

中原大學

Chung Yuan Christian University



October 18<sup>th</sup>, 2018

To: Universitas Warmadewa

Dear Dr. Putu Ngurah Suyatna Yasa, SE, M.Si

Dr. Ni Wayan Sitiari, SE, MM

Dr. I Made Suniastha Amerta, SS, M.Par

Dr. Drs. Anak Agung Gede Raka, M.Si ✓

On behalf of Industry Accelerator & Incubation Center, Chung Yuan Christian University, I would like to invite you to deliver a speech in a seminar entitled "The Role of Local Wisdom in Supporting the Growth of SMEs in Bali, Indonesia". The purpose of the seminar is to share how the local Balinese support the SMEs and benefit the local ecosystem. The information of the seminar is shown as below:

Date	Time	Agenda	Venue
Nov. 14 <sup>th</sup> , 2018	10:00   12:00	Topic of the Seminar: The Role of Local Wisdom in Supporting the Growth of SMEs in Bali, Indonesia	<u>Chung Yuan Christian University</u> 2F of EOOIA Building

Best Regards,

Prof. Dr. Ta-Chin Wei

Vice Dean & Director of Office of International and Cross-Strait Education  
Chung Yuan Christian University  
Chungli District, Taoyuan, Taiwan

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Specialist of Industry Accelerator & Incubation Center  
Chung Yuan Christian University





## 2019 International Innovation & Entrepreneurship Program

This certificate of Appreciation  
is presented to

Dr. Putu Ngurah Suyatna Yasa, SE, M.Si

as a keynote speaker of an international seminar THE ROLE OF LOCAL  
WISDOM IN SUPPORTING THE GROWTH OF SMEs IN BALI  
in 2019 International Innovation and Entrepreneurship Program

*Awarded on Feb. 23<sup>rd</sup>, 2019*

In recognition of active and invaluable participation during the conduct of the "2019  
International Innovation and Entrepreneurship Program"

**Organizer :**

- Resource Center for Indonesia Economic and Industry-Academy Cooperation
- Chung Yuan Christian University

**Co-organizers :**

- National Central University
- Yuan Ze University
- National Taipei University of Technology

*Ta-Chin Wei*

Prof. Dr. Ta-Chin Wei  
Vice Dean of Office of  
International and Cross-Strait Education



# THE ROLE OF SOCIAL CAPITAL TO BOOST THE GROWTH OF SMES IN TOURISM SECTOR IN BALI

**DR. PUTU NGURAH SUYATNA YASA, SE, M.SI**



# GEOGRAFIS PULAU BALI



## BALI PROVINCE

divided into 8 regencies and 1 city, 57 districts, 716 villages and customarily consist of 1,488 traditional village, 3,625 Traditional sub-village (*Banjar*), 1,604 rice field *Subak* and 1,107 dry land *Subak*.

Bali region is divided into 6 areas of land (island) is the largest island as a Bali Island, the island of Nusa Penida, Nusa Ceningan, Nusa Lembongan Island, Serangan Island and Menjangan

**BROAD AREA OF BALI ISLAND: 5636.66 km<sup>2</sup>**

**POPULATION: 4.5049 million Life**



# BALI ISLAND CONDITIONS

**Principle:**  
**One Island, One Management, one Planning**  
**(One Island, One Plan, One Management)**

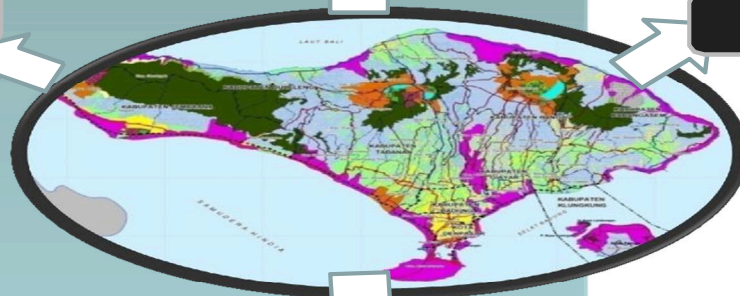
## LIMITATION

Bali is a unity of Small Island ecosystem

Does not have many natural Resources

## ADVANTAGES

Having Excellence Comparative  
-Culture Uniqueness  
-Natural beauty



Consistent implementation of Spatial Planning

**BALI DEVELOPMENT PROGRAM**





## Jumlah Wisatawan Asing ke Indonesia dan Bali, 1969-2017

### *Number of Foreign Visitor to Indonesia and Bali, 1969-2017*

Tahun <i>Year</i>	Indonesia		Bali	
	Total	Growth (%)	Total	Growth (%)
2006	4 871 351	#REF!	1 262 537	#REF!
2007	5 505 759	13,02	1 668 531	32,16
2008	6 234 497	13,24	2 085 084	24,97
2009	6 323 730	1,43	2 385 122	14,39
2010	7 002 944	10,74	2 576 142	8,01
2011	7 649 731	9,24	2 826 709	9,73
2012	8 044 462	5,16	2 949 332	4,34
2013	8 802 129	9,42	3 278 598	11,16
2014	9 435 411	7,19	3 766 638	14,89
2015	10 406 291	10,29	4 001 835	6,24
2016	11 519 275	10,70	4 927 937	23,14
2017	14 039 799	21,88	5 697 739	15,62



**Advanced  
Safe  
Peaceful  
Welfare**

Banyaknya Wisatawan Mancanegara yang Datang Langsung ke Bali Menurut Kebangsaan, 2013-2017					
Number of Foreign Visitors Arriving Directly by Nationality to Bali, 2013-2017					
Kebangsaan (Negara Asal) Nationality (Country of Origin)	2013	2014	2015	2016	2017
I. ASEAN	418 012	483 487	422 986	416 428	379 264
II. ASIA (Tanpa Asean / Non Asean)	995 423	1 236 816	1 424 995	1 839 892	2 193 676
III. AMERIKA	164 666	177 940	214 518	184 373	190 947
IV. EROPA	712 418	736 188	842 436	1 151 925	1 675 317
V. OSEANIA	892 615	1 050 422	1 042 001	1 202 805	1 062 855
VI. AFRIKA	19 385	18 137	27 830	8 398	7 965
VII. CREW	76 079	63 648	27 069	124 115	187 715
Jumlah / Total :	3 278 598	3 766 638	4 001 835	4 927 937	5 697 739
Pertumbuhan / Growth Rate (%)	11,16	14,89	6,24	23,14	15,62





# The Tri Hita Karana

GOD / Sang Hyang Widhi WACA



Parhyangan



HUMAN

BALANCE  
Cosmology



HUMAN

PAWONGAN

PALEMAHAN



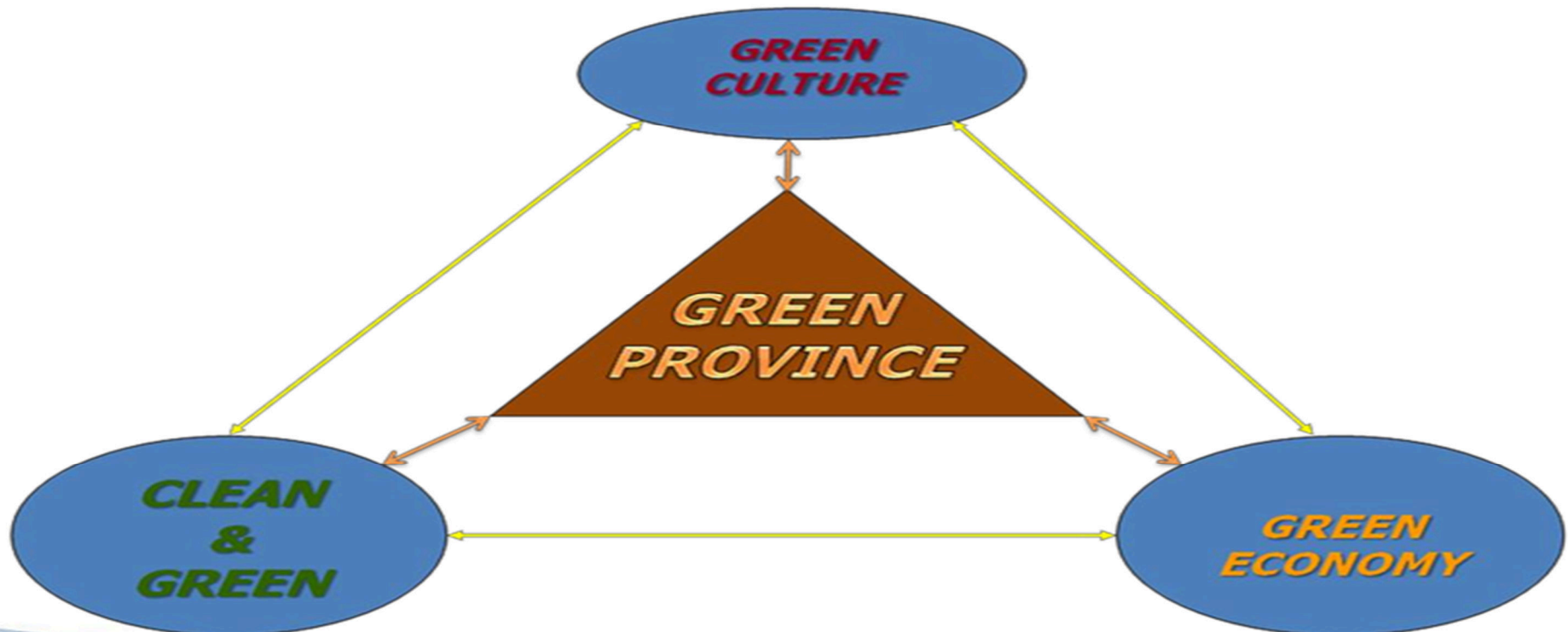
NATURE / ENVIRONMENT

# STRATEGY DEVELOPMENT OF BALI

- PRO GROWTH (PRO ECONOMIC GROWTH)
- PRO JOB (PRO FIELD JOB CREATION)
- PRO POOR (PRO REDUCTION OF POVERTY)
- PRO-CULTURE (PRO CULTURE REGION)
- PRO-ENVIRONMENT (ENVIRONMENTAL CONSERVATION PRO "of Tri Hita Karana")



# GREEN SCHEME PROVINCE



# APPLICATION OF HUMAN CAPITAL TO BOST SMES IN BALI

- IN BALI Smes IS DOMINANT IN SUPPORT TOURISM BUSINESS, WITH A TOTAL OF 98% OF THE ENTIRE INDUSTRY, **BUT productivity is low.**
- SPECIAL FEATURES OF Smes IN BALI IS UNIQUE AND TYPICAL OF ARTS WHICH IS BASED ON BALI LOCAL WISDOM TOUCH.
- BALI LOCAL WISDOM BASED ON BALI CULTURAL COMMUNITY.
- THE HUMAN SKILLS ELEMENT OF BALI DETERMINED BY THE LOCAL TALENT AND FAMILY ENVIRONMENT.





## IMPORTANT FACTORS THAT DETERMINE SMEs PERFORMANCE IN BALI

- **OWNER'S EQUITY**
- **ORIENTATION PARTNERSHIP, TALENT, AND INNOVATION AND FAMILY ENVIRONMENT**
- **TRADITIONAL TECHNOLOGY**
- **SOCIAL CAPITAL TRANSACTIONS ARE ABLE TO REDUCE COSTS**
- **SPIRITUAL FOUNDATION (HANDOVER IN GOD) ABLE TO REDUCE RELIANCE ON CAPITAL.**
- **ELEMENTS OF ART FROM LOCAL WISDOM**



## SMEs MAJOR PROBLEM IN BALI

- INTERNAL COMPETITION WHICH THE TIGHT
- RAW MATERIALS IMPORTS
- IMITATION PRODUCTS
- CONTROL TECHNOLOGY (PRODUCTION AND IT)
- TRADE REGULATION
- BUREAUCRACY IN CAPITAL







*Om Santih, Santih, Santih,*



# **ROLE OF SOCIAL CAPITAL TO BOOST GROWTH OF SMALL AND MEDIUM INDUSTRIES IN BALI**

**PAPER FOR PRESENTATION IN CHUNG YUAN CHRISTIAN  
UNIVERSITY TAIWAN**



**PRESENTED BY**

**DR. PUTU NGURAH SUYATNA YASA, S.E.,M.SI**

**POST GRADUATED PROGRAM OF MASTER MANAGEMENT OF  
WARMADewa UNIVERSITY BALI**

**2019**

## **Abstract**

*Small businesses are an important craft is a growing business in the district of Gianyar Bali as a supporter of the tourism sector. In crafting Businessmen in Gianyar regency was strongly bound by the implementation of social capital in support of production activities. Qualitative research design (post positivism) against 20 key informants using an interactive interpretive analysis shows that social capital in the form of participation in the net working, trust, reciprocity, social norms and values are very important role in reducing dependence on the use of loans. This study instituted a major proposition: that the social capital has strong ability to reduce of using loans.*

*Key words: social capital, venture capital, and small craft industry.*

## A. Introduction

### 1. Background to the Problem

The existence of small businesses in Bali is absolutely necessary in the provision of various community needs, both for local communities and foreign tourists. Overall the number of small businesses in Bali based on BPS data in 2008 shows a relatively high number, which is equal to 19.73%, compared to the number of large businesses at only 0.04%.

The type of small business that is growing rapidly in Bali is the handicraft industry (IKK), as one of the key sectors of export commodities in addition to livestock, textiles, garments, and paper. IKK's contribution to Bali's Gross Regional Domestic Product (GRDP) increased from 2006 by 1.82% to 1.88% in 2009. Judging from the value of handicraft exports to Bali's total exports occupying the second largest number after apparel, which amounted to 13, 94% (BPS Bali, 2010). In the area of Bali it is famous for various IKK with a unique and distinctive touch of art that is influenced by local wisdom inspired by Hinduism. It is this local wisdom that animates Balinese human artwork so that it has a distinctive difference from other regional works. The work of Balinese humans has been widely known throughout the world because it is supported by a Hindu-based culture that is reflected through various works of art, both dance, painting and engraving through various handicraft products. Culture is the result of relations between humans and nature, their births are motivated by religious norms, and local customs, the historical development, the system of livelihoods, social life, religion, knowledge, and a variety of arts become the background of local cultural life (Glebet et al., 2002).

This study was conducted in Gianyar Regency, because Gianyar Regency has the largest number of MSMEs compared to other districts in Bali, besides the analysis of the industrial sector location quotient (LQ) based on Bali investment supporting master plan data from 2006 to 2009, indicating that Gianyar Regency has LQ values that the largest among other districts / cities in Bali for the industry service sector. This means that Gianyar Regency has the largest industrial development potential in the Province of Bali. The presence of IK in Gianyar Regency is able to absorb 30 percent of the workforce absorbed in the MSME sector in Bali (Bali Cooperative and UMKM Office, 2010), and is widespread in six sub-districts, namely: Gianyar District, Blahbatuh, Ubud, Sukawati, Tegallalang and Tampaksiring. IK products are the main superior for Gianyar Regency which gave the second largest contribution to Gianyar's GRDP after the agricultural sector, which amounted to 18.06% in 2009 (BPS. Gianyar Regency 2010). The types of IK that developed in Gianyar Regency include: non-machine weaving, batik, lace, Balinese dance clothing, palm weaving, wood carvings, iron crafts, bamboo handicrafts, gold / silver handicrafts, paintings, woven pandanus, painting eggs, and barong crafts.

In economic development planning in most countries in the world, including Indonesia, it always emphasizes aspects of natural capital and economic capital, such as man-made capital goods, technology and management, and ignores too many social capital roles. , such as the existence of local institutions, local wisdom, local norms and culture. Conscious economic empowerment of the community is designed as part of community development, but in reality economic development is like being released and not rooted in the community. As a result, ongoing economic empowerment feels alien to the community, and lacks benefits, ultimately showing economic dualism that creates social inequality as a trigger for massive poverty and

unemployment and has continued continuously to the present since Indonesia's independence in 1945.

In the life of Balinese people, the implementation of social capital values is a culture of everyday life in all aspects of life, such as mutual cooperation culture, profit sharing institutions, various forms of local wisdom that all ethnic groups have, mutual reciprocity, trust each other, help each other, application of ethics and morals as well as values that originate from religious teachings. Social capital can actually be developed as part of modern economic culture (Mawardi, 2010). So far, social capital has been tested by history as an important mechanism, such as the mutual cooperation and family spirit in Bali capable of becoming a medium of economic growth and equity in the application of Village Credit Institutions (LPD) empowerment, the establishment of various public and religious facilities, most of which pure self-help community in Bali. Therefore, in the economic empowerment of people who are concerned, the role of social capital is very important.

## 2. Focus of Research

In Gianyar Regency based on the results of a study with quantitative design (positivism) from Suyatna (Suyatna, 2012), it shows that the construction of business capital originating from loan capital including credit has no significant effect on IKK business growth, but the labor construct has a significant effect. Because it should be suspected there are other factors that are more dominant influence on business growth, in this study is social capital as the focus of the study. The allegation has strong reasons, considering that in general the production activities of the Balinese people are very thick with the implementation of mutual cooperation, mutual giving, mutual trust / trust that comes from the Hindu philosophy, namely karmapala, that what we do now will receive the same fruit in the future (Punyatmadja, 1984: 58).

Based on this background, the main research problems are formulated as follows.

Why and How does the IK in Gianyar Regency not use loan capital?

## 3. Research Objectives

This study aims to determine the role of social capital in the form of participation in the network (net working), mutual trust (trust), mutual giving (reciprocity), social norms (norms), and values (values) negate the use of loan capital.

### B.Landasan Theory

#### 1. Understanding Social Capital

Social capital theory originates from economic sociology, as a theory that undergoes processes in the pathways of the social sciences, relying on social interaction in sociology which develops towards cross-theory analysis such as production theory in economics. Since the beginning of the theory of social capital, there has been a lot of debate, on the one hand this theory is beneficial for the general public through a network of cooperation and community norms / ethics that lead to the public interest. On the other hand the importance of the role of individuals in seeking profit for themselves by using the resources they have. Social capital has a different meaning from human capital. Human capital all studies tend to refer to individual dimensions, in the form of power and expertise possessed by individuals,



while social stresses more on group potential and between groups and focuses on social networks, norms, values, and beliefs among others, born from within the group and become the norm for the group.

There are several definitions of social capital that have been developing so far. Cox (1995) defines as a series of processes of human relations supported by networks, social norms and beliefs that enable the efficiency and effectiveness of coordination and cooperation for mutual benefit. Fukuyama (1995) emphasizes more on the broader dimension, namely everything that makes society allied to achieve a common goal on the basis of togetherness, in which the values and norms are grown and obeyed. Coleman (1998), said that social capital at least contains three main elements, namely: obligations and expectations that arise from trust, information flows smoothly in social structures, norms that must be obeyed with clear and effective sanctions. Putnam (1993), said that social capital refers to the norms and work networks of civil society that smoothen the actions of community and institutional cooperation. The OECD (in ABS, 2001) says that social capital is a network of cooperation based on norms, values, and mutual understanding that facilitate cooperation between and inter groups in society.

This definition is supported by the following study: Chetty et al. (2007) show that the ability of MSMEs to obtain sources from business networks can be explained in terms of social capital. Woolcock et al. (Chetty et al., 2007) in research with qualitative analysis shows that social capital can reduce transaction costs, especially through the implementation of trusts and norms in forming networks, harmonizing relationships between individuals, and management contact relationships with customers and suppliers. Derluo's study (1997), shows that good network relationships are largely determined by culture, institutions, and structural factors. Spence et al. (2009), said that international networks in the global economy, freedom of social infrastructure from managers, and social rules created through collaboration are important keys in advancing business growth. Porter's study (Etziani, 1999), shows that the power of social capital comes from a positive focus on outcomes. Study Putnam (1993) shows that social capital which consists of trust, norms, and networks can improve efficiency in coordination. The Habisch Study (1999) shows that social, norm and reciprocal strength are important elements in collaboration.

## 2. Elements that make up social capital

The essence of social capital theory is the ability of people in an entity / group to work together to build a network to achieve mutually beneficial goals. Such cooperation is formed on the basis of trust based on social norms and values in a positive and solid sense. The strength of relationships between entities will be maximized if supported by a proactive spirit in creating relationships / interrelations based on mutually agreed principles.

ABS makes indicators of social capital based on the following approach used by Woolcock (1998).

a. Quality networks, which consist of: 1) norms, including: trust, reciprocity, sense of efficacy, cooperation, and acceptance of diversity and inclusiveness. 2) general objectives include: social participation, civic participation, community support, brotherhood, and participation in the economic field.

b. Network transactions consist of: 1) physical, financial and emotional sharing; integration in society; and cooperation. 2) sharing knowledge including introducing information to others. 3) negotiations.

c. Network structure, consisting of: 1) network size, 2) frequency and density of communication, network mobility, and strength of relationships.

d. Types of networks, including 1) formal networks: formal network identity, relationships between institutions, relationships and contacts lost in the institution, the trust of the neighbors. 2) generalization of trust with other parties.

Another classification stated by Mawardi (2010), includes the following:

a. Participation in a Network.

Social capital is built in a group, not by an individual, so the interaction is based on group dynamics based on the values contained in the group agreement. Therefore the power of social capital lies in the capacity of the group in building relationships and forming networks.

b. Reciprocity

Social capital tends to be based on mutual exchange of goodness between individuals in a group. This mutual exchange process is not instantaneous, but is a combination of short-term and long-term, altruistic nuances. In the concept of Balinese society, this spirit is called giving without showing off which means sincerity in helping and giving to other parties. The implementation of social capital in the community is reflected through the existence of high social care, through mutual assistance. Strong togetherness in the form of group care, makes all kinds of development problems work more efficiently. In Balinese society it is known by the term Nyama Braya (inter and interpersonal relationships, individual families or other families or other groups).

c. Confidence / trust

Confidence / trust is a form of desire to take risks in social relationships based on the belief that the other party will also do something as expected and will always act in a pattern of mutually supportive actions, at least no other person will not act harm the group. In the view of Fukuyama (2002), trust is an attitude of mutual trust in society that allows people to unite and contribute to increasing social capital. Collective actions based on high trusts will improve community participation in various forms and dimensions, especially in the context of building mutual progress.

d. Social norms

Social norms play an important role in controlling forms of behavior that develop in society. Norma (Mawardi, 2010), is a set of rules that are expected to be obeyed and followed by community members in a particular social entity. Norms generally institutionalize and contain social sanctions that prevent individuals from committing deviations from habits. Norms are unwritten collective rules but can be understood by each group member and determine the expected pattern of behavior in social relations.

e. Values

Value according to the Indonesian dictionary (Yandianto, 2001), is something that is considered true and important by members of society. Values always have ambivalent consequences. The value of harmony, for example, is considered by many to be a trigger for the beauty and harmony of social relations created, but on the other hand it

is believed to be a reality that hinders competition and productivity. Strong social is very much determined by the configuration created in a particular community group. Generally in groups that give high weight to competency values, achievement, candor and honesty, tend to develop and progress faster than groups of people who avoid these elements.

### 3. Definition of Craft Industry (IK).

IK is a part of a small industry that has several definitions from various perspectives. Based on the decision of the President of Republic of Indonesia No. 99 of 1998, small industries are small scale economic activities of the people, with a majority of small business sectors and need to be protected in business competition. Small industry criteria according to BPS are industries with a workforce of 5 to 19 people. The characteristics of small industries include: the type of individual ownership, the number of members is relatively stable, using traditional energy, traditional technology, output is traditional goods / crafts, local marketing, informal, irregular activity patterns, and does not have a permanent place of business (Husein, 1993) . At least there are three main reasons that support the importance of small industries in Indonesia (Yustika, 2007: 182), namely:

- a. Indonesia's business structure so far actually relies on the existence of small / household / medium industries but with worrisome conditions in terms of added value and profits obtained.
- b. Without realizing it, quite a lot of small / household / medium industries that have export orientation and bring in large foreign exchange for the country. This is reversed with large businesses which actually exploit the domestic market.
- c. The small / household / medium industry sector is more flexible in a variety of unfavorable economic conditions.

In some countries, small industries are able to become a driver of the economy to create growth, prosperity and economic equality significantly. Yunus (Weber, 2007) through Gramen Bank in Bangladesh, shows evidence that economic development with people's sovereignty can create significant economic growth and prosperity for the people of Bangladesh. Likewise high economic growth in several countries in Asia such as Japan, China, Taiwan, South Korea, and in some Western European countries, such as Italy and the United Kingdom, was initially driven by the role of small and medium enterprises (Kuncoro, 2002: 310).

## C. Research Method

### 1. Research Design

This study uses a qualitative (post positivism) design, through in-depth interviews and analysis using an interpretive interactive paradigm, qualitative design has an advantage in the depth of analysis, because it is able to explore various information in depth through informants.

### 2. Location of the study.

This research was conducted in Gianyar Regency, which is the district that has the largest number of small and medium enterprises (SMEs) among districts / cities in Bali based on data from the Bali Province Cooperative and UMKM Office in 2010. In addition, Gianyar district also has the largest industrial potential among districts / cities in Bali based on master plan data supporting investment in Bali in 2006-2010.

### 3. Subjects and Research Objects.



The research subjects are small craft industries, the number of small businesses in Bali based on BPS data in 2009 shows the second largest number after home industry, which is equal to 19.73 percent. In addition, the existence of IKK is closely related to skills originating from Balinese culture inspired by Hinduism, in production closely related to social capital.

The object of this research is social capital which consists of indicators of participation in the network (net working), sharing (reciprocity), confidence / mutual trust (trust), social norms (norms), values (Mawardi, 2010), and capital loan.

#### 4. Operational Definition of Variables

The social capital study object which is the focus of further research is operationally defined in the form of the following indicators.

- a. Participation in a Network is a tendency that grows in groups to socialize as an important part of inherent values.
- b. Reciprocity is a tendency for mutual exchange between individuals in a group or between groups in the nuances of altruism (enthusiasm to help and prioritize the interests of others).
- c. Confidence / trust (Trust), is a form of desire to take risks in social relationships based on the belief that other people will also do things as expected and always act mutually supportive, at least others will not act harmfully.
- d. Social norms are a set of rules that are expected to be obeyed and followed by community members in a particular social entity.
- e. Values are something that is considered true and important by community members.

#### 5. Informant Taking Method

Determination of informants is done by non probability sampling method, namely purposive sampling, this technique is suitable for qualitative research and does not make generalizations (Sugiyono, 2010: 85). The number of informants was chosen by 20 (twenty) people, including: wood sculpture carvings, bamboo handicrafts, silver gold handicrafts, painting eggs, woven pandanus, barong crafts, and paintings. The selection of informants using the snowball technique, the selected informants are people who have the ability to answer research questions in depth and clearly, and understand in depth the IKK. Determination of the number of informants does not use a particular method, because until now there has been no guidance in qualitative studies to determine how much data and analysis is needed to support conclusions or theories (Stainback, 1988: 401), informant requirements based on the spradley method are as the following.

- a. Subjects that have been long and intensive are integrated into the activities of the IKK (more than five years), so that they truly live out as a result of the involvement.
- b. Subjects are actively involved in the IKK.
- c. Subjects have enough time to provide information with researchers.
- d. Subjects can provide answers as they are, are not engineered or prepared in advance and have information needed by researchers to obtain actual information.

#### 6. Data collection method

- a. In-depth interviews (key interviews) to key informants to support the analysis are carried out in an unstructured, flexible manner, in an informal setting and carried out

repeatedly, aiming to explore the information jujū, related to their perceptions of the variables that are the focus of the object of study. To support the validity of information, it is assisted by voice recorder and camera recording devices.

b. Unstructured active observation to develop the focus of observation, does not use standardized instruments but only signs of observation in qualitative studies (Sugiyono, 2010), including: places where production activities are carried out, actors who carry out production activities, and activities that are being carried out.

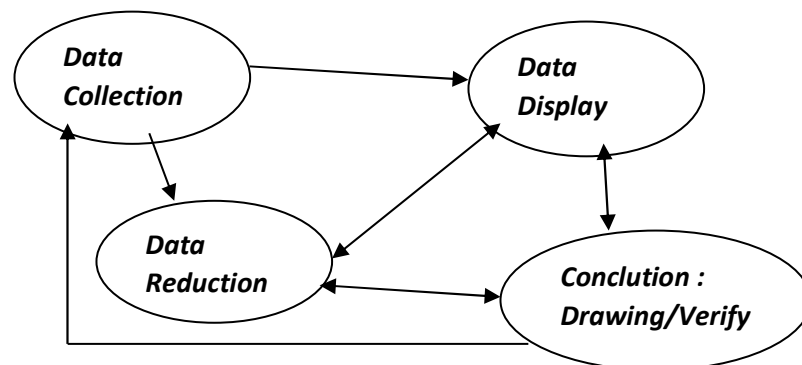
c. Triangulation, which is collecting data while testing the credibility of data using the technique of triangulation and source triangulation. The purpose of triangulation is not to seek truth about some phenomena, but rather the researchers' understanding of what is found (Stainback, 1988). Triangulation is also done by cross checking data obtained from indepth interview data with direct active observation, this triangulation method aims to improve the reliability of research data. Triangulation in this study is carried out continuously until the data is saturated.

#### 7. Data Analysis Techniques.

This study uses interpretive interaction analysis of collected data, then reduced / summarized, then presented, concluded and verified at the same time. The stages of analysis include the following.

a. Prior analysis in the field, namely on data from preliminary studies or secondary data that will be used as the focus of interim research. The focus of research can change depending on the phenomenon found in the field.

b. Analysis of data in the field, which is to do a direct analysis of the answers given by the informant. If the answer is unsatisfactory, the researcher will provide further questions until data that is deemed credible is obtained. The interview process was carried out interactively and continued continuously to completion using the method of Miles and Huberman (Sugiyono, 2010: 247) such as Figure 1.



**Figure 1. *interactive model of component analyse***

After the field data is collected, data reduction is carried out, namely choosing the main things and focusing on important things and looking for themes and patterns to facilitate finding and completing the next data in the analysis. The next process is data display, which is the presentation of data in the form of a brief description of the relationships between categories in a narrative manner. The aim is to facilitate

understanding of the events in the field and the subsequent process. The final process is conclusions drawing / verification or conclusions as well as findings in qualitative design research.

c. Post-field analysis with analysis of cultural themes (discovering cultural themes), namely looking for relationships between domains and overall relations according to the focus of analysis (Sugiyono, 2010: 255).

#### D. Research and Discussion Results

In-depth information is focused through direct interviews with the in-depth interview method for 20 key informants, all of whom are key informants, all of whom can provide good information. The interview process was carried out at the key informant's workplace. The reasons for the IKK entrepreneurs in answering why and how they were able to eliminate loan capital, are because they have social capital inherited from their ancestors, in principle they implement the principles of social capital including indicators of net working, trust, reciprocity, norms, and values, so that the production process becomes efficient because it does not require loan capital, as described below.

##### 1. Variable participation in the network (net working)

a. In general, the IKK production process in Gianyar Regency is based on orders, the ordering party always gives a down payment, the amount of which varies, depending on good relations and trust between them, which is between 15 and 50 percent. In general, they use the down payment to pay for all production activities, especially buying raw materials and other supporting needs. If the first ordering party has not taken or has not repaid the order, the need to pay the labor wage is taken from the next order down payment. They are never empty of orders, because the marketing varies, both domestically and export with certain subscriptions.

b. It does not require relatively large capital in all production activities, because some production equipment is carried by workers. IKK engaged in wood carving is the majority of 74.83 percent of all IKKs in Gianyar Regency (BPS Gianyar in 2011), the main capital for workers is the ability to carve and soften sourced from physical power, with the main equipment a set of carving equipment complete that can be used up to 10 years, the equipment is carried by the respective workers themselves, so the IKK owner does not need to provide capital to purchase the carving equipment.

c. Raw materials are given by the order or collector, the IKK only works on the final process with labor capital only. In IKK made from wood and lace, the processed raw materials are received in the form already ready to be carved, crooked or painted. The IKK only does work called finishing, which is making carvings, lace, or painting according to the order of the order, therefore the need for business capital in the form of work equipment is relatively small. For example, information from Dyani Lace IKK entrepreneur in Banjar Manukaya Let Tampaksiring:

*"The collecting party called the boss gives raw materials in the form of cut according to the order, then the IKK only works on the whole process of giving lace yarn to specified parts, only lace yarn purchased by the IKK itself, product fees per shirt of Rp. 4,000, while IKK owners get a profit margin per shirt of Rp. 5,000, -. Payments are made every week after all orders have been collected by the collector*



d. There are links between reciprocity between business owners and workers, or between business owners, all the difficulties they face are done by helping each other and giving sincerely. This condition is in accordance with the theory of social capital (Porter, 1990), and Putnam (1993), that social capital comes from norms (norms), social strength, trust (reciprocity), and reciprocity, and network (net working) can improve coordination and business efficiency.

e. Partial business capital is given by foreigners invited to do business. For certain IKKs such as those which are made from wood from marine waste, some of the business capital comes from foreigners who motivate business establishment, such as information from Ketut Antarayasa owner of Fortuna Art Shop in Tegallalang village: *"The effort he pioneered was on the advice and motivation of foreigners from France who lived close to his house who then provided business capital assistance"*.

The products produced are sold for the consumption of foreign tourists who live in Bali, as well as export orders also with the help of the Frenchman, besides the payment process for each product ordered during this time smoothly, therefore capital has never been a problem in carrying out its business.

f. Raw materials can be obtained through barter, specifically for ostrich egg raw materials with a ratio of the value of raw materials with carved values is 1 compared to 6. This condition is carried out by the owner of Egg Painting Wayan Sadra (51 years) in Batuan Village Sukawati:

*"The raw material for ostrich eggs is obtained from barter with Americans, he gives eggs without paying as much as 6 pieces, then the value of 6 eggs is the same as one egg painting, because there is never a problem with capital to buy raw materials, most capital to buy color paint for painting "*.

## 2. Variables of confidence / trust (trust)

a. The delay in paying labor costs or raw materials is not a problem, because all parties in this case the workers and the owners of raw materials really understand the condition. This is closely related to the strong role of social capital, so that work processes can be carried out efficiently. The relationship of trust in rural areas in Gianyar was able to reduce transaction costs. As stated by Dyani:

*"If there is no money, the payment for workers is postponed and the worker has accepted the condition"*.

Likewise, information from Kadek Suardika (30 years) IKK Daya Sairan owners: if they do not have the money to pay the employee's labor costs then the payment is postponed, or in installments gradually according to financial capacity. Likewise, information from Ketut Dawan (42 years) in Tegallalang village:

*"Trust is the key to my life, I am always happy to find friends, so whatever difficulties I face in running a business are always assisted by friends, including setting up a warehouse, all the ingredients from the budget and can be paid at any time"*.

## 3. Mutuality (Resiprocity)

a. Never had capital difficulties because the payment system was carried out by cargo directly when the goods were collected. In the area of Tegallalang, the transaction model between IKK and the ordering party is done through cargo services in the local

village, the cargo collects products every week from one IKK to another IKK, when goods are collected directly paid by cargo, so they never have financial difficulties in carry out its production activities.

b. Some business equipment is rented, especially in processing raw materials, so capital requirements are relatively small. Some of the IKKs are mainly made from wood, buying raw materials in the form of bar wood which must be processed into raw materials, such as those carried out by I Wayan Lendra (45 years) the owner of Giri Permai:

*"I bought raw materials in the form of whole wood at a price of Rp. 800,000 to Rp. 2,500,000 per stem, then the wood is processed in the place of timber processing rental, so here only the process of forming and finishing. So that the need for capital goods is also relatively small".*

c. Raw materials are delivered directly by suppliers so there is no need to buy transportation equipment. Most IKKs in searching for raw materials are delivered directly by raw material suppliers, the order process is only carried out by telephone, therefore the money needed to purchase capital goods in the form of vehicles is also unnecessary.

d. The output price is friendly, so it's always fast selling and the capital turnover is smooth. This means that the selling price of IKK products can be bargained by buyers, for the important IKK, the goods sell even though fortunately thin is not a problem. Therefore their financial needs continue to run smoothly, but it is difficult to experience relatively high growth. As informed by Made Pasek (37 years old), the owner of IKK wood craft which specifically produces garuda statues:

"For me, the important thing is that the business runs smoothly, the selling price does not have to be high profit (friendly prices), the important thing is the same way".

#### 4. Social norms (norms)

a. Afraid of the risk of not being able to pay installments and interest when looking for loan capital from outside. IKK entrepreneurs in Gianyar regency generally have a business spirit that is still simple, they realize that the nature of production is uncertain, sometimes crowded sometimes lonely, generally they have the fear of looking for loans from outside. They realize that external loans (credit) and interest must be paid regularly every month, while their income is uncertain.

b. Aware of the low managerial ability, unable to manage loan capital from outside. This condition is very closely related to the level of education of entrepreneurs, from 95 respondents it turns out elementary school graduates amounted to 16.84 percent, junior high school 15.79 percent, and high school 53.68 percent or 86.31 percent of respondents with high school education down, only 13.69 percent of respondents have Diploma and S1 education backgrounds. This means that the respondent's education level is related to managerial skills and decision making in business.

c. Has no guarantee when looking for credit from a financial institution. In general, their difficulties in looking for loans from outside is not guaranteed as a condition for borrowing loans from financial institutions, as said by Mr. I Wayan Contok from CV Undagi Bali

: *"I Have no guarantees the security of credit as a bank, the house of worship is upright and has a bad impact".*

d. Bureaucracy in seeking financial institution loans is complicated. A common problem complained by IKK entrepreneurs is that the bureaucracy is very complicated in finding credit loans from financial institutions, they generally have a very simple and unhappy mindset with something complicated and complicated. As said by Mr. I Wayan Suteja, craftsman of butterfly paintings from the village of Batuan Sukawati. *"It had occurred to me to look for BRI credit but the conditions were many and the interest was still high and had to be paid regularly every month, it was better to use LPD without procedures and get cash immediately, besides that it could be repaid at any time when we have more money"*

## 5. Values

a. The motive for trying is simplicity and always grateful for what Ida Sang Hyang Widhi has given, the principle is the total surrender to Ida Sang Hyang Widhi Waca, what he has now is his destiny, therefore trying to do enough, the important thing is to continue even though small . These expressions were obtained from several IKKs including: I Wayan Contok, Ketut Dana, Ketut Pugig, Ketut Antarayasa (IKK kayu), and Wayan Sadra (IKK telur painting), as Ketut Pugig said.

*"Everything has been arranged by Ida Sang Hyang Widhi Waca, so we must be grateful for whatever is given by HIM, if given a little we receive with all thanks, the important thing is to stay alive and keep the business going".*

## E. Proposition

### 1. Minor Proposition

Based on the results of the discussion, there are 4 (four) minor propositions and 1 (one) major propositions which are further described below.

The IKK business activities in Gianyar Regency are able to save business capital factors, so that the dependence on loan capital is relatively small. Capital requirements are generally fulfilled through a turnover of cash provided by the buyer of goods which ranges between 15 to 50 percent depending on the interaction and agreement between them. Besides that business owners feel afraid and not confident when managing loan capital in the form of credit, because they realize that their business orders are uncertain, while repayments and bank interest must be made every month. The next factor is they have an awareness that they do not have adequate managerial ability to carry out bank credit loans, besides having no guarantees and complicated bank bureaucracy and high interest rates.

P1: The model of running a business based on the principle of simplicity in thought and management, can reduce dependence on capital production factors.

In the Gianyar area in general, every business owner still puts forward very harmonious social bonds in the process of business management, good social interaction based on mutual giving, mutual trust, sharing, and forming a good network, is the main capital to reduce transaction costs ultimately saving business



capital. For example, work equipment does not need to be provided by employers, but is brought directly by workers with their own awareness, as well as lack of equipment or labor, can borrow from friends or neighbors who have it, business capital for some IKK also with the help of foreigners who cooperate with local people on the basis of good relations, raw materials such as camel eggs can also be bartered with foreigners who care for these birds, as well as friendly prices can help business owners from capital difficulties. All of these factors turned out to be able to reduce dependence on capital production factors.

P2: The model of running a business by promoting social capital can reduce transaction costs thereby reducing dependence on capital production factors.

Management of the IKK business in Gianyar Regency is generally inseparable from the principle of life based on spirituality awareness based on the concept of Hinduism, one of the principles carried out by some entrepreneurs is the total surrender to the destiny outlined by Ida Sang Hyang Widhi Waca, and always grateful for what has been endowed to us. This mindset leads entrepreneurs to always be vigilant and ask for their guidance in all their activities. Their belief is that if we do good, then God will also give the best, according to the philosophy of Karma Pala. The process directs the awareness of entrepreneurs always eling and patience and keep working hard but always simple in managing the business, not based on greed, so working on the basis of capabilities that are owned by capital, labor and skills, do not force themselves or are capable. It means that promoting good moral ethics is very important in the management of IKK, this principle is able to reduce transaction costs which reduce dependence on capital.

P3: Business managed on the basis of a spiritual foundation, namely the surrender to Ida Sang Hyang Widhi Waca is able to carry out a sustainable business process and reduce dependence on business capital.

IKK products in Gianyar Regency generally rely on local wisdom sourced from regional traditional arts so that they can still compete with handicraft products with other countries, such as China and Thailand. Art elements are very difficult to trace or imitate by other countries, because the production process uses hands describing art from the soul that originates from declining talents, the driving force of local wisdom to maintain production activities continuously so that it is never difficult for venture capital.

Q4: Art elements originating from local wisdom remain a key factor in the growth of the IKK business in Gianyar regency in this globalization era, local wisdom is able to create continuous production thereby reducing dependence on loan capital.

## 2. Major Proposition

Based on minor propositions, the major propositions in this study are as follows:

PA: The real business capital for IKK in Gianyar Regency is high spiritual awareness (values) through the application of ethics / moral (norm), and good social capital (social capital) through reciprocity, mutual trust, sharing, the ability to create networks (net working), and simplicity in thinking and doing.

## F. Conclusions and Implications

### 1. Conclusion

The main conclusions of this study are as follows.

Social capital through the variables of participation in the network (net working), self-confidence / trust (trust), mutual giving (reciprocity), social norms (norms), and values (values) are important variables in saving business capital in the IKK in Gianyar Regency.

## 2. Practical implications

Based on the proposed propositions, the practical implications of the research are as follows.

a. For IKK business owners: the business management model that should be developed to maintain business continuity in this era of globalization is to maintain a business based on social capital that our ancestors have inherited from time immemorial.

b. For the government: In order to participate proactively in preserving the local wisdom of the Gianyar people in particular and Bali in general, this is important, because by promoting local wisdom, foreigners are attracted to the creation of Balinese people. Bali should not be sold out, because the island of Bali without local wisdom will not appeal to tourists, preserve this Bali so that it remains sustainable based on the philosophy of harmony of the Balinese Hindus Tri Hita Karana.

c. For the community, let us work together to help the growth of the IKK in Gianyar in particular, and Bali in general, use as much as possible the products produced by the IKK in Bali not only for ceremonial / upakara purposes but in all daily life. The social capital that we have as an ancestral inheritance, so that it is maintained and preserved for all time, because it has been proven that the power of social capital is able to overcome all problems of development in harmony and peace.

## 3. Theoretical Implications.

The propositions produced in this study need to be followed up through subsequent research, to obtain new theories especially in the use of capital for the development of IKK.

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