

EMPOWERMENT OF *DESA ADAT* COMMUNITY TO SUPPORT THE EXISTENCE OF VILLAGE CREDIT INSTITUTIONS IN BALI PROVINCE

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Abstract: Village Credit Institution (LPD) is a specific microfinance institution in Bali Province with a role to maintain existence of traditional institution of *desa adat* as the last bastion of Balinese culture. The LPD existence is supported by *desa adat* (*krama desa*) as strategic function to spur rural economic development and at same time to maintain local wisdom of *desa adat*. The this research objectives are (1) to analyze the empowerment condition of *krama desa* that play a role to support the LPD existence in Bali, (2) to analyze social capital condition to support LPD existence, (3) to analyze the role of social capital to empower *krama desa* to support LPD, (4) to analyze the *krama desa* empowerment to support LPD existence to mediate the effect of social capital on LPD existence. The research was conducted on LPD in Bali Province. Samples are decided by non probability sampling through accidental sampling. Data collection was done by observation, structured interview, and in-depth interview. Data analysis techniques are descriptive analysis and path analysis. The results show that *krama desa* empowerment as LPD community in Bali has a positive and significant effect on LPD's existence. Social capital also has a significant effect on *krama desa* empowerment. Viewed from the association of social capital and LPD existence, social capital has positive and significant effect on LPD existence. These results indicate that better the social capital can improve LPD existence. Mediation test proved that *krama desa* empowerment as LPD community (board, supervisor, and member of LPD), significantly mediate the effect of social capital on LPD existence in Bali Province.

Keywords: Empowerment, social capital, *desa adat*, *krama desa*, LPD existence.

INTRODUCTION

Differ with other provinces in Indonesia, in Bali Province has two types of villages, namely official village and *desa adat*. The official village is a government unit one level below the subdistrict. Meanwhile, *desa adat* is a religious institution at village level with functions to arrange, organize and foster the social life of villagers, which includes *tattwa*, religious morality, and religious ceremony (Surpha, 2004). These *desa adat* have autonomous properties in various fields such as organization, economy, social culture, and security arrangements.

Various areas became autonomous at *desa adat*, further highlighted in this study are economic autonomy. Unlike other banking institutions, Village Credit Institution (LPD) is a form of microfinance institution based on local wisdom of *desa adat*. The role of LPD is very strategic, because it contributes to maintain

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the existence of *desa adat* as last bastion of Balinese culture. LPD Officially was confirmed by Bali Governor's Decree No. 972 Year 1984, November 1, 1984. LPD vision is realization a healthy, strong, productive and trustable LPD industry as a microfinance institution to support rural development, as well as preservation of local custom and culture based on *Tri Hita Karana* in order to enrich the nation's cultural. Furthermore, LPD's mission is to create conducive conditions to encourage improved performance of LPD and sustainable financial services to *desa pakramans* (indigenous villagers) to support economic growth and improve the village welfare in Bali (Sadiartha, 2011).

As a follow up of Bali Governor's Decree No. 972 year 1984, in 1985 an LPD was established in every district in Bali. Since at that time the Bali Province only consisted of 8 districts, number of LPDs in 1985 included 8 units (Agung, 2012). In its development, number of LPD continues to increase. Based on Annual Report of Regional Development Bank (BPD) Bali 2010 (accessed on May 24, 2013), it is known that number of LPDs in Bali Province at end of 2009 was 1,379 units and by end of 2010 it increased again to 1405 units. In other words, during the period 2009-2010 the number of LPD increased by 26 units.

Although the LPDs number in Bali shows a very rapid development, but not all LPDs made the progress as expected. In 2009 the number of healthy LPD and quite healthy are 1115 units and in 2010 are 1155 units. In contrast, LPDs classified as unhealthy, unhealthy and stuck were respectively 220 in 2009 and 251 in 2010. If associated with total number of LPDs in year concerned, LPDs are less healthy, unhealthy, and Stalled from 15.95 percent in 2009 to 17.86 percent in 2010 (Annual Report of Bank BPD Bali, 2010).

The success of an organization such as the LPD is also inseparable from the application of control or oversight functions. One of institutions that play a role in LPDs supervision is *desa adat*, which is regulated through the *awig-awig*. *Desa adat* teams contain social sanctions against villagers who violate agreed terms related to LPD activities. Although the mechanisms and procedures for LPD oversight have already been incorporated into customary village *awig-awig*, it is largely determined by human factor that acts as a watchdog. Therefore, it is necessary to study the *krama desa* empowerment as supervisors to support the LPD existence.

The LPD success as a microfinance institution is based on local wisdom determined by various factors, not only from the participation of village community as members, but also in its role of management/manager, and LPD supervisor. This is important to understand, because all villages in *krama desa* automatically become LPD members so that morally all village *krama* also supports the progress of an LPD.

The role of LPD on one hand is to maintain existence of *desa adat*, as a strategic means in sustaining the autonomy of *desa adat* that very important. On

other hand, LPDs condition is unhealthy and stuck conditions, it is very urgent to do a deep study. This study is conducted at LPDs that were categorized as healthy and healthy enough as well as unhealthy, unhealthy enough, and stagnant to obtain more comprehensive information. Based on these facts, there must be an effort to overcome them, through the involvement of all components of *desa krama* in determining the success of LPD. Therefore, this research not only focused to explore one component only, but the three components of *krama desa* (board, supervisor and member), comprehensively considering all three must synergize to support the LPD existence in Bali Province. The research problem formulated in this research is: (1) how the empowerment conditions of *krama desa* to support the LPD existence in regency/city of Bali Province? (2) What is the social capital condition that plays a role to support the LPD existence in regency/city of Bali Province? (3) What is the social capital role in empowering the *krama desa* to support LPD in regency/city of Bali Province? (4) Does the *krama desa* empowerment to support LPD existence can mediate the effect of social capital on LPD existence in regency/city of Bali Province?

LITERATURE REVIEW

The Empowerment Concept

Empowerment contains the word Power that can be interpreted as executive power or pushing power or horse power. Community empowerment opens the door to acculturation process as a combination of new values with old values to describe the identity. Through the spiral process, it will create a justice community, because the constellation of power has been built on equity foundation (Kartasasmita, 1996).

Community empowerment in development is an effort to increase independence. Independence relates to ability to accommodate the good qualities of human beings in appropriate attitudes and behaviors based on situation and conditions faced by an individual. Individual independence is shows the nature and attitude of diligent, happy to work, able to work hard, disciplined, dare to seize the opportunity, honest, able to compete and cooperate, trustworthy and trust others, not easily despair and try to recognize their weaknesses and try to help themselves without being dependent on others (Ningtias, 2009).

Empowerment as proposed by Roebyantho et. al. (2007) refers to Sumodiningrat (2000) is to energize people in order can work independently. Empowerment is basically intended to provide long-term independence for economy benefit as a whole and community (Prawirokusumo, 2001). Empowerment is defined as the efforts undertaken by government, business, and community in form of a conducive business climate, coaching and development in form of guidance and reinforcement assistance. Suharto (2005) emphasizes to the power concept. Conceptually, empowerment comes from the word power. The main idea of empowerment relates

with power concept, and power is created in social relations. Since power is related to social relations, power and power relationships in society will change. The empowerment as a process of change has a meaningful concept. Longwe (2001) also states that empowerment is both strategy and goal. Empowerment involves two things, ie strategies or ways that can be interpreted as a process, and the goals or outcomes to be achieved from the process.

Social Organization of Community

The social organization of community as proposed by Voydanoff (2001) refers to community structure ability to realize the general value of its population and maintain effective social control. The application of resource pools requires the community to realize the collective excellence through the interlocking activities of a group of formal and informal networks, institutions and organizations locally. The mesosystem relationship between social organizations of community and family is particularly strong because families and children are linked in social networks and local communities. Some informal associations rooted in good network and an important function of social organization is to monitor and regulating children and teenagers behavior. Customary institutions in this study can be regarded as a social organization of community, which refers to ability of indigenous peoples structures to realize the common value of their community by maintaining the effective social control.

Social Network

The concept of social networking is closely linked to social organization of community. The conceptualization of Freudenberg (1986) in Voydanoff (2001) on friendship density at community level, while developed within framework of social organization community, is similar to networks diversity as formulated in social network theory. The concept of social networks emphasizes on structural elements, while social organizations focus on collective processes to achieve community values and relational criteria, while social organizations use a territorial reference framework.

Social Capital

Coleman (1988) defines social capital based on the function. Social capital, as well as other capital, is productive to make certain impossible achievements without the existence. Woolcock (1998 in Voydanoff, 2001) defines social capital as information, trust, and norms of reciprocity inherent in social networks. Meanwhile, Putnam (1993: 167) in Sembiring and Berutu (2004) states that social capital component consists of trusts, rules (norms) and networks to improve efficiency in a community through action facilities - coordinated actions. Woolcock, 1998 in

Voydanoff (2001) also asserts that social capital refers to characteristics of social organizations such as networks, norms and beliefs to facilitate mutual coordination and cooperation.

Social capital cannot fully explicable, same as physical capital and human capital, but can be specifically identified in certain activities. Coleman (1988) explains that social capital is attached to structure relationships between actors. Social capital is consistent with concept of financial capital, physical capital and human capital, but creating relationships among people. This is part of a theoretical strategy to involve the use of a rational action paradigm, but without the assumption of atomistic elements in social relationships. In explaining the concept of social capital, three forms are identified, namely: obligations and expectations which depend on social environment, information flow capability of social structure, and norm accompanied by sanctions. Hasbullah (2006) proposes a more interesting study on social capital along with Lyda Judson Hanifan (1916) on how social unit applies patterns of reciprocity based on principles of common policy, sympathy and empathy, degree of relationships cohesiveness between individuals within group.

Microfinance Institutions

Credit loans from banks in Indonesia are focused on a business with large assets. Credit distributions for small and medium enterprises are considered a task for small-scale banks. The facts show that small and medium enterprises are more resilient to crisis to make this phenomenon begins to shift (Daruri, 2007). Timmons (1997), Barton and Matthews (1989) explain that characteristics of small and medium-sized enterprises have a significant effect on their ability to raise capital. The important factors are the stage of product development, risk, capital availability, company type, ownership structure and amount of most appropriate capital. New companies start specifically to know personal equity, friends and relatives, and loans from financial institutions (Akyuz et. al., 2006).

The role of Micro Finance Institutions (MFIs) until today is very useful to protect the existence of micro, small and medium enterprises (UMKM). The MFIs role is to provide financial resources to small and medium enterprises that cannot be achieved by commercial banks (Syahyuti, 2002). There is a difference in financial performance between modern BPR and traditional BPR. Viewed from any indicator, LPDs (traditional BPRs) have much better financial performance than modern BPRs. This is an unusual and surprising phenomenon that traditional financial institutions have a much better performance (Ismail, 2003).

A well-built institutional environment is a prerequisite for establishment of a belief system. In personal belief, two aspects of social relationships, one communication that allows coordination between norms and obligations and expectations to lead to cost sanction as important mechanisms to generate effective sanctions (Coleman, 1990 in Tan et. al., 2009).

Profile of Customary Institution

Bali Province Regulation No. 06/1986 establishes the position, function and role of *desa adat* as a unity of indigenous and tribal peoples with a unity of tradition and *darma* of Hindu community's hereditary community in bond of Third *Kahyangan* which has a certain territory and its own property. All *desa adat* have *awig-awig*. *Awig-awig* can refer written and not written. Most districts have written *awig-awig*.

Rambu (2003) explains that organizing and strengthening of indigenous peoples organizations can struggle to demand their right. The end result of an organization is to produce critical human resources in viewing each issue and then organizing itself in an individual independence as well as an organization to control the power of policy makers. In short, indigenous peoples organizations must have access to take part in state administration.

Village Credit Institution (LPD)

Village Credit Institution (LPD) is located in each *desa adat* as a form of traditional financial institution in Bali Province. The existence of *desa adat* still survives and can be coupled with administrative village through Law on Village Governance. The effort of Bali Province to keep the original government cultural identity is done not only through Local Regulation no. 6 Year 1986, but also through Provincial Regulation No. 2 Dati I Bali Year 1988 About Village Credit Institution (LPD) to develop economic business moving through saving and loan.

The existence of Village Credit Institution (LPD) in Bali was first based on Bali Province Regulation No. 1. 06 Year 1986. LPD has several goals (Mantra, 1998), as follows. (1) Promoting rural community economic development through targeted savings and effective capital distribution. (2) Eradicating the system of debt bondage, dark mortgage, and others. (3) Creating equity and employment opportunities for rural people. (4) Creating purchasing power and launching payment and exchange traffic in village. The operational platform of LPD is based on *awig-awig* of *desa adat*, which emphasizes on kinship bonds and spirit of mutual cooperation between indigenous villagers. To further strengthen LPD institutions, Bali Province Government again issued Bali Provincial Regulation (Perda) No. 8 year 2002 accompanied by a Governor's Decree which regulates the establishment, business field, capital, organization, work plan and budget, reporting and supervision, and LPD development (Ramantha, 2006).

Since establishment until now, LPD has given its own color for development of *desa pakraman* (*Desa Adat*), and indigenous villagers. The LPD existence is proven to provide significant benefits for community welfare and provide a mutually beneficial effect for LPD, *desa pakraman* and *krama* (community) of the village (Mulya, 2008).

RESEARCH METHODS

This research is conducted in all districts/cities in Bali Province, considering that all districts/cities in Bali Province have LPD.

Types and Data Sources

Types of data used are quantitative and qualitative data. Quantitative data is numbers such as the number of LPDs in each district/city in Bali Province, number of administrators in each LPD, number of LPD members and so forth. The qualitative data collected are, among others, related to perceptions of LPD existences and information from other informants such as from *desa adat* leaders and religious leaders about their participation to support LPD success in each region.

Data types are primary and secondary data. Secondary data were obtained from the Central Bureau of Statistics (BPS), and other relevant agencies such as from LPD Cooperation Agency (BKS) such as LPD data which was successful and less/unsuccessful, number of LPD by district/city and number of LPD members. Primary data is obtained through interviews with respondents, as well as from in-depth interviews with informants.

Population, Sample and Method of Sample Determination

The population in this study is 1418 LPDs in Bali. The study objects are the *krama desa* as the board, *krama desa* as a member of LPD, and *krama desa* as the LPD supervisor. The samples are 90 LPDs, determined or selected by purposive sampling. Each LPD was represented by a board, a member of LPD, and a supervisor. Therefore, the total numbers are 270 respondents. The sampling method for both respondents is *krama desa* who serves as board, LPD member, and LPD supervisor that chosen by non probability sampling through accidental sampling.

Research Instruments and Data Collection

The instrument used is a questionnaire. There are 3 types of respondents, namely a board, a member of LPD, and a supervisor. Data collection techniques used is observation, interview and survey (Jogiyanto, 2004).

Data Analysis Method

The data is analyzed by descriptive analysis and Path Analysis technique through SPSS Version 20 software. The path diagram model for research variables relationship is illustrated below.

Testing the relationship between variables is done by statistical test t (t -test). If p -value $< \alpha$ (0,05) is tested, significant test, otherwise p -value $> 0,05$, mean not

significant. The level of significance for mediation role is analyzed through Sobel test.

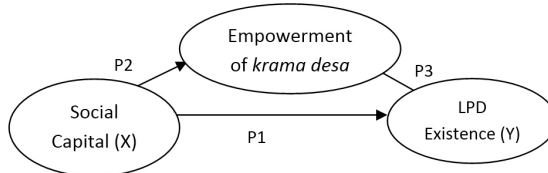


Figure 1: Research model

RESULTS AND DISCUSSION

Characteristics of Respondents

There are three prominent age groups in this study, i.e., age 40-44, 45-49 years, and 50-54 years to cover more than 60 percent of respondents. Most of respondents had high school education, which almost reached about 60 percent of all respondents. Respondents who have higher education level are also high (28%). Based on income level, 25 percent of respondents have a total income of less than IDR 2.0 million per month. If viewed from a total income is than IDR 3.0 million. It was revealed that about 60 percent of respondents have a total income of less than IDR 3.0 million per month. Respondents who have a total income of IDR 5.0 million or more only amounted to 10 percent of all respondents.

Path Analysis Results

Path model produces two structural equations. Analysis results with SPSS, structural equation model or simultaneous equation system for first structure and second structure is shown in Table 1 and Table 2.

TABLE 1: RECAPITULATION RESULTS OF FIRST REGRESSION MODEL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.860E-015	.045		.000	1.000
Social Capital (X)	.656	.045	.656	14.452	.000

R Square = 0.430

F = 208.867 Sig. 0.000

^aDependent Variable: krama desa empowerment (M)

Source: Research results 2016

Based on results in Table 1 and Table 2, below will be described the results of Goodness of Fit Models testing and hypothesis testing.

TABLE 2: RECAPITULATION RESULT OF SECOND REGRESSION MODEL

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-5.574E-016	.035		.000	1.000
	<i>Krama desa</i> empowerment	.330	.046	.330	7.127	.000
	Social capital	.559	.046	.559	12.092	.000

R Square = 0 .663

F = 271.891 Sig = 0.000

^aDependent Variable: LPD existence

Goodness of Fit Model

Goodness of Fit model on path analysis is seen from Total Coefficient Determination value (R^2_M), calculated based on R^2 value of each endogenous variable. For *krama desa* Empowerment (M), value of R^2 is 0.430 and for LPD Existence (Y) R^2 is 0.663.

The predictive-relevance value can be calculated as follows:

$$R^2_M = 1 - (1 - R^2_1) (1 - R^2_2)$$

$$R^2_M = 1 - (1 - 0,430)(1 - 0,663) = 1 - (0,570)(0,337) = 1 - 0,19209$$

$$R^2_M = 0.80791$$

The calculation shows the value is 0.80790 or 80.79%, it means that 80.79% empirical data can explain model, or the model is said to be good. Thus, model deserves to provide an explanation and hypothesis testing.

Hypothesis Testing Results

Hypothesis testing is done by *t*-test on each path of partial direct effect. The recapitulation of path coefficient values and their significance values are presented in Table 3.

The hypothesis testing result the direct effect can also be seen in Figure 2 below.

The explanation of figure 2 can be shown below.

1. Social capital (X has a significant effect on *krama desa* empowerment (M). It is shown from the significant coefficient value of 0.656, with *p*-value 0.000. Positive path coefficient means that better or stronger social capital (X) can improve *krama desa* empowerment (M).

TABLE 3: RECAPITULATION OF HYPOTHESIS TESTING RESULTS

Variables Relationship		Path Coefficient (Standardize)	p-value	Description
Social capital (X)	<i>Krama desa</i> empowerment (M)	0,656	0,000	Significant
<i>Krama desa</i> empowerment (M)	LPD existence (Y)	0,330	0,000	Significant
Social Capital (X)	LPD existence (Y)	0,559	0,000	Significant
Testing the <i>krama desa</i> empowerment as mediation variable:				
Model without mediation variable				
Social capital (X)	LPD existence	0.775	0.000	Significant

Source: Appendix 2.

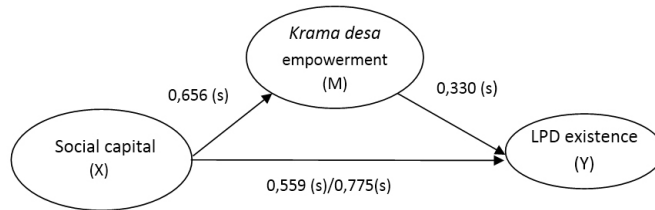


Figure 2: Path coefficient results of direct testing

- Desa krama* empowerment (M) also has a significant effect on LPD existence (Y). This is indicated from the path coefficient of 0.330 with p -value = 0.000. Positive coefficient path indicates that better or stronger empowerment of *krama desa* can improve LPD existence.
- Social capital (X) has a significant effect on LPD existence (Y2). The path coefficient result is 0.330 with p -value of 0.000. Positive path coefficient means that better Social capital (X) can improve LPD existence (Y).

Results of Mediation Testing

Taking into account the coefficient of paths value in Table 3, Village empowerment as a mediator can be explained below.

The effect of social capital (X) on LPD existence (Y) without mediation variables is significant (p value = 0,000 < α = 0,05). Effect of social capital (X) on *krama desa* empowerment (M) is significant (p value = 0,000 < α = 0,05). The effect of *krama desa* empowerment (M) on LPD Existence (Y) is significant (p value = 0,000 < α = 0.05). The effect of social capital (X) on LPD existence (Y) in model by involving the mediation variable is significant (p value = 0,000 < α = 0.05). This result suggests that *krama desa* empowerment (M) can becomes partial mediation the effect of social Capital (X) on LPD existence (Y).

The significance level of mediation is analyzed through the Sobel test, with following calculations.

$$se_{ab} = \sqrt{(b^2 s_a^2 + a^2 s_b^2 + s_a^2 s_b^2)}$$

Based on Table 1 and Table 2, se_{ab} value can be calculated as follows.

$$se_{ab} = \frac{0,002025}{\sqrt{(0,559^2 \times 0,045^2) + (0,656^2 \times 0,046^2) + (0,045^2 \times 0,046^2)}}$$

$$se_{ab} = \sqrt{0,0006322774 + 0,000910591 + 0,0000042849}$$

$$se_{ab} = \sqrt{0,0015471533}$$

$$se_{ab} = 0.0393338696291123$$

$$Z_{\text{value}} = ab/se_{ab}$$

$$Z_{\text{value}} = (0,656 \times 0,559)/0.0393338696291123$$

$$Z_{\text{value}} = 9.32286$$

Calculation result show the Z value = 9.32286 is greater than the critical value 1.96 at error rate of 5% ($\alpha = 0.05$), it means significant testing result. It can be concluded that *krama desa* empowerment (M) significantly become partial mediation the effect of Social capital (X) on LPD existence (Y).

DISCUSSION

The Role of *krama desa* empowerment to support the LPD existence in Bali province: The test results show that *krama desa* empowerment has a positive and significant effect on LPD existence in Bali Province. This result can be interpreted that with good empowerment (related to community as a board, supervisor and as a member/customer of LPD), the effect on LPD existence will stronger. Descriptive analysis revealed that *krama desa* empowerment is in good condition. This is indicated by ease of access, active participation of *krama desa* in LPD, control and awareness of village *krama* against LDD, and higher prosperity in *desa pakraman*. Villager's empowerment has a positive effect on LPD existence, it is shown by high involvement of community as part of LPD community, high role of LPDs in *desa pakraman* and community benefits from LPDs. The LPD existence is also demonstrated by active involvement of LPDs in social economic activities of village, such as the provision of working capital and involvement of active LPD in socio-cultural activities, such as *adat* and religious activities which are regularly and sustainably carried out by LPDs in Bali Province .

The role of social capital to support the LPD existence in Bali Province: Hypothesis test result proves that social capital has positive and significant effect to LPD existence in Bali Province. These results indicate that if social capital develops well in *desa pakraman*, LPD existence in Bali will be stronger in. Descriptive

analysis shows that social capital can be seen from the network, belief, norms, and expectations of LPD that running well as perceived by *krama desa*. For networking, LPD in Bali has established business relationships with several partners, such as Potable Water Local Government Company (PDAM), State Electric Company and PT Telkom, related to payment service of drinking water, electricity and telephone. In addition, this good social capital is also supported by role of government, in this case the LPD Empowerment Institution, both at district/municipality level and provincial level, regularly conducting coaching to sustain LPD existences.

In addition to good network as a component of LPD's social capital in Bali, this study results also show good social capital, as demonstrated by high trust and norms of community towards the existence and performance of LPDs, as well as public confidence in working abilities of LPD managers. Social capital is very important to support the LPD existence. In this regard, people have high hopes that LPDs can help to solve the economic problems of rural, such as financing in education, working capital, and community issues related to ceremonies, customs and religion.

The existence of good social capital supports has a positive and significant effect on LPD existences in Bali Province, as demonstrated by involvement of community as part of LPD community, involvement of LPDs in socio-economic activities of communities in their respective *desa pakraman*.

The Role of social capital in empowerment of *krama desa* to support LPD existence in Bali Province: The statistical tests proved that social capital has positive and significantly effect on the *krama desa* empowerment as LPD community in Bali Province. These results illustrate that when the social capital associated with LPDs is in a strong condition, *krama desa* empowerment as a LPDs community will also be stronger. Description of social capital variables show that social capital is related to LPD existences in Bali Province, weather in good or strong categories. This is indicated by existence of a good network establishment between LPD and outsiders such as PDAM, PLN, PT Telkom, as well as government agencies.

The existence of this social capital has a positive and significant effect on empowerment of *desa krama* (administrators, peers, and members), as the LPD community. This can be seen from the easy access to *krama desa* to obtain information and services LPD services, such as savings, deposits, and payment of electricity bills, drinking water, pulses electricity and other services. In addition, empowerment of *desa krama* can also can be known from the active participation of *krama desa* in meetings held by LPD regarding the discussion of programs to be launched, utilizing the resources or products owned by LPD so that LPD can grow well, and villagers feel that LPDs provide a fair opportunity for all members to get involved in LPDs development. The empowerment of *desa krama* as a LPDs community in Bali can also be seen from the presence of village control over to undertaken by LPDs and opportunity to convey positive things to ensure LPD

activities are going well. An equally important indicator of village empowerment is the growing awareness of village society to participate in building LPDs, supporting LPD policies, carrying out proper duties, and realizing that LPD success is largely determined by involvement of its members.

The Role of *krama desa* empowerment in mediating the effect of social capital on LPD existence in Bali Province: The analysis shows that *desa krama* empowerment can become partial mediation the effect of social capital on LPD existence Bali province. The Sobel test results reinforce this mediation test. Empirical empirical also show partial mediation the effect of social capital on LPD existences in Bali. These findings indicate that social capital and empowerment of *desa krama* as LPD communities plays an important role in maintaining the LPD existences as the financial institutions of *desa pakraman* in Bali Province.

These results indicate that social capital is demonstrated by ease of access to LPDs, active participation of *desa krama* in LPD activities, high degree of control and awareness of *desa krama* for LPD existences, and perceived wealth of *desa krama* from the LPD existences play an important role to enhance the empowerment of *desa krama* as the LPD community. These conditions significantly strengthen the LPD existences that strongly support the socio-economic activities of rural communities in Bali.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Some conclusions from the results of this study can be explained below.

1. The *krama desa* empowerment as LPD community plays an important role to support the LPD existence in Bali Province. This result gives the maxim that with strong *desa krama* empowerment (in this case the community as the administrators, supervisors and members/customers of LPD), the LPD existence as a financial institution belonging to *desa pakraman* will also become stronger. The LPD existence is demonstrated by high involvement of community as part of LPD community to improve LPDs role in *desa pakraman*, giving high benefits to village communities, ongoing LPD involvement in socio-economic activities (provision of working capital, working capital) and customary and religious activities of *krama desa* in their respective *desa pakraman*.
2. Social capital has a significant and positive effect on LPD existence in Bali Province. These results indicate that social capital seen from LPD networks, *krama desa* belief on LPDs, norms adopted by villagers in relation to LPD existences, and community expectations on LPD developments that work well in *desa pakraman* environments can strengthen the LPD existences as a village financial institution in Bali province.

3. Social capital has a positive and significant role to empower *krama desa* as LPD community in Bali province. These results illustrate that strong relationship between social capital and LPDs makes *krama desa* empowerment of *krama desa* as LPD community will also be stronger. Social capital relates to LPD existence in Bali Province in good or strong category, so this condition encourages the empowerment of *desa krama* to become better or stronger.
4. *Krama desa* empowerment becomes partial mediation the effect of social capital on LPD existence. These results indicate that social capital (as ease of access to LPD, active participation of *desa krama* in LPD activities, high control and awareness of *desa krama* to LPD existences, and perceived well-being of villagers from the LPD existences) play important role to improve the *krama desa* empowerment as a community of LPDs. These conditions will greatly strengthen the LPD existences in support of social, economic, and cultural activities and indigenous communities in rural Bali.

Suggestions

Based on weaknesses or deficiencies implied in this study, the suggestions may be given below.

1. *Krama desa* empowerment as the main community of LPD needs to be improved especially from the accessibility aspect to get the loan amount and repayment period of LPD credit, which is felt temporarily by *desa krama* less smoothly. This condition has an adverse effect on LPD existence, which is indicated by existence of some villagers who feel that LPD is less beneficial to their family.
2. The government role to continuously empower *desa krama*, especially *krama* as LPD management, by giving management training. This research shows that social capital is not yet optimal to sustain LPD existence. This is shown from the fact that LPD has not been able to build networking with business partners, especially with PDAM, PLN, and PT Telkom.

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