

CHARACTERISTICS OF SOCIAL CAPITAL AGRIBUSINESS MICRO FINANCIAL INSTITUTIONS OF AGRIBUSINESS (MFIA) IN PADANG CITY

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ABSTRACT

The role of social capital in micro-small businesses is very important, especially in Agribusiness Micro Finance Institutions (MFIA). The presence of this LKMA can help small businesses to gain access to better financial services with easier requirements. This study aims to describe how the characteristics of social capital contained in Microfinance Institution of Agribusiness (MFIA). The research was conducted at LKMA in Padang City. The sampling technique used is purposive sampling, namely MFIA whose status is active, legally incorporated and Financial Services Authority (OJK). Data were obtained from two MFIA, namely MFIA Saiyo Sakato in Padang Besi District and MFIA Mutiara Sejati in Koto Tengah District. The research method used was descriptive qualitative by using scoring on aspects of social capital. The results show that the social capital contained in MFIA were aspects of trust, network and norms. The existence and sustainability of LKMA was based on the strength of trust that was built between the management of MFIA and members of MFIA. The aspect of network strength that supports the development of MFIA was that its members were scattered in every kelurahan in Padang City. The aspect of social norms that support the sustainability of the MFIA. From the results of this study it is hoped that the power of social capital has a good impact on the sustainability of the agribusiness microfinance institution (MFIA).

Keywords: *microcredit, MFIA, network, norm, trust*

BACKGROUND

The agricultural sector is an important sector for the State of Indonesia. This is because the agricultural sector in its performance can become a driving sector for national development. Agricultural development cannot be carried out properly only by the Farmer's Household (RTP) itself but must be supported by institutions and increased human resources (HR). The agricultural sector is an important sector for the State of Indonesia. This is because the agricultural sector in its performance can become a driving sector for national development. Agricultural development cannot be carried out properly only by the Farmer Household (RTP) itself but must be supported by institutions and increased human resources (HR).

The success of agricultural development can be supported by several basic conditions, namely the existence of markets for agricultural products, developing technology, availability of materials and means of production and smooth transportation. One of the facilitating conditions for achieving Characteristic of Social Capital Agribusiness MFIA in Padang City (Analia et al., 2023)

development is a financial institution that supports the farming carried out. Financial institutions are one way to support farmer capital. The capital problem that occurs in farmers is the difficulty of administrative requirements to obtain capital and there are guarantees that are burdensome for farmers in banking institutions. The capital problems faced by these farmers have led the government to launch a Rural Agribusiness Development (PUAP) program aimed at alleviating poverty and creating jobs (Kusumaningtyas & Daryanto, 2012).

The capital problems faced by farmers can be overcome, one of which is the existence of an agribusiness microfinance institution (LKMA) which was formed to manage PUAP funds. Where the funds will be managed by the management of LKMA and then Gapoktan as the object that will obtain the funds as a revolving fund. With these funds are expected to increase productive economic business. Thus, farmers who use PUAP funds have an obligation to return these funds to LKMA to be rolled back to other farmers in the Gapoktan concerned (Utami et al., 2015). Because these funds are managed to be rolled out to individuals in a group, it is necessary to have social capital that needs to be invested in each group member so that the PUAP program can run well.

The parameters of the success of MFIA performance are measured by the institution's ability to channel and manage PUAP funds effectively and develop them so that PUAP funds accumulate from time to time. One of the effectiveness of the management and distribution of PUAP funds is determined by the ability of LKMA to reach as many farmers as possible who really need assistance to strengthen capital for their business activities. Given the expanding reach of the MFI model, attention is currently centered on program sustainability (Utami et al., 2015)

As for the fund management system in MFIA, there are principles of MFIA fund management as follows: (a) MFIA capital must be sourced from its own members (self-help), (b) MFIA members have a high sense of belonging, (c) Membership is open and voluntary, (d) Credit/loan/financing services are only provided to MFIA members only, it should not be to non-members, (e) Develop quality and professional services, business and socially oriented, (f) Can value the services, abilities and productivity of people in a decent and rational manner, (g) Mutual trust, (i) Strive to achieve economies of scale or decent business volumes that guarantee income generation, to finance professional services to members, growth and preservation, (j) Allocate sources of income for educational activities continuously for the progress of members and their families, (k) MFIA carries out financial service activities to support the efforts of its members, (l) Building a network of cooperation between MFIA and other wider institutions on the basis of mutual respect and mutual development (Kamira in Nyla, 2013).

Social capital is defined as the relationship or association created between human beings in the form of mutual trust, understanding, similarity, values, and behaviors that give rise to strength not only in economic aspects but also in every other aspect of social existence (Cohen & Lrusak, 2001), everything refers more to the individual dimension, namely the power and expertise that the individual has. Social capital is not built only by one individual, but rather will lie in the growing tendency within a group to socialize as an important part of its inherent values. One of the successes of building social capital lies in the ability of a group of people in an association or association to involve themselves in a social relationship (Hasbullah, 2006).

State of the art, this study uses social capital theory. Social capital that exists in Micro Finance Institution. The local wisdom of West Sumatra is believed that social capital is the most basic thing and is embedded in the Minang community (bonding social capital). The results of research related to the role of social capital for MSEs in Padang City, West Sumatra state that social capital has existed for generations in Minangkabau culture and society. Social capital is a strength or resource that is inherent in individuals and Minangkabau society. This can be seen from how they apply the principles of *Adat Basandi Syarak Basandi Kitabullah* that are inherent in their culture.

RESEARCH METHODS

Research Location

This research was conducted at the Microfinance Institution of Agribusiness (MFIA) of Padang City, namely at MFIA Saiyo Sakato in Padang Besi District and MFIA Mutiara Sejati in Koto Tangah District with the criteria for active status, legal and Financial Services Authority (OJK). Selection of the location was carried out intentionally (purposively) because it was believed that this MFIA was an active MFIA that gathered members, namely small micro business-actors in the city of Padang. The population is the totality of all possible values, both the results of calculations and measurements, quantitative or qualitative rather than certain characteristics regarding a complete and clear set of objects, which becomes the population where based on the initial survey of research, the members of MFIA are 120 people. In taking respondents, respondents were taken by simple random sampling. Respondents taken were as much as 50%. So that the number of respondents obtained was 60 people.

Data Collection

The primary data were used in this study. The data collection method is to use a questionnaire and analyzed descriptively qualitatively using a Likert scale with a scale of 1 to 5. Social capital analysis of MFIA in Padang city using 3 scales, namely low, medium and high scale. The criteria for the low scale was respondents with numbers 1-20 people, then the middle scale were respondents with numbers 21-40 people and the high scale was respondents with numbers 41-60 respondents. The number of respondents were obtained from the results of the consumer assessment in the 5-point category which was calculated with the following formula:

$$\frac{\text{highest value} - \text{lowest value}}{\text{number of categories}}$$

The variables and indicators used in identifying aspects of social capital in the MFIA were:

1. Trust Aspects consisting of:
 - a. Trust in the credit distribution system
 - b. Trust in the MFIA organization
 - c. Trust in the government (the role of extension workers)

- d. Trust in the surrounding environment
2. Norm Aspects consisting of:
 - a. Willingness to comply with credit standard operational procedures (SOPs)
 - b. Utilization of credit that is right on purpose
 - c. Timely credit return
 - d. Religious values in relation to the MFIA and members
3. The Network Aspect consists of:
 - a. Customer product innovation
 - b. Ease of obtaining information
 - c. Ease of access to loans
 - d. Cooperation with private parties

RESULT AND DISCUSSION

Identity of Respondents

The profiles of respondents in this research are presented in Table 1. The gender of the respondents were 85 % women, aged between 15-64 years (86.67%) with married status (95%), and the majority (42%) was has primary school education. A person's gender is a natural condition and nature of the creator. Gender differences with their respective characteristics illustrate the level of difficulty of the work a person is involved in. The table data above shows that more members of MFIA who make loans to MFIA are done by women. This is in accordance with Wahyono's opinion in Desi (2014) that proper handling and placement of the right work position It will also increase effectiveness and productivity as a trigger for the success of a business.

Age is one of the factors that can affect a person's work productivity. The data above shows that 74.19% of respondents are of productive age, namely 15 - 64 years, this means that the average member of MFIA is still in the productive age group to do work or run a business. A person's ability to work is strongly influenced by the age factor. This is in accordance with Swastha's opinion in Desi (2014) which states that a person's level of work productivity will increase according to age, then will decrease again towards old age. one's work productivity.

A person's educational level is an indicator that reflects a person's ability to be able to complete a type of work or responsibility. With an educational background a person is considered capable of carrying out a particular job or responsibility given to him. In the education agribusiness business, of course, it is hoped that it can help the community in efforts to increase production and productivity in the sub-agribusiness. An adequate level of education will certainly have an impact on the management capabilities of the agribusiness that they are involved in.

Table 1. Respondent Profile

No	Variable	Values (%)
1.	Gender	
	Man	11
	Woman	82
2.	Age	
	< 15	0
	15 - 64	86.67
	≥ 65	13.33
3.	Marital Status	
	Unmarried	51.3
	Married	48.8
4.	Education Level	
	Elementary School	42
	Junior School	23
	High School/Vocational School	33
	Bachelor	2

Source: Primary Data, 2022

Social Capital of Microfinance Institutions of Agribusiness (MFIA)

The concept of social capital arises from the idea that members of society are likely not capable to cope with the various problems individually. It is necessary to have good togetherness and cooperation from all members of the community who are interested in overcoming these problems. The interaction will bear the social capital in the form of emotional bonds that unite people to achieve common goals, which fosters trust and security created by the existence of relatively long relationships.

Lawang (2005), wrote down the three components of social capital, namely trust, norms (social values), and networks. Trust is needed to build cooperation, reduce transaction costs and save the use of resources that are demonstrated by the existence of honest, orderly, and cooperative behavior based on the norms that are shared. Norms consist of understandings, values, expectations, and goals that a group of people believe and carry out together in the form of general rules, penalties, rules of the game, and social rights to control one's actions by others are needed to suppress opportunistic behavior. A network is a dynamic infrastructure that takes the form of networks of cooperation between people and it facilitates the occurrence of communication and interaction that allows the emergence of trust and strengthens cooperation.

The results of the research show that the aspect of social capital can strengthen the sustainability of this MFIA. The trust that is built in MFIA members is able to increase the strength of the network that will support participants in obtaining assistance, one of which is financial assistance in developing their business.

Trust

Trust is a form of desire to take risks in social relationships based on a feeling of confidence that others will do something as expected and will always act in a pattern that supports activities in the MFIA. Based on the results of the social capital sub-variables of trust in the Padang City MFIA can be seen in Table 2.

Table 2. Trust Category in MFIA at Padang City

No.	Sub Indicators	Number of Respondents (People)			Sum	Categories By Number of People	Indicator Categories
		Percentage (%)					
		Low 0-2.5	Medium 2.6-4.6	High 4.6-5			
1.	Trust in the Lending System	0	50	10	60	Mid	
		0	83	17	100		
2.	Trust in the MFIA organization	0	51	9	60	Mid	
		0	85	15	100		
3.	Trust in Government Policy (KP)/The Role of Extension Workers	0	57	3	60	Mid	Medium
		0	95	5	100		
4.	Trust in the Business Support Environment (KL)	0	29	31	60	High	
		0	48	52	100		

Source: Primary Data, 2022

Based on Table 2 above, it can be seen that the trust in MFIA in Padang City is in the medium category. From the results of the study it was found that members believed in the credit distribution process carried out by MFIA This means that the distribution of credit given by the MFIA management is transparent to all members. In addition, from the results of this study it was found that the sub-indicator of trust in government support has a high score. This indicates that the government believes that the existence of MFIA can provide benefits in efforts to reduce poverty and can improve the welfare of members

Fukuyama (2001), stated that *Trust* is an attitude of mutual trust in society that allows the community to unite with each other and contribute to the improvement of social capital. According to Putnam et al., (1993) *rust* or mutual trust is a form of wanting to take risks in social relationships based on a feeling of confidence that the other will do something as expected and will always act in a pattern of mutually supportive actions, at least the other will not act detrimental to themselves and their group.

Norms

Norms are a set of written and unwritten rules that are followed by the MFIA members to control the behavior of all members in the community. Results on the sub-indicators variables of social capital regarding norms (norms) in the Padang City MFIA, is presented in Table 3.

Table 3. Norms Category in MFIA at Padang City

No.	Sub Indicators	Number of Respondents (People)			Sum	Categories By Number of People	Indicator Categories
		Percentage (%)					
		Low 0-2.5	Medium 2.6-4.6	High 4.6-5			
1.	Willingness to fulfill credit SOPs	0	35	25	60	Mid	
		0	58	42	100		
2.	Willingness to use credit appropriately	0	50	10	60	Mid	
		0	83	17	100		
3.	Willingness to return credit on time	0	46	14	60	Mid	Medium
		0	77	23	100		
4.	Religious values in living Social Relationships with community	0	52	8	60	Mid	
		0	87	13	100		

Source: Primary Data, 2022

Based on the table above, the scores or weights obtained based on the answers of MFIA Padang City members to norms are in the medium category. This means according to the respondent's response that the norm in MFIA is high. The regulations made by MFIA are repaying the loan according to a specified time period and attending deliberations. On average, members can comply with the regulations made by the MFIA management, that is, members have the awareness to comply with the regulations made by MFIA Then the MFIA funds are the capital used for agribusiness businesses so that members who borrow must use these funds according to their goals, then members have used these funds according to the goals of MFIA, namely for agribusiness businesses, and members have a sense of responsibility to return the loan because of the realization that

Borrowing is debt and must be returned. Mardikanto et al. (2014) stated that norm is a set of rules that are expected to be obeyed and followed by members of society at a certain social ethnicity. Norms are usually institutionalized and contain a social penalty that can prevent individuals from doing something deviating from the prevailing habits in their society. This is in accordance with the opinion of Syahyuti (2008), which stated that norms provide effective social control, not written but

become a guide to determine the patterns of behavior expected of people in a society, namely behaviors that are considered good in society.

Each member who borrows must comply with all regulations set by LKMA. The regulations are repaying the loan according to the specified time period and attending deliberations. The results of the study show that members have the awareness to comply with the rules made. Funds lent to members must be realized in accordance with business objectives so that all members have a sense of responsibility to return loans because of the awareness that borrowing is debt and must be returned.

Network

Granovetter (1973), reveals that a network is a series of regular relationships at equal social relations between individuals or groups. This network will be a medium of communication and interaction that generates trust and strength of cooperation. A close network will strengthen the feelings of cooperation of its members and the benefits of its participation. Based on the results regarding the sub-variables of social capital regarding the network in the Padang City MFIA can be seen in Table 4.

Table 4. Network Category in MFIA at Padang City

No.	Sub Indicators	Number of Respondents (People)			Sum	Categories By Number of People	Indicator Categories
		Percentage (%)					
		Low 0-2.5	Medium 2.6-4.6	High 4.6-5			
1.	Customer business	19	41	0	60	Mid	Medium
	conditions	32	68	0	100		
2.	Ease of obtaining	0	51	9	60	Mid	
	information	0	85	15	100		
3.	Ease of access to	0	49	11	60	Mid	
	loans	0	82	18	100		
4.	Cooperation with	57	3	0	60	Low	
	the private sector	95	5	0	100		

Source: Primary Data, 2022

The results showed that the network existing in the MFIA of Padang was in the medium category, namely the ease of obtaining information to develop customer businesses. The concept of networking in social capital focuses more on the aspect of bonding between people or groups. The existence of social relations is bound by trust in which trust is maintained and maintained by existing norms. Networks are formed due to the presence of mutual curiosity, informing reminding, and helping each other. Lawang (2005), stated that networks in social capital refer to all relationships with people or groups that allow activities to run efficiently and effectively. The research results show that the strength of the network will be able to maintain the sustainability of MFIA. Trust that is built Characteristic of Social Capital Agribusiness MFIA in Padang City (Analia et al., 2023)

among members will strengthen cooperation with external parties MFIA. The network that is built can facilitate access to information and ease of information with a level of 85%.

CONCLUSION AND SUGGESTION

From the results of a study on the characteristics of social capital in Agribusiness Microfinance Institutions in Padang City, it was found that the aspect of trust that has the highest percentage is trust in government support in an effort to increase the success of MFIA. In the aspect of norms, the highest percentage which increases the success of MFIA is religious rules in group life. In the network aspect, the highest percentage is open access to information that will support the success and development of MFIA. The trust that is created will strengthen relations with outsiders of the MFIA, namely the support from the local government for the sustainability of this MFIA. MFIA is a forum that can be used by business actors to support their business capital. The aspect of social capital created by members will be able to strengthen the existence of the LKMA so that its role can reduce poverty and increase the income of business actors. In addition, support from the local government in the sustainability of this LKMA.

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