

## Role of Social Capital in Economic Empowerment Through Efforts BUMDes Indragiri Hilir in Riau

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**Abstract:** This study aims to analyze the dynamics BUMDes in the process of economic empowerment of rural communities in Indragiri Hilir regency through BUMDes. The approach used in this study was a case study with qualitative research methods from a phenomenology perspective. The research was conducted in Indragiri Hilir by involving some stakeholders who participated in the activities BUMDes with economic empowerment.

**Key words:** Indragiri Hilir BUMDes, economic empowerment, confidence, society, social

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### INTRODUCTION

Indonesia's development orientation for more leads to the achievement of high economic growth rates. These models tend to emphasize growth as growth poles are concentrated in urban areas and functioned as a growth pole in regional development. Currently, the declining of poverty remains a major global development agenda. Poverty not only occurs in developing countries but also in developed countries. The strategy is very important to reduce the number of poverty. Indonesia continues to build to eradicate poverty. According to Chambers (1987), the core of the poverty problem actually lies in what is called the deprivation trap or poverty trap. In detail, deprivation trap consists of five elements, namely: poverty itself, physical weakness, the alienation or isolation levels, the vulnerability and of powerlessness.

In order to overcome the problem of the powerlessness of the people in the circle of poverty of the government especially in Indragiri Hilir regency, hence one of the ways is aim to increase economic empowerment. In Indragiri Hilir own economic empowerment programs that are so dominant and visible outcomes or benefits is through BUMDes program where benefits as well as its presence is eagerly awaited by local groups and communities. BUMDes program itself can run as the appearance compactness of each party that helped the process of local government to those who need (small community). Basically what distinguishes BUMDes in Indragiri Hilir with BUMDes programs in other areas is a community composed of diverse ethnicities and cultures. For the empowerment concept itself was born as an antithesis to the model of development and industrialization models that are less in favor of the

majority of the people. This concept is built on the framework of logic as follows: that the process of centralizing power awakened from centralizing control of the factors of production; the concentration of power factor will give birth to community workers and employers fringes of society the power to build a building over or knowledge system, political system, legal system as well as to strengthen manipulative ideology and legitimacy and co-optation of the knowledge system, legal system, political system and ideology, systematically will create two groups, namely the public power and public.

Taking into account the various conditions that exist in Indragiri Hilir such as high levels of poverty, not optimal institutional development of local economy BUMDes increasingly apparent that the importance of assessing the dynamics BUMDes and the role of social capital in a community economic empowerment through the development BUMDes Indragiri Hilir in Riau Province. According to explanation above, there were some issues to be discussed: how BUMDes dynamics in the process of economic empowerment of rural communities in Indragiri Hilir? what was the role of social capital in the process of economic empowerment of rural communities in Indragiri Hilir through BUMDes

### MATERIALS AND METHODS

**Research approach:** Based on the background and the issues to be answered by researchers, it will have consequences election qualitative research method where by when the main purpose of a study was to explore and explain behavior rather than describe it when research problems were not "normal" and not sufficient for examination or when the words that deserve to be

communicated to the respondent was not available, the researchers was suggested to show answer of research questions using qualitative methods. Can be explained that the implementation of empowerment is closely related to social capital (trust, norms and networks) that exist in the community so that will affect individuals or groups in decision making. Analysis such as this can only be obtained when the research method used is oriented to the introduction of a social interaction and not merely to know the technical aspects of a problem economically.

The approach used in this study is a qualitative perspective is phenomenology. Some of the reasons used this approach: study of prevalent cases using basic questions what how and the way so that the targets to be achieved more clearly to be understood in general from the beginning. Through all these questions were the object of research which related to the economic empowerment society through non-formal education can be obtained to the maximum; the researcher maynot manipulate the incident as an experimental research; a case study assessing the actual events by evaluating the entire process of formation of crystallization values informants or objects of research.

Selection of qualitative methods for the application of this method relies on a variety of streams, traditions or orientation or all of which emphasize the importance of the development and formulation of a theory which is characterized by an induction-empirical strategy. This is in contrast with quantitative approach developed based on logical deduction based on a priori assumptions. Qualitative definition always rooted in empirical reality, although, it can be understood by the various traditions of orientations thought different. Qualitative analysis is rooted in the perspective of phenomenology, symbolic interactions and ethnomethodology. Qualitative analysis with phenomenological approach which tend to use inductive logic approach where syllogism is built based on the particulars or the data in the field and led to the general conclusion. Furthermore, from the perspective of symbolic interaction, all human behavior basically has social meaning (meanings social) which implies that the social interaction, the interpretation which essentially affects the social dimension. This concept is a definition that was created through interaction with others. So, to study human behavior, we must understand the meaning of the referenced system by humans are studied.

Based on the perspectives of thought then the researchers tried to capture the meaning of the phenomenon of the role of social capital in the process of economic empowerment of local communities through economic institutions BUMDes and see everything from

the point of view of those who studied and tried to understand the aspects of “subjective” way into the world of conceptual and practical than those studied. In this way, the researchers expected to be able to capture and understand how meaning and discourse developed in interaction through the process of economic empowerment of the community.

The use of a qualitative approach is related to specific aspects of the subject in focus to be assessed in order to determine the condition of the research problems based on the understanding of the formation of bound by theory and interpretation of research related to the fact the study. A qualitative approach is used because it is able to provide in-depth and detailed understanding relating to an event or social phenomena in this form of social capital which is owned by the community and the dynamics BUMDes placed in context as an institution of the local economy in the economic empowerment of rural communities. Additional data related to the topic of research obtained through the study of relevant documents with the focus of research. Utilization directed to enrich the substance of the findings of a qualitative approach and to strengthen the theoretical basis of the study. Where for the number of beneficiaries amounted BUMDes affect beneficiaries in Indragiri Hilira mounted about 8,550 peopleand for its own field informants representing each region BUMDes user both successful and less successful. As for the details of each informant will be presented.

## RESULTS AND DISCUSSION

Table 1 shows the development of economics organization in village allocate the grant of UED-SP’s regency of Indragiri Hilir by sharing budget with Riau Province. Similarly, the empowerment of people at Indragiri Hilir also sharing budget between Indragiri Hilir and Riau Province from 2005-2012 as follow:

Implementation of village empowerment’s program (PPD) based on the regulation of region (Perda) No. 9 regarding BUMDes. According to technical role’s PPD of Riau Province that UED-SP was an embryo of BUMDes which guidance for 3 years and noted as independently and good operating.

Table 1: The user of BUMDes at Indragiri Hilir from 2011-2013

Years	People	Poor people	Poor people (empowerd)	Business sector
2011	613.325	52.635	7.532	Plantation, fishery, trading, service
2012	653.354	53.812	8.557	Plantation, fishery, trading, service
2013	739.799	51.435	10.308	Plantation, fishery, trading, service

BPMPD, Inhil 2014

Table 2: Budget allocation PPD's village at Indragiri Hilir regency of Riau Province from 2005-2012

Years	Profince's APBD		Regency's APBD		Total	
	Village/Family	Amount (rupiah)	Village/Family	Amount (rupiah)	Village/Family	Amount (rupiah)
2005	2	1.000.000.000	2	900.000.000.000	4	1.900.000.000
2006	4	2.000.000.000	2	1.000.000.000	6	3.000.000.000
2007	8	4.000.000.000	2	1.000.000.000	10	5.000.000.000
2008	4	2.000.000.000	2	1.000.000.000	6	3.000.000.000
2009	5	2.500.000.000	2	1.000.000.000	7	3.500.000.000
2010	8	4.000.000.000	2	1.000.000.000	10	5.000.000.000
2011	3	1.500.000.000	2	1.000.000.000	5	2.500.000.000
2012	5	2.500.000.000	4	1.000.000.000	9	3.500.000.000
2013	10	5.000.000.000	4	1.000.000.000	14	6.000.000.000
Total	49	24.500.000.000	22	8.900.000.000	71	33.400.000.000

BPMMPD, Indragiri Hilir Regency, 2013

Furthermore, the funds as shown at Table 2 allocated to the 71 Rural/Village, for the year 2013 new funds into the Rural Enterprise Fund Account (DUD) in December 2013 a total of 14 village and consists of 10 villages and the Riau Province budget for Indragiri Hilir village budget.

Based on the results of the evaluation of the PPD, several UED-SPs has been considered clean and independent so worthy upgraded to BUMDes including: Kuala Lahang, Teluk Jira, Kelapa Patih Jaya, Penjuru, Batang Tumu, Pengalihan Enokdan Sencalang. This consideration was aim to expand and more dynamic in its development in accordance with the existing potential.

Special UED-SP 2009 was already BUMDes, still a ccompanied by the Village Assistants (PD) because they facilitation program period for 1 year. So 1 year mentoring the rest can be utilized for the development BUMDes, expected by the end of 2012 this BUMDes really been professional and has been able to develop new business units. Surely, it would be able to become the locomotive/ruraleconomic driving.

BUMDes able to improve the management of savings and loan services existing and develop new business units such as: the village market management unit of diesel Management Unit, Transportation Management Unit and Management Unit Services. Rural markets are required to sign into one of the business units BUMDes because market regulation that have been initiated Indagiri Hilir Regency instructs them, hence that rural markets will be able to be optimized with more professional management and can bring revenue sources for the village.

BUMDes existence was expected to be a source of revenue vilage. A minimum of 10% of profits per year BUMDes be a source of revenue village. This BUMDes if managed properly can certainly be an unlimited source of income for the village and can be a source of financing for the village and this was the ending of the PPD Program, creating a village and not just rely on local budget or budget Indragiri Hilir Regency. If possible, the next village to donate its earnings to the area, thereby, expanding the

Local Revenue. If 10 million rupiah per village just in time 192 Village then already amounted Rp. 1,920,000,000 and can be returned for rural development really need (BPMMPD. Indragiri Hilir Regency, 2013).

BUMDes formation will be instrumental formation and improvement of revenue villages. The establishment and improvement of village will be capital formation activities on development through local initiatives then it will gradually reduce dependence on government, provincial governments and local governments. This fact meant that by empowerment-oriented self-reliance by providing funds for managing and financing the construction of the village. If rural development can work well, it is expected to have an impact on improving the quality of life of rural communities. With the availability of revenue village the village government will have the ability to plan and implement rural development to come out of poverty because it already has the ability to provision of infrastructure and other essential facilities to not only wait for the development of good government provincial government and local government.

**The development of BUMDes on society empowerment of village in Indragiri Hilir Regency:** Rural economy BUMDes role in rural development approach so far seem to make the village as objects of development and have always been treated with a model of development with assistance. The pattern of centralized and uniform policy is not in accordance with local needs and deadly diverse social contexts. Concept development through assistance is not empowering and instead to create a dependency culture or cultures ask of rural communities. The rationale of this requires a systematic effort to empower and independent villagers.

Economic empowerment through Village Empowerment Program (PPD) in Indragiri Hilir Riau Province has been published with Regulation No. 9 on village-owned enterprises (BUMDes). As poured it in the technical guidelines PPD that UED-SP is the fore runner of BUMDes after assisted for 3 years. Ten BUMDes

which was founded in Indragiri Hilir as the result of a process of empowerment PPD Program. Establishment and development of rural BUMDes will certainly be able to facilitate the village became an autonomous and self-sufficient village. BUMDes formation will be the instrument of formation and improvement of revenue villages (Pades).

The establishment and improvement of Pades will be capital formation activities development through local initiatives, hence, it will gradually reduce dependence on government, provincial governments and local governments. This fact meant by empowerment-oriented self-reliance by providing funds for managing and financing the construction of the village. If rural development can work well, it is expected to have an impact on improving the quality of life of rural communities. With the availability of Pades the village government will have the ability to plan and implement rural development to come out of poverty because it already has the ability to provision of infrastructure and other critical facilities with not only waiting for the construction of the provincial government and local governments.

Village Empowerment Program (PPD) Riau Province with accompaniment pattern with principal activity is economic empowerment through such institutions that have stood presumably BUMDes actors at the village level is continuously added capacity is primarily about the management of BUMDes. So, the ability management also increased due to business unit that will be managed not just the savings alone but will be popping up new units in BUMDes development efforts and economic empowerment of rural communities.

BUMDes of the economic aspects of an institution that can be tapped as a basis of economic strength of rural communities through the consolidation of the power of the rural economy. BUMDes as rural economic organizations are an important part of the process of rural development but admitted there are still many weak points in order to support the strengthening of the rural economy. BUMDes in Indragiri Hilir as rural economic institutions need to be improved institutionally well from all aspects of the forms of cooperation among personnel or managers BUMDes, coordination between business units, achievement of business plan (business plan) that has been made or the order of administration and financial accounting.

Economic empowerment through the development BUMDes in Indragiri Hilir therefore systematic and sustained efforts are needed to encourage BUMDes to be able to manage the strategic economic assets in the rural economy and develop the network in order to enhance the competitiveness of rural economies, through:

- Training BUMDes management, both BUMDes efforts to increase the institutional capacity, human resources capacity building and development business empowerment itself BUMDes
- BUMDes assistance program of the department/agencies concerned
- BUMDes socialization program into rural communities, either through the form of leaflets, notice boards, notices through roving vehicles as well as town meeting/citizen

#### **Diversification:**

- The existence of economic empowerment BUMDes in highly perceived by society in Indragiri Hilir. Loan funds that have been obtained by the public is used as working capital to expand its business
- Business diversification is a manifestation berkembangannya effort to bring new business ventures that are not similar. It was strongly felt by Abdullah Tide (48 year old) and Agus (35 years old) which was the beneficiary communities BUMDes in Indragiri Hilir District
- Abdullah Tide (48 years old) has a business service electronic goods but the limited tools for service he proposed capital loans to BUMDes in January 2013 by Rp. 10,000,000 to purchase a service after 6 months of running the business began to grow and was able to grow his new business venture to a gallon of water. However, because he has not enough capital of his new venture, he proposed a second phase loan in November 2013 amounted to Rp. 19,000,000 for an additional purchase distilled water machine

**Creating a business:** Besides the presence of BUMDes in economic empowerment to expand its business also felt its presence can create business for local communities.

This is experienced by Agus (35 years old) previously worked odd jobs and with the aid of BUMDes makes it have a permanent job with the opening of business services and electronic service counter HP. BUMDes existence in the economic empowerment felt its presence can help create a business for themselves. With the physical limitations that he could not walk because he was paralyzed due to illness of a small but made no less enthusiasm demonstrated by selling pulses and HP as well as the services of an electronic service. He in the acquisition of venture capital borrowed BUMDes in March 2013 by Rp. 3.000.000 to run its business.

**Manpower absorption:** Besides the presence of BUMDes in economic empowerment felt capable in growing

diversification/growth for the community and creating a business for people who previously worked no fixed BUMDes also gives an effect on employment.

By founded of BUMDes beneficiaries who were mostly SMEs business operators have an impact on employment. With the growing diversification/emergence of new business Entrepreneurs (SMEs) capable to accept labor as businesses owned by Abdullah Tide (48 years old) and Tutik (29 years old).

Tutik (29 years old) who one of the beneficiaries of the community feel the presence BUMDes. This organization enough to give rise to the development of its business. She has a business accessories namely "Tutik collections" which has been helped by a loan of Rp. 10,000,000 from BUMDes with a period of 18 months and after being given a loan, her businesses growing up and currently employees increased by 4 people and has been able to build the foundation for both the shop floor.

After the expiration of the loan, she wished to re-apply for a loan to expand its business in a way to expand his business then wanted to build rukonya but because the number of proposals over Rp. 30,000,000, then BUMDes can not melt because of relatively large loan then BUMDes conduct cooperation with Bank Syariah Mandiri branches Tembilahan and after the MOU is completed then BUMDes recommended her to Bank Syariah Mandiri amounting to Rp. 100,000,000.

Jumilin (47 years old) said that the beneficiary communities felt the presence BUMDes due to it provide enough employment opportunities opening up for his colleagues. Since, obtaining a loan BUMDes on January 7, 2013 with a total of Rp. 7,000,000 he has had several carts of ice in the operations. From one of its wagons ice has now developed into five and has been able to open a job for the community environment. He also stated that he got also been got credit for second termin on December 9, 2014 from Rp. 7.000.000 as additional capital for her business. From the results of these efforts proved that it very helpful for economy which was used among other things for his need everyday, buying household appliances/electronics and rehabilitate homes.

There were six principles in managing BUMDes namely: cooperative, all the components involved in BUMDes should be able to do a good cooperation for the development and survival of their business; participatory. All the components involved in BUMDes be willing voluntarily or were asked to provide support and contribution to promote the progress of efforts BUMDes; emancipatory. All the components involved in BUMDes should be treated equally regardless of class, race and religion; transparent. Activities that affect the interests of

the general public should be known by all levels of society with ease and open; accountable. All business activities must be accountable both technically and administratively. A sustainable business activities must be developed and preserved by the community in the container BUMDes.

Based on the fact above, it can be described as a whole that the effort BUMDes in Indragiri Hilir that made the difference with other areas of the business that is located on the specifics huge numbers that coconut processing business and the utilization of the waters is the result of the fish and the like. Fukuyama (1999) stated that the elements of social capital did not show up or created by government bureaucracy more specific research in local government Indragiri Hilir. Through a tradition can awaken something ordinances behavior of people or groups of people in it then emerged naturally social capital within the framework of rules for determining who can manage personal interests and the interests of the group. Of the many opinions this researcher observed that it was important to measure social capital there were three main problems: first, the trust or confidence in a wide range but still within the community: secondly, there was reciprocity or mutual obligations similar to mutual assistance but not passive and third, the existence of collective action or action of togetherness and mutual benefit. Quddus *et al.* (2000) stated that the level of trust inherent in national culture may affect the economic development of the country or by lowering the high transaction which resulted in a more prosperous economy by encouraging market efficiency. Conversely, lower levels of mutual trust or social capital was not sufficient cause higher high transaction within the community where limiting the activity of the market and restrict trade in a society.

Based on field observations are a form of approach that will become a bridge to overcome the problems that arise in the empowerment program is how to bring up a form of trust "trust". As revealed by Mullins (2007) that the empowerment, the confidence (trust) is very important. "Crucial to the success of empowerment is a high level of trust. Trust of both the boss in his subordinate and trust of the employee in his boss and the employer". What causes the trust is said to be something important in the process of empowerment because the empowerment process is not a separate process between processes to improve human resources but also on how the process until the public finally became an independent community.

Trust "trust" in the economic activity is very important because its presence can reduce spending to conduct surveillance (monitoring) and enforcing contracts (enforcing contract). In other activities such as trust

companies play a role in facilitating interaction with other actors in the production chain, helping to take care of the relationship with the client.

“Trust” in its interaction with the social community has an important function which one of them is a social cohesiveness that help to glue each social component that live in a community/group into a unity that does not disintegrate. Closely united and powerful the subsequent effect was created order which in turn have an impact on social integration where the increasingly closer social integration will be able to minimize conflicts both conflicts between individuals or conflict and conflict in the community. Social conflicts that can not be managed effectively and optimally ultimately reflected in a split or a prolonged conflict could even lead to violence.

Prolonged social conflict will certainly have an impact on different aspects such as if drawn in economic activities, the social conflict will lead to high transaction costs resulting in ending on ineffective, whether by economic activities or social activities in society.

“Trust” if it is associated with a form of empowerment is closely related to facilitate interaction in a process of empowerment. This belief can be a social bond in an interaction that is expected to reduce failures in the process of empowerment. To create a trust in an interaction process of community empowerment through BUMDes creates something new or develop existing businesses.

## **CONCLUSION**

The results of this study were: dynamics presence in Indragiri Hilir BUMDes very varied. Overall economy in the villages helped by the program BUMDes, even the program has not been fully felt by all poor people. The role of social capital in the process of economic empowerment of rural communities in Indragiri Hilir become an important part in the success of the empowerment process, the main elements of social capital network (network) with the push by their confidence (trust) of all elements of society that can to increase rural income.

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