

CAN COMMUNITY EMPOWERMENT LEVERAGE PEOPLE'S INCOME? DOES BUSINESS CAPABILITY PLAY A ROLE?

Siti Hafsa Budi Argiati (Psychology Department, Faculty of Psychology, Universitas Sarjanawiyata Tamansiswa)

Henny Welsa (Master of Management Department, Faculty of Economics, Universitas Sarjanawiyata Tamansiswa)

Ari Astuti (Agribusiness Department, Faculty of Agriculture, Universitas Sarjanawiyata Tamansiswa)

Nonik Kusuma Ningrum (Management Department, Faculty of Economics, Universitas Sarjanawiyata Tamansiswa)

Email: nonik.kusumaningrum@ustjogja.ac.id

Abstract—Until today, there have been so many community empowerment programs to achieve prosperity, but most of which cannot meet the expected outcome. On this basis, this study is aimed to seek for the possibility whether business capability can be a good mediator on mediating the effect of community empowerment on local community income. Through an applied quantitative method, this study analyzed the issue using structural equation model. The result, however, shows that business capability could not mediate the effect of community empowerment on local community income. Further study is, thus, needed to explore the determinants of local community income.

Keywords—community empowerment, business capability, local community income

I. INTRODUCTION

Empowerment is an important aspect of sustainable development policy. However this concept remains vague, differently interpreted, debateable (Ahmad & Talib, 2014), and loosely defined (Zimmerman & Perkins, 1995). The conceptualization of empowerment is ubiquitous since it is constantly being used everywhere such that in political arena, public health professions, organization management and others. Zimmerman & Perkins (1995) then conceptualized empowerment as intentional ongoing process on local community in which individuals have control over themselves and have critical understanding toward the environment. Empowerment is classified into process and outcome, which consists of action, activities, and structure to get the level of being empowered, be it at the individual, group, or community levels. The process and outcome include managing resources to gain critical

awareness on how to utilize environmental resources for social welfare.

To increase the grass root quality of life and welfare, Bottom of the Pyramid (BoP) approach redefines poverty as not only lack of income, but also capabilities that can be developed through leveraging social capital by business driven ventures and empowering BoP communities (Ansari, Munir & Gregg, 2012). Furthermore, this study is aimed to investigate the effect of community empowerment on income mediated by business capability. This study particularly addresses mangrove forest area community empowerment program, which has taken place in Dumai-Riau Indonesia. Dumai ecotourism has been chosen as the area of study because Dumai has the most diverse varieties of mangrove in compared with other areas in Indonesia, besides the rising demand of ecotourism and huge opportunities for local society to gain more income by providing products and services for visitors in Dumai-Riau.

II. LITERATURE REVIEW

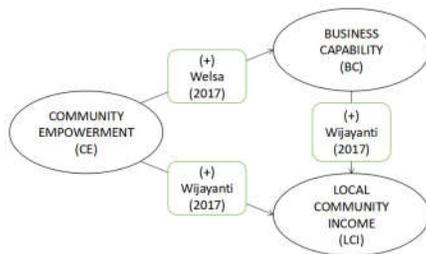
Community Empowerment. Community empowerment is conceptualized as an intentional ongoing process to have control over themselves (Zimmerman & Perkins, 1995). Dewi (2013) stated that empowerment is a process of empowering individuals, organization or community from the unempowered conditions to realize the dynamics of their own power, which thus requires the development of skills and capacity.

Business Capability. Business capability refers to collective resources to deliver specific output to customers (Michell, 2011). Hill and Jones (1998) conceptualized business capability as the ability to coordinate and organize resources effectively to lift up

corporate performance. Dalimunthe (2002) said that business capability consists of raw materials, employee, technology, product quality, price, product variation, market reach, ease of purchase, and capital.

Local Community Income. Brooks (2018) defined income as the increasing value of money between two points of time. Fitri (2006) stated that business activity in ecotourism area could increase community and government income as well as business opportunity and the creation of new job. Rahmayani (2015) said that community empowerment could accelerate business capabilities and leverage local community income.

III. RESEARCH FRAMEWORK



(Sources: Adopted from Welsa (2017) and Wijayanti (2017))

IV. HYPOTHESIS DEVELOPMENT

Based on psychological empowerment theory and bottom of pyramid approach, income can be generated through driving business venture and empowering community (Ansari, Munir & Gregg, 2012).

Research conducted by Wijayanti (2017) shows that community empowerment positively affects local community income. Therefore, this research suggests the following hypothesis:

H₁. Community empowerment positively affects local community income

Research conducted by Welsa (2017) shows that community empowerment positively affects business capability. Furthermore, this research suggests the next hypothesis:

H₂. Community empowerment positively affects business capability

Research conducted by Welsa (2017) shows that business capability positively affects local community income. Moreover, this research suggests the following hypothesis:

H₃. Business capability positively affects local community income

Research conducted by Wijayanti (2017) shows that community empowerment positively affects local community income; research conducted by Welsa (2017) shows that community empowerment positively

affects business capability; and research conducted by Welsa (2017) shows that business capability positively affects local community income. Finally, this research suggests the next hypothesis:

H₄. Business capability mediates the effect of community empowerment on local community income

V. METHODS

Quantitative explanatory research was used in this study. The unit of analysis is individuals in the community. This study involves 1 (one) independent variable that is community empowerment (CE); 1 (one) dependent variable that is local community income (LCI); and 1 (one) mediating variable that is business capability (BC). Population of this study is the community around the mangrove forest, and the sample is the community living around the mangrove forest area in Dumai Riau Indonesia. Purposive random sampling was used as sampling technique with one condition that the respondents should be living in the area of mangrove forest in Dumai Riau. Five ranges of likert scale were used. A number of 100 respondents were asked to fill in the questionnaire. This study was analyzed using SmartPLS v3.0. In practice, first, the community empowerment was defined as an intentional process to empower individuals in the community (Zimmerman & Perkins, 1995). Then, the questionnaire was taken from Welsa (2017). Afterwards, business capability was defined as the ability to deliver collective resources to customers (Michell, 2011), and the questionnaire was taken from Welsa (2017) and Wijayanti (2017). Then, the local community income was defined as the increasing value of money (Brook, 2018), and the questionnaire was taken from Wijayanti (2017).

VI. RESULTS AND DISCUSSION

This research was conducted in Dumai Riau, having 5 areas developed as mangrove forest ecotourism. A number of 100 respondents from five areas in Dumai has been asked to fill in the questionnaire as survey data. All of the respondents are living around mangrove forest area. The result of this research will be explained based on the following figure and table:

Validity and Reliability. This study was converted to first order confirmatory factor analysis using LVS (*latent variable score*). As we can see, based on Figure 1, standardized loading factors of each of the items are > 0.5 and t-values > 1.96, which means that all items are significant. However, its reliability is low, even though CR and AVE of CE and BE are higher than 0.7 and 0.5, the CR for LCI is only 0.62, less than 0.7.

TABLE 1. MEASUREMENT MODEL

Observed Variables	Standardized Loading Factor (≥ 0.5)	R ²	Error Variance	t-Value (≥ 1.96)	Conclusion
COMMUNITY EMPOWERMENT					
CE1	0.76	0.58	0.42	8.95	Valid
CE2	0.99	0.98	0.01	13.93	
CE3	0.61	0.37	0.62	6.76	
Σ	2.36	1.93	1.05		
Construct Reliability (≥ 0.7)	0.84				Reliable
Variance Extracted (≥ 0.5)	0.65				
BUSINESS CAPABILITY					
BC1	0.61	0.37	0.62	**	Valid
BC2	0.80	0.64	0.36	6.64	
BC3	0.99	0.98	0.01	7.66	
BC4	0.58	0.34	0.67	5.18	
Σ	2.98	2.33	1.66		
Construct Reliability (≥ 0.7)	0.84				Reliable
Variance Extracted (≥ 0.5)	0.58				
LOCAL COMMUNITY INCOME					
LCI1	0.64	0.41	0.59	**	Valid
LCI2	0.64	0.41	0.59	2.11	
Σ	1.28	0.82	1.18		
Construct Reliability (≥ 0.7)	0.62				Not Reliable
Variance Extracted (≥ 0.5)	0.66				
**) Default Program					

Hypothesis Testing. The references to Table 2., H1, H2, and H4 are not supported. The t-values are lower than 1.96. Moreover, as shown in Table 2., H3 is the only hypothesis that is supported. This result is in line with the study conducted by Wijayanti (2017), as it widely accepted that having business capability could lead to income. Furthermore, based on table 3, we can see that this model is a medium Fit. Even though it has low degree of freedom and chi square, sig., RMSEA, CFI, and GFI of the models are still low (below requirements).

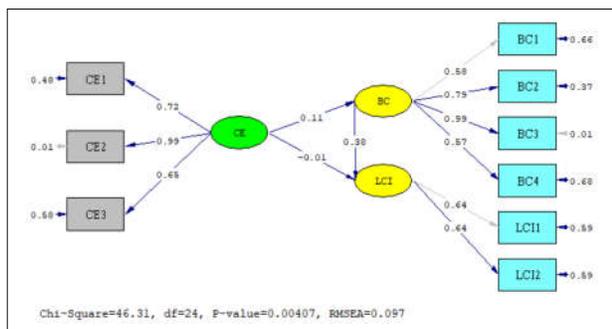


Fig. 1. Standardized Loading Factor

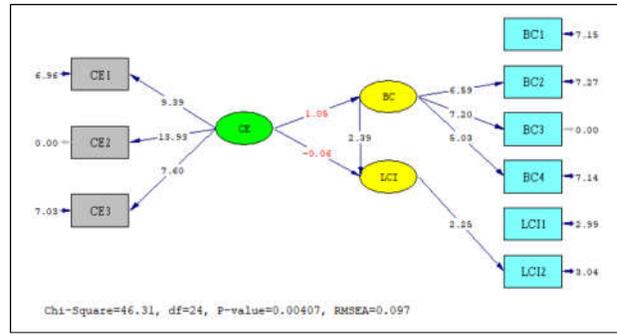


Fig. 2. T-Value

TABLE 2. STRUCTURAL MODEL

Hypotheses	Relationship Direction	Standardized Loading Factor (≥ 0.5)	t-Value (≥ 1.96)	Sig.	R ²	Conclusion (H _a)
H1. CE - LCI	(-)	0	0.03	Yes	0.00	Not Supported
H2. CE - BC	(-)	0.11	1.05	Yes	0.01	Not Supported
H3. BC - LCI	(+)	0.36	2.18	Yes	0.13	Supported
H4. CE - BC - LCI						Not Supported

TABLE 3. GOODNESS OF FIT INDEX

Degree of Freedom	Chi-Square (X ²)	Sig. ρ (> 0.05)	(0.08 ≥ RMSEA ≥ 0.05)	CFI (≥ 0.90)	GFI (≥ 0.90)	Conclusion
26	85.79	0.00	0.152	0.78	0.84	Medium Fit

VII. CONCLUSION

The purpose of this study is to explain the effect of community empowerment on local community income mediated by business capability. However, of all the above proposed hypotheses, only one hypothesis is supported. Based on the findings, this study is still unable to portray the role of community development be it on its business capability or on its role in leveraging peoples income. Therefore, it is necessary to conduct further study in the future to give a more comprehensive understanding of the unanswered facts in community development and the determinants of local community income other than business capability.

ACKNOWLEDGEMENT

We would like to thank RISTEKDIKTI for funding this research.

REFERENCES

[1] Ahmad, M.S. and Noraini Bt. Abu-Talib, N.Bt. 2014. Analysis of Community Empowerment on Project Sustainability: Moderating Role of Sense of Community. *Social Indicator Research*.

[2] Ansari, S., Munir, K. and Gregg, T. 2012. Impact of the “Bottom of the Pyramid”: The Role of Social

- Capital in Capability Development and Community Empowerment. *Journal of Management Studies*.
- [3] Brooks, J.R. 2018. The Definition of Income. *Georgetown University Law Center*, 71 Tax L. Rev. 253.
- [4] Dalimunthe, R.F. 2002. *Pengaruh Karakteristik Individu, Kewirausahaan, Gaya Kepemimpinan Terhadap Kemampuan Usaha serta Keberhasilan Usaha Industri Kecil Tenun dan Bordir di Sumatera utara, Sumatera Barat dan Riau*. Dissertation. Universitas Airlangga. Surabaya (unpublished).
- [5] Dewi, L.G.L.K 2013. Usaha Pemberdayaan Sosial Ekonomi Masyarakat Desa Beraban dalam Pengelolaan Tanah Lot secara Berkelanjutan. *Jurnal of Ecotourism Analysis*, 13(1).
- [6] Fitri, R. 2006. *Analisis Pengaruh sector Pariwisata terhadap Perekonomian Kota Bogo*. Thesis. Faculty of Economics. Institut Pertanian Bogor (unpublished).
- [7] Hill, W.L.C and Gareth, J.R. 1998. *Strategic Management an Integrated Approach, Fourth Edition, Houghton Mifflin Company*: Boston New York.
- [8] Michell, V. 2011. A Focused Approach to Business Capability. *Research Gate*.
- [9] Rahmayani, H. 2015. Ekowosita mangrove sebagai kawasan perlindungan sumberdaya alam dan nilai budaya di Bandar bakau. *Jom FISIP*, Vol. 2 No. 1, Februari, 2015.
- [10] Welsa, H. 2017. Budaya Minangkabau dan Implementasinya pada manajemen Rumah Makan Padang di Yogyakarta. *Equity Journal*, Vol. 1, No. 2, Juni, 2017, Pp. 181.
- [11] Wijayanti, A. 2017. *Analisis Dampak Pengembangan Desa Wisata Kembangarum terhadap Perekonomian Masyarakat Lokal*. Thesis. Faculty of Economics. Universitas Sarjanawiyata Tamansiswa (unpublished)
- [12] Zimmerman, M.A. and Perkins, D.D. 1995. Empowerment Theory, Research, and Application. *American Journal of Community Psychology*, Vol. 23, No. 5, 1995.