
**FARMERS' INSTITUTIONS AND SOCIAL CAPITAL IN IMPROVING
THE WELFARE OF CHILI FARMERS**

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Abstract

In order to improve farmers' welfare, there is a widespread belief that farmers will be more prosperous if they can produce higher priced products in the retail market. However, previous research results show that farmers do not benefit from high commodity price growth at the retail level. The purpose of this study is to examine the institutional relationship between farmers and farmers' social capital and farmer welfare in an effort to improve the welfare of farmers, especially chili farmers. The results of the descriptive exploratory analysis show that the development of farmer groups is also a vehicle for exchanging information as well as a social network among farmers. Social capital has an important role in maintaining and building social integration, as well as being the social glue in society.

Keywords: farmer, social capital, welfare

1. Introduction

In order to improve farmer welfare, there is a widespread belief that farmers will be more prosperous if they can produce higher priced products in the retail market. However, the results of the study by Minten et al. (2012) show that farmers do not benefit from high commodity price growth at the retail level. Price fluctuation is a routine phenomenon that occurs every year in the seasonal agricultural product distribution system. During the harvest season, farmers' products are abundant but prices drop drastically, on the contrary, when it is not the harvest season, the prices of commodities produced by these farmers tend to increase in the market. During the harvest season, farmers should be able to enjoy the benefits to improve their welfare, but on the contrary, farmers are always at a disadvantage. Besides that,

Farm family welfare is the goal of agricultural development and national development. In simple terms, it can be said that a farming family is said to be prosperous if it is able to meet the basic needs of its members. Welfare is closely related to the functioning of the family. Farmers' welfare is the goal of agricultural development and national development. In an effort to improve the welfare of the farmers, the government has made efforts in various ways so that the life and welfare of farmers can increase. The government through the Ministry of Agriculture has set a strategy for revitalizing agricultural development through five foundations that must be considered in formulating agricultural development programs and policies, including (a) improving agricultural infrastructure, (b) strengthening farmer institutions,

Not many young people aspire to become farmers. The paradigm that being a farmer will not lead them to prosperity and wealth makes the agricultural sector undeveloped, farmers' life is always synonymous with poverty, low education, always struggling with mud and outdated. The constraints on how to market agricultural products make the life of farmers not move from poverty and far from living a prosperous life, plus the powerlessness of the commodities produced to compete in the global market, adds to a series of problems related to improving the welfare of farmers.

Bali Province is part of the territory of Indonesia which has a large area for conducting agricultural business, the province of Bali has fertile land with various potential natural resources in it. All regencies/cities in Bali Province are areas that have agricultural land. The agricultural sector has an important role in the economy of the Balinese people, one of which is as the second largest contributor to Bali's Gross Regional Domestic Income (PDRB) (Suasih et al., 2018).

The agricultural sector is one of the bases that are highly expected to support economic growth both at present and in the future. Agricultural activities, especially in the field of horticulture, which include flowers, fruit and vegetables, have attracted the attention of various groups. Besides, it can be used as a livelihood that generates profits. Horticultural commodities, especially vegetables such as cabbage, potatoes, tomatoes, carrots and chilies, have been cultivated by farmers for a long time because these products are needed by every community as a daily meal menu. Chili is an important vegetable commodity, the fruit is known as a flavoring ingredient and a complement to various Indonesian specialties.

Several important reasons for the development of chili commodities, among others are (1) It is classified as a high economic value commodity; (2) Is one of the leading national vegetable commodities; (3) Occupying an important position in almost all food menus in Indonesia; (4) Has good export prospects; and (5) Are labor intensive in nature (Saptana et al., 2010).

The various efforts made by the government to increase chili production and to excite chili farmers aimed at farmers' welfare have not been optimal. The problem of falling chili prices every major harvest and the scarcity of chilies in the market as well as soaring chili prices, especially just before religious holidays and entering the rainy season, have always been classic unsolved problems.

Although the market demand for chili products is increasing, production development is still relatively slow. This is caused by various problems in improper and inefficient cultivation and post-harvest, in addition to the absence of farmer institutions and the lack of availability of innovation. So far, many farmer institutions have been formed in the village. However, the results of the study by Zuraida and Rizal (1993), Agustian et al. (2003), Syahyuti (2008), and Purwanto et al. (2007) show that farmer institutions in villages generally do not work well for several reasons.

Based on the orientation of agricultural development in Indonesia, which currently refers to the agribusiness system, the role of agricultural institutions, especially farmer institutions, will determine the success of agricultural development, which leads to the welfare of farmers. Rural farmer institutions contribute to: accelerating the socio-economic development of farmers; accessibility to agricultural information; accessibility to capital, infrastructure and markets; and adoption of agricultural innovations. In addition, the existence of a farmer institution will make it

easier for the government and other stakeholders to facilitate and provide strengthening to farmers (Suasih, 2016).

According to Arifin and Rahbini (2001), the institutional definition includes two important things, namely conventions and rules of the game. Institutional is a rule that is well known and followed by members of society, which creates shade (liberty) and constraints (constraints) for individuals or members of society. Institutions are sometimes written formally and enforced by government officials, but institutions can also not be written formally as in the customary rules and norms adopted by the community. These institutions are generally predictable and fairly stable, and can be applied to repeated situations.

Agriculture in Bali Province certainly cannot be separated from customs and culture, including the existence of the subak. Regarding the institutional challenges of subak in the future, Sutawan's research (2005) explains that subak with its local wisdom must be able to become a socio-agrarian-religious organization that can adapt to the economic demands of its members along with agricultural and rural development programs. The economic orientation of the subak management organization has been initiated, especially in the face of globalization, so that subak member farmers can increase their income and at the same time be able to anticipate uncontrolled land shrinkage.

Empowerment activities based on an institutional approach are one of the strategies to overcome farmers' socio-economic problems. This institutional approach also considers the role of local social capital to support the achievement of successful empowerment, so that the farming community has social independence. This potential for independence is very important to achieve the ultimate goal of empowerment, namely respecting human values or humanizing humans and developing social justice and democratic behavior.

In the development of the agricultural sector, social and cultural elements are one of the factors that determine the success of a country's economic development. In the culture of the Indonesian people, mutual cooperation is a legacy of noble values that is very valuable, while in the Balinese cultural concept, the culture of *ngayah* and the development of various traditional institutions are forms of social interaction as social capital that play a role in realizing mutual progress. states that mutual cooperation, help, remind each other between individuals in the village community entity reflects the spirit of giving each other (reciprocity), mutual trust (trust), and the existence of social networks (social networking). This builds solidarity among the village community to start farming together, avoid pests, form farmer groups,

The existence of social capital is one of the most important assets and serves as an adhesive tool in the implementation of agricultural activities. Social capital is essentially a series of values and norms that are the concrete manifestation of a dynamic institution. The real form of social capital for farmer groups is in the form of trust, social networks, responsibility and cooperation between farmers (Wuysang, 2014). Subak empowerment is one of the pillars for developing the agricultural sector where the existence of subak is a social network among farmers.

The purpose of this study is to examine the institutional relationship between farmers and farmers' social capital and farmer welfare in an effort to improve the welfare of farmers, especially chili farmers.

2. Literature Review

Farmer's Welfare

Farmers' welfare is the goal of agricultural development and national development. In simple terms it can be said that a farming family is said to be prosperous if it is able to meet its basic needs. Welfare is closely related to the functioning of the family. According to Parson's theory in Euis Sunarti (2006), the family will function and be sustainable when it carries out the adaptation function, the goal attachment function, the integration function and the latency function. The adaptation function is the acquisition of resources from outside the family to meet family needs. The function of integration is to maintain bonds and solidarity and involve these elements to control and maintain the system and prevent major disturbances in the family system. The latency function by which energy is stored is distributed in the family system.

The measure of the level of welfare continues to change, in the 1950s welfare was measured from physical aspects such as nutrition, height and weight, life expectancy and income. In the 1980s, there was a change in which prosperity was measured by income, labor, and civil rights. Furthermore, in the 1990s Mahmud Ul-Haq formulated a measure of welfare using the Human Development Index (HDI). With HDI, welfare is no longer emphasized on aspects of economic-material quality, but also on aspects of social quality of a society.

The concept of welfare according to Nasikun (1996) can be formulated as the equivalent meaning of the concept of human dignity which can be seen from four indicators, namely (a) security, (b) welfare, (c) freedom, and (d) identity. According to Kollé and Bintarto (1989), welfare can be measured from several aspects of life, including (a) By looking at the quality of life from a material perspective, such as the quality of houses, foodstuffs and so on; (b) By looking at the quality of life from a physical point of view, such as physical health, natural environment, and so on; (c) By looking at the quality of life from a mental perspective, such as educational facilities, cultural environment; and (c) By looking at the quality of life from a spiritual perspective such as morals, ethics, conformity and so on.

Understanding the reality of the level of welfare basically contains several factors that cause disparities in the level of welfare, including (a) Household or community socio-economics; (b) The structure of sectoral economic activity which forms the basis for household or community production activities; (c) Regional potential (natural resources, environment and infrastructure) that affect the development of the structure of production activities; and (d) institutional conditions that form production and marketing networks at local, regional and global scales (Taslim, 2004).

Currently, the study of social welfare has developed not only as a nominal measure, but expanded to the field of non-economic studies, so the concept of measuring welfare has been patterned as the quality of life (Westgate, 1996; Kanya, 2000). According to Tsung (2002), the quality of life is stated to have a dimension of religious well-being. The definition of spiritual well-being is also described as fully religious behavior, understanding well the purpose and essence of life, aligning oneself to achieve happiness and the view that life is the complexity of many goals (Adams et al., 2000).

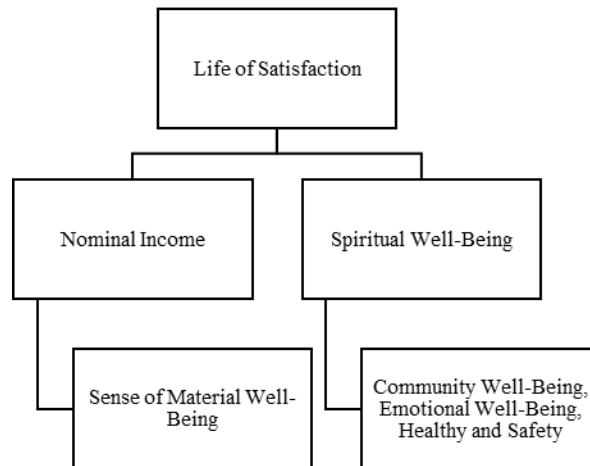


Figure 1. Life Satisfaction Measurement

Source: Kamyra (2000), Tsung (2002)

Tsung et al. (2002) stated that the existential well-being dimension is related to life satisfaction and mental and psychological health levels. The welfare approach as developed by a number of researchers such as Ellison and Smith (1991), Chandler (1992), Westgate (1996), Kamyra (2000), Tsung (2002) in outline provides a more holistic measurement of the level of welfare of society by including non economics as a measurement pattern.

Institutional

So far, the understanding of the concept of an institution or institution (institution) is more focused on organizations, both formal and non-formal organizations. The Uphoff (1992) and Fowler (1992) conventions state that an institution can take the form of an organization, or vice versa. An institution can be in the form of an organization such as a government, bank, party, company and others. Institutions can also be in the form of regulations such as laws or statutes, tax systems, courtesy, customs, and others. In the context of agricultural institutions, the understanding of the term “local” is interpreted as something that has its own characteristics related to local conditions.

A farmer institution is a farmer institution in a local institution, which is in the form of membership organizations or cooperatives, namely farmers who are members of a cooperative group (Uphoff, 1992). Further explained by Anantayu (2011) that this institution includes a broad definition, namely in addition to the definition of farmer organizations, also 'role of the game' or rules of behavior that determine patterns of action and social relations, including social unity. -social unity which is the concrete form of that institution.

Esman and Uphoff in Garkovich (1989) state that farmer institutions basically have several roles, namely: (1) inter organizational tasks to mediate society and the state; (2) resource tasks include mobilizing local resources (labor, capital, materials, information) and their management in achieving community goals; (3) service tasks include service requests that describe development goals or coordinate requests from local communities; and (4) extra organizational tasks require

local requests for bureaucracy or outside organizations for bureaucracy or organizations outside society for interference by outside agents.

Agricultural institutions that do not support are one of the problems in managing agricultural resources, where one of the institutions referred to is the farmer's own institution. Therefore, Anantayu (2011) conveyed the need for farmer institutional development based on the premise that: (1) the agricultural process requires strong human resources supported by infrastructure, equipment, credit and so on; (2) farmer institutional development is more complicated than natural resource management because it requires supporting factors and production units; (3) agricultural activities include three series, namely preparing inputs, converting inputs into products with labor and management efforts, and placing outputs into value; (4) agricultural activities require support in the form of policies and institutions from central to local; and (5) the complexity of agriculture, which includes business and institutional units, is difficult to achieve optimal conditions.

Management of farm resources by farmers involves regulating inputs, production processes, and outputs so as to achieve high productivity. Agricultural business itself includes input, production and output activities (Uphoff, 1992). In managing the factors of production, the production process, up to the processing of agricultural products, farmer institutions are needed. Agricultural business activities will be successful if the farmers have sufficient capacity. To be able to achieve optimal productivity and efficiency, farmers must run a collective business. For that we need an understanding of an institution at the farmer level. Traditionally, farmer community institutions have developed from generation to generation, but the challenges of the times demand an institution that is more appropriate in meeting the needs of the farming community. This effective farmer institution is expected to be able to support agricultural development. Anantayu (2011) emphasizes that at the farmer level, institutions are needed as: (1) a vehicle for education; (2) commercial activities and organization of agricultural resources; (3) general property management; (4) defending collective interests; and (5) others.

Mosher (1991) believes that joint activity (group action or cooperation) by farmers is a facilitating factor for agricultural development. Joint activities are needed if togetherness will be more effective in achieving the desired goals together. Furthermore, Anantayu (2011) explains that the existence of farmer institutions is based on cooperation that can be carried out by farmers in managing agricultural resources, including: (1) processing, to make it faster, more efficient and cheaper; (2) marketing (marketing), will convince buyers of quality and increase the bargaining position of farmers; (3) buying, in order to get a cheaper price; (4) the use of agricultural equipment (machine sharing), will reduce the cost of purchasing these tools; (5) cooperative services, to provide services for the common interest so as to improve the welfare of members; (6) cooperative banks; (7) cooperative farming will obtain higher profits and product uniformity produced; and (8) multi-purpose cooperatives, which are developed according to the common interests of farmers.

Social Capital

Fukuyama (1995) defines social capital as a series of informal values or norms that are shared among members of a group that allow for cooperation between them. Meanwhile, Cox (1995) defines social capital as a series of processes of human relations that are supported by networks,

norms and social beliefs that enable efficient and effective coordination and cooperation for mutual benefits and benefits.

Hughes and Robert (2010) cite the opinion of Inkpen and Tsang (2005) that social capital displays a company's ability to benefit from the network. These advantages can include access to knowledge, resources, technology, markets and business opportunities. A network of ties such as those formed in supply contracts between one company and another creates a social capital resource. When interactions in relationships between firms increase, social capital improves, thereby potentially increasing profits. The level of trust and rational dependence between firms in a particular relationship are qualitative indicators of the relational dimension.

According to Putnam (1995) in Adhikari (2009), social capital refers to the characteristics of social organizations, such as networks, norms and beliefs that facilitate coordination and performance for mutual benefits. He sees social capital as a form of public good in contrast to its effects on economic and political performance at the collective level. Putnam emphasized that people's participation in associational life results in more effective public institutions and better services.

Referring to Coleman (1988), Putnam (1993), Fukuyama (1995), and Quigley (1996), that social capital, especially trust develops through norms and reciprocity and successful cooperation in civic networks. Trust plays an important role in promoting economic prosperity and making democracy work. Social capital is essential to prosperity, but important consequences may not be felt in the economy as in social and political life, for government effectiveness and even for economic progress, social capital may be more important than physical capital or human capital.

Based on the explanation above, social capital has an important role in development. Underdeveloped social capital will make it difficult for people to get out of underdeveloped conditions. Hasbullah (2006) added that a fundamental problem that needs to be studied regarding the failure of programs and policies related to welfare so far is negligence in identifying the very determining factor, namely social capital. Realizing the weak position of the farmers, it is necessary to develop a study of social capital as a driving force for farmers from within, namely the quality of the network, social trust and social norms as proposed by Putnam (1993).

The indicators of social capital are very broad in scope. Each researcher provides a definition based on the needs of the research carried out so that so far there is no standard agreement on indicators of social capital. Therefore, in this study, the social capital indicators proposed by Hasbullah (2006) call it the main elements of social capital. He said that the study of social capital lies in how the community's ability in a group entity to participate in building a network to achieve common goals. Such cooperation is characterized by a mutually beneficial interaction pattern, and is built on trust that is supported by positive and strong social norms and values.

Referring to Ridell (1997), there are three parameters of social capital, namely trust (trust), norms (norms), and networks (networks). As explained by Fukuyama (1995), trust is an expectation that grows in a society which is shown by honest, orderly, and cooperative behavior based on shared norms. Cox (1995) then notes that in societies with high levels of trust, social rules tend to be positive, relationships are also cooperative.

3. Method

This study uses literature review analysis to conduct studies through various relevant literature.

4. Results

Farmer Institution and Farmers' Social Capital

Solving the problem of institutional solidity through strengthening social capital is the key to ongoing synergy in an organization. The progress and development of farmer groups will depend on the solidity of members and administrators to step together to achieve the common goals that have been set. An institution that is united in the vision and mission. If farmers unite in an agricultural institution, in addition to being more independent and autonomous in overcoming their problems, it will certainly allow for organizational development in the future. With the integration of all the elements in the institution, farmers will be able to come out to solve problems of production, capital, organization and marketing. Empowered as a group in an agricultural institutional container,

The solidity of farmer group institutions that are built up by social capital is a starting point for the efforts of, by and for every element in the farmer group itself. Social capital causes the creation of bonds between elements in the institution. A solid farmer group institution will be able to provide optimal services and functions in providing access to production, finance, marketing, and technological developments to its members. Institutional solidity that is reflected in trust, better cooperation, and a more effective network, enables the institution's functions and roles to run optimally.

The management of farmer groups will be successful in terms of its impact on strengthening farmer capital, increasing productivity, increasing production capacity, ability and bargaining power with other market institutions, thereby contributing to increasing the income of its members. According to Nan (2009) on network governance - inclusive networks, trust and reciprocal relationships such as knowledge sharing are the main streams exchanged through networks. Inclusive networks are more adaptive to constructive conflict resolution. Broader social change is needed to allow for more inclusive networks. Inclusive networks built on reciprocity, trust, and norms are flexible enough to embrace a diversity of networks. We need to build reciprocity, trust and flexible norms.

Ruseva et al. (2016) in their study concluded that diversity of organizational partnerships, cooperation, and shared values between members, as well as trust are associated with higher success rates. Organizational capacity, trust, volunteerism and financial support are also important factors influencing perceptions of success. The social capital theoretical framework can contribute to explaining why many of the traditional, large and complex organized agricultural institutions have failed over the past few decades (Nilsson et al. 2012). The development strategy through vertical integration and horizontal integration has created a gulf between members and the institutions that shelter them.

Satriawan and Oktavianti (2012) explain that poor farmer organizations and institutions are one of the causes of farmer poverty. Anantayu (2011) explains that the existence of farmer institutions for farmers is a necessity to improve their standard of living, dignity and dignity. Zakaria (2010) also states that most of the business actors in Indonesia are farmers and small

entrepreneurs who, if they join forces in a strong economic organization, will get benefits (welfare).

Farmers' Social Capital and Farmer Welfare

Social capital in a country is a major determinant of the composition and growth of a country's output and exports. For example, health and adequate food will be able to increase the productivity of workers, rural communities. In agriculture, it is evident that there is a positive impact of social capital on productivity among farmers using modern technology, compared to the use of traditional methods. In Thailand, farmers with four or more years of education are three times more likely to adopt modern inputs than those with less education (Birdsall, 1993).

Social capital is also very important in contributing to technological capacity and technical changes in industry. Ottoson and Klyver (2010), in their research on the impact of human capital on social capital with entrepreneurial respondents, showed that the two of them create productive cooperation, and an increase in the quality of human capital will increase the level of social capital immediately. Becker (1993) states that the concept of human capital (level of education, self-efficacy, and experience) refers to an investment so that one expects economic returns. Social capital in society should be understood that within a community there is diversity (religion, culture, interests, social status, education, income, expertise, gender) of its members. so there needs to be a deep understanding of this diversity. Meanwhile, understanding values and norms is important. Important elements in social capital, among others; a sense of belonging among members, a network of cooperation, a sense of trust and a guarantee of security for members, giving each other, mutual participation, and being proactive.

The various social capitals in rural areas are alleged to have been able to contribute to rural communities based on the principles of trust, mutual support and mutual benefit. These three principles are basically owned by the village community as social capital. However, to achieve and increase economic growth in rural areas, the role of social capital still needs to be increased by involving village communities proactively. The community has experienced the benefits of social capital, such as increased insight, experience, harmony, increasing community self-help, environmental sustainability, toddler health, unity among residents, sharing of experiences, solidarity, friendship, program sustainability, improving communication, accommodating community aspirations,

The level of farmer welfare and poverty reduction can be done not only through economic empowerment, but also through strengthening social capital. Social strengthening can be done by developing social capital strengthening schemes, such as improving the functions of farmer groups, PKK, BUMDes, and cooperatives. Strengthening social capital is also carried out by maximizing the role of social institutions by focusing on strengthening aspects of trust, mutual respect and mutual benefits, as well as paying attention to cultural factors and prevailing values.

Farmers' Institutions in Improving Farmer Welfare

The farmer group is an institution at the farmer level that is formed to directly organize the farmers in farming. A farmer group is a group of farmers formed on the basis of common interests, equality of environmental conditions (social, economy, resources) and familiarity to improve and develop members' businesses. Farmer groups are formed by and for farmers, in

order to solve common problems in farming and strengthen the bargaining position of farmers, both in the market for means and the market for agricultural products.

Conceptually, the role of farmer groups is more of a description of the activities of farmer groups which are managed based on the agreement of their members. These activities can be based on the type of business, or elements of the agribusiness subsystem, such as procurement of production facilities, marketing, processing of post-harvest products, and so on. The choice of farmer group activities is highly dependent on the same interests, natural resources, socioeconomic, familiarity, mutual trust, and harmony of relationships between farmers, so that it can be a binding factor for the preservation of group life, where each member of the group can feel ownership and enjoy maximum benefits. the size of the farmer group.

As the opinion of Hermanto and Swastika (2011) that increasing group member participation will increase group dynamics. This dynamic will provide the maximum opportunity for members to work together and participate in group activities, so that common goals can be achieved. Dynamic farmer groups are characterized by always having activities or interactions, both inside and with outsiders in an effort to achieve group goals. As a community social organization, farmer groups function as teaching-learning platforms for their members to increase their knowledge, skills and attitudes as well as to grow and develop self-reliance in farming with increased productivity, increased income and a more prosperous life.

The low performance of existing farmer groups is due to, among others, the low role of farmer group administrators, unclear group members, incomplete and non-functional organizational structures, low farm productivity and lack of guidance from extension officers. In addition, the establishment of the institution was not carried out in a participatory manner so that it could not accommodate the potential and interests of farmers, which should be the capital for collective action (Hermanto et al., 2010). Even farmer groups are often formed on a temporary basis and are only active at certain times, such as when there is distribution of subsidized fertilizer assistance, subsidized credit, or other assistance.

In general, the existing farmer groups are the result of project activities so that it is not uncommon for the completion of projects, many farmer groups are unable to maintain their groups or just remain in name. However, there are also farmer groups that are progressing even though no more projects or assistance have been received. Therefore, efforts to increase the capacity of farmer groups through a series of coaching are very important to realize the independence of farmer groups and the welfare of farmers.

So far, the paradigm of agricultural development is still directed at increasing productivity towards food self-sufficiency. Meanwhile, farmers as food producers are still not prosperous. Therefore, the paradigm of agricultural development should be more directed at efforts to improve the welfare of farmers. The main problem for farmers is the farmers' weak bargaining position in the agricultural business system. Farmers produce agriculture with limited land tenure and without adequate knowledge and information support on production management issues. In addition, farmers' ability is also limited in terms of price negotiations due to limited market information so that prices are determined unilaterally by middlemen. Therefore, it is necessary to make efforts to increase the bargaining position of farmers through strengthening farmer institutions.

4. Conclusion

Solvi The development of farmer groups is also a vehicle for information exchange and a social network among farmers. The farmer institution (farmer group) has a function: as a forum for the learning process, a vehicle for cooperation, a unit providing production facilities and infrastructure, a production unit, a processing and marketing unit, and a supporting service unit.

Social capital has an important role in maintaining and building social integration, as well as being the social glue in society. With the development of social capital among farmer groups, they will be able to form networks and support business improvements for farming communities in rural areas and increase farmers' income and welfare.

Farm family welfare is the goal of agricultural development and national development. In simple terms it can be said that a farming family is said to be prosperous if it is able to meet its basic needs. Welfare is closely related to the functioning of the family.

Farmers' institutions should be formed permanently and operate in a sustainable manner, considering that farmer groups are often formed temporarily and are only active at certain times, such as when there is distribution of subsidized fertilizer assistance, subsidized credit, or other assistance.

Social capital in society should be understood by farmers that in a community there is diversity (ethnicity, religion, culture, interests, social status, education, income, expertise, gender) of its members, so there is a need for a deep understanding of this diversity.

Farmers' welfare is the goal of agricultural development and national development. In an effort to improve the welfare of farmers, the government should continue to make efforts in various ways so that the life and welfare of farmers can increase.

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