

# Community based Economic Development: Case Study on Crafter Soloraya Community

Nanda Adhi Purusa  
Universitas Sebelas Maret, Jawa Tengah, Indonesia  
Corresponding email: nandapurusa@gmail.com

Bhimo Rizky Samudro,  
Universitas Sebelas Maret, Jawa Tengah, Indonesia

Albertus Magnus Soesilo  
Universitas Sebelas Maret, Jawa Tengah, Indonesia

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## Abstract:

This study aims to explain the related stakeholder's role to empower Micro, Small, and Medium Enterprise (MSMEs) handicraft in Surakarta. The paradigm of Community-Based Economic Development is used to see the pattern of empowerment in community-based MSMEs. This study use case studies approach on "Crafter Soloraya Community" to explore the role of communities in empowering and strengthening the MSMEs strategies. The research method used qualitative with case study approach. In this study, the data collection is performed with in-depth and unstructured interviews. After the data has been analyzed it is then overviewed and aligned with the existing theoretical concepts. The relationship between stakeholders is a major concern to develop MSMEs because the role of stakeholders both internal and external will help the development of MSMEs, especially in marketing and product quality improvement. The Community Based Economic Development paradigm illustrate that Crafter Soloraya Community's social network can empowers and strengthens the MSMEs handicraft strategy. Where the group members can recognize, formulate, and accommodate the interests in actualizing their empowerment and enforcement.

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## Introduction

Micro, Small and Medium Enterprises (MSMEs) sector is an important part of the national economy. The sector are known to absorb labors and creates economic independence for every level of society. The existence of MSMEs in Indonesia cannot be doubted for its endurance when the economic crisis happened (Tambunan 2009). As MSMEs play an important role in the economy and national development, it is essential to develop a strategy that can empower this sector. The empowerment policy of the MSMEs sector is purposed to support the efforts of poverty and disparities reduction, enhancing the job market, and increasing export.

However, Micro, Small and Medium Enterprises are facing various obstacles, Hartono and Hartomo (2014) in his research related to MSMEs in Surakarta mentioned about unclear business prospects, unstable vision and mission planning, limited access to funds, IT and market, as well as other production factors, MSMEs entrepreneurs tend to have low capacity and inadequate business legality. Meanwhile,

the problem of MSMEs nationally is due to its low access to the productive sources; the low quality of MSMEs Human Resources where there are only 64% who has finished primary school; low productivity of MSMEs (only 0.014% of large productivity, and 56% from national productivity); and the low competitiveness of Indonesian MSMEs (Statistics Bureau of Surakarta Municipality 2016).

MSMEs also helps to develop local economic potentials, the locality can be demonstrated by the utilization of resources in the area including its labor. Therefore, the development of local potential through MSMEs can be performed in every region in Indonesia where in this study will be presented in Surakarta City. Surakarta has a high local economic potential, this was also supported by the characteristics of its societies that are closely associated with culture, especially Javanese culture. In addition, Surakarta economy is mainly supported by the trade sector. Based on data obtained from the Statistics Bureau of Surakarta in 2015, the trade sector became two major sectors that contributed to the gross regional domestic product. The distribution of the trade sector in GRDP in

2015 is 22.56 percent with a growth rate of 4.17 (Statistics Bureau of Surakarta Municipality 2016). Thus, the policy of Surakarta city government towards MSME become essential and need to be linked with the city economic characteristic that has been described above.

The growth of MSMEs in Surakarta during 2008-2013 was 9.08 percent, during that time the highest MSME growth was in Laweyan sub-district that reach 23 percent (Penowo 2014). The growth is not considered large enough for Solo City where the economic structure is dominated by its trade sector. Based on data obtained from the Department of Cooperation and MSMEs Surakarta, the number of MSMEs has amounted to 2720. As can be seen in Figure 1, it presents that the number of MSMEs are mostly in Jebres District and followed by Serengan District with 646 SMEs.

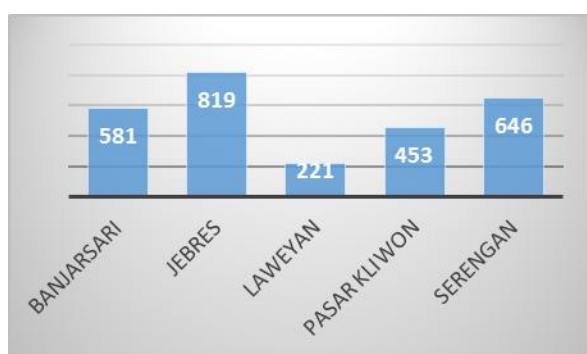


Figure 1: Total of MSMEs per District in Surakarta City on 2015  
Source: Agency of Cooperation and MSMEs in Surakarta, 2017

The branding of Surakarta City as a tourist destination city is also supporting the development of MSMEs, especially in the field of handicraft. Where handicraft is more accurately expressed as artisans craft or artisanry, a kind of work that creates useful and decorative devices by hand or mainly uses simple tools (Paige and Littrell 2002). To make tourists attracted to come to certain areas, a city should offer something to see, something to do, something to buy, and something to stay (Foster 1995). Handicraft products are considered to be attracting goods for both domestic and foreign tourists.

Surakarta is famous for its batik industry and it's Kampung Batik Laweyan that has become a center of batik before the pre-independence era. Along with the modernization era, formal coordination mechanisms replaced the weakened capital of social networks, it is then enhancing the formalization of social relations that caused the decline of Laweyan Batik business (Soesilo 2016). In addition, the number of fabric products from China that enter the market creating pressures for local batik industry in Surakarta. Therefore, researchers are interested to see other creative community-based economic potentials in Surakarta. The definition of creative economy is the creation of value-based ideas that are born from the creativity of human resources and the utilization of science, including cultural and technological heritage (Ministry of Tourism Indonesia 2014).

The Crafter Soloraya community as the object of this research can accommodate the development of the creative

economy and can be performed by people who have motivation. In addition, this community also has an element of empowerment in it. Crafter Soloraya community has characteristics to reach and involve people in taking part and develop the creative economic potential on Surakarta. The existence of this community strengthens its internal by forming a cooperation, especially in the product marketing and skills training aspects. This community is interesting to be investigated due to its involvement in job enhancement and community empowerment.

The main objective of this article is to describe the elements-related (stakeholder) role in the empowerment of MSMEs and using Community Based Economic Development paradigm to see the pattern of empowerment in community-based MSMEs. This will be illustrated by case studies on the Crafter Soloraya community. This article contributes to the conceptualization of community-based MSMEs empowerment, especially in the field of handicraft in Surakarta. A case study on the Crafter Soloraya community where activities are oriented in social value thus, social network is expected to present as the institutional aspect in the effort of empowering SMEs handicraft through Crafter Soloraya community.

## Literature Review

### Community Based Economic Development

Community-based economic development serves as an important tool to improve the life quality and promote economic opportunities for low-income communities. When viewed as a process, community-based economic development can mobilize and build assets to improve the quality of life either individually and collectively. These assets may be a private or public investments, human capital, social networks, natural resources, cultural traditions, and community leadership (Anglin 2011). Community-based knowledge, sensitivity, experience, and resources are an important force to build sustainable solutions to the problems faced in the cities or villages (Haughton 2013).

Social capital is a media to enhance community-based economic development and has a goal to create a sustainable development (Mubangizi 2003). This social capital can accelerate the process of fighting poverty through community-based economic development. A study conducted by Pahlevi (2017) presents that, the creative community role in strengthening the social networks can stimulate creative activity to become an activity that has economic values. The government's role as a policymaker is essential in creating sustainable creative community-based activities, which is through accommodating ideas, supporting the continuity of creative activities, giving appreciation by providing opportunities, and helping the continuity of activities.

Community-based economic development is an important element to create sustainable local regeneration. Haughton (1998) revealed that there are several principles to create sustainable local regeneration. As can be seen in table 1, the principles are widely established for each approach in creating sustainable local regeneration.

Table 1: Principles for Sustainable regeneration

<i>Principles</i>	<i>Top-down Approach</i>	<i>Grassroots Approaches</i>
<i>Inter-generational equity</i>	Quick fix approach to attracting investment and jobs. Driven by short term targets and political goals.	Long term approach to local capacity and asset building. Emphasis on creating durable jobs.
<i>Social justice</i>	Wealth creation ethic, linked to rhetorical attachment to trickle down. Wage reduction seen as acceptable way to create wealth and (arguably) jobs.	Emphasis on socially valuable products and services, including rewarding training and jobs, including liveable wage.
<i>Geographical equity</i>	Competitive ethos, open trade, place marketing and focus on attracting external investment irrespective of effects on other (potentially 'worthier') areas.	Attempts to create a localized economy, with fair terms of trade locally and externally. Avoidance of zero sum inter-locality competition.
<i>Participation</i>	Corporatist inclusion of large institutional investors, plus some tokenistic engagement with community groups to 'buy' legitimacy.	Engagement of local community with all stages of regeneration, from design to implementation. Links to local democracy.
<i>Holistic approaches</i>	From economic development comes social well-being and environmental improvement.	Virtuous integration of attempts to improve local economic development, social conditions and the environment.

Source: Haughton, 1998

### **Empowerment**

Empowerment is an effort to increase the professionalism and the performance of human resources in a region. It is essential for the apparatus, social organization of the community, non-governmental organizations (NGOs), the business community, and community members to confront obstacles and realizing the common aspirations or goals of the community (Hafiluddin, Suryadi and Saleh 2014). Ultimately, empowerment will improve welfare and poverty alleviation. Community empowerment as one of the strategies to achieve the development target of a region and to realize the success of government.

Empowerment is related to capacity building where it can improve the ability of a person or a community group. According to Brown in Sudaryanto, Ragimun and Wijayanti (2009), capacity building is a process or activity to improve the capacity of individuals, groups, and organizations. Capacity building is an effort to improve skills and capabilities such as leadership, management, finance and fundraising, program, and evaluation in order to make the organization development became more effective and sustainable. It is a process that helps individuals or groups to identify problems, gaining insights, and experience to solve changes. Capacity building can be facilitated through the establishment of technical assistance activities, including education and training, specific technical assistance and social network expansion. The principle that needs to be implemented is to build people's economic empowerment through the capacity building are 1) institutional; 2) funding and 3) services. In addition, internal issues that must be faced is the issue of efficiency, human resource, and technology limitations (Sudaryanto, Ragimun and Wijayanti 2009).

### **Research Method**

#### **Research Approach**

This study uses the qualitative method to answer the research problem. Qualitative method is not emphasizing on

numerical data, but rather on exposing and understanding the research object (Kaelan 2012). Qualitative methods have consequences in the process. According to Neuman (2014), qualitative research focusing on the social context because each of the social actions, phenomena, and statements are depending on its context.

In this study, the case study approach is used to develop a deeper understanding of a single case or explores the case problem through a specific overview (Creswell 2014). This case study is not used to generalize a group or other individual problem, furthermore, this case study allows researchers to discover new and unexpected things (Yin 2002). It is expected that the study will gives insight for future study in regard to the presented topic.

The case study research design have evolved over the past few years as a useful tool for investigating trends and specific situations in many scientific disciplines. Some argue that because a case study is such a narrow field that its results cannot be extrapolated to fit an entire question and that they show only one narrow example.

On the other hand, it is argued that a case study provides more realistic responses than a purely statistical survey. The truth probably lies between the two and it is probably best to try and synergize the two approaches. It is valid to conduct case studies but they should be tied in with more general statistical processes. The other main thing to remember during case studies is their flexibility. Whilst a pure scientist is trying to prove or disprove a hypothesis, a case study might introduce new and unexpected results during its course, and lead to research taking new directions.

The argument between case study and statistical method also appears to be one of scale. Whilst many 'physical' scientists avoid case studies, for psychology, anthropology and ecology they are an essential tool. It is important to ensure that you realize that a case study cannot be generalized to fit a whole population or ecosystem.

Finally, one peripheral point is that, when informing others of your results, case studies make more interesting

topics than purely statistical surveys, something that has been realized by teachers and magazine editors for many years. The general public has little interest in pages of statistical calculations but some well placed case studies can have a strong impact (Creswell 2014; Yin 2002).

### Time and Location

This study specifically illustrates the case of Crafter Soloraya Community, furthermore, it tries to understand this community effort to empower the handicraft MSMEs. This community established on 26th June 2015 and has 58 members. This community is domiciled in Surakarta City and their members are consist of handicraft producers from many business scale. The study began on 2nd April to 26th July 2018, and the process included the transcription of interview results and classifying the data for analysis.

### Data Collection

The used data collection technique are in-depth and unstructured interview, it is performed to the research informants. The interviews were conducted repeatedly to obtain detailed information regarding the Crafter Soloraya community. Interview method is intended to explore the community background, activities, forms of cooperation, and social networks. This unstructured interview allows researchers to explore more problems in the Crafter Soloraya community.

The process of getting informants started from the recommendation of one of the business and environmental lecturers at Universitas Sebelas Maret, Mrs. Prasetyani. Based on the recommendation, one of the main informants is Mrs. Desi who has been a member since the Crafter

Soloraya community established. Mrs. Prasetyani knew Mrs. Desi because she had worked in business development. Mrs. Desi provides information related to community stewardship of Crafter Soloraya and recommends the researcher to meet with the community leader, Mr. Nurhadi. Researcher met with community leader by Mrs. Desi in the community gathering event (Halal bi halal). The event was attended by 28 members of Crafter Soloraya (including the administrators) and the researcher meet other informants in which include the community leader of Crafter Soloraya and Mr. Reza who is a member of the Crafter Soloraya community. Based on the above explanation, this study illustrates the data collection in the following figure.

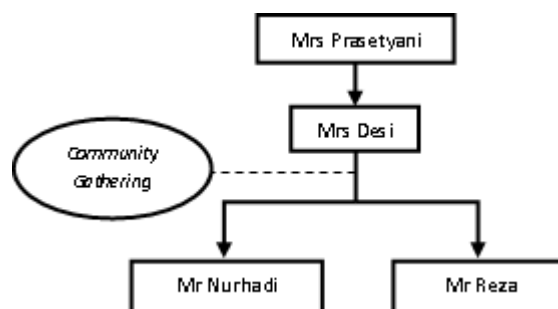


Figure 2: The Informants Determination Process

Based on the illustration, there were three main informants and one supporting informant. The informant criteria are based on the researcher's justification that the selected informant is able to explain the activity, their form of cooperation, and the social network of the Crafter Soloraya community. Each of the informants has their own role, in which are presented in table 2 below.

Table 2. Informants Role and Characteristic

Informants	Identity	Role
Mrs. Prasetyani	Lecture of business and environment	Recommending the name of members that can be used as research informants
Mrs. Desi	Member of community	Giving a brief overview of the community and the experience
Mr. Nurhadi	Head of community	Sharing about the background of the community and its characteristic
Mr. Reza	Member of community	Sharing the experience and the social bound between members.

Source: processed data (2018)

### Data Analysis Technique

The study uses content analysis to interpret the existence of texts that researchers have obtained from the interview transcripts, community internal reports, and additional field notes. The researcher will do the coding in the collected text, and form a theme. Based on Creswell (2014) revealed that the resulting codes can form several categories, then from these categories can form a theme.

On the next stage, researchers used illustrative methods to illustrate and harmonize theoretical concepts with the empirical evidence. Neuman (2014) explains that illustrative methods can be used to apply theory to historical situations

or concrete social settings. This case study on the Crafter Soloraya Community uses pattern matching as one of the variations in the illustrative method. This variation reveals that observations are adapted to the patterns or concepts from other theories or studies.

## RESULT

### Relationship between Stakeholder Role in Empowering The MSMEs

The linkage between stakeholders should be a concern to develop MSMEs. Such involvement can facilitate in terms of marketing and product quality improvement. MSMEs can synergize with the relevant stakeholders (such as financial institutions, communities, and cooperatives) to realize the



development and sustainability of MSMEs. The existence of community became the main focus of this research. However, this section will describe a general relationship of stakeholders in the efforts to empower MSMEs.

The following is the described alternative pattern of relationships between each MSMEs stakeholder roles that are expected to contribute significantly to the progress of MSMEs. This alternative pattern was adopted from Karsidi and Irianto (2005), and the pattern is still relevant today.

Different business types and business scale of MSMEs require different treatment. Moreover, handicraft MSMEs tends to sell products that emphasizing more on artistic value than to create production efficiency. Although the efficiency can be combined with the creation of artistic values. The existence of group dynamics makes the risk of failure in SMEs handicraft can be minimized. MSMEs groups then become larger and managed, afterward it can then be developed into a cooperation. This cooperation is expected to strengthen the market bargaining power both in getting raw materials and product sales. Cooperation products can also be used by the MSMEs in expanding their business.

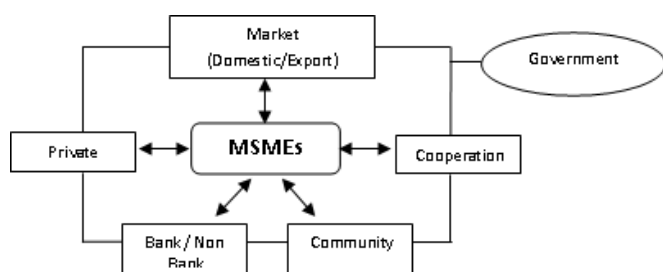


Figure 3: The Relationship of Stakeholder Role in Empowering SMEs  
Source: Karsidi and Irianto 2005

A community is a group of people who generally share the same interests and missions. Community in the development of MSMEs can be intensively conducted to build relationships, networks, and bonds between its members. Members of community-based MSME can

strengthen each other in production, network, and network with other positions. The community can help MSMEs in various aspects through the active role of its members. This is primarily concerned with expanding bargaining power, both in pricing and payment systems that create healthy business competition.

### Crafter Soloraya Community

Crafter Soloraya Community is formed by MSMEs owners in the handicraft sector. The crafter gathering began in 2014 and resulted in a connection or collaboration with related MSMEs agencies in Surakarta. In addition, handicraft exhibition was successfully carried out with MSMEs agencies in Surakarta. The idea emerged from the crafter to institutionalize of the association and initiated by Mr. Nurhadi (the current chairman of the community), Mr. Win (previous period chairman), Mr. Iqbal and Mr. Itong.

The main requirement to become the member of this community is to have own handicraft production. The products of each member are not restricted because the resulting product has an element of creativity and it is something that cannot be restricted. It refers to the concept of a creative economy that focuses on the creation of goods and services by relying on expertise, talent, and creativity as intellectual property (Irawan 2005). In general, the concept of the creative economy includes five aspects, namely creativity, intellectual property rights, symbolic goods or meaningful symbolic meanings and production methods (Ministry of Tourism Republik Indonesia. 2014).

The Crafter Soloraya community held regular activities in every month. Each activity has an orientation to empower and establish a network with outsiders. Empowerment refers to the capacity development of members and the community. It provides social and economic benefits to members and all parties involved. The routine activities of the Crafter Soloraya community are summarized in table 3 below:

Table 3: Schedule of Crafter Soloraya Community

Events	Activities Description
<i>Social Workshop</i>	<ul style="list-style-type: none"> <li>• Training to create handicraft product</li> <li>• For public</li> <li>• Free</li> <li>• Held daily, once per month</li> <li>• Venue: Toko Kharisma</li> </ul>
<i>Workshop (paid)</i>	<ul style="list-style-type: none"> <li>• Training to create handicraft product</li> <li>• Maximum payment for participant is Rp 59.000,-</li> <li>• For members and public</li> <li>• Held daily, once per month</li> <li>• Venue: Toko Kharisma</li> </ul>
<i>Routine Meeting</i>	<ul style="list-style-type: none"> <li>• Meeting between members and committee</li> <li>• Held once per month</li> <li>• Sharing between members</li> </ul>

Source: Processed Interview Result, 11/06/18

The principle of activities that's undertook by the community members is to create social and economic benefits for the members and communities. Specifically,

every social workshops that being held, each have different characteristics based on the analogy of social action. Based on the analogy of social actions conceptualized by Max

Webber, an action is oriented to or influenced by others (Narwoko and Suyanto, 2010). Especially with social workshops held by the Crafter Soloraya community is aimed to achieving as what they are wanted to. After choosing a goal, they determine the situations and take an action. The following interview quotes from Pak Nurhadi illustrates the purpose of this social workshop.

*"Sharing their knowledge among members, as in our religion, if you share then the result will return to yourselves. This can't be measured by math."*  
(Interview 26/6/18)

Social activities that's conducted in social workshops by the community members included as a value-oriented social action (Narwoko and Suyanto, 2010). This activity is rational and also benefits-oriented, but they are not really concerned about the goal. They only assume that the most important thing from these activities are the communities standard and judgement are good and right.

In accordance with the principle, social workshop is intended for the society and it is conducted once a month. Society empowerment can be realized from these activities. In addition, these activities also create and expand more network for members of Crafter Soloraya. Although in practice social workshops are also participated by the community members, it is so they earn additional skills and knowledge. Specifically, workshop activities from the community that are described by Mr. Nurhadi as presented below.

*"We teach everyone about something, if they are interested then they will follow us to produce it. The same thing or not with us, they will demand the raw material from us or we can collaborate or at least, they can be a reseller for us."* (Interview 26/6/18)

Business status of community members is divided into two, ie there are as main job and side job. In addition, the scale of business owned by each member also differs from one to another. The scale of the business is divided into small scale (beginners, where only start a business in a few days or weeks) and large scale (expert or already have experience, entered in international exhibitions and export-oriented). The difference in business scale does not create barriers or limitations for beginners to develop their business. The members of Crafter Soloraya community tends to be open minded and motivated for growth. This was in line with Mrs. Desi statement.

*"If they are still small, they want to grow more and more - I want to be like that, but how to get it?, The other members wil give you an advice on what you have to do. Helping each other, giving information, and to not act miserly towards knowledge are the keys."* (Interview, 11/06/18)

Partnership is one of the main aspect that needs to be realized in the Crafter Soloraya community. Other than sharing or exchanging opinions and giving information,

partnership is one of the obtained result from the existence of oloraya Crafter community. The members divide the partnership into two different scopes, those are internal partnership (among members) and external partnership (between individuals or agencies outside the group). One of the partnership activity made by the members is the form of collective production. This refers to one member of Crafter Soloraya who discloses that they work together by combining their own production factors and price discrimination for their fellow members. It's in accordance with Mr. Reza who stated:

*"We produce the same product at the same time too. Example, If I produce one product, I'll let the other to join with me to produce together. We divide the task to do each part like the flower petals or else. Then, we determine the same price and sell it. The other else, my friend's product is more interested than mine, so I'll become his reseller and get the different rice."* (Interview, 11/06/18)

This community also establishes a partnership with the outside agencies. Among them is the outlet of Solopos which is a showroom of handicraft products owned by a print media agency in Surakarta city - Solopos. Products from Crafter Soloraya members are distributed to the showroom to extend its market reach. Solopos outlet itself has a marketing media both online and offline. A partnership is also performed with the Department of Cooperatives and MSMEs and the Department of Industry and Trade Surakarta. The partnership has succeeded in creating a network for the community members to engage in local and national exhibitions (expo). Crafter Soloraya community members have contributed to the INACRAFT national-scale exhibition that held in the early 2018 and opens an exhibition at Graha Wisata Niaga, Sriwedari Surakarta, which has a local scale.

In addition to cooperating among members, this community also establishes cooperative relationships with outside agencies. Among them is the outlet of Solopos which is a showroom of handicraft products owned by print media in Surakarta city namely Solopos. Products from Crafter Soloraya members are distributed to the showroom to increase marketing reach. Solopos outlet itself has a marketing method both online and offline. Cooperation is also done with the Department of Cooperatives and SMEs and the Department of Industry and Trade Surakarta. The partnership has succeeded in creating a network for community members to engage in local and national exhibitions (expo). Crafter Soloraya community members can contribute to the INACRAFT national-scale exhibition in early 2018 and exhibit at Graha Wisata Niaga, Sriwedari Surakarta, which has local scale.

## DISCUSSION

The community is understood as a form of social organization that has the characteristics of active participation from the members. Community members are expected to contribute to community activities because this will shape the maintenance of the community structure itself Ife and Tesoriero (2006). In addition, a community will

enable people to interact with each other in the context of similar roles. This is not only important in self-development, but also in contributing abilities for the benefit of others.

MSMEs community in a broader perspective has a role to connect the MSMEs actors and stakeholders. As stated by Fitriati (2015) that in order to achieve understanding (monitoring and enforcement) with related agencies and associations, networking with the MSME community can form an institutional framework in order to ensure the reconstruction of the competitiveness of MSMEs in the creative industries. The formation of the Crafter Soloraya community independently also provides convenience for agencies related to the development of MSMEs in Surakarta in the field of handicraft. Starting from this network can develop in the preparation of formal and informal rules that can support the development of MSMEs.

The existence of MSMEs based community can also realize strategies for empowerment. Study from Hafiluddin, Suryadi and Saleh (2014) in Sidoarjo revealed that community-based MSMEs can create empowerment strategies that have an competitiveness aspects. Elements of increasing competitiveness are (1) creative, innovative, and adaptive (2) the ability to develop local resources that have comparative advantages into competitive advantages, (3) commitment to developing new entrepreneurs. Similarly, the Crafter Soloraya community has activities to empower members and the society independently. Communities can replace the role of government in facilitating and empowering helpless MSMEs to a more empowered level.

The essence of the concept of empowerment according to Page and Czuba (1999) is a power, namely the power to change. Viewed from this context, empowerment has the same meaning with dynamism or dynamics that has generic meaning of motion or strength, energy, reason or a way to overcome something or achieve a goal. Rowlands in Devamma (2015) illustrates that empowerment operates in three dimensions:

- a. Personal: development of self-capacity and self-confidence, and eliminating disability due to internalized oppression.
- b. Rational: develop the ability to negotiate and the ability to establish relationships that contain decisions in it.
- c. Collective: cooperation to create a wider output than each would have had alone. This includes involvement in political structures but might also cover collective action base co-operation rather than competition.

Crafter Soloraya Community in empowering its members is included in these three dimensions. Community activities are carried out to direct members, increase capacity and confidence for production and innovation. Members who are classified as 'beginners' as crafter are given the power to develop skills and products. In addition, several empirical studies also reveal that MSMEs can provide benefits to society, including creating jobs, improving living standards and alleviating poverty (Anigbogu et al. 2014).

Besides the role of economic capital and human capital, social capital is also used by members of the Crafter Soloraya community to achieve benefits or utility. As expressed by Schiff in Yustika (2012), social capital is a set elements of social structure that affect relations between humans and at the same time as inputs or arguments for production functions and utility. The social workshop activities held by Crafter Soloraya members become actual or potential resources that realize social networks so that they can institutionalize mutually beneficial relationships. This can be seen from the expression Ibu Desi, one of Soloraya Crafter's members, that providing workshops can encourage participants to be able to establish cooperation.

Members of the Crafter Soloraya community use social capital to create social obligations, trust and establish social norms for their members. On the other hand, Fukuyama (2002) explains that the guideline of values or common norms in the community is considered a dimension of social capital if it is based on trust. The social workshops from Crafter Soloraya embody values to be able to share knowledge. This was formed because of the trust between members of Crafter Soloraya, that activities to share knowledge will not narrow their business opportunities, but gain relationships or networks. Fellow members also provide mutual support, both in the form of material and non-material to develop each other. This condition was also expressed by the chairman of the Crafter Soloraya Community that the values for sharing were realized in this community. Like the following interview quote:

*"I am in Solo involved in several groups. So I dare to judge. Strangely there. Whereas if other communities do not want, want to share. Like having their own needs."* (Interview, 07/27/18)

The relationships that exist in the Crafter Soloraya community are bound by trust, mutual understanding, and shared values that make collective action effectively. In addition, the element of social capital in the Crafter Soloraya community activities is a reciprocal relationship. These reciprocal relationships can also be assumed to be complementary and mutually supportive of one another. Social capital is not only found in community groups that are already advanced or established, but also in community groups that have social problems can strengthen group members (Mardikanto 2013). The general description of the Crafter Soloraya community that illustrate strengthen and empower MSMEs actors, especially in the field of handicraft, is in the following figure 4.

Social capital, community based development, and empowerment have relationships that support each other. Community based development mobilizes social capital to be more productive. In addition, high social capital also helps to achieve the goals of the community effectively and cheaply. Social capital and community based development are productively linked with empowerment. Social capital is the basis of the empowerment process that takes place among community members. It is also needed to create sustainable community based development because it increases access to resources from the outside of community (Krishna 2013; Amanah 2009). In a wider scope, social



capital can be fully utilized to accelerate the struggle against poverty through community based economic development and promote sustainable livelihoods (Mubangizi 2003).

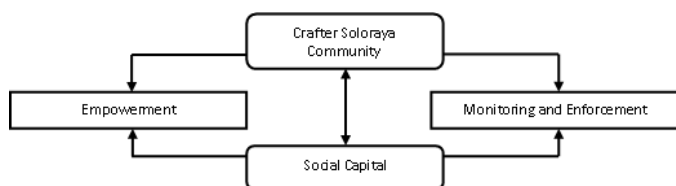


Figure 4: Research Findings

The stock of social capital and community based development is no doubt to create an empowerment. However, the state structure in terms of law, norms and practice can also distort the purpose of a community. These structural factors will make a difference and no matter how high the level of social capital that community members process. Government policy alignment has an important role to play in building a stable environment for communities to maintain and scale up their operations. These government interventions also contribute to the evolution of local communities in optimizing access to economic and human resources (Dale and Newman 2010).

Referring to Community Based Economic Development (CBED) paradigm which stated by Choirul in Hafiluddin, Suryadi and Saleh (2014), strengthening group ability in designing business strategy to achieve sustainability has become a main goal. Group members can recognize each other, formulate, and find solutions to the problems that they face. So they can achieve the long-term goals both in the economic aspects and other aspects. For example, the enhancement on social aspect is performed through conducting social workshop activities. The essence of CBED work as a human service delivery for a group of people by providing opportunities, empowering and providing protection for socio-economic activities that they have been or are currently working on. This is illustrated in figure 5 below.

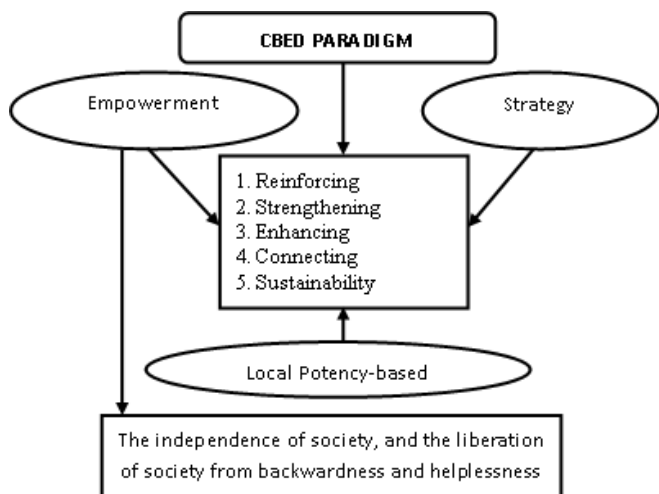


Figure 5: Community Based Economic Development paradigm on Crafter Soloraya Community

Source: (Hafiluddin, Suryadi and Saleh 2014, adjusted by author)

Furthermore, the strategy of Community Based Economic Development also plays an important role for MSMEs (Hafiluddin, Suryadi and Saleh 2014). It can also be implemented for MSMEs in Surakarta City especially in the handicraft field, such as:

- Broadening knowledge that can be used to recognize and understand the strengths and weaknesses in the local economy and hidden potential economic assets.
- Implement a leadership style that can unify the human resources, knowledge, local government, communities and the private sector in order to meet the community goals.
- Managing subsidies that can create business development and create business sustainability.

Meanwhile, the goals of Community Based Economic Development are as follows (Hafiluddin, Suryadi and Saleh 2014):

- Ensure that local communities benefit the most in developing and building their economies.
- Ensure economic development is able to cope with local problems or increase their potential
- Ensure that community-driven development becomes cheaper as efficiency increases and costs are lower
- Ensure that the skills, capacities and networks of community members in the development are increasing.

## CONCLUSION

Stakeholder took an important role in developing the MSMEs, the role of stakeholders is essential to help the development of MSMEs in their marketing and products, especially in the field of handicraft. One of the internal elements of the stakeholder that's associated with the development of handicraft MSMEs is the community. This study presents, the Crafter Soloraya community establish an institutional structure to achieve understanding (monitoring and enforcement) with related agencies in the framework of developing MSMEs. Crafter Soloraya Community can independently empower members and the society through their routine activities. There is social capital that underlies community members to empower and achieve understanding with agencies related to the development of MSMEs in Surakarta. This refers to the realization of social networks so that they can institutionalize mutually beneficial relationships.

Through the Community Based Economic Development paradigm, the existence of Crafter Soloraya community has not shown a pattern that leads to sustainability related to activities for the development of MSMEs in the particular handicraft field. The community is able to create a social network that empowers and strengthens the MSMEs development strategy. The social network that's formed through the Crafter Soloraya community has two aspects. First, internal aspects related to the relationships among members who are able to create social action. Second, external aspects that create relationships with outside agencies to accommodate the interests and needs of the community.



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