

# The Effect of Economic Empowerment of the Coastal Communities and Social Capital on Coastal Community Welfare

Rostin

Faculty of Economics and Business  
Halu Oleo University, Southeast Sulawesi Indonesia

---

## ABSTRACT

---

*The purpose of this study was to acknowledge: (1) the effect of Empowerment on coastal community welfare; and (2) the effect of economic empowerment of the coastal communities on welfare through Social Capital. This study conducted to the coastal community at Southeast Sulawesi Province. Three districts considered which are Konawe, Kolaka and Kendari. Research population was all receivers of the revolving grant in these three districts, counted to 1526 persons. Sample determined by Slovin equation, resulting in 122 persons. The analysis tool used path analysis with Partial Least Square (PLS) approach. The result of this study indicated that ; (1) economic empowerment of the coastal communities has positive and significant effect on coastal community welfare, meaning that economic empowerment of the coastal communities is less optimum to contribute to the community welfare. Based on four indicators explained latent variable of economic empowerment of the coastal communities that there is strong effect of economic empowerment of the coastal communities on welfare through Social Capital, meaning that economic empowerment of the coastal communities for welfare is stronger as mediated by Social Capital grown in the community.*

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

---

Date of Submission: 10 February 2016



Date of Accepted: 27 February 2016

---

## I. INTRODUCTION

BPS data (2008), that the poverty rate in Southeast Sulawesi and 19.53% when compared to the average poverty in Indonesia amounted to 15.0% in 2008, poverty levels in Southeast Sulawesi is still above the national average. Southeast Sulawesi Province has 36.44 percent of the poor as very poor.

Kusnadi (2006), stated that poverty in fishing communities in coastal communities against the background among others the low workability, namely the level of knowledge that is relatively low due to the low average level of their education. Still, it realized that the causes of poverty population are very diverse and multidimensional.

Coastal Community Economic Empowerment Program (PEMP) is a concrete manifestation of government's commitment to help the coastal communities, especially the fishermen to get out of the economic slump and poverty. Generally, Program project aims to improve the welfare of coastal communities through the development of economic activities, improving the quality of human resources, and institutional strengthening socioeconomic utilize marine and fishery resources in an optimal and sustainable. Derivatives of these objectives to conduct the form of increased public access to venture capital, establishment of fund management institutions revolving (LEPPM3). Venture formed community in the form of shops Coast in order to meet basic needs and others as well as the establishment of business related to the supply of fuel needs, which called Solar Pack Dealer for Fishermen (SPDN). Expected with various empowerment programs that have been rolled out will improve the well-being of coastal communities.

In improving the well-being of coastal communities, it is not enough just to rely on empowerment program, but also strengthening the capacity of (character building) derived from cultural and social norms of the local community, it is very important the design of the development of coastal communities remain rooted in society itself.

The values in the communities called social capital having an important role in determining the success of an individual, group and community. Social capital has a set of values or norms followed by a group of people who made them the one with the other, capable of cooperating (Fukuyama, 1999, Portes, 1998, Bourdieu, 1986). It is most likely to form something community groups successful, because high social capital can encourage three things: (1) the decline in transaction costs, (2) the emergence of adaptation groups, and (3) to encourage innovation. Therefore, encourage increased social capital in a community is very important. Social

capital is usually the better if it touched by external motivations such as their support productive economic capital and other supporting economic activity, both from government and non-government through community empowerment programs.

From the above description, it can be concluded that the empowerment of communities to stimulate increased social capital on the one hand, and social capital that can assist people to improve their welfare in the other, so that from this relationship implicitly indicate the mediating role of social capital on the role of empowerment for the welfare of society. Social capital here portrays economic measures for the success of development programs for the welfare of society. Tonkiss (in Brata 2004) stated that social capital then the economic value that can help individuals or groups. Cooperation within the group that are then potential economic benefits in the form of its reduced transaction costs, ease of access to raw materials, ease of access to capital (loans), the achievement of competitiveness of the industry, both for individuals and for groups.

Meanwhile Coleman (1988) argues that social capital is comprised of a network of relationships, reciprocity, trust and social norms, the actual resources that facilitate every activity in which people can become better and rely on social capital used by each individual.

Definition and elements of social capital expressed Putnam et al. (1993) is the glue of social capital for each individual, in the form of norms, trust and networks, resulting in mutually beneficial cooperation, to achieve a common goal. More Putnam et al. (1993) considers that social capital underlie good governance and economic progress.

Based on the above description, the authors conducted a study about the effect of Coastal Community Empowerment through Social Capital against Coastal Community Welfare in Southeast Sulawesi Province

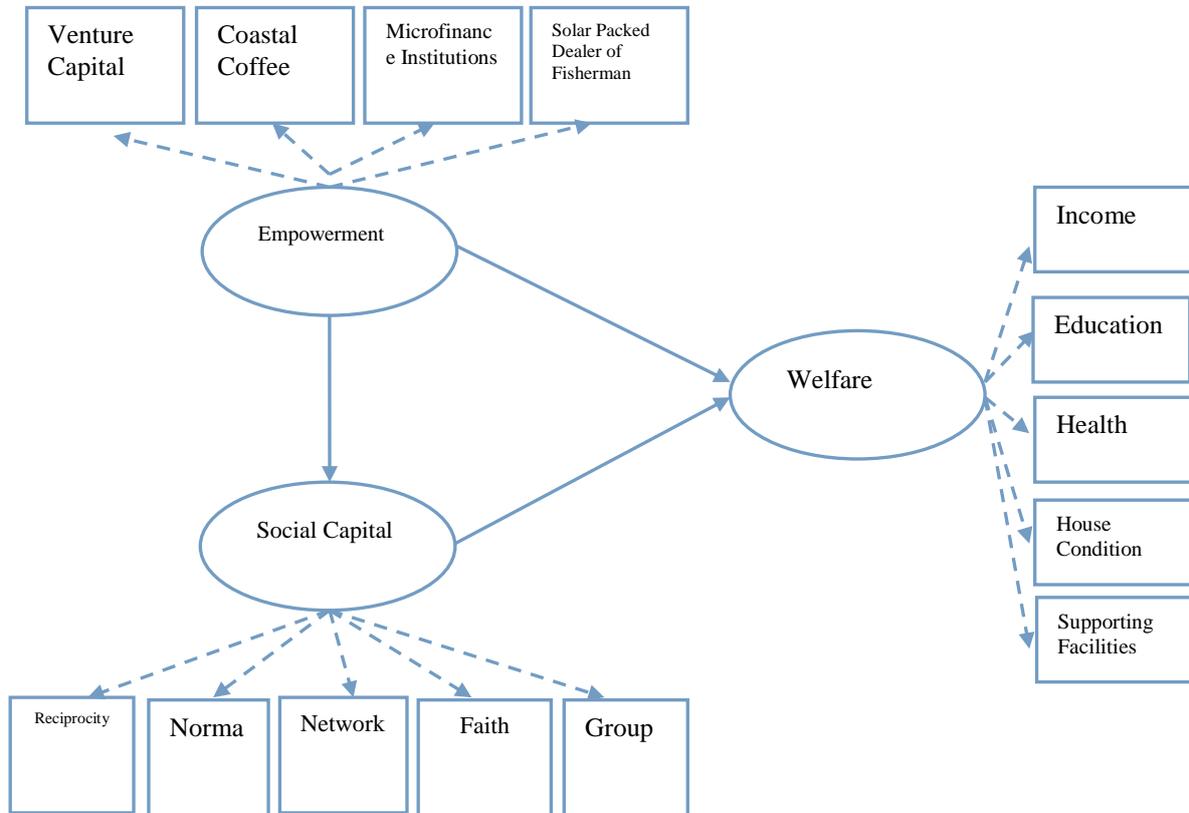
Furthermore, the role of EMP's Empowerment and the description of the positive relationship of social capital on welfare, then the model can be operational research that underlies this study was structured so that, describes the causal relationships between variables such as set forth in schematic form below:

## **II. LITERATURE REVIEW**

The empowerment program implemented to stimulate the development of social capital in society. It is appropriate that put forward by Gold et al, in Mariana (2006) that etymologically social capital has a sense of community-owned capital in community empowerment. Furthermore, Freire (1992) explains that the process of empowerment is a method that seeks to change the perception includes changing a person's motivation or encouragement in society, thus enabling individuals to adapt to its environment. As described previously that to raise awareness and motivation in a person, necessary "intervention" or "stimulation" comes from outside, such as "stimulation" of government grants.

The reality is the empirical study of the effect of community empowerment to social capital that grows in the community is still very rare, so it becomes very interesting to study, especially in explaining how community empowerment can improve welfare by strengthening social capital. As described previously that a good social capital can provide a strong influence on the increase in welfare (Narayan and Pritchett 1999, Gootaet 1999, Narayan and Cassidy, 2001, Haddad et al, 2000, Manzilati 2009, Qomariah2009, and Kamarni 2010). Therefore, the emphasis on the importance of social capital as an object to make the mediation of empowerment for prosperity is the right policy direction. That is, prior to observing the success of empowerment for prosperity, then it is very important to assess the success of empowerment in improving social capital as a factor which has an important role in advancing the welfare of the community.

### III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS



- H1: Empowerment has significant influence on Welfare
- H2: Social Capital has significant influence on Welfare
- H3: Empowerment has significant influence on Welfare through Social Capital

### IV. METHODOLOGY

This type of research is quantitative descriptive analysis with a survey method, whose purpose is to explain causal relationships between variables through hypothesis testing (Singarimbun, 1995).

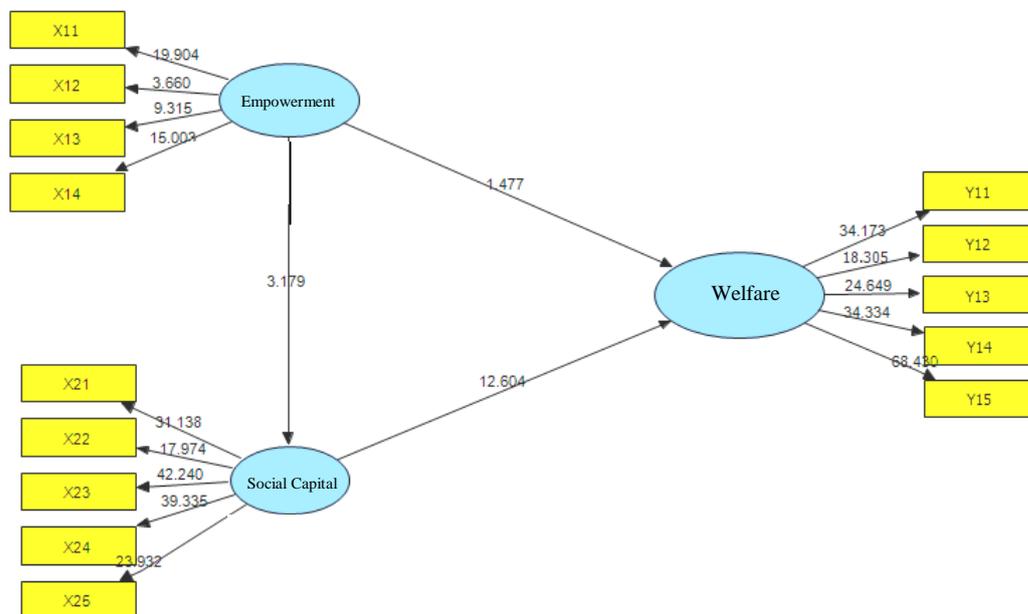
This research conducted in coastal communities in Konawe, Kolaka and Kendari in Southeast Sulawesi, with the consideration that the three District / City are implementing Coastal Community Economic Empowerment Program (PEMP) since 2001. PEMP program components such as the preparation of capital business, MFIs LEPP-M3, this study population are all members of a revolving fund recipients who are on the City / County totaling 1526 peoples further determination of the number of samples using methods Slovin (in Umar 2004) 122 Peoples.

The data analysis approaches d using Partial Least Square (PLS) with PLS Smart software. PLS is a structural equation model or SEM-based component or a variant (variance), which can simultaneously test measurement models at testing the structural model. Measurement model used to test the validity and reliability, while the structural model used to test causality.

Research variables based on linkages relationship that consists of Exogenous constructs are Coastal Community Economic Empowerment (EMP) with dimensions Venture Capital, coastal shops, MFI / LEPP-M3, and Solar Pack Dealer for Fishermen (SPDN). Constructs Endogenous is Coastal Community Welfare with dimensions of Family Income, Health Education, Condition Homes, businesses and facilities of Social Capital with dimensions of Reciprocal, Norma, Network, Trust, Group.

### V. ANALYSIS AND RESULT

Based on the results of Structural Equation Analysis Diagram Line (First Order) was Partial Least Squares Approach used Smartpls Software (Model T-Statistic), before Selection Guide against Indicators the Invalid and Not Reliable (first order).



Caption:

1. EMP Empowerment (X1) indicators: Venture Capital (X1.1), Coastal Coffee (X1.2), Microfinance Institutions (X1.3), and Solar Packed Dealer of Fisherman (X1.4).
2. Social Capital (X2) indicators: Reciprocity (X2.1), Norma (X2.2), Network (X2.3), Faith (X2.4), and Group (X2.5).
3. Welfare (Y) indicators: Income (Y1), Education (Y2), Health (Y3), House Condition (Y4), and Supporting Facilities (X5).

Based on the results of the analysis of the First Order, Total Effects here in after Value Path (Path Coefficients follows :

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ( O/STERR )	Description
SOCIAL CAPITAL -> WELFARE	0.710774	0.716200	0.056744	0.056744	12.526041	significant (1%)
EMPOWERMENT-> WELFARE	0.096932	0.107182	0.065623	0.065623	1.477108	Not significant
EMPOWERMENT->SOCIAL CAPITAL -> WELFARE	0.301362	0.322082	0.087216	0.087216	3.455348	significant (1%)

Source: Results of field processed (2011)

From the above table is also known that the effect of variable empowerment on social capital, demonstrated the value of the t statistic each of 12.526041 and 3.455348, which is above  $\pm 2,617$  ( $\alpha = 1\%$ ). It can be concluded that there is an influence that is significant from the social capital on welfare and empowerment of the capital's influence empowerment of welfare has a value of t statistic of 1.477108, which is under  $\pm 1,658$  ( $\alpha = 10\%$ ). Therefore, it can conclude that there an influence that is not significant from the empowerment of prosperity, because coefficient of influence were relatively weak.

Path coefficient values for the variables of social capital for the welfare and empowerment of social capital respectively 0.710774 and 0.301362, and has a positive relationship. That is, the better the social capital (X2), it will be followed by an increase in welfare (Y), and the better empowerment (X1), and then the social

capital will be better. The influence of empowerment on social capital are classified as moderate but significant at the level of error of 1%, and therefore indicates the direction a positive influence, it can be concluded that the empowerment that can increase social capital becomes better as the positive contribution of the empowerment of social capital, although this influence is still not strong (moderate).

While the influence of empowerment on welfare of the relatively weak for 0.096932, so the effect is not significant. It can interpret that there are influences that are not real empowerment for prosperity, where the better empowerment will tend to increase welfare, even though the effect of empowerment to improving the well-being just a little bit, so it does not seem real.

The calculation for the indirect effect of empowerment for prosperity through social capital, calculated manually with the following result.  $PTL1 X2 = X1 \times Y = bX1X2 \times bX2Y = 0.301362 \times 0.710774 = 0.2142$ , meaning that 21.42 percent of the influence on the welfare through the empowerment of social capital.

Based on the analysis that has been done, the tables can be arranged direct and indirect influence between variables empowerment (X1), social capital (X2), and well-being (Y) as seen in the following table.

	Direct Effect	Indirect Effect	Total
From Empowerment (X1)	To Social Capital = 0.301	0,00	0.301
	To Welfare (Y)= <b>0.097</b>	Trough Social Capital = $0.301 \times 0.711 = \mathbf{0,214}$	<b>0.311</b>
From Social Capital (X2)	To Welfare (Y) = 0.711	0,00	0.711

### 5.1. The Effect of EMP Empowerment on Welfare

Based on the analysis was found that the direct effect of empowerment to prosperity is not significant, meaning that the EMP empowerment program has not been able to make a real contribution to the welfare of coastal communities. Welfare level achieved has more influenced by other factors, especially social capital.

Actually, EMP empowerment has been able to provide a positive impact on changes in the economic status of coastal communities, but the results have not shown any real success. There are some things that a cause and an explanation of the failure of reality to role of PEMP program alleviate poverty that occurs in coastal communities.

First, with regard to the level of program continuity PEMP relatively low. In addition to the low level of implementation of the program PEMP continuity, not optimal empowerment of coastal communities to improve the welfare might also be caused by a relatively small number of DEP allocated to the beneficiaries as compared with the number of items or devices that must be met in order to effective implementation of the program.

Secondly, especially in the handling of the coastal tavern and MFI as a means at serve the basic needs of everyday household and need capital to finance the activities of fishermen at sea. Often the lack of available materials needs or delays in the availability of coastal tavern causing fishermen to switch take elsewhere and this is often postpone their activities. Similarly, the financial services Microfinance Institutions often late or request those who do not fit the narrative (the respondent: Nasrudin 42 th).

The results of this study are consistent with the statement Saefuddin et al. (2003), that the government has launched various programs of economic empowerment but empirically found that empowerment has not been optimal in improving the welfare of the community. It is suspected that the empowerment model that is used not in accordance with the object to be addressed. Education in a society that is empowered still be the deciding factor of the success of empowerment.

The conditions in which PEMP empowerment program has not been able to improve the welfare of coastal communities does not happen in all cases related to the study of community empowerment is evidenced welfare findings. The research of Widyastuti (2006), Riana Faiza (2004), Hamdan (2005), Riana (2008), Aryansyah (2009), showed a positive influence on improving the welfare of communities in coastal areas although for sustainability, especially funds still needs improvement due to constraints of slow returns post-program.

## **5.2. The Effect of Social Capital on Welfare**

The result showed that Social capital has significant effect on Welfare. Social capital is getting better; the people's welfare can increased on the other side. Fukuyama (2000) showed that studies in various countries that the strong social capital will stimulate the growth of various sectors of the economy due to their high level of trust and cohesion in relations within the wider network grew among the players in the economy. The results of the study are none other than to clarify the roles of social capital in growing sectors of the economy that in turn will improve welfare.

## **5.3. The Effect of EMP Empowerment on Welfare through Social Capital**

The results of this study imply that the social capital that grows in coastal communities have a very important role in mediating the EMP empowerment programs to improve the welfare of the community. That is, that without strong social capital development program EMP cannot afford a significant role on the progress of the welfare of coastal communities in Southeast Sulawesi. At first, social capital gain stimulation and motivation of the empowerment program EMP on one side, so that with the stimulation of the social capital is getting better.

The mediating role of social capital on the effect of EMP empowerment on welfare of the results of this study has not been widely supported by previous research. This caused by the lack of research on empowerment and social capital, especially in Indonesia, which highlighted the role of the empowerment of social capital. Recent study conducted Yuliarmi (2011) it highlights the inverted. Therefore, the result of research on the mediating role of social capital on the effect of empowerment EMP on the welfare of coastal communities is an important finding in this study.

## **VI. CONCLUSION**

Referring to the results of the analysis of the influence of the path, then it can deduce as follows:

1. There was no significant direct effect of empowerment on welfare by 0097 or 9.7 percent of the direct effect of welfare on empowerment. Social Capital has significant effect on welfare
2. There is no direct effect of welfare on empowerment, through social capital by 0214, which is quite strong, so it can make a positive contribution to influence of empowerment for prosperity through social capital by 21.4 percent. Thus, empowerment has a total effect on the welfare of the reach 0.311 or 31.1 percent of the total effect of welfare on empowerment.

## **VII. SUGGESTION**

1. PEMP program in Southeast Sulawesi still not able to optimize the role to improved the welfare of society. Therefore (1) each of coastal areas should be able to get Coastal Economic Fund every year or at least every two years, in amounts more large so that it can meet the needs of economic standards of society in the activities of fishing and other marine products as the main activity of the household economy of coastal communities. (2) the need for mentoring, training in order to improve the quality of human resources in particular to the manager of the tavern coastal and Financial Institutions micro for the handling element EMP more professional empowerment element.
2. In connection with a strong mediating role of social capital on the effect of empowerment EMP to prosperity, the coastal community should maintain and constantly enhance the role of social capital in addition to its human capital in managing to 4 (four) efforts of the EMP empowerment program because so their welfare would be increased

## **REFERENCES**

- [1] Alfiasari .2008. *Analisis Modal Sosial Dalam Pemberdayaan Ekonomi Keluarga Miskin di Kelurahan Kerdung Jaya, Kec Tanah Sereal Kota Bogor*. Tesis IPB tidak dipublikasikan
- [2] Badan Pusat Statistik .BPS 2008. *Profil Kemiskinan di Sulawesi Tenggara, Maret 2008*. BPS Provinsi Sulawesi Tenggara
- [3] Bourdieu, 1986. *The Form of Capital*. In J. Richardson .Ed. *Handbook of Theory and Research for Sociology of Education*. New York: Greenwood Press.
- [4] Coleman, J., 1999. *Social Capital in the Creation of Human Capital*. Cambridge Mass: Harvard University Press.
- [5] Fukuyama, F .1995. *Trust: the social virtues and the creation of prosperity*. New York, Free Press.
- [6] Furukawa S .2000. An institutional framework for Japanese crisis management. *Journal of Contingencies and Crisis Management* 8.1.: 3–14.
- [7] Grootaert, C., 1999, Social capital, household welfare, and poverty in Indonesia, Local Level Institutions *Working Paper No. 6, Washington D.C.: The World Bank*.
- [8] Grootaert, C. dan Narayan, D. 2000. Local institutions, poverty, and household welfare in Bolivia. Local Level Institutions *Working Paper No. 9. Washington, D.C.: The World Bank*.
- [9] Haddad, Lawrence dan John Maluccio .2000. *Social Capital and Household Welfare in South Africa: Pathways of Influence*
- [10] Kamarni .2010., *Analisis Modal Sosial Dalam Meningkatkan Kesejahteraan Masyarakat*
- [11] Kusnadi, 2006. *Filosofi Pemberdayaan Masyarakat Pesisir*. Humaniora, Bandung, 2006.
- [12] Manzilati.2009. *Tata Kelola Kelembagaan . Institutional Arrangement. Kontrak Usaha Tani Dalam Kerangka Persoalan Keagenan. Principal Agent Problem. dan implikasinya Terhadap Keberlanjutan Usaha Tani*

- [13] Meriana ,2008. *Peranan Bantuan Dana Pemberdayaan Ekonomi masyarakat Pesisir (PEMP) terhadap Pengentasan Kemiskinan Keluarga Nelayan Di Kelurahan Pasar Krui Kecamatan Pesisir Tengah Kabupaten Lampung Barat*
- [14] Narayan, D., and L. Pritchett, 1999, Cents and sociability: Household Income and Social Capital in Rural Tanzania, *Economic Development and Cultural Change*, Vol. 47, No. 4: 871-897.
- [15] Putnam, R.D. 1993. The Prosperous Community: Social Capital and Public Life. American Prospect, 13, Spring, 35- 42. In *Elinor*
- [16] Putnam,1993, Robert D .1993. The Prosperous Community: Social Capital and Public Life .The American Prospect No.13 Spring
- [17] Riana Faiza, 2004. *Kajian Beberapa Aspek Program Pemberdayaan Masyarakat Pesisir Nelayan Pengolah Muara Angke*, Makalah PPS- IPB
- [18] Singarimbun M, Effendi S. 1995. *Metode Penelitian Survey*. Jakarta, LP3ES
- [19] Widiastuti .2006. *Program PEMP di kota Semarang Provinsi jawa Tengah*.
- [20] Maluccio,J,L. Haddad, dan J.May. 1999. *Social Capital and Income Generating in South Adfrica 1993-1998*. IFPRI:FCND Discussion Paper No 71.