

Bonding Social Capital's Role in the Cooperative Development Based on Volunteer Through Social Innovation (Case Study: Koperasi Hutan Jaya Lestari, South Konawe)

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Abstract.

Cooperatives are a form of social entrepreneurship. In addition to financial capital and human capital, social capital is an important factor for the sustainability of an organization. This case study aims to analyze the bonding social capital's role in cooperative development based on volunteers in KHJL, South Konawe, Indonesia. A qualitative approach was used in this study with the case study as a strategy for this research. The method of data collection is done by observing, interviewing, and studying documents. Interviews use semi-structured and in-depth. By using purposive sampling, there were eight persons to be interviewed. For the data validity and reliability to be optimal, the authors use triangulation in terms of primary and secondary data collection. Data analysis is done together, from the reduction to the presentation of the data, then there are conclusions and verification to create conclusions. It was found that the role of social capital especially trust plays an important role as bonding between members. For stakeholders, their role is continuously anticipated for the progress and development of cooperatives. Although currently, the cooperative's financial situation is not good, where timber customers have fallen dramatically and social innovation has not well worked yet. Trust in social capital is the main bonding for volunteers at KHJL, that's why KHJL is still surviving until now.

Keywords: social capital, social innovation, forest cooperative, volunteer, KHJL.

1. INTRODUCTION

Many cooperatives in Indonesia run without ownership of their members. Moreover, when cooperatives are experiencing a crisis and even a few years they are no longer able to distribute the Remaining Operations or Sisa Hasil Usaha (SHU) to their members. Though cooperatives are always staying believed as a supporter of the people's economy.

Therefore, the sense of ownership must emerge from within each of its members. This sense of ownership is part of social capital. Of the three social capital mechanisms, bonding between cooperative members is the most important thing. The integrity and unity of the members formed due to the solidity of the members in it will direct the cooperative's performance in the desired direction together. After the bonding is built, then the bridging and linking components are formed. So that bonding

is the main and most influential stage. Since it was first introduced, bonding has more value among its members because homogeneity in it plays an important role in shaping the next stage: bridging and linking. This is what we call it as social capital. This social capital is believed to be the strongest predictor and recovery after a disaster in the context of post-disaster recovery [1]. Within the scope of cooperatives, [2] includes social capital as an indicator of the socio-economic sustainability of a cooperative.

So the continuity of social capital is undoubtedly necessary for the sustainability of cooperatives, especially when the cooperatives themselves are experiencing a period of suspended animation. Social capital is as a social construction that captures altruism, trust, and tendency to respect an obligation [3]. This is what is referred to as a reflection of the basic elements of social life that describe a good intention in social relations [4].

Many cooperatives that were established were only able to last for a moment. It was established not from the wishes of the members, but because of the interests of certain parties [5]. There was no involvement of members in establishing the cooperative, which is known as top-down patterned. Unlike the case with Koperasi Hutan Jaya Lestari (KHJL), KHJL was established by members for members. There were full involvement and trust from stakeholders, such as NGOs, donors, the government, and the community at that time. KHJL was established because of the problem of environmental damage that is the existence of illegal logging in the forest area around South Konawe.

KHJL with a pattern of bottom-up is easier to involve members in every activity and program. Moreover, a sense of cooperative ownership has arisen because of a sense of togetherness that has formed before joining into an organization. The profound role of social capital in one's daily life, both among members, and between management and members, a correlation between social capital and innovation, should be done, even though it had to go through management. But innovation is always needed to maintain the existence of an organization through the process of adaptation [6]. Innovation in the social sphere is commonly known as social innovation. Social innovation as a response to social growth, environment and demographic, challenges by involving various actors which is without their participation would not have been possible [7]. Therefore, this study wants to see how the role of social capital bonding is the trust that exists in the KHJL from volunteer-based standing to the present relating to social innovation.

Social capital can not be separated from the needs of an organization. The existence of social capital is often considered as the main need compared to economic capital. This social capital can be considered as a social structure that makes it easier for organizations to regulate the actions of members in the social structure. A lot of literature and research has been done related to social capital. Social capital is a set of informal values and norms owned by members of a community so that they can establish cooperation [8]. Social capital is also the ability of members to work together to achieve a common goal, where there is an interrelated structure between one actor

and other actors. There are two forms of social capital, namely trust and social structure [9].

Several studies related to trust in social capital have been studied; researching trust plays an important role in the development of cooperatives [5]. Trust between members of voluntary associations based on three approaches: economic, sociological, and social capital [10]. Social capital in terms of trust and networking contributes to the welfare of traders [11]. A positive value from social capital which is considered as an intrinsic value to create bonds between members and to build a mechanism of solidarity between members it is necessary to develop trust to unite identity, cooperation, and openness in creating synergistic networks [12].

Market conditions are changing rapidly, requiring organizations to continuously develop innovations to excel and compete. Because of innovation, the organization can develop in a more positive direction. Moreover, recent market wants ease in getting what they want [13]. In the scope of cooperatives, which are built among members' trust, innovation can be built when the social capital that is in it, has been formed. For this reason, need to invest in social infrastructure rather than physical infrastructure. The development of social infrastructure will develop communities that can work together and collaborate during crises [14]. There is an influence on social capital on social innovation [15]. However, emphasized that several factors need to be considered in these social innovations, such as symbol, emotion, and motivation. These non-instrumental factors will influence individuals in implementing social innovation [16].

Even so, the implementation of social innovation in cooperatives needs to be done. Cooperatives, which are social-economic organizations and are generally managed independently by the community, are often far from innovation. So it is not uncommon for cooperatives to only operate as they are and have sufficient income.

According to that, there are three levels of social capital in social innovation [7]:

- a. Micro-individual level, social innovation driven by important interventions from social innovators.
- b. Meso-organizational level, the social capital perspective refers to the role of the business model.
- c. On the macro level, the impact of social capital on innovation is more macro. Macro here does not mean national, but rather the scope of the community or regional.

II. METHODS

This type of research is qualitative research by using a case study. The case study was carried out at the Jaya Lestari Forest Cooperative (KHJL) in South Konawe, Indonesia. A case study is a process of collecting data and information in depth, in detail, intensively, holistically, and systematically about people, events, social settings, or groups by using various methods and techniques as well as many sources of information to effectively understand how people, events, social settings function according to their context [17].

This research uses data triangulation: combining various data sources obtained

from interviews and observations supported by documentation. Interviews conducted in the form of in-depth interviews. By using semi-structured questions, interviews were conducted with eight sources: one timber's buyer, four from KHJL's members, one from NGO TELAPAK, and two from NGO JAUH. Determination of sources using purposive sampling [18], namely the selected sample is based on specific motives and targets.

Participatory observations were also carried out in this study. To strengthen the research data obtained, it needs to be supported with documentation, including the 2014 Annual Member Meeting (RAT), a list of timber buyers, ratification of the deed of establishment of the cooperative, Interview's transcript, and photographs. Researchers try to find the truth of the phenomena that arise, the bonding in the KHJL. Findings obtained while in the field will be translated into research results.

III. RESULT AND DISCUSSION

Result

Social capital plays an important role in community economic development, one of which is through cooperative institutions. In this case study at the Koperasi Hutan Jaya Lestari (KHJL), the consideration of establishing a cooperative was a continuation of the Social Forestry program launched by the Minister of Forestry of the Republic of Indonesia at that time. The Social Forestry group in South Konawe consists of 8,543 heads of households (KK) living in and outside the forest around the forest. With a very large number, cooperative is the right place for group members to accommodate their business entities [19].

The KHJL Cooperative was founded based on volunteers. This was preceded by a large number of illegal logging around the South Konawe forest. At the end of 2003, NGO's JAUH (Jaringan Untuk Hutan) began to think about the importance of forest sustainability. To realize this, the NGO's JAUH began to gather groups of teak forest farmers in South Konawe. Several members of NGO's JAUH at the time, including AH and SU, began actively assisting community groups to provide an understanding of the importance of preserving forests. The result was the formation of KHJL, which was built by the community itself, including SW, AG, and AHT in 2004. They were the ones who worked hard day and night building trust in the community of teak forest farmers without receiving a salary or monetary compensation. After the KHJL was formed, the initial stage consisted of 54 people. Then, various donors began to offer programs, including TFT (Tropical Fund Trust) from the provincial and district forestry services, Watershed Management Centers (BPDAS), and other institutions such as NGOs (TELAPAK), MFP-DFID, JICA, and FWI.

According to HL, these institutions provided a lot of useful training for cooperative members, such as training in sustainable forest management, nurseries, nurseries, and planting. The impact of the training activities carried out by these institutions creates a bond and finally forms high trust from the members. HL added

that one vision could bind the community to become members of the KHJL, along with the quote:

"What unites the members, the community becomes a member of the KHJL is first a vision earlier on environmental conservation activities, then there is KHJL's attention to its members in the business and preservation step earlier, it unites. It means that the cooperative with its members has a vision, yes, in that context." (Personal interview, 3/28/19).

The KHJL's members' association was strengthened when KHJL obtained the Forest Stewardship Council (FSC) international eco-label certification in 2005. At that time only KHJL was the first forest cooperative to obtain FSC certification in Indonesia. This is the starting point for KHJL's journey into the international market.

Then based on the Decree of South Konawe Regent (SK Bupati Konawe Selatan) No. 1353 of 2009, the KHJL obtained a Business Permit for the Utilization of Timber Forest Products in Community Plantation Forests in unproductive production forests in 2009. From then on, the welfare of cooperative members increased dramatically. The sale of certified wood is more expensive than uncertified wood. For example, in 2011, the price of white teak wood (*Gmelina Arborea*) reached IDR 4,000,000 per m³. The peak size of 13-14 centimeters is IDR 1,750,000, 15-19 centimeters is IDR 2,500,000, and 20 centimeters is more than IDR 2,750,000 per m³. In addition to the rising timber price, there are now 747 KHJL members with 754 hectares of land. Because of that, the KHJL was awarded the Conde Nast Traveler Award for the environmental category in New York and the Social Entrepreneurship Award from the Scroll and Schwab Foundation in 2011 in London, England [20].

The high motivation of people to participate with the KHJL is the most influential factor, most farmers joined the community forest development program because they were driven by high expectations for increasing family income, hopes for seed assistance and a desire for good farming guidance. Another motivation is that the assessment of programs offered by KHJL is quite good [21]. Unfortunately, starting in 2014, the KHJL experienced a decline in timber sales. The income of members of the cooperative is reduced, and training activities are also starting to decrease. As a solution to this, TELAPAK offers PT. Solusi Bisnis Indonesia (SOBI) as a business institution that helps market the sale of FSC certified timber. SOBI is one of the social innovations to solve problems in the KHJL.

In 2016, SOBI is here to provide better and more long-term alternatives to get better access to sustainable markets for products derived from natural resources by acting as capital and market consolidation for community-based businesses at retail prices which is in line with international prices while ensuring that forest sustainability meets FSC standards. SOBI ensures that the welfare of the community must be underlined, while on the other hand ensuring the management of natural resources is environmentally sustainable and socially equitable [22].

At the same time, the TELAPAK escorts similar forest cooperatives in

Yogyakarta. Have the same scheme and model as KHJL. The existence of SOBI is very much needed in bridging the FSC certification process and selling timber from members of the Wana Lestari Menoreh Cooperative (KWLM) in Kulon Progo, Indonesia [23]. Unfortunately, the social innovation offered by the TELAPAK through the SOBI has not had a good impact on the KHJL. In 2015, the FSC certificate for KHJL was frozen and no longer has an international certificate. From 2016 until now, KHJL cannot join to have the FSC group offered by SOBI. Some of the reasons include the fact that KHJL has not been able to provide the benefits as before because many large wood buyers are located in Java. The remote location of KHJL makes the cost of shipping wood high. Another reason, many competitors have started where similar cooperatives have FSC. KWLM which is a "brother" to the KHJL because both are initiated by the TELAPAK and JAUH are considered to be KHJL's main competitors.

The impact is the KHJL getting worse, both in terms of institutional and financial structure. Almost all volunteers stated the same thing, WS, AHT, AG, and HRS, where many KHJL's members had decreased their level of trust in KHJL. But the four volunteers continue to believe, even HRS is optimistic that the KHJL can rise again. Likewise stated by the institution, namely TELAPAK, Mr. ST stated that the trust between TELAPAK and KHJL was still good and the relationship was also well established. Whereas from Far away, Mr. SD and Mr. HL stated the same thing where the trust with the KHJL was still high, moreover, they had a bond from before the KHJL was formed. The following quote: *"I'm still optimistic, trust is still high, because I learned from the formation of the organization, then we also made him a model like that, I think we will preserve it and we will form cooperatives everywhere"*. (Personal interview, 3/28/2019).

Whereas Mr. HL as a wood buyer from KHJL was disappointed to say he no longer believed but would return to believe if KHJL could rise. A summary of all quotations from informants can be seen in **appendix 1**.

Discussion

Humans can be said as social beings because basically, humans can not live alone. The potential to gather groups of people to interact and gather in the same institution have a sense of interdependence and a sense of belonging together to achieve the same goals [24]. To overcome the concern about the preservation of the forest in South Konawe, an association was formed in this case the cooperative. As one form of social entrepreneurship, cooperatives appear to meet the social needs that are left unmet by the market and the state. The cooperative is the right place for the gathering of timber farmers and following up on the government program to overcome the problem [25]. Based on the results, when KHJL entered the FSC certification program system in 2005, they provided the initial motivation for farmers, especially KHJL's members, to cover costs and invest time in learning about protocols, changing practices and improving their infrastructure. Through certification, farmers gained skills and were able to mobilize their assets and carry out their activities to be more sustainable [26]. Farmers have access to unthinkable information, technology, social

networks, and resources before they are certified. With the certification, KHJL's members also have a new chain for timber marketing and produce more value than not having FSC certificates. This was felt by KHJL's members.

The success of the establishment of the KHJL to the certification until the economic improvement of KHJL's members, cannot be denied because of the role of bonding in social capital that is the strong trust among the members. This is in line with [5], where trust in social capital in cooperatives is reflected in the values that exist within the cooperative itself. Also, it found that the dominant values of trust in social capital as a basis for rural communities to be used as a basis for the improvement of other functions, such as increasing respect and other benefits that are mutually beneficial [27].

Unfortunately, the social innovation offered by the TELAPAK through the presence of SOBI to help farmers sell timber and ease the cost of certification by creating an FSC group for similar forest cooperatives failed to apply in the KHJL. Even though there have been many studies related to social capital and innovation such as [28] who found social capital is cognitively related to innovation, where the norms and shared beliefs might be very relevant.

The relationship between social capital and the ability of innovation itself is still being researched and discussed today. Although social capital bonding can be said to be the fruit of the function of one of the innovation networks, the regional innovation system, formed practically from a network of strong social bonding capital, might lead to undesirable results [29]. The same thing happened with SOBI and KHJL. Most innovations in business and technology fail likewise most social innovations. Ideas might be too expensive, less useful, not good enough compared to the alternatives, or defective by unexpected side effects [30].

This failure made the KHJL members' trust decrease. The distrust of members of cooperative institutions is caused by several things. The first, the lack of managerial ability in directing the cooperative management. Generally, low education is an obstacle in the administration of cooperatives. Second, the management of cooperatives is more concerned with their interests rather than the interests of members. During the cooperative operation, many cases of fraud was committed by the board. Third, the cooperative institutions formed top-down are unable to release the intervention of the construction companies. These three things cause cooperatives to not develop [31]. Based on the results found, the confidence of KHJL's members has declined. However, the trust of KHJL volunteers remains strong, this is because there is still trust in the institution. The link is, first, the trust process was facilitated by the volunteers themselves based on the same interests [10]. Second, trust is characterized by the existence of non-profit characteristics, democratic decision making, and equality of mission.

Research on coffee farmers in Colombia illustrates the relationship between local social, ecological systems, and global forces that can produce more sustainable livelihoods [26]. So, SOBI as an intermediary between timber farmers in marketing their timber must keep thinking and looking for new policies and innovations so that the KHJL can re-develop the economy of timber farmers in the KHJL and its business activities are sustainable as happened. So, the external party is extremely needed by cooperatives to create sustainable business activities [23].

IV. CONCLUSION

The role of social capital related to bonding requires very strong trust. The findings in this study, although many members of the KHJL and customers have started to decrease their level of trust and began to not care about the existence of KHJL. However, the KHJL was still able to survive institutionally due to the high trust of the KHJL volunteers, TELAPAK, and JAUH (NGO) as well as the companion. The volunteers are still optimistic, the KHJL will rise and be able to prosper its members again.

The social innovation offered by TELAPAK, namely the existence of SOBI, has not run well. The implication of this research is, for cooperatives, showing the role of social capital especially trust plays an important role as bonding between members. For stakeholders, their role is continuously anticipated for the progress and development of cooperatives. Going forward, KHJL's volunteers should continue to foster the trust of members and stakeholders so that bonding is maintained. By reviving activities that are beneficial for timber farmers in collaboration with facilitators. Assistants such as the TELAPAK and JAUH should continue to guard and look for solutions so that the existence of SOBI as an intermediary for the FSC group for several forest cooperatives in Indonesia could also restore the golden age at the KHJL. Finally, there was a time when a partnership that failed in reverse would be valuable in the end [32].

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