalized if known, understood, adhered to, and appreciated, until internalization occurs, ie when those norms ingrained.

For institutions that are formed through the second path, which is the first building structure, common in institutional introduced from outside. The institutional structure established first with the people who possess it (the board), members (and including administrators) are given an understanding of the values, norms, laws, and rules that must be had in order to play its role well. An organization, or rather that there is a new organization arrangement alone but its role has not been institutionalized values, should lead to the institutionalization process. Institutionalized organization or institution that is wrapped in an organization that contains the values and norms as well as patterned behavior is a form of the desired ideal.

Until now, almost all the activities empowerment programs have been created for the institution. Whatever new institutional introduced, probably mostly be a mere repetition. An ever and broken, will get a different impression for the people than with something new. One valuable lesson why good policy and does not affect the optimal investment, actually not because of poverty, but because the institution is not going well implemented (ADB Report, 2000, in Syahyuti, 2003).

One of the government's development program is P2SLBK (Program for Local Resource-Based Development Zone), whose implementation in the village carried out by Management Unit (UPK). Although the proponent of this successful program as the program states, but after the assistance period (when the independence) fail tendency is quite large, as long as mentoring programs escorted by a facilitator (companion), the manuals and the main thing is funding. Interesting to study is when mentoring and funds are not disbursed if the rules are still held at the time of accompaniment is still carried out in the past and continues in the independence or the independence period has been a change by adjusting the values and interests of local stakeholders that led to institutional transformation.

## 2. Research Methods

The research approach used is qualitative approach to the case study method. In this case Yin (2012) states that in many case studies, the unit of analysis is a case study in itself. Under these conditions, the case referred to in this research is the institutional transformation Activity Management Unit (UPK) as the implementing organization empowerment in Sub Wajak Malang. Nazir (1988) states that research is a case study pertaining to or characteristic of a specific phase of the overall personality. In the case study, the method used is multi-method, because it is designed to indicate a problem in detail from the perspective of researchers using a variety of data sources (Blaxter *et al.* 2006).

Data collection in the case study can be taken from a variety of sources of information for case studies involving the collection of data to build a picture of the depth of a case. Accordingly, Yin (2012) states that there are six sources of evidence that can be used as a focus for data collection case study are: (1) the document; (2) archive footage; (3) interviews; (4) direct observation; (5) observation of the actor (the actor), and (6) a physical device. Sources of evidence-the evidence sources treated the data into two categories, namely; main data and supporting data. The main data obtained from direct field recording, interviews, and observations on some actor events specifically related to the research objectives. Supporting data obtained from written documents or records, research reports and other publications.

Because this study focuses on the institutional transformation Activity Management Unit (UPK), the general strategy chosen is follows the proposition that the institutional transformation that is intended is a change in the governance aspects Activity Management Unit (UPK) as the implementing organization empowerment after assistance period ends. Aspects of governance that has been run as a mechanism and procedure for mentoring will change once all instruments of governance and financing guards stopped. Analysis of governance that will be used in this study using six attributes that give effect to the changes in governance Activity Management Unit (UPK), namely: funding sources, markets, stakeholders, institutions and organizations, decision makers, and exogenous attributes.

To analyze the institutional transformation Activity Management Unit (UPK) is done by understanding: (1) a situation and background events, (2) identify the factors that influence and actors involved, (3) the view

that actors involved and how their relationships with each other, and (4) identification of the factors and underlying trends.

In the next stage, the themes of the study results of such analyzes assessed and integrate and make meaning and meanings that were excavated from these events. As the final stages of the interpretive analysis, the researchers reported that meanings can be learned through a case study.

### 3. Results And Discussion

By following the opinion of Williamson (2000) that the intended institutional transformation occurs at the level of governance, ie a set of rules in a community that form the governance structure, complete with enforcement procedures, sanctions, and changes of the rules. Aspects of governance that has been run as a mechanism and procedure for mentoring will change governance after the entire instrument guard (mentoring and financing) is stopped. The results of the mapping of actors based on the degree of importance and influence in the implementation of community development programs P2SLBK on the independence period are: (1) Actor with high interest and influence in the management of programs through the formulation of a variety of formal and informal rules are administrators and supervisors Activity Management Unit (UPK ); (2) The actor with high interest but are less involved in formulating the policy beneficiary / loan from the activities carried Activity Management Unit (UPK). This group has a high interest but are less involved in formulating management policies implementing empowerment organization. High dependency here related economic interests in the form of loan availability. The recipients of the existing loan has a high interest to the existence of Activity Management Unit (UPK) in order to maintain continuity of access to finance, and (3) actor with high influence and less interest in the SEKTAP East Java and Malang SEKTAP. At the time of the independence period, the program enters SEKTAP East Java and Malang SEKTAP concerned that the program was still running with a reward fund incidental reinforcement.

All three groups had been run according to the function and importance of each. Until now there has not been a forum that plays a role in bringing together the interests of each of these groups when the program already on the independence period.

The implementation of community development programs implemented by Activity Management Unit (UPK) during this refers to formal rules that have been legalized by the government, both provincial and local levels. In addition, also at the community level, there are some rules that have been agreed by the Village Council, in particular on the implementation of the program P2SLBK in the District Wajak. The fifth group was formally rules set about thirteen rules in the implementation of empowerment programs P2SLBK. Thirteenth rules set out in the formal rules of the five groups are: the basic provisions of the implementation, organization, and managers, the mechanism of activity, administrators, supervisors, penalties, fees, financing, terms businesses Activity Management Unit (UPK), decision-making forums, financial management, the division profit (SHU) of management Unit (UPK), and control programs.

Human resource development activities carried out as activities to enhance the human resource capacity of administrators and beneficiaries. Where various forms of training activities conducted during the mentoring was never again performed by Management Unit (UPK). The lack of human resource development activities undertaken during the independence due to the high dependence Activity Management Unit (UPK) to outsiders in the form of funds, assistance to determine the shape of the required training and dependence on different programs to provide skills training to the community.

At the time of the independence, facilities and infrastructure that has been built by the UPK handed over to the community to maintain its sustainability. Although the general rule of thumb states that the program Activity Management Unit (UPK) required to allocate part of the annual profit (SHU) to maintain the facilities and infrastructure that has been built with the beneficiary communities through funds derived and non-governmental programs, but when entering the independence period, the sustainability of the infrastructure fully handed over to the community. In other words, at the time of the independence no natural resource development activities undertaken by the Management Unit (UPK). The results of development assistance in the past has been left entirely to the residents and the village government to take care of and preserve it. Dependence on external funding and the organization led to the change occurs.

At the time of the independence, productive economic activities of business development through micro-credit activities, partnerships and self-management is the only activity that is carried out by the Activity Management Unit (UPK) in three villages in the district Wajak. But the economic development of productive activities in a period of the independence to do is just wait for the people who come to ask or pay the loan installments. To facilitate the loan recipient is not done anymore on the independence period. Similarly, lending to the poor, is no longer done to maintain continuity by continuing its program of capital scrolling. For the poor, Activity Management Unit (UPK) allocate social benefits derived from the annual profit (SHU).

Thus, the implementation of the development of economic resources held by the lending activities by Activity Management Unit (UPK) solely to maintain the smooth return of the loan to develop capital and

increase revenues and annual profit (SHU). Thus the feasibility of individual borrowers and guarantees a priority factor. To achieve this objective it is not uncommon administrators Activity Management Unit (UPK) using informal rules prevailing in the community such as a sense of family to complete breakdown of loan repayment problems. Siding with the importance of the business income also appears on board manager of Activity Management Unit (UPK). Mostly self-managed funds disbursed in the form of equity participation in businesses owned by people who give reward for adequate results for Activity Management Unit (UPK). While for those businesses that are less risky and prospective financed Activity Management Unit (UPK) through savings and credit schemes and investments.

Attributes that affect the governance changes in the implementation of the development of the productive economy, among other source of funds, lack of funds to strengthen the capital strengthening Activity Management Unit (UPK) in the independence period resulted administrators Activity Management Unit (UPK) have the view that the the only way to maintain the continuity of the program is to do a revolving fund to the public which are eligible for the credit can increase the income and capital of Activity Management Unit (UPK). Stakeholders, administrators Activity Management Unit (UPK) have the view that the meaning of sustainability of the program is the increased capacity in the capital aspect that is identical with the lending programs that have contributed to the revenue. Institutional and external organizations, the presence of others who are also program-scrolling loan also affects the implementation of productive economic development undertaken Activity Management Unit (UPK) during the independence. The procedure of loan terms in another program caused Activity Management Unit (UPK) to simplify loan procedures with emphasis on the feasibility and security of the loan recipients. As for prospective borrowers who do not meet these requirements are advised to apply for a loan program to another. Exogenous attributes, exogenous factors that impact on productive economic development activities undertaken by the Activity Management Unit (UPK) is the business owned by village officials and community leaders. In exchange for the promised results and determine the position of a business owner for continuity Activity Management Unit (UPK) causes funds allocated.

In connection with the management, the formal rules actually set replacement of management mechanisms and sanctions to enforce the rules for the board whose status is not clear. However, by using informal rules such as do not want to disturb the sense of brotherhood and togetherness and cohesiveness that has existed between officials led to the mechanism set forth in the formal rules can not walk. As long as the program is still running with the existing conditions, although not follow formal rules still acceptable to use the agreement to follow the rules more informal. This can be seen in the distribution of profit (SHU) for administrators who do not remain active with consideration given sense of kinship and togetherness among program managers.

Ties of kinship and togetherness among administrators Activity Management Unit (UPK) has created cohesion among administrators in running the organization. Almost no difference was seen when all the administrators to manage the organization even though formally distinguished by its position in the management structure. Forums decisions are made informally, there is no formal decision-making forum held as at the time of accompaniment. The only formal decision making forums conducted by Activity Management Unit (UPK) is a forum for accountability at the end of the year as a forum for the delivery and distribution of financial performance in accordance with the SHU.

Thus the institutional transformations that can be seen in this study is the change in habits conducted by Activity Management Unit (UPK) in the governance aspects of the implementation of development programs in the independence period. The results of the analysis of governance have been described, indicating that the background that drives the institutional transformation are: (1) the cessation of financial support as well as operational costs of activities; (2) operating costs during the independence empowerment activities solely derived from the results of productive economic activities (savings and loans, partnerships and self-management); (3) offer fewer services being provided for the empowerment activities; (4) incentives obtained board in managing the activities of empowerment; (5) empowerment program sustainability interpreted as increasing the capacity of individuals in the organization and management of organizational capacity in the capital aspect; (6) the informal rules such as tradition, culture and social norms inherent in running organizational governance; and (7) The existence of other programs that carry out community development activities.

Associated with the key issues of the emphasis in the theoretical overview of institutional change, the causes of institutional change Activity Management Unit (UPK) is influenced by exogenous factors and endogenous processes that bring about change. Endogenous factors that cause these changes are: (1) the source of funds to support the operational costs empowerment activities solely sourced from productive economic activity; (2) the least empowerment activities undertaken; (3) incentives administrators in managing the activities of empowerment; and (4) the meaning of sustainability of empowerment as increasing the capacity of individuals in the organization and management of capital capacity. While the exogenous factors that drive change are: (1) the cessation of financial support as well as operational costs of activities; (2) informal rules such as tradition, culture and social norms inherent in running organizational governance; and (3) the existence of other programs

that carry out community development activities.

This is in line with the opinion of North (1995) which states that the basic characteristics of the institutional changes consist of: (1) institutional and organizational interactions occur continuously in the economic setting of scarcity and then reinforced by the competition is the key institutional changes; (2) the competition will make the organization invest the skills and knowledge to survive. Types of skills and knowledge required by individuals and organization will shape the development of the perception of opportunity and then will change the institutional choices; (3) the institutional framework dictates the types of skills and knowledge that are considered to have a maximum exchange; (4) the perception comes from the construction / building mentally the players / actors; and (5) economic scope, complementarities, and network externalities create the institutional matrix institutional changes that increase and has a dependency path.

While the process of institutional change that occurred in the Activity Management Unit (UPK) following the opinions expressed by Hayek (1968), institutional changes are spontaneous, not deliberate, but the result of a deliberate act. This means that the board will not make a new governance when no impulse that demands such a rule should exist. Institutional transformation UPK is spontaneous because of the birth of the impetus for institutional transformation is spontaneous, which is driven by a desire to sustain the empowerment program that is able to provide incentives to managers as managers empowerment activities. Meanwhile, to realize its institutional activities through forums is a deliberate decision outlined in the formal rules as a form of negotiation to reach new agreements.

This is consistent with research Sunito and Saharuddin (2001) which states that formally organize is only one option that can be chosen by the individual. The key is to gain what is offered and can be obtained in real terms. It takes a clear incentive so that the individual willing to cooperate and participate fully.

Institutional transformation of Activity Management Unit (UPK) can also be explained based on economic efficiency delivered by Oliver Williamson (2000). Cessation of financial support as well as operational costs of activities affecting motivation empowering administrators to devote activity during the independence of the results of productive economic activities (savings and loans, partnerships and self-management) were performed. This in turn led to offers of services provided for the empowerment activities is serving a loan in an effort to minimize the transaction costs of implementing empowerment programs performed by the Activity Management Unit (UPK). In addition, the cessation of financial support and operational costs empowerment activities, and the existence of other programs that also carry out community development activities in the District Wajak perceived by administrators Activity Management Unit (UPK) that institutional applicable at the time of accompaniment is no longer relevant to the development or environmental conditions that is, the institutional changes that made the board so that the new institutional done more accommodating to the wishes of the committee in response to new environmental conditions.

Institutional transformation Activity Management Unit (UPK) also can not be released by the informal rules such as tradition, culture and social norms used by the board together with the formal rules of the program in running governance empowerment organization. This is in line with the opinion of Nee (2005), which confirms the existence of a social mechanism in which formal and informal aspects are interconnected and form the basis for any human being to achieve its economic interests. Formal aspects which consist of formal rules dialectically related to aspects such as informal norms and religious values, social networks (social networks), social attachment (social embeddedness) in accordance with the socio-cultural context.

Both formal and informal aspects according to Nee, both affect human behavior in conducting their economic activities. Compactness administrators Activity Management Unit (UPK) is characterized by strong attachment of all or any of the board members describe the strength of the group who are not only resistant to external shocks but also able to absorb shocks arising from the group for empowerment programs running. Compactness board forming a strong commitment from all members of the board and will eventually become a force Activity Management Unit (UPK). The atmosphere is such that management is basically a moral state, attitudes and feelings contained in the Management Unit (UPK).

This is in accordance with the opinion Soekanto (1999) who mentions that the institution is the reincarnation of the unity of the norms that run or embodied in human relationships. While Parsons (in Scott, 2008), calls norms system governing relations between individuals, ie, how should the individual relationships. While Ostrom (in Beard and Dagupta, 2006), states that individuals and people actually able to create their own rules, institutions, and management in an effort to obtain their goals.

Institutional Activity Management Unit (UPK) that incorporate a lot of informal rules in carrying out community development activities intended to ensure the sustainability of the organization implementing empowerment. In one situation caretaker UPK using formal rules while on any situation informal rules put forward to resolve the problem. This is in line with the statement Nee (2005) that if one aspect is more dominant, such as formal institutions, can not guarantee the performance of the organization will be more efficient or produce a good performance of the organization. So, no matter whether formal institutions more dominant or fully implemented in the field, but how the interaction between formal and informal institutions that take place in

synergy so as to produce a favorable economic output and its member institutions. This is because the rational human action is influenced by the belief (shared beliefs), social relations, norms and institutions or institutions formed in the relationships and networks between individuals (interpersonal ties and networks).

The results of the institutional transformation Activity Management Unit (UPK) during the independence period is an efficient institutional administrators deemed of interest. The institutional sustainability is a realization of the meaning of empowerment by the board as increasing the capacity of individuals in the organization and management of organizational capacity in the capital aspect. The management involvement Management Unit (UPK) to manage the activities of others is a form of recognition of the increasing capacity of individual administrators. Availability profit (SHU) of UPK every year with ever increasing numbers indicate increasing organizational capacity to manage capital.

However, the results of institutional transformation is of course different from the concept of empowerment in the context of the program at the time of accompaniment P2SLB mandated mission to empower and commercial missions Activity Management Unit (UPK). The mission of empowerment actualized through natural resource development and human resource development. Development of natural resources that are needed to facilitate economic access, in addition to providing employment to the poor both at the level of the process is organized also at the level of maintenance. Direct link between the old resource development with poverty can be simple, provide additional jobs when craftsmanship, enhance the benefits on the market by connecting producers and consumers, and workers with other jobs. While human resource development is needed because of the poor choices they have made previously based on bad information or less effort in using the power and skill. While the mission is realized in the form of commercial lending. In this sense, the capacity and character of the poor must be developed by UPK in addition to providing access to credit provision. As noted Bennett and Cuevas (1996), processes of social intermediation services are not a charity, nor done with that orientation is not clear, because it is actually a process of developing a new market for the poor.

The results of research on the institutional transformation Activity Management Unit (UPK) in the supporting statement of the independence period Seibel & Parhusip (1998) that programs addressing poverty that is implemented for the program itself and not for the poor, the program only distribute money without doing any coaching capacity anything for the poor. In addition, institutional transformation Activity Management Unit (UPK) during the independence period solely done by prioritizing commercial interests led to extremely poor communities become marginalized in non-subsidized loans and loans with high interest will bring institutional sustainability while still getting a large number of customers (Parnuship & Seibel, 2000). Activity Management Unit (UPK) at the time of accompaniment that serves as a development tool for rural communities that include aspects of financial intermediation and social intermediation turns into micro credit institutions that only provide financial intermediation services.

From the description of the institutional transformation Activity Management Unit (UPK) as the implementing organization empowerment that occurs in the independence period, the findings of the study are: (1) implementation of control programs in the field were not always as expected. The fact it gave birth to the dependence of the organization implementing the program of government funds to continue to carry out activities such empowerment at the time of accompaniment. Stimulants and mentoring process given trapping organizations implementing empowerment in an atmosphere of dependency, (2) Patterns of community empowerment through the formation of organizations only adds value to the board in managing the organization and to engage in other activities, (3) institutional changes undertaken aimed at ensuring income generating activities for the organization implementing the empowerment and incentives for administrators, (4) Sustainability implementing organization embodied empowerment by focusing on the goal orientation of commercial activities in the form of the ability to generate profits through financial intermediation thus defeating social missions (social intermediation) that should be carried, (5) management of organizational empowerment is a form of management resulting from the relationship between the formal rules and informal rules.

#### **4. Conclusion**

Activities conducted during the mentoring has undergone many changes, just some of the activities carried out to date the development of economic resources (savings and loan), while for the development of human resources and natural resources, management of waiting for external activities (community and empowerment performed other party). The cause of this transformation are: (1) The source of funds to support the operational costs solely from productive economic activity, (2) The less empowerment activities undertaken, (3) Incentive administrators in managing empowerment, (4) Making of sustainability as increasing capacity individual managers and capital of Activity Management Unit (UPK). While the exogenous factors that drive institutional transformation are: (1) The cessation of financial support as well as operational costs of activities, (2) informal rules inherent in managing the organization, and (3) The existence of other programs that carry out community development activities.

Therefore the transformation that happens not out of the spirit of the organization implementing

empowerment requires: (1) Community empowerment is intended to provide social services and financial intermediation, so that both services can run balanced by organizations implementing empowerment requires constant assistance, not only one or two years only, (2) Improve coordination among agencies involved in empowerment, (3) the preparation of forms of empowerment activities that can accommodate the interests of the parties that empower, empowered and third parties who facilitate empowerment, and (4) there must be certainty legal form of organization channeling savings and loan activities to minimize bad debts.

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