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BOOK OF ABSTRACTS

The 1st UNICEB 2017

Unimed International Conference On Economics And Business

"Strengthening And Accelerating Economic Growth Of Indonesia In The ASEAN Market"

Garuda Plaza Hotel Medan | December 12th, 2017



Unimed International Conference On Economics And Business
"Strengthening And Accelerating Economic Growth Of Indonesia In The ASEAN Market"

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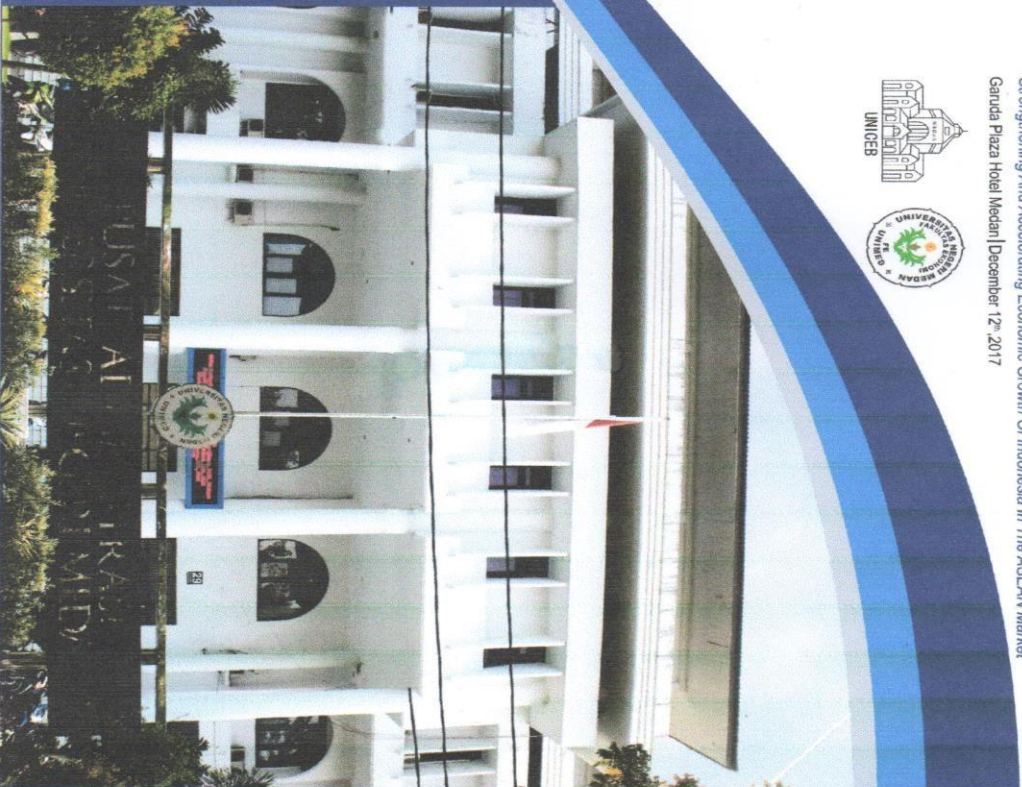


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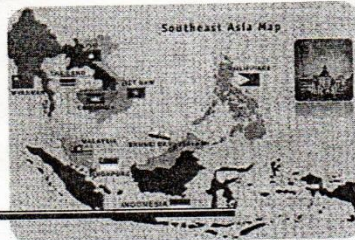
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The 1st UNICEB 2017

Unimed International Conference on Economic and Business
Theme: "Strengthening and accelerating Indonesian Economy Growth in ASEAN Market"
Garuda Plaza Hotel Medan, December 12nd, 2017



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PREFACE

Dear all Participants of The 1st Uniceb, 2017

Welcome in Faculty of Economics
Universitas Negeri Medan

Currently, Indonesia's roles in ASEAN market is very important considering that Indonesia's economic potential is the largest in Southeast Asia Countries. The ASEAN economic cooperation in the ASEAN Economic Community (MEA) does not seem to have a direct impact on the strengthening of the domestic economy. Therefore, it is necessary to collect research finding from the academic, researchers, practitioners and bussines people in obtaining information and data related to the strengthening and accelerating of the role of the Indonesian economy in the ASEAN market based which are the researchs in the last year.

For the reason, Faculty of Economics, Universitas Negeri Medan in collaboration with The Research Council of North Sumatera Province, and North Sumatera chambers of commerce and industry, initiated an event the international conference on Economic and Bussines to collect, discussion and dissemination of the papers, which are expected to be an academic references for economic policy in strengthening and accelerating Indonesian economy growth particularly in ASEAN Market.

The objectives of conference:

1. To getting various ideas and thoughts of the progress of the indonesian Economy in ASEAN Economic Community
2. To facilitating academic forum for researchers, academics and practitioners in Economic and bussines
3. To facilitating the scientific publication of the results of research in the field economics and bussines
4. To collecting research findings as reference for Economic development of particularly in the ASEAN Market
5. to Increasing and contributing academic role in ASEAN Economic Development

Your Sincerely

Medan, 31 Oktober 2017
Dean,

Indra Maipita

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TRANSFORMATION AND DESIGN OF SOCIAL CAPITAL FOR THE SURVIVAL OF SMALL INDUSTRY ENTERPRISE IN KAWANGKOAN DISTRICT MINAHASA NORTH SULAWESI

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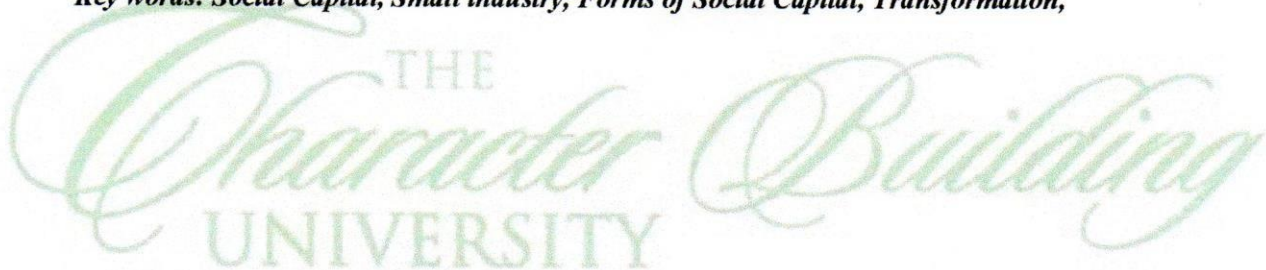
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ABSTRACT

This study aims at revealing the forms of social capital in the economic activities of the small industry *Kacang Tore*, the transformation process of social capital into economic capital and an ideal design of social capital for developing the small industry *Kacang Tore*. The study employs qualitative approach by using taxonomy dan domain analysis. The findings show that the forms of social capital comprise reciprocity, trust, networks, and norm. whereas the transformation process of the social capital into economic capital for obtaining material, information for marketing the product in low cost promotion, accessing financial resources, finding new jobs, knowledge absorption, dan business pioneering and protection. Ideally, the existing social capital is necessarily upheld, however it remains to be in need of improvement in the purpose of handling weaknesses faced by the small industry *Kacang tore*, in turn, maintaining its existence amidst recent strict competitive atmosphere.

Key words: *Social Capital, Small industry, Forms of Social Capital, Transformation,*



1. INTRODUCTION

The number of people in Indonesia experiences drastically increasing growth annually, which therefore brings a considerable dilemma for the government. Moreover, the diminishing farmland accompanied by the increasing number of employment serves as leading cause which enables the role of off-farm employment to be significantly more important. Agricultural sector which previously becomes the main traditional sources for living is no longer capable of providing solution for coping with the number of employment in rural area. The solution offered to overcome this problem is by developing small industries in rural area in order to survive and grow. This becomes the best solution because small industries are proven to contribute greatly to provide new job fields, resources and services as well as to accelerate national economic growth (Putra, 2003:253).

Several studies reveals that small-industry sectors have greatly contributed to the life sustainability of the farmers; moreover, this sector plays an important role as the main element in life survival (Raharjo, 1984:143). This condition accelerates higher expectation on the positive growth of small industries. According to Yustika (2007:18), small industries tend to have positive growth due to several reasons : First, small industries have stronger ability to survive in overcoming the turmoil of economic crisis, so they tend to experience the least impact. Moreover, they can develop better. Second, big and medium industries tend to sink into the flowing of economic crisis, so these industries shift their economic activities into small industries. Small industries which develop in rural social environment contribute to accelerate economic growth. On the contrary, the economic growth particularly small industry is inseparable from social aspects. Fukuyama, one of prominent figures in social capital, states that social capital correlates with economic growth. In his book, Fukuyama writes: *A nation's well being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristics: the level of trust inherent in the society*" Selanjutnya ia menulis bahwa "*social capital represented by trust will be as important physical capital*" (Fukuyama, 1995:26). Similarly, Putnam (1993:32) proves that the economic growth has strong correlation with the existence of social capital. The economic growth in one society will tend to develop much better within the society with following characteristics: (1) the strong relationship among the members of society; (2) the existence of honest leaders who place themselves as the part of society instead of the ruler; (3) reciprocal trust and cooperation among the elements of society (Ancok, 2003:12). In other words, social capital in society serves as the essential aspect for the sustainability of one business in the context of small industry in order to foster economy.

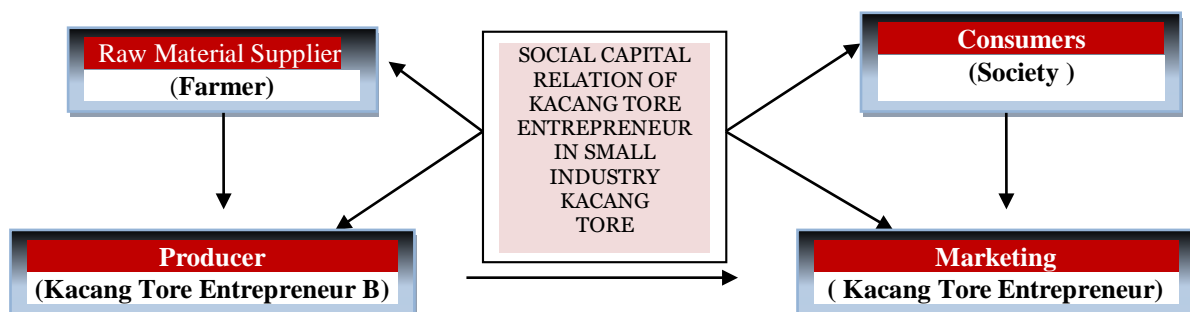
Theoretically, small industry is able to survive under 5 circumstances (Supratikno; in Yustika, 2007:183). First, the small industries develop in fragmented market. Second, small industries produce goods with high elasticity of income. Third, small industries possess high degree of heterogeneity, particularly technology, so small industries can produce wide range of products because the variety of products becomes the most important determinant to ensure the sustainability of small industries. Fourth, small industries are classified in one cluster, so they can utilize collective efficiency (social capital), for example, in the purchase of raw material, the empowerment of skilled employees, and marketing. Fifth, small industries get the advantages from geographical condition. Therefore, the products of small industries automatically obtain protection from this condition because the products from big- scale market is unable to reach the market.

The relationship between social capital and small industries is inevitable because small industries emerge from the social community environment. Therefore, the durability of small industries greatly depends on the existence of social capital. Kartasmita (1996:1) explains that the durability of a business refers to a condition in which a business is able to withstand amidst the internal or external turmoil because the business owner possesses high flexibility in adjusting the development of fast changing business environment.

In this research, small industry *Kacang Tore* in Kawangkoan, Minahasa, North Sulawesi becomes the focus through which the researcher determines the relation framework between social capital and business durability. This small industry is one of widely developing businesses among Kawangkoan society. Kawangkoan is a small city located in administrative area in Minahasa Regency, North Sulawesi Province. The word '*Kawangkoan*' is derived from *Tountemboan* language meaning *wangko* (big). This small city is more renowned as "*the city of kacang tore* " (crunchy peanut). Since 1950, *Kacang tore* business has been rapidly developing, and 109 businessmen have involved in this industry. The existence of this small industry is never apart from the participation of other society groups such as farmers, big retailers, *tibo*, and consumers. Farmers who support the advance of this small industry are approximately 1129, and merchants participating in this business are 41. The number of both farmers and merchant is possible to rise as the number of small industries grows.

This reality indicates that the development of *Kacang Tore* industry inevitable correlates with the prevailing social aspects that emerge and develop within the social life of society. In its development, the sustainability of *Kacang Tore* will never be apart from the existing social relation that continuously grow in every process of financial transaction. In other words, *Kacang tore* business does not solely depend on economic and human capital, but it emphasizes on the existence and contribution of preserved social capital in the life of society. Based on the observation, social capital in *kacang tore* small industry form strong link among the doers of this business. In social life, a mutual relationship emerges, for example, the relationship between farmers as the suppliers of raw material and *kacang tore* entrepreneur. Another strong link persists between traders as the sellers of *kacang tore* and society as the consumer. The link of product and social capital showing the interrelation among the doers of small business *kacang tore* can be seen in Figure. 1.

Figure 1: Link of Social Capital on Small Business *Kacang Tore* in Kawangkoan Regency



Source: The Design of the Researcher

The chain of social relationships vividly illustrates the participation of social capital in maintaining *Kacang Tore* business. Thus, it requires in-depth understanding of the social capital approach to strengthen and empower existing social capital to ensure the sustainability of *Kacang Tore* business amidst recent tight business competition. The transformation of the forms of social capital and the role of social capital into beneficial economic capitals which eventually affect the durability of *Kacang Tore* business is worthy to get more in-depth study. Based on the description above, the purpose of this paper is to analyze and describe: First, the forms of social capital in economic activities of *Kacang Tore* small industries in Kawangkoan. Second, the transformation process of social capital into economic capital *Kacang Tore* small industries in Kawangkoan. Third, the formulation of an ideal design to develop *Kacang Tore* small industries.

2. THEORETICAL FRAMEWORK

Some leading figures in social capital provide various definitions on social capital. Fukuyama (1999:16), *social capital a set informal values or norm shared among members of a group that permits cooperations among them. If member of the group come to expect that others will behave reliably and honestly, then they will come to trust one another. Trust is like a lubricant that make the running of any group or organization more efficient.* Coleman (1988:98), defines social capital as “*variety of different entities, with two elements in common: they all consist of some aspects of social structure, and they facilitate certain actions of actors whether personal or corporate actors within the structure*” . It means that social capital exists in the form of obligation and expectation, information potential, norm and effective sanction, authority relation, and social organization that is effectively utilized and results in social contract.

In its operational activities, this study chooses the definition of small industry instilled by the Central Bureau of Statistics. Central Bureau of Statistics defines small industry as an industry consisting of 5 (five) to 19 (nineteen) employees which are composed of paid blue-collar workers, the owners, and unpaid workers (CBS, 2005). This definition is combined with the definition from Tohar (1999: 1) who defines a small business as a small-scale economic activity which meets the criteria of net worth, annual sales and ownership as stipulated in law. This means that small industries are associated to the small scale economic activities of the people both in terms of labor and financial capital.

3. METHOD

Research on the relationship of social capital and the durability of *Kacang Tore* small industry in Kawangkoan is conducted by applying qualitative research method. Strauss and Corbin (1997:1) define qualitative research as the type of research which results in findings unable to obtain by using statistical procedures or other quantitative methods. In this research, a phenomenon observed is social phenomena related to attitude and social interaction among society in cases that occur in Kawangkoan as the location of the activities of *Kacang Tore* small industry.

Research Focus

As it has been described in the problem formulation and research objectives, the research provides more focus on the following matters:

1. This research will describe the forms of social capital found in Kacang Tore small industries in Kawangkoan.
2. The research focuses on the transformation process of social capital into economic capital in the business activities of Kacang Tore small industries in Kawangkoan.
3. Overview or the design of social capital ideal for the development of Kacang Tore small scale industries in Kawangkoan.

Data Sources

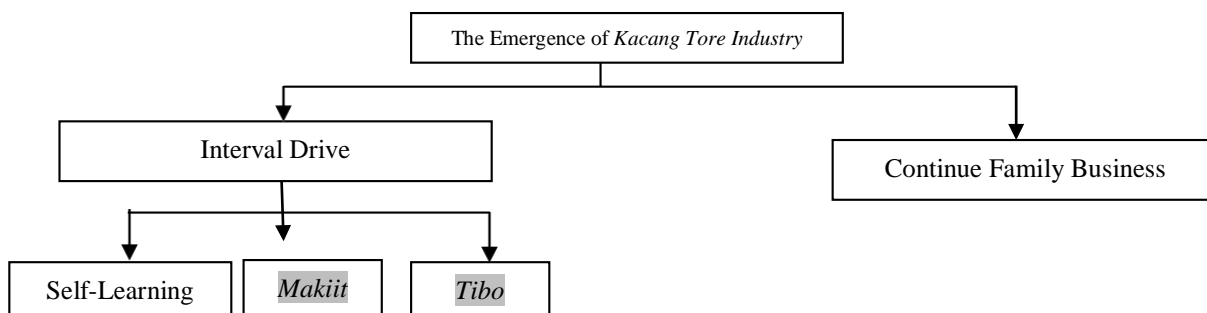
Moleong (1994:112) emphasizes that data sources in qualitative research are words and actions. Moreover, the sources are also in the forms of additional data such as documents, pictures and statistical data. By considering problem formulation, research objectives and focus, data sources in this research are informants, events, and documents. Data analysis used in this research are Domain and Taxonomy analysis.

4. RESULT AND DISCUSSION

The emergence of *Kacang Tore Small Industry*

Considering the origin, *Kacang Tore* entrepreneurs can be classified into two categories. First, the entrepreneurs who start their businesses because of internal drive. This type is still divided into 3 (three) categories based on the emergence process, those are, (a) self-learning; (b) makiit (internship) and, (c) Tibo (retailers who sell someone else's goods). Secondly, people become entrepreneurs because they continue the family business / parents. The in- detailed explanation can be seen in chart 2:

Chart 2: The Emergence of *Kacang Tore* Small Industry in Kawangkoan



The Weakness of *Kacang Tore* Small Industry in d Kawangkoan

The continuity of *Kacang Tore* small industry often faces many obstacles. In observation and interviews conducted during this study, the obstacles found in *Kacang Tore* small industry in Kawangkoan, such as: (1) The difficulty of finding production equipment in the market; (2) Quality control of *Kacang Tore* small industry; (3) inadequate financial capital for business expansion; (4) weak management; (5) marketing information; and (6) tight competition.

Forms of Social Capital of *Kacang Tore Small Industry in Kawangkoan*

This study reveals that the durability of *Kacang Tore* small industry is supported by social capital that grows and thrives in *Kacang Tore* small industry environment in Kawangkoan. The forms of social capital are developed by the owners *Kawangkoan Kacang Tore* small industries together with several parties such as other entrepreneurs, farmers, wholesalers, Tibo and consumers. The forms of social capital are in the form of: reciprocity, trust, network, and norms.

1. Reciprocity (Reciprocal Relation)

Reciprocity is the social capital characterized by tendency of having mutual exchange for kindness among individuals within a group or between the groups (Prasetya, 2008: 1). The existence of reciprocity as the social capital is deeply attached to the continuity of *Kacang Tore* small industry. This findings of the research both observation and interview show that reciprocity as social capital prevails in several patterns of relationships in *Kacang Tore* small business. These patterns are (1) the relationship among *Kacang Tore* entrepreneurs; (2) the relationship of employer and *Kacang Tore* farmers; (3) employers and wholesalers; (4) employers and retailers and, (5) indirectly relation between employers through merchants and consumers.

Reciprocity as social capital can be found in various circumstances: open knowledge transfer, mutual aid, production process instrument, information and communication facilities, lending money, sending cakes, giving bonus and THR (*bonus in the form of money given in Lebaran Day*) as well as discount. The explanation of Stedy Warangkiran , one of *Kacang Tore* entrepreneurs, reveals reciprocity as social capital:

“I was so lucky to previously work as labor in *Kacang Tore* business for years. Thus, I get knowledge about what the industry is and how to run the business. Then, I finally try to start the business, and it is difficult for me to do because I get assistance from Mr. Alfits Sambouw, my father’s relative. He taught me many things and lent me tools for production action at no cost at all. Right now, I continue helping him run business although I have had my own business.

Reciprocity aspect has been so obvious ever since he started running business. Encouragement and open social environment when starting business become strong indications the importance of this aspect in developing and supporting *Kacang Tore* small industry.

3. Trust

Trust as social capital of trust can be seen from good from a good supply of raw materials from farmers. Further, this social capital is embodied in the confidence of entrepreneurs about the quality of the supply, the openness, honesty, loyalty, seed as capital that entrepreneurs give to farmers, mutual trust, agreement on payment, bonuses and THR (holiday allowance), payment system, information exchange, the maintenance of product characteristics, and free from chemical substances-products.

One example of evidences found in field research shows the farmers as raw material suppliers and employers as the buyers of agricultural products, and it forms the relationship between them. The established relationship between these parties can run either in short-term or long-term depending on trust related to the quality of supply for *Kacang Tore* and price. The

entrepreneurs instill confidence among farmers to ensure constant supply of raw materials needed for the business. This condition is experienced by Mr. Alfrits Sambouw:

"Running *Kacang Tore* business is tricky. It is so risky if I do not get the qualified raw materials, such as *Pesel* (empty nut), small and deformed nut, the shape of nut that does not meet the requirement of market; However, I do not have to worry anymore because I have five farmers who become my suppliers. Then, it is no longer difficult for me to obtain raw materials with good quality. I also lend them money to buy seed as the capital if they have inadequate capital to cultivate peanuts.

From this explanation, it is obvious that the relationship between entrepreneurs and farmers is strengthened by trust. Farmers feel confident and believe that the business owners will purchase their agricultural products. The business owners also have a belief that the supply of raw material remained constant, so the production process continues running. Thus, their business sustains.

3. Network as Social Capital in *Kacang Tore* Small Industry in Kawangkoan

Network as social capital that *Kacang Tore* entrepreneurs have built enables an easy access for free information about business opportunity, access to raw materials, sense of belonging, strengthening business commitment, anticipation against the influence of other parties in business activities, fair treatment from other entrepreneurs, easier chance for selling products, and assurance for the fulfillment of consumers' taste and better service for reaching customer satisfaction.

The entrepreneurs build their network through consistency and quality of *Kacang Tore* supply for them in order to ensure the income stability of the sellers. This is also important to grow close relationship with sellers and the products of the entrepreneurs. Following is the explanation from *Kacang Tore* seller, Mrs. Margoce Sondakh, 55 years old, and lives in Kinali Village.

"I have built network with Mr. Alfrits, Mr. Max Simbawa and Mr. Hence for years. I have one shop where I particularly sell *kacang tore*, and all of them are my suppliers for *kacang tore*. Every month, three of them must supply *kacang tore* for 4500 litre. I do not easily accept *kacang tore* from other suppliers. I do not want that *kacang tore* *Virgin* that I sell in my shop will have different quality and taste.

The explanation reveals that the network of social capital has encouraged the selection on priority upholding the marketing of *kacang tore* from the business owners, and it eventually raises economic benefits. Social networks are also useful when business sellers prevent the possibility of product's low quality. It is expected that the quality and taste of the products do not have so far differences, so the products in the market can be testified excellence.

4. Norms

The society in Kawangkoan still uphold norms and cultural values reflected in their daily life. They still maintain custom called "Mapalus", a form of cooperation developing among the Minahasa community which requires them to help each other (*me-lo'or2an*) and to support each other (*men-sulesulean*) to face obstacles in life as both individuals and groups. Besides,

they still faithfully uphold the view of life embedded in slogan *sitou timou tumou tou* (a person lives to give life to others), and this slogan serves as strong social capital to anticipate negative attitudes such as cheating and individualism which threaten the sustainability of *Kacang Tore* industry. Mr. Alfrits explains the benefit of having active participation in *Mapalus*:

“ I have lived in Kawangkoan for eighty years. The society persistently uphold *Mapalus* as the cultural value although only few of them still perform this in their lives. I am so grateful though because the value passed down from our ancestor becomes my guideline for undergoing life and managing my *kacang tore* business. As a result, my business is going strong until now.

This statement underlines the correlation of *mapalus* which emphasizes the spirit of togetherness in the network membership and business durability of *kacang tore* industry. Relationships developed through *mapalus* bind entrepreneurs in social aspect, and provide social sanction for individuals who violate it. Social sanction can be in the form of alienation from social activities and activities in *kacang tore* business circles. Therefore, this effort is socially reinforced by the normative values of *mapalus*.

In short, social capitals such as reciprocity, trust, network and norms have inevitable contribution on the development and business durability of *kacang tore* small industry. The in-detailed description of social capitals in *kacang tore* small industry in Kawangkoan is vividly presented in Chart 3.

The Transformations of Social Capital into Economic Capital.

Transformasi is derived from *transformation*. *Transform* (Neufebet and Guralnik, 1988:1) is defined as changes, and transformation refers to the process of changes. Tonkiss (2004:11) states that social capital has economic value if this capital is beneficial for individu and groups, for examples, to access financial sources, to get information, to find jobs, to start business, and to minimize transactional cost. The existence of social capital in *kacang tore* small industry becomes so important when this social capital can serve as economic capital for it can raise profit for the business owners. Thus, social capital opens the chance for the accumulation of economic capital related to fund, cost and price. The transformation process of social capital into economic capital are beneficial for the business owners of *kacang tore* small industry in the following aspects:

1. To obtain raw materials

The social capital which exists and lives in society provide amenities for business owners, so they do not have to find difficulties in obtaining raw material for *kacang tore* in many places. From the economic aspect, this activity consumes much money used for both transportation and consumption. The condition results from the assurance from the farmers that they will continuously supply the raw material, and in the good social relationship, they voluntarily inform the availability of raw material. Mr. Max Sumbawa explains as follows:

“I am a lucky person because every time any farmer needs money for their business, I am always able to give loan to them. However, they pay their debt by giving the result of their harvest to me at no cost. Just imagine, if I take the raw material by myself, I will

spend much cost. The cost is even higher if I use labor. One delivery process will spend Rp. 100.00, so imagine how much money I spend for 5 delivery processes.

The explanation from Mr. Max Simbawa reveals the financial benefit he gets as the result of social capital he has given previously. He obtains maximum benefits because he does not have to spend money for delivery process which costs Rp 100.000 per each.

2. To Sell Product

Marketing process by simply relying on existing economic capital will impose such difficulties for employers to maintain their business. When employers have to always provide promotional costs for marketing their products, they will spend huge expense to reach wider scope of buyers. However, a different case can be found in the way how Mr. Alfrits, one of businessmen, utilizes social capital. He explains:

“My business remains exist because I keep building good relationship with everyone regardless any constraints. However, I still face obstacles. Taking a participation in changing market of *kacang tore* small industry does not give me any difficulties because trust and network which have been long established with relatives, friends, and colleagues enables me to do everything much easier. I no longer have doubt to market my *kacang tore* product to everyone. They also know the quality of my product.

It means that social capital of the business owner has been transformed through the reduction of marketing cost in embracing more promising and bigger market. The amount of marketing cost has been covered by social capitals that exist in the social relationship built between entrepreneurs and various parties.

3. To get information on the consumer's taste.

Information is an extremely important for everyone having good qualification in business activity. For *kacang tore* small industry, the availability of credible information becomes one of influential elements in determining the business durability, particularly information from consumers related to taste and product quality. Social capital can be utilized in the effort to access customers' taste as Mr. Hence has stated as follows:

“Every time a new customer wants to buy, my old customers will inform us, and we simply contact this new customer via phone for the transaction. Similarly, our business partners in many places also inform us if they know new competitors, so we can increase the quality of our products or give additional value for our product to excel other products.

This explanation explores social capital that exists within good social relationship, and it provides more chances for the business owner to access information from the consumers in two aspects. First, the information on prospective buyers. Second, information which determines the existence of business by social capital with minimum cost but maximum results.

4. To access financial sources

Any experiences in which the business owners face difficulties to obtain capital related to the purchase of raw material, the provision of location and the packaging cost are the most common obstacles in the development of *kacang tore industry*. Therefore, these facts encourage the business owner to seek support from other parties which are able to provide solution on the distribution of financial aid. The most common institution able to give support is bank located near the area where someone starts the business. However, the problem becomes complicated because it not an easy thing to access financial aid to support the business. Social relationship between the business owners and the sources of financial aid serves as the key unlocking those problems. Mr. Adri Mentang, one of business owners who gets financial aid from the government, explains that:

"I am so lucky in running this business because I get financial aid from the bank. Previously, it was such a difficult thing to do because most producers do not have any guarantee. However, the good relationship with all involving parties such as the government and bank as well as *kacang tore* consumers makes everything become possible such as getting loan from bank which support my *kacang tore industry*.

This explanation vividly describes that access on financial sources is possible by establishing intensification of social capital with loan-giving institutions. At this point, social capital reaches its economical function because it solves problems of financing the business and gives benefits to the owners.

5. To Find A New Job

The involvement of the owners of *kacang tore industry* is possible to begin by helping of other entrepreneurs, and the stakeholders trust them to run their own business, so they get knowledge how to produce *kacang tore*. This condition is the most common leading cause for the involvement in this business. This action triggers others to run their own business by faithfully upholding value existing within the society. This value is well known as "*sitou timou tumou tou*" (living for the sake of others' life), and it was coined by DR.GSSJ Ratulangi, a national hero and the first governor of North Sulawesi.

6. To Absorb Knowledge

The undeniable influence of social capital for *kacang tore industry* is seen from openness aspect which means that the business owners always share knowledge about the production of *kacang tore*. The business owners never keep knowledge on *kacang tore* production away from everyone interested in taking participation in *kacang tore industry*. The interview with Mr. Max reveals:

"Previously I don't know how to produce peanut to be *kacang tore*, but my neighbor always asks me to help during the process of *kacang tore* production. They teach me how to produce this product in an excellent way. Finally, I know how to produce *kacang tore* well.

The interview explains the free-cost and open transfer of knowledge from one employer to another. The social relations between the two parties enables this process to happen. This condition can also be interpreted as the transformation of social capital into economic capital.

In general, the transformation process of knowledge involves a high-cost learning process; however, if this knowledge is freely obtained, it can tremendously reduce economic cost.

7. To Protect the Business

Social capital either associated with reciprocity and trust or networks will also be transformed into economic capital within the framework of the protection effort. This protection is important to maintain the existence of the business from any turmoil that may arise due to external and internal factors. It was previously mentioned that the value of *mapalus and sitou timou tou* as the philosophy of life deeply rooted in Kawangkoan society, where kacang tore business flourish serves as crucial social capital. This notion is proven from the benefits of these traditional values in protecting businesses from unfair competition. *Mapalus* emphasizes that togetherness has encouraged business owner to perceive other business owners as the partner with whom they help or get assistance from to achieve mutual success. Mr. Alfrits Sambouw explains:

“Here, we have mapalus group whose name is *maulit (persistence)*. Most members have business in kacang tore production. Mapalus tends to *social group*. Since most members participate in kacang tore business, we need to support each other in business because we think that we have something in common.

This explanation shows that togetherness as cultural value deeply embedded in mapalus tradition indirectly serves social capital which transforms into economic value. Social capital can be changed into economic capital leading to reducing cost spent and economically increasing income. Chart 4 provides more detail transformation process of social capital to economic capital.

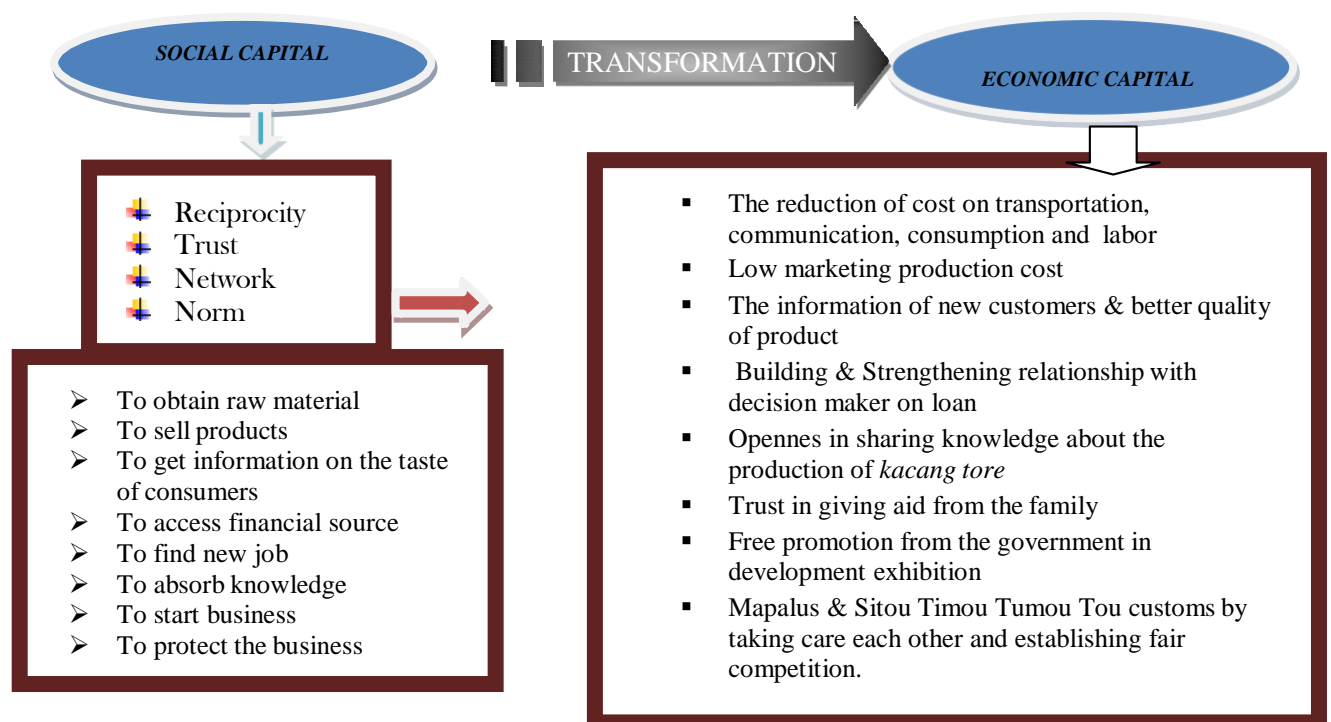


Chart 4: Transformation of Social Capital Into Economic Capital

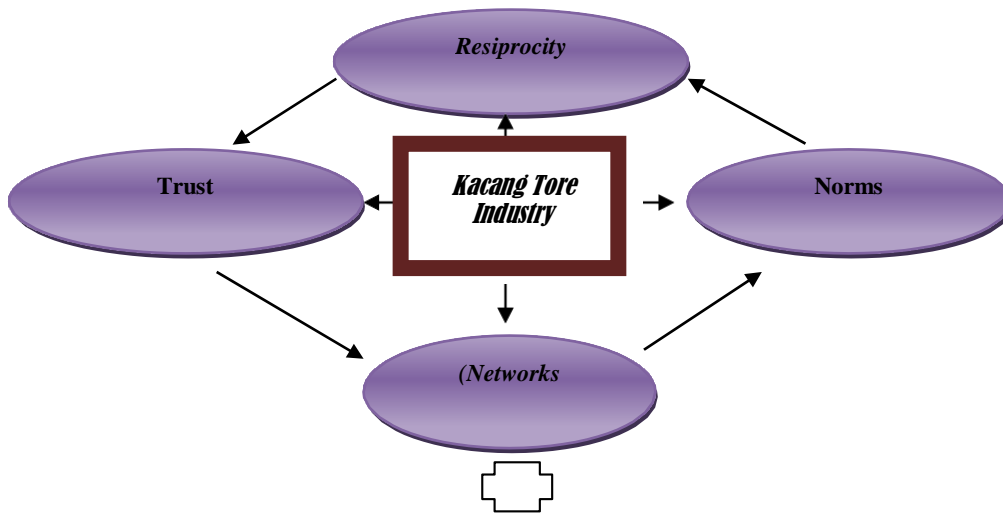
Design of Ideal Social Capital for the Development of *Kacang Tore Small Industry*

To establish ideal social capital to develop *kacang tore* small industry is a future objective. According to Indonesian dictionary, Wikipedia (2009), ideal *ideal is a principle or value that one actively pursues as a goal*. William James also reveals similar notion by stating that *ideal* is like stars on the sky, so someone chooses one star as the guidance to follow the expected objective. The similar description happens in *kacang tore* small industry since business owner always faces many obstacles in running the industry. Thus, better development should be maintained to achieve mutual objective.

The framework for designing social capital has proven to be effective to support the durability of *kacang tore* industry; therefore, it refers to an understanding that business practices performed under the coverage of social capitals are integrated. It means that each social capital can not stand alone; instead, they become one unity that influences each other. Ideally, well-established social capital must be maintained. Although reciprocity, trust, network, and norms have been well-implemented, a special institution aiming at maintaining togetherness to reach mutual objective needs to be established in the form of *rukun (social group)*.

The establishment of *rukun* is important for *kacang tore* business owner to minimize all obstacles to achieve ideal social capital. The aspects include: (1) the provision of production tools that are difficult to get individually; (2) the increase of business owners' awareness to maintain the high-quality *kacang tore* in order to ensure customers' satisfaction; (3) the establishment of funding network into finance institution; (4) informal education for enriching the knowledge of business owner as the manager; (5) the marketing expansion by achieving accurate and useful information for the success of *kacang tore* industry; (6) the minimization of negative competition among the business owner by strengthening the unity to compete with the owners of other business types. Chart 5 presents detailed explanation on the ideal social capital for the development of *kacang tore* industry.

Chart 5: Ideal Social Capital on *Kacang Tore* industry in Kawangkoan



- ✚ Establish RUKUN:
 - ✚ the provision of production tools that are difficult to get individually
 - ✚ the increase of business owners' awareness to produce the high-quality kacang tore
 - ✚ the establishment of funding network into finance institution
 - ✚ informal education for enriching the knowledge of business owner as the manager;
 - ✚ the marketing expansion by achieving accurate and useful information for the succed of kacang tore industry;
 - ✚ the minimization of negative competition among the business owner by strengthening the unity to compete with the owners of other business types.
- ✚ Establish network with other institutions in free knowledge transfer

5. CONCLUSION



Based on the explanation on the result of research and field observation on the relation of social capital and the durability of *kacang tore* small industry in Kawangkoan in order to provide discussion of the research findings, some concluding remarks can be presented as follows:

1. *Kacang tore* small industry in Kawangkoan has strong durability. The durability in running this business is inseparable from the influence of strong social capital. The existing and supporting social capitals in *Kacang tore* small industry in Kawangkoan consist of 4 types : (1) *Reciprocity*; (2) *Trust*; (3) *Networks* and, (4) *Norms*.
2. Norms as social capital in *Kacang tore* small industry dominantly influence other social capitals such as reciprocity, trust, and network. Norm is deeply rooted on mapalus as the philosophy of life which covers the slogan *sitou timou tumou tou* (*living for the sake of others*), and it becomes strong social capital in protecting the implementation of social capitals in *Kacang tore* small industry

3. Reciprocity as social capital in *Kacang tore* small industry is the forms of: open knowledge transfer, help each other on the instrument of production process, the easier access on the information and communication, loan, sending cakes, giving bonus and holiday allowance as well as discount.
4. Trust as social capital of trust can be seen from good from a good supply of raw materials from farmers. Further, this social capital is embodied in the confidence of entrepreneurs about the quality of the supply, the openness, honesty, loyalty, seed as capital that entrepreneurs give to farmers, mutual trust, agreement on payment, bonuses and THR (holiday allowance), payment system, information exchange, the maintenance of product characteristics, and free from chemical substances-products.
5. Network as social capital that *Kacang Tore* entrepreneurs have built enables an easy access for free information about business opportunity, access to raw materials, sense of belonging, strengthening business commitment, anticipation against the influence of other parties in business activities, fair treatment from other entrepreneurs, easier chance for selling products, and assurance for the fulfillment of consumers' taste and better service for reaching customer satisfaction.
6. Social capital transforms and provides economic benefits. In *Kacang Tore industry*, the transformation of social capital to economic capital is characterized by the cost reduction and benefits for the business owners in (1) Obtaining raw material; (2) selling products;(3) getting information on the taste of consumers; (4) accessing financial source; (5) finding new job; (6) absorbing knowledge; (7) starting business: and (8) protecting the business
7. Social capitals established in *kacang tore* small industry need maintaining. However, it would be more ideal if those social capitals such as reciprocity, trust, network, and norms involve in one institutionalized social organization namely *rukun* to minimize all obstacles to achieve ideal social capitals.

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