

# Empowerment Model of Urban Poor Households in Palopo, South Sulawesi

Nurlinah<sup>1a</sup>; Andi Gau Kadir<sup>1</sup>; Andi Lukman Irwan<sup>1</sup>

<sup>1</sup> Department of Politics and Government, Hasanuddin University, Makassar, Indonesia

<sup>a</sup> Corresponding author: mnurlinah@yahoo.com

**Abstract**—This research analyzes the policy of community empowerment program conducted by local government by studying poverty and policy innovation. The main argument from the basis of this research is innovative local government policy needs to be further examined as part of policy evaluation. The objective of the study was to describe the application of the poor household empowerment model in Palopo and to evaluate policy innovation by analyzing the aspects of poverty eradication. Result of research indicate that generally become policy done with two model that is growth of business climate and strengthening of potency or effort power. The growth of the business climate is carried out by providing revolving funding to facilitate funding to banks or private institutions, facilities and infrastructure assistance to business actors, promotion assistance, and ease of business licensing.

**Keywords**—policy, empowerment, poverty, urban society

## I. INTRODUCTION

The development of urban economies in many areas has had a serious impact, for example the economic gap of the lower middle class [1, 2]. One of the common characteristics of urban society is poverty which is a structural and multidimensional problem, covering politics, social, economy, and culture. So generally “urban poor” as a condition of society in situations of vulnerability, helplessness, isolation, and inability to prosper their households [3, 4, 5]. Based on this, in many urban areas it is often designated a separate treatment through policies and interventions of local governments to protect the lives of the urban poor especially in terms of household empowerment [6, 7]. As is done by the government of Palopo city in South Sulawesi, Indonesia.

Since 2013 the local government of Palopo City has established efforts to eradicate poverty and community empowerment into one of the priority programs of the region through the Home Industry Excellence (KHILAN). The KHILAN program is included in the Micro, Small and Medium Enterprises (MSMEs) category. KHILAN is a home industry activity or home business product or also a small company. It is said to be a small company because this type of economic activity is concentrated in the household. This policy also designs the area which is then referred to as the home industry area by producing various processed products such as food and handicraft. Through this program, Kota Palopo finally obtained various awards.

From the above explanation and considering the phenomenon that occurred in many regions in Indonesia, this article will analyze the policy of community empowerment program conducted by local government. This article looking at it from the perspective of poverty and policy innovation. The main argument from this research is that innovative local government policy needs to be further examined as part of policy evaluation. So the mistakes of various regional policies that have stalled in other areas can be anticipated. Moreover, this study is very important as a study targeting the economics of urban poor households are still rarely done by other studies in Indonesia. This research tries to identify how the empowerment model has been done by the local government.

## II. RESEARCH METHOD

This article uses a qualitative research aimed at understanding the social knowledge of the community about all the key questions raised, especially regarding poverty and community empowerment. This research uses a combination of in-depth interview techniques and focus group discussion because it is considered the most appropriate in collecting systematic data. This research was conducted in Palopo City, South Sulawesi Province by analyzing the policy of community empowerment through KHILAN program.

Intensive fieldwork was conducted between May and June 2017. The data collected was the result of in-depth interviews with key informants in Palopo such as policymakers and community empowerment groups. We also inventory data from archives of local regulations and newspapers on empowerment policies that have been issued by the local government.

## III. RESULT AND DISCUSSION

### A. Policy Design

The initial phase of the KHILAN program is to bring together small and low-income business actors, especially poor families, and then verify whether or not they are eligible to participate in the KHILAN. As a result, 200 groups passed the verification, in a group of ten people. After that each group followed the next stage by attending a ten-day training at the Indonesian Local Society Appropriate Technology Development Institute (LPTTG-Melindo).

This program is implemented based on political promises during the campaign in the regional elections of Muhammad

Judas Amir and Akhmad Syarifuddin who later stated in the Vision-Mission of Palopo City in 2013-2018. The focus to be achieved in this program are:

- One of the applications of the Palopo City Government's vision and mission program.
- The community can work and earn over Rp. 280.000 per day, per household, and sustainable.
- Make "Snack To Palopo" become icon of Palopo city.
- Increase Local Original Income (PAD).

#### *B. Empowerment Policy Model*

In maximizing KHILAN empowerment policies, local governments developed eight models including funding support, facilities and infrastructure, business information, partnerships, business licensing, trade promotion and institutional support. Explanation of empowerment models are as follows.

First, the City Government of Palopo uses APBD funds to dispatch the KHILAN participants in two waves which in one wave consists of 100 groups and in a group of ten people, each participant earns Rp 3.800.000 / person for ten days, participants KHILAN as many as 200 people in two waves then the amount of funds spent by the government in two waves as much as Rp 760.000.000. However, funding is only on the training process after which there is no funding but equipment aid.

Nationally, government support for the SMEs sector is reflected in the 2015 APBN allocation through the revolving fund allocation. With the efforts made by the central government like this, the local government is expected to focus more on the maintenance and supervision of any revolving funds that have been channeled in the region. In addition to revolving funds, one of the economic policy package points to boost the national economy aimed at empowerment of the SMEs sector ie the government provides a subsidized interest facility in export financing through the People's Business Credit (KUR) program. The facility allows SMEs to obtain low interest credit from 22-23% to 12%. The method has been done by the local government of Palopo city, involving third parties in providing KUR loan fund in this case the banks that have been entrusted by the local government. The local government has directed business actors if they want to partner or lend to the bank, with all administrative affairs assisted by the SMEs office [8].

Given this policy, it is easier for people to obtain business capital loans. People no longer need to expect capital assistance from the government because of the KUR funds in the bank. The government only facilitates business actors to go to the Bank of destination by facilitating the business license to be used by the entrepreneur as collateral for the loan to the bank. Because one of the requirements to obtain KUR loan in the bank is to pledge collateral such as land and building certificates.

Second, local governments establish regional enterprises as a follow up of the KHILAN program. Regional Company

(Perusda) Palopo City was established based on the Local Regulation of Palopo City No. 9 of 2014 on the Establishment of Palopo City Regional Company. This Perusda is used to improve competitiveness by providing modern packaging that can compete with other products and provide assistance not only in the form of funding, but other assistance in the form of equipment related to the business of the entrepreneur of the KHILAN.

Third, business information is one of the Perusda programs in empowering the actors of the KHILAN. In this case, Perusda provides information related to development and marketing for example at the time of exhibition, and also builds cooperation with some modern market for example alfamidi, indomaret, alfamart and supermarket. [9].

From the above explanation shows that the role of government is more emphasized on the dissemination of market information to the entrepreneurs of KHILAN. Actors KHILAN informed if there is an exhibition activity that allows to be a means of promotion and sale of products from KHILAN. but there are still many KHILAN participants who only produce finished material and then sold to Perusda so that the products produced in can compete in the market.

Fourth, the role of government is very important in the process of business partners of KHILAN. The government in coordinating partnerships for example at the time of the exhibition, SMEs Office to find partners for entrepreneurs KHILAN. However, the efforts made by the government are still fairly passive. The aspect of support in realizing partnerships between business types has not been clearly implemented. Partnerships that occur are usually only incidental. For example when there are exhibitions where there are other business actors who want to partner with entrepreneurs who become exhibitors.

Finally, local governments especially the Office of SMEs, do support in the field of general trade promotion. To improve the competitiveness and introduce existing KHILAN products in Palopo city to be more attractive. Local governments have also provided galleries where the results of the KHILAN products are displayed. But unfortunately there has been no advertisement through the media made specifically for it.

#### *C. Policy Evaluation: Challenges and Opportunities*

Empowerment of KHILAN in Palopo City is an activity done in a planned, comprehensive and involving various aspects that must be done in an integrated and well planned. In the empowerment activities are influenced by various factors both in supported and inhibit the process. The factors that affect the empowerment of KHILAN in Palopo City as follows.

First, product packaging is less competitive. Packaging is a creative design that links form, structure, material, color, image, typography and design elements with product information to make the product marketable. Therefore, packaging is the main indicator seen by consumers, therefore the packaging with creative visuals must be created. The reality that occurs in the product KHILAN that most entrepreneurs in packaging the product is not able to compete with other product packaging. This is one of the factors that hampers the

empowerment of KHILAN in Palopo City. According to one entrepreneur KHILAN, the products they make in terms of packaging have not been able to compete with other packaging and are not very attractive to consumers [10]. Therefore, in the aspect of product packaging required real work by the local government in its development. For that it takes a consultant to assist business entrepreneurs to improve the creativity of the packaging form. It can also support the product marketing process. This should be a concern for local governments to find ways to KHILAN can continue to grow in Palopo.

Second, human resources. Challenges related to human resources in the empowerment model can be seen from two parties namely KHILAN entrepreneur and government apparatus. The entrepreneurial resources of KHILAN are required to have skills that can sustain the business it is running. However, some of the KHILAN entrepreneurs in Palopo City are found to be no longer producing. In addition, the skill of entrepreneur effort to promote the product is passif. Business entrepreneurs only run their sales activities to local companies only. If the company stalled, eat automatically entrepreneur KHILAN also stop producing. In fact, human resources on the part of the government apparatus in charge of the KHILAN in Palopo City do not fully carry out mandated empowerment duties.

In addition to being an inhibiting factor, human resources also include one of the factors supporting the empowerment of KHILAN. This is because the human resources that run the business has the ability and skill capable to increase the production of KHILAN. One of the efforts that can be done by the government to support the development of KHILAN in the field of human resources is through training activities. Training is a way to improve the ability of individual work in relation to economic activity.

Finally, capital and equipment aid. One of the opportunities for enhancing the empowerment of the KHILAN is the opportunity that the community has to obtain capital and equipment assistance openly and accountably. Entrepreneur of KHILAN can apply in the form of proposal to local government. In addition, capital and equipment aid is not only obtained directly from the government alone. The government since 2015 has provided interest subsidy facilities in financing through the KUR Program. The facility enables MSMEs to obtain credit at low interest rate, from 22-23% to 12%. Entrepreneurs KHILAN also get grants from several state banks. Other aid programs other than capital in the form of equipment. Aid assistance is provided directly from the Industry Office. Equipment provided in the form of milling machines, packaging assistance, and aid of halal certificate.

Meanwhile, based on the efforts that have been done, it can be said that the role of local government in supporting the aspect of business licensing is clearly seen through the ease of licensing and free of charge. The growth of business climate

conducted by the government is one indicator that can trigger the community to want to entrepreneurship and especially for other business entrepreneurs to maintain and develop the business that has been run.

#### IV. CONCLUSION

The results of the KHILAN program cannot be separated from the empowerment efforts that have been done before by the Local Government of Palopo City. Basically, the empowerment of KHILAN is done by making policy innovation and evaluation of urban poverty condition. These actions can be categorized in general with the empowerment model that is the growth of the business climate and the strengthening of potential or business power. The model is carried out with the provision of revolving funds to facilitate funding to banks, assistance facilities and infrastructure to entrepreneurs of KHILAN, dissemination of business information, ease of business licensing, and trade promotion assistance.

#### ACKNOWLEDGMENT

Research for this article was conducted with funding from the Hasanuddin University on the Program of World Class University. Thanks to Haryanto for his helpful and challenging comments. Any errors that remain are our sole responsibility.

#### REFERENCES

- [1] Nurlinah, A.S Alam, J. Nas and A.L Irwan, "Policy Design of MSMEs Empowerment in Luwu Utara," *The Social Sciences*, 12: 9 (2017), pp. 1717-1723.
- [2] I. Khambali and A. Halim, "Pemberdayaan Masyarakat Miskin Perkotaan (Model Pengentasan Kemiskinan Kota Surabaya dengan Pendekatan TRIDAYA)," in Rr. Suhartini, A. Halim, Imam Khambali, dan Abd. Basyid (eds.), *Model-Model Pemberdayaan Masyarakat*, Yogyakarta: Pustaka Pesantren, 2005.
- [3] P. Dreier, "Community Empowerment Strategies: The Limits and Potential of Community Organizing in Urban Neighborhoods," *Cityscape*, 2: 2, (1996), pp. 121-159.
- [4] K.S. Mandal, "Whom does Empowerment Deliver? A Study of Poverty Alleviation in Hooghly District, West Bengal," *Sociological Bulletin*, 53: 3 (2004), pp. 374-395.
- [5] M. Levi, "Empowerment and Poverty," *PS: Political Science and Politics*, 43: 1 (2010), pp. 85-87.
- [6] R.F. Pecorella, "Community Empowerment Revisited: Two Decades of Integrative Reform," *State & Local Government Review*, 20: 2 (1988), pp. 72-78.
- [7] E. Debrah, "Alleviating Poverty in Ghana: The Case of Livelihood Empowerment against Poverty (LEAP)," *Africa Today*, 59: 4 (2013), pp. 41-67.
- [8] Interview with Ashar, Head of SMEs, May 31, 2017.
- [9] Interview with Maburur Tahing, Perusda Production Manager, May 30, 2017.
- [10] Interview with Ratnawati Kendek, June 9, 2017.