

**INSTITUTIONAL FRAMEWORK
FOR STRENGTHENING SOCIAL CAPITAL :
An Empirical Approach at Different Communities in Bali Province**

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Abstract

The basic premise of this research is that social capital is a productive factor, which impact the regional development, economic growth and poverty differently depend on individual and community characteristics. The aims of this research are (1) generating social capital data especially on dominant component such as trust, network density and collective norm of traditional agriculture (*subak*) community, tourism (HPI, Asita and PHRI) community and *desa pakraman* community. (2) How to make social capital indicator more strengthen in different region and communities. The data is analyzed with *Structural Equation Model* (SEM). Research shows that norm is the most important indicator to build social capital in underdeveloped region. The other side, the most important indicator for social capital in developed region is trust. Network density is the most important endogenous variable that gives the most contribution to *subak's* and *desa pakraman's* social capital but not in tourism community.

Keywords: Economic Development, Social capital, Trust, Norm, Network.

1. INTRODUCTION

Social capital concept stated that there is a close relationship between social capital and human resources. Social capital will be established if every person in the group have own contribution. The relationship between social capital and human resources is not a simple one (Glaeser, Laibson and Sacerdote, 2001). Social capital is similar with knowledge that always develops to be productive if used intensively. Therefore the capital should be keep productively. Without spend a lot of time, energy and others resources on the social capital, relationship among individual tend to reduce by the time.

Social capital is resulted from changing on relationship among individual that facilitate an action. Therefore, social capital is *intangible*, different with *physical capital*. However, together with *human capital* and *physical capital*, social capital facilitates productive activities.

From the last 20 century to the beginning of 21 century, a large body of social capital research has been carried out particularly in relationship with economic growth of a region. The first research on relationship between social capital and regional economic performance was conducted by Putnam (1993). He suggests that social capital is not only found at micro level, in the form of personal relationship among individual, but also at macro level. He also stated that level of community welfare in north Italy is higher than south Italy due to different social structure. In North Italy, there is a horizontal structure while the south is hierarchy. Putnam measure social capital based on newspaper readership, availability of sport and culture association, institution performance and citizen

satisfaction. The social capital size is used to explain distinction economic growth for the two regions while difference from others variable is assumed not large enough. Furthermore, Helliwell and Putnam (2000) also shows that social capital will facilitate local government ability to achieve higher economic growth. The research showed that convergence is faster and income equality will be happened on higher level that is in regions with stronger social capital.

Even a positive correlation between social capital and growth is proved, social capital's key components has not identified yet. Different social capital research has used different social capital indicator that meet with researcher's definition. As so far, there is no agreement on social capital determinant although some theories suggest that trust is moral basis for the establishment of social capital. This paper is trying to analyze dominant social capital component in a community, particularly community in Bali. The objectives is to describe in detail concerning about dominant social capital component to make effective establishment of social capital in a community by considering the dominant component.

2. SUOURCE OF SOCIAL CAPITAL

Trust

Whole human relationship based on trust as moral aspect where the social capital is established. Morality gives a direction for social cooperation and coordination. Trust building is an integral part of caring process that established since the beginning of a family. Trust each other in family relationship, will develop reciprocity and exchange.

Trust reduces transaction cost that is cost as result of exchange process including contact, contract and control cost. The existing sense of trust each other will reduce cost for monitoring activities on other person behavior therefore they have behavior as expected. Trust means that ready to take risk and uncertainty. Casson and Godley (2000) have defined trust as accepting and ignoring any possibility that something will not true. Trust will simplify cooperation. More trust to other person will make strong cooperation among person.

Trust each other can be established or destroyed. Sustainable trust, can not build without truth. Trust can be build by the existence of repeated personal interaction (*personalized trust*), knowledge on population or accepted incentive (*generalized trust*). Bounded human rationality will effect on efforts to build the trust each other. Therefore, human rationality boundaries should be extended by communication and information that trustable. Many researches show that trust has significant and positive relationship with success achievement of economic growth indicator by more efficient of production process. In other hand, government success to realize better economic development will strengthen social trust on community.

Norms (*Share Value*)

Traditional theory on group stated that organization and group are characterized by *ubiquitous* that resulting from human tendency to joint and build association. Mosca in Olson (1977) stated that human has felling to *herding*

together and fighting with other herds. The feeling will increase in certain community by means of moral reason.

As so far, there is a general conception that individual group with collective interest, at least including economic goals, will try to develop collective goals. Individual group is expected to stand on the collective interest than individual interest. The opinion is assumed that individual in a group will act beyond the personal interest. In fact, individual in a group will try to achieve collective goals only if the individual also gets benefit, in other words, act to achieve the collective goals is not voluntary. Norms are needed to manage individual in a group therefore benefit for the members is proportional with the efforts in the group.

Norms are shared values that regulate individual behavior in a community or group. Fukuyama (1999) stated that social capital is informal norms that are able to develop cooperation among two individuals or more. Norm is social capital that is constructed from reciprocity among persons. Social norms that determine collective behavior in an individual group are known as equity principles that direct the actor to have behavior belonging to his own interest.

Network

Dasgupta (2002) assumed that any person has the ability to interact with others without opportunities to choose. However in fact, everybody has certain interaction patterns, has an opportunity to select the person with whom to interact and with certain reason. Initially, network is a system of communication channels to protect and develop interpersonal relationships. There is a cost to build the communication channel that is known as transaction cost. Desire to join with other persons, partly is caused by shared values. Network also plays a role to build coalition and coordination. In general, decision to make investment in certain channel is caused by the channel contribution on individual economic welfare.

Network emphasizes on the importance of vertical and horizontal organization among people and the intra-organization. Granovetter (1973) stated that strong ties among communities are needed to give identity on family, community and collective goals. The idea also suggests that without community ties (*weak ties*) that connect among social organizations, the horizontal *strong ties* will be the basis to realize bounded group desire.

Social capital is a condition where individuals use the membership on a group to obtain benefits. Social capital cannot be evaluated without knowledge about where the individual exists, because social interaction depends on network and community structures. Coleman (1988) has the notion that social network density will increase efficiency to strengthen cooperation behavior in an organization. According to him, social capital is the sum of "*relational capital*" of some individuals and established on reciprocity norms basis. Social relationships that are established in a *closure* social structure are not only important to build effective norms but also to build trust because the *network closure* will produce positive economic externality by means of a facilitation process on collective action. Woolcock (2001) makes a clear distinction between *bonding*, *bridging* and *linking social capital*. According to him, generally *bonding* social capital comes from family relationships, neighbors living and friends. Members of the group generally have intensive interaction, *face-to-face* and support each

others. Bridging social capital is build from interaction among group in a region with relative lower frequency, such as religion group, ethnic, or certain income level. In general, linking social capital is build from formal relationship between many parties such as bank, health clinic, school, farming, tourism, etc.

The previous research is believed that strong social capital is one of supporting factor to achieve higher welfare and reduce gap among area or group in a region (Putnam, 1993; Christoforu, 2003; Grootaert 2001). Measurement of social capital is carried out with differently methods and proxy with variable that meet with the research's goals, however in general including one of trust, network community and reciprocity norms component. Strong social capital will be reflected by a condition where is a region having high security level, high organization activities and adequate public facilities.

This research is trying to test social capital components that has been conducted for others region. Generally, the objective is to study existing difference between social capital level and the component that has largest contribution on social capital in Bali's community. In detail, the aim of the research are : (1) to study level of trust, network density and community norms in developed region, underdeveloped region and community organization such as *subak*, *banjar/desa pakraman* and tourism, (2) to study social capital component in individual level (micro) and group (medium) and finally (3) to analyze each component contribution on establishment of social capital.

Measurement of social capital index in Bali is based on regional development and micro, medium and macro level. Social capital at micro and medium level is measured by individual network, helping each other norms and trust where as for macro level is measured by regional network and availability of public facilities.

Measurement unit for social capital index in Bali is differentiated on social capital at individual, group and region level. Individual social capital is established from network, norms and trust. Social capital of community group is measured using network group, individual trust on certain group, cooperation activities and benefit that accepted by the group member. Finally, region social capital is measured by availability of public school facilities, community health centre (*puskesmas*) and number of organization.

3. SOCIAL CAPITAL IN DIFFERENT COMMUNITY IN BALI

Individual social capital is measured by means trust to person, each individual network and norms that setting cooperation among the individual. Trust, readiness to make network and obeying the existing norms are responding on conditioned social stimulate. Most of social capital component is person or group attitude on people or certain object such as trust; help each other, courtesy to friend, secure feeling, and network. Therefore, measurement of individual and group social capital is following human attitude measurement method. A measurement method for attitude is carried out by means structured direct interview. For the purpose, many items have drawn up therefore each answer of a question will strengthen other answer in the same social capital component. Two others closure methods for attitude are behavior observation and direct closure particularly to strengthen general answer.

Measurement of individual social capital is divided into two groups. The first group is individual that living in underdeveloped region (Jembrana and Karangasem Regency) and developed region (Badung and Gianyar regency), The second group is individual community having livelihood in agriculture sector and tourism sector and also traditional community of *banjar pakraman*. Individual with agriculture sector livelihood is member of *subak* organization while individual from tourism sector is member of tourism organization. The differentiation is carried out to sharpen analysis on former component of social capital in relationship with efforts to improve welfare for individual level.

Table 1 Manifest Variable (Indicator) and Latent Variable of Social Capital at Micro Level

| Latent Variable | Definition | Notation |
|-----------------|--|---|
| Trust | Trust to other people or public and private institution | Aware (carefulness behavior) GN Trust (General trust) <i>DT (Dynamic of trust)</i> TAE (Thick Trust or trust to Balinese) TBE (Thin Trust or trust to non Balinese) PEMKAB (Trust to regency government) PEMPROP (Trust to provincial government) POLISI (Trust to police institution or security officer) GURU (Trust to teaching and learning institution) |
| Network | Network density in formal an informal, local and regional organization | DN (Kepadatan jaringan kerja) SEXP(Pengeluaran sosial) EMPL (Jumlah anggota keluarga yang bekerja) FRIEND (Jumlah teman) |
| Norm | Altruism behaviour | HN (Kesediaan saling Bantu) BNTFSK (Bantuan Fisik) CC (Kemudahan menitipkan anak) CHL (Jumlah anak yang sekolah) FR (Jumlah <i>free rider</i>) |

Agriculture community represent resident of rural side which have long living so have neighbor and family (*extended family*) which tighter to be compared to community that living in tourism sector which most of them represent new comer group in town. The juxtaposition theoretically have potency to push awaking up of strong trust (strong bonds of trust) and large responsibility among them to keep the living and environment. On the contrary with urban, not existing strong social network will lessen even negate trust as well as social capital (Coleman, 1990). Other factor that affect on forming of social capital are

culture and religion. As stated by Line (2001), social group, culture and religion influence broadness of network and trust level to people.

Table 2 Manifest Variable (Indicator) and Latent Variable of Social Capital at Mezo Level

| Variabel | Definition | Notation |
|----------|--|----------|
| Trust | Trust to other organization | DN |
| | Trust to their leader | LEADSHP |
| Network | Relationship with similar organization in the region | Bonding1 |
| | Relationship with similar organization in different region | Bonding2 |
| | Relationship with different organization in the region | Bridg1 |
| | Relationship with different organization in different region | Bridg2 |
| Norm | Willingness to pay the monthly organization's fee | DANAKEL |
| | Willingness to pay for the first organization's fee | DANAWL |

Agriculture community represent resident of rural side which have long living so have neighbor and family (*extended family*) which tighter to be compared to community that living in tourism sector which most of them represent new comer group in town. The juxtaposition theoretically have potency to push awaking up of strong trust (strong bonds of trust) and large responsibility among them to keep the living and environment. On the contrary with urban, not existing strong social network will lessen even negate trust as well as social capital (Coleman, 1990). Other factor that affect on forming of social capital are culture and religion. As stated by Line (2001), social group, culture and religion influence broadness of network and trust level to people.

Level of community trust is divided into *thick trust* and *thin trust* or that widely known as *bonding* and *bridging*. The first category is related to trust on known people that established by existing interaction. The second is trust to unknown people which in this research stated as question "how much as person trust to other person from the same ethnic (*thick trust*) and different ethnics (*thin trust*). Some researchers have classified this as racial trust as Iyer S, Kitson M, and Toh B (2005).

The result shows that there is a significant negative relation between thick trust and thin trust where individual thick trust is is higher than thin trust. High thick trust that followed by low thin trust for community in Bali is tends to be caused by culture and institution. In Bali there is a custom institution with significant role to maintain Bali culture and strong ties the member by means

apply moral sanction. The existence of custom institution (*desa adat* and *banjar adat*) is sustain concerning the function has close relationship with religion activities. The higher frequency activities, the higher interaction intensity among individual from the same ethnic ad lower interaction intensity among individual from other ethnic. Azwar (2005) confirm this result by statement that personal attitude has close relationship with many factors such as interaction intensity, culture, experience and institution. Independent two sample difference test shows that *thick trust* in underdevelop region is stronger than developed region. However, thin trust is show not significant difference.

However, low trust of community on other ethnic (*thin trust*) should be taken alert due to the impact on reconciliation among ethnic, group and class that heterogeneous progressively in Bali. As tourist destination that widely known in foreign countries, Bali is also to be migration target for people that searching for better job opportunity. Low thin trust of community will affect on interaction between local community group with migrant community group (both tourist and job seeker) that resulting from high suspicion feeling and finally will reduce openness behavior even though openness community is one of important component in underdevelop Bali's tourism.

The significant difference also showed by trust on regency government and security officer. Individual that settled in developed region have higher trust on residential government performance but lower for security officer performance than in underdevelop region.

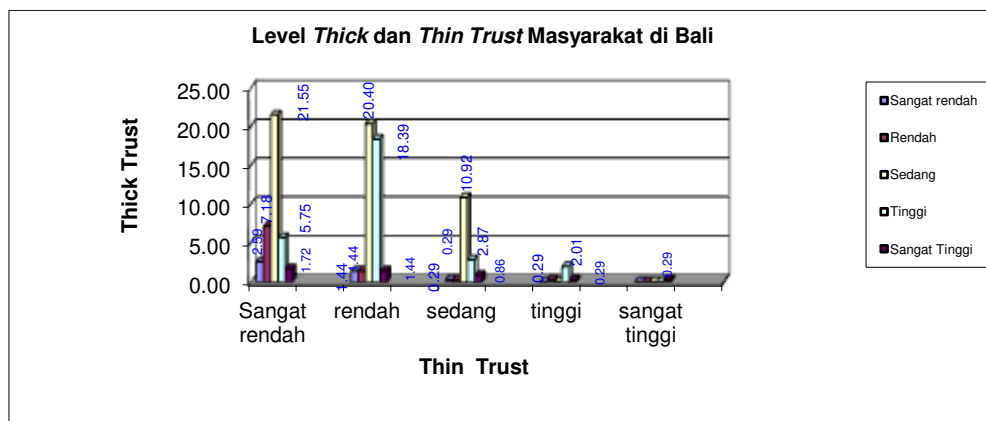


Figure 1. Relationship between individual trust from the same (Thick trust) and different ethnic (Thin trust) in Bali, 2007

Generally, community respond on question about carefulness attitude is strengthen the previous analysis where is 83.62 percent of community stated that they should taking a care on other people or in other words they can not trust all of people in their living activities. The attitude statement is not only showed by community in developed region (Badung and Gianyar) but also in underdevelop region (Jembrana and Karangasem). Carefulness attitude is showed by some activities that aimed to strengthen monitoring on new comer (migrant) and as result is increasing monitoring cost.

Table 3 Community Trust (*Social Trust*) in Bali

| | | Trust* (%) | | Total |
|--------|---------------------|------------|------------------|--------|
| | | Trustable | Always take care | |
| Region | <i>Developed</i> | 8.91 | 42.53 | 51.44 |
| | <i>underdevelop</i> | 7.47 | 41.09 | 48.56 |
| Total | | 16.38 | 83.62 | 100.00 |

Source : Primary Data, 2007

* Percent of respondent that answer "most people can be trusted" for question" in general, do most people can be trusted or you need not too taking a care to others.?"

Basically, trust is built by repeated positive interaction. In underdevelop region, the frequency of interaction with stranger people more lower than people in develope region. So that weakneses of trust. Generally individual-individual who settled in developed region has higher trust for every one. One alternative for this situation is the kind of individual activities. In developed region such as Regency of Badung and Gianyar as two tourism center area in Bali, is very depended on tourist arrival and intensively interacted with the tourist. Therefore, the attitude on other people is more openness. However, indication of reducing interaction is indicated by lower density of organization.

Trust is resulting from some factors including norm, experiences, and interaction intensity. Since the last five years, community in Bali confessing has experiences individual trust dynamics. About 59.41 percent of community in developed region stated that trust has changing with detail 30 percent stated changing to better condition and 29.41 percent feel that trust among the community is progressively weaken. Contrary with underdevelop region, most of community (63.01 percent) stated that trust is not changing among community; 19.18 percent stated that the trust is changing to better direction and the rest (17.81 percent) stated that trust is worse. Large number of community in developed region that feel trust changing is related to their experiences. Generally, socio-economic activities in developed region is relative larger therefore give more experiences. This experience affect on trust that has established in the past.

Beside the past experiences, difference of trust between developed region and underdevelop region happened because in developed region there is high interaction intensity between the communities with other ethnics. This interaction intensity give positive or negative impact on trust that has been developed in the past. According to Artadi (1993), Bali's community is a tolerant community, easy to adapt and having openness system therefore interaction intensity among community is easy to change. Interview result shows that changing tendency is not the same among community. This is supported by data that indicate number of community that feeling trust changing is equal with number of community that feel weakness of trust.

In underdevelop region, collective norms are still strongly bound and act as shield for new values which do not desire. Different with community in developed region, generally, in Bali, it is known menyamabraya concept that deeply rooted in community living. The concept implies that family is not only

extended family (batih family) but also neighbor and other banjar members. *Menyamabraya* means help each other in face of problem of having the character of material and also non material..

The norm's power should be based on trust attitude and reciprocally. Trust is not only keep sustainability of norms that contain wisdom value but also as basis for individual decision to joint into a group or loose from group which has been followed previously. Therefore, trust has critical effect on organization density in a region.

It can be said that a group or community whom the member has high trust level is rich with social capital. Sociologist, anthropologist and politician stated that trust has significant role for implementation of *collective action*. Strong (weakness) of social capital in a community is measured by high (low) trust level among community which indicated by participation of each member in collective activities and the activities intensity. Therefore, it can be said that trust or social capital is a *public good*, each member has opportunity to take benefit but often feel having no responsibility to maintain. One effort to keep the social capital is through help each other attitude among community member. On trust community category basis in Bali, it can be stated that community which has high trust is ready to help however only 23.53 percent that always help, 29.11 percent stated usually help and the rest stated almost help. The same situation will occur in community with low trust or community group with carefulness attitude. Most of person stated ready to help and only a few of them (2.26 percent) that stated even not helping other people. This is show that efforts to maintain social capital still performed by each individual in Bali. The carefulness attitude is not reducing help each other attitude or in other words help each other attitude for Bali's community is tend to *altruism* than reciprocal. Any support that giving to other individual or group is caused by trust on karma law.

Besides the trust, social capital also indicates by community organization density. Grootaert (1999) has defined organization density as number of existing organization in a community where someone involves in it. The highest average of community organization density is in Regency of Gianyar while the lowest in Regency of Jembrana. At least 2 organizations that followed by community in Regency of Jembrana and Karangasem (banjar adat and subak) while in Regency of Badung and Gianyar there are some member of community which only following in one organization namely banjar adat.

Trust community is not shows the same tendency on level community organization density in Bali. Community decision to be organized is not result of owned social trust but from other factors. On research's result basis, it was shows that the most important organization for most community is banjar adat. The two results is support each other because banjar adat is a organization that should be followed by whole community in Bali as Hindu follower. This imply that readiness to organize is not needed trust establishment however by sanction that should be accounted if not involved in banjar adat.

According to the result, trust is not shows relationship with community participation level in decision making on the most dominant organization. Community which has low or high trust level is still participating on every decision making that related to the group. This is shown by number of community that actively participates in every group activities, weather on low trust level or

high. Adherences at norms going into effect in banjar adat organization push every member to give contribution according to agreed decision. Norms having the character of reciprocal become other reason which pushes community to participate in every activity of banjar adat.

Any expenses for social activities are one social capital indicator that used in this research. There is a significant correlation between social cost with organization density, participation and number of *free rider*. In underdevelop region, higher social cost is positive correlated with organization density, negative with participation and number of *free rider*. The logics are the higher organization density of an individual the higher cost should be paid. In the underdevelop region, generally much of community member is inactive because having job or house in developed region therefore they should pay more social expenses. However participation both in activities and decision making is very low. The Individuals is known as *free rider*.

In developed region, social expenditure also have significant correlation with organization density, free rider and participation but the correlation have positive sign for participation, negative for rider free and density organization. The two result indicate that there is a understanding difference between underdevelop region and developed region in participation. Physical Participation more emphasized at underdevelop region while developed region tend to esteeming nominal participation.

Generally it can be stated that each indicator and variable of latent trust have positive correlation. This matter indicates that the stronger social trust will strengthen thick trust, trust to organizer of governance, organizer of security and education. Indicators of latent norm variable are readiness to help and readiness takes care of child by neighbor, and also the amount of child which go to school. Most of network indicator is showed negativity except the organization density. It means that better network with the lower amount of individual which behave as free rider, smaller expenditure required for social activity and lower amount of person who work in family. Goodness of model indicator (Gof) indicate that the established model have value of AGFI above 0.8 that is 0.897 although has significant value of chi-square but the RMSE smaller than 0.08. The two indicators of goodness is sufficient to indicate that the model is valid.

On aggregate, the analysis result concerning about effect of trust endogenous variable, network and norms on social capital show that only trust that have significant and positive impact, it means that the higher trust, the stronger social capital in Bali.

4. SOCIAL CAPITAL COMPONENT: Individual Social capital in developed region and Underdeveloped region

As stated earlier, the province of Bali is grouped on regency basis that is *Developed Region* and underdeveloped region. Indicator that used to differentiate are level growth of PDRB, PAD and also income per capita. According to the indicator, it can be stated that regency of Badung, Gianyar and Denpasar City are classify as developed region while other regency is underdevelop region. In this research, selected purposively, Regency of Badung, Gianyar and also Regency of

Jembrana Karangasem as 2 developed regencies (WM) and two regencies as underdeveloped (WBB).

Social capital indicator is used to measure latent variable of trust, carefulness attitude, custom trust, dynamics of trust, and participation. Latent variable of norm is consisted of possibility indicator to entrust child at neighbor, existing individual free rider, and also giving physical aid. Norm defined as readiness to share, to do collective action with and without intending to take benefit from others. Network Indicator is consisted of closeness of network, expenditure for social activity and amount of friend bellying ache. Reason in using latent variable indicator that different with general social capital analysis is significance of each indicator with residence location.

Determination of social capital component for each region and also in each community is conducted by using analysis of *structural equation model* that available in Lisrel program. The analysis is carried out in two phases that is indicator determination phase that determine latent trust variable, norm and network; following determine latent variable which have largest contribution to strengthening social capital.

4.1 Individual social capital in underdeveloped region

Criterion for underdeveloped region in this research is more emphasized at economics growth indicator such as lowering of PDRB, PDRB per capita, and also PAD level. Other Indicator which also becomes consideration is the amount of poor household but do not include income distribution. Generally, underdeveloped region reside in location which relative far from governance center as Regency of Jembrana Karangasem. The two regencies located in tip of west and east of Bali province.

Result of research also shows that there is significant and positive correlation between amount of friend and organization density; it means that more organization followed, more and more friend invited to discuss any matters. Significant and positive correlation also showed between variable of organization density with trust to others (general trust). Thereby, in other words, the higher personal interaction intensity that showed by amount of friend variable, the higher organization density and finally improving trust to others.

Differ from Grootaert (2001), result of this analysis indicate that there is no significant correlation between personal density organization, trust, and norm to the income level. Income level has significant correlation with social expenditure and individual participation in organization. The higher income, the larger social expenditure but the lower participation in individual decision making.

This research also show tendency that carefulness attitude of community have positive and significant relation with amount of individual free rider and physical aid readying to be given but do not relate to participation and network on organization. According to correlation analysis, it is also indicated that carefulness attitude have correlation with social cost that should be paid.

Result of SEM analysis indicate that latent trust variable can be measured by indicator of trust [common/ public], dynamics of trust, and participation. The Highest contribution for trust latent variable is come from participation. It means that the higher trust, the higher individual participation in organization. Negative

sign of trust dynamics indicator and participation is caused by applying inversed scale at expected answer. Reason to entering participation on latent trust variable is refer to Azwar (2005) expressing that research concerning attitude is better carried out by direct asking and behavior observation. This research assumes participation as strengthen behavior of a person trust statement. Individual which have high trust should have active participation. Result of analysis give implication that high trust level in underdevelop region is shown by trust to any people (*general trust*) and high participation. Indicator of latent norm variable is amount of *free rider* (-), taking care a child by neighbor and readiness to give physical aid and for latent network variable is network density, expenditure for social activities and amount of friend.

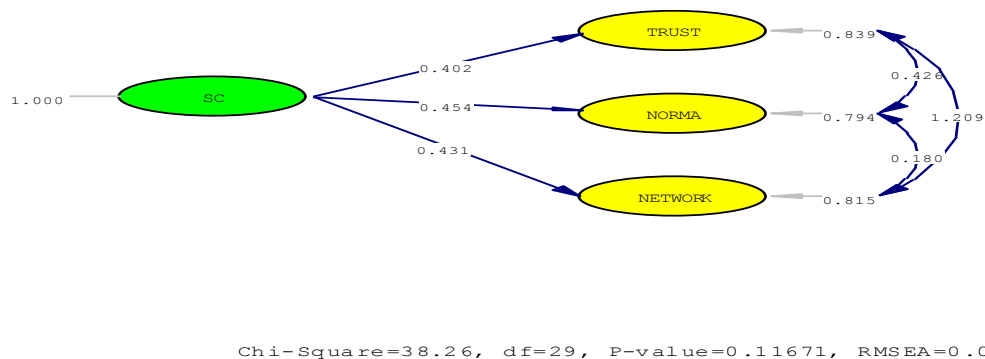
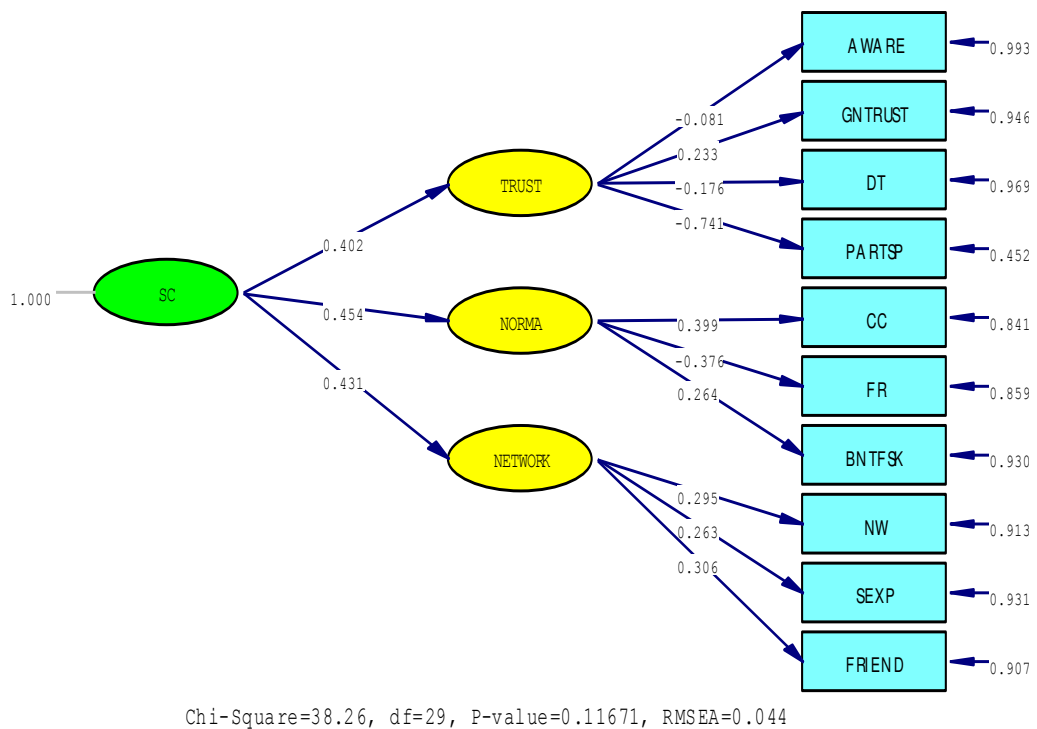


Figure 2 Diagram Path of Social capital structural model for underdevelop region in Bali

There are various indicators to determine goodness fit of a model, among others Goodness of Fit (GoF) values, Chi-Square, RMSE, AGFI and others. The obtained model is fulfill all indicator Goodness fit of model as well as AGFI value

(0.821) that larger than 0.8 therefore the model is assumed sufficient fit to figure relationship between latent variable and observed variable indicator. P-Value is 0.11671 larger than 0.05 RMSE and smaller than 0.08.

The three latent variables give significant – positive contribution on establishment of capital social in underdeveloped region. The result indicate that to develop, build or strengthen capital social specially in underdeveloped region cannot be conducted only by improve one of component because the three variable shows equal significant and large contribution. Development and reinforcement of capital social can be carried out by improving trust , participation, reducing opportunity of individual to behave as free rider, maintain norm to reciprocate physical aid, extending network (organization living)

Table 4 Latent Variable and Significance of each Indicator on latent Variable of Social capital in underdeveloped region in Bali

| Latent Variable | Indicator | Coefficient | t-hit |
|------------------|-------------------------|-------------|---------|
| Trust* (0.402) | 1. Aware to carefulness | -0.081 | -1.128 |
| | 2. General trust | 0.2330 | 3.015* |
| | 3. Dynamic of trust | -0.176 | -2.371* |
| | 4. Participation | -0.741 | -3.640* |
| Norm* (0.454) | 1. Entrusting child | 0.399 | 3.018* |
| | 2. Amount of free rider | -0.376 | -2.497* |
| | 3. Physical aid | 0.264 | 3.353* |
| Network* (0.431) | 1. Organization density | 0.295 | 2.918* |
| | 2. Social expenditure | 0.263 | 2.295* |
| | 3. Amount of friend | 0.306 | 3.353* |

Source : Analysis result of primary data

4.2 Social capital in developed region

Definition of developed region in this research is a region with high PDRB, PAD and relative large of income gap. According to the definition, in province of Bali that classify as developed region are Regency of Badung and Gianyar. There is a significant difference of *general trust*, participation and *thick trust among* individual that settled in underdeveloped region and developed region.

Correlation analysis of spearman indicates that there are no significant correlation between organization density (network) with carefulness attitude and also general trust. This is contrary with amount of friend variable invited to belly ache. Trust and helping each other norm show significant relationship especially between carefulness attitude with observation of child by neighbor or between general trust with individual that behave as free rider.

The significant correlation is also showed by social expenditure variable as proxy of income with network, trust, carefulness attitude, amount of friend and number of *free rider*. The higher social expenditure has positive correlation with trust and amount of owned friend, having negative correlation with carefulness attitude, Number of *free rider* and organization density.

Result of structural equation analysis with Lisrel indicate that trust is figured by carefulness indicator, general trust, dynamics of trust, and

participation. The trust indicator shows the largest contribution. Variable of latent network is shown by closeness network indicator, social expenditure and amount of friend with largest contribution and social expenditure while norm variable is indicated by number of free rider indicator and physical aid.

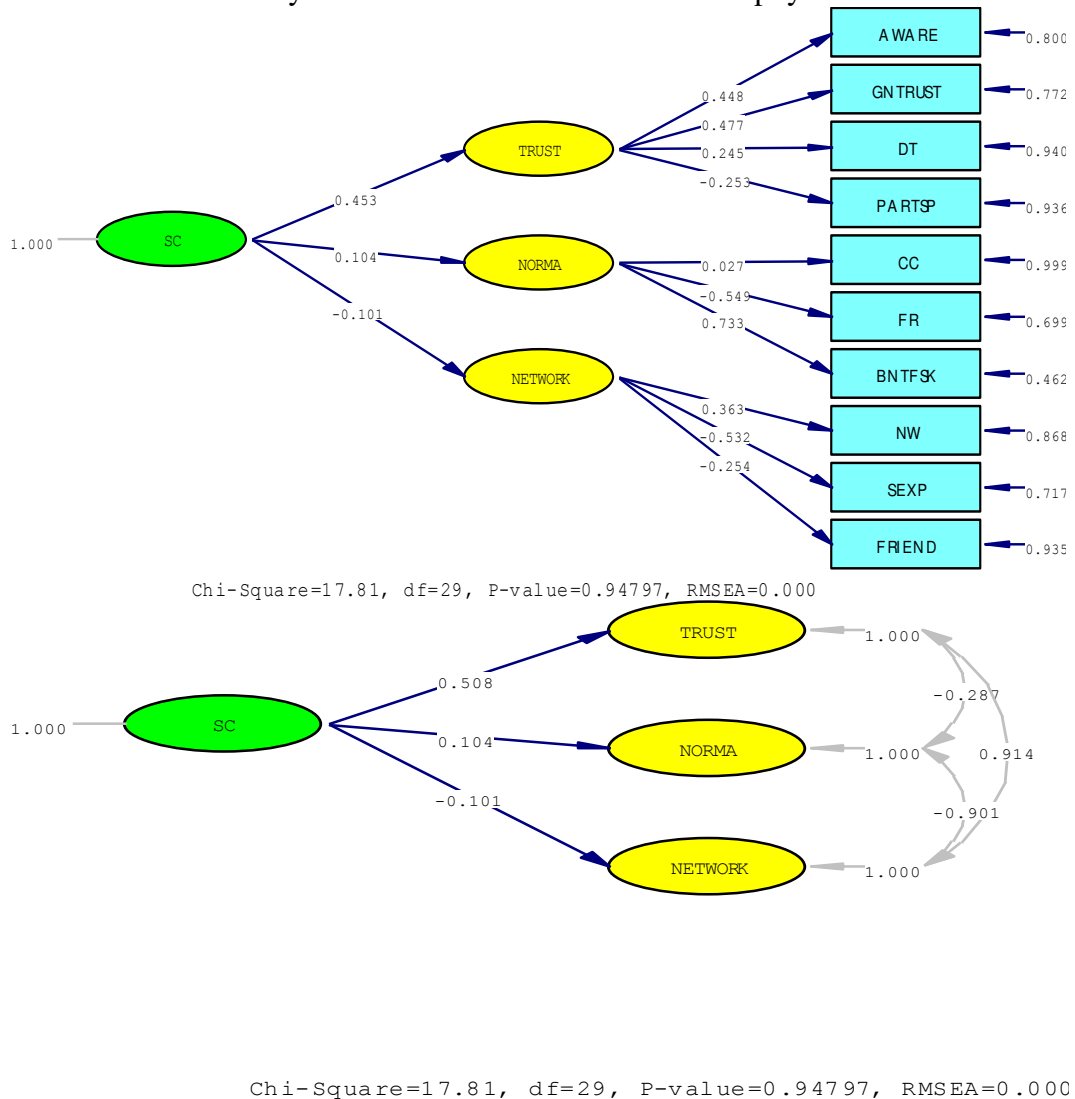


Figure 3 Diagram Path of Social capital structural model in developed region in Bali

Result of SEM analysis show that model can be accepted because fulfilling goodness of fit indicator that is RMSE value smaller than 0.08 and p-value larger than 0.05. In other hand, AGFI value 0.942 is larger than 0.8 thereby the obtained structural equation model have high validity.

Differ to underdeveloped region, to develop social capital or strengthen are not must be done by strengthening the three components of social capital because only trust variable which have significant contribution on social capital. Because of general trust indicator has the largest contribution on trust therefore to develop or strengthen social capital can be conducted by activities which can improve individual trust to other individual.

Table 5 Latent variable and significance of each indicator on latent variable of Social capital in developed region in Bali

| Latent Variable | Indicator | Coefficient | t-hit |
|---------------------|-----------------------------|-------------|---------|
| Trust* (0.453) | 1. Aware to act carefulness | 0.448 | 4.383* |
| | 2. General trust | 0.477 | 4.509* |
| | 3. Dynamics of trust | 0.245 | 3.024* |
| | 4. Participation | -0.253 | -2.997* |
| Norm (0.104) | 1. Entrust Child | 0.027 | 0.403 |
| | 2. Number of free rider | -0.549 | -7.238* |
| | 3. Physical aid | 0.733 | 6.248* |
| Network (-0.101) | 1. Organization density | 0.363 | 5.160* |
| | 2. social expenditure | -0.532 | -5.409* |
| | 3. Amount of friend | -0.254 | -4.001* |

Sources : Analysis result of primary data

5. SOCIAL CAPITAL IN TRADITIONAL AND MODERN ORGANIZATION

For social capital at group level, it is known *bridging social capital tern*. On management system basis, community organization that developed in Bali is divided into traditional organization and modern while on establishment process classify as formal and informal organization. Generally, informal organization is established by relationship among family and extended family. On contrary with formal organization, generally membership of formal organization is consisted of specific profession on livelihood basis.

In Bali, social organization which coordinates all public administrative activities is recognized by the name of *banjar*. Especially for Hindu follower have social organization which coordinate all activities related to religious activities that known as *banjar adat*. Each community which believes in Hindu have the same obligation in *banjar adat*. Rural Community in Bali, tied in formal traditional organization and also informal like *sekaa*, *dadia*, village and *subak / banjar adat*. *Dadia* and *Sekaa* represent informal traditional organization because do not have written *awig-awig* while *subak* and *banjar adat* are formal traditional organization which have written and unwritten *awig-awig*. Generally, member of *Sekaa* characterized by temporal membership and have strong consanguinity and formed in line with its activity like *sekaa manyi*, *sekaa nandur*, *sekaa gong*, *sekaa suling* and others. *Dadia* is extended family that owning patrilineal relation. Amount of *sekaa* member is smaller than *dadia* and village or *subak/banjar adat*. The established bound among member of *subak*, *sekaa* and *dadia* is based on togetherness feeling and reciprocity. Each member in traditional group will not have hesitating attitude to give aid for other member because existing trust that at the time needed, other member surely will raise a hand to assist them (karma law).

As so far, mutually assisting norm that aimed to finish collective activities is still fasten each member of existing traditional social organization. The Norm can be maintained because sanction that applied to each collision member is not in the form of physical sanction and nominal money but in the form of moral like

excommunication of someone and prohibition order to use public facilities include praying place (*Pura*) and grave. It is differ from modern formal organization that not knowing moral sanction. Establishment process of modern formal organization is caused by pressure demand of economic factor. Because of economic oriented, modern organization often unable to tied the member emotionally but more individual interest.

5.1 Social capital in *Subak*

Community structure of Bali experienced drastic change. Agrarian community has changing and migrates to urban area to be tourism community. Ethnic composition of resident also become to change, caste of and the resident to be appliance to reach political target. The changes reduce social function of traditional institution. Cooperation and security as product of traditional institution become scarce goods and need high cost to obtain.

Tourism sector is weakening because of internal and external factor, Community start to consider again role of agricultural sector. However, development bias during this time tend to side tourism sector that cause land function conversion for large area and automatically negate *subak* organization which the existence interconnected with availability of agriculture farm.

Subak is agriculture irrigation organizer that has been established since a long time ago and until now still play important role in efficacy of agriculture effort in] Bali. During the time, there is no formal contract system which conducted by each member of *subak*. Division of water carried out based on attitude of trust among member of *subak* as according to regulation as agreed. The specified norms is recognized by the name of *awig-awig*, agreed and adhered by all members. The *Awig-awig* is in the form of written and unwritten order. Even though, the two forms have equal power. Membership of *Subak* is not based on residence location but rice field location. Therefore, oftentimes member of *subak* is not neighborhood each other or reside in one administrative rural region and also *desa adat*.

The result indicate that different residence location is not causing the *subak* member having low trust on others. Thick trust of the *subak's* member on other is higher than the *thin trust*. General trust has positive relation with participation on organization. This implies that improvement of *subak's* member participation can be conducted by improving trust among individual in the organization. Dynamics of participation of the *subak's* member shows that there is a significant relationship between participation dynamics and *thick trust* of the member.

At lower trust level (80%), it can be concluded that there is negative and significant relation between trust and amount of free rider. It means that higher amount of member behaving as free rider, the lower trust among member. In other side, high trust level (99%) indicated that there is significant and negative relation between amount of member behaving as free rider free with readiness of member ti give physical aid on others ; it means that the higher amount of rider free, the smaller member that readying to give physical aid.

Social capital of *subak* group is described by observed variable including organization density, leadership, relationship with other organization which have the] same goal in one region and other region, relationship with other

organization which have different goal in a region and other region, appreciation to funding group and also initial fund. The latent variable is consisted of trust variable, network (norm and network)

According to goodness fit of model (AGFI value), the social capital model of *subak* community can be used to figure relationship between latent variable and observed variable due to AGFI value 0.914 is higher that Segars and Grover (1993) criterion although the chi-square values is significant and RMSE higher than 0.08. Result of SEM analysis shows that indicator for latent trust variable has positive sign, indicate that the higher organization density and more democracy process to choose group leader, the larger community trust. The large contribution of leadership indicator means that efforts to build trust in *subak* community can be initiated by democratic decision making process to choose group leader or decision making that affected whole member.

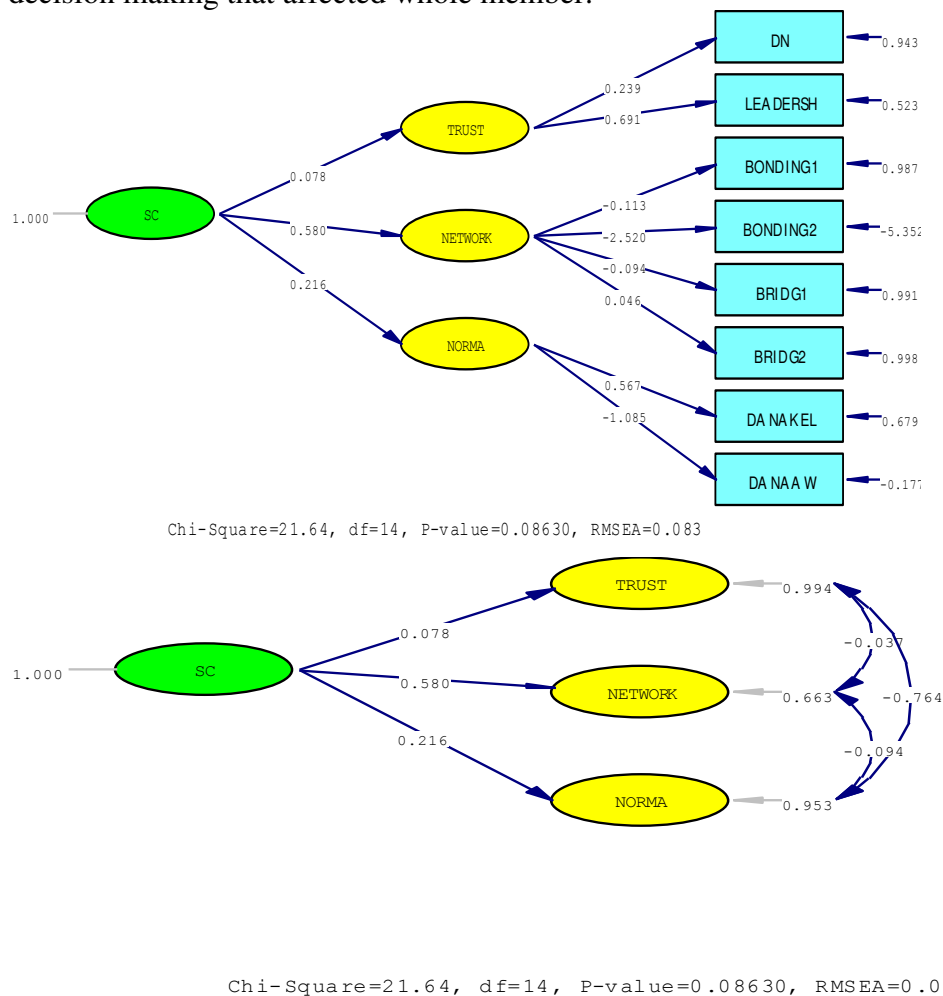


Figure 4 Diagram Path of Social Capital Structural Model for *Subak* in Bali

On the contrary, most of network indicator has negative sign except for *subak* organization linkage indicator with other organization which have different goal in other region. Network in this research is defined as binding that facilitate cooperation among *subak*. The research's results indicate that *subak* network will strengthen when interaction with *subak* or other organization in one region progressively lower however interaction with other organization in different

region is higher. Result of this research represents logical consequence on reason that agriculture production process does not need delay. Delay of each phase will affect on quality of yielded agriculture product. Because of limited time for farmer, high interaction frequency with other organization will lessen cooperation tying in the *subak*. Other fact is strong moral sanction in *banjar adat* organization that causing farmer sacrifices activities in farm.

In this case, a norm is defined as readiness of group member to share burden of group donation. Result of analysis indicates that norm indicator that consisted of readiness to pay fund for group activities have positive sign, different with initial fund indicator. *Subak* is an organization that has been established since *Majapahit* monarchic era. The Organization do not economic oriented however on collective basis. The stronger norms binding the member, more and more activities that should be done related to *upakara* to keep safety and efficacy of agriculture effort. This is will increase expense for member. However, member conducted by voluntary basis. Differ from initial funding that in they perspectives should be subsidized by government.

In community of *subak*, effort to build social capital can be conducted by norm and network strengthening because of the latent variable has significant contribution while network has larger value. Development of social capital in *subak* group can be carried out by improving sense of belonging of *subak* member as expressed by increasing member contribution in every activity. Larger government interference especially in every activity will lessen member sense of belonging, finally limiting social control of *subak* member to the existence of *subak*.

Table 6 Latent Variable and Significance of each Indicator on Latent Variable in *Subak* Community in Bali

| Latent Variable | Indicator | Coefficient | t-hit |
|-----------------|------------------------------|-------------|----------|
| Trust | 1. Organization density (DN) | 0.346 | 4.534* |
| | 2. Leadership | 0.893 | 7.768* |
| Network* | 1. Bonding (1) | -0.109 | -4.162* |
| | 2. Bonding(2) | -3.881 | -44.596* |
| | 3. Bridging(1) | -0.075 | -2.861* |
| | 4. Bridging (2) | 0.044 | 1.705 |
| Norm | 1. Group donation | 0.827 | 8.430* |
| | 2. Initial funding | -1.187 | -8.871* |

Source : Analysis Result of primary data

Result of this analysis is possible to explain why agriculture in Regency of Badung (developed region) do not expanding though have available potential market in region of South Badung. High regional income (PAD) pushes the government to give aid in large number for farmer by agriculture program. This condition will weaken effort to overcome or avoid failure risk because the crop failure do not cause unprofitable for farmer. The subsidize that given to farmer should do not cause farmer losing of sense of belonging.

5.2 Social capital in Tourism Organization

Tourism community consist of some group that differentiated on work field basis that is *pramuwisata* group (HPI), hotel and restaurant owner (PHRI) and owner of bureau tourism journey (Asita). But the three groups have the

similar characteristic that represent modern organization with formally character. All its member works in tourism sector as human resources with relative higher quality than *subak*.

Correlation analysis of spearman indicates that there are significant correlation between thin trust and thick trust. The correlation have positive sign, its means the higher trust to known person the higher trust to unknown person. The result is assuring result of previous research that trust is specific component to expanding tourism activity.

Mutually assisting norm and readiness to give physical aid have negative and significant relation with amount of rider free. The higher individual which behave as free rider the weaken norm mutually assisting that lessen individual readiness give physical aid to other individual.

Income has significant and positive correlation on social expenditure and carefulness attitude, negative correlation to thin and thick trust. The stronger carefulness attitude will progressively lower thin and thick trust with the larger income. The result seems irrational but the reason that income in tourism sector is having business character with trust capital therefore more careful of a person, the higher income will obtain.

Pursuant to goodness fit of model criterion, capital social structural model for the tourism community represent valid model because most of goodness criterion fulfill by not significant for Chi-square value ($P > 0.05$), AGFI 0.804 and $RMSE < 0.08$ although AGFI 0.68 (< 0.8). Differ to community of subak, almost all of indicator for capital social of tourism community have positive sign except initial fund for the latent variable of norm. Latent trust variable only consisting of organization density because leadership is not significant. Indicator of network latent variable of consisted of linkage with other existing organization in one region and other and also has linkage with organization with the same goal but on other region.

Density Organization is the single indicator giving significant contribution to trust latent variable while variable that significant for latent network and giving largest contribution is interaction indicator among organization with different goal but reside in the same region. Interaction among the same organization in the same region is not significant because Bali only have one organization which centering in Denpasar City. There is no indicator that significantly describe latent norm.

According to two phase's analysis, social capital is influenced significantly by trust variable but norm and network is not significant. Therefore, in order to underdevelop or strengthening capital social in tourism community is only can be carried out by improving trust among individual and group that involved in tourism activities. Furthermore to develop trust is only carried out by improving organization density for each member. Through higher organization density, it was expected that trusting each other or eliminate suspect feeling will be developed.

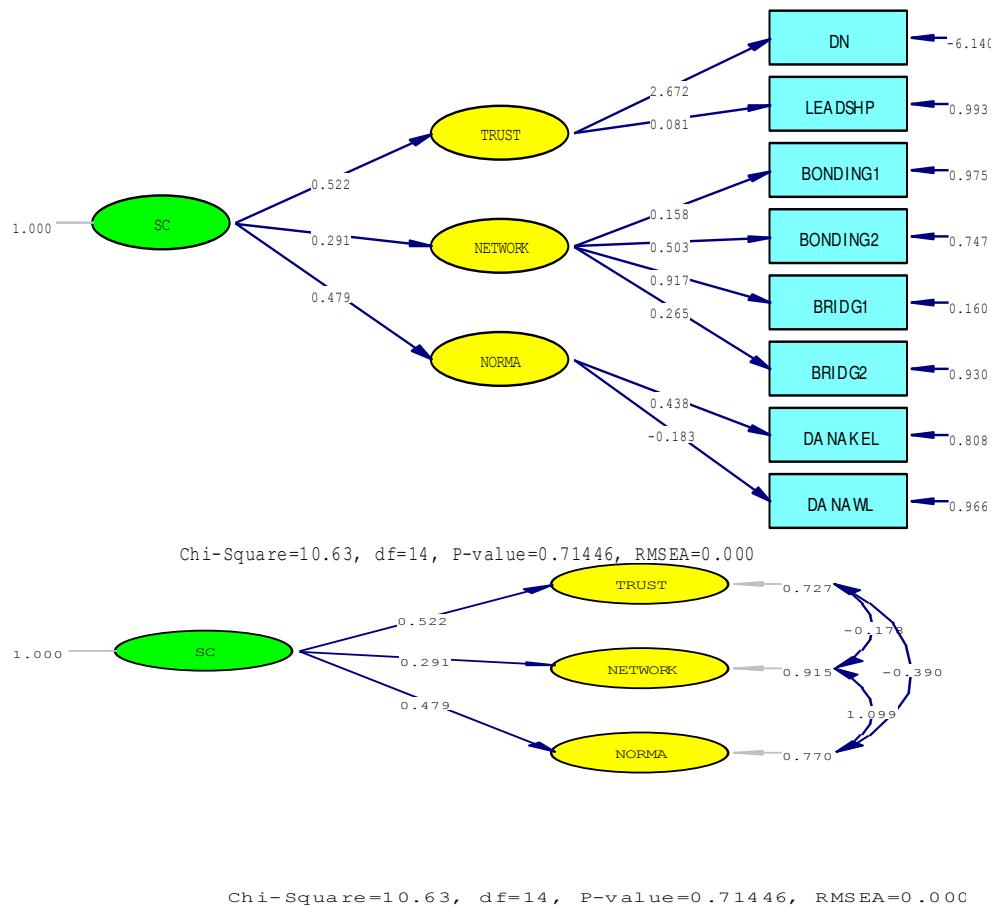


Figure 5 Diagram Path of Social capital structural model for tourism in Bali

Table 7 Latent variable and significance of each Indicator on latent variable of social capital in tourism community in Bali

| Latent variable | Indicator | Coefficient | t-hit |
|-----------------|------------------------------|-------------|---------|
| Trust* | 1. Organization density (DN) | 2.672 | 12.732* |
| | 2. Leadership | 0.081 | 1.369 |
| Network | 1. Bonding (1) | 0.158 | 1.215 |
| | 2. Bonding(2) | 0.503 | 3.026* |
| | 3. Bridging(1) | 0.917 | 3.398* |
| | 4. Bridging (2) | 0.265 | 1.992* |
| Norm | 1. Group Funding | 0.438 | 1.250 |
| | 2. Initial Funding | -0.183 | -1.183 |

Sources: analysis result of primary data

5.3 Social capital in Banjar/ Desa Pakraman

Process modernization has happened everywhere except in Bali. But in this rapid modernization streams, Bali's community remain have strong religion faith although living and traditional values in progressively changing. Bali's community is more and more heterogeneous, not only in the case of traditional trust system but also in religion and cultural which have an effect on way of thinking and the behavior (Surata, 1990). Bali, as destination target of

international tourism, facing various challenge and temptation, internally and externally, represents logical consequence of expanding tourism and global process. One of effort to face external threat is by empowering *desa adat*.

Desa adat or *pakraman* village are village institution in social filed, culture and religion. It is very difficult to differentiate between culture and religious activities in Bali because have integrated like cloth with the motifs. Jean Couteau (1995) stated that rural community in Bali that integrated in course of modernization will experience of threat in social solidarity and sustainability of custom institution as result of moneterization.

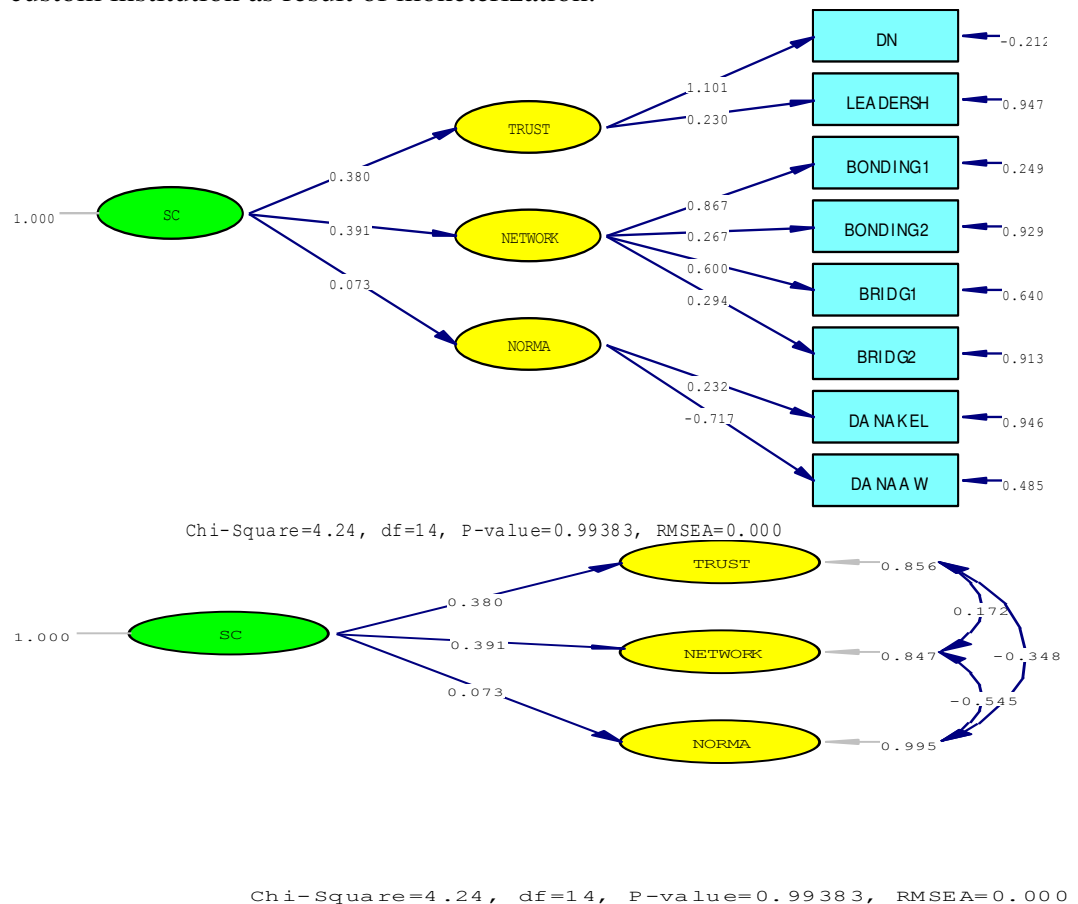


Figure 6 Diagram Path of Social capital structural model for *Desa Pakraman* in Bali

Result of SEM analysis indicates that indicator of latent trust variable is leadership and organization density, but the two indicators is not significant. Latent network variable consist of interaction indicator between *desa adat* in one region (bonding 1) and also other region (bonding 2) and also interaction between different goal organization in the same region (bridging 1) and the difference one (bridging 2). Indicator of norm variable has significant effect on confidence level 90 %.

Result of two phases analysis shows that social capital is significantly affected by variable of trust and network. For the reason, trust should be developed by means improving organization density and building interaction with various organization but interaction with adat village in one region is effort that

should be prioritized because giving the largest contribution. Structural equation model of capital social in adat village community have some criterion of goodness fit of model that is chi-square value is not significant (>0.5), RMSE lower than 0.08 and AGFI value higher than 0.8.

Table 8 Latent Variable and significance of each Indicator on latent Variable of Social capital in Banjar/Desa Pakraman community in Bali

| Variable laten | Indicator | Coefisien | t-hit |
|----------------|-------------------------------|-----------|---------|
| Trust* | 1 . Organization density (DN) | 1.101 | 1.586 |
| | 2. Leadership | 0.230 | 1.368 |
| Network* | 1. Bonding (1) | 0.867 | 4.233* |
| | 2. Bonding(2) | 0.267 | 2.608* |
| | 3. Bridging(1) | 0.600 | 3.492* |
| | 4. Bridging (2) | 0.294 | 2.454* |
| Norm | 1 . Group Funding | 0.232 | 1.745* |
| | 2. Initial Funding | -0.717 | -1.794* |

Sources: Analysis result of primary data

6. CONCLUSION

Result of quantitatively and qualitatively data processing shows that :

1. Thick trust (trust to the same ethnics) is higher than thin trust (trust on other ethnics thin trust). The two trust tend to have negative linkage.
2. Strengthening of social capital in developing region can be implemented by strengthening three component of social capital because give significant and positive contribution. Strengthening of social capital in developed region could be implemented just by improving trust.
3. Strengthening of social capital in *subak* community could be implemented by means extended group network and norm, strengthening of social capital in *banjar* could be carried out by trust and network while for tourism community is by improving trust only.

7. RECOMMENDATION

Component of capital social builder is different each other pursuant to the type of organization or regional development level. Therefore, effort to conduct revitalization cannot be formulated generally but should be adapted with regional and/or group characteristic.

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